

# **County of Gloucester Virginia**



## **Comprehensive Annual Financial Report For the Fiscal Year Ending June 30, 2007**

Front Cover Photograph:  
Gloucester County Courthouse  
Photo taken by: Jenny Graziano

**COUNTY OF GLOUCESTER, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2007**

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**Prepared By:**

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

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



**COUNTY OF GLOUCESTER, VIRGINIA**  
**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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# COUNTY OF GLOUCESTER, VIRGINIA

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## Board of Supervisors

Charles R. Allen, Jr., Chairperson  
Burton M. Bland, Vice-Chairperson

John J. Adams, Sr.  
Teresa L. Altemus

Michelle R. Ressler

Christian D. Rilee  
Louise D. Theberge

## County School Board

Kevin M. Smith, Chairperson  
Ann F. Burruss, Vice-Chairperson

Star F. Belvin  
Ronnie Cohen

Alvin J. McGlohn, Jr.

Anita F. Parker  
Dr. Jean E. Pugh

## Board of Social Services

Carlton N. Hogge, Chairperson  
George T. Webster, III, Vice-Chairperson

John J. Adams, Sr.  
Mary Ann Boon  
Fredericka S. Branch

Patrick J. Cooney  
Luella H. Lemon  
Nancy E. Warner

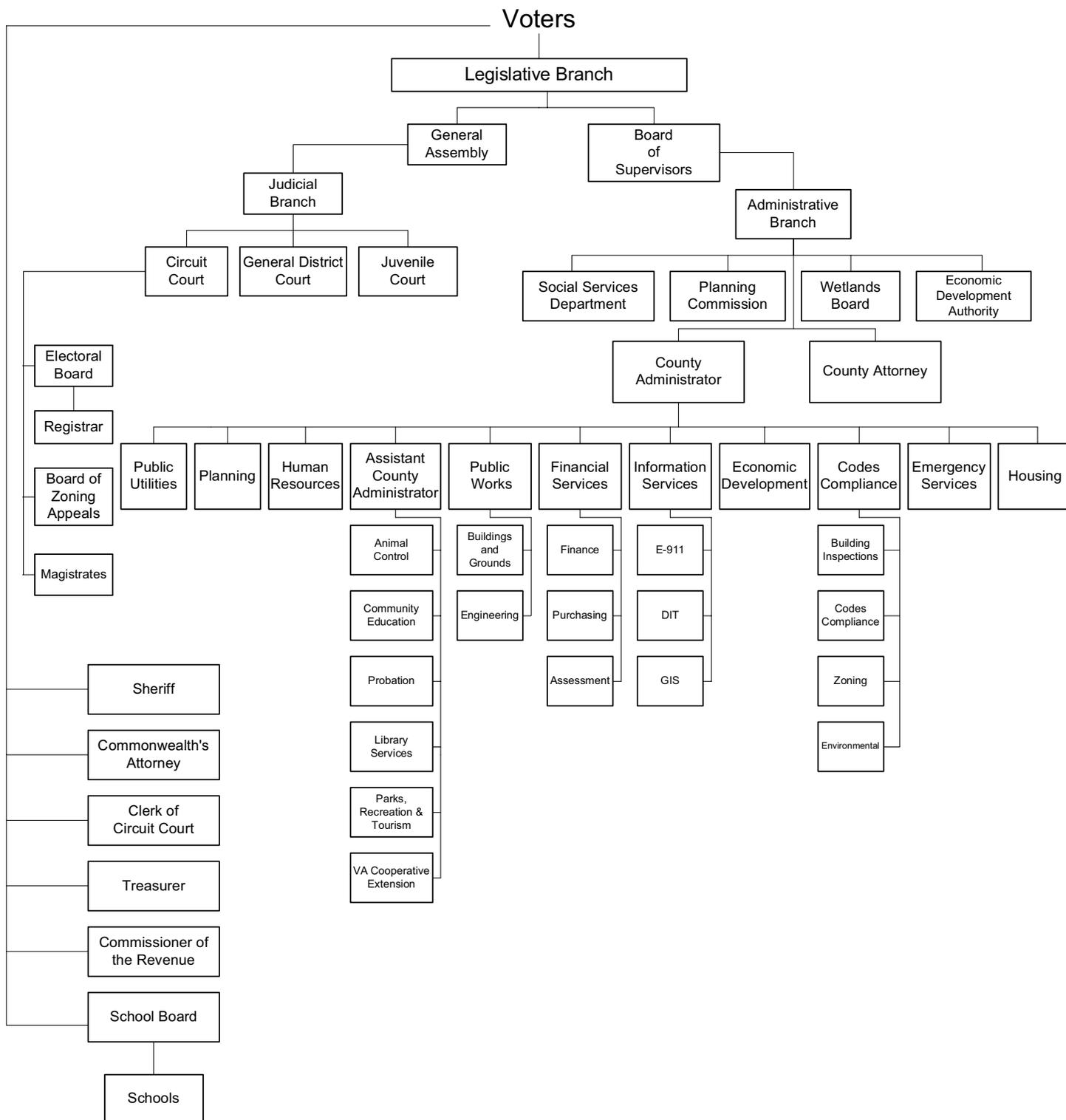
## Other Officials

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





# Gloucester County Organizational Chart





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

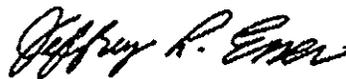
County of Gloucester  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



President



Executive Director





# County of Gloucester

County Administrator

6467 Main Street

P. O. Box 329

Gloucester, Virginia 23061

(804) 693-4042

November 19, 2007

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

The Commonwealth of Virginia requires that local government publish within five months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the County of Gloucester (the County) for the fiscal year ended June 30, 2007.

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

Robinson, Farmer, Cox Associates, Certified Public Accountants have issued an unqualified opinion on the County's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

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

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

## Profile of Gloucester County

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

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

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

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

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

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

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

### **Local Economy**

Because of its location in a region with a varied economic base, unemployment is relatively stable. During the past ten years, the unemployment rate had a minor increase from 2.1% in 1998 to 2.6% in 2007. Unemployment is expected to either remain stable or decrease in the near term as major businesses continue to open new facilities.

Gloucester County recognizes the importance of expanding the business tax base to provide revenues for needed services and has made a commitment to promoting economic development. New economic activity for fiscal year 2007 included both commercial and industrial projects.

Infrastructure is a significant and critical factor in attracting new investment to the County. Beaverdam Reservoir, the Gloucester Water Treatment Plant, and becoming a member of the Hampton Roads Sanitation District for wastewater capacities have been essential in attaining growth dynamics.

The new marine research buildings at the Virginia Institute of Marine Science: the Seawater Research Facility and Andrews Hall are near completion. The complex will be a state-of-the-art facility supporting biological, physical, and fisheries sciences.

New developments, both under construction and planned, in the Gloucester Business Park have increased capital and job investments in Gloucester. Sentara's urgent/care and diagnostic medical arts complex will open in early 2008. AES Consulting Engineers will begin construction of their new offices in 2008, a project that includes a phased development that will add almost 60,000 square feet of office space at build-out. The AES project completes the absorption of business property available in the park.

Plans for the expansion of Industrial Resource Technologies (IRT) are developing. In 2007, IRT entered a new five year lease with the Economic Development Authority (EDA). IRT has added new CCR equipment for color cartridge recycling at the facility. The new process will enable IRT to meet the growing demand of the color cartridge market. Additionally, the EDA has been asked to look at assisting IRT with a facility expansion.

In other medical service delivery, Riverside Walter Reed Hospital (Riverside) continues to add new diagnostic, surgical and office space to their campus. Riverside's recent renovations to the surgical suites, medical office building and the expansion of the emergency room are a response to the growing medical service needs of Gloucester and the Middle Peninsula.

In 2007, 14,000 square feet of retail space, including a drive-through Starbucks, began construction in Fox Mill Centre. In addition, the expansion of the Farm Fresh store in the Hayes Shopping Center, which also included a Starbucks, was completed and opened in 2007. The Shoppes of Gloucester saw new growth with Dollar Tree expansion and Ollie's Bargain Barn, which will open in late 2007.

Peninsula Heating and Air Conditioning completed the construction and renovation of the former Gloucester Wheel & Tire building for its new headquarters office and manufacturing facility. The Allen Group began construction of a Hampton Inn, which is scheduled to open in the spring of 2008.

The Villages of Gloucester, a \$750 million premier golf community with extensive scenic and outdoor recreation areas, was approved in 2007. The design of the golf course is underway and being designed by Ault, Clark & Associates. Other developing housing projects include Riverwatch, Dunston Hall, Courthouse Square, Courthouse Springs, River Club at Twin Island, and Gloucester Town Commons.

### **Long term financial planning**

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

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

### **Relevant financial policies**

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

### **Major Initiatives**

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

One of the most important services that the County provides to its citizens is public education. One hundred percent of all Gloucester schools are fully accredited. The County funded additions and improvements to Abingdon Elementary School, which will provide improved services for the growing student populations of this school. This project is expected to be complete in fiscal year 2009.

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

The County has been awarded federal Transportation Enhancement funding to construct the next phase of the Colonial Courthouse Village Enhancement project. This phase will extend the enhancement approximately 700 feet and will begin at Smith Street to the intersection of Main Street and Routes 3/14. Eighty-percent of the expected \$633,000 cost will be funded with federal highway funds. Construction on this phase began in the spring of 2007 and is expected to be completed at the end of calendar year 2007.

The Federal Emergency Management Agency has awarded several grants totaling \$4.2 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. Two additional grant applications are pending.

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

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the eleventh consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



William H. Whitley  
County Administrator



Nickie C. Champion  
Director of Financial Services

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

*Robinson, Fann, Cox Associates*

Charlottesville, Virginia  
November 2, 2007

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

This section of the County of Gloucester (the "County") comprehensive annual financial report presents management's discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

### **Financial Highlights**

- The assets of the County, on a government-wide basis excluding component units, exceeded its liabilities at the close of the most recent fiscal year by \$36.7 million (*net assets*). Of this amount, \$21.7 million (*unrestricted net assets*) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net assets, excluding component units, increased by \$4.4 million, of which the governmental activities increased by \$.3 million and business-type activities increased by \$4.0 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26.2 million, an increase of \$5.7 million in comparison with the prior year. Approximately 74.6% of this total amount, \$19.6 million, is *available for spending* at the County's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, undesignated fund balance for the General Fund was \$12.1 million, or 13.0% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The Board of Supervisors has adopted a policy to keep undesignated general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The County's total debt increased by \$4.0 million during the current fiscal year. The primary factor in this increase was the bond issuance for the Abingdon Elementary School project.

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

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

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

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

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

## Overview of the Financial Statements (Continued)

### Government-wide financial statements (continued)

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also a legally separate school board and a legally separate economic development authority for which the County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 15-17 of this report.

### Fund financial statements

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

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

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

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

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 21-24 of this report.

The County maintains one type of **Proprietary Fund**. The County uses *enterprise funds*, which are used to report the same functions presented as *business-type activities* in the government-wide financial statements, to account for its public utilities. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found on page 28 of this report.

## Overview of the Financial Statements (Continued)

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-61 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning budgetary comparisons for the general fund and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 65-66 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 69-99 of this report.

### Government-Wide Financial Analysis

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

<b>Summary of Net Assets</b>								
<b>As of June 30, 2007 and 2006</b>								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2007	2006	2007	2006	2007	2006	2007	2006
Current & other assets	\$ 33,606,408	\$ 28,317,795	\$ 5,443,287	\$ 5,062,969	\$ 39,049,695	\$ 33,380,764	\$ 9,173,359	\$ 9,042,342
Capital assets	35,110,466	34,485,582	30,194,919	27,715,591	65,305,385	62,201,173	24,465,468	23,395,478
<b>Total assets</b>	<u>\$ 68,716,874</u>	<u>\$ 62,803,377</u>	<u>\$ 35,638,206</u>	<u>\$ 32,778,560</u>	<u>\$ 104,355,080</u>	<u>\$ 95,581,937</u>	<u>\$ 33,638,827</u>	<u>\$ 32,437,820</u>
Long-term debt outstanding	\$ 31,838,827	\$ 27,431,895	\$ 25,181,267	\$ 25,824,927	\$ 57,020,094	\$ 53,256,822	\$ 5,793,348	\$ 1,627,536
Other liabilities	8,631,808	7,455,939	1,988,022	2,521,231	10,619,830	9,977,170	7,006,578	10,659,148
<b>Total liabilities</b>	<u>\$ 40,470,635</u>	<u>\$ 34,887,834</u>	<u>\$ 27,169,289</u>	<u>\$ 28,346,158</u>	<u>\$ 67,639,924</u>	<u>\$ 63,233,992</u>	<u>\$ 12,799,926</u>	<u>\$ 12,286,684</u>
<b>Net assets</b>								
Invested in capital asset, net of related debt	\$ 8,637,111	\$ 6,392,933	\$ 6,421,570	\$ 3,676,016	\$ 15,058,681	\$ 10,068,949	\$ 21,947,314	\$ 20,900,105
Restricted	-	367,597	-	-	-	367,597	-	-
Unrestricted	19,609,128	21,155,013	2,047,347	756,386	21,656,475	21,911,399	(1,108,413)	(748,969)
<b>Total net assets</b>	<u>\$ 28,246,239</u>	<u>\$ 27,915,543</u>	<u>\$ 8,468,917</u>	<u>\$ 4,432,402</u>	<u>\$ 36,715,156</u>	<u>\$ 32,347,945</u>	<u>\$ 20,838,901</u>	<u>\$ 20,151,136</u>

The County's combined net assets, which is the County's bottom line, increased by \$4.4 million or 13.5%, an overall improvement that can be attributed to cash being accumulated to offset the costs of future capital projects and the increase in capital contributions.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$36.7 million at the close of the most recent fiscal year. A large portion of the County's net assets (\$15.1 million, 41.0% 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). Unrestricted net assets of \$21.7 million or 59.0% may be used to meet the County's ongoing obligations to citizens and creditors.

