County of Gloucester
Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ending June 30, 2014

COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

Prepared By:

Gloucester County
Department of Finance

COUNTY OF GLOUCESTER, VIRGINIA

FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Robert J. Orth, Chairperson
Ashley C. Chriscoe, Vice-Chairperson

Phillip N. Bazzani
Michael R. Winebarger
Andrew James, Jr.
Christopher A. Hutson
John C. Meyer, Jr.

County School Board

George R. Burak, Chairperson
Kevin M. Smith, Vice-Chairperson

Troy Anderson
Kimberly E. Hensley
Anita F. Parker
Carla B. Hook
Charles Records

Board of Social Services

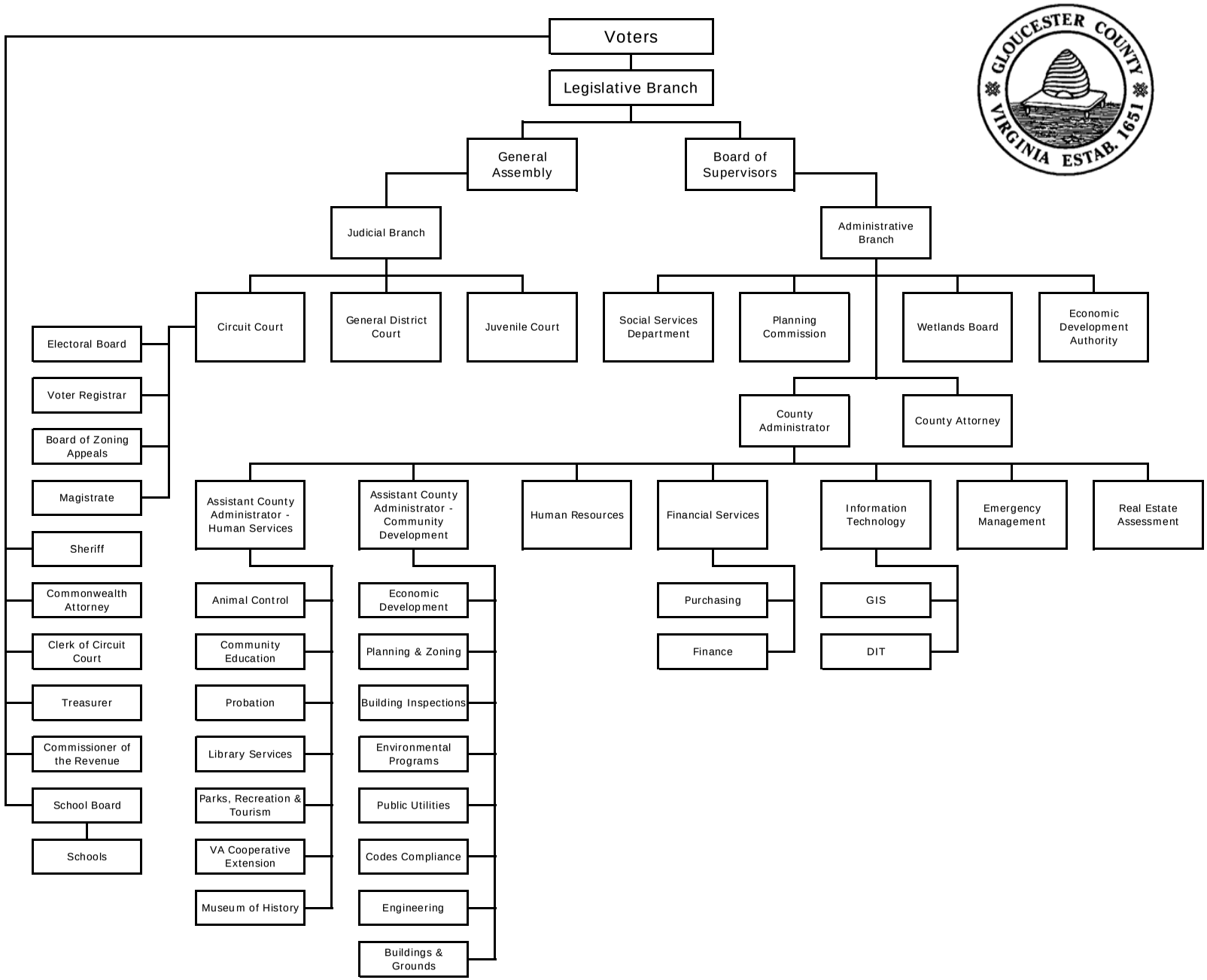
Charles "Rick" Allen, Jr., Chairperson
Jane Sterling, Vice-Chairperson

Patricia Brown
Brad Hudgins
George Webster
Aaron Conner
Jane Smith

Other Officials

County Administrator ..... Brenda G. Garton
Judge of the Circuit Court ..... Vacant
Clerk of the Circuit Court..... Margaret Walker
Commonwealth's Attorney ..... Holly B. Smith
Commissioner of the Revenue..... Kevin A. Wilson
Treasurer ..... Tara L. Thomas
Judge of the Juvenile and Domestic Relations Court ..... Honorable Cressondra B. Conyers
Judge of the General District Court..... Honorable Jeffrey W. Shaw
Sheriff..... D. W. Warren
Superintendent of Schools..... Howard B. Kiser, Ed.D.
Director of Department of Social Services ..... Zane S. Barry
County Attorney ..... Edwin N. Wilmot

Gloucester County Organization Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Gloucester Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

County of Gloucester

County Administrator
6467 Main Street
P. O. Box 329
Gloucester, Virginia 23061 **(804) 693-4042**

November 13, 2014

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

The Commonwealth of Virginia requires that local government publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the County of Gloucester (the County) for the fiscal year ended June 30, 2014.

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

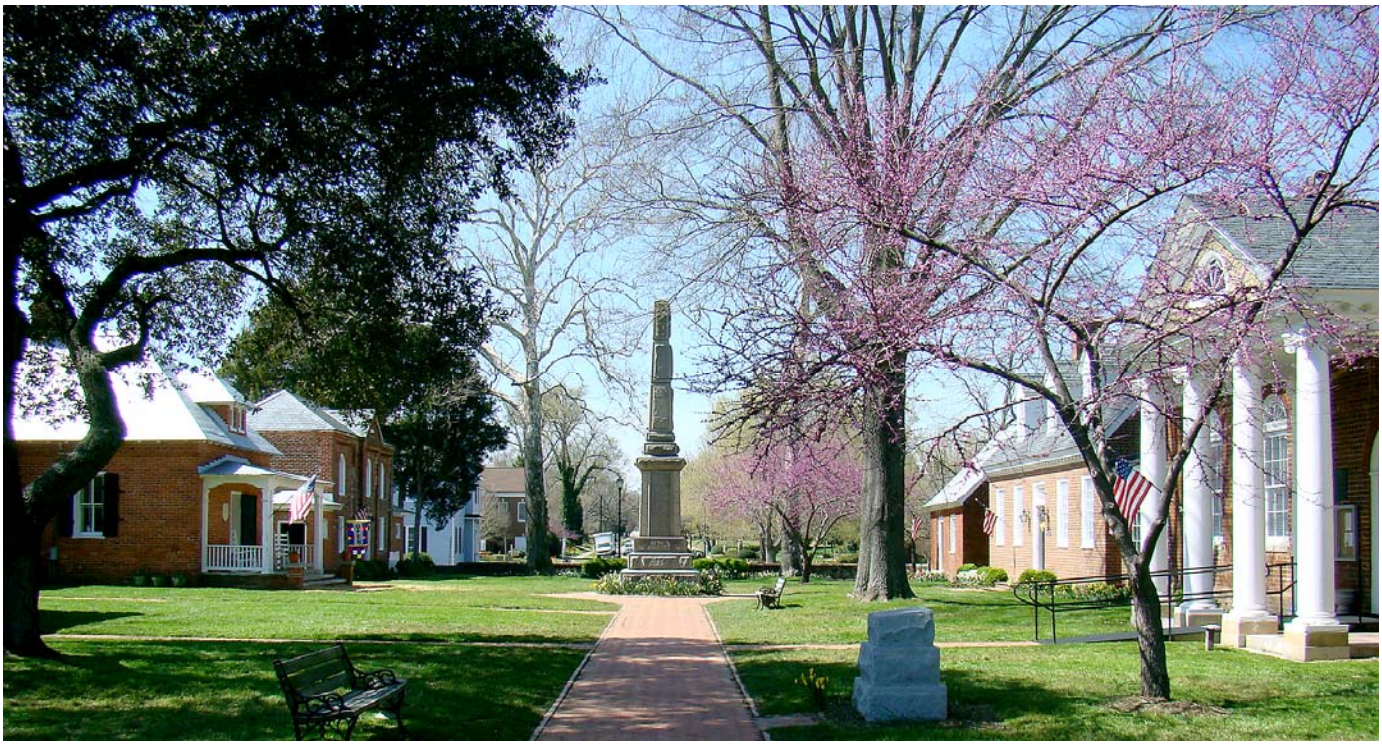
Robinson, Farmer, Cox Associates, Certified Public Accountants have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of Gloucester County

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



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

Edge Hill House

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

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

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

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

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

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

Local Economy

The lack of economic activity in the region due to the recession and sequestration have continued to retard development across Hampton Roads. In FY14 there were encouraging signs that new developments were beginning to foster economic growth in Gloucester County.

The first glimpse of increased development activity were the submittals of new residential site plans and rezoning applications throughout the County. The developers of Coleman's Crossing, Zandler Development, began planning a new development project in FY14. The project requires a rezoning which, if approved, would construct the first multi-family, commercial project in Gloucester. The Carriage Point development would include 224 apartment units with associated retail and commercial outparcels. The project would be located directly across from the Gloucester Business Park.

In the Gloucester Point area there were also a number of indicators of a changing development climate. Moody Development's purchased and subsequently gained rezoning approval for a new design of the previously approved Magnolia Point residential project. The new Gloucester Point Marina owners submitted plans to rezone the marina property adding a boatel and restaurant. York River Yacht Haven Marina was sold in FY 14 and the new owners, Suntex Marina, have made significant changes including reopening the restaurant doing business as the York River Oyster Company.

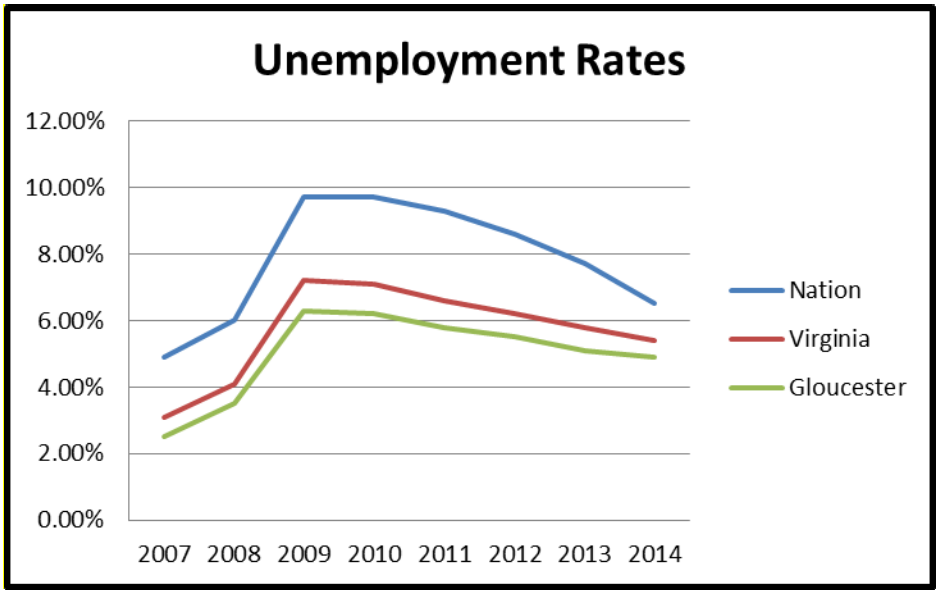
Commercial development was showing signs of recovery. Evergreen Development is the owner/developer of Fox Mill Centre, which is an approved development plan that had been stalled since 2009. A revised site plan was submitted in fiscal year 14. While the new plan reduces the development footprint of this phase from 200,000 square feet to 100,000 square feet, the new plan will allow the developer to move forward in gaining tenants and starting construction in fiscal year 15. A target date for opening is set for early 2016. There are four planned anchor stores and the developer and leasing agent, Cushman Wakefield | Thalhimer, have seen an increase in inquiries from smaller retailers to compliment the anchor tenants. The development plan also included new ingress/egress that will provide direct access to US Route 17.

In other Courthouse area development, Edgehill Town Center located on Gloucester's Main Street continued its façade improvements and commercial space upgrades. With the assistance of the County's Economic Development Department, Edgehill was able to attract a new 10,000 square foot tenant with specific build-out and tenant improvement requirements. The final phase of renovation began in early fiscal year 15. The Edgehill façade improvements were made possible in-part through a grant awarded from the Main Street Preservation Trust Façade Improvement Grant program. The Trust's Façade Improvement Program awarded a total of $50,000 in grants in fiscal year 14, and they included in addition to Edgehill Town Center, other Main Street businesses including Bangkok Noi, Up South, Yolanda's, and Kelsick Gardens.

In fiscal year 2014 Industrial Resource Technologies, a joint venture between Canon USA and Canon Virginia, became a recognized Canon facility - Canon Environmental Technologies, Inc, (CETI). The Economic Development Authority pursued a new venture between Canon Virginia, CETI and Dominion Virginia Power. This successful venture created the largest Dominion Virginia Power solar panel project in the Commonwealth of Virginia. The expansion of CETI in 2009 with close to 100,000 square feet of new roof space, and free of obstructions, allowed the construction of 75,000 square feet of solar panels. The solar panels came on line during April, and provide enough electrically generated solar power to supply 125 homes each day. Dominion Virginia Power also moved forward on its development plan to build a new sub-station adjacent to the business park. This project will support the fiscal year 14 Yorktown-Hayes Transmission Project. This project added redundancy to the electric grid that will increase reliability for all Gloucester and Middle Peninsula users.

As stated in previous years, Gloucester's civilian labor force has remained relatively stable; however, as the region and the County are heavily dependent on defense and military related expenditures, federal budget uncertainty and any eventual decisions can impact the overall regional economy.

As of July 2014, the Gloucester unemployment rate was 4.9%, which compared favorably with July 2013 at 5.2%.



Long term financial planning

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

The County's Capital Improvement Committee, which was formed at the direction of the County Administrator, was charged with recommending a five-year plan to the Board of Supervisors. The CIP Committee attempted to balance the considerable amounts of money required for projects, within the current debt policies of the County, with the needs of competing demands for capital investment. The recommendation represented a balance between finite resources and an ever-increasing number of competing County priorities. This balance was achieved using the priorities and objectives established by the Board of Supervisors consistent with the County's Strategic Plan. The Board is operating under the fiscal year 2014 to fiscal year 2018 adopted capital improvements plan.

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

Relevant financial policies

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

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

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

Major Initiatives

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

One of the most important services that the County provides to its citizens is public education. The County is making a major investment in the construction of a new middle school with completion expected by the beginning of the 2015 school year.

The Federal Emergency Management Agency has awarded a series of grants totaling $11.8 million to Gloucester County to acquire or elevate properties that have sustained damage or can expect to sustain damage as a result of coastal storms. The Mitigation Grant Program seeks to protect and reduce the damages associated with natural disasters by returning acquired properties to green space and raising homes to a desired flood protection elevation.

The Gloucester Parks, Recreation, and Tourism have had great success in its continued partnership with the Main Street Association and its "Summer Market Nights". This popular event continues to draw larger crowds and a variety of vendors.

In January 2014, Parks, Recreation and Tourism opened a satellite visitor center in the Whitley's Peanuts retail outlet in Hayes.

This partnership is expected to be beneficial to both tourists and residents by providing maps, brochures, and other information about the county.

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, 2013. This was the eighteenth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,

Brenda G. Garton
County Administrator

Maria C. Calloway
Accounting Manager

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of pension and OPEB funding progress on pages 5-15, 87, and 88-89 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County of Gloucester, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014, on our consideration of County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Gloucester, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 13, 2014

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County of Gloucester, Virginia
Management's Discussion and Analysis

This section of the County of Gloucester (the "County") comprehensive annual financial report presents management's discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

Financial Highlights

- The assets of the County, on a government-wide basis excluding component units, exceeded its liabilities at the close of the most recent fiscal year by $61.7 million (*net position*). Of this amount, $26.2 million (*unrestricted net position*) may be used to meet the County's ongoing obligations to citizens and creditors.

- The County's total net position, excluding component units, increased by $3.2 million, of which the governmental activities increased by $1.9 million and business-type activities increased by $1.3 million.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $42.4 million, an increase of $10.6 million in comparison with the prior year. Approximately 42.9% of this total amount, $18.3 million, is *available for spending* at the County's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $18.3 million, or 17.7% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The Board of Supervisors has adopted a policy to keep unassigned general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.

- The County's total debt increased by $12.2 million during the current fiscal year. The sharp increase was due to the issuance of new debt for the Page Middle School project as well as improvements to various school roofs and HVAC systems.

Overview of the Financial Statements

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

Government-wide financial statements

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

Overview of the Financial Statements: (Continued)

Government-wide financial statements: (Continued)

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 21-23 of this report.

Fund financial statements

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

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

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

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

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 27-30 of this report.

Overview of the Financial Statements: (Continued)

Fund financial statements: (Continued)

The County maintains one type of ***Proprietary Fund***. The County uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 31-33 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 34 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 35-84 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension benefits and health insurance to its employees. Required supplementary information can be found on pages 87-89 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 95 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial standing. In the case of the County, assets exceeded liabilities by $61.7 million at the close of the most recent fiscal year. A large portion of the County's net position ($33.6 million, 54.4 % of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional amount of $1.9 million is restricted for business-type activities for bond covenants and future capital asset purchases and cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net position of $26.3 million or 42.5% may be used to meet the County's ongoing obligations to citizens and creditors.

Government-Wide Financial Analysis: (Continued)

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

Summary of Net Position
As of June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Current and other assets	$ 71,155,905	$ 58,613,723	$ 7,587,718	$ 7,520,929	$ 78,743,623	$ 66,134,652	$ 10,319,272	$ 10,108,052
Capital assets	57,395,359	51,338,682	27,602,821	28,455,868	84,998,180	79,794,550	40,894,658	38,693,416
Total assets	$ 128,551,264	$ 109,952,405	$ 35,190,539	$ 35,976,797	$ 163,741,803	$ 163,741,803	$ 51,213,930	$ 48,801,468
Accumulated decrease in fair value of hedging derivatives	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,051,465	$ 2,363,123
Deferred charges on refunding	200,676	217,361	365,897	409,783	566,573	627,144	-	-
Total deferred outflows	$ 200,676	$ 217,361	$ 365,897	$ 409,783	$ 566,573	$ 627,144	$ 2,051,465	$ 2,363,123
Long-term debt outstanding	$ 51,488,091	$ 37,745,893	$ 17,568,189	$ 19,769,869	$ 69,056,280	$ 57,515,762	$ 17,734,770	$ 18,150,726
Other liabilities	12,243,568	9,405,786	2,522,786	2,478,385	14,766,354	11,884,171	9,562,361	10,016,841
Total liabilities	$ 63,731,659	$ 47,151,679	$ 20,090,975	$ 22,248,254	$ 83,822,634	$ 69,399,933	$ 27,297,131	$ 28,167,567
Deferred revenue - property taxes	$ 18,762,928	$ 18,642,393	$ -	$ -	$ 18,762,928	$ 18,642,393	$ -	$ -
Total deferred inflows	18,762,928	18,642,393	-	-	18,762,928	18,642,393	-	-
Net position								
Net investment in capital assets	$ 22,330,023	$ 18,064,908	$ 11,267,065	$ 10,161,589	$ 33,597,088	$ 28,226,497	$ 25,746,301	$ 22,899,551
Restricted	-	-	1,869,878	1,870,319	1,869,878	1,870,319	-	-
Unrestricted	23,927,330	26,310,786	2,328,518	2,106,418	26,255,848	28,417,204	221,963	97,473
Total net position	$ 46,257,353	$ 44,375,694	$ 15,465,461	$ 14,138,326	$ 61,722,814	$ 58,514,020	$ 25,968,264	$ 22,997,024

The County's combined net position, which is the County's bottom line, increased by $3.2 million or 5.2% from the prior year. The change in the County's combined net position is a combination of an increase of $1.9 million from the efforts of governmental activities and an increase of $1.3 million from the efforts of business-type activities. A significant portion of the increase from the efforts of governmental activities can be attributed to bond proceeds from the construction of Page Middle School, but the increase is also due in part to paying down debt in amounts in excess of depreciation claimed, and various decisions made to deal with economic conditions. The increase in the net position from business-type activities was the result of a modest increase in service fees coupled with decreases in the amount of outstanding debt, and an increase in contributed cash from governmental activities to help with new debt service payments.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by $26.0 million at the close of fiscal year 2014. While most of the decrease in capital assets of the Gloucester Economic Development Authority was due to depreciation of assets. Market affects decreased the derivative instrument liability by $311,658. The capital assets of the Public Schools (net of depreciation) increased by $1.8 million with the completion of the Thomas Calhoun Walker Education Center. The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. The capital assets of the Gloucester County Public Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit.

Government-Wide Financial Analysis: (Continued)

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

Summary of Changes in Net Position
Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues:								
Program revenue:								
Charges for services	$ 1,186,961	$ 1,153,220	$ 4,193,272	$ 4,375,188	$ 5,380,233	$ 5,528,408	$ 2,765,942	$ 2,856,782
Operating grants and contributions	8,018,257	7,634,001	-	-	8,018,257	7,634,001	30,591,962	30,502,871
Capital grants and contributions	3,882,214	1,108,506	499,050	537,710	4,381,264	1,646,216	-	-
General revenues:								
Property taxes	37,840,631	37,352,864	39,533	39,313	37,880,164	37,392,177	-	-
Other taxes	8,875,489	8,789,155	-	-	8,875,489	8,789,155	-	-
Unrestricted revenues	182,207	177,210	86,490	112,266	268,697	289,476	18,900	5,286
Miscellaneous	579,009	664,749	-	-	579,009	664,749	99,998	97,434
Grants and contributions	4,540,079	4,559,150	-	-	4,540,079	4,559,150	-	-
Payment from County	-	-	-	-	-	-	26,451,013	23,244,576
Total revenue	$ 65,104,847	$ 61,438,855	$ 4,818,345	$ 5,064,477	$ 69,923,192	$ 66,503,332	$ 59,927,815	$ 56,706,949
Expenses:								
General government	$ 5,575,520	$ 5,465,093	$ -	$ -	$ 5,575,520	$ 5,465,093	$ -	$ -
Judicial administration	1,978,698	1,802,483	-	-	1,978,698	1,802,483	-	-
Public safety	13,224,115	12,943,310	-	-	13,224,115	12,943,310	-	-
Public works	2,487,293	2,218,227	-	-	2,487,293	2,218,227	-	-
Health and welfare	5,223,039	5,052,386	-	-	5,223,039	5,052,386	-	-
Parks, recreation, and cultural	2,375,530	2,166,475	-	-	2,375,530	2,166,475	-	-
Community development	2,604,102	1,254,998	-	-	2,604,102	1,254,998	1,725,557	1,810,635
Interest on long-term debt	1,912,060	1,598,864	-	-	1,912,060	1,598,864	-	-
Education	27,169,073	25,586,345	-	-	27,169,073	25,586,345	55,231,018	54,570,370
Public Utilities	-	-	4,164,968	4,561,013	4,164,968	4,561,013	-	-
Total expenses	$ 62,549,430	$ 58,088,181	$ 4,164,968	$ 4,561,013	$ 66,714,398	$ 62,649,194	$ 56,956,575	$ 56,381,005
Change in net position, before transfers	$ 2,555,417	$ 3,350,674	$ 653,377	$ 503,464	$ 3,208,794	$ 3,854,138	$ 2,971,240	$ 325,944
Transfers	(673,758)	(673,758)	673,758	673,758	-	-	-	-
Change in net position	$ 1,881,659	$ 2,676,916	$ 1,327,135	$ 1,177,222	$ 3,208,794	$ 3,854,138	$ 2,971,240	$ 325,944
Net position, beginning	44,375,694	41,698,778	14,138,326	12,961,104	58,514,020	54,659,882	22,997,024	22,671,080
Net position, ending	$ 46,257,353	$ 44,375,694	$ 15,465,461	$ 14,138,326	$ 61,722,814	$ 58,514,020	$ 25,968,264	$ 22,997,024

Governmental activities – For the fiscal year ended June 30, 2014, revenues from governmental activities (not including Capital Projects) totaled $65.1 million, which was an increase of $3.7 million from the prior year. Real estate tax revenues, the County's largest revenue source, reflecting the accrual of the last half of calendar year 2013 and the first half of calendar year 2014 real property tax billing, were $27.0 million. The County's assessed real property tax base for calendar year 2014 saw a slight increase of $25.9 million largely due to new construction. The real estate tax rate remained the same at $.65 for fiscal year 2014, which is consistent with a very slight rise of 0.8% in real estate tax collections.

