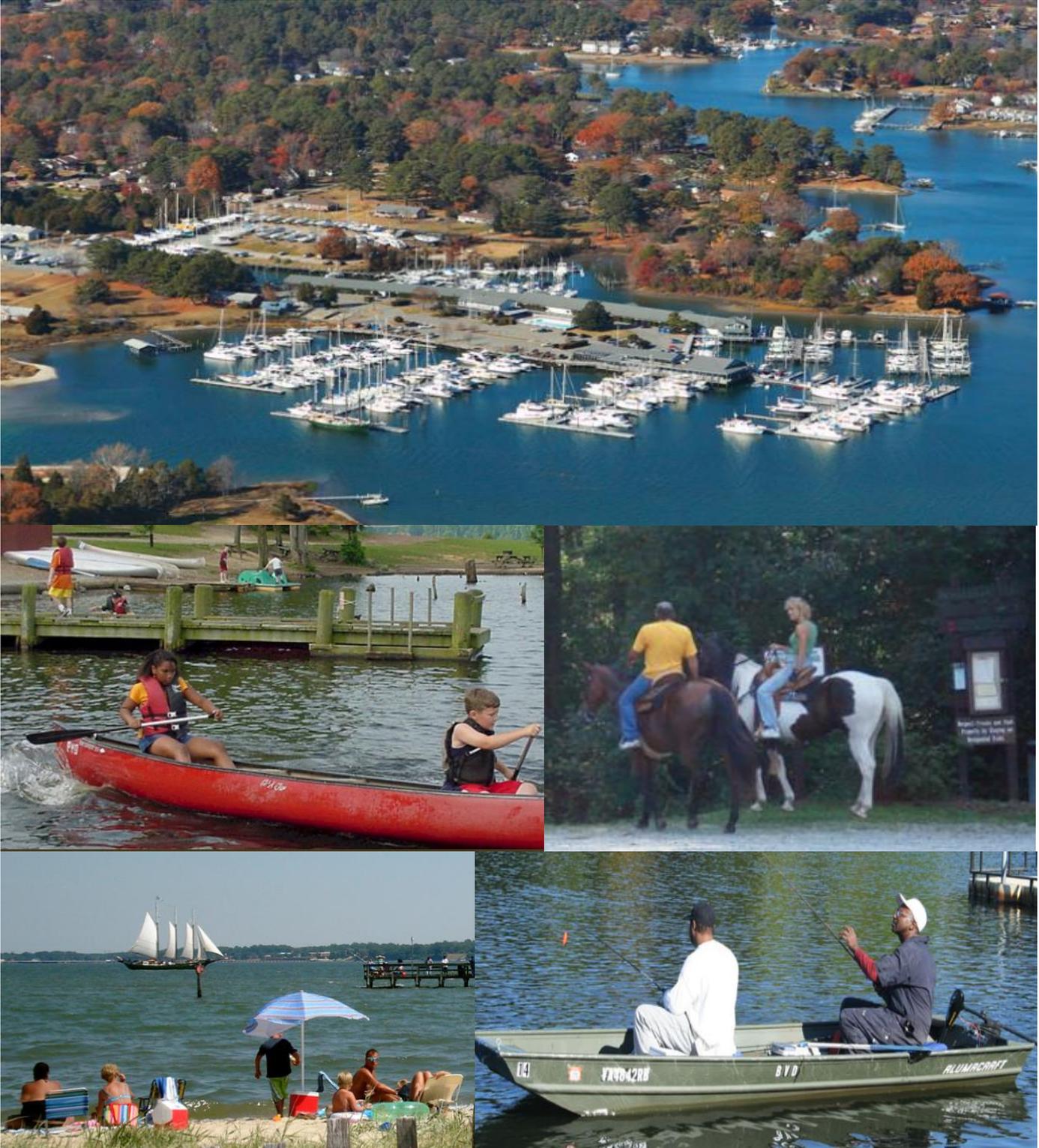


County of Gloucester, Virginia



Comprehensive Annual Financial Report

For the Fiscal Year Ending
June 30, 2015

INTRODUCTORY SECTION

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COUNTY OF GLOUCESTER, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015

Prepared By:
Gloucester County
Department of Finance

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COUNTY OF GLOUCESTER, VIRGINIA
 FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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COUNTY OF GLOUCESTER, VIRGINIA
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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Ashley C. Chriscoe, Chair
John C. Meyer, Jr., Vice-Chair

Phillip N. Bazzani
Christopher A. Hutson

Michael R. Winebarger

Andrew James, Jr.
Robert J. Orth

County School Board

Troy M. Andersen, Chairperson
Charles Records, Vice-Chairperson

George R. Burak
Carla B. Hook

Kimberly E. Hensley

Anita F. Parker
Kevin Smith

Board of Social Services

Jane Sterling, Chairperson
Aaron Conner, Vice-Chairperson

Patricia Brown
Vacancy

Brad Hudgins

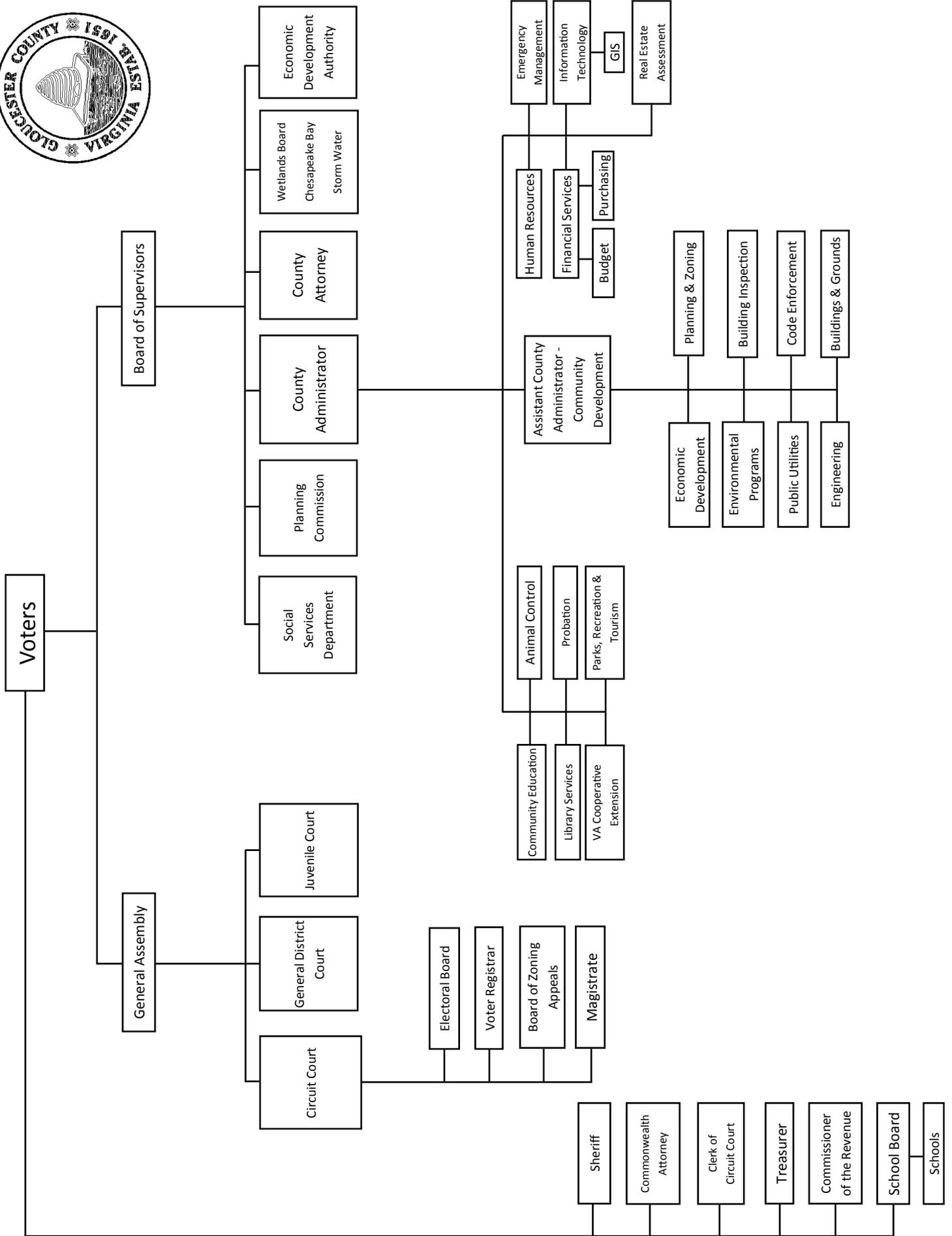
Harrison Dixon
Jane Smith

Other Officials

Interim County AdministratorSanford B. Wanner
Judge of the Circuit CourtHonorable Jeffrey W. Shaw
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 CourtHonorable Cressondra B. Conyers
Judge of the General District Court.....Honorable Stephanie E. Merritt
Sheriff.....D. W. Warren
Superintendent of Schools.....Walter R. Clemons, Ph.D.
Director of Department of Social Services Zane S. Barry
County Attorney Edwin N. Wilmot

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Gloucester County Organizational Chart



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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, 2014

Executive Director/CEO

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County of Gloucester

County Administrator

6467 Main Street

P. O. Box 329

Gloucester, Virginia 23061

(804)693-4042

November 24, 2015

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, 2015.

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 unmodified opinion on the County's financial statements for the year ended June 30, 2015. 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 zoning, building inspections, public works, parks, libraries, community development and recreational

activities, 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. The governing body has significant financial influence over the School Board and the Economic Development Authority (EDA), both of which are reported separately within Gloucester County's financial statements. Additional information on these two legally separate entities can be found in Note 1 in the notes to basic financial statements.

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

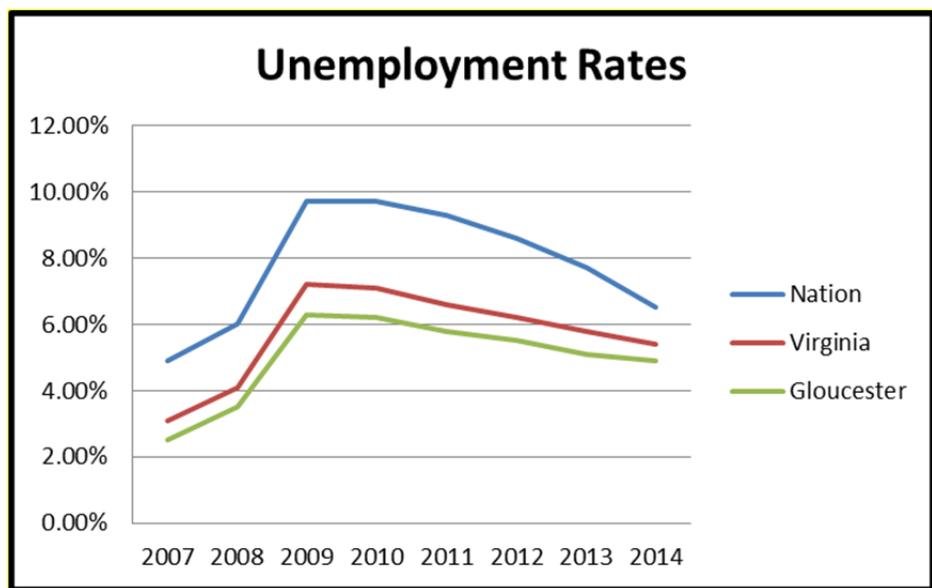
With new economic opportunities in the Hampton Roads economy, Gloucester County continued an aggressive planning year during Fiscal Year 2015. Encouraging signs that new developments were beginning to foster economic growth in Gloucester County continue.

The County continues to receive submittals of new and additional phases of major residential subdivisions. Also commercial and retail activities have increased. Some notable developments include the renovation and expansion of Wendy's restaurant, the opening of Cook Out and Martin's Soul Food restaurants, new MD Express, a 5,000 square foot medical office, new Hayes Family Dentistry, 5,100 square foot building, and continued renovations of the Riverside Walter Reed Hospital to improve and increase service levels provided.



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 2014, the Gloucester unemployment rate was 4.9%, which compared favorably with Virginia at 5.2% and the United States at 6.2%.



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 and Comprehensive 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 processes.

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. A quality education system continues to be one of the County's top priorities. The County made significant investments in excess of \$17M in various school construction projects starting in FY14. These investments were primarily for the rebuilding of the new Page Middle School, a 117,000 square foot two story facility, to open at the beginning of the 2015 school year, and the HVAC and roof replacement program for various school buildings. Though enrollment has been on a slow decline since FY2011, the County continues to provide increasing support. The FY16 County budget provides for the highest per-pupil spending in the history of the school division.

The Federal Emergency Management Agency (FEMA) 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.

New Emergency Operations Center (EOC) opened during the summer greatly enhancing Gloucester County's ability to plan and prepare for, and respond to, disasters and emergencies. The new 4400+ square foot facility is a 24/7 "ready-to-go" operation for immediate activation when needed. The facility is technology-enhanced with laptops, networked projectors, large monitors and smartboards. It has and continues to be a training site for full scale emergent exercises.

Awards and Acknowledgements

Information Technology

Gloucester County's website (gloucesterva.info) has again received a Digital Counties Survey award from the Center for Digital Government and the National Associations of Counties. The survey evaluates the results achieved through the use of technology in the areas of cybersecurity, shared services, budget

Sheriff's Office

The Gloucester County Sheriff's Office received the 2014 Governor's Transportation Safety Award for combating traffic fatalities and injuries on the highways of Gloucester County.

Schools

Gloucester Elementary School Teacher, Jennifer Worrell, was selected and honored as one of eight 2015 Virginia Regional Teachers of the Year. This achievement is based on the candidate's accomplishments, educational philosophies and community activities.

Purchasing

The Gloucester County Purchasing Department received the 2014 Excellence in Achievement Award and the Purchasing Agent, Bill Lindsey, for Professional Manager of the Year. For the fourth consecutive year, the Purchasing Department is the recipient of the Universal Public Procurement Certification Council's ("UPPCC") Excellence in Achievement Award for 2015. This award recognizes the department's commitment to the value of professional certification in the public sector and the expertise of the staff in administering the County and the Schools purchasing operations.

Finance

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, 2014. This was the nineteenth 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,



Sanford B. Wanner, CM
Interim County Administrator



Stephanie M. Tinsley, CPA, CPFO, CGFM
Director of Financial Services

FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, 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; 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, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison information, and schedules related to pension and OPEB funding on pages 4-13, 94, and 95-100 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.

Other Information (continued)

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 24, 2015, 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.

Roberson, Tam, Cox Accountants

Richmond, Virginia
November 24, 2015

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County of Gloucester, Virginia Management's Discussion and Analysis

As management of the County of Gloucester (the "County"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2015. We encourage readers to consider this discussion and analysis in conjunction with the transmittal letter in the Introductory Section of this report and with the County's basic financial statements which have the following components: (1) management's discussion and analysis (MD&A), (2) government-wide financial statements, (3) fund financial statements, and (4) notes to the financial statements.

Financial Highlights

- At the end of the fiscal year, the County's total net position, excluding component units, decreased by \$1.1 million from the beginning restated balance of \$55.0 million to \$53.9 million. The Component Units, of which School Board is the major unit, net position increased by \$2.8 million from the beginning restated balance deficit of \$26.6 million to a deficit balance of \$24.0 million. The Primary Government and School Board component unit beginning balances were restated to reflect the implementation of Governmental Accounting Standards Board's Statement Number 68, *Accounting and Financial Reporting for Pensions (GASB 68) - an amendment of GASB Statement No. 27*, Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. As a result of the implementation, beginning net position of the Primary Government was restated from \$61.7 million to \$55.0 million and the School Board component unit was restated from \$26 million to a deficit balance of \$27 million at July 1, 2014.
- At June 30, 2015, the unrestricted net position of the Primary Government is \$19.0 million which may be used to meet the County's ongoing obligations to citizens and creditors.
- At June 30, 2015, the County's governmental funds reported combined ending fund balances of \$23.9 million, a decrease of \$18.6 million in comparison with the prior year, primarily due to the spend down of the committed fund balance of the School bond proceeds for the construction of the new Page Middle School. Approximately \$17.5 million of the combined ending fund balances, is *available for spending* at the County's discretion (*unassigned fund balance*).
- At June 30, 2015, the General Fund's unassigned fund balance was \$17.5 million, or 17.7% of expected governmental fund expenditures less any capital outlay projects funded with bond proceeds. This balance continues to meet and exceed the Board of Supervisors' adopted Fund Balance policy minimum of 10%, with a target of 12%, governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The County's Primary Government total long-term debt decreased by \$9.6 million from the prior year restated balance of \$83.1 million to \$73.5 million at June 30, 2015 due to decrease in net pension liability and principal payments on existing debt. As a result of GASB 68 implementation, beginning total long-term debt increased from \$74.8 million to \$83.1 million due to recognition of net pension liability. Similarly for the School Board component unit, net

pension liability recognized as of June 30, 2014 was \$56 million, restating beginning long-term debt for the two component units from \$20.6 million to \$76.6 million. The decrease to \$67.1 million at June 30, 2015 is primarily due to the decrease in net pension liability.

Overview of the Financial Statements

The County's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide the readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all 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.

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 (Exhibits 1 and 2) 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.

In fiscal year 2015, the County implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68," hereafter referred to as "GASB 68." The objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense. GASB 68 requires the liability of employers for defined benefit pensions to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. Accordingly, the County recorded the impact of the related net pension liability on net

position, deferred outflows of resources, deferred inflows of resources, and pension expense. The accounting treatment to restate the beginning net position for the adoption of GASB 68 resulted in reductions of \$6.2 million for governmental activities, \$0.5 million for business-type activities, and \$52.7 million for the School Board component unit. At June 30, 2015, governmental activities report a net pension liability of \$4.1 million, deferred inflows of resources relating to pensions of \$2.8 million, and deferred outflows of resources related to pensions of \$1.4 million. Business-type activities report net pension liability of \$0.3 million, deferred inflows of resources related to pensions of \$0.2 million, and deferred outflows of resources related to pensions of \$0.1 million. The School Board component unit reports a net pension liability of \$47.2 million, deferred inflows of resources related to pensions of \$8.7 million and deferred outflows of resources related to pensions of \$4.4 million. For further information regarding the County's adoption of the new pension standard, refer to Note 18 in the notes to financial statements.

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 at Exhibits 3 through 6 of this report.

The County maintains one type of **Proprietary Fund**. The County uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found at Exhibits 7 through 9 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 at Exhibit 10 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.

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 at Exhibits 11 through 17 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 at Exhibit 18 of this report.

Financial Analysis of the County as a Whole

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 \$53.9 million at June 30, 2015. A large portion of the County's net position (\$33.0 million, 61.2 % of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

An additional amount of \$1.9 million is restricted for business-type activities for bond covenants which cannot be used to meet ongoing obligations to citizens and creditors. Unrestricted net position of \$19.0 million or 35.5% may be used to meet the County's ongoing obligations to citizens and creditors.

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

Summary of Net Position								
As of June 30, 2015 and 2014								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2015	2014*	2015	2014*	2015	2014*	2015	2014*
Current and other assets	\$ 54,053,204	\$ 71,155,905	\$ 7,345,875	\$ 7,587,718	\$ 61,399,079	\$ 78,743,623	\$ 10,578,140	\$ 10,319,272
Capital assets	69,392,942	57,395,359	26,882,624	27,602,821	96,275,566	84,998,180	42,260,066	40,483,439
Total assets	\$ 123,446,146	\$ 128,551,264	\$ 34,228,499	\$ 35,190,539	\$ 157,674,645	\$ 163,741,803	\$ 52,838,206	\$ 50,802,711
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,665,311	\$ 2,051,465
Pension contributions subsequent to measurement date	1,433,155	-	100,836	-	1,533,991	-	4,373,533	-
Deferred charges on refunding	184,407	200,676	322,012	365,897	506,419	566,573	-	-
Total deferred outflows	\$ 1,617,562	\$ 200,676	\$ 422,848	\$ 365,897	\$ 2,040,410	\$ 566,573	\$ 6,038,844	\$ 2,051,465
Long-term debt outstanding	\$ 51,990,634	\$ 51,488,091	\$ 15,565,787	\$ 17,568,189	\$ 67,556,421	\$ 69,056,280	\$ 64,547,682	\$ 17,734,770
Other liabilities	13,654,186	12,243,568	2,526,769	2,522,786	16,180,955	14,766,354	9,703,681	9,562,361
Total liabilities	\$ 65,644,820	\$ 63,731,659	\$ 18,092,556	\$ 20,090,975	\$ 83,737,376	\$ 83,822,634	\$ 74,251,363	\$ 27,297,131
Deferred revenue - property taxes	\$ 19,021,594	\$ 18,762,928	\$ -	\$ -	\$ 19,021,594	\$ 18,762,928	\$ -	\$ -
Items related to measurement of net pension liability	2,818,575	-	234,182	584,771	3,052,757	584,771	8,667,876	-
Total deferred inflows	21,840,169	18,762,928	234,182	584,771	22,074,351	19,347,699	8,667,876	-
Net position								
Invested in capital asset, net of related debt	\$ 20,771,917	\$ 22,330,023	\$ 12,233,762	\$ 11,267,065	\$ 33,005,679	\$ 33,597,088	\$ 27,796,717	\$ 25,746,301
Restricted	-	-	1,869,579	1,869,878	1,869,579	1,869,878	-	-
Unrestricted (deficit)	16,806,802	23,927,330	2,221,268	2,328,518	19,028,070	26,255,848	(51,838,906)	221,963
Total net position	\$ 37,578,719	\$ 46,257,353	\$ 16,324,609	\$ 15,465,461	\$ 53,903,328	\$ 61,722,814	\$ (24,042,189)	\$ 25,968,264

*Prior year information for pensions was unavailable, therefore the 2014 balances were not restated to reflect GASB 68 calculations.

The County's combined net position, which is the County's bottom line, decreased by \$1.1 million or 2.0% from the beginning restated balance of \$55.0 million. The change in the County's combined net position is a combination of the governmental activities decrease of \$2.4 million from the beginning restated balance of \$40.0 million and the business-type activities increase of \$1.3 million from the beginning restated balance of \$15.0 million. The decrease from the efforts of governmental activities can be attributed to liabilities and various decisions made to deal with economic conditions. The increase in the net position from business-type activities was the result of decreases in the amount of outstanding debt, and the continued contribution of cash from governmental activities to help with operating activities and debt service payments.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, the net deficit position as of June 30, 2015 of \$24.0 million is attributed to the implementation of GASB 68 in which the School Board component unit recognized \$56 million in net pension liability as of July 1, 2014. Current year activity in the School Board component unit of \$2.8 million reduced the deficit balance.

