

COMPREHENSIVE ANNUAL FINANCIAL REPORT



COUNTY OF GLOUCESTER
VIRGINIA

FOR THE FISCAL YEAR ENDING
JUNE 30, 2003

INTRODUCTORY SECTION

COUNTY OF GLOUCESTER, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2003

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Burton M. Bland, Chairman
Teresa L. Altemus, Vice Chairman

Ross M. Hines
John J. Adams, Sr.

Graham C. Blake

Louise D. Theberge
Charles R. Allen, Jr.

County School Board

Ronnie Cohen, Chairman
George R. (Randy) Burak, Vice Chairman

Reba B. Bolden
E. Stanley Belvin, Jr.

A.J. McGlohn, Jr.
Dr. Jean E. Pugh

Board of Social Services

Mary Ann Boon, Chairman
Patrick Cooney, Vice-Chairman

Charles R. Allen, Jr.
Fredericka Branch
Gilbert B. Gray

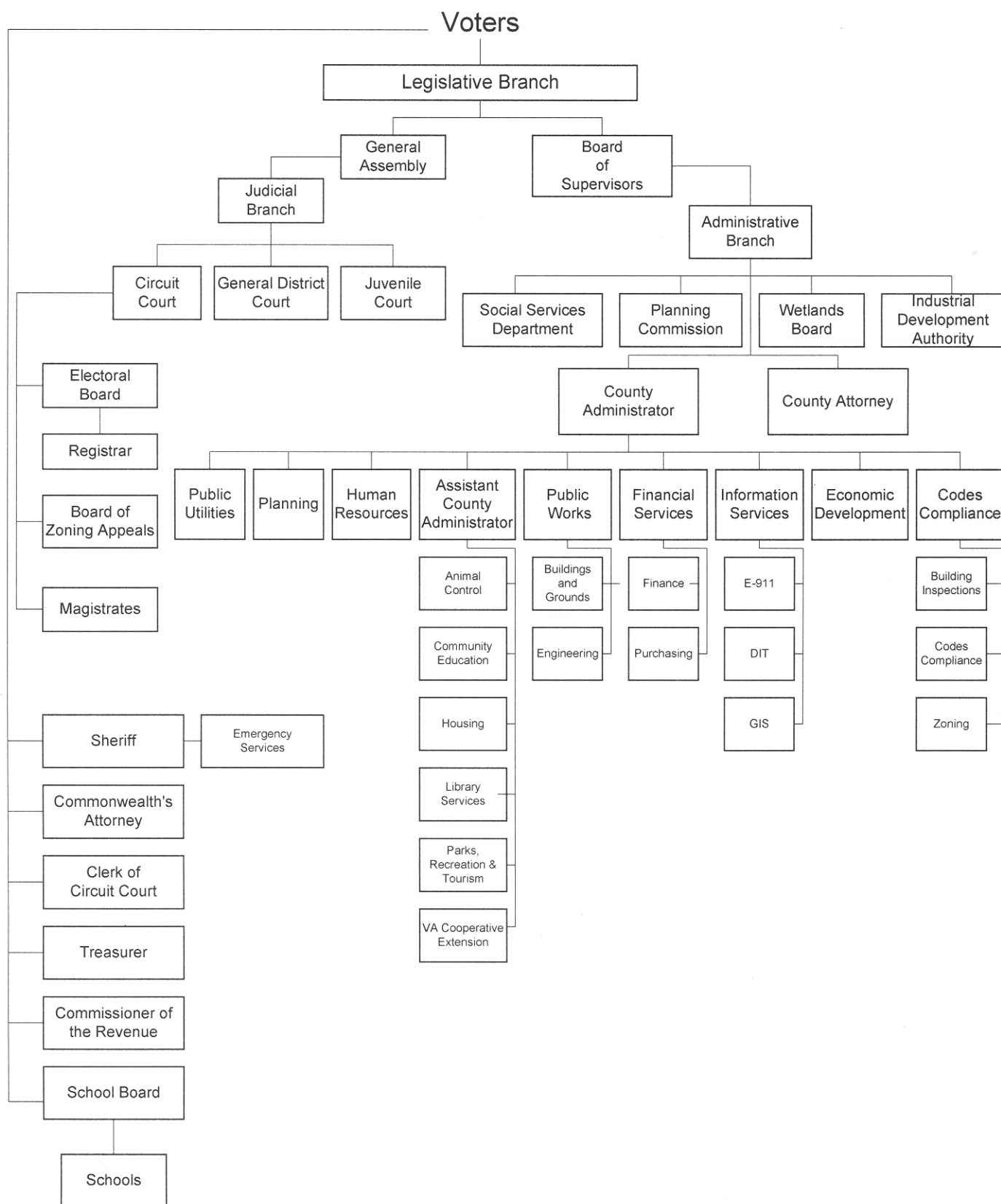
Nancy Warner
Luella H. Lemon
W. Perry Horsely, Jr.

Other Officials

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



Gloucester County Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Gloucester,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

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



County of Gloucester

COUNTY ADMINISTRATOR

6467 Main Street

P.O. Box 329

Gloucester, Virginia

23061-0329

(804) 693-4042

FAX (804) 693-0061

E-Mail: wwhitley@co.gloucester.va.us

October 16, 2003

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 for the fiscal year ended June 30, 2003.

This report consists of management's representation concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, our comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report to be complete and reliable in all material respects.

The County's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component 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). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County 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 34,781. The County is empowered to levy a property tax on both real estate and personal property located within its boundaries.

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

Gloucester County is located in the Middle Peninsula of Virginia and is the fourth largest land area in the Virginia Beach-Norfolk-Newport News Metropolitan Statistical Area (MSA), which is the nation's 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 provides a full range of services including police protection, social services, planning and inspections, public works and utilities, libraries, and general government administration. The Commonwealth of Virginia provides the construction and maintenance of highways, streets, and infrastructure located within the County. Local volunteer fire and rescue companies provide fire and rescue protection for the citizens, and the County provides support through cash contributions for operations and capital expenditures.

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

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

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

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

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

In addition, other public and private development continues in Gloucester. A new Gloucester Courthouse was constructed and dedicated in September, 2002 and will provide a venue for the County's growing judicial system needs including courts, Commonwealth Attorney, Clerk of the Circuit Court, and County Attorney. The private investment in new service and retail continues with the opening of a new Super Wal-Mart, Applebee's Restaurant, and The Home Depot in the Fox Mill Center shopping center.

Lowe's Home Improvement Warehouse will open a new 102,000 square foot facility late in October 2003. Banking expansion and new construction in 2003 commenced with a new Chesapeake Bank branch, the arrival of BB&T in Gloucester and the new Southside Bank branch at Gloucester Point. Also at Gloucester Point, Whitley's Peanuts expanded their peanut roasting and packaging operations and have begun construction to further expand their facilities.

Main Street in Gloucester County continues its phased development with new sidewalks, landscaping, streetscapes and a traditional lighting theme. With utilities moving underground and a growing mix of boutique and traditional retail, Main Street will remain the centerpiece for village working, shopping, and living. New development for 2004 includes building a new office building in the courthouse area and renovation of office space previously occupied by Dunham/Young Travel and Bluewater Yachts. Sanders Nursing

Home and Sanders Common Ltd. recently entered into a new relationship with Riverside Hospital.

Mr. Edwin Joseph has purchased the Gloucester Exchange Shopping Center. A new 24,000 square foot library and including facade improvements for the center are under construction with completion scheduled for 2004.

The Gloucester Business Park, owned by the Industrial Development Authority in cooperation with the Gloucester Board of Supervisors, was constructed in 1997. This 70-acre-park is development ready with all infrastructure including roads, water, sewer and the best practices for storm water management. Currently, there are two tenants within the park: Industrial Resource Technologies, Inc. and Coastal Bioanalysts. Industrial Resource Technologies is a joint venture between Canon U.S.A. and Canon Virginia, Inc., which recycles toner cartridges. Coastal Bioanalysts performs water quality tests and analysis for commercial and industrial businesses.

Accounting System: In developing and maintaining the County's overall accounting and financial management system, adequacy of internal accounting controls has been considered. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss and the reliability of financial records. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the County's internal control structure adequately protects the County assets and provides reasonable assurance of proper recording of financial transactions. In addition, the external auditors evaluate these controls during the course of the annual audit. We are committed to deriving the maximum benefits from this review process and will continue to actively pursue implementation of all recommended policy and procedural changes, which are deemed practicable.

The County operates a fully automated accounting and financial management information system. This system represents the important foundation required to support the "central accounting" function and represents a cooperative effort of County, School Board, and Social Service financial staffs to advance this policy.

Cash Management: The Treasurer is responsible for investing County funds. The County Treasurer and the County Board of Supervisors have a jointly adopted investment policy that seeks to safeguard principal, meet liquidity objectives and seek fair values rates of return.

Risk Management: The County and the School Board are participating members in the Virginia Municipal League Insurance Program. This is a non-profit insurance pool created to provide local counties with a stable insurance market for workers' compensation coverage, to reduce the cost of insurance for municipalities, and to improve risk management and loss prevention programs. Any unused premiums are returned to the County and School Board in the form of dividends.

Pension and other post-employment benefits: The County is a participant in the Virginia Retirement System, a defined benefits plan pension system, for which the County contributes a percentage of a qualifying County employee's salary toward the Virginia Retirement System. The Virginia Retirement System is responsible for administering the setting of the contribution rate and making retirement payments in accordance with the established plan.

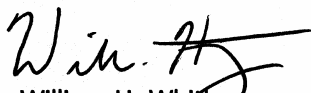
Awards and Acknowledgements

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, 2002. This was the seventh consecutive year that the 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 Treasurer, 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 the County finances.

Respectfully submitted,


William H. Whitley
County Administrator


Nickie C. Champion
Director of Financial Services

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FINANCIAL SECTION

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 basic financial statements of the County of Gloucester, Virginia, as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the County of Gloucester, Virginia, as of June 30, 2003, and the results of its operation and the cash flows of its proprietary funds and changes in fiduciary net assets 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 15, 2003 on our consideration of the County of Gloucester, Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," as of July 1, 2002. This results in a change to the County's method of accounting and a change in the format and content of the basic financial statements.

Management's Discussion and Analysis and the Budgetary Comparison Schedules as identified in the accompanying table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 performed for the purpose of forming an opinion on the basic financial statements of the County of Gloucester, Virginia, taken as a whole. The accompanying financial information listed as Other Supplementary Information in the table of contents and the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The statistical tables listed in the Table of Contents are not a required part of the basic financial statements, and we did not audit or apply limited procedures to such information. Accordingly, we do not express any assurances on such information.

Robinson, Fann, Cox Associates

Charlottesville, Virginia
October 15, 2003

County of Gloucester, Virginia Management's Discussion and Analysis

As management of the County of Gloucester (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2003. 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 exceeded its liabilities at the close of the most recent fiscal year by \$25.9 million (*net assets*). Of this amount, \$20.4 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$2.0 million, of which the governmental activities accounted for \$1.7 million of this increase and business-type activities accounted for \$.3 million of this increase.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15.2 million, an increase of \$.9 million in comparison with the prior year. Approximately 95% of this total amount, \$14.5 million, is *available for spending* at the County's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$11.9 million, or 15.7% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The County's total debt decreased by \$3.0 million (4.8%) during the current fiscal year. The key factor in this net decrease was principal payments on outstanding debt.

Overview of the Financial Statements

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

Government-wide financial statements

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

Overview of the Financial Statements (Continued)

Government-wide financial statements: (Continued)

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate industrial 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 through 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*.

Overview of the Financial Statements (Continued)

Fund financial statements: (Continued)

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and the County Capital Improvements Fund, all of which are considered to be major funds. Data from the other four 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 22 through 25 of this report.

The County maintains one type of ***Proprietary Fund***. The County uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 26 through 28 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 29 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 through 61 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. Required supplementary information can be found on page 65 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 68 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 \$25.9 million at the close of the most recent fiscal year. A large portion of the County's net assets (\$4.7 million, 18.2% 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).

This is the first year the County applied Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The County has not restated prior periods for purposes of providing the comparative data for the Management's Discussion and Analysis (MD&A). However, in future years, when prior-year information is available, a comparative analysis of government-wide data will be presented.

The following table summarizes the County's Statement of Net Assets:

County of Gloucester, Virginia Summary of Net Assets As of June 30, 2003

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 22,667,366	\$ 6,358,503	\$ 29,025,869
Capital assets	33,599,342	26,192,174	59,791,516
Total assets	<u>\$ 56,266,708</u>	<u>\$ 32,550,677</u>	<u>\$ 88,817,385</u>
Long-term liabilities outstanding	\$ 26,440,256	\$ 30,376,492	\$ 56,816,748
Other liabilities	7,677,511	1,398,216	9,075,727
Total liabilities	<u>\$ 34,117,767</u>	<u>\$ 31,774,708</u>	<u>\$ 65,892,475</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 6,404,714	\$ (1,696,961)	\$ 4,707,753
Restricted	699,863	-	699,863
Unrestricted	15,044,364	5,442,930	20,487,294
Total net assets	<u><u>\$ 22,148,941</u></u>	<u><u>\$ 3,745,969</u></u>	<u><u>\$ 25,894,910</u></u>

An additional portion of the County's net assets (\$.7 million, 2.7% of total) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$20.5 million, 79.1% of total) may be used to meet the County's ongoing obligations to citizens and creditors.

Government-Wide Financial Analysis (Continued)

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the County as a whole, as well as for its separate governmental and business-type activities.

As noted previously, the County's net assets increased by \$2.0 million during the current fiscal year, generally due to budgetary methods which yielded surpluses.

Governmental activities increased the County's net assets by \$1.7 million thereby accounting for 83.2% of the total growth in the net assets of the County. The following table summarizes the County's Statement of Activities:

County of Gloucester, Virginia Changes in Net Assets As of June 30, 2003

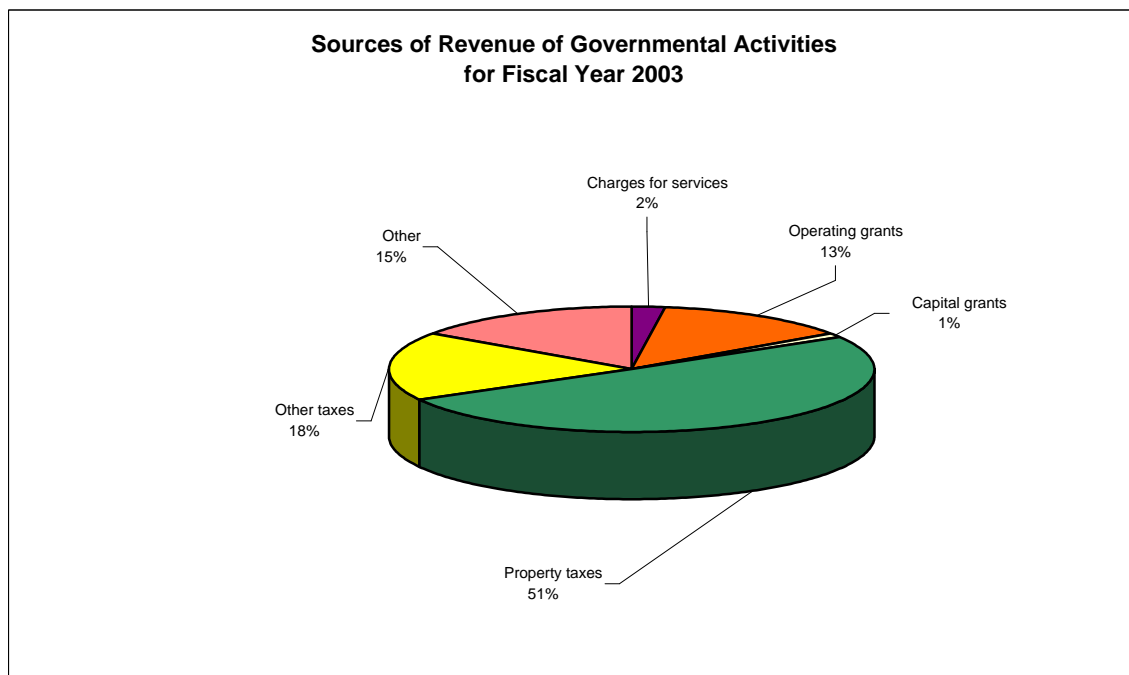
	Governmental Activities	Business- type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 1,077,522	\$ -	\$ 1,077,522
Operating grants and contributions	5,927,266	-	5,927,266
Capital grants and contributions	461,189	-	461,189
General revenues:			
Property taxes	23,117,558	40,639	23,158,197
Other taxes	8,190,581	-	8,190,581
Permits, fees and licenses	367,587	-	367,587
Unrestricted revenues	280,952	94,114	375,066
Miscellaneous	3,539,593	-	3,539,593
Grants and contributions not restricted to specific programs	2,775,813	-	2,775,813
Gain on disposal of capital assets	(2,250)	-	(2,250)
Transfers	(694,872)	694,872	-
Total revenues	\$ 45,040,939	\$ 829,625	\$ 45,870,564
Expenses:			
General governmental admin	\$ 3,512,786	\$ -	\$ 3,512,786
Judicial administration	1,634,531	-	1,634,531
Public safety	7,242,241	-	7,242,241
Public works	1,434,062	-	1,434,062
Health and welfare	3,249,649	-	3,249,649
Parks, recreation, and cultural	4,180,678	-	4,180,678
Community development	1,777,142	-	1,777,142
Interest on long-term debt	1,944,817	-	1,944,817
Education	18,371,729	-	18,371,729
Public utilities	-	3,446,672	3,446,672
Total expenses	\$ 43,347,635	\$ 3,446,672	\$ 46,794,307
Increase in net assets	\$ 1,693,475	\$ 343,042	\$ 2,036,517
Net assets - beginning of year	20,455,466	3,402,927	23,858,393
Net assets - end of year	\$ 22,148,941	\$ 3,745,969	\$ 25,894,910

Government-Wide Financial Analysis (Continued)

Generally, net asset changes are for the difference between revenues and expenses. Key elements of this increase are as follows:

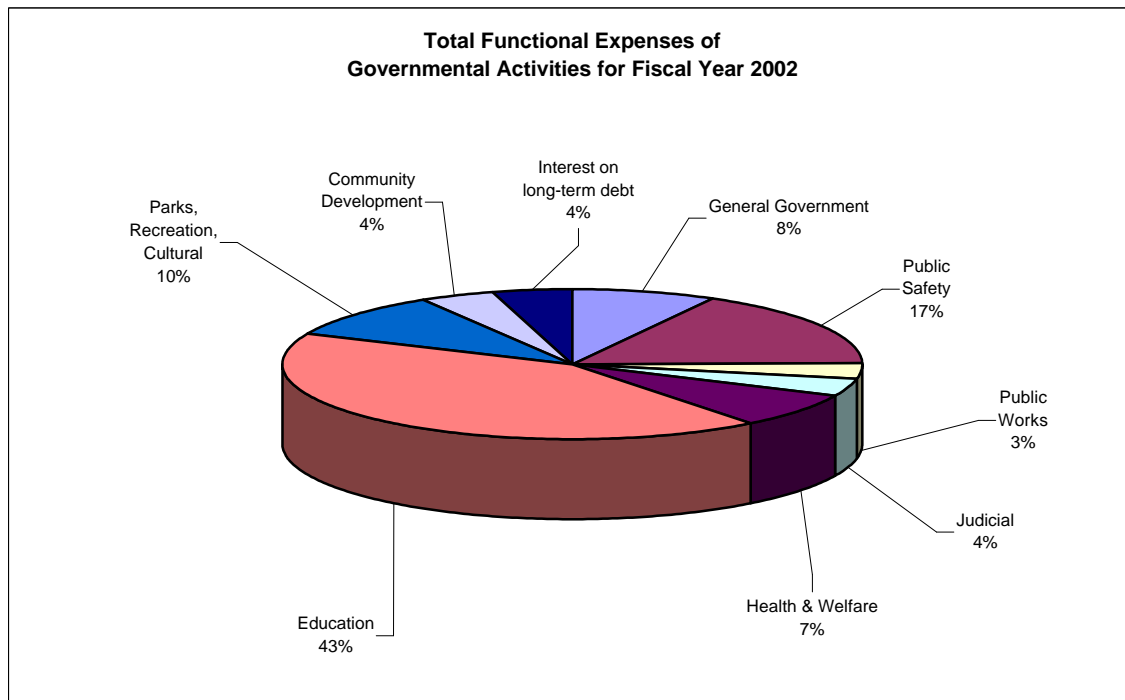
- General property taxes, including the payments received from the State as reimbursement under the State's personal property tax relief program, were \$25.6 million, which represents an increase of \$1.4 million or 5.9%. This was a result of continued growth in the tax base from new residential and commercial construction.
- Other local taxes were \$8.2 million, which represents an increase of \$.7 million or 8.7%. This increase is mainly attributable to strong growth in sales taxes and implementing a consumer utility tax on cell phones.
- There was a significant decrease of \$.3 million or 4.9% in the amount of non-categorical and shared State aid received. This decrease can be attributed to the current fiscal crisis in State government.
- General Fund activity expenses were \$1.1 million less than planned. These expense savings primarily result from conservative budgetary practices whereby 100% of all projected position costs are budgeted with savings arising from attrition and position vacancies. In addition, departments typically do not expend their entire operating budget, returning any remaining balances.
- The business-type activities revenues generated are sufficient to provide for the cost of all services to consumers, as well as meet all debt and bond covenants.

