

# **County of Gloucester Virginia**



## **Comprehensive Annual Financial Report**

### **For the Fiscal Year Ending June 30, 2006**



**COUNTY OF GLOUCESTER, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2006**

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**Prepared By:**

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

**Theresa S. Owens**  
**Accounting Manager**



**COUNTY OF GLOUCESTER, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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# COUNTY OF GLOUCESTER, VIRGINIA

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## **Board of Supervisors**

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Louise D. Theberge, Chairperson  
Burton M. Bland, Vice-Chairperson

Christian D. Rilee  
Teresa L. Altemus

Michelle R. Ressler

Charles R. Allen, Jr.  
John J. Adams, Sr.

## **County School Board**

---

Alvin J. McGlohn, Jr., Chairperson  
Kevin M. Smith, Vice-Chairperson

Ann F. Burruss  
Anita F. Parker

E. Stanley Belvin, Jr.

Ronnie Cohen  
Dr. Jean E. Pugh

## **Board of Social Services**

---

Fredericka S. Branch, Chairperson  
Carlton N. Hogge, Vice-Chairperson

Nancy E. Warner  
Mary Ann Boon  
George T. Webster, III

Patrick J. Cooney  
Luella H. Lemon  
John J. Adams, Sr.

## **Other Officials**

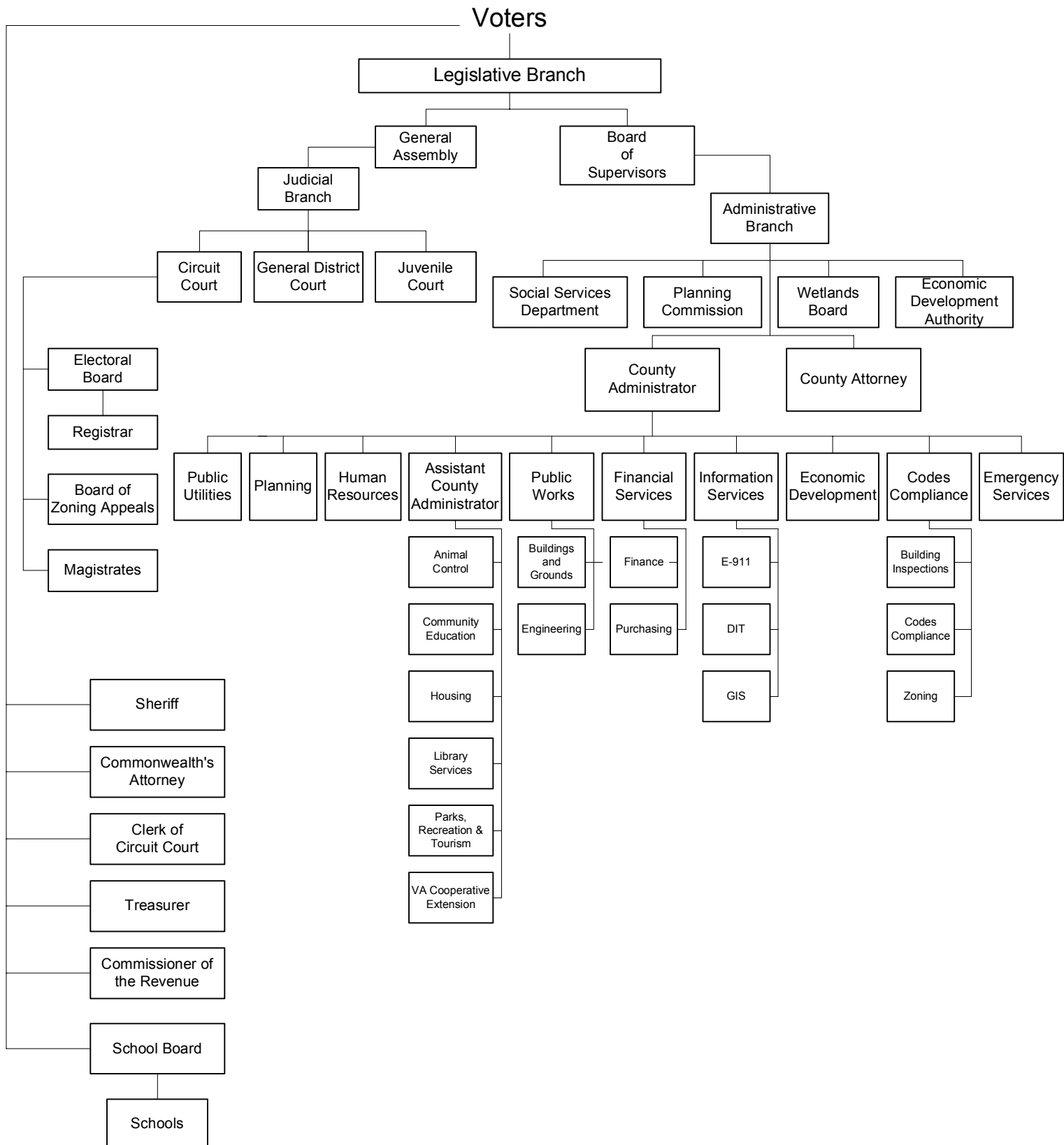
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County Administrator.....	William H. Whitley
Judge of the Circuit Court .....	Honorable William H. Shaw, III
Clerk of the Circuit Court.....	C. Ann Gentry
Commonwealth's Attorney .....	Robert D. Hicks
Commissioner of the Revenue .....	Kevin A. Wilson
Treasurer.....	Tara L. Thomas
Judge of the Juvenile and Domestic Relations Court .....	Honorable Isabel H. Atlee
Judge of the General District Court.....	Honorable R. Bruce Long
Sheriff.....	Robin P. Stanaway
Superintendent of Schools .....	Howard B. Kiser, Ed.D.
Director of Department of Social Services .....	Evins A. Goodwin
County Attorney .....	Daniel M. Stuck





# Gloucester County Organizational Chart





# 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, 2005

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



*Carla E. Perry*

President

*Jeffrey R. Enser*

Executive Director





# **County of Gloucester**

**County Administrator**

**6467 Main Street**

**P. O. Box 329**

**Gloucester, Virginia 23061**

**(804) 693-4042**

October 1, 2006

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

The Commonwealth of Virginia requires that local government publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the County of Gloucester (the County) for the fiscal year ended June 30, 2006.

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

Robinson, Farmer, Cox Associates, Certified Public Accountants have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report

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

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

## **Profile of Gloucester County**

The County was created in 1651 and covers 225 square miles of land area and 32 square miles of water area. The population per the 2000 census was 34,780. The County is empowered to levy a property tax on both real estate and personal property located within its boundaries.

The County of Gloucester has a County Administrator form of government with an elected seven member Board of Supervisors. The Administrator oversees the daily administration of the County.

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

The County provides a full range of services including police protection, social services, planning and inspections, public works and utilities, libraries, and general government administration. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and infrastructure located within the County. Local volunteer fire and rescue companies provide fire and rescue protection for the citizens, and the County provides support through cash contributions for operations and capital expenditures.

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

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

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

## **Local Economy**

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past ten years, the unemployment rate had a minor increase from 2.4% in 1997 to 2.7% in 2006. Unemployment is expected to either remain stable or decrease in the near term as major businesses continue to open new facilities.

Infrastructure is a significant and critical factor in attracting new investment to the County. Beaverdam Reservoir, the Gloucester Water Treatment Plant, and becoming a member of the Hampton Roads Sanitation District for wastewater capacities have been essential in attaining growth dynamics. Accordingly, to meet continuing water utilization requirements and treatment parameters Gloucester completed expansion of its water system and treatment capacity. The expansion blends well water with surface water through a reverse osmosis process and has increased capacity to 4 million gallons per day.

In September 2005, the Virginia Institute of Marine Science at Gloucester Point (VIMS) dedicated a new estuarine research center. The estuarine research center, the Catlett-Burruss Research and Education Laboratory, will support water quality monitoring of Chesapeake Bay coastal water, watershed and shallow water habitat research and is named for the Catlett and Burruss families for their generous support over the years for research and to VIMS.

VIMS began the construction of a new marine research building to be known as Andrews Hall in honor of the Honorable Hunter B. Andrews, the late Senator who was a staunch supporter of VIMS. The complex will be a state-of-the-art facility supporting biological, physical, and fisheries sciences and the Aquaculture Genetics and Breeding Technology Center.



The private investment in new service and retail continues with new investment by national firms. In Fox Mill Centre, Ruby Tuesday's opened in late 2005; Game Stop, Verizon Wireless, and Quiznos Sandwich opened in new 5,000 square foot retail space in early 2006. Arby's opened a franchise store in the first quarter 2006, the first Arby's on the Middle Peninsula.

In 2007, 14,000 square feet of new retail space, including a drive-through Starbucks, is scheduled to begin construction in Fox Mill Centre. Also scheduled is an expansion of the Farm Fresh store in the Hayes Shopping Center, which will include a Starbucks.

New developments in 2006 included two new credit unions, 1<sup>st</sup> Advantage Credit Union and Newport News Shipbuilding Credit Union. Both credit unions built new facilities, 1<sup>st</sup> Advantage completed and opened in September 2006, while Newport News Shipbuilding opened in October 2006.

The Gloucester Business Park is being developed through the activities of the Economic Development Authority. In cooperation with the Gloucester Board of Supervisors the Gloucester Business Park was constructed in 1997. This 70-acre park is development ready with roads, water and sewer and storm water infrastructure in place to facilitate and expedite construction to help reduce costs. Currently, there are three tenants within the park: Industrial Resource Technologies, Inc., Coastal Bioanalysts and Bay Design Group. Bay Design is a full service engineering, surveying and land planning firm. Industrial Resource Technologies is a joint venture between Canon U.S.A. and Canon Virginia, Inc., which recycles toner cartridges. Coastal Bioanalysts performs water quality tests and analysis for commercial and industrial businesses.

In October, 2006, Sentara Ventures, a subsidiary of Sentara Hospitals, began construction of its new 38,500 square foot Urgent Care and Diagnostic Center in the business park with completion expected by the end of the second quarter, 2007.

### **Long term financial planning**

The County annually prepares a Capital Improvement Plan (CIP). This CIP serves as a planning tool for the efficient, effective, and equitable distribution of public improvements throughout the County. The CIP represents a balance between finite resources and an ever-increasing number of competing County priorities. This balance was achieved using the priorities and objectives established by the Board of Supervisors consistent with the County's Strategic Plan.

In response to the fiscal challenges inherent to our economic environment, the County adopts a conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at 10% of governmental fund expenditures. In order to further reduce our reliance on debt in fiscal year 2008, in October 2006, the County designated \$3.4 million from the fund balance in the general fund to the capital fund to offset the costs of future capital projects.

### **Relevant financial policies**

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

### **Major Initiatives**

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

One of the most important services that the County provides to its citizens is public education. The County funded additions and improvements to Achilles and Botetourt Elementary Schools, which will provide improved services for the growing student populations of these two schools. These projects were completed in fiscal year 2006. The next priority for the school system is renovations to Abingdon Elementary Schools. Partial funding for this project was obtained in October 2006, in the form of general obligation bonds.

After completing all construction phases of our Brackish Groundwater Supply Project (Reverse Osmosis Plant) in 2000, approximately \$1 million of debt financing remained. These funds were used to construct 6,300 feet of 16-inch ductile iron water main and appurtenances within a 20-foot easement paralleling the east side of U.S. Route 17 Bypass. This water line allows the water treatment plant to directly pump water to the lower end of the County to improve water flow in the courthouse area as well as to the lower end of the County, and was completed in November 2006.

The County has been awarded federal Transportation Enhancement funding to construct the next phase of the Colonial Courthouse Village Enhancement project. This phase will extend the enhancement approximately 700 feet and will begin at Smith Street to the intersection of Main Street and Routes 3/14. Eighty-percent of the expected \$633,000 cost will be funded with federal highway funds. Construction on this phase should begin no later than the spring of 2007.

The Federal Emergency Management Agency has awarded a \$1.38 million grant to Gloucester County to acquire or elevate properties that sustained damages as a result of Hurricane Isabel in 2003. 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 floor protection elevation. This is the second grant Gloucester has received from this program, and this grant expects to acquire 5 properties and elevate 19 homes.

The Commonwealth of Virginia announced the establishment of a new state park in Gloucester County. The non-profit Trust for Public Land, working on behalf of the Commonwealth, has acquired 438 acres of property on the York River in Gloucester County for a future state park. The property located in southern Gloucester County features three-quarters of a mile of frontage on the York River. The property is a mix of open fields and hardwood forests.

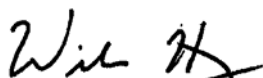
### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This was the tenth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.


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

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

Respectfully submitted,



William H. Whitley  
County Administrator



Nickie C. Champion  
Director of Financial Services

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2006, on our consideration of the County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the schedule of pension funding progress as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County of Gloucester, Virginia, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Gloucester, Virginia. The other supplementary information including the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Robinson, Fama, Cox Associates*

Charlottesville, Virginia  
September 27, 2006

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

This section of the County of Gloucester (the "County") comprehensive annual financial report presents management's discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

### **Financial Highlights**

- The assets of the County, on a government-wide basis excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$32.3 million (*net assets*). Of this amount, \$21.9 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets, excluding component units, decreased by \$1.1 million, of which the governmental activities decreased by \$1.9 million and business-type activities increased by \$.8 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$20.5 million, an increase of \$.5 million in comparison with the prior year. Approximately 97.3% of this total amount, \$19.9 million, is *available for spending* at the County's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$16.0 million, or 16.6% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The Board of Supervisors has adopted a policy to keep undesignated general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The County's total debt decreased by \$2.6 million during the current fiscal year. The primary factor in this decrease was the pay down of principal during the year.

### **Overview of the Financial Statements**

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

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

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

## Overview of the Financial Statements: (Continued)

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

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate School Board and a legally separate Economic Development Authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 15-19 of this report.

### Fund financial statements

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

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

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

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, the County Capital Improvements Fund, and the School Construction fund, all of which are considered to be major funds. Data from the other 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 on pages 21-26 of this report.

## Overview of the Financial Statements: (Continued)

### Fund financial statements: (continued)

The County maintains one type of **Proprietary Fund**. The County uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found on page 30 of this report.

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-63 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 65-68 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 69 of this report.

## Government-Wide Financial Analysis

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

**Summary of Net Assets  
As of June 30, 2006 and 2005**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Current and other assets	\$ 28,317,795	\$ 30,016,523	\$ 5,062,969	\$ 5,300,131	\$ 33,380,764	\$ 35,316,654	\$ 9,042,342	\$ 9,604,094
Capital assets	34,485,582	37,040,469	27,715,591	27,810,321	62,201,173	64,850,790	23,395,478	19,412,708
<b>Total assets</b>	<b>\$ 62,803,377</b>	<b>\$ 67,056,992</b>	<b>\$ 32,778,560</b>	<b>\$ 33,110,452</b>	<b>\$ 95,581,937</b>	<b>\$ 100,167,444</b>	<b>\$ 32,437,820</b>	<b>\$ 29,016,802</b>
Long-term debt outstanding	\$ 27,431,895	\$ 29,181,860	\$ 25,824,927	\$ 27,632,613	\$ 53,256,822	\$ 56,814,473	\$ 1,627,536	\$ 5,770,017
Other liabilities	7,455,939	8,019,789	2,521,231	1,874,898	9,977,170	9,894,687	10,659,148	6,764,513
<b>Total liabilities</b>	<b>\$ 34,887,834</b>	<b>\$ 37,201,649</b>	<b>\$ 28,346,158</b>	<b>\$ 29,507,511</b>	<b>\$ 63,233,992</b>	<b>\$ 66,709,160</b>	<b>\$ 12,286,684</b>	<b>\$ 12,534,530</b>
<b>Net assets</b>								
Invested in capital asset, net of related debt	\$ 6,392,933	\$ 7,027,169	\$ 3,676,016	\$ 2,018,698	\$ 10,068,949	\$ 9,045,867	\$ 20,900,105	\$ 16,772,035
Restricted	367,597	398,179	-	-	367,597	398,179	-	315,924
Unrestricted	21,155,013	22,429,995	756,386	1,584,243	21,911,399	24,014,238	(748,969)	(605,687)
<b>Total net assets</b>	<b>\$ 27,915,543</b>	<b>\$ 29,855,343</b>	<b>\$ 4,432,402</b>	<b>\$ 3,602,941</b>	<b>\$ 32,347,945</b>	<b>\$ 33,458,284</b>	<b>\$ 20,151,136</b>	<b>\$ 16,482,272</b>

### **Government-Wide Financial Analysis: (Continued)**

The County's combined net assets, which is the County's bottom line, decreased by \$1.1 million or 3.3%, while the total net assets for the component units (Gloucester County Public Schools and Gloucester Economic Development Authority) increased by \$3.7 million. The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. The capital assets of the Gloucester County Public Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit. The major factor affecting the reduction in net assets for the County and the increase in net assets for the component units are the result of the transfer of jointly owned assets from the County to Gloucester Public Schools (component unit).

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$32.3 million at the close of the most recent fiscal year. A large portion of the County's net assets (\$10.1 million, 31.1% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

Another portion of the County's net assets (\$.4 million, 1.1% of total) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$21.9 million, 67.8% of total) may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the total primary government was able to report a positive balance in all categories of net assets, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by \$20.2 million at the close of fiscal year 2006. This is an increase of \$3.7 million or 22.3%, which can be attributed to the transfer of jointly owned assets as covered in Note 6 starting on page 43.



## Government-Wide Financial Analysis: (Continued)

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

### Summary of Changes in Net Assets Years Ended June 30, 2006 and 2005

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>								
Program revenue:								
Charges for services	\$ 1,545,122	\$ 1,508,535	\$ 3,312,253	\$ 2,800,738	\$ 4,857,375	\$ 4,309,273	\$ 1,859,513	\$ 2,121,754
Operating grants and contributions	6,825,175	6,905,210	26,943	-	6,852,118	6,905,210	32,612,445	31,624,673
Capital grants and contributions	1,086,133	208,270	214,190	-	1,300,323	208,270	-	-
General revenues:	-	-	-	-	-	-	-	-
Property taxes	23,039,459	25,460,056	37,861	41,988	23,077,320	25,502,044	-	-
Other taxes	10,234,426	10,150,629	-	-	10,234,426	10,150,629	-	-
Unrestricted revenues	668,054	440,890	202,590	117,589	870,644	558,479	19,368	6,201
Miscellaneous	853,784	213,490	-	-	853,784	213,490	32,497	62,285
Grants and contributions	4,508,558	2,768,484	-	-	4,508,558	2,768,484	(112,469)	-
Payment from County	-	-	-	-	-	-	22,779,278	17,700,133
<b>Total revenue</b>	<b>\$ 48,760,711</b>	<b>\$ 47,655,564</b>	<b>\$ 3,793,837</b>	<b>\$ 2,960,315</b>	<b>\$ 52,554,548</b>	<b>\$ 50,615,879</b>	<b>\$ 57,190,632</b>	<b>\$ 51,515,046</b>
<b>Expenses:</b>								
General government	\$ 4,361,409	\$ 3,847,340	\$ -	\$ -	\$ 4,361,409	\$ 3,847,340	\$ -	\$ -
Judicial administration	1,437,573	1,394,318	-	-	1,437,573	1,394,318	-	-
Public safety	9,293,694	8,505,036	-	-	9,293,694	8,505,036	-	-
Public works	1,676,331	1,469,138	-	-	1,676,331	1,469,138	-	-
Health and welfare	3,728,909	3,800,505	-	-	3,728,909	3,800,505	-	-
Parks, recreation, and cultural	1,883,177	1,508,612	-	-	1,883,177	1,508,612	-	-
Community development	1,027,936	1,129,146	-	-	1,027,936	1,129,146	532,933	544,531
Interest on long-term debt	1,611,850	1,694,134	-	-	1,611,850	1,694,134	-	-
Education	24,779,632	20,447,731	-	-	24,779,632	20,447,731	52,988,835	49,019,955
Public Utilities	-	-	3,864,376	3,775,728	3,864,376	3,775,728	-	-
<b>Total expenses</b>	<b>\$ 49,800,511</b>	<b>\$ 43,795,960</b>	<b>\$ 3,864,376</b>	<b>\$ 3,775,728</b>	<b>\$ 53,664,887</b>	<b>\$ 47,571,688</b>	<b>\$ 53,521,768</b>	<b>\$ 49,564,486</b>
Change in net assets, before transfers	\$ (1,039,800)	\$ 3,859,604	\$ (70,539)	\$ (815,413)	\$ (1,110,339)	\$ 3,044,191	\$ 3,668,864	\$ 1,950,560
Transfers	(900,000)	(897,298)	900,000	897,298	-	-	-	-
Increase in net assets	(1,939,800)	2,962,306	829,461	81,885	(1,110,339)	3,044,191	3,668,864	1,950,560
Net assets, beginning	29,855,343	26,893,037	3,602,941	3,521,056	33,458,284	30,414,093	16,482,272	14,531,532
<b>Net assets, ending</b>	<b>\$ 27,915,543</b>	<b>\$ 29,855,343</b>	<b>\$ 4,432,402</b>	<b>\$ 3,602,941</b>	<b>\$ 32,347,945</b>	<b>\$ 33,458,284</b>	<b>\$ 20,151,136</b>	<b>\$ 16,482,092</b>

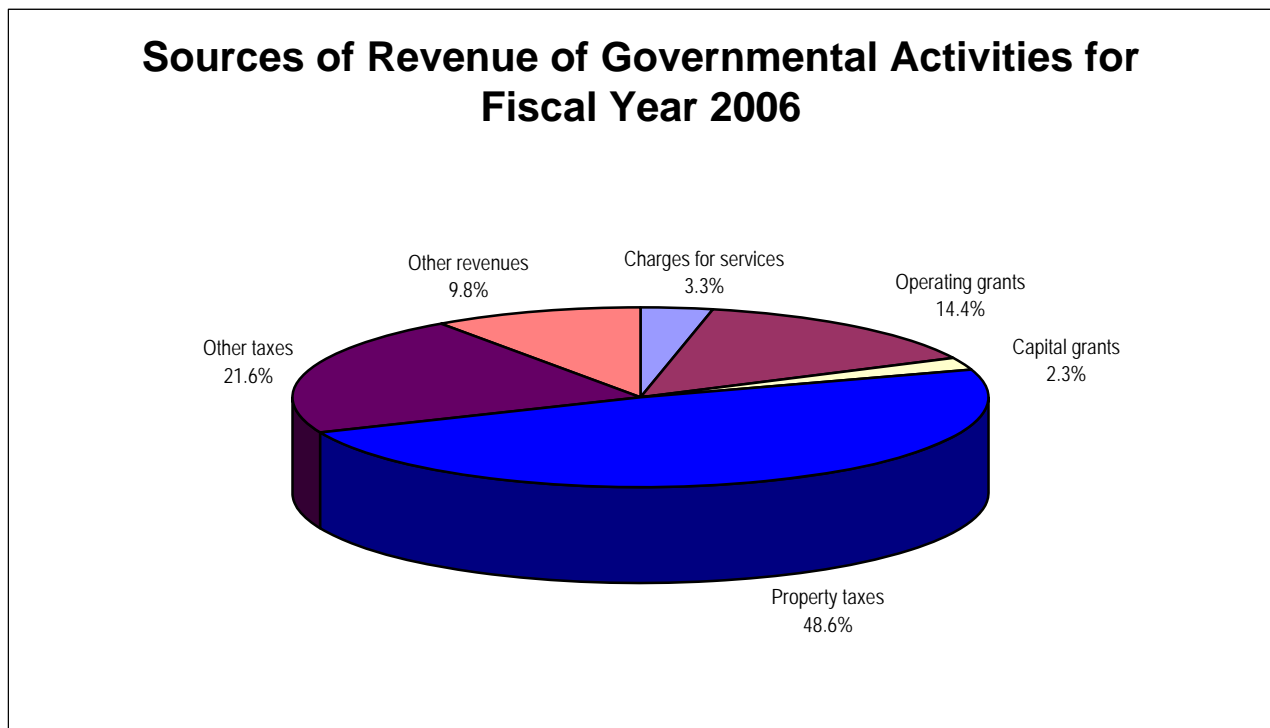
**Governmental activities** decreased the County's net assets by \$1.9 million. Generally net asset changes are the difference between revenues and expenses. Key elements of this decrease are as follows:

- Program revenues from Capital Grants and Contributions were \$1.1 million, which represents an increase of \$.9 million or 421.5%. This increase is attributable to the County receiving a Federal Emergency Management Agency Mitigation Grant, which was used to acquire 8 properties that sustained damages from Hurricane Isabel in 2003 and returning these properties to green space.