## Government-Wide Financial Analysis (Continued)

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by \$20.8 million at the close of fiscal year 2007. This is an increase of \$.7 million or 3.4%, which can be attributed to the transfer of jointly owned assets. The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. The capital assets of the Gloucester County Public Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit. The major factor affecting the increase in net assets for the component units are the result of the transfer of jointly owned assets from the County to Gloucester Public Schools (component unit).

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

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

<b>Summary of Changes in Net Assets</b>								
<b>Years Ended June 30, 2007 and 2006</b>								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>								
Program revenue:								
Charges for services	\$ 1,649,744	\$ 1,545,122	\$ 3,072,172	\$ 3,312,253	\$ 4,721,916	\$ 4,857,375	\$ 1,896,662	\$ 1,859,513
Operating grants & contributions	7,314,692	6,825,175	705,200	26,943	8,019,892	6,852,118	35,061,304	32,612,445
Capital grants & contributions	1,069,233	1,086,133	3,036,901	214,190	4,106,134	1,300,323	-	-
General revenues:								
Property taxes	27,475,955	23,039,459	36,441	37,861	27,512,396	23,077,320	-	-
Other taxes	10,356,066	10,234,426	-	-	10,356,066	10,234,426	-	-
Unrestricted revenues	1,318,342	668,054	249,510	202,590	1,567,852	870,644	66,722	19,368
Miscellaneous	719,956	853,784	-	-	719,956	853,784	24,508	32,497
Grants and contributions	1,727,129	4,508,558	-	-	1,727,129	4,508,558	-	(112,469)
Loss on disposal of capital assets	(22,282)	-	-	-	(22,282)	-	21,101	-
Payment from County	-	-	-	-	-	-	22,245,963	22,779,278
<b>Total revenue</b>	<b>\$ 51,608,835</b>	<b>\$ 48,760,711</b>	<b>\$ 7,100,224</b>	<b>\$ 3,793,837</b>	<b>\$ 58,709,059</b>	<b>\$ 52,554,548</b>	<b>\$ 59,316,260</b>	<b>\$ 57,190,632</b>
<b>Expenses:</b>								
General government	\$ 4,385,731	\$ 4,361,409	\$ -	\$ -	\$ 4,385,731	\$ 4,361,409	\$ -	\$ -
Judicial administration	1,498,764	1,437,573	-	-	1,498,764	1,437,573	-	-
Public safety	10,480,141	9,293,694	-	-	10,480,141	9,293,694	-	-
Public works	2,032,499	1,676,331	-	-	2,032,499	1,676,331	-	-
Health and welfare	3,953,184	3,728,909	-	-	3,953,184	3,728,909	-	-
Parks, recreation, & cultural	1,898,798	1,883,177	-	-	1,898,798	1,883,177	-	-
Community development	1,534,243	1,027,936	-	-	1,534,243	1,027,936	514,143	532,933
Interest on long-term debt	1,559,087	1,611,850	-	-	1,559,087	1,611,850	-	-
Education	23,035,692	24,779,632	-	-	23,035,692	24,779,632	58,114,352	52,988,835
Public Utilities	-	-	3,963,709	3,864,376	3,963,709	3,864,376	-	-
<b>Total expenses</b>	<b>\$ 50,378,139</b>	<b>\$ 49,800,511</b>	<b>\$ 3,963,709</b>	<b>\$ 3,864,376</b>	<b>\$ 54,341,848</b>	<b>\$ 53,664,887</b>	<b>\$ 58,628,495</b>	<b>\$ 53,521,768</b>
Change in net assets, before transfers	\$ 1,230,696	\$ (1,039,800)	\$ 3,136,515	\$ (70,539)	\$ 4,367,211	\$ (1,110,339)	\$ 687,765	\$ 3,668,864
Transfers	(900,000)	(900,000)	900,000	900,000	-	-	-	-
Increase in net assets	\$ 330,696	\$ (1,939,800)	\$ 4,036,515	\$ 829,461	\$ 4,367,211	\$ (1,110,339)	\$ 687,765	\$ 3,668,864
Net assets, beginning	27,915,543	29,855,343	4,432,402	3,602,941	32,347,945	33,458,284	20,151,136	16,482,272
<b>Net assets, ending</b>	<b>\$ 28,246,239</b>	<b>\$ 27,915,543</b>	<b>\$ 8,468,917</b>	<b>\$ 4,432,402</b>	<b>\$ 36,715,156</b>	<b>\$ 32,347,945</b>	<b>\$ 20,838,901</b>	<b>\$ 20,151,136</b>

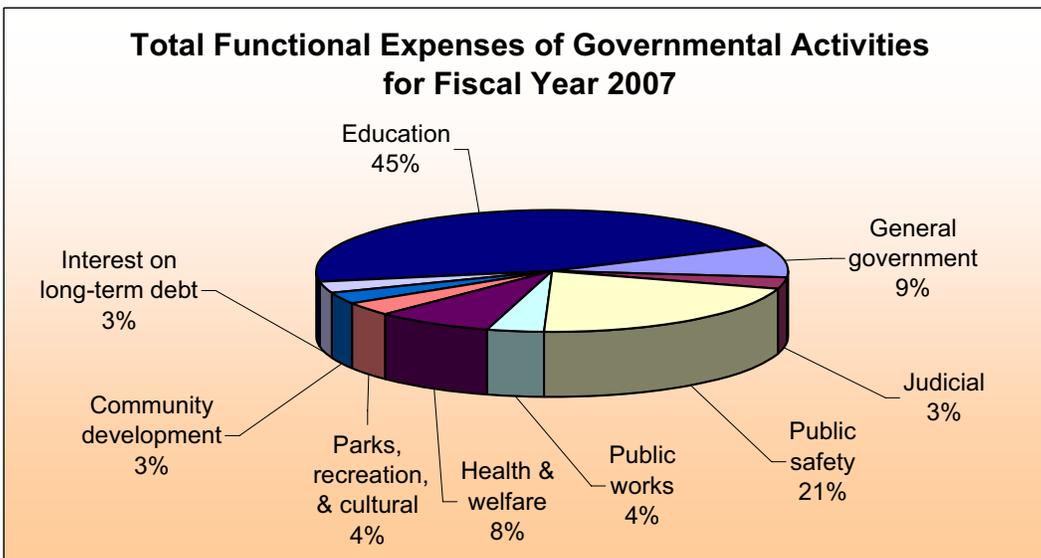
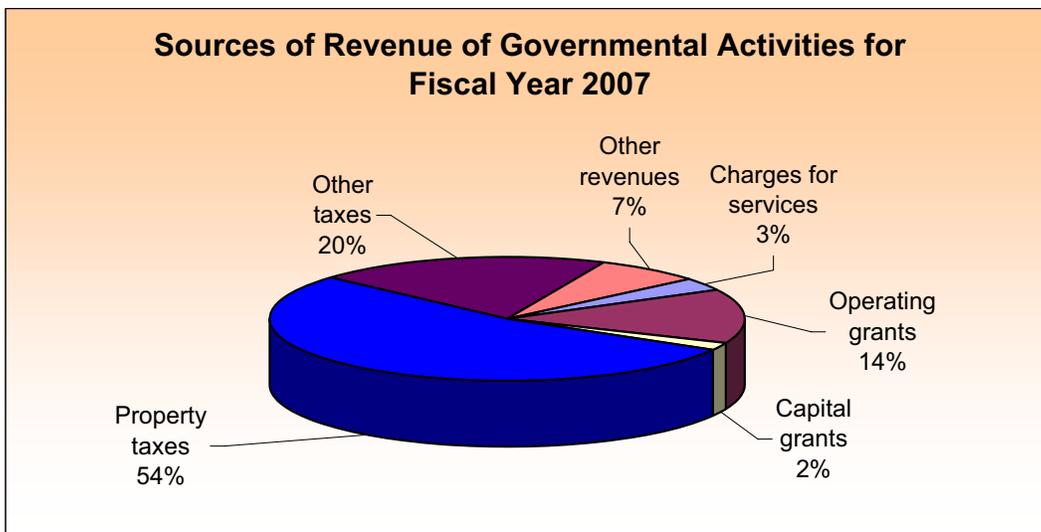
## Government-Wide Financial Analysis (Continued)

**Governmental activities** – For the fiscal year ended June 30, 2007, revenues from governmental activities totaled \$51.6 million. Real estate tax revenues, the County’s largest revenue source, reflecting the accrual of the last half of calendar year 2006 and the first half of calendar year 2007 real property tax billing, were \$21.2 million. The County’s assessed real property tax base for calendar year 2007 increased by \$225.9 million largely due to new construction.

In the General Fund, a major fund, the County reported current year collections of \$8.0 million in personal property taxes, the County’s second largest revenue source. Of that amount, \$2.8 million was received as reimbursement from the Commonwealth of Virginia. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state’s share of local personal property tax was approximately 48.0% of most taxpayer’s payments. For the fiscal year ended June 30, 2007, expenses relating to governmental activities were \$28.7 million less than planned. Departments typically do not expend their entire operating budgets, returning any remaining balances. In addition, \$26.9 million of planned County capital projects and school construction projects were not completed as planned. This decrease in planned spending was due to delays incurred with the communications system upgrade, jail expansion project, and Abingdon Elementary School renovations.

Public education continues to be one of the County’s highest priorities and commitments. The County contributed \$19.5 million to public school operations, \$2.8 million toward debt payments relating to school projects, and \$1.6 million for general school capital needs for a total contribution of \$23.9 million.

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



## Government-Wide Financial Analysis (Continued)

**Business-type activities** increased the County's net assets by \$4.0 million, which can be attributed to increases in capital contributions received. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the County's business-type activities, there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands.

### Financial Analysis of the County's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26.2 million, an increase of \$5.7 million in comparison with the prior year. Of this total amount, \$19.6 million or 74.6% constitutes *unreserved fund balance*, which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$13.0 million, while total fund balance reached \$13.5 million. The Board of Supervisors adopted a fund balance policy in April 2000 to keep an undesignated general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The undesignated fund balance in the General Fund was 13.0% 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 an unreserved fund balance of \$6.6 million, which has been designated for future capital projects.

The School Construction Fund accounts for financial resources to be used for major Public School construction projects. Bond proceeds of \$6.5 million were issued in the current fiscal year to fund a portion of the renovation and expansion of Abingdon Elementary School.

**Proprietary funds:** The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Utility Fund at the end of the year amounted to \$2.0 million. The \$1.2 million increase in the total net assets of business type activities includes \$.7 million in connection fees for the current year as well as a \$.1 million decrease in interest expense. Other factors concerning the finances of this fund have already been addressed in the discussion of the County's business-type activities.

### General Fund Budgetary Highlights

Gloucester County generally takes a conservative approach to financial management by staying well within budgetary limits for expenditures during the fiscal year. Fiscal year 2007 was no exception, with total General Fund expenditures \$1.3 million below the final amended budget. Education expenditures were under budget by \$.5 million due to a small decrease in student enrollment. In addition, personnel savings were realized as a result of turnover and retirements.

## General Fund Budgetary Highlights (Continued)

There was an increase of \$1.1 million between the original General Fund budget and the final amended General Fund budget, and these differences can be summarized as follows:

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

Of this increase, \$.2 million was funded from the receipt of additional grants and donations designated for particular programs. The remaining \$.9 million was budgeted from available fund balance.

### Capital Asset and Debt Administration

**Capital assets:** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$65.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. Major capital asset events during the current fiscal year included the following:

- A construction project to expand and renovate Abingdon Elementary School was started by Gloucester County School Board (a Component Unit) in fiscal year 2007.
- The County received several Federal Emergency Management Agency Grants, which were used to acquire properties that sustained damage or can expect to sustain damage as a result of coastal storms and returned these properties to green space.
- The County received donated capital assets in the business-type activities.
- The County also began the process of a jail renovation and expansion project.

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

<b>Capital Assets</b>								
<b>As of June 30, 2007 and 2006</b>								
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Component Units</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 4,720,875	\$ 4,132,163	\$ 3,574,046	\$ 3,559,796	\$ 8,294,921	\$ 7,691,959	\$ 1,949,796	\$ 1,742,483
Construction in progress	1,822,318	117,026	-	378,390	1,822,318	495,416	-	-
Buildings	10,670,334	10,957,405	26,411,556	23,526,215	37,081,890	34,483,620	2,722,699	2,904,212
Improvements other than buildings	40,400	-	-	-	40,400	-	-	-
Equipment	1,769,657	1,649,257	209,317	251,190	1,978,974	1,900,447	2,986,495	2,903,652
Jointly owned assets	16,086,882	17,629,731	-	-	16,086,882	17,629,731	16,806,478	15,845,131
<b>Total</b>	<b><u>\$ 35,110,466</u></b>	<b><u>\$ 34,485,582</u></b>	<b><u>\$ 30,194,919</u></b>	<b><u>\$ 27,715,591</u></b>	<b><u>\$ 65,305,385</u></b>	<b><u>\$ 62,201,173</u></b>	<b><u>\$ 24,465,468</u></b>	<b><u>\$ 23,395,478</u></b>

Additional information on the County's capital assets can be found in Note 6 on pages 41-44 of this report.