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, 2015 and 2014								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2015	2014*	2015	2014*	2015	2014*	2015	2014*
Revenues:								
Program revenue:								
Charges for services	\$ 1,266,857	\$ 1,186,961	\$ 4,135,611	\$ 4,193,272	\$ 5,402,468	\$ 5,380,233	\$ 2,667,077	\$ 2,765,942
Operating grants and contributions	8,064,461	8,018,257	-	-	8,064,461	8,018,257	31,206,860	30,591,962
Capital grants and contributions	2,099,005	3,882,214	277,732	499,050	2,376,737	4,381,264	-	-
General revenues:								
Property taxes	37,735,100	37,840,631	39,471	39,533	37,774,571	37,880,164	-	-
Other taxes	9,578,061	8,875,489	-	-	9,578,061	8,875,489	-	-
Unrestricted revenues	174,416	182,207	86,723	86,490	261,139	268,697	9,080	18,900
Miscellaneous	-	579,009	-	-	-	579,009	155,506	99,998
Grants and contributions	4,500,206	4,540,079	-	-	4,500,206	4,540,079	-	-
Payment from County	-	-	-	-	-	-	26,359,523	26,451,013
Total revenue	\$ 63,418,106	\$ 65,104,847	\$ 4,539,537	\$ 4,818,345	\$ 67,957,643	\$ 69,923,192	\$ 60,398,046	\$ 59,927,815
Expenses:								
General government	\$ 5,402,313	\$ 5,575,520	\$ -	\$ -	\$ 5,402,313	\$ 5,575,520	\$ -	\$ -
Judicial administration	1,830,328	1,978,698	-	-	1,830,328	1,978,698	-	-
Public safety	12,838,684	13,224,115	-	-	12,838,684	13,224,115	-	-
Public works	2,140,168	2,487,293	-	-	2,140,168	2,487,293	-	-
Health and welfare	5,441,279	5,223,039	-	-	5,441,279	5,223,039	-	-
Parks, recreation, and cultural	2,198,664	2,375,530	-	-	2,198,664	2,375,530	-	-
Community development	3,330,733	2,604,102	-	-	3,330,733	2,604,102	1,709,022	1,725,557
Interest on long-term debt	2,019,045	1,912,060	-	-	2,019,045	1,912,060	-	-
Education	29,991,304	27,169,073	-	-	29,991,304	27,169,073	55,976,643	55,231,018
Public Utilities	-	-	3,873,419	4,164,968	3,873,419	4,164,968	-	-
Total expenses	\$ 65,192,518	\$ 62,549,430	\$ 3,873,419	\$ 4,164,968	\$ 69,065,937	\$ 66,714,398	\$ 57,685,665	\$ 56,956,575
Change in net position, before transfers	\$ (1,774,412)	\$ 2,555,417	\$ 666,118	\$ 653,377	\$ (1,108,294)	\$ 3,208,794	\$ 2,712,381	\$ 2,971,240
Transfers	(673,758)	(673,758)	673,758	673,758	-	-	-	-
Change in net position	(2,448,170)	1,881,659	1,339,876	1,327,135	(1,108,294)	3,208,794	2,712,381	2,971,240
Net position, beginning	40,026,889	44,375,694	14,984,733	14,138,326	55,011,622	58,514,020	(26,754,570)	22,997,024
Net position, ending	\$ 37,578,719	\$ 46,257,353	\$ 16,324,609	\$ 15,465,461	\$ 53,903,328	\$ 61,722,814	\$ (24,042,189)	\$ 25,968,264

*Prior year information for pensions was unavailable, therefore the 2014 ending net position was not restated to reflect GASB 68 calculations & does not agree with beginning net position 2015.

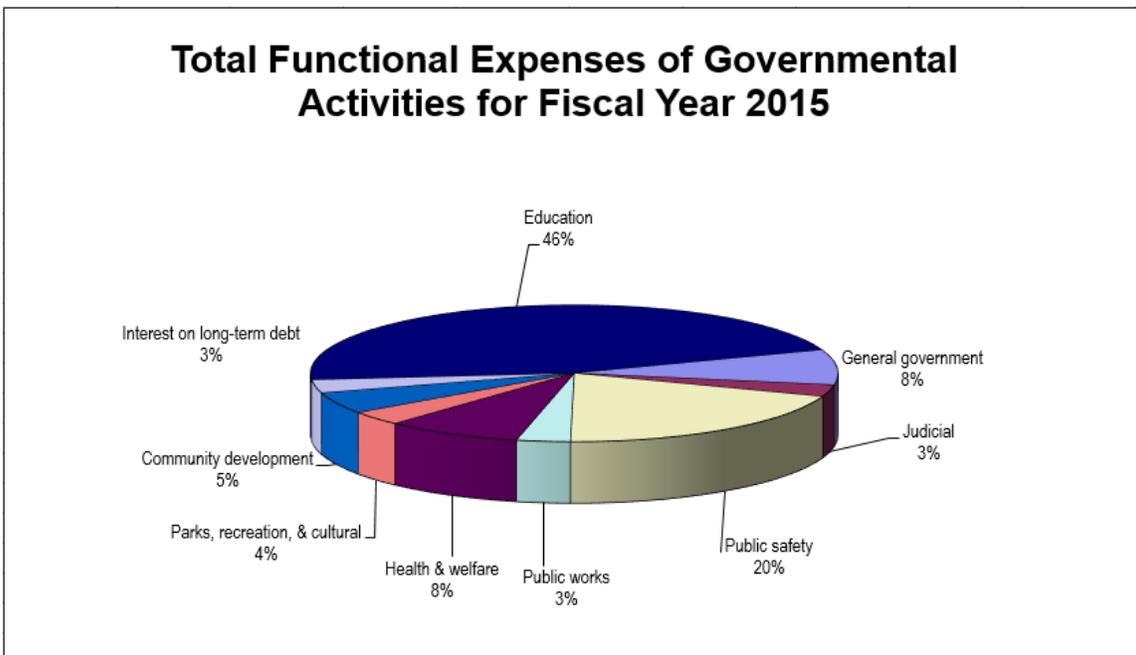
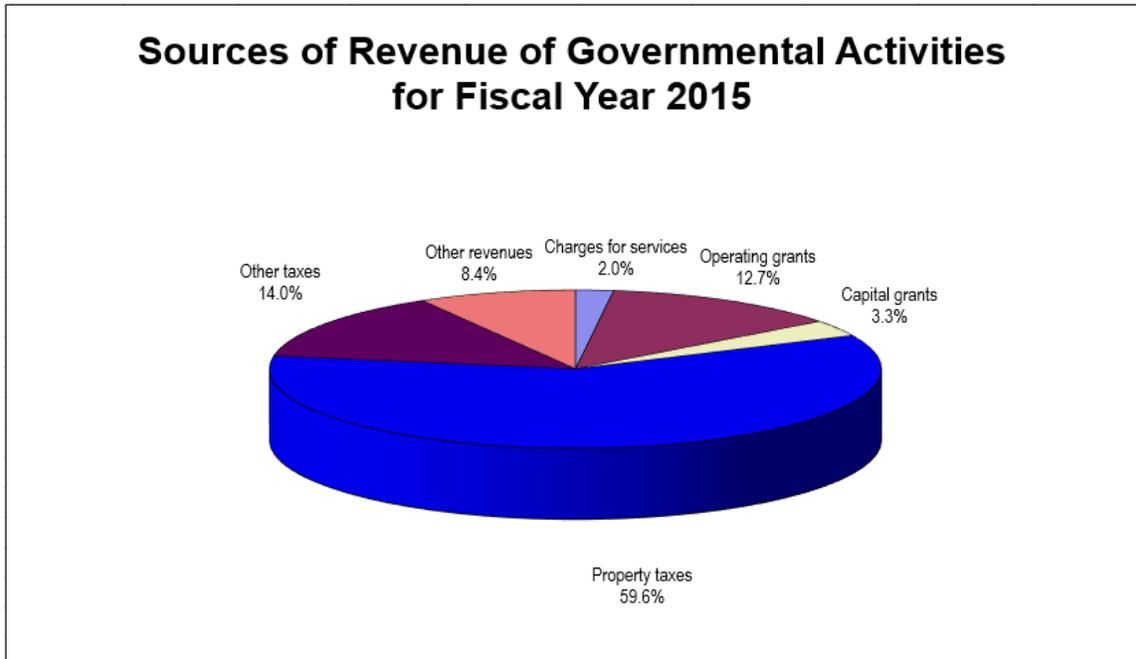
Governmental activities – For the fiscal year ended June 30, 2015, revenues from governmental activities (not including Capital Projects) totaled \$63.4 million, which was a decrease of \$1.7 million from the prior year primarily due to the decrease in capital grants and contributions. Property tax revenues, the County’s largest revenue source, reflecting the accrual of the last half of calendar year 2014 and the first half of calendar year 2015, essentially remained flat. Calendar year 2015 was a general reassessment year for the County. The County’s assessed real property tax base for calendar year 2015 saw a decrease where the Board of Supervisors approved an equalized real estate tax rate of \$0.68 for calendar year 2015 to remain revenue neutral to that billed in calendar year 2014 at a rate \$0.65. Additional impacts to property tax revenue came with the Board of Supervisors approval of eliminating the boat tax and increase lodging tax from 4% to 5%. The boat tax elimination, effective for the calendar year 2015, decreased revenue collections by \$220K for the fiscal year 2015. Strong collections offset some of that lost revenue. Expected revenue increase from the lodging tax is approximately \$30K. Collections from personal property taxes remained stable with no change to the tax rate of \$2.95. The increase of \$120K 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.

For the fiscal year ended June 30, 2015, expenses relating to governmental activities (not including Capital Projects) were \$2.6 million greater than prior year. This increase is attributed to the investment in education. Though the economy is improving, the County continued prudent budget

management strategies to include delaying filling vacancies, delaying capital and other major facility maintenance and replacement needs, and examining program and service efficiencies.

Public education continues to be one of the County’s highest priorities and commitments. The County contributed \$26.4 million to public school operations and debt payments relating to school projects. The County continues increasing its investment in education as demonstrated by the additional appropriations in fiscal year 2016 of over \$0.5 million supporting the operating needs of new Page Middle School and other critical school facilities repair and replacement needs.

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



Business-type activities increased the County's net position by \$1.3 million for fiscal year 2015 from the beginning restated balance of \$15.0 million. Similar to the changes in net position attributable to governmental activities, changes in business-type activity net position 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 4,600 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 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 through collection efforts and operating efficiencies. The County recognizes the need to continue support of the fund through annual General Fund transfers. Total amount transferred from the General Fund to the Utility Fund was \$674K in fiscal year 2015.

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 \$23.9 million, a decrease of \$18.6 million in comparison with the prior year. The \$18.6 million decrease can be attributed to:

- The spending of approximately \$16.0 million of the School Construction committed fund balance for the new Page Middle School. The new Page Middle School will open September 2015, in time for the start of the school year.
- The use of \$2.3 million of fund balance committed for capital projects, which included various school and county facility rehabilitation and replacement needs.

The General Fund is the chief operating fund of the County. At June 30, 2015, total fund balance was \$18.8 million of which unassigned fund balance was \$17.5 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% with a target of 12% 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.

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 \$1.8 million, which is essentially 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 have been received. Three school bonds totaling \$23.5 million have been issued. Construction on the new school started in fiscal year 2013 and will be completed in early fiscal year 2016 in time for the September 2015 start of school session. The School Construction Fund has a fund balance of \$3.2 million, which has been committed to construction of the new Page Middle School.

Proprietary funds: The County's proprietary funds provide the same type of information presented in the business-type activities on the government-wide financial statements, as their basis of accounting is the same, but in more detail. Unrestricted net position of the Utility Fund at June 30, 2015 remain stable at \$2.2 million. Other factors concerning the finances of this fund have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Total General Fund expenditures in fiscal year 2015 came in at \$1.7 million or 3.4% below the final amended budget. Local expenditures for education were under budget by \$240K.

General Fund revenues met final budget projections in fiscal year 2015, which can be attributed to the signs of a measured recovery in the local economy and conservative revenue forecasting.

General Fund additional budget appropriation resulted in an increase of \$1.3 million, or 2.2% between originally-adopted fiscal year 2015 budget appropriation for expenditures and transfers out and the final budget. The increase resulted primarily from reappropriations of fiscal year 2014 budget commitments for completion of ongoing projects in fiscal year 2015.

Capital Assets and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$96.3 million (net of accumulated depreciation). This represents an increase of \$11.3 million or 13.3% from fiscal year 2014. 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 primarily related to the demolishing and rebuilding of the Page Middle School. 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 was approximately \$26.0 million. The new Page Middle School will open in September 2015 for the new school year.

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, 2015 and 2014								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2015	2014	2015	2014	2015	2014	2015	2014
Land	\$ 6,486,853	\$ 6,381,052	\$ 3,599,246	\$ 3,599,246	\$ 10,086,099	\$ 9,980,298	\$ 2,289,328	\$ 2,289,328
Construction in progress	25,583,171	11,077,092	232,452	65,129	25,815,623	11,142,221	-	-
Buildings	11,923,330	11,686,580	21,843,427	22,748,586	33,766,757	34,435,166	14,600,303	15,860,079
Improvements other than buildings	2,308,516	2,457,717	-	-	2,308,516	2,457,717	-	-
Equipment	8,539,555	9,901,544	1,207,499	1,189,860	9,747,054	11,091,404	2,661,350	2,828,684
Jointly owned assets	14,551,517	15,891,374	-	-	14,551,517	15,891,374	22,709,085	19,916,567
Total	\$ 69,392,942	\$ 57,395,359	\$ 26,882,624	\$ 27,602,821	\$ 96,275,566	\$ 84,998,180	\$ 42,260,066	\$ 40,894,658

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

Long-term debt: At June 30, 2015, the County's Primary Government had total outstanding debt of \$73.5 million and details are summarized in the following table:

Long-Term Debt								
As of June 30, 2015 and 2014								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2015	2014*	2015	2014*	2015	2014*	2015	2014*
Bonds Payable:								
General obligation bonds	\$ 36,773,293	\$ 38,548,607	\$ -	\$ -	\$ 36,773,293	\$ 38,548,607	\$ -	\$ -
Revenue bonds	-	-	17,174,277	19,392,087	17,174,277	19,392,087	14,463,350	15,148,357
Loans and Notes	-	-	-	-	-	-	-	-
Literary loans	970,324	1,220,324	-	-	970,324	1,220,324	-	-
Capital leases	10,877,408	12,467,831	-	-	10,877,408	12,467,831	-	-
Derivative instrument liability	-	-	-	-	-	-	1,665,311	2,051,465
OPEB liability	1,447,666	1,258,556	118,523	104,901	1,566,189	1,363,457	2,039,293	1,749,581
Net pension liability	4,146,799	7,757,184	282,595	584,771	4,429,394	8,341,955	47,246,801	55,970,670
Compensated absences	1,635,492	1,670,053	117,102	126,890	1,752,594	1,796,943	1,694,775	1,691,079
Total	\$ 55,850,982	\$ 62,922,555	\$ 17,692,497	\$ 20,208,649	\$ 73,543,479	\$ 83,131,204	\$ 67,109,530	\$ 76,611,152

*Balances were restated to reflect implementation of GASB 68 and 71.

As a result of the implementation of GASB 68, total debt liability now includes recognizing net pension liability on the face of the financials, whereas previously only displayed and discussed in the notes to the financials. The most significant impact was on the School Board component unit. Beginning

balance was restated from \$20.6 million to \$76.6 million which is attributed to the recognition of School's net pension liability of \$56.0 million. Long-term debt balance as of June 30, 2015 for component units is \$67.1 million, a decrease of \$9.5 million or 12.4% from the restated beginning balance, primarily due to the decrease in the net pension liability. Debt associated with governmental activities decreased by \$7.1 million or 11.2% from the restated beginning balance of \$62.9 million which is the result of decrease in net pension liability and pay down of principal during the fiscal year. The debt associated with business-type activities decreased by \$2.5 million or 12.5% from the restated beginning total of \$20.2 million, which is primarily 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, 2015, the County's net debt as a percentage of assessed value was 1.2%, the net debt per capita ratio was \$1,400, and the debt payments percentage was 6.3%.

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

Economic Factors and Next Year's Budgets and Rates

Throughout the fiscal year, the County's unemployment rate continued to show slow steady improvement over the prior year. In June 2015 the unemployment rate for the County's was 4.5%, which was lower than the state of Virginia at 5.0% and the United States at 5.5%.

The Board of Supervisors considered many factors when developing the fiscal year 2016 General Fund budget - particularly the impacts of state and national economic conditions. While national indicators said the recession ended in 2009, the local economy is recovering at a more measured pace. 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 Board of Supervisors' overriding principals in developing the fiscal year 2016 budget were:

- Increase the real estate tax rate to only the equalized tax rate of \$0.68;
- Eliminate the boat tax;
- Increase lodging tax from 4% to 5%;
- No increase in any other tax rates or user fees;
- No decrease in school funding;
- Minimize reductions in workforce;
- No new borrowing; and
- Strive to keep services at current levels, supporting Board of Supervisors initiatives, priorities, programs, directives, and capital approvals.

The fiscal year 2016 General Fund approved budget is \$59.4 million, which is a decrease of \$0.6 million from adopted original fiscal year 2015 budget. The real estate tax rate was equalized to \$0.68 from \$0.65, with personal property tax rates remaining at \$2.95, and lodging tax increased from 4% to 5%. Subsequent to the adoption of the fiscal year 2016 budget, the Board of Supervisors approved an additional appropriations of \$0.5 million, or a 2.2% increase in local funding support for the school

system for the new Page Middle School and other critical school facilities repair and replacement needs.

With the additional subsequent appropriations, the fiscal year 2016 School Operating Budget was approved at \$54.1 million, which is a \$0.9 million increase over the adopted fiscal year 2015 budget. Also included in this budget was \$23.2 million in local funding, which includes the additional appropriations of \$0.5 million.

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, citizens' demands for maintaining service levels, funding for facility maintenance and capital 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 Director of Financial Services, County of Gloucester, 6467 Main Street, Gloucester, VA 23061.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 25,555,200	\$ 295,164	\$ 25,850,364	\$ 1,015,120	\$ 138,484
Investments	1,950,195	714,470	2,664,665	67,881	830,793
Receivables (net of allowance for uncollectibles):					
Taxes receivable	22,866,996	1,140	22,868,136	-	-
Accounts receivable	431,805	502,724	934,529	1,900,889	-
Internal balances	15,394	(15,394)	-	-	-
Due from other governmental units	3,168,579	-	3,168,579	5,503,762	-
Inventories	-	46,378	46,378	23,212	1,083,044
Prepaid items	65,035	-	65,035	14,955	-
Restricted assets:					
Temporarily restricted:					
Investments - bond requirements	-	1,869,579	1,869,579	-	-
Cash and cash equivalents (in custody of others)	-	1,406,399	1,406,399	-	-
Investments (in custody of others)	-	2,525,415	2,525,415	-	-
Capital assets (net of accumulated depreciation):					
Land	6,486,853	3,599,246	10,086,099	1,476,061	813,267
Buildings and system	26,474,847	21,843,427	48,318,274	25,571,099	11,738,289
Improvements other than buildings	2,308,516	-	2,308,516	-	-
Machinery and equipment	8,539,555	1,207,499	9,747,054	2,661,350	-
Construction in progress	25,583,171	232,452	25,815,623	-	-
Total assets	\$ 123,446,146	\$ 34,228,499	\$ 157,674,645	\$ 38,234,329	\$ 14,603,877
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated decrease in fair value of hedging derivatives	\$ -	\$ -	\$ -	\$ -	\$ 1,665,311
Pension contributions subsequent to measurement date	1,433,155	100,836	1,533,991	4,373,533	-
Deferred charges on refunding	184,407	322,012	506,419	-	-
Total deferred outflows of resources	\$ 1,617,562	\$ 422,848	\$ 2,040,410	\$ 4,373,533	\$ 1,665,311
LIABILITIES					
Accounts payable	\$ 2,848,173	\$ 82,177	\$ 2,930,350	\$ 1,364,131	\$ 75,569
Accrued liabilities	1,928,531	5,109	1,933,640	5,096,018	-
Accrued interest payable	875,548	186,324	1,061,872	-	-
Due to other governmental units	4,141,586	-	4,141,586	318,116	288,000
Deposits held in escrow	-	126,449	126,449	-	-
Long-term liabilities:					
Due within one year	3,860,348	2,126,710	5,987,058	169,478	727,058
Derivative instrument - rate swap	-	-	-	-	1,665,311
Due in more than one year	51,990,634	15,565,787	67,556,421	50,811,391	13,736,291
Total liabilities	\$ 65,644,820	\$ 18,092,556	\$ 83,737,376	\$ 57,759,134	\$ 16,492,229
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	\$ 19,021,594	\$ -	\$ 19,021,594	\$ -	\$ -
Items related to measurement of net pension liability	2,818,575	234,182	3,052,757	8,667,876	-
Total deferred inflow of resources	\$ 21,840,169	\$ 234,182	\$ 22,074,351	\$ 8,667,876	\$ -
NET POSITION					
Net investment in capital assets	\$ 20,771,917	\$ 12,233,762	\$ 33,005,679	\$ 29,708,510	\$ (1,911,793)
Restricted:					
Debt service and bond covenants	-	1,869,579	1,869,579	-	-
Unrestricted (deficit)	16,806,802	2,221,268	19,028,070	(53,527,658)	1,688,752
Total net position	\$ 37,578,719	\$ 16,324,609	\$ 53,903,328	\$ (23,819,148)	\$ (223,041)

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, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT:			
Governmental activities:			
General government administration	\$ 5,402,313	\$ -	\$ 574,796
Judicial administration	1,830,328	172,895	845,325
Public safety	12,838,684	422,313	2,811,555
Public works	2,140,168	315,626	-
Health and welfare	5,441,279	40,620	3,446,926
Education	29,991,304	-	-
Parks, recreation, and cultural	2,198,664	240,605	142,846
Community development	3,330,733	74,798	9,744
Interest on long-term debt	2,019,045	-	233,269
Total governmental activities	\$ 65,192,518	\$ 1,266,857	\$ 8,064,461
Business-type activities:			
Public utilities	\$ 3,873,419	\$ 4,135,611	\$ -
Total business-type activities	\$ 3,873,419	\$ 4,135,611	\$ -
Total primary government	\$ 69,065,937	\$ 5,402,468	\$ 8,064,461
COMPONENT UNITS:			
School Board	\$ 55,976,643	\$ 1,100,710	\$ 31,206,860
Economic Development Authority	1,709,022	1,566,367	-
Total component units	\$ 57,685,665	\$ 2,667,077	\$ 31,206,860

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, as restated
 Net position - ending

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

Net (Expense) Revenue and Changes in Net Position					
Capital Grants and Contributions	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
\$ -	\$ (4,827,517)	\$ -	\$ (4,827,517)		
-	(812,108)	-	(812,108)		
-	(9,604,816)	-	(9,604,816)		
-	(1,824,542)	-	(1,824,542)		
-	(1,953,733)	-	(1,953,733)		
851,230	(29,140,074)	-	(29,140,074)		
-	(1,815,213)	-	(1,815,213)		
1,247,775	(1,998,416)	-	(1,998,416)		
-	(1,785,776)	-	(1,785,776)		
<u>\$ 2,099,005</u>	<u>\$ (53,762,195)</u>	<u>\$ -</u>	<u>\$ (53,762,195)</u>		
\$ 277,732	\$ -	\$ 539,924	\$ 539,924		
<u>\$ 277,732</u>	<u>\$ -</u>	<u>\$ 539,924</u>	<u>\$ 539,924</u>		
<u>\$ 2,376,737</u>	<u>\$ (53,762,195)</u>	<u>\$ 539,924</u>	<u>\$ (53,222,271)</u>		
\$ -	\$ -	\$ -	\$ -	\$ (23,669,073)	\$ -
-	-	-	-	-	(142,655)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (23,669,073)</u>	<u>\$ (142,655)</u>
	\$ 37,735,100	\$ 39,471	\$ 37,774,571	\$ -	\$ -
	3,993,673	-	3,993,673	-	-
	711,867	-	711,867	-	-
	1,547,404	-	1,547,404	-	-
	1,896,892	-	1,896,892	-	-
	989,921	-	989,921	-	-
	174,416	86,723	261,139	3,840	5,240
	438,304	-	438,304	155,506	-
	4,500,206	-	4,500,206	-	-
	-	-	-	26,359,523	-
	(673,758)	673,758	-	-	-
	<u>\$ 51,314,025</u>	<u>\$ 799,952</u>	<u>\$ 52,113,977</u>	<u>\$ 26,518,869</u>	<u>\$ 5,240</u>
	<u>\$ (2,448,170)</u>	<u>\$ 1,339,876</u>	<u>\$ (1,108,294)</u>	<u>\$ 2,849,796</u>	<u>\$ (137,415)</u>
	<u>40,026,889</u>	<u>14,984,733</u>	<u>55,011,622</u>	<u>(26,668,944)</u>	<u>(85,626)</u>
	<u>\$ 37,578,719</u>	<u>\$ 16,324,609</u>	<u>\$ 53,903,328</u>	<u>\$ (23,819,148)</u>	<u>\$ (223,041)</u>