### Government-Wide Financial Analysis: (Continued)

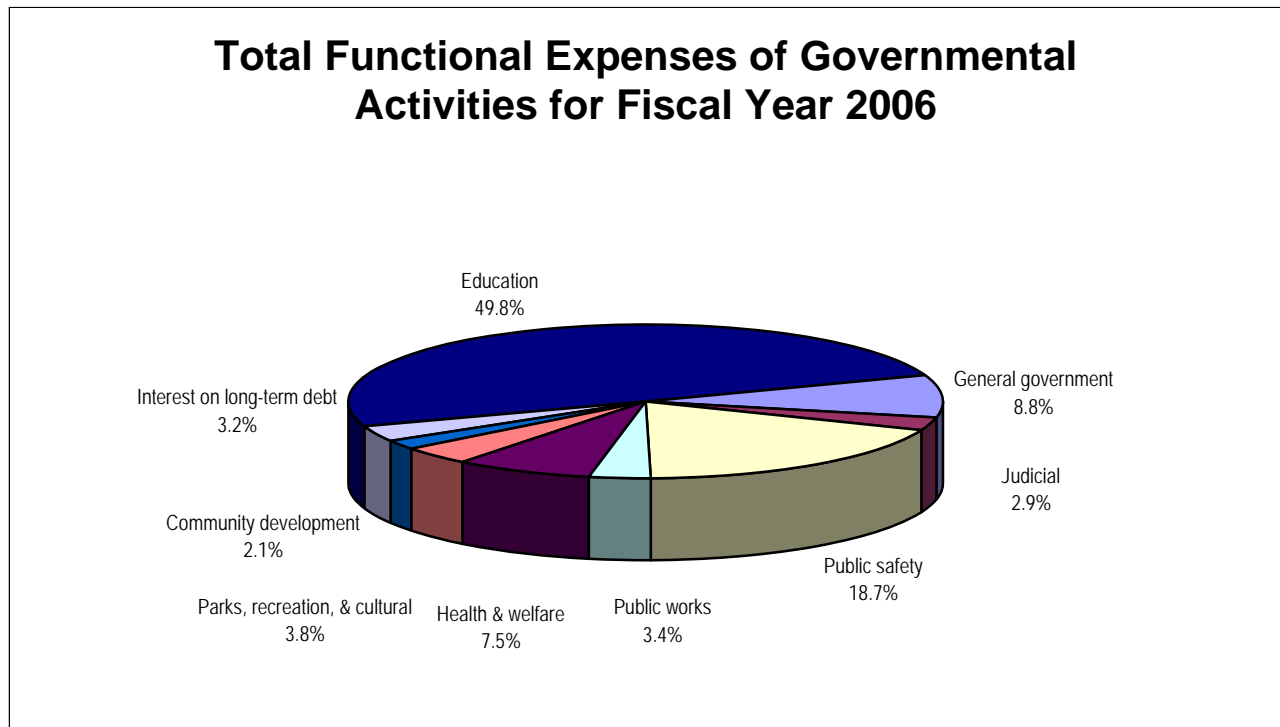
- General property taxes, the County's largest revenue source, reflects the accrual of the last half of calendar year 2005 and the first half of calendar year 2006 including the payments received from the State as reimbursement under the State's personal property tax relief program, were \$29.1 million, which represents an increase of \$1.4 million or 2.8% over the prior fiscal year. The County's assessed real property tax base for calendar year 2006 increased by \$1.6 billion, which was offset by the reduction of the real property tax rate by \$.38 from \$.95 to \$.57 for calendar year 2006. In addition, vehicle decals and the associated fees were eliminated and the revenue from this fee was incorporated into the personal property tax rate for 2005 and 2006.
- Expenses relating to governmental activities (excluding school construction) were \$5.0 million less than planned. Departments typically do not expend their entire operating budgets, returning any remaining balances. In addition, \$3.9 million of planned County capital projects were not completed as planned. This decrease in planned spending was due to delays incurred with several grant-funded projects.
- Public education continues to be one of the County's highest priorities and commitments. The County contributed \$18.0 million to public school operations, \$3.2 million toward debt payments relating to school projects, \$1.2 million for general school capital needs, and \$1.8 million for school construction projects for a total contribution of \$24.2 million.

The following graph illustrates revenues by source for governmental activities:



## Government-Wide Financial Analysis: (Continued)

The following graph illustrates expenses for each of the functional areas of governmental activities:



**Business-type activities** increased the County's net assets by \$.8 million. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the County's business-type activities, there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

## Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$20.5 million, an increase of \$.5 million in comparison with the prior year. Of this total amount, \$19.9 million or 97.3% constitutes *unreserved fund balance*, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$16.0 million, while total fund balance reached \$16.5 million. The Board of Supervisors adopted a fund balance policy in April 2000 to keep an undesignated general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The undesignated fund balance in the General Fund was 16.6% using this policy criterion.

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

The County Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those reported for by the Proprietary Fund or School Construction Fund. The County Capital Improvements Fund has an unreserved fund balance of \$3.8 million, which has been designated for future capital projects.

The School Construction Fund accounts for financial resources to be used for major Public School construction projects. The Achilles and Botetourt Elementary School projects were completed in the Fall of 2005 with \$1.8 million contributed by the General Fund.

**Proprietary funds:** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Utility Fund at the end of the year amounted to \$.8 million. The \$.8 million increase in the total net assets of business type activities includes \$.2 million for donated capital assets accepted into the utility system. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

### **General Fund Budgetary Highlights**

Gloucester County generally takes a conservative approach to financial management by staying well within budgetary limits for expenditures during the fiscal year. Fiscal year 2006 was no exception, with total General Fund expenditures \$2.1 million below the final amended budget. Public safety expenditures were significantly under budget due to grants that had been awarded and appropriated, but not fully expended at year-end. In addition, personnel savings were realized as a result of turnover and retirements.

There was an increase of \$1.8 million between the original budget and the final amended budget, and these differences can be summarized as follows:

- An increase of \$.2 million can be associated with the appropriation of fund balances for designated carryovers for projects that were continued from the prior year into the current fiscal year.
- An increase of \$.3 million can be attributed to the additional appropriation for various school capital needs from the prior year unexpended transfers for education.
- An increase of \$.7 million can be attributed to the additional appropriation to the School Construction Fund for expenditures relating to completing the Achilles and Botetourt Elementary School projects.
- An increase of \$.2 million can be attributed to the transfer of funds from the General Fund to the capital projects fund for miscellaneous school projects.
- The remaining increase of \$.4 million can be attributed to the anticipated receipt of various grants and other miscellaneous activities and donations.

Of this increase, \$.4 million was funded from the receipt of additional grants and donations designated for particular programs. The remaining \$.8 million was budgeted from available fund balance.

## Capital Asset and Debt Administration

**Capital assets:** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$62.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. Major capital asset events during the current fiscal year included the following:

- A construction project to expand and renovate Achilles and Botetourt Elementary Schools was started by Gloucester County School Board (a Component Unit) in fiscal year 2004. The project was completed in fiscal year 2006.
- The County received a Federal Emergency Management Agency Grant, which was used to acquire 8 properties that sustained damage from Hurricane Isabel in 2003 and returned these properties to green space.

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

Capital Assets As of June 30, 2006 and 2005								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2006	2005	2006	2005	2006	2005	2006	2005
Land	\$ 4,132,163	\$ 3,587,029	\$ 3,559,796	\$ 3,559,796	\$ 7,691,959	\$ 7,146,825	\$ 1,742,483	\$ 1,742,483
Construction in progress	117,026	8,507,552	378,390	-	495,416	8,507,552	-	-
Infrastructure	-	-	-	-	-	-	-	-
Buildings	10,957,405	11,210,375	23,526,215	24,040,120	34,483,620	35,250,495	2,904,212	3,085,725
Equipment	1,649,257	1,434,005	251,190	210,405	1,900,447	1,644,410	2,903,652	3,292,255
Jointly owned assets	17,629,731	12,301,508	-	-	17,629,731	12,301,508	15,845,131	11,292,245
<b>Total</b>	<b>\$ 34,485,582</b>	<b>\$ 37,040,469</b>	<b>\$ 27,715,591</b>	<b>\$ 27,810,321</b>	<b>\$ 62,201,173</b>	<b>\$ 64,850,790</b>	<b>\$ 23,395,478</b>	<b>\$ 19,412,708</b>

Additional information on the County's capital assets can be found in Note 6 on pages 43-46 of this report.

**Long-term debt:** At the end of the current fiscal year, the County had total outstanding debt of \$56.3 million and details are summarized in the following table:

Long-Term Debt As of June 30, 2006 and 2005								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2006	2005	2006	2005	2006	2005	2006	2005
Bonds Payable:								
General obligation bonds	\$ 12,068,805	\$ 13,290,948	\$ 158,985	\$ 191,707	\$ 12,227,790	\$ 13,482,655	\$ 4,241,534	\$ 4,386,834
Revenue bonds	-	-	26,252,784	26,970,751	26,252,784	26,970,751	-	-
Literary loans	5,423,520	6,063,520	-	-	5,423,520	6,063,520	-	-
Capital leases	10,600,324	10,658,832	-	-	10,600,324	10,658,832	-	-
Note payable	-	-	-	-	-	-	-	-
Compensated absences	1,627,155	1,562,314	159,689	152,987	1,786,844	1,715,301	1,808,373	1,702,303
<b>Total</b>	<b>\$ 29,719,804</b>	<b>\$ 31,575,614</b>	<b>\$ 26,571,458</b>	<b>\$ 27,315,445</b>	<b>\$ 56,291,262</b>	<b>\$ 58,891,059</b>	<b>\$ 6,049,907</b>	<b>\$ 6,089,137</b>

Debt associated with governmental activities decreased by \$1.9 million while debt associated with business-type activities decreased by \$.7 million. The primary factor in this decrease was the pay down of principal during the year.

### **Capital Asset and Debt Administration: (Continued)**

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3.0%. In addition, the County's Debt Obligation Policy limits the net County debt per capita at \$1,700 per capita, and general obligation debt service and capital lease payments will not exceed 10.0% of general governmental expenditures. As of June 30, 2006, the County's net debt as a percentage of assessed value was .8%, the net debt per capita ratio was \$777, and the debt payments percentage was 5.2%.

Additional information on the County's long-term debt can be found in Note 8 on pages 47-57.

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

- The unemployment rate for the County was 2.8% at June 30, 2006. This compares favorably to the State's average unemployment rate of 3.3% and the national average rate of 4.8%.
- The fiscal year 2007 approved budget for the General Fund is \$49.1 million, which is a 5.4% increase over the fiscal year 2006 budget. The budget includes an increase of 8.6% for the School Operating Budget, a compensation package designed to strengthen our ability to recruit and retain a highly qualified workforce, the addition of 5.3 new full-time equivalent personnel in the General Fund budget, assuming the fiscal agent responsibilities for the multi-jurisdictional Middle Peninsula Local Probation and Pretrial Services Agency, and the use of \$.6 million of the unreserved fund balance of the General Fund for various capital projects. The fiscal year 2007 approved budget for the Capital Fund is \$16.5 million, which includes \$10.8 million for the jail expansion project.
- The County's general reassessment of all real estate holdings and taxable property improvements was effective January 1, 2006. The lowered rate necessary to offset the increased assessments was \$.54 while the adopted rate for the fiscal year 2007 approved budget was \$.57. The personal property tax rate remained unchanged at \$2.20.

### **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 19,762,412	\$ 2,238,744	\$ 22,001,156	\$ 460,672	\$ 761,560
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,254,165	2,763	3,256,928	-	-
Accounts receivable	684,687	317,428	1,002,115	1,293,767	-
Internal balances	55,972	(55,972)	-	-	-
Due from other governmental units	3,764,123	-	3,764,123	4,412,686	-
Inventories	-	23,245	23,245	25,131	1,746,161
Prepaid expenses	535,875	5,995	541,870	342,365	-
Deferred charges	-	1,290	1,290	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	2,372,194	2,372,194	-	-
Other assets:					
Unamortized bond issue costs	260,561	157,282	417,843	-	-
Capital assets (net of accumulated depreciation):					
Land	4,132,163	3,559,796	7,691,959	1,268,748	473,735
Buildings and system	28,587,136	23,526,215	52,113,351	15,845,131	2,904,212
Improvements other than buildings	-	-	-	-	723
Machinery and equipment	1,649,257	251,190	1,900,447	2,902,929	-
Construction in progress	117,026	378,390	495,416	-	-
Total assets	<u>\$ 62,803,377</u>	<u>\$ 32,778,560</u>	<u>\$ 95,581,937</u>	<u>\$ 26,551,429</u>	<u>\$ 5,886,391</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,050,503	\$ 76,596	\$ 1,127,099	\$ 764,088	\$ -
Accrued liabilities	539,027	-	539,027	4,830,370	-
Accrued interest payable	469,101	1,584,144	2,053,245	-	-
Due to other governmental units	3,109,399	-	3,109,399	150,000	458,909
Unearned revenue	-	-	-	-	33,410
Deposits held in escrow	-	113,960	113,960	-	-
Long-term liabilities:					
Due within one year	2,287,909	746,531	3,034,440	180,837	4,241,534
Due in more than one year	27,431,895	25,824,927	53,256,822	1,627,536	-
Total liabilities	<u>\$ 34,887,834</u>	<u>\$ 28,346,158</u>	<u>\$ 63,233,992</u>	<u>\$ 7,552,831</u>	<u>\$ 4,733,853</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 6,392,933	\$ 3,676,016	\$ 10,068,949	\$ 20,016,808	\$ 883,297
Restricted for:					
E-911	50,979	-	50,979	-	-
Asset forfeiture	316,618	-	316,618	-	-
Unrestricted (deficit)	21,155,013	756,386	21,911,399	(1,018,210)	269,241
Total net assets	<u>\$ 27,915,543</u>	<u>\$ 4,432,402</u>	<u>\$ 32,347,945</u>	<u>\$ 18,998,598</u>	<u>\$ 1,152,538</u>

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

**COUNTY OF GLOUCESTER, VIRGINIA**

Statement of Activities  
For the Year Ended June 30, 2006

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,361,409	\$ 19,708	\$ 399,117	\$ -
Judicial administration	1,437,573	310,705	667,184	-
Public safety	9,293,694	43,548	3,304,293	-
Public works	1,676,331	372,641	-	-
Health and welfare	3,728,909	-	2,338,459	-
Education	24,779,632	1,967	-	187,173
Parks, recreation, and cultural	1,883,177	356,987	106,427	826,626
Community development	1,027,936	439,566	9,695	72,334
Interest on long-term debt	1,611,850	-	-	-
Total government activities	\$ 49,800,511	\$ 1,545,122	\$ 6,825,175	\$ 1,086,133
Business-type activities:				
Public utilities	\$ 3,864,376	\$ 3,312,253	\$ 26,943	\$ 214,190
Total business-type activities	\$ 3,864,376	\$ 3,312,253	\$ 26,943	\$ 214,190
Total primary government	\$ 53,664,887	\$ 4,857,375	\$ 6,852,118	\$ 1,300,323
COMPONENT UNITS:				
School Board	\$ 52,988,835	\$ 1,371,017	\$ 32,612,445	\$ -
Economic Development Authority	532,933	488,496	-	-
Total component units	\$ 53,521,768	\$ 1,859,513	\$ 32,612,445	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Consumer utility tax				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Gloucester County				
Transfers				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	EDA
\$ (3,942,584)	\$ -	\$ (3,942,584)	\$ -	\$ -
(459,684)	-	(459,684)	-	-
(5,945,853)	-	(5,945,853)	-	-
(1,303,690)	-	(1,303,690)	-	-
(1,390,450)	-	(1,390,450)	-	-
(24,590,492)	-	(24,590,492)	-	-
(593,137)	-	(593,137)	-	-
(506,341)	-	(506,341)	-	-
(1,611,850)	-	(1,611,850)	-	-
<u>\$ (40,344,081)</u>	<u>\$ -</u>	<u>\$ (40,344,081)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (310,990)	\$ (310,990)	\$ -	\$ -
\$ -	\$ (310,990)	\$ (310,990)	\$ -	\$ -
<u>\$ (40,344,081)</u>	<u>\$ (310,990)</u>	<u>\$ (40,655,071)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (19,005,373)	\$ -
-	-	-	-	(44,437)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,005,373)</u>	<u>\$ (44,437)</u>
\$ 23,039,459	\$ 37,861	\$ 23,077,320	\$ -	\$ -
3,774,673	-	3,774,673	-	-
1,744,135	-	1,744,135	-	-
4,715,618	-	4,715,618	-	-
668,054	202,590	870,644	11,724	7,644
853,784	-	853,784	31,013	1,484
4,508,558	-	4,508,558	(112,469)	-
-	-	-	22,779,278	-
(900,000)	900,000	-	-	-
<u>\$ 38,404,281</u>	<u>\$ 1,140,451</u>	<u>\$ 39,544,732</u>	<u>\$ 22,709,546</u>	<u>\$ 9,128</u>
\$ (1,939,800)	\$ 829,461	\$ (1,110,339)	\$ 3,704,173	\$ (35,309)
29,855,343	3,602,941	33,458,284	15,294,425	1,187,847
<u>\$ 27,915,543</u>	<u>\$ 4,432,402</u>	<u>\$ 32,347,945</u>	<u>\$ 18,998,598</u>	<u>\$ 1,152,538</u>

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## **Fund Financial Statements**

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Balance Sheet  
Governmental Funds  
June 30, 2006

	General	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 19,579,554	\$ 75,116	\$ 107,742	\$ -	\$ -	\$ 19,762,412
Receivables (net of allowance for uncollectibles):				-		
Taxes receivable	3,254,165	-	-	-	-	3,254,165
Accounts receivable	682,860	-	-	-	1,827	684,687
Due from other funds	484,647	-	3,473,035	39,776	69,139	4,066,597
Due from other governmental units	1,317,674	-	825,967	-	231,162	2,374,803
Prepaid items	189,265	346,610	-	-	-	535,875
Total assets	<u>\$ 25,508,165</u>	<u>\$ 421,726</u>	<u>\$ 4,406,744</u>	<u>\$ 39,776</u>	<u>\$ 302,128</u>	<u>\$ 30,678,539</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 299,161	\$ 49,297	\$ 559,001	\$ 39,776	\$ 103,268	\$ 1,050,503
Accrued liabilities	535,504	-	-	-	3,523	539,027
Due to other governmental units	3,109,399	-	-	-	-	3,109,399
Due to other funds	3,581,949	297,313	-	-	131,363	4,010,625
Deferred revenue	1,472,098	-	-	-	-	1,472,098
Total liabilities	<u>\$ 8,998,111</u>	<u>\$ 346,610</u>	<u>\$ 559,001</u>	<u>\$ 39,776</u>	<u>\$ 238,154</u>	<u>\$ 10,181,652</u>
Fund balances:						
Reserved for:						
Prepaid items	\$ 189,265	\$ -	\$ -	\$ -	\$ -	\$ 189,265
E-911	50,979	-	-	-	-	50,979
Asset forfeiture	316,618	-	-	-	-	316,618
Unreserved, reported in:						
General fund	15,953,192	-	-	-	-	15,953,192
Special revenue funds	-	-	-	-	63,974	63,974
Debt service funds	-	75,116	-	-	-	75,116
Capital projects funds	-	-	3,847,743	-	-	3,847,743
Total fund balances	<u>\$ 16,510,054</u>	<u>\$ 75,116</u>	<u>\$ 3,847,743</u>	<u>\$ -</u>	<u>\$ 63,974</u>	<u>\$ 20,496,887</u>
Total liabilities and fund balances	<u>\$ 25,508,165</u>	<u>\$ 421,726</u>	<u>\$ 4,406,744</u>	<u>\$ 39,776</u>	<u>\$ 302,128</u>	<u>\$ 30,678,539</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 Assets  
June 30, 2006

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 20,496,887
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34,485,582
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,472,098
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not accrued in the funds.	1,389,320
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(29,928,344)</u>
Net assets of governmental activities	<u>\$ 27,915,543</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, 2006