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



- General property taxes, the County's largest revenue source were \$23.1 million or 51.3% of total governmental revenues.

Government-Wide Financial Analysis (Continued)



- Education continues to be one of the County's highest priorities and commitments representing 42.4% of total governmental activities funds available to provide public services.
- The County is also committed to ensuring the highest level of safety for its citizens and has expended \$7.2 million towards public safety efforts, representing 16.7% of total governmental activities expenses.

Business-type activities increased the County's net assets by \$.3 million, accounting for 16.8% of the total growth in the County's net assets. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the County's business-type activities there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. The implementation of a development fee, which is to be used for the expansion and improvement of the public water and sewer system accounts for \$.1 million of the increase.

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.

Financial Analysis of the County's Funds (Continued)

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$15.2 million, an increase of \$.9 million in comparison with the prior year. Of this total amount, \$14.5 million or 95.2% constitutes *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to a specific purpose.

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 \$11.9 million, while total fund balance reached \$12.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 29.0% of total General Fund expenditures, while total fund balance represents 30.7% of that same amount.

The County Capital Improvements Fund accounts for all major general public improvements, excluding capital projects related to business-type activities, which are accounted for elsewhere. At the end of the fiscal year, the fund balance was \$1.9 million of which \$.1 million was designated for older adult projects and \$1.8 was designated for subsequent expenditures.

Designated fund balances of \$.5 million for the School Construction Fund and \$.1 million for the Revenue Maximization Fund are included in other governmental funds.

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 \$5.4 million. The total growth in net assets was \$.3 million. 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

There was an increase of \$4.7 million between the original budget and the final amended budget, and these differences can be summarized as follows:

- An increase of \$3.3 million in contributions, which is attributed to a public/private partnership between the County and Main Street Gloucester, Inc. to purchase and renovate Main Street Center into a new public library.
- An increase of \$.4 million to the Sheriff's Department can be attributed to the receipt of various grants.
- An increase of \$.3 million can be associated with the appropriation of fund balances for designated carryovers.
- An additional \$.5 million transfer of general fund balance to support mandated services under the Comprehensive Services Act and various County capital improvements.
- The remaining increase of \$.2 million can be attributed miscellaneous increases in government activities.

General Fund Budgetary Highlights (Continued)

Of this increase, \$3.9 million was to be funded from the receipt of additional revenues. The remaining \$.8 million was to be budgeted from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw from existing fund balance.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$62.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. Major capital asset events during the current fiscal year included the following:

- Construction was completed on the new courthouse building at a cost of \$7.2 million and renovations were completed on County Office Building, #2, at a cost of \$.8 million.
- Construction was completed on the Water Expansion Project in the Utility Fund at a cost of \$7.6 million.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 3,604,349	\$ 3,559,796	\$ 7,164,145
Buildings	11,943,327	25,503,639	37,446,966
Machinery & Equipment	1,340,260	98,739	1,438,999
Jointly owned assets	16,711,406	-	16,711,406
Total	<u>\$ 33,599,342</u>	<u>\$ 29,162,174</u>	<u>\$ 62,761,516</u>

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

Long-term debt: At the end of the current fiscal year, the County had total outstanding debt of \$59.8 million and details are summarized in the following table:

	Governmental Activities	Business-type Activities	Total
Bonds Payable:			
General obligation bonds	\$ 7,780,000	\$ 252,454	\$ 8,032,454
Revenue bonds	-	30,606,681	30,606,681
Literary loans	7,343,520	-	7,343,520
Capital leases	12,071,108	-	12,071,108
Compensated absences	1,590,802	172,822	1,763,624
Total	<u>\$ 28,785,430</u>	<u>\$ 31,031,957</u>	<u>\$ 59,817,387</u>

Capital Asset and Debt Administration (Continued)

Debt associated with governmental activities decreased by \$2.1 million while debt associated with business-type activities decreased by \$.9 million. The key factors in these decreases were principal payments on outstanding debt.

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 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.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 2.7%, which is an increase from a rate of 2.5% a year ago. This compares favorably to the State's average unemployment rate of 4.1% and the national average rate of 6.3%.
- One of the greatest economic impacts to the County currently is the uncertainty of how the State allocations to local governments will be adjusted due to State budgetary issues being addressed by the State.
- All County general property tax rates remained the same for calendar year 2003 as had existed in 2002.
- In November 2003, the County will be issuing \$7.5 million in general obligation bonds sold through the Virginia Public School Authority. The bonds will be used to expand and renovate Achilles Elementary School and Botetourt Elementary School.

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, P.O. Box 1460, Gloucester, VA 23061.

Basic Financial Statements

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2003

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents	\$ 15,908,952	\$ 3,437,865	\$ 19,346,817	\$ 408,343	\$ 81,374
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,970,720	1,921	3,972,641	-	-
Accounts receivable	630,374	617,176	1,247,550	61,248	-
Internal balances	(17,130)	17,130	-	-	-
Due from other governmental units	1,773,816	-	1,773,816	4,509,485	-
Inventories	-	37,659	37,659	20,078	606,648
Prepaid expenses	400,634	6,052	406,686	274,679	-
Deferred charges	-	1,557	1,557	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	2,014,930	2,014,930	-	-
Other assets:					
Unamortized bond issue costs	-	224,213	224,213	-	-
Capital assets (net of accumulated depreciation):					
Land	3,604,349	3,559,796	7,164,145	614,319	473,735
Buildings and system	28,654,733	25,503,639	54,158,372	9,674,677	3,448,752
Machinery and equipment	1,340,260	98,739	1,438,999	3,006,263	2,893
Infrastructure	-	-	-	-	1,838,396
Total assets	<u>\$ 56,266,708</u>	<u>\$ 35,520,677</u>	<u>\$ 91,787,385</u>	<u>\$ 18,569,092</u>	<u>\$ 6,451,798</u>
LIABILITIES					
Accounts payable	\$ 1,493,767	\$ 388,242	\$ 1,882,009	\$ 809,309	\$ 1,647
Accrued liabilities	312,180	-	312,180	4,119,488	-
Accrued interest payable	402,946	321,357	724,303	-	-
Due to other governmental units	3,123,444	-	3,123,444	150,000	458,909
Deferred revenue	-	-	-	-	33,410
Deposits held in escrow	-	33,152	33,152	-	-
Long-term liabilities:					
Due within one year	2,345,174	655,465	3,000,639	160,310	197,105
Due in more than one year	26,440,256	30,376,492	56,816,748	1,442,790	4,811,305
Total liabilities	<u>\$ 34,117,767</u>	<u>\$ 31,774,708</u>	<u>\$ 65,892,475</u>	<u>\$ 6,681,897</u>	<u>\$ 5,502,376</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 6,404,714	\$ (1,696,961)	\$ 4,707,753	\$ 13,295,259	\$ 755,366
Restricted for:					
Construction	-	-	-	274,679	-
E-911	422,690	-	422,690	-	-
Asset forfeiture	277,173	-	277,173	-	-
Unrestricted (deficit)	15,044,364	5,442,930	20,487,294	(1,682,743)	194,056
Total net assets	<u>\$ 22,148,941</u>	<u>\$ 3,745,969</u>	<u>\$ 25,894,910</u>	<u>\$ 11,887,195</u>	<u>\$ 949,422</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, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 3,512,786	\$	\$ 282,844	\$ -
Judicial administration	1,634,531	243,866	743,900	-
Public safety	7,242,241	3,464	2,183,714	-
Public works	1,434,062	526,524	-	-
Health and welfare	3,249,649	11,567	2,297,086	-
Education	18,371,729	4,588	-	193,977
Parks, recreation, and cultural	4,180,678	277,030	100,668	-
Community development	1,777,142	10,483	319,054	267,212
Interest on long-term debt	1,944,817	-	-	-
Total government activities	\$ 43,347,635	\$ 1,077,522	\$ 5,927,266	\$ 461,189
Business-type activities:				
Public utilities	\$ 3,446,672	\$ 2,960,089	\$	\$
Total business-type activities	\$ 3,446,672	\$ 2,960,089	\$ -	\$ -
Total primary government	\$ 46,794,307	\$ 4,037,611	\$ 5,927,266	\$ 461,189
COMPONENT UNITS:				
School Board	\$ 45,841,210	\$ 1,239,836	\$ 45,755,389	\$ -
Industrial Development Authority	604,042	392,404	138,931	-
Total component units	\$ 46,445,252	\$ 1,632,240	\$ 45,894,320	\$ -

General revenues:
General property taxes
Other local taxes
Permits, privilege fees, and regulatory licenses
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Gain on disposal of capital assets
Transfers
Total general revenues
Change in net assets
Net assets - beginning - as adjusted
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 Unit		
Governmental Activities	Business-type Activities	Total	School Board	IDA	
\$ (3,229,942)	\$ -	\$ (3,229,942)	\$ -	\$ -	
(646,765)	-	(646,765)	-	-	
(5,055,063)	-	(5,055,063)	-	-	
(907,538)	-	(907,538)	-	-	
(940,996)	-	(940,996)	-	-	
(18,173,164)	-	(18,173,164)	-	-	
(3,802,980)	-	(3,802,980)	-	-	
(1,180,393)	-	(1,180,393)	-	-	
(1,944,817)	-	(1,944,817)	-	-	
<u>\$ (35,881,658)</u>	<u>\$ -</u>	<u>\$ (35,881,658)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (486,583)	\$ (486,583)	\$ -	\$ -	
<u>\$ -</u>	<u>\$ (486,583)</u>	<u>\$ (486,583)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (35,881,658)</u>	<u>\$ (486,583)</u>	<u>\$ (36,368,241)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ 1,154,015	\$ -	
-	-	-	-	(72,707)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,015</u>	<u>\$ (72,707)</u>	
\$ 23,117,558	\$ 40,639	\$ 23,158,197	\$ -	\$ -	
8,190,587	-	8,190,587	-	-	
367,752	-	367,752	-	-	
280,952	94,114	375,066	1,704	-	
3,539,593	-	3,539,593	37,412	3,872	
2,775,813	-	2,775,813	-	-	
(2,250)	-	(2,250)	(16,825)	-	
(694,872)	694,872	-	-	-	
<u>\$ 37,575,133</u>	<u>\$ 829,625</u>	<u>\$ 38,404,758</u>	<u>\$ 22,291</u>	<u>\$ 3,872</u>	
1,693,475	343,042	2,036,517	1,176,306	(68,835)	
20,455,466	3,402,927	23,858,393	10,710,889	1,018,257	
<u>\$ 22,148,941</u>	<u>\$ 3,745,969</u>	<u>\$ 25,894,910</u>	<u>\$ 11,887,195</u>	<u>\$ 949,422</u>	

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Fund Financial Statements

Balance Sheet
 Governmental Funds
 June 30, 2003

	General	Debt Service	County Capital Improvements	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 13,073,039	\$ 280	\$ 2,329,293	\$ 506,340	\$ 15,908,952
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,970,720	-	-	-	3,970,720
Accounts receivable	584,063	-	-	46,311	630,374
Due from other funds	791,613	-	-	113,305	904,918
Due from other governmental units	966,958	-	529,080	277,778	1,773,816
Prepaid items	31,524	369,110	-	-	400,634
Total assets	<u>\$ 19,417,917</u>	<u>\$ 369,390</u>	<u>\$ 2,858,373</u>	<u>\$ 943,734</u>	<u>\$ 23,589,414</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 690,323	\$ 109,363	\$ 494,622	\$ 199,459	\$ 1,493,767
Accrued liabilities	308,833	-	-	3,347	312,180
Due to other governmental units	3,123,444	-	-	-	3,123,444
Due to other funds	130,435	259,747	424,496	107,370	922,048
Deferred revenue	2,500,009	-	-	-	2,500,009
Total liabilities	<u>\$ 6,753,044</u>	<u>\$ 369,110</u>	<u>\$ 919,118</u>	<u>\$ 310,176</u>	<u>\$ 8,351,448</u>
Fund balances:					
Reserved for:					
Prepaid items	\$ 31,524	\$ -	\$ -	\$ -	\$ 31,524
E-911	422,690	-	-	-	422,690
Asset forfeiture	277,173	-	-	-	277,173
Unreserved, reported in:					
General fund	11,933,486	-	-	-	11,933,486
Special revenue funds	-	-	-	127,218	127,218
Debt service funds	-	280	-	-	280
Capital projects funds	-	-	1,939,255	506,340	2,445,595
Total fund balances	<u>\$ 12,664,873</u>	<u>\$ 280</u>	<u>\$ 1,939,255</u>	<u>\$ 633,558</u>	<u>\$ 15,237,966</u>
Total liabilities and fund balances	<u>\$ 19,417,917</u>	<u>\$ 369,390</u>	<u>\$ 2,858,373</u>	<u>\$ 943,734</u>	<u>\$ 23,589,414</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, 2003

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 15,237,966
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	33,599,342
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	2,500,009
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(29,188,376)
Net assets of governmental activities	<u>\$ 22,148,941</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, 2003

	General	Debt Service	County Capital Improvements	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 23,089,347	\$ -	\$ -	\$ -	\$ 23,089,347
Other local taxes	8,190,587	-	-	-	8,190,587
Permits, privilege fees, and regulatory licenses	367,752	-	-	-	367,752
Fines and forfeitures	69,936	-	-	-	69,936
Revenue from the use of money and property	125,366	280	150,559	4,747	280,952
Charges for services	1,007,586	-	-	-	1,007,586
Miscellaneous	3,535,832	-	-	3,761	3,539,593
Recovered costs	327,999	-	-	-	327,999
Intergovernmental revenues:					
Commonwealth	6,201,170	-	193,977	742,644	7,137,791
Federal	204,823	-	267,212	1,554,442	2,026,477
Total revenues	\$ 43,120,398	\$ 280	\$ 611,748	\$ 2,305,594	\$ 46,038,020
EXPENDITURES					
Current:					
General government administration	\$ 3,264,643	\$ -	\$ -	\$ -	\$ 3,264,643
Judicial administration	1,072,443	-	-	-	1,072,443
Public safety	7,017,379	-	-	-	7,017,379
Public works	1,349,677	-	-	-	1,349,677
Health and welfare	471,281	-	-	2,825,552	3,296,833
Education	15,708,844	-	-	-	15,708,844
Parks, recreation, and cultural	1,112,185	-	-	-	1,112,185
Community development	794,845	-	-	-	794,845
Nondepartmental	3,673,350	-	-	-	3,673,350
Capital projects	-	-	2,880,899	-	2,880,899
Debt service:					
Principal retirement	-	2,288,399	-	-	2,288,399
Interest and other fiscal charges	-	1,972,079	-	-	1,972,079
Total expenditures	\$ 34,464,647	\$ 4,260,478	\$ 2,880,899	\$ 2,825,552	\$ 44,431,576
Excess (deficiency) of revenues over (under) expenditures	\$ 8,655,751	\$ (4,260,198)	\$ (2,269,151)	\$ (519,958)	\$ 1,606,444
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 4,260,478	\$ 915,329	\$ 858,122	\$ 6,033,929
Transfers out	(6,728,801)	-	-	-	(6,728,801)
Total other financing sources (uses)	\$ (6,728,801)	\$ 4,260,478	\$ 915,329	\$ 858,122	\$ (694,872)
Net change in fund balances	\$ 1,926,950	\$ 280	\$ (1,353,822)	\$ 338,164	\$ 911,572
Fund balances - beginning	10,737,923	-	3,293,077	295,394	14,326,394
Fund balances - ending	\$ 12,664,873	\$ 280	\$ 1,939,255	\$ 633,558	\$ 15,237,966

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, 2003

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

Net change in fund balances - total governmental funds	\$ 911,572
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.	(1,436,818)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	(2,250)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	28,211
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,288,399
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(95,639)</u>
Change in net assets of governmental activities	\$ <u><u>1,693,475</u></u>

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

Statement of Net Assets
Proprietary Funds
June 30, 2003

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,437,865
Taxes receivable, net of allowances for uncollectibles	1,921
Accounts receivables, net of allowances for uncollectibles	617,176
Due from other funds	17,130
Inventories	37,659
Prepaid expenses	6,052
Deferred charges	1,557
Total current assets	<u>\$ 4,119,360</u>
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents, debt service reserve	\$ 2,014,930
Total restricted current assets	<u>\$ 2,014,930</u>
Other assets:	
Unamortized bond issue costs	<u>\$ 224,213</u>
Capital assets:	
Utility plant in service	\$ 30,687,901
Land	3,559,796
Machinery and equipment	361,953
Buildings	3,640,292
Less accumulated depreciation	(9,087,768)
Total capital assets	<u>\$ 29,162,174</u>
Total noncurrent assets	<u>\$ 31,401,317</u>
Total assets	<u>\$ 35,520,677</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 388,242
Accrued interest payable	321,357
Compensated absences	17,282
Deposits held in escrow	33,152
Bonds payable - current portion	638,183
Total current liabilities	<u>\$ 1,398,216</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 30,220,952
Compensated absences	155,540
Total noncurrent liabilities	<u>\$ 30,376,492</u>
Total liabilities	<u>\$ 31,774,708</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ (1,696,961)
Unrestricted	5,442,930
Total net assets	<u><u>\$ 3,745,969</u></u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2003