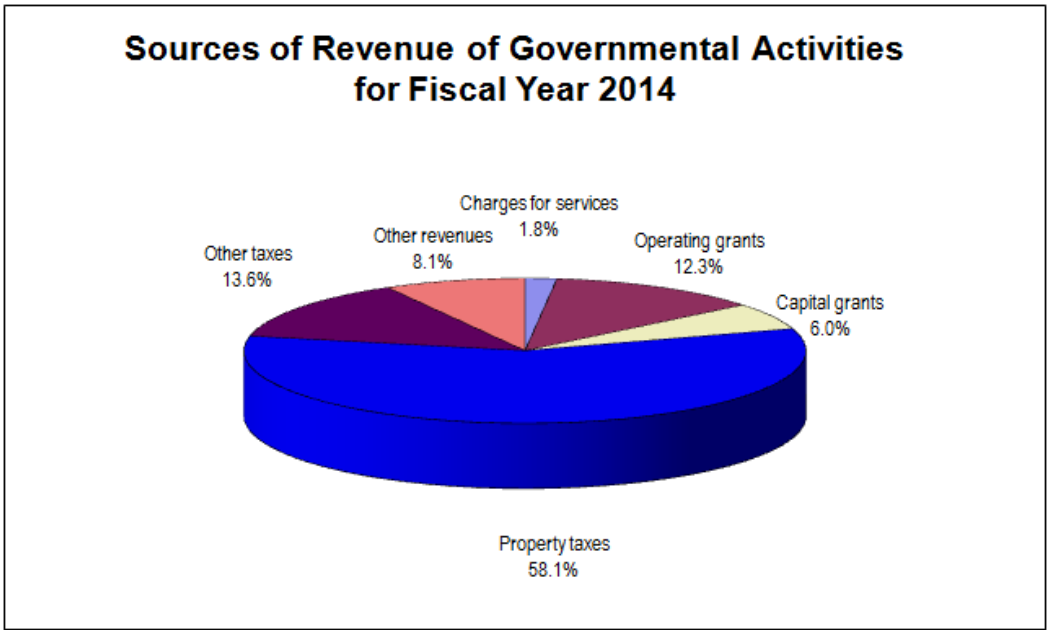
In the General Fund, the County reported current year collections of $11.8 million in personal property taxes, the County's second largest revenue source. Of that amount, $2.8 million was received as reimbursement from the Commonwealth of Virginia. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was approximately 30.0% of most taxpayer's payments. Collections from personal property taxes remained stable, which is attributed to the tax rate remaining at $2.95. The increase of $86,334 in other taxes, which includes local sales taxes, local meals taxes, and local business license taxes, is evidence that the local economy continues to show signs of modest recovery from the economic downturn.

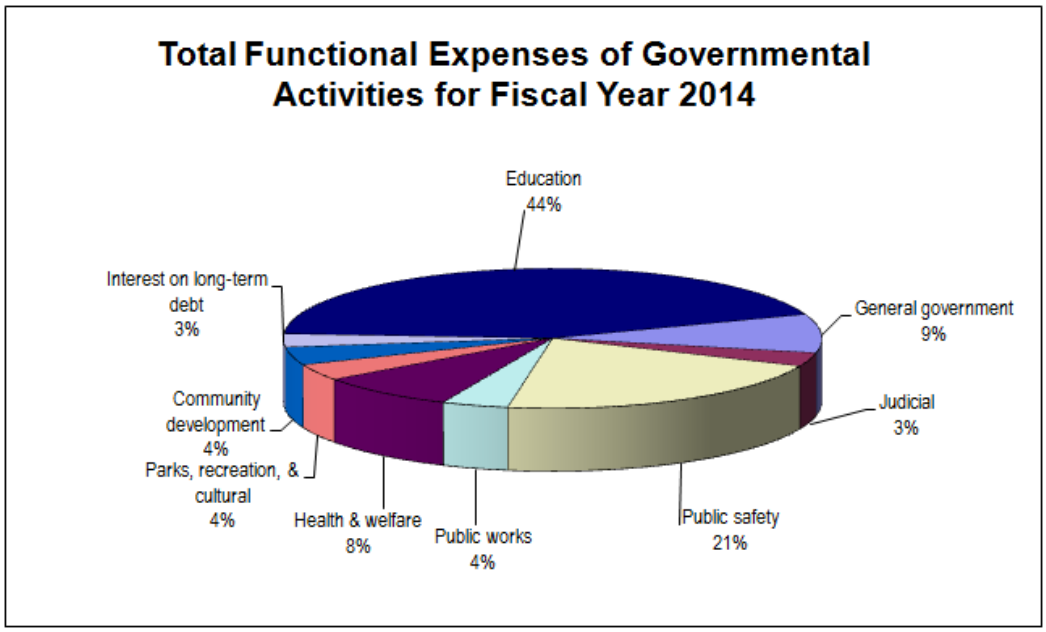
Government-Wide Financial Analysis: (Continued)

For the fiscal year ended June 30, 2014, expenses relating to governmental activities (not including Capital Projects) were $1.7 million less than planned. As in the previous fiscal years, state and national economic conditions continued to negatively impact local budgets and, various strategies were enacted in order to reduce expenses. These strategies included delaying filling vacancies, delaying capital, and examining program efficiencies.

Public education continues to be one of the County's highest priorities and commitments, but the same economic conditions mentioned in other areas of this document have restricted efforts. The County contributed $22.6 million to public school operations and $2.2 million toward debt payments relating to school projects for a total contribution of $24.8 million. The increasing debt service due to the new Page Middle School construction project has also limited the County's abilities to provide additional contributions to school operations.

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





Government-Wide Financial Analysis: (Continued)

Business-type activities increased the County's net position by $1.3 million for fiscal year 2014. Similar to the changes in net assets attributable to governmental activities, changes in business-type activity net assets also result from the difference between revenues and expenses. Unlike governmental activities, which primarily rely on general tax revenue to finance operations, business-type activities are financed to a significant extent by fees charged for goods and services provided.

The County has one enterprise fund, which provides water and wastewater services to approximately 4,629 customers in the County. Like all business-type activities, the Utility Fund attempts to recover much of the operating expenses it incurs to meet service demands through user fees. The primary factors affecting the Utility Fund are:

- The County recognized that the Utility Fund had no capacity for additional debt, but needed to address the various capital repairs needed by the utility system, such as water treatment plan rehabilitation, emergency generators, upgrading the electrical motor control center, and upgrading sewer pump stations. The annual debt service requirement for a $3.8 million Series 2011 revenue bond was provided by the General Fund as a transfer.

- Efforts to make the fund self-supporting have been unsuccessful; however the fund is showing very modest improvements. The County recognizes the need to continue support of the fund through annual General Fund transfers. The budgeted transfer was $296,500 in fiscal year 2014.

Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $42.5 million, an increase of $10.6 million in comparison with the prior year. The $10.6 million increase can be attributed to:

- The County's response to the uncertain economic conditions, which resulted in expenditures (not including the Capital Fund) being $1.7 million less than expected while revenue (not including the Capital Fund) being $1.3 million more than expected.

- The issuance of a $17.0 million school bond for the building of a new Page Middle School and renovations to roofs and HVAC systems at various schools.

- The use of $2,933,715 of fund balance committed for capital projects, which included the build out of the Emergency Operations Center as well as the renovations to complete the Thomas Calhoun Walker Education Center.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was $18.3 million, while total fund balance reached $19.5 million. The Board of Supervisors adopted a fund balance policy in April 2011 to keep an unassigned general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The unassigned fund balance in the General Fund was 17.7% using this policy criterion.

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

The County Capital Improvements Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those reported for by the Proprietary Fund or School Construction Fund. The County Capital Improvements Fund has a fund balance of $4.7 million, which includes $4.5 million that has been committed for future capital projects.

The School Construction Fund accounts for financial resources to be used for major Public School construction projects. An April 16, 2011 tornado severely damaged Page Middle School, which is one of two middle schools in the County. The County received the final insurance recovery payment of $2.7 million in fiscal year 2014. Between 2011 and 2013, insurance payments totaling $8.6 million were received. Three school bonds totaling $23.5 million have been issued. Construction on the new school started in fiscal year 2013 and is expected to be completed in fiscal year 2016. The School Construction Fund has a fund balance of $18.2 million, which has been committed to replacing Page Middle School.

Proprietary funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the year amounted to $2.3 million, which is a decrease of $2.6 from fiscal year 2013. The majority of this decrease can be attributed to the investment in capital assets. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

As with most of the nation, Gloucester County has felt the impact of national and state economic downturns and the continued uncertainty for the future. Corrective actions such as delaying capital needs, freezing positions, and enacting program efficiencies were begun as early as September 2008, and continued into fiscal year 2014. Total General Fund expenditures in fiscal year 2014 came in at $1 million or 2.1% below the final amended budget. Local expenditures for Education were under budget by $254,190.

General Fund revenues exceeded budget projections in fiscal year 2014 by $1.4 million, which can be attributed to the slow signs of recovery in the local economy as well as very conservative revenue forecasting.

There was an increase of $786,457 between the original General Fund budget and the final amended General Fund budget, and the major differences can be summarized as follows:

- An increase of $659,954 can be associated with the appropriation of fund balances for the build-out of the Emergency Operations Center.

- An increase of $54,245 can be attributed to the anticipated receipt of various grants and other miscellaneous activities.

- An increase of $114,798 can be associated with the appropriation of fund balances for designated carryovers for projects that were continued from the prior year into the current year.

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, 2014, amounts to $85 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

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

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

- The County received several Federal Emergency Management Agency Grants, which were used to acquire properties that sustained damage or can expect to sustain damage as a result of coastal storms and returned these properties to green space. These grants covered 95.0% of project costs with affected homeowners contributing the 5.0% match.

- The County continues to work on an emergency communications system project with a projected budget of $16.9 million. This project is funded with a December 2006 lease-purchase agreement of $11.3 million, $474,954 in PSAP grants, and $5.2 million in cash. The County began its renovations of the basement of the building for an emergency operations center in fiscal year 2014, and the build-out is expected to be completed in fiscal year 2015.

- The School Division completed the renovations to Thomas Calhoun Walker Education Center in fiscal year 2014. The space now houses the school administration and other faculty.

- An April 16, 2011 tornado severely damaged Page Middle School, which at June 30, 2011 had a book value of $10,753. The building was later demolished. An insurance claim was filed with the School Board's insurance carrier who estimated a settlement amount of approximately $11.0 million of which approximately $8.0 million will be available for replacing the school. School bonds were issued for the project in fiscal year 2012, 2013 and the final piece of financing was issued in fiscal year 2014. The total budget for this project is approximately $26.0 million. The school is expected to open to students in the fall of 2015.

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

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

Capital Assets
As of June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Land	$ 6,381,052	$ 5,952,893	$ 3,599,246	$ 3,599,246	$ 9,980,298	$ 9,552,139	$ 2,289,328	$ 2,289,328
Construction in progress	11,077,092	2,762,049	65,129	39,084	11,142,221	11,142,221	-	-
Buildings	11,686,580	12,124,955	22,748,586	23,676,338	34,435,166	34,435,166	15,860,079	13,285,238
Improvements other than buildings	2,457,717	2,511,912	-	-	2,457,717	2,457,717	-	-
Equipment	9,901,544	10,789,585	1,189,860	1,141,200	11,091,404	11,091,404	2,828,684	2,958,817
Jointly owned assets	15,891,374	17,197,288	-	-	15,891,374	15,891,374	19,916,567	20,160,033
Total	$ 57,395,359	$ 51,338,682	$ 27,602,821	$ 28,455,868	$ 84,998,180	$ 79,794,550	$ 40,894,658	$ 38,693,416

Additional information on the County's capital assets can be found in Note 6 on pages 50-53 of this report.

Capital Asset and Debt Administration: (Continued)

Long-term debt: At the end of the current fiscal year, the County had total outstanding debt of $74.8 million and details are summarized in the following table:

Long-Term Debt
As of June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2014	2013	2014	2013	2014	2013	2014	2013
Bonds Payable:								
General obligation bonds	$ 38,548,607	$ 22,804,937	$ -	$ -	$ 38,548,607	$ 22,804,937	$ -	$ -
Revenue bonds	-	-	19,392,087	21,553,897	19,392,087	21,553,897	15,148,357	15,793,865
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	1,220,324	1,470,324	-	-	1,220,324	1,470,324	-	-
Capital leases	12,467,831	13,988,122	-	-	12,467,831	13,988,122	-	-
Derivative instrument liability	-	-	-	-	-	-	2,051,465	2,363,123
OPEB liability	1,258,556	987,654	104,901	85,482	1,363,457	1,073,136	1,749,581	1,480,096
Compensated absences	1,670,053	1,612,284	126,890	130,545	1,796,943	1,742,829	1,691,079	1,691,560
Total	$ 55,165,371	$ 40,863,321	$ 19,623,878	$ 21,769,924	$ 74,789,249	$ 62,633,245	$ 20,640,482	$ 21,328,644

Debt associated with governmental activities increased by $14.3 million, which is the net amount of pay down of principal during the year and the issuance of a new school construction bond. The debt associated with business-type activities decreased by $2.1 million, which can be attributed to pay down of principal during the year.

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3.0%. In addition, the County's Debt Obligation Policy limits the net County debt per capita at $1,700 per capita, and general obligation debt service and capital lease payments will not exceed 10.0% of general governmental expenditures. As of June 30, 2014, the County's net debt as a percentage of assessed value was 1.2%, the net debt per capita ratio was $1,403, and the debt payments percentage was 5.7%.

The component unit, the Economic Development Authority, had issued variable rate taxable lease revenue and refunding bonds in the amount of $18.5 million in 2008, part of which were used to expand building capacity in the Gloucester Business Park. The amount of debt associated with component units primarily decreased because of an interest rate swap, which is further discussed in Note 8 on pages 54-63.

Additional information on the County's long-term debt can be found in Note 8 on pages 54-63.

Economic Factors and Next Year's Budgets and Rates

The Board of Supervisors considered many factors when developing the fiscal year 2015 General Fund budget - particularly the impacts of state and national economic conditions. While national indicators said the recession ended in 2009, the local economy has been very slow to recover. Current economic conditions limited the resources available to the County to finance the services that residents expected. At the same time, the same economic conditions actually worked to increase the demand for human services, public recreational facilities, social services, libraries, and public schools.

The fiscal year 2015 General Fund approved budget is $60.0 million, which is an increase of $2.0 million from adopted fiscal year 2014 budget. The approved budget included a 0.7% increase in local funding for the school system and funding to address some deferred capital needs. There were no increases in the real estate or personal property tax rates.

Economic Factors and Next Year's Budgets and Rates: (Continued)

The fiscal year 2015 School Operating Budget was approved at $53.7 million, which is a $1.6 million increase over the adopted fiscal year 2014 budget. While there is a decrease in federal funding for fiscal year 2015, there is a slight increase in state funding for education. Also included in this budget was $22.8 million in local funding, which was a $162,000 or 0.7% increase over the previous fiscal year.

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

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 Accounting Manager, County of Gloucester, 6467 Main Street, Gloucester, VA 23061.

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BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 1**

Statement of Net Position
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	$ 27,862,192	$ 2,479,117	$ 30,341,309	$ 848,056	$ 130,601
Cash in custody of others	16,891,425	-	16,891,425	-	-
Investments	-	-	-	-	927,702
Receivables (net of allowance for uncollectibles):					
Taxes receivable	23,181,201	2,158	23,183,359	-	-
Accounts receivable	445,700	496,157	941,857	2,356,706	-
Due from other governmental units	2,722,693	-	2,722,693	4,943,548	-
Inventories	-	46,378	46,378	24,139	1,083,044
Prepaid items	52,694	3,596	56,290	5,476	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	1,869,878	1,869,878	-	-
Investments (in custody of others)	-	2,690,434	2,690,434	-	-
Capital assets (net of accumulated depreciation):					
Land	6,381,052	3,599,246	9,980,298	1,476,061	813,267
Buildings and system	27,577,954	22,748,586	50,326,540	23,302,880	12,473,766
Improvements other than buildings	2,457,717	-	2,457,717	2,828,684	-
Machinery and equipment	9,901,544	1,189,860	11,091,404	-	-
Construction in progress	11,077,092	65,129	11,142,221	-	-
Total assets	$ 128,551,264	$ 35,190,539	$ 163,741,803	$ 35,785,550	$ 15,428,380
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	$ -	$ -	$ -	$ -	$ 2,051,465
Deferred charges on refunding	200,676	365,897	566,573	-	-
Total deferred outflows of resources	$ 200,676	$ 365,897	$ 566,573	$ -	$ 2,051,465
LIABILITIES					
Accounts payable	$ 2,852,661	$ 125,686	$ 2,978,347	$ 1,012,615	$ 77,649
Accrued liabilities	957,965	-	957,965	5,128,385	-
Accrued interest payable	1,065,287	205,592	1,270,879	-	-
Due to other governmental units	3,690,375	-	3,690,375	150,000	288,000
Deposits held in escrow	-	135,819	135,819	-	-
Derivative instrument - rate swap	-	-	-	-	2,051,465
Long-term liabilities:					
Due within one year	3,677,280	2,055,689	5,732,969	169,108	685,139
Due in more than one year	51,488,091	17,568,189	69,056,280	3,271,552	14,463,218
Total liabilities	$ 63,731,659	$ 20,090,975	$ 83,822,634	$ 9,731,660	$ 17,565,471
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	$ 18,762,928	$ -	$ 18,762,928	$ -	$ -
Total deferred inflow of resources	$ 18,762,928	$ -	$ 18,762,928	$ -	$ -
NET POSITION					
Net investment in capital assets	$ 22,330,023	$ 11,267,065	$ 33,597,088	$ 27,607,625	$ (1,861,324)
Restricted:					
Debt service and bond covenants	-	1,869,878	1,869,878	-	-
Unrestricted (deficit)	23,927,330	2,328,518	26,255,848	(1,553,735)	1,775,698
Total net position	$ 46,257,353	$ 15,465,461	$ 61,722,814	$ 26,053,890	$ (85,626)

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 5,575,520	$ -	$ 298,790	$ -
Judicial administration	1,978,698	214,556	708,564	-
Public safety	13,224,115	399,325	3,267,003	98,333
Public works	2,487,293	219,143	9,749	-
Health and welfare	5,223,039	-	3,275,832	-
Education	27,169,073	-	77,259	2,724,934
Parks, recreation, and cultural	2,375,530	286,509	147,540	-
Community development	2,604,102	67,428		1,058,947
Interest on long-term debt	1,912,060	-	233,520	-
Total governmental activities	$ 62,549,430	$ 1,186,961	$ 8,018,257	$ 3,882,214
Business-type activities:				
Public utilities	$ 4,164,968	$ 4,193,272	$ -	$ 499,050
Total business-type activities	$ 4,164,968	$ 4,193,272	$ -	$ 499,050
Total primary government	$ 66,714,398	$ 5,380,233	$ 8,018,257	$ 4,381,264
COMPONENT UNITS:				
School Board	$ 55,231,018	$ 1,164,059	$ 30,591,962	$ -
Economic Development Authority	1,725,557	1,601,883	-	-
Total component units	$ 56,956,575	$ 2,765,942	$ 30,591,962	$ -

General revenues:
- General property taxes
- Local sales and use tax
- Consumer utility tax
- Business license taxes
- Restaurant food taxes
- Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs

Payment from Gloucester County
Transfers
- Total general revenues and transfers

Change in net position
Net position - beginning
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	School Board	EDA
$ (5,276,730)	$ -	$ (5,276,730)	$ -	$ -
(1,055,578)	-	(1,055,578)	-	-
(9,459,454)	-	(9,459,454)	-	-
(2,258,401)	-	(2,258,401)	-	-
(1,947,207)	-	(1,947,207)	-	-
(24,366,880)	-	(24,366,880)	-	-
(1,941,481)	-	(1,941,481)	-	-
(1,477,727)	-	(1,477,727)	-	-
(1,678,540)	-	(1,678,540)	-	-
$ (49,461,998)	$ -	$ (49,461,998)	$ -	$ -
$ -	$ 527,354	$ 527,354	$ -	$ -
$ -	$ 527,354	$ 527,354	$ -	$ -
$ (49,461,998)	$ 527,354	$ (48,934,644)	$ -	$ -
$ -	$ -	$ -	$ (23,474,997)	$ -
-	-	-	-	(123,674)
$ -	$ -	$ -	$ (23,474,997)	$ (123,674)
$ 37,840,631	$ 39,533	$ 37,880,164	$ -	$ -
3,811,874	-	3,811,874	-	-
707,280	-	707,280	-	-
1,560,493	-	1,560,493	-	-
1,857,472	-	1,857,472	-	-
938,370	-	938,370	-	-
182,207	86,490	268,697	3,635	15,265
579,009	-	579,009	99,998	-
4,540,079	-	4,540,079	-	-
-	-	-	26,451,013	-
(673,758)	673,758	-	-	-
$ 51,343,657	$ 799,781	$ 52,143,438	$ 26,554,646	$ 15,265
$ 1,881,659	$ 1,327,135	$ 3,208,794	$ 3,079,649	$ (108,409)
44,375,694	14,138,326	58,514,020	22,974,241	22,783
$ 46,257,353	$ 15,465,461	$ 61,722,814	$ 26,053,890	$ (85,626)

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Fund Financial Statements

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COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 3**

Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	$ 27,661,259	$ -	$ 121,607	$ 79,326	$ -	$ 27,862,192
Cash in custody of others	-	-	4,753,213	12,138,212	-	16,891,425
Receivables (net of allowance for uncollectibles):						
Taxes receivable	23,181,201	-	-	-	-	23,181,201
Accounts receivable	393,739	-	51,000	-	961	445,700
Due from other funds	189,481	-	155,775	7,489,297	15,427	7,849,980
Due from other governmental units	1,529,751	-	846,721	1,313	344,908	2,722,693
Prepaid items	52,694	-	-	-	-	52,694
Total assets	$ 53,008,125	$ -	$ 5,928,316	$ 19,708,148	$ 361,296	$ 79,005,885
LIABILITIES						
Accounts payable	$ 431,231	$ -	$ 1,181,790	$ 1,083,252	$ 156,388	$ 2,852,661
Accrued liabilities	656,278	-	1,821	299,866	-	957,965
Due to other governmental units	3,611,049	-	-	79,326	-	3,690,375
Due to other funds	7,645,072	-	-	-	204,908	7,849,980
Total liabilities	$ 12,343,630	$ -	$ 1,183,611	$ 1,462,444	$ 361,296	$ 15,350,981
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	$ 21,205,549	$ -	$ -	$ -	$ -	$ 21,205,549
Total deferred inflows of resources	$ 21,205,549	$ -	$ -	$ -	$ -	$ 21,205,549
Fund balances:						
Nonspendable	$ 52,694	$ -	$ -	$ -	$ -	$ 52,694
Restricted	141,770	-	31,400	-	-	173,170
Committed	1,015,138	-	4,456,243	18,245,704	-	23,717,085
Assigned	-	-	257,062	-	-	257,062
Unassigned	18,249,344	-	-	-	-	18,249,344
Total fund balances	$ 19,458,946	$ -	$ 4,744,705	$ 18,245,704	$ -	$ 42,449,355
Total liabilities, deferred inflows of resources and fund balances	$ 53,008,125	$ -	$ 5,928,316	$ 19,708,148	$ 361,296	$ 79,005,885

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

Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 42,449,355
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	$ 85,917,371	
Accumulated depreciation	(28,522,012)	57,395,359
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue		2,442,621
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and loans payable	$ (38,168,380)	
Add: Deferred charge on refunding (to be amortized as interest expense)	200,676	
Less: Issuance premium (to be amortized over life of debt)	(1,672,868)	
Accrued Interest payable	(1,065,287)	
Net OPEB obligation	(1,258,556)	
Capital leases	(12,395,514)	
Compensated absences	(1,670,053)	(56,029,982)
Net position of governmental activities		$ 46,257,353