## Capital Asset and Debt Administration (Continued)

**Long-term debt:** At the end of the current fiscal year, the County had total outstanding debt of \$60.3 million and details are summarized in the following table:

<b>Long-Term Debt</b>								
<b>As of June 30, 2007 and 2006</b>								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Bonds Payable:</b>								
General obligation bonds	\$ 17,663,684	\$ 12,068,805	\$ 124,585	\$ 158,985	\$ 17,788,269	\$ 12,227,790	\$ 4,264,315	\$ 4,241,534
Revenue bonds	-	-	25,664,002	26,252,784	25,664,002	26,252,784	-	-
Literary loans	4,783,520	5,423,520	-	-	4,783,520	5,423,520	-	-
Capital leases	10,158,148	10,600,324	-	-	10,158,148	10,600,324	-	-
Compensated absences	1,723,241	1,627,155	172,335	159,689	1,895,576	1,786,844	1,797,882	1,702,303
<b>Total</b>	<b>\$ 34,328,593</b>	<b>\$ 29,719,804</b>	<b>\$ 25,960,922</b>	<b>\$ 26,571,458</b>	<b>\$ 60,289,515</b>	<b>\$ 56,291,262</b>	<b>\$ 6,062,197</b>	<b>\$ 5,943,837</b>

Debt associated with governmental activities increased by \$4.6 million while debt associated with business-type activities decreased by \$.6 million. The primary factor in the increase in the governmental activities was issuance of debt for the construction and renovation of Abingdon Elementary School. The primary factor in the decrease in the business-type activities was the pay down of principal during the year.

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3.0%. In addition, the County's Debt Obligation Policy limits the net County debt per capita at \$1,700 per capita, and general obligation debt service and capital lease payments will not exceed 10.0% of general governmental expenditures. As of June 30, 2007, the County's net debt as a percentage of assessed value was .9%, the net debt per capita ratio was \$907, and the debt payments percentage was 5.5%.

Additional information on the County's long-term debt can be found in Note 8 on pages 45-55.

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

The County's staff and Board of Supervisors considered many factors when developing the fiscal year General Fund 2008 budget. Local revenue, which includes property taxes, was expected to grow from fiscal year 2007 to fiscal year 2008 by 6.5%. Increased property values from construction activity as well as an expected real estate tax rate increase for 2008 are the primary reasons for this growth.

The fiscal year 2008 approved budget is \$51.8 million, which is a 3.5% increase over the fiscal year 2007 budget. The budget includes an increase of 5.5% for the School Operating Budget, a compensation package designed to strengthen our ability to recruit and retain a highly qualified workforce, the addition of 3.1 new full-time equivalent personnel in the General Fund budget, and the use of \$.4 million of the unreserved fund balance of the General Fund for various capital projects. The fiscal year 2008 approved budget for the Capital Fund and the School Construction Fund total \$46.8 million, which includes \$12.8 million for the jail expansion project, \$13.3 million for the communications system, and \$14.2 million for the expansion and renovation of Abingdon Elementary School.

### Requests for Information

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

**BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
June 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
<b>ASSETS</b>					
Cash and cash equivalents	\$ 24,992,605	\$ 2,815,110	\$ 27,807,715	\$ 545,438	\$ 911,493
Receivables (net of allowance for uncollectibles):					
Taxes receivable	3,875,462	3,633	3,879,095	-	-
Accounts receivable	605,627	345,283	950,910	565,138	-
Due from other governmental units	3,310,357	-	3,310,357	4,889,776	-
Inventories	-	22,810	22,810	17,246	1,746,161
Prepaid expenses	555,930	6,244	562,174	427,916	-
Deferred charges	-	1,201	1,201	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	2,015,238	2,015,238	-	-
Other assets:					
Unamortized bond issue costs	266,427	233,768	500,195	-	70,191
Capital assets (net of accumulated depreciation):					
Land	4,720,875	3,574,046	8,294,921	1,476,061	473,735
Buildings and system	26,757,216	26,411,556	53,168,772	16,806,478	2,722,699
Improvements other than buildings	40,400	-	40,400	-	-
Machinery and equipment	1,769,657	209,317	1,978,974	2,986,495	-
Construction in progress	1,822,318	-	1,822,318	-	-
Total assets	<u>\$ 68,716,874</u>	<u>\$ 35,638,206</u>	<u>\$ 104,355,080</u>	<u>\$ 27,714,548</u>	<u>\$ 5,924,279</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,265,631	\$ 111,066	\$ 1,376,697	\$ 1,080,555	\$ 41,974
Accrued liabilities	620,051	-	620,051	4,978,491	1,000
Accrued interest payable	610,574	980,127	1,590,701	-	-
Due to other governmental units	3,645,786	-	3,645,786	150,000	458,909
Unearned revenue	-	-	-	-	26,800
Deposits held in escrow	-	117,174	117,174	-	-
Long-term liabilities:					
Due within one year	2,489,766	779,655	3,269,421	179,788	89,061
Due in more than one year	31,838,827	25,181,267	57,020,094	1,618,094	4,175,254
Total liabilities	<u>\$ 40,470,635</u>	<u>\$ 27,169,289</u>	<u>\$ 67,639,924</u>	<u>\$ 8,006,928</u>	<u>\$ 4,792,998</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 8,637,111	\$ 6,421,570	\$ 15,058,681	\$ 21,269,034	\$ 678,280
Unrestricted (deficit)	19,609,128	2,047,347	21,656,475	(1,561,414)	453,001
Total net assets	<u>\$ 28,246,239</u>	<u>\$ 8,468,917</u>	<u>\$ 36,715,156</u>	<u>\$ 19,707,620</u>	<u>\$ 1,131,281</u>

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

**COUNTY OF GLOUCESTER, VIRGINIA**

Statement of Activities  
For the Year Ended June 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
General government administration	\$ 4,385,731	\$ -	\$ 350,220	\$ -
Judicial administration	1,498,764	317,029	859,636	-
Public safety	10,480,141	51,673	3,324,611	230,000
Public works	2,032,499	378,457	28,750	-
Health and welfare	3,953,184	-	2,491,344	-
Education	23,035,692	1,584	-	182,690
Parks, recreation, and cultural	1,898,798	321,156	151,141	-
Community development	1,534,243	579,845	108,990	656,543
Interest on long-term debt	1,559,087	-	-	-
Total governmental activities	\$ 50,378,139	\$ 1,649,744	\$ 7,314,692	\$ 1,069,233
Business-type activities:				
Public utilities	\$ 3,963,709	\$ 3,072,172	\$ 705,200	\$ 3,036,901
Total business-type activities	\$ 3,963,709	\$ 3,072,172	\$ 705,200	\$ 3,036,901
Total primary government	\$ 54,341,848	\$ 4,721,916	\$ 8,019,892	\$ 4,106,134
<b>COMPONENT UNITS:</b>				
School Board	\$ 58,114,352	\$ 1,442,165	\$ 35,061,304	\$ -
Economic Development Authority	514,143	454,497	-	-
Total component units	\$ 58,628,495	\$ 1,896,662	\$ 35,061,304	\$ -

General revenues:  
 General property taxes  
 Local sales and use tax  
 Consumer utility tax  
 Other local taxes  
 Unrestricted revenues from use of money and property  
 Miscellaneous  
 Grants and contributions not restricted to specific programs  
 Loss on disposal of capital assets  
 Payment from Gloucester County  
 Transfers  
 Total general revenues  
 Change in net assets  
 Net assets - beginning  
 Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (4,035,511)	\$ -	\$ (4,035,511)	\$ -	\$ -	
(322,099)	-	(322,099)	-	-	
(6,873,857)	-	(6,873,857)	-	-	
(1,625,292)	-	(1,625,292)	-	-	
(1,461,840)	-	(1,461,840)	-	-	
(22,851,418)	-	(22,851,418)	-	-	
(1,426,501)	-	(1,426,501)	-	-	
(188,865)	-	(188,865)	-	-	
(1,559,087)	-	(1,559,087)	-	-	
<u>\$ (40,344,470)</u>	<u>\$ -</u>	<u>\$ (40,344,470)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 2,850,564	\$ 2,850,564	\$ -	\$ -	
\$ -	\$ 2,850,564	\$ 2,850,564	\$ -	\$ -	
<u>\$ (40,344,470)</u>	<u>\$ 2,850,564</u>	<u>\$ (37,493,906)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	(21,610,883)	\$ -	
-	-	-	-	(59,646)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(21,610,883)</u>	<u>(59,646)</u>	
\$ 27,475,955	\$ 36,441	\$ 27,512,396	\$ -	\$ -	
3,913,265	-	3,913,265	-	-	
1,217,097	-	1,217,097	-	-	
5,225,704	-	5,225,704	-	-	
1,318,342	249,510	1,567,852	28,333	38,389	
719,956	-	719,956	24,508	-	
1,727,129	-	1,727,129	-	-	
(22,282)	-	(22,282)	21,101	-	
-	-	-	22,245,963	-	
(900,000)	900,000	-	-	-	
<u>\$ 40,675,166</u>	<u>\$ 1,185,951</u>	<u>\$ 41,861,117</u>	<u>\$ 22,319,905</u>	<u>\$ 38,389</u>	
\$ 330,696	\$ 4,036,515	\$ 4,367,211	\$ 709,022	\$ (21,257)	
27,915,543	4,432,402	32,347,945	18,998,598	1,152,538	
<u>\$ 28,246,239</u>	<u>\$ 8,468,917</u>	<u>\$ 36,715,156</u>	<u>\$ 19,707,620</u>	<u>\$ 1,131,281</u>	

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## **Fund Financial Statements**

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Balance Sheet  
 Governmental Funds  
 June 30, 2007

	<u>General</u>	<u>Debt Service</u>	<u>County Capital Improvements</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 18,652,711	\$ 800	\$ 113,568	\$ 6,225,526	\$ -	\$ 24,992,605
Receivables (net of allowance for uncollectibles):						
Taxes receivable	3,875,462	-	-	-	-	3,875,462
Accounts receivable	553,600	-	-	-	52,027	605,627
Due from other funds	600,528	-	5,860,684	-	-	6,461,212
Due from other governmental units	1,945,389	-	1,066,885	-	298,083	3,310,357
Prepaid items	216,820	339,110	-	-	-	555,930
Total assets	<u>\$ 25,844,510</u>	<u>\$ 339,910</u>	<u>\$ 7,041,137</u>	<u>\$ 6,225,526</u>	<u>\$ 350,110</u>	<u>\$ 39,801,193</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 646,599	\$ 42,733	\$ 436,812	\$ 93,529	\$ 45,958	\$ 1,265,631
Accrued liabilities	620,051	-	-	-	-	620,051
Due to other governmental units	3,645,786	-	-	-	-	3,645,786
Due to other funds	5,860,684	296,376	-	-	304,152	6,461,212
Deferred revenue	1,576,533	-	-	-	-	1,576,533
Total liabilities	<u>\$ 12,349,653</u>	<u>\$ 339,109</u>	<u>\$ 436,812</u>	<u>\$ 93,529</u>	<u>\$ 350,110</u>	<u>\$ 13,569,213</u>
Fund balances:						
Reserved for:						
Construction	\$ -	\$ -	\$ -	\$ 6,131,997	\$ -	\$ 6,131,997
Prepaid items	216,820	-	-	-	-	216,820
Rezoning proffers	-	-	19,000	-	-	19,000
Asset forfeiture	283,682	-	-	-	-	283,682
Unreserved, reported in:						
General fund	12,994,355	-	-	-	-	12,994,355
Debt service funds	-	801	-	-	-	801
Capital projects funds	-	-	6,585,325	-	-	6,585,325
Total fund balances	<u>\$ 13,494,857</u>	<u>\$ 801</u>	<u>\$ 6,604,325</u>	<u>\$ 6,131,997</u>	<u>\$ -</u>	<u>\$ 26,231,980</u>
Total liabilities and fund balances	<u>\$ 25,844,510</u>	<u>\$ 339,910</u>	<u>\$ 7,041,137</u>	<u>\$ 6,225,526</u>	<u>\$ 350,110</u>	<u>\$ 39,801,193</u>

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

Reconciliation of the Balance Sheet of Governmental Funds  
 To the Statement of Net Assets  
 June 30, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	26,231,980	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	53,341,388	
Less: accumulated depreciation		<u>(18,230,922)</u>	35,110,466
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred revenue	\$	1,576,533	
Unamortized bond issue costs		<u>266,427</u>	1,842,960
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds and loans payable	\$	(23,953,114)	
Interest payable		(610,574)	
Capital lease obligations		(8,652,238)	
Compensated absences		<u>(1,723,241)</u>	<u>(34,939,167)</u>
Net assets of governmental activities	\$		<u><u>28,246,239</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, 2007