	General	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
<b>REVENUES</b>						
General property taxes	\$ 26,432,859	\$ -	\$ -	\$ -	\$ -	\$ 26,432,859
Other local taxes	10,234,426	-	-	-	-	10,234,426
Permits, privilege fees, and regulatory licenses	442,365	-	-	-	-	442,365
Fines and forfeitures	99,699	-	-	-	-	99,699
Revenue from the use of money and property	624,250	2,423	13,116	6,122	-	645,911
Charges for services	1,003,058	-	-	-	-	1,003,058
Miscellaneous	427,734	-	420,817	-	5,233	853,784
Recovered costs	224,721	-	-	-	-	224,721
Intergovernmental revenues:						
Commonwealth	7,004,144	-	475,020	-	820,324	8,299,488
Federal	601,810	-	611,113	-	1,518,135	2,731,058
Total revenues	\$ 47,095,066	\$ 2,423	\$ 1,520,066	\$ 6,122	\$ 2,343,692	\$ 50,967,369
<b>EXPENDITURES</b>						
Current:						
General government administration	\$ 4,114,209	\$ -	\$ -	\$ -	\$ -	\$ 4,114,209
Judicial administration	1,256,090	-	-	-	-	1,256,090
Public safety	8,832,107	-	-	-	-	8,832,107
Public works	1,606,088	-	-	-	-	1,606,088
Health and welfare	529,977	-	-	-	3,155,831	3,685,808
Education	18,415,298	-	-	-	-	18,415,298
Parks, recreation, and cultural	1,708,483	-	-	-	-	1,708,483
Community development	803,212	-	-	-	-	803,212
Nondepartmental	199,126	-	-	-	-	199,126
Capital projects	-	-	3,218,261	1,954,972	-	5,173,233
Debt service:						
Principal retirement	-	2,237,523	-	-	-	2,237,523
Interest and other fiscal charges	-	1,547,690	-	-	-	1,547,690
Bond issuance costs	-	654,320	-	-	-	654,320
Total expenditures	\$ 37,464,590	\$ 4,439,533	\$ 3,218,261	\$ 1,954,972	\$ 3,155,831	\$ 50,233,187
Excess (deficiency) of revenues over (under) expenditures	\$ 9,630,476	\$ (4,437,110)	\$ (1,698,195)	\$ (1,948,850)	\$ (812,139)	\$ 734,182
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ -	\$ 3,848,061	\$ 1,654,022	\$ 1,808,036	\$ 812,139	\$ 8,122,258
Transfers out	(9,022,258)	-	-	-	-	(9,022,258)
Refunding bonds issued	-	8,205,000	-	-	-	8,205,000
Payment-refunded bonds escrow agent	-	(7,565,000)	-	-	-	(7,565,000)
Total other financing sources (uses)	\$ (9,022,258)	\$ 4,488,061	\$ 1,654,022	\$ 1,808,036	\$ 812,139	\$ (260,000)
Net change in fund balances	\$ 608,218	\$ 50,951	\$ (44,173)	\$ (140,814)	\$ -	\$ 474,182
Fund balances - beginning	15,901,836	24,165	3,891,916	140,814	63,974	20,022,705
Fund balances - ending	\$ 16,510,054	\$ 75,116	\$ 3,847,743	\$ -	\$ 63,974	\$ 20,496,887

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, 2006

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

Net change in fund balances - total governmental funds	\$ 474,182
--	------------

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.	(2,524,375)
---	-------------

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(30,512)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,004,080)
--	-------------

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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,273,986
--	-----------

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.	<u>(129,001)</u>
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Change in net assets of governmental activities	<u>\$ (1,939,800)</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets  
 Proprietary Fund  
 June 30, 2006

	<b>Enterprise Fund Utilities Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,238,744
Taxes receivable, net of allowances for uncollectibles	2,763
Accounts receivables, net of allowances for uncollectibles	317,428
Inventories	23,245
Prepaid expenses	5,995
Deferred charges	1,290
Total current assets	\$ 2,589,465
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents-bond requirements	\$ 2,372,194
Total restricted current assets	\$ 2,372,194
Other assets:	
Unamortized bond issue costs	\$ 157,282
Capital assets:	
Utility plant in service	\$ 30,912,271
Land	3,559,796
Machinery and equipment	578,498
Buildings	3,648,052
Construction in progress	378,390
Less accumulated depreciation	(11,361,416)
Total capital assets	\$ 27,715,591
Total noncurrent assets	\$ 30,245,067
Total assets	\$ 32,834,532
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 76,596
Accrued interest payable	1,584,144
Due to other funds	55,972
Compensated absences	15,969
Deposits held in escrow	113,960
Bonds payable - current portion	730,562
Total current liabilities	\$ 2,577,203
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 25,681,207
Compensated absences	143,720
Total noncurrent liabilities	\$ 25,824,927
Total liabilities	\$ 28,402,130
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 3,676,016
Unrestricted	756,386
Total net assets	\$ 4,432,402

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2006

		Enterprise Fund Utilities Fund
<b>OPERATING REVENUES</b>		
Charges for services:		
Water revenues	\$	2,615,581
Sewer revenues		630,915
Intergovernmental Revenue-Federal		26,943
Other revenues		65,757
Total operating revenues	\$	<u>3,339,196</u>
<b>OPERATING EXPENSES</b>		
Personal services	\$	687,562
Fringe benefits		213,705
Contractual services		155,446
Other charges		532,611
Depreciation		766,283
Total operating expenses	\$	<u>2,355,607</u>
Operating income (loss)	\$	<u>983,589</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$	202,590
Amortization of loan costs		(22,271)
Taxes		37,861
Interest expense		(1,486,498)
Total nonoperating revenues (expenses)	\$	<u>(1,268,318)</u>
Income before contributions and transfers	\$	<u>(284,729)</u>
Capital contributions and construction grants		214,190
Transfers in		900,000
Change in net assets	\$	<u>829,461</u>
Total net assets - beginning		<u>3,602,941</u>
Total net assets - ending	\$	<u><u>4,432,402</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, 2006

	Enterprise Fund Utilities Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 3,278,953
Receipts for miscellaneous items	92,700
Payments to suppliers	(692,263)
Payments to employees	(894,565)
Net cash provided (used by) operating activities	<u>\$ 1,784,825</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 862,521
Tax revenue	38,739
Net cash provided (used) by noncapital financing activities	<u>\$ 901,260</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to capital assets	\$ (457,273)
Principal payments on bonds	(747,709)
Interest payments	(1,982,918)
Net cash provided (used) by capital and related financing activities	<u>\$ (3,187,900)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 202,590
Net cash provided (used) by investing activities	<u>\$ 202,590</u>
Net increase (decrease) in cash and cash equivalents	\$ (299,225)
Cash and cash equivalents - beginning - including restricted	4,910,163
Cash and cash equivalents - ending - including restricted	<u>\$ 4,610,938</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 983,589
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 766,283
(Increase) decrease in accounts receivable	(42,541)
(Increase) decrease in inventories	(4,764)
(Increase) decrease in prepaid expenses	(517)
Increase (decrease) in customer deposits	74,998
Increase (decrease) in accounts payable and accrued liabilities	7,777
Total adjustments	<u>\$ 801,236</u>
Net cash provided (used) by operating activities	<u>\$ 1,784,825</u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets	\$ 214,190

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

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2006

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 128,048
Receivables:	
Other receivables	6,415
Due from other governmental funds	<u>22,711</u>
Total assets	<u>\$ 157,174</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 33,783
Amounts held for social services clients	11,394
Amounts held for others	94,800
Amounts held for regional program	<u>17,197</u>
Total liabilities	<u>\$ 157,174</u>

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



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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

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

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

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

#### Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. 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 Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments will report all capital assets in the government-wide Statement of Net Assets and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

Statement of Activities - The new 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).

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 government's revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

#### **A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the County of Gloucester (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, 2006.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

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

*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 of the County financial statements for the fiscal year ended June 30, 2006.

The Gloucester County Economic Development Authority is responsible for industrial 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, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2006. The Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation of the County financial statements for the year ended June 30, 2006.

##### **C. Other Related Organizations**

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

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

None

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

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

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

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. 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.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

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

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

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

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

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

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting of primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time other specific expenditures, are recognized when earned or at the time of the 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.

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.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

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

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

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

Debt Service Fund – accounts for debt service expenditure for the county including the school system. Payment of principal and interest on the county and school system's general long-term debt financing is provided by appropriations from the General Fund.

Capital Projects Funds – accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. The County also reports the School Construction Fund as a major Capital Projects Fund.

The County reports the following non-major governmental funds:

Special Revenue Funds – accounts for the proceeds of specific revenue sources (other than major 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 Revenue Maximization.

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

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

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

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

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

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

##### **E. Cash and Cash Equivalents:**

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

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

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

##### **F. Investments**

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

##### **G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$348,708 at June 30, 2006 is composed solely of property taxes.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

##### **G. Receivables and Payables: (Continued)**

###### Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

##### **H. Capital Assets**

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There is no capitalized interest for the year ended June 30, 2006.

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

<u>Assets</u>	<u>Years</u>
Plant, equipment and system	35-45
Motor vehicles	5-10
Equipment	2-15
Infrastructure	25

# COUNTY OF GLOUCESTER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

#### **I. Compensated Absences**

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

#### **J. Retirement Plan**

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

#### **K. Use of Estimates**

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

#### **L. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific

Designated portions of fund balance are established to indicate tentative plans for financial resource utilization in a future period. Designation of fund balance by specific purpose is as follows:

	<b>General</b>	<b>Debt Service</b>	<b>County Capital Improve- ments</b>	<b>Other Govern- mental Funds</b>	<b>Total</b>
Designated for:					
Mosquito Control	\$ 179,370	\$ -	\$ -	\$ -	179,370
Tourism Projects	122,066	-	-	-	122,066
Daffodil Festival	42,260	-	-	-	42,260
Trustee Cash	-	75,116	-	-	75,116
Revenue Maximization Program	-	-	-	63,974	63,974
Cable	157,599	-	-	-	157,599
Older Adult Projects	-	-	107,742	-	107,742
Total designated for specific purposes	<u>\$ 501,295</u>	<u>\$ 75,116</u>	<u>\$ 107,742</u>	<u>\$ 63,974</u>	<u>\$ 748,127</u>



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

##### **M. Net Assets**

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

##### **N. Long-term Obligations**

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

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

##### **O. Prepaid Items**

Prepaid expenditure in governmental funds are offset by reservation of fund balance.

##### **P. Inventory**

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

#### **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.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds of the Primary Government and Component Unit – School Board.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

#### **Expenditures and Appropriations**

Expenditures did not exceed appropriations in any fund at June 30, 2006.

#### **NOTE 3—DEPOSITS AND INVESTMENTS:**

##### **Deposits**

All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

##### **Investments**

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

##### **Custodial Credit Risk (Investments)**

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2006 were held by the County or in the County's name by the County's custodial banks.

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)****NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)****Credit Risk of Debt Securities**

The County's rated debt investments as of June 30, 2006 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

**Locality's Rated Debt Investments' Values**

<b><u>Rated Debt Investments</u></b>	<b><u>Fair Quality Ratings</u></b>		
	<b><u>AAA</u></b>	<b><u>AAAm</u></b>	<b><u>Unrated</u></b>
Local Government Investment Pool	\$ -	\$ 9,148,403	\$ -
Virginia State Non-Arbitrage Pool	-	378,672	-
Money Market Funds	-	826,664	-
Total	\$ -	\$ 10,353,739	\$ -

**Interest Rate Risk**

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

**Investment Maturities (in years)**

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less Than</u></b>	<b><u>1-5 Years</u></b>	<b><u>6-10 Years</u></b>	<b><u>Greater Than</u></b>
		<b><u>1 Year</u></b>			<b><u>10 Years</u></b>
Municipal/Public Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury Notes	1,992,098	1,992,098	-	-	-
Total	\$ 1,992,098	\$ 1,992,098	\$ -	\$ -	\$ -

**External Investment Pools**

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

# COUNTY OF GLOUCESTER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

### NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2006, the County has receivables from other governments as follows:

	Component Unit		
	Primary Government	School Board	Economic Development Authority
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,109,399	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	458,909	-	-
Commonwealth of Virginia:			
Local sales tax	674,877	-	-
Mobile home titling tax	15,151	-	-
Recordation tax	34,230	-	-
Victim witness grant	10,506	-	-
VPA funds	53,857	-	-
State sales tax		1,017,497	-
Constitutional officer reimbursements	259,847	-	-
Miscellaneous grants	1,900	5,430	-
Comprehensive service	42,065	-	-
Motor vehicle carrier tax	2,119	-	-
No car tax	18,141	-	-
Abandoned auto	6,350	-	-
Rental vehicle tax	9,814	-	-
Mitigation grant	45,002	-	-
Boat landing grant	150,000	-	-
Federal Government:			
School fund grants	-	280,360	-
Mitigation grant	172,056	-	-
VPA funds	135,240	-	-
Other federal grants	133,731	-	-
Federal prisoners	1,008	-	-
Total due from other governments	\$ 2,374,803	\$ 4,412,686	\$ -

Amounts due to other governments are as follows:

Other Local Governments:			
Gloucester County School Board	\$ 3,109,399	\$ -	\$ -
Gloucester County	\$ -	\$ 150,000	\$ 458,909

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)****NOTE 5—INTERFUND OBLIGATIONS:**

Details of the Primary Government's interfund receivables, and payables as of June 30, 2006, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 484,647	\$ 3,581,949
County Capital Improvements	3,473,035	-
School Construction	39,776	-
Comprehensive Services Act	5,165	-
Revenue Maximization	63,974	-
Debt Service	-	297,313
Virginia Public Assistance	-	131,363
Total Governmental Funds	\$ 4,066,597	\$ 4,010,625
Utilities	-	55,972
Total All Funds	\$ <u>4,066,597</u>	\$ <u>4,066,597</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, 2006:

**Primary Government:**

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
<b>Governmental activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 3,587,029	\$ 545,134	\$ -	\$ 4,132,163
Construction in progress	8,507,552	1,822,560	10,213,086	117,026
Total capital assets not subject to depreciation	\$ 12,094,581	\$ 2,367,694	\$ 10,213,086	\$ 4,249,189
Capital assets subject to depreciation:				
Buildings	\$ 15,099,714	\$ 127,521	\$ -	\$ 15,227,235
Equipment	4,811,144	648,442	171,673	5,287,913
Jointly owned assets	21,114,988	6,099,415	-	27,214,403
Total capital assets being depreciated	\$ 41,025,846	\$ 6,875,378	\$ 171,673	\$ 47,729,551
Less accumulated depreciation for:				
Buildings	\$ (3,889,339)	\$ (380,491)	\$ -	\$ (4,269,830)
Equipment	(3,377,139)	(402,678)	(141,161)	(3,638,656)
Jointly owned assets	(8,813,480)	(771,192)	-	(9,584,672)
Total accumulated depreciation	\$ (16,079,958)	\$ (1,554,361)	\$ (141,161)	\$ (17,493,158)
Total capital assets being depreciated, net	\$ 24,945,888	\$ 5,321,017	\$ 30,512	\$ 30,236,393
Governmental capital assets, net	\$ <u>37,040,469</u>	\$ <u>7,688,711</u>	\$ <u>10,243,598</u>	\$ <u>34,485,582</u>

# COUNTY OF GLOUCESTER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2006:

#### Component Unit—School Board:

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
<b>Governmental activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 1,268,748	\$ -	\$ -	\$ 1,268,748
Total capital assets not subject to depreciation	\$ 1,268,748	\$ -	\$ -	\$ 1,268,748
Capital assets subject to depreciation:				
Equipment	\$ 7,697,543	\$ 235,942	\$ 152,354	\$ 7,781,131
Jointly owned assets	18,488,213	4,816,380	-	23,304,593
Total capital assets being depreciated	\$ 26,185,756	\$ 5,052,322	\$ 152,354	\$ 31,085,724
Less accumulated depreciation for:				
Equipment	\$ (4,406,735)	\$ (593,413)	\$ (121,946)	\$ (4,878,202)
Jointly owned assets	(7,195,968)	(263,494)	-	(7,459,462)
Total accumulated depreciation	\$ (11,602,703)	\$ (856,907)	\$ (121,946)	\$ (12,337,664)
Total capital assets being depreciated, net	\$ 14,583,053	\$ 4,195,415	\$ 30,408	\$ 18,748,060
Governmental capital assets, net	\$ 15,851,801	\$ 4,195,415	\$ 30,408	\$ 20,016,808

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

#### Governmental activities:

General government	\$ 69,828
Judicial administration	185,824
Public safety	316,107
Public works	59,199
Health and welfare	54,804
Education	812,019
Parks, recreation and cultural	50,308
Community development	6,272
Total Governmental activities	\$ 1,554,361
Component Unit School Board	\$ 856,907

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)****NOTE 6—CAPITAL ASSETS: (CONTINUED)**

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new 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, 2006, is that school financed assets in the amount of \$17,746,757 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2006 follows:

**Primary Government:**

	<b><u>Balance</u></b> <b><u>July 1, 2005</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Balance</u></b> <b><u>June 30, 2006</u></b>
<b>Enterprise activities:</b>				
<b>Enterprise Fund:</b>				
Capital assets not subject to depreciation:				
Land	\$ 3,559,796	\$ -	\$ -	\$ 3,559,796
Construction in progress	<u>-</u>	<u>378,390</u>	<u>-</u>	<u>378,390</u>
Total capital assets not subject to depreciation	<u>\$ 3,559,796</u>	<u>\$ 378,390</u>	<u>\$ -</u>	<u>\$ 3,938,186</u>
Capital assets subject to depreciation:				
Plant in service	\$ 30,698,081	\$ 214,190	\$ -	\$ 30,912,271
Machinery and equipment	509,675	68,823	-	578,498
Buildings	<u>3,640,292</u>	<u>10,060</u>	<u>2,300</u>	<u>3,648,052</u>
Total capital assets being depreciated	<u>\$ 34,848,048</u>	<u>\$ 293,073</u>	<u>\$ 2,300</u>	<u>\$ 35,138,821</u>
Less accumulated depreciation for:				
Plant in service	\$ (8,129,583)	\$ (651,524)	\$ -	\$ (8,781,107)
Machinery and equipment	(299,270)	(28,038)	-	(327,308)
Buildings	<u>(2,168,670)</u>	<u>(86,631)</u>	<u>(2,300)</u>	<u>(2,253,001)</u>
Total accumulated depreciation	<u>\$ (10,597,523)</u>	<u>\$ (766,193)</u>	<u>\$ (2,300)</u>	<u>\$ (11,361,416)</u>
Total capital assets being depreciated, net	<u>\$ 24,250,525</u>	<u>\$ (473,120)</u>	<u>\$ -</u>	<u>\$ 23,777,405</u>
Enterprise capital assets, net	<u>\$ 27,810,321</u>	<u>\$ (94,730)</u>	<u>\$ -</u>	<u>\$ 27,715,591</u>

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)****NOTE 6—CAPITAL ASSETS: (CONTINUED)**

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2006 follows:

**Component Unit Economic Development Authority:**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Enterprise activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 473,735	\$ -	\$ -	\$ 473,735
Capital assets subject to depreciation:				
Buildings	\$ 4,537,831	\$ -	\$ -	\$ 4,537,831
Equipment	7,234	-	-	7,234
Total capital assets being depreciated	\$ 4,545,065	\$ -	\$ -	\$ 4,545,065
Less accumulated depreciation for:				
Buildings	\$ (1,452,106)	\$ (181,513)	\$ -	\$ (1,633,619)
Equipment	(5,787)	(724)	-	(6,511)
Total accumulated depreciation	\$ (1,457,893)	\$ (182,237)	\$ -	\$ (1,640,130)
Total capital assets being depreciated, net	\$ 3,087,172	\$ (182,237)	\$ -	\$ 2,904,935
Enterprise capital assets, net	<u>\$ 3,560,907</u>	<u>\$ (182,237)</u>	<u>\$ -</u>	<u>\$ 3,378,670</u>

**NOTE 7—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2006, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 9,022,258
Debt Service	3,848,061	-
County Capital Improvements	1,654,022	-
Virginia Public Assistance	499,754	-
Comprehensive Services Act	312,385	-
School Construction	1,808,036	-
Total Governmental Funds	\$ 8,122,258	\$ 9,022,258
Enterprise Funds:		
Utilities	900,000	-
Total-All Funds	<u>\$ 9,022,258</u>	<u>\$ 9,022,258</u>



**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)****NOTE 7— INTERFUND TRANSFERS: (CONTINUED)**

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

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

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

	<b>Amounts Payable at July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amounts Payable at June 30, 2006</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Obligations:</b>					
Incurred by County					
Compensated absences payable	\$ 1,562,314	\$ 848,144	\$ 783,303	\$ 1,627,155	\$ 162,716
Capital lease obligations	8,680,000	8,205,000	7,730,000	9,155,000	195,000
Less deferred amounts:					
On refunding	-	(350,711)	(49,726)	(300,985)	-
Total incurred by County	<u>\$ 10,242,314</u>	<u>\$ 8,702,433</u>	<u>\$ 8,463,577</u>	<u>\$ 10,481,170</u>	<u>\$ 357,716</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 6,063,520	\$ -	\$ 640,000	\$ 5,423,520	\$ 640,000
General obligation bonds payable	12,885,000	-	1,200,000	11,685,000	1,050,000
Add deferred amounts:					
For issuance premium	405,948	-	22,143	383,805	-
Capital lease and notes payable obligations	<u>1,978,832</u>	<u>-</u>	<u>232,523</u>	<u>1,746,309</u>	<u>240,193</u>
Total incurred by School Board	<u>\$ 21,333,300</u>	<u>\$ -</u>	<u>\$ 2,094,666</u>	<u>\$ 19,238,634</u>	<u>\$ 1,930,193</u>
Total Governmental Obligations	<u>\$ 31,575,614</u>	<u>\$ 8,702,433</u>	<u>\$ 10,558,243</u>	<u>\$ 29,719,804</u>	<u>\$ 2,287,909</u>
<b>Enterprise Obligations:</b>					
Compensated absences payable	\$ 152,987	\$ 78,454	\$ 71,752	\$ 159,689	\$ 15,969
General obligation bonds payable	191,707	-	32,722	158,985	34,401
Revenue bonds payable	26,897,124	-	714,987	26,182,137	696,161
Add deferred amounts:					
For issuance premium	590,524	-	67,096	523,428	-
Less deferred amounts:					
For issuance costs	<u>(516,897)</u>	<u>-</u>	<u>(64,116)</u>	<u>(452,781)</u>	<u>-</u>
Total Enterprise Obligations	<u>\$ 27,315,445</u>	<u>\$ 78,454</u>	<u>\$ 822,441</u>	<u>\$ 26,571,458</u>	<u>\$ 746,531</u>

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)**

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

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

Year Ending June 30	County Obligations	
	Capital Leases	
	Principal	Interest
2007	\$ 195,000	\$ 428,203
2008	220,000	381,055
2009	235,000	370,996
2010	245,000	360,289
2011	250,000	349,083
2012	265,000	338,070
2013	275,000	327,270
2014	285,000	316,070
2015	300,000	304,370
2016	305,000	292,270
2017	320,000	279,770
2018	330,000	266,770
2019	350,000	252,951
2020	360,000	238,308
2021	380,000	222,997
2022	395,000	206,472
2023	410,000	188,863
2024	425,000	170,597
2025	450,000	151,456
2026	470,000	131,331
2027	490,000	110,025
2028	515,000	87,412
2029	535,000	63,788
2030	560,000	39,150
2031	590,000	13,275
Total	\$ <u>9,155,000</u>	\$ <u>5,890,841</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)

