

County of Gloucester Virginia



Comprehensive Annual Financial Report

**For the Fiscal Year Ending
June 30, 2010**

COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2010

Prepared By:

Nickie C. Champion
Director of Financial Services

Andy Scales
Accounting Manager

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	i
Table of Contents	iii-vi
Directory of Principal Officials	vii
Organizational Chart	ix
GFOA Certificate of Achievement	xi
Letter of Transmittal	xiii-xvii
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-12
<u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Assets	17
Exhibit 2 Statement of Activities	18-19
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	23
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	24
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	25
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Exhibit 7 Statement of Net Assets—Proprietary Fund	27
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Assets— Proprietary Fund	28
Exhibit 9 Statement of Cash Flows—Proprietary Fund	29
Exhibit 10 Statement of Fiduciary Net Assets	30
Notes to Financial Statements	31-69
<u>Required Supplementary Information:</u>	
Exhibit 11 Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—General Fund	73
Exhibit 12 Schedule of Pension Funding Progress	74
Exhibit 13 Schedule of Funding Progress for Retiree Health Insurance Plan and Health Insurance Credit Program	75

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (CONTINUED)		<u>Page</u>
<u>Other Supplementary Information:</u>		
Exhibit 14	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—Debt Service Fund	78
Exhibit 15	Schedule of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual—County Capital Projects Fund	79
Exhibit 16	Combining Balance Sheet—Nonmajor Governmental Funds	80
Exhibit 17	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds	81
Exhibit 18	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Nonmajor Governmental Funds	82-83
Exhibit 19	Combining Statement of Fiduciary Net Assets—Fiduciary Funds	84
Exhibit 20	Statement of Changes in Assets and Liabilities—Agency Funds	85
Exhibit 21	Schedule of Capital Assets by Source	86
Exhibit 22	Schedule of Capital Assets Used in the Operation of Governmental Funds—Schedule by Function and Activity	87
Exhibit 23	Schedule of Capital Assets Used in the Operation of Governmental Funds—Schedule of Changes by Function and Activity	88
Discretely Presented Component Unit—School Board:		
Exhibit 24	Combining Balance Sheet	91
Exhibit 25	Combining Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds—Discretely Presented Component Unit School Board	92
Exhibit 26	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—Discretely Presented Component Unit School Board	93
Exhibit 27	Schedule of Revenues, Expenditures and Changes in Fund Balances— Budget and Actual—School Cafeteria Fund—Discretely Presented Component Unit School Board	94
Exhibit 28	Statement of Fiduciary Net Assets—Fiduciary Fund—Discretely Presented Component Unit School Board	95
Exhibit 29	Statement of Changes in Fiduciary Net Assets—Fiduciary Fund—Discretely Presented Component Unit School Board	96

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
FINANCIAL SECTION (CONTINUED)	
<u>Other Supplementary Information: (Continued)</u>	
Discretely Presented Component Unit—School Board: (Continued)	
Exhibit 30	Statement of Net Assets—Internal Service Fund—Discretely Presented Component Unit School Board 97
Exhibit 31	Statement of Revenues, Expenses, and Changes in Fund Net Assets—Internal Service Fund—Discretely Presented Component Unit School Board 98
Exhibit 32	Statement of Cash Flows—Internal Service Fund—Discretely Presented Component Unit School Board 99
Exhibit 33	Capital Assets Used in the Operation of Governmental Funds—Discretely Presented Component Unit School Board—Schedule of Capital Assets by Source 100
Exhibit 34	Capital Assets Used in the Operation of Governmental Funds—Discretely Presented Component Unit School Board—Schedule by Function and Activity 101
Exhibit 35	Capital Assets Used in the Operation of Governmental Funds—Discretely Presented Component Unit School Board—Schedule of Changes by Function and Activity 102
Discretely Presented Component Unit—Economic Development Authority:	
Exhibit 36	Statement of Net Assets—Discretely Presented Component Unit Economic Development Authority 105
Exhibit 37	Statement of Revenues, Expenses, and Changes in Fund Net Assets—Discretely Presented Component Unit Economic Development Authority 106
Exhibit 38	Statement of Cash Flows—Discretely Presented Component Unit Economic Development Authority 107
Supporting Schedules:	
Schedule 1	Schedule of Revenues—Budget and Actual—Governmental Funds 111-118
Schedule 2	Schedule of Expenditures—Budget and Actual—Governmental Funds 119-123

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
STATISTICAL SECTION:	
Table 1 Net Assets by Component—Last Six Fiscal Years	127
Table 2 Changes in Net Assets—Last Six Fiscal Years	128-129
Table 3 Fund Balances Governmental Funds—Last Ten Fiscal Years	130-131
Table 4 Changes in Fund Balances Governmental Funds—Last Ten Fiscal Years	131-133
Table 5 Principal Property Tax Payers—Current and Nine Years Ago	135
Table 6 Property Tax Levies and Collections—Last Seven Fiscal Years	136
Table 7 Assessed Value and Estimated Actual Value of Taxable Property—Last Ten Fiscal Years	137
Table 8 Ratio of Outstanding Debt by Type—Last Ten Fiscal Years	138
Table 9 Ratio of General Bonded Debt Outstanding—Last Ten Fiscal Years	139
Table 10 Pledged Revenue Coverage—Last Ten Fiscal Years	140
Table 11 Demographic and Economic Statistics—Last Ten Calendar Years	141
Table 12 Principal Employers—Current and Nine Years Ago	142
Table 13 Full-time Equivalent County Government Employees by Function—Last Ten Fiscal Years	143
Table 14 Operating Indicators by Function—Last Ten Fiscal Years (where available)	144-145
Table 15 High Volume Users of Water System	147
Table 16 Capital Asset Statistics by Function/Program—Last Ten Fiscal Years	148-149
COMPLIANCE SECTION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	151-152
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	153-154
Schedule of Expenditures of Federal Awards	155-156
Notes to Schedule of Expenditures of Federal Awards	157
Schedule of Findings and Questioned Costs	159
Schedule of Prior Year Findings and Questioned Costs	160

COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Louise D. Theberge, Chairperson
Christian D. Rilee, Vice-Chairperson

Carter M. Borden
John H. Northstein

Robert A. Crewe

Michelle R. Ressler
Gregory Woodard

County School Board

Ann F. Burruss, Chairperson
Anita F. Parker, Vice-Chairperson

Starr F. Belvin
George R. Burak

Alvin J. McGlohn, Jr.

Jean E. Pugh
Kevin M. Smith

Board of Social Services

Carlton N. Hogge, Chairperson
William B. Hudgins, Vice-Chairperson

Charles R. Allen, Jr.
Mary Ann Boon
Carter M. Borden

William B. Hudgins
Jane Sterling
George T. Webster, III

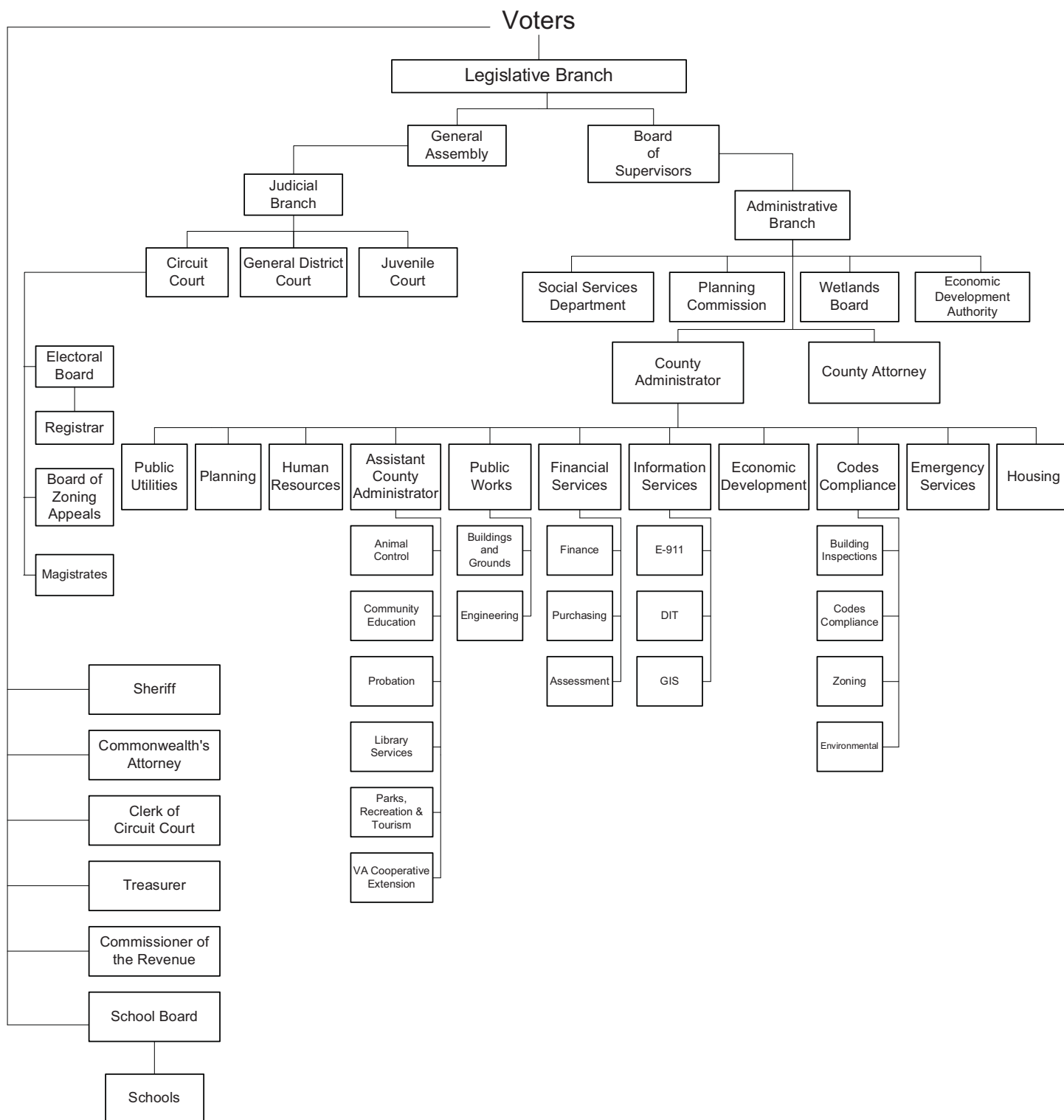
Other Officials

County Administrator.....	Brenda G. Garton
Judge of the Circuit Court	Honorable R. Bruce Long
Clerk of the Circuit Court.....	Margaret Walker
Commonwealth's Attorney	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 Jeffrey W. Shaw
Sheriff.....	E. Steve Gentry
Superintendent of Schools	Howard B. Kiser, Ed.D.
Director of Department of Social Services	Zane S. Barry
County Attorney	Edwin N. Wilmot

This page intentionally left blank



Gloucester County Organizational Chart



This page intentionally left blank

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, 2009

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.



President

Executive Director

This page intentionally left blank



County of Gloucester

County Administrator

6467 Main Street

P. O. Box 329

Gloucester, Virginia 23061

(804) 693-4042

November 24, 2010

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, 2010.

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, 2010. 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.

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

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

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

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

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

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

As with much of the country, Gloucester County is feeling the impact of the national and state economic downturns. While the housing market in Gloucester County has not fallen to the extent seen in other parts of the country, the number of real estate sales within the County is severely down. The decline in the number of home sales has caused a reduction in the number of building permits being issued, the amount of sales tax being collected on building materials, the revenue collected for recordation taxes, etc.

The impacts of the capital markets on new development and the recession that began in 2008 continue to restrict new development efforts. Gloucester's civilian labor force has remained relatively stable over the past twelve months, yet unemployment due to the downturn in the economy as of August 2010 was 5.5%, up from 3.5% in 2008, remaining well under the national average of 9.5% due in large part to the defense related buffering and continuing synergy of the Gloucester business and commercial sectors fulfilling a need within the Middle Peninsula region.

During FY 10, commercial and industrial activity and new construction was moderate, but as the leading indicators for FY 11, there were positive signs. New retail activities included the opening of new stores in both the Shoppes of Gloucester and Fox Mill Centre. The Hardee's-Walgreens project was underway; Hardee's has been completed and is open, Walgreens will open during the 4th quarter of 2010. Additionally, Chick-fil-A made the decision to open at Fox Mill Centre, construction has commenced and their store will open in the first quarter of 2011. In the Gloucester Business Park, the Economic Development Authority closed on the sale of two parcels to Haywood Flooring. This project will bring the first flex-space buildings to the County. Construction and site plans have been approved. Construction should begin in early 2011. Also, the expansion of Industrial Resource Technologies (IRT) continues with new lines and advanced manufacturing innovations for recycled, green initiatives.

The main commercial business districts of Gloucester County - Gloucester Point, Gloucester Courthouse and the Gloucester Business Park - have had and will continue to foster growth through development district assets including water/sewer, improved transportation corridors, and high speed, broadband capacity. The Main Street Center is close to full occupancy, which will foster Main Street growth through private foundation support; the Virginia Institute of Marine Science (VIMS) continues to advance its technological competencies and its work with private industry; the business park is nearing full absorption and the Economic Development Authority continues to market Gloucester for new investments in jobs and capital growth.

Gloucester existing businesses and major employers continue to invest in Gloucester County. Riverside Health Systems', Riverside Walter Reed Hospital, continues their campus expansions, VIMS and its new Sea Water Lab is fully operational and will deliver research capabilities in a state-of-the art facility which allows active estuarine research, indoors. As mentioned above, Industrial Resource Technologies continues to advance its green technology capabilities.

The work with Hampton University (HU) continues with interest from HU in building a multi-faceted historic and education based environment. These activities could potentially include the renovation of the T.C. Walker home; relocation of the Woodville School, which was a Rosenwald School; and a center of excellence for teachers, nurses and other potential disciplines, such as journalism and communication.

Long term financial planning

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

Long term financial planning: (Continued)

The County's adopted five-year capital improvement plan (CIP), which covers FY 2008-2012, indicates that a major emphasis will continue to be placed on school facilities, public safety projects, office space needs, and expanding and maintaining the water and sewer utility system. 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.

The major capital project under construction currently is the Emergency Communications System, which will bring Gloucester County into the existing York-James City Regional Communications System. This project is expected to be completed in FY 2012.

In response to the fiscal challenges inherent to our economic environment, the County adopts a conservative approach toward debt management. The portion of the County's operating budget dedicated for repayment of debt is set by policy at 10% of governmental fund expenditures.

Relevant financial policies

The County believes that sound financial management principles require that sufficient funds be retained by the County to provide a stable financial base at all times. To retain this stable financial base, the County maintains 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.

The County Treasurer is responsible for investing County funds. A formal Investment Policy, which was adopted by the Board of Supervisors, seeks to safeguard principal, meet liquidity objectives, and seek fair value rates of return within the parameters of the Code of Virginia.

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

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

Risk Management

The County has a risk management program, which is committed to the logical, systematic and continuous identification of loss exposures for and to the County, its employees, its citizens and taxpayers, through the evaluation of risk in terms of severity and frequency probability and the application of sound loss control procedures. As a part of this commitment, the County has obtained third party coverage through Virginia Association of Counties (VACO) for all liability risk.

Pension Benefits

The County is a participant in the Virginia Retirement System (VRS), a defined benefits plan pension system, for which the County contributes a percentage of a qualifying County employee's salary to VRS. The VRS is responsible for setting the contribution rate and making retirement payments in accordance with the established plan. In addition, the County provides employee access to a Section 457 retirement investment programs that are funded through employee deductions.

Major Initiatives

Gloucester County continues to review and revise its Comprehensive Plan, which is an official public document adopted by the Gloucester County Planning Commission and the Gloucester County Board of Supervisors. The Plan is a general, long-range, policy and implementation guide for decisions concerning the overall growth and development of the County. The Plan serves as a catalyst and guide 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. One hundred percent of all Gloucester schools are fully accredited.

The Federal Emergency Management Agency has awarded a series of grants totaling \$5.9 million to Gloucester County to acquire or elevate properties that have sustained damage or can expect to sustain damage as a result of coastal storms. The Mitigation Grant Program seeks to protect and reduce the damages associated with natural disasters by returning acquired properties to green space and raising homes to a desired flood protection elevation.

The 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, 2009. This was the fourteenth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Brenda G. Garton
County Administrator



Nickie C. Champion
Director of Financial Services

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of June 30, 2010, 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 October 7, 2010, 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 schedules of pension funding progress and funding progress for the retiree health insurance plan 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 opinions on the financial statements that collectively comprise the County of Gloucester, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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 schedules 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 section 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, Fann, Cox Associates

Richmond, Virginia
October 7, 2010

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, 2010. 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 \$40.4 million (*net assets*). Of this amount, \$18.9 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, increased by \$3.3 million, of which the governmental activities increased by \$3.1 million and business-type activities increased by \$257,592.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$17.3 million, an increase of \$753,510 in comparison with the prior year. Approximately 99.0% of this total amount, \$17.1 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 \$13.7 million, or 15.4% 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 \$4.9 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.

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).

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (continued)

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 17-19 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 fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 23-26 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 31-69 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 page 73-75 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 78 of this report.

Government-Wide Financial Analysis

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 \$40.4 million at the close of the most recent fiscal year. A large portion of the County's net assets (\$19.5 million, 48.3% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional amount of \$2.0 million is restricted for business-type activities by bond covenants and cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net assets of \$18.9 million or 46.8% may be used to meet the County's ongoing obligations to citizens and creditors.

Government-Wide Financial Analysis: (Continued)

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

Summary of Net Assets As of June 30, 2010 and 2009								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2010	2009	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 40,801,853	\$ 40,677,009	\$ 5,002,108	\$ 5,276,257	\$ 45,803,961	\$ 45,953,266	\$ 9,819,509	\$ 10,228,203
Capital assets	53,882,715	55,114,506	29,284,164	30,187,242	83,166,879	85,301,748	40,108,488	40,629,387
Total assets	\$ 94,684,568	\$ 95,791,515	\$ 34,286,272	\$ 35,463,499	\$ 128,970,840	\$ 131,255,014	\$ 49,927,997	\$ 50,857,590
Long-term debt outstanding	\$ 40,086,844	\$ 43,424,117	\$ 20,592,694	\$ 22,129,656	\$ 60,679,538	\$ 65,553,773	\$ 21,654,355	\$ 20,931,911
Other liabilities	25,725,383	26,555,760	2,191,472	2,089,329	27,916,855	28,645,089	8,156,959	8,304,931
Deferred outflow of resources	-	-	-	-	-	-	(2,504,543)	(1,590,397)
Total liabilities	\$ 65,812,227	\$ 69,979,877	\$ 22,784,166	\$ 24,218,985	\$ 88,596,393	\$ 94,198,862	\$ 27,306,771	\$ 27,646,445
Net assets								
Invested in capital asset, net of related debt	\$ 12,177,861	\$ 9,990,778	\$ 7,299,353	\$ 6,653,014	\$ 19,477,214	\$ 16,643,792	\$ 23,898,637	\$ 24,045,656
Restricted	-	-	2,025,385	2,015,652	2,025,385	2,015,652	-	-
Unrestricted	16,694,480	15,820,860	2,177,368	2,575,848	18,871,848	18,396,708	(1,277,411)	(834,511)
Total net assets	\$ 28,872,341	\$ 25,811,638	\$ 11,502,106	\$ 11,244,514	\$ 40,374,447	\$ 37,056,152	\$ 22,621,226	\$ 23,211,145

The County's combined net assets, which is the County's bottom line, increased by \$3.3 million or 8.9% from the prior year. The change in the County's combined net assets is a combination of an increase of \$3.1 million from the efforts of governmental activities and an increase of \$257,592 from the efforts of business-type activities. The increase from the efforts of governmental activities can be attributed to paying down debt in amounts in excess of depreciation claimed as well as various decisions made to deal with economic conditions. The increase in the net assets from business-type activities was the direct result of an emergency infusion of cash from governmental activities due to shortfalls in user fees and expected expenses.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by \$22.6 million at the close of fiscal year 2010. The capital assets of the Gloucester Economic Development Authority (net of depreciation) decreased by \$735,447 due to depreciation of assets. The capital assets of the Public Schools (net of depreciation) increased by \$214,548. The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. The capital assets of the Gloucester County Public Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit. One major factor affecting the increase in net assets for the component units are the result of the transfer of jointly owned assets from the County to Gloucester Public Schools (component unit).

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.

Government-Wide Financial Analysis: (Continued)

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

Summary of Changes in Net Assets Years Ended June 30, 2010 and 2009								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues:								
Program revenue:								
Charges for services	\$ 1,222,749	\$ 1,494,685	\$ 3,983,717	\$ 3,155,016	\$ 5,206,466	\$ 4,649,701	\$ 3,102,705	\$ 2,070,239
Operating grants and contributions	7,275,332	8,963,448	188,300	407,040	7,463,632	9,370,488	36,234,395	36,805,558
Capital grants and contributions	1,382,366	978,111	678	1,548,183	1,383,044	2,526,294	-	-
General revenues:								
Property taxes	32,195,182	31,934,077	37,470	36,179	32,232,652	31,970,256	-	-
Other taxes	9,727,703	9,868,013	-	-	9,727,703	9,868,013	-	-
Unrestricted revenues	203,980	273,362	120,080	183,614	324,060	456,976	11,677	42,583
Miscellaneous	477,007	543,271	-	-	477,007	543,271	325,685	105,369
Grants and contributions	3,013,996	3,019,751	-	-	3,013,996	3,019,751	-	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	-
Payment from County	-	-	-	-	-	-	20,806,014	23,590,089
Total revenue	\$ 55,498,315	\$ 57,074,718	\$ 4,330,245	\$ 5,330,032	\$ 59,828,560	\$ 62,404,750	\$ 60,480,476	\$ 62,613,838
Expenses:								
General government	\$ 4,654,227	\$ 4,868,825	\$ -	\$ -	\$ 4,654,227	\$ 4,868,825	\$ -	\$ -
Judicial administration	1,629,116	1,784,423	-	-	1,629,116	1,784,423	-	-
Public safety	10,652,290	10,900,401	-	-	10,652,290	10,900,401	-	-
Public works	1,929,966	1,955,625	-	-	1,929,966	1,955,625	-	-
Health and welfare	4,533,563	4,429,077	-	-	4,533,563	4,429,077	-	-
Parks, recreation, and cultural	1,824,076	2,170,357	-	-	1,824,076	2,170,357	-	-
Community development	2,299,482	2,255,957	-	-	2,299,482	2,255,957	2,093,223	914,518
Interest on long-term debt	2,057,826	2,726,734	-	-	2,057,826	2,726,734	-	-
Education	22,357,066	27,072,029	-	-	22,357,066	27,072,029	58,977,172	60,615,260
Public Utilities	-	-	4,572,653	4,459,194	4,572,653	4,459,194	-	-
Total expenses	\$ 51,937,612	\$ 58,163,428	\$ 4,572,653	\$ 4,459,194	\$ 56,510,265	\$ 62,622,622	\$ 61,070,395	\$ 61,529,778
Change in net assets, before transfers	\$ 3,560,703	\$ (1,088,710)	\$ (242,408)	\$ 870,838	\$ 3,318,295	\$ (217,872)	\$ (589,919)	\$ 1,084,060
Transfers	(500,000)	(680,000)	500,000	680,000	-	-	-	-
Increase in net assets	3,060,703	(1,768,710)	257,592	1,550,838	3,318,295	(217,872)	(589,919)	1,084,060
Net assets, beginning	25,811,638	27,580,348	11,244,514	9,693,676	37,056,152	37,274,024	23,211,145	22,127,085
Net assets, ending	\$ 28,872,341	\$ 25,811,638	\$ 11,502,106	\$ 11,244,514	\$ 40,374,447	\$ 37,056,152	\$ 22,621,226	\$ 23,211,145

Governmental activities – For the fiscal year ended June 30, 2010, revenues from governmental activities totaled \$55.5 million. Real estate tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2009 and the first half of calendar year 2010 real property tax billing, were \$24.4 million. The County's assessed real property tax base for calendar year 2010 saw a modest increase of \$161.1 million largely due to a general reassessment of all properties, which was offset by a reduction of the real property tax rate of \$.03 from \$.61 to \$.58.