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

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 5**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
REVENUES						
General property taxes	$ 37,996,998	$ -	$ -	$ -	$ -	$ 37,996,998
Other local taxes	8,875,489	-	-	-	-	8,875,489
Permits, privilege fees, and regulatory licenses	352,330	-	-	-	-	352,330
Fines and forfeitures	80,625	-	-	-	-	80,625
Revenue from the use of money and property	143,107	-	4,389	34,711	-	182,207
Charges for services	754,006	-	-	-	-	754,006
Miscellaneous	425,085	-	131,135	-	22,789	579,009
Recovered costs	409,810	-	-	-	-	409,810
Intergovernmental:						
Commonwealth	8,853,041	-	350,272	36,667	1,794,401	11,034,381
Federal	167,104	233,520	884,267	-	1,396,344	2,681,235
Total revenues	$ 58,057,595	$ 233,520	$ 1,370,063	$ 71,378	$ 3,213,534	$ 62,946,090
EXPENDITURES						
Current:						
General government administration	$ 5,418,618	$ -	$ -	$ -	$ -	$ 5,418,618
Judicial administration	1,812,592	-	-	-	-	1,812,592
Public safety	11,609,450	-	-	-	-	11,609,450
Public works	2,172,118	-	-	-	-	2,172,118
Health and welfare	732,819	-	-	-	4,464,389	5,197,208
Education	22,839,193	-	-	-	-	22,839,193
Parks, recreation, and cultural	2,117,069	-	-	-	-	2,117,069
Community development	1,034,876	-	-	-	-	1,034,876
Nondepartmental	365,585	-	-	-	-	365,585
Capital projects	-	-	7,484,861	6,723,615	-	14,208,476
Debt service:						
Principal retirement	-	2,886,672	-	-	-	2,886,672
Interest and other fiscal charges	-	1,653,660	-	-	-	1,653,660
Principal retirement-School leases	-	69,529	-	-	-	69,529
Interest and other fiscal charges-School	-	8,255	-	-	-	8,255
Total expenditures	$ 48,102,320	$ 4,618,116	$ 7,484,861	$ 6,723,615	$ 4,464,389	$ 71,393,301
Excess (deficiency) of revenues over (under) expenditures	$ 9,955,275	$ (4,384,596)	$ (6,114,798)	$ (6,652,237)	$ (1,250,855)	$ (8,447,211)
OTHER FINANCING SOURCES (USES)						
Transfers in	$ -	$ 4,384,596	$ 2,364,848	$ -	$ 1,250,855	$ 8,000,299
Transfers out	(8,674,057)	-	-	-	-	(8,674,057)
Issuance of debt	-	-	4,664,250	11,180,750	-	15,845,000
Bond premium issuance	-	-	341,765	819,250	-	1,161,015
Insurance recovery	-	-	-	2,724,934	-	2,724,934
Total other financing sources (uses)	$ (8,674,057)	$ 4,384,596	$ 7,370,863	$ 14,724,934	$ 1,250,855	$ 19,057,191
Net change in fund balances	$ 1,281,218	$ -	$ 1,256,065	$ 8,072,697	$ -	$ 10,609,980
Fund balances - beginning	18,177,728	-	3,488,640	10,173,007	-	31,839,375
Fund balances - ending	$ 19,458,946	$ -	$ 4,744,705	$ 18,245,704	$ -	$ 42,449,355

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, 2014

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

Net change in fund balances - total governmental funds		$ 10,609,980
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		
Capital asset additions	$ 13,217,881	
Depreciation expense	(2,981,945)	
Jointly owned asset allocation of assets	(4,626,556)	
Jointly owned asset depreciation	447,297	6,056,677
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(156,367)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	$ (17,006,015)	
Principal payments	2,956,201	
Amortization of deferred charges on refunding	(16,685)	
Premium amortization	76,436	(13,990,063)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
The following is a summary of items supporting this adjustment:		
(Increase) decrease in compensated absences	$ (57,770)	
(Increase) decrease in net OPEB obligation	(270,902)	
(increase) decrease in accrued interest payable	(309,896)	(638,568)
Change in net position of governmental activities		$ 1,881,659

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

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 7**

Statement of Net Position
Proprietary Fund
June 30, 2014

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	$ 2,479,117
Taxes receivable (net of allowance for uncollectibles)	2,158
Accounts receivable (net of allowance for uncollectibles)	496,157
Inventories	46,378
Prepaid items	3,596
Total current assets	$ 3,027,406
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents-bond requirements	$ 1,869,878
Investments (in custody of others)	2,690,434
Total restricted current assets	$ 4,560,312
Capital assets:	
Utility plant in service	$ 34,668,967
Land	3,599,246
Machinery and equipment	1,711,738
Buildings	6,171,216
Construction in progress	65,129
Accumulated depreciation	(18,613,475)
Total net capital assets	$ 27,602,821
Total noncurrent assets	$ 32,163,133
Total assets	$ 35,190,539
DEFERRED OUTFLOWS	
Deferred charges on refundings	$ 365,897
LIABILITIES	
Current liabilities:	
Accounts payable	$ 125,686
Accrued interest payable	205,592
Compensated absences - current portion	12,689
Deposits held in escrow	135,819
Bonds payable - current portion	2,043,000
Total current liabilities	$ 2,522,786
Noncurrent liabilities:	
Bonds payable - net of current portion	$ 17,349,087
Net OPEB obligation	104,901
Compensated absences - net of current portion	114,201
Total noncurrent liabilities	$ 17,568,189
Total liabilities	$ 20,090,975
NET POSITION	
Net investment in capital assets	$ 11,267,065
Restricted for debt service and bond covenants	1,869,878
Unrestricted	2,328,518
Total net position	$ 15,465,461

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

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 8**

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2014

		Enterprise Fund
		Utilities Fund
OPERATING REVENUES		
Charges for services:		
Water revenues	$	3,349,930
Sewer revenues		752,102
Other revenues		91,240
Total operating revenues	$	4,193,272
OPERATING EXPENSES		
Personal services	$	1,060,042
Fringe benefits		384,370
Contractual services		228,393
Other charges		877,374
Depreciation		968,666
Total operating expenses	$	3,518,845
Operating income (loss)	$	674,427
NONOPERATING REVENUES (EXPENSES)		
Connection fees	$	499,050
Investment income		86,490
Taxes		39,533
Interest expense		(646,123)
Total nonoperating revenues (expenses)	$	(21,050)
Income before transfers	$	653,377
Transfers in		673,758
Change in net position	$	1,327,135
Total net position - beginning		14,138,326
Total net position - ending	$	15,465,461

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

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 9**

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

		Enterprise Fund Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	4,048,354
Receipts for miscellaneous items		91,563
Payments to suppliers		(1,105,137)
Payments to employees		(1,428,648)
Net cash provided by (used for) operating activities	$	1,606,132
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	$	673,758
Connection fees		499,050
Tax revenue		41,135
Net cash provided by (used for) noncapital financing activities	$	1,213,943
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	$	(115,619)
Principal payments on bonds		(1,987,000)
Interest expense		(793,760)
Net cash provided by (used for) capital and related financing activities	$	(2,896,379)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	$	86,490
Net cash provided by (used for) investing activities	$	86,490
Net increase (decrease) in cash and cash equivalents	$	10,186
Cash and cash equivalents - beginning - including restricted		7,029,243
Cash and cash equivalents - ending - including restricted	$	7,039,429
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:		
Operating income (loss)	$	674,427
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:		
Depreciation expense	$	968,666
(Increase) decrease in accounts receivable		(53,678)
(Increase) decrease in inventories		(2,931)
(Increase) decrease in prepaid items		(1,596)
Increase (decrease) in customer deposits		323
Increase (decrease) in accounts payable		5,157
Increase (decrease) in net OPEB obligation		19,419
Increase (decrease) in compensated absences		(3,655)
Total adjustments	$	931,705
Net cash provided by (used for) operating activities	$	1,606,132

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

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 10**

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

		Agency Funds
ASSETS		
Cash and cash equivalents	$	391,531
Accounts receivable		23,223
Total assets	$	414,754
LIABILITIES		
Accounts payable	$	307,372
Amounts held for social services clients		31,158
Amounts held for regional program		11,754
Amounts held for others		64,470
Total liabilities	$	414,754

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

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

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2014.

Discretely Presented Component Units. The School Board members are elected by the citizens of Gloucester County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation in the County financial statements for the fiscal year ended June 30, 2014.

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units: (Continued)

The Gloucester County Economic Development Authority is responsible for industrial prospective bond issues and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County as the County is involved in the day-to-day operations of the EDA, including the approval of private activity prospective bond issues and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2014. The Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the year ended June 30, 2014.

C. Other Related Organizations

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

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

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

Included in the County's Financial Report

None

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   Debt Service Fund – accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payment of principal and interest on the County and school system's general long-term debt financing is provided by appropriations from the General Fund.

   Capital Projects Funds – accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays except for those financed by proprietary funds or for assets held in trust for individuals, private organizations or of the governments. The County reports the Capital Projects Fund and the School Construction Fund as a major Capital Projects Funds.

   The County reports the following non-major governmental funds:

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

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

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

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

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

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

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as "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 $440,552 at June 30, 2014 and is comprised solely of property taxes.

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

G. Receivables and Payables: (Continued)

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

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

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

M. Net Position Flow Assumption

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

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The County reported a deferred outflows of resources as of June 30, 2014 related to the financial reporting for the derivative debt incurred by the Component Unit and certain deferred charges on refunding debt. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

N. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County reported a deferred inflows of resources for property taxes unavailable at June 30, 2014. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources.

O. Long-term Obligations

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

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

P. Prepaid Items

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

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-Economic Development Authority consists of land held for resale.

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

R. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Section 220 of the Board of Supervisors Policies is the Fund Balance Policy. Section 220.1 specifies that the Board is authorized to assign adequate funds from the Fund Balance for legitimate purposes. Commitments of fund balance requested after the adoption of the budget document are done by Board Action during regularly scheduled Board of Supervisors Meetings. Assigned fund balance is established by the County Administrator, who has been given the delegated authority to assign amounts on behalf of the Board of Supervisors.

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

R. Fund Equity (Continued)

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

	General Fund	Major Capital Projects Fund	Major School Construction Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid items	$ 52,694	$ -	$ -	$ 52,694
Total Nonspendable Fund Balance	$ 52,694	$ -	$ -	$ 52,694
Restricted:				
Sheriff's asset forfeiture, federal	$ 42,129	$ -	$ -	$ 42,129
Sheriff's asset forfeiture, state	28,086	-	-	28,086
Commonwealth Attorney's asset forfeiture, federal	35,882	-	-	35,882
Commonwealth Attorney's asset forfeiture, state	35,673	-	-	35,673
Proffers	-	31,400	-	31,400
Total Restricted Fund Balance	$ 141,770	$ 31,400	$ -	$ 173,170
Committed:				
Mosquito control	$ 119,855	$ -	$ -	$ 119,855
Tourism projects	274,288	-	-	274,288
Daffodil festival	91,107	-	-	91,107
Program donations	24,953	-	16,657	41,610
Subsequent expenditures	-	4,334,636	18,229,047	22,563,683
Probation and pretrial	49,627	-	-	49,627
Cable services	455,308	-	-	455,308
Older adult capital projects	-	121,607	-	121,607
Total Committed Fund Balance	$ 1,015,138	$ 4,456,243	$ 18,245,704	$ 23,717,085
Assigned:				
Park projects	$ -	$ 111,484	$ -	$ 111,484
County and school capital replacement	-	145,578	-	145,578
Total Assigned Fund Balance	$ -	$ 257,062	$ -	$ 257,062
Unassigned Fund Balance	$ 18,249,344	$ -	$ -	$ 18,249,344
Total Fund Balances	$ 19,458,946	$ 4,744,705	$ 18,245,704	$ 42,449,355

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:

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

1. During the month of March, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.

2. Public hearings are required to be conducted to obtain citizen comments.

3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

4. The Appropriations Resolution places legal restrictions on expenditures at the function level. The County Administrator is authorized to transfer budgeted amounts within the primary government's governmental funds; however, the Component Unit School Board is authorized to transfer budgeted amounts within the school system's categories.

5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds of the Primary Government and Component Unit – School Board.

6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Appropriations lapse on June 30, for all County units. Several Supplemental Appropriations were necessary during the fiscal year.

Expenditures and Appropriations

Expenditures did not exceed appropriations in any fund at June 30, 2014.

NOTE 3—DEPOSITS AND INVESTMENTS:

Deposits

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

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments

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

Custodial Credit Risk (Investments)

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2014 were held by the County or in the County's name by the County's custodial banks.

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and Moody's and the ratings are presented below using the Standard and Poor's and Moody's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

County's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAAm	AAA	AA+	AA	AA-
Primary Government:					
Local Government Investment Pool	$ 969,140	$ -	$ -	$ -	$ -
Virginia State Non-Arbitrage Pool	19,661,184	-	-	-	-
U.S. Treasury Note	-	1,869,879	-	-	-
U.S. Government Obligations	1,387,302	-	-	-	-
Total	$ 22,017,626	$ 1,869,879	$ -	$ -	$ -
Component Unit-School Board:					
Local Government Investment Pool	$ 72,740	$ -	$ -	$ -	$ -
Total	$ 72,740	$ -	$ -	$ -	$ -
Component Unit-Economic Development Authority:					
Money Market Funds	$ 218,157	$ -	$ -	$ -	$ -
Government Securities	-	-	99,682	-	-
Corporate Bonds	-	-	102,288	203,580	303,995
Total	$ 218,157	$ -	$ 201,970	$ 203,580	$ 303,995

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

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

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

Interest Rate Risk

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

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
Enterprise Funds:				
U.S. Treasury Bill	$ 1,869,879	$ 1,869,879	$ -	$ -
				-
Total	$ 1,869,879	$ 1,869,879	$ -	$ -
Component Unit-Economic Development Authority				
Government Securities	$ 99,682	$ -	$ 99,682	$ -
Corporate Bonds	609,863	202,072	407,791	-
Total	$ 709,545	$ 202,072	$ 507,473	$ -

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2014, the County has receivables from and amounts due to other governments as follows:

		Component Units	
	Primary Government	School Board	Economic Development Authority
Other Local Governments:			
County of Gloucester	$ -	$ 3,611,049	$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	288,000	-	-
Commonwealth of Virginia:			
Local sales tax	688,580	-	-
Local communication sales tax	192,559	-	-
Local cable television fees	66,496	-	-
Mobile home titling tax	5,903	-	-
CSA funds	140,000	-	-
VPA funds	87,942	-	-
State sales tax	-	944,838	-
Constitutional officer reimbursements	286,878	-	-
Recordation tax	30,364	-	-
Fire programs	17,502	-	-
Disaster recovery funds	177,749	-	-
Other Grants	40,868	-	-
E-911 funds	7,347	-	-
Federal Government:			
School fund grants	-	387,661	-
Mitigation grant	380,972	-	-
VPA funds	116,966	-	-
Other federal grants	44,567	-	-
Total due from other governments	$ 2,722,693	$ 4,943,548	$ -
Amounts due to other governments are as follows:			
Internal Revenue Service	$ 79,326	$ -	$ -
Gloucester County School Board	3,611,049	-	-
Gloucester County	-	150,000	288,000
Total due to other governments	$ 3,690,375	$ 150,000	$ 288,000

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2014, are as follows:

	Interfund Receivable	Interfund Payable
General	$ 189,481	$ 7,645,072
Capital Projects	155,775	-
School Construction	7,489,297	-
Virginia Public Assistance	-	204,908
Comprehensive Services Act	15,427	-
Total Governmental Funds	$ 7,849,980	$ 7,849,980

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

NOTE 6—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2014:

Primary Government:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not subject to depreciation:				
Land	$ 5,952,893	$ 428,159	$ -	$ 6,381,052
Construction in progress	119,493	807,204	21,534	905,163
Jointly owned assets - construction in progress	2,642,556	11,115,969	3,586,596	10,171,929
Total capital assets not subject to depreciation	$ 8,714,942	$ 12,351,332	$ 3,608,130	$ 17,458,144
Capital assets subject to depreciation:				
Buildings	$ 19,062,368	$ 36,647	$ -	$ 19,099,015
Improvements other than buildings	2,822,338	90,843	-	2,913,181
Machinery and equipment	18,237,786	760,593	436,312	18,562,067
Jointly owned assets - buildings	28,924,924	-	1,039,960	27,884,964
Total capital assets subject to depreciation	$ 69,047,416	$ 888,083	$ 1,476,272	$ 68,459,227
Accumulated depreciation:				
Buildings	$ (6,937,413)	$ (475,022)	$ -	$ (7,412,435)
Improvements other than buildings	(310,426)	(145,038)	-	(455,464)
Machinery and equipment	(7,448,201)	(1,648,634)	(436,312)	(8,660,523)
Jointly owned assets - buildings	(11,727,636)	(713,251)	(447,297)	(11,993,590)
Total accumulated depreciation	$ (26,423,676)	$ (2,981,945)	$ (883,609)	$ (28,522,012)
Total capital assets being depreciated, net	$ 42,623,740	$ (2,093,862)	$ 592,663	$ 39,937,215
Governmental activities capital assets, net	$ 51,338,682	$ 10,257,470	$ 4,200,793	$ 57,395,359

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2014:

Component Unit – School Board:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not subject to depreciation:				
Land	$ 1,476,061	$ -	$ -	$ 1,476,061
Total capital assets not subject to depreciation	$ 1,476,061	$ -	$ -	$ 1,476,061
Capital assets subject to depreciation:				
Buildings	$ 80,000	$ 3,312,313	$ -	$ 3,392,313
Machinery and equipment	11,079,125	409,147	270,902	11,217,370
Jointly owned assets - buildings	33,908,105	-	(1,039,960)	34,948,065
Total capital assets subject to depreciation	$ 45,067,230	$ 3,721,460	$ (769,058)	$ 49,557,748
Accumulated depreciation:				
Buildings	$ (4,000)	$ (2,000)	$ -	$ (6,000)
Machinery and equipment	(8,120,308)	(539,280)	(270,902)	(8,388,686)
Jointly owned assets - buildings	(13,748,072)	(836,129)	447,297	(15,031,498)
Total accumulated depreciation	$ (21,872,380)	$ (1,377,409)	$ 176,395	$ (23,426,184)
Total capital assets being depreciated, net	$ 23,194,850	$ 2,344,051	$ (592,663)	$ 26,131,564
Governmental activities capital assets, net	$ 24,670,911	$ 2,344,051	$ (592,663)	$ 27,607,625

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	$ 176,941
Judicial administration	188,219
Public safety	1,677,128
Public works	42,039
Health and welfare	45,561
Education	759,388
Parks, recreation and cultural	91,566
Community development	1,103
Total Governmental activities	$ 2,981,945
Component Unit School Board	$ 1,377,409

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the current law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Gloucester, Virginia for the year ended June 30, 2014, is that school financed assets in the amount of $26,063,303 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2014 follows:

Primary Government:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	$ 3,599,246	$ -	$ -	$ 3,599,246
Construction in progress	39,084	65,129	39,084	65,129
Total capital assets not subject to depreciation	$ 3,638,330	$ 65,129	$ 39,084	$ 3,664,375
Capital assets subject to depreciation:				
Plant in service	$ 34,668,967	$ -	$ -	$ 34,668,967
Machinery and equipment	1,622,164	89,574	-	1,711,738
Buildings	6,171,216	-	-	6,171,216
Total capital assets subject to depreciation	$ 42,462,347	$ 89,574	$ -	$ 42,551,921
Accumulated depreciation:				
Plant in service	$ (13,821,996)	$ (739,546)	$ -	$ (14,561,542)
Machinery and equipment	(480,964)	(40,914)	-	(521,878)
Buildings	(3,341,849)	(188,206)	-	(3,530,055)
Total accumulated depreciation	$ (17,644,809)	$ (968,666)	$ -	$ (18,613,475)
Total capital assets being depreciated, net	$ 24,817,538	$ (879,092)	$ -	$ 23,938,446
Business-type activities capital assets, net	$ 28,455,868	$ (813,963)	$ 39,084	$ 27,602,821

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2014 follows:

Component Unit Economic Development Authority:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
Capital assets not subject to depreciation:				
Land	$ 813,267	$ -	$ -	$ 813,267
Total capital assets not subject to depreciation	$ 813,267	$ -	$ -	$ 813,267
Capital assets subject to depreciation:				
Buildings	$ 18,403,393	$ -	$ -	$ 18,403,393
Machinery and equipment	7,234	-	-	7,234
Total capital assets subject to depreciation	$ 18,410,627	$ -	$ -	$ 18,410,627
Accumulated depreciation:				
Buildings	$ (5,194,155)	$ (735,472)	$ -	$ (5,929,627)
Machinery and equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	$ (5,201,389)	$ (735,472)	$ -	$ (5,936,861)
Total capital assets being depreciated, net	$ 13,209,238	$ (735,472)	$ -	$ 12,473,766
Business-type activities capital assets, net	$ 14,022,505	$ (735,472)	$ -	$ 13,287,033

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Governmental Funds:		
General Fund	$ -	$ 8,674,057
Debt Service	4,384,596	-
Capital Projects	2,364,848	-
Other Governmental Funds	1,250,855	-
Total Governmental Funds	$ 8,000,299	$ 8,674,057
Enterprise Funds:		
Utilities	673,758	-
Total-All Funds	$ 8,674,057	$ 8,674,057

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

NOTE 8—LONG-TERM OBLIGATIONS:

Details of Long-Term Indebtedness:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Governmental Activities:					
Incurred by County:					
Compensated absences	$ 1,612,284	$ 1,623,429	$ 1,565,660	$ 1,670,053	$ 167,005
Net OPEB obligation	987,654	361,557	90,655	1,258,556	-
Capital leases	13,846,277	-	1,450,763	12,395,514	1,518,106
Total incurred by County	$ 16,446,215	$ 1,984,986	$ 3,107,078	$ 15,324,123	$ 1,685,111
Incurred by School Board:					
State Literary Fund Loans	$ 1,470,324	$ -	$ 250,000	$ 1,220,324	$ 250,000
General obligation bonds	22,216,648	15,845,000	1,185,909	36,875,739	1,669,852
Add deferred amounts:					
For issuance premium	588,289	1,161,015	76,436	1,672,868	-
Note payable	141,845	-	69,528	72,317	72,317
Total incurred by School Board	$ 24,417,106	$ 17,006,015	$ 1,581,873	$ 39,841,248	$ 1,992,169
Total Governmental Activities	$ 40,863,321	$ 18,991,001	$ 4,688,951	$ 55,165,371	$ 3,677,280
Business-type Activities:					
Compensated absences	$ 130,545	$ 103,834	$ 107,489	$ 126,890	$ 12,689
Net OPEB obligation	85,482	26,463	7,044	104,901	-
Revenue bonds	20,537,000	-	1,987,000	18,550,000	2,043,000
Add deferred amounts:					
For issuance premium	1,066,427	-	177,738	888,689	-
Less deferred amounts:					
For issuance discount	(49,530)	-	(2,928)	(46,602)	-
Total Business-type Activities	$ 21,769,924	$ 130,297	$ 2,276,343	$ 19,623,878	$ 2,055,689

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

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

	County Obligations	
	Capital Leases	
Year Ending June 30,	Principal	Interest
2015	$ 1,518,106	$ 538,322
2016	1,577,799	471,529
2017	1,649,947	401,880
2018	1,719,662	329,166
2019	350,000	252,951
2020	360,000	238,308
2021	380,000	222,997
2022	395,000	206,472
2023	410,000	188,863
2024	425,000	170,597
2025	450,000	151,456
2026	470,000	131,331
2027	490,000	110,025
2028	515,000	87,412
2029	535,000	63,788
2030	560,000	39,150
2031	590,000	13,275
Total	$ 12,395,514	$ 3,617,522

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	School Obligations					
	State Literary Fund Loans		General Obligation Bonds		Capital Leases and Notes Payable	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2015	$ 250,000	$ 36,610	$ 1,669,852	$ 1,713,204	$ 72,317	$ 5,467
2016	250,000	29,110	1,869,000	1,527,312	-	-
2017	250,000	21,609	1,938,366	1,435,674	-	-
2018	250,000	14,109	1,907,960	1,345,191	-	-
2019	220,324	6,609	2,262,778	1,256,636	-	-
2020	-	-	2,342,866	1,165,801	-	-
2021	-	-	2,418,219	1,071,132	-	-
2022	-	-	2,518,853	970,440	-	-
2023	-	-	2,581,258	878,352	-	-
2024	-	-	2,661,126	791,492	-	-
2025	-	-	2,005,284	707,585	-	-
2026	-	-	2,067,045	631,358	-	-
2027	-	-	2,129,162	557,061	-	-
2028	-	-	1,686,650	490,400	-	-
2029	-	-	1,365,490	436,215	-	-
2030	-	-	990,490	398,483	-	-
2031	-	-	1,020,489	357,543	-	-
2032	-	-	1,022,712	315,313	-	-
2033	-	-	1,057,713	282,310	-	-
2034	-	-	1,087,713	247,910	-	-
2035	-	-	272,713	115,194	-	-
Total	$ 1,220,324	$ 108,047	$ 36,875,739	$ 16,694,606	$ 72,317	$ 5,467