	General	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
<b>REVENUES</b>						
General property taxes	\$ 27,371,520	\$ -	\$ -	\$ -	\$ -	\$ 27,371,520
Other local taxes	10,356,066	-	-	-	-	10,356,066
Permits, privilege fees, and regulatory licenses	561,291	-	-	-	-	561,291
Fines and forfeitures	90,068	-	-	-	-	90,068
Revenue from the use of money and property	1,064,841	2,876	5,826	222,656	-	1,296,199
Charges for services	998,385	-	-	-	-	998,385
Miscellaneous	571,610	97,895	30,864	-	19,587	719,956
Recovered costs	242,889	-	-	-	-	242,889
Intergovernmental revenues:						
Commonwealth	7,493,344	-	483,772	-	844,968	8,822,084
Federal	446,363	-	585,551	-	1,646,376	2,678,290
Total revenues	<u>\$ 49,196,377</u>	<u>\$ 100,771</u>	<u>\$ 1,106,013</u>	<u>\$ 222,656</u>	<u>\$ 2,510,931</u>	<u>\$ 53,136,748</u>
<b>EXPENDITURES</b>						
Current:						
General government administration	\$ 4,292,566	\$ -	\$ -	\$ -	\$ -	\$ 4,292,566
Judicial administration	1,311,561	-	-	-	-	1,311,561
Public safety	10,124,699	-	-	-	-	10,124,699
Public works	1,717,936	-	-	-	-	1,717,936
Health and welfare	538,953	-	-	-	3,381,323	3,920,276
Education	20,123,728	-	-	-	-	20,123,728
Parks, recreation, and cultural	1,879,698	-	-	-	-	1,879,698
Community development	908,769	-	-	-	-	908,769
Nondepartmental	242,300	-	-	-	-	242,300
Capital projects	-	-	4,333,807	757,681	-	5,091,488
Debt service:						
Principal retirement	-	2,125,399	-	-	-	2,125,399
Interest and other fiscal charges	-	1,430,257	-	-	-	1,430,257
Total expenditures	<u>\$ 41,140,210</u>	<u>\$ 3,555,656</u>	<u>\$ 4,333,807</u>	<u>\$ 757,681</u>	<u>\$ 3,381,323</u>	<u>\$ 53,168,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,056,167</u>	<u>\$ (3,454,885)</u>	<u>\$ (3,227,794)</u>	<u>\$ (535,025)</u>	<u>\$ (870,392)</u>	<u>\$ (31,929)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ -	\$ 3,380,570	\$ 5,984,376	\$ -	\$ 806,418	\$ 10,171,364
Transfers out	(11,071,364)	-	-	-	-	(11,071,364)
Proceeds from general obligation bonds	-	-	-	6,505,000	-	6,505,000
Proceeds from bond issuance premium	-	-	-	162,022	-	162,022
Total other financing sources (uses)	<u>\$ (11,071,364)</u>	<u>\$ 3,380,570</u>	<u>\$ 5,984,376</u>	<u>\$ 6,667,022</u>	<u>\$ 806,418</u>	<u>\$ 5,767,022</u>
Net change in fund balances	\$ (3,015,197)	\$ (74,315)	\$ 2,756,582	\$ 6,131,997	\$ (63,974)	\$ 5,735,093
Fund balances - beginning	16,510,054	75,116	3,847,743	-	63,974	20,496,887
Fund balances - ending	<u>\$ 13,494,857</u>	<u>\$ 801</u>	<u>\$ 6,604,325</u>	<u>\$ 6,131,997</u>	<u>\$ -</u>	<u>\$ 26,231,980</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, 2007

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

Net change in fund balances - total governmental funds \$ 5,735,093

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

Capital asset additions	\$ 1,668,755	
Depreciation expense	<u>(1,021,589)</u>	647,166

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (22,282)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,284,885)

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

Issuance of long-term debt	\$ 6,667,022	
Principal payments	(2,125,399)	
Premium amortization	<u>(22,143)</u>	(4,519,480)

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. (224,916)

Change in net assets of governmental activities \$ 330,696

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

Statement of Net Assets  
 Proprietary Fund  
 June 30, 2007

	<b>Enterprise Fund Utilities Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,815,110
Taxes receivable, net of allowances for uncollectibles	3,633
Accounts receivable, net of allowances for uncollectibles	345,283
Inventories	22,810
Prepaid expenses	6,244
Deferred charges	1,201
Total current assets	<u>\$ 3,194,281</u>
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents-bond requirements	<u>\$ 2,015,238</u>
Other assets:	
Unamortized bond issue costs	<u>\$ 233,768</u>
Capital assets:	
Utility plant in service	\$ 33,399,090
Land	3,574,046
Machinery and equipment	544,159
Buildings	4,846,645
Less accumulated depreciation	(12,169,021)
Total capital assets	<u>\$ 30,194,919</u>
Total noncurrent assets	<u>\$ 32,443,925</u>
Total assets	<u>\$ 35,638,206</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 111,066
Accrued interest payable	980,127
Compensated absences	17,234
Deposits held in escrow	117,174
Bonds payable - current portion	762,421
Total current liabilities	<u>\$ 1,988,022</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 25,026,166
Compensated absences	155,101
Total noncurrent liabilities	<u>\$ 25,181,267</u>
Total liabilities	<u>\$ 27,169,289</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	\$ 6,421,570
Unrestricted	2,047,347
Total net assets	<u><u>\$ 8,468,917</u></u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Proprietary Fund  
 For the Year Ended June 30, 2007

	<b>Enterprise Fund Utilities Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services:	
Water revenues	\$ 2,475,045
Sewer revenues	545,676
Other revenues	51,451
Total operating revenues	<u>\$ 3,072,172</u>
<b>OPERATING EXPENSES</b>	
Personal services	\$ 791,352
Fringe benefits	247,359
Contractual services	72,511
Other charges	599,772
Depreciation	841,944
Total operating expenses	<u>\$ 2,552,938</u>
Operating income (loss)	<u>\$ 519,234</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Connection fees	\$ 705,200
Investment earnings	249,510
Amortization of loan costs	(25,926)
Taxes	36,441
Interest expense	(1,384,845)
Total nonoperating revenues (expenses)	<u>\$ (419,620)</u>
Income before contributions and transfers	<u>\$ 99,614</u>
Capital contributions and construction grants	3,036,901
Transfers in	900,000
Change in net assets	<u>\$ 4,036,515</u>
Total net assets - beginning	<u>4,432,402</u>
Total net assets - ending	<u><u>\$ 8,468,917</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, 2007

	<b>Enterprise Fund</b>
	<b>Utilities Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 2,996,169
Receipts for miscellaneous items	51,451
Payments to suppliers	(637,627)
Payments to employees	(1,026,065)
Net cash provided (used) by operating activities	<u>\$ 1,383,928</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	\$ 955,972
Connection fees	705,200
Tax revenue	35,571
Net cash provided (used) by noncapital financing activities	<u>\$ 1,696,743</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to capital assets	\$ (285,121)
Loss on the disposal of assets	(750)
Principal payments on bonds	(8,805,561)
Proceeds from indebtedness	8,171,812
Interest payments	(2,191,151)
Net cash provided (used) by capital and related financing activities	<u>\$ (3,110,771)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	\$ 249,510
Net cash provided (used) by investing activities	<u>\$ 249,510</u>
Net increase (decrease) in cash and cash equivalents	\$ 219,410
Cash and cash equivalents - beginning - including restricted	4,610,938
Cash and cash equivalents - ending - including restricted	<u>\$ 4,830,348</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 519,234</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 841,944
(Increase) decrease in accounts receivable	(27,766)
(Increase) decrease in inventories	435
(Increase) decrease in prepaid expenses	(249)
Increase (decrease) in customer deposits	3,214
Increase (decrease) in accounts payable and accrued liabilities	47,116
Total adjustments	<u>\$ 864,694</u>
Net cash provided (used) by operating activities	<u>\$ 1,383,928</u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets	<u>\$ 3,036,901</u>

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

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2007

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 145,390
Other receivables	196
Total assets	\$ <u>145,586</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 6,853
Amounts held for social services clients	27,674
Amounts held for others	91,908
Amounts held for regional program	19,151
Total liabilities	\$ <u>145,586</u>

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

# COUNTY OF GLOUCESTER, VIRGINIA

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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

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

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

#### Financial Statement Presentation

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

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

#### Government-wide and Fund Financial Statements

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 (CONTINUED)

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#### **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 new 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, 2007.

*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, 2007.

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

The Gloucester County Economic Development Authority is responsible for industrial and commercial development in the County. The Authority consists of seven members appointed by the Board of Supervisors. The Authority is fiscally dependent on the County, and therefore, it is included in the County's financial statements as a discrete presentation for the year ended June 30, 2007. The Authority does not issue a separate financial report. The financial statements of the Authority are presented as a discrete presentation in the County financial statements for the year ended June 30, 2007.

**C. Other Related Organizations**

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

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

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

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

None

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

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

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

## COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

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

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

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

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

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

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

## COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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### **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 Improvements Fund and School Construction Fund as major governmental funds.

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

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

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

The County reports the following non-major governmental funds:

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

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

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

**E. Cash and Cash Equivalents:**

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

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

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

**F. Investments**

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

**G. Receivables and Payables**

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$348,708 at June 30, 2007 and is comprised solely of property taxes.

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

**H. Capital Assets**

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There is no capitalized interest for the year ended June 30, 2007.

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

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

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

**I. Compensated Absences**

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

**J. Retirement Plan**

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

**K. Use of Estimates**

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

**L. Fund Equity**

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

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

	<u>General</u>	<u>Debt Service</u>	<u>County Capital Improve- ments</u>	<u>Total</u>
Designated for:				
Mosquito Control	\$ 171,452	\$ -	\$ -	\$ 171,452
Tourism Projects	122,921	-	-	122,921
Daffodil Festival	40,588	-	-	40,588
Trustee Cash	-	801	-	801
Future expenditures	415,212	-	6,471,757	6,886,969
Cable	112,964	-	-	112,964
Older Adult Projects	-	-	113,568	113,568
Total designated for specific purposes	<u>\$ 863,137</u>	<u>\$ 801</u>	<u>\$ 6,585,325</u>	<u>\$ 7,449,263</u>

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 (CONTINUED)

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

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

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

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

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

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

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

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

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

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

#### **NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTING:**

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

1. During the month of March, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are required to be conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 (CONTINUED)

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

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

#### **Expenditures and Appropriations**

Expenditures did not exceed appropriations in any fund at June 30, 2007.

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

##### **Deposits**

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

##### **Investments**

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

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

The County's investment policy requires that all securities purchased for the County be held by the County or by the County's designated custodian. The County's investments at June 30, 2007 were held by the County or in the County's name by the County's custodial banks.

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007 (CONTINUED)

**NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)**

**Credit Risk of Debt Securities**

The County's rated debt investments as of June 30, 2007 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The County's investment policy has an emphasis on high credit quality and known marketability. Obligations of the Commonwealth of Virginia and its local governments and public bodies are allowable under the County's investment policy provided they have a debt rating of at least AA by Standard and Poor's.

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

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>		
	<u>AAA</u>	<u>AAAm</u>	<u>Unrated</u>
Local Government Investment Pool	\$ -	\$ 3,880,930	\$ -
Virginia State Non-Arbitrage Pool	-	6,225,526	-
Money Market Funds	-	572,783	-
Total	\$ -	\$ 10,679,239	\$ -

**Interest Rate Risk**

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

**Investment Maturities (in years)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>Greater Than 10 Years</u>
U.S. Treasury Notes	\$ 2,015,238	\$ 2,015,238	\$ -	\$ -	\$ -

**External Investment Pools**

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

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

**NOTE 4—DUE FROM OTHER GOVERNMENTS:**

At June 30, 2007, the County has receivables from other governments as follows:

	Primary Government	Component Unit	
		School Board	Economic Development Authority
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,645,786	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	458,909	-	-
Commonwealth of Virginia:			
State sales tax	-	980,817	-
Motor vehicle carrier tax	1,265	-	-
Jury duty reimbursment	1,500	-	-
Abandoned auto	3,200	-	-
Miscellaneous	3,500	3,072	-
Victim witness grant	9,006	-	-
Mobile home titling tax	9,212	-	-
Rental vehicle tax	10,537	-	-
E-911 funds	11,951	-	-
Recordation tax	33,869	-	-
Mitigation grant	38,367	-	-
ABC and wine taxes	41,761	-	-
Comprehensive service	54,707	-	-
Probation and pretrial grant	63,722	-	-
VPA funds	85,883	-	-
Inmate reimbursment	126,378	-	-
Burn building grant	130,000	-	-
Communication sales tax	265,611	-	-
Constitutional officer reimbursements	297,383	-	-
Local sales tax	715,812	-	-
Federal Government:			
School fund grants	-	260,101	-
Mitigation grant	284,902	-	-
VPA funds	157,493	-	-
Other federal grants	200,682	-	-
Main Street grant	154,707	-	-
Total due from other governments	\$ 3,310,357	\$ 4,889,776	\$ -

Amounts due to other governments are as follows:

Other Local Governments:			
Gloucester County School Board	\$ 3,645,786	\$ -	\$ -
Gloucester County	\$ -	\$ 150,000	\$ 458,909

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

**NOTE 5—INTERFUND OBLIGATIONS:**

Details of the Primary Government's interfund receivables and payables as of June 30, 2007, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 600,528	\$ 5,860,684
County Capital Improvements	5,860,684	-
Debt Service	-	296,376
Virginia Public Assistance	-	304,152
Total Governmental Funds	<u>\$ 6,461,212</u>	<u>\$ 6,461,212</u>

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

**NOTE 6—CAPITAL ASSETS:**

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2007:

**Primary Government:**

	<u>Balance July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
<b>Governmental activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 4,132,163	\$ 588,712	\$ -	\$ 4,720,875
Construction in progress	117,026	1,726,792	21,500	1,822,318
Total capital assets not subject to depreciation	<u>\$ 4,249,189</u>	<u>\$ 2,315,504</u>	<u>\$ 21,500</u>	<u>\$ 6,543,193</u>
Capital assets subject to depreciation:				
Buildings	\$ 15,227,235	\$ 108,622	\$ 28,995	\$ 15,306,862
Improvements other than buildings	-	40,400	-	40,400
Equipment	5,287,913	626,226	277,112	5,637,027
Jointly owned assets	27,214,403	735,092	2,135,589	25,813,906
Total capital assets being depreciated	<u>\$ 47,729,551</u>	<u>\$ 1,510,340</u>	<u>\$ 2,441,696</u>	<u>\$ 46,798,195</u>
Less accumulated depreciation for:				
Buildings	\$ (4,269,830)	\$ (395,693)	\$ (28,995)	\$ (4,636,528)
Equipment	(3,638,656)	(483,544)	(254,830)	(3,867,370)
Jointly owned assets	(9,584,672)	(142,352)	-	(9,727,024)
Total accumulated depreciation	<u>\$ (17,493,158)</u>	<u>\$ (1,021,589)</u>	<u>\$ (283,825)</u>	<u>\$ (18,230,922)</u>
Total capital assets being depreciated, net	<u>\$ 30,236,393</u>	<u>\$ 488,751</u>	<u>\$ 2,157,871</u>	<u>\$ 28,567,273</u>
Governmental capital assets, net	<u>\$ 34,485,582</u>	<u>\$ 2,804,255</u>	<u>\$ 2,179,371</u>	<u>\$ 35,110,466</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2007:

**Component Unit—School Board:**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 1,268,748	\$ 207,313	\$ -	\$ 1,476,061
Total capital assets not subject to depreciation	\$ 1,268,748	\$ 207,313	\$ -	\$ 1,476,061
Capital assets subject to depreciation:				
Equipment	\$ 7,781,131	\$ 683,693	\$ 476,171	\$ 7,988,653
Jointly owned assets	23,304,593	2,135,589	-	25,440,182
Total capital assets being depreciated	\$ 31,085,724	\$ 2,819,282	\$ 476,171	\$ 33,428,835
Less accumulated depreciation for:				
Equipment	\$ (4,878,202)	\$ (579,828)	\$ (455,872)	\$ (5,002,158)
Jointly owned assets	(7,459,462)	(1,174,242)	-	(8,633,704)
Total accumulated depreciation	\$ (12,337,664)	\$ (1,754,070)	\$ (455,872)	\$ (13,635,862)
Total capital assets being depreciated, net	\$ 18,748,060	\$ 1,065,212	\$ 20,299	\$ 19,792,973
Governmental capital assets, net	\$ 20,016,808	\$ 1,272,525	\$ 20,299	\$ 21,269,034

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

Governmental activities:	
General government	\$ 70,941
Judicial administration	184,719
Public safety	391,468
Public works	60,145
Health and welfare	57,432
Education	185,167
Parks, recreation and cultural	68,471
Community development	3,246
Total Governmental activities	\$ 1,021,589
Component Unit School Board	\$ 1,754,070

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments “on-behalf” of school boards was reported in the school board’s discrete column along with the related capital assets. Under the new law, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Gloucester, Virginia for the year ended June 30, 2007, is that school financed assets in the amount of \$16,940,089 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2007 follows:

**Primary Government:**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Enterprise activities:</b>				
<b>Enterprise Fund:</b>				
Capital assets not subject to depreciation:				
Land	\$ 3,559,796	\$ 15,000	\$ 750	\$ 3,574,046
Construction in progress	<u>378,390</u>	<u>-</u>	<u>378,390</u>	<u>-</u>
Total capital assets not subject to depreciation	<u>\$ 3,938,186</u>	<u>\$ 15,000</u>	<u>\$ 379,140</u>	<u>\$ 3,574,046</u>
Capital assets subject to depreciation:				
Plant in service	\$ 30,912,271	\$ 2,486,819	\$ -	\$ 33,399,090
Machinery and equipment	578,498	-	34,339	544,159
Buildings	<u>3,648,052</u>	<u>1,198,593</u>	<u>-</u>	<u>4,846,645</u>
Total capital assets being depreciated	<u>\$ 35,138,821</u>	<u>\$ 3,685,412</u>	<u>\$ 34,339</u>	<u>\$ 38,789,894</u>
Less accumulated depreciation for:				
Plant in service	\$ (8,781,107)	\$ (696,004)	\$ -	\$ (9,477,111)
Machinery and equipment	(327,308)	(41,873)	(34,339)	(334,842)
Buildings	<u>(2,253,001)</u>	<u>(104,067)</u>	<u>-</u>	<u>(2,357,068)</u>
Total accumulated depreciation	<u>\$ (11,361,416)</u>	<u>\$ (841,944)</u>	<u>\$ (34,339)</u>	<u>\$ (12,169,021)</u>
Total capital assets being depreciated, net	<u>\$ 23,777,405</u>	<u>\$ 2,843,468</u>	<u>\$ -</u>	<u>\$ 26,620,873</u>
Enterprise capital assets, net	<u>\$ 27,715,591</u>	<u>\$ 2,858,468</u>	<u>\$ 379,140</u>	<u>\$ 30,194,919</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2007 follows:

**Component Unit Economic Development Authority:**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Enterprise activities:</b>				
Capital assets not subject to depreciation:				
Land	\$ 473,735	\$ -	\$ -	\$ 473,735
Capital assets subject to depreciation:				
Buildings	\$ 4,537,831	\$ -	\$ -	\$ 4,537,831
Equipment	7,234	-	-	7,234
Total capital assets being depreciated	\$ 4,545,065	\$ -	\$ -	\$ 4,545,065
Less accumulated depreciation for:				
Buildings	\$ (1,633,619)	\$ (181,513)	\$ -	\$ (1,815,132)
Equipment	(6,511)	(723)	-	(7,234)
Total accumulated depreciation	\$ (1,640,130)	\$ (182,236)	\$ -	\$ (1,822,366)
Total capital assets being depreciated, net	\$ 2,904,935	\$ (182,236)	\$ -	\$ 2,722,699
Enterprise capital assets, net	<u>\$ 3,378,670</u>	<u>\$ (182,236)</u>	<u>\$ -</u>	<u>\$ 3,196,434</u>

**NOTE 7—INTERFUND TRANSFERS:**

Interfund transfers for the year ended June 30, 2007, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 11,071,364
Debt Service	3,380,570	-
County Capital Improvements	5,984,376	-
Virginia Public Assistance	534,865	-
Comprehensive Services Act	271,553	-
Total Governmental Funds	<u>\$ 10,171,364</u>	<u>\$ 11,071,364</u>
Enterprise Funds:		
Utilities	\$ 900,000	\$ -
Total-All Funds	<u>\$ 11,071,364</u>	<u>\$ 11,071,364</u>

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

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

**NOTE 8—LONG-TERM OBLIGATIONS:**

**Details of Long-Term Indebtedness:**

**Primary Government:**

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

	<b>Amounts Payable at July 1, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>Amounts Payable at June 30, 2007</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Obligations:</b>					
Incurred by County (for Primary Government Capital Assets):					
Compensated absences payable	\$ 1,627,155	\$ 1,291,494	\$ 1,195,408	\$ 1,723,241	\$ 172,324
Capital lease obligations	9,155,000	-	195,000	8,960,000	220,000
Less deferred amounts:					
On refunding	(300,985)	-	6,777	(307,762)	-
Total incurred by County	<u>\$ 10,481,170</u>	<u>\$ 1,291,494</u>	<u>\$ 1,397,185</u>	<u>\$ 10,375,479</u>	<u>\$ 392,324</u>
Incurred by School Board (for School Capital Assets):					
State Literary Fund Loans payable	\$ 5,423,520	\$ -	\$ 640,000	\$ 4,783,520	\$ 640,000
General obligation bonds payable	11,685,000	6,505,000	1,050,000	17,140,000	1,205,000
Add deferred amounts:					
For issuance premium	383,805	162,022	22,143	523,684	-
Capital lease and notes payable obligations	1,746,309	-	240,399	1,505,910	252,442
Total incurred by School Board	<u>\$ 19,238,634</u>	<u>\$ 6,667,022</u>	<u>\$ 1,952,542</u>	<u>\$ 23,953,114</u>	<u>\$ 2,097,442</u>
Total Governmental Obligations	<u>\$ 29,719,804</u>	<u>\$ 7,958,516</u>	<u>\$ 3,349,727</u>	<u>\$ 34,328,593</u>	<u>\$ 2,489,766</u>
<b>Enterprise Obligations:</b>					
Compensated absences payable	\$ 159,689	\$ 100,754	\$ 88,108	\$ 172,335	\$ 17,234
General obligation bonds payable	158,985	-	34,400	124,585	36,161
Revenue bonds payable	26,182,137	8,560,000	8,771,161	25,970,976	726,260
Add deferred amounts:					
For issuance premium	523,428	-	67,093	456,335	-
Less deferred amounts:					
For issuance discount	-	(69,537)	(2,439)	(67,098)	-
For issuance costs	(452,781)	(318,651)	(75,221)	(696,211)	-
Total Enterprise Obligations	<u>\$ 26,571,458</u>	<u>\$ 8,272,566</u>	<u>\$ 8,883,102</u>	<u>\$ 25,960,922</u>	<u>\$ 779,655</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

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

Year Ending June 30	<u>County Obligations</u>		<u>School Obligations</u>					
	<u>Capital Leases</u>		<u>State Literary Fund Loans</u>		<u>General Obligation Bonds Payable</u>		<u>Capital Leases and Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 220,000	\$ 381,055	\$ 640,000	\$ 150,900	\$ 1,205,000	\$ 899,253	\$ 252,442	\$ 53,809
2009	235,000	370,996	540,000	130,450	1,065,000	779,777	259,260	45,211
2010	245,000	360,289	540,000	113,000	1,070,000	721,179	270,641	36,275
2011	250,000	349,083	540,000	95,550	1,045,000	663,280	251,910	27,354
2012	265,000	338,070	540,000	78,100	1,040,000	606,022	263,059	18,447
2013	275,000	327,270	513,196	60,650	935,000	552,404	65,736	12,048
2014	285,000	316,070	250,000	44,110	760,000	507,686	69,528	8,255
2015	300,000	304,370	250,000	36,610	790,000	467,233	73,334	4,243
2016	305,000	292,270	250,000	29,110	825,000	425,072	-	-
2017	320,000	279,770	250,000	21,609	860,000	380,612	-	-
2018	330,000	266,770	250,000	14,109	760,000	339,177	-	-
2019	350,000	252,951	220,324	6,609	795,000	301,677	-	-
2020	360,000	238,308	-	-	835,000	263,919	-	-
2021	380,000	222,997	-	-	870,000	224,360	-	-
2022	395,000	206,472	-	-	920,000	181,077	-	-
2023	410,000	188,863	-	-	960,000	135,530	-	-
2024	425,000	170,597	-	-	1,010,000	88,040	-	-
2025	450,000	151,456	-	-	445,000	53,657	-	-
2026	470,000	131,331	-	-	465,000	33,005	-	-
2027	490,000	110,025	-	-	485,000	11,155	-	-
2028	515,000	87,412	-	-	-	-	-	-
2029	535,000	63,788	-	-	-	-	-	-
2030	560,000	39,150	-	-	-	-	-	-
2031	590,000	13,275	-	-	-	-	-	-
Total	<u>\$ 8,960,000</u>	<u>\$ 5,462,638</u>	<u>\$ 4,783,520</u>	<u>\$ 780,807</u>	<u>\$ 17,140,000</u>	<u>\$ 7,634,115</u>	<u>\$ 1,505,910</u>	<u>\$ 205,642</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

Year Ending June 30	Enterprise Obligations			
	General Obligation Bonds Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2008	\$ 36,161	\$ 5,407	\$ 726,260	\$ 1,937,815
2009	38,012	3,557	1,483,723	1,186,107
2010	39,957	1,612	1,509,424	1,124,239
2011	10,455	88	1,555,164	1,061,226
2012	-	-	1,625,940	985,924
2013	-	-	1,701,753	907,175
2014	-	-	1,782,613	824,721
2015	-	-	1,858,514	738,359
2016	-	-	1,949,461	648,293
2017	-	-	2,035,457	553,766
2018	-	-	2,136,503	455,076
2019	-	-	2,237,603	350,061
2020	-	-	413,760	240,728
2021	-	-	409,801	223,241
2022	-	-	425,000	205,952
2023	-	-	440,000	185,214
2024	-	-	465,000	165,524
2025	-	-	480,000	144,716
2026	-	-	500,000	123,236
2027	-	-	525,000	100,860
2028	-	-	545,000	77,166
2029	-	-	570,000	52,572
2030	-	-	595,000	26,852
Total	\$ <u>124,585</u>	\$ <u>10,664</u>	\$ <u>25,970,976</u>	\$ <u>12,318,823</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>General Long-Term Debt:</u></b>	
<u>Capital Lease Obligations:</u>	
\$9,275,000 capital lease obligation (payable from the General Fund) issued September 14, 2000, secured by the courthouse, principal due in various annual installments through 2011, interest payable semi-annually at coupon rates from 5.375% to 5.500%.	\$ 775,000
\$8,205,000 capital lease obligation (payable from the General Fund) issued March 22, 2006, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at coupon rates from 3.75% to 4.50%. Face amount of bonds outstanding, \$8,185,000 less unamortized deferred amount on refunding \$307,762.	<u>7,877,238</u>
Total Capital Lease Obligations	\$ 8,652,238
Compensated absences (payable from the General Fund)	\$ <u>1,723,241</u>
Total Debt Incurred by County	\$ <u><u>10,375,479</u></u>
<b><u>General Obligation Bonds:</u></b>	
<u>Enterprise Funds:</u>	
<u>Sanitary District No. 1 Fund:</u>	
\$670,000 general obligation Farmers Home Administration water and sewer bonds issued June 15, 1976, due in monthly installments of \$3,464 through 2010 including principal and interest, interest at 5%.	\$ <u>124,585</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>Revenue Bonds:</u></b>	
\$421,600 Farmers Home Administration water and sewer revenue bonds issued December 23, 1980, due in monthly installments of \$2,054 through 2020 including principal and interest, interest at 5%.	\$ 237,776
\$16,675,000 current interest bonds payable annually in various amounts through April 1, 2019, interest payable semi-annually at coupon rates from 2.5% to 5.0%. Face amount of bonds outstanding, \$16,300,000 plus unamortized issuance premium of \$456,335, less unamortized deferred amount on refunding of \$388,741.	16,367,594
\$5,727,000 capital appreciation bonds payable annually April 1, 1999 through 2008.	408,200
\$8,910,000 Virginia Resource Authority bonds dated November 7, 2000, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 5.1% to 5.6%.	630,000
\$8,560,000 Virginia Resource Authority bonds dated August 1, 2006, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 4.1% to 4.879%. Face amount of bonds outstanding, \$8,395,000 less unamortized issuance discount of \$67,098, less unamortized deferred amount on refunding of \$307,470.	<u>8,020,432</u>
Total revenue bonds	\$ 25,664,002
Compensated absences (payable from the Enterprise Fund)	<u>172,335</u>
Total enterprise obligations payable	<u>\$ 25,960,922</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<b><u>General Obligation Bonds: (Continued)</u></b>	
<u>School Bonds Payable:</u>	
\$8,565,000 School Bonds issued January 3, 1994 payable in various annual installments each December 15 through 2013, interest payable semi-annually at an average rate of 6.45%.	\$ 790,000
\$4,335,000 School Bonds issued April 28, 1992 payable in various annual installments each December 15 through 2013, interest payable semiannually at 5.83%.	1,035,000
\$2,100,000 School Bonds issued April 28, 1993 payable in various annual installments each December 15 through 2013, interest payable semi-annually at 5.33%.	585,000
\$2,800,000 School Bonds issued May 2, 1996 payable in various annual installments each July 15 through 2017, interest payable semi-annually at 5.56%.	1,400,000
\$7,525,000 School Bonds issued November 6, 2003 payable in various annual installments each July 15 through 2024, interest payable semi-annually at various interest rates from 3.1% through 5.35%. Carrying amount of bonds including unamortized issuance premium of \$361,662.	7,186,662
\$6,505,000 School Bonds issued November 9, 2006 payable in various annual installments each July 15 through 2026, interest payable semi-annually at various interest rates from 4.225% through 5.10%. Carrying amount of bonds including unamortized issuance premium of \$162,022.	<u>6,667,022</u>
Total school bonds payable	\$ <u>17,663,684</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