In the General Fund, the County reported current year collections of \$9.7 million in personal property taxes, the County's second largest revenue source. Of that amount, \$2.8 million was received as reimbursement from the Commonwealth of Virginia. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was approximately 35.0% of most taxpayer's payments.

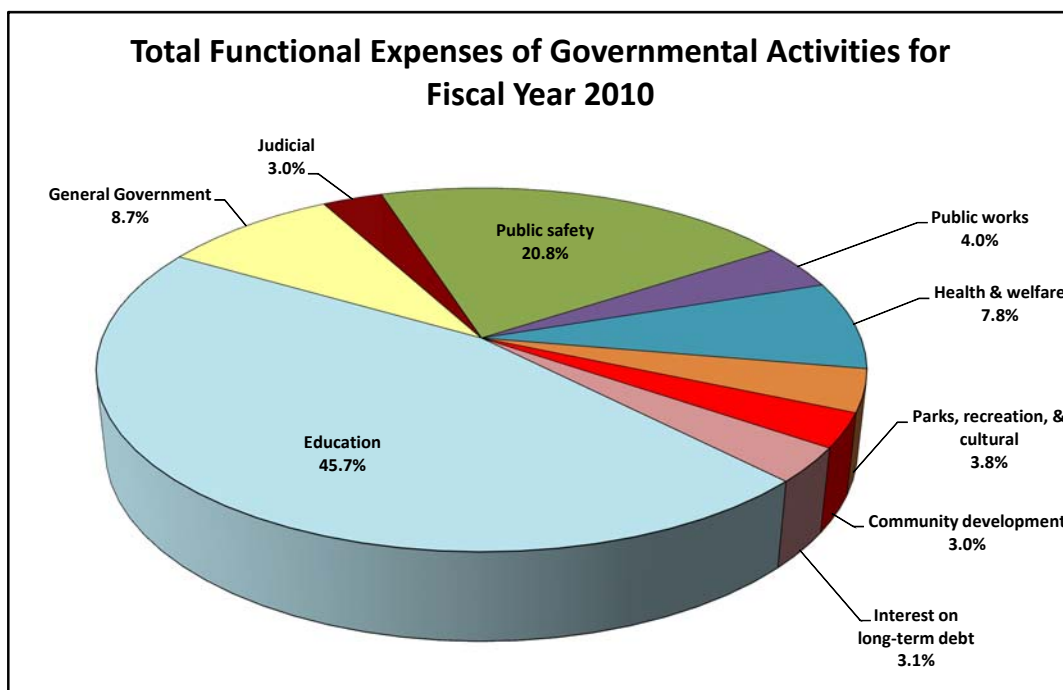
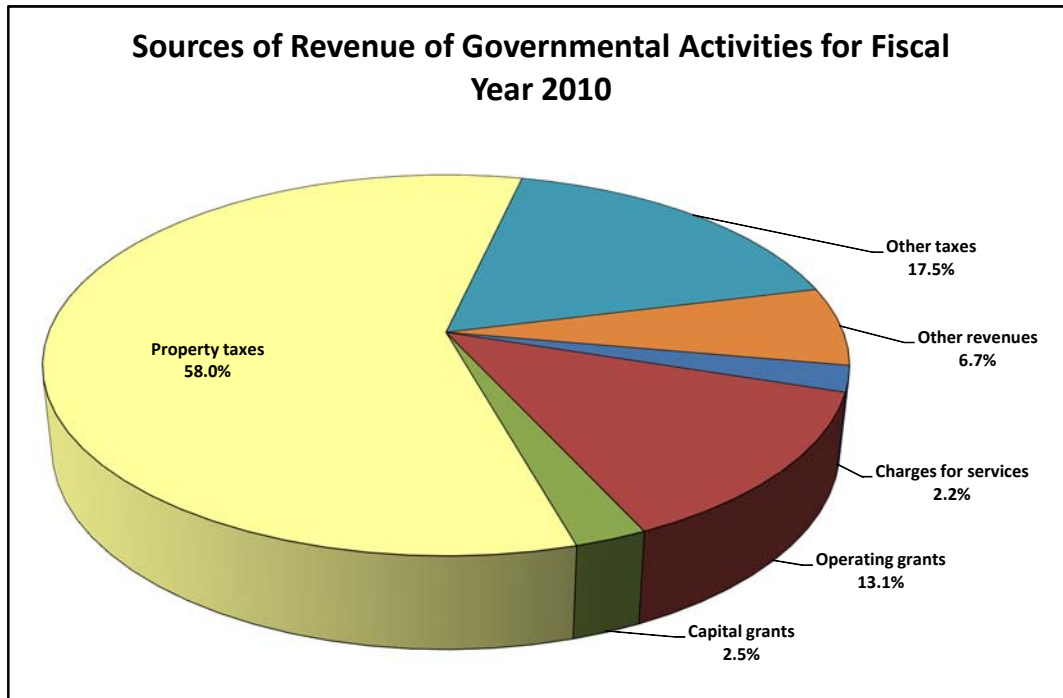
Other taxes decreased by \$139,310 from the prior year as a result of decreases in local sales taxes, local communication sales taxes, and local meals taxes, which were affected by the economic downturn in the amount of disposal income being spent locally. Most of the overall changes in Operating grants and contributions were related to the loss of one-time funding received for Public Safety efforts including grants for a domestic violence unit. Most of the overall increase in Capital grants and contributions can be attributed to receipt of one-time funding received through the Hazard Mitigation Grant Program (FEMA) for the acquisition and elevation of properties in flood prone areas.

Government-Wide Financial Analysis: (Continued)

For the fiscal year ended June 30, 2010, expenses relating to governmental activities were \$8.4 million less than planned. As in the previous fiscal year, state and national economic conditions continued to negatively impact local budgets, various strategies were enacted in order to reduce expenses. These strategies included position freezes, delaying capital, and examining program efficiencies.

Public education continues to be one of the County's highest priorities and commitments. The County contributed \$19.8 million to public school operations and \$3.3 million toward debt payments relating to school projects for a total contribution of \$23.1 million. This change in the total contribution, which was \$2.8 million less than the previous fiscal year, was the result of the same economic conditions mentioned in other areas of this document.

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



Government-Wide Financial Analysis: (Continued)

Business-type activities increased the County's net assets by \$257,592 for fiscal year 2010. Similar to the changes in net assets attributable to governmental activities, changes in business-type activity net assets also result from the difference between revenues and expenses. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 4,499 customers in the County. Like all business-type activities, the Utility Fund attempts to recover much of the operating expenses it incurs to meet service demands through user fees. The primary factors affecting the Utility Fund are:

- A Consent Special Order issued under the authority of Virginia Code 62.1-44.15(8A) between the state Water Control Board, the Hampton Roads Sanitation District, and other localities including the County for the purpose of resolving certain alleged violations of environmental laws and regulations. Cumulative costs for the first phase of this Consent Special Order total \$499,577, which are principally costs for data collection, evaluation and plan development. Costs needed for the second phase, which will implement long-term capacity enhancement and sewer rehabilitation plans, are unknown at this time.
- The decision in fiscal year 2010 to make the fund self-supporting resulted in the discontinuation of a local transfer from the General Fund. This was offset with an average 37% increase in water rates. Unfortunately, even with the increase in water rates, the revenue generated from water usage resulted in a \$508,763 or 12% shortfall in service fees and the need for an emergency transfer of \$500,000 from the General Fund late in the fiscal year.
- Unexpected capital repairs and chemical costs increased expenses by \$230,752 or 6.7% of total operating expenses.

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 \$17.3 million, an increase of \$753,510 in comparison with the prior year. This increase can be attributed to the County's response to the worsening economic conditions. Of this total amount, \$17.1 million or 99.0% 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 \$14.3 million, while total fund balance reached \$14.5 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 15.4% using this policy criterion.

The County Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those reported for by the Proprietary Fund. The County Capital Improvements Fund has an unreserved fund balance of \$2.8 million, which has been designated for future capital projects.

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

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 \$2.2 million, which is a decrease of \$398,479. The majority of this decrease can be attributed to the reduction in cash balances for reasons mentioned previously. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

As with most of the nation, Gloucester County has felt the impact of national and state economic downturns. Corrective actions such as delaying capital needs, freezing positions, and enacting program efficiencies were begun as early as September 2008, and continued into fiscal year 2010. Total General Fund expenditures came in \$1.9 million or 4.2% below the final amended budget. Local expenditures for Education were under budget by \$148,241.

There was an increase of \$1.3 million between the original General Fund budget and the final amended General Fund budget, and these differences can be summarized as follows:

- An increase of \$209,137 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 \$343,000 can be attributed to an appropriation of fund balance to pay for legal expenses assessed Gloucester County for costs associated with a civil removal petition case for certain members of the Gloucester Board of Supervisors.
- An increase of \$500,000 can be associated with the appropriation of fund balance for an emergency General Fund transfer to the Utility Fund due to unexpected expenses and falling revenue collections.
- An increase of \$237,314 can be attributed to the anticipated receipt of various grants and other miscellaneous activities and donations.

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, 2010, amounts to \$83.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

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

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

- The County received several Federal Emergency Management Agency Grants, which were used to acquire properties that sustained damage or can expect to sustain damage as a result of coastal storms and returned these properties to green space. These grants covered 95.0% of project costs with affected homeowners contributing the 5.0% match.
- The County continues work on an emergency communications system project with a projected budget of \$15.5 million. This project is funded with a December 2006 lease-purchase agreement of \$11.3 million, \$300,000 in PSAP grants, and \$3.9 million in cash.
- Governmental buildings decreased by \$1.2 million or 2.2% due to depreciation on existing buildings.
- Business-type activities decreased by \$903,080 or 3.0% due to depreciation on existing infrastructure.

Capital Asset and Debt Administration: (Continued)

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

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

Capital Assets As of June 30, 2010 and 2009								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2010	2009	2010	2009	2010	2009	2010	2009
Land	\$ 5,136,763	\$ 4,965,493	\$ 3,599,046	\$ 3,599,046	\$ 8,735,809	\$ 8,564,539	\$ 2,080,926	\$ 2,080,926
Construction in progress	13,747,425	12,596,485	18,189	-	13,765,614	12,596,485	15,818	15,818
Infrastructure	-	-	-	-	-	-	-	-
Buildings	10,703,686	11,080,317	24,487,870	25,363,135	35,191,556	36,443,452	15,414,868	16,150,315
Improvements other than buildings	273,121	123,122	-	-	273,121	123,122	-	-
Equipment	1,211,901	1,558,368	1,179,057	1,225,061	2,390,958	2,783,429	3,246,516	3,320,968
Jointly owned assets	22,809,819	24,790,721	-	-	22,809,819	24,790,721	19,350,361	19,061,360
Total	\$ 53,882,715	\$ 55,114,506	\$ 29,284,162	\$ 30,187,242	\$ 83,166,877	\$ 85,301,748	\$ 40,108,489	\$ 40,629,387

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 \$65.8 million and details are summarized in the following table:

Long-Term Debt As of June 30, 2010 and 2009								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2010	2009	2010	2009	2010	2009	2010	2009
Bonds Payable:								
General obligation bonds	\$ 20,343,490	\$ 21,742,912	\$ 10,465	\$ 53,636	\$ 20,353,955	\$ 21,796,548	\$ -	\$ -
Revenue bonds	-	-	21,974,346	23,480,592	21,974,346	23,480,592	17,292,895	17,796,100
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	3,063,520	3,603,520	-	-	3,063,520	3,603,520	-	-
Capital leases	18,297,844	19,777,296	-	-	18,297,844	19,777,296	-	-
Derivative instrument liability	-	-	-	-	-	-	2,504,543	1,590,397
OPEB liability	369,705	187,219	31,795	16,055	-	203,274	637,000	342,828
Compensated absences	1,562,642	1,665,289	157,463	143,061	1,720,105	1,808,350	1,948,888	1,895,323
Total	\$ 43,637,201	\$ 46,976,236	\$ 22,174,069	\$ 23,693,344	\$ 65,811,270	\$ 70,669,580	\$ 22,383,326	\$ 21,624,648

Debt associated with governmental activities decreased by \$3.3 million while debt associated with business-type activities decreased by \$1.5 million. The primary factor for these decreases was the pay down of principal during the year.

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3.0%. In addition, the County's Debt Obligation Policy limits the net County debt per capita at \$1,700 per capita, and general obligation debt service and capital lease payments will not exceed 10.0% of general governmental expenditures. As of June 30, 2010, the County's net debt as a percentage of assessed value was 1.0%, the net debt per capita ratio was \$1,138, and the debt payments percentage was 6.9%.

The component unit, the Economic Development Authority, had issued variable rate taxable lease revenue and refunding bonds in the amount of \$18.5 million in the prior fiscal year, which was used to expand building capacity in the Gloucester Business Park. The amount of debt associated with component units increased because of an interest rate swap, which is further discussed in Note 8 on pages 57.

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 Board of Supervisors considered many factors when developing the fiscal year 2011 General Fund budget - particularly the impacts of state and national economic conditions. The Board of Supervisors requested that departments and agencies curtail all discretionary spending and that a review of each job vacancy be made before a decision was made to fill the position. In addition, departments and agencies submitted proposed strategies to reduce fiscal year 2011 budgets by focusing on program efficiencies and examining all operations to identify activities that may not be necessary to the County's core mission.

The fiscal year 2011 General Fund approved budget is \$50.5 million, which is almost level funding from fiscal year 2010 budget. The budget met the County's basic needs in critical service areas, but it did not provide funding for vacant positions, employee salary increases, or most capital needs. While there was a modest increase in the real property tax base due to a general reassessment, the real property tax rate was reduced by \$.03 from \$.61 to \$.58 to make the increase revenue neutral to the County. There were no changes in the personal property tax rates for calendar year 2010.

The fiscal year 2011 School Operating Budget was approved at \$52.2 million, which is a 9.2% decrease over the fiscal year 2010 budget. Included in this budget was \$20.7 million in local funding, which was a \$485,850 or 2.4% increase over the previous fiscal year.

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

The current economic climate is expected to continue into fiscal year 2012.

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

This page intentionally left blank

Government-wide Financial Statements

This page intentionally left blank

Statement of Net Assets
June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 13,011,438	\$ 2,292,542	\$ 15,303,980	\$ 622,399	\$ 1,253,929
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,123,115	5,537	23,128,652	-	-
Accounts receivable	537,495	482,291	1,019,786	967,156	126,843
Due from other governmental units	2,396,601	-	2,396,601	5,581,192	-
Inventories	-	29,114	29,114	28,693	1,083,044
Prepaid expenses	1,502,525	8,097	1,510,622	91,174	-
Deferred charges	-	934	934	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	2,025,385	2,025,385	-	-
Other assets:					
Unamortized bond issue costs	230,679	158,208	388,887	-	65,079
Capital assets (net of accumulated depreciation):					
Land	5,136,763	3,599,046	8,735,809	1,476,061	604,865
Buildings and system	33,513,505	24,487,872	58,001,377	19,350,361	15,414,868
Improvements other than buildings	273,121	-	273,121	-	-
Machinery and equipment	1,211,901	1,179,057	2,390,958	3,246,515	-
Construction in progress	13,747,425	18,189	13,765,614	-	15,818
Total assets	<u>\$ 94,684,568</u>	<u>\$ 34,286,272</u>	<u>\$ 128,970,840</u>	<u>\$ 31,363,551</u>	<u>\$ 18,564,446</u>
LIABILITIES					
Accounts payable	\$ 650,700	\$ 201,362	\$ 852,062	\$ 1,324,914	\$ 82,373
Accrued liabilities	679,117	-	679,117	5,411,792	-
Accrued interest payable	1,003,389	263,072	1,266,461	-	-
Due to other governmental units	3,706,460	-	3,706,460	150,000	458,909
Unearned revenue	16,135,360	-	16,135,360	-	-
Deposits held in escrow	-	145,663	145,663	-	-
Long-term liabilities:					
Due within one year	3,550,357	1,581,375	5,131,732	194,889	534,082
Due in more than one year	40,086,844	20,592,694	60,679,538	2,390,999	19,263,356
Total liabilities	<u>\$ 65,812,227</u>	<u>\$ 22,784,166</u>	<u>\$ 88,596,393</u>	<u>\$ 9,472,594</u>	<u>\$ 20,338,720</u>
DEFERRED OUTFLOW OF RESOURCES					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,504,543)</u>
Total liabilities net of deferred outflow of resources	<u>\$ 65,812,227</u>	<u>\$ 22,784,166</u>	<u>\$ 88,596,393</u>	<u>\$ 9,472,594</u>	<u>\$ 17,834,177</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 12,177,861	\$ 7,299,353	\$ 19,477,214	\$ 24,072,937	\$ (174,300)
Restricted for:					
Debt service and bond covenants	-	2,025,385	2,025,385	-	-
Unrestricted (deficit)	16,694,480	2,177,368	18,871,848	(2,181,980)	904,569
Total net assets	<u>\$ 28,872,341</u>	<u>\$ 11,502,106</u>	<u>\$ 40,374,447</u>	<u>\$ 21,890,957</u>	<u>\$ 730,269</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, 2010

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,654,227	\$ -	\$ 314,972	\$ -
Judicial administration	1,629,116	257,806	658,149	-
Public safety	10,652,290	332,743	3,168,709	-
Public works	1,929,966	256,838	-	-
Health and welfare	4,533,563	-	2,889,624	-
Education	22,357,066	555	-	-
Parks, recreation, and cultural	1,824,076	341,498	243,878	-
Community development	2,299,482	33,309	-	1,382,366
Interest on long-term debt	2,057,826	-	-	-
Total governmental activities	\$ 51,937,612	\$ 1,222,749	\$ 7,275,332	\$ 1,382,366
Business-type activities:				
Public utilities	\$ 4,572,653	\$ 3,983,717	\$ 188,300	\$ 678
Total business-type activities	\$ 4,572,653	\$ 3,983,717	\$ 188,300	\$ 678
Total primary government	\$ 56,510,265	\$ 5,206,466	\$ 7,463,632	\$ 1,383,044
COMPONENT UNITS:				
School Board	\$ 58,977,172	\$ 1,327,244	\$ 36,234,395	\$ -
Economic Development Authority	2,093,223	1,775,461	-	-
Total component units	\$ 61,070,395	\$ 3,102,705	\$ 36,234,395	\$ -
General revenues:				
General property taxes				
Local sales and use tax				
Communication sales tax				
Consumer utility tax				
Business license taxes				
Restaurant food taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Gloucester County				
Transfers				
Total general revenues				
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
\$ (4,339,255)	\$ -	\$ (4,339,255)	\$ -	\$ -
(713,161)	-	(713,161)	-	-
(7,150,838)	-	(7,150,838)	-	-
(1,673,128)	-	(1,673,128)	-	-
(1,643,939)	-	(1,643,939)	-	-
(22,356,511)	-	(22,356,511)	-	-
(1,238,700)	-	(1,238,700)	-	-
(883,807)	-	(883,807)	-	-
(2,057,826)	-	(2,057,826)	-	-
<u>\$ (42,057,165)</u>	<u>\$ -</u>	<u>\$ (42,057,165)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ (399,958)	\$ (399,958)	\$ -	\$ -
\$ -	\$ (399,958)	\$ (399,958)	\$ -	\$ -
<u>\$ (42,057,165)</u>	<u>\$ (399,958)</u>	<u>\$ (42,457,123)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	(21,415,533)	\$ -
-	-	-	-	(317,762)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(21,415,533)</u>	<u>(317,762)</u>
\$ 32,195,182	\$ 37,470	\$ 32,232,652	\$ -	\$ -
3,547,316	-	3,547,316	-	-
1,258,546	-	1,258,546	-	-
698,238	-	698,238	-	-
1,384,024	-	1,384,024	-	-
1,632,857	-	1,632,857	-	-
1,206,722	-	1,206,722	-	-
203,980	120,080	324,060	7,695	3,982
477,007	-	477,007	325,685	-
3,013,996	-	3,013,996	-	-
-	-	-	20,806,014	-
(500,000)	500,000	-	-	-
<u>\$ 45,117,868</u>	<u>\$ 657,550</u>	<u>\$ 45,775,418</u>	<u>\$ 21,139,394</u>	<u>\$ 3,982</u>
\$ 3,060,703	\$ 257,592	\$ 3,318,295	\$ (276,139)	\$ (313,780)
25,811,638	11,244,514	37,056,152	22,167,096	1,044,049
<u>\$ 28,872,341</u>	<u>\$ 11,502,106</u>	<u>\$ 40,374,447</u>	<u>\$ 21,890,957</u>	<u>\$ 730,269</u>

This page intentionally left blank

Fund Financial Statements

This page intentionally left blank

Balance Sheet
Governmental Funds
June 30, 2010

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 12,811,985	\$ -	\$ 120,849	\$ 78,604	\$ 13,011,438
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,123,115	-	-	-	23,123,115
Accounts receivable	511,823	-	25,451	221	537,495
Due from other funds	1,693,760	-	2,182,283	-	3,876,043
Due from other governmental units	1,375,965	-	682,647	337,989	2,396,601
Prepaid items	50,468	1,452,057	-	-	1,502,525
Total assets	<u>\$ 39,567,116</u>	<u>\$ 1,452,057</u>	<u>\$ 3,011,230</u>	<u>\$ 416,814</u>	<u>\$ 44,447,217</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 372,334	\$ -	\$ 181,859	\$ 96,507	\$ 650,700
Accrued liabilities	679,117	-	-	-	679,117
Due to other governmental units	3,627,856	-	-	78,604	3,706,460
Due to other funds	2,182,283	1,452,057	-	241,703	3,876,043
Deferred revenue	18,221,682	-	-	-	18,221,682
Total liabilities	<u>\$ 25,083,272</u>	<u>\$ 1,452,057</u>	<u>\$ 181,859</u>	<u>\$ 416,814</u>	<u>\$ 27,134,002</u>
Fund balances:					
Reserved for:					
Prepaid items	\$ 50,468	\$ -	\$ -	\$ -	\$ 50,468
Rezoning proffers	-	-	19,000	-	19,000
Asset forfeiture	98,974	-	-	-	98,974
Unreserved, reported in:					
General fund	14,334,402	-	-	-	14,334,402
Capital projects funds	-	-	2,810,371	-	2,810,371
Total fund balances	<u>\$ 14,483,844</u>	<u>\$ -</u>	<u>\$ 2,829,371</u>	<u>\$ -</u>	<u>\$ 17,313,215</u>
Total liabilities and fund balances	<u>\$ 39,567,116</u>	<u>\$ 1,452,057</u>	<u>\$ 3,011,230</u>	<u>\$ 416,814</u>	<u>\$ 44,447,217</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, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	17,313,215
--	----	------------