	Enterprise Fund Utilities Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 2,311,170
Sewer revenues	582,125
Other revenues	66,794
Total operating revenues	<u>\$ 2,960,089</u>
OPERATING EXPENSES	
Personal services	\$ 607,307
Fringe benefits	162,715
Contractual services	64,822
Other charges	369,235
Depreciation	561,298
Total operating expenses	<u>\$ 1,765,377</u>
Operating income (loss)	<u>\$ 1,194,712</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 94,114
Amortization of loan costs	(22,449)
Taxes	40,639
Interest expense	(1,658,846)
Total nonoperating revenues (expenses)	<u>\$ (1,546,542)</u>
Income before contributions and transfers	<u>\$ (351,830)</u>
Transfers in	\$ 694,872
Change in net assets	<u>\$ 343,042</u>
Total net assets - beginning	<u>3,402,927</u>
Total net assets - ending	<u><u>\$ 3,745,969</u></u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2003

	Enterprise Fund Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 2,703,661
Receipts for miscellaneous items	5,198
Payments for operating activities	(1,207,576)
Net cash provided (used by) operating activities	<u>\$ 1,501,283</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	\$ (15,763)
Transfers from other funds	677,742
Tax revenue	40,620
Net cash provided (used) by noncapital financing activities	<u>\$ 702,599</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (4,061,337)
Principal payments on bonds	(892,350)
Principal payments on lease obligations	
Interest payments	(1,645,784)
Net cash provided (used) by capital and related financing activities	<u>\$ (6,599,471)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 94,114
Net cash provided (used) by investing activities	<u>\$ 94,114</u>
Net increase (decrease) in cash and cash equivalents	\$ (4,301,475)
Cash and cash equivalents - beginning - including restricted	9,754,270
Cash and cash equivalents - ending - including restricted	<u>\$ 5,452,795</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 1,194,712
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	561,298
(Increase) decrease in accounts receivable	(269,821)
(Increase) decrease in inventories	(12,535)
(Increase) decrease in prepaid expenses	(1,972)
Increase (decrease) in customer deposits	5,198
Increase (decrease) in accounts payable and accrued liabilities	24,403
Total adjustments	<u>\$ 306,571</u>
Net cash provided (used) by operating activities	<u>\$ 1,501,283</u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2003

	Agency Funds
	<hr/>
ASSETS	
Cash and cash equivalents	\$ 96,568
Due from other governmental funds	2,971
Total assets	\$ <u>99,539</u>
	<hr/>
LIABILITIES	
Accounts payable	\$ 4,822
Accrued liabilities	34,291
Amounts held for social services clients	14,225
Amounts held for others	36,937
Amounts held for inmates	9,264
Total liabilities	\$ <u>99,539</u>
	<hr/>

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

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COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2003.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units. The School Board members are elected by the citizens of Gloucester County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding of the school board is from the General Fund of the County. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2003.

The Gloucester County Industrial Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2003. Complete financial statements for the Authority are available from the Authority in Gloucester, Virginia.

C. Other Related Organizations

Included in the County's Financial Report

None

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

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

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

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

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.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

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

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

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

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The County reports the General Fund as a major governmental fund.

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 government-wide reporting purposes.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

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

1. Governmental Funds: (Continued)

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

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

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from 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. The County's Enterprise Funds consist of the Utility Fund.

The County reports the following non-major governmental funds:

Special Revenue Funds: Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following funds: Virginia Public Assistance, Comprehensive Services Act and Revenue Maximization.

Fiduciary Funds - (Trust and Agency Funds) - account 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 Funds utilize the accrual basis of accounting as described in the Proprietary Funds Presentation. Agency funds utilize the modified accrual basis of accounting described in the Governmental Fund Presentation. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

F. Investments

Investments are stated at fair value which approximates market; no investments are value 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 \$727,340 at June 30, 2003 is composed solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

The Component Unit Industrial Development Authority, a proprietary fund type, is required to capitalize its fixed 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.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets: (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2003 was immaterial.

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Fund Equity: (Continued)

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>Debt Service</u>	<u>County Capital Improve- ments</u>	<u>Other Govern- mental Funds</u>	<u>Total</u>
Designated for:					
Mosquito Control	\$ 217,054	\$ -	\$ -	\$ -	\$ 217,054
Tourism Projects	38,502	-	-	-	38,502
Trustee Cash	-	280	-	-	280
Revenue Maximization Program	-	-	-	127,218	127,218
School Land Purchase	-	-	-	506,340	506,340
Older Adult Projects	-	-	100,135	-	100,135
Subsequent expenditures	-	-	1,839,120	-	1,839,120
Total designated for specific purposes	<u>\$ 255,556</u>	<u>\$ 280</u>	<u>\$ 1,939,255</u>	<u>\$ 633,558</u>	<u>\$ 2,828,649</u>

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, 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. Bonds payable are reported net of the applicable bond premium or discount.

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

O. Prepaid Items

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 1—Summary of Significant Accounting Policies: (Continued)

P. Bond Issuance Costs

Bond issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

Q. 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-Industrial 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. Prior to March 15th, 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 conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department or category level. The appropriation for each department or category can be revised only by the Board of Supervisors. The County Administrator is authorized to transfer budgeted amounts within general government departments; 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.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 2—Stewardship, Compliance, and Accounting: (Continued)

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2003.

Note 3—Cash and Cash Equivalents:

The County and Component Unit School Board cash and cash equivalents consist of pooled cash and investments.

Primary Government and Component Unit School Board:

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

Investments - Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), Asian Development Bank and the African Development Bank, commercial paper rate A-1 by Standard and Poor's Corporation of P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The fair value of the positions in the LGIP are the same as the value of the pools shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasurer.

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's names.

Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agency in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by the counterparty's trust department (if a bank) or safekeeping agent but not in the County's name.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 3—Cash and Cash Equivalents: (Continued)**Primary Government and Component Unit School Board: (Continued)**

	Category			Carrying Value
	1	2	3	
Repurchase agreement	\$ -	\$ 4,508,803	\$ -	\$ 4,508,803
	\$ -	\$ 4,508,803	\$ -	\$ 4,508,803
Add investments not subject to categorization:				
Investment in State Treasurer's Local Government Investments Pool (LGIP)				10,146,315
Investment in Virginia State Non-Arbitrage Funds				1,389,937
United State Treasury Money Market Funds				4,622,373
Total investments				\$ 20,667,428
Deposits				\$ 1,482,933
Total Deposits and Investments				\$ 22,150,361
Cash and Petty Cash				6,230
Total Cash and Cash Equivalents				\$ 22,156,591

The following is a summary of cash and cash equivalents per fund financial statements:

Governmental funds - Cash and cash equivalents	\$ 15,908,952
Proprietary funds - Cash and cash equivalents	3,437,865
Proprietary funds - Restricted assets	2,014,930
Fiduciary funds - Cash and cash equivalents	96,568
Discretely presented component unit Industrial Development Authority:	
Cash and cash equivalents	81,374
Discretely presented component unit School Board:	
Cash and cash equivalents	408,343
Private-Purpose Trust Fund - Cash and cash equivalents	208,559
Total	\$ 22,156,591

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 4—Due from Other Governments:

At June 30, 2003, the County has receivables from other governments as follows:

		Component Unit	
	Primary Government	School Board	Industrial Development Authority
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,123,444	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Industrial Development Authority	458,909	-	-
Commonwealth of Virginia:			
Local sales tax	479,442	-	-
ABC and wine taxes	14,619	-	-
Recordation tax	29,939	-	-
Victim witness grant	12,508	-	-
VPA funds	43,700	-	-
Fringe Benefits	-	100,021	-
State Sales Tax	-	757,503	-
Constitutional officer reimbursements	217,891	-	-
Miscellaneous grants	17,491	-	-
Comprehensive service	63,794	-	-
Federal Government:			
School fund grants	-	503,128	-
School food	-	25,389	-
Community Development Block Grant	67,320	-	-
VPA funds	170,284	-	-
Other federal grants	47,919	-	-
Total due from other governments	\$ <u>1,773,816</u>	\$ <u>4,509,485</u>	\$ <u>-</u>

Amounts due to other governments are as follows:

Other Local Governments:			
Gloucester County School Board	\$ <u>3,123,444</u>	\$ <u>-</u>	\$ <u>-</u>
Gloucester County	\$ <u>-</u>	\$ <u>150,000</u>	\$ <u>458,909</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables, and payables as of June 30, 2003, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 791,613	\$ 130,435
County Capital Improvements	-	424,496
Comprehensive Services Act	-	5,836
Utilities	17,130	-
Revenue Maximization	113,305	-
Debt Service	-	259,747
Virginia Public Assistance	-	101,534
Total	<u>\$ 922,048</u>	<u>\$ 922,048</u>

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2003:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
<u>Primary Government:</u>				
Land	\$ 3,604,349	\$ -	\$ -	\$ 3,604,349
Buildings	7,059,714	8,040,000	-	15,099,714
Construction in progress	6,785,959	-	6,785,959	-
Equipment	4,374,468	241,546	142,151	4,473,863
Jointly owned assets	26,849,604	-	1,855,108	24,994,496
Totals	\$ 48,674,094	\$ 8,281,546	\$ 8,783,218	\$ 48,172,422
Accumulated depreciation	<u>13,669,548</u>	<u>1,045,683</u>	<u>142,151</u>	<u>14,573,080</u>
Net capital assets primary government	<u>\$ 35,004,546</u>	<u>\$ 7,235,863</u>	<u>\$ 8,641,067</u>	<u>\$ 33,599,342</u>
<u>Component Unit-School Board:</u>				
Land	\$ 614,319	\$ -	\$ -	\$ 614,319
Equipment	6,766,388	712,161	438,706	7,039,843
Jointly owned assets	12,753,597	1,923,187	-	14,676,784
Totals	\$ 20,134,304	\$ 2,635,348	\$ 438,706	\$ 22,330,946
Accumulated depreciation	<u>8,012,996</u>	<u>1,461,397</u>	<u>438,706</u>	<u>9,035,687</u>
Net capital assets component unit school board	<u>\$ 12,121,308</u>	<u>\$ 1,173,951</u>	<u>\$ -</u>	<u>\$ 13,295,259</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 6—Capital Assets: (Continued)

The following is a summary of capital assets restatements due to change in capital asset policy and other adjustments to actual inventory.

Primary Government:

	Balance		Restated
	June 30, 2002	Restatement	Balance
	June 30, 2002		June 30, 2002
Land	\$ 3,604,349	\$ -	\$ 3,604,349
Buildings	23,983,234	(16,923,520)	7,059,714
Construction in progress	6,785,959	-	6,785,959
Equipment	6,119,468	(1,745,000)	4,374,468
Jointly owned assets	<u>-</u>	<u>26,849,604</u>	<u>26,849,604</u>
Totals	\$ 40,493,010	\$ 8,181,084	\$ 48,674,094
Accumulated depreciation	<u>-</u>	<u>13,669,548</u>	<u>13,669,548</u>
Net capital assets primary government	<u>\$ 40,493,010</u>	<u>\$ (5,488,464)</u>	<u>\$ 35,004,546</u>

Component Unit - School Board:

	Balance		Restated
	June 30, 2002	Restatement	Balance
	June 30, 2002		June 30, 2002
Land	\$ 614,319	\$ -	\$ 614,319
Buildings	20,737,931	(20,737,931)	-
Equipment	7,073,038	(306,650)	6,766,388
Jointly owned assets	<u>-</u>	<u>12,753,597</u>	<u>12,753,597</u>
Totals	\$ 28,425,288	\$ (8,290,984)	\$ 20,134,304
Accumulated depreciation	<u>-</u>	<u>8,012,996</u>	<u>8,012,996</u>
Net capital assets component unit - school board	<u>\$ 28,425,288</u>	<u>\$ (16,303,980)</u>	<u>\$ 12,121,308</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 6—Capital Assets: (Continued)

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

Governmental activities:

General government	\$	214,606
Judicial administration		199,675
Public safety		381,988
Public works		68,148
Health and welfare		42,088
Education		81,669
Parks, recreation and cultural		53,681
Community Development		3,828
Total Governmental activities	\$	<u>1,045,683</u>
Component Unit School Board	\$	<u>1,461,397</u>

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, 2003, is that school financed assets in the amount of \$16,055,061 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2003 follows:

Primary Government:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land	\$ 3,559,796	\$ -	\$ -	\$ 3,559,796
Buildings	3,640,292	-	-	3,640,292
Plant in service	23,038,345	7,649,556	-	30,687,901
Equipment	361,953	-	-	361,953
Construction in progress	<u>3,588,219</u>	<u>4,061,337</u>	<u>7,649,556</u>	<u>-</u>
Totals	\$ <u>34,188,605</u>	\$ <u>11,710,893</u>	\$ <u>7,649,556</u>	\$ 38,249,942
Less: Accumulated depreciation				<u>9,087,768</u>
Net Fixed Asset Total				<u>\$ 29,162,174</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 6—Capital Assets: (Continued)

A summary of the component unit Industrial Development Authority property, plant, and equipment at June 30, 2003 follows:

Component Unit -Industrial Development Authority:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Land	\$ 473,735	\$ -	\$ -	\$ 473,735
Buildings	4,537,831	-	-	4,537,831
Infrastructure	2,418,942	-	-	2,418,942
Equipment	7,234	-	-	7,234
Totals	<u>\$ 7,437,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,437,742</u>
Less: Accumulated depreciation				<u>1,673,966</u>
Net Fixed Asset Total				<u>\$ 5,763,776</u>

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2003, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 6,728,801
Debt Service	4,260,478	-
County Capital Improvements	915,329	-
Virginia Public Assistance	390,950	-
Comprehensive Services Act	260,973	-
School Construction	206,199	-
Utilities	694,872	-
Total	<u>\$ 6,728,801</u>	<u>\$ 6,728,801</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations:

Primary Government:

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

	<u>Amounts Payable at July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2003</u>	<u>Amounts Due Within OneYear</u>
Governmental Obligations:					
Incurring by County:					
Claims, judgments and compensated absences payable	\$ 1,466,349	\$ 124,453	\$ -	\$ 1,590,802	\$ 159,080
Capital lease obligations	<u>10,116,567</u>	<u>-</u>	<u>320,886</u>	<u>9,795,681</u>	<u>316,417</u>
Total incurred by County	<u>\$ 11,582,916</u>	<u>\$ 124,453</u>	<u>\$ 320,886</u>	<u>\$ 11,386,483</u>	<u>\$ 475,497</u>
Incurring by School Board:					
State Literary Fund Loans payable	\$ 7,983,520	\$ -	\$ 640,000	\$ 7,343,520	\$ 640,000
General obligation bonds payable	8,940,000	-	1,160,000	7,780,000	1,050,000
Capital lease obligations and notes payable	<u>2,442,940</u>	<u>-</u>	<u>167,513</u>	<u>2,275,427</u>	<u>179,677</u>
Total incurred by School Board	<u>\$ 19,366,460</u>	<u>\$ -</u>	<u>\$ 1,967,513</u>	<u>\$ 17,398,947</u>	<u>\$ 1,869,677</u>
Total Governmental Obligations	<u>\$ 30,949,376</u>	<u>\$ 124,453</u>	<u>\$ 2,288,399</u>	<u>\$ 28,785,430</u>	<u>\$ 2,345,174</u>
	<u>Amounts Payable at July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2003</u>	<u>Amounts Due Within OneYear</u>
Enterprise Obligations:					
Claims, judgments and compensated absences payable	\$ 160,172	\$ 12,650	\$ -	\$ 172,822	\$ 17,282
General obligation bonds payable	280,629	-	28,175	252,454	29,618
Revenue bonds payable	<u>31,470,856</u>	<u>345,997</u>	<u>1,210,172</u>	<u>30,606,681</u>	<u>608,565</u>
Total Enterprise Obligations	<u>\$ 31,911,657</u>	<u>\$ 358,647</u>	<u>\$ 1,238,347</u>	<u>\$ 31,031,957</u>	<u>\$ 655,465</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations	
	Capital Leases	
	Principal	Interest
2004	\$ 316,417	\$ 505,551
2005	334,298	490,734
2006	325,872	475,248
2007	343,564	459,946
2008	315,530	443,984
2009	190,000	432,802
2010	200,000	423,783
2011	205,000	414,264
2012	220,000	404,060
2013	230,000	393,119
2014	240,000	381,512
2015	255,000	368,659
2016	265,000	354,684
2017	280,000	340,038
2018	295,000	324,584
2019	315,000	308,191
2020	330,000	290,856
2021	350,000	272,581
2022	370,000	253,000
2023	390,000	232,100
2024	410,000	210,100
2025	435,000	186,862
2026	460,000	162,250
2027	485,000	136,263
2028	515,000	108,763
2029	540,000	79,750
2030	575,000	49,087
2031	605,000	16,638
Total	\$ <u>9,795,681</u>	\$ <u>8,519,409</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

School Obligations						
Year Ending June 30,	State Literary Fund Loans		General Obligation Bonds Payable		Capital Leases and Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 640,000	\$ 232,700	\$ 1,050,000	\$ 439,039	\$ 179,677	\$ 134,301
2005	640,000	212,250	1,150,000	369,666	191,966	123,022
2006	640,000	191,800	965,000	302,820	204,388	110,991
2007	640,000	171,350	805,000	247,674	216,949	98,200
2008	640,000	150,900	750,000	200,238	234,658	84,486
2009	540,000	130,450	590,000	160,568	247,523	69,840
2010	540,000	113,000	565,000	126,960	265,554	54,255
2011	540,000	95,550	515,000	95,453	253,759	38,397
2012	540,000	78,100	485,000	66,256	272,150	22,249
2013	513,196	60,650	345,000	42,230	65,736	12,048
2014	250,000	44,110	140,000	28,368	69,528	8,255
2015	250,000	36,610	140,000	20,300	73,539	4,243
2016	250,000	29,110	140,000	12,180	-	-
2017	250,000	21,610	140,000	4,060	-	-
2018	250,000	14,110	-	-	-	-
2019	220,324	6,610	-	-	-	-
Total	\$ <u>7,343,520</u>	\$ <u>1,588,910</u>	\$ <u>7,780,000</u>	\$ <u>2,115,812</u>	\$ <u>2,275,427</u>	\$ <u>760,287</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30,	Enterprise Obligations			
	General Obligation Bonds Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2004	\$ 29,618	\$ 11,950	\$ 608,565	\$ 1,895,148
2005	31,133	10,435	571,991	1,935,222
2006	32,726	8,842	714,983	1,970,730
2007	34,400	7,168	696,161	1,988,809
2008	36,160	5,408	676,260	2,007,164
2009	38,011	3,557	1,428,724	1,257,507
2010	39,955	1,613	1,454,426	1,197,895
2011	10,451	88	1,510,162	1,137,137
2012	-	-	1,585,940	1,061,381
2013	-	-	1,661,755	981,821
2014	-	-	1,742,613	898,458
2015	-	-	1,818,514	810,767
2016	-	-	1,914,461	718,980
2017	-	-	2,000,457	622,201
2018	-	-	2,106,503	520,295
2019	-	-	2,212,603	412,965
2020	-	-	388,760	300,208
2021	-	-	389,797	278,909
2022	-	-	410,000	257,320
2023	-	-	430,000	234,360
2024	-	-	455,000	210,280
2025	-	-	480,000	184,800
2026	-	-	505,000	157,920
2027	-	-	535,000	129,640
2028	-	-	560,000	99,680
2029	-	-	595,000	68,320
2030	-	-	625,000	35,000
Total	\$ 252,454	\$ 49,061	\$ 28,077,675	\$ 21,372,917

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Debt:

On January 3, 2002, the County issued \$16,675,000 in Water System Revenue Refunding Bonds through the Virginia Resources Authority with an average interest rate of 4.41% to advance refund \$16,900,000 of its current interest Water System Revenue Refunding Bonds, 1992 Series A. The net proceeds of \$17,535,096 (after payment of \$252,615 of issuance costs plus an original issue premium of \$860,096) plus an additional \$212,811 of 1992 Debt Service Reserve Fund monies were used to purchase U.S. Government Securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for the payment on April 1, 2002 of the 1992 Series, their call date. The liability for the current interest 1992 Bonds has been removed from the financial report.