	<b><u>Amount Outstanding</u></b>
<u>State Literary Fund Loans:</u>	
\$2,000,000, issued February 1, 1988, due in annual installments of \$100,000 each February 1, through 2008 interest payable annually at 3%.	\$ 100,000
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%.	502,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%.	470,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%.	739,419
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%.	<u>2,970,324</u>
Total State Literary Fund Loans	<u>\$ 4,783,520</u>
<u>Capital Lease Obligations:</u>	
\$1,589,921 capital lease obligation issued March 15, 2004 secured by equipment, due in various semi-annual installments through July 15, 2011, interest at 2.80%.	\$ 1,018,668
<u>Note Payable Obligations:</u>	
\$811,302 general obligation refunding note, series 1998 issued October 30, 1998, due in annual installments of \$77,784 through July 15, 2014, interest at 6.77%.	<u>487,242</u>
Total Capital Lease and Notes Payable Obligations	<u>\$ 1,505,910</u>
Total School Board Long-Term Debt Issued, payable from the General Fund	<u><u>\$ 23,953,114</u></u>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

Advance refunding

The County issued \$8,560,000 of infrastructure revenue bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$7,910,000 of revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$478,000. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by \$800,425 and resulted in an economic gain of \$481,332.

Capital Leases

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

The assets acquired through capital leases are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Component Unit- School Board</u></b>
Asset:		
Courthouse Construction	\$ 7,237,000	\$ -
HVAC equipment	-	2,051,650
Less: Accumulated depreciation	<u>(904,625)</u>	<u>(1,662,762)</u>
	<b><u>\$ 6,332,375</u></b>	<b><u>\$ 388,888</u></b>

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

**Primary Government: (Continued)**

Capital Leases: (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	<u>Component Unit- School Board</u>
2008	\$ 601,055	\$ 228,468
2009	605,996	226,687
2010	605,289	229,133
2011	599,083	201,480
2012	603,070	203,723
2013	602,270	-
2014	601,070	-
2015	604,370	-
2016	597,270	-
2017	599,770	-
2018	596,770	-
2019	602,951	-
2020	598,308	-
2021	602,997	-
2022	601,472	-
2023	598,863	-
2024	595,597	-
2025	601,456	-
2026	601,331	-
2027	600,025	-
2028	602,412	-
2029	598,788	-
2030	599,150	-
2031	603,275	-
	<hr/>	<hr/>
Total minimum lease payments	\$ 14,422,638	\$ 1,089,491
Less: amount representing interest	<u>(5,462,638)</u>	<u>(70,822)</u>
Present value of minimum lease payments	<u>\$ 8,960,000</u>	<u>\$ 1,018,669</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (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, 2007:

	<u>Amounts Payable at July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable (payable from the School Fund)	\$ <u>1,808,373</u>	\$ <u>1,993,442</u>	\$ <u>2,003,933</u>	\$ <u>1,797,882</u>	\$ <u>179,788</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, 2007:

	<u>Amounts Payable at July 1, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Loans payable	\$ <u>4,241,534</u>	\$ <u>4,300,000</u>	\$ <u>4,277,219</u>	\$ <u>4,264,315</u>	\$ <u>89,061</u>

**Amount  
Outstanding**

\$4,300,000 variable rate loan issued January 11, 2007, due in monthly installments over 25 years, variable interest rate equal to 78% of the Bank's LIBOR rate plus 0.975%, adjusted monthly with an interest rate swap option effectively making this a loan with a fixed rate of 5.2%.

\$ 4,264,315

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (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 February 2007, the authority entered into an interest rate swap in connection with its \$4.3 million Non-Bank Qualified Loan. The intention of the swap was to effectively change the authority's variable interest rate on the loan to a synthetic fixed rate of 5.2 percent.

*Terms.* The bonds and the related swap agreement mature on January 15, 2017, and the swap's notional amount of \$4,264,315 matches the \$4,264,315 variable-rate loan. The swap was entered at the same time the loan was issued February 2007. Under the swap, the authority pays the counterparty a fixed payment of 5.2 percent and receives a variable payment computed as 78 percent of the London Interbank Offered Rate (LIBOR) plus .975%.

*Fair value.* Because interest rates have remained relatively steady since execution of the swap, the swap had no significant fair value at year-end.

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:

<u>Year Ending</u> <u>June 30,</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 89,061	\$ 216,454
2009	93,616	211,787
2010	98,527	206,875
2011	103,697	201,705
2012	109,137	196,265
2013	114,864	190,539
2014	120,890	184,512
2015	127,233	178,169
2016	133,908	171,494
2017	<u>3,273,382</u>	<u>164,468</u>
Total	\$ <u>4,264,315</u>	\$ <u>1,922,268</u>

## COUNTY OF GLOUCESTER, VIRGINIA

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007 (CONTINUED)

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

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

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

#### **NOTE 10—DEFERRED REVENUE:**

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$1,576,533 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,427,160 at June 30, 2007.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2007, but paid in advance by the tax payers totaled \$149,373 at June 30, 2007.

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

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

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

The County and the Hampton Roads Sanitation District have entered into an agreement where the District constructed a sewer interceptor line from the County to a district sewer treatment plant. The District owns the sewer line. The agreement required the County to make quarterly payments in an amount equal to interest on the construction cost. The County's obligation will be gradually reduced through credits provided by the District until 9,800 connections are made. At this point, credits will equal the cost, and there will be no further liability to the County. The County incurred an expenditure of \$156,354 during the fiscal year ended June 30, 2007.

The County entered into a lease purchase agreement with Motorola for radio equipment on December 28, 2006 for \$11,245,000. The lease purchase is subject to the delivery and acceptance of the equipment. At June 30, 2007, the equipment has not been received by the County nor has a liability been recorded in these financial statements.

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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**NOTE 11—COMMITMENTS AND CONTINGENCIES: (CONTINUED)**

The County is committed on a construction contract with Oyster Point Construction for renovation work at Abingdon Elementary School. The construction contract totals \$12,504,200 with \$12,428,529 outstanding at June 30, 2007. Additionally, the County is obligated under construction contracts for a Burn Building and Main Street Improvements with remaining obligations of \$136,926 and \$395,359, respectively.

**NOTE 12—LITIGATION:**

At June 30, 2007, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

**NOTE 13—RISK MANAGEMENT:**

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

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

**Component Unit School Board—Health Insurance**

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

Unpaid claims, July 1, 2005	\$	436,082
Incurred claims (including IBNR and changes in estimates)		4,806,797
Claim payments		<u>(4,826,109)</u>
Unpaid claims, June 30, 2006	\$	416,770
Incurred claims (including IBNR and changes in estimates)		5,353,705
Claim payments		<u>(5,263,974)</u>
Unpaid claims, June 30, 2007	\$	<u><u>506,501</u></u>

## COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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

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

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by downloading from their website at <http://www.varetire.org/pdf/2006AnnuRept.pdf> or writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

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

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2007 were 8.02% and 7% of annual covered payroll, respectively.

The School Board's professional employees contributed \$2,680,037, \$1,856,675, and \$1,603,824 to the teacher cost-sharing pool for the fiscal years ended June 30, 2007, 2006, and 2005 respectively and these contributions represented 9.20%, 6.62%, and 6.03% respectively, of current covered payroll.

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

**NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

**C. Annual Pension Cost**

For fiscal 2007, the County's annual pension cost of \$938,864 was equal to the County's required and actuarial contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2007, the County School Board's annual pension cost for the Board's non-professional employees were \$291,262, which was equal to the Board's required and actuarial contributions. The required contributions were determined as a part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board</u>
Contribution rates:		
Employer	8.02%	7%
Plan Members	5%	5%
Annual pension cost	\$938,864	\$291,262
Contributions made	\$938,864	\$291,262
Valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	21 Years	21 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return <sup>1</sup>	7.50%	7.50%
Projected salary increases: <sup>1</sup>		
Non LEO Employees	3.50% to 5.73%	3.50% to 5.73%
LEO Employees	3.50% to 4.71%	3.50% to 4.71%
Cost-of-living adjustments	2.50%	2.50%

<sup>1</sup> Includes inflation at 2.50%

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2007 (CONTINUED)

**NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

**C. Annual Pension Cost: (Continued)**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2007	\$ 938,864	100%	\$ -
June 30, 2006	637,385	100%	-
June 30, 2005	598,360	100%	-
School Board:			
Non-Professional:			
June 30, 2007	\$ 291,262	100%	\$ -
June 30, 2006	158,886	100%	-
June 30, 2005	154,450	100%	-

(1) Employer portion only

**NOTE 15—SURETY BONDS:**

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
C. Ann Gentry, Clerk of the Circuit Court	\$ 103,000
Tara L Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
Robin P. Stanaway, Sheriff	30,000
The above constitutional officer's employees blanket bond	50,000
CNA	
Diane Gamache, Clerk of the School Board	10,000
VA CORP Insurance Program - Surety	
All County and Social Services Employees - Blanket Bond	250,000

**COUNTY OF GLOUCESTER, VIRGINIA**

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007 (CONTINUED)

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**NOTE 16—OPERATING LEASES:**

The County leases space for the County Library under a noncancelable operating lease for an initial term of ten years, renewable for four successive periods of five years each. The total cost for the lease was \$150,000 for the year ended June 30, 2007. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 150,000
2009	150,000
2010	150,000
2011	150,000
2012	175,000
2013	<u>175,000</u>
Total	<u>\$ 950,000</u>

**NOTE 17—SUBSEQUENT EVENT:**

On September 28, 2007, the County issued \$6,364,713 in General Obligation School Bonds through the Virginia Public School Authority to provide resources to renovate and expand Abingdon Elementary School.

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## **Required Supplementary Information**

Note to Required Supplementary Information:

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

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General Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
General property taxes	\$ 27,631,805	\$ 27,631,805	\$ 27,371,520	\$ (260,285)
Other local taxes	10,197,168	10,197,168	10,356,066	158,898
Permits, privilege fees, and regulatory licenses	398,510	398,510	561,291	162,781
Fines and forfeitures	130,000	130,000	90,068	(39,932)
Revenue from the use of money and property	795,100	795,100	1,064,841	269,741
Charges for services	1,004,526	1,004,526	998,385	(6,141)
Miscellaneous	310,377	368,851	571,610	202,759
Recovered costs	332,249	354,429	242,889	(111,540)
Intergovernmental revenues:				
Commonwealth	7,195,429	7,214,054	7,493,344	279,290
Federal	280,150	399,114	446,363	47,249
Total revenues	<u>\$ 48,275,314</u>	<u>\$ 48,493,557</u>	<u>\$ 49,196,377</u>	<u>\$ 702,820</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	4,485,211	4,518,911	4,292,566	226,345
Judicial administration	1,446,654	1,453,344	1,311,561	141,783
Public safety	10,156,029	10,318,513	10,124,699	193,814
Public works	1,769,909	1,809,909	1,717,936	91,973
Health and welfare	532,335	543,722	538,953	4,769
Education	20,441,283	20,615,282	20,123,728	491,554
Parks, recreation, and cultural	1,846,669	1,956,704	1,879,698	77,006
Community development	988,263	1,015,930	908,769	107,161
Nondepartmental	242,300	242,300	242,300	-
Total expenditures	<u>\$ 41,908,653</u>	<u>\$ 42,474,615</u>	<u>\$ 41,140,210</u>	<u>\$ 1,334,405</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,366,661</u>	<u>\$ 6,018,942</u>	<u>\$ 8,056,167</u>	<u>\$ 2,037,225</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>\$ (7,320,954)</u>	<u>\$ (11,226,167)</u>	<u>\$ (11,071,364)</u>	<u>\$ 154,803</u>
Total other financing sources and uses	<u>\$ (7,320,954)</u>	<u>\$ (11,226,167)</u>	<u>\$ (11,071,364)</u>	<u>\$ 154,803</u>
Net change in fund balances	\$ (954,293)	\$ (5,207,225)	\$ (3,015,197)	\$ 2,192,028
Fund balances - beginning	<u>954,293</u>	<u>5,207,225</u>	<u>16,510,054</u>	<u>11,302,829</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,494,857</u>	<u>\$ 13,494,857</u>

Schedule of Pension Funding Progress  
For the Year Ended June 30, 2007

**Primary Government:  
County Retirement Plan:**

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2) (3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4) (6)</b>
6/30/2006	\$ 27,113,595	\$ 29,885,627	\$ 2,772,032	90.72%	\$ 10,880,883	25.48%
6/30/2005	24,961,333	29,212,017	4,250,684	85.45%	10,087,289	42.14%
6/30/2004	23,804,086	25,304,942	1,500,856	94.07%	9,534,011	15.74%