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	Business-type Activities	
	Revenue Bonds	
Year Ending June 30,	Principal	Interest
2015	$ 2,043,000	$ 729,795
2016	2,115,000	657,242
2017	2,205,000	574,029
2018	2,303,000	478,794
2019	2,415,000	368,984
2020	652,000	299,878
2021	655,000	275,862
2022	676,000	251,551
2023	698,000	223,735
2024	730,000	196,769
2025	753,000	168,488
2026	781,000	139,309
2027	814,000	109,009
2028	545,000	77,166
2029	570,000	52,572
2030	595,000	26,852
Total	$ 18,550,000	$ 4,630,035

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

General Long-Term Obligations:	Amount Outstanding
Capital Leases:	
$8,205,000 capital lease (payable from the General Fund) issued March 22, 2006, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at coupon rates from 3.75% to 4.50%.	$ 7,185,000
$11,245,000 capital lease (payable from the General Fund) dated December 28, 2006, secured by communications equipment, due in combined annual installments of principal and interest of $1,452,058 through July 1, 2017, including interest at 4.49%.	5,210,514
Total Capital Leases	$ 12,395,514
Compensated absences (payable from the General Fund)	1,670,053
Net OPEB obligation (payable from the General Fund)	1,258,556
Total long-term obligations incurred by County	$ 15,324,123
Revenue Bonds:	
$3,758,000 Water and Sewer Revenue and Refunding Bonds issued December 13, 2011, payable in various amounts through February 1, 2027, interest payable semi-annually at 2.82%.	$ 3,335,000
$9,740,000 Water and Sewer Revenue and Refunding Bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.286% to 5.125%. Face amount of bonds outstanding, $8,145,000 plus unamortized issuance premium of $888,689.	9,033,689
$8,560,000 Virginia Resource Authority bonds dated August 1, 2006, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 4.1% to 4.879%. Face amount of bonds outstanding, $7,070,000 less unamortized issuance discount of $46,602.	7,023,398
Total revenue bonds	$ 19,392,087
Compensated absences (payable from the Enterprise Fund)	126,890
Net OPEB obligation (payable from the Enterprise Fund)	104,901
Total business-type activities obligations	$ 19,623,878

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	Amount Outstanding
General Obligation Bonds:	
School Bonds:	
$500,000 General Obligation School Bond, Series 2011, dated December 15, 2011 payable in various annual installments each December 1 through 2030, interest payable semi-annually at 4.25%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	$ 480,000
$5,999,684 General Obligation School Bond, Series 2012, dated October 31, 2012 payable in various annual installments each December 1 through 2034, interest payable semi-annually at 3.84%. This is a Qualified School Construction Bond and the interest payments will be rebated to the County from the Federal Government.	5,879,689
$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%.	420,000
$7,525,000 School Bonds issued November 6, 2003 payable in various annual installments each July 15 through 2024, interest payable semi-annually at various interest rates from 3.1% through 5.35%. Face amount of bonds outstanding, $4,710,000 plus unamortized issuance premium of $206,664.	4,916,664
$6,505,000 School Bonds issued November 9, 2006 payable in various annual installments each July 15 through 2026. Interest payable semi-annually at various interest rates from 4.225% through 5.10%. Face amount of bonds outstanding, $4,890,000 plus unamortized issuance premium of $105,315.	4,995,315
$15,845,000 School Bonds issued November 21, 2013 payable in various annual installments each July 15 through 2033. Interest payable semi-annually at various interest rates from 2.3% through 5.05%. Face amount of bonds outstanding, $15,845,000 plus unamortized issuance premium of $1,131,990.	16,976,990
$6,364,713 School Bonds issued November 8, 2007 payable in various annual installments each July 15 through 2027. Interest payable semi-annually at various interest rates from 4.35% through 5.1%. Face amount of bonds outstanding, $4,651,050 plus unamortized issuance premium of $228,899.	4,879,949
Total school bonds	$ 38,548,607

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	Amount Outstanding
State Literary Fund Loans:	
$4,970,324 issued June 23, 1998 due in annual installments of $250,000 each July 15, through 2018, interest payable annually at 3%	$ 1,220,324
Note Payable:	
$811,302 general obligation refunding note, series 1998 issued October 30, 1998, due in annual installments of $77,784 through July 15, 2014, interest at 5.77%	72,317
Total long-term obligations incurred by School Board, payable from the General Fund	$ 39,841,248

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Courthouse Construction	$ 7,237,000
Radio Equipment	13,513,899
Less: Accumulated depreciation	(6,134,668)
	$ 14,616,231

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Capital Leases: (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2014, were as follows:

Year Ending June 30,	Governmental Activities
2015	$ 2,056,428
2016	2,049,328
2017	2,051,828
2018	2,048,828
2019	602,951
2020	598,308
2021	602,997
2022	601,472
2023	598,863
2024	595,597
2025	601,456
2026	601,331
2027	600,025
2028	602,412
2029	598,788
2030	599,150
2031	603,275
Total minimum lease payments	$ 16,013,037
Less: amount representing interest	(3,617,523)
Present value of minimum lease payments	$ 12,395,514

Component Unit—School Board:

The following is a summary of long-term obligations transactions of the Component Unit—School Board for the year ended June 30, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Compensated absences (payable from the School Fund)	$ 1,691,560	$ 1,980,384	$ 1,980,865	$ 1,691,079	$ 169,108
Net OPEB obligation	1,480,096	517,769	248,284	1,749,581	-
Total incurred by School Board	$ 3,171,656	$ 2,498,153	$ 2,229,149	$ 3,440,660	$ 169,108

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Component Unit—Economic Development Authority:

The following is a summary of long-term obligations transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2014:

	Balance at July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2014	Amounts Due Within One Year
Bonds and Note Payable	$ 15,793,865	$ -	$ 645,508	$ 15,148,357	$ 685,139
Derivative instrument liability	2,363,123	-	311,658	2,051,465	-
Total	$ 18,156,988	$ -	$ 957,166	$ 17,199,822	$ 685,139

	Amount Outstanding
Bonds and Notes Payable:	
$18,500,000 variable rate taxable Lease Revenue and Refunding Bonds, Series 2008, issued August 1, 2008, due in monthly installments through March 1, 2019, variable interest rate equal to 100% of the Bank's LIBOR rate plus 1.30%, adjusted monthly with an interest rate swap option effectively making this a loan with a fixed rate of 5.96%.	$ 14,951,769
$210,000 Promissory Note with BB&T dated July 12, 2012, payable in monthly installments of combined principal and interest of $1,325 through June 12, 2017, interest at 4.40%, balance due on July 12, 2017	196,588
Total Debt incurred by the Component Unit Economic Development Authority	$ 15,148,357

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Component Unit—Economic Development Authority: (Continued)

Interest rate swap

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

Terms. The bonds and the related swap agreement mature on March 1, 2019. The swap's notional value of $17,199,822 is more than the balance outstanding on the bonds payable of $15,148,357. The difference of $2,051,465 is reported in these financial statements as a derivative instrument liability within the long-term obligations of the Authority. A corresponding deferred outflow of resources is reported on the statement of net position as a reduction to total liabilities before computing net position. The swap was entered into at the same time as the bonds were issued in August 2008. Under the swap, the Authority pays the counterparty a fixed payment of 5.96 percent and receives a variable payment computed as 100 percent of the London Interbank Offered Rate (LIBOR) plus 1.30 percent.

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

	As of and for the Years Ended June 30,					
	2009	2010	2011	2012	2013	2014
Fair value	$ (1,590,397)	$ (2,504,543)	$ (2,220,148)	$ (3,313,813)	$ (2,363,123)	$ (2,051,465)
Change in fair value	(1,590,397)	(914,146)	284,395	(1,093,665)	950,690	311,658

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

Year Ending June 30,	Bonds and Notes	
	Principal	Interest
2015	$ 685,139	$ 881,332
2016	727,058	839,485
2017	771,272	795,347
2018	983,945	741,132
2019	11,980,943	579,277
Total	$ 15,148,357	$ 3,836,573

NOTE 9–LANDFILL POST-CLOSURE COSTS:

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

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

NOTE 10—DEFERRED AND UNAVAILABLE REVENUE:

Unavailable 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. Unavailable revenue totaling $21,205,549 and deferred revenue totaling $18,762,928 are comprised of the following:

Unavailable Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled $20,901,609 at June 30, 2014.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2014, but paid in advance by the tax payers totaled $303,940 at June 30, 2014.

Deferred Revenue: Deferred revenue representing prepaid taxes due subsequent to June 30, 2014 totaling $303,940 and $18,458,988 of 2nd half 2014 tax billing levied in current year but due in FY15 totaled $18,762,928.

NOTE 11–COMMITMENTS AND CONTINGENCIES:

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

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

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

NOTE 11—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

The County was committed on the following construction contract at June 30, 2014:

Contractor	Project	Contract Sum	Balance
Oyster Point Construction Company	New Page Middle School	$ 22,013,226	$ 16,315,770

NOTE 12—LITIGATION:

At June 30, 2014, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RISK MANAGEMENT:

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

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

Component Unit School Board—Health Insurance

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

Unpaid claims, June 30, 2012	$ 644,604
Incurred claims (including IBNR and changes in estimates)	5,913,831
Claim payments	(5,955,630)
Unpaid claims, June 30, 2013	$ 602,805
Incurred claims (including IBNR and changes in estimates)	5,949,938
Claim payments	(5,908,278)
Unpaid claims, June 30, 2014	$ 644,465

NOTE 14—PENSION PLAN:

A. Plan Description

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

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

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

VRS − PLAN 1

1. **Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.

2. **Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2014.

3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS − PLAN 1 (CONTINUED)

5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

   Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

   An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

10. **Normal Retirement Age -** Age 65.

11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS − PLAN 1 (CONTINUED)

13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

14. **Eligibility -** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

    For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

    - The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2014.
    - The member retires on disability.
    - The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
    - The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
    - The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS − PLAN 2

1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.

2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2014.

3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

   The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

   If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

   Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** – Same as VRS Plan 1−Refer to Section 4.

5. **Creditable Service** – Same as VRS Plan 1− Refer to Section 5.

6. **Vesting** – Same as VRS Plan 1−Refer to Section 6.

7. **Calculating the Benefit** – Same as VRS Plan 1−Refer to Section 7.

8. **Average Final Compensation -** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

9. **Service Retirement Multiplier -** Same as Plan1 for service earned, purchased or granted prior to January 1, 2014. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2014.

10. **Normal Retirement Age -** Normal Social Security retirement age.

11. **Earliest Unreduced Retirement Eligibility -** Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS − PLAN 2 (CONTINUED)

12. **Earliest Reduced Retirement Eligibility -** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

13. **Cost-of-Living Adjustment (COLA) in Retirement -** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

14. **Eligibility** – Same as VRS Plan 1−Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1−Refer to Section 15.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

    Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** – Same as VRS Plan 1−Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)

    - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.

    - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

    - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

   - State employees*
   - School division employees
   - Political subdivision employees*
   - Judges appointed or elected to an original term on or after January 1, 2014
   - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

   - Members of the State Police Officers' Retirement System (SPORS)
   - Members of the Virginia Law Officers' Retirement System (VaLORS)
   - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

   Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1−Refer to Section 7.

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

8. **Average Final Compensation** – Same as VRS Plan 2−Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

   For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. **Normal Retirement Age**

    Defined Benefit Component – Same as VRS Plan 2−Refer to Section 10.

    Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. **Earliest Unreduced Retirement Eligibility**

    Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

    Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. **Earliest Reduced Retirement Eligibility**

    Defined Benefit Component – Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

    Defined Contribution Component – Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. **Cost-of-Living Adjustment (COLA) in Retirement**

    Defined Benefit Component – Same as VRS Plan 2−Refer to Section 13.

    Defined Contribution Component – Not Applicable.

14. **Eligibility** – Same as VRS Plan 1and VRS Plan 2− Refer to Section 14.

15. **Exceptions to COLA Effective Dates** – Same as VRS Plan 1 and VRS Plan 2-Refer to Section 15.

NOTE 14—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (Continued)

16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

    State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

    Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service**

    Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2−Refer to Section 17.

    Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employers is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board's contribution rate for the fiscal year ended 2014 was 11.81% and 9.17% of annual covered payroll, respectively.

The School Board's contributions for professional employees contributed $3,284,744, $3,281,480, and $1,735,128, to the teacher cost-sharing pool for the fiscal years ended June 30, 2014, 2013 and 2012 respectively and these contributions represented 11.66%, 11.66% and 6.33%, respectively, of current covered payroll.

NOTE 14—PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For the fiscal year 2014, the County's annual pension cost of $1,630,647 was equal to the County's required and actual contributions.

The Year Trend Information - County

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2014	$ 1,630,647	100%	$ -
June 30, 2013	1,558,495	100%	-
June 30, 2012	1,138,540	100%	-

(1) Employer portion only

For the fiscal year 2014, the School Board's annual pension cost of $369,045 was equal to the School Board's required and actual contributions.

Three Year Trend Information – School Board Non-Professional

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
School Board:			
Non-Professional:			
June 30, 2014	$ 369,045	100%	$ -
June 30, 2013	362,323	100%	-
June 30, 2012	262,433	100%	-

(1) Employer portion only

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

NOTE 14—PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the County's plan was 79.64% funded. The actuarial accrued liability for benefits was $51,385,565, and the actuarial value of assets was $40,925,059, resulting in an unfunded actuarial accrued liability (UAAL) of $10,460,506. The covered payroll (annual payroll of active employees covered by the plan) was $13,429,083, and ratio of the UAAL to the covered payroll was 77.89%.

As of June 30, 2013, the most recent actuarial valuation date, the School Board's plan was 83.57% funded. The actuarial accrued liability for benefits was $15,984,018, and the actuarial value of assets was $13,357,858, resulting in an unfunded actuarial accrued liability (UAAL) of $2,626,160. The covered payroll (annual payroll of active employees covered by the plan) was $3,890,155 and ratio of the UAAL to the covered payroll was 67.51%.

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

NOTE 15—SURETY BONDS:

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

NOTE 16—OPERATING LEASES:

The County leases space for the Main Street County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was $151,250 for the year ended June 30, 2014. In FY 2014, the County decided to accept the first renewal term of 5 years. The future minimum lease payments for the first renewal term are as follows.

Year Ending June 30,		Amount
2015	$	165,000
2016		165,000
2017		165,000
2018		165,000
2019		151,250
Total	$	811,250

The County leases space for the Gloucester Point County Library under a noncancelable operating lease for a term of twenty years. The total cost for the lease was $42,886 for the year ended June 30, 2014. The future minimum lease payments for this lease are as follows:

Year Ending June 30,		Amount
2015	$	43,958
2016		45,057
2017		46,184
2018		47,338
2019		48,522
2020 - 2032		702,535
Total	$	933,594

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was $61,319 for the year ended June 30, 2014. The future minimum lease payments for this lease are as follows:

Year Ending June 30,		Amount
2015	$	63,158
2016		65,053
2017		67,005
2018		69,015
2019		29,110
Total	$	293,341

NOTE 17–OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE:

A. Post-retirement Medical Plan for Employee

Plan Description

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

Funding Policy

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

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

The Schools currently have 41 retirees and 6 covered spouses in their plan. The County has 9 retirees and 1 covered spouse in the plan.

Annual OPEB Cost and Net OPEB Obligation

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

NOTE 17–OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (CONTINUED)

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

	Primary Government	Component Unit School Board
Annual required contribution	$ 389,775	$ 520,189
Interest on net OPEB obligation	42,925	59,204
Adjustment to annual required contribution	(44,680)	(61,624)
Annual OPEB cost (expense)	$ 388,020	$ 517,769
Contributions made	(97,699)	(248,284)
Increase in net OPEB obligation	290,321	269,485
Net OPEB obligation-beginning of year	1,073,136	1,480,096
Net OPEB obligation-end of year	$ 1,363,457	$ 1,749,581

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

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
County:			
6/30/2012	$ 259,485	26.17%	$ 798,669
6/30/2013	367,951	25.41%	1,073,136
6/30/2014	388,020	25.18%	1,363,457
Schools:			
6/30/2012	$ 506,457	63.30%	$ 1,052,190
6/30/2013	678,452	36.93%	1,480,096
6/30/2014	517,769	47.95%	1,749,581

Funded Status and Funding Progress

As of July 1, 2014, the County's actuarial accrued liability for benefits was $2,414,936, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $13,807,344, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.49%.

NOTE 17–OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (CONTINUED)

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

Funded Status and Funding Progress: (Continued)

As of July 1, 2014, the School Board's actuarial accrued liability for benefits was $6,424,548, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $32,195,779, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.95%.

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

Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

Coverage elections – The actuarial assumed that 75% of current actives of the Gloucester County Public Schools will elect medical coverage when they retire and that 10% of retirees who elect coverage will cover a spouse. The actuarial assumed that 60% of current actives of Gloucester County will elect medical coverage when they retire and that 50% of retirees who elect coverage will cover a spouse.

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

The remaining amortization period at June 30, 2014 was thirty years.

NOTE 17–OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (CONTINUED)

B. Health Insurance Credit Program Through Virginia Retirement System

Plan Description

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

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

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

Funding Policy

As a participating local political subdivision, the County and the School Board is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the Code of Virginia and the VRS Board of Trustees. The County and School Board's contribution rates for the fiscal year ended 2014 were .10% and .67% of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

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

For 2014, the County's contribution of $6,778 was equal to the ARC and OPEB cost. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2012	$ 12,216	100.00%	$ -
6/30/2013	8,075	100.00%	-
6/30/2014	6,778	100.00%	-

NOTE 17–OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (CONTINUED)

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

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$	249,411
Actuarial value of plan assets	$	223,106
Unfunded actuarial accrued liability (UAAL)	$	26,305
Funded ratio (actuarial value of plan assets/AAL)		89.45%
Covered payroll (active plan members)	$	6,647,751
UAAL as a percentage of covered payroll		0.40%

For 2014, the School Board's contribution of $26,964 was equal to the ARC and OPEB cost. The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and preceding years are as follows:

Fiscal Year Ended		Annual OPEB Cost (ARC)	Percentage of ARC Contributed		Net OPEB Obligation
6/30/2012	$	24,066	100.00%	$	-
6/30/2013		26,473	100.00%		-
6/30/2014		26,964	100.00%		-

The funded status of the plan as of June 30, 2013, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	$	374,893
Actuarial value of plan assets	$	98,247
Unfunded actuarial accrued liability (UAAL)	$	276,646
Funded ratio (actuarial value of plan assets/AAL)		26.21%
Covered payroll (active plan members)	$	3,890,155
UAAL as a percentage of covered payroll		7.11%

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

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

NOTE 17–OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE: (CONTINUED)

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

Actuarial Methods and Assumptions

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

Retiree postemployment benefit expenses are determined under the Projected Unit Credit actuarial cost method. Under this method, benefits are projected for life and their present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining amortization period at June 30, 2013 was 30 years using an open amortization period.

Professional Employees – Discretely Presented Component Unit School Board

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

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

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.11% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2014, 2013, and 2012 were $312,701, $312,388, and $164,467, respectively and equaled the required contributions for each year.

The Retiree Health Insurance Credit benefit is based on a member's eligibility and his or her years of service. The monthly maximum credit amount cannot exceed the member's actual health insurance premium costs. The actuarially valuation for this plan assumes the maximum credit is payable for each eligible member. Since this benefit is a flat dollar amount multiplied by years of service and the maximum benefit is assumed, no assumption relating to healthcare cost trend rates is needed or applied.

NOTE 18—UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The County has not determined the impact of this pronouncement on its financial statements.

Required Supplementary Information

Note to Required Supplementary Information:

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

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General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 36,791,911	$ 36,791,997	$ 37,996,998	$ 1,205,001
Other local taxes	8,763,656	8,763,656	8,875,489	111,833
Permits, privilege fees, and regulatory licenses	294,400	294,400	352,330	57,930
Fines and forfeitures	132,500	132,500	80,625	(51,875)
Revenue from the use of money and property	147,031	147,031	143,107	(3,924)
Charges for services	720,550	720,550	754,006	33,456
Miscellaneous	292,888	292,888	425,085	132,197
Recovered costs	385,270	415,270	409,810	(5,460)
Intergovernmental:				
Commonwealth	8,862,749	8,862,749	8,853,041	(9,708)
Federal	189,599	200,772	167,104	(33,668)
Total revenues	$ 56,580,554	$ 56,621,813	$ 58,057,595	$ 1,435,782
EXPENDITURES				
Current:				
General government administration	$ 5,803,895	$ 5,696,044	$ 5,418,618	$ 277,426
Judicial administration	1,771,224	1,812,661	1,812,592	69
Public safety	11,582,668	11,746,465	11,609,450	137,015
Public works	2,226,934	2,273,879	2,172,118	101,761
Health and welfare	717,972	738,106	732,819	5,287
Education	23,084,471	23,115,063	22,839,193	275,870
Parks, recreation, and cultural	2,168,631	2,242,529	2,117,069	125,460
Community development	1,070,718	1,128,029	1,034,876	93,153
Nondepartmental	320,585	365,585	365,585	-
Total expenditures	$ 48,747,098	$ 49,118,361	$ 48,102,320	$ 1,016,041
Excess (deficiency) of revenues over (under) expenditures	$ 7,833,456	$ 7,503,452	$ 9,955,275	$ 2,451,823
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (9,045,982)	$ (9,838,681)	$ (8,674,057)	$ 1,164,624
Total other financing sources (uses)	$ (9,045,982)	$ (9,838,681)	$ (8,674,057)	$ 1,164,624
Net change in fund balances	$ (1,212,526)	$ (2,335,229)	$ 1,281,218	$ 3,616,447
Fund balances - beginning	1,212,526	2,335,229	18,177,728	15,842,499
Fund balances - ending	$ -	$ -	$ 19,458,946	$ 19,458,946

Schedule of Pension Funding Progress
For the Year Ended June 30, 2014

Primary Government:
County Retirement Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2013	$ 40,925,059	$ 51,385,565	$ 10,460,506	79.64%	$ 13,429,083	77.89%
6/30/2012	38,720,613	49,362,155	10,641,542	78.44%	12,051,099	88.30%
6/30/2011	38,175,589	47,597,746	9,422,157	80.20%	12,401,043	75.98%
6/30/2010	36,682,369	44,549,184	7,866,815	82.34%	12,277,374	64.08%
6/30/2009	35,865,078	40,659,026	4,793,948	88.21%	12,748,300	37.60%
6/30/2008	34,792,859	38,322,362	3,529,503	90.79%	11,995,920	29.42%
6/30/2007	31,252,207	34,534,550	3,282,343	90.50%	11,967,890	27.43%
6/30/2006	27,113,595	29,885,627	2,772,032	90.72%	10,880,883	25.48%
6/30/2005	24,961,333	29,212,017	4,250,684	85.45%	10,087,289	42.14%
6/30/2004	23,804,086	25,304,942	1,500,856	94.07%	9,534,011	15.74%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2013	$ 13,357,858	$ 15,984,018	$ 2,626,160	83.57%	$ 3,890,155	67.51%
6/30/2012	12,816,001	15,898,109	3,082,108	80.61%	3,871,577	79.61%
6/30/2011	12,740,024	15,311,033	2,571,009	83.21%	3,940,206	65.25%
6/30/2010	12,419,907	15,084,183	2,664,276	82.34%	4,308,860	61.83%
6/30/2009	12,147,944	13,789,023	1,641,079	88.10%	4,351,373	37.71%
6/30/2008	11,872,681	12,695,426	822,745	93.52%	4,247,086	19.37%
6/30/2007	10,583,920	11,895,235	1,311,315	88.98%	4,192,789	31.28%
6/30/2006	9,204,914	10,721,286	1,516,372	85.86%	3,976,011	38.14%
6/30/2005	8,491,998	10,207,856	1,715,858	83.19%	4,055,720	42.31%
6/30/2004	8,101,614	8,335,831	234,217	97.19%	3,647,401	6.42%

Schedule of OPEB Funding Progress for Retiree Health Plan and Health Insurance Credit Program
For the Year Ended June 30, 2014

Primary Government:
County Retiree Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2014	$ -	$ 2,414,936	$ 2,414,936	0.00%	$ 13,807,344	17.49%
7/1/2012	-	3,372,078	3,372,078	0.00%	13,196,398	25.55%
7/1/2010	-	2,366,069	2,366,069	0.00%	12,277,374	19.27%
7/1/2008	-	2,678,945	2,678,945	0.00%	11,995,920	22.33%

