

Serving Our Community



We Put Our Best in All We Do

Teachers of the Year (2019)



Renovated
Ranger Station
Beaverdam Park



County of Gloucester, Virginia Comprehensive Annual Financial Report For Fiscal Year Ending June 30, 2020

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

Prepared By:

Gloucester County
Department of Finance

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	i
Table of Contents	ii-vi
Directory of Principal Officials	vii
Organizational Chart	viii
GFOA Certificate of Achievement	ix
Letter of Transmittal	x-xxi
FINANCIAL SECTION	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-15
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	16
Exhibit 2 Statement of Activities	17-18
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	19
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	20
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances — Governmental Funds	21
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Exhibit 7 Statement of Net Position — Proprietary Fund	23-24
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Position — Proprietary Fund	25
Exhibit 9 Statement of Cash Flows — Proprietary Fund	26
Exhibit 10 Statement of Fiduciary Net Position — Fiduciary Funds	27
Notes to Financial Statements	28-113
<u>Required Supplementary Information:</u>	
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances — Budget and Actual—General Fund	114

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)	<u>Page</u>
<u>Required Supplementary Information: (Continued)</u>	
Exhibit 12 Schedule of Changes in Net Pension Liability and Related Ratios – Primary Government – Pension Plans	115-116
Exhibit 13 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Component Unit School Board (nonprofessional) – Pension Plans	117-118
Exhibit 14 Schedule of Employer’s Share of Net Pension Liability VRS Teacher Retirement Plan – Pension Plans	119-120
Exhibit 15 Schedule of Employer Contributions – Pension Plans	121
Exhibit 16 Notes to Required Supplementary Information – Pension Plans	122
Exhibit 17 Schedule of County’s Share of Net OPEB Liability – Group Life Insurance (GLI) Plan	123
Exhibit 18 Schedule of Employer Contributions – Group Life Insurance (GLI) Plan	124
Exhibit 19 Notes to Required Supplementary Information – Group Life Insurance (GLI) Plan	125
Exhibit 20 Schedule of Changes in Net OPEB Liability and Related Ratios – Health Insurance Credit (HIC) Plan – Primary Government	126
Exhibit 21 Schedule of Changes in Net OPEB Liability and Related Ratios – Health Insurance Credit (HIC) Plan – Component Unit School Board – (nonprofessional)	127
Exhibit 22 Schedule of Employer Contributions – Health Insurance Credit (HIC) Plan	128
Exhibit 23 Notes to Required Supplementary Information – Health Insurance Credit (HIC) Plan	129
Exhibit 24 Schedule of School Board’s Share of Net OPEB Liability – Teacher Employee Health Insurance Credit (HIC) Plan	130
Exhibit 25 Schedule of Employer Contributions – Teacher Employee Health Insurance Credit (HIC) Plan	131
Exhibit 26 Notes to Required Supplementary Information – Teacher Employee Health Insurance Credit (HIC) Plan	132
Exhibit 27 Schedule of Employer’s Share of Net LODA OPEB Liability – Line of Duty Act (LODA) Program	133
Exhibit 28 Schedule of Employer Contributions – Line of Duty Act (LODA) Program	134

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)		<u>Page</u>
<u>Required Supplementary Information: (Continued)</u>		
Exhibit 29	Notes to Required Supplementary Information – Line of Duty Act Program (LODA) Program	135
Exhibit 30	Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Primary Government	136
Exhibit 31	Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios – Component Unit School Board	137
Exhibit 32	Notes to Required Supplementary Information – County OPEB	138
Exhibit 33	Notes to Required Supplementary Information – Component Unit School Board	139
<u>Other Supplementary Information:</u>		
Combining and Individual Statement and Schedules:		
Exhibit 34	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund	140
Exhibit 35	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Fund	141
Exhibit 36	Combining Balance Sheet – Nonmajor Governmental Funds	142
Exhibit 37	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	143
Exhibit 38	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Governmental Funds	144-145
Exhibit 39	Combining Statement of Fiduciary Net Position – Fiduciary Funds	146
Exhibit 40	Combining Statement of Changes in Assets and Liabilities – Agency Funds	147
Discretely Presented Component Unit–School Board:		
Exhibit 41	Combining Balance Sheet	148
Exhibit 42	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	149
Exhibit 43	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	150

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020
TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
FINANCIAL SECTION (CONTINUED)	
<u>Other Supplementary Information: (Continued)</u>	
Discretely Presented Component Unit—School Board: (Continued)	
Exhibit 44	Schedule of Revenues, Expenditures, and Changes in Fund Balance — Budget and Actual — School Cafeteria Fund 151
Exhibit 45	Statement of Fiduciary Net Position — Fiduciary Fund 152
Exhibit 46	Statement of Changes in Fiduciary Net Position — Fiduciary Fund 153
Exhibit 47	Statement of Net Position — Internal Service Fund 154
Exhibit 48	Statement of Revenues, Expenses, and Changes in Fund Net Position — Internal Service Fund 155
Exhibit 49	Statement of Cash Flows — Internal Service Fund 156
Discretely Presented Component Unit—Economic Development Authority:	
Exhibit 50	Statement of Net Position 157
Exhibit 51	Statement of Revenues, Expenses, and Changes in Net Position 158
Exhibit 52	Statement of Cash Flows 159
Supporting Schedules:	
Schedule 1	Schedule of Revenues — Budget and Actual — Governmental Funds 160-167
Schedule 2	Schedule of Expenditures — Budget and Actual — Governmental Funds 168-172
STATISTICAL SECTION:	
Table 1	Net Position by Component — Last Ten Fiscal Years 173-174
Table 2	Changes in Net Position — Last Ten Fiscal Years 175-178
Table 3	Fund Balances Governmental Funds — Last Ten Fiscal Years 179-180
Table 4	Changes in Fund Balances Governmental Funds — Last Ten Fiscal Years 181-182
Table 5	Principal Property Tax Payers — Current and Nine Years Ago 183
Table 6	Property Tax Levies and Collections — Last Ten Fiscal Years 184
Table 7	Assessed Value and Estimated Actual Value of Taxable Property — Last Ten Fiscal Years 185
Table 8	Assessed Value of Taxable Property Other than Real Property — Last Ten Calendar Years 186

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
STATISTICAL SECTION: (CONTINUED)	
Table 9 Ratio of Outstanding Debt by Type – Last Ten Fiscal Years	187
Table 10 Ratio of General Bonded Debt Outstanding – Last Ten Fiscal Years	188
Table 11 Pledged Revenue Coverage – Last Ten Fiscal Years	189
Table 12 Demographic and Economic Statistics – Last Ten Calendar Years	190
Table 13 Principal Employers – Current and Nine Years Ago	191
Table 14 Full-time Equivalent County Government Employees by Function – Last Ten Fiscal Years	192
Table 15 Operating Indicators by Function – Last Ten Fiscal Years (where available)	193-194
Table 16 High Volume Users of Water System – Current and Nine Years Ago	195
Table 17 Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	196-197
COMPLIANCE SECTION:	
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	198-199
Independent Auditors’ Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	200-201
Schedule of Expenditures of Federal Awards	202-203
Notes to Schedule of Expenditures of Federal Awards	204
Schedule of Findings and Questioned Costs	205

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Phillip N. Bazzani, Chair
Kevin M. Smith, Vice-Chair

Ashley C. Chriscoe
Christopher A. Hutson

Michael R. Winebarger

Michael W. Hedrick
Robert J. Orth

County School Board

Robin Rice, Chair
Elisa A. Nelson, Vice-Chair

Brenda Mack
George R. Burak

Darren P. Post

Troy M. Anderson
Anita F. Parker

Board of Social Services

Mark Dutton, Chair
Corky Hogge, Vice-Chair

Harrison Dixon
Doug Vaughan

Debra Goodier
BOS Representative Michael R. Winebarger

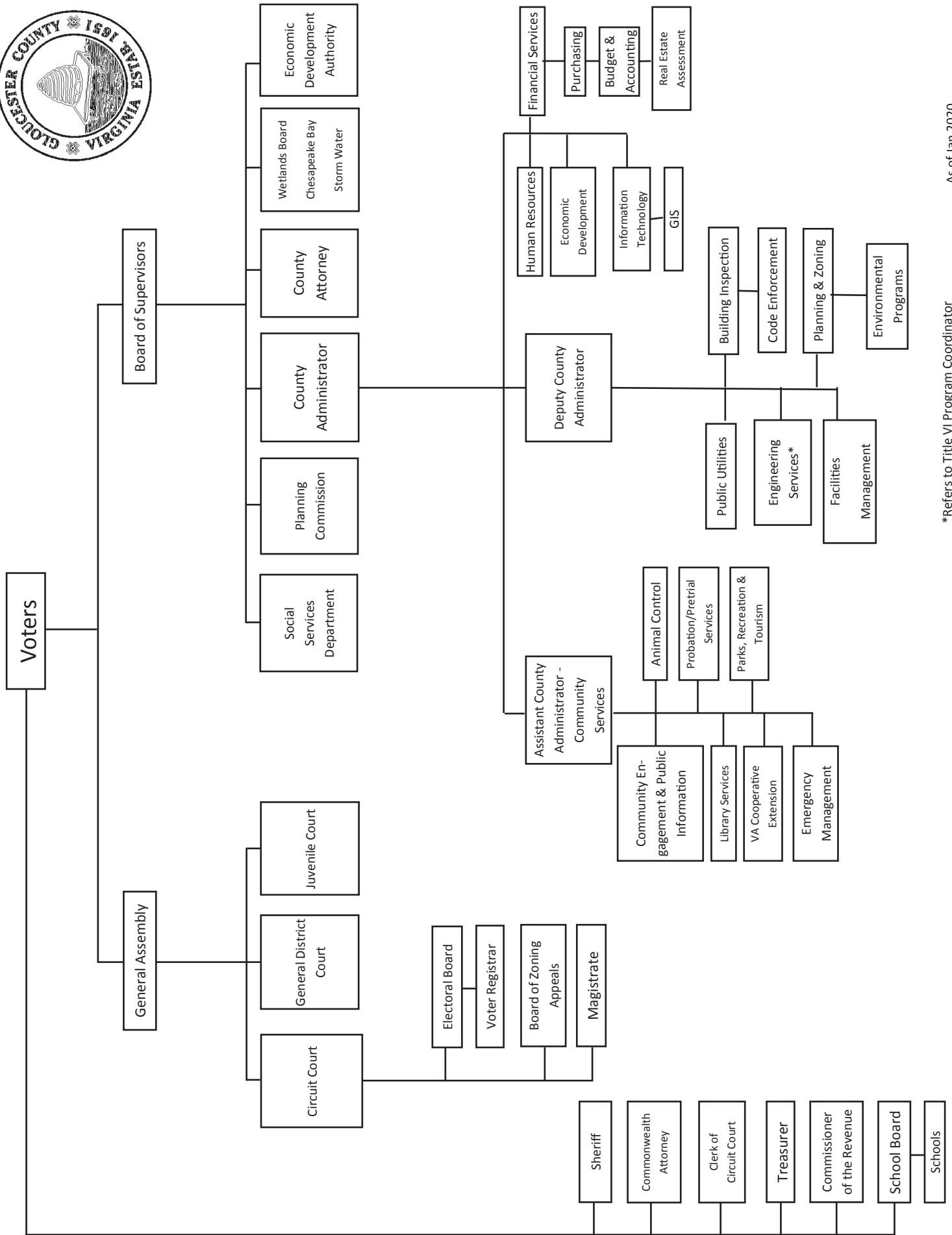
Phyllis Dixon
Dan Warren

Other Officials

County AdministratorJ. Brent Fedors
Judge of the Circuit CourtHonorable Jeffrey W. Shaw
Clerk of the Circuit Court.....Margaret Walker
Commonwealth's AttorneyJohn T. Dusewicz
Commissioner of Revenue.....JoAnne Harris
TreasurerTara L. Thomas
Judge of the Juvenile and Domestic Relations CourtHonorable Cressondra B. Conyers
Judge of the General District Court.....Honorable Stephanie E. Merritt
Sheriff.....D. W. Warren
Superintendent of Schools.....Walter R. Clemons, Ph.D.
Director of Department of Social Services Lisa Kersey
County AttorneyEdwin N. Wilmot

THIS PAGE LEFT BLANK INTENTIONALLY

Gloucester County Organizational Chart



THIS PAGE LEFT BLANK INTENTIONALLY



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**County of Gloucester
Virginia**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

THIS PAGE LEFT BLANK INTENTIONALLY



County of Gloucester
County Administrator
6489 Main Street
Gloucester, Virginia 23061
(804)693-4042



November 9, 2020

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

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of Gloucester County, Virginia for the fiscal year ended June 30, 2020 in conformity with the U.S. generally accepted accounting principles (GAAP) and audited in accordance with auditing standards generally accepted in the U.S. by a firm of licensed certified public accountants as required by the Code of Virginia. This report is intended to provide informative and relevant financial data for the residents and business owners in the County, Board of Supervisors, investors, creditors, and any other interested readers. All are encouraged to contact the Gloucester County Department of Financial Services with any comments or questions concerning this financial report.

Robinson, Farmer, Cox Associates, Certified Public Accountants, conducted the audit of the County's financial statements for the fiscal year ended June 30, 2020, and have issued an unmodified ("clean") opinion on those statements. The independent auditor's report is located at the front of the Financial Section of this report.

The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended June 30, 2020, are free of material misstatements. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the overall financial statement presentation. The audit was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also report on the County's compliance with federal requirements for each major program as well as on the County's internal controls over compliance as required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These reports are available in the Compliance Section of this report.

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

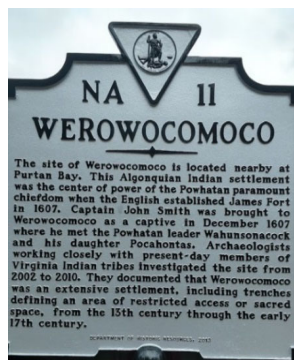
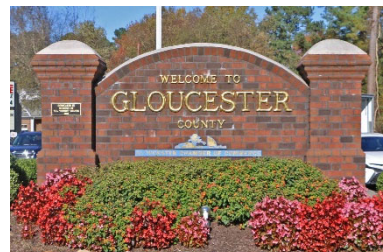
To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed to ensure compliance with applicable laws and regulations and County policies, safeguard the County's assets, and compile sufficient reliable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

position and results of operations of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

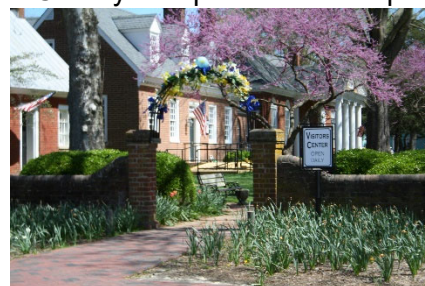
Profile of Gloucester County

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



The County is the site of Werowocomoco, capital of the Native American Powhatan Confederacy (a union of 30 tribes under a paramount chief). The site, which consists primarily of forest and farmland, has been determined to be the place where Captain John Smith was taken after his capture by Native Americans and where he met Chief Powhatan and his daughter Pocahontas. Initial findings suggest the extensive settlement was occupied as early as 1200 CE and functioned as a spiritual and political center for the Algonquian Indians. When complete, the park will be part of the Captain John Smith Chesapeake National Historic Trail. Currently the park is not open to the public; however, the National Park Service has awarded grant funds to the County for permanent display signage in the courthouse Visitor's Center.

The Visitor's Center exhibit is scheduled for completion by the end of calendar year 2020. In addition to Werowocomoco, the County is also home to the future Machicomoco State Park. Machicomoco, which means "special meeting place", is a riverfront site once inhabited by Virginia Indians. The future park will include a campground, car-top boat launch, an open-air interpretive center and a picnic area. It is scheduled to open at the end of 2020 as Virginia's 40th State Park.



Geographically, 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, Franklin, and Surry Counties in that they are the only four counties in the Commonwealth located within two planning districts. Gloucester County is part of the Hampton Roads Planning District and the Middle Peninsula Planning District.

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

The County provides a full range of general governmental administration services for its citizens and businesses, including the offices of the Board of Supervisors, County Administrator, County Attorney,

Commissioner of Revenue, Treasurer, Registrar, and the departments of Human Resources, Information Technology, GIS, and Financial Services consisting of Real Estate Assessment, Budget & Accounting and Central Purchasing which also provides shared accounting and purchasing support for the Gloucester County Public School (GCPS) system. The elected and appointed officials, along with the staff of the various departments, implement the laws and policies of the County by developing and executing the procedures that are necessary to provide general support services to residents of the County.

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



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



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

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



Parks, Recreation, and Cultural provides and promotes leisure services such as park activities, educational and hobby programs, senior citizen activities, youth programs, adult athletic leagues, bus tours, special events, including the County's signature event – the Daffodil Festival, and other activities for County residents in

addition to the daily operation and maintenance of the County's seven parks. The Gloucester County Public Libraries provide library services through two branch libraries, the bookmobile, and an e-branch which provides remote access to the library collection through the library's web site.



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



Education provides support to the County's public school system administered by the Gloucester County School Board (School



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

In addition, the County operates and maintains a water and sewer utility system, which services both residents and businesses in various geographically dispersed areas of the County. The County provides utility service to approximately 5,000 water accounts and 1,700 wastewater accounts.

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

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

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

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

Local Economy

Fiscal year 2020 presented unique challenges for the County. After several years of reporting growth and promising economic outlooks, the COVID-19 Pandemic drastically changed all aspects of daily operations in the final quarter of FY 2020. On March 30, 2020, the Governor of Virginia enacted Executive Order 55, which included a temporary state-wide stay at home order, reduction in capacity or complete temporary closure of many businesses, and closure of schools. The effects of COVID-19 created an immediate and extreme economic contraction, which has continued into FY 2021. County Offices were closed to the public from March 26, 2020 through June 5, 2020, although service delivery continued virtually and by phone. The necessity to limit person to person contact generated opportunity to reevaluate traditional approaches to service delivery; this included document drop off stations in the lobby, virtual meetings, a temporary exterior Treasurer's and reception office, and many renovations to allow for proper social distancing and protection for staff and citizens upon reopening. Although the Pandemic struck only in the final quarter of FY 2020, it is important to consider the immeasurable impacts when reviewing this document and the County financials as a whole.

Calendar year 2020 was a reassessment year for the County. The County Assessor reported an increased value of all real property in the County, which includes changes in the values of existing properties and gains from new construction of 6.16%. The value increase is attributed to the new development and construction occurring in the County. Despite the Pandemic, the County's forecast looks for further measured growth in real property value. The COVID-19 Pandemic and related stay at home orders prompted an increase in home improvements and construction. As evidence by an 8% increase in building permits over the prior year. In the fourth quarter of FY 2020, 236 building permits were issued, 32% of the total permits issued in FY 2020.



Gloucester County is committed to enhancing economic opportunities and providing a business-friendly environment. The Department of Economic Development assists County businesses in expanding their existing operations and helps attract new businesses to the area. Economic Development reported 22 new businesses, 2 expansions and 122 new home-based businesses for the fiscal year. New home-based businesses increased by 28 over FY 2019. The focus of the Department of Economic Development shifted during FY 2020 from business recruitment to business retention during the COVID19 Pandemic. Past years of local economic stability presented a firm

foundation for many businesses to continue during uncertain times. The passage of the CARES Act generated economic opportunity for local businesses through the implementation of several programs intended to infuse local businesses with cash to continue operations in the midst of new regulations. These programs were sponsored by the Gloucester County Department of Economic Development alongside many local partners and included a local business gift certificate program and the Gloucester Business Recovery Grant Program.



Furthermore, the department of Planning and Zoning is undertaking a comprehensive review, recommending updates and improvements to the Zoning Ordinance in alignment with the County's strategic goals and commitments to business development. The last comprehensive update of the Zoning Ordinance was done more than 20 years ago.

Not only does Gloucester County attract great entrepreneurial spirit, but also those who strive to achieve the highest excellence in business and service. Gloucester County was awarded an “Opportunity Zone” designation by Governor Ralph Northam. The County was one of 212 localities that received this recognition. This is an economic and community development tax incentive program that provides an avenue for investors to support distressed communities and address areas of the Commonwealth that have experienced uneven economic growth and recovery.

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

Riverside Walter Reed Hospital – various improvements including lab, office, and parking improvements with a two-story expansion is under construction.



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

The Villages – zoning approved for approximately 900 acre Planned Unit Development (PUD) with 1,142 residential units proposed.



Coleman's Crossing - mixed-use development of 89 residential townhouses and 14,000 sq. ft. of proposed commercial shopping center is under construction.

Riverbend Apartments - (formerly known as Carriage Point) is an approved 218-unit apartment complex; construction is underway.

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

Gloucester State Park – Timberneck Unit (aka Machicomoco) – 645-acre State Park; Site plans were approved in August 2020, and the park is expected to open in early 2021.

Main Street Landing – 126-lot Planned Unit Development (PUD) on 59 acres near the intersection of Main Street (17 Business, South) and US Route 17, North in the Courthouse Village. Phase 1 was approved in May 2020 (37 lots) and homes are under construction. Phase II is under review.

Strata Solar – 200+ acre, utility-scale (20 MW) solar power plant (located just north of the Courthouse Village on Route 14) became operational in December 2018.

Verizon Wireless – Two (2) new 199' cell towers approved in FY19.

Zoll Vineyard – Development plans for this 11.5-acre farm/winery on Route 198 were approved in December 2018. The final Certificate of Occupancy was issued in July 2020, and it is open for business.

Carver's Creek Solar – Preliminary approval for this 150 Megawatt solar energy facility was granted in April 2020. The final site plan is under review.



Murphy Oil USA – Plans for this new gas station and convenience store, located in the parking lot of Wal Mart, were approved and construction began in FY 2020.

Tidal Wave Auto Spa - Site plans for a new car wash located at the “Shoppes at Gloucester” shopping center were approved in August 2020 and the site is under construction.

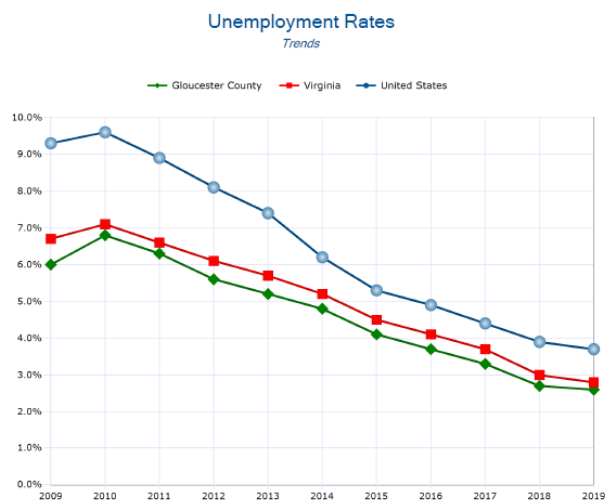
Under the Stars Lavender Farm – Rezoning of the 127+/- acre lavender farm from SC-1 to RC-1 for lavender production and agritourism was approved in May 2020. The site is currently open for business.

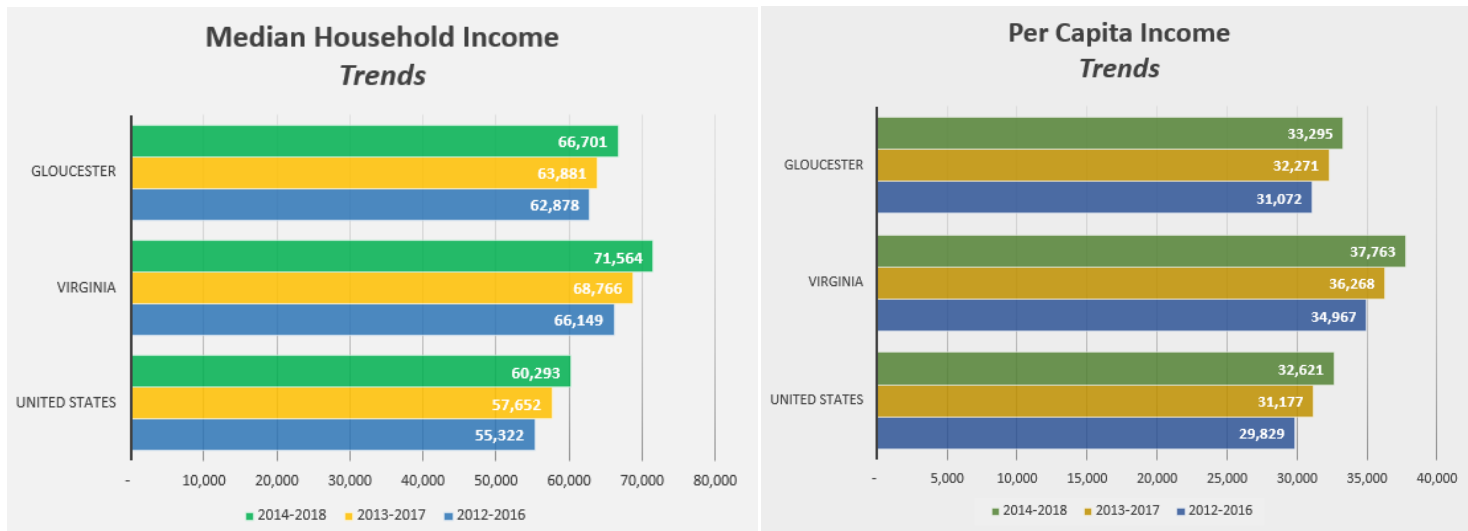
Maintaining and improving the quality of life for residents and business owners requires a commitment to long-term strategies for economic development. Gloucester County has demonstrated that commitment as positive trends continued to prevail in many areas of Gloucester County’s economy, including real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

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

As of calendar year 2019, the Gloucester unemployment rate continued its downward path to 2.6%, a .1% decrease from 2018. The rate follows the same trend, comparing favorably, with Virginia at 2.8% (3.0% in 2018) and the United States at 3.7% (3.9% in 2018) (*Source: Virginia Employment Commission*). However, restrictions arising from the COVID-19 Pandemic caused historically high state-wide unemployment rates in the final quarter of FY 2020, reaching 11.2% in April 2020. While Gloucester historically trends below the state-wide rates, it is notable that County residents faced the same employment related difficulties felt throughout the state.

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

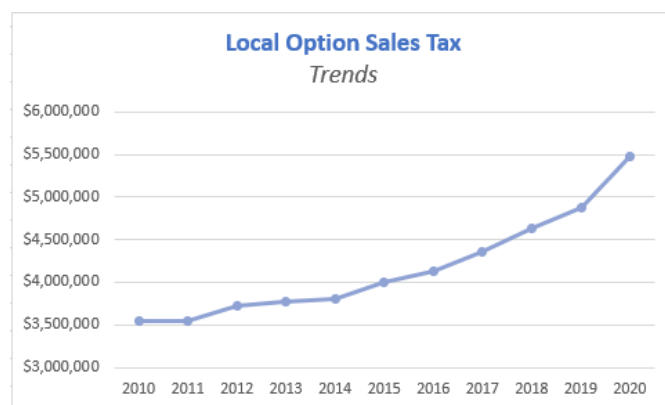




Prior to the onset of the COVID-19 Pandemic, Gloucester County had experienced several years of solid economic development results, and when coupled with positively trending income levels, both factors that have contributed to growth in local sales tax collection. Despite the COVID-19 pandemic, the County did not see reductions in local sales tax revenues.

Long Term Financial Planning

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



The development and evaluation process for the FY2021-FY2025 CIP continued to provide opportunities for direct input from the County's citizens. Any information received was distributed to those departmental leaders responsible for the initial evaluation and/or creation, of related CIP project requests, and/or incorporation into annual operating budget requests. The CIP requests were reviewed, compiled, and presented to the Planning Commission in October. The Planning Commission was not only asked to review project requests for conformity with the Comprehensive Plan as per the Code of Virginia 15.2-2239, but also asked to act as citizen representation by providing a thorough review of submitted CIP project requests; evaluating eligibility, justification, and alignment with community needs; and prioritizing the recommended projects, based on the approved criteria ratings, for consideration by the County Administrator. The County Administrator, as part of his proposed budget to the Board, develops the recommended capital budget and 5 year plan; balancing the competing needs for capital investment with available funding options within the County's current debt and fund balance policies. The result represented a balance between finite resources and an ever-increasing number of competing priorities. This balance was achieved using the priorities and objectives established by the Board consistent with the County's Strategic Priorities Plan and Comprehensive Plan.

In response to the fiscal challenges inherent to our economic environment, the County adopts a conservative approach toward debt management. The County's Debt Obligation Policy was revised on June 16, 2020, increasing the portion of the County's operating budget that may be dedicated for repayment of debt by policy from a maximum 10% to 15% of governmental fund expenditures. As of FYE 2020, actual results are 5.2%. Gloucester County's last bond rating was AA due to the County's sound financial management, low debt burden, and maintenance of appropriate fund balance reserves.

Relevant Financial Policies

The primary objective of sound financial management policies and guidelines is for the Board of Supervisors to create the framework for making financial decisions. The County Administrator is responsible for the daily administration of the Board's policies and general County operations. The County Administrator may designate other County officials to assist in the administration of these policies. These financial management policies are a statement of the guidelines and goals that influence and guide the financial management practices of the County of Gloucester. For a complete listing of the County's Financial Guidelines, please see the County's Adopted Annual Budget and Capital Improvement Plan document at <http://gloucesterva.info/1015/Budgets-Financial-Reports>.

The County believes that sound financial management principles always require that sufficient funds be retained by the County to provide a stable financial base. To retain this stable financial base, towards the end of FY2017 the Board approved adjustment the Unassigned General Fund Balance policy levels to be within 14% and 16% of budgeted governmental fund expenditures less any capital projects funded with bond proceeds. Over the past seven fiscal years, the County maintained an actual Unassigned General Fund Balance level between 14% and 20%. These levels have been sufficient to fund the cash flow needs of the County, to provide financial reserves for unanticipated expenditures and revenue shortfalls, and to provide funds for all existing encumbrances.

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

Financial management policies that are adopted, adhered to, and regularly reviewed are recognized as the cornerstone of sound financial management. Policies and procedures are being developed or revised periodically to provide better clarification, more detail of practice, and to strengthen documentation of management processes. A complete listing of these policies is posted on the County's website at <http://gloucesterva.info/769/Board-Policies>.

Major Initiatives

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

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

- Be a destination of choice for entrepreneurs looking for a qualified and stable workforce, affordable real estate, and a relaxed and fulfilling lifestyle;
- Provide the opportunity for all of its citizens to have a quality education;

- Have efficient and strategically placed roads, water, sewer, broadband, and natural gas that supports desired business growth and a high quality of life;
- Ensure that the needs of its citizens – children, adults, and the elderly – are met through a combination of government, commercial, and volunteer programs;
- Maintain the County's essential character as a rural county while offering diverse housing opportunities that include a range of multi-family and single-family homes that meet the needs of singles and families of all ages and incomes;
- Maintain uniqueness among its peers because of the abundance and diversity of its natural resources, including clean protected waterways, forested landscapes, wildlife, and the longest coastline in the Commonwealth; and
- Implement the leanest form of government to minimize impediments to economic development and take advantage of collaborative processes, shared services, and other cost-effective measures for the maximum benefit of its citizens.

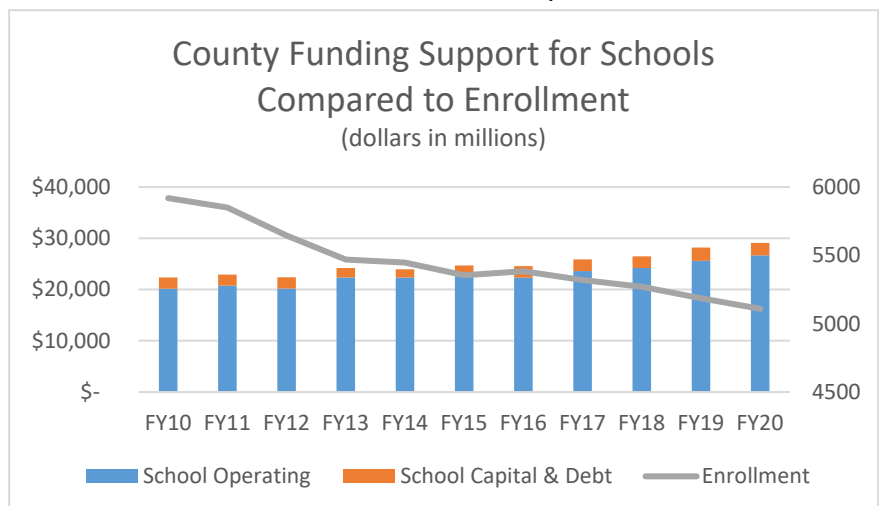
Though many initiatives were started and continued throughout the fiscal year and into the next, the major ones, outlined below, represent the results achieved towards these goals by the County staff.