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

Capital assets, cost	\$	77,515,284	
Less: accumulated depreciation		<u>(23,632,569)</u>	53,882,715

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

Deferred revenue	\$	2,086,322	
Unamortized bond issue costs		<u>230,679</u>	2,317,001

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

Bonds and loans payable	\$	(23,140,543)	
Interest payable		(1,003,389)	
Other post employment benefits obligation		(369,705)	
Capital lease and notes payable obligations		(18,564,311)	
Compensated absences		<u>(1,562,642)</u>	<u>(44,640,590)</u>

Net assets of governmental activities	\$	<u><u>28,872,341</u></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, 2010

	General	Debt Service	Capital Projects	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 31,916,749	\$ -	\$ -	\$ -	\$ 31,916,749
Other local taxes	9,727,703	-	-	-	9,727,703
Permits, privilege fees, and regulatory licenses	285,060	-	-	-	285,060
Fines and forfeitures	120,804	-	-	-	120,804
Revenue from the use of money and property	203,603	15	362	-	203,980
Charges for services	816,885	-	-	-	816,885
Miscellaneous	269,267	-	182,030	25,710	477,007
Recovered costs	360,700	-	-	-	360,700
Intergovernmental revenues:					
Commonwealth	7,058,210	-	488,085	1,486,946	9,033,241
Federal	360,649	-	979,523	1,298,281	2,638,453
Total revenues	\$ 51,119,630	\$ 15	\$ 1,650,000	\$ 2,810,937	\$ 55,580,582
EXPENDITURES					
Current:					
General government administration	\$ 4,796,836	\$ -	\$ -	\$ -	\$ 4,796,836
Judicial administration	1,473,565	-	-	-	1,473,565
Public safety	10,430,536	-	-	-	10,430,536
Public works	1,866,165	-	-	-	1,866,165
Health and welfare	670,450	-	-	3,811,614	4,482,064
Education	20,323,168	-	-	-	20,323,168
Parks, recreation, and cultural	1,857,339	-	-	-	1,857,339
Community development	728,581	-	-	-	728,581
Nondepartmental	272,035	-	-	-	272,035
Capital projects	-	-	2,698,567	-	2,698,567
Debt service:					
Principal retirement	-	3,385,644	-	-	3,385,644
Interest and other fiscal charges	-	2,012,572	-	-	2,012,572
Total expenditures	\$ 42,418,675	\$ 5,398,216	\$ 2,698,567	\$ 3,811,614	\$ 54,327,072
Excess (deficiency) of revenues over (under) expenditures	\$ 8,700,955	\$ (5,398,201)	\$ (1,048,567)	\$ (1,000,677)	\$ 1,253,510
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 5,397,393	\$ 180,230	\$ 1,000,677	\$ 6,578,300
Transfers out	(7,078,300)	-	-	-	(7,078,300)
Total other financing sources (uses)	\$ (7,078,300)	\$ 5,397,393	\$ 180,230	\$ 1,000,677	\$ (500,000)
Net change in fund balances	\$ 1,622,655	\$ (808)	\$ (868,337)	\$ -	\$ 753,510
Fund balances - beginning	12,861,189	808	3,697,708	-	16,559,705
Fund balances - ending	\$ 14,483,844	\$ -	\$ 2,829,371	\$ -	\$ 17,313,215

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, 2010

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

Net change in fund balances - total governmental funds	\$	753,510
--	----	---------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	1,688,447	
Depreciation expense		<u>(2,920,238)</u>	(1,231,791)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	278,433
--	---------

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.

Principal payments	\$	3,385,644	
Premium amortization		<u>33,230</u>	3,418,874

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	\$	102,647	
(Increase) decrease in other post employment benefit payable		(182,486)	
(increase) decrease in interest payable		<u>(78,484)</u>	<u>(158,323)</u>

Change in net assets of governmental activities	\$	<u><u>3,060,703</u></u>
---	----	-------------------------

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

Statement of Net Assets
Proprietary Fund
June 30, 2010

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,292,542
Taxes receivable, net of allowance for uncollectibles	5,537
Accounts receivable, net of allowance for uncollectibles	482,291
Inventories	29,114
Prepaid expenses	8,097
Deferred charges	934
Total current assets	\$ 2,818,515
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents-bond requirements	\$ 2,025,385
Other assets:	
Unamortized bond issue costs	\$ 158,208
Capital assets:	
Utility plant in service	\$ 33,429,090
Land	3,599,046
Machinery and equipment	1,573,207
Buildings	5,489,705
Construction in progress	18,189
Less accumulated depreciation	(14,825,073)
Total capital assets	\$ 29,284,164
Total noncurrent assets	\$ 31,467,757
Total assets	\$ 34,286,272
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 201,362
Accrued interest payable	263,072
Compensated absences	15,746
Deposits held in escrow	145,663
Bonds payable - current portion	1,565,629
Total current liabilities	\$ 2,191,472
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 20,419,182
Other post employment benefits	31,795
Compensated absences	141,717
Total noncurrent liabilities	\$ 20,592,694
Total liabilities	\$ 22,784,166
NET ASSETS	
Invested in capital assets, net of related debt	\$ 7,299,353
Restricted for debt service and bond covenants	2,025,385
Unrestricted	2,177,368
Total net assets	\$ 11,502,106

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, 2010

	Enterprise Fund Utilities Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,282,815
Sewer revenues	620,446
Other revenues	81,134
Total operating revenues	<u>\$ 3,984,395</u>
OPERATING EXPENSES	
Personal services	\$ 938,723
Fringe benefits	349,458
Contractual services	306,043
Other charges	918,127
Depreciation	921,267
Total operating expenses	<u>\$ 3,433,618</u>
Operating income (loss)	<u>\$ 550,777</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 188,300
Investment earnings	120,080
Amortization of loan costs	(22,563)
Taxes	37,470
Interest expense	(1,116,472)
Total nonoperating revenues (expenses)	<u>\$ (793,185)</u>
Income before contributions and transfers	<u>\$ (242,408)</u>
Transfers in	500,000
Change in net assets	<u>\$ 257,592</u>
Total net assets - beginning	11,244,514
Total net assets - ending	<u><u>\$ 11,502,106</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, 2010

	Enterprise Fund Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,807,270
Receipts for miscellaneous items	81,134
Payments to suppliers	(1,121,030)
Payments to employees	(1,258,039)
Net cash provided (used) by operating activities	<u>\$ 1,509,335</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 500,000
Connection fees	188,300
Tax revenue	35,149
Net cash provided (used) by noncapital financing activities	<u>\$ 723,449</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (18,189)
Principal payments on bonds	(1,553,840)
Interest payments	(1,127,787)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,699,816)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 120,080
Net cash provided (used) by investing activities	<u>\$ 120,080</u>
Net increase (decrease) in cash and cash equivalents	\$ (346,952)
Cash and cash equivalents - beginning - including restricted	4,664,879
Cash and cash equivalents - ending - including restricted	<u><u>\$ 4,317,927</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 550,777
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 921,267
(Increase) decrease in accounts receivable	(90,891)
(Increase) decrease in inventories	793
(Increase) decrease in prepaid expenses	(2,860)
Increase (decrease) in customer deposits	(5,100)
Increase (decrease) in accounts payable and accrued liabilities	135,349
Total adjustments	<u>\$ 958,558</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,509,335</u></u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	Agency Funds
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 432,981
Other receivables	29,217
Due from other governmental funds	18,905
Total assets	\$ <u>481,103</u>
	<hr/>
LIABILITIES	
Accounts payable	\$ 366,970
Amounts held for social services clients	21,814
Amounts held for others	78,790
Amounts held for regional program	-
Total liabilities	\$ <u>467,574</u>
	<hr/>

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

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

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

Government-wide and Fund Financial Statements

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

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

Statement of Net 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.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

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

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports including the original budget, 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, 2010.

Discretely Presented Component Units. The School Board members are elected by the citizens of Gloucester County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2010.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

B. Individual Component Unit Disclosures: (Continued)

The Gloucester County Economic Development Authority is responsible for industrial prospective bond issues and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County as the County is involved in the day-to-day operations of the EDA, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2010. The Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the year ended June 30, 2010.

C. Other Related Organizations

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

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

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

Included in the County's Financial Report

None

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

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

The government-wide statement of activities 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 primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time other specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

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

1. Governmental Funds – are those through which most governmental functions typically are financed. The County reports the General Fund, Debt Service Fund and Capital Improvements 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 expenditures 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 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 and Comprehensive Services Act.

Capital Projects Funds – The County reports the School Construction Fund as a non-major Capital Projects Funds.

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

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

Enterprise Funds – 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 units, 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 \$500,575 at June 30, 2010 and is comprised solely of property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

G. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. 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 purpose.

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:

	<u>General</u>	<u>County Capital Improvements</u>	<u>Total</u>
Designated for:			
Mosquito Control	\$ 171,825	\$ -	\$ 171,825
Tourism Projects	127,296	-	127,296
Daffodil Festival	62,646	-	62,646
Program Donations	40,869	-	40,869
Subsequent Expenditures	-	2,689,522	2,689,522
Probation & Pretrial	66,444	-	66,444
Cable	175,273	-	175,273
Older Adult Projects	-	120,849	120,849
Total designated for specific purposes	<u>\$ 644,353</u>	<u>\$ 2,810,371</u>	<u>\$ 3,454,724</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2010.

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.

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, 2010 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, 2010 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2010 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	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings AAAm</u>
Local Government Investment Pool	\$ 551,446
Virginia State Non-Arbitrage Pool	78,604
Money Market Funds	<u>502,336</u>
Total	<u><u>\$ 1,132,386</u></u>

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)		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Treasury Notes	\$ <u>2,025,385</u>	\$ <u>2,025,385</u>
Total	<u><u>\$ 2,025,385</u></u>	<u><u>\$ 2,025,385</u></u>

External Investment Pools

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2010, the County has receivables from and amounts due to other governments as follows:

		Component Units	
	Primary Government	School Board	Economic Development Authority
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,627,423	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	458,909	-	-
Commonwealth of Virginia:			
Local sales tax	632,465	-	-
Local communication sales tax	212,618	-	-
Local cable television fees	57,469	-	-
Motor vehicle carrier tax	2,594	-	-
Mobile home titling tax	8,550	-	-
VPA funds	68,001	-	-
State sales tax	-	954,294	-
Constitutional officer reimbursements	232,517	-	-
Miscellaneous	40,101	8,543	-
Comprehensive service	156,973	-	-
Rental vehicle tax	7,907	-	-
Mitigation grant	14,561	-	-
VDOT Grant	134,613	-	-
E-911 funds	7,561	-	-
Federal Government:			
School fund grants	-	447,989	-
Stimulus funds	-	542,943	-
Mitigation grant	57,917	-	-
VDOT Grant	2,951	-	-
VPA funds	113,015	-	-
Other federal grants	37,879	-	-
Total due from other governments	<u>\$ 2,396,601</u>	<u>\$ 5,581,192</u>	<u>\$ -</u>

Amounts due to other governments are as follows:

Internal Revenue Service	\$ 78,604	\$ -	\$ -
Gloucester County School Board	3,627,423	-	-
Commonwealth of Virginia	433	-	-
Gloucester County	<u>-</u>	<u>150,000</u>	<u>458,909</u>
Total due from other governments	<u>\$ 3,706,460</u>	<u>\$ 150,000</u>	<u>\$ 458,909</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2010, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 1,693,760	\$ 2,182,283
County Capital Improvements	2,182,283	-
Debt Service	-	1,452,057
Virginia Public Assistance	-	181,016
Comprehensive Services Act	-	60,687
Total Governmental Funds	<u>\$ 3,876,043</u>	<u>\$ 3,876,043</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, 2010:

Primary Government:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 4,965,493	\$ 171,270	\$ -	\$ 5,136,763
Construction in progress	<u>12,596,485</u>	<u>1,150,940</u>	<u>-</u>	<u>13,747,425</u>
Total capital assets not subject to depreciation	<u>\$ 17,561,978</u>	<u>\$ 1,322,210</u>	<u>\$ -</u>	<u>\$ 18,884,188</u>
Capital assets subject to depreciation:				
Buildings	\$ 16,520,190	\$ 45,250	\$ -	\$ 16,565,440
Improvements other than buildings	133,627	156,680	-	290,307
Equipment	5,917,360	164,307	243,669	5,837,998
Jointly owned assets	<u>37,836,228</u>	<u>-</u>	<u>1,898,877</u>	<u>35,937,351</u>
Total capital assets being depreciated	<u>\$ 60,407,405</u>	<u>\$ 366,237</u>	<u>\$ 2,142,546</u>	<u>\$ 58,631,096</u>
Less accumulated depreciation for:				
Buildings	\$ (5,439,873)	\$ (421,881)	\$ -	\$ (5,861,754)
Improvements other than buildings	(10,505)	(6,681)	-	(17,186)
Equipment	(4,358,992)	(510,774)	(243,669)	(4,626,097)
Jointly owned assets	<u>(13,045,507)</u>	<u>(959,113)</u>	<u>(877,088)</u>	<u>(13,127,532)</u>
Total accumulated depreciation	<u>\$ (22,854,877)</u>	<u>\$ (1,898,449)</u>	<u>\$ (1,120,757)</u>	<u>\$ (23,632,569)</u>
Total capital assets being depreciated, net	<u>\$ 37,552,528</u>	<u>\$ (1,532,212)</u>	<u>\$ 1,021,789</u>	<u>\$ 34,998,527</u>
Governmental capital assets, net	<u>\$ 55,114,506</u>	<u>\$ (210,002)</u>	<u>\$ 1,021,789</u>	<u>\$ 53,882,715</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2010:

Component Unit - School Board:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ <u>1,476,061</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,476,061</u>
Total capital assets not subject to depreciation	\$ <u>1,476,061</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,476,061</u>
Capital assets subject to depreciation:				
Equipment	\$ <u>9,299,181</u>	\$ <u>617,546</u>	\$ <u>633,732</u>	\$ <u>9,282,995</u>
Jointly owned assets	<u>27,763,305</u>	<u>1,473,963</u>	<u>-</u>	<u>29,237,268</u>
Total capital assets being depreciated	\$ <u>37,062,486</u>	\$ <u>2,091,509</u>	\$ <u>633,732</u>	\$ <u>38,520,263</u>
Less accumulated depreciation for:				
Equipment	\$ <u>(5,978,213)</u>	\$ <u>(691,999)</u>	\$ <u>(633,732)</u>	\$ <u>(6,036,480)</u>
Jointly owned assets	<u>(8,701,945)</u>	<u>(679,469)</u>	<u>505,493</u>	<u>(9,886,907)</u>
Total accumulated depreciation	\$ <u>(14,680,158)</u>	\$ <u>(1,371,468)</u>	\$ <u>(128,239)</u>	\$ <u>(15,923,387)</u>
Total capital assets being depreciated, net	\$ <u>22,382,328</u>	\$ <u>720,041</u>	\$ <u>505,493</u>	\$ <u>22,596,876</u>
Governmental capital assets, net	\$ <u>23,858,389</u>	\$ <u>720,041</u>	\$ <u>505,493</u>	\$ <u>24,072,937</u>

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

Governmental activities:

General government administration	\$ 77,533
Judicial administration	185,268
Public safety	443,587
Public works	54,551
Health and welfare	46,677
Education	1,014,563
Parks, recreation and cultural	65,165
Community development	11,105
Total Governmental activities	\$ <u>1,898,449</u>
Component Unit School Board	\$ <u>1,371,468</u>

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (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, 2010, is that school financed assets in the amount of \$22,809,819 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2010 follows:

Primary Government:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Enterprise activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,599,046	\$ -	\$ -	\$ 3,599,046
Construction in progress	<u>-</u>	<u>18,189</u>	<u>-</u>	<u>18,189</u>
 Total capital assets not subject to depreciation	 \$ 3,599,046	 \$ 18,189	 \$ -	 \$ 3,617,235
Capital assets subject to depreciation:				
Plant in service	\$ 33,429,090	\$ -	\$ -	\$ 33,429,090
Machinery and equipment	1,611,206	-	37,999	1,573,207
Buildings	<u>5,489,705</u>	<u>-</u>	<u>-</u>	<u>5,489,705</u>
 Total capital assets being depreciated	 \$ 40,530,001	 \$ -	 \$ 37,999	 \$ 40,492,002
Less accumulated depreciation for:				
Plant in service	\$ (10,914,629)	\$ (713,867)	\$ -	\$ (11,628,496)
Machinery and equipment	(386,145)	(46,004)	(37,999)	(394,150)
Buildings	<u>(2,641,031)</u>	<u>(161,396)</u>	<u>-</u>	<u>(2,802,427)</u>
 Total accumulated depreciation	 \$ (13,941,805)	 \$ (921,267)	 \$ (37,999)	 \$ (14,825,073)
 Total capital assets being depreciated, net	 \$ 26,588,196	 \$ (921,267)	 \$ -	 \$ 25,666,929
 Enterprise capital assets, net	 <u>\$ 30,187,242</u>	 <u>\$ (903,078)</u>	 <u>\$ -</u>	 <u>\$ 29,284,164</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2010 follows:

Component Unit Economic Development Authority:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Enterprise activities:				
Capital assets not subject to depreciation:				
Land	\$ 604,865	\$ -	\$ -	\$ 604,865
Construction in progress	15,818	-	-	15,818
Total capital assets being depreciated	\$ 620,683	\$ -	\$ -	\$ 620,683
Capital assets subject to depreciation:				
Buildings	\$ 18,402,655	\$ -	\$ -	\$ 18,402,655
Equipment	7,234	-	-	7,234
Total capital assets being depreciated	\$ 18,409,889	\$ -	\$ -	\$ 18,409,889
Less accumulated depreciation for:				
Buildings	\$ (2,252,340)	\$ (735,447)	\$ -	\$ (2,987,787)
Equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (2,259,574)	\$ (735,447)	\$ -	\$ (2,995,021)
Total capital assets being depreciated, net	\$ 16,150,315	\$ (735,447)	\$ -	\$ 15,414,868
Enterprise capital assets, net	\$ 16,770,998	\$ (735,447)	\$ -	\$ 16,035,551

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 7,078,300
Debt Service	5,397,393	-
Capital Projects	180,230	-
Other Governmental Funds	1,000,677	-
Total Governmental Funds	\$ 6,578,300	\$ 7,078,300
Enterprise Funds:		
Utilities	500,000	-
Total-All Funds	\$ 7,078,300	\$ 7,078,300

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

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)****NOTE 8—LONG-TERM OBLIGATIONS:****Details of Long-Term Indebtedness:****Primary Government:**

A summary of long-term obligation transactions for the year ended June 30, 2010 is as follows:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
Governmental Obligations:					
Incurred by County					
Compensated absences payable	\$ 1,665,289	\$ 917,793	\$ 1,020,440	\$ 1,562,642	\$ 156,264
OPEB liability	187,219	270,502	88,016	369,705	-
Capital lease obligations	19,064,460	-	1,222,938	17,841,522	1,271,847
Less deferred amounts:					
On refunding	(280,648)	-	(14,181)	(266,467)	-
Total incurred by County	<u>\$ 20,636,320</u>	<u>\$ 1,188,295</u>	<u>\$ 2,317,213</u>	<u>\$ 19,507,402</u>	<u>\$ 1,428,111</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 3,603,520	\$ -	\$ 540,000	\$ 3,063,520	\$ 540,000
General obligation bonds payable	20,964,978	-	1,352,011	19,612,967	1,330,226
Add deferred amounts:					
For issuance premium	777,934	-	47,411	730,523	-
Capital lease and notes payable obligations	993,484	-	270,695	722,789	252,020
Total incurred by School Board	<u>\$ 26,339,916</u>	<u>\$ -</u>	<u>\$ 2,210,117</u>	<u>\$ 24,129,799</u>	<u>\$ 2,122,246</u>
Total Governmental Obligations	<u>\$ 46,976,236</u>	<u>\$ 1,188,295</u>	<u>\$ 4,527,330</u>	<u>\$ 43,637,201</u>	<u>\$ 3,550,357</u>
Enterprise Obligations:					
Compensated absences payable	\$ 143,061	\$ 78,818	\$ 64,416	\$ 157,463	\$ 15,746
OPEB liability	16,055	23,124	7,384	31,795	-
General obligation bonds payable	53,636	-	43,171	10,465	10,465
Revenue bonds payable	23,760,999	-	1,510,669	22,250,330	1,555,164
Add deferred amounts:					
For issuance premium	322,196	-	64,217	257,979	-
Less deferred amounts:					
For issuance discount	(61,242)	-	(2,928)	(58,314)	-
For amount on refunding	(541,361)	-	(65,712)	(475,649)	-
Total Enterprise Obligations	<u>\$ 23,693,344</u>	<u>\$ 101,942</u>	<u>\$ 1,621,217</u>	<u>\$ 22,174,069</u>	<u>\$ 1,581,375</u>