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FUND FINANCIAL STATEMENTS

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Balance Sheet
 Governmental Funds
 June 30, 2015

	General	Capital Projects	School Construction	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 25,555,200	\$ -	\$ -	\$ -	\$ 25,555,200
Investments	126,629	1,806,991	16,575	-	1,950,195
Receivables (net of allowance for uncollectibles):					
Taxes receivable	22,866,996	-	-	-	22,866,996
Accounts receivable	419,229	10,126	-	2,450	431,805
Due from other funds	360,543	412,416	5,341,205	-	6,114,164
Due from other governmental units	1,635,588	595,169	505,148	432,674	3,168,579
Prepaid items	65,035	-	-	-	65,035
Total assets	<u>\$ 51,029,220</u>	<u>\$ 2,824,702</u>	<u>\$ 5,862,928</u>	<u>\$ 435,124</u>	<u>\$ 60,151,974</u>
LIABILITIES					
Accounts payable	\$ 200,837	\$ 966,616	\$ 1,590,744	\$ 89,976	\$ 2,848,173
Accrued liabilities	838,964	39,934	1,049,633	-	1,928,531
Due to other governmental units	4,141,586	-	-	-	4,141,586
Due to other funds	5,753,622	-	-	345,148	6,098,770
Total liabilities	<u>\$ 10,935,009</u>	<u>\$ 1,006,550</u>	<u>\$ 2,640,377</u>	<u>\$ 435,124</u>	<u>\$ 15,017,060</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 21,254,456	\$ -	\$ -	\$ -	\$ 21,254,456
Total deferred inflows of resources	<u>\$ 21,254,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,254,456</u>
Fund balances:					
Nonspendable	\$ 65,035	\$ -	\$ -	\$ -	\$ 65,035
Restricted	133,004	54,400	-	-	187,404
Committed	1,118,337	1,763,752	3,222,551	-	6,104,640
Unassigned	17,523,379	-	-	-	17,523,379
Total fund balances	<u>\$ 18,839,755</u>	<u>\$ 1,818,152</u>	<u>\$ 3,222,551</u>	<u>\$ -</u>	<u>\$ 23,880,458</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 51,029,220</u>	<u>\$ 2,824,702</u>	<u>\$ 5,862,928</u>	<u>\$ 435,124</u>	<u>\$ 60,151,974</u>

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

Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2015

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	23,880,458	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	99,086,192	
Accumulated depreciation		<u>(29,693,250)</u>	69,392,942
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue - property taxes	\$	2,232,862	
Items related to measurement of net pension liability		<u>(2,818,575)</u>	(585,713)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.			
			1,433,155
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	\$	(36,176,211)	
Add: Deferred charge on refunding (to be amortized as interest expense)		184,407	
Less: Issuance premium (to be amortized over life of debt)		(1,567,406)	
Accrued Interest payable		(875,548)	
Net OPEB obligation		(1,447,666)	
Net pension liability		(4,146,799)	
Capital leases		(10,877,408)	
Compensated absences		<u>(1,635,492)</u>	<u>(56,542,123)</u>
Net position of governmental activities	\$		<u><u>37,578,719</u></u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2015

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 37,944,859	\$ -	\$ -	\$ -	\$ -	\$ 37,944,859
Other local taxes	9,139,757	-	-	-	-	9,139,757
Permits, privilege fees, and regulatory licenses	379,645	-	-	-	-	379,645
Fines and forfeitures	68,265	-	-	-	-	68,265
Revenue from the use of money and property	148,747	-	136	25,533	-	174,416
Charges for services	818,947	-	-	-	-	818,947
Miscellaneous	255,969	-	88,294	79,343	14,698	438,304
Recovered costs	378,821	-	-	-	-	378,821
Intergovernmental:						
Commonwealth	8,818,854	-	275,528	851,230	1,854,861	11,800,473
Federal	155,854	233,269	972,247	-	1,501,829	2,863,199
Total revenues	<u>\$ 58,109,718</u>	<u>\$ 233,269</u>	<u>\$ 1,336,205</u>	<u>\$ 956,106</u>	<u>\$ 3,371,388</u>	<u>\$ 64,006,686</u>
EXPENDITURES						
Current:						
General government administration	\$ 5,506,522	\$ -	\$ -	\$ -	\$ -	\$ 5,506,522
Judicial administration	1,720,444	-	-	-	-	1,720,444
Public safety	12,260,636	-	-	-	-	12,260,636
Public works	2,156,828	-	-	-	-	2,156,828
Health and welfare	701,488	-	-	-	4,726,015	5,427,503
Education	23,055,992	-	-	-	-	23,055,992
Parks, recreation, and cultural	2,139,478	-	-	-	-	2,139,478
Community development	972,068	-	-	-	-	972,068
Nondepartmental	353,497	-	-	-	-	353,497
Capital projects	-	-	6,521,346	15,979,259	-	22,500,605
Debt service:						
Principal retirement	-	3,437,958	-	-	-	3,437,958
Interest and other fiscal charges	-	2,293,936	-	-	-	2,293,936
Principal retirement-School leases	-	72,317	-	-	-	72,317
Interest and other fiscal charges-School	-	4,041	-	-	-	4,041
Total expenditures	<u>\$ 48,866,953</u>	<u>\$ 5,808,252</u>	<u>\$ 6,521,346</u>	<u>\$ 15,979,259</u>	<u>\$ 4,726,015</u>	<u>\$ 81,901,825</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,242,765</u>	<u>\$ (5,574,983)</u>	<u>\$ (5,185,141)</u>	<u>\$ (15,023,153)</u>	<u>\$ (1,354,627)</u>	<u>\$ (17,895,139)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 5,574,983	\$ 2,258,588	\$ -	\$ 1,354,627	\$ 9,188,198
Transfers out	(9,861,956)	-	-	-	-	(9,861,956)
Total other financing sources (uses)	<u>\$ (9,861,956)</u>	<u>\$ 5,574,983</u>	<u>\$ 2,258,588</u>	<u>\$ -</u>	<u>\$ 1,354,627</u>	<u>\$ (673,758)</u>
Net change in fund balances	\$ (619,191)	\$ -	\$ (2,926,553)	\$ (15,023,153)	\$ -	\$ (18,568,897)
Fund balances - beginning	19,458,946	-	4,744,705	18,245,704	-	42,449,355
Fund balances - ending	<u>\$ 18,839,755</u>	<u>\$ -</u>	<u>\$ 1,818,152</u>	<u>\$ 3,222,551</u>	<u>\$ -</u>	<u>\$ 23,880,458</u>

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

Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds \$ (18,568,897)

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	\$	18,743,456	
Depreciation expense		(3,070,363)	
Jointly owned asset allocation of assets		(5,199,448)	
Jointly owned asset depreciation		<u>1,523,938</u>	11,997,583

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

Property taxes	\$	(209,759)	
Change in deferred inflows related to the measurement of the net pension liability/asset		<u>(2,818,575)</u>	(3,028,334)

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

Principal payments	\$	<u>3,510,275</u>	3,510,275
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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	\$	34,561	
(Increase) decrease in net OPEB obligation		(189,110)	
(Increase) decrease in net pension liability		3,610,385	
Amortization of deferred charges on refunding		(16,269)	
Premium amortization		105,462	
(Increase) decrease in deferred outflows related to pension payments subsequent to measurement date		(93,565)	
(Increase) decrease in accrued interest payable		<u>189,739</u>	<u>3,641,203</u>

Change in net position of governmental activities	\$	<u><u>(2,448,170)</u></u>	
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The notes to the financial statements are an integral part of this statement.

Statement of Net Position
Proprietary Fund
June 30, 2015

	Enterprise Fund
	Utilities Fund
	<u>Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 295,164
Investments	714,470
Taxes receivable (net of allowance for uncollectibles)	1,140
Accounts receivable (net of allowance for uncollectibles)	502,724
Inventories	46,378
Total current assets	<u>\$ 1,559,876</u>
Noncurrent assets:	
Restricted current assets:	
Investments - bond requirements	\$ 1,869,579
Cash and cash equivalents (in custody of others)	1,406,399
Investments (in custody of others)	2,525,415
Total restricted current assets	<u>\$ 5,801,393</u>
Capital assets:	
Utility plant in service	\$ 34,692,182
Land	3,599,246
Machinery and equipment	1,752,127
Buildings	6,171,216
Construction in progress	232,452
Accumulated depreciation	(19,564,599)
Total net capital assets	<u>\$ 26,882,624</u>
Total noncurrent assets	<u>\$ 32,684,017</u>
Total assets	<u>\$ 34,243,893</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	\$ 322,012
Pension contributions subsequent to measurement date	100,836
Total deferred outflows of resources	<u>\$ 422,848</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 82,177
Accrued liabilities	5,109
Accrued interest payable	186,324
Due to other funds	15,394
Compensated absences - current portion	11,710
Deposits held in escrow	126,449
Bonds payable - current portion	2,115,000
Total current liabilities	<u>\$ 2,542,163</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 15,059,277
Net OPEB obligation	118,523
Net pension liability	282,595
Compensated absences - net of current portion	105,392
Total noncurrent liabilities	<u>\$ 15,565,787</u>
Total liabilities	<u>\$ 18,107,950</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	<u>\$ 234,182</u>
NET POSITION	
Net investment in capital assets	\$ 12,233,762
Restricted for debt service and bond covenants	1,869,579
Unrestricted	2,221,268
Total net position	<u>\$ 16,324,609</u>

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

Statement of Revenues, Expenses, and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2015

	Enterprise Fund <u>Utilities Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,396,802
Sewer revenues	659,271
Other revenues	79,538
Total operating revenues	<u>\$ 4,135,611</u>
OPERATING EXPENSES	
Personnel services	\$ 976,467
Fringe benefits	288,464
Contractual services	218,513
Other charges	841,510
Depreciation	968,871
Total operating expenses	<u>\$ 3,293,825</u>
Operating income (loss)	<u>\$ 841,786</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 277,732
Investment income	86,723
Taxes	39,471
Interest expense	(579,594)
Total nonoperating revenues (expenses)	<u>\$ (175,668)</u>
Income before transfers	\$ 666,118
Transfers in	<u>673,758</u>
Change in net position	\$ 1,339,876
Total net position - beginning	<u>14,984,733</u>
Total net position - ending	<u><u>\$ 16,324,609</u></u>

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

Statement of Cash Flows
 Proprietary Fund
 For the Year Ended June 30, 2015

	Enterprise Fund <u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,040,136
Receipts for miscellaneous items	79,538
Payments to suppliers	(1,094,827)
Payments to and for employees	(1,325,884)
Net cash provided by (used for) operating activities	<u>\$ 1,698,963</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 689,152
Connection fees	277,732
Tax revenue	40,489
Net cash provided by (used for) noncapital financing activities	<u>\$ 1,007,373</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	\$ (248,674)
Principal payments on bonds	(2,043,000)
Interest expense	(729,787)
Net cash provided by (used for) capital and related financing activities	<u>\$ (3,021,461)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	\$ 82,107
Sale (purchase) of investments	168,837
Net cash provided by (used for) investing activities	<u>\$ 250,944</u>
Net increase (decrease) in cash and cash equivalents	\$ (64,181)
Cash and cash equivalents - beginning - including restricted	1,765,744
Cash and cash equivalents - ending - including restricted	<u>\$ 1,701,563</u>
Reconciliation of operating income (loss) to net cash provided by (used for) by operating activities:	
Operating income (loss)	\$ 841,786
Adjustments to reconcile operating income (loss) to net cash provided by (used for) by operating activities:	
Depreciation expense	\$ 968,871
(Increase) decrease in accounts receivable	(6,567)
(Increase) decrease in deferred outflows of resources	3,207
(Increase) decrease in prepaid items	3,596
Increase (decrease) in customer deposits	(9,370)
Increase (decrease) in accrued liabilities	5,109
Increase (decrease) in accounts payable	(43,509)
Increase (decrease) in net OPEB obligation	13,622
Increase (decrease) in net pension liability	(302,176)
Increase (decrease) in deferred inflows of resources	234,182
Increase (decrease) in compensated absences	(9,788)
Total adjustments	<u>\$ 857,177</u>
Net cash provided by (used for) operating activities	<u>\$ 1,698,963</u>

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

Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 179,828
Accounts receivable	935
Total assets	<u>\$ 180,763</u>
LIABILITIES	
Accounts payable	\$ 79,719
Amounts held for social services clients	27,292
Amounts held for regional program	8,777
Amounts held for others	64,975
Total liabilities	<u>\$ 180,763</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Financial Statement Presentation

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

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

Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net 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, 2015.

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, 2015.

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, 2015. The Authority does not issue a separate financial report.

C. Other Related Organizations

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

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

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

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)

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The County's 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 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 \$502,923 at June 30, 2015 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.

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

The County bills and collects its own property taxes.

H. Capital Assets

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

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

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

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

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

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

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

I. **Compensated Absences**

Vested or accumulated vacation leave is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the Statement of Net Position. 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. **Use of Estimates**

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

K. **Net Position**

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.

L. **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.

M. **Pensions**

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

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

N. Long-term Obligations

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

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

O. Prepaid Items

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

P. Inventory

Inventory 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.

Q. Fund Equity

The County reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. 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;

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

Q. Fund Equity (Continued)

- 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). Assigned fund balance is established by the County Administrator, who has been given the delegated authority to assign amounts by the Board of Supervisors.

In the general fund, the County strives to maintain an unassigned fund balance to be used for unforeseen emergencies of an amount equal to 10% of governmental fund expenditures, with a preferred target of 12% of governmental fund expenditures, less any capital outlay projects funded with bond proceeds.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

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

Q. 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	\$ 65,035	\$ -	\$ -	\$ 65,035
Total Nonspendable Fund Balance	<u>\$ 65,035</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,035</u>
Restricted:				
Sheriff's asset forfeiture, federal	\$ 28,116	\$ -	\$ -	\$ 28,116
Sheriff's asset forfeiture, state	36,271	-	-	36,271
Commonwealth Attorney's asset forfeiture, federal	23,767	-	-	23,767
Commonwealth Attorney's asset forfeiture, state	34,022	-	-	34,022
Commonwealth Attorney's asset forfeiture, treasury	10,828	-	-	10,828
Proffers	-	54,400	-	54,400
Total Restricted Fund Balance	<u>\$ 133,004</u>	<u>\$ 54,400</u>	<u>\$ -</u>	<u>\$ 187,404</u>
Committed:				
Mosquito control	\$ 125,468	\$ -	\$ -	\$ 125,468
Tourism projects	296,626	-	-	296,626
Daffodil festival	89,409	-	-	89,409
Program donations	24,953	-	16,657	41,610
Subsequent expenditures	-	1,642,009	3,205,894	4,847,903
Probation and pretrial	57,122	-	-	57,122
Cable services	524,759	-	-	524,759
Older adult capital projects	-	121,743	-	121,743
Total Committed Fund Balance	<u>\$ 1,118,337</u>	<u>\$ 1,763,752</u>	<u>\$ 3,222,551</u>	<u>\$ 6,104,640</u>
Unassigned Fund Balance	<u>\$ 17,523,379</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,523,379</u>
Total Fund Balances	<u><u>\$ 18,839,755</u></u>	<u><u>\$ 1,818,152</u></u>	<u><u>\$ 3,222,551</u></u>	<u><u>\$ 23,880,458</u></u>

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

R. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the difference between projected and actual earnings on pension plan investments and changes in proportion and differences between employer contributions and proportionate share of contributions. For more detailed information on these items, reference the pension note.

S. Adoption of Accounting Principles:

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:*

The County implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements of these statements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in a restatement of net position, reference Note 18.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

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, 2015.

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

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, 2015 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, 2015 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	\$ 962,842	\$ -	\$ -	\$ -	\$ -
Virginia State Non-Arbitrage Pool	4,227,238	-	-	-	-
U.S. Treasury Note	-	1,869,579	-	-	-
Total	\$ 5,190,080	\$ 1,869,579	\$ -	\$ -	\$ -
Component Unit-School Board:					
Local Government Investment Pool	\$ 67,881	\$ -	\$ -	\$ -	\$ -
Total	\$ 67,881	\$ -	\$ -	\$ -	\$ -
Component Unit-Economic Development Authority:					
Money Market Funds	\$ 327,392	\$ -	\$ -	\$ -	\$ -
Government Securities	-	-	100,011	-	-
Corporate Bonds	-	-	100,603	201,404	101,383
Total	\$ 327,392	\$ -	\$ 200,614	\$ 201,404	\$ 101,383

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Interest Rate Risk

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

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than</u>		
		<u>1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Primary Government:				
Local Government Investment Pool	\$ 962,842	\$ 962,842	\$ -	\$ -
Virginia State Non-Arbitrage Pool	4,227,238	4,227,238	-	-
U.S. Treasury Note	1,869,579	1,869,579	-	-
Total	<u>\$ 7,059,659</u>	<u>\$ 7,059,659</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-School Board:				
Local Government Investment Pool	\$ 67,881	\$ 67,881	\$ -	\$ -
Total	<u>\$ 67,881</u>	<u>\$ 67,881</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit-Economic Development Authority				
Money Market Funds	\$ 327,392	\$ 327,392	\$ -	\$ -
Government Securities	100,011	-	100,011	-
Corporate Bonds	403,390	202,435	200,955	-
Total	<u>\$ 830,793</u>	<u>\$ 529,827</u>	<u>\$ 300,966</u>	<u>\$ -</u>

External Investment Pools

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2015, the County has receivables from and amounts due to other governments as follows:

		<u>Component Units</u>	
	<u>Primary Government</u>	<u>School Board</u>	<u>Economic Development Authority</u>
Other Local Governments:			
County of Gloucester	\$ -	\$ 4,141,586	\$ -
Gloucester County Cafeteria	318,116	-	-
Gloucester County Economic Development Authority	288,000	-	-
Commonwealth of Virginia:			
Local sales tax	743,531	-	-
Local communication sales tax	183,654	-	-
Local cable television fees	66,496	-	-
Mobile home titling tax	2,689	-	-
CSA funds	220,220	-	-
VPA funds	93,902	-	-
State sales tax	-	1,019,373	-
Constitutional officer reimbursements	262,265	-	-
Recordation tax	29,761	-	-
State highway construction	505,148	-	-
Disaster recovery funds	61,565	-	-
Other Grants	6,783	9,155	-
E-911 funds	7,446	-	-
Federal Government:			
School fund grants	-	333,648	-
Mitigation grant	245,604	-	-
VPA funds	118,552	-	-
Other federal grants	14,847	-	-
	<u>3,168,579</u>	<u>5,503,762</u>	<u>-</u>
Total due from other governments	\$ <u>3,168,579</u>	\$ <u>5,503,762</u>	\$ <u>-</u>
Amounts due to other governments are as follows:			
Gloucester County School Board	\$ 4,141,586	\$ -	\$ -
Gloucester County	-	318,116	288,000
	<u>4,141,586</u>	<u>318,116</u>	<u>288,000</u>
Total due to other governments	\$ <u>4,141,586</u>	\$ <u>318,116</u>	\$ <u>288,000</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2015, are as follows:

	Interfund Receivable	Interfund Payable
General	\$ 360,543	\$ 5,753,622
Capital Projects	412,416	-
School Construction	5,341,205	-
Virginia Public Assistance	-	208,411
Comprehensive Services Act	-	136,737
Total Governmental Funds	\$ 6,114,164	\$ 6,098,770
Utilities	\$ -	\$ 15,394
Total All Funds	\$ 6,114,164	\$ 6,114,164

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, 2015:

Primary Government:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 6,381,052	\$ 105,801	\$ -	\$ 6,486,853
Construction in progress	905,163	804,903	800,598	909,468
Jointly owned assets - construction in progress	10,171,929	17,541,964	3,040,190	24,673,703
Total capital assets not subject to depreciation	\$ 17,458,144	\$ 18,452,668	\$ 3,840,788	\$ 32,070,024
Capital assets subject to depreciation:				
Buildings	\$ 19,099,015	\$ 715,385	\$ -	\$ 19,814,400
Improvements other than buildings	2,913,181	-	-	2,913,181
Machinery and equipment	18,562,067	376,001	375,187	18,562,881
Jointly owned assets - buildings	27,884,964	3,040,190	5,199,448	25,725,706
Total capital assets subject to depreciation	\$ 68,459,227	\$ 4,131,576	\$ 5,574,635	\$ 67,016,168
Accumulated depreciation:				
Buildings	\$ (7,412,435)	\$ (478,635)	\$ -	\$ (7,891,070)
Improvements other than buildings	(455,464)	(149,201)	-	(604,665)
Machinery and equipment	(8,660,523)	(1,737,990)	(375,187)	(10,023,326)
Jointly owned assets - buildings	(11,993,590)	(704,537)	(1,523,938)	(11,174,189)
Total accumulated depreciation	\$ (28,522,012)	\$ (3,070,363)	\$ (1,899,125)	\$ (29,693,250)
Total capital assets being depreciated, net	\$ 39,937,215	\$ 1,061,213	\$ 3,675,510	\$ 37,322,918
Governmental activities capital assets, net	\$ 57,395,359	\$ 19,513,881	\$ 7,516,298	\$ 69,392,942

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2015:

Component Unit - School Board:

	Restated Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not subject to depreciation:				
Land	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Total capital assets not subject to depreciation	<u>\$ 1,476,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,476,061</u>
Capital assets subject to depreciation:				
Buildings	\$ 2,981,094	\$ -	\$ -	\$ 2,981,094
Machinery and equipment	11,217,370	376,810	708,902	10,885,278
Jointly owned assets - buildings	34,948,065	-	(5,199,448)	40,147,513
Total capital assets subject to depreciation	<u>\$ 49,146,529</u>	<u>\$ 376,810</u>	<u>\$ (4,490,546)</u>	<u>\$ 54,013,885</u>
Accumulated depreciation:				
Buildings	\$ (6,000)	\$ (113,080)	\$ -	\$ (119,080)
Machinery and equipment	(8,388,686)	(544,144)	(708,902)	(8,223,928)
Jointly owned assets - buildings	(15,031,498)	(882,992)	1,523,938	(17,438,428)
Total accumulated depreciation	<u>\$ (23,426,184)</u>	<u>\$ (1,540,216)</u>	<u>\$ 815,036</u>	<u>\$ (25,781,436)</u>
Total capital assets being depreciated, net	<u>\$ 25,720,345</u>	<u>\$ (1,163,406)</u>	<u>\$ (3,675,510)</u>	<u>\$ 28,232,449</u>
Governmental activities capital assets, net	<u>\$ 27,196,406</u>	<u>\$ (1,163,406)</u>	<u>\$ (3,675,510)</u>	<u>\$ 29,708,510</u>

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

Governmental activities:

General government administration	\$ 230,023
Judicial administration	195,110
Public safety	1,727,353
Public works	41,694
Health and welfare	55,111
Education	715,046
Parks, recreation and cultural	98,084
Community development	7,942
Total Governmental activities	<u>\$ 3,070,363</u>
Component Unit School Board	<u>\$ 1,540,216</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the 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, 2015, is that school financed assets in the amount of \$39,225,220 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2015 follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Business-type activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,599,246	\$ -	\$ -	\$ 3,599,246
Construction in progress	65,129	167,323	-	232,452
Total capital assets not subject to depreciation	<u>\$ 3,664,375</u>	<u>\$ 167,323</u>	<u>\$ -</u>	<u>\$ 3,831,698</u>
Capital assets subject to depreciation:				
Plant in service	\$ 34,668,967	\$ 23,215	\$ -	\$ 34,692,182
Machinery and equipment	1,711,738	58,136	17,747	1,752,127
Buildings	6,171,216	-	-	6,171,216
Total capital assets subject to depreciation	<u>\$ 42,551,921</u>	<u>\$ 81,351</u>	<u>\$ 17,747</u>	<u>\$ 42,615,525</u>
Accumulated depreciation:				
Plant in service	\$ (14,561,542)	\$ (740,320)	\$ -	\$ (15,301,862)
Machinery and equipment	(521,878)	(40,497)	(17,747)	(544,628)
Buildings	(3,530,055)	(188,054)	-	(3,718,109)
Total accumulated depreciation	<u>\$ (18,613,475)</u>	<u>\$ (968,871)</u>	<u>\$ (17,747)</u>	<u>\$ (19,564,599)</u>
Total capital assets being depreciated, net	<u>\$ 23,938,446</u>	<u>\$ (887,520)</u>	<u>\$ -</u>	<u>\$ 23,050,926</u>
Business-type activities capital assets, net	<u>\$ 27,602,821</u>	<u>\$ (720,197)</u>	<u>\$ -</u>	<u>\$ 26,882,624</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2015 follows:

Component Unit Economic Development Authority:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
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	\$ (5,929,627)	\$ (735,477)	\$ -	\$ (6,665,104)
Machinery and equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	\$ (5,936,861)	\$ (735,477)	\$ -	\$ (6,672,338)
Total capital assets being depreciated, net	\$ 12,473,766	\$ (735,477)	\$ -	\$ 11,738,289
Business-type activities capital assets, net	\$ 13,287,033	\$ (735,477)	\$ -	\$ 12,551,556

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 9,861,956
Debt Service	5,574,983	-
Capital Projects	2,258,588	-
Other Governmental Funds	1,354,627	-
Total Governmental Funds	\$ 9,188,198	\$ 9,861,956
Enterprise Funds:		
Utilities	673,758	-
Total-All Funds	\$ 9,861,956	\$ 9,861,956

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Details of Long-Term Indebtedness:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2015 is as follows:

	<u>Restated Balance at July 1, 2014</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2015</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Incurred by County:					
Compensated absences	\$ 1,670,053	\$ 1,531,099	\$ 1,565,660	\$ 1,635,492	\$ 163,549
Net OPEB obligation	1,258,556	236,515	47,405	1,447,666	-
Net pension liability	7,757,184	4,981,649	8,592,034	4,146,799	-
Capital leases	<u>12,395,514</u>	<u>-</u>	<u>1,518,106</u>	<u>10,877,408</u>	<u>1,577,799</u>
Total incurred by County	<u>\$ 23,081,307</u>	<u>\$ 6,749,263</u>	<u>\$ 11,723,205</u>	<u>\$ 18,107,365</u>	<u>\$ 1,741,348</u>
Incurred by School Board:					
State Literary Fund Loans	\$ 1,220,324	\$ -	\$ 250,000	\$ 970,324	\$ 250,000
General obligation bonds	36,875,739	-	1,669,852	35,205,887	1,869,000
Add deferred amounts:					
For issuance premium	1,672,868	-	105,462	1,567,406	-
Note payable	<u>72,317</u>	<u>-</u>	<u>72,317</u>	<u>-</u>	<u>-</u>
Total incurred by School Board	<u>\$ 39,841,248</u>	<u>\$ -</u>	<u>\$ 2,097,631</u>	<u>\$ 37,743,617</u>	<u>\$ 2,119,000</u>
Total Governmental Activities	<u>\$ 62,922,555</u>	<u>\$ 6,749,263</u>	<u>\$ 13,820,836</u>	<u>\$ 55,850,982</u>	<u>\$ 3,860,348</u>
Business-type Activities:					
Compensated absences	\$ 126,890	\$ 97,700	\$ 107,488	\$ 117,102	\$ 11,710
Net OPEB obligation	104,901	17,038	3,416	118,523	-
Net pension liability	584,771	335,907	638,083	282,595	-
Revenue bonds	18,550,000	-	2,043,000	16,507,000	2,115,000
Add deferred amounts:					
For issuance premium	888,689	-	177,738	710,951	-
Less deferred amounts:					
For issuance discount	<u>(46,602)</u>	<u>-</u>	<u>(2,928)</u>	<u>(43,674)</u>	<u>-</u>
Total Business-type Activities	<u>\$ 20,208,649</u>	<u>\$ 450,645</u>	<u>\$ 2,966,797</u>	<u>\$ 17,692,497</u>	<u>\$ 2,126,710</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations	
	Capital Leases	
	Principal	Interest
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	\$ <u>10,877,408</u>	\$ <u>3,079,200</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

Year Ending June 30,	School Obligations			
	State Literary Fund Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
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	\$ <u>970,324</u>	\$ <u>71,437</u>	\$ <u>35,205,887</u>	\$ <u>14,981,402</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

Year Ending June 30,	Business-type Activities	
	Revenue Bonds	
	Principal	Interest
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	\$ <u>16,507,000</u>	\$ <u>3,900,240</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Long-Term Obligations:</u>	
<u>Capital Leases:</u>	
\$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%.	\$ 6,885,000
\$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%.	<u>3,992,408</u>
Total Capital Leases	\$ 10,877,408
Compensated absences (payable from the General Fund)	1,635,492
Net OPEB obligation (payable from the General Fund)	1,447,666
Net pension liability (payable from the General Fund)	<u>4,146,799</u>
Total long-term obligations incurred by County	<u>\$ 18,107,365</u>
<u>Revenue Bonds:</u>	
\$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%.	\$ 3,107,000
\$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, \$6,650,000 plus unamortized issuance premium of \$710,951.	7,360,951
\$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, \$6,750,000 less unamortized issuance discount of \$43,674.	<u>6,706,326</u>
Total revenue bonds	\$ 17,174,277
Compensated absences (payable from the Enterprise Fund)	117,102
Net OPEB liability (payable from the Enterprise Fund)	282,595
Net OPEB obligation (payable from the Enterprise Fund)	<u>118,523</u>
Total business-type activities obligations	<u>\$ 17,692,497</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds:</u>	
<u>School Bonds:</u>	
\$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.	\$ 470,000
\$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.	5,759,694
\$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%.	280,000
\$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, \$4,340,000 plus unamortized issuance premium of \$184,522.	4,524,522
\$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, \$4,610,000 plus unamortized issuance premium of \$97,213.	4,707,213
\$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, \$15,395,000 plus unamortized issuance premium of \$1,073,939.	16,468,939
\$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, \$4,351,193 plus unamortized issuance premium of \$211,732.	<u>4,562,925</u>
Total school bonds	\$ <u>36,773,293</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%	\$ <u>970,324</u>
Total long-term obligations incurred by School Board, payable from the General Fund	\$ <u><u>37,743,617</u></u>

Capital Leases

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Courthouse Construction	\$ 7,237,000
Radio Equipment	13,513,899
Less: Accumulated depreciation	<u>(7,572,233)</u>
	<u>\$ 13,178,666</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

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, 2015, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2016	\$ 2,049,328
2017	2,051,828
2018	2,048,828
2019	602,951
2020	598,308
2021	602,997
2022	601,472
2023	598,863
2024	595,597
2025	601,456
2026	601,331
2027	600,025
2028	602,412
2029	598,788
2030	599,150
2031	<u>603,274</u>
Total minimum lease payments	\$ 13,956,608
Less: amount representing interest	<u>(3,079,200)</u>
Present value of minimum lease payments	<u><u>\$ 10,877,408</u></u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Component Unit—School Board:

The following is a summary of long-term debt transactions of the Component Unit—School Board for the year ended June 30, 2015:

	Restated Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015	Amounts Due Within One Year
Compensated absences (payable from the School Fund)	\$ 1,691,079	\$ 1,984,561	\$ 1,980,865	\$ 1,694,775	\$ 169,478
Net OPEB obligation	1,749,581	540,258	250,546	2,039,293	-
Net pension liability	55,970,670	5,029,512	13,753,381	47,246,801	-
Total incurred by School Board	<u>\$ 59,411,330</u>	<u>\$ 7,554,331</u>	<u>\$ 15,984,792</u>	<u>\$ 50,980,869</u>	<u>\$ 169,478</u>

Component Unit—Economic Development Authority:

The following is a summary of long-term debt transactions of the Component Unit—Economic Development Authority for the year ended June 30, 2015:

	Balance at July 1, 2014	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2015	Amounts Due Within One Year
Bonds and Note Payable	\$ 15,148,357	\$ -	\$ 685,007	\$ 14,463,350	\$ 727,058
Derivative instrument liability	2,051,465	-	386,154	1,665,311	-
Total	<u>\$ 17,199,822</u>	<u>\$ -</u>	<u>\$ 1,071,161</u>	<u>\$ 16,128,661</u>	<u>\$ 727,058</u>
					<u>Amount Outstanding</u>

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%.

\$ 14,274,033

\$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

189,317

Total Debt incurred by the Component Unit Economic Development Authority

\$ 14,463,350

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Component Unit—Economic Development Authority: (Continued)

Interest rate swap

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

Terms. The bonds and the related swap agreement mature on March 1, 2019. The swap's notional value of \$16,128,661 is more than the balance outstanding on the bonds payable of \$14,463,350. The difference of \$1,665,311 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:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Fair value	\$ (1,590,397)	\$ (2,504,543)	\$ (2,220,148)	\$ (3,313,813)
Change in fair value	(1,590,397)	(914,146)	284,395	(1,093,665)
	<u>2013</u>	<u>2014</u>	<u>2015</u>	
Fair value	\$ (2,363,123)	\$ (2,051,465)	\$ (1,665,311)	
Change in fair value	950,690	311,658	386,154	

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 <u>June 30,</u>	<u>Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 727,058	\$ 839,485
2017	771,272	795,347
2018	983,945	741,132
2019	<u>11,981,075</u>	<u>579,277</u>
Total	<u>\$ 14,463,350</u>	<u>\$ 2,955,241</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 9—LANDFILL POST CLOSURE COSTS:

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

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

NOTE 10—DEFERRED 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 \$21,254,456 and deferred revenue totaling \$19,021,594 are comprised of the following:

Unavailable Property Taxes: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaling \$20,940,765 at June 30, 2015.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2015, but paid in advance by the tax payers totaled \$313,691 at June 30, 2015.

Deferred Revenue: Deferred revenue representing prepaid taxes due subsequent to June 30, 2015 totaling \$313,691 and \$18,707,903 of 2nd half 2015 tax billing levied in current year but due FY 16 totaled \$19,021,594.

NOTE 11—COMMITMENTS AND CONTINGENCIES:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 11—COMMITMENTS AND CONTINGENCIES: (Continued)

The County was committed on the following construction contract at June 30, 2015:

<u>Contractor</u>	<u>Project</u>	<u>Contract Sum</u>	<u>Balance</u>
Oyster Point Construction Company	New Page Middle School T.C. Walker road construction	\$ 22,286,389	\$ 4,784,661
Basic Construction Company, LLC		1,013,796	68,933
Oyster Point Construction Company	Achilles Elementary School HVAC replacement	1,144,000	1,119,994

NOTE 12—LITIGATION:

At June 30, 2015, 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.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 13—RISK MANAGEMENT: (Continued)

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, 2013	\$ 602,805
Incurred claims (including IBNR and changes in estimates)	5,949,938
Claim payments	<u>(5,908,278)</u>
Unpaid claims, June 30, 2014	\$ <u>644,465</u>
Incurred claims (including IBNR and changes in estimates)	6,500,396
Claim payments	<u>(6,481,118)</u>
Unpaid claims, June 30, 2015	\$ <u><u>663,743</u></u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN:

Plan Description

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

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 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 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, 2013.</p>	<p>About the Hybrid Retirement Plan 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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> • 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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 (Cont.)</p>	<p>About Plan 2 (Cont.)</p>	<p>About the Hybrid Retirement Plan (Cont.)</p> <ul style="list-style-type: none"> • 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.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in 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, 2013.</p> <p>Hybrid Opt-In Election Eligible 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.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • School division employees • Members in Plan 1 or 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. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) 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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but 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.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>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.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> 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.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> 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. Plan 1 or 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.</p> <p><u>Defined Contributions Component:</u> 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.</p> <p>Members are always 100% vested in the contributions that they make.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> 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.</p> <ul style="list-style-type: none"> • 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. <p>Distribution is not required by law until age 70½.</p>
<p>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.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Calculating the Benefit (Cont.) 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.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> 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.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: 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 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>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%.</p> <p><u>Eligibility:</u> 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.</p> <p>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.</p>	<p>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%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. <p>The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</p> <ul style="list-style-type: none"> • 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. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p>Disability Coverage Employees of political subdivisions and School divisions (including Plan 1 and 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.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p>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.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Plan Description (Continued)

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/2014-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500

Employees Covered by Benefit Terms

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Primary Government</u>	<u>Component Unit School Board Nonprofessional</u>
Inactive members or their beneficiaries currently receiving benefits	160	94
Inactive members:		
Vested inactive members	57	20
Non-vested inactive members	72	74
Inactive members active elsewhere in VRS	122	20
Total inactive members	251	114
Active members	313	191
Total covered employees	<u>724</u>	<u>399</u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County’s contractually required contribution rate for the year ended June 30, 2015 was 11.14% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,533,991 and \$1,630,763 for the years ended June 30, 2015 and June 30, 2014, respectively.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Contributions (Continued)

The Component Unit School Board's contractually required contribution rate for nonprofessional employees for the year ended June 30, 2015 was 8.53% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Component Unit School Board's nonprofessional employees were \$337,782 and \$369,055 for the years ended June 30, 2015 and June 30, 2014, respectively.

Net Pension Liability

The County's and Component Unit School Board's (nonprofessional) net pension liabilities were measured as of June 30, 2014. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the County's and Component Unit School Board's (nonprofessional) Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Actuarial Assumptions - Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the County and Component Unit School Board (nonprofessional) Retirement Plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 51,385,565	\$ 43,043,610	\$ 8,341,955
Changes for the year:			
Service cost	\$ 1,706,383	\$ -	\$ 1,706,383
Interest	3,522,284	-	3,522,284
Contributions - employer	-	1,630,763	(1,630,763)
Contributions - employee	-	711,429	(711,429)
Net investment income	-	6,835,011	(6,835,011)
Benefit payments, including refunds of employee contributions	(2,134,451)	(2,134,451)	-
Administrative expenses	-	(36,335)	36,335
Other changes	-	360	(360)
Net changes	\$ 3,094,216	\$ 7,006,777	\$ (3,912,561)
Balances at June 30, 2014	\$ 54,479,781	\$ 50,050,387	\$ 4,429,394

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Changes in Net Pension Liability

	Component School Board (nonprofessional)		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2013	\$ 15,984,018	\$ 14,049,348	\$ 1,934,670
Changes for the year:			
Service cost	\$ 409,024	\$ -	\$ 409,024
Interest	1,095,611	-	1,095,611
Contributions - employer	-	369,055	(369,055)
Contributions - employee	-	201,136	(201,136)
Net investment income	-	2,207,074	(2,207,074)
Benefit payments, including refunds of employee contributions	(664,869)	(664,869)	-
Administrative expenses	-	(11,877)	11,877
Other changes	-	116	(116)
Net changes	\$ 839,766	\$ 2,100,635	\$ (1,260,869)
Balances at June 30, 2014	\$ 16,823,784	\$ 16,149,983	\$ 673,801

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

The following presents the net pension liability (asset) of the County and Component Unit School Board (nonprofessional) using the discount rate of 7.00%, as well as what the County's and Component Unit School Board's (nonprofessional) net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County			
Net Pension Liability (Asset)	\$ 11,934,622	\$ 4,429,394	\$ (1,784,146)
Component Unit School Board (nonprofessional)			
Net Pension Liability (Asset)	2,762,337	673,801	(1,082,685)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

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

For the year ended June 30, 2015, the County and Component Unit School Board (nonprofessional) recognized pension expense of \$770,959 and \$90,062 respectively. At June 30, 2015, the County and Component Unit School Board (nonprofessional) reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Unit School Board (nonprofessional)	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 3,052,757	\$ -	\$ 981,876
Employer contributions subsequent to the measurement date	1,533,991	-	337,782	-
Total	\$ 1,533,991	\$ 3,052,757	\$ 337,782	\$ 981,876

\$1,533,991 and \$337,782 reported as deferred outflows of resources related to pensions resulting from the County's and Component Unit School Board's (nonprofessional) contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	<u>Primary Government</u>	<u>Component Unit School Board (nonprofessional)</u>
2016	\$ (763,189)	\$ (245,469)
2017	(763,189)	(245,469)
2018	(763,189)	(245,469)
2019	(763,190)	(245,469)
Thereafter	-	-

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional)

Plan Description

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

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been 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 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

Each School Division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the School Board were \$4,035,751 and \$3,290,000 for the years ended June 30, 2015 and June 30, 2014, respectively.

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

At June 30, 2015, the school division reported a liability of \$46,573,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .38539% as compared to .39225% at June 30, 2013.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

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

For the year ended June 30, 2015, the school division recognized pension expense of \$3,513,000. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 6,912,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	774,000
Employer contributions subsequent to the measurement date	<u>4,035,751</u>	<u>-</u>
Total	<u>\$ 4,035,751</u>	<u>\$ 7,686,000</u>

\$4,035,751 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30</u>	
2016	\$ (1,899,000)
2017	(1,899,000)
2018	(1,899,000)
2019	(1,899,000)
Thereafter	(90,000)

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females set back 5 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 3 years

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	<u>100.00%</u>		<u>5.83%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 14—PENSION PLAN: (CONTINUED)

Component Unit School Board (professional) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Rate</u>		
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability (Asset) \$	68,388,000	\$ 46,573,000	\$ 28,612,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Margaret Walker, Clerk of the Circuit Court	\$ 103,000
Tara L. Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
Darrell W. Warren, Jr., Sheriff	30,000
Western Surety	
Carol Dehoux, 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	
Sanford B. Wanner, Interim 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, 2015. In FY 2015, 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.

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 165,000
2017	165,000
2018	165,000
2019	151,250
Total	<u>\$ 646,250</u>

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015 (CONTINUED)

NOTE 16—OPERATING LEASES:

The County leases space for the Gloucester Point County Library under a noncancelable operating lease for a term of twenty years. The total cost for the lease was \$42,886 for the year ended June 30, 2015. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 45,057
2017	46,184
2018	47,338
2019	48,522
2020 - 2032	702,535
Total	<u>\$ 889,636</u>

The County leases space for the County Health Department under a noncancelable operating lease for an initial term of ten years, renewable for six successive periods of five years each. The total cost for the lease was \$61,319 for the year ended June 30, 2015. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 65,053
2017	67,005
2018	69,015
2019	29,110
Total	<u>\$ 230,183</u>

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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:

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

The Schools currently have 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:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Annual required contribution	\$ 255,782	\$ 543,119
Interest on net OPEB obligation	54,538	69,983
Adjustment to annual required contribution	(56,767)	(72,844)
Annual OPEB cost (expense)	<u>\$ 253,553</u>	<u>\$ 540,258</u>
Contributions made	<u>(50,821)</u>	<u>(250,546)</u>
Increase in net OPEB obligation	202,732	289,712
Net OPEB obligation-beginning of year	<u>1,363,457</u>	<u>1,749,581</u>
Net OPEB obligation-end of year	<u><u>\$ 1,566,189</u></u>	<u><u>\$ 2,039,293</u></u>

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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
County:			
6/30/2013	\$ 367,951	25.41%	\$ 1,073,136
6/30/2014	388,020	25.18%	1,363,457
6/30/2015	253,553	20.04%	1,566,189
Schools:			
6/30/2013	\$ 678,452	36.93%	\$ 1,480,096
6/30/2014	517,769	47.95%	1,749,581
6/30/2015	540,258	46.38%	2,039,293

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

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

Annual OPEB Cost and Net OPEB Obligation: (Continued)

Funded Status and Funding Progress

As of July 1, 2014, the date of the most recent actuarial valuation, 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%.

As of July 1, 2014, the date of the most recent actuarial valuation, 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.

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.

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

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

Annual OPEB Cost and Net OPEB Obligation: (Continued)

Methods and Assumptions (Continued)

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

The remaining amortization period at June 30, 2015 was thirty years.

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.

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

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

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 2015 were .10% and .67% of annual covered payroll.

OPEB Cost and Net OPEB Obligation

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

For 2015, the County's contribution of \$22,551 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 2015 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 8,075	100.00%	\$ -
6/30/2014	6,778	100.00%	-
6/30/2015	22,551	100.00%	-

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 285,926
Actuarial value of plan assets	\$ 248,235
Unfunded actuarial accrued liability (UAAL)	\$ 37,691
Funded ratio (actuarial value of plan assets/AAL)	86.82%
Covered payroll (active plan members)	\$ 6,816,456
UAAL as a percentage of covered payroll	0.55%

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

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

Funded Status and Funding Progress: (Continued)

For 2015, the School Board's contribution of \$23,456 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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (ARC)</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	\$ 26,473	100.00%	\$ -
6/30/2014	26,964	100.00%	-
6/30/2015	23,456	100.00%	-

The funded status of the plan as of June 30, 2014, the most recent actuarial valuation date, is as follows:

Actuarial accrued liability (AAL)	\$ 385,578
Actuarial value of plan assets	\$ 120,760
Unfunded actuarial accrued liability (UAAL)	\$ 264,818
Funded ratio (actuarial value of plan assets/AAL)	31.32%
Covered payroll (active plan members)	\$ 4,021,156
UAAL as a percentage of covered payroll	6.59%

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

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

Actuarial Methods and Assumptions

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

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

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

Actuarial Methods and Assumptions: (Continued)

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, 2014 was 29 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, 2015, 2014, and 2013 were \$297,107, \$312,701, and \$312,388, respectively and equaled the required contributions for each year.