Several County facility improvement projects began including the construction of a new Animal Control Facility; paving the parking lot for the County's Senior Center; and many smaller renovations to comply with social distancing and COVID-19 safety measures.

Starting in 2008, the Federal Emergency Management Agency (FEMA) awarded a series of grants totaling more than \$15 million to Gloucester County to acquire or elevate properties that have sustained damage or can expect to sustain damage as a result of coastal storms. The Mitigation Grant Program seeks to protect and reduce the damages associated with natural disasters by returning acquired properties to green space and raising homes to a desired flood protection elevation. As of FY2020, the program has supported increased resiliency of nearly 100 homes and properties in the County. During FY2020, the County continued managing two FEMA Elevation grants, which will elevate 12 additional homes.

One of the most important services that the County provides to its citizens is public education and a quality education system continues to be one of the County's top priorities. During FY2020, the County continued its support for large capital maintenance items within the school system, including HVAC, lighting, playground equipment and school bus replacements, among other priorities. This effort was in direct response to pent-up demand since the Great Recession and the solid recovery over the past several years. Planning continues for significant upcoming investments in various school construction projects. Total requests for the five-year CIP (FY21-FY25) totaled \$79.6 million of which approximately \$40M was for Gloucester County Public Schools (GCPS). The major cost driver of the GCPS requests relates to major renovations of Gloucester High School (GHS). The original structure, built in 1974, has undergone various expansions and miscellaneous renovations. Another cost driver is the Bus Compound. Current facilities are undersized for the increased number and diversity of the vehicles to be maintained. The future development of GHS and the Transportation Facility will require major investment and debt management by the County in the coming fiscal years.

Although school enrollment has been on a slow decline since FY2010, increasing incremental costs and needs for capital repairs remain relevant factors in budget development. The County continues



to provide increasing support to the school system to attempt to meet these needs. Each successive fiscal year, the County budget provides for the highest per-pupil spending in the history of the school division.

Awards and Acknowledgements

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

Sheriff's Office

In July 2019, the Gloucester County Sheriff's Office received accreditation by the Virginia Law Enforcement Professional Standards Commission.

Schools

Gloucester County Public Schools Educational Foundation announced Brian Teucke as the Division Teacher of the Year for Gloucester County public Schools. Mr. Teucke teaches 8th grade social studies at Page Middle School and has a background of military service and a Master of Arts in Teaching from Liberty University. The teachers of the 2019-2020 academic year for each of Gloucester's eight schools (including two teachers from Gloucester High School) are: Stacey Marsh, Abingdon Elementary; Carlee Hanchak, Achilles Elementary; Leonne Arsenovic, Bethel Elementary; Carrie Landry, Botetourt Elementary; Kimberly Robins, Petsworth Elementary; Brian Teucke, Page Middle; Aimee Layton, Peasley Middle; Emily Carlson and Sam Venable, Gloucester High.



Finance

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the twenty-fourth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report that demonstrates the spirit of transparency and full disclosure. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The GFOA also awarded the Distinguished Budget Presentation Award to Gloucester County for its FY2020 Approved Budget Book. This was the fifth year that the County achieved this prestigious award. In order to receive this award, a governmental entity must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device.



The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Treasurer's Office, School Board, Social Services Board, and Financial Services Department. We would like to express our appreciation to all the various team members who assisted and contributed to the preparation of this report, in particular, the outstanding efforts and diligence of our Chief Financial Officer, Ms. Cheryl Spivey. Credit also must be given to the Board of Supervisors for their unflinching support for maintaining the highest standards of professionalism in the management of County finances.

Respectfully submitted,

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

J. Brent Fedors
County Administrator

A handwritten signature in blue ink, appearing to read "Cheryl Spivey", written in a cursive style.

Cheryl Spivey, CPA
Chief Financial Officer

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-15, 114, and 115-139 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2020, on our consideration of County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of County of Gloucester, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Gloucester, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 9, 2020

THIS PAGE LEFT BLANK INTENTIONALLY

County of Gloucester, Virginia Management's Discussion and Analysis

This section of the County of Gloucester's (County's) Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and the County's basic financial statements, which follow this section.

Financial Highlights

- The Primary Government ended the most recent year with a positive net position of \$54.8 million, a decrease of \$1.6 million from FY 2019. The Component Units closed the year with a deficit balance of \$23.7 million, a deficit increase of \$.2 million from FY 2019.
- At June 30, 2020, the unrestricted net position of the Primary Government is \$19 million, which may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2020, the County's governmental funds reported combined ending fund balances of \$23.2 million, a decrease of \$1.4 million from the prior year. Approximately 2.0 percent of this amount, or \$.5 million, is restricted or non-spendable.
- At June 30, 2020, the General Fund's unassigned fund balance was \$19.2 million. Adjusted unassigned fund balance per the County's revised Fund Balance Policy is \$16.3 million (\$19.2 million less the budgeted use of \$2.9 million in unassigned fund balance for FY21), or approximately 14.8% of budgeted governmental fund expenditures less any capital projects funded with bond proceeds. This balance continues to meet and exceed the Board of Supervisors' adopted Fund Balance policy of 14-16% of governmental fund expenditures less any capital projects funded with bond proceeds.
- The County's Primary Government total long-term debt decreased by \$.5 million from the prior year's balance of \$53.0 million to \$52.5 million at June 30, 2020 due primarily to principal payments on existing debt (bonds and capital leases).

Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and financial compliance reports for federal funds. This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County may be changing. However, other non-financial factors should also

be considered, such as changes in the County's property tax base and the condition of the County's infrastructure.

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).

In the Statement of Net Position and the Statement of Activities, the County is divided into the following:

- Governmental activities – The County's basic municipal services are reported here, including general government administration; judicial administration; public safety; public works; health and welfare; parks, recreation, and cultural; and community development; and education. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- Business-type activities – Functions that are intended to recover all, or a significant portion of, their costs through user fees and charges are reported here including the County's public utilities, which provides water and sewer services.
- Component Units – The County includes two separate legal entities in its report – the Gloucester County School Board and the Gloucester Economic Development Authority. Although legally separate, the County is financially accountable for the School Board and the Economic Development Authority component units and provides operating and capital funding for these activities.

Fund Financial Statements

The fund financial statements provide more information about the County's most significant funds – not the County as a whole. Funds are accounting units that the County uses to keep track of specific sources of revenues and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All County funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- Governmental funds – Most of the County's basic services are reported in governmental funds. These funds focus on the inflows and outflows of cash and other financial assets that can readily be converted into cash and the balances left at year-end that are available for spending. As such, the governmental funds statements provide a short-term view of the County's financial resources. Because this information does not address the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements that explains the relationship (or differences) between these statements.

The County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and County Capital Improvements Fund, all of which are major funds. Data from the other three 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 in Exhibits 3 through 6 of this report.

- Proprietary funds – Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary fund statements, like the government-wide statements, provide both long and short-term financial information. The County uses enterprise funds (one type of proprietary fund) to account for its business-type activities under the same functions in the government-wide financial statements. Public Utilities is the County's only enterprise fund. The fund financial statements provide more detail and additional information, such as cash flows.

The basic proprietary fund financial statements can be found at Exhibits 7 through 9 of this report.

- Fiduciary funds – 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 statements because the County cannot use these assets to finance its operations.

The basic fiduciary fund statement can be found at Exhibit 10 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found beginning with Exhibit 12 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

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's Primary Government, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$54.8 million at the close of the most recent year. A large portion of the County's net position (\$35.9 million, approximately 65.5% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens and businesses; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Unrestricted net position of \$18.9 million or 34.5% of the Primary Government's total net position may be used to meet the County's ongoing obligations to citizens and creditors.

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

Summary of Net Position As of June 30, 2020 and 2019 (\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2020	2019	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 58,461	\$ 54,437	\$ 4,713	\$ 4,344	\$ 63,173	\$ 58,782	\$ 9,349	\$ 9,661
Capital assets	48,161	51,949	25,456	26,597	73,617	78,546	47,519	47,956
Total assets	\$ 106,621	\$ 106,386	\$ 30,169	\$ 30,942	\$ 136,790	\$ 137,328	\$ 56,868	\$ 57,616
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension related items	2,937	1,371	198	86	3,135	1,457	11,415	6,649
OPEB related items	1,429	618	61	9	1,490	627	1,317	1,187
Deferred charges on refunding	112	126	117	143	229	269	-	-
Total deferred outflows	\$ 4,478	\$ 2,115	\$ 376	\$ 239	\$ 4,854	\$ 2,353	\$ 12,731	\$ 7,836
Long-term debt outstanding	\$ 41,910	\$ 42,004	\$ 6,633	\$ 7,166	\$ 48,544	\$ 49,170	\$ 75,561	\$ 72,499
Other liabilities	13,680	10,580	890	1,000	14,571	11,580	8,738	8,485
Total liabilities	\$ 55,590	\$ 52,584	\$ 7,524	\$ 8,166	\$ 63,114	\$ 60,750	\$ 84,299	\$ 80,985
Deferred revenue -								
property taxes	\$ 22,056	\$ 20,733	\$ -	\$ -	\$ 22,056	\$ 20,733	\$ -	\$ -
Pension related items	726	1,144	39	79	764	1,223	5,909	7,082
OPEB related items	847	538	33	9	880	547	2,785	554
Total deferred inflows	23,629	22,415	72	88	23,700	22,503	8,694	7,636
Net position								
Net investment in capital assets	\$ 16,970	\$ 17,743	\$ 18,885	\$ 19,338	\$ 35,855	\$ 37,082	\$ 37,246	\$ 36,766
Restricted	-	-	-	-	-	-	-	-
Unrestricted (deficit)	14,911	15,759	4,064	3,587	18,975	19,347	(60,640)	(59,934)
Total net position	\$ 31,881	\$ 33,503	\$ 22,949	\$ 22,926	\$ 54,830	\$ 56,429	\$ (23,394)	\$ (23,168)

The Primary Government's net position decreased \$1.6 million from FY 2019. The Component Units closed the year with a deficit balance of \$23.4 million, a deficit increase of \$.2 million from FY 2019. In the case of the Component Units, Gloucester County Public Schools and Gloucester Economic Development Authority, the net deficit position as of June 30, 2020 of \$23.4 million is attributed to the implementation of GASB 68 in which the School Board component unit recognized \$56 million in net pension liability as of July 1, 2014 and grew by \$10 million as of June 30, 2018 with the implementation of GASB 75. As of June 30, 2020, the net pension liability for the School Board component unit was \$66.4 million.

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, 2020 and 2019 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2020	2019	2020	2019	2020	2019	2020	2019	
Revenues:									
Program revenue:									
Charges for services	\$ 1,416	\$ 1,676	\$ 4,313	\$ 4,513	\$ 5,728	\$ 6,189	\$ 2,352	\$ 2,729	
Operating grants and contributions	9,231	8,856	-	-	9,231	8,856	35,137	34,831	
Capital grants and contributions	613	409	-	-	613	409	-	-	
General revenues:									
Property taxes	42,407	41,229	39	41	42,446	41,270	-	-	
Other taxes	11,647	11,114	-	-	11,647	11,114	-	-	
Unrestricted revenues	371	485	55	83	427	567	28	32	
Miscellaneous	855	396	-	-	855	396	116	125	
Grants and contributions	4,234	4,310	-	-	4,234	4,310	-	-	
Payment from County	-	-	-	-	-	-	29,223	27,738	
Total revenue	\$ 70,774	\$ 68,475	\$ 4,407	\$ 4,636	\$ 75,180	\$ 73,111	\$ 66,856	\$ 65,455	
Expenses:									
General government	\$ 6,728	\$ 6,404	\$ -	\$ -	\$ 6,728	\$ 6,404	\$ -	\$ -	
Judicial administration	2,195	2,146	-	-	2,195	2,146	-	-	
Public safety	17,520	16,297	-	-	17,520	16,297	-	-	
Public works	2,550	2,355	-	-	2,550	2,355	-	-	
Health and welfare	6,608	6,131	-	-	6,608	6,131	-	-	
Parks, recreation, and cultural	2,453	2,444	-	-	2,453	2,444	-	-	
Community development	2,111	1,509	-	-	2,111	1,509	1,519	1,528	
Interest on long-term debt	1,109	1,290	-	-	1,109	1,290	-	-	
Education	31,122	29,868	-	-	31,122	29,868	65,562	61,378	
Public Utilities	-	-	4,383	4,197	4,383	4,197	-	-	
Total expenses	\$ 72,396	\$ 68,443	\$ 4,383	\$ 4,197	\$ 76,779	\$ 72,640	\$ 67,082	\$ 62,906	
Change in net position, before transfers	\$ (1,622)	\$ 31	\$ 23	\$ 440	\$ (1,599)	\$ 471	\$ (226)	\$ 2,549	
Transfers	-	-	-	-	-	-	-	-	
Change in net position	(1,622)	31	23	440	(1,599)	471	(226)	2,549	
Net position, beginning	33,503	33,472	22,926	22,486	56,429	55,958	(23,168)	(25,717)	
Net position, ending	\$ 31,881	\$ 33,503	\$ 22,949	\$ 22,926	\$ 54,829	\$ 56,429	\$ (23,394)	\$ (23,168)	

Governmental Activities

Overall revenues for the County's Governmental Activities were \$70.8 million for FY 2020, an increase of \$2.3 million from the prior year. Property tax revenues, the County's largest revenue source, consists of both Real Estate and Personal Property. Property tax revenues in FY 2020 were \$42.4 million, an increase of \$1.2 million over the prior year. This reflects real estate tax billings during the last half of calendar year 2019 and the first half of calendar year 2020. The County's assessed real property tax base for calendar year 2020 saw an increase of approximately \$275 million primarily due to reassessment. This is a contributing factor to an increase in collections, within the fiscal year of the levy, of over \$408K. No changes were made to tax rates in calendar year 2020; however, the collection rate for FY 2020 real estate taxes was 95.7%, down 1.9% from the previous year. This decline is attributed to the COVID-19 Pandemic, which impacted the financial situations of many taxpayers and encouraged the population to avoid public areas due to safety concerns. Previously, collection rates had remained above 97% since 2014. Despite the pandemic, other taxes increased by \$533K over the prior year, of which sales tax was the main contributor.

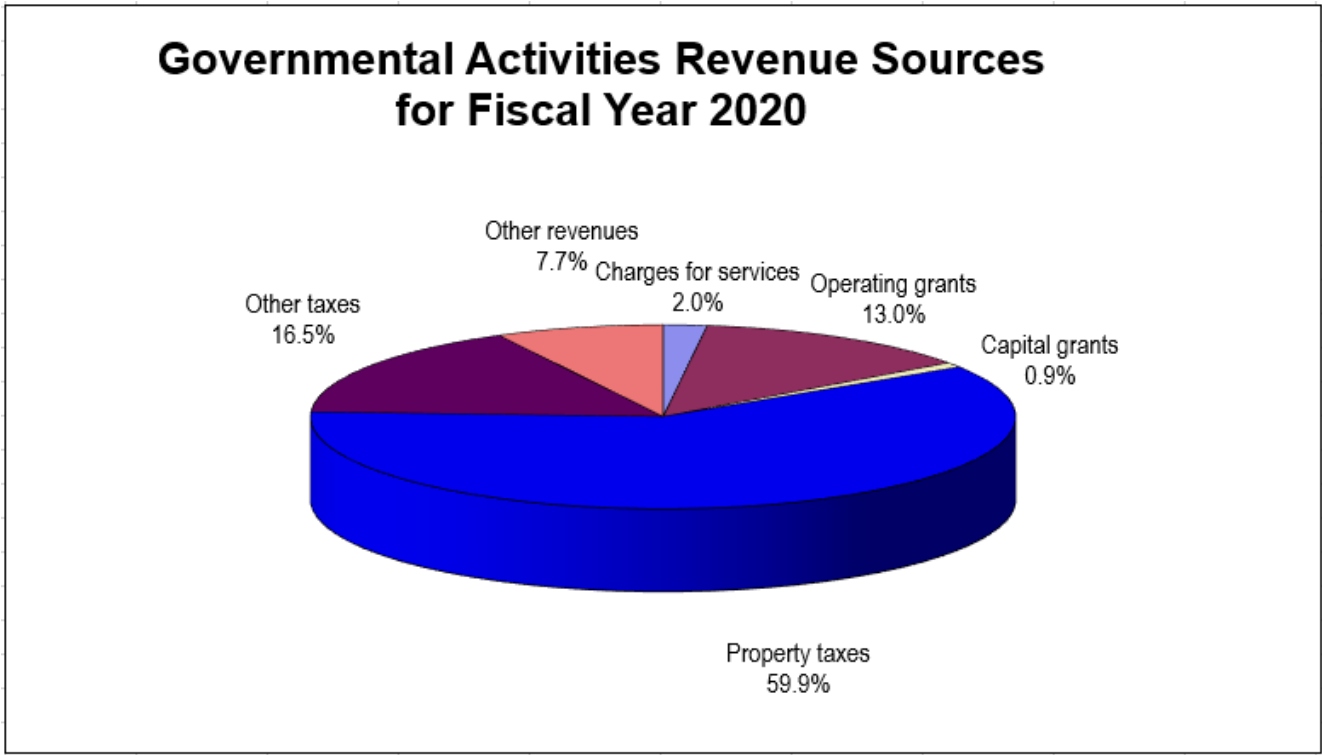
Unrestricted revenues from use of money and property declined in FY2020 mainly due to a sharp decrease in earnings rates on deposits and investments in the final quarter of the year. The County participates in the Local Government Investment Pool (LGIP), where rates declined from an effective yield of 2.4% in July 2019 to .4% in June 2020, a decrease of 2%.

Miscellaneous revenue includes items that are infrequent, unexpected, and/or not able to be classified in one of the other revenue categories and, as such, is subject to variances, possibly large, from year to year.

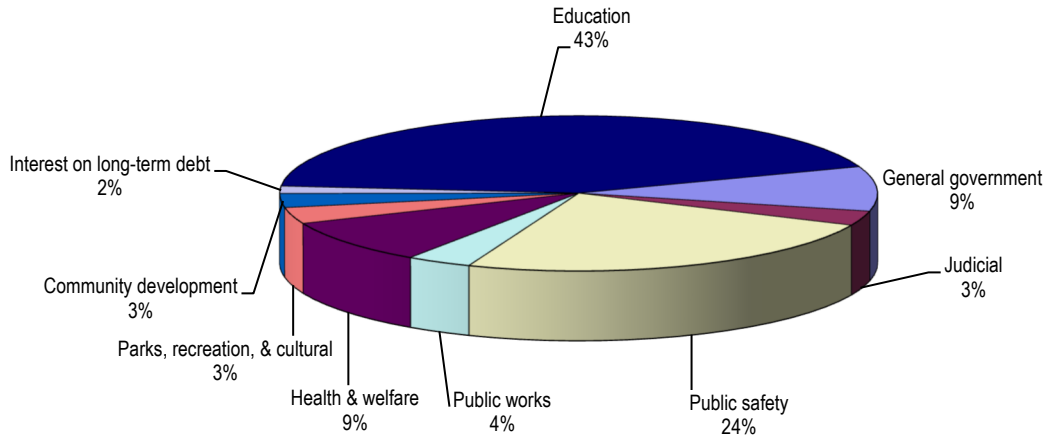
For the fiscal year ended June 30, 2020, expenses relating to Governmental Activities were \$4 million more than the prior year. The main cost drivers included an increase in contribution to County School Board, continued efforts to correct the compensation deficit and increased funding for public safety. Continued quality education in academic, technical, vocational and life skills is one of the Board's top strategic priorities. Employee compensation improvements continue to make tremendous strides in developing a more competitive compensation package to retain and recruit quality employees.

The County continued its process of accelerating expenditures into the current fiscal year when increased revenues warranted doing so. The County also continued exercising prudent budget management strategies to reduce expenses including consideration of departmental reorganization resulting in vacancy savings, practical consideration of major facility maintenance and replacement needs, and examining program and service efficiencies particularly through taking advantage of synergistic opportunities. Public Education and Public Safety continue to dominate our local government spending and continue to be the two areas of the County's highest priorities and commitments.

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



Governmental Activities Total Expenses by Function for Fiscal Year 2020



Business-type Activities

The County's net position from Business-type activities remained consistent to the prior year at \$22.9 million. Similar to the changes in net assets attributable to Governmental Activities, changes in Business-type Activity net assets also result from the difference between revenues and expenses. Unlike Governmental Activities, which primarily rely on general tax revenue to finance operations, Business-type Activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 5,000 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:

- Utilities charges for services in the current year decreased by \$200K, or 4.4%, attributed to a decrease in connection fees, which we believe is directly related to economic effects of COVID-19.
- Utilities operating expenses increased by \$187K, or 4.4%, which is attributed to increases in costs of personnel. Public Utilities filled vacancies and added 1.5 full time equivalents in FY20 to continue efforts to maintain the equipment and service delivery of the Utilities enterprise. Conversely, contractual services expenses decreased \$166K from the prior year. Cost savings in contractual services to maintain equipment and service delivery have helped to offset increased personnel costs.

Financial Analysis of Governmental Funds

The County and School Board use fund accounting in accordance with GASB standards to ensure and demonstrate finance-related legal requirements.

Governmental Fund Balance

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Amounts that can only be used for specific

Summary of Fund Balance As of June 30, 2020 and 2019 (\$ in thousands)								
	General Fund		Capital Project Fund		Debt Service Fund		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Nonspendable:								
Prepays	\$ 385.4	\$ 99.8	\$ -	\$ -	\$ -	\$ -	\$ 385.4	\$ 99.8
Restricted:								
Sheriff's asset forfeiture, federal	5.5	5.3	-	-	-	-	5.5	5.3
Sheriff's asset forfeiture, state	30.4	28.1	-	-	-	-	30.4	28.1
Comwlth Attys asset forfeiture, federal	0.5	0.5	-	-	-	-	0.5	0.5
Comwlth Attys asset forfeiture, state	6.7	4.4					6.7	4.4
Proffers	-	-	43.0	137.1	-	-	43.0	137.1
Total Restricted Fund Balance	43.1	38.3	43.0	137.1	-	-	86.1	175.4
Committed:								
Mosquito control	98.5	115.1	-	-	-	-	98.5	115.1
Tourism projects	469.0	377.9	6.7	6.7	-	-	475.7	384.6
Daffodil festival	61.8	63.7	-	-	-	-	61.8	63.7
Program donations	29.1	28.8	-	1.2	-	-	29.1	30.0
Subsequent expenditures	-	-	352.1	543.5	-	-	352.1	543.5
Probation and pretrial	115.7	47.4	-	-	-	-	115.7	47.4
Cable services	917.1	971.1	-	-	-	-	917.1	971.1
Older adult capital projects	-	-	86.2	111.0	-	-	86.2	111.0
Donations-Park projects- General	-	-	23.1	23.1	-	-	23.1	23.1
Donations-Park projects-Tucker Store	-	-	61.4	-	-	-	61.4	-
Donations-Park projects- Woodville Play	-	-	4.3	-	-	-	4.3	-
County capital replacement	942.9	836.8	-	-	-	-	942.9	836.8
Total Committed Fund Balance	2,634.1	2,440.8	533.8	685.5	-	-	3,167.9	3,126.3
Assigned Fund Balance	260.0	260.0	-	-	104.6	-	364.6	260.0
Unassigned Fund Balance	19,213.2	20,944.2	-	-	-	-	19,213.2	20,944.2
Total Fund Balances	\$22,535.8	\$23,783.1	\$ 576.8	\$822.6	\$ 104.6	\$ -	\$23,217.2	\$24,605.7

purposes pursuant to constraints imposed by a formal action of the County Board of Supervisors are reported as committed fund balance. Amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. Unassigned fund balance is the residual classification for the general fund.

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financial requirements. Committed, assigned, and unassigned fund balances serve as a useful measure of a government's net resources that may be leveraged for spending at the end of the fiscal year. At the end of FY 2020, the County's governmental funds reported combined ending fund balances of \$23.2 million, a net decrease of \$1.4 million in comparison with that of the prior year.

Nonspendable and restricted fund balance equates to 2% or \$471K of the total governmental fund balance and is comprised of prepaid items, restricted funds related to seized assets, and proffers.

Committed fund balance equates to 13.6% or \$3.2 million of the total governmental fund balance. This is comprised of committed funds that can only be used for specific purposes already imposed by a formal action of the County Board of Supervisors. \$2.6 million or 82% of the total committed fund balance is from the general fund. The remaining committed fund balance of \$534K is appropriated for ongoing capital projects.

The assigned fund balance of \$365K, 1.6% of the total governmental fund balance, applies to funds that are intended for specific purposes designated and proposed by the County Administrator.

Additional information on fund balances can be found in Note 1(Q) in the Notes to Financial Statements section of this report.

General Fund

The General Fund is the major governmental fund of the County. At the end of the current year, the General Fund's fund balance was \$22.5 million, or 97.1% of the total fund balance. General Fund unassigned fund balance was \$19.2 million. The Board of Supervisors revised the County's Fund Balance policy in June 2017 to keep an unassigned general fund balance level of 14-16% of governmental fund expenditures less any capital projects funded with bond proceeds. Adjusted unassigned fund balance per revised Fund Balance Policy is \$16.3 million (\$19.2 million less budgeted use of unassigned fund balance for FY 2021). The unassigned fund balance in the General Fund was approximately 14.8% using this policy criterion.

General Fund Budgetary Highlights

At the end of FY 2020, General Fund additional budget appropriations resulted in an increase of \$52K between originally adopted FY 2020 budget appropriations for expenditures and transfers out and the final budget. The increase resulted primarily from re-appropriations of FY 2019 budget commitments for completion of ongoing projects in FY 2020 offset by a change in the new Animal Control Office project's funding source from General Fund transfers to Capital Fund cash proffers.

General Fund revenues were under final budget projections in FY 2020 by \$1.1 million, the majority of which is attributable to a \$619K reduction in property tax collections and a \$241K reduction in charges for services, both of which are considered impacts of the COVID-19 pandemic, as well as actual state and federal revenues being \$385K less than budget. Total General Fund expenditures for FY 2020 were less than the final budget by \$1.9 million. Major contributing factors include unexpended local transfer to Schools/Education of \$279K, unexpended contingency of \$475K, and overall conservative use of funds by County departments.

Additional information on the County's statement of revenues, expenditures and changes in fund balance, budget and actual, can be found in the Required Supplementary Information section of this report.

Capital Improvements Fund

The County Capital Projects 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. The County Capital Improvements Fund has a fund balance of \$577K, which is committed for future capital projects.

Capital Assets and Capital Projects

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounted to \$73.6 million (net of accumulated depreciation). This represents a decrease of \$4.9 million from fiscal year 2019. 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 expenditures during the fiscal year included the following:

- \$685K HVAC & Roof replacements in School buildings
- \$585K FEMA Hazard Mitigation private home elevations
- \$486K School Buses
- \$191K Construction of a new Animal Control facility
- \$160K School Lighting projects
- \$127K Park projects, primarily playground equipment at Woodville Park

Funding for capital projects has been severely scaled back. Only those capital projects where it did not make economic sense to delay a project to a future year or where 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, 2020 and 2019 (\$ in thousands)								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2020	2019	2020	2019	2020	2019	2020	2019
Land	\$ 7,002	\$ 6,467	\$ 3,690	\$ 3,690	\$ 10,692	\$ 10,692	\$ 1,950	\$ 2,158
Construction in progress	891	748	79	64	969	812	61	-
Jointly owned construction in progress	101	-	-	-	101	-	-	-
Buildings	9,522	10,001	20,348	21,402	29,870	31,404	13,329	13,550
Improvements other than buildings	2,890	2,807	-	-	2,890	2,807	-	-
Equipment	2,869	4,698	1,340	1,441	4,209	6,139	2,461	2,492
Jointly owned assets	24,885	27,228	-	-	24,885	27,228	29,718	29,755
Total	\$ 48,161	\$ 51,949	\$ 25,456	\$ 26,597	\$ 73,617	\$ 78,546	\$ 47,519	\$ 47,956

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

Long-term Debt

At June 30, 2020, the County's Primary Government had total outstanding debt of \$52.5 million and details are summarized in the following table:

Long-Term Debt As of June 30, 2020 and 2019 (\$ in thousands)									
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units		
	2020	2019	2020	2019	2020	2019	2020	2019	
Bonds Payable:									
General obligation bonds	\$ 25,925	\$ 28,373	\$ -	\$ -	\$ 25,925	\$ 28,373	\$ -	\$ -	
Revenue bonds	-	-	6,688	7,402	6,688	7,402	10,274	11,190	
Lease revenue bond	5,192	5,590	-	-	5,192	5,590	-	-	
Capital leases	186	368	-	-	186	368	-	-	
OPEB liability	6,142	5,402	218	192	6,360	5,594	15,452	17,241	
Net pension liability	5,656	3,445	342	208	5,999	3,653	49,139	43,422	
Compensated absences	2,029	1,943	103	86	2,132	2,029	1,843	1,621	
Total	\$ 45,130	\$ 45,121	\$ 7,352	\$ 7,889	\$ 52,482	\$ 53,010	\$ 76,708	\$ 73,474	

The Total Primary Government long-term debt decreased by \$500K from the prior year's balance due mainly to scheduled debt repayments. Increases in Total Primary Government OPEB liability due to GASB 75 adoption were offset by debt and lease repayment. The Component Unit long-term debt increased by \$4 million primarily due to the School Board's increase in net pension liability.

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000 and revised on June 16, 2020, limits net debt as a percentage of assessed value not to exceed 3%. In addition, the general obligation debt service and capital lease payments will not exceed 15% of general government expenditures. As of the end of FY 2020, the County's net debt as a percentage of assessed value was less than .70% and the debt payments percentage of governmental expenditures was 5.2%.

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

Economic Factors and Next Fiscal Year's Budgets and Rates

Throughout the calendar year 2019, the County's unemployment rate continued to show steady improvement over the prior year. The unemployment rate for Gloucester County was 2.6%, which is pre-recession level and the lowest reported rate in the last 10 years (*Source: Virginia Employment Commission*). However, restrictions arising from the COVID-19 Pandemic caused historically high state-wide unemployment rates in the final quarter of FY 2020, reaching 11.2% in April 2020. While Gloucester historically trends below the state-wide rates, County residents faced the same difficulties felt throughout the state.

The Board of Supervisors considered many factors when developing the fiscal year 2021 General Fund budget and the FY2021-FY2025 Five Year Capital Improvement Project (CIP) Plan - particularly the impacts of state and national economic conditions. During the preparation of the FY 2021 proposed budget, the national economy continued to show improvement with job growth, wages and household incomes trending positively. However, the COVID-19 Pandemic severely constricted some segments of the economy in the final quarter of the fiscal year. On March 30, 2020, the Office of the Governor

issued a stay at home order, which limited in-person gatherings and temporarily shut down or restricted the operations of many businesses. Though businesses have reopened, public uncertainty still lingers, and the economic downturn is apparent. Changes initiated by the Federal administration, including changes in federal government priorities, could have both positive and negative impacts on the Commonwealth and on the Hampton Roads region. Decreases in federal spending and shifting of funds among competing agencies could impact future state budgets. As in the past, the Commonwealth could pass these cuts on to the localities, reducing further what little budget flexibility we have.

Guidance provided by the Board specific to FY 2021 Operating Budget and 5 Year CIP development was similar that of the prior year: produce a financial plan that incorporates little or no real estate tax increase; does not reduce service levels; and does not eliminate programs. In addition, the BOS requested development of “excursion options” that afforded the ability to contemplate elimination of any proposed real estate tax increase; improving compensation of employees, their top priority; funding unmet needs; and trading off between service/program impacts.

The FY 2021 proposed budget was reworked to address COVID-19 related reductions in property tax and other local tax revenue, offset by reductions in the capital budget and increased use of fund balance. The FY 2021 General Fund approved budget is \$69.1 million, which is comprised of \$33.8 million in operating expenditures and approximately \$35.3 million in transfers to Gloucester County Public Schools and other funds. Of this transfer amount, \$26.5 million supports our School Division’s operating budget. Also programmed into the FY 2021 budget is approximately \$4.8 million in School projects carried over from FY 2020 to be funded with debt. The projects include the initial A&E design for renovations of the Gloucester High School and the School’s Transportation Facility, new Achilles Elementary School bus loop, and new athletic fields at the Page Middle School. For FY 2021, the real estate tax rate remained at \$0.695 and personal property tax rates remained at \$2.95.