As a result of the refunding, the County in effect reduced its debt service payments by \$3,587,125 over the next 17 years and obtained an economic gain (difference between the present values of the old and new debt service) of \$2,474,035.

<u>General Long-Term Debt:</u>	<u>Amount Outstanding</u>
<u>Capital Lease Obligations:</u>	
\$1,429,000 capital lease obligation (payable from the General Fund) issued March 3, 1999, secured by the building, due in monthly installments of principal and interest of \$14,934 through March 2008, interest at 4.68%	\$ 765,021
\$59,715 capital lease obligation (payable from the General Fund) issued August 31, 2001, secured by voting equipment, due in various annual installments, interest at 4.4% through 2005	40,660
\$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 2031, interest payable semi-annually at coupon rates from 5.375% to 5.500%	<u>8,990,000</u>
Total Capital Lease Obligations	\$ 9,795,681
Compensated absences	<u>1,590,802</u>
Total Debt Incurred by County	<u><u>\$ 11,386,483</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

<u>General Obligation Bonds:</u>	<u>Amount Outstanding</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>252,454</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%	\$ 283,945
\$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, \$16,675,000 - original issuance premium paid \$860,096, to be recognized over life of loan, deferred amount on refund \$727,227, to be amortized over life of loan. Net acquisition price \$16,807,869.	16,584,510
\$5,727,000 capital appreciation bonds payable annually April 1, 1999 through 2008 including interest, accreted value	4,828,226
\$8,910,000 Virginia Resource Authority bonds dated November 7, 2000, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 5.1% to 5.6%	<u>8,910,000</u>
Total revenue bonds	\$ 30,606,681
Compensated absences	<u>172,822</u>
Total enterprise obligations payable	\$ <u><u>31,031,957</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>Details of Long-Term Indebtedness:</u>	
<u>School Bonds Payable:</u>	
\$1,760,000 School Bonds issued May 10, 1985 payable in various annual installments each December 15 through 2005, interest payable semi-annually at 8.74%	\$ 170,000
\$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%	2,675,000
\$4,335,000 School Bonds issued April 28, 1992 payable in various annual installments each December 15 through 2013, interest payable semiannually at 5.83%	1,940,000
\$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%	1,035,000
\$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%	<u>1,960,000</u>
Total school bonds payable	\$ <u>7,780,000</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>Details of Long-Term Indebtedness: (Continued)</u>	
<u>State Literary Fund Loans:</u>	
\$2,000,000, issued February 1, 1988, due in annual installments of \$100,000 each February 1, through 2008 interest payable annually at 3%	\$ 500,000
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%	838,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%	794,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%	1,239,419
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%	<u>3,970,324</u>
Total State Literary Fund Loans	\$ <u>7,343,520</u>
<u>Capital Lease Obligations:</u>	
\$2,324,524 capital lease obligation issued March 11, 1997 secured by equipment, due in various semi-annual installments of over 15 years, interest at 5.97%	\$ 1,615,000
<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 6.77%	<u>660,427</u>
Total Capital Lease and Notes Payable Obligations	\$ <u>2,275,427</u>
Total School Board Long-Term Debts Issued, payable from the General Fund	<u><u>\$ 17,398,947</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (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, 2003:

	<u>Amounts Payable at July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2003</u>	<u>Amounts Due Within OneYear</u>
Claims, judgments and compensated absences payable	\$ <u>1,416,557</u>	\$ <u>186,543</u>	\$ <u>-</u>	\$ <u>1,603,100</u>	\$ <u>160,310</u>
Details of Long-Term Indebtedness:					
Compensated absences Liability				\$ <u>1,603,100</u>	

Component Unit—Industrial Development Authority:

The following is a summary of long-term debt transactions of the Component Unit—Industrial Development Authority for the year ended June 30, 2003:

	<u>Amounts Payable at July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2003</u>	<u>Amounts Due Within OneYear</u>
General obligation bonds payable	\$ 4,772,354	\$ -	\$ 121,300	\$ 4,651,054	\$ 132,562
Revenue note payable	386,566	-	43,096	325,470	46,686
Note payable	<u>70,692</u>	<u>-</u>	<u>38,806</u>	<u>31,886</u>	<u>17,857</u>
Total	\$ <u>5,229,612</u>	\$ <u>-</u>	\$ <u>203,202</u>	\$ <u>5,008,410</u>	\$ <u>197,105</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Unit—Industrial Development Authority: (Continued)

	<u>Amount Outstanding</u>
<u>Details of Long-Term Indebtedness:</u>	
\$391,000 restated revenue note payable to SunTrust Bank Series 1997, issued December 21, 2001, secured by a deed of trust, creating a lien on real estate in the business park, due in quarterly installments of principal of \$14,500 interest at 4.25% through 2007	\$ 325,470
<u>General Obligation Bonds:</u>	
\$5,260,000 general obligation Crestar Securities Corporation bonds issued February 13, 1997, due in quarterly installments of \$100,443 over 10 years, with a balloon payment due February 14, 2007, interest at 5.85%	4,651,054
<u>Notes Payable:</u>	
Promissory Note Payable for value received, due in monthly installments of \$1,646.79 including principal and interest at 9%	<u>31,886</u>
Total Long-Term Indebtedness, component unit Industrial Development Authority	<u><u>\$ 5,008,410</u></u>

Year Ending June 30,	General Obligation Bonds		Notes Payable		Revenue Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 132,562	\$ 269,214	\$ 17,857	\$ 1,904	\$ 46,686	\$ 11,314
2005	140,489	261,287	14,029	513	46,892	11,108
2006	148,890	252,886	-	-	48,917	9,083
2007	<u>4,229,114</u>	<u>183,851</u>	<u>-</u>	<u>-</u>	<u>182,975</u>	<u>5,431</u>
Total	<u><u>\$ 4,651,055</u></u>	<u><u>\$ 967,238</u></u>	<u><u>\$ 31,886</u></u>	<u><u>\$ 2,417</u></u>	<u><u>\$ 325,470</u></u>	<u><u>\$ 36,936</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 9—Landfill Post closure Costs:

The County closed its landfill prior to the date mandated by State and Federal laws and regulations; so as to be liable for post-closure monitoring for a period of only ten years. The county has contracted with a third party, Waste Management, to provide funds in the amount of \$75,000 per year for post-closure monitoring of the landfill site. This amount appears adequate to fund the County's liability for post-closure monitoring of the landfill. No amounts have been recorded in the general long-term debt account group for this liability because the third part 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 \$2,500,009 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$2,371,360 at June 30, 2003.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2003, but paid in advance by the tax payers totaled \$128,649 at June 30, 2003.

Note 11—Commitments and Contingencies:

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

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

The County and the Hampton Roads Sanitation District have entered into an agreement where the District constructed a sewer interceptor line from the County to a district sewer treatment plant. The District owns the sewer line. The agreement required the County to make quarterly payments in an amount equal to interest on the construction cost. The County's obligation will be gradually reduced through credits provided by the District until 9,800 connections are made. At this point, credits will equal the cost, and there will be no further liability to the County. The County incurred an expenditure of \$541,731 during the fiscal year ended June 30, 2003.

At June 30, 2003 Gloucester County was obligated for \$363,838 in a contract for the Main Street Project construction.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 12—Litigation:

At June 30, 2003, 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 Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The County pays an annual premium to the pool for substantially all of its insurance coverage. In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of loss, including employee dishonesty and employee health and accident insurance. The component units - School Board and Industrial 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.

Note 14—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2003 were 4% and 3% of annual covered payroll, respectively.

The School Board's professional employees contributed \$907,481, \$824,203, and \$1,719,718 to the teacher cost-sharing pool for the fiscal years ended June 30, 2003, 2002, and 2001 respectively and these contributions represented 3.77%, 1.98%, and 7.54% respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal 2003, the County's annual pension cost of \$364,712 was equal to the County's required and actuarial contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2003, the County School Board's annual pension cost for the Board's non-professional employees was \$105,723 which was equal to the Board's required and actuarial contributions. The required contributions were determined as a part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board</u>
Contribution rates:		
Employer	4%	3%
Plan Members	5%	5%
Annual pension cost	\$364,712	\$105,723
Contributions made	\$364,712	\$105,723
Valuation date	June 30, 2001	June 30, 2001
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	12 Years	18 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases: ¹		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

¹ Includes inflation at 3%

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

C. Annual Pension Cost: (Continued)

Fiscal Year Ending		Annual Pension Cost (APC) (1)	Percentage of APC Contributed		Net Pension Obligation
County:					
June 30, 2003	\$	364,712	100%	\$	-
June 30, 2002		218,446	100%		-
June 30, 2001		460,700	100%		-
School Board:					
Non-Professional:					
June 30, 2003	\$	105,713	100%	\$	-
June 30, 2002		165,947	100%		-
June 30, 2001		178,131	100%		-

(1) Employer portion only

Required Supplementary Information
Schedule of Funding Progress

County:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2002	\$ 21,892,438	\$ 20,766,406	\$ (1,126,032)	105.42%	\$ 8,859,633	(12.71%)
6/30/2001	20,729,714	18,539,509	(2,190,205)	111.81%	8,607,360	(25.45%)
6/30/2000	18,302,032	14,619,472	(3,682,560)	125.19%	7,976,299	(46.17%)
6/30/1999	15,350,268	14,002,604	(1,347,664)	109.60%	7,493,842	(18.00%)

School Board Non-Professionals:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2002	\$ 7,531,520	\$ 7,012,430	\$ (519,090)	107.40%	\$ 3,346,995	(15.51%)
6/30/2001	7,081,682	6,239,031	(842,651)	113.51%	3,154,094	(26.72%)
6/30/2000	6,288,434	5,503,038	(785,396)	114.27%	2,958,960	(26.54%)
6/30/1999	5,304,624	5,503,186	198,562	93.69%	2,692,761	7.37%

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2003 (Continued)

Note 15—Fund Balance/Retained Earnings Adjustments:

The following adjustments were made to beginning fund balances:

	<u>Primary Government School Capital Projects</u>	<u>Component Unit School Board Capital Projects</u>
Fund balances/retained earnings as previously reported	\$ -	\$ 295,394
Funds reclassified to other funds	<u>295,394</u>	<u>(295,394)</u>
Totals as adjusted	<u>\$ 295,394</u>	<u>\$ -</u>

Note 16—Surety Bonds:

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

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Required Supplementary Information

The County prepares its budgets in accordance with generally accepted accounting principles.

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2003

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 22,406,459	\$ 22,406,459	\$ 23,089,347	\$ 682,888
Other local taxes	7,455,792	7,455,792	8,190,587	734,795
Permits, privilege fees, and regulatory licenses	335,500	335,500	367,752	32,252
Fines and forfeitures	65,500	65,500	69,936	4,436
Revenue from the use of money and property	202,900	202,900	125,366	(77,534)
Charges for services	920,572	920,572	1,007,586	87,014
Miscellaneous	119,702	3,467,572	3,535,832	68,260
Recovered costs	203,000	321,415	327,999	6,584
Intergovernmental revenues:				
Commonwealth	6,047,187	6,285,347	6,201,170	(84,177)
Federal	54,033	203,480	204,823	1,343
Total revenues	\$ 37,810,645	\$ 41,664,537	\$ 43,120,398	\$ 1,455,861
EXPENDITURES				
Current:				
General government administration	\$ 3,285,001	\$ 3,277,001	\$ 3,264,643	\$ 12,358
Judicial administration	1,178,744	1,207,082	1,072,443	134,639
Public safety	7,045,522	7,597,752	7,017,379	580,373
Public works	1,428,212	1,428,212	1,349,677	78,535
Health and welfare	484,989	484,989	471,281	13,708
Education	15,916,836	15,916,836	15,708,844	207,992
Parks, recreation, and cultural	1,132,886	1,141,295	1,112,185	29,110
Community development	759,802	814,136	794,845	19,291
Nondepartmental	131,577	3,673,950	3,673,350	600
Total expenditures	\$ 31,363,569	\$ 35,541,253	\$ 34,464,647	\$ 1,076,606
Excess (deficiency) of revenues over (under) expenditures	\$ 6,447,076	\$ 6,123,284	\$ 8,655,751	\$ 2,532,467
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (6,697,831)	\$ (7,181,669)	\$ (6,728,801)	\$ 452,868
Total other financing sources and uses	\$ (6,697,831)	\$ (7,181,669)	\$ (6,728,801)	\$ 452,868
Net change in fund balances	\$ (250,755)	\$ (1,058,385)	\$ 1,926,950	\$ 2,985,335
Fund balances - beginning	250,755	1,058,385	10,737,923	9,679,538
Fund balances - ending	\$ -	\$ -	\$ 12,664,873	\$ 12,664,873

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Other Supplementary Information

Debt Service Fund

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

For the Year Ended June 30, 2003

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget- Positive (Negative)
			Amounts	
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 280	\$ 280
Total revenues	\$ -	\$ -	\$ 280	\$ 280
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,288,399	\$ 2,288,399	\$ 2,288,399	\$ -
Interest and other fiscal charges	1,991,258	1,991,258	1,972,079	19,179
Total expenditures	\$ 4,279,657	\$ 4,279,657	\$ 4,260,478	\$ 19,179
Excess (deficiency) of revenues over (under) expenditures				
	\$ (4,279,657)	\$ (4,279,657)	\$ (4,260,198)	\$ 19,459
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 4,279,657	\$ 4,279,657	\$ 4,260,478	\$ (19,179)
Total other financing sources and uses	\$ 4,279,657	\$ 4,279,657	\$ 4,260,478	\$ (19,179)
Net change in fund balances				
	\$ -	\$ -	\$ 280	\$ 280
Fund balances - ending	\$ -	\$ -	\$ 280	\$ 280

County Capital Projects Fund

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

For the Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 150,559	\$ 150,559
Intergovernmental revenues:				
Commonwealth	194,494	194,494	193,977	(517)
Federal	890,000	890,000	267,212	(622,788)
Total revenues	<u>\$ 1,084,494</u>	<u>\$ 1,084,494</u>	<u>\$ 611,748</u>	<u>\$ (472,746)</u>
EXPENDITURES				
Current:				
Capital projects	\$ 7,771,564	\$ 8,329,203	\$ 2,880,899	\$ 5,448,304
Total expenditures	<u>\$ 7,771,564</u>	<u>\$ 8,329,203</u>	<u>\$ 2,880,899</u>	<u>\$ 5,448,304</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,687,070)</u>	<u>\$ (7,244,709)</u>	<u>\$ (2,269,151)</u>	<u>\$ 4,975,558</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 912,070	\$ 1,069,709	\$ 915,329	\$ (154,380)
Proceeds of revenue bonds	3,775,000	4,175,000	-	(4,175,000)
Proceeds of capital leases	2,000,000	2,000,000	-	(2,000,000)
Total other financing sources and uses	<u>\$ 6,687,070</u>	<u>\$ 7,244,709</u>	<u>\$ 915,329</u>	<u>\$ (6,329,380)</u>
Net change in fund balances	\$ -	\$ -	\$ (1,353,822)	\$ (1,353,822)
Fund balances - beginning	-	-	3,293,077	3,293,077
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,939,255</u>	<u>\$ 1,939,255</u>

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2003

	Special Revenue Funds	School Construction Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 506,340	\$ 506,340
Receivables (net of allowance for uncollectibles):			
Accounts receivable	46,311	-	46,311
Due from other funds	113,305	-	113,305
Due from other governmental units	277,778	-	277,778
Total assets	<u>\$ 437,394</u>	<u>\$ 506,340</u>	<u>\$ 943,734</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 199,459	\$ -	\$ 199,459
Accrued liabilities	3,347	-	3,347
Due to other funds	107,370	-	107,370
Total liabilities	<u>\$ 310,176</u>	<u>\$ -</u>	<u>\$ 310,176</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ 127,218	\$ -	\$ 127,218
Designated for school construction	-	506,340	506,340
Total fund balances	<u>\$ 127,218</u>	<u>\$ 506,340</u>	<u>\$ 633,558</u>
Total liabilities and fund balances	<u>\$ 437,394</u>	<u>\$ 506,340</u>	<u>\$ 943,734</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2003

	Special Revenue Funds	School Construction Fund	Total Nonmajor Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ -	\$ 4,747	\$ 4,747
Miscellaneous	3,761	-	3,761
Intergovernmental revenues:			
Commonwealth	742,644	-	742,644
Federal	1,554,442	-	1,554,442
Total revenues	<u>\$ 2,300,847</u>	<u>\$ 4,747</u>	<u>\$ 2,305,594</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 2,825,552	\$ -	\$ 2,825,552
Total expenditures	<u>\$ 2,825,552</u>	<u>\$ -</u>	<u>\$ 2,825,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (524,705)</u>	<u>\$ 4,747</u>	<u>\$ (519,958)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 651,923	\$ 206,199	\$ 858,122
Total other financing sources and uses	<u>\$ 651,923</u>	<u>\$ 206,199</u>	<u>\$ 858,122</u>
Net change in fund balances	\$ 127,218	\$ 210,946	\$ 338,164
Fund balances - beginning	-	295,394	295,394
Fund balances - ending	<u>\$ 127,218</u>	<u>\$ 506,340</u>	<u>\$ 633,558</u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2003