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COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 (CONTINUED)

NOTE 18-BEGINNING NET POSITION RESTATEMENT:

Net position was restated as of July 1, 2014 as follows:

	<u>Govern- mental Activities</u>	<u>Business- Type Activities</u>	<u>Component Unit - School Board</u>	<u>Component Unit - School Board Fiduciary Fund</u>
Net position as previously reported at June 30, 2014	\$ 46,257,353	\$ 15,465,461	\$ 26,053,890	\$ 298,984
Adjustment to record GASB 68 Net pension liability as reported by VRS at the beginning of the year	(7,757,184)	(584,771)	(55,970,670)	-
Adjustment to record GASB 68 deferred outflows of resources related to Net pension liability as reported by VRS at the beginning of the year	1,526,720	104,043	3,659,055	-
Adjustment to correct school capital assets	-	-	(411,219)	-
Adjustment to record scholarship funds previously held at Gloucester High School	-	-	-	17,168
Net position as restated at July 1, 2014	<u>\$ 40,026,889</u>	<u>\$ 14,984,733</u>	<u>\$ (26,668,944)</u>	<u>\$ 316,152</u>

NOTE 19-UPCOMING PRONOUNCEMENTS:

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

NOTE 19-UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

NOTE 19-UPCOMING PRONOUNCEMENTS: (CONTINUED)

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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REQUIRED SUPPLEMENTARY INFORMATION

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General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 37,937,011	\$ 37,937,011	\$ 37,944,859	\$ 7,848
Other local taxes	8,758,656	8,758,656	9,139,757	381,101
Permits, privilege fees, and regulatory licenses	302,250	302,250	379,645	77,395
Fines and forfeitures	105,250	105,250	68,265	(36,985)
Revenue from the use of money and property	152,675	152,675	148,747	(3,928)
Charges for services	749,614	749,614	818,947	69,333
Miscellaneous	304,884	304,884	255,969	(48,915)
Recovered costs	379,104	379,104	378,821	(283)
Intergovernmental:				
Commonwealth	9,031,730	9,178,180	8,818,854	(359,326)
Federal	157,030	157,030	155,854	(1,176)
Total revenues	<u>\$ 57,878,204</u>	<u>\$ 58,024,654</u>	<u>\$ 58,109,718</u>	<u>\$ 85,064</u>
EXPENDITURES				
Current:				
General government administration	\$ 6,108,774	\$ 6,021,652	\$ 5,506,522	\$ 515,130
Judicial administration	1,821,630	1,832,218	1,720,444	111,774
Public safety	12,189,371	12,868,368	12,260,636	607,732
Public works	2,237,948	2,248,630	2,156,828	91,802
Health and welfare	727,652	727,652	701,488	26,164
Education	23,269,453	23,294,997	23,055,992	239,005
Parks, recreation, and cultural	2,229,665	2,242,764	2,139,478	103,286
Community development	1,018,147	1,051,403	972,068	79,335
Nondepartmental	338,497	353,497	353,497	-
Total expenditures	<u>\$ 49,941,137</u>	<u>\$ 50,641,181</u>	<u>\$ 48,866,953</u>	<u>\$ 1,774,228</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,937,067</u>	<u>\$ 7,383,473</u>	<u>\$ 9,242,765</u>	<u>\$ 1,859,292</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (10,181,125)	\$ (10,822,275)	\$ (9,861,956)	\$ 960,319
Total other financing sources (uses)	<u>\$ (10,181,125)</u>	<u>\$ (10,822,275)</u>	<u>\$ (9,861,956)</u>	<u>\$ 960,319</u>
Net change in fund balances	\$ (2,244,058)	\$ (3,438,802)	\$ (619,191)	\$ 2,819,611
Fund balances - beginning	2,244,058	3,438,802	19,458,946	16,020,144
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,839,755</u>	<u>\$ 18,839,755</u>

Schedule of OPEB Funding Progress for Retiree Health Plan and Health Insurance Credit Program
For the Year Ended June 30, 2015

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
6/30/2014	\$ 248,235	\$ 285,926	\$ 37,691	86.82%	\$ 6,816,456	0.55%
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
6/30/2014	\$ 120,760	\$ 385,578	\$ 264,818	31.32%	\$ 4,021,156	6.59%
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%

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Primary Government
 For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 1,706,383
Interest	3,522,284
Benefit payments, including refunds of employee contributions	(2,134,451)
Net change in total pension liability	\$ 3,094,216
Total pension liability - beginning	51,385,565
Total pension liability - ending (a)	\$ 54,479,781
Plan fiduciary net position	
Contributions - employer	\$ 1,630,763
Contributions - employee	711,429
Net investment income	6,835,011
Benefit payments, including refunds of employee contributions	(2,134,451)
Administrative expense	(36,335)
Other	360
Net change in plan fiduciary net position	\$ 7,006,777
Plan fiduciary net position - beginning	43,043,610
Plan fiduciary net position - ending (b)	\$ 50,050,387
County's net pension liability - ending (a) - (b)	\$ 4,429,394
Plan fiduciary net position as a percentage of the total pension liability	91.87%
Covered-employee payroll	\$ 13,942,464
County's net pension liability as a percentage of covered-employee payroll	31.77%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
 Component Unit School Board (nonprofessional)
 For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 409,024
Interest	1,095,611
Benefit payments, including refunds of employee contributions	(664,869)
Net change in total pension liability	\$ 839,766
Total pension liability - beginning	15,984,018
Total pension liability - ending (a)	\$ 16,823,784
Plan fiduciary net position	
Contributions - employer	\$ 369,055
Contributions - employee	201,136
Net investment income	2,207,074
Benefit payments, including refunds of employee contributions	(664,869)
Administrative expense	(11,877)
Other	116
Net change in plan fiduciary net position	\$ 2,100,635
Plan fiduciary net position - beginning	14,049,348
Plan fiduciary net position - ending (b)	\$ 16,149,983
School Division's net pension liability - ending (a) - (b)	\$ 673,801
Plan fiduciary net position as a percentage of the total pension liability	95.99%
Covered-employee payroll	\$ 4,024,478
School Division's net pension liability as a percentage of covered-employee payroll	16.74%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
 For the Year Ended June 30, 2015*

	<u>2015</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.38539%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 46,573,000
Employer's Covered-Employee Payroll	28,171,301
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	165.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

* The amounts presented have a measurement date of the previous fiscal year end.

Schedule of Employer Contributions
For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
Primary Government					
2015	\$ 1,533,991	\$ 1,533,991	- \$	13,770,117	11.14%
Component Unit School Board (nonprofessional)					
2015	\$ 337,782	\$ 337,782	- \$	3,959,930	8.53%
Component Unit School Board (professional)					
2015	\$ 4,035,751	\$ 4,035,751	- \$	27,832,766	14.50%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2015

Changes of benefit terms - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
Federal	\$ 233,520	\$ 233,520	\$ 233,269	\$ (251)
Total revenues	\$ 233,520	\$ 233,520	\$ 233,269	\$ (251)
EXPENDITURES				
Debt service:				
Principal retirement	\$ 3,437,958	\$ 3,437,958	\$ 3,437,958	\$ -
Interest and other fiscal charges	2,298,287	2,298,287	2,293,936	4,351
Principal retirement-School Leases	72,317	72,317	72,317	-
Interest and other fiscal charges-School Leases	5,467	5,467	4,041	1,426
Total expenditures	\$ 5,814,029	\$ 5,814,029	\$ 5,808,252	\$ 5,777
Excess (deficiency) of revenues over (under) expenditures	\$ (5,580,509)	\$ (5,580,509)	\$ (5,574,983)	\$ 5,526
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 5,580,509	\$ 5,580,509	\$ 5,574,983	\$ (5,526)
Total other financing sources (uses)	\$ 5,580,509	\$ 5,580,509	\$ 5,574,983	\$ (5,526)
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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 136	\$ 136
Miscellaneous	150,000	215,000	88,294	(126,706)
Intergovernmental:				
Commonwealth	1,264,000	1,431,897	275,528	(1,156,369)
Federal	2,250,000	2,250,000	972,247	(1,277,753)
Total revenues	<u>\$ 3,664,000</u>	<u>\$ 3,896,897</u>	<u>\$ 1,336,205</u>	<u>\$ (2,560,692)</u>
EXPENDITURES				
Capital projects	\$ 10,405,606	\$ 11,440,790	\$ 6,521,346	\$ 4,919,444
Total expenditures	<u>\$ 10,405,606</u>	<u>\$ 11,440,790</u>	<u>\$ 6,521,346</u>	<u>\$ 4,919,444</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,741,606)</u>	<u>\$ (7,543,893)</u>	<u>\$ (5,185,141)</u>	<u>\$ 2,358,752</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,156,606	\$ 2,797,756	\$ 2,258,588	\$ (539,168)
Total other financing sources (uses)	<u>\$ 2,156,606</u>	<u>\$ 2,797,756</u>	<u>\$ 2,258,588</u>	<u>\$ (539,168)</u>
Net change in fund balances	\$ (4,585,000)	\$ (4,746,137)	\$ (2,926,553)	\$ 1,819,584
Fund balances - beginning	4,585,000	4,746,137	4,744,705	(1,432)
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,818,152</u>	<u>\$ 1,818,152</u>

School Construction Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 5,000	\$ 5,000	\$ 25,533	\$ 20,533
Miscellaneous	220,700	220,700	79,343	(141,357)
Intergovernmental:				
Commonwealth	830,000	830,000	851,230	21,230
Total revenues	<u>\$ 1,055,700</u>	<u>\$ 1,055,700</u>	<u>\$ 956,106</u>	<u>\$ (99,594)</u>
EXPENDITURES				
Capital projects	\$ 19,500,000	\$ 19,500,000	\$ 15,979,259	\$ 3,520,741
Total expenditures	<u>\$ 19,500,000</u>	<u>\$ 19,500,000</u>	<u>\$ 15,979,259</u>	<u>\$ 3,520,741</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (18,444,300)</u>	<u>\$ (18,444,300)</u>	<u>\$ (15,023,153)</u>	<u>\$ 3,421,147</u>
Net change in fund balances	\$ (18,444,300)	\$ (18,444,300)	\$ (15,023,153)	\$ 3,421,147
Fund balances - beginning	18,944,300	18,944,300	18,245,704	(698,596)
Fund balances - ending	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 3,222,551</u>	<u>\$ 2,722,551</u>

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue		Total
	Virginia Public Assistance Fund	Comprehensive Services Act Fund	
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 175	\$ 2,275	\$ 2,450
Due from other governmental units	212,454	220,220	432,674
Total assets	<u>\$ 212,629</u>	<u>\$ 222,495</u>	<u>\$ 435,124</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,218	\$ 85,758	\$ 89,976
Due to other funds	208,411	136,737	345,148
Total liabilities	<u>\$ 212,629</u>	<u>\$ 222,495</u>	<u>\$ 435,124</u>
Total liabilities and fund balances	<u>\$ 212,629</u>	<u>\$ 222,495</u>	<u>\$ 435,124</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 684	\$ 14,014	\$ 14,698
Intergovernmental:			
Commonwealth	1,127,431	727,430	1,854,861
Federal	1,429,028	72,801	1,501,829
Total revenues	<u>\$ 2,557,143</u>	<u>\$ 814,245</u>	<u>\$ 3,371,388</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 3,358,365	\$ 1,367,650	\$ 4,726,015
Total expenditures	<u>\$ 3,358,365</u>	<u>\$ 1,367,650</u>	<u>\$ 4,726,015</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (801,222)</u>	<u>\$ (553,405)</u>	<u>\$ (1,354,627)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 801,222	\$ 553,405	\$ 1,354,627
Total other financing sources (uses)	<u>\$ 801,222</u>	<u>\$ 553,405</u>	<u>\$ 1,354,627</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2015

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 684	\$ 684
Intergovernmental:				
Commonwealth	1,377,524	1,377,524	1,127,431	(250,093)
Federal	1,314,251	1,314,251	1,429,028	114,777
Total revenues	<u>\$ 2,691,775</u>	<u>\$ 2,691,775</u>	<u>\$ 2,557,143</u>	<u>\$ (134,632)</u>
EXPENDITURES				
Health and welfare	\$ 3,811,027	\$ 3,811,027	\$ 3,358,365	\$ 452,662
Total expenditures	<u>\$ 3,811,027</u>	<u>\$ 3,811,027</u>	<u>\$ 3,358,365</u>	<u>\$ 452,662</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,119,252)</u>	<u>\$ (1,119,252)</u>	<u>\$ (801,222)</u>	<u>\$ 318,030</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,119,252	\$ 1,119,252	\$ 801,222	\$ (318,030)
Total other financing sources (uses)	<u>\$ 1,119,252</u>	<u>\$ 1,119,252</u>	<u>\$ 801,222</u>	<u>\$ (318,030)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 3,720	\$ 3,720	\$ 14,014	\$ 10,294
843,280	843,280	727,430	(115,850)
18,000	18,000	72,801	54,801
<u>\$ 865,000</u>	<u>\$ 865,000</u>	<u>\$ 814,245</u>	<u>\$ (50,755)</u>
<u>\$ 1,516,000</u>	<u>\$ 1,516,000</u>	<u>\$ 1,367,650</u>	<u>\$ 148,350</u>
<u>\$ 1,516,000</u>	<u>\$ 1,516,000</u>	<u>\$ 1,367,650</u>	<u>\$ 148,350</u>
<u>\$ (651,000)</u>	<u>\$ (651,000)</u>	<u>\$ (553,405)</u>	<u>\$ 97,595</u>
<u>\$ 651,000</u>	<u>\$ 651,000</u>	<u>\$ 553,405</u>	<u>\$ (97,595)</u>
<u>\$ 651,000</u>	<u>\$ 651,000</u>	<u>\$ 553,405</u>	<u>\$ (97,595)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 June 30, 2015

	Agency Funds				Total
	Special Welfare	Middle Peninsula Regional Special Education	Flexible Benefits	Sheriff/ Jail	
ASSETS					
Cash and cash equivalents	\$ 26,357	\$ 88,496	\$ 39,427	\$ 25,548	\$ 179,828
Accounts receivable	935	-	-	-	935
Total assets	<u>\$ 27,292</u>	<u>\$ 88,496</u>	<u>\$ 39,427</u>	<u>\$ 25,548</u>	<u>\$ 180,763</u>
LIABILITIES					
Accounts payable	\$ -	\$ 79,719	\$ -	\$ -	\$ 79,719
Amounts held for social services clients	27,292	-	-	-	27,292
Amounts held for regional program	-	8,777	-	-	8,777
Amounts held for others	-	-	39,427	25,548	64,975
Total liabilities	<u>\$ 27,292</u>	<u>\$ 88,496</u>	<u>\$ 39,427</u>	<u>\$ 25,548</u>	<u>\$ 180,763</u>

Statement of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2015

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 30,338	\$ 18,774	\$ 22,755	\$ 26,357
Accounts receivable	820	935	820	935
Total assets	<u>\$ 31,158</u>	<u>\$ 19,709</u>	<u>\$ 23,575</u>	<u>\$ 27,292</u>
Liabilities:				
Amounts held for social services clients	<u>\$ 31,158</u>	<u>\$ 19,709</u>	<u>\$ 23,575</u>	<u>\$ 27,292</u>
Middle Peninsula Regional Special Education Fund:				
Assets:				
Cash and cash equivalents	\$ 293,265	\$ 593,473	\$ 798,242	\$ 88,496
Accounts receivable	22,403	-	22,403	-
Total assets	<u>\$ 315,668</u>	<u>\$ 593,473</u>	<u>\$ 820,645</u>	<u>\$ 88,496</u>
Liabilities:				
Accounts payable	\$ 303,914	\$ 79,719	\$ 303,914	\$ 79,719
Amounts held for regional program	11,754	513,754	516,731	8,777
Total liabilities	<u>\$ 315,668</u>	<u>\$ 593,473</u>	<u>\$ 820,645</u>	<u>\$ 88,496</u>
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 48,879</u>	<u>\$ 201,690</u>	<u>\$ 211,142</u>	<u>\$ 39,427</u>
Liabilities:				
Accounts payable	\$ 3,458	-	\$ 3,458	-
Amounts held for others	45,421	201,690	207,684	39,427
Total liabilities	<u>\$ 48,879</u>	<u>\$ 201,690</u>	<u>\$ 211,142</u>	<u>\$ 39,427</u>
Sheriff/Jail Fund:				
Assets:				
Cash and cash equivalents	<u>\$ 19,049</u>	<u>\$ 109,194</u>	<u>\$ 102,695</u>	<u>\$ 25,548</u>
Liabilities:				
Amounts held for others	<u>\$ 19,049</u>	<u>\$ 109,194</u>	<u>\$ 102,695</u>	<u>\$ 25,548</u>
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 391,531	\$ 923,131	\$ 1,134,834	\$ 179,828
Accounts receivable	23,223	935	23,223	935
Total assets	<u>\$ 414,754</u>	<u>\$ 924,066</u>	<u>\$ 1,158,057</u>	<u>\$ 180,763</u>
Liabilities:				
Accounts payable	\$ 307,372	\$ 79,719	\$ 307,372	\$ 79,719
Amounts held for social services clients	31,158	19,709	23,575	27,292
Amounts held for regional program	11,754	513,754	516,731	8,777
Amounts held for others	64,470	310,884	310,379	64,975
Total liabilities	<u>\$ 414,754</u>	<u>\$ 924,066</u>	<u>\$ 1,158,057</u>	<u>\$ 180,763</u>

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*DISCRETELY PRESENTED COMPONENT UNIT
SCHOOL BOARD*

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Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2015

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 50	\$ 1,015,070	\$ 1,015,120
Investments	-	67,881	67,881
Receivables (net of allowance for uncollectibles):			
Accounts receivable	10,711	14,557	25,268
Due from other governmental units	5,494,607	9,155	5,503,762
Inventories	-	23,212	23,212
Prepaid items	14,955	-	14,955
Total assets	<u>\$ 5,520,323</u>	<u>\$ 1,129,875</u>	<u>\$ 6,650,198</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 572,621	\$ 127,767	\$ 700,388
Accrued liabilities	4,947,702	148,316	5,096,018
Due to other governmental units	-	318,116	318,116
Total liabilities	<u>\$ 5,520,323</u>	<u>\$ 594,199</u>	<u>\$ 6,114,522</u>
Fund balances:			
Nonspendable	\$ 14,955	\$ 23,212	\$ 38,167
Assigned	-	512,464	512,464
Unassigned	(14,955)	-	(14,955)
Total fund balances	<u>\$ -</u>	<u>\$ 535,676</u>	<u>\$ 535,676</u>
Total liabilities and fund balances	<u>\$ 5,520,323</u>	<u>\$ 1,129,875</u>	<u>\$ 6,650,198</u>

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

Total fund balances per above	\$ 535,676
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, cost	\$ 55,489,946
Accumulated depreciation	<u>(25,781,436)</u>
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
Items related to measurement of net pension liability	(8,667,876)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability in the next fiscal year and, therefore, are not reported in the funds.	4,373,533
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.	1,211,878
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	\$ (1,694,775)
Net OPEB obligation	(2,039,293)
Net pension liability	<u>(47,246,801)</u>
Net position of governmental activities	<u>\$ (23,819,148)</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

	School Operating Fund	School Cafeteria Fund	Total Governmental Funds
REVENUES			
Revenue from the use of money and property	\$ 2,500	\$ 1,340	\$ 3,840
Charges for services	62,565	1,038,145	1,100,710
Miscellaneous	81,284	74,222	155,506
Recovered costs	400,557	-	400,557
Intergovernmental:			
Local government	22,517,276	-	22,517,276
Commonwealth	27,749,436	37,166	27,786,602
Federal	2,193,199	1,227,059	3,420,258
Total revenues	<u>\$ 53,006,817</u>	<u>\$ 2,377,932</u>	<u>\$ 55,384,749</u>
EXPENDITURES			
Current:			
Education	\$ -	\$ 2,367,840	\$ 2,367,840
Instruction	38,296,998	-	38,296,998
Administration, Attendance, Health	2,365,304	-	2,365,304
Pupil Transportation	3,959,330	-	3,959,330
Operations & Maintenance	5,743,228	-	5,743,228
Technology	2,641,957	-	2,641,957
Total expenditures	<u>\$ 53,006,817</u>	<u>\$ 2,367,840</u>	<u>\$ 55,374,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 10,092</u>	<u>\$ 10,092</u>
Net change in fund balances	\$ -	\$ 10,092	\$ 10,092
Fund balances - beginning	-	525,584	525,584
Fund balances - ending	<u>\$ -</u>	<u>\$ 535,676</u>	<u>\$ 535,676</u>
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Net change in fund balances - total governmental funds - per above			\$ 10,092
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		\$ 5,576,258	
Depreciation expense		<u>(3,064,154)</u>	2,512,104
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
			(8,667,876)
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		\$ (3,696)	
(Increase) decrease in net pension liability		8,723,869	
(Increase) decrease in deferred outflows related to pension payments subsequent to measurement date		714,478	
(Increase) decrease in net OPEB obligation		<u>(289,712)</u>	9,144,939
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.			
			<u>(149,463)</u>
Change in net position of governmental activities			<u>\$ 2,849,796</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services	45,547	45,547	62,565	17,018
Miscellaneous	75,377	75,377	81,284	5,907
Recovered costs	419,000	419,000	400,557	(18,443)
Intergovernmental:				
Local government	22,687,944	22,713,488	22,517,276	(196,212)
Commonwealth	28,019,400	28,019,400	27,749,436	(269,964)
Federal	2,389,328	2,389,328	2,193,199	(196,129)
Total revenues	<u>\$ 53,639,096</u>	<u>\$ 53,664,640</u>	<u>\$ 53,006,817</u>	<u>\$ (657,823)</u>
EXPENDITURES				
Current:				
Instruction	\$ 38,731,561	\$ 38,731,561	\$ 38,296,998	\$ 434,563
Administration, Attendance, Health	2,406,861	2,406,861	2,365,304	41,557
Pupil Transportation	4,019,072	4,019,072	3,959,330	59,742
Operations & Maintenance	5,830,073	5,855,617	5,743,228	112,389
Technology	2,651,529	2,651,529	2,641,957	9,572
Total expenditures	<u>\$ 53,639,096</u>	<u>\$ 53,664,640</u>	<u>\$ 53,006,817</u>	<u>\$ 657,823</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 School Cafeteria Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 3,000	\$ 3,000	\$ 1,340	\$ (1,660)
Charges for services	1,261,000	1,261,000	1,038,145	(222,855)
Miscellaneous	86,565	86,565	74,222	(12,343)
Intergovernmental:				
Commonwealth	34,137	34,137	37,166	3,029
Federal	1,112,284	1,112,284	1,227,059	114,775
Total revenues	<u>\$ 2,496,986</u>	<u>\$ 2,496,986</u>	<u>\$ 2,377,932</u>	<u>\$ (119,054)</u>
EXPENDITURES				
Current:				
Education	\$ 2,511,143	\$ 2,511,143	\$ 2,367,840	\$ 143,303
Total expenditures	<u>\$ 2,511,143</u>	<u>\$ 2,511,143</u>	<u>\$ 2,367,840</u>	<u>\$ 143,303</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (14,157)	\$ (14,157)	\$ 10,092	\$ 24,249
Net change in fund balances	\$ (14,157)	\$ (14,157)	\$ 10,092	\$ 24,249
Fund balances - beginning	14,157	14,157	525,584	511,427
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 535,676</u>	<u>\$ 535,676</u>

Statement of Fiduciary Net Position
Fiduciary Fund - Discretely Presented Component Unit School Board
June 30, 2015

	<u>Scholarship Private-Purpose Trust</u>
ASSETS	
Cash and cash equivalents	\$ 331,919
Total assets	<u>\$ 331,919</u>
 NET POSITION	
Held in trust for scholarships	<u>\$ 331,919</u>

Statement of Changes in Fiduciary Net Position
 Fiduciary Fund - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2015

	Scholarship Private-Purpose Trust
	<u> </u>
ADDITIONS	
Contributions:	
Private donations	\$ 19,264
Total contributions	<u>\$ 19,264</u>
Investment earnings:	
Interest	\$ 3,003
Total investment earnings	<u>\$ 3,003</u>
Total additions	<u>\$ 22,267</u>
DEDUCTIONS	
Scholarships	\$ 6,500
Total deductions	<u>\$ 6,500</u>
Change in net position	\$ 15,767
Net position - beginning, as restated	316,152
Net position - ending	<u><u>\$ 331,919</u></u>

Statement of Net Position
 Internal Service Fund - Discretely Presented Component Unit - School Board
 June 30, 2015

	Self- Insurance Fund
	<u> </u>
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ <u>1,875,621</u>
Total assets	\$ <u>1,875,621</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ <u>663,743</u>
Total liabilities	\$ <u>663,743</u>
NET POSITION	
Unrestricted	\$ <u>1,211,878</u>
Total net position	\$ <u><u>1,211,878</u></u>

Statement of Revenues, Expenses, and Changes in Net Position
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

	Self- Insurance Fund
	<u> </u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 6,350,933
Total operating revenues	<u>\$ 6,350,933</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 6,500,396
Total operating expenses	<u>\$ 6,500,396</u>
Operating income (loss)	<u>\$ (149,463)</u>
Total net position - beginning	\$ 1,361,341
Total net position - ending	<u><u>\$ 1,211,878</u></u>

Statement of Cash Flows
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2015

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 6,481,118
Payments for premiums	<u>(6,481,118)</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>
Cash and cash equivalents - beginning	\$ -
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ <u>(149,463)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 130,185
Increase (decrease) in accounts payable	<u>19,278</u>
Total adjustments	<u>\$ 149,463</u>
Net cash provided by (used for) operating activities	<u><u>\$ -</u></u>

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*DISCRETELY PRESENTED COMPONENT UNIT
ECONOMIC DEVELOPMENT AUTHORITY*

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Statement of Net Position
 Discretely Presented Component Unit - Economic Development Authority
 June 30, 2015

ASSETS

Current assets:

Cash and cash equivalents	\$ 138,484
Investments	830,793
Inventories	1,083,044
Total current assets	<u>\$ 2,052,321</u>

Noncurrent assets:

Capital assets:

Land	\$ 813,267
Buildings	18,403,393
Machinery and equipment	7,234
Less accumulated depreciation	<u>(6,672,338)</u>
Total net capital assets	<u>\$ 12,551,556</u>
Total noncurrent assets	<u>\$ 12,551,556</u>
Total assets	<u>\$ 14,603,877</u>