Health Insurance Credit Program Through Virginia Retirement System:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2013	$ 223,106	$ 249,411	$ 26,305	89.45%	$ 6,647,751	0.40%
6/30/2012	203,933	245,989	42,056	82.90%	5,756,073	0.73%
6/30/2011	204,974	248,235	43,261	82.57%	5,843,050	0.74%
6/30/2010	171,632	228,694	57,062	75.05%	12,277,374	0.46%
6/30/2009	139,865	216,660	76,795	64.56%	12,748,300	0.60%
6/30/2008	163,197	255,701	92,504	63.82%	11,995,920	0.77%
6/30/2007	127,706	343,764	216,058	37.15%	11,967,890	1.81%

Discretely Presented Component Unit:
School Board Retiree Health Plan:

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
7/1/2014	$ -	$ 6,424,548	$ 6,424,548	0.00%	$ 32,195,779	19.95%
7/1/2012	-	7,292,483	7,292,483	0.00%	32,094,234	22.72%
7/1/2010	-	5,868,787	5,868,787	0.00%	32,258,781	18.19%
7/1/2008	-	7,709,733	7,709,733	0.00%	33,962,089	22.70%

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

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6/30/2013	$ 98,247	$ 374,893	$ 276,646	26.21%	$ 3,890,155	7.11%
6/30/2012	79,815	379,558	299,743	21.03%	3,871,577	7.74%
6/30/2011	74,576	361,955	287,379	20.60%	3,940,206	7.29%
6/30/2010	55,923	348,133	292,210	16.06%	4,308,860	6.78%
6/30/2009	26,963	315,031	288,068	8.56%	4,351,373	6.62%

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OTHER SUPPLEMENTARY INFORMATION

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Combining and Individual Fund Statements and Schedules

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Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Intergovernmental:				
Federal	$ 229,745	$ 229,745	$ 233,520	$ 3,775
Total revenues	$ 229,745	$ 229,745	$ 233,520	$ 3,775
EXPENDITURES				
Debt service:				
Principal retirement	$ 2,886,672	$ 2,886,672	$ 2,886,672	$ -
Interest and other fiscal charges	1,662,510	1,662,510	1,653,660	8,850
Principal retirement-School Leases	69,529	69,529	69,529	-
Interest and other fiscal charges-School Leases	8,255	8,255	8,255	-
Total expenditures	$ 4,626,966	$ 4,626,966	$ 4,618,116	$ 8,850
Excess (deficiency) of revenues over (under) expenditures	$ (4,397,221)	$ (4,397,221)	$ (4,384,596)	$ 12,625
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 4,397,221	$ 4,397,221	$ 4,384,596	$ (12,625)
Total other financing sources (uses)	$ 4,397,221	$ 4,397,221	$ 4,384,596	$ (12,625)
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ 4,389	$ 4,389
Miscellaneous	150,000	176,000	131,135	(44,865)
Intergovernmental:				
Commonwealth	1,100,000	1,197,331	350,272	(847,059)
Federal	2,250,000	2,274,954	884,267	(1,390,687)
Total revenues	$ 3,500,000	$ 3,648,285	$ 1,370,063	$ (2,278,222)
EXPENDITURES				
Capital projects	$ 10,794,751	$ 14,701,037	$ 7,484,861	$ 7,216,176
Total expenditures	$ 10,794,751	$ 14,701,037	$ 7,484,861	$ 7,216,176
Excess (deficiency) of revenues over (under) expenditures	$ (7,294,751)	$ (11,052,752)	$ (6,114,798)	$ 4,937,954
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 2,209,751	$ 3,002,450	$ 2,364,848	$ (637,602)
Issuance of bonds	5,000,000	5,000,000	4,664,250	(335,750)
Premium on bond issuance	-	-	341,765	341,765
Total other financing sources (uses)	$ 7,209,751	$ 8,002,450	$ 7,370,863	$ (631,587)
Net change in fund balances	$ (85,000)	$ (3,050,302)	$ 1,256,065	$ 4,306,367
Fund balances - beginning	85,000	3,050,302	3,488,640	438,338
Fund balances - ending	$ -	$ -	$ 4,744,705	$ 4,744,705

School Construction Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	$ 45,000	$ 45,000	$ 34,711	$ (10,289)
Miscellaneous	1,000,000	1,000,000	-	(1,000,000)
Intergovernmental:				
Commonwealth	-	-	36,667	36,667
Total revenues	$ 1,045,000	$ 1,045,000	$ 71,378	$ (973,622)
EXPENDITURES				
Capital projects	$ 25,636,428	$ 25,636,428	$ 6,723,615	$ 18,912,813
Total expenditures	$ 25,636,428	$ 25,636,428	$ 6,723,615	$ 18,912,813
Excess (deficiency) of revenues over (under) expenditures	$ (24,591,428)	$ (24,591,428)	$ (6,652,237)	$ 17,939,191
OTHER FINANCING SOURCES (USES)				
Issuance of bonds	$ 12,000,000	$ 12,000,000	$ 11,180,750	$ (819,250)
Premium on bond issuance			819,250	819,250
Insurance recovery	2,724,934	2,724,934	2,724,934	-
Total other financing sources (uses)	$ 14,724,934	$ 14,724,934	$ 14,724,934	$ -
Net change in fund balances	$ (9,866,494)	$ (9,866,494)	$ 8,072,697	$ 17,939,191
Fund balances - beginning	9,866,494	9,866,494	10,173,007	306,513
Fund balances - ending	$ -	$ -	$ 18,245,704	$ 18,245,704

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue		
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	$ -	$ 961	$ 961
Due from other funds	-	15,427	15,427
Due from other governmental units	204,908	140,000	344,908
Total assets	$ 204,908	$ 156,388	$ 361,296
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 156,388	$ 156,388
Due to other funds	204,908	-	204,908
Total liabilities	$ 204,908	$ 156,388	$ 361,296
Total liabilities and fund balances	$ 204,908	$ 156,388	$ 361,296

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	$ 1,590	$ 21,199	$ 22,789
Intergovernmental:			
Commonwealth	1,123,568	670,833	1,794,401
Federal	1,321,412	74,932	1,396,344
Total revenues	$ 2,446,570	$ 766,964	$ 3,213,534
EXPENDITURES			
Current:			
Health and welfare	$ 3,179,465	$ 1,284,924	$ 4,464,389
Total expenditures	$ 3,179,465	$ 1,284,924	$ 4,464,389
Excess (deficiency) of revenues over (under) expenditures	$ (732,895)	$ (517,960)	$ (1,250,855)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ 732,895	$ 517,960	$ 1,250,855
Total other financing sources (uses)	$ 732,895	$ 517,960	$ 1,250,855
Net change in fund balances	$ -	$ -	$ -
Fund balances - beginning	-	-	-
Fund balances - ending	$ -	$ -	$ -

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Governmental Funds
For the Year Ended June 30, 2014

	Virginia Public Assistance Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Miscellaneous	$ -	$ -	$ 1,590	$ 1,590
Intergovernmental:				
Commonwealth	1,269,307	1,269,307	1,123,568	(145,739)
Federal	1,220,276	1,220,276	1,321,412	101,136
Total revenues	$ 2,489,583	$ 2,489,583	$ 2,446,570	$ (43,013)
EXPENDITURES				
Health and welfare	$ 3,608,835	$ 3,608,835	$ 3,179,465	$ 429,370
Total expenditures	$ 3,608,835	$ 3,608,835	$ 3,179,465	$ 429,370
Excess (deficiency) of revenues over (under) expenditures	$ (1,119,252)	$ (1,119,252)	$ (732,895)	$ 386,357
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 1,119,252	$ 1,119,252	$ 732,895	$ (386,357)
Total other financing sources (uses)	$ 1,119,252	$ 1,119,252	$ 732,895	$ (386,357)
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

Exhibit 19

Comprehensive Services Act Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ 4,030	$ 4,030	$ 21,199	$ 17,169
833,470	833,470	670,833	(162,637)
19,500	19,500	74,932	55,432
$ 857,000	$ 857,000	$ 766,964	$ (90,036)
$ 1,503,000	$ 1,503,000	$ 1,284,924	$ 218,076
$ 1,503,000	$ 1,503,000	$ 1,284,924	$ 218,076
$ (646,000)	$ (646,000)	$ (517,960)	$ 128,040
$ 646,000	646,000	$ 517,960	$ (128,040)
$ 646,000	$ 646,000	$ 517,960	$ (128,040)
$ -	$ -	$ -	$ -
-	-	-	-
$ -	$ -	$ -	$ -

Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds				
	Special Welfare	Middle Peninsula Regional Special Education	Flexible Benefits	Sheriff/ Jail	Total
ASSETS					
Cash and cash equivalents	$ 30,338	$ 293,265	$ 48,879	$ 19,049	$ 391,531
Accounts receivable	820	22,403	-	-	23,223
Total assets	$ 31,158	$ 315,668	$ 48,879	$ 19,049	$ 414,754
LIABILITIES					
Accounts payable	$ -	$ 303,914	$ 3,458	$ -	$ 307,372
Amounts held for social services clients	31,158	-	-	-	31,158
Amounts held for regional program	-	11,754	-	-	11,754
Amounts held for others	-	-	45,421	19,049	64,470
Total liabilities	$ 31,158	$ 315,668	$ 48,879	$ 19,049	$ 414,754

Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	$ 35,287	$ 33,248	$ 38,197	$ 30,338
Accounts receivable	-	820	-	820
Total assets	$ 35,287	$ 34,068	$ 38,197	$ 31,158
Liabilities:				
Amounts held for social services clients	$ 35,287	$ 34,068	$ 38,197	$ 31,158
Middle Peninsula Regional Special Education Fund:				
Assets:				
Cash and cash equivalents	$ 14,639	$ 583,792	$ 305,166	$ 293,265
Accounts receivable	-	22,403	-	22,403
Prepaid items	391	-	391	-
Total assets	$ 15,030	$ 606,195	$ 305,557	$ 315,668
Liabilities:				
Accounts payable	$ 17	$ 303,914	$ 17	$ 303,914
Amounts held for regional program	15,013	302,281	305,540	11,754
Total liabilities	$ 15,030	$ 606,195	$ 305,557	$ 315,668
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	$ 57,557	$ 223,899	$ 232,577	$ 48,879
Liabilities:				
Accounts payable	$ 3,487	$ 3,458	$ 3,487	$ 3,458
Amounts held for others	54,070	220,441	229,090	45,421
Total liabilities	$ 57,557	$ 223,899	$ 232,577	$ 48,879
Sheriff/Jail Fund:				
Assets:				
Cash and cash equivalents	$ 16,786	$ 121,668	$ 119,405	$ 19,049
Liabilities:				
Amounts held for others	$ 16,786	$ 121,668	$ 119,405	$ 19,049
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	$ 124,269	$ 962,607	$ 695,345	$ 391,531
Accounts receivable	-	23,223	-	23,223
Prepaid items	391	-	391	-
Total assets	$ 124,660	$ 985,830	$ 695,736	$ 414,754
Liabilities:				
Accounts payable	$ 3,504	$ 307,372	$ 3,504	$ 307,372
Amounts held for social services clients	35,287	34,068	38,197	31,158
Amounts held for regional program	15,013	302,281	305,540	11,754
Amounts held for others	70,856	342,109	348,495	64,470
Total liabilities	$ 124,660	$ 985,830	$ 695,736	$ 414,754

Capital Assets Used in the Operation of Governmental Funds
Schedule of Capital Assets by Source
June 30, 2014

Governmental funds capital assets:		
Land	$	6,381,052
Buildings		19,099,015
Improvements other than buildings		2,913,181
Machinery and equipment		18,562,067
Jointly owned assets		38,056,893
Construction in progress		905,163
Total governmental funds capital assets	$	85,917,371
Investments in governmental funds capital assets by source:		
General fund	$	11,168,542
Special revenue funds		240,494
Capital projects fund		36,451,442
Component unit, school fund		38,056,893
Total governmental funds capital assets	$	85,917,371

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2014

Function and Activity	Land	Buildings	Construction in Progress	Machinery and Equipment	Improvements other than Buildings	Total
General government administration:						
Board of supervisors	$ 6,111,752	$ 2,079,302	$ -	$ -	$ 58,605	$ 8,249,659
County administrator	-	-	-	8,725	-	8,725
Commissioner of revenue	-	-	-	29,765	-	29,765
County assessor	-	-	-	247,164	-	247,164
Treasurer	-	-	-	18,488	-	18,488
Finance	-	-	-	38,516	-	38,516
Department of information technology	-	326,600	-	1,230,561	25,000	1,582,161
GIS	-	-	-	43,332	-	43,332
Purchasing	-	-	-	34,653	-	34,653
Registrar	-	-	-	9,000	-	9,000
Total general government administration	$ 6,111,752	$ 2,405,902	$ -	$ 1,660,204	$ 83,605	$ 10,261,463
Judicial administration:						
Circuit court	$ -	$ 7,237,000	$ -	$ 45,588	$ -	$ 7,282,588
General district court	-	-	-	14,617	-	14,617
Probation and pre-trial	-	-	-	5,220	-	5,220
Juvenile and domestic relations district court	-	-	-	25,337	-	25,337
Clerk of circuit court	-	-	-	151,894	-	151,894
Commonwealth's attorney	-	-	-	17,498	-	17,498
Total judicial administration	$ -	$ 7,237,000	$ -	$ 260,154	$ -	$ 7,497,154
Public safety:						
Sheriff	$ -	$ 2,138,675	$ 5,959	$ 2,681,049	$ -	$ 4,825,683
Emergency 911 system	-	-	-	5,764	-	5,764
Communication system	-	2,597,817	718,963	11,631,926	1,985,843	16,934,549
Emergency services	-	771,326	-	193,002	-	964,328
Jail	-	-	-	192,498	-	192,498
Codes compliance	-	-	-	189,239	-	189,239
Animal control	-	363,900	-	134,332	-	498,232
Total public safety	$ -	$ 5,871,718	$ 724,922	$ 15,027,810	$ 1,985,843	$ 23,610,293
Public works:						
Engineering	$ -	$ 12,230	$ -	$ 32,353	$ -	$ 44,583
Building and grounds	-	166,991	-	603,655	6,700	777,346
Total public works	$ -	$ 179,221	$ -	$ 636,008	$ 6,700	$ 821,929
Education:						
Schools	$ -	$ 38,056,893	$ -	$ -	$ -	$ 38,056,893
Community education	-	1,556,351	-	123,169	-	1,679,520
Total education	$ -	$ 39,613,244	$ -	$ 123,169	$ -	$ 39,736,413
Health and welfare:						
Mosquito control	$ -	$ -	$ -	$ 50,405	$ -	$ 50,405
Health department	-	317,143	-	-	-	317,143
Social services	-	758,240	-	182,351	-	940,591
Total health and welfare	$ -	$ 1,075,383	$ -	$ 232,756	$ -	$ 1,308,139
Parks, recreation, and cultural:						
Recreation	$ 269,300	$ 364,760	$ 180,241	$ 295,951	$ 646,057	$ 1,756,309
Beaverdam	-	199,397	-	76,637	111,042	387,076
Historical committee	-	157,783	-	-	79,934	237,717
Public library	-	-	-	207,963	-	207,963
Total parks, recreation, and cultural	$ 269,300	$ 721,940	$ 180,241	$ 580,551	$ 837,033	$ 2,589,065
Community development:						
Planning	$ -	$ -	$ -	$ 24,656	$ -	$ 24,656
Economic development	-	-	-	9,282	-	9,282
Community developoment	-	-	-	7,477	-	7,477
VPI extension program	-	51,500	-	-	-	51,500
Total community development	$ -	$ 51,500	$ -	$ 41,415	$ -	$ 92,915
Total governmental funds capital assets	$ 6,381,052	$ 57,155,908	$ 905,163	$ 18,562,067	$ 2,913,181	$ 85,917,371

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2014

Function and Activity	Governmental Funds Capital Assets July 1, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
General government administration:				
Board of supervisors	$ 7,821,500	$ 428,159	$ -	$ 8,249,659
County administrator	-	8,725	-	8,725
Commissioner of revenue	29,765	-	-	29,765
County assessor	247,164	-	-	247,164
Treasurer	18,488	-	-	18,488
Finance	38,516	-	-	38,516
Department of information technology	1,275,690	306,471	-	1,582,161
GIS	43,332	-	-	43,332
Purchasing	34,653	-	-	34,653
Registrar	9,000	-	-	9,000
Total general government administration	$ 9,518,108	$ 743,355	$ -	$ 10,261,463
Judicial administration:				
Circuit court	$ 7,248,134	$ 34,454	$ -	$ 7,282,588
General district court	14,617	-	-	14,617
Probation and pre-trial	5,220	-	-	5,220
Juvenile and domestic relations district court	25,337	-	-	25,337
Clerk of the circuit court	151,894	-	-	151,894
Commonwealth's attorney	17,498	-	-	17,498
Total judicial administration	$ 7,462,700	$ 34,454	$ -	$ 7,497,154
Public safety:				
Sheriff	$ 4,874,855	$ 275,897	$ 325,069	$ 4,825,683
911 system	5,764	-	-	5,764
Communication systems	16,190,979	743,570	-	16,934,549
Emergency services	945,681	18,647	-	964,328
Jail	214,032	-	21,534	192,498
Building inspections	189,239	-	-	189,239
Animal control	505,252	26,101	33,121	498,232
Total public safety	$ 22,925,802	$ 1,064,215	$ 379,724	$ 23,610,293
Public works:				
Engineering	$ 36,338	$ 8,245	$ -	$ 44,583
Buildings and grounds	784,116	16,250	23,020	777,346
Total public works	$ 820,454	$ 24,495	$ 23,020	$ 821,929
Education:				
Schools	$ 31,567,480	$ 11,115,969	$ 4,626,556	$ 38,056,893
Community education	1,679,520	-	-	1,679,520
Total education	$ 33,247,000	$ 11,115,969	$ 4,626,556	$ 39,736,413
Health and welfare:				
Mosquito control	$ 54,279	$ 25,526	$ 29,400	$ 50,405
Health department	317,143	-	-	317,143
Social services	937,111	29,182	25,702	940,591
Total health and welfare	$ 1,308,533	$ 54,708	$ 55,102	$ 1,308,139
Parks, recreation, and cultural:				
Recreation	$ 1,601,832	$ 154,477	$ -	$ 1,756,309
Beaverdam	355,236	31,840	-	387,076
Historical committee	237,717	-	-	237,717
Public library	199,538	8,425	-	207,963
Total parks, recreation, and cultural	$ 2,394,323	$ 194,742	$ -	$ 2,589,065
Community development:				
Planning	$ 24,656	$ -	$ -	$ 24,656
Economic development	9,282	-	-	9,282
Community development	-	7,477	-	7,477
VPI extension program	51,500	-	-	51,500
Total community development	$ 85,438	$ 7,477	$ -	$ 92,915
Total governmental funds capital assets	$ 77,762,358	$ 13,239,415	$ 5,084,402	$ 85,917,371

Discretely Presented Component Unit-School Board

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Combining Balance Sheet
Discretely Presented Component Unit - School Board
June 30, 2014

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 50	$ 848,006	$ 848,056
Receivables (net of allowance for uncollectibles):			
Accounts receivable	346,355	4,545	350,900
Due from other governmental units	4,939,492	4,056	4,943,548
Inventories	-	24,139	24,139
Prepaid items	5,476	-	5,476
Total assets	$ 5,291,373	$ 880,746	$ 6,172,119
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 304,723	$ 63,427	$ 368,150
Accrued liabilities	4,986,650	141,735	5,128,385
Due to other governmental units	-	150,000	150,000
Total liabilities	$ 5,291,373	$ 355,162	$ 5,646,535
Fund balances:			
Nonspendable	$ 5,476	$ 24,139	$ 29,615
Assigned	-	501,445	501,445
Unassigned	(5,476)	-	(5,476)
Total fund balances	$ -	$ 525,584	$ 525,584
Total liabilities and fund balances	$ 5,291,373	$ 880,746	$ 6,172,119

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

Total fund balances per above	$ 525,584
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,607,625
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	1,361,341
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(3,440,660)
Net position of governmental activities	$ 26,053,890

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	$ 2,500	$ 1,135	$ 3,635
Charges for services	54,789	1,109,270	1,164,059
Miscellaneous	91,725	8,273	99,998
Recovered costs	401,052	-	401,052
Intergovernmental:			
Local government	22,271,754	-	22,271,754
Commonwealth	26,948,013	36,290	26,984,303
Federal	2,391,806	1,215,853	3,607,659
Total revenues	$ 52,161,639	$ 2,370,821	$ 54,532,460
EXPENDITURES			
Current:			
Education	$ -	$ 2,369,415	$ 2,369,415
Instruction	37,850,461	-	37,850,461
Administration, Attendance, Health	2,349,937	-	2,349,937
Pupil Transportation	3,909,284	-	3,909,284
Operations & Maintenance	5,704,359	-	5,704,359
Technology	2,347,598	-	2,347,598
Total expenditures	$ 52,161,639	$ 2,369,415	$ 54,531,054
Excess (deficiency) of revenues over (under) expenditures	$ -	$ 1,406	$ 1,406
Net change in fund balances	$ -	$ 1,406	$ 1,406
Fund balances - beginning	-	524,178	524,178
Fund balances - ending	$ -	$ 525,584	$ 525,584

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

Net change in fund balances - total governmental funds - per above		$ 1,406
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.		2,936,714
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
(Increase) decrease in compensated absences	$ 481	
(Increase) decrease in net OPEB obligation	(269,485)	(269,004)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.		410,533
Change in net position of governmental activities		$ 3,079,649

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Operating Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ 2,500	$ 2,500	$ 2,500	$ -
Charges for services	47,488	47,488	54,789	7,301
Miscellaneous	77,601	77,601	91,725	14,124
Recovered costs	365,145	365,145	401,052	35,907
Intergovernmental:				
Local government	22,525,944	22,525,944	22,271,754	(254,190)
Commonwealth	26,358,025	26,938,547	26,948,013	9,466
Federal	2,712,038	2,712,038	2,391,806	(320,232)
Total revenues	$ 52,088,741	$ 52,669,263	$ 52,161,639	$ (507,624)
EXPENDITURES				
Current:				
Instruction	$ 37,663,917	$ 38,222,439	$ 37,850,461	$ 371,978
Administration, Attendance, Health	2,407,980	2,364,980	2,349,937	15,043
Pupil Transportation	3,950,451	3,950,451	3,909,284	41,167
Operations & Maintenance	5,737,314	5,770,314	5,704,359	65,955
Technology	2,329,079	2,361,079	2,347,598	13,481
Total expenditures	$ 52,088,741	$ 52,669,263	$ 52,161,639	$ 507,624
Net change in fund balances	$ -	$ -	$ -	$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	$ -	$ -	$ -	$ -

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Cafeteria Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

	School Cafeteria Fund			
	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Revenue from the use of money and property	$ 2,607	$ 2,607	$ 1,135	$ (1,472)
Charges for services	1,305,975	1,305,975	1,109,270	(196,705)
Miscellaneous	16,835	16,835	8,273	(8,562)
Intergovernmental:				
Commonwealth	38,665	38,665	36,290	(2,375)
Federal	988,053	988,053	1,215,853	227,800
Total revenues	$ 2,352,135	$ 2,352,135	$ 2,370,821	$ 18,686
EXPENDITURES				
Current:				
Education	$ 2,392,135	$ 2,392,135	$ 2,369,415	$ 22,720
Total expenditures	$ 2,392,135	$ 2,392,135	$ 2,369,415	$ 22,720
Excess (deficiency) of revenues over (under) expenditures	$ (40,000)	$ (40,000)	$ 1,406	$ 41,406
Net change in fund balances	$ (40,000)	$ (40,000)	$ 1,406	$ 41,406
Fund balances - beginning	40,000	40,000	524,178	484,178
Fund balances - ending	$ -	$ -	$ 525,584	$ 525,584

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 29**

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2014

	Scholarship Private-Purpose Trust
ASSETS	
Cash and cash equivalents	$ 298,984
Total assets	$ 298,984
NET POSITION	
Held in trust for scholarships	$ 298,984

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 30**

Statement of Changes in Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
For the Year Ended June 30, 2014

		Scholarship Private-Purpose Trust
ADDITIONS		
Contributions:		
Private donations	$	12,097
Total contributions	$	12,097
Investment earnings:		
Interest	$	2,955
Total investment earnings	$	2,955
Total additions	$	15,052
DEDUCTIONS		
Scholarships	$	10,500
Total deductions	$	10,500
Change in net position	$	4,552
Net position - beginning		294,432
Net position - ending	$	298,984