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Revenue Maximization Fund	Total
ASSETS				
Receivables (net of allowance for uncollectibles):				
Taxes receivable				
Accounts receivable	\$ 22,118	\$ 1,753	\$ 22,440	\$ 46,311
Due from other funds	-	-	113,305	113,305
Due from other governmental units	156,281	63,794	57,703	277,778
Total assets	<u>\$ 178,399</u>	<u>\$ 65,547</u>	<u>\$ 193,448</u>	<u>\$ 437,394</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 73,518	\$ 59,711	\$ 66,230	\$ 199,459
Accrued liabilities	3,347	-	-	3,347
Due to other funds	101,534	5,836	-	107,370
Total liabilities	<u>\$ 178,399</u>	<u>\$ 65,547</u>	<u>\$ 66,230</u>	<u>\$ 310,176</u>
Fund balances:				
Unreserved:				
Designated for subsequent expenditure	\$ -	\$ -	\$ 127,218	\$ 127,218
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,218</u>	<u>\$ 127,218</u>
Total liabilities and fund balances	<u>\$ 178,399</u>	<u>\$ 65,547</u>	<u>\$ 193,448</u>	<u>\$ 437,394</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2003

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Revenue Maximization Fund	Total
REVENUES				
Miscellaneous	\$ 3,761	\$ -	\$ -	\$ 3,761
Intergovernmental revenues:				
Commonwealth	469,915	272,729	-	742,644
Federal	1,313,457	29,060	211,925	1,554,442
Total revenues	<u>\$ 1,787,133</u>	<u>\$ 301,789</u>	<u>\$ 211,925</u>	<u>\$ 2,300,847</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 2,178,083	\$ 562,762	\$ 84,707	\$ 2,825,552
Total expenditures	<u>\$ 2,178,083</u>	<u>\$ 562,762</u>	<u>\$ 84,707</u>	<u>\$ 2,825,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (390,950)</u>	<u>\$ (260,973)</u>	<u>\$ 127,218</u>	<u>\$ (524,705)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 390,950	\$ 260,973	\$ -	\$ 651,923
Total other financing sources and uses	<u>\$ 390,950</u>	<u>\$ 260,973</u>	<u>\$ -</u>	<u>\$ 651,923</u>
Net change in fund balances	\$ -	\$ -	\$ 127,218	\$ 127,218
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,218</u>	<u>\$ 127,218</u>

COUNTY OF GLOUCESTER, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2003

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 3,761	\$ 3,761
Intergovernmental revenues:				
Commonwealth	471,948	471,948	469,915	(2,033)
Federal	1,276,634	1,276,634	1,313,457	36,823
Total revenues	\$ 1,748,582	\$ 1,748,582	\$ 1,787,133	\$ 38,551
EXPENDITURES				
Current:				
Health and welfare	\$ 2,379,812	\$ 2,392,312	\$ 2,178,083	\$ 214,229
Total expenditures	\$ 2,379,812	\$ 2,392,312	\$ 2,178,083	\$ 214,229
Excess (deficiency) of revenues over (under) expenditures	\$ (631,230)	\$ (643,730)	\$ (390,950)	\$ 252,780
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 631,230	\$ 643,730	\$ 390,950	\$ (252,780)
Total other financing sources and uses	\$ 631,230	\$ 643,730	\$ 390,950	\$ (252,780)
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

Comprehensive Services Act Fund				Revenue Maximization Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 4,000	\$ 4,000	\$ -	\$ (4,000)	\$ -	\$ -	\$ -	\$ -
281,000	281,000	272,729	(8,271)	-	-	-	-
30,000	30,000	29,060	(940)	-	84,707	211,925	127,218
<u>\$ 315,000</u>	<u>\$ 315,000</u>	<u>\$ 301,789</u>	<u>\$ (13,211)</u>	<u>\$ -</u>	<u>\$ 84,707</u>	<u>\$ 211,925</u>	<u>\$ 127,218</u>
\$ 495,000	\$ 602,500	\$ 562,762	\$ 39,738	\$ -	\$ 84,707	\$ 84,707	\$ -
<u>\$ 495,000</u>	<u>\$ 602,500</u>	<u>\$ 562,762</u>	<u>\$ 39,738</u>	<u>\$ -</u>	<u>\$ 84,707</u>	<u>\$ 84,707</u>	<u>\$ -</u>
\$ (180,000)	\$ (287,500)	\$ (260,973)	\$ 26,527	\$ -	\$ -	\$ 127,218	\$ 127,218
\$ 180,000	\$ 287,500	\$ 260,973	\$ (26,527)	\$ -	\$ -	\$ -	\$ -
<u>\$ 180,000</u>	<u>\$ 287,500</u>	<u>\$ 260,973</u>	<u>\$ (26,527)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,218	\$ 127,218
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,218</u>	<u>\$ 127,218</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Capital Projects Funds
 For the Year Ended June 30, 2003

	School Construction Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
Revenue from the use of money and property	\$ -	\$ -	\$ 4,747	\$ 4,747	
Total revenues	\$ -	\$ -	\$ 4,747	\$ 4,747	
EXPENDITURES					
Current:					
Capital projects	\$ -	\$ 206,199	\$ -	\$ 206,199	
Total expenditures	\$ -	\$ 206,199	\$ -	\$ 206,199	
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (206,199)	\$ 4,747	\$ 210,946	
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ -	\$ 206,199	\$ 206,199	\$ -	
Total other financing sources and uses	\$ -	\$ 206,199	\$ 206,199	\$ -	
Net change in fund balances	\$ -	\$ -	\$ 210,946	\$ 210,946	
Fund balances - beginning	-	-	295,394	295,394	
Fund balances - ending	\$ -	\$ -	\$ 506,340	\$ 506,340	

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2003

	Agency Funds				
	Special Welfare	Flexible Benefits	Regional Special Education	Jail Inmate	Total
ASSETS					
Cash and cash equivalents	\$ 14,225	\$ 34,134	\$ 38,945	\$ 9,264	\$ 96,568
Due from other governmental units	-	-	2,971	-	2,971
Total assets	<u>\$ 14,225</u>	<u>\$ 34,134</u>	<u>\$ 41,916</u>	<u>\$ 9,264</u>	<u>\$ 99,539</u>
LIABILITIES					
Accounts payable	\$ -	\$ 4,822	\$ -	\$ -	\$ 4,822
Accrued liabilities	-	-	34,291	-	34,291
Amounts held for social services clients	14,225	-	-	-	14,225
Amounts held for others	-	29,312	7,625	-	36,937
Amounts held for inmates	-	-	-	9,264	9,264
Total liabilities	<u>\$ 14,225</u>	<u>\$ 34,134</u>	<u>\$ 41,916</u>	<u>\$ 9,264</u>	<u>\$ 99,539</u>

Fiduciary Funds
Schedule of Changes in Fiduciary Net Assets
Year Ended June 30, 2003

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash	\$ 11,014	\$ 29,869	\$ 26,658	\$ 14,225
Total assets	<u>\$ 11,014</u>	<u>\$ 29,869</u>	<u>\$ 26,658</u>	<u>\$ 14,225</u>
Liabilities:				
Amounts held for others	<u>\$ 11,014</u>	<u>\$ 29,869</u>	<u>\$ 26,658</u>	<u>\$ 14,225</u>
Middle Peninsula Regional Special Education Program Fund:				
Assets:				
Cash	\$ 11,643	\$ 305,954	\$ 278,652	\$ 38,945
Due from other governmental units	23,029	2,971	23,029	2,971
Total assets	<u>\$ 34,672</u>	<u>\$ 308,925</u>	<u>\$ 301,681</u>	<u>\$ 41,916</u>
Liabilities:				
Accounts payable	\$ 1,435	-	\$ 1,435	-
Accrued liabilities	25,662	34,291	25,662	34,291
Amounts held for others	7,575	274,634	274,584	7,625
Total liabilities	<u>\$ 34,672</u>	<u>\$ 308,925</u>	<u>\$ 301,681</u>	<u>\$ 41,916</u>
Flexible Benefits Fund:				
Assets:				
Cash	<u>\$ 47,972</u>	<u>\$ 259,029</u>	<u>\$ 272,867</u>	<u>\$ 34,134</u>
Liabilities:				
Accounts payable	\$ 8,971	4,822	\$ 8,971	4,822
Amounts held for others	39,001	254,207	263,896	29,312
Total liabilities	<u>\$ 47,972</u>	<u>\$ 259,029</u>	<u>\$ 272,867</u>	<u>\$ 34,134</u>
Jail Fund:				
Assets:				
Cash	<u>\$ 11,437</u>	<u>\$ 119,616</u>	<u>\$ 121,789</u>	<u>\$ 9,264</u>
Liabilities:				
Amounts held for others	<u>\$ 11,437</u>	<u>\$ 119,616</u>	<u>\$ 121,789</u>	<u>\$ 9,264</u>
Totals -- All Agency Funds				
Assets:				
Cash	\$ 82,066	\$ 714,468	\$ 699,966	\$ 96,568
Due from other governmental units	23,029	2,971	23,029	2,971
Total assets	<u>\$ 105,095</u>	<u>\$ 717,439</u>	<u>\$ 722,995</u>	<u>\$ 99,539</u>
Liabilities:				
Accounts payable	\$ 10,406	4,822	\$ 10,406	4,822
Accrued liabilities	25,662	34,291	25,662	34,291
Amounts held for others	69,027	678,326	686,927	60,426
Total liabilities	<u>\$ 105,095</u>	<u>\$ 717,439</u>	<u>\$ 722,995</u>	<u>\$ 99,539</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule of Capital Assets by Source
June 30, 2003

Governmental funds capital assets:

Land	\$ 3,604,349
Buildings	15,099,714
Machinery and equipment	4,473,863
Jointly owned assets	24,994,496
Total governmental funds capital assets	<u>\$ 48,172,422</u>

Investments in governmental funds capital assets by source:

General fund	\$ 8,920,804
Special revenue funds	113,887
Capital projects fund	14,143,235
Component unit, school fund	24,994,496
Total governmental funds capital assets	<u>\$ 48,172,422</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2003

Function and Activity	Land	Buildings	Machinery and Equipment	Total
General government administration:				
Board of supervisors	\$ 3,395,949	\$ 3,213,852	\$ -	\$ 6,609,801
County administrator	-	-	38,299	38,299
Commissioner of revenue	-	-	15,728	15,728
Assessor	-	-	8,995	8,995
Treasurer	-	-	17,769	17,769
Department of information technology	-	11,524	731,313	742,837
Purchasing	-	-	5,264	5,264
Total general government administration	\$ 3,395,949	\$ 3,225,376	\$ 817,368	\$ 7,438,693
Judicial administration:				
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ 7,237,000
General district court	-	-	9,494	9,494
Juvenile and domestic relations district court	-	-	17,396	17,396
Clerk of circuit court	-	-	144,795	144,795
Commonwealth's attorney	-	-	23,048	23,048
Total judicial administration	\$ -	\$ 7,237,000	\$ 194,733	\$ 7,431,733
Public safety:				
Sheriff	\$ -	\$ 2,127,475	\$ 1,868,376	\$ 3,995,851
Emergency 911 system	-	-	89,515	89,515
Jail	-	-	104,681	104,681
Codes compliance	-	61,784	159,130	220,914
Animal control	-	421,384	51,571	472,955
Total public safety	\$ -	\$ 2,610,643	\$ 2,273,273	\$ 4,883,916
Public works:				
Engineering	\$ -	\$ 12,230	\$ 193,849	\$ 206,079
Building and grounds	-	108,732	508,991	617,723
Total public works	\$ -	\$ 120,962	\$ 702,840	\$ 823,802
Education:				
Schools	\$ -	\$ 22,942,846	\$ 2,051,650	\$ 24,994,496
Total education	\$ -	\$ 22,942,846	\$ 2,051,650	\$ 24,994,496
Health and welfare:				
Mosquito control	\$ -	\$ -	\$ 52,012	\$ 52,012
Health department	-	221,724	-	221,724
Social services	-	758,240	154,236	912,476
Total health and welfare	\$ -	\$ 979,964	\$ 206,248	\$ 1,186,212
Parks, recreation, and cultural:				
Recreation	\$ 183,400	\$ 209,644	\$ 112,020	\$ 505,064
Beaverdam	-	171,458	-	171,458
Historical committee	-	155,783	-	155,783
Public library	25,000	306,600	148,239	479,839
Total parks, recreation, and cultural	\$ 208,400	\$ 843,485	\$ 260,259	\$ 1,312,144
Community development:				
Planning	\$ -	\$ 61,784	\$ 19,142	\$ 80,926
VPI extension program	-	20,500	-	20,500
Total community development	\$ -	\$ 82,284	\$ 19,142	\$ 101,426
Total governmental funds capital assets	\$ 3,604,349	\$ 38,042,560	\$ 6,525,513	\$ 48,172,422

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2003

Function and Activity	Governmental Funds Capital Assets July 1, 2002	Additions	Deductions	Governmental Funds Capital Assets June 30, 2003
General government administration:				
Board of supervisors	\$ 12,931,460	\$ 1,267,667	\$ (7,589,326)	\$ 6,609,801
Personnel	38,299	-	-	38,299
Commissioner of revenue	15,728	-	-	15,728
Assessor	8,995	-	-	8,995
Central accounting	17,769	-	-	17,769
Data processing	731,475	26,253	(14,891)	742,837
Purchasing	5,264	-	-	5,264
Total general government administration	\$ 13,748,990	\$ 1,293,920	\$ (7,604,217)	\$ 7,438,693
Judicial administration:				
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ 7,237,000
General district court	9,494	-	-	9,494
Juvenile and domestic relations district court	17,396	-	-	17,396
Clerk of the circuit court	144,795	-	-	144,795
Commonwealth's Attorney	23,048	-	-	23,048
Total judicial administration	\$ 194,733	\$ 7,237,000	\$ -	\$ 7,431,733
Public safety:				
Sheriff	\$ 3,937,935	\$ 158,191	\$ (100,275)	\$ 3,995,851
911 system	89,515	-	-	89,515
Jail	104,681	-	-	104,681
Building inspections	157,652	63,262	-	220,914
Animal control	411,171	61,784	-	472,955
Total public safety	\$ 4,700,954	\$ 283,237	\$ (100,275)	\$ 4,883,916
Public works:				
Engineering	\$ 206,079	\$ -	\$ -	\$ 206,079
Buildings and grounds	601,016	58,583	(41,876)	617,723
Total public works	\$ 807,095	\$ 58,583	\$ (41,876)	\$ 823,802
Education:				
Schools	\$ 26,849,604	\$ -	\$ (1,855,108)	\$ 24,994,496
Total education	\$ 26,849,604	\$ -	\$ (1,855,108)	\$ 24,994,496
Health and welfare:				
Mosquito control	\$ 52,012	\$ -	\$ -	\$ 52,012
Health department	221,724	-	-	221,724
Social services	902,646	30,488	(20,658)	912,476
Total health and welfare	\$ 1,176,382	\$ 30,488	\$ (20,658)	\$ 1,186,212
Parks, recreation, and cultural:				
Recreation	\$ 363,240	\$ 141,824	\$ -	\$ 505,064
Beaverdam	171,458	-	-	171,458
Historical committee	155,783	-	-	155,783
Public library	466,213	13,626	-	479,839
Total parks, recreation, and cultural	\$ 1,156,694	\$ 155,450	\$ -	\$ 1,312,144
Community development:				
Community development	\$ 19,142	\$ 61,784	\$ -	\$ 80,926
VPI extenstion program	20,500	-	-	20,500
Total community development	\$ 39,642	\$ 61,784	\$ -	\$ 101,426
Total governmental funds capital assets	\$ 48,674,094	\$ 9,120,462	\$ (9,622,134)	\$ 48,172,422

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Discretely Presented Component Unit—School Board

Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2003

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 408,343	\$ 408,343
Receivables (net of allowance for uncollectibles):			
Accounts receivable	29,218	32,030	61,248
Due from other governmental units	4,484,096	25,389	4,509,485
Inventories	-	20,078	20,078
Prepaid items	274,679	-	274,679
Total assets	<u>\$ 4,787,993</u>	<u>\$ 485,840</u>	<u>\$ 5,273,833</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 797,447	\$ 11,862	\$ 809,309
Accrued liabilities	3,990,546	128,942	4,119,488
Due to other governmental units		150,000	150,000
Total liabilities	<u>\$ 4,787,993</u>	<u>\$ 290,804</u>	<u>\$ 5,078,797</u>
Fund balances:			
Reserved for:			
Inventories	\$ -	\$ 20,078	\$ 20,078
Prepaid items	274,679	-	274,679
Unreserved:			
Undesignated	<u>(274,679)</u>	<u>174,958</u>	<u>(99,721)</u>
Total fund balances	<u>\$ -</u>	<u>\$ 195,036</u>	<u>\$ 195,036</u>
Total liabilities and fund balances	<u>\$ 4,787,993</u>	<u>\$ 485,840</u>	<u>\$ 5,273,833</u>

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

Total fund balances per above	\$ 195,036
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,295,259
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(1,603,100)
Net assets of governmental activities	<u>\$ 11,887,195</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, 2003

	School Operating Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 1,000	\$ 704	\$ 1,704
Charges for services	102,023	1,137,813	1,239,836
Miscellaneous	23,413	13,999	37,412
Recovered costs	88,960	-	88,960
Intergovernmental revenues:			
Local government	15,322,297	-	15,322,297
Commonwealth	25,388,440	27,136	25,415,576
Federal	2,535,881	513,244	3,049,125
Total revenues	<u>\$ 43,462,014</u>	<u>\$ 1,692,896</u>	<u>\$ 45,154,910</u>
EXPENDITURES			
Current:			
Education	43,462,014	1,703,778	45,165,792
Total expenditures	<u>\$ 43,462,014</u>	<u>\$ 1,703,778</u>	<u>\$ 45,165,792</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (10,882)	\$ (10,882)
Net change in fund balances	\$ -	\$ (10,882)	\$ (10,882)
Fund balances - beginning	-	205,918	205,918
Fund balances - ending	<u>\$ -</u>	<u>\$ 195,036</u>	<u>\$ 195,036</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 \$ (10,882)

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. 1,205,565

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (16,825)

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. (1,552)

Change in net assets of governmental activities \$ 1,176,306

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2003

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Charges for services	96,200	96,200	102,023	5,823
Miscellaneous	19,000	19,000	23,413	4,413
Intergovernmental revenues:				
Local government	15,523,485	15,523,485	15,322,297	(201,188)
Commonwealth	25,706,703	25,706,703	25,388,440	(318,263)
Federal	2,645,691	2,645,691	2,535,881	(109,810)
Total revenues	<u>\$ 44,102,079</u>	<u>\$ 44,102,079</u>	<u>\$ 43,462,014</u>	<u>\$ (640,065)</u>
EXPENDITURES				
Current:				
Education	\$ 44,102,079	\$ 44,102,079	\$ 43,462,014	\$ 640,065
Total expenditures	<u>\$ 44,102,079</u>	<u>\$ 44,102,079</u>	<u>\$ 43,462,014</u>	<u>\$ 640,065</u>
Net change in fund balances				
	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of Fiduciary Net Assets
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2003

	<u>Scholarship Private-Purpose Trust</u>
ASSETS	
Cash and cash equivalents	\$ <u>208,559</u>
NET ASSETS	
Held in trust for scholarships	\$ <u>208,559</u>