The FY 2021 School Operating Budget was approved at \$61.0 million, which is a \$800K less than the adopted FY 2020 School Operating Budget. The County’s contribution to the School Operations, which is 43.4% of the total School Operating Budget, decreased by \$480K. Additional information regarding the Fiscal Year 2021 Adopted Budget can be found on the County’s Finance Department website at <http://gloucesterva.info/Finance/BudgetsandFinancialReports>.

Economic conditions, trends, and revenue collections continue to be closely monitored. Key factors that are expected to impact future budgets include the rate of economic recovery from COVID-19 pandemic, declining revenue sources, projected increases in health insurance premiums, maintaining and/or increasing service levels for citizens, required funding for facility maintenance and capital improvements and replacing reductions in state educational funding.

Requests for Information

This financial report is designed to provide a general overview of the County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, County of Gloucester, 6489 Main Street, Gloucester, VA 23061.

BASIC FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

Statement of Net Position
June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 16,223,432	\$ 475,637	\$ 16,699,069	\$ 47,695	\$ 154,358
Investments	5,245,319	3,288,186	8,533,505	311,311	808,528
Receivables (net of allowance for uncollectibles):					
Taxes receivable	33,502,603	5,538	33,508,141	-	-
Accounts receivable	569,601	546,740	1,116,341	79,890	-
Internal balances	183,933	(183,933)	-	-	-
Due from other governmental units	2,350,398	-	2,350,398	6,799,094	-
Inventories	-	153,249	153,249	64,771	1,083,044
Prepaid items	385,394	-	385,394	-	-
Restricted assets:					
Cash and cash equivalents (in custody of others)	-	427,332	427,332	-	-
Capital assets (net of accumulated depreciation):					
Land	7,001,908	3,690,276	10,692,184	1,476,061	473,735
Buildings and system	34,407,274	20,347,557	54,754,831	35,094,851	7,952,710
Improvements other than buildings	2,890,492	-	2,890,492	-	-
Machinery and equipment	2,869,077	1,339,510	4,208,587	2,460,755	-
Construction in progress	992,001	78,730	1,070,731	61,322	-
Total assets	\$ 106,621,432	\$ 30,168,822	\$ 136,790,254	\$ 46,395,750	\$ 10,472,375
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 2,936,820	\$ 198,337	\$ 3,135,157	\$ 11,414,557	\$ -
OPEB related items	1,428,950	60,827	1,489,777	1,316,668	-
Deferred charges on refunding	112,428	116,942	229,370	-	-
Total deferred outflows of resources	\$ 4,478,198	\$ 376,106	\$ 4,854,304	\$ 12,731,225	\$ -
LIABILITIES					
Accounts payable	\$ 580,705	\$ 75,633	\$ 656,338	\$ 1,525,129	\$ 44,312
Accrued liabilities	1,061,886	28,189	1,090,075	6,021,349	-
Accrued interest payable	446,435	11,704	458,139	-	-
Due to other governmental units	5,198,511	-	5,198,511	-	-
Unearned revenue	3,172,530	-	3,172,530	-	-
Deposits held in escrow	-	56,490	56,490	-	-
Long-term liabilities:					
Due within one year	3,220,129	718,336	3,938,465	184,338	962,804
Due in more than one year	41,910,071	6,633,498	48,543,569	66,250,214	9,310,815
Total liabilities	\$ 55,590,267	\$ 7,523,850	\$ 63,114,117	\$ 73,981,030	\$ 10,317,931
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 22,056,214	\$ -	\$ 22,056,214	\$ -	\$ -
Pension related items	725,657	38,668	764,325	5,908,784	-
OPEB related items	846,771	33,176	879,947	2,785,316	-
Total deferred inflow of resources	\$ 23,628,642	\$ 71,844	\$ 23,700,486	\$ 8,694,100	\$ -
NET POSITION					
Net investment in capital assets	\$ 16,970,169	\$ 18,885,015	\$ 35,855,184	\$ 39,092,989	\$ (1,847,174)
Unrestricted (deficit)	14,910,552	4,064,219	18,974,771	(62,641,144)	2,001,618
Total net position	\$ 31,880,721	\$ 22,949,234	\$ 54,829,955	\$ (23,548,155)	\$ 154,444

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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,728,268	\$ -	\$ 356,421	\$ -
Judicial administration	2,194,538	165,055	853,335	-
Public safety	17,520,033	515,568	3,584,766	-
Public works	2,549,544	537,113	-	-
Health and welfare	6,607,759	-	4,047,406	-
Education	31,121,559	-	-	-
Parks, recreation, and cultural	2,453,113	188,892	158,589	-
Community development	2,111,415	9,099	7,888	612,726
Interest on long-term debt	1,109,287	-	222,975	-
Total governmental activities	\$ 72,395,516	\$ 1,415,727	\$ 9,231,380	\$ 612,726
Business-type activities:				
Public utilities	\$ 4,383,288	\$ 4,312,516	\$ -	\$ -
Total business-type activities	\$ 4,383,288	\$ 4,312,516	\$ -	\$ -
Total primary government	\$ 76,778,804	\$ 5,728,243	\$ 9,231,380	\$ 612,726
COMPONENT UNITS:				
School Board	\$ 65,562,478	\$ 859,405	\$ 35,136,591	\$ -
Economic Development Authority	1,519,171	1,492,903	-	-
Total component units	\$ 67,081,649	\$ 2,352,308	\$ 35,136,591	\$ -
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				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

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

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (6,371,847)	\$ -	\$ (6,371,847)			
(1,176,148)	-	(1,176,148)			
(13,419,699)	-	(13,419,699)			
(2,012,431)	-	(2,012,431)			
(2,560,353)	-	(2,560,353)			
(31,121,559)	-	(31,121,559)			
(2,105,632)	-	(2,105,632)			
(1,481,702)	-	(1,481,702)			
(886,312)	-	(886,312)			
<u>\$ (61,135,683)</u>	<u>\$ -</u>	<u>\$ (61,135,683)</u>			
\$ -	\$ (70,772)	\$ (70,772)			
\$ -	\$ (70,772)	\$ (70,772)			
<u>\$ (61,135,683)</u>	<u>\$ (70,772)</u>	<u>\$ (61,206,455)</u>			
\$ -	\$ -	\$ -	\$ (29,566,482)	\$ -	
-	-	-	-	(26,268)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,566,482)</u>	<u>\$ (26,268)</u>	
\$ 42,406,876	\$ 38,646	\$ 42,445,522	\$ -	\$ -	
5,469,912	-	5,469,912	-	-	
743,181	-	743,181	-	-	
1,867,032	-	1,867,032	-	-	
2,346,997	-	2,346,997	-	-	
1,220,134	-	1,220,134	-	-	
371,220	55,436	426,656	15,279	12,674	
854,758	-	854,758	116,216	-	
4,233,641	-	4,233,641	-	-	
-	-	-	29,222,920	-	
<u>\$ 59,513,751</u>	<u>\$ 94,082</u>	<u>\$ 59,607,833</u>	<u>\$ 29,354,415</u>	<u>\$ 12,674</u>	
\$ (1,621,932)	\$ 23,310	\$ (1,598,622)	\$ (212,067)	\$ (13,594)	
33,502,653	22,925,924	56,428,577	(23,336,088)	168,038	
<u>\$ 31,880,721</u>	<u>\$ 22,949,234</u>	<u>\$ 54,829,955</u>	<u>\$ (23,548,155)</u>	<u>\$ 154,444</u>	

THIS PAGE LEFT BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

Balance Sheet

Governmental Funds

June 30, 2020

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 12,964,963	\$ -	\$ -	\$ 3,258,469	\$ 16,223,432
Investments	5,132,528	-	112,791	-	5,245,319
Receivables (net of allowance for uncollectibles):					
Taxes receivable	33,502,603	-	-	-	33,502,603
Accounts receivable	569,526	-	-	75	569,601
Due from other funds	1,047,145	-	510,728	-	1,557,873
Due from other governmental units	1,632,446	104,580	200,644	412,728	2,350,398
Prepaid items	385,394	-	-	-	385,394
Total assets	<u>\$ 55,234,605</u>	<u>\$ 104,580</u>	<u>\$ 824,163</u>	<u>\$ 3,671,272</u>	<u>\$ 59,834,620</u>
LIABILITIES					
Accounts payable	\$ 284,958	\$ -	\$ 247,347	\$ 48,400	\$ 580,705
Accrued liabilities	1,061,886	-	-	-	1,061,886
Due to other governmental units	5,198,511	-	-	-	5,198,511
Due to other funds	869,953	-	-	503,987	1,373,940
Unearned revenue	53,645	-	-	3,118,885	3,172,530
Total liabilities	<u>\$ 7,468,953</u>	<u>\$ -</u>	<u>\$ 247,347</u>	<u>\$ 3,671,272</u>	<u>\$ 11,387,572</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 25,229,785	\$ -	\$ -	\$ -	\$ 25,229,785
Total deferred inflows of resources	<u>\$ 25,229,785</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,229,785</u>
Fund balances:					
Nonspendable	\$ 385,394	\$ -	\$ -	\$ -	\$ 385,394
Restricted	43,121	-	43,000	-	86,121
Committed	2,634,123	-	533,816	-	3,167,939
Assigned	260,000	104,580	-	-	364,580
Unassigned	19,213,229	-	-	-	19,213,229
Total fund balances	<u>\$ 22,535,867</u>	<u>\$ 104,580</u>	<u>\$ 576,816</u>	<u>\$ -</u>	<u>\$ 23,217,263</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 55,234,605</u>	<u>\$ 104,580</u>	<u>\$ 824,163</u>	<u>\$ 3,671,272</u>	<u>\$ 59,834,620</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, 2020

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$	23,217,263
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	96,198,981	
Accumulated depreciation		<u>(48,038,229)</u>	48,160,752
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue - property taxes	\$	<u>3,173,571</u>	3,173,571
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.			
Deferred charge on refunding	\$	112,428	
OPEB related items		1,428,950	
Pension related items		<u>2,936,820</u>	4,478,198
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	\$	(30,076,917)	
Less: Issuance premium (to be amortized over life of debt)		(1,040,096)	
Accrued Interest payable		(446,435)	
Net OPEB liability		(6,141,860)	
Net pension liability		(5,656,212)	
Capital leases		(185,998)	
Compensated absences		<u>(2,029,117)</u>	(45,576,635)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.			
Pension related items	\$	(725,657)	
OPEB related items		<u>(846,771)</u>	<u>(1,572,428)</u>
Net position of governmental activities			\$ <u>31,880,721</u>

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, 2020

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 41,363,050	\$ -	\$ -	\$ -	\$ 41,363,050
Other local taxes	11,647,256	-	-	-	11,647,256
Permits, privilege fees, and regulatory licenses	458,428	-	-	-	458,428
Fines and forfeitures	59,632	-	-	-	59,632
Revenue from the use of money and property	369,377	-	1,843	-	371,220
Charges for services	897,667	-	-	-	897,667
Miscellaneous	120,854	-	192,959	6,425	320,238
Recovered costs	571,175	-	-	-	571,175
Intergovernmental:					
Commonwealth	8,849,125	-	13,750	1,853,442	10,716,317
Federal	292,987	222,975	612,726	2,232,742	3,361,430
Total revenues	<u>\$ 64,629,551</u>	<u>\$ 222,975</u>	<u>\$ 821,278</u>	<u>\$ 4,092,609</u>	<u>\$ 69,766,413</u>
EXPENDITURES	64,629,552				
Current:					
General government administration	\$ 6,691,245	\$ -	\$ -	\$ 4,903	\$ 6,696,148
Judicial administration	2,058,268	-	-	-	2,058,268
Public safety	15,367,804	-	-	109,039	15,476,843
Public works	2,551,198	-	-	-	2,551,198
Health and welfare	807,327	-	-	5,698,333	6,505,660
Education	27,314,420	-	-	-	27,314,420
Parks, recreation, and cultural	2,297,096	-	-	-	2,297,096
Community development	1,132,801	-	-	25,642	1,158,443
Nondepartmental	317,181	-	-	-	317,181
Capital projects	-	-	2,607,292	-	2,607,292
Debt service:					
Principal retirement	-	2,922,931	-	-	2,922,931
Interest and other fiscal charges	-	1,249,376	-	-	1,249,376
Total expenditures	<u>\$ 58,537,340</u>	<u>\$ 4,172,307</u>	<u>\$ 2,607,292</u>	<u>\$ 5,837,917</u>	<u>\$ 71,154,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,092,211</u>	<u>\$ (3,949,332)</u>	<u>\$ (1,786,014)</u>	<u>\$ (1,745,308)</u>	<u>\$ (1,388,443)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 4,053,912	\$ 1,540,279	\$ 1,745,308	\$ 7,339,499
Transfers out	(7,339,499)	-	-	-	(7,339,499)
Total other financing sources (uses)	<u>\$ (7,339,499)</u>	<u>\$ 4,053,912</u>	<u>\$ 1,540,279</u>	<u>\$ 1,745,308</u>	<u>\$ -</u>
Net change in fund balances	\$ (1,247,288)	\$ 104,580	\$ (245,735)	\$ -	\$ (1,388,443)
Fund balances - beginning	23,783,155	-	822,551	-	24,605,706
Fund balances - ending	<u>\$ 22,535,867</u>	<u>\$ 104,580</u>	<u>\$ 576,816</u>	<u>\$ -</u>	<u>\$ 23,217,263</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$ (1,388,443)
--	----------------

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 depreciation exceeded the capital outlays in the current period.

Capital asset additions	\$ 2,541,186	
Depreciation expense	(3,819,181)	
Jointly owned asset allocation of assets	(3,401,764)	
Jointly owned asset depreciation	<u>891,316</u>	(3,788,443)

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

Property taxes	\$ <u>1,043,826</u>	1,043,826
----------------	---------------------	-----------

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

Principal payments	\$ <u>2,922,931</u>	2,922,931
--------------------	---------------------	-----------

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:

Change in compensated absences	\$ (86,038)	
OPEB expense	(238,560)	
Pension expense	(227,294)	
Amortization of deferred charges on refunding	(13,092)	
Premium amortization	105,462	
(Increase) decrease in accrued interest payable	<u>47,719</u>	<u>(411,803)</u>

Change in net position of governmental activities	\$ <u><u>(1,621,932)</u></u>
---	------------------------------

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

Statement of Net Position

Proprietary Fund

June 30, 2020

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 475,637
Investments	3,288,186
Taxes receivable (net of allowance for uncollectibles)	5,538
Accounts receivable	546,740
Due from other funds	7,338
Inventories	153,249
Total current assets	\$ 4,476,688
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents (in custody of others)	\$ 427,332
Total restricted current assets	\$ 427,332
Capital assets:	
Land	\$ 3,690,276
Utility plant in service	37,726,808
Machinery and equipment	2,282,203
Buildings	6,542,938
Construction in progress	78,730
Accumulated depreciation	(24,864,882)
Total net capital assets	\$ 25,456,073
Total noncurrent assets	\$ 25,883,405
Total assets	\$ 30,360,093
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	\$ 116,942
Pension related items	198,337
OPEB related items	60,827
Total deferred outflows of resources	\$ 376,106
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 75,633
Accrued liabilities	28,189
Accrued interest payable	11,704
Due to other funds	191,271
Compensated absences - current portion	10,336
Deposits held in escrow	56,490
Bonds payable - current portion	708,000
Total current liabilities	\$ 1,081,623

Statement of Net Position

Proprietary Fund

June 30, 2020

	Enterprise Fund Utilities Fund
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 5,980,000
Net OPEB liability	218,176
Net pension liability	342,297
Compensated absences - net of current portion	93,025
Total noncurrent liabilities	\$ 6,633,498
Total liabilities	\$ 7,715,121
DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 38,668
OPEB related items	33,176
Total deferred outflows of resources	\$ 71,844
NET POSITION	
Net investment in capital assets	\$ 18,885,015
Unrestricted	4,064,219
Total net position	\$ 22,949,234

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2020

	Enterprise Fund Utilities Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,317,804
Sewer revenues	691,041
Other revenues	99,736
Total operating revenues	\$ <u>4,108,581</u>
OPERATING EXPENSES	
Personnel services	\$ 1,209,293
Fringe benefits	548,819
Contractual services	350,439
Other charges	945,855
Depreciation	1,155,860
Total operating expenses	\$ <u>4,210,266</u>
Operating income (loss)	\$ <u>(101,685)</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 203,935
Investment income	55,436
Taxes	38,646
Interest expense	(173,022)
Total nonoperating revenues (expenses)	\$ <u>124,995</u>
Change in net position	\$ 23,310
Total net position - beginning	22,925,924
Total net position - ending	\$ <u><u>22,949,234</u></u>

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

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

	Enterprise Fund
	Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,928,629
Receipts for miscellaneous items	29,386
Payments to suppliers	(1,376,328)
Payments to and for employees	(1,734,939)
Net cash provided by (used for) operating activities	\$ 846,748
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 203,935
Advances from other funds	183,933
Tax revenue	34,365
Net cash provided by (used for) noncapital financing activities	\$ 422,233
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (14,740)
Principal payments on bonds	(714,000)
Interest expense	(174,272)
Net cash provided by (used for) capital and related financing activities	\$ (903,012)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (200,000)
Interest income	4,103
Net cash provided by (used for) investing activities	\$ (195,897)
Net increase (decrease) in cash and cash equivalents	\$ 170,072
Cash and cash equivalents - beginning - including restricted	732,897
Cash and cash equivalents - ending - including restricted	\$ 902,969
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (101,685)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation	\$ 1,155,860
(Increase) decrease in accounts receivable	(80,216)
(Increase) decrease in deferred outflows of resources	(137,538)
(Increase) decrease in inventories	(46,455)
Increase (decrease) in customer deposits	(70,350)
Increase (decrease) in accrued liabilities	1,115
Increase (decrease) in accounts payable	(34,694)
Increase (decrease) in net OPEB liability	25,985
Increase (decrease) in net pension liability	133,840
Increase (decrease) in deferred inflows of resources	(16,215)
Increase (decrease) in compensated absences	17,101
Total adjustments	\$ 948,433
Net cash provided by (used for) operating activities	\$ 846,748
Schedule of non-cash investing and financing activities:	
Change in fair value of investments	\$ 51,333

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2020

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 144,310
Investments	60,641
Accounts receivable	5,785
Total assets	\$ <u>210,736</u>
LIABILITIES	
Accounts payable	\$ 79,902
Amounts held for social services clients	17,777
Amounts held for regional program	23,158
Amounts held for others	89,899
Total liabilities	\$ <u>210,736</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

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

Government-wide and Fund Financial Statements

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (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.

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2020.

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, 2020.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (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, 2020. The Authority does not issue a separate financial report.

C. Other Related Organizations

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

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

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

Included in the County's Financial Report

None

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized when they have been earned and 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 principal and interest expenditures on general long-term debt as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

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

1. Governmental Funds - are those through which most governmental functions typically are financed. The County reports the following governmental funds:

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

The County reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

E. Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. For purposes of the statement of cash flows, the government's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, other nonparticipating investments, and external investment pools are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$547,949 at June 30, 2020 and is comprised solely of property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (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, and infrastructure are reported in the applicable governmental columns in the government-wide financial statements for both the County and the Component Unit School Board. Capital assets are defined by the County as land, buildings, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

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

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

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

I. Compensated Absences

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

J. Use of Estimates

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

K. Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

L. Pensions

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

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

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, HIC, Teacher HIC, LODA and Medical and Dental Pay-As-You-Go OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Long-term Obligations

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

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

O. Prepaid Items

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

P. Inventory

Inventory in the 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. Both are valued at cost. 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, which is valued at the lower of cost or market value.

Q. Fund Balance

The following classifications of fund balance 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 that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers;

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

Q. Fund Balance (Continued)

- Committed fund balance - amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the Board of Supervisors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board adopts another ordinance to remove or revise the limitation;
- Assigned fund balance - amounts a government intends to use for a specific purpose but do not meet the criteria to be classified as committed; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. Unlike commitments, assignments general only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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. Certain fund balance commitments have been established by the County's written fund balance policy which is periodically updated by the Board of Supervisors. 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 between 14%-16% of budgeted governmental fund expenditures, less any capital outlay projects funded with bond proceeds. This amount of unassigned fund balance is needed to safeguard the County's fiscal liquidity to execute the approved annual budget.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

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

Q. Fund Balance (Continued)

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

	General Fund	Major Capital Projects Fund	Major Debt Service Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 385,394	\$ -	\$ -	\$ 385,394
Total Nonspendable	\$ 385,394	\$ -	\$ -	\$ 385,394
Restricted:				
Sheriff's asset forfeiture, federal	\$ 5,458	\$ -	\$ -	\$ 5,458
Sheriff's asset forfeiture, state	30,450	-	-	30,450
Commonwealth Attorney's asset forfeiture, federal	484	-	-	484
Commonwealth Attorney's asset forfeiture, state	6,729	-	-	6,729
Proffers	-	43,000	-	43,000
Total Restricted	\$ 43,121	\$ 43,000	\$ -	\$ 86,121
Committed:				
Mosquito control	\$ 98,545	\$ -	\$ -	\$ 98,545
Tourism projects	468,952	6,700	-	475,652
Daffodil festival	61,811	-	-	61,811
Program donations	29,142	-	-	29,142
Subsequent expenditures	-	352,065	-	352,065
Probation and pretrial	115,689	-	-	115,689
Cable services	917,082	-	-	917,082
County capital replacement	942,902	-	-	942,902
Park projects	-	88,804	-	88,804
Older adult capital projects	-	86,247	-	86,247
Total Committed	\$ 2,634,123	\$ 533,816	\$ -	\$ 3,167,939
Assigned:				
County administrator's contingency	\$ 260,000	\$ -	\$ -	\$ 260,000
Debt service	-	-	104,580	104,580
Total Assigned	\$ 260,000	\$ -	\$ 104,580	\$ 364,580
Unassigned	\$ 19,213,229	\$ -	\$ -	\$ 19,213,229
Total Fund Balances	\$ 22,535,867	\$ 576,816	\$ 104,580	\$ 23,217,263

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

R. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension asset/liability and net OPEB liabilities are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. During the month of March, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are required to be conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

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

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.

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 local governments and other public bodies 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 that has received at least two of the following ratings: P-1 by Moody’s Investors Service, Inc.; A-1 by Standard and Poor’s; or F1 by Fitch Ratings, Inc. (Section 2.2-4502), banker’s acceptances, repurchase agreements, and the State Treasurer’s Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments)

The County’s investment policy requires that all securities purchased for the County be held by the County or by the County’s designated custodian. The County’s investments at June 30, 2020 were held by the County or in the County’s name by the County’s custodial banks.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2020 were rated by Standard and Poor's and Moody's and the ratings are presented below using the Standard and Poor's and Moody's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

County's Rated Debt Investments' Values				
Rated Debt Investments		Fair Quality Ratings		
		AAAm	AAA	AA-
Primary Government:				
Local Government Investment Pool	\$	8,594,146	\$ -	\$ -
U.S. Government Obligations		427,332	-	-
Total	\$	<u>9,021,478</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-School Board:				
Local Government Investment Pool	\$	<u>311,311</u>	<u>\$ -</u>	<u>\$ -</u>
Total	\$	<u>311,311</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-Economic Development Authority:				
Local Government Investment Pool	\$	<u>808,528</u>	<u>\$ -</u>	<u>\$ -</u>
Total	\$	<u>808,528</u>	<u>\$ -</u>	<u>\$ -</u>

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.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Primary Government:			
Local Government Investment Pool	\$ 8,594,146	\$ 8,594,146	\$ -
U.S. Government Obligations	427,332	427,332	
Total	<u>\$ 9,021,478</u>	<u>\$ 9,021,478</u>	<u>\$ -</u>
Component Unit-School Board:			
Local Government Investment Pool	\$ 311,311	\$ 311,311	\$ -
Total	<u>\$ 311,311</u>	<u>\$ 311,311</u>	<u>\$ -</u>
Component Unit-Economic Development Authority			
Local Government Investment Pool	\$ 808,528	\$ 808,528	\$ -
Total	<u>\$ 808,528</u>	<u>\$ 808,528</u>	<u>\$ -</u>

External Investment Pools

The value of the positions in the external investment pools (Local Government Investment Pool) is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolio. There are no withdrawal limitations or restrictions imposed on participants.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2020, the County has receivables from and amounts due to other governments as follows:

		Component Unit	
	Primary Government	School Board	School Board Internal Service Fund
Amounts due from other governments are as follows:			
Other Local Governments:			
Gloucester County	\$ -	\$ 4,706,967	\$ 496,633
Commonwealth of Virginia:			
Local sales tax	1,063,681	-	-
Local communication sales tax	207,848	-	-
Rental vehicle tax	4,212	-	-
Mobile home titling tax	4,415	-	-
CSA funds	147,103	-	-
VPA funds	98,402	-	-
State sales tax	-	793,783	-
Constitutional officer reimbursements	306,350	-	-
Other Grants	21,101	16,363	-
E-911 funds	9,776	-	-
Federal Government:			
School fund grants	-	785,348	-
VPSA QSCB interest subsidy	104,579	-	-
Emergency services	202,504	-	-
Highway safety funds	2,704	-	-
VPA funds	167,223	-	-
Other federal grants	10,500	-	-
Total due from other governments	\$ <u>2,350,398</u>	\$ <u>6,302,461</u>	\$ <u>496,633</u>
Amounts due to other governments are as follows:			
Gloucester County School Board	\$ 4,706,967	\$ -	\$ -
Gloucester School Board Self insurance fund	491,544	-	-
Total due to other governments	\$ <u>5,198,511</u>	\$ -	\$ -

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2020, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 1,047,145	\$ 869,953
Capital Projects	510,728	-
Debt Service	-	-
CARES Act	-	139,584
Virginia Public Assistance	-	265,625
Comprehensive Services Act	-	98,778
Total Governmental Funds	<u>\$ 1,557,873</u>	<u>\$ 1,373,940</u>
Utilities	\$ 7,338	\$ 191,271
Total All Funds	<u>\$ 1,565,211</u>	<u>\$ 1,565,211</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, 2020:

Primary Government:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,467,388	\$ 534,520	\$ -	\$ 7,001,908
Construction in progress	747,782	457,449	314,677	890,554
Jointly owned construction in progress	<u>-</u>	<u>101,447</u>	<u>-</u>	<u>101,447</u>
Total capital assets not subject to depreciation	<u>\$ 7,215,170</u>	<u>\$ 1,093,416</u>	<u>\$ 314,677</u>	<u>\$ 7,993,909</u>
Capital assets subject to depreciation:				
Buildings	\$ 19,821,683	\$ -	\$ -	\$ 19,821,683
Improvements other than buildings	4,133,793	297,513	-	4,431,306
Machinery and equipment	20,697,222	160,154	186,914	20,670,462
Jointly owned assets - buildings	45,378,605	-	2,096,984	43,281,621
Total capital assets subject to depreciation	<u>\$ 90,031,303</u>	<u>\$ 457,667</u>	<u>\$ 2,283,898</u>	<u>\$ 88,205,072</u>
Accumulated depreciation:				
Buildings	\$ (9,820,255)	\$ (479,072)	\$ -	\$ (10,299,327)
Improvements other than buildings	(1,326,730)	(214,084)	-	(1,540,814)
Machinery and equipment	(15,999,472)	(1,988,827)	(186,914)	(17,801,385)
Jointly owned assets - buildings	<u>(18,150,821)</u>	<u>(1,137,198)</u>	<u>(891,316)</u>	<u>(18,396,703)</u>
Total accumulated depreciation	<u>\$ (45,297,278)</u>	<u>\$ (3,819,181)</u>	<u>\$ (1,078,230)</u>	<u>\$ (48,038,229)</u>
Total capital assets being depreciated, net	<u>\$ 44,734,025</u>	<u>\$ (3,361,514)</u>	<u>\$ 1,205,668</u>	<u>\$ 40,166,843</u>
Governmental activities capital assets, net	<u>\$ 51,949,195</u>	<u>\$ (2,268,098)</u>	<u>\$ 1,520,345</u>	<u>\$ 48,160,752</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:

General government administration	\$	276,377
Judicial administration		207,241
Public safety		1,932,023
Public works		42,769
Health and welfare		48,188
Education		1,152,002
Parks, recreation and cultural		152,459
Community development		8,122
Total Governmental activities	\$	<u>3,819,181</u>

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2020:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 3,690,276	\$ -	\$ -	\$ 3,690,276
Construction in progress	<u>63,990</u>	<u>14,740</u>	<u>-</u>	<u>78,730</u>
Total capital assets not subject to depreciation	<u>\$ 3,754,266</u>	<u>\$ 14,740</u>	<u>\$ -</u>	<u>\$ 3,769,006</u>
Capital assets subject to depreciation:				
Plant in service	\$ 37,726,808	\$ -	\$ -	\$ 37,726,808
Machinery and equipment	2,282,203	-	-	2,282,203
Buildings	<u>6,542,938</u>	<u>-</u>	<u>-</u>	<u>6,542,938</u>
Total capital assets subject to depreciation	<u>\$ 46,551,949</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,551,949</u>
Accumulated depreciation:				
Plant in service	\$ (18,440,313)	\$ (863,491)	\$ -	\$ (19,303,804)
Machinery and equipment	(841,383)	(101,310)	-	(942,693)
Buildings	<u>(4,427,326)</u>	<u>(191,059)</u>	<u>-</u>	<u>(4,618,385)</u>
Total accumulated depreciation	<u>\$ (23,709,022)</u>	<u>\$ (1,155,860)</u>	<u>\$ -</u>	<u>\$ (24,864,882)</u>
Total capital assets being depreciated, net	<u>\$ 22,842,927</u>	<u>\$ (1,155,860)</u>	<u>\$ -</u>	<u>\$ 21,687,067</u>
Business-type activities capital assets, net	<u>\$ 26,597,193</u>	<u>\$ (1,141,120)</u>	<u>\$ -</u>	<u>\$ 25,456,073</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2020:

Component Unit - School Board:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not subject to depreciation:				
Land	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Construction in progress	-	61,322	-	61,322
Total capital assets not subject to depreciation	\$ 1,476,061	\$ 61,322	\$ -	\$ 1,537,383
Capital assets subject to depreciation:				
Buildings	\$ 5,497,525	\$ 818,959	\$ -	\$ 6,316,484
Machinery and equipment	11,596,211	531,733	292,471	11,835,473
Jointly owned assets - buildings	49,591,012	-	(2,096,984)	51,687,996
Total capital assets subject to depreciation	\$ 66,684,748	\$ 1,350,692	\$ (1,804,513)	\$ 69,839,953
Accumulated depreciation:				
Buildings	\$ (665,585)	\$ (274,240)	\$ -	\$ (939,825)
Machinery and equipment	(9,104,084)	(563,105)	(292,471)	(9,374,718)
Jointly owned assets - buildings	(19,835,726)	(1,242,762)	891,316	(21,969,804)
Total accumulated depreciation	\$ (29,605,395)	\$ (2,080,107)	\$ 598,845	\$ (32,284,347)
Total capital assets being depreciated, net	\$ 37,079,353	\$ (729,415)	\$ (1,205,668)	\$ 37,555,606
Governmental activities capital assets, net	\$ 38,555,414	\$ (668,093)	\$ (1,205,668)	\$ 39,092,989

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, 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, 2020, is that school financed assets in the amount of \$24,986,365 are reported in the Primary Government for financial reporting purposes.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of changes for the component Unit Economic Development Authority capital assets at June 30, 2020 follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2020</u>
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 682,138	\$ -	\$ 208,403	\$ 473,735
Total capital assets not subject to depreciation	\$ 682,138	\$ -	\$ 208,403	\$ 473,735
Capital assets subject to depreciation:				
Buildings	\$ 18,261,179	\$ -	\$ 39,607	\$ 18,221,572
Machinery and equipment	7,234	-	-	7,234
Total capital assets subject to depreciation	\$ 18,268,413	\$ -	\$ 39,607	\$ 18,228,806
Accumulated depreciation:				
Buildings	\$ (9,543,012)	\$ (728,863)	\$ (3,013)	\$ (10,268,862)
Machinery and equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (9,550,246)	\$ (728,863)	\$ (3,013)	\$ (10,276,096)
Total capital assets being depreciated, net	\$ 8,718,167	\$ (728,863)	\$ 36,594	\$ 7,952,710
Business-type activities capital assets, net	<u>\$ 9,400,305</u>	<u>\$ (728,863)</u>	<u>\$ 244,997</u>	<u>\$ 8,426,445</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2020, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 7,339,499
Debt Service	4,053,912	-
Capital Projects	1,540,279	-
Other Governmental Funds	1,745,308	-
Total Governmental Funds	\$ <u>7,339,499</u>	\$ <u>7,339,499</u>
Total-All Funds	\$ <u><u>7,339,499</u></u>	\$ <u><u>7,339,499</u></u>