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 31**

Statement of Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
June 30, 2014

		Self-Insurance Fund
ASSETS		
Current assets:		
Accounts receivable, net of allowances for uncollectibles	$	2,005,806
Total assets	$	2,005,806
LIABILITIES		
Current liabilities:		
Accounts payable	$	644,465
Total liabilities	$	644,465
NET POSITION		
Unrestricted	$	1,361,341
Total net position	$	1,361,341

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 32**

Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

		Self-Insurance Fund
OPERATING REVENUES		
Charges for services:		
Insurance premiums	$	6,360,471
Total operating revenues	$	6,360,471
OPERATING EXPENSES		
Insurance claims and expenses	$	5,949,938
Total operating expenses	$	5,949,938
Operating income (loss)	$	410,533
Total net position - beginning	$	950,808
Total net position - ending	$	1,361,341

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 33**

Statement of Cash Flows
Internal Service Fund - Discretely Presented Component Unit - School Board
For the Year Ended June 30, 2014

		Self-Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for insurance premiums	$	5,908,278
Payments for premiums		(5,908,278)
Net cash provided by (used for) operating activities	$	-
Cash and cash equivalents - beginning	$	-
Cash and cash equivalents - ending	$	-
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	410,533
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	$	(452,193)
Increase (decrease) in accounts payable		41,660
Total adjustments	$	(410,533)
Net cash provided by (used for) operating activities	$	-

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Capital Assets by Source
June 30, 2014

Governmental funds capital assets:		
Land	$	1,476,061
Buildings		3,392,313
Jointly owned assets		34,948,065
Machinery and equipment		11,217,370
Total governmental funds capital assets	$	51,033,809
Investments in governmental funds capital assets by source:		
Component unit, school fund	$	51,033,809
Total governmental funds capital assets	$	51,033,809

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

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule by Function and Activity
June 30, 2014

Function and Activity	Land	Jointly Owned Assets	Buildings	Machinery and Equipment	Total
Education:					
Schools	$ 1,476,061	$ 34,948,065	$ 3,392,313	$ 11,217,370	$ 51,033,809
Total governmental funds capital assets	$ 1,476,061	$ 34,948,065	$ 3,392,313	$ 11,217,370	$ 51,033,809

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

Capital Assets Used in the Operation of Governmental Funds-
Discretely Presented Component Unit-School Board
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2014

Function and Activity	Governmental Funds Capital Assets July 1, 2013	Additions	Deductions	Governmental Funds Capital Assets June 30, 2014
Education:				
Schools	$ 46,543,291	$ 5,647,036	$ -	$ 52,190,327
Total governmental funds capital assets	$ 46,543,291	$ 5,647,036	$ -	$ 52,190,327

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

Discretely Presented Component Unit-Economic Development Authority

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Statement of Net Position
Discretely Presented Component Unit - Economic Development Authority
June 30, 2014

ASSETS		
Current assets:		
Cash and cash equivalents	$	130,601
Investments		927,702
Inventories		1,083,044
Total current assets	$	2,141,347
Noncurrent assets:		
Capital assets:		
Land	$	813,267
Buildings		18,403,393
Machinery and equipment		7,234
Less accumulated depreciation		(5,936,861)
Total net capital assets	$	13,287,033
Total noncurrent assets	$	13,287,033
Total assets	$	15,428,380
DEFERRED OUTFLOWS		
Accumulated decrease in fair value of hedging derivatives	$	2,051,465
LIABILITIES		
Current liabilities:		
Accounts payable	$	77,649
Due to other governmental units		288,000
Bonds payable - current portion		685,139
Total current liabilities	$	1,050,788
Noncurrent liabilities:		
Bonds payable - net of current portion	$	14,463,218
Derivative instrument - rate swap		2,051,465
Total noncurrent liabilities	$	16,514,683
Total liabilities	$	17,565,471
NET POSITION		
Net investment in capital assets	$	(1,861,324)
Unrestricted		1,775,698
Total net position	$	(85,626)

COUNTY OF GLOUCESTER, VIRGINIA **Exhibit 38**

Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2014

OPERATING REVENUES		
Charges for services:		
Rents	$	1,544,112
Contributions from local governments		35,000
Other revenues		22,771
Total operating revenues	$	1,601,883
OPERATING EXPENSES		
Contractual services	$	17,970
Other charges		26,647
Automobile and travel expense		11,135
Depreciation		735,472
Total operating expenses	$	791,224
Operating income (loss)	$	810,659
NONOPERATING REVENUES (EXPENSES)		
Interest income	$	15,265
Interest expense		(934,333)
Total nonoperating revenues (expenses)	$	(919,068)
Change in net position	$	(108,409)
Total net position - beginning		22,783
Total net position - ending	$	(85,626)

Statement of Cash Flows
Discretely Presented Component Unit - Economic Development Authority
For the Year Ended June 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	1,544,112
Receipts for miscellaneous items		22,771
Payments for operating activities		(59,584)
Net cash provided by (used for) operating activities	$	1,507,299
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds	$	(645,508)
Interest payments		(930,522)
Net cash provided by (used for) capital and related financing activities	$	(1,576,030)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of investments	$	(13,755)
Interest income, net of fees		11,453
Net cash provided by (used for) investing activities	$	(2,302)
Net increase (decrease) in cash and cash equivalents	$	(71,033)
Cash and cash equivalents - beginning		201,634
Cash and cash equivalents - ending	$	130,601
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	810,659
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	$	735,472
Increase (decrease) in accounts payable		(3,832)
Increase (decrease) in amounts due to other governmental units		(35,000)
Total adjustments	$	696,640
Net cash provided by (used for) operating activities	$	1,507,299

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Supporting Schedules

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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	$ 27,032,329	$ 27,032,329	$ 27,163,438	$ 131,109
Real and personal public service corporation taxes	594,000	594,086	1,194,858	600,772
Personal property taxes	8,591,985	8,591,985	8,978,213	386,228
Mobile home taxes	43,000	43,000	49,965	6,965
Penalties	340,346	340,346	388,685	48,339
Interest	190,251	190,251	221,839	31,588
Total general property taxes	$ 36,791,911	$ 36,791,997	$ 37,996,998	$ 1,205,001
Other local taxes:				
Local sales and use taxes	$ 3,785,144	$ 3,785,144	$ 3,811,874	$ 26,730
Consumers' utility taxes	701,000	701,000	707,280	6,280
Electric consumption taxes	133,112	133,112	134,742	1,630
Business license taxes	1,546,400	1,546,400	1,560,493	14,093
Bank stock taxes	170,000	170,000	232,827	62,827
Taxes on recordation and wills	457,000	457,000	417,043	(39,957)
Hotel and motel room taxes	120,000	120,000	153,758	33,758
Restaurant food taxes	1,851,000	1,851,000	1,857,472	6,472
Total other local taxes	$ 8,763,656	$ 8,763,656	$ 8,875,489	$ 111,833
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 20,200	$ 20,200	$ 35,339	$ 15,139
Permits and other licenses	274,200	274,200	316,991	42,791
Total permits, privilege fees, and regulatory licenses	$ 294,400	$ 294,400	$ 352,330	$ 57,930
Fines and forfeitures:				
Court fines and forfeitures	$ 132,000	$ 132,000	$ 80,340	$ (51,660)
Parking fines	500	500	285	(215)
Total fines and forfeitures	$ 132,500	$ 132,500	$ 80,625	$ (51,875)
Revenue from use of money and property:				
Revenue from use of money	$ 39,250	$ 39,250	$ 30,261	$ (8,989)
Revenue from use of property	107,781	107,781	112,846	5,065
Total revenue from use of money and property	$ 147,031	$ 147,031	$ 143,107	$ (3,924)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Excess fees of clerk	$ 9,000	$ 9,000	$ 18,469	$ 9,469
Charges for law enforcement and traffic control	36,560	36,560	37,062	502
Charges for courthouse maintenance	17,700	17,700	12,951	(4,749)
Circuit court judge fees	37,920	37,920	39,528	1,608
Charges for courthouse security	61,430	61,430	48,223	(13,207)
Charges for probation	16,000	16,000	11,620	(4,380)
Charges for Commonwealth's Attorney	2,250	2,250	3,140	890
Miscellaneous dog fees	9,000	9,000	9,933	933
Charges for library	48,000	48,000	40,830	(7,170)
Charges for sanitation and waste removal	158,244	158,244	219,143	60,899
Charges for parks and recreation	262,246	262,246	245,679	(16,567)
Charges for community education	-	-	60	60
Charges for sale of publications and commemorative material	11,700	11,700	8,985	(2,715)
Charges for daffodil festival	50,000	50,000	58,095	8,095
Charges for sale of historical material	500	500	288	(212)
Total charges for services	$ 720,550	$ 720,550	$ 754,006	$ 33,456
Miscellaneous revenue:				
Miscellaneous	$ 292,888	$ 292,888	$ 425,085	$ 132,197
Total miscellaneous revenue	$ 292,888	$ 292,888	$ 425,085	$ 132,197
Recovered costs:				
Recovered costs sheriff	$ 259,270	$ 259,270	$ 249,141	$ (10,129)
Recovered costs jail	15,000	15,000	8,359	(6,641)
Treasurer recovered costs	56,000	86,000	104,910	18,910
Probation & pretrial recovered costs	46,500	46,500	43,700	(2,800)
Demolition recovered costs	8,500	8,500	3,700	(4,800)
Total recovered costs	$ 385,270	$ 415,270	$ 409,810	$ (5,460)
Total revenue from local sources	$ 47,528,206	$ 47,558,292	$ 49,037,450	$ 1,479,158
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	$ 2,000	$ 2,000	$ 4,748	$ 2,748
Mobile home titling tax	40,000	40,000	21,009	(18,991)
Motor vehicle rental tax	54,000	54,000	60,703	6,703
State recordation tax	111,085	111,085	137,623	26,538
Communication tax	1,618,000	1,618,000	1,537,356	(80,644)
Personal property tax relief funds	2,778,640	2,778,640	2,778,640	-
Total noncategorical aid	$ 4,603,725	$ 4,603,725	$ 4,540,079	$ (63,646)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	$ 375,451	$ 375,451	$ 376,222	$ 771
Sheriff	2,415,944	2,415,944	2,415,986	42
Jail	160,432	160,432	127,388	(33,044)
Asset forfeiture	-	-	1,515	1,515
Commissioner of revenue	127,886	127,886	126,145	(1,741)
Treasurer	131,957	131,957	131,543	(414)
Registrar/electoral board	49,669	49,669	41,102	(8,567)
Clerk of the Circuit Court	267,854	267,854	282,418	14,564
Total shared expenses	$ 3,529,193	$ 3,529,193	$ 3,502,319	$ (26,874)
Other categorical aid:				
Emergency medical services	$ 41,000	$ 41,000	$ 40,149	$ (851)
Litter control grant	11,052	11,052	9,749	(1,303)
E911 wireless grant	42,627	42,627	43,238	611
Library grant	149,815	149,815	147,540	(2,275)
Probation & pretrial	334,165	334,165	409,347	75,182
Victim-witness grant	51,172	51,172	49,924	(1,248)
Fire programs	100,000	100,000	110,696	10,696
Total other categorical aid	$ 729,831	$ 729,831	$ 810,643	$ 80,812
Total categorical aid	$ 4,259,024	$ 4,259,024	$ 4,312,962	$ 53,938
Total revenue from the Commonwealth	$ 8,862,749	$ 8,862,749	$ 8,853,041	$ (9,708)
Revenue from the federal government:				
Categorical aid:				
V-stop prosecutor grant	$ 23,981	$ 23,981	$ 22,116	$ (1,865)
Public assistance and welfare administration	116,147	116,147	85,087	(31,060)
Highway safety grant	-	-	22,267	22,267
State domestic preparedness grant	13,644	13,644	13,644	-
Asset forfeiture	-	-	10,825	10,825
Other federal revenue	35,827	47,000	13,165	(33,835)
Total categorical aid	$ 189,599	$ 200,772	$ 167,104	$ (33,668)
Total revenue from the federal government	$ 189,599	$ 200,772	$ 167,104	$ (33,668)
Total General Fund	$ 56,580,554	$ 56,621,813	$ 58,057,595	$ 1,435,782

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	$ -	$ -	$ 1,590	$ 1,590
Total revenue from local sources	$ -	$ -	$ 1,590	$ 1,590
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	$ 1,269,307	$ 1,269,307	$ 1,123,568	$ (145,739)
Total categorical aid	$ 1,269,307	$ 1,269,307	$ 1,123,568	$ (145,739)
Total revenue from the Commonwealth	$ 1,269,307	$ 1,269,307	$ 1,123,568	$ (145,739)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 1,220,276	$ 1,220,276	$ 1,321,412	$ 101,136
Total categorical aid	$ 1,220,276	$ 1,220,276	$ 1,321,412	$ 101,136
Total revenue from the federal government	$ 1,220,276	$ 1,220,276	$ 1,321,412	$ 101,136
Total Virginia Public Assistance Fund	$ 2,489,583	$ 2,489,583	$ 2,446,570	$ (43,013)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	$ 4,030	$ 4,030	$ 21,199	$ 17,169
Total revenue from local sources	$ 4,030	$ 4,030	$ 21,199	$ 17,169
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	$ 831,000	$ 831,000	$ 668,649	$ (162,351)
Public assistance and welfare administration	2,470	2,470	2,184	(286)
Total categorical aid	$ 833,470	$ 833,470	$ 670,833	$ (162,637)
Total revenue from the Commonwealth	$ 833,470	$ 833,470	$ 670,833	$ (162,637)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 19,500	$ 19,500	$ 74,932	$ 55,432
Total revenue from the federal government	$ 19,500	$ 19,500	$ 74,932	$ 55,432
Total Comprehensive Services Act Fund	$ 857,000	$ 857,000	$ 766,964	$ (90,036)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Other categorical aid	$ 229,745	$ 229,745	$ 233,520	$ 3,775
Total Debt Service Fund	$ 229,745	$ 229,745	$ 233,520	$ 3,775
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 4,389	$ 4,389
Total revenue from use of money and property	$ -	$ -	$ 4,389	$ 4,389
Miscellaneous revenue:				
Cash proffers	$ -	$ -	$ 12,400	12,400
Donations or other miscellaneous	150,000	176,000	118,735	$ (57,265)
Total miscellaneous revenue	$ 150,000	$ 176,000	$ 131,135	$ (44,865)
Total revenue from local sources	$ 150,000	$ 176,000	$ 135,524	$ (40,476)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Woodville lights grant	$ -	$ -	$ 79,686	$ 79,686
Burn building grant	-	-	18,647	18,647
School security grant	-	77,259	77,259	-
Acquisition/elevation grant	1,100,000	1,120,072	174,680	(945,392)
Total categorical aid	$ 1,100,000	$ 1,197,331	$ 350,272	$ (847,059)
Total revenue from the Commonwealth	$ 1,100,000	$ 1,197,331	$ 350,272	$ (847,059)
Revenue from the federal government:				
Categorical aid:				
Acquisition/elevation grant	2,250,000	2,274,954	884,267	(1,390,687)
Total categorical aid	$ 2,250,000	$ 2,274,954	$ 884,267	$ (1,390,687)
Total revenue from the federal government	$ 2,250,000	$ 2,274,954	$ 884,267	$ (1,390,687)
Total County Capital Improvements Fund	$ 3,500,000	$ 3,648,285	$ 1,370,063	$ (2,278,222)
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 45,000	$ 45,000	$ 34,711	$ (10,289)
Total revenue from use of money and property	$ 45,000	$ 45,000	$ 34,711	$ (10,289)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
School Construction Fund: (Continued)				
Miscellaneous revenue:				
Donations or other miscellaneous	$ 1,000,000	$ 1,000,000	$ -	$ (1,000,000)
Total revenue from local sources	$ 1,045,000	$ 1,045,000	$ 34,711	$ (1,010,289)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	$ -	$ -	$ 1,780	$ 1,780
Emergency assistance	-	-	34,887	34,887
Total categorical aid	$ -	$ -	$ 36,667	$ 36,667
Total revenue from the Commonwealth	$ -	$ -	$ 36,667	$ 36,667
Total School Construction Fund	$ 1,045,000	$ 1,045,000	$ 71,378	$ (973,622)
Total Primary Government	$ 64,701,882	$ 64,891,426	$ 62,946,090	$ (1,945,336)
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	$ 2,500	$ 2,500	$ 2,500	$ -
Charges for services:				
Tuition and payments from other divisions	$ 47,488	$ 47,488	$ 54,789	$ 7,301
Miscellaneous revenue:				
Other miscellaneous	$ 77,601	$ 77,601	$ 91,725	$ 14,124
Recovered costs:				
Medicaid reimbursements	$ 160,000	$ 160,000	$ 215,274	$ 55,274
Other recovered costs	205,145	205,145	185,778	(19,367)
Total recovered costs	$ 365,145	$ 365,145	$ 401,052	$ 35,907
Total revenue from local sources	$ 492,734	$ 492,734	$ 550,066	$ 57,332
Intergovernmental:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	$ 22,525,944	$ 22,525,944	$ 22,271,754	$ (254,190)
Total revenues from local governments	$ 22,525,944	$ 22,525,944	$ 22,271,754	$ (254,190)
Revenue from the Commonwealth:				
Categorical aid:				
Emergency assistance	$ -	$ -	$ 81,353	$ 81,353
Share of state sales tax	5,846,329	5,846,329	5,633,503	(212,826)
Basic school aid	13,983,570	14,179,230	14,241,834	62,604
ISAEP	15,717	15,717	17,418	1,701
Remedial summer education	6,454	6,454	53,391	46,937
Regular foster care	3,190	3,190	-	(3,190)
Gifted and talented	154,058	155,769	155,412	(357)
English as a second language	8,875	8,875	18,120	9,245
Compensation supplement	-	-	321,636	321,636
Special education	1,041,564	1,053,137	1,050,718	(2,419)
Textbook payment	300,513	303,852	303,154	(698)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	$ 301,417	$ 304,766	$ 304,066	$ (700)
Vocational standards of quality payments	224,388	226,882	226,360	(522)
Social security fringe benefits	803,779	812,710	810,844	(1,866)
Retirement fringe benefits	1,342,981	1,357,903	1,354,784	(3,119)
Group life insurance fringe benefits	50,236	50,794	50,678	(116)
Early reading intervention	42,599	42,599	54,217	11,618
Project graduation	-	-	15,611	15,611
Homebound education	25,444	25,444	23,117	(2,327)
Regional program tuition	534,734	534,734	577,177	42,443
Vocational educational equipment	22,043	22,043	17,023	(5,020)
VI teacher	2,058	2,058	-	(2,058)
At risk payments	223,564	226,136	225,531	(605)
National Board Certification TC	32,500	32,500	35,000	2,500
Industry credential student	10,000	10,000	7,671	(2,329)
Primary class size	296,862	296,862	297,298	436
VA Preschool	133,963	133,963	130,242	(3,721)
Technology	284,000	284,000	284,000	-
Race to GED	-	-	3,279	3,279
Standards of Learning algebra readiness	47,577	47,577	45,733	(1,844)
Governors school	-	-	11,498	11,498
Mentor teacher program	2,208	2,208	5,316	3,108
Additional Assistance RET, INF, PS	298,736	298,736	298,736	-
Strategic compenstation	-	331,874	263,463	(68,411)
Other state funds	318,666	322,205	29,830	(292,375)
Total categorical aid	$ 26,358,025	$ 26,938,547	$ 26,948,013	$ 9,466
Total revenue from the Commonwealth	$ 26,358,025	$ 26,938,547	$ 26,948,013	$ 9,466
Revenue from the federal government:				
Categorical aid:				
Title I	$ 872,629	$ 872,629	$ 820,795	$ (51,834)
Title VI-B, special education	1,212,311	1,212,311	1,123,346	(88,965)
Vocational education	77,543	77,543	75,172	(2,371)
Title II	260,412	260,412	247,557	(12,855)
Impact aid	70,000	70,000	54,804	(15,196)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
ROTC	$ 69,143	$ 69,143	$ 67,762	$ (1,381)
Other federal funds	150,000	150,000	2,370	(147,630)
Total categorical aid	$ 2,712,038	$ 2,712,038	$ 2,391,806	$ (320,232)
Total revenue from the federal government	$ 2,712,038	$ 2,712,038	$ 2,391,806	$ (320,232)
Total School Operating Fund	$ 52,088,741	$ 52,669,263	$ 52,161,639	$ (507,624)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ 2,607	$ 2,607	$ 1,135	$ (1,472)
Total revenue from use of money and property	$ 2,607	$ 2,607	$ 1,135	$ (1,472)
Charges for services:				
Cafeteria sales	$ 1,237,339	$ 1,237,339	$ 1,071,614	$ (165,725)
Other charges for services	68,636	68,636	37,656	(30,980)
Total charges for services	$ 1,305,975	$ 1,305,975	$ 1,109,270	$ (196,705)
Miscellaneous revenue:				
Other miscellaneous	$ 16,835	$ 16,835	$ 8,273	$ (8,562)
Total miscellaneous revenue	$ 16,835	$ 16,835	$ 8,273	$ (8,562)
Total revenue from local sources	$ 1,325,417	$ 1,325,417	$ 1,118,678	$ (206,739)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	$ 38,665	$ 38,665	$ 36,290	$ (2,375)
Total revenue from the Commonwealth	$ 38,665	$ 38,665	$ 36,290	$ (2,375)
Revenue from the federal government:				
Categorical aid:				
School food program grant	$ 988,053	$ 988,053	$ 1,061,492	$ 73,439
USDA commodities	-	-	154,361	154,361
Total categorical aid	$ 988,053	$ 988,053	$ 1,215,853	$ 227,800
Total revenue from the federal government	$ 988,053	$ 988,053	$ 1,215,853	$ 227,800
Total School Cafeteria Fund	$ 2,352,135	$ 2,352,135	$ 2,370,821	$ 18,686
Total Discretely Presented Component Unit - School Board	$ 54,440,876	$ 55,021,398	$ 54,532,460	$ (488,938)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	$ 114,038	$ 114,038	$ 112,854	$ 1,184
General and financial administration:				
County administrator	$ 914,586	$ 654,021	$ 584,917	$ 69,104
Human resources	346,938	361,423	360,807	616
County attorney	266,713	265,275	267,306	(2,031)
Commissioner of revenue	474,603	478,284	431,076	47,208
County assessor	439,405	462,175	450,691	11,484
Treasurer	641,211	685,487	651,397	34,090
Finance	417,387	428,670	407,705	20,965
Department of information technology	1,141,940	1,193,285	1,161,750	31,535
GIS	342,466	350,068	318,330	31,738
Purchasing	264,281	263,984	245,120	18,864
Other general and financial administration	231,591	228,636	225,161	3,475
Total general and financial administration	$ 5,481,121	$ 5,371,308	$ 5,104,260	$ 267,048
Board of elections:				
Electoral board and officials	$ 208,736	$ 210,698	$ 201,504	$ 9,194
Total board of elections	$ 208,736	$ 210,698	$ 201,504	$ 9,194
Total general government administration	$ 5,803,895	$ 5,696,044	$ 5,418,618	$ 277,426
Judicial administration:				
Courts:				
Circuit court	$ 75,432	$ 75,105	$ 66,342	$ 8,763
General district court	27,990	27,990	13,928	14,062
Commissioner of accounts	600	600	505	95
Magistrate	1,000	1,000	942	58
Juvenile and domestic relations district court	12,940	12,940	17,727	(4,787)
Clerk of the circuit court	427,849	436,176	454,782	(18,606)
Victim and witness assistance	68,524	71,417	74,913	(3,496)
Court services unit	254,000	277,240	330,058	(52,818)
Group home commission	214,594	214,594	213,271	1,323
Total courts	$ 1,082,929	$ 1,117,062	$ 1,172,468	$ (55,406)
Commonwealth's attorney:				
Commonwealth's attorney	$ 688,295	$ 695,599	$ 640,124	$ 55,475
Total commonwealth's attorney	$ 688,295	$ 695,599	$ 640,124	$ 55,475
Total judicial administration	$ 1,771,224	$ 1,812,661	$ 1,812,592	$ 69
Public safety:				
Law enforcement and traffic control:				
Sheriff	$ 4,835,677	$ 4,925,017	$ 4,941,445	$ (16,428)
Emergency operations center	257,203	257,203	262,294	(5,091)
Total law enforcement and traffic control	$ 5,092,880	$ 5,182,220	$ 5,203,739	$ (21,519)