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2003

	Scholarship Private-Purpose Trust
ADDITIONS	
Contributions:	
Private donations	\$ 8,879
Total contributions	\$ 8,879
Investment earnings:	
Interest	\$ 2,977
Total investment earnings	\$ 2,977
Net investment earnings	\$ 2,977
Total additions	\$ 11,856
DEDUCTIONS	
Scholarships	\$ 10,900
Total deductions	\$ 10,900
Change in net assets	\$ 956
Net assets - beginning	\$ 207,603
Net assets - ending	\$ 208,559

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2003

School Cafeteria Fund				
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 20,000	\$ 20,000	\$ 704	\$ (19,296)
Charges for services	1,464,000	1,464,000	1,137,813	(326,187)
Miscellaneous	19,000	19,000	13,999	(5,001)
Intergovernmental revenues:				
Commonwealth	30,000	30,000	27,136	(2,864)
Federal	717,009	717,009	513,244	(203,765)
Total revenues	<u>\$ 2,250,009</u>	<u>\$ 2,250,009</u>	<u>\$ 1,692,896</u>	<u>\$ (557,113)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,250,009</u>	<u>\$ 2,250,009</u>	<u>\$ 1,703,778</u>	<u>\$ 546,231</u>
Total expenditures	<u>\$ 2,250,009</u>	<u>\$ 2,250,009</u>	<u>\$ 1,703,778</u>	<u>\$ 546,231</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (10,882)</u>	<u>\$ (10,882)</u>
Net change in fund balances	\$ -	\$ -	\$ (10,882)	\$ (10,882)
Fund balances - beginning	-	-	205,918	205,918
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,036</u>	<u>\$ 195,036</u>

Capital Assets Used in the Operation of Governmental Funds -
Discretely Presented Component Unit - School Board
Schedule of Capital Assets by Source
June 30, 2003

Governmental funds capital assets:

Land	\$	614,319
Machinery and equipment		7,039,843
Jointly owned assets		14,676,784
Total governmental funds capital assets	\$	<u>22,330,946</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	\$	<u>22,330,946</u>
Total governmental funds capital assets	\$	<u>22,330,946</u>

Capital Assets Used in the Operation of Governmental Funds -
 Discretely Presented Component Unit - School Board
 Schedule by Function and Activity
 June 30, 2003

<u>Function and Activity</u>	<u>Land</u>	<u>Jointly Owned Assets</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Education:				
Schools	\$ 614,319	\$ 14,676,784	\$ 7,039,843	\$ 22,330,946
Total governmental funds capital assets	\$ 614,319	\$ 14,676,784	\$ 7,039,843	\$ 22,330,946

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, 2003

Function and Activity	Governmental Funds Capital Assets July 1, 2002	Additions	Deductions	Governmental Funds Capital Assets June 30, 2003
Education:				
Schools	\$ 20,134,304	\$ 2,635,348	\$ (438,706)	\$ 22,330,946
Total governmental funds capital assets	<u>\$ 20,134,304</u>	<u>\$ 2,635,348</u>	<u>\$ (438,706)</u>	<u>\$ 22,330,946</u>

**Discretely Presented Component
Unit—Industrial Development Authority**

Statement of Net Assets

Discretely Presented Component Unit - Industrial Development Authority

June 30, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$	81,374
Inventories		606,648
Total current assets	\$	<u>688,022</u>

Noncurrent assets:

Capital assets:

Land	\$	473,735
Buildings		4,537,831
Machinery and equipment		7,234
Infrastructure		2,418,942
Less accumulated depreciation		(1,673,966)
Total capital assets	\$	<u>5,763,776</u>
Total noncurrent assets	\$	<u>5,763,776</u>
Total assets	\$	<u><u>6,451,798</u></u>

LIABILITIES

Current liabilities:

Accounts payable	\$	1,647
Due to other governmental units		458,909
Deferred revenue		33,410
Bonds payable - current portion		197,105
Total current liabilities	\$	<u>691,071</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$	<u>4,811,305</u>
Total noncurrent liabilities	\$	<u>4,811,305</u>
Total liabilities	\$	<u><u>5,502,376</u></u>

NET ASSETS

Invested in capital assets, net of related debt and debt service reserve	\$	755,366
Unrestricted		194,056
Total net assets	\$	<u><u>949,422</u></u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2003

OPERATING REVENUES

Charges for services:

Rents	\$	391,404
Contributions from local governments		138,931
Other revenues		1,000
Miscellaneous		3,872
Total operating revenues	\$	<u>535,207</u>

OPERATING EXPENSES

Contractual services	\$	11,268
Other charges		12,605
Depreciation		278,994
Total operating expenses	\$	<u>302,867</u>

Operating income (loss)	\$	<u>232,340</u>
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NONOPERATING REVENUES (EXPENSES)

Interest expense	\$	<u>(301,175)</u>
Total nonoperating revenues (expenses)	\$	<u>(301,175)</u>

Change in net assets	\$	(68,835)
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Total net assets - beginning		<u>1,018,257</u>
Total net assets - ending	\$	<u><u>949,422</u></u>

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

Statement of Cash Flows

Discretely Presented Component Unit - Industrial Development Authority

For the Year Ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$	415,320
Receipts for miscellaneous items		4,872
Receipts for local government contributions		138,931
Payments for operating activities		(47,789)
Net cash provided (used by) operating activities	\$	<u>511,334</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$	(203,202)
Interest payments		<u>(301,174)</u>
Net cash provided (used) by capital and related financing activities	\$	<u>(504,376)</u>

Net increase (decrease) in cash and cash equivalents	\$	6,958
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Cash and cash equivalents - beginning - including restricted		<u>74,416</u>
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Cash and cash equivalents - ending - including restricted	\$	<u><u>81,374</u></u>
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Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating income (loss)	\$	<u>232,340</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	\$	<u>278,994</u>
Total adjustments	\$	<u>278,994</u>
Net cash provided (used) by operating activities	\$	<u><u>511,334</u></u>

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

Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2003

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	\$ 18,269,609	\$ 18,269,609	\$ 18,651,891	\$ 382,282
Real and personal public service corporation taxes	750,000	750,000	706,933	(43,067)
Personal property taxes	2,856,000	2,856,000	3,186,779	330,779
Mobile home taxes	150,000	150,000	178,391	28,391
Penalties	245,500	245,500	248,233	2,733
Interest	135,350	135,350	117,120	(18,230)
Total general property taxes	\$ 22,406,459	\$ 22,406,459	\$ 23,089,347	\$ 682,888
Other local taxes:				
Local sales and use taxes	\$ 2,500,000	\$ 2,500,000	\$ 2,657,880	\$ 157,880
Consumers' utility taxes	1,440,000	1,440,000	1,617,548	177,548
Electric consumption taxes	100,000	100,000	117,623	17,623
E-911 telephone taxes	290,000	290,000	290,525	525
Business license taxes	900,000	900,000	984,578	84,578
Cable TV franchise tax	84,000	84,000	100,530	16,530
Motor vehicle licenses	750,000	750,000	803,728	53,728
Bank stock taxes	140,000	140,000	97,934	(42,066)
Taxes on recordation and wills	175,000	175,000	308,328	133,328
Hotel and motel room taxes	66,792	66,792	74,523	7,731
Restaurant food taxes	1,010,000	1,010,000	1,137,390	127,390
Total other local taxes	\$ 7,455,792	\$ 7,455,792	\$ 8,190,587	\$ 734,795
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 20,400	\$ 20,400	\$ 17,706	\$ (2,694)
Land use application fees	2,500	2,500	1,540	(960)
Transfer fees	1,500	1,500	1,603	103
Permits and other licenses	311,100	311,100	346,903	35,803
Total permits, privilege fees, and regulatory licenses	\$ 335,500	\$ 335,500	\$ 367,752	\$ 32,252
Fines and forfeitures:				
Court fines and forfeitures	\$ 58,000	\$ 58,000	\$ 60,146	\$ 2,146
Parking fines	7,500	7,500	9,790	2,290
Total fines and forfeitures	\$ 65,500	\$ 65,500	\$ 69,936	\$ 4,436
Revenue from use of money and property:				
Revenue from use of money	\$ 187,500	\$ 187,500	\$ 109,797	\$ (77,703)
Revenue from use of property	15,400	15,400	15,569	169
Total revenue from use of money and property	\$ 202,900	\$ 202,900	\$ 125,366	\$ (77,534)
Charges for services:				
Excess fees of clerk	\$ 5,000	\$ 5,000	\$ 91,098	\$ 86,098
Charges for law enforcement and traffic control	7,800	7,800	20,040	12,240
Charges for courthouse maintenance	16,500	16,500	14,679	(1,821)
Circuit court judge fees	24,450	24,450	25,374	924
Charges for courthouse security	30,000	30,000	21,563	(8,437)
Charges for Commonwealth's Attorney	1,000	1,000	1,176	176
Charges for rental assistance	15,380	15,380	11,567	(3,813)
Miscellaneous dog fees	8,000	8,000	3,464	(4,536)
Charges for library	16,000	16,000	20,308	4,308
Charges for sanitation and waste removal	530,752	530,752	526,524	(4,228)
Charges for parks and recreation	223,440	223,440	210,853	(12,587)

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services: (Continued)				
Charges for community education	\$ 4,500	\$ 4,500	\$ 4,588	\$ 88
Charges for sale of publications and commemorative material	10,800	10,800	8,156	(2,644)
Charges for daffodil festival	26,450	26,450	45,869	19,419
Charges for sale of historical material	500	500	2,327	1,827
Total charges for services	<u>\$ 920,572</u>	<u>\$ 920,572</u>	<u>\$ 1,007,586</u>	<u>\$ 87,014</u>
Miscellaneous revenue:				
Miscellaneous	\$ 119,702	\$ 3,467,572	\$ 3,535,832	\$ 68,260
Total miscellaneous revenue	<u>\$ 119,702</u>	<u>\$ 3,467,572</u>	<u>\$ 3,535,832</u>	<u>\$ 68,260</u>
Recovered costs:				
Care of federal prisoners	\$ 200,000	\$ 200,000	\$ 135,750	\$ (64,250)
Recovered costs sheriff	-	48,443	116,212	67,769
Health department	3,000	3,000	3,000	-
Federal recovered costs	-	69,972	73,037	3,065
Total recovered costs	<u>\$ 203,000</u>	<u>\$ 321,415</u>	<u>\$ 327,999</u>	<u>\$ 6,584</u>
Total revenue from local sources	<u>\$ 31,709,425</u>	<u>\$ 35,175,710</u>	<u>\$ 36,714,405</u>	<u>\$ 1,538,695</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 42,000	\$ 42,000	\$ 41,372	\$ (628)
Wine taxes	47,000	47,000	29,101	(17,899)
Motor vehicle carriers' tax	2,000	2,000	2,038	38
Mobile home titling tax	86,000	86,000	39,105	(46,895)
Motor vehicle rental tax	33,000	33,000	25,016	(7,984)
State recordation tax	115,000	115,000	117,964	2,964
Personal property tax relief funds	2,530,000	2,530,000	2,521,217	(8,783)
Total noncategorical aid	<u>\$ 2,855,000</u>	<u>\$ 2,855,000</u>	<u>\$ 2,775,813</u>	<u>\$ (79,187)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 273,395	\$ 273,395	\$ 278,354	\$ 4,959
Sheriff	2,055,371	2,055,371	1,989,174	(66,197)
Commissioner of revenue	123,386	123,386	120,828	(2,558)
Treasurer	123,157	123,157	120,116	(3,041)
Medical examiner	500	500	450	(50)
Registrar/electoral board	47,300	47,300	41,450	(5,850)
Clerk of the Circuit Court	226,916	238,584	214,197	(24,387)
Total shared expenses	<u>\$ 2,850,025</u>	<u>\$ 2,861,693</u>	<u>\$ 2,764,569</u>	<u>\$ (97,124)</u>
Other categorical aid:				
Emergency medical services	\$ 16,000	\$ 16,000	\$ 15,933	\$ (67)
Bay transit grant	-	215,386	230,682	15,296
Litter control grant	6,487	6,487	6,269	(218)
Chesapeake Bay grant	-	4,149	4,149	-
Library grant	133,207	133,207	100,668	(32,539)
Abandoned auto program	35,000	35,000	40,850	5,850
Virginia Housing grant	60,000	60,000	62,021	2,021

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2003 (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: (Continued)				
Other categorical aid: (Continued)				
Victim-witness grant	\$ 46,468	\$ 48,259	\$ 46,361	\$ (1,898)
Other state funds	-	1,415	104,847	103,432
Fire programs	45,000	46,613	46,613	-
Asset forfeiture	-	2,138	2,395	257
Total other categorical aid	<u>\$ 342,162</u>	<u>\$ 568,654</u>	<u>\$ 660,788</u>	<u>\$ 92,134</u>
Total categorical aid	<u>\$ 3,192,187</u>	<u>\$ 3,430,347</u>	<u>\$ 3,425,357</u>	<u>\$ (4,990)</u>
Total revenue from the Commonwealth	<u>\$ 6,047,187</u>	<u>\$ 6,285,347</u>	<u>\$ 6,201,170</u>	<u>\$ (84,177)</u>
Revenue from the federal government:				
V-stop prosecutor grant	\$ 18,033	\$ 18,033	\$ 19,709	\$ 1,676
COP program grant	27,000	27,000	29,145	2,145
Emergency medical services	9,000	-	-	-
Drug enforcement	-	221	371	150
Emergency medical services	-	20,483	23,575	3,092
Other federal revenue	-	137,743	132,023	(5,720)
Total categorical aid	<u>\$ 54,033</u>	<u>\$ 203,480</u>	<u>\$ 204,823</u>	<u>\$ 1,343</u>
Total revenue from the federal government	<u>\$ 54,033</u>	<u>\$ 203,480</u>	<u>\$ 204,823</u>	<u>\$ 1,343</u>
Total General Fund	<u><u>\$ 37,810,645</u></u>	<u><u>\$ 41,664,537</u></u>	<u><u>\$ 43,120,398</u></u>	<u><u>\$ 1,455,861</u></u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 3,761	\$ 3,761
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,761</u>	<u>\$ 3,761</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,761</u>	<u>\$ 3,761</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 471,948	\$ 471,948	\$ 469,915	\$ (2,033)
Total categorical aid	<u>\$ 471,948</u>	<u>\$ 471,948</u>	<u>\$ 469,915</u>	<u>\$ (2,033)</u>
Total revenue from the Commonwealth	<u>\$ 471,948</u>	<u>\$ 471,948</u>	<u>\$ 469,915</u>	<u>\$ (2,033)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,276,634	\$ 1,276,634	\$ 1,313,457	\$ 36,823
Total categorical aid	<u>\$ 1,276,634</u>	<u>\$ 1,276,634</u>	<u>\$ 1,313,457</u>	<u>\$ 36,823</u>
Total revenue from the federal government	<u>\$ 1,276,634</u>	<u>\$ 1,276,634</u>	<u>\$ 1,313,457</u>	<u>\$ 36,823</u>
Total Virginia Public Assistance Fund	<u><u>\$ 1,748,582</u></u>	<u><u>\$ 1,748,582</u></u>	<u><u>\$ 1,787,133</u></u>	<u><u>\$ 38,551</u></u>

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Special Revenue Funds (Continued):				
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Total miscellaneous revenue	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Total revenue from local sources	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 275,000	\$ 275,000	\$ 253,495	\$ (21,505)
Public assistance and welfare administration	6,000	6,000	19,234	13,234
Total categorical aid	\$ 281,000	\$ 281,000	\$ 272,729	\$ (8,271)
Total revenue from the Commonwealth	\$ 281,000	\$ 281,000	\$ 272,729	\$ (8,271)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 30,000	\$ 30,000	\$ 29,060	\$ (940)
Total categorical aid	\$ 30,000	\$ 30,000	\$ 29,060	\$ (940)
Total revenue from the federal government	\$ 30,000	\$ 30,000	\$ 29,060	\$ (940)
Total Comprehensive Services Act Fund	\$ 315,000	\$ 315,000	\$ 301,789	\$ (13,211)
Revenue Maximization Fund:				
Revenue from the federal government:				
Categorical aid:				
Revenue maximization funds	\$ -	\$ 84,707	\$ 211,925	\$ 127,218
Total categorical aid	\$ -	\$ 84,707	\$ 211,925	\$ 127,218
Total revenue from the federal government	\$ -	\$ 84,707	\$ 211,925	\$ 127,218
Total Revenue Maximization Fund	\$ -	\$ 84,707	\$ 211,925	\$ 127,218
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 280	\$ 280
Total Debt Service Fund	\$ -	\$ -	\$ 280	\$ 280
Capital Projects Fund:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ -	\$ -	\$ 150,559	\$ 150,559
Total revenue from local sources	\$ -	\$ -	\$ 150,559	\$ 150,559

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Capital Projects Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
School construction funds	\$ 194,494	\$ 194,494	\$ 193,977	\$ (517)
Total revenue from the Commonwealth	\$ 194,494	\$ 194,494	\$ 193,977	\$ (517)
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ 500,000	\$ 500,000	\$ 51,509	\$ (448,491)
Community development block grant	390,000	390,000	215,703	(174,297)
Total categorical aid	\$ 890,000	\$ 890,000	\$ 267,212	\$ (622,788)
Total revenue from the federal government	\$ 890,000	\$ 890,000	\$ 267,212	\$ (622,788)
Total County Capital Improvements Fund	\$ 1,084,494	\$ 1,084,494	\$ 611,748	\$ (472,746)
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 4,747	\$ 4,747
Total School Construction Fund	\$ -	\$ -	\$ 4,747	\$ 4,747
Total Primary Government	\$ 40,958,721	\$ 44,897,320	\$ 46,038,020	\$ 1,140,700
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	\$ 1,000	\$ 1,000	\$ 1,000	\$ -
Charges for services:				
Charges for education	\$ 86,200	\$ 86,200	\$ 99,052	\$ 12,852
Tuition and payments from other divisions	10,000	10,000	2,971	(7,029)
Total charges for services	\$ 96,200	\$ 96,200	\$ 102,023	\$ 5,823
Miscellaneous revenue:				
Other miscellaneous	\$ 19,000	\$ 19,000	\$ 23,413	\$ 4,413
Recovered costs:				
Medicaid reimbursements	\$ 110,000	\$ 110,000	\$ 88,960	\$ (21,040)
Total recovered costs	\$ 110,000	\$ 110,000	\$ 88,960	\$ (21,040)
Total revenue from local sources	\$ 226,200	\$ 226,200	\$ 215,396	\$ (10,804)
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 15,523,485	\$ 15,523,485	\$ 15,322,297	\$ (201,188)
Total revenues from local governments	\$ 15,523,485	\$ 15,523,485	\$ 15,322,297	\$ (201,188)