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

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2020 is as follows:

	Balance at July 1, 2019	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2020	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences	\$ 1,943,079	\$ 1,622,676	\$ 1,536,638	\$ 2,029,117	\$ 202,912
Net OPEB liabilities	5,401,921	2,288,721	1,548,782	6,141,860	-
Net pension liability	3,444,618	8,289,157	6,077,563	5,656,212	-
Capital lease	368,063	-	182,065	185,998	185,998
Direct borrowing and placements:					
Lease revenue bond	5,590,000	-	398,000	5,192,000	413,000
Total incurred by County	\$ 16,747,681	\$ 12,200,554	\$ 9,743,048	\$ 19,205,187	\$ 801,910
Incurred by School Board:					
Direct borrowing and placements:					
General obligation bonds	\$ 27,227,783	\$ -	\$ 2,342,866	\$ 24,884,917	\$ 2,418,219
Add deferred amounts:					
For issuance premium	1,145,558	-	105,462	1,040,096	-
Total incurred by School Board	\$ 28,373,341	\$ -	\$ 2,448,328	\$ 25,925,013	\$ 2,418,219
Total Governmental Activities	\$ 45,121,022	\$ 12,200,554	\$ 12,191,376	\$ 45,130,200	\$ 3,220,129
Business-type Activities:					
Compensated absences	\$ 86,260	\$ 106,633	\$ 89,532	\$ 103,361	\$ 10,336
Net OPEB liabilities	192,191	74,941	48,956	218,176	-
Net pension liability	208,457	501,635	367,796	342,296	-
Direct borrowing and placements:					
Revenue bonds	7,402,000	-	714,000	6,688,000	708,000
Total Business-type Activities	\$ 7,888,908	\$ 683,209	\$ 1,220,284	\$ 7,351,833	\$ 718,336

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

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

Year Ending June 30,	Governmental Activities			
	Capital Lease		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2021	\$ 185,998	\$ 4,018	\$ 413,000	\$ 135,107
2022	-	-	423,000	123,779
2023	-	-	432,000	112,194
2024	-	-	441,000	100,365
2025	-	-	459,000	88,170
2026	-	-	471,000	75,568
2027	-	-	483,000	62,642
2028	-	-	498,000	49,349
2029	-	-	508,000	35,718
2030	-	-	523,000	21,748
2031	-	-	541,000	7,331
Total	\$ 185,998	\$ 4,018	\$ 5,192,000	\$ 811,971

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Governmental Activities	
	Direct Borrowings and Direct Placements	
	General Obligation Bonds	
	Principal	Interest
2021	\$ 2,418,219	\$ 1,071,132
2022	2,518,853	970,440
2023	2,581,258	878,352
2024	2,661,126	791,492
2025	2,005,284	707,585
2026	2,067,045	631,358
2027	2,129,162	557,061
2028	1,686,650	490,400
2029	1,365,490	436,215
2030	990,490	398,483
2031	1,020,489	357,543
2032	1,022,712	315,313
2033	1,057,713	282,310
2034	1,087,713	247,910
2035	272,713	115,194
Total	\$ <u>24,884,917</u>	\$ <u>8,250,788</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Direct Placements	
	Revenue Bonds	
	Principal	Interest
2021	\$ 708,000	\$ 133,014
2022	719,000	118,031
2023	729,000	102,826
2024	749,000	87,308
2025	759,000	71,473
2026	775,000	55,367
2027	699,000	39,889
2028	506,000	27,237
2029	517,000	16,496
2030	527,000	5,533
Total	\$ <u>6,688,000</u>	\$ <u>657,174</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of governmental activities long-term obligations:

	<u>Notes</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Compensated absences (payable from the General Fund)						\$ 2,029,117	\$ 202,912
Net OPEB liabilities (payable from the General Fund)						\$ 6,141,860	\$ -
Net pension liability (payable from the General Fund)						\$ 5,656,212	\$ -
Capital lease with Motorola Solutions, Inc. for communications equipment		2.16%	07/01/16	07/01/20	1,020,726	\$ 185,998	\$ 185,998
Direct borrowings and placements:							
<u>Revenue Bonds:</u>							
Lease Revenue Refunding Bond through Economic Development Authority of Gloucester County	(a)	2.71%	08/12/15	11/01/30	6,725,000	\$ 5,192,000	\$ 413,000
Total long-term obligations incurred by the County						\$ 19,205,187	\$ 801,910
Direct borrowings and placements:							
<u>General Obligation Bonds:</u>							
Qualified School Construction Bonds through Virginia Public School Authority (VPSA)	(b)	4.25%	08/12/15	11/01/30	500,000	\$ 330,000	\$ 40,000
Qualified School Construction Bonds through VPSA	(b)	3.84%	08/12/15	11/01/30	5,999,684	4,599,751	399,979
VPSA Bond outstanding \$2,170,000 plus unamortized premium of \$73,809.	(b)	3.1% through 5.35%	08/12/15	11/01/30	7,525,000	2,243,809	500,000
VPSA Bond outstanding \$2,985,000 plus unamortized premium of \$56,708.	(b)	4.225% through 5.10%	08/12/15	11/01/30	6,505,000	3,041,708	370,000
VPSA Bond outstanding \$12,015,000 plus unamortized premium of \$783,685.	(b)	2.30% through 5.05%	08/12/15	11/01/30	15,845,000	12,798,685	780,000
VPSA Bond outstanding \$2,785,166 plus unamortized premium of \$125,894.	(b)	4.35% through 5.10%	08/12/15	11/01/30	6,364,713	2,911,060	328,240
Total General Obligation Bonds						\$ 25,925,013	\$ 2,418,219
Total Direct Borrowings and Placements						\$ 25,925,013	\$ 2,418,219
Total long-term obligations incurred by School Board, payable from the General Fund						\$ 25,925,013	\$ 2,418,219
Total outstanding debt - governmental activities						\$ 45,130,200	\$ 3,220,129

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

Details of business-type activities long-term obligations:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance Business-Type Activities	Amount Due Within One Year	
Compensated absences (payable from the Enterprise Fund)					\$ 103,361	\$ 10,336	
Net OPEB liabilities (payable from the Enterprise Fund)					\$ 218,176	\$ -	
Net pension liability (payable from the Enterprise Fund)					\$ 342,296	\$ -	
Direct borrowings and placements:							
<u>Revenue Bonds:</u>							
Water and Sewer Revenue Bonds through Pinnacle Public Finance, Inc.	(c)	2.10%	03/30/16	12/01/29	9,427,000	\$ 6,688,000	\$ 708,000
Total Revenue Bonds						\$ 6,688,000	\$ 708,000
Total Direct Borrowings and Placements						\$ 6,688,000	\$ 708,000
Total outstanding debt - business-type activities						\$ 7,351,833	\$ 718,336

Notes:

- (a) Pledged collateral includes the courthouse building and all fixtures and equipment. In the event of default, the lender may declare the entire unpaid principal and interest on the issuance due and payable.
- (b) In the event of default for any general obligation bond, the Commonwealth of Virginia may withhold state aid from the locality until such time that the event of default is cured in accordance with Section 15.2-2659 of the Code of Virginia, 1950 as amended.
- (c) All Enterprise Fund revenue is pledged to collateralize all revenue bonds as long as they remain outstanding. In the event of default, the lender may declare the entire unpaid principal and interest on the issuance due and payable. Outstanding revenue bonds at June 30, 2020 report remaining principal and interest balances payable of \$6,688,000 and \$657,174, respectively.

Capital Leases

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Primary Government: (Continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Radio Equipment	\$ 1,020,726
Less: Accumulated depreciation	<u>(612,436)</u>
	<u><u>\$ 408,290</u></u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 190,016
Total minimum lease payments	\$ 190,016
Less: amount representing interest	<u>(4,018)</u>
Present value of minimum lease payments	<u><u>\$ 185,998</u></u>

Component Unit—School Board:

The following is a summary of long-term debt transactions of the Component Unit—School Board for the year ended June 30, 2020:

	<u>Balance at July 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Compensated absences (payable from the School Fund)	\$ 1,620,580	\$ 2,112,780	\$ 1,889,983	\$ 1,843,377	\$ 184,338
Net OPEB liabilities	17,241,232	2,567,855	4,356,990	15,452,097	-
Net pension liability	<u>43,526,000</u>	<u>19,371,250</u>	<u>13,758,172</u>	<u>49,139,078</u>	<u>-</u>
Total incurred by School Board	<u><u>\$ 62,387,812</u></u>	<u><u>\$ 24,051,885</u></u>	<u><u>\$ 20,005,145</u></u>	<u><u>\$ 66,434,552</u></u>	<u><u>\$ 184,338</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Component Unit—Economic Development Authority:

The following is a summary of long-term debt transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2020:

	<u>Balance at July 1, 2019</u>		<u>Issuances/ Increases</u>		<u>Retirements/ Decreases</u>		<u>Balance at June 30, 2020</u>		<u>Amounts Due Within One Year</u>
Direct borrowing and placements:									
Lease Revenue Bond	\$ 11,190,018	\$	-	\$	916,399	\$	10,273,619	\$	962,804
Total	<u>\$ 11,190,018</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>916,399</u>	<u>\$</u>	<u>10,273,619</u>	<u>\$</u>	<u>962,804</u>

Details of long-term indebtedness:

	<u>Amount Outstanding</u>
<u>Lease Revenue Bond payable:</u>	
\$11,416,253 taxable Lease Revenue and Refunding Bonds, Series 2019, issued March 1, 2019, due in monthly installments through March 1, 2029, interest at 4.95%. Loan is secured by real estate owned by the Authority at 6000 Industrial Drive, Gloucester, Virginia.	\$ 10,273,619
Total Debt incurred by the Component Unit Economic Development Authority	<u>\$ 10,273,619</u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)**Component Unit—Economic Development Authority: (Continued)**

Annual requirements to amortize the Authority loan obligation and related interest are as follows:

<u>Year Ending June 30,</u>	<u>Lease Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 962,804	\$ 486,924
2022	1,011,559	438,170
2023	1,062,783	386,948
2024	1,116,600	333,132
2025	1,173,144	276,590
2026	1,232,550	217,186
2027	1,294,965	154,773
2028	1,360,540	89,199
2029	1,058,674	21,835
Total	<u>\$ 10,273,619</u>	<u>\$ 2,404,757</u>

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 10—DEFERRED AND UNAVAILABLE REVENUE:

At June 30, 2020, deferred and unavailable revenue are reported as follows:

	Government-wide Statements Governmental Activities	Balance Sheet Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures \$	- \$	3,173,571
2nd half assessments due in December 2020	21,584,451	21,584,451
Prepaid property taxes due in December 2020 but paid in advance by taxpayers	471,763	471,763
	\$ 22,056,214	\$ 25,229,785

NOTE 11—COMMITMENTS AND CONTINGENCIES:

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

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

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

The County entered into a Financing Lease Agreement and an Amended Cooperation Agreement on September 1, 2016 with the Counties of Northumberland, Richmond, and Westmoreland to become a member of the Northern Neck Regional Jail. As a result of these agreements, the County is committed to pay the Northern Neck Regional Jail \$684,053 for 15 years through 2031.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 12—LITIGATION:

At June 30, 2020, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RISK MANAGEMENT:

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

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

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

Unpaid claims, June 30, 2018	\$ <u>435,000</u>
Incurred claims (including IBNR and changes in estimates)	9,030,970
Claim payments	<u>(8,775,334)</u>
Unpaid claims, June 30, 2019	\$ <u>690,636</u>
Incurred claims (including IBNR and changes in estimates)	9,599,018
Claim payments	<u>(9,201,021)</u>
Unpaid claims, June 30, 2020	\$ <u>1,088,633</u>

NOTE 14—PENSION PLANS:

Plan Description

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of service credit or age 50 with at least 30 years of service credit. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of service credit or age 50 with at least 10 years of service credit. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit or when the sum of their age plus service credit equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. Hazardous duty employees 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. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of service credit.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of service credit, or when the sum of their age plus service credit equals 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of service credit. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.70% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.70% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Average Final Compensation and Service Retirement Multiplier (Continued)

compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of service credit are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of service credit are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government	Component Unit School Board Nonprofessional
Inactive members or their beneficiaries currently receiving benefits	210	121
Inactive members:		
Vested inactive members	57	23
Non-vested inactive members	73	57
Inactive members active elsewhere in VRS	150	54
Total inactive members	280	134
Active members	307	172
Total covered employees	797	427

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement.

The County's contractually required employer contribution rate for the year ended June 30, 2020 was 9.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,468,440 and \$1,450,980 for the years ended June 30, 2020 and June 30, 2019, respectively.

The Component Unit School Board's contractually required employer contribution rate for nonprofessional employees for the year ended June 30, 2020 was 5.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$166,013 and \$148,301 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net Pension Liability (Asset)

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2019. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 4.75%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75 investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

All Others (Non-10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non- Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

Mortality rates:

All Others (Non-10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non-10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Str	6.00%	3.52%	0.21%
PIP - Private Investment Part	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

* The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the County and Component Unit School Board (nonprofessional) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2019, the alternate rate was the employer contribution rate used in FY 2012 or 100% of the actuarially determined employer contribution rate from the June 30, 2017 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2019, the rate contributed by the school division for the VRS Teacher Retirement

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Discount Rate (Continued)

Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 66,485,715	\$ 62,832,640	\$ 3,653,075
Changes for the year:			
Service cost	\$ 1,698,206	\$ -	\$ 1,698,206
Interest	4,558,992	-	4,558,992
Differences between expected and actual experience	392,718	-	392,718
Changes of assumption	2,097,224	-	2,097,224
Contributions - employer	-	1,447,269	(1,447,269)
Contributions - employee	-	791,699	(791,699)
Net investment income	-	4,206,391	(4,206,391)
Benefit payments, including refunds of employee contributions	(2,714,506)	(2,714,506)	-
Administrative expenses	-	(40,997)	40,997
Other changes	-	(2,655)	2,655
Net changes	\$ 6,032,634	\$ 3,687,201	\$ 2,345,433
Balances at June 30, 2019	\$ 72,518,349	\$ 66,519,841	\$ 5,998,508

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 18,756,693	\$ 18,860,222	\$ (103,529)
Changes for the year:			
Service cost	\$ 280,466	\$ -	\$ 280,466
Interest	1,279,984	-	1,279,984
Differences between expected and actual experience	(426,009)	-	(426,009)
Changes of assumption	496,279	-	496,279
Contributions - employer	-	147,051	(147,051)
Contributions - employee	-	150,025	(150,025)
Net investment income	-	1,236,796	(1,236,796)
Benefit payments, including refunds of employee contributions	(942,404)	(942,404)	-
Administrative expenses	-	(12,633)	12,633
Other changes	-	(776)	776
Net changes	\$ 688,316	\$ 578,059	\$ 110,257
Balances at June 30, 2019	\$ 19,445,009	\$ 19,438,281	\$ 6,728

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

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 6.75%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
County			
Net Pension Liability (Asset)	\$ 15,462,029	\$ 5,998,508	\$ (1,556,276)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	2,216,809	6,728	(1,773,915)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

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

For the year ended June 30, 2020, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$1,673,747 and \$111,949 respectively. At June 30, 2020, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 262,679	\$ 186,791	\$ 108,255	\$ 255,605
Changes of assumptions	1,404,038	-	297,767	-
Net difference between projected and actual earnings on pension plan investments	-	577,534	-	168,173
Employer contributions subsequent to the measurement date	1,468,440	-	166,013	-
Total	\$ 3,135,157	\$ 764,325	\$ 572,035	\$ 423,778

\$1,468,440 and \$166,013 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction (increase) of the Net Pension Liability (Asset) in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

	Year ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2021	\$	626,090	\$ 135,310
2022		240,365	(161,283)
2023		1,191	(3,855)
2024		34,746	12,072
2025		-	-
Thereafter		-	-

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (Professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each School Division's contractually employer required contribution rate for the year ended June 30, 2020 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$4,984,888 and \$4,784,066 for the years ended June 30, 2020 and June 30, 2019, respectively.

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

At June 30, 2020, the school division reported a liability of \$49,132,350 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2019 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion was .37333% as compared to .37012% at June 30, 2018.

For the year ended June 30, 2020, the school division recognized pension expense of \$4,813,478. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 3,146,151
Change of assumptions	4,865,254	-
Net difference between projected and actual earnings on pension plan investments	-	1,078,830
Changes in proportion and differences between employer contributions and proportionate share of contributions	992,380	1,260,025
Employer contributions subsequent to the measurement date	<u>4,984,888</u>	<u>-</u>
Total	<u>\$ 10,842,522</u>	<u>\$ 5,485,006</u>

\$4,984,888 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2021	\$ (203,131)
2022	(969,378)
2023	375,321
2024	744,499
2025	425,317

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation	3.50% - 5.95%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2019, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

		Teacher Employee Retirement Plan
Total Pension Liability	\$	49,683,336
Plan Fiduciary Net Position		36,522,769
Employers' Net Pension Liability (Asset)	\$	<u>13,160,567</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		73.51%

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

The long-term expected rate of return and discount rate information previously described also apply to this plan.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 14—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset)	\$ 73,965,531	\$ 49,132,350	\$ 28,599,908

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Primary Government and Component Unit School Board

Aggregate Pension Information

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:								
Primary Government	\$ 3,135,157	\$ 764,325	\$ 5,998,508	\$ 1,673,747	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	572,035	423,778	6,728	111,949
School Board Professional	-	-	-	-	10,842,522	5,485,006	49,132,350	4,813,478
Totals	<u>\$ 3,135,157</u>	<u>\$ 764,325</u>	<u>\$ 5,998,508</u>	<u>\$ 1,673,747</u>	<u>\$ 11,414,557</u>	<u>\$ 5,908,784</u>	<u>\$ 49,139,078</u>	<u>\$ 4,925,427</u>

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)**

NOTE 15—SURETY BONDS:

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

NOTE 16—OPERATING LEASES:

The County leases space for the Main Street County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was \$175,228 for the year ended June 30, 2020. In FY 2019, the County decided to accept the second renewal term of 5 years. The future minimum lease payments for the first renewal term are as follows.

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 175,228
2022	175,228
2023	175,228
2024	160,626
 Total	 \$ <u><u>686,310</u></u>

The remainder of this page left blank intentionally.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 16—OPERATING LEASES:

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 \$49,735 for the year ended June 30, 2020. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 50,978
2022	52,253
2023	53,559
2024	54,898
2025	56,271
2026 - 2032	384,841
Total	<u><u>\$ 652,800</u></u>

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$71,774 for the year ended June 30, 2020. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 73,209
2022	74,673
2023	76,167
2024	77,690
2025	79,244
2026 - 2029	282,196
Total	<u><u>\$ 663,179</u></u>

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Plan was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Plan upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured plan, it is not included as part of the GLI Plan OPEB.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (Continued)

Plan Description (Continued)

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Plan was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the plan. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Plan is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the plan provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of service credit, the minimum benefit payable was set at \$8,000 by statute in 2015. This will be increased annually based on the VRS Plan 2 cost-of-living adjustment calculation. The minimum benefit adjusted for the COLA was \$8,463 as of June 30, 2020.

Contributions

The contribution requirements for the GLI Plan are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Plan was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% ($1.31\% \times 60\%$) and the employer component was 0.52% ($1.31\% \times 40\%$). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2020 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Plan from the County were \$86,788 and \$84,814 for the years ended June 30, 2020 and June 30, 2019, respectively.

Contributions to the Group Life Insurance Program from the Component Unit School Board professional group were \$170,768 and \$163,470 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions to the Group Life Insurance Program from the Component Unit School Board nonprofessional group were \$19,561 and \$16,827 for the years ended June 30, 2020 and June 30, 2019, respectively.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB

At June 30, 2020, the County reported a liability of \$1,353,885 for its proportionate share of the Net GLI OPEB Liability. The Component Unit School Board professional and nonprofessional groups reported liabilities of \$2,609,484 and \$268,661, respectively, for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2019 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the County's proportion was .08320% as compared to .07448% at June 30, 2018. At June 30, 2019, the Component Unit School Board professional and nonprofessional groups' proportion was .16036% and .01651%, respectively, as compared to .15783% and .01587%, respectively, at June 30, 2018.

For the year ended June 30, 2020, the County recognized GLI OPEB expense of \$47,411. For the year ended June 30, 2020, the Component Unit School Board professional group recognized GLI OPEB expense of \$67,720. For the year ended June 30, 2020, the Component Unit School Board nonprofessional group recognized GLI OPEB expense of (\$2,352). Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government		Component School Board (professional)		Component School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,041	\$ 17,559	\$ 173,546	\$ 33,848	\$ 17,868	\$ 3,485
Net difference between projected and actual earnings on GLI OPEB plan investment	-	27,810	-	53,601	-	5,519
Change of assumptions	85,476	40,826	164,748	78,687	16,962	8,101
Changes in proportion	116,334	25,238	86,471	62,688	8,539	36,826
Employer contributions subsequent to the measurement date	86,788	-	170,768	-	19,561	-
Total	\$ 378,639	\$ 111,433	\$ 595,533	\$ 228,824	\$ 62,930	\$ 53,931

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Plan OPEB (Continued)

\$86,788, \$170,768, and \$19,561, respectively, reported as deferred outflows of resources related to the GLI OPEB resulting from the County, Component Unit School Board professional and nonprofessional group's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

		Primary	Component Unit	Component Unit
		Government	School Board	School Board
			(professional)	(nonprofessional)
Year Ended				
June 30				
2021	\$	20,914	\$	(7,610)
2022		20,915		(7,609)
2023		32,694		(5,272)
2024		43,444		1,436
2025		47,493		6,425
Thereafter		14,958		2,068

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Inflation	2.50%
Salary increases, including inflation:	
Teachers	3.50%-5.95%
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the GLI Plan is as follows (amounts expressed in thousands):

		Group Life Insurance OPEB Plan
Total GLI OPEB Liability	\$	3,390,238
Plan Fiduciary Net Position		1,762,972
Employers' Net GLI OPEB Liability (Asset)	\$	<u>1,627,266</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		52.00%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategy	6.00%	3.52%	0.21%
PIP - Private Investment Partner	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 17—GROUP LIFE INSURANCE (GLI) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate (Continued)

GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer's proportionate share of the net GLI OPEB liability using the discount rate of 6.75%, as well as what the employer's proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
County's proportionate share of the Group Life Insurance Plan Net OPEB Liability	\$ 1,778,631	\$ 1,353,885	\$ 1,009,429
Component School Board (professional)'s proportionate share of the Group Life Insurance Plan Net OPEB Liability	3,428,140	2,609,484	1,945,577
Component School Board (nonprofessional)'s proportionate share of the Group Life Insurance Plan Net OPEB Liability	352,947	268,661	200,308

GLI Plan Fiduciary Net Position

Detailed information about the GLI Program's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

Plan Description

The Political Subdivision Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision HIC Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

The specific information about the Political Subdivision HIC Plan OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The Political Subdivision Retiree HIC Plan was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and retire with at least 15 years of service credit. Eligible employees include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan. These employees are enrolled automatically upon employment.

Benefit Amounts

The Political Subdivision Retiree HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. For employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month. For employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. There is no HIC for premiums paid and qualified under LODA; however, the employee may receive the credit for premiums paid for other qualified health plans. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2018 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan:

	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
Inactive members or their beneficiaries currently receiving benefits	<u>42</u>	<u>59</u>
Inactive members:		
Vested inactive members	-	-
Non-vested inactive members	-	-
Inactive members active elsewhere in VRS	-	-
Total inactive members	<u>42</u>	<u>59</u>
Active members	<u>138</u>	<u>172</u>
Total covered employees	<u><u>180</u></u>	<u><u>231</u></u>

Contributions

The contribution requirements for active employees is governed by §51.1-1402(E) of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County and School Board's contractually required employer contribution rate for the year ended June 30, 2020 was .17% and .80% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County to the Health Insurance Credit Program were \$13,130 and \$12,646 for the years ended June 30, 2020 and June 30, 2019, respectively. Contributions from the School Board to the HIC Plan were \$30,301 and \$25,669 for the years ended June 30, 2020 and June 30, 2019, respectively.

Net HIC OPEB Liability

The County and School Board's net HIC OPEB liability was measured as of June 30, 2019. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2018, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total HIC OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation:	
Locality - General employees	3.50%-5.35%
Locality - Hazardous Duty employees	3.50%-4.75%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of the OPEB liabilities.

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategy	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

Discount Rate

The discount rate used to measure the total HIC OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2019, the rate contributed by the entity for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2019 on, employers are assumed to continue to contribute 100% of the actuarially determined

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate (Continued)

contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

Changes in Net HIC OPEB Liability

	Primary Government		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 299,197	\$ 288,332	\$ 10,865
Changes for the year:			
Service cost	\$ 9,258	\$ -	\$ 9,258
Interest	20,292	-	20,292
Benefit changes	-	-	-
Differences between expected and actual experience	3,417	-	3,417
Assumption changes	7,308	-	7,308
Contributions - employer	-	12,652	(12,652)
Net investment income	-	18,334	(18,334)
Benefit payments, including refunds of employee contributions	(18,636)	(18,636)	-
Administrative expenses	-	(398)	398
Other changes	-	(22)	22
Net changes	\$ 21,639	\$ 11,930	\$ 9,709
Balances at June 30, 2019	\$ 320,836	\$ 300,262	\$ 20,574

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Changes in Net HIC OPEB Liability (Continued)

	Component Unit School Board (nonprofessional)		
	Increase (Decrease)		
	Total HIC OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net HIC OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 400,206	\$ 139,001	\$ 261,205
Changes for the year:			
Service cost	\$ 5,855	\$ -	\$ 5,855
Interest	27,056	-	27,056
Benefit changes	-	-	-
Differences between expected and actual experience	(24,262)	-	(24,262)
Assumption changes	8,607	-	8,607
Contributions - employer	-	25,674	(25,674)
Net investment income	-	8,837	(8,837)
Benefit payments, including refunds of employee contributions	(27,377)	(27,377)	-
Administrative expenses	-	(190)	190
Other changes	-	(10)	10
Net changes	\$ (10,121)	\$ 6,934	\$ (17,055)
Balances at June 30, 2019	\$ 390,085	\$ 145,935	\$ 244,150

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Sensitivity of the County and School Board's HIC Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the County and School Board's HIC Plan net HIC OPEB liability (asset) using the discount rate of 6.75%, as well as what the County and School Board's net HIC OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
Primary Government:			
Net HIC OPEB Liability (Asset)	\$ 52,810	\$ 20,574	\$ (7,071)
Component Unit School Board (nonprofessional):			
Net HIC OPEB Liability	282,021	244,150	211,541

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB

For the year ended June 30, 2020, the County and School Board recognized HIC Plan OPEB expense of \$6,057 and \$20,030. At June 30, 2020, the County and School Board reported deferred outflows of resources and deferred inflows of resources related to the County and School Board's HIC Plan from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,841	\$ 8,801	\$ 5,644	\$ 18,846
Net difference between projected and actual earnings on HIC OPEB plan investments	-	3,577	-	1,675
Change in assumptions	6,076	5,017	6,686	2,146
Employer contributions subsequent to the measurement date	13,130	-	30,301	-
Total	\$ 22,047	\$ 17,395	\$ 42,631	\$ 22,667

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 18—HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

HIC Plan OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC Plan OPEB: (Continued)

\$13,130 and \$30,301 reported as deferred outflows of resources related to the HIC OPEB resulting from the County and School Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ended June 30	Primary Government	Component Unit School Board (nonprofessional)
2021	\$ (3,954)	\$ (3,418)
2022	(3,955)	(3,329)
2023	(1,669)	(2,081)
2024	(368)	(1,509)
2025	1,468	-
Thereafter	-	-

Health Insurance Credit Program Plan Data

Information about the VRS Political Subdivision HIC Plan is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN):

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Plan was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Plan. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

The specific information for the Teacher HIC Plan OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Plan was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Plan is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Plan Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2020 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Plan. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Plan were \$393,506 and \$375,569 for the years ended June 30, 2020 and June 30, 2019, respectively.

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB

At June 30, 2020, the school division reported a liability of \$4,884,765 for its proportionate share of the VRS Teacher Employee HIC Plan Net OPEB Liability. The Net VRS Teacher Employee HIC OPEB Liability was measured as of June 30, 2019 and the total VRS Teacher Employee HIC OPEB liability used to calculate the Net VRS Teacher Employee HIC Plan OPEB Liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019. The school division's proportion of the Net VRS Teacher Employee HIC OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee HIC OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2019, the school division's proportion of the VRS Teacher Employee HIC was .37314% as compared to .36994% at June 30, 2018.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Teacher Employee HIC OPEB Liabilities, Teacher Employee HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Plan OPEB (Continued)

For the year ended June 30, 2020, the school division recognized VRS Teacher Employee HIC Plan OPEB expense of \$406,002. Since there was a change in proportionate share between measurement dates, a portion of the VRS Teacher Employee HIC Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 308	\$ 27,667
Net difference between projected and actual earnings on Teacher HIC OPEB plan investments	-	-
Change in assumptions	113,691	33,942
Change in proportion	108,069	94,927
Employer contributions subsequent to the measurement date	<u>393,506</u>	<u>-</u>
Total	<u>\$ 615,574</u>	<u>\$ 156,536</u>

\$393,506 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 8,608
2022	8,603
2023	10,743
2024	10,027
2025	6,261
Thereafter	21,290

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Plan was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019.

Inflation	2.50%
Salary increases, including inflation:	3.50%-5.95%
Investment rate of return	6.75%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 6.75%. However, since the difference was minimal, and a more conservative 6.75% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 6.75% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Plan represents the plan's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2019, NOL amounts for the VRS Teacher Employee HIC Plan is as follows (amounts expressed in thousands):

		Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$	1,438,114
Plan Fiduciary Net Position		129,016
Teacher Employee net HIC OPEB Liability (Asset)	\$	<u>1,309,098</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability		8.97%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return*</u>
Public Equity	34.00%	5.61%	1.91%
Fixed Income	15.00%	0.88%	0.13%
Credit Strategies	14.00%	5.13%	0.72%
Real Assets	14.00%	5.27%	0.74%
Private Equity	14.00%	8.77%	1.23%
MAPS - Multi-Asset Public Strategies	6.00%	3.52%	0.21%
PIP - Private Investment Partnership	3.00%	6.29%	0.19%
Total	<u>100.00%</u>		<u>5.13%</u>
		Inflation	<u>2.50%</u>
		Expected arithmetic nominal return*	<u>7.63%</u>

*The above allocation provides a one-year return of 7.63%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.11%, including expected inflation of 2.50%. The VRS Board elected a long-term rate of 6.75% which is roughly at the 40th percentile of expected long-term results of the VRS fund asset allocation.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 19—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PLAN (OPEB PLAN): (CONTINUED)

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by each school division for the VRS Teacher Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined rate. From July 1, 2019 on, all agencies are assumed to continued to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

Sensitivity of the School Division's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The follow presents the school division's proportionate share of the VRS Teacher Employee HIC Plan net HIC OPEB liability using the discount rate of 6.75%, as well as what the school division's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(5.75%)	(6.75%)	(7.75%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan			
Net HIC OPEB Liability	\$ 4,697,000	\$ 4,884,765	\$ 4,390,257

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Plan's Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-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, 2020 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM:

Plan Description

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. This is a cost-sharing, multiple-employer plan administered by the Virginia Retirement System (the System). Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VaLORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program.

Benefit Amounts

The LODA program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after; \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date; or an additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001.

The LODA program also provides health insurance benefits. Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by LODA.

Contributions

The contribution requirements for the LODA Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the LODA Program for the year ended June 30, 2020 was \$705.77 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Contributions (Continued)

Contributions to the LODA Program from the entity were \$108,688 and \$103,924 for the years ended June 30, 2020 and June 30, 2019, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2020, the entity reported a liability of \$2,778,189 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2019 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of June 30, 2018, and rolled forward to the measurement date of June 30, 2019. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2019 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2019, the entity's proportion was .77433% as compared to .77901% at June 30, 2018.