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	$ 1,966,458	$ 1,966,458	$ 1,976,143	$ (9,685)
Radio system	563,016	563,016	514,298	48,718
State forestry service	8,039	8,039	7,427	612
Office of emergency services	164,909	189,337	179,056	10,281
Total fire and rescue services	$ 2,702,422	$ 2,726,850	$ 2,676,924	$ 49,926
Correction and detention:				
County operated institutions	$ 2,598,209	$ 2,658,990	$ 2,583,814	$ 75,176
Probation & pretrial	410,813	425,178	421,371	3,807
Total correction and detention	$ 3,009,022	$ 3,084,168	$ 3,005,185	$ 78,983
Inspections:				
Building	$ 393,288	$ 401,957	$ 385,805	$ 16,152
Total inspections	$ 393,288	$ 401,957	$ 385,805	$ 16,152
Other protection:				
Animal control	$ 384,856	$ 351,070	$ 337,597	$ 13,473
Medical examiner	200	200	200	-
Total other protection	$ 385,056	$ 351,270	$ 337,797	$ 13,473
Total public safety	$ 11,582,668	$ 11,746,465	$ 11,609,450	$ 137,015
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	$ 335,619	$ 341,107	$ 278,943	$ 62,164
Total maintenance of highways, streets, bridges & sidewalks	$ 335,619	$ 341,107	$ 278,943	$ 62,164
Sanitation and waste removal:				
Refuse collection and disposal	$ 8,900	$ 8,900	$ 6,980	$ 1,920
Total sanitation and waste removal	$ 8,900	$ 8,900	$ 6,980	$ 1,920
Maintenance of general buildings and grounds:				
General properties	$ 1,882,415	$ 1,923,872	$ 1,886,195	$ 37,677
Total maintenance of general buildings and grounds	$ 1,882,415	$ 1,923,872	$ 1,886,195	$ 37,677
Total public works	$ 2,226,934	$ 2,273,879	$ 2,172,118	$ 101,761
Health and welfare:				
Health:				
Supplement of local health department	$ 491,506	$ 494,161	$ 494,150	$ 11
Mosquito control	113,011	130,490	125,214	5,276
Total health	$ 604,517	$ 624,651	$ 619,364	$ 5,287

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	$ 113,455	$ 113,455	$ 113,455	$ -
Total mental health and mental retardation	$ 113,455	$ 113,455	$ 113,455	$ -
Total health and welfare	$ 717,972	$ 738,106	$ 732,819	$ 5,287
Education:				
Other instructional costs:				
Contribution to community colleges	$ 12,901	$ 12,901	$ 12,901	$ -
Contribution to community education	506,666	537,258	530,997	6,261
Cable services	38,960	38,960	23,541	15,419
Contribution to County School Board	22,525,944	22,525,944	22,271,754	254,190
Total education	$ 23,084,471	$ 23,115,063	$ 22,839,193	$ 275,870
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	$ 807,085	$ 838,746	$ 835,673	$ 3,073
Beaverdam reservoir park	245,623	259,042	190,951	68,091
Total parks and recreation	$ 1,052,708	$ 1,097,788	$ 1,026,624	$ 71,164
Cultural enrichment:				
Daffodil festival	$ 50,000	$ 50,000	$ 48,240	$ 1,760
Historical committee	55,543	59,112	54,777	4,335
Total cultural enrichment	$ 105,543	$ 109,112	$ 103,017	$ 6,095
Library:				
Contribution to county library	$ 1,010,380	$ 1,035,629	$ 987,428	$ 48,201
Total library	$ 1,010,380	$ 1,035,629	$ 987,428	$ 48,201
Total parks, recreation, and cultural	$ 2,168,631	$ 2,242,529	$ 2,117,069	$ 125,460
Community development:				
Planning and community development:				
Community development	$ 622,481	$ 630,904	$ 555,045	$ 75,859
Tourism	122,394	123,151	118,929	4,222
Economic development	215,666	260,120	249,853	10,267
Total planning and community development	$ 960,541	$ 1,014,175	$ 923,827	$ 90,348
Environmental management:				
Clean community program	$ 21,585	$ 22,793	$ 20,593	$ 2,200
Total environmental management	$ 21,585	$ 22,793	$ 20,593	$ 2,200
Cooperative extension program:				
Extension office	$ 88,592	$ 91,061	$ 90,456	$ 605
Total cooperative extension program	$ 88,592	$ 91,061	$ 90,456	$ 605
Total community development	$ 1,070,718	$ 1,128,029	$ 1,034,876	$ 93,153

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	$ 320,585	$ 365,585	$ 365,585	$ -
Total General Fund	$ 48,747,098	$ 49,118,361	$ 48,102,320	$ 1,016,041
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	$ 2,400,906	$ 2,400,906	$ 2,083,215	$ 317,691
Public assistance	1,086,000	1,115,000	1,039,935	75,065
Purchased services	108,067	79,067	44,843	34,224
Grants	9,250	9,250	6,911	2,339
Board of public welfare	4,612	4,612	4,561	51
Total welfare and social services	$ 3,608,835	$ 3,608,835	$ 3,179,465	$ 429,370
Total health and welfare	$ 3,608,835	$ 3,608,835	$ 3,179,465	$ 429,370
Total Virginia Public Assistance Fund	$ 3,608,835	$ 3,608,835	$ 3,179,465	$ 429,370
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	$ 1,503,000	$ 1,503,000	$ 1,284,924	$ 218,076
Total Comprehensive Services Act Fund	$ 1,503,000	$ 1,503,000	$ 1,284,924	$ 218,076
Debt Service Fund:				
Debt service:				
Principal retirement	$ 2,886,672	$ 2,886,672	$ 2,886,672	$ -
Interest and other fiscal charges	1,662,510	1,662,510	1,653,660	8,850
Principal retirement-School Leases	69,529	69,529	69,529	-
Interest and other fiscal charges-Schools Leases	8,255	8,255	8,255	-
Total Debt Service Fund	$ 4,626,966	$ 4,626,966	$ 4,618,116	$ 8,850
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	$ 4,779,731	$ 6,369,194	$ 3,000,062	$ 3,369,132
Equipment and vehicles	356,200	693,265	697,609	(4,344)
School capital assets	5,658,820	7,638,578	3,787,190	3,851,388
Total capital projects	$ 10,794,751	$ 14,701,037	$ 7,484,861	$ 7,216,176
Total County Capital Improvements Fund	$ 10,794,751	$ 14,701,037	$ 7,484,861	$ 7,216,176
School Construction Fund:				
Capital projects expenditures:				
Page Middle School	$ 25,636,428	$ 25,636,428	$ 6,723,615	$ 18,912,813
Total School Construction Fund	$ 25,636,428	$ 25,636,428	$ 6,723,615	$ 18,912,813
Total Primary Government	$ 94,917,078	$ 99,194,627	$ 71,393,301	$ 27,801,326

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2014 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Instruction:				
Elementary and secondary schools	$ 37,663,917	$ 38,222,439	$ 37,850,461	$ 371,978
Total instruction costs	37,663,917	38,222,439	37,850,461	371,978
Administration, and Attendance and Health:				
School board	$ 151,424	$ 166,227	$ 160,698	$ 5,529
Other administration	2,256,556	2,198,753	2,189,239	9,514
Total administration of schools	$ 2,407,980	$ 2,364,980	$ 2,349,937	$ 15,043
Pupil transportation:				
Pupil transportation	$ 3,950,451	$ 3,950,451	$ 3,909,284	$ 41,167
Total pupil transportation	$ 3,950,451	$ 3,950,451	$ 3,909,284	$ 41,167
Operating and maintenance costs:				
Operation and maintenance	$ 5,737,314	$ 5,770,314	$ 5,704,359	$ 65,955
Total operating and maintenance costs	$ 5,737,314	$ 5,770,314	$ 5,704,359	$ 65,955
Technology:				
Technology	$ 2,329,079	$ 2,361,079	$ 2,347,598	$ 13,481
Total technology	$ 2,329,079	$ 2,361,079	$ 2,347,598	$ 13,481
Total education	$ 52,088,741	$ 52,669,263	$ 52,161,639	$ 507,624
Total School Operating Fund	$ 52,088,741	$ 52,669,263	$ 52,161,639	$ 507,624
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	$ 2,392,135	$ 2,392,135	$ 2,215,054	$ 177,081
USDA commodities	-	-	154,361	(154,361)
Total school food services	$ 2,392,135	$ 2,392,135	$ 2,369,415	$ 22,720
Total education	$ 2,392,135	$ 2,392,135	$ 2,369,415	$ 22,720
Total School Cafeteria Fund	$ 2,392,135	$ 2,392,135	$ 2,369,415	$ 22,720
Total Discretely Presented Component Unit - School Board	$ 54,480,876	$ 55,061,398	$ 54,531,054	$ 530,344

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Statistical Section

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the County's financial performance and well being have changed over time.	1-4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	5-8
Debt Capacity These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future.	9-11
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.	12-13
Operating Information These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	14-17

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

COUNTY OF GLOUCESTER, VIRGINIA

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

	2014	2013	2012	2011	2010
Governmental activities					
Net investment in capital assets	$ 22,330,023	$ 13,292,660	$ 15,463,123	$ 13,656,652	$ 12,177,861
Restricted	-	-	-	-	-
Unrestricted	23,927,330	31,083,034	26,438,615	20,720,020	16,694,480
Total governmental activities net postion	$ 46,257,353	$ 44,375,694	$ 41,901,738	$ 34,376,672	$ 28,872,341
Business-type activities					
Net investment in capital assets	$ 11,267,065	$ 4,461,919	$ 6,470,887	$ 9,328,625	$ 7,299,353
Restricted	1,869,878	4,720,154	2,036,544	2,031,743	2,025,385
Unrestricted	2,328,518	4,956,253	4,654,757	1,733,605	2,177,368
Total business-type activities net position	$ 15,465,461	$ 14,138,326	$ 13,162,188	$ 13,093,973	$ 11,502,106
Primary government					
Net investment in capital assets	$ 33,597,088	$ 28,226,497	$ 21,934,010	$ 22,985,277	$ 19,477,214
Restricted	1,869,878	1,870,319	2,036,544	2,031,743	2,025,385
Unrestricted	26,255,848	28,417,204	31,093,372	22,453,625	18,871,848
Total primary government net position	$ 61,722,814	$ 58,514,020	$ 55,063,926	$ 47,470,645	$ 40,374,447

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

Table 1

2009	2008	2007	2006	2005
$ 9,990,778	$ 6,263,692	$ 8,637,111	$ 6,392,933	$ 7,027,169
-	-	-	367,597	398,179
15,820,860	21,316,656	19,609,128	21,155,013	22,429,995
$ 25,811,638	$ 27,580,348	$ 28,246,239	$ 27,915,543	$ 29,855,343
$ 6,653,014	$ 6,500,868	$ 6,421,570	$ 3,676,016	$ 2,018,698
2,015,652	-	-	-	-
2,575,848	3,192,808	2,047,347	756,386	1,584,243
$ 11,244,514	$ 9,693,676	$ 8,468,917	$ 4,432,402	$ 3,602,941
$ 16,643,792	$ 12,764,560	$ 15,058,681	$ 10,068,949	$ 9,045,867
2,015,652	-	-	367,597	398,179
18,396,708	24,509,464	21,656,475	21,911,399	24,014,238
$ 37,056,152	$ 37,274,024	$ 36,715,156	$ 32,347,945	$ 33,458,284

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

	2014	2013	2012	2011	2010
Expenses					
Governmental activities:					
General government administration	$ 5,575,520	$ 5,465,093	$ 4,420,563	$ 4,526,232	$ 4,654,227
Judicial administration	1,978,698	1,802,483	1,784,911	1,685,971	1,629,116
Public safety	13,224,115	12,943,310	12,376,310	10,660,881	10,652,290
Public works	2,487,293	2,218,227	2,496,814	2,097,050	1,929,966
Health and welfare	5,223,039	5,052,386	4,446,775	4,531,487	4,533,563
Education	27,169,073	25,586,345	24,339,028	24,091,981	22,357,066
Parks, recreation, culture	2,375,530	2,166,475	2,111,087	1,922,593	1,824,076
Community development	2,604,102	1,254,998	1,170,407	1,599,847	2,299,482
Interest on long-term debt	1,912,060	1,598,864	1,624,212	1,751,068	2,057,826
Total governmental activities expenses	$ 62,549,430	$ 58,088,181	$ 54,770,107	$ 52,867,110	$ 51,937,612
Business-type activities:					
Public utilities	$ 4,164,968	$ 4,561,013	$ 4,765,426	$ 4,264,717	$ 4,572,653
Total business-type activities expenses	$ 4,164,968	$ 4,561,013	$ 4,765,426	$ 4,264,717	$ 4,572,653
Total Primary government expenses	$ 66,714,398	$ 62,649,194	$ 59,535,533	$ 57,131,827	$ 56,510,265
Program Revenues					
Governmental activities:					
Charges for services					
General government administration	$ -	$ -	$ -	$ -	$ -
Judicial administration	214,556	237,742	239,615	248,950	257,806
Public safety	399,325	364,823	356,342	297,524	332,743
Public works	219,143	197,204	134,654	149,214	256,838
Education	-	-	290	311	555
Parks, recreation, culture	286,509	293,796	310,646	351,840	341,498
Community development	67,428	59,655	57,913	18,895	33,309
Operating grants and contributions	8,018,257	7,634,001	7,417,709	7,130,907	7,275,332
Capital grants and contributions	3,882,214	1,108,506	5,391,436	4,703,030	1,382,366
Total governmental activities program revenues	$ 13,087,432	$ 9,895,727	$ 13,908,605	$ 12,900,671	$ 9,880,447
Business-type activities:					
Charges for services	$ 4,193,272	$ 4,375,188	$ 4,216,540	$ 4,212,115	$ 3,984,395
Operating grants and contributions	-	-	-	-	188,300
Capital grants and contributions	499,050	537,710	-	1,007,300	-
Total business-type activities program revenues	4,692,322	4,912,898	4,216,540	5,219,415	4,172,695
Total primary government program revenue	$ 17,779,754	$ 14,808,625	$ 18,125,145	$ 18,120,086	$ 14,053,142
Net(Expense)/Revenue					
Governmental activities	$ (49,461,998)	$ (48,192,454)	$ (40,861,502)	$ (39,966,439)	$ (42,057,165)
Business-type activities	527,354	351,885	(548,886)	954,698	(399,958)
Total primary government net expense	$ (48,934,644)	$ (47,840,569)	$ (41,410,388)	$ (39,011,741)	$ (42,457,123)

2009	2008	2007	2006	2005
$ 4,868,825	$ 5,059,027	$ 4,385,731	$ 4,361,409	$ 3,847,340
1,784,423	1,789,176	1,498,764	1,437,573	1,394,318
10,900,401	11,897,730	10,480,141	9,293,694	8,505,036
1,955,625	1,991,262	2,032,499	1,676,331	1,469,138
4,429,077	4,065,857	3,953,184	3,728,909	3,800,505
27,072,029	24,969,859	23,035,692	24,779,632	20,447,731
2,170,357	2,015,572	1,898,798	1,883,177	1,508,612
2,255,957	2,780,816	1,534,243	1,027,936	1,129,146
2,726,734	1,754,490	1,559,087	1,611,850	1,694,134
$ 58,163,428	$ 56,323,789	$ 50,378,139	$ 49,800,511	$ 43,795,960
$ 4,459,194	$ 4,223,756	$ 3,963,709	$ 3,864,376	$ 3,775,728
$ 4,459,194	$ 4,223,756	$ 3,963,709	$ 3,864,376	$ 3,775,728
$ 62,622,622	$ 60,547,545	$ 54,341,848	$ 53,664,887	$ 47,571,688
$ -	$ -	$ -	$ 19,708	$ 14,787
246,684	336,565	317,029	310,705	300,909
476,364	544,106	51,673	43,548	381,615
387,726	390,002	378,457	372,641	485,569
152	1,676	1,584	1,967	-
355,746	362,618	321,156	356,987	308,486
28,013	27,180	579,845	439,566	17,169
8,963,448	7,595,236	7,314,692	6,825,175	6,905,210
978,111	1,948,761	1,069,233	1,086,133	208,270
$ 11,436,244	$ 11,206,144	$ 10,033,669	$ 9,456,430	$ 8,622,015
$ 3,155,016	$ 3,332,589	$ 3,072,172	$ 3,312,253	$ 2,800,738
407,040	1,058,499	705,200	26,943	-
1,548,183	-	3,036,901	214,190	-
5,110,239	4,391,088	6,814,273	3,553,386	2,800,738
$ 16,546,483	$ 15,597,232	$ 16,847,942	$ 13,009,816	$ 11,422,753
$ (46,727,184)	$ (45,117,645)	$ (40,344,470)	$ (40,344,081)	$ (35,173,945)
651,045	167,332	2,850,564	(310,990)	(974,990)
$ (46,076,139)	$ (44,950,313)	$ (37,493,906)	$ (40,655,071)	$ (36,148,935)

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

	2014	2013	2012	2011	2010
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
General property taxes	$ 37,840,631	$ 37,352,864	$ 34,983,672	$ 32,588,654	$ 32,195,182
Local sales and use tax	3,811,874	3,777,448	3,729,207	3,537,751	3,547,316
Communication sales tax (1)	-	-	-	-	1,258,546
Consumer utility tax	707,280	702,582	699,428	700,959	698,238
Business license taxes	1,560,493	1,504,047	1,516,103	1,446,819	1,384,024
Restaurant food taxes	1,857,472	1,857,427	1,789,149	1,669,468	1,632,857
Other local taxes	938,370	947,651	779,100	833,117	1,206,722
Unrestricted revenues from use of money and property	182,207	177,210	154,387	159,151	203,980
Miscellaneous	579,009	664,749	672,476	516,200	477,007
Grants and contributions not restricted to specific programs	4,540,079	4,559,150	4,543,046	4,518,651	3,013,996
Loss on disposal of capital assets	-	-			
Transfers	(673,758)	(673,758)	(480,000)	(500,000)	(500,000)
Total governmental activities	$ 51,343,657	$ 50,869,370	$ 48,386,568	$ 45,470,770	$ 45,117,868
Business-type activities:					
General property taxes	$ 39,533	$ 39,313	$ 38,705	$ 38,638	$ 37,470
Unrestricted revenues from use of money and property	86,490	112,266	98,396	98,531	120,080
Transfers	673,758	673,758	480,000	500,000	500,000
Total business-type activities	$ 799,781	$ 825,337	$ 617,101	$ 637,169	$ 657,550
Total primary government	$ 52,143,438	$ 51,694,707	$ 49,003,669	$ 46,107,939	$ 45,775,418
Change in Net Position					
Governmental activities	$ 1,881,659	$ 2,676,916	$ 7,525,066	$ 5,504,331	$ 3,060,703
Business-type activities	1,327,135	1,177,222	68,215	1,591,867	257,592
Total primary government	$ 3,208,794	$ 3,854,138	$ 7,593,281	$ 7,096,198	$ 3,318,295

(1) Beginning in FY10, the County began receiving communication sales tax from the Commonwealth of Virginia and reporting funds under grants and contributions not restricted to specific programs.

2009	2008	2007	2006	2005
$ 31,934,077	$ 30,064,891	$ 27,475,955	$ 23,039,459	$ 25,460,056
3,622,137	3,944,337	3,913,265	3,774,673	3,556,343
1,267,909	1,453,787	607,676	-	-
695,930	686,877	1,217,097	1,744,135	1,790,229
1,436,852	1,569,709	1,518,015	1,403,834	-
1,616,050	1,660,639	1,576,236	1,310,000	-
1,229,135	1,322,440	1,523,777	2,001,784	4,804,057
273,362	951,284	1,318,342	668,054	440,890
543,271	583,074	719,956	853,784	213,490
3,019,751	3,014,716	1,727,129	4,508,558	2,769,484
	-	(22,282)	-	-
(680,000)	(800,000)	(900,000)	(900,000)	(897,298)
$ 44,958,474	$ 44,451,754	$ 40,675,166	$ 38,404,281	$ 38,137,251
$ 36,179	$ 36,222	$ 36,441	$ 37,861	$ 41,988
183,614	221,205	249,510	202,590	117,589
680,000	800,000	900,000	900,000	897,298
$ 899,793	$ 1,057,427	$ 1,185,951	$ 1,140,451	$ 1,056,875
$ 45,858,267	$ 45,509,181	$ 41,861,117	$ 39,544,732	$ 39,194,126
$ (1,768,710)	$ (665,891)	$ 330,696	$ (1,939,800)	$ 2,963,306
1,550,838	1,224,759	4,036,515	829,461	81,885
$ (217,872)	$ 558,868	$ 4,367,211	$ (1,110,339)	$ 3,045,191

COUNTY OF GLOUCESTER, VIRGINIA

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

	2014	2013	2012	2011	2010
General Fund					
Reserved	$ -	$ -	$ -	$ -	$ 149,442
Unreserved	-	-	-	-	14,334,402
Nonspendable	52,694	51,122	52,204	50,598	-
Restricted	141,770	141,989	128,885	132,450	-
Committed	1,015,138	1,024,155	921,746	799,389	-
Unassigned	18,249,344	16,960,462	15,321,565	14,967,748	-
Total General Fund	$ 19,458,946	$ 18,177,728	$ 16,424,400	$ 15,950,185	$ 14,483,844
All Other Governmental Funds					
Reserved	$ -	$ -	$ -	$ -	$ 19,000
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	2,810,371
Restricted	31,400	19,000	19,000	19,000	-
Committed	22,701,947	13,398,162	9,840,182	5,225,558	-
Assigned	257,062	244,485	239,297	-	-
Total all other governmental funds	$ 22,990,409	$ 13,661,647	$ 10,098,479	$ 5,244,558	$ 2,829,371

Note: The County implemented GASB Statement 54, the new standard for fund balance reporting, in FY11. Restatement of prior year balance is not feasible. Therefore, ten years of fund balance information in accordance with GASB 54 is not available, but will be accumulated over time.

Table 3

2009	2008	2007	2006	2005
$ 238,285	$ 495,576	$ 500,502	$ 556,862	$ 398,179
12,622,904	13,140,232	12,994,355	15,953,192	15,503,657
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 12,861,189	$ 13,635,808	$ 13,494,857	$ 16,510,054	$ 15,901,836
$ 19,000	$ 2,389,898	$ 6,150,997	$ -	$ -
-	-	-	63,974	63,974
808	649	801	75,116	24,165
3,678,708	5,466,719	6,585,325	3,847,743	4,032,730
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 3,698,516	$ 7,857,266	$ 12,737,123	$ 3,986,833	$ 4,120,869

COUNTY OF GLOUCESTER, VIRGINIA

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

	2014	2013	2012	2011
REVENUES				
General property taxes	$ 37,996,998	$ 37,534,509	$ 34,600,348	$ 32,277,667
Other local taxes	8,875,489	8,789,155	8,512,987	8,188,114
Permits, privilege fees, and regulatory licenses	352,330	307,747	318,074	262,490
Fines and forfeitures	80,625	108,507	114,403	87,571
Revenue from the use of money and property	182,207	177,210	154,387	159,151
Charges for services	754,006	736,966	666,983	716,673
Miscellaneous	579,009	664,749	672,476	516,200
Recovered costs	409,810	337,904	312,995	306,934
Intergovernmental revenues:				
Commonwealth	11,034,381	10,781,890	10,422,899	10,517,539
Federal	2,681,235	2,385,926	2,242,337	2,041,209
Total revenues	$ 62,946,090	$ 61,824,563	$ 58,017,889	$ 55,073,548
EXPENDITURES				
Current:				
General government administration	$ 5,418,618	$ 5,027,276	$ 4,580,732	$ 4,391,984
Judicial administration	1,812,592	1,634,575	1,644,976	1,511,513
Public safety	11,609,450	11,388,578	10,548,498	10,237,522
Public works	2,172,118	2,119,356	2,021,420	1,879,012
Health and welfare	5,197,208	5,000,044	4,424,273	4,487,974
Education	22,839,193	22,777,077	20,419,880	20,969,964
Parks, recreation, and cultural	2,117,069	2,067,452	1,959,087	1,834,819
Community development	1,034,876	901,444	746,246	731,327
Nondepartmental	365,585	312,185	325,145	263,170
Capital projects	14,208,476	5,825,679	5,540,772	2,925,484
Debt service:				
Principal retirement	2,886,672	3,141,033	3,201,337	3,394,093
Interest and other fiscal charges	1,653,660	1,695,351	1,702,835	1,858,998
Principal retirement-School leases	69,529	65,736	263,189	-
Interest and other fiscal charges-School	8,255	12,048	18,318	-
Total expenditures	$ 71,393,301	$ 61,967,834	$ 57,396,708	$ 54,485,860
Excess (deficiency) of revenues over (under) expenditures	$ (8,447,211)	$ (143,271)	$ 621,181	$ 587,688
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 8,000,299	$ 7,758,145	$ 10,042,633	$ 6,671,343
Transfers out	(8,674,057)	(8,431,903)	(10,522,633)	(7,171,343)
Issuance of general obligation bonds	15,845,000	5,999,684	500,000	-
Bond premium issuance	1,161,015	-	-	-
Issuance of capital leases	-	-	-	-
Insurance recovery	2,724,934	133,841	4,686,955	3,793,840
Advance refunding of bonds	-	-	-	-
Refunding of capital lease	-	-	-	-
Total other financing sources (uses)	$ 19,057,191	$ 5,459,767	$ 4,706,955	$ 3,293,840
Net change in fund balances	$ 10,609,980	$ 5,316,496	$ 5,328,136	$ 3,881,528
Fund balances - beginning	31,839,375	26,522,879	21,194,743	17,313,215
Fund balances - ending	$ 42,449,355	$ 31,839,375	$ 26,522,879	$ 21,194,743
Debt Service as a percentage of noncapital expenditures	7.94%	8.57%	9.53%	9.84%

N/A - This information was unavailable.