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,688,635	\$ 4,688,635	\$ 4,282,316	\$ (406,319)
Basic school aid	14,875,566	14,875,566	14,860,694	(14,872)
ISAP	15,717	15,717	16,228	511
Remedial summer education	42,600	42,600	43,155	555
Regular foster care	6,100	6,100	9,489	3,389
Adult secondary education	4,860	4,860	3,915	(945)
Gifted and talented	161,999	161,999	160,322	(1,677)
Remedial education	262,701	262,701	259,981	(2,720)
Enrollment loss	-	-	67,647	67,647
Special education	1,374,802	1,374,802	1,360,569	(14,233)
Textbook payment	329,952	329,952	326,536	(3,416)
Vocational standards of quality payments	297,728	297,728	294,645	(3,083)
Social security fringe benefits	766,211	766,211	758,279	(7,932)
Retirement fringe benefits	446,592	446,592	441,968	(4,624)
State lottery payments	885,215	885,215	1,062,414	177,199
Early reading intervention	57,185	57,185	43,730	(13,455)
JVG	30,000	30,000	-	(30,000)
Dropout prevention	69,420	69,420	69,420	-
Homebound education	53,258	53,258	39,053	(14,205)
School health incentive	9,089	9,089	8,999	(90)
Regional program tuition	251,293	251,293	298,754	47,461
Vocational occupational preparedness	19,604	19,604	17,037	(2,567)
Special education - foster children	14,236	14,236	30,734	16,498
VI teacher	4,000	4,000	4,150	150
At risk payments	155,637	155,637	153,821	(1,816)
Remediation assistance	85,078	85,078	82,867	(2,211)
Primary class size	306,801	306,801	296,368	(10,433)
AVID	80,000	80,000	-	(80,000)
Technology	310,000	310,000	310,000	-
Standards of Learning algebra readiness	46,710	46,710	43,161	(3,549)
Technology resource assistants	35,714	35,714	35,714	-
Alternative education pilot--Victoria Academy	20,000	20,000	-	(20,000)
Mentor teacher program	-	-	6,474	6,474
Total categorical aid	\$ 25,706,703	\$ 25,706,703	\$ 25,388,440	\$ (318,263)

Revenue from the federal government:

Categorical aid:

Technology literacy challenge	\$ 100,000	\$ 100,000	\$ 26,942	\$ (73,058)
Adult literacy	32,730	32,730	35,123	2,393
Title I	1,017,419	1,017,419	859,482	(157,937)
Title VI-B, special education flow-through	904,959	904,959	922,094	17,135
Vocational education	110,000	110,000	110,466	466
Workforce investment act	53,596	53,596	26,303	(27,293)

Schedule of Revenues - Budget and Actual

Governmental Funds

For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Discretely Presented Component Unit - School Board: (Continued)				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Project serve	\$ 23,500	\$ 23,500	\$ 5,539	\$ (17,961)
Jobs for Virginia graduates	-	-	12,170	12,170
Title II	43,000	43,000	243,413	200,413
Title VI	60,000	60,000	51,710	(8,290)
Impact aid	50,000	50,000	66,435	16,435
HSTW	13,500	13,500	9,243	(4,257)
Common thread	82,066	82,066	11,385	(70,681)
Drug free school	43,000	43,000	14,624	(28,376)
ROTC	55,000	55,000	58,333	3,333
School-to-work, Victoria Academy	56,921	56,921	33,619	(23,302)
Charter school	-	-	49,000	49,000
Total categorical aid	<u>\$ 2,645,691</u>	<u>\$ 2,645,691</u>	<u>\$ 2,535,881</u>	<u>\$ (109,810)</u>
Total School Operating Fund	<u>\$ 44,102,079</u>	<u>\$ 44,102,079</u>	<u>\$ 43,462,014</u>	<u>\$ (640,065)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 704</u>	<u>\$ (19,296)</u>
Charges for services:				
Cafeteria sales	\$ 1,386,000	\$ 1,386,000	\$ 1,070,081	\$ (315,919)
Other charges for services	<u>78,000</u>	<u>78,000</u>	<u>67,732</u>	<u>(10,268)</u>
Total charges for services	<u>\$ 1,464,000</u>	<u>\$ 1,464,000</u>	<u>\$ 1,137,813</u>	<u>\$ (326,187)</u>
Miscellaneous revenue:				
Other miscellaneous	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 13,999</u>	<u>\$ (5,001)</u>
Total miscellaneous revenue	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 13,999</u>	<u>\$ (5,001)</u>
Total revenue from local sources	<u>\$ 1,503,000</u>	<u>\$ 1,503,000</u>	<u>\$ 1,152,516</u>	<u>\$ (350,484)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 27,136</u>	<u>\$ (2,864)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	<u>\$ 717,009</u>	<u>\$ 717,009</u>	<u>\$ 513,244</u>	<u>\$ (203,765)</u>
Total School Cafeteria Fund	<u>\$ 2,250,009</u>	<u>\$ 2,250,009</u>	<u>\$ 1,692,896</u>	<u>\$ (557,113)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 46,352,088</u>	<u>\$ 46,352,088</u>	<u>\$ 45,154,910</u>	<u>\$ (1,197,178)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 132,474	\$ 135,636	\$ 156,996	\$ (21,360)
General and financial administration:				
County administrator	\$ 322,051	\$ 322,051	\$ 317,757	\$ 4,294
Human resources	159,263	159,263	158,320	943
County attorney	241,034	229,872	205,147	24,725
Commissioner of revenue	382,004	382,004	372,267	9,737
County assessor	85,550	85,550	93,136	(7,586)
Treasurer	463,698	463,698	454,466	9,232
Finance	262,722	260,222	290,972	(30,750)
Department of information technology	742,999	745,499	742,524	2,975
Purchasing	196,551	196,551	183,668	12,883
Other general and financial administration	178,084	178,084	179,517	(1,433)
Total general and financial administration	\$ 3,033,956	\$ 3,022,794	\$ 2,997,774	\$ 25,020
Board of elections:				
Electoral board and officials	\$ 118,571	\$ 118,571	\$ 109,873	\$ 8,698
Total board of elections	\$ 118,571	\$ 118,571	\$ 109,873	\$ 8,698
Total general government administration	\$ 3,285,001	\$ 3,277,001	\$ 3,264,643	\$ 12,358
Judicial administration:				
Courts:				
Circuit court	\$ 55,439	\$ 55,439	\$ 48,467	\$ 6,972
General district court	13,700	13,700	13,967	(267)
Commissioner of accounts	500	500	542	(42)
Magistrate	5,150	5,150	3,218	1,932
Juvenile and domestic relations district court	21,990	21,990	19,149	2,841
Clerk of the circuit court	309,613	323,281	305,199	18,082
Victim and witness assistance	47,179	50,192	48,033	2,159
Court services unit	214,950	214,950	137,675	77,275
Group home commission	111,443	111,443	112,372	(929)
Total courts	\$ 779,964	\$ 796,645	\$ 688,622	\$ 108,023
Commonwealth's attorney:				
Commonwealth's attorney	\$ 398,780	\$ 410,437	\$ 383,821	\$ 26,616
Total commonwealth's attorney	\$ 398,780	\$ 410,437	\$ 383,821	\$ 26,616
Total judicial administration	\$ 1,178,744	\$ 1,207,082	\$ 1,072,443	\$ 134,639

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2003 (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>
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,068,274	\$ 3,359,793	\$ 3,020,856	\$ 338,937
Emergency operations center	274,781	516,741	357,425	159,316
Total law enforcement and traffic control	<u>\$ 3,343,055</u>	<u>\$ 3,876,534</u>	<u>\$ 3,378,281</u>	<u>\$ 498,253</u>
Fire and rescue services:				
Volunteer fire department	\$ 569,107	\$ 570,720	\$ 570,556	\$ 164
Volunteer rescue squads	532,881	532,881	530,427	2,454
State forestry service	4,714	4,714	4,713	1
Office of emergency services	2,000	13,483	-	13,483
Total fire and rescue services	<u>\$ 1,108,702</u>	<u>\$ 1,121,798</u>	<u>\$ 1,105,696</u>	<u>\$ 16,102</u>
Correction and detention:				
County operated institutions	\$ 1,827,837	\$ 1,827,837	\$ 1,782,157	\$ 45,680
Total correction and detention	<u>\$ 1,827,837</u>	<u>\$ 1,827,837</u>	<u>\$ 1,782,157</u>	<u>\$ 45,680</u>
Inspections:				
Building	\$ 542,585	\$ 546,734	\$ 531,624	\$ 15,110
Total inspections	<u>\$ 542,585</u>	<u>\$ 546,734</u>	<u>\$ 531,624</u>	<u>\$ 15,110</u>
Other protection:				
Animal control	\$ 222,343	\$ 223,849	\$ 219,021	\$ 4,828
Medical examiner	1,000	1,000	600	400
Total other protection	<u>\$ 223,343</u>	<u>\$ 224,849</u>	<u>\$ 219,621</u>	<u>\$ 5,228</u>
Total public safety	<u>\$ 7,045,522</u>	<u>\$ 7,597,752</u>	<u>\$ 7,017,379</u>	<u>\$ 580,373</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 203,480	\$ 203,480	\$ 203,024	\$ 456
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 203,480</u>	<u>\$ 203,480</u>	<u>\$ 203,024</u>	<u>\$ 456</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 55,000	\$ 55,000	\$ 31,699	\$ 23,301
Total sanitation and waste removal	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 31,699</u>	<u>\$ 23,301</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,169,732	\$ 1,169,732	\$ 1,114,954	\$ 54,778
Total maintenance of general buildings and grounds	<u>\$ 1,169,732</u>	<u>\$ 1,169,732</u>	<u>\$ 1,114,954</u>	<u>\$ 54,778</u>
Total public works	<u>\$ 1,428,212</u>	<u>\$ 1,428,212</u>	<u>\$ 1,349,677</u>	<u>\$ 78,535</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 312,651	\$ 312,651	\$ 303,270	\$ 9,381
Mosquito control	80,071	80,071	75,744	4,327
Total health	<u>\$ 392,722</u>	<u>\$ 392,722</u>	<u>\$ 379,014</u>	<u>\$ 13,708</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	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	\$ 92,267	\$ 92,267	\$ 92,267	\$ -
Total mental health and mental retardation	\$ 92,267	\$ 92,267	\$ 92,267	\$ -
Total health and welfare	\$ 484,989	\$ 484,989	\$ 471,281	\$ 13,708
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 9,613	\$ 9,613	\$ 9,613	\$ -
Contribution to community education	383,738	383,738	376,934	6,804
Contribution to County School Board	15,523,485	15,523,485	15,322,297	201,188
Total education	\$ 15,916,836	\$ 15,916,836	\$ 15,708,844	\$ 207,992
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 486,402	\$ 486,502	\$ 474,776	\$ 11,726
Beaverdam reservoir park	185,698	185,698	183,455	2,243
Total parks and recreation	\$ 672,100	\$ 672,200	\$ 658,231	\$ 13,969
Cultural enrichment:				
Daffodil festival	\$ 32,515	\$ 37,115	\$ 37,435	\$ (320)
Historical committee	28,555	28,555	26,164	2,391
Total cultural enrichment	\$ 61,070	\$ 65,670	\$ 63,599	\$ 2,071
Library:				
Contribution to county library	\$ 399,716	\$ 403,425	\$ 390,355	\$ 13,070
Total library	\$ 399,716	\$ 403,425	\$ 390,355	\$ 13,070
Total parks, recreation, and cultural	\$ 1,132,886	\$ 1,141,295	\$ 1,112,185	\$ 29,110
Community development:				
Planning and community development:				
Community development	\$ 276,556	\$ 284,556	\$ 269,727	\$ 14,829
Tourism and economic development	235,363	281,697	275,445	6,252
Contribution to Industrial Development Authority	130,000	130,000	138,931	(8,931)
Total planning and community development	\$ 641,919	\$ 696,253	\$ 684,103	\$ 12,150
Environmental management:				
Clean community program	\$ 46,941	\$ 46,941	\$ 54,793	\$ (7,852)
Total environmental management	\$ 46,941	\$ 46,941	\$ 54,793	\$ (7,852)
Cooperative extension program:				
Extension office	\$ 70,942	\$ 70,942	\$ 55,949	\$ 14,993
Total cooperative extension program	\$ 70,942	\$ 70,942	\$ 55,949	\$ 14,993
Total community development	\$ 759,802	\$ 814,136	\$ 794,845	\$ 19,291

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	\$ 131,577	\$ 3,673,950	\$ 3,673,350	\$ 600
Total nondepartmental	\$ 131,577	\$ 3,673,950	\$ 3,673,350	\$ 600
Total General Fund	\$ 31,363,569	\$ 35,541,253	\$ 34,464,647	\$ 1,076,606
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,510,604	\$ 1,513,354	\$ 1,499,649	\$ 13,705
Public assistance	268,912	301,162	280,848	20,314
Purchased services	536,196	500,496	337,638	162,858
Grants	59,100	72,300	55,642	16,658
Board of public welfare	5,000	5,000	4,306	694
Total welfare and social services	\$ 2,379,812	\$ 2,392,312	\$ 2,178,083	\$ 214,229
Total health and welfare	\$ 2,379,812	\$ 2,392,312	\$ 2,178,083	\$ 214,229
Total Virginia Public Assistance Fund	\$ 2,379,812	\$ 2,392,312	\$ 2,178,083	\$ 214,229
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 495,000	\$ 602,500	\$ 562,762	\$ 39,738
Total Comprehensive Services Act Fund	\$ 495,000	\$ 602,500	\$ 562,762	\$ 39,738
Revenue Maximization Fund:				
Health and welfare:				
Welfare and social services:				
Revenue maximization program	\$ -	\$ 84,707	\$ 84,707	\$ -
Total Revenue Maximization Fund	\$ -	\$ 84,707	\$ 84,707	\$ -
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,288,399	\$ 2,288,399	\$ 2,288,399	\$ -
Interest and other fiscal charges	1,985,758	1,985,758	1,966,929	18,829
Other debt service	5,500	5,500	5,150	350
Total School Debt Service Fund	\$ 4,279,657	\$ 4,279,657	\$ 4,260,478	\$ 19,179
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 6,815,000	\$ 7,362,004	\$ 1,925,518	\$ 5,436,486
Equipment and vehicles	262,070	272,705	260,887	11,818
School capital assets	694,494	694,494	694,494	-
Total capital projects	\$ 7,771,564	\$ 8,329,203	\$ 2,880,899	\$ 5,448,304
Total County Capital Improvements Fund	\$ 7,771,564	\$ 8,329,203	\$ 2,880,899	\$ 5,448,304

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2003 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)
Capital Projects Fund: (Continued)				
School Construction Fund:				
Capital projects expenditures:				
New school construction	\$ -	\$ 206,199	\$ -	\$ 206,199
Total School Construction Fund	\$ -	\$ 206,199	\$ -	\$ 206,199
Total Primary Government	\$ 43,414,790	\$ 48,356,312	\$ 41,606,024	\$ 6,750,288
Discretely Presented Component Unit - School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 84,036	\$ 84,036	\$ 84,846	\$ (810)
Executive administration services	326,378	326,378	325,855	523
Personnel	404,462	404,462	404,741	(279)
Fiscal services	260,785	260,785	257,330	3,455
Total administration of schools	\$ 1,075,661	\$ 1,075,661	\$ 1,072,772	\$ 2,889
Instruction costs:				
Elementary and secondary schools	\$ 34,379,285	\$ 34,379,285	\$ 33,743,450	\$ 635,835
Total instruction costs	\$ 34,379,285	\$ 34,379,285	\$ 33,743,450	\$ 635,835
Operating costs:				
Attendance and health services	\$ 806,647	\$ 806,647	\$ 809,264	\$ (2,617)
Pupil transportation	3,089,709	3,089,709	3,088,239	1,470
Operation and maintenance of school plant	4,750,777	4,750,777	4,748,289	2,488
Total operating costs	\$ 8,647,133	\$ 8,647,133	\$ 8,645,792	\$ 1,341
Total education	\$ 44,102,079	\$ 44,102,079	\$ 43,462,014	\$ 640,065
Total School Fund	\$ 44,102,079	\$ 44,102,079	\$ 43,462,014	\$ 640,065
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,250,009	\$ 2,250,009	\$ 1,703,778	\$ 546,231
Total Cafeteria Fund	\$ 2,250,009	\$ 2,250,009	\$ 1,703,778	\$ 546,231
Total Discretely Presented Component Unit - School Board	\$ 46,352,088	\$ 46,352,088	\$ 45,165,792	\$ 1,186,296

STATISTICAL SECTION

Statistical Tables

COUNTY OF GLOUCESTER, VIRGINIA

Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>
2003	\$ 3,512,786	\$ 1,634,531	\$ 7,242,241	\$ 1,434,062	\$ 3,249,649

(1) Information has only been available for 1 year.

Table 1

<u>Education</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Interest on Long- Term Debt</u>	<u>Utilities</u>	<u>Total</u>
\$ 18,371,729	\$ 4,180,678	\$ 1,777,142	\$ 1,944,817	\$ 3,446,672	\$ 46,794,307

COUNTY OF GLOUCESTER, VIRGINIA

Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
2003	\$ 4,037,611	\$ 5,927,266	\$ 461,189

(1) Information has only been available for 1 year.

Table 2

GENERAL REVENUES							
General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Unrestricted Investment Earnings	Miscella- neous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 23,158,197	\$ 8,190,587	\$ 367,752	\$ -	\$ 375,066	\$ 3,537,343	\$ 2,775,813	\$ 48,830,824

COUNTY OF GLOUCESTER, VIRGINIA

General Governmental Expenditures by Function (1)
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare
1994	\$ 2,019,920	\$ 383,056	\$ 3,086,177	\$ 1,189,749	\$ 1,947,997
1995	1,926,506	467,866	3,211,985	1,062,981	2,100,304
1996	2,025,150	515,031	3,495,375	1,026,907	2,142,633
1997	2,240,386	853,102	3,778,754	1,039,280	2,250,872
1998	2,658,986	977,773	4,387,359	1,146,937	2,591,448
1999	2,604,716	1,040,520	5,195,313	1,143,624	2,933,779
2000	2,936,991	1,099,412	5,743,208	1,157,294	2,923,566
2001	3,148,864	1,155,282	6,598,400	1,211,031	2,752,033
2002	3,296,403	1,194,277	6,851,651	1,191,479	2,892,104
2003	3,264,643	1,072,443	7,017,379	1,349,677	3,296,833

(1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 3

	<u>Education (2)</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Total</u>
\$	27,576,831	\$ 618,342	\$ 540,802	\$ 22,000	\$ 4,421,986	\$ 41,806,860
	29,451,486	695,469	476,248	36,618	4,394,295	43,823,758
	31,097,923	716,268	513,971	26,750	4,021,614	45,581,622
	33,418,179	750,297	779,579	56,725	4,101,523	49,268,697
	35,468,207	838,397	573,291	108,560	4,222,012	52,972,970
	37,915,630	912,109	686,218	132,190	4,287,990	56,852,089
	41,051,542	983,569	739,766	135,621	4,584,947	61,355,916
	42,768,299	1,089,439	474,070	257,420	4,619,801	64,074,639
	43,870,300	1,084,547	646,556	668,639	4,781,338	66,477,294
	45,552,339	1,112,185	794,845	3,673,350	4,260,478	71,394,172

COUNTY OF GLOUCESTER, VIRGINIA

General Governmental Revenues by Source (1)
Last Ten Fiscal Years

Fiscal Year		General Property Taxes		Other Local Taxes		Permits, Privilege Fees, Regulatory Licenses		Fines and Forfeitures		Revenue from the Use of Money and Property
1994	\$	16,026,399	\$	4,256,053	\$	213,663	\$	61,340	\$	223,999
1995		16,410,841		4,531,933		250,741		61,818		440,817
1996		17,144,356		4,691,201		219,161		46,162		487,212
1997		17,639,740		5,262,108		229,320		111,241		500,313
1998		18,784,434		5,826,714		217,363		99,703		422,322
1999		20,099,408		6,205,078		220,689		79,746		528,935
2000		19,910,365		6,487,305		214,751		80,615		568,503
2001		22,058,778		6,984,009		187,847		65,891		447,692
2002		21,735,807		7,534,250		301,641		77,277		177,043
2003		23,089,347		8,190,587		367,752		69,936		282,656

(1) Includes General, Special Revenue, and Debt Service funds of the Primary Government and its Discretely Presented Component Units.