For the year ended June 30, 2020, the entity recognized LODA OPEB expense of \$214,003. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2020, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 403,807	\$ 5,500
Net difference between projected and actual earnings on LODA OPEB program investments	-	-
Change in assumptions	130,355	240,837
Change in proportion	-	98,196
Employer contributions subsequent to the measurement date	<u>108,688</u>	<u>-</u>
Total	<u>\$ 642,850</u>	<u>\$ 344,533</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB (Continued)

\$108,688 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2021	\$ 19,992
2022	20,002
2023	20,853
2024	21,759
2025	22,027
Thereafter	84,996

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019. The assumptions include several employer groups as noted below. Salary increases and mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.50%
Salary increases, including inflation:	
Locality employees	N/A
Medical cost trend rates assumption:	
Under age 65	7.25%-4.75%
Ages 65 and older	5.50%-4.75%
Year of ultimate trend rate:	
Post-65	Fiscal year ended 2023
Pre-65	Fiscal year ended 2028
Investment rate of return	3.50%, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.50%. However, since the difference was minimal, a more conservative 3.50% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Net LODA OPEB Liability

The net OPEB liability (NOL) for the LODA Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2019, NOL amounts for the LODA Program are as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 361,626
Plan Fiduciary Net Position	2,839
Employers' Net OPEB Liability (Asset)	<u><u>\$ 358,787</u></u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	0.79%

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Net LODA OPEB Liability (Continued)

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.50% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 6.75% assumption. Instead, the assumed annual rate of return of 3.50% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index as of the measurement date of June 30, 2019.

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.50%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate		
	1% Decrease (2.50%)	Current (3.50%)	1% Increase (4.50%)
County's proportionate share of the LODA Net OPEB Liability	\$ 3,222,897	\$ 2,778,189	\$ 2,426,453

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 20—LINE OF DUTY ACT (LODA) PROGRAM: (CONTINUED)

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the LODA Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 4.75%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 3.75%) or one percentage point higher (8.75% decreasing to 5.75%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 3.75%)	Current (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
County's proportionate share of the LODA Net OPEB Liability	\$ 2,348,931	\$ 2,778,189	\$ 3,319,527

LODA OPEB Fiduciary Net Position

Detailed information about the LODA Program Fiduciary Net Position is available in the separately issued VRS 2019 Comprehensive Annual Financial Report (CAFR). A copy of the 2019 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2019-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN):

County and School Board

Plan Description

In addition to the pension benefits described in Note 14, the County administers a single-employer defined benefit healthcare plan, The County of Gloucester Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the County's pension plans. The plan does not issue a publicly available financial report.

In addition to the pension benefits described in Note 14, the Component Unit School Board administers a single-employer defined benefit healthcare plan, The Gloucester County Public Schools Postretirement Benefits Plan. The plan provides postemployment health care benefits to all eligible permanent employees who meet the requirements under the School Board's pension plans. The plan does not issue a publicly available financial report.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Benefits Provided

Postemployment benefits that are provided to eligible retirees include medical insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the County who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. No benefits are provided to Medicare eligible retirees or their spouses.

Postemployment benefits that are provided to eligible retirees include medical and dental insurance. The benefits that are provided for active employees are the same for eligible retirees, spouses and dependents of eligible retirees. All permanent employees of the School Board who meet eligibility requirements of the pension plan are eligible to receive postemployment health care benefits. Retirees and spouses that became eligible for Medicare are no longer eligible to participate in the Gloucester County Public School's retiree medical plan. The School Board pays \$4.00 per month per full year of consecutive Gloucester County Public Schools service capped at 30 years of service upon retirement.

Plan Membership

At June 30, 2020 (measurement date), the following employees were covered by the benefit terms:

	Primary Government	Component Unit School Board
Total active employees with coverage	255	512
Total active employees without coverage	47	109
Total retirees with coverage	3	24
Total	305	645

Contributions

The County nor the School Board pre-funds benefits; therefore, no assets are accumulated in a trust fund. The current funding policy is to pay benefits directly from general assets on a pay-as-you-go basis. The funding requirements are established and may be amended by the County or School Board.

Total OPEB Liability

The County and School Board's total OPEB liability was measured as of June 30, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	The salary increase rate was 2.50% per annum
Discount Rate	2.94% based on the S&P municipal Bond 20 Year High Grade Rate index as of March 31, 2020
Investment Rate of Return	N/A
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.25% graded down to 6.50% over 3 years

Mortality rates for the County were based on the following actuarial assumptions:

Pre-Commencement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020; males setback 1 year, 85% of rates; females setback 1 year

Post-Commencement: RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

Mortality rates for the School Board were based on the following actuarial assumptions:

Pre-Commencement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with Scale BB to 2020

Post-Commencement: RP-2014 White Collar Employee Rates to age 49; White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females

These mortality assumptions were chosen to match the mortality assumptions used in the June 30, 2016 Annual Financial Statement for the Virginia Retirement System.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Discount Rate

The discount rate used when OPEB plan investments are insufficient to pay for future benefit payments is based on the S&P Municipal Bond 20-Year High Grade Rate Index as of March 31, 2020.

Changes in Total OPEB Liability

	Primary Government Total OPEB Liability	Component Unit School Board Total OPEB Liability
Balances at June 30, 2019	\$ 2,010,247	\$ 9,645,027
Changes for the year:		
Service cost	116,183	525,305
Interest	61,685	292,260
Difference between expected and actual experience	535,489	(1,350,451)
Changes in assumptions	(487,903)	(1,437,579)
Contributions - employer	-	-
Net investment income	-	-
Benefit payments	(28,313)	(229,525)
Net changes	\$ 197,141	\$ (2,199,990)
Balances at June 30, 2020	<u>\$ 2,207,388</u>	<u>\$ 7,445,037</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following amounts present the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.94%) or one percentage point higher (3.94%) than the current discount rate:

	Rate		
	1% Decrease (1.94%)	Current Discount Rate (2.94%)	1% Increase (3.94%)
Primary Government:			
Total OPEB liability	\$ 2,439,012	\$ 2,207,388	\$ 1,995,529
Component Unit School Board:			
Total OPEB liability	8,174,095	7,445,037	6,774,225

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the County and School Board, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.25% decreasing to 5.50% over 3 years) or one percentage point higher (8.25% decreasing to 7.50% over 3 years) than the current healthcare cost trend rates:

	Rates		
	1% Decrease (6.25% decreasing to 5.50%)	Healthcare Cost Trend (7.25% decreasing to 6.50%)	1% Increase (8.25% decreasing to 7.50%)
Primary Government:			
Total OPEB liability	\$ 1,920,522	\$ 2,207,388	\$ 2,549,131
Component Unit School Board:			
Total OPEB liability	6,489,271	7,445,037	8,594,195

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2020, the County and the School Board recognized OPEB expense in the amount of \$185,799 and \$352,893. At June 30, 2020, the County and the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Primary Government		Component Unit School Board	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 446,241	\$ -	\$ -	\$ 1,125,376
Changes in assumptions	-	406,586	-	1,197,982
Net difference between projected and actual earnings on OPEB plan investments	-	-	-	-
Employer contributions subsequent to the measurement date	-	-	-	-
Total	\$ 446,241	\$ 406,586	\$ -	\$ 2,323,358

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 21—MEDICAL AND DENTAL PAY-AS-YOU-GO (OPEB PLAN): (CONTINUED)

County and School Board: (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Additional disclosures on changes in net OPEB liability, related ratios, and employer contributions can be found in the required supplementary information following the notes to the financial statements.

NOTE 22—SUMMARY OF OTHER POSTEMPLOYMENT BENEFIT PLANS:

Primary Government and Component Unit School Board

	Primary Government				Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:								
Group Life Insurance Program (Note 17):								
County	\$ 378,639	\$ 111,433	\$ 1,353,885	\$ 47,411	\$ -	\$ -	\$ -	\$ -
School Board Nonprofessional	-	-	-	-	62,930	53,931	268,661	(2,352)
School Board Professional	-	-	-	-	595,533	228,824	2,609,484	67,720
Health Insurance Credit Program (Note 18)	22,047	17,395	20,574	6,057	42,631	22,667	244,150	20,030
Teacher Health Insurance Credit Program (Note 19)	-	-	-	-	615,574	156,536	4,884,765	406,002
Line of Duty Act Program (Note 20)	642,850	344,533	2,778,189	214,003	-	-	-	-
County Stand-Alone Plan (Note 21)	446,241	406,586	2,207,388	165,799	-	-	-	-
School Stand-Alone Plan (Note 21)	-	-	-	-	-	2,323,358	7,445,037	352,893
Totals	\$ 1,489,777	\$ 879,947	\$ 6,360,036	\$ 433,270	\$ 1,316,668	\$ 2,785,316	\$ 15,452,097	\$ 844,293

NOTE 23—FAIR VALUE MEASUREMENTS:

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

- Level 1. Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at a measurement date
- Level 2. Directly or indirectly observable inputs for the asset or liability other than quoted prices

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 23—FAIR VALUE MEASUREMENTS: (CONTINUED)

- Level 3. Unobservable inputs that are supported by little or no market activity for the asset or liability

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

The County has the following recurring fair value measurements as of June 30, 2020:

Investment type	Balance June 30, 2020	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary Government				
Debt Securities:				
U.S Government Obligations	\$ 427,332	\$ 427,332	\$ -	\$ -
	\$ 427,332	\$ 427,332	\$ -	\$ -

NOTE 24—UPCOMING PRONOUNCEMENTS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 24—UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 92, *Omnibus 2020*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics such as leases, assets related to pension and postemployment benefits, and reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature. The effective dates differ by topic, ranging from January 2020 to periods beginning after June 15, 2021.

Statement No. 93, *Replacement of Interbank Offered Rates*, establishes accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs) in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for removal of London Interbank Offered Rate (LIBOR) as an appropriate benchmark interest rate and the requirements related to lease modifications, are effective for reporting periods beginning after June 15, 2020. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All requirements related to lease modifications in this Statement are effective for reporting periods beginning after June 15, 2021.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability of Payment Arrangements*, addresses issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code (IRC) Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*, (1) increases consistency and comparability related to reporting of fiduciary component units in certain circumstances; (2) mitigates costs associated with the reporting of certain plans as fiduciary component units in fiduciary fund financial statements; and (3) enhances the relevance, consistency, and comparability of the accounting and financial reporting for Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. The effective dates differ based on the requirements of the Statement, ranging from June 2020 to reporting periods beginning after June 15, 2021.

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

NOTE 25—SUBSEQUENT EVENTS:

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency stemming from a new strain of coronavirus that was spreading globally (the “COVID-19 outbreak”). On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, triggering volatility in financial markets and a significant negative impact on the global economy. The COVID-19 pandemic has developed rapidly in 2020 and remains a quickly evolving situation. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact economic activity. County of Gloucester, Virginia is not able to estimate the effects of the COVID-19 pandemic for fiscal year 2021.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020 (CONTINUED)

NOTE 25—SUBSEQUENT EVENTS: (CONTINUED)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the sharp economic downturn due to the COVID-19 pandemic. Among the CARES Act key provisions was \$339.8 billion designated for programs for state and local government, which included \$150 billion in direct aid for state and local governments from the federal Coronavirus Relief Fund (CRF), pursuant to the federal CARES Act, to address spending shortages related to the COVID-19 pandemic.

The Commonwealth of Virginia received approximately \$3.1 billion from the CRF, of which \$1.3 billion was allocated for localities with fewer than 500,000 people. Localities with populations greater than 500,000 could apply to receive funds directly. All other CRF funds were distributed to the states to determine the allocations to localities.

On May 12, 2020, the first round of the allocations to local governments was authorized by the Commonwealth. On June 1, 2020, each locality received its share of the first half, or fifty (50) percent, of the locally based allocations. Unspent funds at June 30 from the initial allocation are reported as unearned revenue and total \$3,118,885. Like the first round, the second round of allocations was based on population and was for the same total amount distributed in the first round. County of Gloucester, Virginia, received the second round of CRF funds in the amount of \$3,258,469 on August 17, 2020.

The federal guidance for the CARES Act states that the CRF funds can be used only for the direct costs associated with the response to the COVID-19 pandemic and cannot be used to address revenue shortfalls. CRF funds are considered one-time funds and should not be used for ongoing services or base operations. As a condition of receiving CRF funds, any funds unexpended as of December 30, 2020 will be returned to the federal government.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts			Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)	
REVENUES					
General property taxes	\$ 41,806,781	\$ 41,981,781	\$ 41,363,050	\$ (618,731)	
Other local taxes	11,277,114	11,277,114	11,647,256	370,142	
Permits, privilege fees, and regulatory licenses	476,535	476,535	458,428	(18,107)	
Fines and forfeitures	120,200	120,200	59,632	(60,568)	
Revenue from the use of money and property	379,295	379,295	369,377	(9,918)	
Charges for services	1,138,463	1,138,463	897,667	(240,796)	
Miscellaneous	183,194	183,194	120,854	(62,340)	
Recovered costs	631,178	639,746	571,175	(68,571)	
Intergovernmental:					
Commonwealth	9,136,825	9,141,054	8,849,125	(291,929)	
Federal	353,788	386,207	292,987	(93,220)	
Total revenues	\$ 65,503,373	\$ 65,723,589	\$ 64,629,551	\$ (1,094,038)	
EXPENDITURES					
Current:					
General government administration	\$ 6,870,839	\$ 7,045,371	\$ 6,691,245	\$ 354,126	
Judicial administration	2,172,759	2,144,411	2,058,268	86,143	
Public safety	15,450,732	15,769,888	15,367,804	402,084	
Public works	2,391,175	2,551,703	2,551,198	505	
Health and welfare	821,319	821,919	807,327	14,592	
Education	27,672,565	27,598,967	27,314,420	284,547	
Parks, recreation, and cultural	2,498,154	2,457,268	2,297,096	160,172	
Community development	1,265,998	1,208,337	1,132,801	75,536	
Nondepartmental	1,056,934	791,704	317,181	474,523	
Total expenditures	\$ 60,200,475	\$ 60,389,568	\$ 58,537,340	\$ 1,852,228	
Excess (deficiency) of revenues over (under) expenditures	\$ 5,302,898	\$ 5,334,021	\$ 6,092,211	\$ 758,190	
OTHER FINANCING SOURCES (USES)					
Transfers out	\$ (10,757,948)	\$ (10,620,781)	\$ (7,339,499)	\$ 3,281,282	
Total other financing sources (uses)	\$ (10,757,948)	\$ (10,620,781)	\$ (7,339,499)	\$ 3,281,282	
Net change in fund balances	\$ (5,455,050)	\$ (5,286,760)	\$ (1,247,288)	\$ 4,039,472	
Fund balances - beginning	5,455,050	5,286,760	23,783,155	18,496,395	
Fund balances - ending	\$ -	\$ -	\$ 22,535,867	\$ 22,535,867	

Note: The budget is adopted on a basis consistent with generally accepted accounting principles.

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Changes in Net Pension Liability and Related Ratios

Primary Government

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	\$ 1,698,206	\$ 1,676,568
Interest	4,558,992	4,343,905
Difference between expected and actual experience	392,718	(275,493)
Changes of assumptions	2,097,224	-
Benefit payments	(2,714,506)	(2,630,115)
Net change in total pension liability	\$ 6,032,634	\$ 3,114,865
Total pension liability - beginning	66,485,715	63,370,850
Total pension liability - ending (a)	<u>\$ 72,518,349</u>	<u>\$ 66,485,715</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,447,269	\$ 1,383,382
Contributions - employee	791,699	693,369
Net investment income	4,206,391	4,363,836
Benefit payments	(2,714,506)	(2,630,115)
Administrator charges	(40,997)	(37,410)
Other	(2,655)	(3,900)
Net change in plan fiduciary net position	\$ 3,687,201	\$ 3,769,162
Plan fiduciary net position - beginning	62,832,640	59,063,478
Plan fiduciary net position - ending (b)	<u>\$ 66,519,841</u>	<u>\$ 62,832,640</u>
County's net pension liability - ending (a) - (b)	\$ 5,998,508	\$ 3,653,075
Plan fiduciary net position as a percentage of the total pension liability	91.73%	94.51%
Covered payroll	\$ 16,304,689	\$ 14,153,829
County's net pension liability as a percentage of covered payroll	36.79%	25.81%

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

Exhibit 12

	2017	2016	2015	2014
\$	1,722,474	\$ 1,729,707	\$ 1,746,320	\$ 1,706,383
	4,186,921	3,978,981	3,729,750	3,522,284
	(1,128,018)	(348,414)	431,689	-
	16,358	-	-	-
	(2,480,079)	(2,299,345)	(2,395,275)	(2,134,451)
\$	2,317,656	\$ 3,060,929	\$ 3,512,484	\$ 3,094,216
	61,053,194	57,992,265	54,479,781	51,385,565
\$	<u>63,370,850</u>	<u>\$ 61,053,194</u>	<u>\$ 57,992,265</u>	<u>\$ 54,479,781</u>
\$	1,387,991	\$ 1,524,213	\$ 1,533,287	\$ 1,630,763
	744,807	721,049	693,210	711,429
	6,477,379	913,929	2,298,831	6,835,011
	(2,480,079)	(2,299,345)	(2,395,275)	(2,134,451)
	(37,007)	(32,083)	(31,171)	(36,335)
	(5,772)	(387)	(486)	360
\$	6,087,319	\$ 827,376	\$ 2,098,396	\$ 7,006,777
	52,976,159	52,148,783	50,050,387	43,043,610
\$	<u>59,063,478</u>	<u>\$ 52,976,159</u>	<u>\$ 52,148,783</u>	<u>\$ 50,050,387</u>
\$	4,307,372	\$ 8,077,035	\$ 5,843,482	\$ 4,429,394
	93.20%	86.77%	89.92%	91.87%
\$	14,117,623	\$ 13,744,410	\$ 13,824,211	\$ 13,810,687
	30.51%	58.77%	42.27%	32.07%

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Component Unit School Board (nonprofessional)

Pension Plans

For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Total pension liability		
Service cost	\$ 280,466	\$ 288,543
Interest	1,279,984	1,207,530
Difference between expected and actual experience	(426,009)	469,105
Changes of assumptions	496,279	-
Benefit payments	(942,404)	(917,821)
Net change in total pension liability	\$ 688,316	\$ 1,047,357
Total pension liability - beginning	18,756,693	17,709,336
Total pension liability - ending (a)	<u>\$ 19,445,009</u>	<u>\$ 18,756,693</u>
Plan fiduciary net position		
Contributions - employer	\$ 147,051	\$ 174,431
Contributions - employee	150,025	142,021
Net investment income	1,236,796	1,328,369
Benefit payments	(942,404)	(917,821)
Administrator charges	(12,633)	(11,736)
Other	(776)	(1,171)
Net change in plan fiduciary net position	\$ 578,059	\$ 714,093
Plan fiduciary net position - beginning	18,860,222	18,146,129
Plan fiduciary net position - ending (b)	<u>\$ 19,438,281</u>	<u>\$ 18,860,222</u>
School Division's net pension liability (asset) - ending (a) - (b)	\$ 6,728	\$ (103,529)
Plan fiduciary net position as a percentage of the total pension liability	99.97%	100.55%
Covered payroll	\$ 3,208,603	\$ 2,990,016
School Division's net pension liability (asset) as a percentage of covered payroll	0.21%	-3.46%

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

Exhibit 13

	2017	2016	2015	2014
\$	311,465	\$ 426,688	\$ 427,429	\$ 409,024
	1,227,510	1,180,310	1,153,160	1,095,611
	(905,115)	(120,700)	(462,410)	-
	(28,612)	-	-	-
	(863,540)	(760,487)	(700,146)	(664,869)
\$	(258,292)	\$ 725,811	\$ 418,033	\$ 839,766
	17,967,628	17,241,817	16,823,784	15,984,018
\$	<u>17,709,336</u>	<u>17,967,628</u>	<u>17,241,817</u>	<u>16,823,784</u>
\$	177,460	\$ 294,552	\$ 337,412	\$ 369,055
	145,681	171,445	197,164	201,136
	2,006,570	287,673	736,846	2,207,074
	(863,540)	(760,487)	(700,146)	(664,869)
	(11,875)	(10,449)	(10,111)	(11,877)
	(1,773)	(122)	(154)	116
\$	1,452,523	\$ (17,388)	\$ 561,011	\$ 2,100,635
	16,693,606	16,710,994	16,149,983	14,049,348
\$	<u>18,146,129</u>	<u>16,693,606</u>	<u>16,710,994</u>	<u>16,149,983</u>
\$	(436,793)	\$ 1,274,022	\$ 530,823	\$ 673,801
	102.47%	92.91%	96.92%	95.99%
\$	2,985,162	\$ 3,485,857	\$ 3,973,266	\$ 4,025,922
	-14.63%	36.55%	13.36%	16.74%

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
Pension Plans
For the Measurement Dates of June 30, 2014 through June 30, 2019

	2019	2018
Employer's Proportion of the Net Pension Liability (Asset)	0.37333%	0.37012%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 49,132,350	\$ 43,526,000
Employer's Covered Payroll	31,324,082	29,956,443
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	156.85%	145.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.51%	74.81%

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

Exhibit 14

	2017	2016	2015	2014
	0.38104%	0.37070%	0.37696%	0.38539%
\$	46,860,000	\$ 51,950,000	\$ 47,446,000	\$ 46,573,000
	30,132,419	28,264,289	28,026,897	28,183,593
	155.51%	183.80%	169.29%	165.25%
	72.92%	68.28%	70.68%	70.88%

Schedule of Employer Contributions

Pension Plans

For the Years Ended June 30, 2011 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2020	\$ 1,468,440	\$ 1,468,440	\$ -	\$ 16,682,041	8.80%
2019	1,450,980	1,450,980	-	16,304,689	8.90%
2018	1,385,499	1,385,499	-	14,153,829	9.79%
2017	1,410,351	1,410,351	-	14,117,623	9.99%
2016	1,531,127	1,531,127	-	13,744,410	11.14%
2015	1,533,287	1,533,287	-	13,824,211	11.09%
2014	1,631,042	1,631,042	-	13,810,687	11.81%
2013	1,560,294	1,560,294	-	13,211,634	11.81%
2012	1,136,083	1,136,083	-	12,189,732	9.32%
2011	1,144,691	1,144,691	-	12,282,090	9.32%
Component Unit School Board (nonprofessional)					
2020	\$ 166,013	\$ 166,013	\$ -	\$ 3,753,820	4.42%
2019	148,301	148,301	-	3,208,603	4.62%
2018	175,385	175,385	-	2,990,016	5.87%
2017	184,184	184,184	-	2,985,162	6.17%
2016	297,344	297,344	-	3,485,857	8.53%
2015	337,412	337,412	-	3,973,266	8.49%
2014	369,177	369,177	-	4,025,922	9.17%
2013	362,215	362,215	-	3,950,003	9.17%
2012	262,579	262,579	-	3,822,107	6.87%
2011	266,997	266,997	-	3,886,418	6.87%
Component Unit School Board (professional)					
2020	\$ 5,141,807	\$ 5,141,807	\$ -	\$ 32,792,135	15.68%
2019	4,784,066	4,784,066	-	31,324,082	15.68%
2018	4,786,776	4,786,776	-	29,956,443	16.32%
2017	4,396,122	4,396,122	-	30,132,419	14.66%
2016	3,973,959	3,973,959	-	28,264,289	14.06%
2015	4,063,900	4,063,900	-	28,026,897	14.50%
2014	3,286,207	3,286,207	-	28,183,593	11.66%
2013	3,283,284	3,283,284	-	28,158,525	11.66%

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

Schedule is intended to show information for 10 years. Only 8 years of information are available for the professional group of the Component Unit School Board.

Notes to Required Supplementary Information
Pension Plans
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of County's Share of Net OPEB Liability

Group Life Insurance (GLI) Plan

For the Measurement Dates of June 30, 2017 through 2019

Date	Employer's Proportion of the Net GLI OPEB Liability (Asset)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
(1)	(2)	(3)	(4)	(5)	(6)
Primary Government:					
2019	0.08320%	\$ 1,353,885	\$ 16,310,336	8.30%	52.00%
2018	0.07448%	1,131,000	14,153,829	7.99%	51.22%
2017	0.07668%	1,154,000	14,117,623	8.17%	48.86%
Component Unit School Board (professional):					
2019	0.16036%	\$ 2,609,484	\$ 31,436,508	8.30%	52.00%
2018	0.15783%	2,397,000	29,956,443	8.00%	51.22%
2017	0.16329%	2,458,000	30,132,419	8.16%	48.86%
Component Unit School Board (nonprofessional):					
2019	0.01651%	\$ 268,661	\$ 3,235,982	8.30%	52.00%
2018	0.01587%	241,000	2,990,016	8.06%	51.22%
2017	0.01663%	250,000	2,985,162	8.37%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Group Life Insurance (GLI) Plan

For the Years Ended June 30, 2016 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2020	\$ 86,788	\$ 86,788	- \$	16,689,998	0.52%
2019	84,814	84,814	-	16,310,336	0.52%
2018	73,647	73,647	-	14,153,829	0.52%
2017	73,548	73,548	-	14,117,623	0.52%
2016	66,124	66,124	-	13,744,410	0.48%
Component Unit School Board (professional):					
2020	\$ 170,768	\$ 170,768	- \$	32,839,934	0.52%
2019	163,470	163,470	-	31,436,508	0.52%
2018	157,280	157,280	-	29,956,443	0.53%
2017	157,819	157,819	-	30,132,419	0.52%
2016	134,853	134,853	-	28,264,289	0.48%
Component Unit School Board (nonprofessional):					
2020	\$ 19,561	\$ 19,561	- \$	3,761,700	0.52%
2019	16,827	16,827	-	3,235,892	0.52%
2018	15,688	15,688	-	2,990,016	0.52%
2017	16,072	16,072	-	2,985,162	0.52%
2016	16,834	16,834	-	3,485,857	0.48%

Schedule is intended to show information for 10 years. Information prior to 2016 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
Group Life Insurance (GLI) Plan
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of Changes in the County's Net OPEB Liability and Related Ratios

Health Insurance Credit (HIC) Plan

Primary Government

For the Measurement Dates of June 30, 2017 through 2019

	2019	2018	2017
Total HIC OPEB Liability			
Service cost	\$ 9,258	\$ 9,327	\$ 10,108
Interest	20,292	20,541	20,191
Differences between expected and actual experience	3,417	(13,093)	-
Changes in assumptions	7,308	-	(9,679)
Benefit payments	(18,636)	(22,036)	(9,197)
Net change in total HIC OPEB liability	\$ 21,639	\$ (5,261)	\$ 11,423
Total HIC OPEB Liability - beginning	299,197	304,458	293,035
Total HIC OPEB Liability - ending (a)	<u>\$ 320,836</u>	<u>\$ 299,197</u>	<u>\$ 304,458</u>
Plan fiduciary net position			
Contributions - employer	\$ 12,652	\$ 12,249	\$ 12,479
Net investment income	18,334	19,722	28,877
Benefit payments	(18,636)	(22,036)	(9,197)
Administrator charges	(398)	(457)	(472)
Other	(22)	(1,448)	1,448
Net change in plan fiduciary net position	\$ 11,930	\$ 8,030	\$ 33,135
Plan fiduciary net position - beginning	288,332	280,302	247,167
Plan fiduciary net position - ending (b)	<u>\$ 300,262</u>	<u>\$ 288,332</u>	<u>\$ 280,302</u>
County's net HIC OPEB liability - ending (a) - (b)	\$ 20,574	\$ 10,865	\$ 24,156
Plan fiduciary net position as a percentage of the total HIC OPEB liability	93.59%	96.37%	92.07%
Covered payroll	\$ 7,438,663	\$ 6,446,775	\$ 6,568,163
County's net HIC OPEB liability as a percentage of covered payroll	0.28%	0.17%	0.37%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

Schedule of Changes in Net OPEB Liability and Related Ratios
Health Insurance Credit (HIC) Plan
Component Unit School Board (nonprofessional)
For the Measurement Dates of June 30, 2017 through June 30, 2019

	2019	2018	2017
Total HIC OPEB Liability			
Service cost	\$ 5,855	\$ 6,008	\$ 7,069
Interest	27,056	26,070	25,888
Differences between expected and actual experience	(24,262)	10,002	-
Changes of assumptions	8,607	-	(5,500)
Benefit payments	(27,377)	(28,591)	(21,113)
Net change in total HIC OPEB liability	\$ (10,121)	\$ 13,489	\$ 6,344
Total HIC OPEB Liability - beginning	400,206	386,717	380,373
Total HIC OPEB Liability - ending (a)	<u>\$ 390,085</u>	<u>\$ 400,206</u>	<u>\$ 386,717</u>
Plan fiduciary net position			
Contributions - employer	\$ 25,674	\$ 18,538	\$ 18,508
Net investment income	8,837	9,627	14,450
Benefit payments	(27,377)	(28,591)	(21,113)
Administrator charges	(190)	(214)	(227)
Other	(10)	(747)	747
Net change in plan fiduciary net position	\$ 6,934	\$ (1,387)	\$ 12,365
Plan fiduciary net position - beginning	139,001	140,388	128,023
Plan fiduciary net position - ending (b)	<u>\$ 145,935</u>	<u>\$ 139,001</u>	<u>\$ 140,388</u>
School Board's net HIC OPEB liability - ending (a) - (b)	\$ 244,150	\$ 261,205	\$ 246,329
Plan fiduciary net position as a percentage of the total HIC OPEB liability	37.41%	34.73%	36.30%
Covered payroll	\$ 3,208,603	\$ 2,990,016	\$ 2,985,162
School Board's net HIC OPEB liability as a percentage of covered payroll	7.61%	8.74%	8.25%

Schedule is intended to show information for 10 years. Information prior to the 2018 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Health Insurance Credit (HIC) Plan

For the Years Ended June 30, 2018 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government:					
2020	\$ 13,130	\$ 13,130	\$ -	7,723,247	0.17%
2019	12,646	12,646	-	7,438,663	0.17%
2018	12,249	12,249	-	6,446,775	0.19%
Component Unit School Board (nonprofessional):					
2020	\$ 30,031	\$ 30,031	\$ -	3,753,820	0.80%
2019	25,669	25,669	-	3,208,603	0.80%
2018	18,538	18,538	-	2,990,016	0.62%

Schedule is intended to show information for 10 years. Additional years will be added as they become available.

Notes to Required Supplementary Information
 Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14.00% to 15.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%
Discount Rate	Decreased rate from 7.00% to 6.75%

Schedule of County School Board's Share of Net OPEB Liability
Teacher Employee Health Insurance Credit (HIC) Plan
For the Measurement Dates of June 30, 2017 through 2019

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2019	0.37314% \$	4,884,765 \$	31,297,428	15.61%	8.97%
2018	0.36994%	4,697,000	29,956,443	15.68%	8.08%
2017	0.37997%	4,820,000	30,132,419	16.00%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

Teacher Employee Health Insurance Credit (HIC) Plan

For the Years Ended June 30, 2016 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2020	\$ 393,506	\$ 393,506	\$ -	\$ 32,792,135	1.20%
2019	375,569	375,569	-	31,297,428	1.20%
2018	367,997	367,997	-	29,956,443	1.23%
2017	332,858	332,858	-	30,132,419	1.10%
2016	299,601	299,601	-	28,264,289	1.06%

Schedule is intended to show information for 10 years. Additional years will be provided as they become available.

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Plan
 For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016, except the change in the discount rate, which was based on VRS Board action effective as of July 1, 2019. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Employer's Share of Net LODA OPEB Liability
Line of Duty Act (LODA) Program
For the Measurement Dates of June 30, 2017 through 2019

Date	Employer's Proportion of the Net LODA OPEB Liability (Asset)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset)	Covered- Employee Payroll *	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability
				(3)/(4)	
(1)	(2)	(3)	(4)	(5)	(6)
2019	0.7743% \$	2,778,189 \$	N/A	N/A	0.79%
2018	0.7790%	2,442,000	N/A	N/A	0.60%
2017	0.8049%	2,115,000	N/A	N/A	1.30%

N/A

Covered payroll for the LODA Program is not a relevant measurement as over 75% of covered participants are volunteers rather than employees.

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Additional years will be added as they become available.

Schedule of Employer Contributions

Line of Duty Act (LODA) Program

For the Years Ended June 30, 2016 through June 30, 2020

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2020	\$ 108,688	\$ 108,688	\$ -	N/A	N/A
2019	103,924	103,924	-	N/A	N/A
2018	82,977	82,977	-	N/A	N/A
2017	86,807	86,807	-	N/A	N/A
2016	80,031	80,031	-	N/A	N/A

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Additional years will be added as they become available.