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

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

**Primary Government: (Continued)**

Year Ending June 30	School Obligations					
	State Literary Fund Loans		General Obligation Bonds Payable		Capital Leases and Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 640,000	\$ 171,350	\$ 1,050,000	\$ 602,496	\$ 240,193	\$ 62,063
2008	640,000	150,900	1,010,000	542,183	252,442	53,809
2009	540,000	130,450	860,000	488,998	259,260	45,211
2010	540,000	113,000	850,000	441,237	270,641	36,275
2011	540,000	95,550	815,000	394,813	251,910	27,354
2012	540,000	78,100	800,000	349,540	263,059	18,447
2013	513,196	60,650	680,000	308,545	65,736	12,048
2014	250,000	44,110	490,000	277,215	69,528	8,255
2015	250,000	36,610	510,000	250,787	73,540	4,243
2016	250,000	29,110	530,000	223,288	-	-
2017	250,000	21,609	550,000	194,255	-	-
2018	250,000	14,109	435,000	167,591	-	-
2019	220,324	6,609	455,000	144,352	-	-
2020	-	-	480,000	121,710	-	-
2021	-	-	500,000	97,920	-	-
2022	-	-	530,000	71,655	-	-
2023	-	-	555,000	43,988	-	-
2024	-	-	585,000	14,917	-	-
Total	\$ 5,423,520	\$ 952,157	\$ 11,685,000	\$ 4,735,490	\$ 1,746,309	\$ 267,705

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)

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

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

**Primary Government: (Continued)**

Year Ending June 30	Enterprise Obligations			
	General Obligation Bonds Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2007	\$ 34,401	\$ 7,167	\$ 696,161	\$ 1,988,810
2008	36,161	5,407	676,260	2,007,165
2009	38,012	3,557	1,428,723	1,257,507
2010	39,957	1,612	1,454,424	1,197,895
2011	10,454	88	1,510,164	1,137,136
2012	-	-	1,585,940	1,061,380
2013	-	-	1,661,753	981,821
2014	-	-	1,742,613	898,457
2015	-	-	1,818,514	810,765
2016	-	-	1,914,461	718,979
2017	-	-	2,000,457	622,200
2018	-	-	2,106,503	520,294
2019	-	-	2,212,603	412,965
2020	-	-	388,760	300,208
2021	-	-	389,801	278,909
2022	-	-	410,000	257,320
2023	-	-	430,000	234,360
2024	-	-	455,000	210,280
2025	-	-	480,000	184,800
2026	-	-	505,000	157,920
2027	-	-	535,000	129,640
2028	-	-	560,000	99,680
2029	-	-	595,000	68,320
2030	-	-	625,000	35,000
Total	\$ 158,985	\$ 17,831	\$ 26,182,137	\$ 15,571,811

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>General Long-Term Debt:</u></b>	
<u>Capital Lease Obligations:</u>	
\$9,275,000 capital lease obligation (payable from the General Fund) issued September 14, 2000, secured by the courthouse, principal due in various annual installments through 2011, interest payable semi-annually at coupon rates from 5.375% to 5.500%	\$ 950,000
\$8,205,000 capital lease obligation (payable from the General Fund) issued March 22, 2006, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at coupon rates from 3.75% to 4.50%. Face amount of bonds outstanding, \$8,205,000 less unamortized deferred amount on refunding \$300,985.	<u>7,904,015</u>
Total Capital Lease Obligations	\$ 8,854,015
Compensated absences (payable from the General Fund)	\$ <u>1,627,155</u>
Total Debt Incurred by County	\$ <u><u>10,481,170</u></u>
<b><u>General Obligation Bonds:</u></b>	
<u>Enterprise Funds:</u>	
<u>Sanitary District No. 1 Fund:</u>	
\$670,000 general obligation Farmers Home Administration water and sewer bonds issued June 15, 1976, due in monthly installments of \$3,464 including principal and interest, interest at 5%	\$ <u>158,985</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)**

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>General Obligation Bonds: (Continued)</u></b>	
<u>Revenue Bonds:</u>	
\$421,600 Farmers Home Administration water and sewer revenue bonds issued December 23, 1980, due in monthly installments of \$2,054 including principal and interest, interest at 5%	\$ 250,194
\$16,675,000 current interest bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.5% to 5.0%. Face amount of bonds outstanding, \$16,355,000 plus unamortized issuance premium of \$523,428, less unamortized deferred amount on refunding of \$452,781.	16,425,647
\$5,727,000 capital appreciation bonds payable annually April 1, 1999 through 2008	846,943
\$8,910,000 Virginia Resource Authority bonds dated November 7, 2000, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 5.1% to 5.6%	<u>8,730,000</u>
Total revenue bonds	\$ 26,252,784
Compensated absences (payable from the Enterprise Fund)	<u>159,689</u>
Total enterprise obligations payable	<u><u>\$ 26,571,458</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>General Obligation Bonds: (Continued)</u></b>	
<u>School Bonds Payable:</u>	
\$8,565,000 School Bonds issued January 3, 1994 payable in various annual installments each December 15 through 2013, interest payable semi-annually at an average rate of 6.45%	\$ 1,135,000
\$4,335,000 School Bonds issued April 28, 1992 payable in various annual installments each December 15 through 2013, interest payable semiannually at 5.83%	1,245,000
\$2,100,000 School Bonds issued April 28, 1993 payable in various annual installments each December 15 through 2013, interest payable semi-annually at 5.33%	695,000
\$2,800,000 School Bonds issued May 2, 1996 payable in various annual installments each July 15 through 2017, interest payable semi-annually at 5.56%	1,540,000
\$7,525,000 School Bonds issued November 6, 2003 payable in various annual installments each July 15 through 2024, interest payable semi-annually at various interest rates from 3.1% through 5.35%. Carrying amount of bonds including unamortized issuance premium of \$383,805.	<u>7,453,805</u>
Total school bonds payable	\$ <u>12,068,805</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)**

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>State Literary Fund Loans:</u></b>	
\$2,000,000, issued February 1, 1988, due in annual installments of \$100,000 each February 1, through 2008 interest payable annually at 3%	\$ 200,000
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%	586,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%	551,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%	864,419
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%	<u>3,220,324</u>
Total State Literary Fund Loans	\$ <u>5,423,520</u>
<b><u>Capital Lease Obligations:</u></b>	
\$1,589,921 capital lease obligation issued March 15, 2004 secured by equipment, due in various semi-annual installments of over 7 years, interest at 2.80%	\$ 1,211,913
<b><u>Note Payable Obligations:</u></b>	
\$811,302 general obligation refunding note, series 1998 issued October 30, 1998, due in annual installments of \$77,784 through July 15, 2014, interest at 6.77%	<u>534,396</u>
Total Capital Lease and Notes Payable Obligations	\$ <u>1,746,309</u>
Total School Board Long-Term Debts Issued, payable from the General Fund	\$ <u><u>19,238,634</u></u>



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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

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

##### **Primary Government: (Continued)**

##### Advance refunding

The government issued \$8,205,000 of lease revenue bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$7,565,000 of lease revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$640,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by \$503,674 resulted in an economic gain of \$301,078.

##### Capital Leases

The County has entered into a lease agreement as lessee for financing the acquisition of a new courthouse. The County also has refinanced the acquisition and upgrade of certain HVAC equipment for its Component Unit—School Board by means of a lease. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Component Unit- School Board</u></b>
Asset:		
Courthouse Construction	\$ 7,237,000	\$ -
HVAC equipment	-	2,051,650
Less: Accumulated depreciation	<u>(723,700)</u>	<u>(1,530,439)</u>
	<u>\$ 6,513,300</u>	<u>\$ 521,211</u>

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)**

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

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

<b>Year Ending June 30</b>	<b>Governmental Activities</b>	<b>Component Unit- School Board</b>
2007	\$ 623,203	\$ 224,472
2008	601,055	228,468
2009	605,996	226,687
2010	605,289	229,133
2011	599,083	201,480
2012	603,070	203,723
2013	602,270	-
2014	601,070	-
2015	604,370	-
2016	597,270	-
2017	599,770	-
2018	596,770	-
2019	602,951	-
2020	598,308	-
2021	602,997	-
2022	601,472	-
2023	598,863	-
2024	595,597	-
2025	601,456	-
2026	601,331	-
2027	600,025	-
2028	602,412	-
2029	598,788	-
2030	599,150	-
2031	603,275	-
Total minimum lease payments	\$ 15,045,841	\$ 1,313,963
Less: amount representing interest	(5,890,841)	(102,050)
Present value of minimum lease payments	\$ 9,155,000	\$ 1,211,913

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)****NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)****Details of Long-Term Indebtedness: (Continued)****Component Unit—School Board:**

The following is a summary of long-term debt transactions of the Component Unit—School Board for the year ended June 30, 2006:

	<u>Amounts Payable at July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable (payable from the School Fund)	\$ <u>1,702,303</u>	\$ <u>1,991,903</u>	\$ <u>1,885,833</u>	\$ <u>1,808,373</u>	\$ <u>180,837</u>

**Component Unit—Economic Development Authority:**

The following is a summary of long-term debt transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2006:

	<u>Amounts Payable at July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ <u>4,386,834</u>	\$ <u>-</u>	\$ <u>145,300</u>	\$ <u>4,241,534</u>	\$ <u>4,241,534</u>
Total	\$ <u>4,386,834</u>	\$ <u>-</u>	\$ <u>145,300</u>	\$ <u>4,241,534</u>	\$ <u>4,241,534</u>

	<u>Amount Outstanding</u>
<u>Bonds:</u>	
\$5,260,000 SunTrust bonds issued February 13, 1997, due in quarterly installments of \$100,443 over 10 years, with a balloon payment due February 14, 2007, interest at 4.30%	\$ <u>4,241,534</u>
Total Long-Term Indebtedness, Component Unit Economic Development Authority	\$ <u>4,241,534</u>

<u>Year Ending June 30,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ <u>4,241,534</u>	\$ <u>113,991</u>
Total	\$ <u>4,241,534</u>	\$ <u>113,991</u>

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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#### **NOTE 9—LANDFILL POST CLOSURE COSTS:**

The County closed its landfill 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 county has contracted with a third party, Waste Management, to provide funds in the amount of \$75,000 per year for post-closure monitoring of the landfill site. This amount appears adequate to fund the County's liability for post-closure monitoring of the landfill. No amounts have been recorded in these financial statements for this liability because the third party has assumed all post-closure obligations.

#### **NOTE 10—DEFERRED REVENUE:**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,472,098 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,322,249 at June 30, 2006.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2006, but paid in advance by the tax payers totaled \$149,849 at June 30, 2006.

#### **NOTE 11—COMMITMENTS AND CONTINGENCIES:**

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

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

The County and the Hampton Roads Sanitation District have entered into an agreement where the District constructed a sewer interceptor line from the County to a district sewer treatment plant. The District owns the sewer line. The agreement required the County to make quarterly payments in an amount equal to interest on the construction cost. The County's obligation will be gradually reduced through credits provided by the District until 9,800 connections are made. At this point, credits will equal the cost, and there will be no further liability to the County. The County incurred an expenditure of \$187,750 during the fiscal year ended June 30, 2006.

#### **NOTE 12—LITIGATION:**

At June 30, 2006, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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#### **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 Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

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

#### **Component Unit School Board—Health Insurance**

The Component Unit School Board utilizes a self-insurance program for employee health insurance. The School Board began accounting for this program in an internal service effective July 1, 2004. A summary of the claims liability for the current and prior years follows:

Unpaid claims, June 30, 2004	\$ 382,001
Incurred claims (including IBNR and changes in estimates)	3,919,602
Claim payments	<u>(3,865,521)</u>
Unpaid claims, June 30, 2005	\$ 436,082
Incurred claims (including IBNR and changes in estimates)	4,806,797
Claim payments	<u>(4,826,109)</u>
Unpaid claims, June 30, 2006	<u><u>\$ 416,770</u></u>

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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#### **NOTE 14—DEFINED BENEFIT PENSION PLAN:**

##### **Primary Government:**

##### **A. Plan Description**

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) and at age 50 with 30 years of service for participating employees (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by downloaded from their website at <http://www.varetire.org/pdf/2005AnnuRept.pdf> or writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

##### **B. Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2006 were 6% and 4% of annual covered payroll, respectively.

The School Board's professional employees contributed \$1,856,675, \$1,603,824, and \$936,510 to the teacher cost-sharing pool for the fiscal years ended June 30, 2006, 2005, and 2004 respectively and these contributions represented 6.62%, 6.03, and 3.77% respectively, of current covered payroll.

##### **C. Annual Pension Cost**

For fiscal 2006, the County's annual pension cost of \$637,335 was equal to the County's required and actuarial contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

**COUNTY OF GLOUCESTER, VIRGINIA****NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)**

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**NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)****Primary Government: (Continued)****C. Annual Pension Cost: (Continued)**

For fiscal 2006, the County School Board's annual pension cost for the Board's non-professional employees were \$158,886, which was equal to the Board's required and actuarial contributions. The required contributions were determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board</u>
Contribution rates:		
Employer	6%	4%
Plan Members	5%	5%
Annual pension cost	\$637,335	\$158,886
Contributions made	\$637,335	\$158,886
Valuation date	June 30, 2003	June 30, 2003
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	1 Year	7 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return <sup>1</sup>	8.00%	8.00%
Projected salary increases: <sup>1</sup>		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

<sup>1</sup> Includes inflation at 3%

**COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 (CONTINUED)**NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)****Primary Government: (Continued)****C. Annual Pension Cost: (Continued)**

<u>Fiscal Year Ending</u>		<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>		<u>Net Pension Obligation</u>
County:					
June 30, 2006	\$	637,335	100%	\$	-
June 30, 2005		598,360	100%		-
June 30, 2004		375,386	100%		-
School Board:					
Non-Professional:					
June 30, 2006	\$	158,886	100%	\$	-
June 30, 2005		154,450	100%		-
June 30, 2004		110,732	100%		-

(1) Employer portion only

**NOTE 15—SURETY BONDS:**

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
C. Ann Gentry, Clerk of the Circuit Court	\$ 103,000
Tara L Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
Robin P. Stanaway, Sheriff	30,000
The above constitutional officer's employees blanket bond	50,000
Western Surety	
Diane Gamache, Clerk of the School Board	10,000
Fidelity and Deposit Company of Maryland – Surety	
All County and Social Services Employees – blanket bond	100,000
VA CORP Insurance Program - Surety	
All Social Services Employees - Blanket Bond	1,000,000



## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006 (CONTINUED)

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#### **NOTE 16—OPERATING LEASES:**

The County leases space for the County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was \$150,000 for the year ended June 30, 2006. The future minimum lease payments for this lease are as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Amount</u></b>
2007	\$ 150,000
2008	150,000
2009	150,000
2010	150,000
2011	150,000
2012-2013	<u>175,000</u>
Total	<u><u>\$ 925,000</u></u>

#### **NOTE 17—SUBSEQUENT EVENTS:**

On August 9, 2006, the County issued \$8,560,000 in Water System Revenue Refunding Bonds through the Virginia Resources Authority to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$7,910,000 of revenue bonds. The purchase price shall be \$8,396,079 (after payment of \$94,384 of issuance costs plus an original issue discount of \$69,537). The refunding was undertaken to reduce total debt service payments over the next 24 years by \$800,424 resulted in an economic gain of \$481,332.

The Board of Supervisors at their August 1, 2006, board meeting agreed to authorize and sell up to \$7,000,000 of general obligation school bonds through the Virginia Public School Authority to finance the expansion and renovation of Abingdon Elementary School.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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## General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 26,564,731	\$ 26,564,731	\$ 26,432,859	\$ (131,872)
Other local taxes	9,149,444	9,149,444	10,234,426	1,084,982
Permits, privilege fees, and regulatory licenses	348,195	348,195	442,365	94,170
Fines and forfeitures	106,000	106,000	99,699	(6,301)
Revenue from the use of money and property	294,132	294,132	624,250	330,118
Charges for services	1,014,147	1,014,147	1,003,058	(11,089)
Miscellaneous	235,820	274,923	427,734	152,811
Recovered costs	255,677	285,677	224,721	(60,956)
Intergovernmental revenues:				
Commonwealth	6,674,352	6,753,617	7,004,144	250,527
Federal	241,454	463,247	601,810	138,563
Total revenues	<u>\$ 44,883,952</u>	<u>\$ 45,254,113</u>	<u>\$ 47,095,066</u>	<u>\$ 1,840,953</u>
EXPENDITURES				
Current:				
General government administration	4,257,979	4,292,870	4,114,209	178,661
Judicial administration	1,307,063	1,350,595	1,256,090	94,505
Public safety	9,145,789	9,492,724	8,832,107	660,617
Public works	1,680,258	1,696,176	1,606,088	90,088
Health and welfare	547,548	547,548	529,977	17,571
Education	18,812,280	18,824,594	18,415,298	409,296
Parks, recreation, and cultural	1,637,260	1,757,078	1,708,483	48,595
Community development	858,397	902,820	803,212	99,608
Nondepartmental	270,093	293,844	199,126	94,718
Total expenditures	<u>\$ 38,516,667</u>	<u>\$ 39,158,249</u>	<u>\$ 37,464,590</u>	<u>\$ 1,693,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,367,285</u>	<u>\$ 6,095,864</u>	<u>\$ 9,630,476</u>	<u>\$ 3,534,612</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (8,236,420)</u>	<u>\$ (9,403,875)</u>	<u>\$ (9,022,258)</u>	<u>\$ 381,617</u>
Total other financing sources and uses	<u>\$ (8,236,420)</u>	<u>\$ (9,403,875)</u>	<u>\$ (9,022,258)</u>	<u>\$ 381,617</u>
Net change in fund balances	\$ (1,869,135)	\$ (3,308,011)	\$ 608,218	\$ 3,916,229
Fund balances - beginning	<u>1,869,135</u>	<u>3,308,011</u>	<u>15,901,836</u>	<u>12,593,825</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,510,054</u>	<u>\$ 16,510,054</u>

Schedule of Pension Funding Progress  
For the Year Ended June 30, 2006

**Primary Government:**  
**County Retirement Plan:**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2005	\$ 24,961,333	\$ 29,212,017	\$ 4,250,684	85.45%	\$ 10,087,289	42.14%
6/30/2004	23,804,086	25,304,942	1,500,856	94.07%	9,534,011	15.74%
6/30/2003	22,823,680	22,739,831	(83,849)	100.37%	9,249,541	-0.91%
6/30/2002	21,892,438	20,766,406	(1,126,032)	105.42%	8,859,633	-12.71%
6/30/2001	20,729,714	18,539,509	(2,190,205)	111.81%	8,607,360	-25.45%
6/30/2000	18,302,032	14,619,472	(3,682,560)	125.19%	7,976,299	-46.17%
6/30/1999	15,350,268	14,002,604	(1,347,664)	109.62%	7,493,842	-17.98%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2005	\$ 8,491,998	\$ 10,207,856	\$ 1,715,858	83.19%	\$ 4,055,720	42.31%
6/30/2004	8,101,614	8,335,831	234,217	97.19%	3,647,401	6.42%
6/30/2003	7,799,120	7,471,273	(327,847)	104.39%	3,180,322	-10.31%
6/30/2002	7,531,520	7,012,430	(519,090)	107.40%	3,346,995	-15.51%
6/30/2001	7,081,682	6,239,031	(842,651)	113.51%	3,154,094	-26.72%
6/30/2000	6,288,434	5,503,038	(785,396)	114.27%	2,958,960	-26.54%
6/30/1999	5,304,624	5,503,186	198,562	96.39%	2,692,761	7.37%

**OTHER SUPPLEMENTARY INFORMATION**

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## Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2006

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,423	\$ 2,423
Total revenues	\$ -	\$ -	\$ 2,423	\$ 2,423
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 2,237,523	\$ 2,237,523	\$ 2,237,523	\$ -
Interest and other fiscal charges	1,581,057	1,581,057	1,547,690	33,367
Bond issuance costs	-	-	654,320	(654,320)
Total expenditures	\$ 3,818,580	\$ 3,818,580	\$ 4,439,533	\$ (620,953)
Excess (deficiency) of revenues over (under) expenditures	\$ (3,818,580)	\$ (3,818,580)	\$ (4,437,110)	\$ (618,530)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,818,580	\$ 3,818,580	\$ 3,848,061	\$ 29,481
Refunding bonds issued	-	-	8,205,000	8,205,000
Refunding of lease revenue bonds	-	-	(7,565,000)	(7,565,000)
Total other financing sources and uses	\$ 3,818,580	\$ 3,818,580	\$ 4,488,061	\$ 669,481
Net change in fund balances	\$ -	\$ -	\$ 50,951	\$ 50,951
Fund balances - beginning	-	-	24,165	24,165
Fund balances - ending	\$ -	\$ -	\$ 75,116	\$ 75,116

## Capital Projects Fund

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

For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ 7,247	\$ 13,116	\$ 5,869
Miscellaneous	129,634	543,774	420,817	(122,957)
Intergovernmental revenues:				
Commonwealth	761,999	1,341,999	475,020	(866,979)
Federal	2,154,512	2,454,512	611,113	(1,843,399)
Total revenues	<u>\$ 3,046,145</u>	<u>\$ 4,347,532</u>	<u>\$ 1,520,066</u>	<u>\$ (2,827,466)</u>
<b>EXPENDITURES</b>				
Current:				
Capital projects	\$ 5,389,345	\$ 7,161,187	\$ 3,218,261	\$ 3,942,926
Total expenditures	<u>\$ 5,389,345</u>	<u>\$ 7,161,187</u>	<u>\$ 3,218,261</u>	<u>\$ 3,942,926</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,343,200)</u>	<u>\$ (2,813,655)</u>	<u>\$ (1,698,195)</u>	<u>\$ 1,115,460</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,241,200	\$ 1,723,655	\$ 1,654,022	\$ (69,633)
Issuance of bonds	1,000,000	1,000,000	-	(1,000,000)
Total other financing sources and uses	<u>\$ 2,241,200</u>	<u>\$ 2,723,655</u>	<u>\$ 1,654,022</u>	<u>\$ (1,069,633)</u>
Net change in fund balances	\$ (102,000)	\$ (90,000)	\$ (44,173)	\$ 45,827
Fund balances - beginning	102,000	102,000	3,891,916	3,789,916
Fund balances - ending	<u>\$ -</u>	<u>\$ 12,000</u>	<u>\$ 3,847,743</u>	<u>\$ 3,835,743</u>

## School Construction Fund

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

For the Year Ended June 30, 2006

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 6,122	\$ 6,122
Total revenues	\$ -	\$ -	\$ 6,122	\$ 6,122
<b>EXPENDITURES</b>				
Current:				
Capital projects	\$ 1,300,000	\$ 1,960,000	\$ 1,954,972	\$ 5,028
Total expenditures	\$ 1,300,000	\$ 1,960,000	\$ 1,954,972	\$ 5,028
Excess (deficiency) of revenues over (under) expenditures	\$ (1,300,000)	\$ (1,960,000)	\$ (1,948,850)	\$ 11,150
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,300,000	\$ 1,960,000	\$ 1,808,036	\$ (151,964)
Total other financing sources and uses	\$ 1,300,000	\$ 1,960,000	\$ 1,808,036	\$ (151,964)
Net change in fund balances	\$ -	\$ -	\$ (140,814)	\$ (140,814)
Fund balances - beginning	-	-	140,814	140,814
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2006