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

<b>Valuation Date</b>	<b>Actuarial Value of Assets (AVA)</b>	<b>Actuarial Liability (AAL)</b>	<b>Unfunded (Excess Funded) Actuarial Accrued Liability</b>	<b>Funded Ratio (2) (3)</b>	<b>Annual Covered Payroll</b>	<b>UAAL as % of Payroll (4) (6)</b>
6/30/2006	\$ 9,204,914	\$ 10,721,286	\$ 1,516,372	85.86%	\$ 3,976,011	38.14%
6/30/2005	8,491,998	10,207,856	1,715,858	83.19%	4,055,720	42.31%
6/30/2004	8,101,614	8,335,831	234,217	97.19%	3,647,401	6.42%

**OTHER SUPPLEMENTARY INFORMATION**

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Debt Service Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 2,876	\$ 2,876
Miscellaneous	-	-	97,895	97,895
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,771</u>	<u>\$ 100,771</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal retirement	\$ 2,125,399	\$ 2,125,399	\$ 2,125,399	\$ -
Interest and other fiscal charges	1,457,506	1,457,506	1,430,257	27,249
Total expenditures	<u>\$ 3,582,905</u>	<u>\$ 3,582,905</u>	<u>\$ 3,555,656</u>	<u>\$ 27,249</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,582,905)</u>	<u>\$ (3,582,905)</u>	<u>\$ (3,454,885)</u>	<u>\$ 128,020</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 3,582,905	\$ 3,582,905	\$ 3,380,570	\$ (202,335)
Total other financing sources and uses	<u>\$ 3,582,905</u>	<u>\$ 3,582,905</u>	<u>\$ 3,380,570</u>	<u>\$ (202,335)</u>
Net change in fund balances	\$ -	\$ -	\$ (74,315)	\$ (74,315)
Fund balances - beginning	-	-	75,116	75,116
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801</u>	<u>\$ 801</u>

Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 4,000	\$ 4,000	\$ 5,826	\$ 1,826
Miscellaneous	100,000	104,096	30,864	(73,232)
Intergovernmental revenues:				
Commonwealth	1,001,983	1,001,983	483,772	(518,211)
Federal	1,796,000	2,319,604	585,551	(1,734,053)
Total revenues	<u>\$ 2,901,983</u>	<u>\$ 3,429,683</u>	<u>\$ 1,106,013</u>	<u>\$ (2,323,670)</u>
<b>EXPENDITURES</b>				
Capital projects	\$ 16,553,760	\$ 30,501,673	\$ 4,333,807	\$ 26,167,866
Total expenditures	<u>\$ 16,553,760</u>	<u>\$ 30,501,673</u>	<u>\$ 4,333,807</u>	<u>\$ 26,167,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (13,651,777)</u>	<u>\$ (27,071,990)</u>	<u>\$ (3,227,794)</u>	<u>\$ 23,844,196</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,694,017	\$ 2,199,230	\$ 5,984,376	\$ 3,785,146
Issuance of bonds	10,854,520	22,099,520	-	(22,099,520)
Total other financing sources and uses	<u>\$ 12,548,537</u>	<u>\$ 24,298,750</u>	<u>\$ 5,984,376</u>	<u>\$ (18,314,374)</u>
Net change in fund balances	\$ (1,103,240)	\$ (2,773,240)	\$ 2,756,582	\$ 5,529,822
Fund balances - beginning	1,103,240	2,773,240	3,847,743	1,074,503
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,604,325</u>	<u>\$ 6,604,325</u>

School Construction Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ -	\$ -	\$ 222,656	\$ 222,656
Total revenues	\$ -	\$ -	\$ 222,656	\$ 222,656
<b>EXPENDITURES</b>				
Capital projects	\$ -	\$ 1,500,000	\$ 757,681	\$ 742,319
Total expenditures	\$ -	\$ 1,500,000	\$ 757,681	\$ 742,319
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (1,500,000)	\$ (535,025)	\$ 964,975
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general obligation bonds	\$ -	\$ 1,500,000	\$ 6,505,000	\$ 5,005,000
Proceeds from bond issuance premium	-	-	162,022	162,022
Total other financing sources and uses	\$ -	\$ 1,500,000	\$ 6,667,022	\$ 5,167,022
Net change in fund balances	\$ -	\$ -	\$ 6,131,997	\$ 6,131,997
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 6,131,997	\$ 6,131,997

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 June 30, 2007

	<b>Virginia Public Assistance Fund</b>	<b>Comprehensive Services Act Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 26,954	\$ 25,073	\$ 52,027
Due from other governmental units	243,376	54,707	298,083
Total assets	<u>\$ 270,330</u>	<u>\$ 79,780</u>	<u>\$ 350,110</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 45,958	\$ 45,958
Due to other funds	270,330	33,822	304,152
Total liabilities	<u>\$ 270,330</u>	<u>\$ 79,780</u>	<u>\$ 350,110</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ -	\$ -	\$ -
Total fund balances	\$ -	\$ -	\$ -
Total liabilities and fund balances	<u>\$ 270,330</u>	<u>\$ 79,780</u>	<u>\$ 350,110</u>

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007

	<b>Virginia Public Assistance Fund</b>	<b>Comprehensive Services Act Fund</b>	<b>Revenue Maximization Fund</b>	<b>Total</b>
<b>REVENUES</b>				
Miscellaneous	\$ 5,392	\$ 14,195	\$ -	\$ 19,587
Intergovernmental revenues:				
Commonwealth	638,130	206,838	-	844,968
Federal	1,623,236	23,140	-	1,646,376
Total revenues	<u>\$ 2,266,758</u>	<u>\$ 244,173</u>	<u>\$ -</u>	<u>\$ 2,510,931</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 2,801,623	\$ 515,726	\$ 63,974	\$ 3,381,323
Total expenditures	<u>\$ 2,801,623</u>	<u>\$ 515,726</u>	<u>\$ 63,974</u>	<u>\$ 3,381,323</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (534,865)</u>	<u>\$ (271,553)</u>	<u>\$ (63,974)</u>	<u>\$ (870,392)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 534,865	\$ 271,553	\$ -	\$ 806,418
Total other financing sources and uses	<u>\$ 534,865</u>	<u>\$ 271,553</u>	<u>\$ -</u>	<u>\$ 806,418</u>
Net change in fund balances	\$ -	\$ -	\$ (63,974)	\$ (63,974)
Fund balances - beginning	-	-	63,974	63,974
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Funds  
 For the Year Ended June 30, 2007

	<b>Virginia Public Assistance Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Miscellaneous	\$ 10,000	\$ 10,000	\$ 5,392	\$ (4,608)
Intergovernmental revenues:				
Commonwealth	562,891	562,891	638,130	75,239
Federal	1,583,084	1,583,084	1,623,236	40,152
Total revenues	<u>\$ 2,155,975</u>	<u>\$ 2,155,975</u>	<u>\$ 2,266,758</u>	<u>\$ 110,783</u>
<b>EXPENDITURES</b>				
Current:				
Health and welfare	\$ 2,944,293	\$ 2,944,293	\$ 2,801,623	\$ 142,670
Total expenditures	<u>\$ 2,944,293</u>	<u>\$ 2,944,293</u>	<u>\$ 2,801,623</u>	<u>\$ 142,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (788,318)</u>	<u>\$ (788,318)</u>	<u>\$ (534,865)</u>	<u>\$ 253,453</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 788,318	\$ 788,318	\$ 534,865	\$ (253,453)
Total other financing sources and uses	<u>\$ 788,318</u>	<u>\$ 788,318</u>	<u>\$ 534,865</u>	<u>\$ (253,453)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Comprehensive Services Act Fund				Revenue Maximization Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 4,000	\$ 4,000	\$ 14,195	\$ 10,195	\$ -	\$ -	\$ -	\$ -
370,286	370,286	206,838	(163,448)	-	-	-	-
30,000	30,000	23,140	(6,860)	-	-	-	-
<u>\$ 404,286</u>	<u>\$ 404,286</u>	<u>\$ 244,173</u>	<u>\$ (160,113)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 760,000	\$ 760,000	\$ 515,726	\$ 244,274	\$ 63,974	\$ 63,974	\$ 63,974	\$ -
<u>\$ 760,000</u>	<u>\$ 760,000</u>	<u>\$ 515,726</u>	<u>\$ 244,274</u>	<u>\$ 63,974</u>	<u>\$ 63,974</u>	<u>\$ 63,974</u>	<u>\$ -</u>
\$ (355,714)	\$ (355,714)	\$ (271,553)	\$ 84,161	\$ (63,974)	\$ (63,974)	\$ (63,974)	\$ -
\$ 355,714	\$ 355,714	\$ 271,553	\$ (84,161)	\$ 63,974	\$ 63,974	\$ -	\$ (63,974)
<u>\$ 355,714</u>	<u>\$ 355,714</u>	<u>\$ 271,553</u>	<u>\$ (84,161)</u>	<u>\$ 63,974</u>	<u>\$ 63,974</u>	<u>\$ -</u>	<u>\$ (63,974)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (63,974)	\$ (63,974)
-	-	-	-	-	-	63,974	63,974
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2007

	<b>Agency Funds</b>				
	<b>Special Welfare</b>	<b>Flexible Benefits</b>	<b>Middle Peninsula Regional Special Education</b>	<b>Jail Inmate</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,674	\$ 71,944	\$ 18,976	\$ 26,796	\$ 145,390
Other receivables	-	-	196	-	196
Total assets	<u>\$ 27,674</u>	<u>\$ 71,944</u>	<u>\$ 19,172</u>	<u>\$ 26,796</u>	<u>\$ 145,586</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 6,832	\$ 21	\$ -	\$ 6,853
Amounts held for social services clients	27,674	-	-	-	27,674
Amounts held for others	-	65,112	-	26,796	91,908
Amounts held for regional program	-	-	19,151	-	19,151
Total liabilities	<u>\$ 27,674</u>	<u>\$ 71,944</u>	<u>\$ 19,172</u>	<u>\$ 26,796</u>	<u>\$ 145,586</u>

Fiduciary Funds  
 Statement of Changes in Assets and Liabilities - Agency Funds  
 Year Ended June 30, 2007

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
<b>Special Welfare Fund:</b>				
Assets:				
Cash	\$ 11,394	\$ 54,962	\$ 38,682	\$ 27,674
Liabilities:				
Amounts held for others	\$ 11,394	\$ 54,962	\$ 38,682	\$ 27,674
<b>Middle Peninsula Regional Special Education Program Fund:</b>				
Assets:				
Cash	\$ 14,519	\$ 543,926	\$ 539,469	\$ 18,976
Due from other governmental units	22,711	-	22,711	-
Accounts receivable	6,415	196	6,415	196
Total assets	<u>\$ 43,645</u>	<u>\$ 544,122</u>	<u>\$ 568,595</u>	<u>\$ 19,172</u>
Liabilities:				
Accounts payable	\$ 26,448	\$ 21	\$ 26,448	\$ 21
Amounts held for regional program	17,197	544,101	542,147	19,151
Total liabilities	<u>\$ 43,645</u>	<u>\$ 544,122</u>	<u>\$ 568,595</u>	<u>\$ 19,172</u>
<b>Flexible Benefits Fund:</b>				
Assets:				
Cash	\$ 75,159	\$ 263,771	\$ 266,986	\$ 71,944
Liabilities:				
Accounts payable	\$ 7,335	\$ 6,832	\$ 7,335	\$ 6,832
Amounts held for others	67,824	256,939	259,651	65,112
Total liabilities	<u>\$ 75,159</u>	<u>\$ 263,771</u>	<u>\$ 266,986</u>	<u>\$ 71,944</u>
<b>Jail Fund:</b>				
Assets:				
Cash	\$ 26,976	\$ 111,364	\$ 111,544	\$ 26,796
Liabilities:				
Amounts held for others	\$ 26,976	\$ 111,364	\$ 111,544	\$ 26,796
<b>Totals -- All Agency Funds</b>				
Assets:				
Cash	\$ 128,048	\$ 974,023	\$ 956,681	\$ 145,390
Accounts receivable	6,415	196	6,415	196
Due from other governmental units	22,711	-	22,711	-
Total assets	<u>\$ 157,174</u>	<u>\$ 974,219</u>	<u>\$ 985,807</u>	<u>\$ 145,586</u>
Liabilities:				
Accounts payable	\$ 33,783	\$ 6,853	\$ 33,783	\$ 6,853
Amounts held for regional program	17,197	544,101	542,147	19,151
Amounts held for others	106,194	423,265	409,877	119,582
Total liabilities	<u>\$ 157,174</u>	<u>\$ 974,219</u>	<u>\$ 985,807</u>	<u>\$ 145,586</u>

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Capital Assets by Source  
 June 30, 2007

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Governmental funds capital assets:	
Land	\$ 4,720,875
Buildings	15,306,862
Improvements other than buildings	40,400
Machinery and equipment	5,637,027
Jointly owned assets	25,813,906
Construction in progress	<u>1,822,318</u>
Total governmental funds capital assets	<u>\$ 53,341,388</u>
Investments in governmental funds capital assets by source:	
General fund	\$ 11,967,588
Special revenue funds	171,410
Capital projects fund	15,388,484
Component unit, school fund	<u>25,813,906</u>
Total governmental funds capital assets	<u>\$ 53,341,388</u>

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

Capital Assets Used in the Operation of Governmental Funds  
 Schedule by Function and Activity  
 June 30, 2007