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)**

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,	<u>County Obligations</u>	
	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,271,847	\$ 779,293
2012	1,332,728	722,399
2013	1,390,669	663,658
2014	1,450,763	602,365
2015	1,518,106	538,322
2016	1,577,799	471,529
2017	1,649,947	401,880
2018	1,719,663	329,166
2019	350,000	252,951
2020	360,000	238,308
2021	380,000	222,997
2022	395,000	206,472
2023	410,000	188,863
2024	425,000	170,597
2025	450,000	151,456
2026	470,000	131,331
2027	490,000	110,025
2028	515,000	87,412
2029	535,000	63,788
2030	560,000	39,150
2031	590,000	13,275
Total	\$ <u>17,841,522</u>	\$ <u>6,385,237</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (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
2011	\$ 540,000	\$ 95,550	\$ 1,330,226	\$ 949,928	\$ 252,020	\$ 27,354
2012	540,000	78,100	1,328,609	878,038	263,059	18,447
2013	513,196	60,650	1,227,168	809,610	65,736	12,048
2014	250,000	44,110	1,055,914	749,897	69,528	8,255
2015	250,000	36,610	1,089,857	694,252	72,446	5,173
2016	250,000	29,110	1,129,005	636,691	-	-
2017	250,000	21,609	1,168,371	576,616	-	-
2018	250,000	14,109	1,072,965	519,337	-	-
2019	220,324	6,609	1,112,799	465,753	-	-
2020	-	-	1,157,887	411,657	-	-
2021	-	-	1,198,240	355,495	-	-
2022	-	-	1,253,874	295,328	-	-
2023	-	-	1,298,501	233,905	-	-
2024	-	-	1,353,369	170,297	-	-
2025	-	-	794,794	118,237	-	-
2026	-	-	821,556	79,574	-	-
2027	-	-	848,672	39,358	-	-
2028	-	-	371,160	9,465	-	-
Total	\$ <u>3,063,520</u>	\$ <u>386,457</u>	\$ <u>19,612,967</u>	\$ <u>7,993,438</u>	\$ <u>722,789</u>	\$ <u>71,277</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (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
2011	\$ 10,465	\$ 88	\$ 1,555,164	\$ 1,061,226
2012	-	-	1,625,940	985,924
2013	-	-	1,701,755	907,175
2014	-	-	1,782,613	824,721
2015	-	-	1,858,514	738,359
2016	-	-	1,949,461	648,293
2017	-	-	2,035,457	553,766
2018	-	-	2,136,503	455,076
2019	-	-	2,237,603	350,061
2020	-	-	413,760	240,728
2021	-	-	408,560	223,241
2022	-	-	425,000	205,952
2023	-	-	440,000	185,214
2024	-	-	465,000	165,524
2025	-	-	480,000	144,716
2026	-	-	500,000	123,236
2027	-	-	525,000	100,860
2028	-	-	545,000	77,166
2029	-	-	570,000	52,572
2030	-	-	595,000	26,852
Total	\$ 10,465	\$ 88	\$ 22,250,330	\$ 8,070,662

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Long-Term Debt:</u>	
<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%	\$ 205,000
\$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, \$8,055,000 less unamortized deferred amount on refunding \$266,467.	7,788,533
\$11,245,000 capital lease obligation (payable from the General Fund) dated December 28, 2006, secured by communications equipment, due in combined annual installments of principal and interest of \$1,452,058 through July 1, 2017, including interest at 4.49%	<u>9,581,522</u>
Total Capital Lease Obligations	\$ 17,575,055
Compensated absences (payable from the General Fund)	1,562,642
OPEB liability (payable from the General Fund)	<u>369,705</u>
Total Debt Incurred by County	<u><u>\$ 19,507,402</u></u>
<u>General Obligation Bonds:</u>	
<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>10,465</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds: (Continued)</u>	
<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%	\$ 195,330
\$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, \$13,820,000 plus unamortized issuance premium of \$257,979, less unamortized deferred amount on refunding of \$208,429.	13,869,550
\$8,560,000 Virginia Resource Authority bonds dated August 1, 2006, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 4.1% to 4.879%. Face amount of bonds outstanding, \$8,235,000 less unamortized issuance discount of \$58,314, less unamortized deferred amount on refunding of \$267,220.	<u>7,909,466</u>
Total revenue bonds	\$ 21,974,346
Compensated absences (payable from the Enterprise Fund)	157,463
OPEB liability (payable from the Enterprise Fund)	<u>31,795</u>
Total enterprise obligations payable	<u><u>\$ 22,174,069</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds: (Continued)</u>	
<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%	\$ 200,000
\$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%	465,000
\$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%	260,000
\$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%	980,000
\$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 \$295,236.	6,305,236
\$6,505,000 School Bonds issued November 9, 2006 payable in various annual installments each July 15 through 2026. Interest payable semi-annually at various interest rates from 4.225% through 5.10%. Carrying amount of bonds including unamortized issuance premium of \$137,719.	6,022,719
\$6,364,713 School Bonds issued November 8, 2007 payable in various annual installments each July 15 through 2027. Interest payable semi-annually at various interest rates from 4.35% through 5.1%. Carrying amount of bonds including unamortized issuance premium of \$297,568.	<u>6,110,535</u>
Total school bonds payable	\$ <u>20,343,490</u>

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)**

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

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%	250,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%	227,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%	364,419
\$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>2,220,324</u>
Total State Literary Fund Loans	<u>\$ 3,063,520</u>
<u>Capital Lease Obligations:</u>	
\$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%	\$ 394,060
<u>Note Payable Obligations:</u>	
\$811,302 general obligation refunding note, series 1998 issued October 30, 1998, due in annual installments of \$77,784 through July 15, 2014, interest at 5.77%	<u>328,729</u>
Total Capital Lease and Notes Payable Obligations	<u>\$ 722,789</u>
Total School Board Long-Term Debts Issued, payable from the General Fund	<u><u>\$ 24,129,799</u></u>

Capital Leases

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Capital Leases: (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities	Component Unit- School Board
Asset:		
Courthouse Construction	\$ 7,237,000	\$ -
Radio Equipment (1)	11,514,044	-
HVAC equipment	-	1,674,500
Less: Accumulated depreciation	<u>(1,447,400)</u>	<u>(1,546,723)</u>
	<u>\$ 17,303,644</u>	<u>\$ 127,777</u>

(1) Reported as work in progress at June 30, 2010, as equipment has not been placed in service.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, were as follows:

Year Ending June 30,	Governmental Activities	Component Unit- School Board
2011	\$ 2,051,140	\$ 201,480
2012	2,055,128	203,723
2013	2,054,328	-
2014	2,053,128	-
2015	2,056,428	-
2016	2,049,328	-
2017	2,051,828	-
2018	2,048,828	-
2019	602,951	-
2020	598,308	-
2021	602,997	-
2022	601,472	-
2023	598,863	-
2024	595,597	-
2025	601,456	-
2026	601,331	-
2027	600,025	-
2028	602,412	-
2029	598,788	-
2030	599,150	-
2031	<u>603,275</u>	<u>-</u>
Total minimum lease payments	\$ 24,226,761	\$ 405,203
Less: amount representing interest	<u>(6,385,239)</u>	<u>(11,143)</u>
Present value of minimum lease payments	<u>\$ 17,841,522</u>	<u>\$ 394,060</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (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, 2010:

	<u>Amounts Payable at July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable (payable from the School Fund)	\$ 1,895,323	\$ 2,400,591	\$ 2,347,026	\$ 1,948,888	\$ 194,889
OPEB liability debt	<u>342,828</u>	<u>732,972</u>	<u>438,800</u>	<u>637,000</u>	<u>-</u>
Total debt incurred by School Board	<u>\$ 2,238,151</u>	<u>\$ 3,133,563</u>	<u>\$ 2,785,826</u>	<u>\$ 2,585,888</u>	<u>\$ 194,889</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, 2010:

	<u>Amounts Payable at July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2010</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$ 17,796,100	\$ -	\$ 503,205	\$ 17,292,895	\$ 534,082
Derivative instrument liability	<u>1,590,397</u>	<u>914,146</u>	<u>-</u>	<u>2,504,543</u>	<u>-</u>
Total	<u>\$ 19,386,497</u>	<u>\$ 914,146</u>	<u>\$ 503,205</u>	<u>\$ 19,797,438</u>	<u>\$ 534,082</u>
					<u>Amount Outstanding</u>

Bonds:

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

\$ 17,292,895

Total Debt incurred by the Component Unit Economic Development Authority

\$ 17,292,895

COUNTY OF GLOUCESTER, VIRGINIA**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)****NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)****Details of Long-Term Indebtedness: (Continued)****Component Unit—Economic Development Authority: (Continued)****Interest rate swap**

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

Terms. The bonds and the related swap agreement mature on March 1, 2019. The swap's notional value of \$19,797,438 is more than the balance outstanding on the bonds payable of \$17,292,895. The difference of \$2,504,543 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Authority. A corresponding deferred outflow of resources is reported on the statement of net assets as a reduction to total liabilities before computing net assets. The swap was entered into at the same time as the bonds were issued in August 2008. Under the swap, the Authority pays the counterparty a fixed payment of 5.96 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR) plus 1.30 percent.

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

	As of and for the Year Ended	
	<u>June 30, 2009</u>	<u>June 30, 2010</u>
Fair value	\$ (1,590,397)	\$ (2,504,543)
Change in fair value	(1,590,397)	(914,146)

Annual amounts required to amortize the Authority loan using the fixed rate provided by the swap agreement which is not significantly different from the variable rate are as follows:

Year Ending June 30,	Bonds	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 534,082	1,016,248
2012	566,854	983,532
2013	601,636	948,809
2014	638,554	911,956
2015	677,736	872,841
2016	719,322	831,326
2017	763,460	787,263
2018	810,307	740,497
2019	11,980,944	579,277
Total	\$ <u>17,292,895</u>	\$ <u>7,671,749</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 9—LANDFILL POST CLOSURE COSTS:

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

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

NOTE 10—DEFERRED 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 \$18,221,682 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$18,041,556 at June 30, 2010.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2010, but paid in advance by the tax payers totaled \$180,126 at June 30, 2010.

NOTE 11—COMMITMENTS AND CONTINGENCIES:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 12—LITIGATION:

At June 30, 2010, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RISK MANAGEMENT:

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

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

Component Unit School Board—Health Insurance

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

Unpaid claims, June 30, 2008	\$ 525,368
Incurred claims (including IBNR and changes in estimates)	5,717,284
Claim payments	<u>(5,654,032)</u>
Unpaid claims, June 30, 2009	\$ 588,620
Incurred claims (including IBNR and changes in estimates)	6,155,004
Claim payments	<u>(6,180,835)</u>
Unpaid claims, June 30, 2010	<u><u>\$ 562,789</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

All full-time, salaried permanent 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 local law enforcement officers, firefighters, and sheriffs) or at age 50 with 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). 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. COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs 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 downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or by writing to the System's Chief Financial Officer 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 annual salary 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 2010 were 7.99% and 6.95% of annual covered payroll, respectively.

The School Board's professional employees contributed \$1,876,622, \$2,709,961, and \$3,052,493, to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009, and 2008 respectively and these contributions represented 6.23%, 8.81%, and 10.30%, respectively, of current covered payroll. The School Board's professional employees contribution rate for the fiscal year ended June 30, 2010 of 8.81% of covered payroll was for July 2009 through March 2010 and 0.00% for April through June 2010.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal 2010, the County's annual pension cost of \$999,864 was equal to the County's required and actual contributions.

For fiscal 2010, the County School Board's annual pension cost for the Board's non-professional employees were \$299,022, which was equal to the Board's required and actual contributions.

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2010	\$ 999,864	100%	\$ -
June 30, 2009	1,014,918	100%	-
June 30, 2008	981,406	100%	-
School Board:			
Non-Professional:			
June 30, 2010	\$ 299,022	100%	\$ -
June 30, 2009	302,657	100%	-
June 30, 2008	302,836	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of retirees (net of administrative expenses) of 7.50% (b) projected salary increases ranging from 3.75% to 5.60% for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to local law enforcement officers, firefighters, and sheriffs per year, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County's assets is equal to the modified market value assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the County plan was 88.21% funded. The actuarial accrued liability for benefits was \$40,659,026, and the actuarial value of assets was \$35,865,078, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,793,948. The covered payroll (annual payroll of active employees covered by the plan) was \$12,748,300 and ratio of the UAAL to the covered payroll was 37.60%.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress: (Continued)

As of June 30, 2009, the most recent actuarial valuation date, the School Board Non-Professional plan was 88.10% funded. The actuarial accrued liability for benefits was \$13,789,023, and the actuarial value of assets was \$12,147,944, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,641,079. The covered payroll (annual payroll of active employees covered by the plan) was \$4,351,373 and ratio of the UAAL to the covered payroll was 37.71%.

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

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Margaret Walker, Clerk of the Circuit Court	\$ 103,000
Tara L Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
E. Steven Gentry, Sheriff	30,000
The above constitutional officer's employees blanket bond	50,000
Western Surety	
Diane Gamache, Clerk of the School Board	10,000
NGM Insurance Company	
Brenda G. Garton, County Administrator	5,000
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, 2010 (CONTINUED)**

NOTE 16—OPERATING LEASES:

The County leases space for the County Library under a non-cancelable operation 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, 2010. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2011	\$ 150,000
2012	175,000
2013	175,000
2014	175,000
2015	175,000
Total	<u>\$ 850,000</u>

The County leases space for the County Health Department under a non-cancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$54,481 for the year ended June 30, 2010. The future minimum lease payments for this lease are as follows:

Year Ending June 30,	Amount
2011	\$ 56,115
2012	57,799
2013	59,533
2014	61,319
2015	63,158
2016 - 2019	<u>272,158</u>
Total	<u>\$ 570,082</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

NOTE 17—POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

A. Post-retirement Medical Plan for Employee

Plan Description

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

Funding Policy

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

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

The Schools currently have 46 retirees without spouse coverage and 7 retirees with spouse coverage on their plan. The County has 8 retirees without spouse coverage and 3 retirees with spouse coverage participating in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 (CONTINUED)

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

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

Annual OPEB Cost and Net OPEB Obligation: (Continued)

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

	Primary Government	Component Unit School Board
Annual required contribution	\$ 293,900	\$ 733,300
Interest on net OPEB obligation	8,400	13,700
Adjustment to annual required contribution	(8,674)	(14,028)
Annual OPEB cost (expense)	\$ 293,626	\$ 732,972
Estimated Contributions made	(95,400)	(438,800)
Increase in net OPEB obligation	198,226	294,172
Net OPEB obligation-beginning of year	203,274	342,828
Net OPEB obligation-end of year	\$ 401,500	\$ 637,000

The County and School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years 2010 and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2009	\$ 278,848	27.06%	\$ 203,274
6/30/2010	293,626	32.51%	401,500
Schools:			
6/30/2009	\$ 704,235	51.30%	\$ 342,828
6/30/2010	732,972	59.89%	637,000

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

Funded Status and Funding Progress

As of July 1, 2008, the County's actuarial accrued liability for benefits was \$2,678,945, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$11,995,920, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.33 percent.

As of July 1, 2008, the School Board's actuarial accrued liability for benefits was \$7,709,733, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$33,962,089, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.70 percent.

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

Methods and Assumptions

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

The following simplifying assumptions were made:

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

Mortality—Life expectancies were based on mortality tables from the 1994 Group Annuity Mortality Tables for males and females with a one year setback in pre-retirement for males and females.

Coverage elections — The actuarial assumed that 65% of current actives of the Gloucester County Public Schools will elect medical coverage when they retire and that 10% of retirees who elect coverage will cover a spouse. The actuarial assumed that 85% of current actives of Gloucester County will elect medical coverage when they retire and that 30% of retirees who elect coverage will cover a spouse.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

B. Health Insurance Credit Program Through Virginia Retirement System

Plan Description

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

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

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

Funding Policy

As a participating local political subdivision, the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The School Board's contribution rate for the fiscal year ended 2010 was .92% of annual covered payroll.

OPEB Cost and Net OPEB Obligation

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

OPEB Cost and Net OPEB Obligation: (Continued)

For 2010, the School Board's contribution of \$39,583 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the preceding year are as follows:

<u>Fiscal Year Ended</u>		<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of of ARC Contributed</u>		<u>Net OPEB Obligation</u>
6/30/2009	\$	40,064	100.00%	\$	-
6/30/2010		39,583	100.00%		-

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$	315,031
Actuarial value of plan assets	\$	26,963
Unfunded actuarial accrued liability (UAAL)	\$	288,068
Funded ratio (actuarial value of plan assets/AAL)		8.56%
Covered payroll (active plan members)	\$	4,531,373
UAAL as a percentage of covered payroll		6.62%

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

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

Actuarial Methods and Assumptions

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010 (CONTINUED)

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

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

Actuarial Methods and Assumptions: (Continued)

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.5% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2009 was 27 years.

Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$221,531, \$332,209, and \$343,777, respectively and equaled the required contributions for each year.

This page intentionally left blank

Required Supplementary Information

Note to Required Supplementary Information:

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

This page intentionally left blank

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General property taxes	\$ 30,787,909	\$ 30,787,909	\$ 31,916,749	\$ 1,128,840
Other local taxes	9,708,847	9,708,847	9,727,703	18,856
Permits, privilege fees, and regulatory licenses	332,575	332,575	285,060	(47,515)
Fines and forfeitures	204,500	204,500	120,804	(83,696)
Revenue from the use of money and property	250,181	250,181	203,603	(46,578)
Charges for services	946,523	946,523	816,885	(129,638)
Miscellaneous	213,432	295,826	269,267	(26,559)
Recovered costs	300,168	335,468	360,700	25,232
Intergovernmental revenues:				
Commonwealth	7,328,502	7,411,439	7,058,210	(353,229)
Federal	94,322	171,522	360,649	189,127
Total revenues	<u>\$ 50,166,959</u>	<u>\$ 50,444,790</u>	<u>\$ 51,119,630</u>	<u>\$ 674,840</u>
EXPENDITURES				
Current:				
General government administration	5,037,113	5,231,420	4,796,836	434,584
Judicial administration	1,617,724	1,688,207	1,473,565	214,642
Public safety	10,881,715	11,214,919	10,430,536	784,383
Public works	1,926,506	1,947,589	1,866,165	81,424
Health and welfare	673,957	673,957	670,450	3,507
Education	20,462,645	20,471,409	20,323,168	148,241
Parks, recreation, and cultural	1,918,007	1,963,080	1,857,339	105,741
Community development	800,802	814,594	728,581	86,013
Nondepartmental	272,035	272,035	272,035	-
Total expenditures	<u>\$ 43,590,504</u>	<u>\$ 44,277,210</u>	<u>\$ 42,418,675</u>	<u>\$ 1,858,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,576,455</u>	<u>\$ 6,167,580</u>	<u>\$ 8,700,955</u>	<u>\$ 2,533,375</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (6,787,179)</u>	<u>\$ (7,390,089)</u>	<u>\$ (7,078,300)</u>	<u>\$ 311,789</u>
Total other financing sources and uses	<u>\$ (6,787,179)</u>	<u>\$ (7,390,089)</u>	<u>\$ (7,078,300)</u>	<u>\$ 311,789</u>
Net change in fund balances	<u>\$ (210,724)</u>	<u>\$ (1,222,509)</u>	<u>\$ 1,622,655</u>	<u>\$ 2,845,164</u>
Fund balances - beginning	<u>210,724</u>	<u>1,222,509</u>	<u>12,861,189</u>	<u>11,638,680</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,483,844</u></u>	<u><u>\$ 14,483,844</u></u>

Schedule of Pension Funding Progress
For the Year Ended June 30, 2010

Primary Government:
County Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
6/30/2009	\$ 35,865,078	\$ 40,659,026	\$ 4,793,948	88.21%	\$ 12,748,300	37.60%
6/30/2008	34,792,859	38,322,362	3,529,503	90.79%	11,995,920	29.42%
6/30/2007	31,252,207	34,534,550	3,282,343	90.50%	11,967,890	27.43%
6/30/2006	27,113,595	29,885,627	2,772,032	90.72%	10,880,883	25.48%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	UAAL as % of Payroll
6/30/2009	\$ 12,147,944	\$ 13,789,023	\$ 1,641,079	88.10%	\$ 4,351,373	37.71%
6/30/2008	11,872,681	12,695,426	822,745	93.52%	4,247,086	19.37%
6/30/2007	10,583,920	11,895,235	1,311,315	88.98%	4,192,789	31.28%
6/30/2006	9,204,914	10,721,286	1,516,372	85.86%	3,976,011	38.14%

Schedule of Funding Progress for Retiree Health Plan and Health Insurance Credit Program
For the Year Ended June 30, 2010

Primary Government:**County Retiree Health Plan:**

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
7/1/2008	\$ -	\$ 2,678,945	\$ 2,678,945	0.00%	\$ 11,995,920	22.33%

Discretely Presented Component Unit:**School Board Retiree Health Plan:**

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
7/1/2008	\$ -	\$ 7,709,733	\$ 7,709,733	0.00%	\$ 33,962,089	22.70%

Discretely Presented Component Unit:**Health Insurance Credit Program Through Virginia Retirement System:**

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
6/30/2009	\$ 26,963	\$ 315,031	\$ 288,068	8.56%	\$ 4,351,373	6.62%

This page intentionally left blank

OTHER SUPPLEMENTARY INFORMATION

Debt Service Fund

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

For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 15	\$ 15
Total revenues	\$ -	\$ -	\$ 15	\$ 15
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,385,644	\$ 3,385,644	\$ 3,385,644	\$ -
Interest and other fiscal charges	2,133,423	2,133,423	2,012,572	120,851
Total expenditures	\$ 5,519,067	\$ 5,519,067	\$ 5,398,216	\$ 120,851
Excess (deficiency) of revenues over (under) expenditures	\$ (5,519,067)	\$ (5,519,067)	\$ (5,398,201)	\$ 120,866
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,519,067	\$ 5,519,067	\$ 5,397,393	\$ (121,674)
Total other financing sources and uses	\$ 5,519,067	\$ 5,519,067	\$ 5,397,393	\$ (121,674)
Net change in fund balances	\$ -	\$ -	\$ (808)	\$ (808)
Fund balances - beginning	-	-	808	808
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Capital Projects Fund

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

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 362	\$ 362
Miscellaneous	100,000	222,250	182,030	(40,220)
Intergovernmental revenues:				
Commonwealth	400,000	692,630	488,085	(204,545)
Federal	1,500,000	1,540,851	979,523	(561,328)
Total revenues	<u>\$ 2,000,000</u>	<u>\$ 2,455,731</u>	<u>\$ 1,650,000</u>	<u>\$ (805,731)</u>
EXPENDITURES				
Capital projects	\$ 8,097,300	\$ 8,705,941	\$ 2,698,567	\$ 6,007,374
Total expenditures	<u>\$ 8,097,300</u>	<u>\$ 8,705,941</u>	<u>\$ 2,698,567</u>	<u>\$ 6,007,374</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,097,300)</u>	<u>\$ (6,250,210)</u>	<u>\$ (1,048,567)</u>	<u>\$ 5,201,643</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 97,300	\$ 200,210	\$ 180,230	\$ (19,980)
Issuance of capital lease	3,000,000	3,000,000	-	(3,000,000)
Total other financing sources and uses	<u>\$ 3,097,300</u>	<u>\$ 3,200,210</u>	<u>\$ 180,230</u>	<u>\$ (3,019,980)</u>
Net change in fund balances	\$ (3,000,000)	\$ (3,050,000)	\$ (868,337)	\$ 2,181,663
Fund balances - beginning	3,000,000	3,050,000	3,697,708	647,708
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,829,371</u>	<u>\$ 2,829,371</u>

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	Special Revenue		Capital Projects	
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	School Construction Fund	Total
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 78,604	\$ 78,604
Receivables (net of allowance for uncollectibles):				
Accounts receivable	-	221	-	221
Due from other governmental units	181,016	156,973	-	337,989
Total assets	<u>\$ 181,016</u>	<u>\$ 157,194</u>	<u>\$ 78,604</u>	<u>\$ 416,814</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 96,507	\$ -	\$ 96,507
Due to other governmental units	-	-	78,604	78,604
Due to other funds	181,016	60,687	-	241,703
Total liabilities	<u>\$ 181,016</u>	<u>\$ 157,194</u>	<u>\$ 78,604</u>	<u>\$ 416,814</u>
Fund balances:				
Unreserved:				
Designated for subsequent expenditure	\$ -	\$ -	\$ -	\$ -
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities and fund balances	<u>\$ 181,016</u>	<u>\$ 157,194</u>	<u>\$ 78,604</u>	<u>\$ 416,814</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2010