	<b>Virginia Public Assistance Fund</b>	<b>Comprehensive Services Act Fund</b>	<b>Revenue Maximization Fund</b>	<b>Total</b>
<b>ASSETS</b>				
Receivables (net of allowance for uncollectibles):				
Accounts receivable	\$ 80	\$ 1,747	\$ -	\$ 1,827
Due from other funds	-	5,165	63,974	69,139
Due from other governmental units	189,097	42,065	-	231,162
Total assets	<u>\$ 189,177</u>	<u>\$ 48,977</u>	<u>\$ 63,974</u>	<u>\$ 302,128</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 54,291	\$ 48,977	\$ -	\$ 103,268
Accrued liabilities	3,523	-	-	3,523
Due to other funds	131,363	-	-	131,363
Total liabilities	<u>\$ 189,177</u>	<u>\$ 48,977</u>	<u>\$ -</u>	<u>\$ 238,154</u>
Fund balances:				
Unreserved:				
Designated for subsequent expenditure	\$ -	\$ -	\$ 63,974	\$ 63,974
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,974</u>	<u>\$ 63,974</u>
Total liabilities and fund balances	<u>\$ 189,177</u>	<u>\$ 48,977</u>	<u>\$ 63,974</u>	<u>\$ 302,128</u>

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2006

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Revenue Maximization Fund	Total
<b>REVENUES</b>				
Miscellaneous	\$ 5,233	\$ -	\$ -	\$ 5,233
Intergovernmental revenues:				
Commonwealth	541,205	279,119	-	820,324
Federal	1,494,734	23,401	-	1,518,135
Total revenues	<u>\$ 2,041,172</u>	<u>\$ 302,520</u>	<u>\$ -</u>	<u>\$ 2,343,692</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 2,540,926	\$ 614,905	\$ -	\$ 3,155,831
Total expenditures	<u>\$ 2,540,926</u>	<u>\$ 614,905</u>	<u>\$ -</u>	<u>\$ 3,155,831</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (499,754)</u>	<u>\$ (312,385)</u>	<u>\$ -</u>	<u>\$ (812,139)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 499,754	\$ 312,385	\$ -	\$ 812,139
Total other financing sources and uses	<u>\$ 499,754</u>	<u>\$ 312,385</u>	<u>\$ -</u>	<u>\$ 812,139</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	63,974	63,974
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,974</u>	<u>\$ 63,974</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2006

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 5,233	\$ (4,767)
Intergovernmental revenues:				
Commonwealth	528,787	528,787	541,205	12,418
Federal	1,480,906	1,480,906	1,494,734	13,828
Total revenues	<u>\$ 2,019,693</u>	<u>\$ 2,019,693</u>	<u>\$ 2,041,172</u>	<u>\$ 21,479</u>
EXPENDITURES				
Current:				
Health and welfare	<u>\$ 2,665,333</u>	<u>\$ 2,665,333</u>	<u>\$ 2,540,926</u>	<u>\$ 124,407</u>
Total expenditures	<u>\$ 2,665,333</u>	<u>\$ 2,665,333</u>	<u>\$ 2,540,926</u>	<u>\$ 124,407</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (645,640)</u>	<u>\$ (645,640)</u>	<u>\$ (499,754)</u>	<u>\$ 145,886</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 645,640</u>	<u>\$ 645,640</u>	<u>\$ 499,754</u>	<u>\$ (145,886)</u>
Total other financing sources and uses	<u>\$ 645,640</u>	<u>\$ 645,640</u>	<u>\$ 499,754</u>	<u>\$ (145,886)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Comprehensive Services Act Fund				Revenue Maximization Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 4,000	\$ 4,000	\$ -	\$ (4,000)	\$ -	\$ -	\$ -	\$ -
337,000	360,000	279,119	(80,881)	-	-	-	-
30,000	30,000	23,401	(6,599)	-	-	-	-
<u>\$ 371,000</u>	<u>\$ 394,000</u>	<u>\$ 302,520</u>	<u>\$ (91,480)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 702,000	\$ 762,000	\$ 614,905	\$ 147,095	\$ 53,000	\$ 53,000	\$ -	\$ 53,000
<u>\$ 702,000</u>	<u>\$ 762,000</u>	<u>\$ 614,905</u>	<u>\$ 147,095</u>	<u>\$ 53,000</u>	<u>\$ 53,000</u>	<u>\$ -</u>	<u>\$ 53,000</u>
\$ (331,000)	\$ (368,000)	\$ (312,385)	\$ 55,615	\$ (53,000)	\$ (53,000)	\$ -	\$ 53,000
\$ 331,000	\$ 368,000	\$ 312,385	\$ (55,615)	\$ -	\$ -	\$ -	\$ -
<u>\$ 331,000</u>	<u>\$ 368,000</u>	<u>\$ 312,385</u>	<u>\$ (55,615)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ (53,000)	\$ (53,000)	\$ -	\$ 53,000
-	-	-	-	53,000	53,000	63,974	10,974
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,974</u>	<u>\$ 63,974</u>

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2006

	Agency Funds				
	Special Welfare	Flexible Benefits	Middle Peninsula Regional Special Education	Jail Inmate	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 11,394	\$ 75,159	\$ 14,519	\$ 26,976	\$ 128,048
Receivables:					
Other receivables	-	-	6,415	-	6,415
Due from other governmental units	-	-	22,711	-	22,711
Total assets	<u>11,394</u>	<u>75,159</u>	<u>43,645</u>	<u>26,976</u>	<u>157,174</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 7,335	\$ 26,448	\$ -	\$ 33,783
Amounts held for social services clients	11,394	-	-	-	11,394
Amounts held for others	-	67,824	-	26,976	94,800
Amounts held for regional program	-	-	17,197	-	17,197
Total liabilities	<u>\$ 11,394</u>	<u>\$ 75,159</u>	<u>\$ 43,645</u>	<u>\$ 26,976</u>	<u>\$ 157,174</u>



## Fiduciary Funds

## Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2006

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets:				
Cash	\$ <u>17,447</u>	\$ <u>40,928</u>	\$ <u>46,981</u>	\$ <u>11,394</u>
Liabilities:				
Amounts held for others	\$ <u>17,447</u>	\$ <u>40,928</u>	\$ <u>46,981</u>	\$ <u>11,394</u>
<b>Middle Peninsula Regional Special Education Program Fund:</b>				
Assets:				
Cash	\$ 28,949	\$ 397,731	\$ 412,161	\$ 14,519
Due from other governmental units	-	22,711	-	22,711
Accounts receivable	-	6,415	-	6,415
Total assets	\$ <u>28,949</u>	\$ <u>426,857</u>	\$ <u>412,161</u>	\$ <u>43,645</u>
Liabilities:				
Accounts payable	\$ -	\$ 26,448	\$ -	\$ 26,448
Amounts held for regional program	28,949	400,409	412,161	17,197
Total liabilities	\$ <u>28,949</u>	\$ <u>426,857</u>	\$ <u>412,161</u>	\$ <u>43,645</u>
<b>Flexible Benefits Fund:</b>				
Assets:				
Cash	\$ <u>55,515</u>	\$ <u>270,335</u>	\$ <u>250,691</u>	\$ <u>75,159</u>
Liabilities:				
Accounts payable	\$ 3,910	\$ 7,335	\$ 3,910	\$ 7,335
Amounts held for others	51,605	263,000	246,781	67,824
Total liabilities	\$ <u>55,515</u>	\$ <u>270,335</u>	\$ <u>250,691</u>	\$ <u>75,159</u>
<b>Jail Fund:</b>				
Assets:				
Cash	\$ <u>26,445</u>	\$ <u>117,825</u>	\$ <u>117,294</u>	\$ <u>26,976</u>
Liabilities:				
Amounts held for others	\$ <u>26,445</u>	\$ <u>117,825</u>	\$ <u>117,294</u>	\$ <u>26,976</u>
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash	\$ 128,356	\$ 826,819	\$ 827,127	\$ 128,048
Accounts receivable	-	6,415	-	6,415
Due from other governmental units	-	22,711	-	22,711
Total assets	\$ <u>128,356</u>	\$ <u>855,945</u>	\$ <u>827,127</u>	\$ <u>157,174</u>
Liabilities:				
Accounts payable	\$ 3,910	\$ 33,783	\$ 3,910	\$ 33,783
Amounts held for regional program	28,949	400,409	412,161	17,197
Amounts held for others	95,497	421,753	411,056	106,194
Total liabilities	\$ <u>128,356</u>	\$ <u>855,945</u>	\$ <u>827,127</u>	\$ <u>157,174</u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Capital Assets by Source  
 June 30, 2006

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Governmental funds capital assets:

Land	\$	4,132,163
Buildings		15,227,235
Machinery and equipment		5,287,913
Jointly owned assets		27,214,403
Construction in progress		117,026
Total governmental funds capital assets	\$	<u>51,978,740</u>

Investments in governmental funds capital assets by source:

General fund	\$	9,642,725
Special revenue funds		151,208
Capital projects fund		14,970,404
Component unit, school fund		27,214,403
Total governmental funds capital assets	\$	<u>51,978,740</u>

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

Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
June 30, 2006

Function and Activity	Land	Buildings	Construction in Progress	Machinery and Equipment	Total
General government administration:					
Board of supervisors	\$ 3,862,863	\$ 1,614,001	\$ -	\$ -	\$ 5,476,864
County administrator	-	-	-	20,938	20,938
Commissioner of revenue	-	-	-	59,631	59,631
Assessor	-	-	-	49,886	49,886
Central accounting	-	-	-	17,769	17,769
Department of information technology	-	326,600	-	678,846	1,005,446
Total general government administration	<u>\$ 3,862,863</u>	<u>\$ 1,940,601</u>	<u>\$ -</u>	<u>\$ 827,070</u>	<u>\$ 6,630,534</u>
Judicial administration:					
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ -	\$ 7,237,000
General district court	-	-	-	9,494	9,494
Juvenile and domestic relations district court	-	-	-	17,396	17,396
Clerk of circuit court	-	-	-	161,390	161,390
Commonwealth's attorney	-	-	-	23,048	23,048
Total judicial administration	<u>\$ -</u>	<u>\$ 7,237,000</u>	<u>\$ -</u>	<u>\$ 211,328</u>	<u>\$ 7,448,328</u>
Public safety:					
Sheriff	\$ -	\$ 2,147,475	\$ -	\$ 2,243,229	\$ 4,390,704
Emergency 911 system	-	-	-	35,286	35,286
Emergency services	-	11,524	-	113,484	125,008
Jail	-	-	-	136,260	136,260
Codes compliance	-	61,784	-	167,005	228,789
Animal control	-	421,384	-	68,195	489,579
Total public safety	<u>\$ -</u>	<u>\$ 2,642,167</u>	<u>\$ -</u>	<u>\$ 2,763,459</u>	<u>\$ 5,405,626</u>
Public works:					
Engineering	\$ -	\$ 12,230	\$ -	\$ 196,903	\$ 209,133
Building and grounds	-	108,732	-	605,148	713,880
Total public works	<u>\$ -</u>	<u>\$ 120,962</u>	<u>\$ -</u>	<u>\$ 802,051</u>	<u>\$ 923,013</u>
Education:					
Schools	\$ -	\$ 27,214,403	\$ 117,026	\$ -	\$ 27,331,429
Community education	-	1,556,351	-	16,482	1,572,833
Total education	<u>\$ -</u>	<u>\$ 28,770,754</u>	<u>\$ 117,026</u>	<u>\$ 16,482</u>	<u>\$ 28,904,262</u>
Health and welfare:					
Mosquito control	\$ -	\$ -	\$ -	\$ 99,165	\$ 99,165
Health department	-	221,724	-	-	221,724
Social services	-	758,240	-	151,555	909,795
Total health and welfare	<u>\$ -</u>	<u>\$ 979,964</u>	<u>\$ -</u>	<u>\$ 250,720</u>	<u>\$ 1,230,684</u>
Parks, recreation, and cultural:					
Recreation	\$ 269,300	\$ 307,665	\$ -	\$ 188,926	\$ 765,891
Beaverdam	-	171,458	-	21,209	192,667
Historical committee	-	157,783	-	-	157,783
Public library	-	-	-	178,244	178,244
Total parks, recreation, and cultural	<u>\$ 269,300</u>	<u>\$ 636,906</u>	<u>\$ -</u>	<u>\$ 388,379</u>	<u>\$ 1,294,585</u>
Community development:					
Planning	\$ -	\$ 61,784	\$ -	\$ 19,142	\$ 80,926
Economic development	-	-	-	9,282	9,282
VPI extension program	-	51,500	-	-	51,500
Total community development	<u>\$ -</u>	<u>\$ 113,284</u>	<u>\$ -</u>	<u>\$ 28,424</u>	<u>\$ 141,708</u>
Total governmental funds capital assets	<u>\$ 4,132,163</u>	<u>\$ 42,441,638</u>	<u>\$ 117,026</u>	<u>\$ 5,287,913</u>	<u>\$ 51,978,740</u>

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

Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes By Function and Activity  
For the Year Ended June 30, 2006

Function and Activity	Governmental Funds Capital Assets July 1, 2005	Additions	Deductions	Governmental Funds Capital Assets June 30, 2006
General government administration:				
Board of supervisors	\$ 5,017,630	\$ 459,234	\$ -	\$ 5,476,864
County administrator	20,938	-	-	20,938
Commissioner of revenue	9,500	50,131	-	59,631
Assessor	49,886	-	-	49,886
Central accounting	17,769	-	-	17,769
Department of information technology	957,024	48,422	-	1,005,446
Total general government administration	\$ 6,072,747	\$ 557,787	\$ -	\$ 6,630,534
Judicial administration:				
Circuit court	\$ 7,237,000	\$ -	\$ -	\$ 7,237,000
General district court	9,494	-	-	9,494
Juvenile and domestic relations district court	17,396	-	-	17,396
Clerk of the circuit court	144,795	16,595	-	161,390
Commonwealth's Attorney	23,048	-	-	23,048
Total judicial administration	\$ 7,431,733	\$ 16,595	\$ -	\$ 7,448,328
Public safety:				
Sheriff	\$ 4,189,123	\$ 351,838	\$ (150,257)	\$ 4,390,704
911 system	35,286	-	-	35,286
Emergency services	46,723	78,285	-	125,008
Jail	136,260	-	-	136,260
Building inspections	216,352	12,437	-	228,789
Animal control	470,395	19,184	-	489,579
Total public safety	\$ 5,094,139	\$ 461,744	\$ (150,257)	\$ 5,405,626
Public works:				
Engineering	\$ 209,133	\$ -	\$ -	\$ 209,133
Buildings and grounds	688,704	39,467	(14,291)	713,880
Total public works	\$ 897,837	\$ 39,467	\$ (14,291)	\$ 923,013
Education:				
Schools	\$ 29,622,540	\$ 1,822,560	\$ (4,113,671)	\$ 27,331,429
Community education	1,572,833	-	-	1,572,833
Total education	\$ 31,195,373	\$ 1,822,560	\$ (4,113,671)	\$ 28,904,262
Health and welfare:				
Mosquito control	\$ 81,412	\$ 24,878	\$ (7,125)	\$ 99,165
Health department	221,724	-	-	221,724
Social services	891,445	18,350	-	909,795
Total health and welfare	\$ 1,194,581	\$ 43,228	\$ (7,125)	\$ 1,230,684
Parks, recreation, and cultural:				
Recreation	\$ 592,470	\$ 188,945	\$ -	\$ 781,415
Beaverdam	171,458	5,685	-	177,143
Historical committee	157,783	-	-	157,783
Public library	170,598	7,646	-	178,244
Total parks, recreation, and cultural	\$ 1,092,309	\$ 202,276	\$ -	\$ 1,294,585
Community development:				
Community development	\$ 80,926	\$ -	\$ -	\$ 80,926
Economic development	9,282	-	-	9,282
VPI extension program	51,500	-	-	51,500
Total community development	\$ 141,708	\$ -	\$ -	\$ 141,708
Total governmental funds capital assets	\$ 53,120,427	\$ 3,143,657	\$ (4,285,344)	\$ 51,978,740

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

**Discretely Presented Component Unit-School Board**

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Combining Balance Sheet  
Discretely Presented Component Unit - School Board  
June 30, 2006

	<b>School Operating Fund</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 460,672	\$ 460,672
Receivables (net of allowance for uncollectibles):			
Accounts receivable	269,194	8,917	278,111
Due from other governmental units	4,412,686	-	4,412,686
Inventories	-	25,131	25,131
Prepaid items	342,365	-	342,365
Total assets	<u>\$ 5,024,245</u>	<u>\$ 494,720</u>	<u>\$ 5,518,965</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 325,372	\$ 21,946	\$ 347,318
Accrued liabilities	4,698,873	131,497	4,830,370
Due to other governmental units	-	150,000	150,000
Total liabilities	<u>\$ 5,024,245</u>	<u>\$ 303,443</u>	<u>\$ 5,327,688</u>
Fund balances:			
Reserved for:			
Inventories	\$ -	\$ 25,131	\$ 25,131
Prepaid items	342,365	-	342,365
Unreserved:			
Undesignated	(342,365)	166,146	(176,219)
Total fund balances	<u>\$ -</u>	<u>\$ 191,277</u>	<u>\$ 191,277</u>
Total liabilities and fund balances	<u>\$ 5,024,245</u>	<u>\$ 494,720</u>	<u>\$ 5,518,965</u>

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

Total fund balances per above \$ 191,277

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 20,016,808

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 assets. 598,886

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,808,373)

Net assets of governmental activities \$ 18,998,598

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2006

	<b>School Operating Fund</b>	<b>Total Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 1,500	\$ 10,224	\$ 11,724
Charges for services	102,186	1,268,831	1,371,017
Miscellaneous	21,947	18,851	40,798
Recovered costs	227,388	-	227,388
Intergovernmental revenues:			
Local government	17,962,898	-	17,962,898
Commonwealth	29,200,563	24,891	29,225,454
Federal	2,708,790	565,732	3,274,522
Total revenues	<u>\$ 50,225,272</u>	<u>\$ 1,888,529</u>	<u>\$ 52,113,801</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 50,225,272	\$ 1,890,428	\$ 52,115,700
Total expenditures	<u>\$ 50,225,272</u>	<u>\$ 1,890,428</u>	<u>\$ 52,115,700</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,899)	\$ (1,899)
Net change in fund balances	\$ -	\$ (1,899)	\$ (1,899)
Fund balances - beginning	-	193,176	193,176
Fund balances - ending	<u>\$ -</u>	<u>\$ 191,277</u>	<u>\$ 191,277</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 \$ (1,899)

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. 4,195,415

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (30,408)

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. (106,070)

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. (352,865)

Change in net assets of governmental activities \$ 3,704,173



Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2006

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Charges for services	78,000	78,000	102,186	24,186
Miscellaneous	23,500	23,500	21,947	(1,553)
Recovered costs	279,779	279,779	227,388	(52,391)
Intergovernmental revenues:				
Local government	18,284,329	18,284,329	17,962,898	(321,431)
Commonwealth	29,576,008	29,576,008	29,200,563	(375,445)
Federal	3,125,377	3,125,377	2,708,790	(416,587)
Total revenues	<u>\$ 51,368,493</u>	<u>\$ 51,368,493</u>	<u>\$ 50,225,272</u>	<u>\$ (1,143,221)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 51,368,493</u>	<u>\$ 51,368,493</u>	<u>\$ 50,225,272</u>	<u>\$ 1,143,221</u>
Total expenditures	<u>\$ 51,368,493</u>	<u>\$ 51,368,493</u>	<u>\$ 50,225,272</u>	<u>\$ 1,143,221</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of Fiduciary Net Assets  
Fiduciary Fund - Discretely Presented Component Unit School Board  
June 30, 2006

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	<b>Scholarship Private-Purpose Trust</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>219,392</u>
<b>NET ASSETS</b>	
Held in trust for scholarships	\$ <u>219,392</u>

Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds - Discretely Presented Component Unit School Board  
 For the Year Ended June 30, 2006

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	<b>Scholarship Private-Purpose Trust</b>
<b>ADDITIONS</b>	
Contributions:	
Private donations	\$ 9,140
Total contributions	<u>\$ 9,140</u>
Investment earnings:	
Interest	\$ 8,317
Total investment earnings	\$ 8,317
Less investment expense	<u>-</u>
Net investment earnings	\$ 8,317
Total additions	<u>\$ 17,457</u>
<b>DEDUCTIONS</b>	
Scholarships	\$ 12,400
Total deductions	<u>\$ 12,400</u>
Change in net assets	\$ 5,057
Net assets - beginning	214,335
Net assets - ending	<u><u>\$ 219,392</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2006

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,309	\$ 5,309	\$ 10,224	\$ 4,915
Charges for services	1,440,585	1,440,585	1,268,831	(171,754)
Miscellaneous	31,070	31,070	18,851	(12,219)
Intergovernmental revenues:				
Commonwealth	33,000	33,000	24,891	(8,109)
Federal	555,767	555,767	565,732	9,965
Total revenues	<u>\$ 2,065,731</u>	<u>\$ 2,065,731</u>	<u>\$ 1,888,529</u>	<u>\$ (177,202)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,095,731</u>	<u>\$ 2,095,731</u>	<u>\$ 1,890,428</u>	<u>\$ 205,303</u>
Total expenditures	<u>\$ 2,095,731</u>	<u>\$ 2,095,731</u>	<u>\$ 1,890,428</u>	<u>\$ 205,303</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (30,000)</u>	<u>\$ (30,000)</u>	<u>\$ (1,899)</u>	<u>\$ 28,101</u>
Net change in fund balances	\$ (30,000)	\$ (30,000)	\$ (1,899)	\$ 28,101
Fund balances - beginning	30,000	30,000	193,176	163,176
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,277</u>	<u>\$ 191,277</u>

## Statement of Net Assets

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2006

	<b>Self- Insurance Fund</b>
<hr/>	
<b>ASSETS</b>	
Current assets:	
Accounts receivables, net of allowances for uncollectibles	\$ 1,015,656
Total assets	<u>\$ 1,015,656</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 416,770
Total liabilities	<u>\$ 416,770</u>
<b>NET ASSETS</b>	
Unrestricted	\$ 598,886
Total net assets	<u><u>\$ 598,886</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Internal Service Fund - Discretely Presented Component Unit - School Board  
For the Year Ended June 30, 2006

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	<b>Self- Insurance Fund</b>
	<hr/>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 4,453,932
Total operating revenues	\$ <u>4,453,932</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 4,806,797
Total operating expenses	\$ <u>4,806,797</u>
Operating income (loss)	\$ <u>(352,865)</u>
Total net assets - beginning	\$ 951,751
Total net assets - ending	\$ <u><u>598,886</u></u>

## Statement of Cash Flows

Internal Service Fund - Discretely Presented Component Unit - School Board

For the Year Ended June 30, 2006

	<b>Self- Insurance Fund</b>
	<hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 4,826,109
Payments for premiums	<u>(4,826,109)</u>
Net cash provided (used by) operating activities	<u>\$ -</u>
Cash and cash equivalents - beginning	\$ -
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ <u>(352,865)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 372,177
Increase (decrease) in accounts payable	<u>(19,312)</u>
Total adjustments	<u>\$ 352,865</u>
Net cash provided (used) by operating activities	<u><u>\$ -</u></u>
Noncash investing, capital, and financing activities:	
Increase in fair value of investments	<u><u>\$ -</u></u>