DEFERRED OUTFLOWS

Accumulated decrease in fair value of hedging derivatives	<u>\$ 1,665,311</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 75,569
Due to other governmental units	288,000
Bonds payable - current portion	727,058
Total current liabilities	<u>\$ 1,090,627</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$ 13,736,291
Derivative instrument - rate swap	1,665,311
Total noncurrent liabilities	<u>\$ 15,401,602</u>
Total liabilities	<u>\$ 16,492,229</u>

NET POSITION

Net investment in capital assets	\$ (1,911,793)
Unrestricted	1,688,752
Total net position	<u>\$ (223,041)</u>

Statement of Revenues, Expenses, and Changes in Net Position
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2015

OPERATING REVENUES

Charges for services:

Rents	\$ 1,545,312
Other revenues	21,055
Total operating revenues	<u>\$ 1,566,367</u>

OPERATING EXPENSES

Contractual services	\$ 26,213
Other charges	44,209
Automobile and travel expense	9,836
Depreciation	735,477
Total operating expenses	<u>\$ 815,735</u>

Operating income (loss)	<u>\$ 750,632</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	\$ 5,240
Interest expense	(893,287)
Total nonoperating revenues (expenses)	<u>\$ (888,047)</u>

Change in net position	\$ (137,415)
------------------------	--------------

Total net position - beginning	<u>(85,626)</u>
Total net position - ending	<u><u>\$ (223,041)</u></u>

Statement of Cash Flows
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,545,312
Receipts for miscellaneous items	21,055
Payments for operating activities	<u>(82,338)</u>
Net cash provided by (used for) operating activities	<u>\$ 1,484,029</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$ (685,007)
Interest payments	<u>(893,287)</u>
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,578,294)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (purchase) of investments	\$ 102,000
Interest income, net of fees	<u>148</u>
Net cash provided by (used for) investing activities	<u>\$ 102,148</u>

Net increase (decrease) in cash and cash equivalents	\$ 7,883
Cash and cash equivalents - beginning	<u>130,601</u>
Cash and cash equivalents - ending	<u><u>\$ 138,484</u></u>

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

Operating income (loss)	\$ <u>750,632</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	\$ 735,477
Increase (decrease) in accounts payable	<u>(2,080)</u>
Total adjustments	<u>\$ 733,397</u>
Net cash provided by (used for) operating activities	<u><u>\$ 1,484,029</u></u>

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SUPPORTING SCHEDULES

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Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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	\$ 27,032,833	\$ 27,032,833	\$ 27,751,587	\$ 718,754
Real and personal public service corporation taxes	1,000,168	1,000,168	825,738	(174,430)
Personal property taxes	9,300,000	9,300,000	8,773,553	(526,447)
Mobile home taxes	43,000	43,000	47,359	4,359
Penalties	370,640	370,640	350,890	(19,750)
Interest	190,370	190,370	195,732	5,362
Total general property taxes	<u>\$ 37,937,011</u>	<u>\$ 37,937,011</u>	<u>\$ 37,944,859</u>	<u>\$ 7,848</u>
Other local taxes:				
Local sales and use taxes	\$ 3,785,144	\$ 3,785,144	\$ 3,993,673	\$ 208,529
Consumers' utility taxes	703,000	703,000	711,867	8,867
Electric consumption taxes	133,112	133,112	135,558	2,446
Business license taxes	1,546,400	1,546,400	1,547,404	1,004
Bank stock taxes	180,000	180,000	321,863	141,863
Taxes on recordation and wills	430,000	430,000	403,375	(26,625)
Hotel and motel room taxes	130,000	130,000	129,125	(875)
Restaurant food taxes	1,851,000	1,851,000	1,896,892	45,892
Total other local taxes	<u>\$ 8,758,656</u>	<u>\$ 8,758,656</u>	<u>\$ 9,139,757</u>	<u>\$ 381,101</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 21,000	\$ 21,000	\$ 35,330	\$ 14,330
Permits and other licenses	281,250	281,250	344,315	63,065
Total permits, privilege fees, and regulatory licenses	<u>\$ 302,250</u>	<u>\$ 302,250</u>	<u>\$ 379,645</u>	<u>\$ 77,395</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 105,000	\$ 105,000	\$ 67,740	\$ (37,260)
Parking fines	250	250	525	275
Total fines and forfeitures	<u>\$ 105,250</u>	<u>\$ 105,250</u>	<u>\$ 68,265</u>	<u>\$ (36,985)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 35,000	\$ 35,000	\$ 32,216	\$ (2,784)
Revenue from use of property	117,675	117,675	116,531	(1,144)
Total revenue from use of money and property	<u>\$ 152,675</u>	<u>\$ 152,675</u>	<u>\$ 148,747</u>	<u>\$ (3,928)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 18,000	\$ 18,000	\$ -	\$ (18,000)
Charges for law enforcement and traffic control	38,060	38,060	33,517	(4,543)
Charges for courthouse maintenance	14,200	14,200	13,715	(485)
Circuit court judge fees	39,800	39,800	19,695	(20,105)
Charges for courthouse security	54,000	54,000	53,768	(232)
Charges for probation	12,000	12,000	13,730	1,730
Charges for Commonwealth's Attorney	2,250	2,250	3,722	1,472
Miscellaneous dog fees	9,000	9,000	9,151	151
Charges for library	48,000	48,000	40,620	(7,380)
Charges for sanitation and waste removal	187,119	187,119	315,626	128,507
Charges for parks and recreation	263,500	263,500	240,605	(22,895)
Charges for community education	1,200	1,200	491	(709)
Charges for sale of publications and commemorative material	9,000	9,000	6,704	(2,296)
Charges for daffodil festival	52,985	52,985	67,396	14,411
Charges for sale of historical material	500	500	207	(293)
Total charges for services	<u>\$ 749,614</u>	<u>\$ 749,614</u>	<u>\$ 818,947</u>	<u>\$ 69,333</u>
Miscellaneous revenue:				
Miscellaneous	\$ 304,884	\$ 304,884	\$ 255,969	\$ (48,915)
Total miscellaneous revenue	<u>\$ 304,884</u>	<u>\$ 304,884</u>	<u>\$ 255,969</u>	<u>\$ (48,915)</u>
Recovered costs:				
Recovered costs sheriff	\$ 262,744	\$ 262,744	\$ 237,028	\$ (25,716)
Recovered costs jail	-	-	11,225	11,225
Treasurer recovered costs	75,000	75,000	93,240	18,240
Probation & pretrial recovered costs	32,860	32,860	35,660	2,800
Demolition recovered costs	8,500	8,500	1,668	(6,832)
Total recovered costs	<u>\$ 379,104</u>	<u>\$ 379,104</u>	<u>\$ 378,821</u>	<u>\$ (283)</u>
Total revenue from local sources	<u>\$ 48,689,444</u>	<u>\$ 48,689,444</u>	<u>\$ 49,135,010</u>	<u>\$ 445,566</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicle carriers' tax	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Mobile home titling tax	30,000	30,000	21,782	(8,218)
Motor vehicle rental tax	54,000	54,000	63,318	9,318
State recordation tax	120,000	120,000	112,542	(7,458)
Communication tax	1,612,976	1,612,976	1,523,924	(89,052)
Personal property tax relief funds	2,778,640	2,778,640	2,778,640	-
Total noncategorical aid	<u>\$ 4,597,616</u>	<u>\$ 4,597,616</u>	<u>\$ 4,500,206</u>	<u>\$ (97,410)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 374,190	\$ 374,190	\$ 379,095	\$ 4,905
Sheriff	2,432,580	2,432,580	2,417,947	(14,633)
Jail	170,864	170,864	147,446	(23,418)
Asset forfeiture	-	-	3,825	3,825
Commissioner of revenue	129,143	129,143	126,656	(2,487)
Treasurer	131,698	131,698	130,057	(1,641)
Registrar/electoral board	42,941	42,941	40,135	(2,806)
Clerk of the Circuit Court	271,459	271,459	277,948	6,489
Total shared expenses	<u>\$ 3,552,875</u>	<u>\$ 3,552,875</u>	<u>\$ 3,523,109</u>	<u>\$ (29,766)</u>
Other categorical aid:				
Emergency medical services	\$ 40,000	\$ 40,000	\$ 38,341	\$ (1,659)
Litter control grant	11,052	11,052	9,744	(1,308)
E911 wireless grant	42,627	42,627	44,479	1,852
Library grant	147,540	147,540	142,846	(4,694)
Probation & pretrial	478,848	625,298	390,651	(234,647)
Victim-witness grant	51,172	51,172	52,707	1,535
Fire programs	110,000	110,000	116,771	6,771
Total other categorical aid	<u>\$ 881,239</u>	<u>\$ 1,027,689</u>	<u>\$ 795,539</u>	<u>\$ (232,150)</u>
Total categorical aid	<u>\$ 4,434,114</u>	<u>\$ 4,580,564</u>	<u>\$ 4,318,648</u>	<u>\$ (261,916)</u>
Total revenue from the Commonwealth	<u>\$ 9,031,730</u>	<u>\$ 9,178,180</u>	<u>\$ 8,818,854</u>	<u>\$ (359,326)</u>
Revenue from the federal government:				
Categorical aid:				
V-stop prosecutor grant	\$ 23,981	\$ 23,981	\$ 22,872	\$ (1,109)
Public assistance and welfare administration	88,000	88,000	90,236	2,236
Highway safety grant	-	-	22,166	22,166
Public safety	31,405	31,405	20,580	(10,825)
Other federal revenue	13,644	13,644	-	(13,644)
Total categorical aid	<u>\$ 157,030</u>	<u>\$ 157,030</u>	<u>\$ 155,854</u>	<u>\$ (1,176)</u>
Total revenue from the federal government	<u>\$ 157,030</u>	<u>\$ 157,030</u>	<u>\$ 155,854</u>	<u>\$ (1,176)</u>
Total General Fund	<u>\$ 57,878,204</u>	<u>\$ 58,024,654</u>	<u>\$ 58,109,718</u>	<u>\$ 85,064</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ -	\$ -	\$ 684	\$ 684
Total revenue from local sources	\$ -	\$ -	\$ 684	\$ 684
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,377,524	\$ 1,377,524	\$ 1,127,431	\$ (250,093)
Total categorical aid	\$ 1,377,524	\$ 1,377,524	\$ 1,127,431	\$ (250,093)
Total revenue from the Commonwealth	\$ 1,377,524	\$ 1,377,524	\$ 1,127,431	\$ (250,093)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,314,251	\$ 1,314,251	\$ 1,429,028	\$ 114,777
Total categorical aid	\$ 1,314,251	\$ 1,314,251	\$ 1,429,028	\$ 114,777
Total revenue from the federal government	\$ 1,314,251	\$ 1,314,251	\$ 1,429,028	\$ 114,777
Total Virginia Public Assistance Fund	\$ 2,691,775	\$ 2,691,775	\$ 2,557,143	\$ (134,632)
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 3,720	\$ 3,720	\$ 14,014	\$ 10,294
Total revenue from local sources	\$ 3,720	\$ 3,720	\$ 14,014	\$ 10,294
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 843,280	\$ 843,280	\$ 727,430	\$ (115,850)
Total categorical aid	\$ 843,280	\$ 843,280	\$ 727,430	\$ (115,850)
Total revenue from the Commonwealth	\$ 843,280	\$ 843,280	\$ 727,430	\$ (115,850)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 18,000	\$ 18,000	\$ 72,801	\$ 54,801
Total revenue from the federal government	\$ 18,000	\$ 18,000	\$ 72,801	\$ 54,801
Total Comprehensive Services Act Fund	\$ 865,000	\$ 865,000	\$ 814,245	\$ (50,755)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 233,520	\$ 233,520	\$ 233,269	\$ (251)
Total Debt Service Fund	\$ 233,520	\$ 233,520	\$ 233,269	\$ (251)
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 136	\$ 136
Total revenue from use of money and property	\$ -	\$ -	\$ 136	\$ 136
Miscellaneous revenue:				
Cash proffers	\$ -	\$ -	\$ 23,000	\$ 23,000
Donations or other miscellaneous	150,000	215,000	65,294	(149,706)
Total miscellaneous revenue	\$ 150,000	\$ 215,000	\$ 88,294	\$ (126,706)
Total revenue from local sources	\$ 150,000	\$ 215,000	\$ 88,430	\$ (126,570)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Enhancement program (Fairfield project)	\$ -	\$ -	\$ 20,226	\$ 20,226
Acquisition/elevation grant	1,264,000	1,431,897	156,588	(1,275,309)
Other state funds	-	-	98,714	98,714
Total categorical aid	\$ 1,264,000	\$ 1,431,897	\$ 275,528	\$ (1,156,369)
Total revenue from the Commonwealth	\$ 1,264,000	\$ 1,431,897	\$ 275,528	\$ (1,156,369)
Revenue from the federal government:				
Categorical aid:				
Outdoor recreation development and planning	\$ -	\$ -	\$ 279,000	\$ 279,000
Acquisition/elevation grant	2,250,000	2,250,000	665,770	(1,584,230)
National fish and wildlife foundation - John's Point	-	-	27,477	27,477
Total categorical aid	\$ 2,250,000	\$ 2,250,000	\$ 972,247	\$ (1,277,753)
Total revenue from the federal government	\$ 2,250,000	\$ 2,250,000	\$ 972,247	\$ (1,277,753)
Total County Capital Improvements Fund	\$ 3,664,000	\$ 3,896,897	\$ 1,336,205	\$ (2,560,692)
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 5,000	\$ 5,000	\$ 25,533	\$ 20,533
Total revenue from use of money and property	\$ 5,000	\$ 5,000	\$ 25,533	\$ 20,533

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2015 (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	\$ 220,700	\$ 220,700	\$ 79,343	\$ (141,357)
Total revenue from local sources	<u>\$ 225,700</u>	<u>\$ 225,700</u>	<u>\$ 104,876</u>	<u>\$ (120,824)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
State highway construction	\$ 830,000	\$ 830,000	\$ 851,230	\$ 21,230
Total categorical aid	<u>\$ 830,000</u>	<u>\$ 830,000</u>	<u>\$ 851,230</u>	<u>\$ 21,230</u>
Total revenue from the Commonwealth	<u>\$ 830,000</u>	<u>\$ 830,000</u>	<u>\$ 851,230</u>	<u>\$ 21,230</u>
Total School Construction Fund	<u>\$ 1,055,700</u>	<u>\$ 1,055,700</u>	<u>\$ 956,106</u>	<u>\$ (99,594)</u>
Total Primary Government	<u>\$ 66,388,199</u>	<u>\$ 66,767,546</u>	<u>\$ 64,006,686</u>	<u>\$ (2,760,860)</u>
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 2,500	\$ 2,500	\$ 2,500	\$ -
Charges for services:				
Tuition and payments from other divisions	\$ 45,547	\$ 45,547	\$ 62,565	\$ 17,018
Miscellaneous revenue:				
Other miscellaneous	\$ 75,377	\$ 75,377	\$ 81,284	\$ 5,907
Recovered costs:				
Medicaid reimbursements	\$ 232,000	\$ 232,000	\$ 224,825	\$ (7,175)
Other recovered costs	187,000	187,000	175,732	(11,268)
Total recovered costs	<u>\$ 419,000</u>	<u>\$ 419,000</u>	<u>\$ 400,557</u>	<u>\$ (18,443)</u>
Total revenue from local sources	<u>\$ 542,424</u>	<u>\$ 542,424</u>	<u>\$ 546,906</u>	<u>\$ 4,482</u>
Intergovernmental:				
Revenue from local governments:				
Contribution from County of Gloucester, Virginia	\$ 22,687,944	\$ 22,713,488	\$ 22,517,276	\$ (196,212)
Total revenue from local governments	<u>\$ 22,687,944</u>	<u>\$ 22,713,488</u>	<u>\$ 22,517,276</u>	<u>\$ (196,212)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Emergency assistance	\$ 89,673	\$ 89,673	\$ 89,674	\$ 1
Share of state sales tax	5,720,076	5,720,076	5,771,376	51,300
Basic school aid	15,203,558	15,203,558	14,909,719	(293,839)
ISAEP	15,717	15,717	15,717	-
Remedial summer education	61,254	61,254	74,094	12,840
Regular foster care	9,844	9,844	7,178	(2,666)
Gifted and talented	161,829	161,829	159,521	(2,308)
English as a second language	22,938	22,938	18,163	(4,775)
Special education	1,108,698	1,108,698	1,092,891	(15,807)
Textbook payment	331,301	331,301	326,578	(4,723)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 382,191	\$ 382,191	\$ 376,742	\$ (5,449)
Vocational standards of quality payments	230,692	230,692	227,403	(3,289)
Social security fringe benefits	843,575	843,575	831,548	(12,027)
Retirement fringe benefits	1,731,911	1,731,911	1,693,642	(38,269)
Group life insurance fringe benefits	58,534	58,534	50,911	(7,623)
Early reading intervention	56,295	56,295	60,297	4,002
Project graduation	-	-	27,226	27,226
Homebound education	24,439	24,439	26,276	1,837
Regional program tuition	583,839	583,839	583,465	(374)
Vocational educational equipment	14,165	14,165	15,380	1,215
At risk payments	249,993	249,993	246,430	(3,563)
National Board Certification TC	35,000	35,000	35,000	-
Industry credential student	10,000	10,000	8,414	(1,586)
Primary class size	439,512	439,512	442,787	3,275
VA Preschool	136,992	136,992	136,922	(70)
Race to GED	-	-	3,000	3,000
Standards of Learning algebra readiness	49,566	49,566	49,348	(218)
Mentor teacher program	2,208	2,208	4,614	2,406
VPSA technology	445,600	445,600	446,400	800
Other state funds	-	-	18,720	18,720
Total categorical aid	<u>\$ 28,019,400</u>	<u>\$ 28,019,400</u>	<u>\$ 27,749,436</u>	<u>\$ (269,964)</u>
 Total revenue from the Commonwealth	 <u>\$ 28,019,400</u>	 <u>\$ 28,019,400</u>	 <u>\$ 27,749,436</u>	 <u>\$ (269,964)</u>
Revenue from the federal government:				
Categorical aid:				
Title I	\$ 699,769	\$ 699,769	\$ 656,292	\$ (43,477)
Title VI-B, special education	1,126,758	1,126,758	1,187,115	60,357
Vocational education	75,172	75,172	73,158	(2,014)
Title II	206,146	206,146	149,789	(56,357)
Impact aid	62,000	62,000	57,909	(4,091)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 69,483	\$ 69,483	\$ 68,788	\$ (695)
Other federal funds	150,000	150,000	148	(149,852)
Total categorical aid	<u>\$ 2,389,328</u>	<u>\$ 2,389,328</u>	<u>\$ 2,193,199</u>	<u>\$ (196,129)</u>
 Total revenue from the federal government	 <u>\$ 2,389,328</u>	 <u>\$ 2,389,328</u>	 <u>\$ 2,193,199</u>	 <u>\$ (196,129)</u>
 Total School Operating Fund	 <u><u>\$ 53,639,096</u></u>	 <u><u>\$ 53,664,640</u></u>	 <u><u>\$ 53,006,817</u></u>	 <u><u>\$ (657,823)</u></u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 3,000	\$ 3,000	\$ 1,340	\$ (1,660)
Total revenue from use of money and property	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 1,340</u>	<u>\$ (1,660)</u>
Charges for services:				
Cafeteria sales	\$ 1,252,000	\$ 1,252,000	\$ 1,032,535	\$ (219,465)
Other charges for services	9,000	9,000	5,610	(3,390)
Total charges for services	<u>\$ 1,261,000</u>	<u>\$ 1,261,000</u>	<u>\$ 1,038,145</u>	<u>\$ (222,855)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 86,565	\$ 86,565	\$ 74,222	\$ (12,343)
Total miscellaneous revenue	<u>\$ 86,565</u>	<u>\$ 86,565</u>	<u>\$ 74,222</u>	<u>\$ (12,343)</u>
Total revenue from local sources	<u><u>\$ 1,350,565</u></u>	<u><u>\$ 1,350,565</u></u>	<u><u>\$ 1,113,707</u></u>	<u><u>\$ (236,858)</u></u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 34,137	\$ 34,137	\$ 37,166	\$ 3,029
Total revenue from the Commonwealth	<u>\$ 34,137</u>	<u>\$ 34,137</u>	<u>\$ 37,166</u>	<u>\$ 3,029</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 1,112,284	\$ 1,112,284	\$ 1,063,385	\$ (48,899)
USDA commodities	-	-	163,674	163,674
Total categorical aid	<u>\$ 1,112,284</u>	<u>\$ 1,112,284</u>	<u>\$ 1,227,059</u>	<u>\$ 114,775</u>
 Total revenue from the federal government	 <u>\$ 1,112,284</u>	 <u>\$ 1,112,284</u>	 <u>\$ 1,227,059</u>	 <u>\$ 114,775</u>
 Total School Cafeteria Fund	 <u><u>\$ 2,496,986</u></u>	 <u><u>\$ 2,496,986</u></u>	 <u><u>\$ 2,377,932</u></u>	 <u><u>\$ (119,054)</u></u>
 Total Discretely Presented Component Unit - School Board	 <u><u>\$ 56,136,082</u></u>	 <u><u>\$ 56,161,626</u></u>	 <u><u>\$ 55,384,749</u></u>	 <u><u>\$ (776,877)</u></u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2015

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	\$ 84,586	\$ 84,586	\$ 82,749	\$ 1,837
General and financial administration:				
County administrator	\$ 917,515	\$ 799,652	\$ 528,969	\$ 270,683
Human resources	359,254	359,254	354,541	4,713
County attorney	273,223	273,223	267,289	5,934
Commissioner of revenue	466,120	467,071	464,659	2,412
County assessor	503,566	503,566	475,891	27,675
Treasurer	681,293	683,293	668,102	15,191
Finance	419,439	419,439	423,237	(3,798)
Department of information technology	1,224,349	1,273,516	1,260,575	12,941
GIS	444,587	444,587	320,570	124,017
Purchasing	263,787	263,787	256,922	6,865
Other general and financial administration	257,150	235,289	232,007	3,282
Total general and financial administration	\$ 5,810,283	\$ 5,722,677	\$ 5,252,762	\$ 469,915
Board of elections:				
Electoral board and officials	\$ 213,905	\$ 214,389	\$ 171,011	\$ 43,378
Total board of elections	\$ 213,905	\$ 214,389	\$ 171,011	\$ 43,378
Total general government administration	\$ 6,108,774	\$ 6,021,652	\$ 5,506,522	\$ 515,130
Judicial administration:				
Courts:				
Circuit court	\$ 75,586	\$ 86,174	\$ 79,119	\$ 7,055
General district court	21,350	21,350	14,073	7,277
Commissioner of accounts	600	600	599	1
Magistrate	1,000	1,000	736	264
Juvenile and domestic relations district court	17,074	17,074	18,471	(1,397)
Clerk of the circuit court	447,853	447,853	451,825	(3,972)
Victim and witness assistance	79,747	79,747	77,257	2,490
Court services unit	253,340	253,340	247,249	6,091
Group home commission	225,372	225,372	212,749	12,623
Total courts	\$ 1,121,922	\$ 1,132,510	\$ 1,102,078	\$ 30,432
Commonwealth's attorney:				
Commonwealth's attorney	\$ 699,708	\$ 699,708	\$ 618,366	\$ 81,342
Total commonwealth's attorney	\$ 699,708	\$ 699,708	\$ 618,366	\$ 81,342
Total judicial administration	\$ 1,821,630	\$ 1,832,218	\$ 1,720,444	\$ 111,774
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 5,134,750	\$ 5,138,700	\$ 4,948,871	\$ 189,829
Emergency operations center	274,473	274,473	281,135	(6,662)
Total law enforcement and traffic control	\$ 5,409,223	\$ 5,413,173	\$ 5,230,006	\$ 183,167