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 227	\$ 25,483	\$ 25,710
Intergovernmental revenues:			
Commonwealth	897,704	589,242	1,486,946
Federal	1,279,121	19,160	1,298,281
Total revenues	<u>\$ 2,177,052</u>	<u>\$ 633,885</u>	<u>\$ 2,810,937</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 2,753,896	\$ 1,057,718	\$ 3,811,614
Total expenditures	<u>\$ 2,753,896</u>	<u>\$ 1,057,718</u>	<u>\$ 3,811,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (576,844)</u>	<u>\$ (423,833)</u>	<u>\$ (1,000,677)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 576,844	\$ 423,833	\$ 1,000,677
Total other financing sources and uses	<u>\$ 576,844</u>	<u>\$ 423,833</u>	<u>\$ 1,000,677</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2010

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 1,250	\$ 1,250	\$ 227	\$ (1,023)
Intergovernmental revenues:				
Commonwealth	954,942	954,942	897,704	(57,238)
Federal	1,450,714	1,450,714	1,279,121	(171,593)
Total revenues	<u>\$ 2,406,906</u>	<u>\$ 2,406,906</u>	<u>\$ 2,177,052</u>	<u>\$ (229,854)</u>
EXPENDITURES				
Current:				
Health and welfare	<u>\$ 3,121,717</u>	<u>\$ 3,121,717</u>	<u>\$ 2,753,896</u>	<u>\$ 367,821</u>
Total expenditures	<u>\$ 3,121,717</u>	<u>\$ 3,121,717</u>	<u>\$ 2,753,896</u>	<u>\$ 367,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (714,811)</u>	<u>\$ (714,811)</u>	<u>\$ (576,844)</u>	<u>\$ 137,967</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 714,811</u>	<u>\$ 714,811</u>	<u>\$ 576,844</u>	<u>\$ (137,967)</u>
Total other financing sources and uses	<u>\$ 714,811</u>	<u>\$ 714,811</u>	<u>\$ 576,844</u>	<u>\$ (137,967)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 18

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 4,185	\$ 4,185	\$ 25,483	\$ 21,298
514,250	664,250	589,242	(75,008)
2,565	2,565	19,160	16,595
<u>\$ 521,000</u>	<u>\$ 671,000</u>	<u>\$ 633,885</u>	<u>\$ (37,115)</u>
\$ 977,000	\$ 1,127,000	\$ 1,057,718	\$ 69,282
<u>\$ 977,000</u>	<u>\$ 1,127,000</u>	<u>\$ 1,057,718</u>	<u>\$ 69,282</u>
\$ (456,000)	\$ (456,000)	\$ (423,833)	\$ 32,167
\$ 456,000	\$ 456,000	\$ 423,833	\$ (32,167)
<u>\$ 456,000</u>	<u>\$ 456,000</u>	<u>\$ 423,833</u>	<u>\$ (32,167)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2010

	Agency Funds				
	Special Welfare	Middle Peninsula Regional Special Education	Flexible Benefits	Jail Inmate	Total
ASSETS					
Cash and cash equivalents	\$ 21,814	\$ 325,202	\$ 74,816	\$ 11,149	\$ 432,981
Other receivables	-	29,217	-	-	29,217
Due from other governmental units	-	18,905	-	-	18,905
Total assets	<u>\$ 21,814</u>	<u>\$ 373,324</u>	<u>\$ 74,816</u>	<u>\$ 11,149</u>	<u>\$ 481,103</u>
LIABILITIES					
Accounts payable	\$ -	\$ 359,795	\$ 7,175	\$ -	\$ 366,970
Amounts held for social services clients	21,814	-	-	-	21,814
Amounts held for regional program	-	13,529	-	-	13,529
Amounts held for others	-	-	67,641	11,149	78,790
Total liabilities	<u>\$ 21,814</u>	<u>\$ 373,324</u>	<u>\$ 74,816</u>	<u>\$ 11,149</u>	<u>\$ 481,103</u>

Fiduciary Funds

Statement of Changes in Assets and Liabilities - Agency Funds

Year Ended June 30, 2010

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 20,245	\$ 45,990	\$ 44,421	\$ 21,814
Liabilities:				
Amounts held for social services clients	\$ 20,245	\$ 45,990	\$ 44,421	\$ 21,814
Middle Peninsula Regional Special Education Program Fund:				
Assets:				
Cash and cash equivalents	\$ 12,244	\$ 606,564	\$ 293,606	\$ 325,202
Other receivables	-	29,217	-	29,217
Due from other governmental units	15,141	3,764	-	18,905
Total assets	\$ 27,385	\$ 639,545	\$ 293,606	\$ 373,324
Liabilities:				
Accounts payable	\$ 13,210	\$ 639,800	\$ 293,215	\$ 359,795
Amounts held for regional program	14,175	-	646	13,529
Total liabilities	\$ 27,385	\$ 639,800	\$ 293,861	\$ 373,324
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 72,732	\$ 238,305	\$ 236,221	\$ 74,816
Liabilities:				
Accounts payable	\$ 8,262	\$ 7,175	\$ 8,262	\$ 7,175
Amounts held for others	64,470	231,130	227,959	67,641
Total liabilities	\$ 72,732	\$ 238,305	\$ 236,221	\$ 74,816
Jail Inmate Fund:				
Assets:				
Cash and cash equivalents	\$ 28,262	\$ 135,656	\$ 152,769	\$ 11,149
Liabilities:				
Amounts held for others	\$ 28,262	\$ 135,656	\$ 152,769	\$ 11,149
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 133,483	\$ 1,026,515	\$ 727,017	\$ 432,981
Other receivable	-	29,217	-	29,217
Due from other governmental units	15,141	3,764	-	18,905
Total assets	\$ 148,624	\$ 1,059,496	\$ 727,017	\$ 481,103
Liabilities:				
Accounts payable	\$ 21,472	\$ 646,975	\$ 301,477	\$ 366,970
Amounts held for social services clients	20,245	45,990	44,421	21,814
Amounts held for regional program	14,175	-	646	13,529
Amounts held for others	92,732	366,786	380,728	78,790
Total liabilities	\$ 148,624	\$ 1,059,751	\$ 727,272	\$ 481,103

Capital Assets Used in the Operation of Governmental Funds
Schedule of Capital Assets by Source
June 30, 2010

Governmental funds capital assets:

Land	\$	5,136,763
Buildings		16,565,440
Improvements other than buildings		290,307
Machinery and equipment		5,837,998
Jointly owned assets		35,937,351
Construction in progress		13,747,425
Total governmental funds capital assets	\$	<u>77,515,284</u>

Investments in governmental funds capital assets by source:

General fund	\$	10,514,143
Special revenue funds		184,412
Capital projects fund		30,879,378
Component unit, school fund		35,937,351
Total governmental funds capital assets	\$	<u>77,515,284</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2010

Function and Activity	Land	Buildings	Construction in Progress	Machinery and Equipment	Improvements other than Buildings	Total
General government administration:						
Board of supervisors	\$ 4,867,463	\$ 2,065,480	\$ -	\$ -	\$ 33,700	\$ 6,966,643
Commissioner of revenue	-	-	-	18,071	-	18,071
County assessor	-	-	-	44,360	-	44,360
Treasurer	-	-	-	18,488	-	18,488
Finance	-	-	-	32,106	-	32,106
Department of information technology	-	326,600	-	609,466	25,000	961,066
Purchasing	-	-	-	13,841	-	13,841
VA housing and development	-	-	-	14,638	-	14,638
Total general government administration	\$ 4,867,463	\$ 2,392,080	\$ -	\$ 750,970	\$ 58,700	\$ 8,069,213
Judicial administration:						
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ 11,134	\$ -	\$ 7,248,134
General district court	-	-	-	14,617	-	14,617
Probation and pre-trial	-	-	-	5,220	-	5,220
Juvenile and domestic relations district court	-	-	-	17,396	-	17,396
Clerk of circuit court	-	-	-	151,894	-	151,894
Commonwealth's attorney	-	-	-	17,498	-	17,498
Total judicial administration	\$ -	\$ 7,237,000	\$ -	\$ 217,759	\$ -	\$ 7,454,759
Public safety:						
Sheriff	\$ -	\$ 2,138,675	\$ -	\$ 2,528,399	\$ -	\$ 4,667,074
Emergency 911 system	-	-	-	29,636	-	29,636
Communication system	-	-	13,463,874	-	-	13,463,874
Emergency services	-	554,559	-	139,571	-	694,130
Jail	-	-	-	184,349	-	184,349
Codes compliance	-	84,026	-	205,493	-	289,519
Animal control	-	363,900	-	102,095	-	465,995
Total public safety	\$ -	\$ 3,141,160	\$ 13,463,874	\$ 3,189,543	\$ -	\$ 19,794,577
Public works:						
Engineering	\$ -	\$ 12,230	\$ -	\$ 199,108	\$ -	\$ 211,338
Building and grounds	-	166,991	-	598,485	6,700	772,176
Total public works	\$ -	\$ 179,221	\$ -	\$ 797,593	\$ 6,700	\$ 983,514
Education:						
Schools	\$ -	\$ 34,262,851	\$ -	\$ 1,674,500	\$ -	\$ 35,937,351
Community education	-	1,556,351	-	114,781	-	1,671,132
Total education	\$ -	\$ 35,819,202	\$ -	\$ 1,789,281	\$ -	\$ 37,608,483
Health and welfare:						
Mosquito control	\$ -	\$ -	\$ -	\$ 54,279	\$ -	\$ 54,279
Health department	-	317,143	-	-	-	317,143
Social services	-	758,240	-	161,257	-	919,497
Total health and welfare	\$ -	\$ 1,075,383	\$ -	\$ 215,536	\$ -	\$ 1,290,919
Parks, recreation, and cultural:						
Recreation	\$ 269,300	\$ 512,010	\$ 283,551	\$ 270,129	\$ 64,868	\$ 1,399,858
Beaverdam	-	181,397	-	49,661	111,042	342,100
Historical committee	-	157,783	-	9,588	48,997	216,368
Public library	-	-	-	184,948	-	184,948
Total parks, recreation, and cultural	\$ 269,300	\$ 851,190	\$ 283,551	\$ 514,326	\$ 224,907	\$ 2,143,274
Community development:						
Planning	\$ -	\$ 81,555	\$ -	\$ 28,208	\$ -	\$ 109,763
Economic development	-	-	-	9,282	-	9,282
VPI extension program	-	51,500	-	-	-	51,500
Total community development	\$ -	\$ 133,055	\$ -	\$ 37,490	\$ -	\$ 170,545
Total governmental funds capital assets	\$ 5,136,763	\$ 50,828,291	\$ 13,747,425	\$ 7,512,498	\$ 290,307	\$ 77,515,284

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2010

Function and Activity	Governmental Funds Capital Assets July 1, 2009	Additions	Deductions	Governmental Funds Capital Assets June 30, 2010
General government administration:				
Board of supervisors	\$ 6,505,704	\$ 460,939	\$ -	\$ 6,966,643
Commissioner of revenue	59,631	-	41,560	18,071
Treasurer	-	18,488	-	18,488
County assessor	53,355	-	8,995	44,360
Finance	32,106	-	-	32,106
Department of information technology	1,011,446	33,833	84,213	961,066
Purchasing	13,841	-	-	13,841
VA housing and development	-	14,638	-	14,638
Total general government administration	\$ 7,676,083	\$ 527,898	\$ 134,768	\$ 8,069,213
Judicial administration:				
Circuit court	\$ 7,237,000	\$ 11,134	\$ -	\$ 7,248,134
General district court	14,617	-	-	14,617
Probation and pre-trial	5,220	-	-	5,220
Juvenile and domestic relations district court	17,396	-	-	17,396
Clerk of the circuit court	161,390	-	9,496	151,894
Commonwealth's attorney	23,048	-	5,550	17,498
Total judicial administration	\$ 7,458,671	\$ 11,134	\$ 15,046	\$ 7,454,759
Public safety:				
Sheriff	\$ 4,721,034	\$ 33,854	\$ 87,814	\$ 4,667,074
911 system	35,286	-	5,650	29,636
Communication systems	12,490,177	973,697	-	13,463,874
Emergency services	701,354	-	7,224	694,130
Jail	173,117	27,333	16,101	184,349
Building inspections	242,718	63,801	17,000	289,519
Animal control	523,479	4,300	61,784	465,995
Total public safety	\$ 18,887,165	\$ 1,102,985	\$ 195,573	\$ 19,794,577
Public works:				
Engineering	\$ 220,661	\$ -	\$ 9,323	\$ 211,338
Buildings and grounds	785,686	38,313	51,823	772,176
Total public works	\$ 1,006,347	\$ 38,313	\$ 61,146	\$ 983,514
Education:				
Schools	\$ 37,836,228	\$ -	\$ 1,898,877	\$ 35,937,351
Community education	1,671,132	-	-	1,671,132
Total education	\$ 39,507,360	\$ -	\$ 1,898,877	\$ 37,608,483
Health and welfare:				
Mosquito control	\$ 54,279	\$ -	\$ -	\$ 54,279
Health department	538,867	-	221,724	317,143
Social services	906,495	13,002	-	919,497
Total health and welfare	\$ 1,499,641	\$ 13,002	\$ 221,724	\$ 1,290,919
Parks, recreation, and cultural:				
Recreation	\$ 1,137,364	\$ 271,575	\$ 9,081	\$ 1,399,858
Beaverdam	260,432	111,132	29,464	342,100
Historical committee	216,368	-	-	216,368
Public library	178,244	6,704	-	184,948
Total parks, recreation, and cultural	\$ 1,792,408	\$ 389,411	\$ 38,545	\$ 2,143,274
Community development:				
Community development	\$ 80,926	\$ 28,837	\$ -	\$ 109,763
Economic development	9,282	-	-	9,282
VPI extension program	51,500	-	-	51,500
Total community development	\$ 141,708	\$ 28,837	\$ -	\$ 170,545
Total governmental funds capital assets	\$ 77,969,383	\$ 2,111,580	\$ 2,565,679	\$ 77,515,284

Discretely Presented Component Unit-School Board

This page intentionally left blank

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2010

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 622,349	\$ 622,399
Receivables (net of allowance for uncollectibles):			
Accounts receivable	319,585	2,325	321,910
Due from other governmental units	5,511,577	69,615	5,581,192
Inventories	-	28,693	28,693
Prepaid items	88,742	2,432	91,174
Total assets	<u>\$ 5,919,954</u>	<u>\$ 725,414</u>	<u>\$ 6,645,368</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 649,396	\$ 112,729	\$ 762,125
Accrued liabilities	5,270,558	141,234	5,411,792
Due to other governmental units	-	150,000	150,000
Total liabilities	<u>\$ 5,919,954</u>	<u>\$ 403,963</u>	<u>\$ 6,323,917</u>
Fund balances:			
Reserved for:			
Inventories	\$ -	\$ 28,693	\$ 28,693
Prepaid items	-	2,432	2,432
Unreserved:			
Undesignated	-	290,326	290,326
Total fund balances	<u>\$ -</u>	<u>\$ 321,451</u>	<u>\$ 321,451</u>
Total liabilities and fund balances	<u>\$ 5,919,954</u>	<u>\$ 725,414</u>	<u>\$ 6,645,368</u>

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

Total fund balances per above	\$ 321,451
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	24,072,937
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.	82,457
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,585,888)</u>
Net assets of governmental activities	<u>\$ 21,890,957</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2010

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,500	\$ 5,195	\$ 7,695
Charges for services	64,823	1,262,421	1,327,244
Miscellaneous	310,152	15,533	325,685
Recovered costs	294,134	-	294,134
Intergovernmental revenues:			
Local government	19,837,544	-	19,837,544
Commonwealth	28,713,640	45,454	28,759,094
Federal	6,404,895	1,070,406	7,475,301
Total revenues	<u>\$ 55,627,688</u>	<u>\$ 2,399,009</u>	<u>\$ 58,026,697</u>
EXPENDITURES			
Current:			
Education	\$ 55,627,688	\$ 2,347,287	\$ 57,974,975
Total expenditures	<u>\$ 55,627,688</u>	<u>\$ 2,347,287</u>	<u>\$ 57,974,975</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 51,722	\$ 51,722
Net change in fund balances	\$ -	\$ 51,722	\$ 51,722
Fund balances - beginning	-	269,729	269,729
Fund balances - ending	<u>\$ -</u>	<u>\$ 321,451</u>	<u>\$ 321,451</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 \$ 51,722

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. 214,548

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	\$ (53,565)	
(Increase) decrease in other post employment benefit payable	<u>(294,172)</u>	(347,737)

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. (194,672)

Change in net assets of governmental activities \$ (276,139)

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services	60,975	60,975	64,823	3,848
Miscellaneous	61,084	61,084	310,152	249,068
Recovered costs	273,571	273,571	294,134	20,563
Intergovernmental revenues:				
Local government	19,916,829	19,916,829	19,837,544	(79,285)
Commonwealth	30,926,445	29,650,713	28,713,640	(937,073)
Federal	5,940,922	7,216,654	6,404,895	(811,759)
Total revenues	<u>\$ 57,182,326</u>	<u>\$ 57,182,326</u>	<u>\$ 55,627,688</u>	<u>\$ (1,554,638)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 57,182,326</u>	<u>\$ 57,182,326</u>	<u>\$ 55,627,688</u>	<u>\$ 1,554,638</u>
Total expenditures	<u>\$ 57,182,326</u>	<u>\$ 57,182,326</u>	<u>\$ 55,627,688</u>	<u>\$ 1,554,638</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 School Cafeteria Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2010

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 14,000	\$ 14,000	\$ 5,195	\$ (8,805)
Charges for services	1,541,114	1,542,086	1,262,421	(279,665)
Miscellaneous	20,640	20,640	15,533	(5,107)
Intergovernmental revenues:				
Commonwealth	39,995	39,995	45,454	5,459
Federal	846,694	845,722	1,070,406	224,684
Total revenues	<u>\$ 2,462,443</u>	<u>\$ 2,462,443</u>	<u>\$ 2,399,009</u>	<u>\$ (63,434)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,487,443</u>	<u>\$ 2,487,443</u>	<u>\$ 2,347,287</u>	<u>\$ 140,156</u>
Total expenditures	<u>\$ 2,487,443</u>	<u>\$ 2,487,443</u>	<u>\$ 2,347,287</u>	<u>\$ 140,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 51,722</u>	<u>\$ 76,722</u>
Net change in fund balances	\$ (25,000)	\$ (25,000)	\$ 51,722	\$ 76,722
Fund balances - beginning	25,000	25,000	269,729	244,729
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 321,451</u>	<u>\$ 321,451</u>

Statement of Fiduciary Net Assets

Fiduciary Fund - Discretely Presented Component Unit School Board

June 30, 2010

	Scholarship Private-Purpose Trust
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 269,680
Total assets	\$ <u>269,680</u>
NET ASSETS	
Held in trust for scholarships	\$ <u>269,680</u>

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2010

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 31,963
Total contributions	<u>\$ 31,963</u>
Investment earnings:	
Interest	\$ 840
Total investment earnings	<u>\$ 840</u>
Less investment expense	<u>-</u>
Net investment earnings	<u>\$ 840</u>
Total additions	<u>\$ 32,803</u>
DEDUCTIONS	
Scholarships	\$ 20,854
Total deductions	<u>\$ 20,854</u>
Change in net assets	\$ 11,949
Net assets - beginning	<u>257,731</u>
Net assets - ending	<u><u>\$ 269,680</u></u>

Statement of Net Assets

Internal Service Fund - Discretely Presented Component Unit - School Board

June 30, 2010

	Self- Insurance Fund
<hr/>	
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 645,246
Total assets	<u>\$ 645,246</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 562,789
Total liabilities	<u>\$ 562,789</u>
NET ASSETS	
Unrestricted	\$ 82,457
Total net assets	<u><u>\$ 82,457</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, 2010

	Self- Insurance Fund
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 5,986,162
Total operating revenues	<u>\$ 5,986,162</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 6,180,834
Total operating expenses	<u>\$ 6,180,834</u>
Operating income (loss)	<u>\$ (194,672)</u>
Total net assets - beginning	\$ 277,129
Total net assets - ending	<u><u>\$ 82,457</u></u>

Statement of Cash Flows
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2010

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 6,206,666
Payments for premiums	<u>(6,206,666)</u>
Net cash provided (used) by operating activities	<u>\$ -</u>
Cash and cash equivalents - beginning	\$ <u>-</u>
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>(194,672)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ (220,503)
Increase (decrease) in accounts payable	<u>25,831</u>
Total adjustments	<u>\$ (194,672)</u>
Net cash provided (used) by operating activities	<u><u>\$ -</u></u>

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Capital Assets by Source
June 30, 2010

Governmental funds capital assets:

Land	\$	1,476,061
Jointly owned assets		29,237,268
Machinery and equipment		9,282,995
Total governmental funds capital assets	\$	<u>39,996,324</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	\$	39,996,324
Total governmental funds capital assets	\$	<u>39,996,324</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, 2010

<u>Function and Activity</u>	<u>Land</u>	<u>Jointly Owned Assets</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Education:				
Schools	\$ 1,476,061	\$ 29,237,268	\$ 9,282,995	\$ 39,996,324
Total governmental funds capital assets	\$ 1,476,061	\$ 29,237,268	\$ 9,282,995	\$ 39,996,324

- (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, 2010

Function and Activity	Governmental Funds Capital Assets July 1, 2009	Additions	Deductions	Governmental Funds Capital Assets June 30, 2010
Education:				
Schools	\$ 38,538,547	\$ 2,091,509	\$ (633,732)	\$ 39,996,324
Total governmental funds capital assets	\$ 38,538,547	\$ 2,091,509	\$ (633,732)	\$ 39,996,324

- (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

This page intentionally left blank

Statement of Net Assets

Discretely Presented Component Unit - Economic Development Authority

June 30, 2010

ASSETS

Current assets:

Cash and cash equivalents	\$	1,253,929
Accounts receivable, net of allowance for uncollectibles		126,843
Inventories		1,083,044
Total current assets	\$	<u>2,463,816</u>

Noncurrent assets:

Other assets:

Unamortized bond issue costs	\$	<u>65,079</u>
------------------------------	----	---------------

Capital assets:

Land	\$	604,865
Buildings		18,402,655
Machinery and equipment		7,234
Construction in progress		15,818
Less accumulated depreciation		<u>(2,995,021)</u>
Total capital assets	\$	<u>16,035,551</u>
Total noncurrent assets	\$	<u>16,100,630</u>
Total assets	\$	<u>18,564,446</u>

LIABILITIES

Current liabilities:

Accounts payable	\$	82,373
Due to other governmental units		458,909
Bonds payable - current portion		534,082
Total current liabilities	\$	<u>1,075,364</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	<u>19,263,356</u>
Total noncurrent liabilities	\$	<u>19,263,356</u>
Total liabilities	\$	<u>20,338,720</u>