Capital Assets Used in the Operation of Governmental Funds-  
Discretely Presented Component Unit-School Board  
Schedule of Capital Assets by Source  
June 30, 2006

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Governmental funds capital assets:

Land	\$	1,268,748
Jointly owned assets		23,304,593
Machinery and equipment		7,781,131
Total governmental funds capital assets	\$	<u>32,354,472</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	\$	32,354,472
Total governmental funds capital assets	\$	<u>32,354,472</u>

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



Capital Assets Used in the Operation of Governmental Funds-  
Discretely Presented Component Unit-School Board  
Schedule by Function and Activity  
June 30, 2006

<b>Function and Activity</b>	<b>Land</b>	<b>Jointly Owned Assets</b>	<b>Machinery and Equipment</b>	<b>Total</b>
Education:				
Schools	\$ 1,268,748	\$ 23,304,593	\$ 7,781,131	\$ 32,354,472
Total governmental funds capital assets	\$ 1,268,748	\$ 23,304,593	\$ 7,781,131	\$ 32,354,472

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

Capital Assets Used in the Operation of Governmental Funds-  
Discretely Presented Component Unit-School Board  
Schedule of Changes By Function and Activity  
For the Year Ended June 30, 2006

<b>Function and Activity</b>	<b>Governmental Funds Capital Assets July 1, 2005</b>	<b>Additions</b>	<b>Deductions</b>	<b>Governmental Funds Capital Assets June 30, 2006</b>
Education:				
Schools	\$ 27,454,504	\$ 5,052,322	\$ (152,354)	\$ 32,354,472
Total governmental funds capital assets	\$ 27,454,504	\$ 5,052,322	\$ (152,354)	\$ 32,354,472

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

**Discretely Presented Component Unit-Economic Development Authority**

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## Statement of Net Assets

Discretely Presented Component Unit - Economic Development Authority

June 30, 2006

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$	761,560
Inventories		1,746,161
Total current assets	\$	<u>2,507,721</u>

## Noncurrent assets:

## Capital assets:

Land	\$	473,735
Buildings		4,537,831
Machinery and equipment		7,234
Less accumulated depreciation		(1,640,130)
Total capital assets	\$	<u>3,378,670</u>
Total noncurrent assets	\$	<u>3,378,670</u>
Total assets	\$	<u>5,886,391</u>

**LIABILITIES**

## Current liabilities:

Due to other governmental units	\$	458,909
Unearned revenue		33,410
Bonds payable - current portion		4,241,534
Total current liabilities	\$	<u>4,733,853</u>

**NET ASSETS**

Invested in capital assets, net of related debt and debt service reserve	\$	883,297
Unrestricted		269,241
Total net assets	\$	<u>1,152,538</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Discretely Presented Component Unit - Economic Development Authority  
For the Year Ended June 30, 2006

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**OPERATING REVENUES**

## Charges for services:

Rents	\$	393,564
Contributions from local governments		82,432
Other revenues		12,500
Sale of land at the business park		-
Miscellaneous		1,484
Total operating revenues	\$	<u>489,980</u>

**OPERATING EXPENSES**

Contractual services	\$	13,582
Other charges		31,019
Automobile expense		13,074
Road and utility construction at business park		51,912
Depreciation		182,237
Total operating expenses	\$	<u>291,824</u>
Operating income (loss)	\$	<u>198,156</u>

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	\$	7,644
Interest expense		<u>(241,109)</u>
Total nonoperating revenues (expenses)	\$	<u>(233,465)</u>
Change in net assets	\$	(35,309)
Total net assets - beginning		<u>1,187,847</u>
Total net assets - ending	\$	<u><u>1,152,538</u></u>

## Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2006

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$	393,564
Receipts for miscellaneous items		13,984
Receipts for local government contributions		82,432
Payments for operating activities		(109,587)
Net cash provided (used by) operating activities	\$	<u>380,393</u>

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

Principal payments on bonds	\$	(145,300)
Interest payments		<u>(241,109)</u>
Net cash provided (used) by capital and related financing activities	\$	<u>(386,409)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends received	\$	<u>7,644</u>
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Net increase (decrease) in cash and cash equivalents	\$	1,628
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Cash and cash equivalents - beginning - including restricted		<u>759,932</u>
Cash and cash equivalents - ending - including restricted	\$	<u><u>761,560</u></u>

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

Operating income (loss)	\$	<u>198,156</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$	<u>182,237</u>
Total adjustments	\$	<u>182,237</u>
Net cash provided (used) by operating activities	\$	<u><u>380,393</u></u>

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## **Supporting Schedules**

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Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 19,895,652	\$ 19,895,652	\$ 20,472,581	\$ 576,929
Real and personal public service corporation taxes	710,000	710,000	631,376	(78,624)
Personal property taxes	5,331,855	5,331,855	4,767,779	(564,076)
Mobile home taxes	175,000	175,000	161,940	(13,060)
Penalties	320,720	320,720	287,829	(32,891)
Interest	131,504	131,504	111,354	(20,150)
Total general property taxes	<u>\$ 26,564,731</u>	<u>\$ 26,564,731</u>	<u>\$ 26,432,859</u>	<u>\$ (131,872)</u>
Other local taxes:				
Local sales and use taxes	\$ 3,552,860	\$ 3,552,860	\$ 3,774,673	\$ 221,813
Consumers' utility taxes	1,728,000	1,728,000	1,744,135	16,135
Electric consumption taxes	106,000	106,000	122,929	16,929
E-911 telephone taxes	280,000	280,000	272,825	(7,175)
Business license taxes	1,403,834	1,403,834	1,394,990	(8,844)
Cable TV franchise tax	168,750	168,750	294,640	125,890
Motor vehicle licenses	-	-	17,390	17,390
Bank stock taxes	100,000	100,000	218,205	118,205
Taxes on recordation and wills	420,000	420,000	768,308	348,308
Hotel and motel room taxes	80,000	80,000	99,278	19,278
Restaurant food taxes	1,310,000	1,310,000	1,527,053	217,053
Total other local taxes	<u>\$ 9,149,444</u>	<u>\$ 9,149,444</u>	<u>\$ 10,234,426</u>	<u>\$ 1,084,982</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 20,600	\$ 20,600	\$ 19,937	\$ (663)
Land use application fees	1,080	1,080	1,200	120
Transfer fees	1,560	1,560	1,864	304
Permits and other licenses	324,955	324,955	419,364	94,409
Total permits, privilege fees, and regulatory licenses	<u>\$ 348,195</u>	<u>\$ 348,195</u>	<u>\$ 442,365</u>	<u>\$ 94,170</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 96,000	\$ 96,000	\$ 96,449	\$ 449
Parking fines	10,000	10,000	3,250	(6,750)
Total fines and forfeitures	<u>\$ 106,000</u>	<u>\$ 106,000</u>	<u>\$ 99,699</u>	<u>\$ (6,301)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 261,132	\$ 261,132	\$ 592,133	\$ 331,001
Revenue from use of property	33,000	33,000	32,117	(883)
Total revenue from use of money and property	<u>\$ 294,132</u>	<u>\$ 294,132</u>	<u>\$ 624,250</u>	<u>\$ 330,118</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule 1

Page 2 of 8

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2006 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Charges for services:				
Excess fees of clerk	\$ 125,000	\$ 125,000	\$ 138,018	\$ 13,018
Charges for law enforcement and traffic control	18,050	18,050	18,145	95
Charges for courthouse maintenance	15,100	15,100	14,724	(376)
Circuit court judge fees	28,800	28,800	29,385	585
Charges for courthouse security	28,000	28,000	27,324	(676)
Charges for Commonwealth's Attorney	1,200	1,200	1,555	355
Charges for rental assistance	15,000	15,000	19,708	4,708
Miscellaneous dog fees	4,000	4,000	5,466	1,466
Charges for library	25,000	25,000	29,431	4,431
Charges for sanitation and waste removal	456,897	456,897	372,641	(84,256)
Charges for parks and recreation	243,500	243,500	251,780	8,280
Charges for community education	3,500	3,500	1,967	(1,533)
Charges for sale of publications and commemorative material	10,700	10,700	16,505	5,805
Charges for daffodil festival	37,900	37,900	75,776	37,876
Charges for sale of historical material	1,500	1,500	633	(867)
Total charges for services	\$ 1,014,147	\$ 1,014,147	\$ 1,003,058	\$ (11,089)
Miscellaneous revenue:				
Miscellaneous	\$ 235,820	\$ 274,923	\$ 427,734	\$ 152,811
Total miscellaneous revenue	\$ 235,820	\$ 274,923	\$ 427,734	\$ 152,811
Recovered costs:				
Care of federal prisoners	\$ 40,000	\$ 40,000	\$ 22,830	\$ (17,170)
Recovered costs sheriff	163,000	163,000	146,672	(16,328)
Treasurer recovered costs	10,000	40,000	46,946	6,946
Federal recovered costs	37,677	37,677	8,273	(29,404)
Demolition recovered costs	5,000	5,000	-	(5,000)
Total recovered costs	\$ 255,677	\$ 285,677	\$ 224,721	\$ (60,956)
Total revenue from local sources	\$ 37,968,146	\$ 38,037,249	\$ 39,489,112	\$ 1,451,863
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 20,390	\$ 20,390	\$ 20,389	\$ (1)
Wine taxes	21,372	21,372	21,372	-
Motor vehicle carriers' tax	650	650	2,119	1,469
Mobile home titling tax	45,000	45,000	40,515	(4,485)
Motor vehicle rental tax	50,000	50,000	48,117	(1,883)
State recordation tax	119,759	119,759	129,561	9,802
Personal property tax relief funds	2,600,000	2,600,000	2,857,165	257,165
Total noncategorical aid	\$ 2,857,171	\$ 2,857,171	\$ 3,119,238	\$ 262,067

## Schedule of Revenues - Budget and Actual

## Governmental Funds

For The Year Ended June 30, 2006 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 287,022	\$ 287,022	\$ 296,622	\$ 9,600
Sheriff	2,520,000	2,520,000	2,524,294	4,294
Commissioner of revenue	118,111	118,111	127,981	9,870
Treasurer	122,125	122,125	132,653	10,528
Medical examiner	500	500	810	310
Registrar/electoral board	44,800	44,800	50,277	5,477
Clerk of the Circuit Court	250,455	293,455	275,341	(18,114)
Total shared expenses	<u>\$ 3,343,013</u>	<u>\$ 3,386,013</u>	<u>\$ 3,407,978</u>	<u>\$ 21,965</u>
Other categorical aid:				
Emergency medical services	\$ 22,000	\$ 29,583	\$ 29,583	\$ -
Bay transit grant	100,000	100,000	-	(100,000)
Litter control grant	6,341	9,866	9,695	(171)
E911 wireless grant	35,400	35,400	35,046	(354)
Library grant	106,427	106,427	106,427	-
Abandoned auto program	25,000	25,000	26,800	1,800
Virginia Housing grant	65,000	65,000	64,717	(283)
Victim-witness grant	50,000	50,000	47,041	(2,959)
Other state funds	-	10,360	22,794	12,434
Fire programs	64,000	78,797	78,797	-
Disaster assistance	-	-	7,848	7,848
Asset forfeiture	-	-	48,180	48,180
Total other categorical aid	<u>\$ 474,168</u>	<u>\$ 510,433</u>	<u>\$ 476,928</u>	<u>\$ (33,505)</u>
Total categorical aid	<u>\$ 3,817,181</u>	<u>\$ 3,896,446</u>	<u>\$ 3,884,906</u>	<u>\$ (11,540)</u>
Total revenue from the Commonwealth	<u>\$ 6,674,352</u>	<u>\$ 6,753,617</u>	<u>\$ 7,004,144</u>	<u>\$ 250,527</u>
Revenue from the federal government:				
V-stop prosecutor grant	\$ 21,640	\$ 21,640	\$ 22,679	\$ 1,039
Disaster assistance	-	-	31,560	31,560
COP program grant	25,200	25,200	38,422	13,222
Highway safety grant	-	10,751	21,194	10,443
Domestic violence grant	194,614	194,614	220,495	25,881
State domestic preparedness grant	-	129,826	102,784	(27,042)
Other federal revenue	-	81,216	164,676	83,460
Total categorical aid	<u>\$ 241,454</u>	<u>\$ 463,247</u>	<u>\$ 601,810</u>	<u>\$ 138,563</u>
Total revenue from the federal government	<u>\$ 241,454</u>	<u>\$ 463,247</u>	<u>\$ 601,810</u>	<u>\$ 138,563</u>
Total General Fund	<u>\$ 44,883,952</u>	<u>\$ 45,254,113</u>	<u>\$ 47,095,066</u>	<u>\$ 1,840,953</u>

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2006 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 10,000	\$ 10,000	\$ 5,233	\$ (4,767)
Total miscellaneous revenue	\$ 10,000	\$ 10,000	\$ 5,233	\$ (4,767)
Total revenue from local sources	\$ 10,000	\$ 10,000	\$ 5,233	\$ (4,767)
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 528,787	\$ 528,787	\$ 541,205	\$ 12,418
Total categorical aid	\$ 528,787	\$ 528,787	\$ 541,205	\$ 12,418
Total revenue from the Commonwealth	\$ 528,787	\$ 528,787	\$ 541,205	\$ 12,418
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,480,906	\$ 1,480,906	\$ 1,494,734	\$ 13,828
Total categorical aid	\$ 1,480,906	\$ 1,480,906	\$ 1,494,734	\$ 13,828
Total revenue from the federal government	\$ 1,480,906	\$ 1,480,906	\$ 1,494,734	\$ 13,828
Total Virginia Public Assistance Fund	\$ 2,019,693	\$ 2,019,693	\$ 2,041,172	\$ 21,479
<b>Comprehensive Services Act Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 331,000	\$ 354,000	\$ 235,431	\$ (118,569)
Public assistance and welfare administration	6,000	6,000	43,688	37,688
Total categorical aid	\$ 337,000	\$ 360,000	\$ 279,119	\$ (80,881)
Total revenue from the Commonwealth	\$ 337,000	\$ 360,000	\$ 279,119	\$ (80,881)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 30,000	\$ 30,000	\$ 23,401	\$ (6,599)
Total Comprehensive Services Act Fund	\$ 371,000	\$ 394,000	\$ 302,520	\$ (91,480)

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2006 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Debt Service Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,423	\$ 2,423
Total Debt Service Fund	\$ -	\$ -	\$ 2,423	\$ 2,423
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 7,247	\$ 13,116	\$ 5,869
Miscellaneous revenue:				
Other miscellaneous	\$ 129,634	\$ 543,774	\$ 420,817	\$ (122,957)
Total revenue from local sources	\$ 129,634	\$ 551,021	\$ 433,933	\$ (117,088)
Revenue from the Commonwealth:				
Categorical aid:				
School construction funds	\$ 186,463	\$ 186,463	\$ 187,173	\$ 710
Burn building grant	-	430,000	(2,470)	(432,470)
Boat ramp	-	150,000	150,000	-
Acquisition/elevation grant	518,536	518,536	140,317	(378,219)
Registrar	57,000	57,000	-	(57,000)
Total categorical aid	\$ 761,999	\$ 1,341,999	\$ 475,020	\$ (866,979)
Total revenue from the Commonwealth	\$ 761,999	\$ 1,341,999	\$ 475,020	\$ (866,979)
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ 210,000	\$ 210,000	\$ -	\$ (210,000)
Acquisition/elevation grant	1,944,512	1,944,512	538,779	(1,405,733)
Community development block grant	-	300,000	72,334	(227,666)
Total categorical aid	\$ 2,154,512	\$ 2,454,512	\$ 611,113	\$ (1,843,399)
Total revenue from the federal government	\$ 2,154,512	\$ 2,454,512	\$ 611,113	\$ (1,843,399)
Total County Capital Improvements Fund	\$ 3,046,145	\$ 4,347,532	\$ 1,520,066	\$ (2,827,466)

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2006 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Capital Projects Funds: (Continued)</b>				
<b>School Construction Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 6,122	\$ 6,122
Total School Construction Fund	\$ -	\$ -	\$ 6,122	\$ 6,122
Total Primary Government	\$ 50,320,790	\$ 52,015,338	\$ 50,967,369	\$ (1,047,969)
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Charges for services:				
Charges for education	\$ -	\$ -	\$ -	\$ -
Tuition and payments from other divisions	78,000	78,000	102,186	24,186
Total charges for services	\$ 78,000	\$ 78,000	\$ 102,186	\$ 24,186
Miscellaneous revenue:				
Other miscellaneous	\$ 23,500	\$ 23,500	\$ 21,947	\$ (1,553)
Recovered costs:				
Medicaid reimbursements	\$ 166,000	\$ 166,000	\$ 114,922	\$ (51,078)
Other recovered costs	113,779	113,779	112,466	(1,313)
Total recovered costs	\$ 279,779	\$ 279,779	\$ 227,388	\$ (52,391)
Total revenue from local sources	\$ 382,779	\$ 382,779	\$ 353,021	\$ (29,758)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 18,284,329	\$ 18,284,329	\$ 17,962,898	\$ (321,431)
Total revenues from local governments	\$ 18,284,329	\$ 18,284,329	\$ 17,962,898	\$ (321,431)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,800,883	\$ 5,800,883	\$ 5,784,979	\$ (15,904)
Basic school aid	16,494,132	16,494,132	16,034,604	(459,528)
ISAP	15,717	15,717	15,717	-
Remedial summer education	76,207	76,207	91,866	15,659
Regular foster care	14,877	14,877	13,437	(1,440)
Adult secondary education	4,860	4,860	5,535	675
Gifted and talented	159,200	159,200	156,588	(2,612)



## Schedule of Revenues - Budget and Actual

## Governmental Funds

For The Year Ended June 30, 2006 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 268,127	\$ 268,127	\$ 263,727	\$ (4,400)
Enrollment loss	-	-	146,050	146,050
English as a second language	5,645	5,645	8,966	3,321
Special education	1,767,961	1,767,961	1,738,952	(29,009)
Textbook payment	264,440	264,440	260,101	(4,339)
Vocational standards of quality payments	343,537	343,537	337,901	(5,636)
Social security fringe benefits	833,707	833,707	820,027	(13,680)
Retirement fringe benefits	783,433	783,433	770,578	(12,855)
State lottery payments	1,027,428	1,027,428	992,768	(34,660)
Early reading intervention	49,949	49,949	53,517	3,568
JVG	10,000	10,000	25,000	15,000
Project graduation	-	-	1,842	1,842
Homebound education	28,383	28,383	47,157	18,774
Regional program tuition	388,355	388,355	395,629	7,274
Vocational educational equipment	23,579	23,579	27,817	4,238
Special education - foster children	31,095	31,095	21,369	(9,726)
Special education-jails	529	529	134	(395)
Salary supplements	322,590	322,590	317,297	(5,293)
VI teacher	4,050	4,050	4,107	57
At risk payments	181,309	181,309	178,225	(3,084)
At risk four year olds	66,757	66,757	-	(66,757)
Industry credential student	-	-	4,801	4,801
Industrial based cert	-	-	62,160	62,160
Primary class size	284,170	284,170	294,621	10,451
Technology	284,000	284,000	284,000	-
Standards of Learning algebra readiness	36,679	36,679	36,679	-
Other state funds	-	-	36	36
Mentor teacher program	4,409	4,409	4,376	(33)
Total categorical aid	\$ 29,576,008	\$ 29,576,008	\$ 29,200,563	\$ (375,445)

## Revenue from the federal government:

## Categorical aid:

Title V	\$ -	\$ -	\$ 12,688	\$ 12,688
Adult literacy	50,320	50,320	54,793	4,473
Title I	991,434	991,434	839,101	(152,333)
Title VI-B, special education flow-through	1,324,892	1,324,892	1,198,071	(126,821)
Vocational education	102,000	102,000	98,388	(3,612)
Workforce investment act	33,080	33,080	9,961	(23,119)
Title IID	25,417	25,417	25,390	(27)
Title II	266,734	266,734	284,396	17,662
Impact aid	70,000	70,000	69,278	(722)
HSTW	7,500	7,500	-	(7,500)

Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For The Year Ended June 30, 2006 (Continued)

<b>Fund, Major and Minor Revenue Source</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Drug free school	\$ 50,000	\$ 50,000	\$ 41,471	\$ (8,529)
ROTC	54,000	54,000	56,154	2,154
Other federal funds	150,000	150,000	19,099	(130,901)
Total categorical aid	<u>\$ 3,125,377</u>	<u>\$ 3,125,377</u>	<u>\$ 2,708,790</u>	<u>\$ (416,587)</u>
Total School Operating Fund	<u>\$ 51,368,493</u>	<u>\$ 51,368,493</u>	<u>\$ 50,225,272</u>	<u>\$ (1,143,221)</u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 5,309	\$ 5,309	\$ 10,224	\$ 4,915
Charges for services:				
Cafeteria sales	\$ 1,385,585	\$ 1,385,585	\$ 1,222,834	\$ (162,751)
Other charges for services	55,000	55,000	45,997	(9,003)
Total charges for services	<u>\$ 1,440,585</u>	<u>\$ 1,440,585</u>	<u>\$ 1,268,831</u>	<u>\$ (171,754)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 31,070	\$ 31,070	\$ 18,851	\$ (12,219)
Total miscellaneous revenue	<u>\$ 31,070</u>	<u>\$ 31,070</u>	<u>\$ 18,851</u>	<u>\$ (12,219)</u>
Total revenue from local sources	<u>\$ 1,476,964</u>	<u>\$ 1,476,964</u>	<u>\$ 1,297,906</u>	<u>\$ (179,058)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 33,000	\$ 33,000	\$ 24,891	\$ (8,109)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 555,767	\$ 555,767	\$ 565,732	\$ 9,965
Total School Cafeteria Fund	<u>\$ 2,065,731</u>	<u>\$ 2,065,731</u>	<u>\$ 1,888,529</u>	<u>\$ (177,202)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 53,434,224</u>	<u>\$ 53,434,224</u>	<u>\$ 52,113,801</u>	<u>\$ (1,320,423)</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule 2