Table 4

2010	2009	2008	2007	2006	2005
$ 31,916,749	$ 32,090,454	$ 29,677,158	$ 27,371,520	$ 26,432,859	$ 25,361,237
9,727,703	9,868,013	10,637,789	10,356,066	10,234,426	10,150,629
285,060	421,907	505,444	561,291	442,365	358,550
120,804	94,148	111,970	90,068	99,699	124,446
203,980	273,362	909,595	1,296,199	645,911	418,748
816,885	978,630	1,044,733	998,385	1,003,058	1,025,539
477,007	543,271	583,074	719,956	853,784	213,490
360,700	413,418	300,414	242,889	224,721	187,266
9,033,241	9,927,995	9,467,389	8,822,084	8,287,161	7,513,836
2,638,453	2,940,280	3,091,324	2,678,290	2,743,385	2,368,128
$ 55,580,582	$ 57,551,478	$ 56,328,890	$ 53,136,748	$ 50,967,369	$ 47,721,869
$ 4,796,836	$ 4,766,294	$ 4,744,278	$ 4,292,566	$ 4,114,209	$ 3,716,011
1,473,565	1,619,429	1,616,046	1,311,561	1,256,090	1,188,720
10,430,536	10,622,469	10,657,869	10,124,699	8,832,107	8,495,083
1,866,165	1,873,556	1,820,371	1,717,936	1,606,088	1,485,546
4,482,064	4,348,208	4,001,667	3,920,276	3,685,808	3,744,821
20,323,168	21,703,289	21,561,837	20,123,728	18,415,298	17,195,819
1,857,339	1,970,594	2,040,444	1,879,698	1,708,483	1,486,361
728,581	776,991	828,242	908,769	803,212	735,022
272,035	272,035	271,250	242,300	199,126	165,327
2,698,567	19,493,940	15,512,754	5,091,488	5,173,233	10,227,835
3,385,644	3,055,466	2,317,442	2,125,399	2,237,523	3,041,103
2,012,572	2,547,578	1,603,656	1,430,257	2,202,010	1,788,567
-	-	-	-	-	-
-	-	-	-	-	-
$ 54,327,072	$ 73,049,849	$ 66,975,856	$ 53,168,677	$ 50,233,187	$ 53,270,215
$ 1,253,510	$ (15,498,371)	$ (10,646,966)	$ (31,929)	$ 734,182	$ (5,548,346)
$ 6,578,300	$ 7,891,873	$ 6,288,819	$ 10,171,364	$ 8,122,258	$ 11,187,176
(7,078,300)	(8,571,873)	(7,088,819)	(11,071,364)	(9,022,258)	(12,084,474)
-	-	6,364,713	6,505,000	-	-
-	-	343,349	162,022	-	-
-	11,245,000	-	-	8,205,000	-
-	-	-	-	-	-
-	-	-	-	(7,565,000)	-
-	-	-	-	-	-
$ (500,000)	$ 10,565,000	$ 5,908,062	$ 5,767,022	$ (260,000)	$ (897,298)
$ 753,510	$ (4,933,371)	$ (4,738,904)	$ 5,735,093	$ 474,182	$ (6,445,644)
16,559,705	21,493,076	26,231,980	20,496,887	20,022,705	26,468,349
$ 17,313,215	$ 16,559,705	$ 21,493,076	$ 26,231,980	$ 20,496,887	$ 20,022,705
10.26%	9.88%	6.76%	6.90%	n/a	n/a

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2014 Taxable Assessed Value	2014 Percentage of Total County Taxable Assessed Value	2005 Taxable Assessed Value	2005 Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	$ 27,426,700	0.65 %	$ 13,450,100	0.64 %
Wal-Mart Real Estate Business Trust	13,599,900	0.32	15,914,400	0.76
York River Crossing Assoc., LLC	12,728,400	0.30	8,169,600	0.39
Lowe's Home Center, Inc.	8,446,000	0.20	6,853,600	0.33
Gloucester Medical Arts I, LLC	8,181,200	0.19		
Horn Harbor Nursing Home Inc.	7,188,600	0.17	4,998,800	0.24
Nam Duc Vu & Hoa Anh Tran	6,323,900	0.15		
Thousand Trail, Inc.	5,522,100	0.13		
E. Clairborne Robins, Jr.	5,415,400	0.13	4,634,100	0.22
The Industrial Development Association of Gloucester	5,378,300	0.13		
Waste Management Disposal Services			4,402,900	0.21
Butler Inv I, II, III			5,028,200	0.24
Newport News General & Non-Sectarian Hospital			4,321,100	0.21
	$ 100,210,500	2.37 %	$ 67,772,800	3.24 %

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjust-ments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2005	$ 19,480,506	$ (1,941)	$ 19,478,565	$ 18,931,208	97.18%	$ 545,746	$ 19,476,954	99.99%
2006	20,261,412	1,483	20,262,895	19,792,078	97.68%	469,031	20,261,109	99.99%
2007	21,213,981	51,629	21,265,610	20,665,168	97.41%	598,406	21,263,574	99.99%
2008	22,593,114	32,483	22,625,597	21,946,260	97.14%	675,128	22,621,388	99.98%
2009	23,972,690	29,674	24,002,364	23,326,961	97.31%	666,661	23,993,622	99.96%
2010	24,014,793	13,127	24,027,920	23,210,366	96.65%	801,288	24,011,654	99.93%
2011	23,809,339	23,144	23,832,483	23,008,680	96.64%	791,688	23,800,368	99.87%
2012	25,336,144	26,235	25,362,379	24,405,721	96.33%	864,886	25,270,607	99.64%
2013	26,903,346	10,430	26,913,776	26,076,913	96.93%	564,750	26,641,663	98.99%
2014	27,043,283	-	27,043,283	26,277,315	97.17%	-	26,277,315	97.17%

Source: Gloucester County Treasurer's Department

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

Calendar Year Ended	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
2005	$ 1,675,829	$ 251,481	$ 208,729	$ 1,927,310	$ 0.95	$ 2,972,313
2006	3,169,771	376,354	261,229	3,546,125	0.57	3,546,125
2007	3,401,610	370,363	275,987	3,771,973	0.57	4,238,172
2008	3,420,549	379,187	277,551	3,799,736	0.61	4,269,366
2009	3,607,036	388,516	271,530	3,995,552	0.61	4,597,873
2010	3,713,586	443,021	305,263	4,156,607	0.58	4,156,607
2011	3,722,124	438,534	309,207	4,160,658	0.58	4,160,658
2012	3,752,701	439,874	306,387	4,192,575	0.65	4,192,575
2013	3,771,667	439,721	321,037	4,211,388	0.65	4,211,388
2014	3,799,377	437,932	322,225	4,237,310	0.65	4,237,310

Source: Commissioner of Revenue Department

Assessed Value of Taxable Property Other than Real Property
Last Seven Calendar Years

Calendar Year Ended	Personal Property (1)	Machinery & Tools (1)	Boats (1)	Public Service (2)	Total
2008	$ 390,533,017	$ 5,013,829	$ 38,511,000	$ 68,635,807	$ 502,693,653
2009	355,192,059	7,573,930	33,365,200	75,965,554	472,096,743
2010	391,285,273	8,608,825	32,179,200	80,613,575	512,686,873
2011	385,778,693	7,811,202	35,990,400	87,981,942	517,562,237
2012	386,217,977	8,305,399	34,894,358	104,938,440	534,356,174
2013	400,536,792	8,218,191	43,702,556	155,642,943	608,100,482
2014	385,658,488	10,197,427	43,689,419	155,392,600	594,937,934

(1) Source: Commissioner of Revenue
(2) Property assessments performed by the State Corporation Commission and includes real estate
(3) Only seven years of information are available.

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities			Business Type Activities				
Fiscal Year	**General Obligation Bonds**	**State Literary Funds Loans**	**Capital Lease and Notes Payable**	**General Obligation Bonds**	**Revenue Bonds**	**Total Primary Government**	**Percentage of Personal Income**	**Per Capita**
2005	$ 13,290,948	$ 6,063,520	$ 10,658,832	$ 191,707	$ 28,727,760	$ 58,932,767	5.40%	$ 1,648.05
2006	12,068,805	5,423,520	10,600,324	158,983	26,252,784	54,504,416	4.60%	1,498.98
2007	17,663,684	4,783,520	10,158,148	124,585	25,664,002	58,393,939	4.67%	1,612.96
2008	23,125,057	4,143,520	9,699,036	91,502	24,950,999	62,010,114	4.55%	1,701.80
2009	21,742,912	3,603,520	19,777,296	53,636	23,480,592	68,657,956	5.05%	1,866.92
2010	20,343,490	3,063,520	18,297,844	10,465	21,974,346	63,689,665	4.62%	1,727.97
2011	18,965,853	2,523,520	16,788,573	-	20,414,345	58,692,291	4.09%	1,586.84
2012	18,089,833	1,983,520	15,210,080	-	22,381,473	57,664,906	3.80%	1,559.52
2013	22,804,937	1,470,324	13,988,122	-	21,553,897	59,817,280	N/A	N/A
2014	21,571,617	1,220,324	12,467,831	-	19,392,087	54,651,859	N/A	N/A

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

N/A - The information was unavailable.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

	General Bonded Debt Outstanding General Obligation Bonds				
Fiscal Year	**Governmental Activities**	**Business-type Activities**	**Total**	**Per Capita(a)**	**Percentage of Actual Taxable Value of Property (b)**
2005	$ 13,290,948	$ 191,707	$ 13,482,655	$ 377.04	0.45%
2006	12,068,805	158,983	12,227,788	336.29	0.34%
2007	17,663,684	124,585	17,788,269	491.35	0.42%
2008	23,125,057	91,502	23,216,559	637.15	0.54%
2009	21,742,912	53,636	21,796,548	592.68	0.47%
2010	20,343,490	10,465	20,353,955	552.23	0.49%
2011	18,965,853	-	18,965,853	512.77	0.46%
2012	18,089,833	-	18,089,833	489.23	0.43%
2013	22,804,937	-	22,804,937	612.51	0.54%
2014	21,571,617	-	21,571,617	579.38	0.51%

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

(a) Population data can be found in Table 12
(b) See Table 7 for property value data

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2005	$ 2,800,738	$ 1,450,247	$ 1,350,491	$ 1,000,334	$ 1,548,278	0.53
2006	3,339,196	1,589,324	1,749,872	747,709	1,486,498	0.78
2007	3,072,172	1,710,994	1,361,178	633,749	1,384,845	0.67
2008	3,332,589	2,031,348	1,301,241	746,086	1,283,177	0.64
2009	3,155,016	2,334,014	821,002	1,508,273	1,199,560	0.30
2010	3,983,717	2,512,351	1,471,366	1,549,417	1,116,472	0.55
2011	3,992,815	2,262,613	1,730,202	1,553,840	1,045,582	0.67
2012	3,893,650	2,780,595	1,113,055	1,790,872	1,063,304	0.39
2013	3,845,738	2,609,469	1,236,269	1,106,435	990,618	0.59
2014	4,193,272	2,550,179	1,643,093	1,987,000	793,760	0.59

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.
Operating expenses above exclude interest, depreciation and amortization of loan costs.

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income	Unemployment Rate (3)	School Enrollment (4)
2004	35,586	$ 1,057,181	$ 29,708	3.0	6,147
2005	35,759	1,090,866	30,506	3.1	6,078
2006	36,361	1,185,316	32,599	2.6	6,000
2007	36,203	1,250,578	34,543	2.5	5,949
2008	36,438	1,364,129	37,437	3.5	5,910
2009	36,776	1,360,621	36,998	6.1	5,925
2010	36,858	1,379,324	37,423	6.4	5,860
2011	36,987	1,434,937	38,796	5.2	5,925
2012	36,976	1,516,352	41,009	5.5	5,650
2013	37,232	N/A	N/A	5.1	5,469

Sources:

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

(2) Bureau of Economic Analysis

(3) Virginia Employment Commission

(4) Gloucester County Schools (Budget Document)

N/A - This information was unavailable.

Principal Employers
Current Year and Nine Years Ago

	2014		2005	
Employer	**Employees**	**Percentage of Total County Employment**	**Employees**	**Percentage of Total County Employment**
Gloucester County Schools	500 - 999	10+	1000+	5 - 9.9
Riverside Regional Medical Center	500 - 999	5 - 9.9	500 - 999	2.5 - 4.9
Virginia Institute of Marine Science	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
County of Gloucester	250 - 499	2.5 - 4.9	250 - 499	2.5 - 4.9
Wal-Mart	250 - 499	2.5 - 4.9	500 - 999	2.5 - 4.9
Rappanannock Commuity College	100 - 249	1 - 2.4	250 - 499	2.5 - 4.9
York Convalescent Center	100 - 249	1 - 2.4	100 - 249	1 - 2.4
Lowes	100 - 249	1 - 2.4	100 - 249	1 - 2.4
Food Lion	100 - 249	1 - 2.4	100 - 249	1 - 2.4
Industrial Resources Technologies	100 - 249	1 - 2.4	100 - 249	1 - 2.4
The Home Depot	100 - 249	1 - 2.4	100 - 249	1 - 2.4
JL Jkm Enterprises Lc	50 - 99	Less than 1		
Farm Fresh	50 - 99	Less than 1	50 - 99	Less than 1

Sources:
Virginia Employment Commission

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

	Full-time Equivalent Employees as of June 30									
	2014	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**
General Government Administration										
Board of Supervisors	7	7	7	7	7	7	7	7	7	7
Administration	6	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2	2	2	2	2	3	3	2	1.5	1.5
Human Resources	4.5	4	4	4	4	4	4	4	4	3
Commission of Revenue	8	7.5	7.5	7.5	8.5	9.5	9.5	9.5	9	10
County Assessor	6.5	6.5	6.5	6.5	6	6	6	4	4	2
Treasurer	9	9	9	9	10	10.5	10.5	10.5	10.5	10
Finance	5	5	5	5	5	5	5	5	5	5
Information Technology	9	9	9	12.5	13	13	13	13	11.5	11.5
GIS (included with IT until 2012)	3.5	3.5	3.5							
Purchasing	3	3	3	3	4	4	3.5	3.5	3	3
VA Housing Dev. Authority	0	0	0	0	2	2	2.5	2.5	2	2
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2	1.5
Judicial Administration										
Circuit Court Judge	1	1	1	1	1	1	1	1	1	1
Clerk of Circuit Court	7	7	7	7	7	7	7	7	6.5	6.5
Victim Witness	1.5	1.5	1.5	1.5	1.5	1	1	1	1	1
Commonwealth Attorney	7.5	7.5	7.5	8	8.5	8.5	8.5	7.5	7.5	7.5
Public Safety										
Sheriff	61.5	50	50	48	49	53	53	53.5	53.5	89
E-911	0	11.5	11.5	11.5	11.5	12	12	12	12	11
Jail (included w/Sheriff until 2006)	37.5	37	35	35.5	38	38	38	38.5	38.5	0
Probation/Pretrial	7	7	7	7.5	7.5	7.5	8	0	0	0
Codes	0	14	13	13	14	16	16	16	14	13.5
Building Inspections	6									
Enviromental Programs	4									
Animal Control	5	5	5	5	5	5	5	5	5	4
Emergency Services	1.5	1.5	1.5	1.5	1.5	2.5	2.5	2.5	2	2
Public Works										
Engineering	4	4	4	3	4	4	3	3	3	3
Buildings & Grounds	28.5	28.5	28.5	28	28	29	28	28	28.5	27.5
Education										
Community Education	7.5	7.5	7.5	8	8	8	8	8	8	8
Cable Services	0	0.5	0.5	0	0.5	0.5	0.5	0.5	0.5	0
Parks, Recreation & Cultural										
Parks & Recreation	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	7	6
Beaverdam	3	2	2	2	3	3	3	3	4	4
Historical	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	12.5	12.5	12.5	12	12	12	12	12	12	12
Community Development										
Planning	7	5	5	5	5	5	5	5	4	4
Economic Development	2	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Clean Community	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tourism	1	1	1	1	1	1	1	1	1	1
VA Cooperative Extension	1	1	1	1	1	1	1	1	1	1
Utilities	26	26	26	25	25.5	27.5	24	21.5	20.5	20.5
TOTAL	308	306	303	299	312	325	320	306	297	286

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

COUNTY OF GLOUCESTER, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Sheriff's Department (1)					
Reports taken	N/A	38,808	38,414	37,076	36,219
Civil processed record workload	N/A	42,873	35,242	38,266	30,255
Circuit court days	N/A	175	164	168	180
General district court days	N/A	116	114	115	113
Juvenile and domestic court days	N/A	237	208	145	162
Inmate average daily population	N/A	86	84	74	77
Parks, Recreation & Tourism (2)					
Number of Participants	3,957	3,920	4,019	4,170	4,393
Library (3)					
Material circulated	169,016	179,320	216,787	229,986	241,379
Library patrons	33,256	29,295	31,769	32,786	36,284
Water system (4)					
Number of customers	4,629	4,588	4,565	4,523	4,499
Average daily consumption	827,000	809,000	835,478	884,471	886,783
Annual consumption in gallons	301,865,000	295,456,000	305,785,000	322,832,000	323,676,000

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

N/A - This information is not available.

Table 15

2009	2008	2007	2006	2005
31,434	35,954	3,166	3,229	3,045
25,923	23,771	21,907	11,257	7,887
213	215	140	145	156
110	114	110	116	106
180	188	153	156	149
82	84	89	79	82
4,670	4,455	4,437	4,301	3,858
227,053	210,797	196,633	186,519	178,469
33,132	31,444	29,133	19,584	18,089
4,470	4,399	4,276	4,187	4,099
900,923	939,527	900,460	874,616	833,394
328,837,000	343,867,000	328,668,000	319,235,000	304,189,000

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

	2014		2005	
Customer name	**Monthly Average Water Usage (1)**	**Daily (1)**	**Monthly Average Water Usage (1)**	**Daily (1)**
V.I.M.S-SRL	589,000	19,633	-	-
V.I.M.S.-MRL	493,000	16,433	-	-
Riverside Walter Reed Hospital	430,000	14,333	395,000	13,167
York River Yacht Haven	365,000	12,167	280,000	9,333
V.I.M.S.-Chesapeake Bay Hall	237,000	7,900	338,000	11,267
V.I.M.S-Watermens Hall	190,000	6,333	-	-
Wal-Mart	155,000	5,167	-	-
Gloucester County Jail	153,000	5,100	221,000	7,367
York River MHP	149,000	4,967	-	-
Riverside Wellness Center	149,000	4,967	122,000	4,067
V.I.M.S.-Franklin Hall	-	-	114,000	3,800
U-Do-It Laundry	-	-	205,000	6,833
Sanders Nursing Home	-	-	121,000	4,033

(1) Source - Gloucester County Utility Department

COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Sheriff's Department (1)					
Stations	1	1	1	1	1
Patrol Units	33	33	33	34	27
Jail	1	1	1	1	1
Mobile Command Center	1	1	1	1	1
Volunteer Fire and Rescue (2)					
Stations	6	6	6	6	6
Parks and recreation (3)					
Number of parks maintained	8	8	8	8	8
Park acreage owned by the County	221	221	221	185	185
Park acreage leased	44	44	44	40	40
Library (4)					
Number of libraries	2	2	2	2	2
Number of bookmobiles	1	1	1	1	1
Water system (5)					
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

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

Table 17

2009	2008	2007	2006	2005
1	1	1	1	1
27	27	27	27	27
1	1	1	1	1
1	1	1	1	1
6	6	6	6	6
8	8	8	8	8
185	185	185	185	185
40	40	40	40	40
2	2	2	2	2
1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of County of Gloucester, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County of Gloucester, Virginia's basic financial statements, and have issued our report thereon dated November 13, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered County of Gloucester, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of County of Gloucester, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of County of Gloucester, Virginia's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 13, 2014

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited County of Gloucester, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Gloucester, Virginia's major federal programs for the year ended June 30, 2014. County of Gloucester, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of County of Gloucester, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and 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 County of Gloucester, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of Gloucester, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of Gloucester, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 13, 2014

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	$ 18,438
Temporary Assistance for Needy Families	93.558	0400109/0400110	226,517
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	1,890
Low-Income Home Energy Assistance	93.568	0600409/0600410	25,036
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	31,216
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	1,644
Foster Care - Title IV-E	93.658	1100109/1100110	221,281
Adoption Assistance	93.659	1120109/1120110	130,401
Social Services Block Grant	93.667	1000109/1000110	214,575
Chafee Foster Care Independence Program	93.674	9150108-9150110	5,464
Children's Health Insurance Program	93.767	0540109/0540110	9,042
Medical Assistance Program	93.778	1200109/1200110	276,488
Total Department of Health and Human Services-pass through			$ 1,161,992
Total Department of Health and Human Services			$ 1,161,992
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child and Adult Care Food Program	10.558		$ 176
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	1790100-40591	213,633
Department of Agriculture:			
Food Distribution--School	10.555	N/A	847,858
Department of Education:			
National School Lunch Program	10.555	1790100-40623	154,185
		Total 10.555	$ 1,002,043
Department of Social Services:			
State Administrative Matching Grants for the Supplemental		0040109/0040110	
Nutrition Assistance Program	10.561	0010109/0010110	$ 319,440
Total Department of Agriculture			$ 1,535,292
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	$ 1,598
			1,598
Pass Through Payments:			
Department of Criminal Justice Service:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-O1142LO12	2,059
Violence Against Women Formula Grants	16.588	3900100-46500	41,770
Total Department of Justice			$ 45,427

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	7760200-159	$ 855
Emergency Management Performance Grants	97.042	7750100-52749	38,598
Repetitive Flood Claims	97.092	RFC-2010-073-001	135,026
Hazard Mitigation Grant	97.039	7760200-111,132	724,287
Total Department of Homeland Security			$ 898,766
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	6050700-53454	$ 5,204
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	6050700-53351	14,246
National Priority Safety Programs	20.616	6050700-54188	2,818
Total Department of Transportation			$ 22,268
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	$ 67,762
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	$ 54,804
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	820,795
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,091,333
Special Education - Preschool Grants	84.173	1790100-82521	32,012
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	77,362
Advance Placement Program	84.330	609570	180
Improving Teacher Quality State Grants	84.367	1790100-61480	247,557
Total Department of Education			$ 2,324,043
Total Expenditures of Federal Awards			$ 6,055,550

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the County of Gloucester, Virginia under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the County of Gloucester, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the County of Gloucester, Virginia.

Note 2 - Summary of Significant Accounting Policies

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

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received or disbursed.

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General Fund	$	167,104
Debt Service Fund		233,520
Special Revenue Funds:		
Virginia Public Assistance Fund		1,321,412
CSA Fund		74,932
Capital Projects Funds:		
County Capital Projects Fund		884,267
Total primary government	$	2,681,235
Component Unit School Board:		
School Operating Fund	$	2,391,806
School Cafeteria Fund		1,215,853
Total component unit School Board	$	3,607,659
Add: Jail food distribution received	$	176
Less: BABs federal interest rate subsidy		(233,520)
Total federal expenditures per basic financial statements	$	6,055,550
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	6,055,550

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I–Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?		yes	X no
Significant deficiency(ies) identified?		yes	X no
Noncompliance material to financial statements noted?		yes	X no

Federal Awards

Internal control over major programs			
Material weakness(es) identified?		yes	X no
Significant deficiency(ies) identified?		yes	X no
Type of auditors' report issued on compliance for major programs.	unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?		yes	X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553/10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs:	$300,000		
Auditee qualified as low-risk auditee?	X	yes	no

Section II–Financial Statement Findings

None

Section III–Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no prior year audit findings.