DEFERRED OUTFLOW OF RESOURCES

	\$	<u>(2,504,543)</u>
--	----	--------------------

Total liabilities net of deferred outflow of resources

	\$	<u>17,834,177</u>
--	----	-------------------

NET ASSETS

Invested in capital assets, net of related debt	\$	(174,300)
Unrestricted		904,569
Total net assets	\$	<u><u>730,269</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2010

OPERATING REVENUES

Charges for services:

Rents	\$	1,543,112
Contributions from local governments		294
Other revenues		<u>232,055</u>
Total operating revenues	\$	<u>1,775,461</u>

OPERATING EXPENSES

Contractual services	\$	13,723
Other charges		210,687
Sale of land at the business park		45,021
Automobile and travel expense		19,989
Depreciation and amortization		<u>743,499</u>
Total operating expenses	\$	<u>1,032,919</u>

Operating income (loss)	\$	<u>742,542</u>
-------------------------	----	----------------

NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$	3,982
Interest expense		<u>(1,060,304)</u>
Total nonoperating revenues (expenses)	\$	<u>(1,056,322)</u>

Change in net assets	\$	(313,780)
----------------------	----	-----------

Total net assets - beginning		<u>1,044,049</u>
Total net assets - ending	\$	<u><u>730,269</u></u>

Statement of Cash Flows

Discretely Presented Component Unit - Economic Development Authority

For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,416,343
Receipts for miscellaneous items	232,055
Receipts for local government contributions	294
Payments for operating activities	(287,878)
Net cash provided (used) by operating activities	<u>\$ 1,360,814</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$ (503,205)
Decrease in inventory	129,325
Interest payments	<u>(1,060,304)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (1,434,184)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ 3,983
Net cash provided (used) by investing activities	<u>\$ 3,983</u>

Net increase (decrease) in cash and cash equivalents	\$ (69,387)
--	-------------

Cash and cash equivalents - beginning	<u>1,323,316</u>
Cash and cash equivalents - ending	<u><u>\$ 1,253,929</u></u>

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

Operating income (loss)	\$ <u>742,542</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization expense	\$ 743,499
(Increase) decrease in accounts receivable	(126,771)
Increase (decrease) in accounts payable and accrued liabilities	<u>1,544</u>
Total adjustments	<u>\$ 618,272</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,360,814</u></u>

This page intentionally left blank

Supporting Schedules

This page intentionally left blank

Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 24,211,633	\$ 24,211,633	\$ 23,959,828	\$ (251,805)
Real and personal public service corporation taxes	426,130	426,130	478,655	52,525
Personal property taxes	5,643,953	5,643,953	6,951,316	1,307,363
Mobile home taxes	105,000	105,000	85,856	(19,144)
Penalties	290,501	290,501	295,988	5,487
Interest	110,692	110,692	145,106	34,414
Total general property taxes	<u>\$ 30,787,909</u>	<u>\$ 30,787,909</u>	<u>\$ 31,916,749</u>	<u>\$ 1,128,840</u>
Other local taxes:				
Local sales and use taxes	\$ 3,589,347	\$ 3,589,347	\$ 3,547,316	\$ (42,031)
Communication sales tax	1,346,800	1,346,800	1,258,546	(88,254)
Consumers' utility taxes	690,000	690,000	698,238	8,238
Electric consumption taxes	127,300	127,300	130,999	3,699
Business license taxes	1,293,400	1,293,400	1,384,024	90,624
Cable TV franchise tax	310,000	310,000	341,561	31,561
Bank stock taxes	120,000	120,000	183,901	63,901
Taxes on recordation and wills	462,000	462,000	432,258	(29,742)
Hotel and motel room taxes	105,000	105,000	118,003	13,003
Restaurant food taxes	1,665,000	1,665,000	1,632,857	(32,143)
Total other local taxes	<u>\$ 9,708,847</u>	<u>\$ 9,708,847</u>	<u>\$ 9,727,703</u>	<u>\$ 18,856</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 30,300	\$ 30,300	\$ 38,875	\$ 8,575
Permits and other licenses	<u>302,275</u>	<u>302,275</u>	<u>246,185</u>	<u>(56,090)</u>
Total permits, privilege fees, and regulatory licenses	<u>\$ 332,575</u>	<u>\$ 332,575</u>	<u>\$ 285,060</u>	<u>\$ (47,515)</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 204,000	\$ 204,000	\$ 120,484	\$ (83,516)
Parking fines	<u>500</u>	<u>500</u>	<u>320</u>	<u>(180)</u>
Total fines and forfeitures	<u>\$ 204,500</u>	<u>\$ 204,500</u>	<u>\$ 120,804</u>	<u>\$ (83,696)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 157,100	\$ 157,100	\$ 107,673	\$ (49,427)
Revenue from use of property	<u>93,081</u>	<u>93,081</u>	<u>95,930</u>	<u>2,849</u>
Total revenue from use of money and property	<u>\$ 250,181</u>	<u>\$ 250,181</u>	<u>\$ 203,603</u>	<u>\$ (46,578)</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 58,000	\$ 58,000	\$ 25,444	\$ (32,556)
Charges for law enforcement and traffic control	29,350	29,350	24,224	(5,126)
Charges for courthouse maintenance	16,000	16,000	16,582	582
Circuit court judge fees	34,500	34,500	34,964	464
Charges for courthouse security	55,000	55,000	58,810	3,810
Charges for probation	14,000	14,000	18,427	4,427
Charges for Commonwealth's Attorney	1,200	1,200	1,202	2
Charges for rental assistance	18,175	18,175	23,881	5,706
Miscellaneous dog fees	6,000	6,000	5,032	(968)
Charges for library	46,000	46,000	40,002	(5,998)
Charges for sanitation and waste removal	341,852	341,852	256,838	(85,014)
Charges for parks and recreation	272,746	272,746	255,013	(17,733)
Charges for community education	1,500	1,500	555	(945)
Charges for sale of publications and commemorative material	11,700	11,700	9,187	(2,513)
Charges for daffodil festival	40,000	40,000	46,483	6,483
Charges for sale of historical material	500	500	241	(259)
Total charges for services	<u>\$ 946,523</u>	<u>\$ 946,523</u>	<u>\$ 816,885</u>	<u>\$ (129,638)</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 213,432</u>	<u>\$ 295,826</u>	<u>\$ 269,267</u>	<u>\$ (26,559)</u>
Total miscellaneous revenue	<u>\$ 213,432</u>	<u>\$ 295,826</u>	<u>\$ 269,267</u>	<u>\$ (26,559)</u>
Recovered costs:				
Care of federal prisoners	\$ -	\$ -	\$ 6,400	\$ 6,400
Recovered costs sheriff	207,604	207,604	220,603	12,999
Recovered costs jail	-	25,000	31,907	6,907
Treasurer recovered costs	40,000	50,300	62,580	12,280
Probation & pretrial recovered costs	27,917	27,917	28,200	283
Federal recovered costs	16,147	16,147	11,010	(5,137)
Demolition recovered costs	8,500	8,500	-	(8,500)
Total recovered costs	<u>\$ 300,168</u>	<u>\$ 335,468</u>	<u>\$ 360,700</u>	<u>\$ 25,232</u>
Total revenue from local sources	<u>\$ 42,744,135</u>	<u>\$ 42,861,829</u>	<u>\$ 43,700,771</u>	<u>\$ 838,942</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 1,000	\$ 1,000	\$ 2,594	\$ 1,594
Mobile home titling tax	40,000	40,000	39,026	(974)
Motor vehicle rental tax	36,000	36,000	40,819	4,819
State recordation tax	68,986	68,986	152,917	83,931
Personal property tax relief funds	2,778,639	2,778,639	2,778,640	1
Total noncategorical aid	<u>\$ 2,924,625</u>	<u>\$ 2,924,625</u>	<u>\$ 3,013,996</u>	<u>\$ 89,371</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 359,380	\$ 359,380	\$ 341,344	\$ (18,036)
Sheriff	2,630,000	2,630,000	2,289,279	(340,721)
Asset forfeiture	-	-	4,539	4,539
Commissioner of revenue	141,000	141,000	130,699	(10,301)
Treasurer	154,000	154,000	138,859	(15,141)
Registrar/electoral board	46,500	46,500	45,414	(1,086)
Clerk of the Circuit Court	243,000	259,400	261,331	1,931
Total shared expenses	<u>\$ 3,573,880</u>	<u>\$ 3,590,280</u>	<u>\$ 3,211,465</u>	<u>\$ (378,815)</u>
Other categorical aid:				
Emergency medical services	\$ 37,000	\$ 37,000	\$ 37,852	\$ 852
Litter control grant	7,904	7,904	7,752	(152)
E911 wireless grant	37,200	37,200	44,474	7,274
Library grant	167,371	167,371	158,636	(8,735)
Abandoned auto program	15,000	15,000	4,800	(10,200)
Virginia Housing grant	84,854	84,854	67,765	(17,089)
Probation & pretrial	336,260	336,260	331,256	(5,004)
Victim-witness grant	44,000	52,794	49,187	(3,607)
Other state funds	408	58,151	33,325	(24,826)
Fire programs	100,000	100,000	95,954	(4,046)
Asset forfeiture	-	-	1,748	1,748
Total other categorical aid	<u>\$ 829,997</u>	<u>\$ 896,534</u>	<u>\$ 832,749</u>	<u>\$ (63,785)</u>
Total categorical aid	<u>\$ 4,403,877</u>	<u>\$ 4,486,814</u>	<u>\$ 4,044,214</u>	<u>\$ (442,600)</u>
Total revenue from the Commonwealth	<u>\$ 7,328,502</u>	<u>\$ 7,411,439</u>	<u>\$ 7,058,210</u>	<u>\$ (353,229)</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant				
V-stop prosecutor grant	\$ 17,500	\$ 17,500	\$ 18,462	\$ 962
V-stop prosecutor grant - ARRA	\$ -	-	27,746	\$ 27,746
JAG Comp Board - ARRA	-	-	136,532	136,532
Public assistance and welfare administration	70,000	70,000	104,397	34,397
Highway safety grant	-	27,600	15,515	(12,085)
State domestic preparedness grant	6,822	6,822	13,644	6,822
Other federal revenue	-	49,600	44,353	(5,247)
Total categorical aid	<u>\$ 94,322</u>	<u>\$ 171,522</u>	<u>\$ 360,649</u>	<u>\$ 189,127</u>
Total revenue from the federal government	<u>\$ 94,322</u>	<u>\$ 171,522</u>	<u>\$ 360,649</u>	<u>\$ 189,127</u>
Total General Fund	<u>\$ 50,166,959</u>	<u>\$ 50,444,790</u>	<u>\$ 51,119,630</u>	<u>\$ 674,840</u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 1,250	\$ 1,250	\$ 227	\$ (1,023)
Total miscellaneous revenue	\$ 1,250	\$ 1,250	\$ 227	\$ (1,023)
Total revenue from local sources	\$ 1,250	\$ 1,250	\$ 227	\$ (1,023)
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 954,942	\$ 954,942	\$ 897,704	\$ (57,238)
Total categorical aid	\$ 954,942	\$ 954,942	\$ 897,704	\$ (57,238)
Total revenue from the Commonwealth	\$ 954,942	\$ 954,942	\$ 897,704	\$ (57,238)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,450,714	\$ 1,450,714	\$ 1,279,121	\$ (171,593)
Total categorical aid	\$ 1,450,714	\$ 1,450,714	\$ 1,279,121	\$ (171,593)
Total revenue from the federal government	\$ 1,450,714	\$ 1,450,714	\$ 1,279,121	\$ (171,593)
Total Virginia Public Assistance Fund	\$ 2,406,906	\$ 2,406,906	\$ 2,177,052	\$ (229,854)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,185	\$ 4,185	\$ 25,483	\$ 21,298
Total revenue from local sources	\$ 4,185	\$ 4,185	\$ 25,483	\$ 21,298
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 494,000	\$ 644,000	\$ 584,666	\$ (59,334)
Public assistance and welfare administration	20,250	20,250	2,427	(17,823)
Other miscellaneous	-	-	2,149	2,149
Total categorical aid	\$ 514,250	\$ 664,250	\$ 589,242	\$ (75,008)
Total revenue from the Commonwealth	\$ 514,250	\$ 664,250	\$ 589,242	\$ (75,008)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 2,565	\$ 2,565	\$ 19,160	\$ 16,595
Total categorical aid	\$ 2,565	\$ 2,565	\$ 19,160	\$ 16,595
Total revenue from the federal government	\$ 2,565	\$ 2,565	\$ 19,160	\$ 16,595
Total Comprehensive Services Act Fund	\$ 521,000	\$ 671,000	\$ 633,885	\$ (37,115)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 15	\$ 15
Total revenue from use of money and property	\$ -	\$ -	\$ 15	\$ 15
Total revenue from local sources	\$ -	\$ -	\$ 15	\$ 15
Total Debt Service Fund	\$ -	\$ -	\$ 15	\$ 15
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 362	\$ 362
Total revenue from use of money and property	\$ -	\$ -	\$ 362	\$ 362
Miscellaneous revenue:				
Donations or other miscellaneous	\$ 100,000	\$ 222,250	\$ 182,030	\$ (40,220)
Total miscellaneous revenue	\$ 100,000	\$ 222,250	\$ 182,030	\$ (40,220)
Total revenue from local sources	\$ 100,000	\$ 222,250	\$ 182,392	\$ (39,858)
Revenue from the Commonwealth:				
Categorical aid:				
Woodville entrance grant	\$ -	\$ 292,630	\$ 85,242	\$ (207,388)
Acquisition/elevation grant	400,000	400,000	402,843	2,843
Total categorical aid	\$ 400,000	\$ 692,630	\$ 488,085	\$ (204,545)
Total revenue from the Commonwealth	\$ 400,000	\$ 692,630	\$ 488,085	\$ (204,545)
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ -	\$ 40,851	\$ 23,868	\$ (16,983)
Acquisition/elevation grant	1,500,000	1,500,000	955,655	(544,345)
Total categorical aid	\$ 1,500,000	\$ 1,540,851	\$ 979,523	\$ (561,328)
Total revenue from the federal government	\$ 1,500,000	\$ 1,540,851	\$ 979,523	\$ (561,328)
Total County Capital Improvements Fund	\$ 2,000,000	\$ 2,455,731	\$ 1,650,000	\$ (805,731)
Total Primary Government	\$ 55,094,865	\$ 55,978,427	\$ 55,580,582	\$ (397,845)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2010 (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>
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Total revenue from use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 60,975	\$ 60,975	\$ 64,823	\$ 3,848
Total charges for services	\$ 60,975	\$ 60,975	\$ 64,823	\$ 3,848
Miscellaneous revenue:				
Other miscellaneous	\$ 61,084	\$ 61,084	\$ 88,796	\$ 27,712
Local grant	-	-	221,356	221,356
Total miscellaneous revenue	\$ 61,084	\$ 61,084	\$ 310,152	\$ 249,068
Recovered costs:				
Medicaid reimbursements	\$ 138,571	\$ 138,571	\$ 160,423	\$ 21,852
Other recovered costs	135,000	135,000	133,711	(1,289)
Total recovered costs	\$ 273,571	\$ 273,571	\$ 294,134	\$ 20,563
Total revenue from local sources	\$ 398,130	\$ 398,130	\$ 671,609	\$ 273,479
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 19,916,829	\$ 19,916,829	\$ 19,837,544	\$ (79,285)
Total revenues from local governments	\$ 19,916,829	\$ 19,916,829	\$ 19,837,544	\$ (79,285)
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 5,689,226	\$ 5,689,226	\$ 5,429,302	\$ (259,924)
Basic school aid	18,139,074	16,863,342	16,909,227	45,885
ISAEF	15,717	15,717	15,717	-
Remedial summer education	110,392	110,392	55,806	(54,586)
Regular foster care	8,852	8,852	7,812	(1,040)
Adult secondary education	4,860	4,860	5,123	263
Gifted and talented	172,565	172,565	174,300	1,735
Enrollment loss	54,163	54,163	-	(54,163)
English as a second language	11,871	11,871	10,095	(1,776)
Special education	1,518,574	1,518,574	1,533,843	15,269
Textbook payment	454,499	454,499	-	(454,499)
Vocational standards of quality payments	425,661	425,661	429,941	4,280
Social security fringe benefits	939,522	939,522	948,969	9,447

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 268,435	\$ 268,435	\$ 271,134	\$ 2,699
Retirement fringe benefits	1,207,957	1,207,957	917,982	(289,975)
Group life insurance fringe benefits	34,513	34,513	23,240	(11,273)
State lottery payments	348,467	348,467	447,177	98,710
Early reading intervention	50,194	50,194	52,202	2,008
Project graduation	-	-	4,083	4,083
Homebound education	29,365	29,365	17,801	(11,564)
Regional program tuition	491,592	491,592	505,830	14,238
Vocational educational equipment	29,165	29,165	26,557	(2,608)
VI teacher	2,050	2,050	2,007	(43)
At risk payments	117,788	117,788	116,573	(1,215)
National Board Certification TC	35,000	35,000	35,000	-
Industry credential student	7,500	7,500	14,372	6,872
Industrial based cert	-	-	95	95
Primary class size	355,525	355,525	348,575	(6,950)
VA Preschool	54,970	54,970	54,970	-
Technology	284,000	284,000	284,000	-
Race to GED	-	-	10,891	10,891
Standards of Learning algebra readiness	36,914	36,914	32,899	(4,015)
Other state funds	21,355	21,355	11,757	(9,598)
Governors school	-	-	11,169	11,169
Mentor teacher program	6,679	6,679	5,191	(1,488)
Total categorical aid	\$ 30,926,445	\$ 29,650,713	\$ 28,713,640	\$ (937,073)
Total revenue from the Commonwealth	\$ 30,926,445	\$ 29,650,713	\$ 28,713,640	\$ (937,073)
Revenue from the federal government:				
Categorical aid:				
Title V	\$ -	\$ -	\$ 1,146	\$ 1,146
Adult literacy	43,960	43,960	37,314	(6,646)
Title I	851,421	851,421	810,441	(40,980)
Title I, Federal Stimulus	243,024	243,024	198,137	(44,887)
Federal Stimulus	2,004,627	2,004,627	1,738,681	(265,946)
Federal Stimulus	-	1,275,732	1,275,732	-
Title VI-B, special education flow-through	1,226,448	1,226,448	1,257,460	31,012
Title VI, Federal Stimulus	710,000	710,000	663,578	(46,422)
Vocational education	87,058	87,058	84,923	(2,135)
Title IID	9,227	9,227	8,511	(716)
Title II	259,157	259,157	168,084	(91,073)
Impact aid	70,000	70,000	56,286	(13,714)

Schedule of Revenues - Budget and Actual

Governmental Funds

For The Year Ended June 30, 2010 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Drug free school	\$ 22,000	\$ 22,000	\$ 26,302	\$ 4,302
ROTC	64,000	64,000	62,929	(1,071)
Other federal funds	350,000	350,000	15,371	(334,629)
Total categorical aid	<u>\$ 5,940,922</u>	<u>\$ 7,216,654</u>	<u>\$ 6,404,895</u>	<u>\$ (811,759)</u>
Total revenue from the federal government	<u>\$ 5,940,922</u>	<u>\$ 7,216,654</u>	<u>\$ 6,404,895</u>	<u>\$ (811,759)</u>
Total School Operating Fund	<u>\$ 57,182,326</u>	<u>\$ 57,182,326</u>	<u>\$ 55,627,688</u>	<u>\$ (1,554,638)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 14,000	\$ 14,000	\$ 5,195	\$ (8,805)
Total revenue from use of money and property	<u>\$ 14,000</u>	<u>\$ 14,000</u>	<u>\$ 5,195</u>	<u>\$ (8,805)</u>
Charges for services:				
Cafeteria sales	\$ 1,477,782	\$ 1,477,782	\$ 1,205,614	\$ (272,168)
Other charges for services	63,332	64,304	56,807	(7,497)
Total charges for services	<u>\$ 1,541,114</u>	<u>\$ 1,542,086</u>	<u>\$ 1,262,421</u>	<u>\$ (279,665)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 20,640	\$ 20,640	\$ 15,533	\$ (5,107)
Total miscellaneous revenue	<u>\$ 20,640</u>	<u>\$ 20,640</u>	<u>\$ 15,533</u>	<u>\$ (5,107)</u>
Total revenue from local sources	<u>\$ 1,575,754</u>	<u>\$ 1,576,726</u>	<u>\$ 1,283,149</u>	<u>\$ (293,577)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 39,995	\$ 39,995	\$ 45,454	\$ 5,459
Total revenue from the Commonwealth	<u>\$ 39,995</u>	<u>\$ 39,995</u>	<u>\$ 45,454</u>	<u>\$ 5,459</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 846,694	\$ 845,722	\$ 957,311	\$ 111,589
USDA commodities	-	-	113,095	113,095
Total categorical aid	<u>\$ 846,694</u>	<u>\$ 845,722</u>	<u>\$ 1,070,406</u>	<u>\$ 224,684</u>
Total revenue from the federal government	<u>\$ 846,694</u>	<u>\$ 845,722</u>	<u>\$ 1,070,406</u>	<u>\$ 224,684</u>
Total School Cafeteria Fund	<u>\$ 2,462,443</u>	<u>\$ 2,462,443</u>	<u>\$ 2,399,009</u>	<u>\$ (63,434)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 59,644,769</u>	<u>\$ 59,644,769</u>	<u>\$ 58,026,697</u>	<u>\$ (1,618,072)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 92,568	\$ 435,733	\$ 311,121	\$ 124,612
General and financial administration:				
County administrator	\$ 721,095	\$ 441,386	\$ 425,766	\$ 15,620
Human resources	293,313	296,311	287,810	8,501
County attorney	245,829	248,843	234,691	14,152
Commissioner of revenue	458,940	467,321	464,965	2,356
County assessor	431,699	508,750	415,379	93,371
Treasurer	624,025	641,635	621,621	20,014
Finance	371,953	377,307	365,015	12,292
Department of information technology	1,044,620	1,056,120	998,962	57,158
Purchasing	279,899	282,984	246,454	36,530
Other general and financial administration	298,297	299,017	269,658	29,359
Total general and financial administration	\$ 4,769,670	\$ 4,619,674	\$ 4,330,321	\$ 289,353
Board of elections:				
Electoral board and officials	\$ 174,875	\$ 176,013	\$ 155,394	\$ 20,619
Total board of elections	\$ 174,875	\$ 176,013	\$ 155,394	\$ 20,619
Total general government administration	\$ 5,037,113	\$ 5,231,420	\$ 4,796,836	\$ 434,584
Judicial administration:				
Courts:				
Circuit court	\$ 71,602	\$ 72,335	\$ 73,211	\$ (876)
General district court	74,800	74,800	20,135	54,665
Commissioner of accounts	550	550	516	34
Magistrate	2,500	2,500	1,136	1,364
Juvenile and domestic relations district court	19,975	19,975	17,803	2,172
Clerk of the circuit court	397,402	425,405	401,970	23,435
Victim and witness assistance	47,325	56,409	53,382	3,027
Court services unit	192,340	192,340	144,072	48,268
Group home commission	210,615	210,615	210,628	(13)
Total courts	\$ 1,017,109	\$ 1,054,929	\$ 922,853	\$ 132,076
Commonwealth's attorney:				
Commonwealth's attorney	\$ 600,615	\$ 633,278	\$ 550,712	\$ 82,566
Total commonwealth's attorney	\$ 600,615	\$ 633,278	\$ 550,712	\$ 82,566
Total judicial administration	\$ 1,617,724	\$ 1,688,207	\$ 1,473,565	\$ 214,642
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,396,924	\$ 4,534,277	\$ 4,315,724	\$ 218,553
Emergency operations center	316,229	319,776	319,177	599
Total law enforcement and traffic control	\$ 4,713,153	\$ 4,854,053	\$ 4,634,901	\$ 219,152