Page 1 of 5

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 182,520	\$ 188,461	\$ 187,752	\$ 709
General and financial administration:				
County administrator	\$ 340,855	\$ 340,855	\$ 348,795	\$ (7,940)
Human resources	236,251	236,251	239,487	(3,236)
County attorney	232,994	232,994	230,231	2,763
Commissioner of revenue	429,624	429,624	415,496	14,128
County assessor	497,826	497,826	405,661	92,165
Treasurer	529,232	559,232	546,701	12,531
Finance	270,040	270,040	268,736	1,304
Department of information technology	833,774	833,774	805,960	27,814
Purchasing	254,324	254,324	235,741	18,583
Other general and financial administration	285,807	284,757	278,040	6,717
Total general and financial administration	\$ 3,910,727	\$ 3,939,677	\$ 3,774,848	\$ 164,829
Board of elections:				
Electoral board and officials	\$ 164,732	\$ 164,732	\$ 151,609	\$ 13,123
Total board of elections	\$ 164,732	\$ 164,732	\$ 151,609	\$ 13,123
Total general government administration	\$ 4,257,979	\$ 4,292,870	\$ 4,114,209	\$ 178,661
Judicial administration:				
Courts:				
Circuit court	\$ 60,861	\$ 60,861	\$ 56,916	\$ 3,945
General district court	16,700	16,700	14,290	2,410
Commissioner of accounts	500	500	440	60
Magistrate	4,650	4,650	4,912	(262)
Juvenile and domestic relations district court	33,625	33,625	19,161	14,464
Clerk of the circuit court	347,907	390,907	376,896	14,011
Victim and witness assistance	53,029	53,561	49,437	4,124
Court services unit	160,992	160,992	130,427	30,565
Group home commission	144,540	144,540	144,195	345
Total courts	\$ 822,804	\$ 866,336	\$ 796,674	\$ 69,662
Commonwealth's attorney:				
Commonwealth's attorney	\$ 484,259	\$ 484,259	\$ 459,416	\$ 24,843
Total commonwealth's attorney	\$ 484,259	\$ 484,259	\$ 459,416	\$ 24,843
Total judicial administration	\$ 1,307,063	\$ 1,350,595	\$ 1,256,090	\$ 94,505
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,990,958	\$ 4,060,782	\$ 3,739,912	\$ 320,870
Emergency operations center	300,013	301,063	295,639	5,424
Total law enforcement and traffic control	\$ 4,290,971	\$ 4,361,845	\$ 4,035,551	\$ 326,294

COUNTY OF GLOUCESTER, VIRGINIA

Schedule 2

Page 2 of 5

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 1,400,874	\$ 1,426,629	\$ 1,436,432	\$ (9,803)
State forestry service	4,957	4,957	4,956	1
Office of emergency services	109,311	314,873	258,840	56,033
Total fire and rescue services	<u>\$ 1,515,142</u>	<u>\$ 1,746,459</u>	<u>\$ 1,700,228</u>	<u>\$ 46,231</u>
Correction and detention:				
County operated institutions	\$ 2,365,629	\$ 2,359,629	\$ 2,103,086	\$ 256,543
Total correction and detention	<u>\$ 2,365,629</u>	<u>\$ 2,359,629</u>	<u>\$ 2,103,086</u>	<u>\$ 256,543</u>
Inspections:				
Building	\$ 661,459	\$ 709,459	\$ 696,568	\$ 12,891
Total inspections	<u>\$ 661,459</u>	<u>\$ 709,459</u>	<u>\$ 696,568</u>	<u>\$ 12,891</u>
Other protection:				
Animal control	\$ 311,488	\$ 314,232	\$ 295,724	\$ 18,508
Medical examiner	1,100	1,100	950	150
Total other protection	<u>\$ 312,588</u>	<u>\$ 315,332</u>	<u>\$ 296,674</u>	<u>\$ 18,658</u>
Total public safety	<u>\$ 9,145,789</u>	<u>\$ 9,492,724</u>	<u>\$ 8,832,107</u>	<u>\$ 660,617</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 203,763	\$ 203,763	\$ 205,173	\$ (1,410)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 203,763</u>	<u>\$ 203,763</u>	<u>\$ 205,173</u>	<u>\$ (1,410)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 54,100	\$ 70,018	\$ 17,803	\$ 52,215
Total sanitation and waste removal	<u>\$ 54,100</u>	<u>\$ 70,018</u>	<u>\$ 17,803</u>	<u>\$ 52,215</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,422,395	\$ 1,422,395	\$ 1,383,112	\$ 39,283
Total maintenance of general buildings and grounds	<u>\$ 1,422,395</u>	<u>\$ 1,422,395</u>	<u>\$ 1,383,112</u>	<u>\$ 39,283</u>
Total public works	<u>\$ 1,680,258</u>	<u>\$ 1,696,176</u>	<u>\$ 1,606,088</u>	<u>\$ 90,088</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 317,900	\$ 317,900	\$ 316,738	\$ 1,162
Mosquito control	132,475	132,475	116,066	16,409
Total health	<u>\$ 450,375</u>	<u>\$ 450,375</u>	<u>\$ 432,804</u>	<u>\$ 17,571</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 97,173	\$ 97,173	\$ 97,173	\$ -
Total mental health and mental retardation	\$ 97,173	\$ 97,173	\$ 97,173	\$ -
Total health and welfare	\$ 547,548	\$ 547,548	\$ 529,977	\$ 17,571
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 10,060	\$ 10,060	\$ 10,060	\$ -
Contribution to community education	517,891	530,205	442,340	87,865
Contribution to County School Board	18,284,329	18,284,329	17,962,898	321,431
Total education	\$ 18,812,280	\$ 18,824,594	\$ 18,415,298	\$ 409,296
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 575,294	\$ 658,631	\$ 605,296	\$ 53,335
Beaverdam reservoir park	229,245	236,245	235,267	978
Total parks and recreation	\$ 804,539	\$ 894,876	\$ 840,563	\$ 54,313
Cultural enrichment:				
Daffodil festival	\$ 37,900	\$ 37,900	\$ 70,219	\$ (32,319)
Historical committee	45,601	45,601	44,308	1,293
Total cultural enrichment	\$ 83,501	\$ 83,501	\$ 114,527	\$ (31,026)
Library:				
Contribution to county library	\$ 749,220	\$ 778,701	\$ 753,393	\$ 25,308
Total library	\$ 749,220	\$ 778,701	\$ 753,393	\$ 25,308
Total parks, recreation, and cultural	\$ 1,637,260	\$ 1,757,078	\$ 1,708,483	\$ 48,595
Community development:				
Planning and community development:				
Community development	\$ 307,105	\$ 307,105	\$ 298,992	\$ 8,113
Tourism	85,000	125,898	81,425	44,473
Economic development	222,739	222,739	225,544	(2,805)
Contribution to Industrial Development Authority	110,000	110,000	82,432	27,568
Total planning and community development	\$ 724,844	\$ 765,742	\$ 688,393	\$ 77,349
Environmental management:				
Clean community program	\$ 53,480	\$ 57,005	\$ 41,998	\$ 15,007
Total environmental management	\$ 53,480	\$ 57,005	\$ 41,998	\$ 15,007
Cooperative extension program:				
Extension office	\$ 80,073	\$ 80,073	\$ 72,821	\$ 7,252
Total cooperative extension program	\$ 80,073	\$ 80,073	\$ 72,821	\$ 7,252
Total community development	\$ 858,397	\$ 902,820	\$ 803,212	\$ 99,608

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2006 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Contributions to civic organizations	\$ 270,093	\$ 293,844	\$ 199,126	\$ 94,718
Total nondepartmental	\$ 270,093	\$ 293,844	\$ 199,126	\$ 94,718
Total General Fund	\$ 38,516,667	\$ 39,158,249	\$ 37,464,590	\$ 1,693,659
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,724,727	\$ 1,702,727	\$ 1,663,330	\$ 39,397
Public assistance	392,440	433,940	414,398	19,542
Purchased services	442,326	437,826	382,526	55,300
Grants	100,840	85,840	75,938	9,902
Board of public welfare	5,000	5,000	4,734	266
Total welfare and social services	\$ 2,665,333	\$ 2,665,333	\$ 2,540,926	\$ 124,407
Total health and welfare	\$ 2,665,333	\$ 2,665,333	\$ 2,540,926	\$ 124,407
Total Virginia Public Assistance Fund	\$ 2,665,333	\$ 2,665,333	\$ 2,540,926	\$ 124,407
<b>Comprehensive Services Act Fund:</b>				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 702,000	\$ 762,000	\$ 614,905	\$ 147,095
Total Comprehensive Services Act Fund	\$ 702,000	\$ 762,000	\$ 614,905	\$ 147,095
<b>Revenue Maximization Fund:</b>				
Health and welfare:				
Welfare and social services:				
Revenue maximization program	\$ 53,000	\$ 53,000	\$ -	\$ 53,000
Total Revenue Maximization Fund	\$ 53,000	\$ 53,000	\$ -	\$ 53,000
<b>Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 2,237,523	\$ 2,237,523	\$ 2,237,523	\$ -
Interest and other fiscal charges	1,388,557	1,388,557	1,354,440	34,117
Bond issuance costs	-	-	654,320	(654,320)
Other debt service	192,500	192,500	193,250	(750)
Total School Debt Service Fund	\$ 3,818,580	\$ 3,818,580	\$ 4,439,533	\$ (620,953)
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
County capital assets	\$ 4,095,317	\$ 5,039,493	\$ 1,197,420	\$ 3,842,073
Equipment and vehicles	694,028	688,028	586,637	101,391
School capital assets	600,000	1,433,666	1,434,204	(538)
Total capital projects	\$ 5,389,345	\$ 7,161,187	\$ 3,218,261	\$ 3,942,926
Total County Capital Improvements Fund	\$ 5,389,345	\$ 7,161,187	\$ 3,218,261	\$ 3,942,926

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2006 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Funds: (Continued)</b>				
<b>School Construction Fund:</b>				
Capital projects expenditures:				
Achilles Elementary School renovations	\$ 650,000	\$ 803,216	\$ 805,125	\$ (1,909)
Botetourt Elementary School renovations	650,000	1,156,784	1,149,847	6,937
Total capital projects	<u>\$ 1,300,000</u>	<u>\$ 1,960,000</u>	<u>\$ 1,954,972</u>	<u>\$ 5,028</u>
Total School Construction Fund	<u>\$ 1,300,000</u>	<u>\$ 1,960,000</u>	<u>\$ 1,954,972</u>	<u>\$ 5,028</u>
Total Primary Government	<u>\$ 49,024,592</u>	<u>\$ 52,098,016</u>	<u>\$ 47,077,356</u>	<u>\$ 5,020,660</u>
<b>Discretely Presented Component Unit-School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 91,300	\$ 91,300	\$ 86,470	\$ 4,830
Executive administration services	450,205	450,205	451,513	(1,308)
Personnel	483,527	483,527	438,034	45,493
Fiscal services	294,540	294,540	288,472	6,068
Total administration of schools	<u>\$ 1,319,572</u>	<u>\$ 1,319,572</u>	<u>\$ 1,264,489</u>	<u>\$ 55,083</u>
Instruction costs:				
Elementary and secondary schools	\$ 40,254,624	\$ 40,254,624	\$ 39,162,800	\$ 1,091,824
Total instruction costs	<u>40,254,624</u>	<u>40,254,624</u>	<u>39,162,800</u>	<u>1,091,824</u>
Operating costs:				
Attendance and health services	\$ 963,881	\$ 963,881	\$ 969,013	\$ (5,132)
Pupil transportation	3,754,202	3,754,202	3,754,203	(1)
Operation and maintenance of school plant	5,076,214	5,076,214	5,074,767	1,447
Total operating costs	<u>\$ 9,794,297</u>	<u>\$ 9,794,297</u>	<u>\$ 9,797,983</u>	<u>\$ (3,686)</u>
Total education	<u>\$ 51,368,493</u>	<u>\$ 51,368,493</u>	<u>\$ 50,225,272</u>	<u>\$ 1,143,221</u>
Total School Fund	<u>\$ 51,368,493</u>	<u>\$ 51,368,493</u>	<u>\$ 50,225,272</u>	<u>\$ 1,143,221</u>
<b>Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 2,095,731	\$ 2,095,731	\$ 1,890,428	\$ 205,303
Total Cafeteria Fund	<u>\$ 2,095,731</u>	<u>\$ 2,095,731</u>	<u>\$ 1,890,428</u>	<u>\$ 205,303</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 53,464,224</u>	<u>\$ 53,464,224</u>	<u>\$ 52,115,700</u>	<u>\$ 1,348,524</u>

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## Statistical Section

### Contents

### Tables

#### Financial Trends

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

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#### Revenue Capacity

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

5 - 7

#### Debt Capacity

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

8 - 9

#### 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.

10 - 11

#### Operating Information

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

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2001; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year			
	2006	2005	2004	2003
Governmental activities				
Invested in capital assets, net of related debt	\$ 6,392,933	\$ 7,027,169	\$ 5,429,820	\$ 6,404,714
Restricted	367,597	398,179	510,268	699,863
Unrestricted	<u>21,155,013</u>	<u>22,429,995</u>	<u>20,952,949</u>	<u>15,044,364</u>
Total governmental activities net assets	<u>\$ 27,915,543</u>	<u>\$ 29,855,343</u>	<u>\$ 26,893,037</u>	<u>\$ 22,148,941</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 3,676,016	\$ 2,018,698	\$ 492,739	\$ (1,696,961)
Unrestricted	<u>756,386</u>	<u>1,584,243</u>	<u>3,028,317</u>	<u>5,442,930</u>
Total business-type activities net assets	<u>\$ 4,432,402</u>	<u>\$ 3,602,941</u>	<u>\$ 3,521,056</u>	<u>\$ 3,745,969</u>
Primary government				
Invested in capital assets, net of related debt	\$ 10,068,949	\$ 9,045,867	\$ 5,922,559	\$ 4,707,753
Restricted	367,597	398,179	510,268	699,863
Unrestricted	<u>21,911,399</u>	<u>24,014,238</u>	<u>23,981,266</u>	<u>20,487,294</u>
Total primary government net assets	<u>\$ 32,347,945</u>	<u>\$ 33,458,284</u>	<u>\$ 30,414,093</u>	<u>\$ 25,894,910</u>

Changes in Net Assets, Last Four Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government administration	\$ 4,361,409	\$ 3,847,340	\$ 3,514,851	\$ 3,515,036
Judicial administration	1,437,573	1,394,318	1,354,943	1,634,531
Public safety	9,293,694	8,505,036	8,842,271	7,242,241
Public works	1,676,331	1,469,138	1,453,010	1,434,062
Health and welfare	3,728,909	3,800,505	3,411,223	3,249,649
Education	24,779,632	20,447,731	19,006,986	18,371,729
Parks, recreation, culture	1,883,177	1,508,612	2,719,637	4,180,678
Community development	1,027,936	1,129,146	1,245,316	1,777,142
Interest on long-term debt	1,611,850	1,694,134	1,986,667	1,944,817
Total governmental activities expenses	<u>49,800,511</u>	<u>43,795,960</u>	<u>43,534,904</u>	<u>43,349,885</u>
Business-type activities:				
Public utilities	<u>3,864,376</u>	<u>3,775,728</u>	<u>3,781,079</u>	<u>3,446,672</u>
Total business-type activities expenses	<u>3,864,376</u>	<u>3,775,728</u>	<u>3,781,079</u>	<u>3,446,672</u>
Total Primary government expenses	<u>\$ 53,664,887</u>	<u>\$ 47,571,688</u>	<u>\$ 47,315,983</u>	<u>\$ 46,796,557</u>
Program Revenues				
Governmental activities:				
Charges for services	\$ 1,545,122	\$ 1,508,535	\$ 1,381,318	\$ 1,077,522
Operating grants and contributions	6,825,175	6,905,210	6,892,182	5,927,266
Capital grants and contributions	<u>1,086,133</u>	<u>208,270</u>	<u>657,824</u>	<u>461,189</u>
Total governmental activities program revenues	<u>\$ 9,456,430</u>	<u>\$ 8,622,015</u>	<u>\$ 8,931,324</u>	<u>\$ 7,465,977</u>
Business-type activities:				
Charges for services	\$ 3,312,253	\$ 2,800,738	\$ 2,776,662	\$ 2,960,089
Operating grants and contributions	26,943	-	-	-
Capital grants and contributions	<u>214,190</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities program revenues	<u>3,553,386</u>	<u>2,800,738</u>	<u>2,776,662</u>	<u>2,960,089</u>
Total primary government program revenue	<u>\$ 13,009,816</u>	<u>\$ 11,422,753</u>	<u>\$ 11,707,986</u>	<u>\$ 10,426,066</u>
Net(Expense)/Revenue				
Governmental activities	\$ (40,344,081)	\$ (35,173,945)	\$ (34,603,580)	\$ (35,883,908)
Business-type activities	<u>(310,990)</u>	<u>(974,990)</u>	<u>(1,004,417)</u>	<u>(486,583)</u>
Total primary government net expense	<u>\$ (40,655,071)</u>	<u>\$ (36,148,935)</u>	<u>\$ (35,607,997)</u>	<u>\$ (36,370,491)</u>

## Changes in Net Assets, Last Four Fiscal Years

*(accrual basis of accounting)*

	Fiscal Year			
	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
General property taxes	\$ 23,039,459	\$ 25,460,056	\$ 26,844,694	\$ 23,117,558
Local sales and use tax	3,774,673	3,556,343	-	-
Consumer utility tax	1,744,135	1,790,229	-	-
Permits, privilege fees, and regulatory licenses	-	-	-	367,752
Other local taxes	4,715,618	4,804,057	9,429,641	8,190,587
Unrestricted revenues from use of money and property	668,054	440,890	221,448	280,952
Miscellaneous	853,784	213,490	1,375,249	3,539,593
Grants and contributions not restricted to specific programs	4,508,558	2,768,484	2,906,969	2,775,813
Transfers	<u>(900,000)</u>	<u>(897,298)</u>	<u>(700,000)</u>	<u>(694,872)</u>
Total governmental activities	<u>38,404,281</u>	<u>38,136,251</u>	<u>40,078,001</u>	<u>37,577,383</u>
Business-type activities				
General property taxes	37,861	41,988	43,111	40,639
Unrestricted revenues from use of money and property	202,590	117,589	36,393	94,114
Transfers	<u>900,000</u>	<u>897,298</u>	<u>700,000</u>	<u>694,872</u>
Total business-type activities	<u>1,140,451</u>	<u>1,056,875</u>	<u>779,504</u>	<u>829,625</u>
Total primary government	<u>\$ 39,544,732</u>	<u>\$ 39,193,126</u>	<u>\$ 40,857,505</u>	<u>\$ 38,407,008</u>
Change in Net Assets				
Governmental activities	\$ (1,939,800)	\$ 2,962,306	\$ 5,474,421	\$ 1,693,475
Business-type activities	<u>829,461</u>	<u>81,885</u>	<u>(224,913)</u>	<u>343,042</u>
Total primary government	<u>\$ (1,110,339)</u>	<u>\$ 3,044,191</u>	<u>\$ 5,249,508</u>	<u>\$ 2,036,517</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

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

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	Fiscal Year				
	2006	2005	2004	2003	2002
General Fund					
Reserved	\$ 556,862	\$ 398,179	\$ 510,268	\$ 731,387	\$ 943,221
Unreserved	15,953,192	15,503,657	17,620,647	11,933,486	9,794,702
Total general fund	<u>\$ 16,510,054</u>	<u>\$ 15,901,836</u>	<u>\$ 18,130,915</u>	<u>\$ 12,664,873</u>	<u>\$ 10,737,923</u>
All Other Governmental Funds					
Unreserved, reported in:					
Special revenue funds	\$ 63,974	\$ 63,974	\$ 169,644	\$ 127,218	-
Debt service funds	75,116	24,165	488	280	-
Capital projects funds	3,847,743	4,032,730	8,167,302	2,445,595	3,293,077
Total all other governmental funds	<u>\$ 3,986,833</u>	<u>\$ 4,120,869</u>	<u>\$ 8,337,434</u>	<u>\$ 2,573,093</u>	<u>\$ 3,293,077</u>

Table 3

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Fiscal Year				
2001	2000	1999	1998	1997
\$ 652,278	\$ 248,900	\$ 384,553	\$ 513,755	\$ 326,670
8,301,052	7,637,325	9,675,179	7,934,145	8,294,557
<u>\$ 8,953,330</u>	<u>\$ 7,886,225</u>	<u>\$ 10,059,732</u>	<u>\$ 8,447,900</u>	<u>\$ 8,621,227</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
8,008,758	210,228	73,588	73,588	2,012,194
<u>\$ 8,008,758</u>	<u>\$ 210,228</u>	<u>\$ 73,588</u>	<u>\$ 73,588</u>	<u>\$ 2,012,194</u>

# COUNTY OF GLOUCESTER, VIRGINIA

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

	Fiscal Year				
	2006	2005	2004	2003	2002
<b>REVENUES</b>					
General property taxes	\$ 26,432,859	\$ 25,361,237	\$ 24,578,024	\$ 23,089,347	\$ 21,735,807
Other local taxes	10,234,426	10,150,629	9,429,641	8,190,587	7,534,250
Permits, privilege fees, and regulatory licenses	442,365	358,550	325,348	367,752	301,641
Fines and forfeitures	99,699	124,446	94,788	69,936	77,277
Revenue from the use of money and property	645,911	418,748	206,686	280,952	178,440
Charges for services	1,003,058	1,025,539	961,182	1,007,586	873,832
Miscellaneous	439,644	213,490	1,375,249	3,539,593	183,417
Recovered costs	224,721	187,266	235,694	327,999	308,160
Intergovernmental revenues:					
Other local governments	-				65,000
Commonwealth	8,287,161	7,513,836	7,561,900	7,137,791	7,939,865
Federal	2,743,385	2,368,128	2,895,075	2,026,477	2,142,757
Total revenues	<u>\$ 50,553,229</u>	<u>\$ 47,721,869</u>	<u>\$ 47,663,587</u>	<u>\$ 46,038,020</u>	<u>\$ 41,340,446</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 4,114,209	\$ 3,716,011	\$ 3,252,076	\$ 3,264,643	\$ 3,296,403
Judicial administration	1,256,090	1,188,720	1,134,736	1,072,443	1,194,277
Public safety	8,832,107	8,495,083	8,652,538	7,017,379	6,851,651
Public works	1,606,088	1,485,546	1,453,195	1,349,677	1,191,479
Health and welfare	3,685,808	3,744,821	3,386,685	3,296,833	2,892,104
Education	18,415,298	17,195,819	16,080,604	15,708,844	14,858,211
Parks, recreation, and cultural	1,708,483	1,486,361	1,242,768	1,112,185	1,084,547
Community development	803,212	735,022	726,647	794,845	646,556
Nondepartmental	199,126	165,327	1,362,005	3,673,350	668,639
Capital projects	5,173,233	10,227,835	2,541,164	2,880,899	7,320,020
Debt service:					
Principal retirement	2,237,523	3,041,103	2,186,094	2,288,399	2,637,212
Interest and other fiscal charges	1,547,690	1,788,567	1,682,544	1,972,079	2,144,126
Total expenditures	<u>\$ 49,578,867</u>	<u>\$ 53,270,215</u>	<u>\$ 43,701,056</u>	<u>\$ 44,431,576</u>	<u>\$ 44,785,225</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 974,362</u>	<u>\$ (5,548,346)</u>	<u>\$ 3,962,531</u>	<u>\$ 1,606,444</u>	<u>\$ (3,444,779)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 8,122,258	\$ 11,187,176	\$ 4,629,367	\$ 6,033,929	\$ 1,684,883
Transfers out	(9,022,258)	(12,084,474)	(5,329,367)	(6,728,801)	(2,184,883)
Proceeds from general obligation bonds	414,140	-	7,525,000	-	-
Proceeds from bond issuance premium	-	-	442,852	-	-
Proceeds of capital leases	8,205,000	-	1,589,921	-	494,255
Proceeds of State Literary Fund Loans	-	-	-	-	-
Repayment of temporary loans	-	-	-	-	-
Advance refunding of bonds	(8,219,320)	-	-	-	-
Refunding of capital lease	-	-	(1,589,921)	-	-
Total other financing sources (uses)	<u>\$ (500,180)</u>	<u>\$ (897,298)</u>	<u>\$ 7,267,852</u>	<u>\$ (694,872)</u>	<u>\$ (5,745)</u>
Net change in fund balances	\$ 474,182	\$ (6,445,644)	\$ 11,230,383	\$ 911,572	\$ (3,450,524)
Fund balances - beginning	20,022,705	26,468,349	15,237,966	14,326,394	17,776,918
Fund balances - ending	<u>\$ 20,496,887</u>	<u>\$ 20,022,705</u>	<u>\$ 26,468,349</u>	<u>\$ 15,237,966</u>	<u>\$ 14,326,394</u>
Debt Service as a percentage of noncapital expenditures	<u>8.60%</u>	<u>11.33%</u>	<u>9.44%</u>	<u>10.34%</u>	<u>12.95%</u>