Notes to Required Supplementary Information
Line of Duty Act (LODA) Program
For the Year Ended June 30, 2020

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The actuarial assumptions used in the June 30, 2018 valuation were based on results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60.00% to 45.00%

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios

Primary Government

For the Years Ended June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 116,183	\$ 99,166	\$ 94,444
Interest	61,685	61,011	56,708
Changes in assumptions	535,489	-	-
Differences between expected and actual experience	(487,903)	-	-
Benefit payments	(28,313)	(18,411)	(17,047)
Net change in total OPEB liability	\$ 197,141	\$ 141,766	\$ 134,105
Total OPEB liability - beginning	2,010,247	1,868,481	1,734,376
Total OPEB liability - ending	<u>\$ 2,207,388</u>	<u>\$ 2,010,247</u>	<u>\$ 1,868,481</u>
Covered payroll	\$ 15,797,915	\$ 14,183,817	\$ 13,837,870
County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	13.97%	14.17%	13.50%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Schedule of Changes in Total OPEB Liability (Asset) and Related Ratios

Component Unit School Board

For the Years Ended June 30, 2018 through June 30, 2020

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 525,305	\$ 648,551	\$ 617,668
Interest	292,260	292,727	273,191
Changes in assumptions	(1,437,579)	-	-
Differences between expected and actual experience	(1,350,451)	-	-
Benefit payments	(229,525)	(297,576)	(275,533)
Net change in total OPEB liability	\$ (2,199,990)	\$ 643,702	\$ 615,326
Total OPEB liability - beginning	9,645,027	9,001,325	8,385,999
Total OPEB liability - ending	<u>\$ 7,445,037</u>	<u>\$ 9,645,027</u>	<u>\$ 9,001,325</u>
Covered payroll	\$ 29,190,575	\$ 25,603,368	\$ 24,978,896
County's total OPEB liability (asset) as a percentage of covered-employee or covered payroll	25.50%	37.67%	36.04%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - County OPEB
For the Year Ended June 30, 2020

Valuation Date: 6/30/2020
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.94% based on the S&P Municipal Bond 20 Year High Grade Rate index as of March 31, 2020
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.25% graded down to 6.5% over 3 years
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB 20 to 2020; males set forward 1 year; female's setback 1 year with 1.5% increase compounded from ages 70 to 85. The mortality rates for disabled retirees was calculated using the RP-2014 Disability Mortality Rates projected with Scale BB to 2020; males 115% of rates; females 130% of rates.

Notes to Required Supplementary Information - Component Unit School Board
For the Year Ended June 30, 2020

Valuation Date: 6/30/2020
Measurement Date: 6/30/2020

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal level % of salary
Discount Rate	2.94% based on the S&P Municipal Bond 20 Year High Grade Rate index as of March 31, 2020
Inflation	2.50% per year as of June 30, 2017; 2.50% per year as of June 30, 2018
Healthcare Trend Rate	The healthcare trend rate assumption starts at 7.25% graded down to 6.5% over 3 years
Salary Increase Rates	The salary increase rate was 2.50% per annum
Retirement Age	The average age of retirement is 65
Mortality Rates	The mortality rates for active and healthy retirees was calculated using the RP-2014 White Collar Employee Rates to age 49 White Collar Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males 1% increase compounded from ages 70 to 90; females setback 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90. The mortality rates for disabled retirees was calculated using the RP-2014 Disabled Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

*COMBINING AND INDIVIDUAL STATEMENTS
AND SCHEDULES*

THIS PAGE LEFT BLANK INTENTIONALLY

Debt Service Fund

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

For the Year Ended June 30, 2020

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Federal	\$ 277,839	\$ 277,839	\$ 222,975	\$ (54,864)
Total revenues	\$ 277,839	\$ 277,839	\$ 222,975	\$ (54,864)
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,922,931	\$ 2,922,931	\$ 2,922,931	\$ -
Interest and other fiscal charges	1,324,447	1,324,447	1,249,376	75,071
Total expenditures	\$ 4,247,378	\$ 4,247,378	\$ 4,172,307	\$ 75,071
Excess (deficiency) of revenues over (under)				
expenditures	\$ (3,969,539)	\$ (3,969,539)	\$ (3,949,332)	\$ 20,207
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,969,539	\$ 3,969,539	\$ 4,053,912	\$ 84,373
Total other financing sources (uses)	\$ 3,969,539	\$ 3,969,539	\$ 4,053,912	\$ 84,373
Net change in fund balances				
	\$ -	\$ -	\$ 104,580	\$ 104,580
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 104,580	\$ 104,580

Capital Projects Fund

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

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,843	\$ 1,843
Miscellaneous	158,603	263,974	192,959	(71,015)
Intergovernmental:				
Commonwealth	419,435	652,291	13,750	(638,541)
Federal	2,608,246	2,668,246	612,726	(2,055,520)
Total revenues	<u>\$ 3,186,284</u>	<u>\$ 3,584,511</u>	<u>\$ 821,278</u>	<u>\$ (2,763,233)</u>
EXPENDITURES				
Capital projects	\$ 13,310,540	\$ 13,723,700	\$ 2,607,292	\$ 11,116,408
Total expenditures	<u>\$ 13,310,540</u>	<u>\$ 13,723,700</u>	<u>\$ 2,607,292</u>	<u>\$ 11,116,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,124,256)</u>	<u>\$ (10,139,189)</u>	<u>\$ (1,786,014)</u>	<u>\$ 8,353,175</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 4,464,095	\$ 4,326,928	\$ 1,540,279	\$ (2,786,649)
Issuance of bonds	5,629,916	5,629,916	-	(5,629,916)
Total other financing sources (uses)	<u>\$ 10,094,011</u>	<u>\$ 9,956,844</u>	<u>\$ 1,540,279</u>	<u>\$ (8,416,565)</u>
Net change in fund balances	\$ (30,245)	\$ (182,345)	\$ (245,735)	\$ (63,390)
Fund balances - beginning	30,245	182,345	822,551	640,206
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 576,816</u>	<u>\$ 576,816</u>

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020

	Special Revenue			
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	CARES Act Fund	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 3,258,469	\$ 3,258,469
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	75	-	75
Due from other governmental units	265,625	147,103	-	412,728
Total assets	<u>\$ 265,625</u>	<u>\$ 147,178</u>	<u>\$ 3,258,469</u>	<u>\$ 3,671,272</u>
LIABILITIES				
Accounts payable	\$ -	\$ 48,400	\$ -	\$ 48,400
Due to other funds	265,625	98,778	139,584	503,987
Deferred revenue	-	-	3,118,885	3,118,885
Total liabilities	<u>\$ 265,625</u>	<u>\$ 147,178</u>	<u>\$ 3,258,469</u>	<u>\$ 3,671,272</u>

THIS PAGE LEFT BLANK INTENTIONALLY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	CARES Act Fund	Total
REVENUES				
Miscellaneous	\$ -	\$ 6,425	\$ -	\$ 6,425
Intergovernmental:				
Commonwealth	1,289,856	563,586	-	1,853,442
Federal	2,057,666	35,492	139,584	2,232,742
Total revenues	<u>\$ 3,347,522</u>	<u>\$ 605,503</u>	<u>\$ 139,584</u>	<u>\$ 4,092,609</u>
EXPENDITURES				
Current:				
General government administration	\$ -	\$ -	\$ 4,903	\$ 4,903
Public safety	-	-	109,039	109,039
Health and welfare	4,722,118	976,215	-	5,698,333
Community development	-	-	25,642	25,642
Total expenditures	<u>\$ 4,722,118</u>	<u>\$ 976,215</u>	<u>\$ 139,584</u>	<u>\$ 5,837,917</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,374,596)</u>	<u>\$ (370,712)</u>	<u>\$ -</u>	<u>\$ (1,745,308)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,374,596	\$ 370,712	\$ -	\$ 1,745,308
Total other financing sources (uses)	<u>\$ 1,374,596</u>	<u>\$ 370,712</u>	<u>\$ -</u>	<u>\$ 1,745,308</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2020

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Commonwealth	1,561,348	1,561,348	1,289,856	(271,492)
Federal	1,971,050	1,971,050	2,057,666	86,616
Total revenues	<u>\$ 3,532,398</u>	<u>\$ 3,532,398</u>	<u>\$ 3,347,522</u>	<u>\$ (184,876)</u>
EXPENDITURES				
Current:				
General government administration	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Health and welfare	5,243,712	5,243,712	4,722,118	521,594
Community development	-	-	-	-
Total expenditures	<u>\$ 5,243,712</u>	<u>\$ 5,243,712</u>	<u>\$ 4,722,118</u>	<u>\$ 521,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,711,314)</u>	<u>\$ (1,711,314)</u>	<u>\$ (1,374,596)</u>	<u>\$ 336,718</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 1,711,314</u>	<u>\$ 1,711,314</u>	<u>\$ 1,374,596</u>	<u>\$ (336,718)</u>
Total other financing sources (uses)	<u>\$ 1,711,314</u>	<u>\$ 1,711,314</u>	<u>\$ 1,374,596</u>	<u>\$ (336,718)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Comprehensive Services Act Fund				CARES Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 3,720	\$ 3,720	\$ 6,425	\$ 2,705	\$ -	\$ -	\$ -	\$ -
789,280	789,280	563,586	(225,694)	-	-	-	-
18,000	18,000	35,492	17,492	-	175,000	139,584	(35,416)
<u>\$ 811,000</u>	<u>\$ 811,000</u>	<u>\$ 605,503</u>	<u>\$ (205,497)</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 139,584</u>	<u>\$ (35,416)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,903	\$ (4,903)
-	-	-	-	-	100,000	109,039	(9,039)
1,424,000	1,424,000	976,215	447,785	-	-	-	-
-	-	-	-	-	75,000	25,642	49,358
<u>\$ 1,424,000</u>	<u>\$ 1,424,000</u>	<u>\$ 976,215</u>	<u>\$ 447,785</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 139,584</u>	<u>\$ 35,416</u>
<u>\$ (613,000)</u>	<u>\$ (613,000)</u>	<u>\$ (370,712)</u>	<u>\$ 242,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 613,000</u>	<u>\$ 613,000</u>	<u>\$ 370,712</u>	<u>\$ (242,288)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 613,000</u>	<u>\$ 613,000</u>	<u>\$ 370,712</u>	<u>\$ (242,288)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2020

	Agency Funds					
	Special Welfare	Middle Peninsula Regional Special Education	Flexible Benefits	Escrow	Sheriff/ Jail	Total
ASSETS						
Cash and cash equivalents	\$ 15,829	\$ 38,582	\$ 49,552	\$ 8,739	\$ 31,608	\$ 144,310
Investments	-	60,641	-	-	-	60,641
Accounts receivable	1,948	3,837	-	-	-	5,785
Total assets	<u>\$ 17,777</u>	<u>\$ 103,060</u>	<u>\$ 49,552</u>	<u>\$ 8,739</u>	<u>\$ 31,608</u>	<u>\$ 210,736</u>
LIABILITIES						
Accounts payable	\$ -	\$ 79,902	\$ -	\$ -	\$ -	\$ 79,902
Amounts held for social services clients	17,777	-	-	-	-	17,777
Amounts held for regional program	-	23,158	-	-	-	23,158
Amounts held for others	-	-	49,552	8,739	31,608	89,899
Total liabilities	<u>\$ 17,777</u>	<u>\$ 103,060</u>	<u>\$ 49,552</u>	<u>\$ 8,739</u>	<u>\$ 31,608</u>	<u>\$ 210,736</u>

Combining Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2020

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 19,426	\$ 9,153	\$ 12,750	\$ 15,829
Accounts receivable	1,146	1,948	1,146	1,948
Total assets	<u>\$ 20,572</u>	<u>\$ 11,101</u>	<u>\$ 13,896</u>	<u>\$ 17,777</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 20,572</u>	<u>\$ 11,101</u>	<u>\$ 13,896</u>	<u>\$ 17,777</u>
Middle Peninsula Regional Special Education Fund:				
Assets:				
Cash and cash equivalents	\$ 36,470	\$ 620,112	\$ 618,000	\$ 38,582
Accounts receivable	10,844	3,837	10,844	3,837
Investments	67,004	3,637	10,000	60,641
Total assets	<u>\$ 114,318</u>	<u>\$ 627,586</u>	<u>\$ 638,844</u>	<u>\$ 103,060</u>
Liabilities:				
Accounts payable	\$ 90,503	\$ 79,902	\$ 90,503	\$ 79,902
Amounts held for regional program	23,815	547,684	548,341	23,158
Total liabilities	<u>\$ 114,318</u>	<u>\$ 627,586</u>	<u>\$ 638,844</u>	<u>\$ 103,060</u>
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 41,142</u>	<u>\$ 198,892</u>	<u>\$ 190,482</u>	<u>\$ 49,552</u>
Liabilities:				
Amounts held for others	<u>\$ 41,142</u>	<u>\$ 198,892</u>	<u>\$ 190,482</u>	<u>\$ 49,552</u>
Escrow Fund:				
Assets:				
Cash and cash equivalents	<u>\$ -</u>	<u>\$ 8,739</u>	<u>\$ -</u>	<u>\$ 8,739</u>
Liabilities:				
Amounts held for others	<u>\$ -</u>	<u>\$ 8,739</u>	<u>\$ -</u>	<u>\$ 8,739</u>
Sheriff/Jail Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 27,156</u>	<u>\$ 93,070</u>	<u>\$ 88,618</u>	<u>\$ 31,608</u>
Liabilities:				
Amounts held for others	<u>\$ 27,156</u>	<u>\$ 93,070</u>	<u>\$ 88,618</u>	<u>\$ 31,608</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 124,194	\$ 929,966	\$ 909,850	\$ 144,310
Investments	67,004	3,637	10,000	60,641
Accounts receivable	11,990	5,785	11,990	5,785
Total assets	<u>\$ 203,188</u>	<u>\$ 939,388</u>	<u>\$ 931,840</u>	<u>\$ 210,736</u>
Liabilities:				
Accounts payable	\$ 90,503	\$ 79,902	\$ 90,503	\$ 79,902
Amounts held for social services clients	20,572	11,101	13,896	17,777
Amounts held for regional program	23,815	547,684	548,341	23,158
Amounts held for others	68,298	300,701	279,100	89,899
Total liabilities	<u>\$ 203,188</u>	<u>\$ 939,388</u>	<u>\$ 931,840</u>	<u>\$ 210,736</u>

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

THIS PAGE LEFT BLANK INTENTIONALLY

Combining Balance Sheet

Discretely Presented Component Unit - School Board

June 30, 2020

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 47,645	\$ 47,695
Investments	-	311,311	311,311
Receivables (net of allowance for uncollectibles):			
Accounts receivable	69,649	-	69,649
Due from other governmental units	6,217,541	84,920	6,302,461
Inventories	-	64,771	64,771
Total assets	<u>\$ 6,287,240</u>	<u>\$ 508,647</u>	<u>\$ 6,795,887</u>
LIABILITIES			
Accounts payable	\$ 427,772	\$ 8,724	\$ 436,496
Accrued liabilities	5,859,468	161,881	6,021,349
Total liabilities	<u>\$ 6,287,240</u>	<u>\$ 170,605</u>	<u>\$ 6,457,845</u>
FUND BALANCES			
Nonspendable	\$ -	\$ 64,771	\$ 64,771
Assigned	-	273,271	273,271
Total fund balances	<u>\$ -</u>	<u>\$ 338,042</u>	<u>\$ 338,042</u>
Total liabilities and fund balances	<u>\$ 6,287,240</u>	<u>\$ 508,647</u>	<u>\$ 6,795,887</u>

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

Total fund balances per above \$ 338,042

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

Capital assets, cost	\$ 71,377,336	
Accumulated depreciation	<u>(32,284,347)</u>	39,092,989

Deferred outflows of resources are not available to pay for current-period expenditures, and, therefore, are not reported in the funds.

Pension related items	\$ 11,414,557	
OPEB related items	<u>1,316,668</u>	12,731,225

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.

(581,759)

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

Compensated absences	\$ (1,843,377)	
Net OPEB liability	(15,452,097)	
Net pension liability	<u>(49,139,078)</u>	(66,434,552)

Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.

Pension related items	\$ (5,908,784)	
OPEB related items	<u>(2,785,316)</u>	(8,694,100)

Net position of governmental activities \$ (23,548,155)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2020

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,500	\$ 12,779	\$ 15,279
Charges for services	83,166	776,239	859,405
Miscellaneous	64,813	51,403	116,216
Recovered costs	183,096	-	183,096
Intergovernmental:			
Local government	26,651,150	-	26,651,150
Commonwealth	31,567,976	43,044	31,611,020
Federal	2,327,126	1,198,445	3,525,571
Total revenues	<u>\$ 60,879,827</u>	<u>\$ 2,081,910</u>	<u>\$ 62,961,737</u>
EXPENDITURES			
Current:			
Education	\$ -	\$ 2,408,696	\$ 2,408,696
Instruction	44,976,223	-	44,976,223
Administration, Attendance, Health	2,643,386	-	2,643,386
Pupil Transportation	4,284,103	-	4,284,103
Operations and Maintenance	6,109,669	-	6,109,669
Technology	2,866,446	-	2,866,446
Total expenditures	<u>\$ 60,879,827</u>	<u>\$ 2,408,696</u>	<u>\$ 63,288,523</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ (326,786)</u>	<u>\$ (326,786)</u>
Net change in fund balances	\$ -	\$ (326,786)	\$ (326,786)
Fund balances - beginning	-	664,828	664,828
Fund balances - ending	<u>\$ -</u>	<u>\$ 338,042</u>	<u>\$ 338,042</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 \$ (326,786)

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	\$ 3,508,998	
Depreciation expense	(2,971,423)	537,575

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:

Change in compensated absences	\$ (222,797)	
Pension expense	221,914	
OPEB expense	(312,662)	(313,545)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Change in net position of governmental activities	\$ (109,311)	
	<u>\$ (212,067)</u>	

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services	53,000	53,000	83,166	30,166
Miscellaneous	62,000	62,000	64,813	2,813
Recovered costs	183,096	183,096	183,096	-
Intergovernmental:				
Local government	26,961,400	26,930,277	26,651,150	(279,127)
Commonwealth	32,084,006	32,084,006	31,567,976	(516,030)
Federal	2,486,238	2,486,238	2,327,126	(159,112)
Total revenues	<u>\$ 61,832,240</u>	<u>\$ 61,801,117</u>	<u>\$ 60,879,827</u>	<u>\$ (921,290)</u>
EXPENDITURES				
Current:				
Instruction	\$ 45,274,879	\$ 45,274,879	\$ 44,976,223	\$ 298,656
Administration, Attendance, Health	2,589,564	2,589,564	2,643,386	(53,822)
Pupil Transportation	4,468,024	4,468,024	4,284,103	183,921
Operations and Maintenance	6,578,353	6,547,230	6,109,669	437,561
Technology	2,921,420	2,921,420	2,866,446	54,974
Total expenditures	<u>\$ 61,832,240</u>	<u>\$ 61,801,117</u>	<u>\$ 60,879,827</u>	<u>\$ 921,290</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, 2020

	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	\$ 12,779	\$ 779
Charges for services	1,299,300	1,299,300	776,239	(523,061)
Miscellaneous	81,000	81,000	51,403	(29,597)
Intergovernmental:				
Commonwealth	40,591	40,591	43,044	2,453
Federal	1,220,582	1,220,582	1,198,445	(22,137)
Total revenues	<u>\$ 2,653,473</u>	<u>\$ 2,653,473</u>	<u>\$ 2,081,910</u>	<u>\$ (571,563)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,688,473</u>	<u>\$ 2,688,473</u>	<u>\$ 2,408,696</u>	<u>\$ 279,777</u>
Total expenditures	<u>\$ 2,688,473</u>	<u>\$ 2,688,473</u>	<u>\$ 2,408,696</u>	<u>\$ 279,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	<u>\$ (326,786)</u>	<u>\$ (291,786)</u>
Net change in fund balances	\$ (35,000)	\$ (35,000)	\$ (326,786)	\$ (291,786)
Fund balances - beginning	35,000	35,000	664,828	629,828
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 338,042</u>	<u>\$ 338,042</u>

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2020

	Scholarship Private-Purpose Trust
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 13,064
Total assets	<hr/> <hr/> \$ 13,064
NET POSITION	
Held in trust for scholarships	<hr/> <hr/> \$ 13,064

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2020

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 9,502
Total contributions	\$ 9,502
Investment earnings:	
Interest	\$ 2,975
Total investment earnings	\$ 2,975
Total additions	\$ 12,477
DEDUCTIONS	
Scholarships	\$ 20,000
Transfer to Gloucester Educational Foundation	311,915
Total deductions	\$ 331,915
Change in net position	\$ (319,438)
Net position - beginning	332,502
Net position - ending	\$ 13,064

Statement of Net Position

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2020

	Self- Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 10,241
Due from other governmental units	496,633
Total current assets	<u>\$ 506,874</u>
 Total assets	 <u>\$ 506,874</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	\$ 1,088,633
Total current liabilities	<u>1,088,633</u>
 Total liabilities	 <u>\$ 1,088,633</u>
 NET POSITION	
Unrestricted	\$ (581,759)
Total net position	<u><u>\$ (581,759)</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2020

	Self- Insurance Fund
	<u> </u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 9,489,707
Total operating revenues	\$ <u>9,489,707</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 9,599,018
Total operating expenses	\$ <u>9,599,018</u>
Operating income (loss)	\$ <u>(109,311)</u>
Total net position - beginning	\$ <u>(472,448)</u>
Total net position - ending	\$ <u><u>(581,759)</u></u>

Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2020

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 9,201,021
Payments for premiums	(9,201,021)
Net cash provided by (used for) 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 by (used for) operating activities:	
Operating income (loss)	\$ <u> (109,311)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ (3,689)
(Increase) decrease in intergovernmental receivables	(284,997)
Increase (decrease) in accounts payable	397,997
Total adjustments	\$ <u>109,311</u>
Net cash provided by (used for) operating activities	\$ <u><u> -</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

THIS PAGE LEFT BLANK INTENTIONALLY

Statement of Net Position

Discretely Presented Component Unit - Economic Development Authority

June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	\$	154,358
Investments		808,528
Inventories		1,083,044
Total current assets	\$	<u>2,045,930</u>

Noncurrent assets:

Capital assets:

Land	\$	473,735
Buildings		18,221,572
Machinery and equipment		7,234
Accumulated depreciation		(10,276,096)
Total net capital assets	\$	<u>8,426,445</u>
Total noncurrent assets	\$	<u>8,426,445</u>
Total assets	\$	<u>10,472,375</u>

LIABILITIES

Current liabilities:

Accounts payable	\$	44,312
Bonds payable - current portion		962,804
Total current liabilities	\$	<u>1,007,116</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	9,310,815
Total noncurrent liabilities	\$	<u>9,310,815</u>
Total liabilities	\$	<u>10,317,931</u>

NET POSITION

Net investment in capital assets	\$	(1,847,174)
Unrestricted		2,001,618
Total net position	\$	<u>154,444</u>

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2020

OPERATING REVENUES

Charges for services:

Rents	\$	1,485,942
Other revenues		6,961
Total operating revenues	\$	<u>1,492,903</u>

OPERATING EXPENSES

Contractual services	\$	10,428
Other charges		1,631
Insurance		391
Economic development incentive programs		43,328
Depreciation		728,863
Total operating expenses	\$	<u>784,641</u>

Operating income (loss)	\$	<u>708,262</u>
-------------------------	----	----------------

NONOPERATING REVENUES (EXPENSES)

Investment income	\$	12,674
Loss on disposal of asset		(195,579)
Interest expense		(538,951)
Total nonoperating revenues (expenses)	\$	<u>(721,856)</u>

Change in net position	\$	(13,594)
------------------------	----	----------

Total net position - beginning		168,038
Total net position - ending	\$	<u><u>154,444</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,492,903
Payments for operating activities	(58,540)
Net cash provided by (used for) operating activities	<u>\$ 1,434,363</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING
ACTIVITIES

Principal payments on bonds	\$ (916,399)
Interest payments	(538,951)
Proceeds from sale of capital assets	<u>49,418</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,405,932)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (purchase) of investments	\$ <u>(149,999)</u>
Net cash provided by (used for) investing activities	<u>\$ (149,999)</u>

Net increase (decrease) in cash and cash equivalents \$ (121,568)

Cash and cash equivalents - beginning 275,926
Cash and cash equivalents - ending \$ 154,358

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

Operating income (loss) \$ 708,262

Adjustments to reconcile operating income (loss) to net cash
provided by (used for) operating activities:

Depreciation \$ 728,863
Increase (decrease) in accounts payable (2,762)

Total adjustments \$ 726,101

Net cash provided by (used for) operating activities \$ 1,434,363

THIS PAGE LEFT BLANK INTENTIONALLY

SUPPORTING SCHEDULES

THIS PAGE LEFT BLANK INTENTIONALLY

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 30,735,729	\$ 30,910,729	\$ 30,125,772	\$ (784,957)
Real and personal public service corporation taxes	1,100,237	1,100,237	1,030,883	(69,354)
Personal property taxes	9,309,860	9,309,860	9,632,599	322,739
Mobile home taxes	50,000	50,000	56,860	6,860
Penalties	400,544	400,544	353,470	(47,074)
Interest	210,411	210,411	163,466	(46,945)
Total general property taxes	\$ 41,806,781	\$ 41,981,781	\$ 41,363,050	\$ (618,731)
Other local taxes:				
Local sales and use taxes	\$ 4,872,013	\$ 4,872,013	\$ 5,469,912	\$ 597,899
Consumers' utility taxes	760,000	760,000	743,181	(16,819)
Electric consumption taxes	140,000	140,000	127,719	(12,281)
Business license taxes	2,000,000	2,000,000	1,867,032	(132,968)
Bank stock taxes	360,000	360,000	303,677	(56,323)
Taxes on recordation and wills	540,000	540,000	603,745	63,745
Hotel and motel room taxes	205,000	205,000	184,993	(20,007)
Restaurant food taxes	2,400,101	2,400,101	2,346,997	(53,104)
Total other local taxes	\$ 11,277,114	\$ 11,277,114	\$ 11,647,256	\$ 370,142
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 32,000	\$ 32,000	\$ 25,543	\$ (6,457)
Permits and other licenses	444,535	444,535	432,885	(11,650)
Total permits, privilege fees, and regulatory licenses	\$ 476,535	\$ 476,535	\$ 458,428	\$ (18,107)
Fines and forfeitures:				
Court fines and forfeitures	\$ 120,000	\$ 120,000	\$ 59,562	\$ (60,438)
Parking fines	200	200	70	(130)
Total fines and forfeitures	\$ 120,200	\$ 120,200	\$ 59,632	\$ (60,568)
Revenue from use of money and property:				
Revenue from use of money	\$ 280,045	\$ 280,045	\$ 263,672	\$ (16,373)
Revenue from use of property	99,250	99,250	105,705	6,455
Total revenue from use of money and property	\$ 379,295	\$ 379,295	\$ 369,377	\$ (9,918)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 69,000	\$ 69,000	\$ 50,591	\$ (18,409)
Charges for courthouse maintenance	14,000	14,000	10,676	(3,324)
Circuit court judge fees	42,000	42,000	44,510	2,510
Charges for courthouse security	50,000	50,000	37,186	(12,814)
Charges for probation	12,000	12,000	10,405	(1,595)
Charges for Commonwealth's Attorney	4,000	4,000	2,646	(1,354)
Charges for animal shelter fees	8,500	8,500	6,549	(1,951)
Charges for library	48,000	48,000	22,994	(25,006)
Charges for sanitation and waste removal	549,943	549,943	537,113	(12,830)
Charges for parks and recreation	263,500	263,500	139,084	(124,416)
Charges for sale of tourism items	6,000	6,000	4,872	(1,128)
Charges for sale of publications and commemorative material	5,150	5,150	4,227	(923)
Charges for daffodil festival	66,370	66,370	26,814	(39,556)
Total charges for services	\$ 1,138,463	\$ 1,138,463	\$ 897,667	\$ (240,796)
Miscellaneous:				
Miscellaneous	\$ 183,194	\$ 183,194	\$ 120,854	\$ (62,340)
Total miscellaneous	\$ 183,194	\$ 183,194	\$ 120,854	\$ (62,340)
Recovered costs:				
Recovered costs sheriff	\$ 30,000	\$ 30,000	\$ 51,301	\$ 21,301
Recovered costs jail	19,000	19,000	15,005	(3,995)
Treasurer recovered costs	93,750	93,750	121,027	27,277
Probation & pretrial recovered costs	91,000	91,000	91,350	350
Recovered costs fuel	80,000	80,000	69,205	(10,795)
Recovered costs other	50,000	50,000	19,514	(30,486)
Recovered costs utilities	192,428	192,428	192,428	-
Demolition recovered costs	25,000	25,000	2,777	(22,223)
Grants	50,000	58,568	8,568	(50,000)
Total recovered costs	\$ 631,178	\$ 639,746	\$ 571,175	\$ (68,571)
Total revenue from local sources	\$ 56,012,760	\$ 56,196,328	\$ 55,487,439	\$ (708,889)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 2,000	\$ 2,000	\$ 1,648	\$ (352)
Mobile home titling tax	48,000	48,000	26,400	(21,600)
Motor vehicle rental tax	84,000	84,000	70,644	(13,356)
State recordation tax	140,000	140,000	89,524	(50,476)
Communication tax	1,500,000	1,500,000	1,266,785	(233,215)
Personal property tax relief funds	2,778,640	2,778,640	2,778,640	-
Total noncategorical aid	\$ 4,552,640	\$ 4,552,640	\$ 4,233,641	\$ (318,999)

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 439,963	\$ 439,963	\$ 408,311	\$ (31,652)
Sheriff	2,604,037	2,604,037	2,583,843	(20,194)
Jail	40,000	40,000	72,084	32,084
Asset forfeiture	-	-	4,049	4,049
Commissioner of revenue	139,936	139,936	133,726	(6,210)
Treasurer	141,924	141,924	140,818	(1,106)
Registrar/electoral board	47,000	47,000	64,746	17,746
Clerk of the Circuit Court	289,483	289,483	309,011	19,528
Total shared expenses	\$ 3,702,343	\$ 3,702,343	\$ 3,716,588	\$ 14,245
Other categorical aid:				
Emergency medical services	\$ 84,300	\$ 84,300	\$ -	\$ (84,300)
Litter control grant	9,846	9,846	7,888	(1,958)
E911 wireless grant	110,000	110,000	116,265	6,265
Library grant	161,196	164,791	158,589	(6,202)
Other state grants	406,022	406,656	458,803	52,147
Victim-witness grant	26,178	26,178	23,108	(3,070)
Fire programs	84,300	84,300	134,243	49,943
Total other categorical aid	\$ 881,842	\$ 886,071	\$ 898,896	\$ 12,825
Total categorical aid	\$ 4,584,185	\$ 4,588,414	\$ 4,615,484	\$ 27,070
Total revenue from the Commonwealth	\$ 9,136,825	\$ 9,141,054	\$ 8,849,125	\$ (291,929)
Revenue from the federal government:				
Payments in lieu of taxes	\$ 16,773	\$ 16,773	\$ 17,131	\$ 358
Categorical aid:				
V-stop prosecutor grant	\$ 41,174	\$ 41,174	\$ 39,533	\$ (1,641)
Public assistance and welfare administration	120,000	120,000	100,806	(19,194)
Highway safety grant	30,000	30,000	14,288	(15,712)
Asset forfeiture	53,644	53,644	-	(53,644)
Victim witness grant	78,553	78,553	69,323	(9,230)
Emergency management grant	13,644	13,644	13,644	-
Other federal grants	-	32,419	38,262	5,843
Total categorical aid	\$ 337,015	\$ 369,434	\$ 275,856	\$ (93,578)
Total revenue from the federal government	\$ 353,788	\$ 386,207	\$ 292,987	\$ (93,220)
Total General Fund	\$ 65,503,373	\$ 65,723,589	\$ 64,629,551	\$ (1,094,038)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,561,348	\$ 1,561,348	\$ 1,289,856	\$ (271,492)
Total categorical aid	\$ 1,561,348	\$ 1,561,348	\$ 1,289,856	\$ (271,492)
Total revenue from the Commonwealth	\$ 1,561,348	\$ 1,561,348	\$ 1,289,856	\$ (271,492)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,971,050	\$ 1,971,050	\$ 2,057,666	\$ 86,616
Total categorical aid	\$ 1,971,050	\$ 1,971,050	\$ 2,057,666	\$ 86,616
Total revenue from the federal government	\$ 1,971,050	\$ 1,971,050	\$ 2,057,666	\$ 86,616
Total Virginia Public Assistance Fund	\$ 3,532,398	\$ 3,532,398	\$ 3,347,522	\$ (184,876)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 3,720	\$ 3,720	\$ 6,425	\$ 2,705
Total revenue from local sources	\$ 3,720	\$ 3,720	\$ 6,425	\$ 2,705
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 787,000	\$ 787,000	\$ 562,025	\$ (224,975)
Public assistance and welfare administration	2,280	2,280	1,561	(719)
Total categorical aid	\$ 789,280	\$ 789,280	\$ 563,586	\$ (225,694)
Total revenue from the Commonwealth	\$ 789,280	\$ 789,280	\$ 563,586	\$ (225,694)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 18,000	\$ 18,000	\$ 35,492	\$ 17,492
Total revenue from the federal government	\$ 18,000	\$ 18,000	\$ 35,492	\$ 17,492
Total Comprehensive Services Act Fund	\$ 811,000	\$ 811,000	\$ 605,503	\$ (205,497)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
CARES Act Fund:				
Revenue from the federal government:				
Categorical aid:				
Coronavirus Aid, Relief, and Economic Security Act funds	\$ -	\$ 175,000	\$ 139,584	\$ (35,416)
Total CARES Act Fund	\$ -	\$ 175,000	\$ 139,584	\$ (35,416)
Total Special Revenue Funds	\$ 4,343,398	\$ 4,518,398	\$ 4,092,609	\$ (425,789)
Debt Service Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	\$ 277,839	\$ 277,839	\$ 222,975	\$ (54,864)
Total Debt Service Fund	\$ 277,839	\$ 277,839	\$ 222,975	\$ (54,864)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,843	\$ 1,843
Total revenue from use of money and property	\$ -	\$ -	\$ 1,843	\$ 1,843
Miscellaneous:				
Cash proffers	\$ -	\$ -	\$ 55,000	\$ 55,000
Donations or other miscellaneous	\$ 158,603	\$ 263,974	\$ 137,959	\$ (126,015)
Total miscellaneous	\$ 158,603	\$ 263,974	\$ 192,959	\$ (71,015)
Total revenue from local sources	\$ 158,603	\$ 263,974	\$ 194,802	\$ (69,172)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
PSAP grant	\$ 419,435	\$ 652,291	\$ 13,750	\$ (638,541)
Total categorical aid	\$ 419,435	\$ 652,291	\$ 13,750	\$ (638,541)
Total revenue from the Commonwealth	\$ 419,435	\$ 652,291	\$ 13,750	\$ (638,541)
Revenue from the federal government:				
Categorical aid:				
Other federal grants	\$ 2,608,246	\$ 2,668,246	\$ 612,726	\$ (2,055,520)
Total categorical aid	\$ 2,608,246	\$ 2,668,246	\$ 612,726	\$ (2,055,520)
Total revenue from the federal government	\$ 2,608,246	\$ 2,668,246	\$ 612,726	\$ (2,055,520)
Total County Capital Improvements Fund	\$ 3,186,284	\$ 3,584,511	\$ 821,278	\$ (2,763,233)
Total Primary Government	\$ 73,310,894	\$ 74,104,337	\$ 69,766,413	\$ (4,337,924)