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 2,031,222	\$ 2,031,222	\$ 2,036,334	\$ (5,112)
Radio system	572,957	572,957	547,267	25,690
State forestry service	7,500	7,500	7,427	73
Office of emergency services	202,926	348,056	248,357	99,699
Total fire and rescue services	<u>\$ 2,814,605</u>	<u>\$ 2,959,735</u>	<u>\$ 2,839,385</u>	<u>\$ 120,350</u>
Correction and detention:				
County operated institutions	\$ 2,697,250	\$ 3,252,321	\$ 3,028,380	\$ 223,941
Probation & pretrial	424,980	424,980	415,470	9,510
Total correction and detention	<u>\$ 3,122,230</u>	<u>\$ 3,677,301</u>	<u>\$ 3,443,850</u>	<u>\$ 233,451</u>
Inspections:				
Building	\$ 446,719	\$ 420,765	\$ 399,815	\$ 20,950
Total inspections	<u>\$ 446,719</u>	<u>\$ 420,765</u>	<u>\$ 399,815</u>	<u>\$ 20,950</u>
Other protection:				
Animal control	\$ 396,394	\$ 396,394	\$ 346,500	\$ 49,894
Medical examiner	200	1,000	1,080	(80)
Total other protection	<u>\$ 396,594</u>	<u>\$ 397,394</u>	<u>\$ 347,580</u>	<u>\$ 49,814</u>
Total public safety	<u>\$ 12,189,371</u>	<u>\$ 12,868,368</u>	<u>\$ 12,260,636</u>	<u>\$ 607,732</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 329,697	\$ 329,697	\$ 319,253	\$ 10,444
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 329,697</u>	<u>\$ 329,697</u>	<u>\$ 319,253</u>	<u>\$ 10,444</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 9,000	\$ 9,000	\$ 7,444	\$ 1,556
Total sanitation and waste removal	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 7,444</u>	<u>\$ 1,556</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,899,251	\$ 1,909,933	\$ 1,830,131	\$ 79,802
Total maintenance of general buildings and grounds	<u>\$ 1,899,251</u>	<u>\$ 1,909,933</u>	<u>\$ 1,830,131</u>	<u>\$ 79,802</u>
Total public works	<u>\$ 2,237,948</u>	<u>\$ 2,248,630</u>	<u>\$ 2,156,828</u>	<u>\$ 91,802</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 497,782	\$ 497,782	\$ 494,549	\$ 3,233
Mosquito control	113,011	113,011	90,080	22,931
Total health	<u>\$ 610,793</u>	<u>\$ 610,793</u>	<u>\$ 584,629</u>	<u>\$ 26,164</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 116,859	\$ 116,859	\$ 116,859	\$ -
Total mental health and mental retardation	<u>\$ 116,859</u>	<u>\$ 116,859</u>	<u>\$ 116,859</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 727,652</u>	<u>\$ 727,652</u>	<u>\$ 701,488</u>	<u>\$ 26,164</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 13,224	\$ 13,224	\$ 13,224	\$ -
Contribution to community education	522,527	522,527	509,535	12,992
Cable services	45,758	45,758	15,957	29,801
Contribution to County School Board	22,687,944	22,713,488	22,517,276	196,212
Total education	<u>\$ 23,269,453</u>	<u>\$ 23,294,997</u>	<u>\$ 23,055,992</u>	<u>\$ 239,005</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 629,411	\$ 637,204	\$ 598,912	\$ 38,292
Beaverdam reservoir park	453,076	453,570	422,995	30,575
Total parks and recreation	<u>\$ 1,082,487</u>	<u>\$ 1,090,774</u>	<u>\$ 1,021,907</u>	<u>\$ 68,867</u>
Cultural enrichment:				
Daffodil festival	\$ 53,115	\$ 53,115	\$ 69,005	\$ (15,890)
Historical committee	60,892	60,892	52,915	7,977
Total cultural enrichment	<u>\$ 114,007</u>	<u>\$ 114,007</u>	<u>\$ 121,920</u>	<u>\$ (7,913)</u>
Library:				
Contribution to county library	\$ 1,033,171	\$ 1,037,983	\$ 995,651	\$ 42,332
Total library	<u>\$ 1,033,171</u>	<u>\$ 1,037,983</u>	<u>\$ 995,651</u>	<u>\$ 42,332</u>
Total parks, recreation, and cultural	<u>\$ 2,229,665</u>	<u>\$ 2,242,764</u>	<u>\$ 2,139,478</u>	<u>\$ 103,286</u>
Community development:				
Planning and community development:				
Community development	\$ 535,147	\$ 559,966	\$ 515,263	\$ 44,703
Tourism	138,052	138,052	114,127	23,925
Economic development	226,036	233,480	232,263	1,217
Total planning and community development	<u>\$ 899,235</u>	<u>\$ 931,498</u>	<u>\$ 861,653</u>	<u>\$ 69,845</u>
Environmental management:				
Clean community program	\$ 21,582	\$ 21,582	\$ 19,498	\$ 2,084
Total environmental management	<u>\$ 21,582</u>	<u>\$ 21,582</u>	<u>\$ 19,498</u>	<u>\$ 2,084</u>
Cooperative extension program:				
Extension office	\$ 97,330	\$ 98,323	\$ 90,917	\$ 7,406
Total cooperative extension program	<u>\$ 97,330</u>	<u>\$ 98,323</u>	<u>\$ 90,917</u>	<u>\$ 7,406</u>
Total community development	<u>\$ 1,018,147</u>	<u>\$ 1,051,403</u>	<u>\$ 972,068</u>	<u>\$ 79,335</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 338,497	\$ 353,497	\$ 353,497	\$ -
Total General Fund	\$ 49,941,137	\$ 50,641,181	\$ 48,866,953	\$ 1,774,228
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,514,848	\$ 2,514,848	\$ 2,226,949	\$ 287,899
Public assistance	1,174,500	1,184,500	1,056,321	128,179
Purchased services	108,067	97,567	65,345	32,222
Grants	9,000	9,500	5,279	4,221
Board of public welfare	4,612	4,612	4,471	141
Total welfare and social services	\$ 3,811,027	\$ 3,811,027	\$ 3,358,365	\$ 452,662
Total health and welfare	\$ 3,811,027	\$ 3,811,027	\$ 3,358,365	\$ 452,662
Total Virginia Public Assistance Fund	\$ 3,811,027	\$ 3,811,027	\$ 3,358,365	\$ 452,662
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 1,516,000	\$ 1,516,000	\$ 1,367,650	\$ 148,350
Total Comprehensive Services Act Fund	\$ 1,516,000	\$ 1,516,000	\$ 1,367,650	\$ 148,350
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 3,437,958	\$ 3,437,958	\$ 3,437,958	\$ -
Interest and other fiscal charges	2,298,287	2,298,287	2,293,936	4,351
Principal retirement-School Leases	72,317	72,317	72,317	-
Interest and other fiscal charges-Schools Leases	5,467	5,467	4,041	1,426
Total Debt Service Fund	\$ 5,814,029	\$ 5,814,029	\$ 5,808,252	\$ 5,777
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 4,812,661	\$ 5,313,239	\$ 2,048,060	\$ 3,265,179
Equipment and vehicles	274,347	553,922	352,068	201,854
School capital assets	5,318,598	5,573,629	4,121,218	1,452,411
Total capital projects	\$ 10,405,606	\$ 11,440,790	\$ 6,521,346	\$ 4,919,444
Total County Capital Improvements Fund	\$ 10,405,606	\$ 11,440,790	\$ 6,521,346	\$ 4,919,444
School Construction Fund:				
Capital projects expenditures:				
Page Middle School	\$ 19,500,000	\$ 19,500,000	\$ 15,979,259	\$ 3,520,741
Total School Construction Fund	\$ 19,500,000	\$ 19,500,000	\$ 15,979,259	\$ 3,520,741
Total Primary Government	\$ 90,987,799	\$ 92,723,027	\$ 81,901,825	\$ 10,821,202

Schedule of Expenditures - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2015 (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	\$ 38,731,561	\$ 38,731,561	\$ 38,296,998	\$ 434,563
Total instruction costs	<u>\$ 38,731,561</u>	<u>\$ 38,731,561</u>	<u>\$ 38,296,998</u>	<u>\$ 434,563</u>
Administration, and Attendance and Health:				
School board	\$ 152,380	\$ 152,780	\$ 151,429	\$ 1,351
Other administration	2,254,481	2,254,081	2,213,875	40,206
Total administration of schools	<u>\$ 2,406,861</u>	<u>\$ 2,406,861</u>	<u>\$ 2,365,304</u>	<u>\$ 41,557</u>
Pupil transportation:				
Pupil transportation	\$ 4,019,072	\$ 4,019,072	\$ 3,959,330	\$ 59,742
Total pupil transportation	<u>\$ 4,019,072</u>	<u>\$ 4,019,072</u>	<u>\$ 3,959,330</u>	<u>\$ 59,742</u>
Operating and maintenance costs:				
Operation and maintenance	\$ 5,830,073	\$ 5,855,617	\$ 5,743,228	\$ 112,389
Total operating and maintenance costs	<u>\$ 5,830,073</u>	<u>\$ 5,855,617</u>	<u>\$ 5,743,228</u>	<u>\$ 112,389</u>
Technology:				
Technology	\$ 2,651,529	\$ 2,651,529	\$ 2,641,957	\$ 9,572
Total technology	<u>\$ 2,651,529</u>	<u>\$ 2,651,529</u>	<u>\$ 2,641,957</u>	<u>\$ 9,572</u>
Total education	<u>\$ 53,639,096</u>	<u>\$ 53,664,640</u>	<u>\$ 53,006,817</u>	<u>\$ 657,823</u>
Total School Operating Fund	<u><u>\$ 53,639,096</u></u>	<u><u>\$ 53,664,640</u></u>	<u><u>\$ 53,006,817</u></u>	<u><u>\$ 657,823</u></u>
School Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,511,143	\$ 2,511,143	\$ 2,204,166	\$ 306,977
USDA commodities	-	-	163,674	(163,674)
Total school food services	<u>\$ 2,511,143</u>	<u>\$ 2,511,143</u>	<u>\$ 2,367,840</u>	<u>\$ 143,303</u>
Total education	<u>\$ 2,511,143</u>	<u>\$ 2,511,143</u>	<u>\$ 2,367,840</u>	<u>\$ 143,303</u>
Total School Cafeteria Fund	<u><u>\$ 2,511,143</u></u>	<u><u>\$ 2,511,143</u></u>	<u><u>\$ 2,367,840</u></u>	<u><u>\$ 143,303</u></u>
Total Discretely Presented Component Unit - School Board	<u><u>\$ 56,150,239</u></u>	<u><u>\$ 56,175,783</u></u>	<u><u>\$ 55,374,657</u></u>	<u><u>\$ 801,126</u></u>

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STATISTICAL SECTION

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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 wellbeing have changed over time. 1-4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes. 5-8

Debt Capacity

These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue debt in the future. 9-11

Demographic and Economic Information

These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments. 12-13

Operating Information

These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs. 14-17

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

COUNTY OF GLOUCESTER, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

(accrual basis of accounting)

	2015	2014	2013	2012
Governmental activities				
Net investment in capital assets	\$ 20,771,917	\$ 22,330,023	\$ 13,292,660	\$ 15,463,123
Restricted	-	-	-	-
Unrestricted	16,806,802	23,927,330	31,083,034	26,438,615
Total governmental activities net position	<u>\$ 37,578,719</u>	<u>\$ 46,257,353</u>	<u>\$ 44,375,694</u>	<u>\$ 41,901,738</u>
Business-type activities				
Net investment in capital assets	\$ 12,233,762	\$ 11,267,065	\$ 4,461,919	\$ 6,470,887
Restricted	1,869,579	1,869,878	4,720,154	2,036,544
Unrestricted	2,221,268	2,328,518	4,956,253	4,654,757
Total business-type activities net position	<u>\$ 16,324,609</u>	<u>\$ 15,465,461</u>	<u>\$ 14,138,326</u>	<u>\$ 13,162,188</u>
Primary government				
Net investment in capital assets	\$ 33,005,679	\$ 33,597,088	\$ 17,754,579	\$ 21,934,010
Restricted	1,869,579	1,869,878	4,720,154	2,036,544
Unrestricted	19,028,070	26,255,848	36,039,287	31,093,372
Total primary government net position	<u>\$ 53,903,328</u>	<u>\$ 61,722,814</u>	<u>\$ 58,514,020</u>	<u>\$ 55,063,926</u>

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

	2011	2010	2009	2008	2007	2006
\$	13,656,652	\$ 12,177,861	\$ 9,990,778	\$ 6,263,692	\$ 8,637,111	\$ 6,392,933
	-	-	-	-	-	367,597
	20,720,020	16,694,480	15,820,860	21,316,656	19,609,128	21,155,013
\$	<u>34,376,672</u>	<u>28,872,341</u>	<u>25,811,638</u>	<u>27,580,348</u>	<u>28,246,239</u>	<u>27,915,543</u>
\$	9,328,625	\$ 7,299,353	\$ 6,653,014	\$ 6,500,868	\$ 6,421,570	\$ 3,676,016
	2,031,743	2,025,385	2,015,652	-	-	-
	1,733,605	2,177,368	2,575,848	3,192,808	2,047,347	756,386
\$	<u>13,093,973</u>	<u>11,502,106</u>	<u>11,244,514</u>	<u>9,693,676</u>	<u>8,468,917</u>	<u>4,432,402</u>
\$	22,985,277	\$ 19,477,214	\$ 16,643,792	\$ 12,764,560	\$ 15,058,681	\$ 10,068,949
	2,031,743	2,025,385	2,015,652	-	-	367,597
	22,453,625	18,871,848	18,396,708	24,509,464	21,656,475	21,911,399
\$	<u>47,470,645</u>	<u>40,374,447</u>	<u>37,056,152</u>	<u>37,274,024</u>	<u>36,715,156</u>	<u>32,347,945</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2015	2014	2013	2012
Expenses				
Governmental activities:				
General government administration	\$ 5,402,313	\$ 5,575,520	\$ 5,465,093	\$ 4,420,563
Judicial administration	1,830,328	1,978,698	1,802,483	1,784,911
Public safety	12,838,684	13,224,115	12,943,310	12,376,310
Public works	2,140,168	2,487,293	2,218,227	2,496,814
Health and welfare	5,441,279	5,223,039	5,052,386	4,446,775
Education	29,991,304	27,169,073	25,586,345	24,339,028
Parks, recreation, culture	2,198,664	2,375,530	2,166,475	2,111,087
Community development	3,330,733	2,604,102	1,254,998	1,170,407
Interest on long-term debt	2,019,045	1,912,060	1,598,864	1,624,212
Total governmental activities expenses	65,192,518	62,549,430	58,088,181	54,770,107
Business-type activities:				
Public utilities	3,873,419	4,164,968	4,561,013	4,765,426
Total business-type activities expenses	3,873,419	4,164,968	4,561,013	4,765,426
Total Primary government expenses	\$ 69,065,937	\$ 66,714,398	\$ 62,649,194	\$ 59,535,533
Program Revenues				
Governmental activities:				
Charges for services				
General government administration	\$ -	\$ -	\$ -	\$ -
Judicial administration	172,895	214,556	237,742	239,615
Public safety	422,313	399,325	364,823	356,342
Public works	315,626	219,143	197,204	134,654
Health and welfare	40,620	-	-	-
Education	-	-	-	290
Parks, recreation, culture	240,605	286,509	293,796	310,646
Community development	74,798	67,428	59,655	57,913
Operating grants and contributions	8,064,461	8,018,257	7,634,001	7,417,709
Capital grants and contributions	2,099,005	3,882,214	1,108,506	5,391,436
Total governmental activities program revenues	\$ 11,430,323	\$ 13,087,432	\$ 9,895,727	\$ 13,908,605
Business-type activities:				
Charges for services	\$ 4,135,611	\$ 4,193,272	\$ 4,375,188	\$ 4,216,540
Operating grants and contributions	-	-	-	-
Capital grants and contributions	277,732	499,050	537,710	-
Total business-type activities program revenues	4,413,343	4,692,322	4,912,898	4,216,540
Total primary government program revenue	\$ 15,843,666	\$ 17,779,754	\$ 14,808,625	\$ 18,125,145
Net(Expense)/Revenue				
Governmental activities	\$ (53,762,195)	\$ (49,461,998)	\$ (48,192,454)	\$ (40,861,502)
Business-type activities	539,924	527,354	351,885	(548,886)
Total primary government net expense	\$ (53,222,271)	\$ (48,934,644)	\$ (47,840,569)	\$ (41,410,388)

Table 2
Page 1 of 2

2011	2010	2009	2008	2007	2006
\$ 4,526,232	\$ 4,654,227	\$ 4,868,825	\$ 5,059,027	\$ 4,385,731	\$ 4,361,409
1,685,971	1,629,116	1,784,423	1,789,176	1,498,764	1,437,573
10,660,881	10,652,290	10,900,401	11,897,730	10,480,141	9,293,694
2,097,050	1,929,966	1,955,625	1,991,262	2,032,499	1,676,331
4,531,487	4,533,563	4,429,077	4,065,857	3,953,184	3,728,909
24,091,981	22,357,066	27,072,029	24,969,859	23,035,692	24,779,632
1,922,593	1,824,076	2,170,357	2,015,572	1,898,798	1,883,177
1,599,847	2,299,482	2,255,957	2,780,816	1,534,243	1,027,936
1,751,068	2,057,826	2,726,734	1,754,490	1,559,087	1,611,850
<u>52,867,110</u>	<u>51,937,612</u>	<u>58,163,428</u>	<u>56,323,789</u>	<u>50,378,139</u>	<u>49,800,511</u>
4,264,717	4,572,653	4,459,194	4,223,756	3,963,709	3,864,376
<u>4,264,717</u>	<u>4,572,653</u>	<u>4,459,194</u>	<u>4,223,756</u>	<u>3,963,709</u>	<u>3,864,376</u>
<u>\$ 57,131,827</u>	<u>\$ 56,510,265</u>	<u>\$ 62,622,622</u>	<u>\$ 60,547,545</u>	<u>\$ 54,341,848</u>	<u>\$ 53,664,887</u>
\$ -	\$ -	\$ -	\$ -	\$ -	19,708
248,950	257,806	246,684	336,565	317,029	310,705
297,524	332,743	476,364	544,106	51,673	43,548
149,214	256,838	387,726	390,002	378,457	372,641
-	-	-	-	-	-
311	555	152	1,676	1,584	1,967
351,840	341,498	355,746	362,618	321,156	356,987
18,895	33,309	28,013	27,180	579,845	439,566
7,130,907	7,275,332	8,963,448	7,595,236	7,314,692	6,825,175
4,703,030	1,382,366	978,111	1,948,761	1,069,233	1,086,133
<u>\$ 12,900,671</u>	<u>\$ 9,880,447</u>	<u>\$ 11,436,244</u>	<u>\$ 11,206,144</u>	<u>\$ 10,033,669</u>	<u>\$ 9,456,430</u>
\$ 4,212,115	\$ 3,984,395	\$ 3,155,016	\$ 3,332,589	\$ 3,072,172	\$ 3,312,253
-	188,300	407,040	1,058,499	705,200	26,943
1,007,300	-	1,548,183	-	3,036,901	214,190
<u>5,219,415</u>	<u>4,172,695</u>	<u>5,110,239</u>	<u>4,391,088</u>	<u>6,814,273</u>	<u>3,553,386</u>
<u>\$ 18,120,086</u>	<u>\$ 14,053,142</u>	<u>\$ 16,546,483</u>	<u>\$ 15,597,232</u>	<u>\$ 16,847,942</u>	<u>\$ 13,009,816</u>
\$ (39,966,439)	\$ (42,057,165)	\$ (46,727,184)	\$ (45,117,645)	\$ (40,344,470)	\$ (40,344,081)
954,698	(399,958)	651,045	167,332	2,850,564	(310,990)
<u>\$ (39,011,741)</u>	<u>\$ (42,457,123)</u>	<u>\$ (46,076,139)</u>	<u>\$ (44,950,313)</u>	<u>\$ (37,493,906)</u>	<u>\$ (40,655,071)</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2015	2014	2013	2012
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
General property taxes	\$ 37,735,100	\$ 37,840,631	\$ 37,352,864	\$ 34,983,672
Local sales and use tax	3,993,673	3,811,874	3,777,448	3,729,207
Communication sales tax (1)	-	-	-	-
Consumer utility tax	711,867	707,280	702,582	699,428
Business license taxes	1,547,404	1,560,493	1,504,047	1,516,103
Restaurant food taxes	1,896,892	1,857,472	1,857,427	1,789,149
Other local taxes	989,921	938,370	947,651	779,100
Unrestricted revenues from use of money and property	174,416	182,207	177,210	154,387
Miscellaneous	438,304	579,009	664,749	672,476
Grants and contributions not restricted to specific programs	4,500,206	4,540,079	4,559,150	4,543,046
Loss on disposal of capital assets	-	-	-	-
Transfers	(673,758)	(673,758)	(673,758)	(480,000)
Total governmental activities	\$ 51,314,025	\$ 51,343,657	\$ 50,869,370	\$ 48,386,568
Business-type activities:				
General property taxes	\$ 39,471	\$ 39,533	\$ 39,313	\$ 38,705
Unrestricted revenues from use of money and property	86,723	86,490	112,266	98,396
Transfers	673,758	673,758	673,758	480,000
Total business-type activities	\$ 799,952	\$ 799,781	\$ 825,337	\$ 617,101
Total primary government	\$ 52,113,977	\$ 52,143,438	\$ 51,694,707	\$ 49,003,669
Change in Net Position				
Governmental activities	\$ (2,448,170)	\$ 1,881,659	\$ 2,676,916	\$ 7,525,066
Business-type activities	1,339,876	1,327,135	1,177,222	68,215
Total primary government	\$ (1,108,294)	\$ 3,208,794	\$ 3,854,138	\$ 7,593,281

(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.