(2) Excludes contribution from Primary Government to Discretely Presented Component Unit.

Table 4

	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$	1,647,346	\$ 159,257	\$ 352,650	\$ 21,203,683	\$ 44,144,390
	1,480,068	101,878	397,673	22,834,451	46,510,220
	1,499,029	111,920	430,634	23,664,944	48,294,619
	1,668,556	465,710	485,008	26,020,731	52,382,727
	1,839,650	470,105	530,757	27,209,022	55,400,070
	1,955,625	322,203	401,550	30,651,995	60,465,229
	1,910,150	133,773	288,715	32,917,119	62,511,296
	2,103,247	413,879	355,465	34,820,856	67,437,664
	2,100,650	220,815	408,848	36,893,853	69,450,184
	2,247,422	3,577,005	416,959	37,628,969	75,870,633

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1,3)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent (1) Tax (2) Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1,2)	Percent of Delinquent Taxes to Tax Levy
1994	\$ 16,042,336	\$ 13,883,399	\$ 86.54%	\$ 1,800,201	\$ 15,683,600	\$ 97.76%	\$ 987,541	\$ 6.16%
1995	16,155,876	14,088,586	87.20%	1,939,738	16,028,324	99.21%	910,404	5.64%
1996	16,751,840	14,744,042	88.01%	2,029,283	16,773,325	100.13%	860,063	5.13%
1997	17,387,568	15,046,538	86.54%	2,194,143	17,240,681	99.16%	619,835	3.56%
1998	18,709,258	15,904,173	85.01%	2,069,520	17,973,693	96.07%	1,049,749	5.61%
1999	19,850,929	17,563,286	88.48%	2,183,055	19,746,341	99.47%	1,055,034	5.31%
2000	20,399,258	18,524,250	90.81%	1,906,540	20,430,790	100.15%	1,321,818	6.48%
2001	24,635,713	22,139,571	89.87%	2,248,184	24,387,755	98.99%	1,369,318	5.56%
2002	23,465,888	21,746,629	92.67%	2,061,926	23,808,555	101.46%	1,155,940	4.93%
2003	25,475,416	23,289,600	91.42%	2,255,679	25,545,279	100.27%	1,225,745	4.81%

(1) Exclusive of penalties and interest. Outstanding delinquent taxes include only those taxes assessed prior to December 31 of the fiscal year.

(2) Does not include land redemptions.

(3) 2001 levy includes 2000 personal property and first half of 2001 levy.

Assessed Value of Taxable Property (in thousands)
Last Ten Fiscal Years

Fiscal Year			Personal Property and Mobile Homes (3)	Machinery and Tools	Public Utility (2)		Total			
	Real Estate (1)				Real Estate	Personal Property				
1994	\$	1,334,370	\$	85,129	\$	59,233	\$	843	\$	1,480,112
1995		1,364,371		94,126		52,880		952		1,513,064
1996		1,393,305		106,230		54,334		840		1,555,497
1997		1,407,825		119,332		60,687		810		1,589,577
1998		1,529,486		125,848		51,809		679		1,708,681
1999		1,645,515		135,810	1,213	54,738		719		1,837,995
2000		1,720,584		144,047	3,045	65,052		544		1,933,272
2001		1,794,192		178,451	3,198	87,442		332		2,063,615
2002		1,900,137		191,113	3,526	91,735		268		2,186,779
2003		2,020,094		201,003	3,893	74,258		226		2,299,474

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Personal property is assessed at 100% of fair market value as of January 1, 1995.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year						Public Utility	
	Real Estate	Personal Property	Machinery and Tools	Real Estate	Personal Property		
1994	\$ 0.93	\$ 3.50	\$ 3.50	\$ 0.93	\$ 3.50		
1995	0.93	3.50	3.50	0.93	3.50		
1996	0.93	3.50	3.50	0.93	3.50		
1997	0.93	3.50	3.50	0.93	3.50		
1998	0.91	3.50	3.50	0.91	3.50		
1999	0.91	3.50	3.50	0.91	3.50		
2000	0.92	3.50	3.50	0.92	3.50		
2001	0.95	3.50	3.50	0.95	3.50		
2002	0.95	3.50	3.50	0.95	3.50		
2003	0.95	3.50	3.50	0.95	3.50		

(1) Per \$100 of assessed value.

Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (in thousands) (3)	Less:	Net Bonded (in thousands) Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt payable from Enterprise Revenues (in thousands) (4)			
1994	30,131	\$ 1,480,112	\$ 50,327	\$ 27,396	\$ 22,931	1.55%	\$ 761
1995	30,131	1,513,064	48,443	27,273	21,170	1.40%	703
1996	30,131	1,555,497	49,257	26,900	22,357	1.44%	742
1997	30,131	1,589,577	52,163	26,404	25,759	1.62%	855
1998	30,131	1,708,681	49,899	25,867	24,032	1.41%	798
1999	30,131	1,837,995	48,476	25,275	23,201	1.26%	770
2000	30,131	1,933,272	45,950	24,639	21,311	1.10%	707
2001	34,780	2,063,615	52,258	32,801	19,457	0.94%	559
2002	34,780	2,186,779	53,816	31,751	22,065	1.01%	634
2003	34,780	2,299,474	46,642	30,607	16,035	0.70%	461

(1) Tayloe Murphy Institute at the University of Virginia for 1990 census and Weldon Cooper Center for Public Service for 2000 census information.

(2) From Table 6

(3) Includes all long-term general obligation bonded debt, bonded anticipation notes, and literary fund loans. Excludes revenue bonds, capital leases, and compensated absences.

(4) Includes general obligation debt payable from enterprise revenues.

Ratio of Annual Debt Service Expenditures for General Bonded
Debt to Total General Governmental Expenditures (1)
Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1994	\$ 1,784,787	\$ 1,402,404	\$ 3,187,191	\$ 41,806,860	7.62%
1995	1,779,941	1,430,574	3,210,515	43,823,758	7.33%
1996	1,633,466	1,294,193	2,927,659	45,581,622	6.42%
1997	1,620,110	1,445,110	3,065,220	49,268,697	6.22%
1998	1,721,533	1,137,840	2,859,373	52,865,892	5.41%
1999	1,641,700	1,201,649	2,843,349	56,852,089	5.00%
2000	1,846,700	1,042,525	2,889,225	61,355,916	4.71%
2001	1,820,000	950,348	2,770,348	64,074,639	4.32%
2002	1,800,000	1,437,722	3,237,722	66,477,294	4.87%
2003	1,800,000	741,328	2,541,328	71,394,172	3.56%

- (1) General obligation bonds reported in the enterprise funds and capital leases with government commitment have been excluded.
- (2) Excludes bond issuance and other costs.
- (3) Includes general and special revenue funds of the primary government and its component unit school board.

Revenue Bond Coverage
Enterprise Fund Bonds
Last Ten Fiscal Years

Fiscal Year		Principal		Interest		Total Debt Service		Debt Service Coverage
1994	\$	106,786	\$	1,245,446	\$	1,352,232	\$	1.12
1995		511,493		1,241,239		1,752,732		0.96
1996		787,173		1,216,319		2,003,492		0.76
1997		932,542		1,163,908		2,096,450		0.72
1998		478,503		1,601,562		2,080,065		0.73
1999		569,645		1,575,807		2,145,452		0.80
2000		625,025		1,545,452		2,170,477		0.78
2001		731,964		1,833,956		2,565,920		0.84
2002		639,581		1,970,638		2,610,219		0.74
2003		892,350		1,658,846		2,551,196		0.73

Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (1)	Unemployment Rate (2)
1994	32,100	\$ 17,790	4.70%
1995	32,500	18,686	3.90%
1996	32,800	19,157	3.60%
1997	33,200	19,914	3.50%
1998	33,700	20,153	2.80%
1999	33,900	21,261	2.60%
2000	34,500	22,516	2.20%
2001	34,780	24,270	1.80%
2002	35,410	N/A	2.50%
2003	35,000	N/A	2.70%

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

(2) Virginia Employment Commission.

School Demographic Statistics (1)
 Last Ten Fiscal Years

Fiscal Year	School Facilities	Average Daily Membership (1)	Annual Operating Costs (2)	Cost per Student	Instructional Positions End of Year (3)	Student Teacher Ratio
1994	8	6,231	\$ 26,010,215	\$ 4,174	424	14.7
1995	8	6,358	27,890,623	4,387	441	14.4
1996	8	6,528	29,534,926	4,524	446	14.6
1997	8	6,541	31,681,624	4,844	450	14.5
1998	9	6,555	33,544,095	5,117	469	14.0
1999	9	6,613	35,903,284	5,429	478	13.8
2000	10	6,526	39,004,891	5,977	491	13.3
2001	10	6,411	40,748,366	6,356	458	14.0
2002	10	6,350	41,787,759	6,581	457	13.9
2003	10	6,309	43,462,014	6,889	457	13.8

(1) County of Gloucester Public Schools

(2) County of Gloucester's Financial Reports

(3) Superintendent's Annual Report for Virginia

Residential and Commercial Construction and Bank Deposits
Last Ten Fiscal Years

Calendar Year	Residential		Commercial		Fiscal Year	Bank Deposits (2)
	Number	Value	Number	Value		
1993	329	\$ 21,234,816	9	\$ 2,396,490	1994	\$ 222,145,000
1994	366	23,877,960	22	6,319,800	1995	234,644,000
1995	348	20,921,661	16	1,908,395	1996	246,138,000
1996	348	23,234,151	13	16,100,065	1997	251,791,000
1997	352	28,254,161	20	3,496,700	1998	257,767,000
1998	347	23,442,187	9	3,041,134	1999	267,179,000
1999	307	24,583,927	23	4,446,850	2000	274,703,000
2000	272	22,790,508	20	4,512,540	2001	287,893,000
2001	304	27,715,663	23	23,645,750	2002	294,611,000
2002	319	27,588,037	7	1,969,500	2003	N/A

(1) Source - County of Gloucester Building Inspection Department.

(2) Source - State Corporation Commission, Bureau of Financial Institutions

Principal Taxpayers (1)

Calendar Year Ended December 31, 2002

Company	Industry	Amount	% of Total (2)
Wal-Mart Real Estate Business Trust	Shopping center	\$ 11,454,800	0.57%
York River Crossing Assoc., LLC	Shopping center	8,169,600	0.40%
Waste Management Disposal Services	Landfill	5,758,700	0.29%
Evergreen Development	Developer	5,684,200	0.28%
Butler Inv I, II, III	Developer	5,028,200	0.25%
Horn Harbor Nursing Home, Inc.	Nursing home	4,998,800	0.25%
E. Claiborne Robins, Jr.	Individual	4,757,600	0.24%
Retail Trust III	Shopping center	4,459,600	0.22%
Newport News General and Non-Secetarin Hospital	Hospital	4,252,917	0.21%
Thousand Trails, Inc.	Recreation	3,743,550	0.19%
	Total		2.90%

(1) Rankings based on 2003 real estate assessments.

(2) Total includes real estate original assessment of \$ 2,020,094,000.

Miscellaneous Statistics

Date established	1651
Form of government	Traditional - County Administrator
Number of employees	
Full-time	289
Permanent part-time	21
Total	<hr/> 310
Area in square miles	225
Library:	
Number of libraries	2
Number of bookmobiles	1
Materials circulated	115,775
Library patrons	15,244
Parks and recreation:	
Number of parks maintained	8
Park acreage owned by County	185
Park acreage leased	40
Total	<hr/> 225
Water system:	
Number of customers	4,019
Annual consumption in gallons	309,214,000
Daily average consumption in gallons	847,161
Treatment capacity per day in gallons	4,000,000
Facilities and services not included in reporting entity:	
Volunteer Fire and Rescue:	
Number of volunteers	210

High Volume Users of Water System
Fiscal year ended June 30, 2003

<u>Customer name</u>	<u>Monthly Average Water Usage (1)</u>	<u>Daily (1)</u>	<u>% of Daily Use (1)</u>
Walter Reed Convalescent Center	550,000	18,333	2.13%
Riverside Walter Reed Hospital	510,000	17,000	1.98%
V.I.M.S. - Chesapeake Bay Hall	408,000	13,600	1.58%
V.I.M.S. - Franklin Hall	352,000	11,733	1.37%
York River Yacht Haven	288,000	9,600	1.12%
U-Do-It Laundry	254,000	8,467	0.99%
County Jail	225,000	7,500	0.87%
Super Wal-Mart	192,000	6,400	0.75%
Sanders Nursing Home	188,000	6,267	0.73%
Riverside Wellnes Center	158,000	5,267	0.61%
	Total		12.13%

(1) Source - Gloucester County Utility Department

Principal Employers

Fiscal year ended June 30, 2003

Taxpayer	Type of Business	Number of Employees
Gloucester County	Local government and schools	1,150
Wal-Mart	Retail	450
Virginia Institute of Marine Science	Marine biology	429
Riverside Walter Reed Hospital	Medical services	420
Industrial Resources Technologies, Inc.	Manufacturing and recycling	215
Dominion Virginia Power	Utility-power	100
Verizon	Utility-telephone	100
BB & T	Banking	125
Gloucester Mathew Gazette Journal	Newspaper and publishing	40
Rappahannock Concrete Corporation	Concrete and masonry supplies	30

Source - Gloucester County Department of Economic Development

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance and on Internal Control Over Financial Reporting 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 County of Gloucester, Virginia, as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated October 15, 2003. We conducted our audit in accordance with the Specifications for Audit of Counties, Cities and Towns, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

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

This report is intended for the information of the Board of Supervisors, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Robinson, Fann, Cox Associates

Charlottesville, Virginia

October 15, 2003

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and 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 compliance of the County of Gloucester, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the fiscal year ended June 30, 2003. The County of Gloucester, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on the County of Gloucester, Virginia's compliance based on our audit.

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

In our opinion, the County of Gloucester, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2003.

Internal Control Over Compliance

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

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

This report is intended for the information of the Board of Supervisors, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Robinson, Fann, Cox Associates

Charlottesville, Virginia
October 15, 2003

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 29,060
Temporary Assist to Needy Families (TANF)	93.558	167,539
Refugee and Entrant Assistance - Discretionary Grants	93.566	337
Low Income Home Energy Assistance	93.568	7,250
Payments to States for Child Care Assistance	93.575	216,360
Child Care and Development Fund	93.596	84,364
Adoption Incentive Payments Program	93.603	1,328
Foster Care - Title IV-E	93.658	417,817
Adoption Assistance	93.659	38,505
Social Services Block Grant	93.667	143,314
Independent Living	93.674	2,576
Medical Assistance Program (Title XIX)	93.778	180,627
Total Dept. Health & Human Services-pass through		\$ 1,289,077
Total Department Health and Human Services		\$ 1,289,077
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution--Jail	10.550	\$ 133
Food Distribution--School	10.555	109,055
Department of Education:		
National school breakfast program	10.553	100,302
National school lunch program	10.555	412,942
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	265,365
Total Department of Agriculture - pass-through payments		\$ 887,797
Total Department of Agriculture		\$ 887,797
Department of Justice:		
Direct payments:		
Bulletproof vest program	16.607	\$ 11,249
Public Safety and Community Policing Grants	16.710	29,145
Justice grant program	16.007	12,104
Drug enforcement funds (payment of seized asset funds)	16.000	371
Total Department of Justice - direct		\$ 52,869

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2003

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Pass Through Payments:		
Department of Criminal Justice Service:		
Drug control and system improvement grant	16.579	\$ 32,634
Domestic Violence Grant	16.588	8,012
Local law enforcement block grant	16.592	<u>19,709</u>
Total Department of Justice - pass-through		<u>\$ 60,355</u>
Total Department of Justice		<u>\$ 113,224</u>
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	<u>\$ 222,303</u>
Federal Emergency Management Agency:		
Pass Through Payments:		
Department of Emergency Services:		
State and Local All Hazards Emergency Operations Planning	83.562	\$ 41,284
Emergency management preparedness grant	83.552	<u>23,575</u>
Total Federal Emergency Management Agency		<u>\$ 64,859</u>
Department of Labor:		
Pass Through Payments:		
Department of Education:		
Employment services and job training	17.249	\$ 26,303
Job training partnership act program	17.250	21,413
School-to-work transition project	17.261	<u>45,004</u>
Total Department of Labor		<u>\$ 92,720</u>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety Funds	20.000	\$ 589
State and community highway safety program	20.600	19,551
Virginia Department of Transportation:		
Highway Planning and Construction (ISTEA)	20.205	<u>51,509</u>
Total Department of Transportation		<u>\$ 71,649</u>
Department of the Navy:		
Direct Payments:		
ROTC	12.000	<u>\$ 58,333</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2003

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of National Community Services:		
Pass Through Payments:		
Department of Education:		
Project Serve	94.004	\$ <u>5,539</u>
Department of Education:		
Direct Payments:		
School assistance in federally affected areas	84.041	\$ 66,435
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	35,123
Title I: Educationally deprived children	84.010	859,482
Title VI-B: Handicapped state grants	84.027	883,625
Vocational Education: Basic grants to states	84.048	110,466
Title VI-B: Handicapped preschool incentive grant	84.173	38,369
Drug free schools and communities	84.186	14,624
Title II: Eisenhower Professional Development	84.281	620
Charter Schools	84.282	49,000
Title VI: Improving school programs state block grant	84.298	41,835
Technology Literacy Challenge	84.318	26,942
Advance Placement Incentive	84.333	100
Class-Size Reduction Grant	84.340	9,875
Title II - Part A	84.367	<u>242,793</u>
Total Department of Education		\$ <u>2,379,289</u>
Total Federal Assistance		\$ <u><u>5,184,790</u></u>

Note A - Basis of Accounting

The accompanying schedule of expenditures of federal awards is prepared on the modified accrual basis of accounting.

Note B - Food Distribution

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2003, the Gloucester County Jail had food commodities totaling \$133 in inventory.

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
93.658	Foster Care
93.575/93.596	Child Care Cluster
84.010	Title 1

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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