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 53,000	\$ 53,000	\$ 83,166	\$ 30,166
Miscellaneous:				
Other miscellaneous	\$ 62,000	\$ 62,000	\$ 64,813	\$ 2,813
Recovered costs:				
Other recovered costs	\$ 183,096	\$ 183,096	\$ 183,096	\$ -
Total recovered costs	\$ 183,096	\$ 183,096	\$ 183,096	\$ -
Total revenue from local sources	\$ 300,596	\$ 300,596	\$ 333,575	\$ 32,979
Intergovernmental:				
Revenue from local governments:				
Contribution from County of Gloucester, Virginia	\$ 26,961,400	\$ 26,930,277	\$ 26,651,150	\$ (279,127)
Total revenue from local governments	\$ 26,961,400	\$ 26,930,277	\$ 26,651,150	\$ (279,127)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,165,666	\$ 6,165,666	\$ 6,318,859	\$ 153,193
Basic school aid	15,373,658	15,373,658	15,015,135	(358,523)
ISAP	16,710	16,710	16,773	63
Remedial summer education	122,672	122,672	94,144	(28,528)
Remedial education	380,518	380,518	375,667	(4,851)
Special education	1,781,081	1,781,081	1,758,373	(22,708)
Regular foster care	7,177	7,177	4,384	(2,793)
Gifted and talented	159,882	159,882	157,843	(2,039)
English as a second language	41,570	41,570	29,515	(12,055)
Textbook payment	321,970	321,970	317,865	(4,105)
Vocational standards of quality payments	243,020	243,020	239,922	(3,098)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Social security fringe benefits	\$ 888,942	\$ 888,942	\$ 877,608	\$ (11,334)
Retirement fringe benefits	1,963,346	1,963,346	1,938,314	(25,032)
Group life insurance fringe benefits	60,755	60,755	59,980	(775)
State lottery payments	1,171,612	1,171,612	1,155,444	(16,168)
Early reading intervention	66,093	66,093	80,550	14,457
Medicaid Reimbursement	266,000	266,000	262,061	(3,939)
Project graduation	4,720	4,720	4,720	-
Homebound education	27,670	27,670	27,756	86
Salary supplements	903,058	903,058	900,506	(2,552)
Governors school	-	-	11,498	11,498
Regional program tuition	892,870	892,870	704,611	(188,259)
Vocational educational equipment	10,729	10,729	13,202	2,473
Special education - foster children	-	-	10,794	10,794
At risk payments	285,892	285,892	282,230	(3,662)
National Board Certification TC	27,500	27,500	30,000	2,500
Industry credential student	10,500	10,500	1,137	(9,363)
Primary class size	309,670	309,670	304,416	(5,254)
VA Preschool	277,527	277,527	222,804	(54,723)
Race to GED	-	-	3,000	3,000
Mentor teacher program	2,476	2,476	2,739	263
VPSA technology	258,000	258,000	258,000	-
Algebra Readiness	41,722	41,722	44,597	2,875
Other state funds	1,000	1,000	43,529	42,529
Total categorical aid	\$ 32,084,006	\$ 32,084,006	\$ 31,567,976	\$ (516,030)
Total revenue from the Commonwealth	\$ 32,084,006	\$ 32,084,006	\$ 31,567,976	\$ (516,030)
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 737,545	\$ 737,545	\$ 725,735	\$ (11,810)
Title VI-B, special education	1,164,398	1,164,398	1,170,873	6,475
Vocational education	71,727	71,727	84,724	12,997
Title II	201,920	201,920	135,947	(65,973)
Impact aid	60,000	60,000	103,981	43,981

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	\$ 100,648	\$ 100,648	\$ 105,866	\$ 5,218
Other federal funds	150,000	150,000	-	(150,000)
Total categorical aid	<u>\$ 2,486,238</u>	<u>\$ 2,486,238</u>	<u>\$ 2,327,126</u>	<u>\$ (159,112)</u>
Total revenue from the federal government	<u>\$ 2,486,238</u>	<u>\$ 2,486,238</u>	<u>\$ 2,327,126</u>	<u>\$ (159,112)</u>
Total School Operating Fund	<u>\$ 61,832,240</u>	<u>\$ 61,801,117</u>	<u>\$ 60,879,827</u>	<u>\$ (921,290)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 12,000	\$ 12,000	\$ 12,779	\$ 779
Total revenue from use of money and property	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 12,779</u>	<u>\$ 779</u>
Charges for services:				
Cafeteria sales	\$ 1,279,300	\$ 1,279,300	\$ 765,221	\$ (514,079)
Other charges for services	20,000	20,000	11,018	(8,982)
Total charges for services	<u>\$ 1,299,300</u>	<u>\$ 1,299,300</u>	<u>\$ 776,239</u>	<u>\$ (523,061)</u>
Miscellaneous:				
Other miscellaneous	\$ 81,000	\$ 81,000	\$ 51,403	\$ (29,597)
Total miscellaneous	<u>\$ 81,000</u>	<u>\$ 81,000</u>	<u>\$ 51,403</u>	<u>\$ (29,597)</u>
Total revenue from local sources	<u>\$ 1,392,300</u>	<u>\$ 1,392,300</u>	<u>\$ 840,421</u>	<u>\$ (551,879)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 40,591	\$ 40,591	\$ 43,044	\$ 2,453
Total categorical aid	<u>\$ 40,591</u>	<u>\$ 40,591</u>	<u>\$ 43,044</u>	<u>\$ 2,453</u>
Total revenue from the Commonwealth	<u>\$ 40,591</u>	<u>\$ 40,591</u>	<u>\$ 43,044</u>	<u>\$ 2,453</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,220,582	\$ 1,220,582	\$ 1,006,060	\$ (214,522)
USDA commodities	-	-	192,385	192,385
Total categorical aid	<u>\$ 1,220,582</u>	<u>\$ 1,220,582</u>	<u>\$ 1,198,445</u>	<u>\$ (22,137)</u>
Total revenue from the federal government	<u>\$ 1,220,582</u>	<u>\$ 1,220,582</u>	<u>\$ 1,198,445</u>	<u>\$ (22,137)</u>
Total School Cafeteria Fund	<u>\$ 2,653,473</u>	<u>\$ 2,653,473</u>	<u>\$ 2,081,910</u>	<u>\$ (571,563)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 64,485,713</u>	<u>\$ 64,454,590</u>	<u>\$ 62,961,737</u>	<u>\$ (1,492,853)</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 160,734	\$ 160,734	\$ 162,367	\$ (1,633)
General and financial administration:				
County administrator	\$ 740,149	\$ 753,662	\$ 725,255	\$ 28,407
Human resources	662,874	622,316	579,576	42,740
County attorney	305,515	319,809	320,576	(767)
Commissioner of revenue	559,878	564,645	528,465	36,180
County assessor	540,977	601,282	561,270	40,012
Treasurer	759,774	752,877	752,859	18
Accounting and Budget	580,543	595,441	535,779	59,662
Department of information technology	1,398,393	1,504,882	1,476,092	28,790
GIS	307,762	313,311	300,071	13,240
Purchasing	317,756	323,615	259,636	63,979
Other general and financial administration	270,633	270,633	240,313	30,320
Total general and financial administration	\$ 6,444,254	\$ 6,622,473	\$ 6,279,892	\$ 342,581
Board of elections:				
Electoral board and officials	\$ 265,851	\$ 262,164	\$ 248,986	\$ 13,178
Total board of elections	\$ 265,851	\$ 262,164	\$ 248,986	\$ 13,178
Total general government administration	\$ 6,870,839	\$ 7,045,371	\$ 6,691,245	\$ 354,126
Judicial administration:				
Courts:				
Circuit court	\$ 76,655	\$ 78,690	\$ 83,145	\$ (4,455)
General district court	15,600	15,600	13,659	1,941
Commissioner of accounts	900	900	852	48
Magistrate	700	700	-	700
Juvenile and domestic relations district court	11,230	11,230	10,951	279
Clerk of the circuit court	537,216	556,459	548,721	7,738
Victim and witness assistance	128,238	129,491	131,817	(2,326)
Court services unit	197,251	197,251	142,397	54,854
Group home commission	284,966	284,966	285,129	(163)
Total courts	\$ 1,252,756	\$ 1,275,287	\$ 1,216,671	\$ 58,616
Commonwealth's attorney:				
Commonwealth's attorney	\$ 920,003	\$ 869,124	\$ 841,597	\$ 27,527
Total commonwealth's attorney	\$ 920,003	\$ 869,124	\$ 841,597	\$ 27,527
Total judicial administration	\$ 2,172,759	\$ 2,144,411	\$ 2,058,268	\$ 86,143
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 6,373,453	\$ 6,730,298	\$ 6,590,126	\$ 140,172
Total law enforcement and traffic control	\$ 6,373,453	\$ 6,730,298	\$ 6,590,126	\$ 140,172

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 2,961,163	\$ 2,961,163	\$ 2,971,150	\$ (9,987)
Radio system	648,924	648,924	557,414	91,510
State forestry service	7,500	7,500	7,497	3
Office of emergency services	290,252	294,204	262,387	31,817
Total fire and rescue services	<u>\$ 3,907,839</u>	<u>\$ 3,911,791</u>	<u>\$ 3,798,448</u>	<u>\$ 113,343</u>
Correction and detention:				
County operated institutions	\$ 3,253,947	\$ 3,272,801	\$ 3,175,834	\$ 96,967
Probation and pretrial	513,536	497,613	481,391	16,222
Total correction and detention	<u>\$ 3,767,483</u>	<u>\$ 3,770,414</u>	<u>\$ 3,657,225</u>	<u>\$ 113,189</u>
Inspections:				
Building	\$ 615,519	\$ 579,327	\$ 562,064	\$ 17,263
Total inspections	<u>\$ 615,519</u>	<u>\$ 579,327</u>	<u>\$ 562,064</u>	<u>\$ 17,263</u>
Other protection:				
Environmental programs	\$ 334,217	\$ 315,428	\$ 300,710	\$ 14,718
Animal control	450,721	461,130	457,851	3,279
Medical examiner	1,500	1,500	1,380	120
Total other protection	<u>\$ 786,438</u>	<u>\$ 778,058</u>	<u>\$ 759,941</u>	<u>\$ 18,117</u>
Total public safety	<u>\$ 15,450,732</u>	<u>\$ 15,769,888</u>	<u>\$ 15,367,804</u>	<u>\$ 402,084</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 279,333	\$ 292,089	\$ 322,080	\$ (29,991)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 279,333</u>	<u>\$ 292,089</u>	<u>\$ 322,080</u>	<u>\$ (29,991)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 15,490	\$ 15,490	\$ 15,464	\$ 26
Total sanitation and waste removal	<u>\$ 15,490</u>	<u>\$ 15,490</u>	<u>\$ 15,464</u>	<u>\$ 26</u>
Maintenance of general buildings and grounds:				
General properties	\$ 2,096,352	\$ 2,244,124	\$ 2,213,654	\$ 30,470
Total maintenance of general buildings and grounds	<u>\$ 2,096,352</u>	<u>\$ 2,244,124</u>	<u>\$ 2,213,654</u>	<u>\$ 30,470</u>
Total public works	<u>\$ 2,391,175</u>	<u>\$ 2,551,703</u>	<u>\$ 2,551,198</u>	<u>\$ 505</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 554,080	\$ 554,680	\$ 554,645	\$ 35
Mosquito control	128,390	128,390	113,833	14,557
Total health	<u>\$ 682,470</u>	<u>\$ 683,070</u>	<u>\$ 668,478</u>	<u>\$ 14,592</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

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	\$ 138,849	\$ 138,849	\$ 138,849	\$ -
Total mental health and mental retardation	\$ 138,849	\$ 138,849	\$ 138,849	\$ -
Total health and welfare	\$ 821,319	\$ 821,919	\$ 807,327	\$ 14,592
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 14,566	\$ 14,566	\$ 14,566	\$ -
Contribution to community engagement	632,511	591,679	568,872	22,807
Cable services	64,088	62,445	79,832	(17,387)
Contribution to County School Board	26,961,400	26,930,277	26,651,150	279,127
Total education	\$ 27,672,565	\$ 27,598,967	\$ 27,314,420	\$ 284,547
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 659,615	\$ 663,277	\$ 584,882	\$ 78,395
Park operations	599,643	559,580	520,911	38,669
Total parks and recreation	\$ 1,259,258	\$ 1,222,857	\$ 1,105,793	\$ 117,064
Cultural enrichment:				
Daffodil festival	\$ 66,370	\$ 66,646	\$ 28,732	\$ 37,914
Total cultural enrichment	\$ 66,370	\$ 66,646	\$ 28,732	\$ 37,914
Library:				
Contribution to county library	\$ 1,172,526	\$ 1,167,765	\$ 1,162,571	\$ 5,194
Total library	\$ 1,172,526	\$ 1,167,765	\$ 1,162,571	\$ 5,194
Total parks, recreation, and cultural	\$ 2,498,154	\$ 2,457,268	\$ 2,297,096	\$ 160,172
Community development:				
Planning and community development:				
Community development	\$ 629,458	\$ 645,228	\$ 638,962	\$ 6,266
Tourism	247,587	167,703	101,025	66,678
Economic development	262,063	265,975	269,456	(3,481)
Total planning and community development	\$ 1,139,108	\$ 1,078,906	\$ 1,009,443	\$ 69,463
Environmental management:				
Clean community program	\$ 23,473	\$ 24,107	\$ 23,821	\$ 286
Total environmental management	\$ 23,473	\$ 24,107	\$ 23,821	\$ 286
Cooperative extension program:				
Extension office	\$ 103,417	\$ 105,324	\$ 99,537	\$ 5,787
Total cooperative extension program	\$ 103,417	\$ 105,324	\$ 99,537	\$ 5,787
Total community development	\$ 1,265,998	\$ 1,208,337	\$ 1,132,801	\$ 75,536

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	\$ 319,300	\$ 319,300	\$ 319,300	\$ -
Contingency	737,634	472,404	(2,119)	474,523
Total nondepartmental	<u>\$ 1,056,934</u>	<u>\$ 791,704</u>	<u>\$ 317,181</u>	<u>\$ 474,523</u>
Total General Fund	<u>\$ 60,200,475</u>	<u>\$ 60,389,568</u>	<u>\$ 58,537,340</u>	<u>\$ 1,852,228</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:			-	
Welfare and social services:				
Welfare administration	\$ 3,727,642	\$ 3,727,642	\$ 3,438,517	\$ 289,125
Public assistance	1,417,400	1,417,400	1,232,985	184,415
Purchased services	87,800	87,800	41,097	46,703
Grants	6,800	6,800	5,586	1,214
Board of public welfare	4,070	4,070	3,933	137
Total welfare and social services	<u>\$ 5,243,712</u>	<u>\$ 5,243,712</u>	<u>\$ 4,722,118</u>	<u>\$ 521,594</u>
Total health and welfare	<u>\$ 5,243,712</u>	<u>\$ 5,243,712</u>	<u>\$ 4,722,118</u>	<u>\$ 521,594</u>
Total Virginia Public Assistance Fund	<u>\$ 5,243,712</u>	<u>\$ 5,243,712</u>	<u>\$ 4,722,118</u>	<u>\$ 521,594</u>
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,424,000	\$ 1,424,000	\$ 976,215	\$ 447,785
Total Comprehensive Services Act Fund	<u>\$ 1,424,000</u>	<u>\$ 1,424,000</u>	<u>\$ 976,215</u>	<u>\$ 447,785</u>
CARES Act Fund:				
General government administration:				
Information technology	\$ -	\$ -	\$ 4,903	(4,903)
Public safety:				
Public health, safety and PPE	-	100,000	109,039	(9,039)
Community development:				
Economic development	-	75,000	25,642	49,358
Total CARES Act Fund	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 139,584</u>	<u>\$ 35,416</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,922,931	\$ 2,922,931	\$ 2,922,931	\$ -
Interest and other fiscal charges	1,324,447	1,324,447	1,249,376	75,071
Total Debt Service Fund	<u>\$ 4,247,378</u>	<u>\$ 4,247,378</u>	<u>\$ 4,172,307</u>	<u>\$ 75,071</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2020

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 3,499,954	\$ 3,881,891	\$ 554,464	\$ 3,327,427
FEMA mitigation projects	2,897,175	2,897,175	585,278	2,311,897
School capital assets	6,913,411	6,944,634	1,467,550	5,477,084
Total capital projects expenditures	<u>\$ 13,310,540</u>	<u>\$ 13,723,700</u>	<u>\$ 2,607,292</u>	<u>\$ 11,116,408</u>
Total County Capital Improvements Fund	<u>\$ 13,310,540</u>	<u>\$ 13,723,700</u>	<u>\$ 2,607,292</u>	<u>\$ 11,116,408</u>
Total Primary Government	<u>\$ 84,426,105</u>	<u>\$ 85,203,358</u>	<u>\$ 71,154,856</u>	<u>\$ 14,048,502</u>
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Instruction:				
Elementary and secondary schools	\$ 45,274,879	\$ 45,274,879	\$ 44,976,223	\$ 298,656
Total instruction costs	<u>\$ 45,274,879</u>	<u>\$ 45,274,879</u>	<u>\$ 44,976,223</u>	<u>\$ 298,656</u>
Administration, Attendance and Health:				
School board	\$ 129,851	\$ 129,851	\$ 125,543	\$ 4,308
Other administration	2,459,713	2,459,713	2,517,843	(58,130)
Total administration, attendance and health	<u>\$ 2,589,564</u>	<u>\$ 2,589,564</u>	<u>\$ 2,643,386</u>	<u>\$ (53,822)</u>
Pupil transportation:				
Pupil transportation	\$ 4,468,024	\$ 4,468,024	\$ 4,284,103	\$ 183,921
Total pupil transportation	<u>\$ 4,468,024</u>	<u>\$ 4,468,024</u>	<u>\$ 4,284,103</u>	<u>\$ 183,921</u>
Operating and maintenance costs:				
Operation and maintenance	\$ 6,578,353	\$ 6,547,230	\$ 6,109,669	\$ 437,561
Total operating and maintenance costs	<u>\$ 6,578,353</u>	<u>\$ 6,547,230</u>	<u>\$ 6,109,669</u>	<u>\$ 437,561</u>
Technology:				
Technology	\$ 2,921,420	\$ 2,921,420	\$ 2,866,446	\$ 54,974
Total technology	<u>\$ 2,921,420</u>	<u>\$ 2,921,420</u>	<u>\$ 2,866,446</u>	<u>\$ 54,974</u>
Total education	<u>\$ 61,832,240</u>	<u>\$ 61,801,117</u>	<u>\$ 60,879,827</u>	<u>\$ 921,290</u>
Total School Operating Fund	<u>\$ 61,832,240</u>	<u>\$ 61,801,117</u>	<u>\$ 60,879,827</u>	<u>\$ 921,290</u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,688,473	\$ 2,688,473	\$ 2,216,311	\$ 472,162
USDA commodities	-	-	192,385	(192,385)
Total school food services	<u>\$ 2,688,473</u>	<u>\$ 2,688,473</u>	<u>\$ 2,408,696</u>	<u>\$ 279,777</u>
Total education	<u>\$ 2,688,473</u>	<u>\$ 2,688,473</u>	<u>\$ 2,408,696</u>	<u>\$ 279,777</u>
Total School Cafeteria Fund	<u>\$ 2,688,473</u>	<u>\$ 2,688,473</u>	<u>\$ 2,408,696</u>	<u>\$ 279,777</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 64,520,713</u>	<u>\$ 64,489,590</u>	<u>\$ 63,288,523</u>	<u>\$ 1,201,067</u>

THIS PAGE LEFT BLANK INTENTIONALLY

STATISTICAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

Statistical Section

Contents

Tables

Financial Trends

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

1-4

Revenue Capacity

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

5-8

Debt Capacity

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

9-11

Demographic and Economic Information

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

12-13

Operating Information

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

14-17

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

COUNTY OF GLOUCESTER, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2020	2019	2018	2017
Governmental activities				
Net investment in capital assets	\$ 16,970,169	\$ 17,743,311	\$ 18,431,064	\$ 18,280,127
Unrestricted	14,910,552	15,759,342	15,040,469	16,925,823
Total governmental activities net position	<u>\$ 31,880,721</u>	<u>\$ 33,502,653</u>	<u>\$ 33,471,533</u>	<u>\$ 35,205,950</u>
Business-type activities				
Net investment in capital assets	\$ 18,885,015	\$ 19,338,462	\$ 17,703,636	\$ 15,069,296
Restricted	-	-	1,834,232	1,866,455
Unrestricted	4,064,219	3,587,462	2,948,373	3,247,483
Total business-type activities net position	<u>\$ 22,949,234</u>	<u>\$ 22,925,924</u>	<u>\$ 22,486,241</u>	<u>\$ 20,183,234</u>
Primary government				
Net investment in capital assets	\$ 35,855,184	\$ 37,081,773	\$ 36,134,700	\$ 33,349,423
Restricted	-	-	1,834,232	1,866,455
Unrestricted	18,974,771	19,346,804	17,988,842	20,173,306
Total primary government net position	<u>\$ 54,829,955</u>	<u>\$ 56,428,577</u>	<u>\$ 55,957,774</u>	<u>\$ 55,389,184</u>

Table 1

2016	2015	2014	2013	2012	2011
\$ 17,543,250	\$ 20,771,917	\$ 22,330,023	\$ 13,292,660	\$ 15,463,123	\$ 13,656,652
15,676,394	16,806,802	23,927,330	31,083,034	26,438,615	20,720,020
<u>\$ 33,219,644</u>	<u>\$ 37,578,719</u>	<u>\$ 46,257,353</u>	<u>\$ 44,375,694</u>	<u>\$ 41,901,738</u>	<u>\$ 34,376,672</u>
\$ 13,266,968	\$ 12,233,762	\$ 11,267,065	\$ 4,461,919	\$ 6,470,887	\$ 9,328,625
1,866,690	1,869,579	1,869,878	4,720,154	2,036,544	2,031,743
3,041,421	2,221,268	2,328,518	4,956,253	4,654,757	1,733,605
<u>\$ 18,175,079</u>	<u>\$ 16,324,609</u>	<u>\$ 15,465,461</u>	<u>\$ 14,138,326</u>	<u>\$ 13,162,188</u>	<u>\$ 13,093,973</u>
\$ 30,810,218	\$ 33,005,679	\$ 33,597,088	\$ 17,754,579	\$ 21,934,010	\$ 22,985,277
1,866,690	1,869,579	1,869,878	4,720,154	2,036,544	2,031,743
18,717,815	19,028,070	26,255,848	36,039,287	31,093,372	22,453,625
<u>\$ 51,394,723</u>	<u>\$ 53,903,328</u>	<u>\$ 61,722,814</u>	<u>\$ 58,514,020</u>	<u>\$ 55,063,926</u>	<u>\$ 47,470,645</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2020	2019	2018	2017
Expenses				
Governmental activities:				
General government administration	\$ 6,728,268	\$ 6,404,365	\$ 6,273,889	\$ 5,985,400
Judicial administration	2,194,538	2,146,477	2,022,836	1,747,820
Public safety	17,520,033	16,296,649	15,005,085	14,420,083
Public works	2,549,544	2,354,901	2,147,005	2,118,053
Health and welfare	6,607,759	6,130,510	5,515,673	5,514,819
Education	31,121,559	29,868,409	27,761,018	27,272,736
Parks, recreation, culture	2,453,113	2,443,912	2,437,963	2,359,727
Community development	2,111,415	1,508,533	2,569,352	2,670,768
Interest on long-term debt	1,109,287	1,289,739	1,375,212	1,564,983
Total governmental activities expenses	\$ 72,395,516	\$ 68,443,495	\$ 65,108,033	\$ 63,654,389
Business-type activities:				
Public utilities	\$ 4,383,288	\$ 4,196,717	\$ 3,542,913	\$ 3,669,366
Total business-type activities expenses	\$ 4,383,288	\$ 4,196,717	\$ 3,542,913	\$ 3,669,366
Total Primary government expenses	\$ 76,778,804	\$ 72,640,212	\$ 68,650,946	\$ 67,323,755
Program Revenues				
Governmental activities:				
Charges for services				
Judicial administration	\$ 165,055	\$ 215,232	\$ 239,638	\$ 209,190
Public safety	515,568	505,564	493,463	640,084
Public works	537,113	571,491	551,396	497,981
Health and welfare	-	-	-	-
Education	-	570	80	258
Parks, recreation, culture	188,892	383,437	363,322	369,051
Community development	9,099	-	-	9,300
Operating grants and contributions	9,231,380	8,855,506	8,487,119	8,238,150
Capital grants and contributions	612,726	408,508	1,149,639	1,232,247
Total governmental activities program revenues	\$ 11,259,833	\$ 10,940,308	\$ 11,284,657	\$ 11,196,261
Business-type activities:				
Charges for services	\$ 4,312,516	\$ 4,512,752	\$ 4,568,243	\$ 4,966,010
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	4,312,516	4,512,752	4,568,243	4,966,010
Total primary government program revenue	\$ 15,572,349	\$ 15,453,060	\$ 15,852,900	\$ 16,162,271
Net(Expense)/Revenue				
Governmental activities	\$ (61,135,683)	\$ (57,503,187)	\$ (53,823,376)	\$ (52,458,128)
Business-type activities	(70,772)	316,035	1,025,330	1,296,644
Total primary government net expense	\$ (61,206,455)	\$ (57,187,152)	\$ (52,798,046)	\$ (51,161,484)

2016	2015	2014	2013	2012	2011
\$ 5,213,213	\$ 5,402,313	\$ 5,575,520	\$ 5,465,093	\$ 4,420,563	\$ 4,526,232
1,832,619	1,830,328	1,978,698	1,802,483	1,784,911	1,685,971
13,746,855	12,838,684	13,224,115	12,943,310	12,376,310	10,660,881
2,168,694	2,140,168	2,487,293	2,218,227	2,496,814	2,097,050
5,018,243	5,441,279	5,223,039	5,052,386	4,446,775	4,531,487
33,924,847	29,991,304	27,169,073	25,586,345	24,339,028	24,091,981
2,316,509	2,198,664	2,375,530	2,166,475	2,111,087	1,922,593
1,850,500	3,330,733	2,604,102	1,254,998	1,170,407	1,599,847
1,903,921	2,019,045	1,912,060	1,598,864	1,624,212	1,751,068
<u>\$ 67,975,401</u>	<u>\$ 65,192,518</u>	<u>\$ 62,549,430</u>	<u>\$ 58,088,181</u>	<u>\$ 54,770,107</u>	<u>\$ 52,867,110</u>
\$ 3,828,006	\$ 3,873,419	\$ 4,164,968	\$ 4,561,013	\$ 4,765,426	\$ 4,264,717
<u>\$ 3,828,006</u>	<u>\$ 3,873,419</u>	<u>\$ 4,164,968</u>	<u>\$ 4,561,013</u>	<u>\$ 4,765,426</u>	<u>\$ 4,264,717</u>
<u>\$ 71,803,407</u>	<u>\$ 69,065,937</u>	<u>\$ 66,714,398</u>	<u>\$ 62,649,194</u>	<u>\$ 59,535,533</u>	<u>\$ 57,131,827</u>
\$ 225,492	\$ 172,895	\$ 214,556	\$ 237,742	\$ 239,615	\$ 248,950
416,526	422,313	399,325	364,823	356,342	297,524
411,479	315,626	219,143	197,204	134,654	149,214
44,851	40,620	-	-	-	-
-	-	-	-	290	311
264,424	240,605	286,509	293,796	310,646	351,840
74,260	74,798	67,428	59,655	57,913	18,895
8,431,639	8,064,461	8,018,257	7,634,001	7,417,709	7,130,907
581,781	2,099,005	3,882,214	1,108,506	5,391,436	4,703,030
<u>\$ 10,450,452</u>	<u>\$ 11,430,323</u>	<u>\$ 13,087,432</u>	<u>\$ 9,895,727</u>	<u>\$ 13,908,605</u>	<u>\$ 12,900,671</u>
\$ 4,161,870	\$ 4,135,611	\$ 4,193,272	\$ 4,375,188	\$ 4,216,540	\$ 4,212,115
713,180	277,732	499,050	537,710	-	1,007,300
<u>4,875,050</u>	<u>4,413,343</u>	<u>4,692,322</u>	<u>4,912,898</u>	<u>4,216,540</u>	<u>5,219,415</u>
<u>\$ 15,325,502</u>	<u>\$ 15,843,666</u>	<u>\$ 17,779,754</u>	<u>\$ 14,808,625</u>	<u>\$ 18,125,145</u>	<u>\$ 18,120,086</u>
\$ (57,524,949)	\$ (53,762,195)	\$ (49,461,998)	\$ (48,192,454)	\$ (40,861,502)	\$ (39,966,439)
1,047,044	539,924	527,354	351,885	(548,886)	954,698
<u>\$ (56,477,905)</u>	<u>\$ (53,222,271)</u>	<u>\$ (48,934,644)</u>	<u>\$ (47,840,569)</u>	<u>\$ (41,410,388)</u>	<u>\$ (39,011,741)</u>

COUNTY OF GLOUCESTER, VIRGINIA

Changes in Net Position

Last Ten Fiscal Years

(accrual basis of accounting)

	2020	2019	2018	2017
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 42,406,876	\$ 41,229,104	\$ 40,204,898	\$ 39,729,693
Local sales and use tax	5,469,912	4,868,752	4,627,344	4,363,168
Consumer utility tax	743,181	740,458	733,044	725,381
Business license taxes	1,867,032	1,931,649	1,729,800	1,682,846
Restaurant food taxes	2,346,997	2,377,951	2,274,619	2,194,698
Other local taxes	1,220,134	1,195,686	1,199,763	1,202,114
Unrestricted revenues from use of money and property	371,220	484,500	356,250	202,694
Miscellaneous	854,758	396,215	321,874	432,749
Grants and contributions not restricted to specific programs	4,233,641	4,309,992	4,423,702	4,486,617
Transfers	-	-	(430,524)	(575,526)
Total governmental activities	\$ 59,513,751	\$ 57,534,307	\$ 55,440,770	\$ 54,444,434
Business-type activities:				
General property taxes	\$ 38,646	\$ 40,651	\$ 39,849	\$ 38,722
Unrestricted revenues from use of money and property	55,436	82,997	77,735	97,263
Grants and contributions not restricted to specific programs	-	-	779,370	-
Transfers	-	-	430,524	575,526
Total business-type activities	\$ 94,082	\$ 123,648	\$ 1,327,478	\$ 711,511
Total primary government	\$ 59,607,833	\$ 57,657,955	\$ 56,768,248	\$ 55,155,945
Change in Net Position				
Governmental activities	\$ (1,621,932)	\$ 31,120	\$ 1,617,394	\$ 1,986,306
Business-type activities	23,310	439,683	2,352,808	2,008,155
Total primary government	\$ (1,598,622)	\$ 470,803	\$ 3,970,202	\$ 3,994,461