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 1,802,503	\$ 1,802,503	\$ 1,799,178	\$ 3,325
Radio system	33,000	33,000	16,597	16,403
State forestry service	6,939	6,939	8,040	(1,101)
Office of emergency services	127,500	180,325	153,475	26,850
Total fire and rescue services	<u>\$ 1,969,942</u>	<u>\$ 2,022,767</u>	<u>\$ 1,977,290</u>	<u>\$ 45,477</u>
Correction and detention:				
County operated institutions	\$ 2,644,018	\$ 2,740,180	\$ 2,325,139	\$ 415,041
Probation & pretrial	397,519	401,857	362,732	39,125
Total correction and detention	<u>\$ 3,041,537</u>	<u>\$ 3,142,037</u>	<u>\$ 2,687,871</u>	<u>\$ 454,166</u>
Inspections:				
Building	\$ 808,884	\$ 828,582	\$ 774,768	\$ 53,814
Total inspections	<u>\$ 808,884</u>	<u>\$ 828,582</u>	<u>\$ 774,768</u>	<u>\$ 53,814</u>
Other protection:				
Animal control	\$ 347,699	\$ 366,980	\$ 355,426	\$ 11,554
Medical examiner	500	500	280	220
Total other protection	<u>\$ 348,199</u>	<u>\$ 367,480</u>	<u>\$ 355,706</u>	<u>\$ 11,774</u>
Total public safety	<u>\$ 10,881,715</u>	<u>\$ 11,214,919</u>	<u>\$ 10,430,536</u>	<u>\$ 784,383</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 240,511	\$ 243,373	\$ 238,021	\$ 5,352
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 240,511</u>	<u>\$ 243,373</u>	<u>\$ 238,021</u>	<u>\$ 5,352</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 9,400	\$ 9,400	\$ 5,101	\$ 4,299
Total sanitation and waste removal	<u>\$ 9,400</u>	<u>\$ 9,400</u>	<u>\$ 5,101</u>	<u>\$ 4,299</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,676,595	\$ 1,694,816	\$ 1,623,043	\$ 71,773
Total maintenance of general buildings and grounds	<u>\$ 1,676,595</u>	<u>\$ 1,694,816</u>	<u>\$ 1,623,043</u>	<u>\$ 71,773</u>
Total public works	<u>\$ 1,926,506</u>	<u>\$ 1,947,589</u>	<u>\$ 1,866,165</u>	<u>\$ 81,424</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 465,652	\$ 465,652	\$ 464,119	\$ 1,533
Mosquito control	94,850	94,850	92,876	1,974
Total health	<u>\$ 560,502</u>	<u>\$ 560,502</u>	<u>\$ 556,995</u>	<u>\$ 3,507</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 113,455	\$ 113,455	\$ 113,455	\$ -
Total mental health and mental retardation	\$ 113,455	\$ 113,455	\$ 113,455	\$ -
Total health and welfare	\$ 673,957	\$ 673,957	\$ 670,450	\$ 3,507
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 11,889	\$ 11,889	\$ 11,889	\$ -
Contribution to community education	493,727	502,169	459,196	42,973
Cable services	40,200	40,522	14,539	25,983
Contribution to County School Board	19,916,829	19,916,829	19,837,544	79,285
Total education	\$ 20,462,645	\$ 20,471,409	\$ 20,323,168	\$ 148,241
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 741,095	\$ 757,434	\$ 733,829	\$ 23,605
Beaverdam reservoir park	201,602	205,366	186,809	18,557
Total parks and recreation	\$ 942,697	\$ 962,800	\$ 920,638	\$ 42,162
Cultural enrichment:				
Daffodil festival	\$ 40,000	\$ 40,000	\$ 46,467	\$ (6,467)
Historical committee	54,898	55,394	48,683	6,711
Total cultural enrichment	\$ 94,898	\$ 95,394	\$ 95,150	\$ 244
Library:				
Contribution to county library	\$ 880,412	\$ 904,886	\$ 841,551	\$ 63,335
Total library	\$ 880,412	\$ 904,886	\$ 841,551	\$ 63,335
Total parks, recreation, and cultural	\$ 1,918,007	\$ 1,963,080	\$ 1,857,339	\$ 105,741
Community development:				
Planning and community development:				
Community development	\$ 367,038	\$ 371,444	\$ 329,609	\$ 41,835
Tourism	98,681	105,835	82,683	23,152
Economic development	210,442	211,794	210,962	832
Contribution to Industrial Development Authority	-	-	294	(294)
Total planning and community development	\$ 676,161	\$ 689,073	\$ 623,548	\$ 65,525
Environmental management:				
Clean community program	\$ 31,227	\$ 31,449	\$ 23,787	\$ 7,662
Total environmental management	\$ 31,227	\$ 31,449	\$ 23,787	\$ 7,662
Cooperative extension program:				
Extension office	\$ 93,414	\$ 94,072	\$ 81,246	\$ 12,826
Total cooperative extension program	\$ 93,414	\$ 94,072	\$ 81,246	\$ 12,826
Total community development	\$ 800,802	\$ 814,594	\$ 728,581	\$ 86,013

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	\$ 272,035	\$ 272,035	\$ 272,035	\$ -
Total nondepartmental	\$ 272,035	\$ 272,035	\$ 272,035	\$ -
Total General Fund	\$ 43,590,504	\$ 44,277,210	\$ 42,418,675	\$ 1,858,535
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,938,948	\$ 1,938,948	\$ 1,835,128	\$ 103,820
Public assistance	652,200	634,200	544,315	89,885
Purchased services	517,432	534,932	364,561	170,371
Grants	8,425	8,925	5,186	3,739
Board of public welfare	4,712	4,712	4,706	6
Total welfare and social services	\$ 3,121,717	\$ 3,121,717	\$ 2,753,896	\$ 367,821
Total health and welfare	\$ 3,121,717	\$ 3,121,717	\$ 2,753,896	\$ 367,821
Total Virginia Public Assistance Fund	\$ 3,121,717	\$ 3,121,717	\$ 2,753,896	\$ 367,821
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 977,000	\$ 1,127,000	\$ 1,057,718	\$ 69,282
Total Comprehensive Services Act Fund	\$ 977,000	\$ 1,127,000	\$ 1,057,718	\$ 69,282
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,385,644	\$ 3,385,644	\$ 3,385,644	\$ -
Interest and other fiscal charges	2,133,423	2,133,423	2,012,572	120,851
Total Debt Service Fund	\$ 5,519,067	\$ 5,519,067	\$ 5,398,216	\$ 120,851
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 8,019,000	\$ 8,585,069	\$ 2,614,068	\$ 5,971,001
Equipment and vehicles	78,300	120,872	84,499	36,373
Total capital projects	\$ 8,097,300	\$ 8,705,941	\$ 2,698,567	\$ 6,007,374
Total County Capital Improvements Fund	\$ 8,097,300	\$ 8,705,941	\$ 2,698,567	\$ 6,007,374
Total Primary Government	\$ 61,305,588	\$ 62,750,935	\$ 54,327,072	\$ 8,423,863

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2010 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 154,676	\$ 154,676	\$ 141,440	\$ 13,236
Executive administration services	474,221	474,221	462,104	12,117
Personnel	415,016	415,016	370,456	44,560
Fiscal services	332,536	332,536	329,006	3,530
Total administration of schools	<u>\$ 1,376,449</u>	<u>\$ 1,376,449</u>	<u>\$ 1,303,006</u>	<u>\$ 73,443</u>
Instruction costs:				
Elementary and secondary schools	\$ 44,155,885	\$ 44,155,885	\$ 42,783,483	\$ 1,372,402
Total instruction costs	<u>44,155,885</u>	<u>44,155,885</u>	<u>42,783,483</u>	<u>1,372,402</u>
Operating costs:				
Attendance and health services	\$ 983,125	\$ 983,125	\$ 925,981	\$ 57,144
Pupil transportation	4,595,126	4,595,126	4,580,547	14,579
Operation and maintenance of school plant	6,071,741	6,071,741	6,034,671	37,070
Total operating costs	<u>\$ 11,649,992</u>	<u>\$ 11,649,992</u>	<u>\$ 11,541,199</u>	<u>\$ 108,793</u>
Total education	<u>\$ 57,182,326</u>	<u>\$ 57,182,326</u>	<u>\$ 55,627,688</u>	<u>\$ 1,554,638</u>
Total School Fund	<u>\$ 57,182,326</u>	<u>\$ 57,182,326</u>	<u>\$ 55,627,688</u>	<u>\$ 1,554,638</u>
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,487,443	\$ 2,487,443	\$ 2,234,192	\$ 253,251
USDA commodities	-	-	113,095	(113,095)
Total school food services	<u>\$ 2,487,443</u>	<u>\$ 2,487,443</u>	<u>\$ 2,347,287</u>	<u>\$ 140,156</u>
Total education	<u>\$ 2,487,443</u>	<u>\$ 2,487,443</u>	<u>\$ 2,347,287</u>	<u>\$ 140,156</u>
Total Cafeteria Fund	<u>\$ 2,487,443</u>	<u>\$ 2,487,443</u>	<u>\$ 2,347,287</u>	<u>\$ 140,156</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 59,669,769</u>	<u>\$ 59,669,769</u>	<u>\$ 57,974,975</u>	<u>\$ 1,694,794</u>

This page intentionally left blank

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.

1 - 4

Revenue Capacity

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

5 - 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 - 10

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.

11 - 12

Operating Information

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

13 - 16

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 2003; schedules presenting government-wide information include information beginning in that year.

This page intentionally left blank

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Governmental activities						
Invested in capital assets, net of related debt	\$ 12,177,861	\$ 9,990,778	\$ 6,263,692	\$ 8,637,111	\$ 6,392,933	\$ 7,027,169
Restricted	-	-	-	-	367,597	398,179
Unrestricted	16,694,480	15,820,860	21,316,656	19,609,128	21,155,013	22,429,995
Total governmental activities net assets	<u>\$ 28,872,341</u>	<u>\$ 25,811,638</u>	<u>\$ 27,580,348</u>	<u>\$ 28,246,239</u>	<u>\$ 27,915,543</u>	<u>\$ 29,855,343</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 7,299,353	\$ 6,653,014	\$ 6,500,868	\$ 6,421,570	\$ 3,676,016	\$ 2,018,698
Restricted	2,025,385	2,015,652	-	-	-	-
Unrestricted	2,177,368	2,575,848	3,192,808	2,047,347	756,386	1,584,243
Total business-type activities net assets	<u>\$ 11,502,106</u>	<u>\$ 11,244,514</u>	<u>\$ 9,693,676</u>	<u>\$ 8,468,917</u>	<u>\$ 4,432,402</u>	<u>\$ 3,602,941</u>
Primary government						
Invested in capital assets, net of related debt	\$ 19,477,214	\$ 16,643,792	\$ 12,764,560	\$ 15,058,681	\$ 10,068,949	\$ 9,045,867
Restricted	2,025,385	2,015,652	-	-	367,597	398,179
Unrestricted	18,871,848	18,396,708	24,509,464	21,656,475	21,911,399	24,014,238
Total primary government net assets	<u>\$ 40,374,447</u>	<u>\$ 37,056,152</u>	<u>\$ 37,274,024</u>	<u>\$ 36,715,156</u>	<u>\$ 32,347,945</u>	<u>\$ 33,458,284</u>

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
Expenses						
Governmental activities:						
General government administration	\$ 4,654,227	\$ 4,868,825	\$ 5,059,027	\$ 4,385,731	\$ 4,361,409	\$ 3,847,340
Judicial administration	1,629,116	1,784,423	1,789,176	1,498,764	1,437,573	1,394,318
Public safety	10,652,290	10,900,401	11,897,730	10,480,141	9,293,694	8,505,036
Public works	1,929,966	1,955,625	1,991,262	2,032,499	1,676,331	1,469,138
Health and welfare	4,533,563	4,429,077	4,065,857	3,953,184	3,728,909	3,800,505
Education	22,357,066	27,072,029	24,969,859	23,035,692	24,779,632	20,447,731
Parks, recreation, culture	1,824,076	2,170,357	2,015,572	1,898,798	1,883,177	1,508,612
Community development	2,299,482	2,255,957	2,780,816	1,534,243	1,027,936	1,129,146
Interest on long-term debt	2,057,826	2,726,734	1,754,490	1,559,087	1,611,850	1,694,134
Total governmental activities expenses	<u>51,937,612</u>	<u>58,163,428</u>	<u>56,323,789</u>	<u>50,378,139</u>	<u>49,800,511</u>	<u>43,795,960</u>
Business-type activities:						
Public utilities	<u>4,572,653</u>	<u>4,459,194</u>	<u>4,223,756</u>	<u>3,963,709</u>	<u>3,864,376</u>	<u>3,775,728</u>
Total business-type activities expenses	<u>4,572,653</u>	<u>4,459,194</u>	<u>4,223,756</u>	<u>3,963,709</u>	<u>3,864,376</u>	<u>3,775,728</u>
Total Primary government expenses	<u>\$ 56,510,265</u>	<u>\$ 62,622,622</u>	<u>\$ 60,547,545</u>	<u>\$ 54,341,848</u>	<u>\$ 53,664,887</u>	<u>\$ 47,571,688</u>
Program Revenues						
Governmental activities:						
Charges for services						
General government administration	\$ -	\$ -	\$ -	\$ -	\$ 19,708	\$ 14,787
Judicial administration	257,806	246,684	336,565	317,029	310,705	300,909
Public safety	332,743	476,364	544,106	51,673	43,548	381,615
Public works	256,838	387,726	390,002	378,457	372,641	485,569
Health and welfare	-	-	-	-	-	-
Education	555	152	1,676	1,584	1,967	-
Parks, recreation, culture	341,498	355,746	362,618	321,156	356,987	308,486
Community development	33,309	28,013	27,180	579,845	439,566	17,169
Operating grants and contributions	7,275,332	8,963,448	7,595,236	7,314,692	6,825,175	6,905,210
Capital grants and contributions	1,382,366	978,111	1,948,761	1,069,233	1,086,133	208,270
Total governmental activities program revenues	<u>\$ 9,880,447</u>	<u>\$ 11,436,244</u>	<u>\$ 11,206,144</u>	<u>\$ 10,033,669</u>	<u>\$ 9,456,430</u>	<u>\$ 8,622,015</u>
Business-type activities:						
Charges for services	\$ 3,984,395	\$ 3,155,016	\$ 3,332,589	\$ 3,072,172	\$ 3,312,253	\$ 2,800,738
Operating grants and contributions	188,300	407,040	1,058,499	705,200	26,943	-
Capital grants and contributions	-	1,548,183	-	3,036,901	214,190	-
Total business-type activities program revenues	<u>4,172,695</u>	<u>5,110,239</u>	<u>4,391,088</u>	<u>6,814,273</u>	<u>3,553,386</u>	<u>2,800,738</u>
Total primary government program revenue	<u>\$ 14,053,142</u>	<u>\$ 16,546,483</u>	<u>\$ 15,597,232</u>	<u>\$ 16,847,942</u>	<u>\$ 13,009,816</u>	<u>\$ 11,422,753</u>
Net(Expense)/Revenue						
Governmental activities	\$ (42,057,165)	\$ (46,727,184)	\$ (45,117,645)	\$ (40,344,470)	\$ (40,344,081)	\$ (35,173,945)
Business-type activities	(399,958)	651,045	167,332	2,850,564	(310,990)	(974,990)
Total primary government net expense	<u>\$ (42,457,123)</u>	<u>\$ (46,076,139)</u>	<u>\$ (44,950,313)</u>	<u>\$ (37,493,906)</u>	<u>\$ (40,655,071)</u>	<u>\$ (36,148,935)</u>

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

	Fiscal Year					
	2010	2009	2008	2007	2006	2005
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
General property taxes	\$ 32,195,182	\$ 31,934,077	\$ 30,064,891	\$ 27,475,955	\$ 23,039,459	\$ 25,460,056
Local sales and use tax	3,547,316	3,622,137	3,944,337	3,913,265	3,774,673	3,556,343
Communication sales tax	1,258,546	1,267,909	1,453,787	607,676	-	-
Consumer utility tax	698,238	695,930	686,877	1,217,097	1,744,135	1,790,229
Business license taxes	1,384,024	1,436,852	1,569,709	1,518,015	1,403,834	1,130,000
Restaurant food taxes	1,632,857	1,616,050	1,660,639	1,576,236	1,310,000	1,275,000
Other local taxes	1,206,722	1,229,135	1,322,440	1,523,777	2,001,784	2,399,057
Unrestricted revenues from use of money and property	203,980	273,362	951,284	1,318,342	668,054	440,890
Miscellaneous	477,007	543,271	583,074	719,956	853,784	213,490
Grants and contributions not restricted to specific programs	3,013,996	3,019,751	3,014,716	1,727,129	4,508,558	2,768,484
Loss on disposal of capital assets			-	(22,282)	-	-
Transfers	(500,000)	(680,000)	(800,000)	(900,000)	(900,000)	(897,298)
Total governmental activities	\$ 45,117,868	\$ 44,958,474	\$ 44,451,754	\$ 40,675,166	\$ 38,404,281	\$ 38,136,251
Business-type activities:						
General property taxes	\$ 37,470	\$ 36,179	\$ 36,222	\$ 36,441	\$ 37,861	\$ 41,988
Unrestricted revenues from use of money and property	120,080	183,614	221,205	249,510	202,590	117,589
Transfers	500,000	680,000	800,000	900,000	900,000	897,298
Total business-type activities	\$ 657,550	\$ 899,793	\$ 1,057,427	\$ 1,185,951	\$ 1,140,451	\$ 1,056,875
Total primary government	\$ 45,775,418	\$ 45,858,267	\$ 45,509,181	\$ 41,861,117	\$ 39,544,732	\$ 39,193,126
Change in Net Assets						
Governmental activities	\$ 3,060,703	\$ (1,768,710)	\$ (665,891)	\$ 330,696	\$ (1,939,800)	\$ 2,962,306
Business-type activities	257,592	1,550,838	1,224,759	4,036,515	829,461	81,885
Total primary government	\$ 3,318,295	\$ (217,872)	\$ 558,868	\$ 4,367,211	\$ (1,110,339)	\$ 3,044,191

COUNTY OF GLOUCESTER, VIRGINIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund					
Reserved	\$ 149,442	\$ 238,285	\$ 495,576	\$ 500,502	\$ 556,862
Unreserved	<u>14,334,402</u>	<u>12,622,904</u>	<u>13,140,232</u>	<u>12,994,355</u>	<u>15,953,192</u>
Total General Fund	<u>\$ 14,483,844</u>	<u>\$ 12,861,189</u>	<u>\$ 13,635,808</u>	<u>\$ 13,494,857</u>	<u>\$ 16,510,054</u>
 All Other Governmental Funds					
Reserved	\$ 19,000	\$ 19,000	\$ 2,389,898	\$ 6,150,997	\$ -
Unreserved, reported in:					
Special revenue funds	-	-	-	-	63,974
Debt service funds	-	808	649	801	75,116
Capital projects funds	<u>2,810,371</u>	<u>3,678,708</u>	<u>5,466,719</u>	<u>6,585,325</u>	<u>3,847,743</u>
Total all other governmental funds	<u>\$ 2,829,371</u>	<u>\$ 3,698,516</u>	<u>\$ 7,857,266</u>	<u>\$ 12,737,123</u>	<u>\$ 3,986,833</u>

Table 3

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 398,179	\$ 510,268	\$ 731,387	\$ 943,221	\$ 652,278
15,503,657	17,620,647	11,933,486	9,794,702	8,301,052
<u>\$ 15,901,836</u>	<u>\$ 18,130,915</u>	<u>\$ 12,664,873</u>	<u>\$ 10,737,923</u>	<u>\$ 8,953,330</u>
\$ -	\$ -	\$ -	\$ -	\$ -
63,974	169,644	127,218	-	-
24,165	488	280	-	-
4,032,730	8,167,302	2,445,595	3,293,077	8,008,758
<u>\$ 4,120,869</u>	<u>\$ 8,337,434</u>	<u>\$ 2,573,093</u>	<u>\$ 3,293,077</u>	<u>\$ 8,008,758</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2010	2009	2008	2007
REVENUES				
General property taxes	\$ 31,916,749	\$ 32,090,454	\$ 29,677,158	\$ 27,371,520
Other local taxes	9,727,703	9,868,013	10,637,789	10,356,066
Permits, privilege fees, and regulatory licenses	285,060	421,907	505,444	561,291
Fines and forfeitures	120,804	94,148	111,970	90,068
Revenue from the use of money and property	203,980	273,362	909,595	1,296,199
Charges for services	816,885	978,630	1,044,733	998,385
Miscellaneous	477,007	543,271	583,074	719,956
Recovered costs	360,700	413,418	300,414	242,889
Intergovernmental revenues:				
Other local governments	-	-	-	-
Commonwealth	9,033,241	9,927,995	9,467,389	8,822,084
Federal	2,638,453	2,940,280	3,091,324	2,678,290
Total revenues	\$ 55,580,582	\$ 57,551,478	\$ 56,328,890	\$ 53,136,748
EXPENDITURES				
Current:				
General government administration	\$ 4,796,836	\$ 4,766,294	\$ 4,744,278	\$ 4,292,566
Judicial administration	1,473,565	1,619,429	1,616,046	1,311,561
Public safety	10,430,536	10,622,469	10,657,869	10,124,699
Public works	1,866,165	1,873,556	1,820,371	1,717,936
Health and welfare	4,482,064	4,348,208	4,001,667	3,920,276
Education	20,323,168	21,703,289	21,561,837	20,123,728
Parks, recreation, and cultural	1,857,339	1,970,594	2,040,444	1,879,698
Community development	728,581	776,991	828,242	908,769
Nondepartmental	272,035	272,035	271,250	242,300
Capital projects	2,698,567	19,493,940	15,512,754	5,091,488
Debt service:				
Principal retirement	3,385,644	3,055,466	2,317,442	2,125,399
Interest and other fiscal charges	2,012,572	2,547,578	1,603,656	1,430,257
Total expenditures	\$ 54,327,072	\$ 73,049,849	\$ 66,975,856	\$ 53,168,677
Excess (deficiency) of revenues over (under) expenditures	\$ 1,253,510	\$ (15,498,371)	\$ (10,646,966)	\$ (31,929)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 6,578,300	\$ 7,891,873	\$ 6,288,819	\$ 10,171,364
Transfers out	(7,078,300)	(8,571,873)	(7,088,819)	(11,071,364)
Proceeds from general obligation bonds	-	-	6,364,713	6,505,000
Proceeds from bond issuance premium	-	-	343,349	162,022
Proceeds of capital leases	-	11,245,000	-	-
Proceeds of State Literary Fund Loans	-	-	-	-
Repayment of temporary loans	-	-	-	-
Advance refunding of bonds	-	-	-	-
Refunding of capital lease	-	-	-	-
Total other financing sources (uses)	\$ (500,000)	\$ 10,565,000	\$ 5,908,062	\$ 5,767,022
Net change in fund balances	\$ 753,510	\$ (4,933,371)	\$ (4,738,904)	\$ 5,735,093
Fund balances - beginning	16,559,705	21,493,076	26,231,980	20,496,887
Fund balances - ending	\$ 17,313,215	\$ 16,559,705	\$ 21,493,076	\$ 26,231,980
Debt Service as a percentage of noncapital expenditures	10.26%	9.88%	6.76%	6.90%

N/A - This information was unavailable.