Table 4

Fiscal Year				
2001	2000	1999	1998	1997
\$ 22,058,778	\$ 19,910,365	\$ 20,099,408	\$ 18,784,434	\$ 17,639,740
7,575,853	6,487,305	6,205,078	5,826,714	5,262,108
187,847	214,751	220,689	217,363	229,320
65,891	80,615	79,746	99,703	111,241
810,301	546,010	506,693	435,126	705,778
900,043	793,259	823,597	782,627	656,485
384,772	111,955	465,419	406,730	330,778
250,606	215,650	401,550	530,757	485,008
-	-	-	-	-
6,439,199	5,530,687	4,211,574	4,180,837	3,413,360
1,638,635	1,965,929	1,567,998	1,540,951	1,821,936
<u>\$ 40,311,925</u>	<u>\$ 35,856,526</u>	<u>\$ 34,581,752</u>	<u>\$ 32,805,242</u>	<u>\$ 30,655,754</u>
\$ 3,148,864	\$ 2,936,991	\$ 2,604,716	\$ 2,658,986	\$ 2,240,386
1,155,282	1,099,412	1,040,520	977,773	853,102
6,598,400	5,743,208	5,195,313	4,387,359	3,778,754
1,211,031	1,157,294	1,143,624	1,146,937	1,039,280
2,752,033	2,923,566	2,933,779	2,591,448	2,250,872
17,407,408	16,964,109	14,756,266	15,435,401	14,110,484
1,089,439	983,569	912,109	838,397	750,297
474,070	739,766	686,218	573,291	509,251
257,420	135,621	132,190	108,560	56,725
3,768,067	3,322,194	2,574,113	6,220,420	11,111,184
366,378	491,786	435,097	186,693	120,000
978,127	697,013	699,062	728,987	761,723
<u>\$ 39,206,519</u>	<u>\$ 37,194,529</u>	<u>\$ 33,113,007</u>	<u>\$ 35,854,252</u>	<u>\$ 37,582,058</u>
<u>\$ 1,105,406</u>	<u>\$ (1,338,003)</u>	<u>\$ 1,468,745</u>	<u>\$ (3,049,010)</u>	<u>\$ (6,926,304)</u>
\$ 2,061,582	\$ 3,145,526	\$ 1,928,044	\$ 2,773,800	\$ 3,552,743
(2,761,493)	(3,844,390)	(2,608,157)	(3,236,077)	(4,015,020)
-	-	-	-	5,000,000
-	-	-	-	-
9,275,000	-	823,200	1,429,000	1,761,660
-	-	-	4,970,324	-
-	-	-	(5,000,000)	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 8,575,089</u>	<u>\$ (698,864)</u>	<u>\$ 143,087</u>	<u>\$ 937,047</u>	<u>\$ 6,299,383</u>
\$ 9,680,495	\$ (2,036,867)	\$ 1,611,832	\$ (2,111,963)	\$ (626,921)
8,096,423	10,133,290	8,521,458	10,633,421	11,260,342
<u>\$ 17,776,918</u>	<u>\$ 8,096,423</u>	<u>\$ 10,133,290</u>	<u>\$ 8,521,458</u>	<u>\$ 10,633,421</u>
<u>3.85%</u>	<u>3.54%</u>	<u>3.75%</u>	<u>3.14%</u>	<u>3.35%</u>

Principal Property Tax Payers,  
Current Year and Nine Years Ago

Taxpayer	2006		1997	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 23,303,500	0.61 %	\$ -	- %
Wal-Mart Real Estate Business Trust	13,307,000	0.35	-	-
York River Crossing Assoc., LLC	10,060,500	0.26	6,680,900	0.42
Lowe's Home Center, Inc.	7,387,400	0.19	-	-
Horn Harbor Nursing Home Inc.	7,092,400	0.19	3,242,300	0.20
Mid-Atlantic Communities, LLC	6,470,800	0.17	-	-
Thousand Trail, Inc.	5,525,500	0.15	2,977,600	0.19
E. Claiborne Robins, Jr.	5,408,580	0.14	-	-
Walter Reed Memorial Hospital	5,156,600	0.14	-	-
Newport News General, etal	5,141,500	0.14	3,596,700	0.23
Waste Management Disposal Services	-	-	3,854,000	0.24
GWD Ventures II, LLC	-	-	4,317,200	0.27
Retail Trust III	-	-	3,506,200	0.22
James E. Branch	-	-	3,094,000	0.19
Robert J. Kubicki	-	-	2,926,200	0.18
Martin H. and Valerie Wilcox	-	-	2,837,700	0.18
	<u>\$ 52,243,280</u>	<u>1.37 %</u>	<u>\$ 37,032,800</u>	<u>2.32 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections,  
Last Five Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)		Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Original Levy			Amount	Percentage of Adjusted Levy			
2002	\$ 17,445,456	\$ (5,609)	\$ 17,439,847	\$ 16,822,442	96.43%	\$ 603,107	\$ 17,425,548	99.92%	
2003	18,672,765	6,715	18,679,480	18,032,870	96.57%	625,825	18,658,695	99.89%	
2004	19,067,303	(5,596)	19,061,707	18,502,834	97.04%	514,142	19,016,977	99.77%	
2005	19,480,506	(645)	19,479,861	18,931,208	97.18%	435,169	19,366,377	99.42%	
2006	20,261,412	-	20,261,412	19,792,078	97.68%	-	19,792,078	97.68%	

Source: Gloucester County Treasurer's Department

Property tax levies and collections amounts for fiscal years prior to 2002 are not available in this format.

Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
*(in thousands of dollars)*

Calendar Year Ended	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
1997	\$ 1,193,714	\$ 159,860	\$ 153,755	\$ 1,199,819	\$ 0.93	\$ 1,377,570
1998	1,368,537	181,571	172,243	1,377,865	0.91	1,377,865
1999	1,544,019	178,869	175,010	1,547,877	0.91	1,657,139
2000	1,579,744	184,036	175,637	1,588,143	0.92	1,760,351
2001	1,611,393	188,269	176,929	1,622,733	0.95	1,857,345
2002	1,780,904	215,909	163,074	1,833,738	0.95	1,833,738
2003	1,823,492	219,882	207,375	1,835,999	0.95	2,389,314
2004	1,851,153	240,989	208,335	1,883,807	0.95	2,143,254
2005	1,884,559	251,481	208,729	1,927,310	0.95	2,972,313
2006	3,431,000	376,354	261,229	3,546,125	0.57	3,546,125

Source: Commissioner of Revenue Department

Note: Property in the County of Gloucester is reassessed once every four years. The County assesses property at 100% of market value. Beginning in 2008, the County will reassess property every two years.

Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds	Capital Lease and Notes Payable			
1997	\$ 19,990,000	\$ 5,769,146	\$ 4,404,865	\$ 402,214	\$ 26,001,791	\$ 23,254	\$ 56,591,270	7.95%	\$ 1,679.27
1998	13,715,000	10,316,920	5,324,497	380,260	25,487,232	45,822	55,269,731	7.21%	1,620.81
1999	12,475,000	9,915,220	5,551,266	357,183	24,917,587	23,144	53,239,400	6.64%	1,538.71
2000	11,280,000	9,263,520	4,746,225	332,925	24,306,222	-	49,928,892	5.85%	1,435.56
2001	10,100,000	8,623,520	13,337,004	307,425	32,493,742	-	64,861,691	7.13%	1,858.50
2002	8,940,000	7,983,520	12,559,507	280,629	31,470,856	-	61,234,512	6.50%	1,749.56
2003	7,780,000	7,343,520	12,071,108	252,454	30,606,681	-	58,053,763	5.89%	1,649.25
2004	14,255,000	6,703,520	11,689,935	222,838	29,696,963	-	62,568,256	5.92%	1,767.46
2005	12,885,000	6,063,520	10,658,832	191,707	28,727,760	-	58,526,819	N/A	1,639.41
2006	11,685,000	5,423,520	10,901,309	158,983	27,572,046	-	55,740,858	N/A	1,561.37

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

N/A- The information was unavailable.

Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds				Per Capita(a)	Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business- type Activities	Total			
1997	\$ 19,990,000	\$ 402,214	\$ 20,392,214	\$	605.11	1.48%
1998	13,715,000	380,260	14,095,260		413.35	1.02%
1999	12,475,000	357,183	12,832,183		370.87	0.77%
2000	11,280,000	332,925	11,612,925		333.90	0.66%
2001	10,100,000	307,425	10,407,425		298.21	0.56%
2002	8,940,000	280,629	9,220,629		263.45	0.50%
2003	7,780,000	252,454	8,032,454		228.19	0.34%
2004	14,255,000	222,838	14,477,838		408.98	0.68%
2005	12,885,000	191,707	13,076,707		366.29	0.44%
2006	11,685,000	158,983	11,843,983		331.76	0.33%

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

(a) See Table 7 for property value data

(b) Population data can be found in Table 10

Demographic and Economic Statistics  
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income	Unemployment Rate	School Enrollment (3)
1997	33,700	\$ 711,549	\$ 21,114	2.4 %	6,541
1998	34,100	766,075	22,466	2.1	6,555
1999	34,600	801,490	23,164	2.0	6,613
2000	34,780	853,309	24,534	1.6	6,526
2001	34,900	910,294	26,083	2.7	6,411
2002	35,000	942,410	26,926	3.1	6,350
2003	35,400	986,458	27,866	2.8	6,309
2004	35,400	1,057,181	29,864	2.9	6,147
2005	35,700	N/A	N/A	2.6	6,078
2006	35,700	N/A	N/A	2.7	6,000

## Sources:

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

(2) Bureau of Economic Analysis

(3) Gloucester County Schools

N/A - This information was unavailable.

Principal Employers  
Current Year and Nine Years Ago

Employer	2006		1997	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County (local government and schools)	1,260	13.44 %	1,150	15.00 %
Wal-Mart	470	5.01	185	2.41
Virginia Institute of Marine Science	429	4.58	429	5.59
Riverside Walter Reed Hospital	420	4.48	420	5.48
Industrial Resources Technologies, Inc.	300	3.20	250	3.26
Home Depot	100	1.07	-	-
Lowes	100	1.07	-	-
Dominion Virginia Power	61	0.65	100	1.30
York River Yacht Haven	60	0.64	35	0.46
Verizon	50	0.53	50	0.65
Rappahannock Concrete	41	0.44	-	-
BB&T Bank	24	0.26	-	-
Peace Frogs, Inc.	15	0.16	-	-
International Seafood Distributors, Inc.	-	-	150	1.96
Gloucester Seafood, Inc.	-	-	50	0.65
Total	<u>3,330</u>	<u>35.52 %</u>	<u>2,819</u>	<u>36.76 %</u>

Source: County Economic Development Department



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

	Full-time Equivalent Employees as of June 30									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Government</b>										
Board of Supervisors	7	7	7	7	7	7	7	7	7	7
Administration	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2	2	2	2	2	3	3	3	1.5	1.5
Human Resources	1	2	2	3	3	3	3	3	3	4
Commission of Revenue	7	7	7	7	7	9	9	9	10	9
County Assessor	2	2	2	2	2	2	2	2	2	4
Treasurer	8.5	8.5	8	9	9.5	9.5	9.5	9.5	10	10.5
Finance	5	5	4.5	4.5	5	5	5	5	5	5
Information Technology	7	7	10	10	11	11	11	11.5	11.5	11.5
Purchasing	3	3	3	3	3	3	3	3	3	3
VA Housing Dev. Authority	1.5	1.5	1.5	2	2	2	2	2	2	2
Registrar	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2
<b>Judicial</b>										
Circuit Court Judge	1	1	1	1	1	1	1	1	1	1
Clerk of Circuit Court	6	6	6	6	6	6	6	6.5	6.5	6.5
Victim Witness	1	1	1	1	1	1	1	1	1	1
Commonwealth Attorney	6	6	7.5	7.5	7	7	7	7.5	7.5	7.5
<b>Public Safety</b>										
Sheriff	69	69	77.5	78.5	83.5	83.5	84.5	85	89	53.5
E-911	9	9	10	10	10	10	10	11	11	12
Jail (included w/Sheriff until	0	0	0	0	0	0	0	0	0	38.5
Codes	10.5	10.5	12.5	12.5	12.5	12.5	12.5	13.5	13.5	14
Animal Control	4	4	4	4	4	4	4	4	4	5
Emergency Services	0	0	0	0	0	0	0	0	2	2
<b>Public Works</b>										
Engineering	3	3	3	3	3	3	3	3	3	3
Buildings & Grounds	21.5	21.5	21.5	21.5	21.5	22	26	27.5	27.5	28.5
<b>Education</b>										
Community Education	7	8	8	8	8	8	8	8	8	8
Cable Services	0	0	0	0	0	0	0	0	0	0.5
<b>Parks, Recreation &amp; Cultural</b>										
Parks & Recreation	6	6	6	6	6	6	6	6	6	7
Beaverdam	2.5	2.5	3.5	3.5	3	3	3	4	4	4
Historical	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	9.5	9.5	9.5	9.5	11	11	11	11	12	12
<b>Community Development</b>										
Planning	3	3	3	3	4	4	4	4	4	4
Economic Development	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Clean Community	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tourism	0	0	0	0	0	0.5	1	1	1	1
VA Cooperative Extension	3	3	3	3	3	3	3	3.5	1	1
<b>Utilities</b>										
	19	19	19	20	20.5	20.5	20.5	20.5	20.5	20.5
<b>TOTAL</b>	233.5	235.5	251.5	256	265	269	274.5	281.5	286	297

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

## COUNTY OF GLOUCESTER, VIRGINIA

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

	Fiscal Year				
	2006	2005	2004	2003	2002
Sheriff's Department (1)					
Incident reports	N/A	3,045	3,045	2,252	2,451
Summons	N/A	3,077	3,073	2,333	1,955
Parks, Recreation & Tourism (2)					
Number of Participants	4,301	3,858	3,104	N/A	N/A
Library (3)					
Material circulated	186,519	178,469	121,688	115,775	103,099
Library patrons	19,584	18,089	15,019	15,244	15,118
Water system (4)					
Number of customers	4,187	4,099	4,064	4,019	3,932
Average daily consumption	874,616	833,394	874,504	847,161	839,309
Annual consumption in gallons	319,235,000	304,189,000	319,194,000	309,214,000	306,348,000

### Sources:

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

N/A - This information is not available.

Table 13

Fiscal Year				
2001	2000	1999	1998	1997
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
94,407	92,297	92,985	92,329	93,481
12,464	7,684	18,000	18,951	18,971
3,854	3,814	3,790	3,718	3,664
794,000	848,668	810,941	784,000	711,016
289,991,000	309,764,000	291,939,000	282,555,000	259,521,000

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High Volume Users of Water System  
Fiscal year ended June 30, 2006

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<b>Customer name</b>	<b>Monthly Average Water Usage (1)</b>	<b>Daily (1)</b>
V.I.M.S.	798,000	26,600
Walter Reed Convalescent Center	420,000	14,000
Riverside Walter Reed Hospital	420,000	14,000
York River Yacht Haven	365,000	12,167
SOHO Mobile Home Park	269,000	8,967
Ruby Tuesday, Inc.	256,000	8,533
Water Wizard Car Wash	243,000	8,100
Gloucester High School	239,000	7,967
U-Do-It Laundry	236,000	7,867
York River Mobile Home Park	44,000	1,467

(1) Source - Gloucester County Utility Department

## COUNTY OF GLOUCESTER, VIRGINIA

### Capital Asset Statistics by Function/Program Last Ten Fiscal Years

	Fiscal Year				
	2006	2005	2004	2003	2002
Sheriff's Department (1)					
Stations	1	1	1	1	1
Patrol Units	27	27	27	27	27
Jail	1	1	1	1	1
Volunteer Fire and Rescue (2)					
Stations	6	6	6	6	6
Parks and recreation (3)					
Number of parks maintained	8	8	8	8	8
Park acreage owned by the County	185	185	185	185	185
Park acreage leased	40	40	40	40	40
Library (4)					
Number of libraries	2	2	2	2	2
Number of bookmobiles	1	1	1	1	1
Water system (5)					
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000	2,000,000

#### 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 15

Fiscal Year				
2001	2000	1999	1998	1997
1	1	1	1	1
22	22	22	22	22
1	1	1	1	1
6	6	6	5	5
8	6	6	6	6
185	84	56	56	39
43	43	40	40	40
2	2	2	2	2
1	1	1	1	0
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2006, which collectively comprise the County of Gloucester, Virginia's basic financial statements and have issued our report thereon dated September 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Gloucester, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### **Compliance and Other Matters**

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

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
September 27, 2006

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

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

### Compliance

We have audited the compliance of the County of Gloucester, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006. The County of Gloucester, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on the County of Gloucester, Virginia's compliance based on our audit.

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

In our opinion, the County of Gloucester, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2006.

### Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

*Robinson, Fann, Cox Associates*

Charlottesville, Virginia  
September 27, 2006

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 23,401
Temporary Assist to Needy Families (TANF)	93.558	158,986
Refugee and Entrant Assistance - Discretionary Grants	93.566	264
Low Income Home Energy Assistance	93.568	16,835
Payments to States for Child Care Assistance	93.575	245,310
Child Care and Development Fund	93.596	133,510
Adoption Incentive Payments Program	93.603	2,780
Foster Care - Title IV-E	93.658	250,696
Adoption Assistance	93.659	65,577
Social Services Block Grant	93.667	169,932
Independent Living	93.674	1,349
State Children's Insurance Program	93.767	198
Medical Assistance Program (Title XIX)	93.778	<u>209,347</u>
Total Dept. Health & Human Services-pass through		\$ <u>1,278,185</u>
Total Department Health and Human Services		\$ <u>1,278,185</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution--School	10.555	\$ 91,071
Food Distribution--Jail	10.550	502
Department of Education:		
National school breakfast program	10.553	117,591
National school lunch program	10.555	448,141
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>239,950</u>
Total Department of Agriculture - pass-through payments		\$ <u>897,255</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006 (Continued)

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Department of Justice:		
Direct payments:		
Bulletproof vest program	16.607	\$ 2,748
Breath equipment	16.xxx	1,500
Smart, safe and sober	16.xxx	2,893
Radar and other check point equipment	16.xxx	2,932
Public Safety and Community Policing Grants	16.710	38,422
Grants to encourage arrest police	16.590	<u>220,495</u>
Total Department of Justice - direct		\$ <u>268,990</u>
Pass Through Payments:		
Department of Criminal Justice Service:		
Domestic Violence Grant	16.588	\$ 22,679
Local law enforcement block grant	16.592	<u>837</u>
Total Department of Justice - pass-through		\$ <u>23,516</u>
Total Department of Justice		\$ <u>292,506</u>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Assistance:		
Disaster Assistance	97.036	\$ 31,560
SHSGP - Citizens Corps Program	97.004	147,967
Emergency Management Preparedness Grant	97.042	18,168
Buffer zone	97.078	24,987
Homeland Security	97.067	23,756
Citizens Corp	97.053	6,544
Hazardous Mitigation Grant Program (HMGP)	97.039	<u>538,779</u>
Total Department of Homeland Security		\$ <u>791,761</u>
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	\$ <u>72,334</u>
Department of Labor:		
Pass Through Payments:		
Department of Education:		
Employment services and job training	17.249	\$ <u>10,119</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006 (Continued)

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety Funds	20.000	\$ 7,018
State and Community Highway Safety Funds	20.600	14,176
Recreational trail program	20.219	18,682
HMEP	20.703	<u>12,632</u>
Total Department of Transportation		\$ <u>52,508</u>
Department of the Navy:		
Direct Payments:		
ROTC	12.xxx	\$ <u>56,154</u>
Department of the Interior:		
Direct Payments:		
Gateways Riverwalk grant	15.xxx	\$ <u>30,757</u>
Department of Education:		
Direct Payments:		
School assistance in federally affected areas	84.041	\$ 55,726
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	54,635
Title I: Educationally deprived children	84.010	839,101
Title VI-B: Handicapped state grants	84.027	1,177,248
Vocational Education: Basic grants to states	84.048	98,388
Title VI-B: Handicapped preschool incentive grant	84.173	35,658
Drug free schools and communities	84.186	41,471
Title VI: Improving school programs state block grant	84.298	12,688
Technology Literacy Challenge	84.318	25,390
Advance Placement Incentive	84.333	156
State Assessments and related activities	84.369	4,108
Emergency Impact Aid for Displaced students	84.938	13,552
Title II - Part A	84.367	<u>284,396</u>
Total Department of Education		\$ <u>2,642,517</u>
Total Federal Assistance		\$ <u><u>6,124,096</u></u>

## COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

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### Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federally assisted programs of the County of Gloucester, Virginia. The County's reporting entity is defined in note 1 to the County's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

### Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in note 1 to the County's basic financial statements.

### Note 3 - Relationship to Financial Statements

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

#### Intergovernmental federal revenues per the basic financial statements:

##### Primary government:

General Fund	\$ 601,810
Special Revenue Funds:	
Virginia Public Assistance Fund	1,494,734
CSA Fund	23,401
Capital Projects Funds:	
County Capital Projects Fund	611,113
Proprietary Fund:	
Utilities Fund	26,943
Total primary government	<u>\$ 2,758,001</u>

##### Component Unit Public Schools:

School Operating Fund	\$ 2,708,790
School Cafeteria Fund	565,732
Total component unit public schools	<u>\$ 3,274,522</u>

Total federal expenditures per basic financial statements	<u>\$ 6,032,523</u>
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Non-cash expenditures - value of donated commodities	<u>\$ 91,573</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 6,124,096</u>
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## COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2005

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### Section I - Summary of Auditor's Results

#### **Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

#### **Federal Awards**

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
97.039	Hazard Mitigation Grant Program (HMGP)
10.553/10.555	National School Lunch Program
93.575/93.596	Child Care Cluster

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

Auditee qualified as low-risk auditee? Yes

### Section II - Financial Statement Findings

There are no financial statement findings to report.

### Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

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