Table 2
Page 2 of 2

2016	2015	2014	2013	2012	2011
\$ 38,881,635	\$ 37,735,100	\$ 37,840,631	\$ 37,352,864	\$ 34,983,672	\$ 32,588,654
4,132,108	3,993,673	3,811,874	3,777,448	3,729,207	3,537,751
716,300	711,867	707,280	702,582	699,428	700,959
1,552,245	1,547,404	1,560,493	1,504,047	1,516,103	1,446,819
2,116,520	1,896,892	1,857,472	1,857,427	1,789,149	1,669,468
1,109,601	989,921	938,370	947,651	779,100	833,117
154,286	174,416	182,207	177,210	154,387	159,151
670,380	438,304	579,009	664,749	672,476	516,200
4,505,799	4,500,206	4,540,079	4,559,150	4,543,046	4,518,651
(673,000)	(673,758)	(673,758)	(673,758)	(480,000)	(500,000)
\$ 53,165,874	\$ 51,314,025	\$ 51,343,657	\$ 50,869,370	\$ 48,386,568	\$ 45,470,770
\$ 39,235	\$ 39,471	\$ 39,533	\$ 39,313	\$ 38,705	\$ 38,638
91,191	86,723	86,490	112,266	98,396	98,531
-	-	-	-	-	-
673,000	673,758	673,758	673,758	480,000	500,000
\$ 803,426	\$ 799,952	\$ 799,781	\$ 825,337	\$ 617,101	\$ 637,169
\$ 53,969,300	\$ 52,113,977	\$ 52,143,438	\$ 51,694,707	\$ 49,003,669	\$ 46,107,939
\$ (4,359,075)	\$ (2,448,170)	\$ 1,881,659	\$ 2,676,916	\$ 7,525,066	\$ 5,504,331
1,850,470	1,339,876	1,327,135	1,177,222	68,215	1,591,867
\$ (2,508,605)	\$ (1,108,294)	\$ 3,208,794	\$ 3,854,138	\$ 7,593,281	\$ 7,096,198

COUNTY OF GLOUCESTER, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2020	2019	2018	2017
General Fund				
Nonspendable	\$ 385,394	\$ 99,784	\$ 390,393	\$ 400,064
Restricted	43,121	38,307	79,268	82,362
Committed	2,634,123	2,440,816	1,983,468	1,672,041
Assigned	260,000	260,000	260,000	-
Unassigned	19,213,229	20,944,248	21,141,510	20,524,588
Total General Fund	<u>\$ 22,535,867</u>	<u>\$ 23,783,155</u>	<u>\$ 23,854,639</u>	<u>\$ 22,679,055</u>
All Other Governmental Funds				
Nonspendable	\$ -	\$ -	\$ 190,015	\$ -
Restricted	43,000	137,100	125,000	115,400
Committed	533,816	685,451	700,298	696,419
Assigned	104,580	-	-	-
Unassigned	-	-	(190,015)	-
Total all other governmental funds	<u>\$ 681,396</u>	<u>\$ 822,551</u>	<u>\$ 825,298</u>	<u>\$ 811,819</u>

Table 3

2016	2015	2014	2013	2012	2011
\$ 48,681	\$ 65,035	\$ 52,694	\$ 51,122	\$ 52,204	\$ 50,598
77,013	133,004	141,770	141,989	128,885	132,450
1,310,127	1,118,337	1,015,138	1,024,155	921,746	799,389
-	-	-	-	-	-
20,009,317	17,523,379	18,249,344	16,960,462	15,321,565	14,967,748
<u>\$ 21,445,138</u>	<u>\$ 18,839,755</u>	<u>\$ 19,458,946</u>	<u>\$ 18,177,728</u>	<u>\$ 16,424,400</u>	<u>\$ 15,950,185</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97,400	54,400	31,400	19,000	19,000	19,000
692,639	4,986,303	22,701,947	13,398,162	9,840,182	5,225,558
-	-	257,062	244,485	239,297	-
-	-	-	-	-	-
<u>\$ 790,039</u>	<u>\$ 5,040,703</u>	<u>\$ 22,990,409</u>	<u>\$ 13,661,647</u>	<u>\$ 10,098,479</u>	<u>\$ 5,244,558</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2020	2019	2018	2017
REVENUES				
General property taxes	\$ 41,363,050	\$ 41,213,749	\$ 40,429,513	\$ 39,605,567
Other local taxes	11,647,256	11,114,496	10,564,570	10,168,207
Permits, privilege fees, and regulatory licenses	458,428	459,062	438,668	591,346
Fines and forfeitures	59,632	97,257	118,878	85,667
Revenue from the use of money and property	371,220	484,500	356,250	202,694
Charges for services	897,667	1,119,975	1,090,353	1,048,851
Miscellaneous	320,238	396,215	321,874	432,749
Recovered costs	571,175	222,897	434,664	413,302
Intergovernmental revenues:				
Commonwealth	10,716,317	10,734,135	10,781,075	10,822,673
Federal	3,361,430	2,839,871	3,279,385	3,134,341
Total revenues	\$ 69,766,413	\$ 68,682,157	\$ 67,815,230	\$ 66,505,397
EXPENDITURES				
Current:				
General government administration	\$ 6,696,148	\$ 6,388,524	\$ 5,963,044	\$ 5,725,817
Judicial administration	2,058,268	2,067,608	1,864,417	1,659,363
Public safety	15,476,843	14,944,726	13,715,518	13,267,144
Public works	2,551,198	2,343,097	2,157,205	2,066,222
Health and welfare	6,505,660	6,259,573	5,541,116	5,465,381
Education	27,314,420	26,337,674	24,850,100	24,202,067
Parks, recreation, and cultural	2,297,096	2,416,749	2,323,548	2,342,983
Community development	1,158,443	1,108,132	1,134,167	1,034,146
Nondepartmental	317,181	290,585	285,585	300,585
Capital projects	2,607,292	2,111,755	2,682,620	3,693,480
Debt service:				
Principal retirement	2,922,931	3,053,318	4,097,070	4,186,313
Interest and other fiscal charges	1,249,376	1,434,647	1,581,253	1,751,399
Principal retirement-School leases	-	-	-	-
Interest and other fiscal charges-School	-	-	-	-
Total expenditures	\$ 71,154,856	\$ 68,756,388	\$ 66,195,643	\$ 65,694,900
Excess (deficiency) of revenues over (under) expenditures	\$ (1,388,443)	\$ (74,231)	\$ 1,619,587	\$ 810,497
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 7,339,499	\$ 7,532,333	\$ 8,279,537	\$ 8,369,496
Transfers out	(7,339,499)	(7,532,333)	(8,710,061)	(8,945,022)
Issuance of general obligation bonds	-	-	-	-
Bond premium issuance	-	-	-	-
Issuance of capital leases	-	-	-	1,020,726
Insurance recovery	-	-	-	-
Refunding of lease revenue bonds	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ (430,524)	\$ 445,200
Net change in fund balances	\$ (1,388,443)	\$ (74,231)	\$ 1,189,063	\$ 1,255,697
Fund balances - beginning	24,605,706	24,679,937	23,490,874	22,235,177
Fund balances - ending	\$ 23,217,263	\$ 24,605,706	\$ 24,679,937	\$ 23,490,874
Debt Service as a percentage of noncapital expenditures	6.08%	6.67%	8.78%	9.30%

Table 4

	2016		2015		2014		2013		2012		2011
\$	38,899,618	\$	37,944,859	\$	37,996,998	\$	37,534,509	\$	34,600,348	\$	32,277,667
	9,626,774		9,139,757		8,875,489		8,789,155		8,512,987		8,188,114
	361,437		379,645		352,330		307,747		318,074		262,490
	94,470		68,265		80,625		108,507		114,403		87,571
	154,286		174,416		182,207		177,210		154,387		159,151
	981,125		818,947		754,006		736,966		666,983		716,673
	670,380		438,304		579,009		664,749		672,476		516,200
	362,494		378,821		409,810		337,904		312,995		306,934
	11,074,903		11,800,473		11,034,381		10,781,890		10,422,899		10,517,539
	2,444,316		2,863,199		2,681,235		2,385,926		2,242,337		2,041,209
\$	64,669,803	\$	64,006,686	\$	62,946,090	\$	61,824,563	\$	58,017,889	\$	55,073,548
\$	5,559,742	\$	5,506,522	\$	5,418,618	\$	5,027,276	\$	4,580,732	\$	4,391,984
	1,776,474		1,720,444		1,812,592		1,634,575		1,644,976		1,511,513
	12,431,841		12,260,636		11,609,450		11,388,578		10,548,498		10,237,522
	2,203,795		2,156,828		2,172,118		2,119,356		2,021,420		1,879,012
	5,064,135		5,427,503		5,197,208		5,000,044		4,424,273		4,487,974
	22,873,774		23,055,992		22,839,193		22,777,077		20,419,880		20,969,964
	2,180,280		2,139,478		2,117,069		2,067,452		1,959,087		1,834,819
	1,040,427		972,068		1,034,876		901,444		746,246		731,327
	300,585		353,497		365,585		312,185		325,145		263,170
	6,548,321		22,500,605		14,208,476		5,825,679		5,540,772		2,925,484
	10,276,799		3,437,958		2,886,672		3,141,033		3,201,337		3,394,093
	2,110,911		2,293,936		1,653,660		1,695,351		1,702,835		1,858,998
	-		72,317		69,529		65,736		263,189		-
	-		4,041		8,255		12,048		18,318		-
\$	72,367,084	\$	81,901,825	\$	71,393,301	\$	61,967,834	\$	57,396,708	\$	54,485,860
\$	(7,697,281)	\$	(17,895,139)	\$	(8,447,211)	\$	(143,271)	\$	621,181	\$	587,688
\$	7,729,031	\$	9,188,198	\$	8,000,299	\$	7,758,145	\$	10,042,633	\$	6,671,343
	(8,402,031)		(9,861,956)		(8,674,057)		(8,431,903)		(10,522,633)		(7,171,343)
	-		-		15,845,000		5,999,684		500,000		-
	-		-		1,161,015		-		-		-
	-		-		-		-		-		-
	-		-		2,724,934		133,841		4,686,955		3,793,840
	6,725,000		-		-		-		-		-
\$	6,052,000	\$	(673,758)	\$	19,057,191	\$	5,459,767	\$	4,706,955	\$	3,293,840
\$	(1,645,281)	\$	(18,568,897)	\$	10,609,980	\$	5,316,496	\$	5,328,136	\$	3,881,528
	23,880,458		42,449,355		31,839,375		26,522,879		21,194,743		17,313,215
\$	22,235,177	\$	23,880,458	\$	42,449,355	\$	31,839,375	\$	26,522,879	\$	21,194,743
	18.66%		9.20%		7.94%		8.57%		9.53%		9.84%

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2020		2011	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 15,153,810	0.33 %	\$ 25,674,400	0.62 %
York River Crossing Shopping Center LLC	14,179,980	0.30	12,562,800	0.30
Wal-Mart Real Estate Business Trust	13,825,590	0.30	13,599,900	0.33
Walter Reed Memorial Hospital Inc	12,342,590	0.26		
The Conservation Fund	11,510,950	0.25		
Riverbend Apartments LP	10,060,290	0.22		
Lowes Home Centers Inc	9,697,340	0.21	8,446,000	0.20
Horn Harbor Nursing Home Inc.	9,694,920	0.21	7,188,600	0.17
Thousand Trail, Inc.	8,253,710	0.18	5,522,100	0.13
Welltower OM Group LLC	8,005,750	0.17		
Gloucester Medical Arts I, LLC			8,181,200	0.20
Timberneck, LLC			5,799,700	0.14
GH2, LLC			5,493,500	0.13
E. Clairborne Robins, Jr.			5,415,400	0.13
	<u>\$ 112,724,930</u>	<u>2.43 %</u>	<u>\$ 97,883,600</u>	<u>2.35 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
					Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2011	\$	23,809,339	\$	21,823	\$	23,831,162	\$	23,008,680	96.64%
2012		25,336,144		25,647		25,361,791		24,405,721	96.33%
2013		26,903,346		5,391		26,908,737		26,076,913	96.93%
2014		27,043,283		(16,870)		27,026,413		26,277,315	97.17%
2015		27,615,708		(3,466)		27,612,242		26,880,696	97.34%
2016		28,574,808		(3,251)		28,571,557		27,850,881	97.47%
2017		29,192,667		(5,176)		29,187,491		28,438,565	97.42%
2018		29,569,340		(2,936)		29,566,404		28,880,722	97.67%
2019		29,892,524		(3,188)		29,889,336		29,203,018	97.69%
2020		30,923,858		-		30,923,858		29,610,532	95.75%

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	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value*	Tax Exempt Property
2011	\$ 3,722,124	\$ 438,534	\$ 4,160,658	0.58	\$ 3,872,541	\$ 309,207
2012	3,752,701	439,874	4,192,575	0.65	3,830,235	306,387
2013	3,771,667	439,721	4,211,388	0.65	4,028,880	321,037
2014	3,799,377	437,932	4,237,310	0.65	4,077,473	322,225
2015	3,765,494	444,104	4,209,598	0.68	4,317,094	373,475
2016	3,797,973	443,944	4,241,916	0.695	4,332,465	358,584
2017	3,832,436	450,593	4,283,030	0.695	4,481,563	379,400
2018	3,788,637	559,903	4,348,540	0.695	4,681,891	385,986
2019	3,828,993	560,855	4,389,849	0.695	4,730,441	392,341
2020	4,062,592	602,707	4,665,299	0.695	-	404,067

Source: Commissioner of Revenue Department

***Note** - the Estimated Actual Taxable Value is the Total Tax Assessed Value multiplied by the median Assessment Sales Ratio. The Assessment Sales Ratio is calculated annually by the Commissioner based on calendar year sales, and therefore is not available for the current fiscal year.

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

Calendar Year Ended	Personal Property (1)	Machinery & Tools (1)	Boats (1)	Public Service (2)	Total
2011	\$ 385,778,693	\$ 7,811,202	\$ 35,990,400	\$ 87,981,942	\$ 517,562,237
2012	386,217,977	8,305,399	34,894,358	104,938,440	534,356,174
2013	400,536,792	8,218,191	43,702,556	155,642,943	608,100,482
2014	385,658,488	10,197,427	43,689,419	155,392,600	594,937,934
2015	385,720,050	10,298,798	41,513,977	158,444,423	595,977,248
2016	399,860,453	8,258,417	42,504,814	137,719,792	588,343,476
2017	401,812,412	8,221,958	43,339,570	139,424,060	592,798,000
2018	416,210,705	9,127,041	49,670,200	141,956,353	616,964,299
2019	443,372,502	9,117,208	55,722,634	149,841,016	658,053,360
2020	445,235,880	9,064,563	60,402,549	147,537,741	662,240,733

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

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

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Percentage of Personal Income	Per Capita(a)
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government		
2011 \$	18,965,853	\$ 2,523,520	\$ 16,788,573	- \$	20,414,345	\$ 58,692,291	3.85%	\$ 1,586.84
2012	18,089,833	1,983,520	15,210,080	-	22,381,473	57,664,906	3.66%	1,559.52
2013	22,804,937	1,470,324	13,988,122	-	21,553,897	59,817,280	3.84%	1,606.61
2014	38,548,607	1,220,324	12,467,831	-	19,392,087	71,628,849	4.45%	1,924.21
2015	36,773,293	970,324	10,877,408	-	17,174,277	65,795,302	3.90%	1,774.80
2016	34,798,831	720,324	9,444,609	-	15,060,214	60,023,978	3.47%	1,623.02
2017	32,755,003	470,324	8,467,388	-	12,625,476	54,318,191	3.02%	1,461.38
2018	30,741,581	220,324	6,528,278	-	10,065,738	47,555,921	2.52%	1,278.59
2019	28,373,341	-	5,958,063	-	7,402,000	41,733,404	N/A*	1,125.19
2020	25,925,013	-	5,377,998	-	6,688,000	37,991,011	N/A*	1,017.22

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

(a) Italicized amounts are estimates.

*Information not available at the time of completion.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds				Per Capita(a)	Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business- type Activities	Total			
2011	\$ 18,965,853	\$ -	\$ 18,965,853	\$	512.77	0.46%
2012	18,089,833	-	18,089,833		489.23	0.43%
2013	22,804,937	-	22,804,937		612.51	0.54%
2014	38,548,607	-	38,548,607		1,035.56	0.91%
2015	36,773,293	-	36,773,293		991.94	0.87%
2016	34,798,831	-	34,798,831		940.94	0.82%
2017	32,755,003	-	32,755,003		881.25	0.76%
2018	30,741,581	-	30,741,581		826.52	0.71%
2019	28,373,341	-	28,373,341		764.99	0.65%
2020	25,925,013	-	25,925,013		698.98	0.56%

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

(a) Population data can be found in Table 12

(b) See Table 7 for property value data

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2011	\$ 3,992,815	\$ 2,262,613	\$ 1,730,202	\$ 1,553,840	\$ 1,045,582	0.67
2012	3,893,650	2,780,595	1,113,055	1,790,872	1,063,304	0.39
2013	3,845,738	2,609,469	1,236,269	1,106,435	990,618	0.59
2014	4,193,272	2,550,179	1,643,093	1,987,000	793,760	0.59
2015	4,135,611	2,324,954	1,810,657	2,043,000	729,787	0.65
2016	4,161,870	2,318,445	1,843,425	1,980,000	766,538	0.67
2017	4,310,610	2,381,453	1,929,157	2,257,000	431,533	0.72
2018	4,179,603	2,289,258	1,890,345	2,382,000	309,767	0.70
2019	4,087,832	2,982,716	1,105,116	2,486,000	66,148	0.43
2020	4,108,581	3,054,406	1,054,175	714,000	173,022	1.19

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

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	School Enrollment (4)
2010	\$ 36,858	\$ 1,467,059	\$ 39,715	6.8	5,919
2011	36,987	1,522,586	41,279	6.3	5,850
2012	36,976	1,576,492	42,799	5.6	5,645
2013	37,232	1,557,231	42,353	5.2	5,469
2014	37,225	1,608,484	43,444	4.8	5,447
2015	37,072	1,686,317	45,568	4.1	5,354
2016	36,983	1,728,245	46,566	3.7	5,383
2017	37,169	1,796,240	48,145	3.3	5,319
2018	37,194	1,886,194	50,502	2.7	5,270
2019	37,090	N/A*	N/A*	2.6	5,186

*Information not available at the time of completion.

Sources:

- (1) Weldon Cooper Center for Public Service at the University of Virginia
- (2) Bureau of Economic Analysis (Revised Estimates at March 2019)
- (3) Virginia Employment Commission
- (4) Gloucester County Schools Budget Document (Revised according to FY21 Adopted Budget)

Principal Employers

Current Year and Nine Years Ago

Employer	2020		2011	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County Schools	500 - 999	5.3 - 10.6	1000+	10+
Riverside Regional Medical Center	500 - 999	5.3 - 10.6	250 - 499	2.7 - 5.4
County of Gloucester	250 - 499	2.7 - 5.3	250 - 499	2.7 - 5.4
Virginia Institute of Marine Science	250 - 499	2.7 - 5.3	250 - 499	2.7 - 5.4
Wal Mart	100 - 250	1.1 - 2.6	250 - 499	2.7 - 5.4
Food Lion	100 - 249	1.1 - 2.6		
York Convalescent Center	100 - 249	1.1 - 2.6		
The Home Depot	100 - 249	1.1 - 2.6	50 - 99	Less than 1.1
Lowes' Home Centers, Inc.	50 - 99	Less than 1.1		
Rappahannock Community College	50 - 99	Less than 1.1	100 - 249	1.1 - 2.7
Industrial Resource Technology			250 - 499	2.7 - 5.4
York River Yacht Haven			50 - 99	Less than 1.1
Dominion Virginia Power			50 - 99	Less than 1.1

Sources:

Virginia Employment Commission

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

	Full-time Equivalent Employees as of June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government Administration										
Board of Supervisors	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
County Administration	5.0	5.0	5.0	4.5	5.0	7.0	6.0	4.5	4.5	4.5
County Attorney	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Human Resources	6.0	5.0	5.0	4.5	4.5	4.5	4.5	4.0	4.0	4.0
Commission of Revenue	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.5	7.5	7.5
Real Estate Assessment	5.5	5.0	5.0	5.5	6.5	6.5	6.5	6.5	6.5	6.5
Treasurer	8.0	8.5	8.5	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Financial Services	5.5	5.0	5.0	5.0	6.0	5.0	5.0	5.0	5.0	5.0
Information Technology	8.0	8.5	8.5	9.0	9.0	8.0	9.0	9.0	9.0	12.5
GIS (included with IT until 2012)	3.0	2.5	2.5	2.5	2.5	3.5	3.5	3.5	3.5	-
Central Purchasing	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Judicial Administration										
Circuit Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerk of Circuit Court	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Victim Witness	2.5	2.5	2.5	2.5	2.0	1.5	1.5	1.5	1.5	1.5
Commonwealth Attorney	9.0	9.0	8.0	7.5	7.5	7.5	7.5	7.5	7.5	8.0
Public Safety										
Sheriff	67.0	65.0	65.0	65.0	64.0	64.0	61.5	50.0	50.0	48.0
E-911 (Combined w/Sheriff 2014)	-	-	-	-	-	-	-	11.5	11.5	11.5
Jail (included w/Sheriff until 2006)	33.5	33.5	33.5	33.0	36.5	38.5	37.5	37.0	35.0	35.5
Probation/Pretrial	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.5
Codes	-	-	-	-	-	-	-	14.0	13.0	13.0
Building Inspections	7.5	7.5	7.5	8.0	8.0	7.0	6.0	-	-	-
Environmental Programs	4.0	4.0	4.0	4.5	4.0	4.0	4.0	-	-	-
Animal Control	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0	5.0
Emergency Services	2.5	3.0	3.0	3.0	2.0	2.0	1.5	1.5	1.5	1.5
Public Works										
Engineering	3.0	3.0	3.0	3.5	4.0	4.0	4.0	4.0	4.0	3.0
Facilities Management	24.5	26.0	26.0	27.0	28.0	28.0	28.5	28.5	28.5	28.0
Education										
Community Engagement	8.0	8.0	8.0	8.0	8.0	7.5	7.5	7.5	7.5	8.0
Cable Services	-	-	-	-	-	-	-	0.5	0.5	-
Parks, Recreation & Cultural										
Parks & Recreation	5.5	5.5	5.5	5.5	5.5	8.5	8.5	8.5	8.5	8.5
Park Operations	7.0	6.5	6.5	6.5	6.0	3.0	3.0	2.0	2.0	2.0
Historical (combined w/Tourism 2014)	-	-	-	-	-	0.5	0.5	0.5	0.5	0.5
Library	11.5	12.0	12.0	12.0	12.0	12.5	12.5	12.5	12.5	12.0
Community Development										
Planning & Zoning	7.0	7.0	7.0	7.0	6.0	7.0	7.0	5.0	5.0	5.0
Economic Development	2.0	2.0	2.0	2.0	2.0	2.0	2.0	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	2.0	2.0	1.5	1.5	1.5	1.0	1.0	1.0	1.0	1.0
VA Cooperative Extension	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Utilities	28.0	26.5	24.5	23.5	24.5	26.0	26.0	26.0	26.0	25.0
TOTAL	309	306	302	303	307	312	308	306	303	299

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

COUNTY OF GLOUCESTER, VIRGINIA

Operating Indicators by Function Last Ten Fiscal Years

	2020	2019	2018	2017
Sheriff's Department (1)				
Reports taken	N/A	46,723	47,286	48,601
Civil processed record workload	N/A	27,980	29,017	33,240
Circuit court days	N/A	176	182	172
General district court days	N/A	118	113	107
Juvenile and domestic court days	N/A	263	240	250
Inmate average daily population	N/A	37	41	31
Parks, Recreation & Tourism (2)				
Number of Participants	2,058	4,980	5,008	4,567
Library (3)				
Material circulated	109,934	169,129	140,825	197,281
Library patrons	39,727	38,441	36,706	35,089
Water system (4)				
Number of customers	4,962	4,936	4,890	4,835
Average daily consumption	840,743	822,452	869,742	863,441
Annual consumption in gallons	307,712,000	300,195,000	317,456,000	315,156,000

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

2016	2015	2014	2013	2012	2011
45,020	43,584	39,350	38,808	38,414	37,076
31,737	30,530	30,757	42,873	35,242	38,266
210	207	196	175	164	168
104	109	113	116	114	115
252	234	240	237	208	145
43	45	79	86	84	74
4,772	4,489	3,957	3,920	4,019	4,170
183,566	172,769	169,016	179,320	216,787	229,986
37,185	35,396	33,256	29,295	31,769	32,786
4,728	4,629	4,629	4,588	4,565	4,523
834,800	838,400	827,000	809,000	835,478	884,471
304,700,000	306,030,000	301,865,000	295,456,000	305,785,000	322,832,000

THIS PAGE LEFT BLANK INTENTIONALLY

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

Customer name	2020		2011	
	Monthly Average		Monthly Average	
	Water Usage (1)	Daily (1)	Water Usage (1)	Daily (1)
Vims-MRL	388,000	12,933	352,000	11,733
Walter Reed Convalescent Center	364,000	12,133	354,000	11,800
Franklin Management-Elm Street	347,000	11,567		
RAI Dialysis	186,000	6,200		
Franklin Management-Wicomico Village	162,000	5,400		
Vims-SRL	150,000	5,000	217,000	7,233
York River MHP	147,000	4,900	193,000	6,433
U Do It Laundry	146,000	4,867		
Colonial Point Apartments	145,000	4,833		
County Jail	139,000	4,633		
Riverside Walter Reed Hospital			410,000	13,667
V.I.M.S.-Chesapeake Bay Hall			298,000	9,933
Riverside Walter Reed Dialysis Center			260,000	8,667
Sierra Communities			243,000	8,100
Water Wizard Car Wash			228,000	7,600
Hogg Funeral Home			189,000	6,300

(1) Source - Gloucester County Utility Department

COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program Last Ten Fiscal Years

	2020	2019	2018	2017
Sheriff's Department (1)				
Stations	1	1	1	1
Patrol Units	41	41	32	32
Jail	1	1	1	1
Mobile Command Center	1	1	1	1
Volunteer Fire and Rescue (2)				
Stations	6	6	6	6
Parks and recreation (3)				
Number of parks maintained	7	7	7	8
Park acreage owned by the County	220	220	220	221
Park acreage leased	44	44	44	44
Library (4)				
Number of libraries	2	2	2	2
Number of bookmobiles	1	1	1	1
Water system (5)				
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

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

Table 17

2016	2015	2014	2013	2012	2011
1	1	1	1	1	1
31	33	33	33	33	34
1	1	1	1	1	1
1	1	1	1	1	1
6	6	6	6	6	6
8	8	8	8	8	8
221	221	221	221	221	185
44	44	44	44	44	40
2	2	2	2	2	2
1	1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

THIS PAGE LEFT BLANK INTENTIONALLY

COMPLIANCE SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County of Gloucester, Virginia's basic financial statements, and have issued our report thereon dated November 9, 2020.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associate

Richmond, Virginia
November 9, 2020



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

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

Report on Compliance for Each Major Federal Program

We have audited County of Gloucester, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of County of Gloucester, Virginia's major federal programs for the year ended June 30, 2020. County of Gloucester, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, County of Gloucester, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 9, 2020

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

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:			
MaryLee Allen Promoting Safe and Stable Families Program	93.556	0950109/0950110	\$ 15,581
Refugee and Entrant Assistance State/Replacement			
Designee Administered Programs	93.566	0500109/0500110	304
Low-Income Home Energy Assistance	93.568	0600409/0600410	40,230
Temporary Assistance for Needy Families (TANF Cluster)	93.558	0400109/0400110	206,439
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CCDF Cluster)	93.596	0760109/0760110	39,480
Chafee Education and Training Vouchers Program	93.599	not available	500
Adoption and Legal Guardianship Incentive Payments	93.603	1120109/1120110	836
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	527
Foster Care - Title IV-E	93.658	1100109/1100110	294,350
Adoption Assistance	93.659	1120109/1120110	287,913
Social Services Block Grant	93.667	1000109/1000110	186,410
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	9150108-9150110	4,882
Children's Health Insurance Program	93.767	0540109/0540110	9,113
Medical Assistance Program (Medicaid Cluster)	93.778	1200109/1200110	562,693
Total Department of Health and Human Services			\$ 1,649,258
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
COVID-19 - Summer Food Service Program for Children	10.559	202020N85034 1	\$ 84,920
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	1790100-40591	\$ 190,216
COVID-19 - School Breakfast Program	10.553	1790100-40591	41,551
		Total 10.553	\$ 231,767
Department of Agriculture:			
Food Distribution--School	10.555	not available	192,385
Department of Education:			
National School Lunch Program	10.555	1790100-40623	601,393
COVID-19 - National School Lunch Program	10.555	1790100-40623	87,981
		Total 10.555	\$ 881,759
Total Child Nutrition Cluster			\$ 1,198,446
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP Cluster)	10.561	0010109/0010110	\$ 544,707
Total Department of Agriculture			\$ 1,743,153
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Service:			
Crime Victim Assistance	16.575	390002-CJS86018	\$ 69,323
Violence Against Women Formula Grants	16.588	390002-CJS48035	39,533
Total Department of Justice			\$ 108,856

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020 (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:			
Flood Mitigation Assistance	97.029	776002-114739	\$ 551,359
Emergency Management Performance Grants	97.042	775001-114363	13,644
Homeland Security:			
Hazard Mitigation Grant	97.039	7760200-111,132	17,512
Total Department of Homeland Security			\$ 582,515
Department of Treasury			
Pass Through Payments:			
Department of Accounts			
Coronavirus Relief Funds (CRF)	21.019	10110-728021	\$ 139,584
Total Department of Treasury			\$ 139,584
Department of Transportation:			
Pass Through Payments:			
Department of Transportation:			
Highway Planning and Construction (Highway Planning and Construction Cluster)	20.205	603002-103579	\$ 3,855
Department of Motor Vehicles:			
National Priority Safety Programs	20.616	605007-53000	9,563
State and Community Highway Safety (Highway Safety Cluster)	20.600	6050700-53454	4,725
Total Department of Transportation			\$ 18,143
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ 105,866
Total Department of Defense			\$ 105,866
Department of the Interior:			
Direct Payments:			
American Battlefield Protection	15.926	N/A	\$ 38,261
Chesapeake Bay Gateways Network	15.930	N/A	40,000
Total Department of the Interior			\$ 78,261
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 103,980
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	725,735
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,135,798
Special Education - Preschool Grants	84.173	1790100-82521	35,075
Total Special Education Cluster			\$ 1,170,873
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	84,724
Supporting Effective Instruction State Grants	84.367	1790100-61480	120,581
Student Support and Academic Enrichment Program	84.424	S424A170048	15,366
Total Department of Education			\$ 2,221,259
Total Expenditures of Federal Awards			\$ 6,646,895

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, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the County of Gloucester, Virginia under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County of Gloucester, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Gloucester, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	292,987
Debt Service Fund		222,975
Special Revenue Funds:		
Virginia Public Assistance Fund		2,057,666
CARES Act Fund		139,584
CSA Fund		35,492
Capital Projects Funds:		
County Capital Projects Fund		612,726
Total primary government	\$	<u>3,361,430</u>

Component Unit School Board:

School Operating Fund	\$	2,327,126
School Cafeteria Fund		1,198,445
Total component unit School Board	\$	<u>3,525,571</u>

Less: BABs federal interest rate subsidy \$ (222,975)

Less: Payment in lieu of taxes (17,131)

Total federal expenditures per basic financial statements \$ 6,646,895

Total federal expenditures per the Schedule of Expenditures of Federal Awards \$ 6,646,895

Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

Any audit findings disclosed that are required to be reported in accordance
2 CFR section 200.516(a)? yes ✓ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee? ✓ yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no prior year audit findings.