Table 2
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2011	2010	2009	2008	2007	2006
\$ 32,588,654	\$ 32,195,182	\$ 31,934,077	\$ 30,064,891	\$ 27,475,955	\$ 23,039,459
3,537,751	3,547,316	3,622,137	3,944,337	3,913,265	3,774,673
-	1,258,546	1,267,909	1,453,787	607,676	-
700,959	698,238	695,930	686,877	1,217,097	1,744,135
1,446,819	1,384,024	1,436,852	1,569,709	1,518,015	1,403,834
1,669,468	1,632,857	1,616,050	1,660,639	1,576,236	1,310,000
833,117	1,206,722	1,229,135	1,322,440	1,523,777	2,001,784
159,151	203,980	273,362	951,284	1,318,342	668,054
516,200	477,007	543,271	583,074	719,956	853,784
4,518,651	3,013,996	3,019,751	3,014,716	1,727,129	4,508,558
(500,000)	(500,000)	(680,000)	(800,000)	(22,282)	(900,000)
\$ 45,470,770	\$ 45,117,868	\$ 44,958,474	\$ 44,451,754	\$ 40,675,166	\$ 38,404,281
\$ 38,638	\$ 37,470	\$ 36,179	\$ 36,222	\$ 36,441	\$ 37,861
98,531	120,080	183,614	221,205	249,510	202,590
500,000	500,000	680,000	800,000	900,000	900,000
\$ 637,169	\$ 657,550	\$ 899,793	\$ 1,057,427	\$ 1,185,951	\$ 1,140,451
\$ 46,107,939	\$ 45,775,418	\$ 45,858,267	\$ 45,509,181	\$ 41,861,117	\$ 39,544,732
\$ 5,504,331	\$ 3,060,703	\$ (1,768,710)	\$ (665,891)	\$ 330,696	\$ (1,939,800)
1,591,867	257,592	1,550,838	1,224,759	4,036,515	829,461
\$ 7,096,198	\$ 3,318,295	\$ (217,872)	\$ 558,868	\$ 4,367,211	\$ (1,110,339)

COUNTY OF GLOUCESTER, VIRGINIA

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

	2015	2014	2013	2012
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable	65,035	52,694	51,122	52,204
Restricted	133,004	141,770	141,989	128,885
Committed	1,118,337	1,015,138	1,024,155	921,746
Unassigned	17,523,379	18,249,344	16,960,462	15,321,565
Total General Fund	<u>\$ 18,839,755</u>	<u>\$ 19,458,946</u>	<u>\$ 18,177,728</u>	<u>\$ 16,424,400</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
Restricted	54,400	31,400	19,000	19,000
Committed	4,986,303	22,701,947	13,398,162	9,840,182
Assigned	-	257,062	244,485	239,297
Total all other governmental funds	<u>\$ 5,040,703</u>	<u>\$ 22,990,409</u>	<u>\$ 13,661,647</u>	<u>\$ 10,098,479</u>

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

2011	2010	2009	2008	2007	2006
\$ -	\$ 149,442	\$ 238,285	\$ 495,576	\$ 500,502	\$ 556,862
-	14,334,402	12,622,904	13,140,232	12,994,355	15,953,192
50,598	-	-	-	-	-
132,450	-	-	-	-	-
799,389	-	-	-	-	-
14,967,748	-	-	-	-	-
<u>\$ 15,950,185</u>	<u>\$ 14,483,844</u>	<u>\$ 12,861,189</u>	<u>\$ 13,635,808</u>	<u>\$ 13,494,857</u>	<u>\$ 16,510,054</u>
\$ -	\$ 19,000	\$ 19,000	\$ 2,389,898	\$ 6,150,997	\$ -
-	-	-	-	-	63,974
-	-	808	649	801	75,116
-	2,810,371	3,678,708	5,466,719	6,585,325	3,847,743
19,000	-	-	-	-	-
5,225,558	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 5,244,558</u>	<u>\$ 2,829,371</u>	<u>\$ 3,698,516</u>	<u>\$ 7,857,266</u>	<u>\$ 12,737,123</u>	<u>\$ 3,986,833</u>

COUNTY OF GLOUCESTER, VIRGINIA

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

	2015	2014	2013
REVENUES			
General property taxes	\$ 37,944,859	\$ 37,996,998	\$ 37,534,509
Other local taxes	9,139,757	8,875,489	8,789,155
Permits, privilege fees, and regulatory licenses	379,645	352,330	307,747
Fines and forfeitures	68,265	80,625	108,507
Revenue from the use of money and property	174,416	182,207	177,210
Charges for services	818,947	754,006	736,966
Miscellaneous	438,304	579,009	664,749
Recovered costs	378,821	409,810	337,904
Intergovernmental revenues:			
Commonwealth	11,800,473	11,034,381	10,781,890
Federal	2,863,199	2,681,235	2,385,926
Total revenues	<u>\$ 64,006,686</u>	<u>\$ 62,946,090</u>	<u>\$ 61,824,563</u>
EXPENDITURES			
Current:			
General government administration	\$ 5,506,522	\$ 5,418,618	\$ 5,027,276
Judicial administration	1,720,444	1,812,592	1,634,575
Public safety	12,260,636	11,609,450	11,388,578
Public works	2,156,828	2,172,118	2,119,356
Health and welfare	5,427,503	5,197,208	5,000,044
Education	23,055,992	22,839,193	22,777,077
Parks, recreation, and cultural	2,139,478	2,117,069	2,067,452
Community development	972,068	1,034,876	901,444
Nondepartmental	353,497	365,585	312,185
Capital projects	22,500,605	14,208,476	5,825,679
Debt service:			
Principal retirement	3,437,958	2,886,672	3,141,033
Interest and other fiscal charges	2,293,936	1,653,660	1,695,351
Principal retirement-School leases	72,317	69,529	65,736
Interest and other fiscal charges-School	4,041	8,255	12,048
Total expenditures	<u>\$ 81,901,825</u>	<u>\$ 71,393,301</u>	<u>\$ 61,967,834</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (17,895,139)</u>	<u>\$ (8,447,211)</u>	<u>\$ (143,271)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 9,188,198	\$ 8,000,299	\$ 7,758,145
Transfers out	(9,861,956)	(8,674,057)	(8,431,903)
Issuance of general obligation bonds	-	15,845,000	5,999,684
Bond premium issuance	-	1,161,015	-
Issuance of capital leases	-	-	-
Insurance recovery	-	2,724,934	133,841
Advance refunding of bonds	-	-	-
Total other financing sources (uses)	<u>\$ (673,758)</u>	<u>\$ 19,057,191</u>	<u>\$ 5,459,767</u>
Net change in fund balances	\$ (18,568,897)	\$ 10,609,980	\$ 5,316,496
Fund balances - beginning	42,449,355	31,839,375	26,522,879
Fund balances - ending	<u>\$ 23,880,458</u>	<u>\$ 42,449,355</u>	<u>\$ 31,839,375</u>
Debt Service as a percentage of noncapital expenditures	<u>9.20%</u>	<u>7.94%</u>	<u>8.57%</u>

N/A - This information was unavailable.

Table 4

	2012	2011	2010	2009	2008	2007	2006
\$	34,600,348	\$ 32,277,667	\$ 31,916,749	\$ 32,090,454	\$ 29,677,158	\$ 27,371,520	\$ 26,432,859
	8,512,987	8,188,114	9,727,703	9,868,013	10,637,789	10,356,066	10,234,426
	318,074	262,490	285,060	421,907	505,444	561,291	442,365
	114,403	87,571	120,804	94,148	111,970	90,068	99,699
	154,387	159,151	203,980	273,362	909,595	1,296,199	645,911
	666,983	716,673	816,885	978,630	1,044,733	998,385	1,003,058
	672,476	516,200	477,007	543,271	583,074	719,956	853,784
	312,995	306,934	360,700	413,418	300,414	242,889	224,721
	10,422,899	10,517,539	9,033,241	9,927,995	9,467,389	8,822,084	8,287,161
	2,242,337	2,041,209	2,638,453	2,940,280	3,091,324	2,678,290	2,743,385
\$	<u>58,017,889</u>	<u>\$ 55,073,548</u>	<u>\$ 55,580,582</u>	<u>\$ 57,551,478</u>	<u>\$ 56,328,890</u>	<u>\$ 53,136,748</u>	<u>\$ 50,967,369</u>
\$	4,580,732	\$ 4,391,984	\$ 4,796,836	\$ 4,766,294	\$ 4,744,278	\$ 4,292,566	\$ 4,114,209
	1,644,976	1,511,513	1,473,565	1,619,429	1,616,046	1,311,561	1,256,090
	10,548,498	10,237,522	10,430,536	10,622,469	10,657,869	10,124,699	8,832,107
	2,021,420	1,879,012	1,866,165	1,873,556	1,820,371	1,717,936	1,606,088
	4,424,273	4,487,974	4,482,064	4,348,208	4,001,667	3,920,276	3,685,808
	20,419,880	20,969,964	20,323,168	21,703,289	21,561,837	20,123,728	18,415,298
	1,959,087	1,834,819	1,857,339	1,970,594	2,040,444	1,879,698	1,708,483
	746,246	731,327	728,581	776,991	828,242	908,769	803,212
	325,145	263,170	272,035	272,035	271,250	242,300	199,126
	5,540,772	2,925,484	2,698,567	19,493,940	15,512,754	5,091,488	5,173,233
	3,201,337	3,394,093	3,385,644	3,055,466	2,317,442	2,125,399	2,237,523
	1,702,835	1,858,998	2,012,572	2,547,578	1,603,656	1,430,257	2,202,010
	263,189	-	-	-	-	-	-
	18,318	-	-	-	-	-	-
\$	<u>57,396,708</u>	<u>\$ 54,485,860</u>	<u>\$ 54,327,072</u>	<u>\$ 73,049,849</u>	<u>\$ 66,975,856</u>	<u>\$ 53,168,677</u>	<u>\$ 50,233,187</u>
\$	<u>621,181</u>	<u>\$ 587,688</u>	<u>\$ 1,253,510</u>	<u>\$ (15,498,371)</u>	<u>\$ (10,646,966)</u>	<u>\$ (31,929)</u>	<u>\$ 734,182</u>
\$	10,042,633	\$ 6,671,343	\$ 6,578,300	\$ 7,891,873	\$ 6,288,819	\$ 10,171,364	\$ 8,122,258
	(10,522,633)	(7,171,343)	(7,078,300)	(8,571,873)	(7,088,819)	(11,071,364)	(9,022,258)
	500,000	-	-	-	6,364,713	6,505,000	-
	-	-	-	-	343,349	162,022	-
	-	-	-	11,245,000	-	-	8,205,000
	4,686,955	3,793,840	-	-	-	-	-
	-	-	-	-	-	-	(7,565,000)
\$	<u>4,706,955</u>	<u>\$ 3,293,840</u>	<u>\$ (500,000)</u>	<u>\$ 10,565,000</u>	<u>\$ 5,908,062</u>	<u>\$ 5,767,022</u>	<u>\$ (260,000)</u>
\$	5,328,136	\$ 3,881,528	\$ 753,510	\$ (4,933,371)	\$ (4,738,904)	\$ 5,735,093	\$ 474,182
	21,194,743	17,313,215	16,559,705	21,493,076	26,231,980	20,496,887	20,022,705
\$	<u>26,522,879</u>	<u>\$ 21,194,743</u>	<u>\$ 17,313,215</u>	<u>\$ 16,559,705</u>	<u>\$ 21,493,076</u>	<u>\$ 26,231,980</u>	<u>\$ 20,496,887</u>
	<u>9.53%</u>	<u>9.84%</u>	<u>10.26%</u>	<u>9.88%</u>	<u>6.76%</u>	<u>6.90%</u>	<u>n/a</u>

Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2015		2006	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 21,300,030	0.50 %	\$ 23,303,500	0.61 %
York River Crossing Assoc., LLC	16,234,500	0.38	10,060,500	0.26
Wal-Mart Real Estate Business Trust	13,691,030	0.32	13,307,000	0.35
Lowe's Home Center, Inc.	9,599,230	0.23	7,387,400	0.19
Horn Harbor Nursing Home Inc.	8,737,610	0.21	7,092,400	0.19
Thousand Trail, Inc.	8,452,450	0.20	5,525,500	0.15
Gloucester Medical Arts I, LLC	8,087,130	0.19		
Walter Reed Memorial Hospital	6,908,030	0.16	5,156,600	0.14
Yorkview Apartments, Inc	6,412,710	0.15		
Nam Duc Vu & Hoa Anh Tran	6,108,160	0.14		
E. Clairborne Robins, Jr.	5,415,400	0.13	5,408,580	0.14
The Industrial Development Association of Gloucester	5,378,300	0.13		
Mid-Atlantic Communities, LLC			6,470,800	0.17
Newport News General, etal			5,141,500	0.14
	<u>\$ 116,324,580</u>	<u>2.74 %</u>	<u>\$ 88,853,780</u>	<u>2.34 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Adjustments	Total Adjusted Levy	Collected within the Fiscal Year of the Levy			Total Collections to Date	
				Amount	Percentage of Original Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy
2006	\$ 20,261,412	\$ 1,483	\$ 20,262,895	\$ 19,792,078	97.68%	\$ 469,079	\$ 20,261,157	99.99%
2007	21,213,981	51,629	21,265,610	20,665,168	97.41%	598,449	21,263,617	99.99%
2008	22,593,114	32,483	22,625,597	21,946,260	97.14%	675,945	22,622,205	99.99%
2009	23,972,690	29,674	24,002,364	23,326,961	97.31%	669,122	23,996,083	99.97%
2010	24,014,793	13,127	24,027,920	23,210,366	96.65%	805,226	24,015,592	99.95%
2011	23,809,339	21,830	23,831,169	23,008,680	96.64%	806,567	23,815,247	99.93%
2012	25,336,144	25,654	25,361,798	24,405,721	96.33%	928,817	25,334,538	99.89%
2013	26,903,346	5,399	26,908,745	26,076,913	96.93%	755,789	26,832,702	99.72%
2014	27,043,283	(18,466)	27,024,817	26,277,315	97.17%	515,527	26,792,842	99.14%
2015	27,615,708	-	27,615,708	26,880,696	97.34%	-	26,880,696	97.34%

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
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
2015	3,765,494	444,104	373,475	4,209,598	0.68	4,209,598

Source: Commissioner of Revenue Department

Assessed Value of Taxable Property Other than Real Property
Last Eight 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
2015	385,720,050	10,298,798	-	158,444,423	554,463,271

(1) Source: Commissioner of Revenue, BOS eliminated the Boat Tax effective calendar year 2015

(2) Property assessments performed by the State Corporation Commission and includes real estate

(3) Only eight years of information are available.

Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds			
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	3.66%	1,559.52
2013	22,804,937	1,470,324	13,988,122	-	21,553,897	59,817,280	3.78%	1,606.61
2014	38,548,607	1,220,324	12,467,831	-	19,392,087	71,628,849	4.40%	1,924.21
2015	36,773,293	970,324	10,877,408	-	17,174,277	65,795,302	4.04%	1,767.50

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

(a) Italicized amounts are estimates.

Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds				Per Capita(a)	Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business-type Activities	Total			
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	38,548,607	-	38,548,607	1,035.36	0.91%	
2015	36,773,293	-	36,773,293	<i>987.87</i>	<i>0.87%</i>	

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
- (c) Italicized amounts are estimates.

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2015	4,135,611	2,324,954	1,810,657	2,043,000	729,787	0.65

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

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income (2)	Unemployment Rate (3)	School Enrollment (4)
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	1,573,440	42,553	5.5	5,650
2013	37,232	1,583,328	42,526	5.1	5,469
2014	37,225	1,626,881	43,704	4.9	5,413

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)

Principal Employers
Current Year and Nine Years Ago

Employer	2015		2006	
	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
Rappahannock Community 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government Administration										
Board of Supervisors	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Administration	7.0	6.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	2.0	1.5
Human Resources	4.5	4.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Commission of Revenue	8.0	8.0	7.5	7.5	7.5	8.5	9.5	9.5	9.5	9.0
County Assessor	6.5	6.5	6.5	6.5	6.5	6.0	6.0	6.0	4.0	4.0
Treasurer	9.0	9.0	9.0	9.0	9.0	10.0	10.5	10.5	10.5	10.5
Finance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Information Technology	8.0	9.0	9.0	9.0	12.5	13.0	13.0	13.0	13.0	11.5
GIS (included with IT until 2012)	3.5	3.5	3.5	3.5						
Purchasing	3.0	3.0	3.0	3.0	3.0	4.0	4.0	3.5	3.5	3.0
VA Housing Dev. Authority	-	-	-	-	-	2.0	2.0	2.5	2.5	2.0
Registrar	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.0
Judicial Administration										
Circuit Court Judge	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Clerk of Circuit Court	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.5
Victim Witness	1.5	1.5	1.5	1.5	1.5	1.5	1.0	1.0	1.0	1.0
Commonwealth Attorney	7.5	7.5	7.5	7.5	8.0	8.5	8.5	8.5	7.5	7.5
Public Safety										
Sheriff	64.0	61.5	50.0	50.0	48.0	49.0	53.0	53.0	53.5	53.5
E-911 (Combined w/Sheriff 2014)	-	-	11.5	11.5	11.5	11.5	12.0	12.0	12.0	12.0
Jail (included w/Sheriff until 2006)	38.5	37.5	37.0	35.0	35.5	38.0	38.0	38.0	38.5	38.5
Probation/Pretrial	7.0	7.0	7.0	7.0	7.5	7.5	7.5	8.0	-	-
Codes	-	-	14.0	13.0	13.0	14.0	16.0	16.0	16.0	14.0
Building Inspections	7.0	6.0								
Environmental Programs	4.0	4.0								
Animal Control	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Emergency Services	2.0	1.5	1.5	1.5	1.5	1.5	2.5	2.5	2.5	2.0
Public Works										
Engineering	4.0	4.0	4.0	4.0	3.0	4.0	4.0	3.0	3.0	3.0
Buildings & Grounds	28.0	28.5	28.5	28.5	28.0	28.0	29.0	28.0	28.0	28.5
Education										
Community Education	7.5	7.5	7.5	7.5	8.0	8.0	8.0	8.0	8.0	8.0
Cable Services	-	-	0.5	0.5	-	0.5	0.5	0.5	0.5	0.5
Parks, Recreation & Cultural										
Parks & Recreation	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	7.0
Park Operations (formerly Beaverdam)	3.0	3.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	4.0
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	12.5	12.0	12.0	12.0	12.0	12.0	12.0
Community Development										
Planning	7.0	7.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Economic Development	2.0	2.0	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	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
VA Cooperative Extension	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Utilities	26.0	26.0	26.0	26.0	25.0	25.5	27.5	24.0	21.5	20.5
TOTAL	312	308	306	303	299	312	325	320	306	297

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

COUNTY OF GLOUCESTER, VIRGINIA

Operating Indicators by Function
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Sheriff's Department (1)				
Reports taken	N/A	39,350	38,808	38,414
Civil processed record workload	N/A	30,757	42,873	35,242
Circuit court days	N/A	196	175	164
General district court days	N/A	113	116	114
Juvenile and domestic court days	N/A	240	237	208
Inmate average daily population	N/A	79	86	84
Parks, Recreation & Tourism (2)				
Number of Participants	4,489	3,957	3,920	4,019
Library (3)				
Material circulated	172,769	169,016	179,320	216,787
Library patrons	35,396	33,256	29,295	31,769
Water system (4)				
Number of customers	4,629	4,629	4,588	4,565
Average daily consumption	838,400	827,000	809,000	835,478
Annual consumption in gallons	306,030,000	301,865,000	295,456,000	305,785,000

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

2011	2010	2009	2008	2007	2006
37,076	36,219	31,434	35,954	3,166	3,229
38,266	30,255	25,923	23,771	21,907	11,257
168	180	213	215	140	145
115	113	110	114	110	116
145	162	180	188	153	156
74	77	82	84	89	79
4,170	4,393	4,670	4,455	4,437	4,301
229,986	241,379	227,053	210,797	196,633	186,519
32,786	36,284	33,132	31,444	29,133	19,584
4,523	4,499	4,470	4,399	4,276	4,187
884,471	886,783	900,923	939,527	900,460	874,616
322,832,000	323,676,000	328,837,000	343,867,000	328,668,000	319,235,000

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

Customer name	2015		2006	
	Monthly Average	Daily (1)	Monthly Average	Daily (1)
	Water Usage (1)		Water Usage (1)	
V.I.M.S-SRL	356,000	11,867	-	-
V.I.M.S.-MRL	509,000	16,967	-	-
Walter Reed Convalescent Center	347,000	11,567	420,000	14,000
Riverside Walter Reed Hospital	320,000	10,667	420,000	14,000
York River Yacht Haven	301,000	10,033	365,000	12,167
John A. Franklin (Wicomico Trailer Park)	242,000	8,067	-	-
John A. Franklin (Wicomico Trailer Park)	241,000	8,033	-	-
Colonial Point Apartments	219,000	7,300	-	-
RAI Care Centers of VA	215,000	7,167	-	-
Sanders Nursing Home	175,000	5,833	-	-
V.I.M.S.	-	-	798,000	26,600
SOHO Mobile Home Park	-	-	269,000	8,967
Ruby Tuesday, Inc.	-	-	256,000	8,533

(1) Source - Gloucester County Utility Department

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COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	2015	2014	2013	2012
Sheriff's Department (1)				
Stations	1	1	1	1
Patrol Units	33	33	33	33
Jail	1	1	1	1
Mobile Command Center	1	1	1	1
Volunteer Fire and Rescue (2)				
Stations	6	6	6	6
Parks and recreation (3)				
Number of parks maintained	8	8	8	8
Park acreage owned by the County	221	221	221	221
Park acreage leased	44	44	44	44
Library (4)				
Number of libraries	2	2	2	2
Number of bookmobiles	1	1	1	1
Water system (5)				
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

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

Table 17

2011	2010	2009	2008	2007	2006
1	1	1	1	1	1
34	27	27	27	27	27
1	1	1	1	1	1
1	1	1	1	1	1
6	6	6	6	6	6
8	8	8	8	8	8
185	185	185	185	185	185
40	40	40	40	40	40
2	2	2	2	2	2
1	1	1	1	1	1
4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

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COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, 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 24, 2015.

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.

Roberson, Tamm, Cox Accountants

Richmond, Virginia
November 24, 2015

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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, 2015. 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, 2015.

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.

Roberson, Tam, Cox Accountants

Richmond, Virginia
November 24, 2015

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	\$ 14,735
Temporary Assistance for Needy Families	93.558	0400109/0400110	228,918
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	445
Low-Income Home Energy Assistance	93.568	0600409/0600410	25,413
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	33,107
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900109/0900110	1,560
Foster Care - Title IV-E	93.658	1100109/1100110	232,020
Adoption Assistance	93.659	1120109/1120110	133,753
Social Services Block Grant	93.667	1000109/1000110	221,386
Chafee Foster Care Independence Program	93.674	9150108-9150110	4,386
Children's Health Insurance Program	93.767	0540109/0540110	10,026
Medical Assistance Program	93.778	1200109/1200110	360,895
Total Department of Health and Human Services			<u>\$ 1,266,644</u>
Department of Agriculture:			
Pass Through Payments:			
Department of Agriculture:			
Child Nutrition Cluster:			
Department of Education:			
School Breakfast Program	10.553	1790100-40591	\$ 220,343
Department of Agriculture:			
Food Distribution--School	10.555	N/A	163,674
Department of Education:			
National School Lunch Program	10.555	1790100-40623	843,042
			<u>Total 10.555 \$ 1,006,716</u>
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	\$ 325,420
Total Department of Agriculture			<u>\$ 1,552,479</u>
Department of Justice:			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 1,886
Pass Through Payments:			
Department of Criminal Justice Service:			
Violence Against Women Formula Grants Assistance Program	16.588	3900100-46500	41,565
Total Department of Justice			<u>\$ 43,451</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015 (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:			
Repetitive Flood Claims	97.092	RFC-2010-073-001	\$ 78,565
Hazard Mitigation Grant	97.039	7760200-111,132	<u>587,205</u>
Total Department of Homeland Security			<u>\$ 665,770</u>
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles:			
State and Community Highway Safety	20.600	6050700-53454	\$ 3,614
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	6050700-53351	16,120
Occupant Protection Incentive Grants	20.602	6050700-54188	<u>2,432</u>
Total Department of Transportation			<u>\$ 22,166</u>
Department of Defense:			
Direct Payments:			
ROTC	12.xxx	N/A	<u>\$ 68,789</u>
Department of the Interior:			
Direct Payments:			
National Fish and Wildlife Foundation	15.663	N/A	\$ 27,477
Outdoor Recreation, Acquisition, Development and Planning	15.916	N/A	<u>279,000</u>
Total Department of the Interior			<u>\$ 306,477</u>
Department of Education:			
Direct Payments:			
Impact Aid	84.041	N/A	\$ 57,909
Pass Through Payments:			
Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1790100-42901-42999	656,292
Special Education Cluster:			
Special Education - Grants to States	84.027	1790100-43071-61234	1,155,065
Special Education - Preschool Grants	84.173	1790100-82521	32,051
Career and Technical Education - Basic Grants to States	84.048	1790100-61095	73,158
Advance Placement Program	84.330	609570	148
Improving Teacher Quality State Grants	84.367	1790100-61480	<u>149,789</u>
Total Department of Education			<u>\$ 2,124,412</u>
Total Expenditures of Federal Awards			<u>\$ 6,050,188</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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, 2015. 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	\$ 155,854
Debt Service Fund	233,269
Special Revenue Funds:	
Virginia Public Assistance Fund	1,429,028
CSA Fund	72,801
Capital Projects Funds:	
County Capital Projects Fund	972,247
Total primary government	\$ <u>2,863,199</u>

Component Unit School Board:

School Operating Fund	\$ 2,193,199
School Cafeteria Fund	1,227,059
Total component unit School Board	\$ <u>3,420,258</u>

Less: BABs federal interest rate subsidy	<u>(233,269)</u>
Total federal expenditures per basic financial statements	\$ <u>6,050,188</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u>6,050,188</u>
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COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	Child Nutrition Cluster
93.778	Medical Assistance Program

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

Auditee qualified as low-risk auditee? yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings

There were no prior year audit findings.