Table 4

2006	2005	2004	2003	2002	2001
\$ 26,432,859	\$ 25,361,237	\$ 24,578,024	\$ 23,089,347	\$ 21,735,807	\$ 22,058,778
10,234,426	10,150,629	9,429,641	8,190,587	7,534,250	7,575,853
442,365	358,550	325,348	367,752	301,641	187,847
99,699	124,446	94,788	69,936	77,277	65,891
645,911	418,748	206,686	280,952	178,440	810,301
1,003,058	1,025,539	961,182	1,007,586	873,832	900,043
853,784	213,490	1,375,249	3,539,593	183,417	384,772
224,721	187,266	235,694	327,999	308,160	250,606
-	-	-	-	65,000	-
8,287,161	7,513,836	7,561,900	7,137,791	7,939,865	6,439,199
2,743,385	2,368,128	2,895,075	2,026,477	2,142,757	1,638,635
\$ 50,967,369	\$ 47,721,869	\$ 47,663,587	\$ 46,038,020	\$ 41,340,446	\$ 40,311,925
\$ 4,114,209	\$ 3,716,011	\$ 3,252,076	\$ 3,264,643	\$ 3,296,403	\$ 3,148,864
1,256,090	1,188,720	1,134,736	1,072,443	1,194,277	1,155,282
8,832,107	8,495,083	8,652,538	7,017,379	6,851,651	6,598,400
1,606,088	1,485,546	1,453,195	1,349,677	1,191,479	1,211,031
3,685,808	3,744,821	3,386,685	3,296,833	2,892,104	2,752,033
18,415,298	17,195,819	16,080,604	15,708,844	14,858,211	17,407,408
1,708,483	1,486,361	1,242,768	1,112,185	1,084,547	1,089,439
803,212	735,022	726,647	794,845	646,556	474,070
199,126	165,327	1,362,005	3,673,350	668,639	257,420
5,173,233	10,227,835	2,541,164	2,880,899	7,320,020	3,768,067
2,237,523	3,041,103	2,186,094	2,288,399	2,637,212	366,378
2,202,010	1,788,567	1,682,544	1,972,079	2,144,126	978,127
\$ 50,233,187	\$ 53,270,215	\$ 43,701,056	\$ 44,431,576	\$ 44,785,225	\$ 39,206,519
\$ 734,182	\$ (5,548,346)	\$ 3,962,531	\$ 1,606,444	\$ (3,444,779)	\$ 1,105,406
\$ 8,122,258	\$ 11,187,176	\$ 4,629,367	\$ 6,033,929	\$ 1,684,883	\$ 2,061,582
(9,022,258)	(12,084,474)	(5,329,367)	(6,728,801)	(2,184,883)	(2,761,493)
-	-	7,525,000	-	-	-
-	-	442,852	-	-	-
8,205,000	-	1,589,921	-	494,255	9,275,000
-	-	-	-	-	-
-	-	-	-	-	-
(7,565,000)	-	-	-	-	-
-	-	(1,589,921)	-	-	-
\$ (260,000)	\$ (897,298)	\$ 7,267,852	\$ (694,872)	\$ (5,745)	\$ 8,575,089
\$ 474,182	\$ (6,445,644)	\$ 11,230,383	\$ 911,572	\$ (3,450,524)	\$ 9,680,495
20,022,705	26,468,349	15,237,966	14,326,394	17,776,918	8,096,423
\$ 20,496,887	\$ 20,022,705	\$ 26,468,349	\$ 15,237,966	\$ 14,326,394	\$ 17,776,918
n/a	n/a	n/a	n/a	n/a	n/a

This page intentionally left blank

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2010		2001	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 27,687,200	0.67 %	\$ 4,794,600	0.22 %
Wal-Mart Real Estate Business Trust	13,599,900	0.33		
York River Crossing Assoc., LLC	13,152,500	0.32	8,212,900	0.38
Lowe's Home Center, Inc.	8,446,000	0.20		
Gloucester Medical Arts I, LLC	8,181,200	0.20		
Horn Harbor Nursing Home Inc.	7,188,600	0.17	4,090,300	0.19
Affordable Homes, LLC-1	6,343,700	0.15		
GH2, LLC	6,028,400	0.15		
Timberneck, LLC	5,585,100	0.13		
Thousand Trail, Inc.	5,522,100	0.13	3,209,800	0.15
E. Clairborne Robins, Jr.			6,821,500	0.32
Waste Management Disposal Services			5,465,050	0.25
Retail Trust III			4,118,800	0.19
James E. Branch			2,766,300	0.13
York River Yacht Haven Associates			2,878,200	0.13
Butler Investment			5,129,600	0.24
	<u>\$ 101,734,700</u>	<u>2.45 %</u>	<u>\$ 47,487,050</u>	<u>1.98 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Nine 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	\$ (6,813)	\$ 17,438,643	\$ 16,822,442	96.43%	\$ 614,699	\$ 17,437,141	99.99%
2003	18,672,765	5,459	18,678,224	18,032,870	96.57%	643,532	18,676,402	99.99%
2004	19,067,303	(7,318)	19,059,985	18,502,834	97.04%	554,858	19,057,692	99.99%
2005	19,480,506	(1,804)	19,478,702	18,931,208	97.18%	541,803	19,473,011	99.97%
2006	20,261,412	1,644	20,263,056	19,792,078	97.68%	463,079	20,255,157	99.96%
2007	21,213,981	51,815	21,265,796	20,665,168	97.41%	580,888	21,246,056	99.91%
2008	22,593,114	22,811	22,615,925	21,946,260	97.14%	609,645	22,555,905	99.73%
2009	23,972,690	5,533	23,978,223	23,326,961	97.31%	455,175	23,782,136	99.18%
2010	24,014,793	-	24,014,793	23,210,366	96.65%	-	23,210,366	96.65%

Source: Gloucester County Treasurer's Department

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

Calendar Year Ended	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
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
2007	3,677,597	370,363	275,987	3,771,973	0.57	4,238,172
2008	3,698,100	379,187	277,551	3,799,736	0.61	4,269,366
2009	3,878,566	388,516	271,530	3,995,552	0.61	4,597,873
2010	4,018,849	443,021	305,263	4,156,607	0.58	4,156,607

Source: Commissioner of Revenue Department

Note: Property in the County of Gloucester is reassessed once every two years. The County assesses property at 100% of market value. Prior to 2010, the County reassessed property every four years.

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds	Total Primary Government		
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	5.37%	1,644.61
2006	11,685,000	5,423,520	10,901,309	158,983	27,572,046	55,740,858	4.70%	1,541.80
2007	17,140,000	4,783,520	10,465,911	124,585	25,970,976	58,484,992	4.68%	1,626.39
2008	22,299,713	4,143,520	9,993,469	91,502	25,244,723	61,772,927	4.53%	1,708.27
2009	20,964,978	3,603,520	20,057,944	53,636	23,760,999	68,441,077	N/A	1,867.58
2010	19,612,967	3,063,520	18,564,311	10,465	22,250,330	63,501,593	N/A	1,732.79

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			
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		367.46	0.44%
2006	11,685,000	158,983	11,843,983		327.61	0.33%
2007	17,140,000	124,585	17,264,585		480.11	0.41%
2008	22,299,713	91,502	22,391,215		619.21	0.52%
2009	20,964,978	53,636	21,018,614		573.54	0.46%
2010	19,612,967	10,465	19,623,432		535.47	0.41%

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 11

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities		Less:	Net		Debt Service		Coverage
	Revenue		Operating	Available		Principal	Interest	
			Expenses	Revenue				
2001	\$ 2,663,370	\$	1,127,258	\$ 1,536,112	\$	757,464	\$ 1,849,658	0.59
2002	2,788,101		1,204,986	1,583,115		1,352,063	1,788,377	0.50
2003	2,960,089		1,204,079	1,756,010		892,350	1,645,784	0.69
2004	2,776,662		1,384,083	1,392,579		939,334	1,605,947	0.55
2005	2,800,738		1,450,247	1,350,491		1,000,334	1,548,278	0.53
2006	3,339,196		1,589,324	1,749,872		747,709	1,486,498	0.78
2007	3,072,172		1,710,994	1,361,178		633,749	1,384,845	0.67
2008	3,332,589		2,031,348	1,301,241		746,086	1,283,177	0.64
2009	3,155,016		2,334,014	821,002		1,508,273	1,199,560	0.30
2010	3,983,717		2,512,351	1,471,366		1,549,417	1,116,472	0.55

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
Operating expenses do not include interest depreciation or amortization expenses.

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income	Unemployment Rate (3)	School Enrollment (4)
2000	34,780	\$ 853,309	\$ 24,534	1.9 %	6,526
2001	34,900	910,294	26,083	2.4	6,411
2002	35,000	942,410	26,926	3.2	6,350
2003	35,200	986,458	28,024	3.2	6,309
2004	35,400	1,057,181	29,864	3.0	6,147
2005	35,587	1,090,866	30,653	3.0	6,078
2006	36,153	1,185,316	32,786	2.6	6,000
2007	35,960	1,250,578	34,777	2.4	5,949
2008	36,161	1,364,129	37,724	3.5	5,910
2009	36,647	N/A	N/A	5.9	5,925

Sources:

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

N/A - This information was unavailable.

Principal Employers
Current Year and Nine Years Ago

Employer	2010		2001	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County (local government and schools)	1,259	6.24 %	1,205	6.84 %
Wal-Mart	500	2.48	410	2.33
Virginia Institute of Marine Science	434	2.15	432	2.45
Riverside Walter Reed Hospital	450	2.23	423	2.40
Industrial Resources Technologies, Inc.	350	1.74	275	1.56
Rappahannock Community College	167	0.83	193	1.10
Lowes	97	0.48	-	-
Dominion Virginia Power	64	0.32	105	0.60
Rappahannock Concrete	59	0.29	46	0.26
Home Depot	43	0.21	-	-
York River Yacht Haven	42	0.21	48	0.27
Whitley's Peanuts	40	0.20	37	0.21
Verizon	37	0.18	50	0.28
Peace Frogs	13	0.06	42	0.24
Total	<u>3,555</u>	<u>17.62 %</u>	<u>3,266</u>	<u>18.54 %</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,									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Government										
Board of Supervisors	7	7	7	7	7	7	7	7	7	7
Administration	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2	3	3	2	1.5	1.5	3	3	3	2
Human Resources	4	4	4	4	4	3	3	3	3	3
Commission of Revenue	8.5	9.5	9.5	9.5	9	10	9	9	9	7
County Assessor	6	6	6	4	4	2	2	2	2	2
Treasurer	10	10.5	10.5	10.5	10.5	10	9.5	9.5	9.5	9.5
Finance	5	5	5	5	5	5	5	5	5	5
Information Technology	13	13	13	13	11.5	11.5	11.5	11	11	11
Purchasing	4	4	3.5	3.5	3	3	3	3	3	3
VA Housing Dev. Authority	2	2	2.5	2.5	2	2	2	2	2	2
Registrar	2.5	2.5	2.5	2.5	2	1.5	1.5	1.5	1.5	1.5
Judicial										
Circuit Court Judge	1	1	1	1	1	1	1	1	1	1
Clerk of Circuit Court	7	7	7	7	6.5	6.5	6.5	6	6	6
Victim Witness	1.5	1	1	1	1	1	1	1	1	1
Commonwealth Attorney	8.5	8.5	8.5	7.5	7.5	7.5	7.5	7	7	7
Public Safety										
Sheriff	49	53	53	53.5	53.5	89	85	84.5	83.5	83.5
E-911	11.5	12	12	12	12	11	11	10	10	10
Jail (included w/Sheriff until 2006)	38	38	38	38.5	38.5	0	0	0	0	0
Probation/Pretrial	7.5	7.5	8	0	0	0	0	0	0	0
Codes	14	16	16	16	14	13.5	13.5	12.5	12.5	12.5
Animal Control	5	5	5	5	5	4	4	4	4	4
Emergency Services	1.5	2.5	2.5	2.5	2	2	0	0	0	0
Public Works										
Engineering	4	4	3	3	3	3	3	3	3	3
Buildings & Grounds	28	29	28	28	28.5	27.5	27.5	26	22	21.5
Education										
Community Education	8	8	8	8	8	8	8	8	8	8
Cable Services	0.5	0.5	0.5	0.5	0.5	0	0	0	0	0
Parks, Recreation & Cultural										
Parks & Recreation	8.5	8.5	8.5	8.5	7	6	6	6	6	6
Beaverdam	3	3	3	3	4	4	4	3	3	3
Historical	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	12	12	12	12	12	12	11	11	11	11
Community Development										
Planning	5	5	5	5	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	1	1	1	1	1	1	1	1	0.5	0
VA Cooperative Extension	1	1	1	1	1	1	3.5	3	3	3
Utilities										
	25.5	27.5	24	21.5	20.5	20.5	20.5	20.5	20.5	20.5
TOTAL	312	324.5	319.5	306	297	286	281.5	274.5	269	265

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)

	2010	2009	2008	2007	2006
Sheriff's Department (1)					
Reports taken	N/A	41,434	35,954	3,166	3,229
Civil processed record workload	N/A	25,923	23,771	21,907	11,257
Circuit court days	N/A	213	215	140	145
General district court days	N/A	110	114	110	116
Juvenile and domestic court days	N/A	180	188	153	156
Inmate average daily population	N/A	82	84	89	79
Parks, Recreation & Tourism (2)					
Number of Participants	4,393	4,670	4,455	4,437	4,301
Library (3)					
Material circulated	241,379	227,053	210,797	196,633	186,519
Library patrons	36,284	33,132	31,444	29,133	19,584
Water system (4)					
Number of customers	4,499	4,470	4,399	4,276	4,187
Average daily consumption	886,783	987,400	942,101	900,460	874,616
Annual consumption in gallons	323,676,000	360,401,000	343,867,000	328,668,000	319,235,000

Sources:

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

N/A - This information is not available.

Table 14

2005	2004	2003	2002	2001
3,045	3,045	N/A	N/A	N/A
7,887	9,457	10,341	17,300	17,465
156	174	167	171	161
106	113	117	120	124
149	166	169	154	170
82	86	96	81	80
3,858	3,104	N/A	N/A	N/A
178,469	121,688	115,775	103,099	94,407
18,089	15,019	15,244	15,118	12,464
4,099	4,064	4,019	3,932	3,854
833,394	874,504	847,161	839,309	794,000
304,189,000	319,194,000	309,214,000	306,348,000	289,991,000

This page intentionally left blank

High Volume Users of Water System
Fiscal year ended June 30, 2010

Customer name	Monthly Average Water Usage (1)	Daily (1)
Riverside Walter Reed Hospital/Dialysis	455,000	15,167
Walter Reed Convalescent Center	332,000	11,067
V.I.M.S.-MRL	304,000	10,133
Wilkins, LLC	267,000	8,900
V.I.M.S.-Chesapeake Bay Hall	252,000	8,400
Water Wizard Car Wash	203,000	6,767
York River Yacht Haven	202,000	6,733
Gloucester County Jail	191,000	6,367
Hogg Funeral Home	190,000	6,333
Super Wal-Mart	177,000	5,900

(1) Source - Gloucester County Utility Department

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Sheriff's Department (1)					
Stations	1	1	1	1	1
Patrol Units	27	27	27	27	27
Jail	1	1	1	1	1
Mobil Command Center	1	1	1	1	1
Volunteer Fire and Rescue (2)					
Stations	6	6	6	6	6
Parks and recreation (3)					
Number of parks maintained	8	8	8	8	8
Park acreage owned by the County	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	4,000,000

Sources:

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

Table 16

2005	2004	2003	2002	2001
1	1	1	1	1
27	27	27	27	22
1	1	1	1	1
1	-	-	-	-
6	6	6	6	6
8	8	8	8	8
185	185	185	185	185
40	40	40	40	43
2	2	2	2	2
1	1	1	1	1
4,000,000	4,000,000	4,000,000	2,000,000	2,000,000

This page intentionally left blank

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the County of Gloucester, Virginia's basic financial statements and have issued our report thereon dated October 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted other matters that we have reported to management of the County of Gloucester, Virginia, in a separate letter dated October 7, 2010.

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

Robinson, Fann, Cox Associates

Richmond, Virginia
October 7, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the County of Gloucester, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The County of Gloucester, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on the County of Gloucester, Virginia's compliance based on our audit.

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

In our opinion, the County of Gloucester, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

Internal Control Over Compliance: (Continued)

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

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

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

Robinson, Fann, Cox Associates

Richmond, Virginia

October 7, 2010

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 21,891
Temporary Assistance for Needy Families	93.558	0400109/0400110	228,902
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	638
Low-Income Home Energy Assistance	93.568	0600409/0600410	13,416
Child Care and Development Block Grant	93.575	0770109/0770110	129,721
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	107,327
Adoption Incentive Payments Program	93.603	1120109/1120110	525
Child Welfare Services - State Grants	93.645	0900109/0900110	839
Foster Care - Title IV-E	93.658	1100109/1100110	183,482
Foster Care - Title IV-E - ARRA	93.658	1100109/1100110	11,217
Adoption Assistance	93.659	1120109/1120110	74,072
Adoption Assistance - ARRA	93.659	1120109/1120110	7,904
Social Services Block Grant	93.667	1000109/1000110	81,174
Chafee Foster Care Independence Program	93.674	9150108-9150110	3,855
Child Care and Development Block Grant - ARRA	93.713	0740109	43,072
Children's Health Insurance Program	93.767	0540109/0540110	11,588
Medical Assistance Program	93.778	1200109/1200110	177,524
Total Department of Health and Human Services-pass through			\$ 1,097,147
Total Department of Health and Human Services			\$ 1,097,147
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Food Distribution--School	10.555	N/A	\$ 113,095
Department of Education:			
National school breakfast program	10.553	1790100-40591	200,083
National school lunch program	10.555	1790100-40623	757,228
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program - ARRA	10.561	0040109/0040110 0010109/0010110	19,121
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	286,410
Total Department of Agriculture - pass-through payments			\$ 1,375,937
Department of Justice:			
Direct payments:			
Bulletproof vest partnership program	16.607	N/A	\$ 2,855
Edward Byrne Memorial Justice Assistance Grant Program	16.804	N/A	11,882
Total Department of Justice - direct			\$ 14,737
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants	16.588	3900100-46500	\$ 21,276
Violence Against Women Formula Grants - ARRA	16.588	3900100-62100	27,746
Recovery Act Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	2009-SU-B9-0033	136,532
Total Department of Justice - pass-through			\$ 185,554
Total Department of Justice			\$ 200,291

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Assistance:			
Emergency Management Performance Grants	97.042	7750100-52749	\$ 13,644
State Homeland Security Program	97.073	7750100-52749	15,932
Hazardous Mitigation Grant Program	97.039	7760200-111,132	<u>955,655</u>
Total Department of Homeland Security			\$ <u>985,231</u>
Department of Transportation:			
Direct Payments:			
Highway Planning and Construction (ISTEA)	20.205	N/A	\$ <u>23,868</u>
Pass Through Payments:			
Department of Motor Vehicles:			
Alcohol Open Container Requirements	20.607	6050700-50182,59195	<u>26,385</u>
Total Department of Transportation			\$ <u>50,253</u>
Department of the Navy:			
Direct Payments:			
ROTC	12.xxx	N/A	\$ <u>62,929</u>
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ <u>56,286</u>
Pass Through Payments:			
Department of National Community Service:			
Learn and Serve America	94.004	1790100-60185	\$ 5,371
Department of Education:			
Adult Education - Basic Grants to States	84.002	1790100-42801,61111	37,314
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	810,441
Special Education - Grants to States	84.027	1790100-43071-61234	1,233,384
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	84,923
Special Education - Preschool Grants	84.173	1790100-82521	34,076
Safe and Drug-Free Schools and Communities - State Grants	84.186	1790100-60511	26,302
State Grants for Innovative Programs	84.298	1790100-49005	1,146
Education Technology State Grants	84.318	1790100-61600	8,511
Title I Grants to Local Educational Agencies - ARRA	84.389	1790100-42913	198,137
Special Education - Grants to States - ARRA	84.391	1790100-61245	657,749
Special Education - Preschool Grants - ARRA	84.392	1790100-61247	5,829
State Fiscal Stabilization Fund - Education State Grants - ARRA	84.394	1790100-62532	3,014,413
Improving Teacher Quality State Grants	84.367	1790100-61480	<u>168,084</u>
Total Department of Education - pass-through			\$ <u>6,285,680</u>
Total Department of Education			\$ <u>6,341,966</u>
Total Expenditures of Federal Awards			\$ <u><u>10,113,754</u></u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2010

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Gloucester, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Gloucester, Virginia, it is not intended to be and does not present the financial position, changes in net assets, or cash flows of the County of Gloucester, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - 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	\$	360,649
Special Revenue Funds:		
Virginia Public Assistance Fund		1,279,121
CSA Fund		19,160
Capital Projects Funds:		
County Capital Projects Fund		979,523
Total primary government	\$	<u>2,638,453</u>

Component Unit Public Schools:

School Operating Fund	\$	6,404,895
School Cafeteria Fund		1,070,406
Total component unit public schools	\$	<u>7,475,301</u>

 Total federal expenditures per basic financial
 statements

\$ 10,113,754

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 10,113,754

This page intentionally left blank

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X no

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.561	SNAP Cluster
84.010/84.389	Title I Cluster
84.027/84.173/84.391/84.392	Special Education Cluster
84.394	State Fiscal Stabilization Funds-Education
	State grants, Recovery Act
93.575/93.596/93.713	Child Care and Development Fund Cluster
93.658	Foster Care - Title IV-E

Dollar threshold used to distinguish between type A and type B programs: \$303,413

Auditee qualified as low-risk auditee? X yes no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010 (Continued)

Section IV - Status of Prior Audit Findings and Questioned Costs

There were no prior year Federal award findings.