Function and Activity	Land	Buildings	Construction in Progress	Machinery and Equipment	Improvements other than Buildings	Total
General government administration:						
Board of supervisors	\$ 4,451,575	\$ 1,609,606	\$ -	\$ -	33,700	\$ 6,094,881
County administrator	-	-	-	20,938	-	20,938
Commissioner of revenue	-	-	-	59,631	-	59,631
Assessor	-	-	-	47,425	-	47,425
Central accounting	-	-	-	41,768	-	41,768
Department of information technology	-	326,600	-	678,846	-	1,005,446
Total general government administration	<u>\$ 4,451,575</u>	<u>\$ 1,936,206</u>	<u>\$ -</u>	<u>\$ 848,608</u>	<u>\$ 33,700</u>	<u>\$ 7,270,089</u>
Judicial administration:						
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ -	\$ -	\$ 7,237,000
General district court	-	-	-	9,494	-	9,494
Juvenile and domestic relations district court	-	-	-	17,396	-	17,396
Clerk of circuit court	-	-	-	161,390	-	161,390
Commonwealth's attorney	-	-	-	23,048	-	23,048
Total judicial administration	<u>\$ -</u>	<u>\$ 7,237,000</u>	<u>\$ -</u>	<u>\$ 211,328</u>	<u>\$ -</u>	<u>\$ 7,448,328</u>
Public safety:						
Sheriff	\$ -	\$ 2,138,675	\$ -	\$ 2,451,678	\$ -	\$ 4,590,353
Emergency 911 system	-	-	-	35,286	-	35,286
Emergency services	-	11,524	293,533	175,210	-	480,267
Jail	-	-	620,893	160,274	-	781,167
Codes compliance	-	61,784	-	167,005	-	228,789
Animal control	-	421,384	-	68,195	-	489,579
Total public safety	<u>\$ -</u>	<u>\$ 2,633,367</u>	<u>\$ 914,426</u>	<u>\$ 3,057,648</u>	<u>\$ -</u>	<u>\$ 6,605,441</u>
Public works:						
Engineering	\$ -	\$ 12,230	\$ -	\$ 208,431	\$ -	\$ 220,661
Building and grounds	-	166,991	-	627,455	6,700	801,146
Total public works	<u>\$ -</u>	<u>\$ 179,221</u>	<u>\$ -</u>	<u>\$ 835,886</u>	<u>\$ 6,700</u>	<u>\$ 1,021,807</u>
Education:						
Schools	\$ -	\$ 23,762,256	853,207	\$ 2,051,650	\$ -	\$ 26,667,113
Community education	-	1,556,351	-	58,118	-	1,614,469
Total education	<u>\$ -</u>	<u>\$ 25,318,607</u>	<u>\$ 853,207</u>	<u>\$ 2,109,768</u>	<u>\$ -</u>	<u>\$ 28,281,582</u>
Health and welfare:						
Mosquito control	\$ -	\$ -	\$ -	\$ 54,279	\$ -	\$ 54,279
Health department	-	221,724	-	-	-	221,724
Social services	-	758,240	-	148,255	-	906,495
Total health and welfare	<u>\$ -</u>	<u>\$ 979,964</u>	<u>\$ -</u>	<u>\$ 202,534</u>	<u>\$ -</u>	<u>\$ 1,182,498</u>
Parks, recreation, and cultural:						
Recreation	\$ 269,300	\$ 342,228	54,685	\$ 200,964	\$ -	\$ 867,177
Beaverdam	-	171,458	-	5,685	-	177,143
Historical committee	-	157,783	-	9,588	-	167,371
Public library	-	-	-	178,244	-	178,244
Total parks, recreation, and cultural	<u>\$ 269,300</u>	<u>\$ 671,469</u>	<u>\$ 54,685</u>	<u>\$ 394,481</u>	<u>\$ -</u>	<u>\$ 1,389,935</u>
Community development:						
Planning	\$ -	\$ 61,784	\$ -	\$ 19,142	\$ -	\$ 80,926
Economic development	-	-	-	9,282	-	9,282
VPI extension program	-	51,500	-	-	-	51,500
Total community development	<u>\$ -</u>	<u>\$ 113,284</u>	<u>\$ -</u>	<u>\$ 28,424</u>	<u>\$ -</u>	<u>\$ 141,708</u>
<b>Total governmental funds capital assets</b>	<u><b>\$ 4,720,875</b></u>	<u><b>\$ 39,069,118</b></u>	<u><b>\$ 1,822,318</b></u>	<u><b>\$ 7,688,677</b></u>	<u><b>\$ 40,400</b></u>	<u><b>\$ 53,341,388</b></u>

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

Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 For the Year Ended June 30, 2007

Function and Activity	Governmental Funds Capital Assets July 1, 2006	Additions	Deductions	Governmental Funds Capital Assets June 30, 2007
General government administration:				
Board of supervisors	\$ 5,476,864	\$ 623,413	\$ (5,395)	\$ 6,094,882
County administrator	20,938	-	-	20,938
Commissioner of revenue	59,631	-	-	59,631
Assessor	49,886	23,954	(26,415)	47,425
Central accounting	17,769	23,999	-	41,768
Department of information technology	1,005,446	-	-	1,005,446
Total general government administration	\$ 6,630,534	\$ 671,366	\$ (31,810)	\$ 7,270,090
Judicial administration:				
Circuit court	\$ 7,237,000	\$ -	\$ -	\$ 7,237,000
General district court	9,494	-	-	9,494
Juvenile and domestic relations district court	17,396	-	-	17,396
Clerk of the circuit court	161,390	-	-	161,390
Commonwealth's Attorney	23,048	-	-	23,048
Total judicial administration	\$ 7,448,328	\$ -	\$ -	\$ 7,448,328
Public safety:				
Sheriff	\$ 4,390,704	\$ 325,424	\$ (125,775)	\$ 4,590,353
911 system	35,286	-	-	35,286
Emergency services	125,008	355,259	-	480,267
Jail	136,260	644,907	-	781,167
Building inspections	228,789	-	-	228,789
Animal control	489,579	-	-	489,579
Total public safety	\$ 5,405,626	\$ 1,325,590	\$ (125,775)	\$ 6,605,441
Public works:				
Engineering	\$ 209,133	\$ 11,529	\$ -	\$ 220,662
Buildings and grounds	713,880	142,381	(55,116)	801,145
Total public works	\$ 923,013	\$ 153,910	\$ (55,116)	\$ 1,021,807
Education:				
Schools	\$ 27,331,429	\$ 1,492,773	\$ (2,157,089)	\$ 26,667,113
Community education	1,572,833	51,224	(9,588)	1,614,469
Total education	\$ 28,904,262	\$ 1,543,997	\$ (2,166,677)	\$ 28,281,582
Health and welfare:				
Mosquito control	\$ 99,165	\$ -	\$ (44,887)	\$ 54,278
Health department	221,724	-	-	221,724
Social services	909,795	20,202	(23,502)	906,495
Total health and welfare	\$ 1,230,684	\$ 20,202	\$ (68,389)	\$ 1,182,497
Parks, recreation, and cultural:				
Recreation	\$ 781,415	\$ 105,253	\$ (19,491)	\$ 867,177
Beaverdam	177,143	-	-	177,143
Historical committee	157,783	9,588	-	167,371
Public library	178,244	-	-	178,244
Total parks, recreation, and cultural	\$ 1,294,585	\$ 114,841	\$ (19,491)	\$ 1,389,935
Community development:				
Community development	\$ 80,926	\$ -	\$ -	\$ 80,926
Economic development	9,282	-	-	9,282
VPI extension program	51,500	-	-	51,500
Total community development	\$ 141,708	\$ -	\$ -	\$ 141,708
Total governmental funds capital assets	\$ 51,978,740	\$ 3,829,906	\$ (2,467,258)	\$ 53,341,388

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

**Discretely Presented Component Unit-School Board**

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Combining Balance Sheet  
 Discretely Presented Component Unit - School Board  
 June 30, 2007

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 545,438	\$ 545,438
Receivables (net of allowance for uncollectibles):			
Accounts receivable	5,525	-	5,525
Due from other governmental units	4,889,776	-	4,889,776
Inventories	-	17,246	17,246
Prepaid items	427,916	-	427,916
Total assets	<u>\$ 5,323,217</u>	<u>\$ 562,684</u>	<u>\$ 5,885,901</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 478,244	\$ 65,188	\$ 543,432
Accrued liabilities	4,844,973	133,518	4,978,491
Due to other governmental units	-	150,000	150,000
Total liabilities	<u>\$ 5,323,217</u>	<u>\$ 348,706</u>	<u>\$ 5,671,923</u>
Fund balances:			
Reserved for:			
Inventories	\$ -	\$ 17,246	\$ 17,246
Prepaid items	-	-	-
Unreserved:			
Undesignated	-	196,732	196,732
Total fund balances	<u>\$ -</u>	<u>\$ 213,978</u>	<u>\$ 213,978</u>
Total liabilities and fund balances	<u>\$ 5,323,217</u>	<u>\$ 562,684</u>	<u>\$ 5,885,901</u>

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

Total fund balances per above \$ 213,978

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 21,269,034

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 22,490

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,797,882)

Net assets of governmental activities \$ 19,707,620

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2007

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Revenue from the use of money and property	\$ 2,000	\$ 20,296	\$ 22,296
Charges for services	69,127	1,373,038	1,442,165
Miscellaneous	55,418	10,490	65,908
Recovered costs	190,217	-	190,217
Intergovernmental revenues:			
Local government	19,486,786	-	19,486,786
Commonwealth	31,806,361	25,846	31,832,207
Federal	2,550,280	678,817	3,229,097
Total revenues	<u>\$ 54,160,189</u>	<u>\$ 2,108,487</u>	<u>\$ 56,268,676</u>
<b>EXPENDITURES</b>			
Current:			
Education	\$ 54,160,189	\$ 2,085,786	\$ 56,245,975
Total expenditures	<u>\$ 54,160,189</u>	<u>\$ 2,085,786</u>	<u>\$ 56,245,975</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 22,701</u>	<u>\$ 22,701</u>
Net change in fund balances	\$ -	\$ 22,701	\$ 22,701
Fund balances - beginning	-	191,277	191,277
Fund balances - ending	<u>\$ -</u>	<u>\$ 213,978</u>	<u>\$ 213,978</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 \$ 22,701

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. 1,272,525

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (20,299)

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. 10,491

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. (576,396)

Change in net assets of governmental activities \$ 709,022

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2007

	<b>School Operating Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ 2,000	\$ 500
Charges for services	89,300	89,300	69,127	(20,173)
Miscellaneous	19,500	19,500	55,418	35,918
Recovered costs	232,000	232,000	190,217	(41,783)
Intergovernmental revenues:				
Local government	19,877,656	19,877,656	19,486,786	(390,870)
Commonwealth	32,435,682	32,435,682	31,806,361	(629,321)
Federal	2,930,382	2,930,382	2,550,280	(380,102)
Total revenues	<u>\$ 55,586,020</u>	<u>\$ 55,586,020</u>	<u>\$ 54,160,189</u>	<u>\$ (1,425,831)</u>
<b>EXPENDITURES</b>				
Current:				
Education	\$ 55,586,020	\$ 55,586,020	\$ 54,160,189	\$ 1,425,831
Total expenditures	<u>\$ 55,586,020</u>	<u>\$ 55,586,020</u>	<u>\$ 54,160,189</u>	<u>\$ 1,425,831</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of Fiduciary Net Assets  
 Fiduciary Fund - Discretely Presented Component Unit School Board  
 June 30, 2007

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	<b>Scholarship Private-Purpose Trust</b>
	<u>                    </u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 230,694
Other receivables	83
Total assets	<u>\$ 230,777</u>
<b>NET ASSETS</b>	
Held in trust for scholarships	<u>\$ 230,777</u>

Statement of Changes in Fiduciary Net Assets  
 Fiduciary Funds - Discretely Presented Component Unit School Board  
 For the Year Ended June 30, 2007

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	<b>Scholarship Private-Purpose Trust</b>
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions:	
Private donations	\$ 12,941
Total contributions	<u>\$ 12,941</u>
Investment earnings:	
Interest	\$ 11,509
Total investment earnings	<u>\$ 11,509</u>
Less investment expense	<u>-</u>
Net investment earnings	<u>\$ 11,509</u>
Total additions	<u>\$ 24,450</u>
<b>DEDUCTIONS</b>	
Scholarships	\$ 13,065
Total deductions	<u>\$ 13,065</u>
Change in net assets	\$ 11,385
Net assets - beginning	<u>219,392</u>
Net assets - ending	<u><u>\$ 230,777</u></u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2007

	<b>School Cafeteria Fund</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Revenue from the use of money and property	\$ 10,000	\$ 10,000	\$ 20,296	\$ 10,296
Charges for services	1,448,720	1,448,720	1,373,038	(75,682)
Miscellaneous	33,000	33,000	10,490	(22,510)
Intergovernmental revenues:				
Commonwealth	29,000	29,000	25,846	(3,154)
Federal	595,420	595,420	678,817	83,397
Total revenues	<u>\$ 2,116,140</u>	<u>\$ 2,116,140</u>	<u>\$ 2,108,487</u>	<u>\$ (7,653)</u>
<b>EXPENDITURES</b>				
Current:				
Education	<u>\$ 2,141,140</u>	<u>\$ 2,141,140</u>	<u>\$ 2,085,786</u>	<u>\$ 55,354</u>
Total expenditures	<u>\$ 2,141,140</u>	<u>\$ 2,141,140</u>	<u>\$ 2,085,786</u>	<u>\$ 55,354</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 22,701</u>	<u>\$ 47,701</u>
Net change in fund balances	\$ (25,000)	\$ (25,000)	\$ 22,701	\$ 47,701
Fund balances - beginning	25,000	25,000	191,277	166,277
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,978</u>	<u>\$ 213,978</u>

Statement of Net Assets  
 Internal Service Fund - Discretely Presented Component Unit - School Board  
 June 30, 2007

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	<b>Self- Insurance Fund</b>
	<u>                    </u>
<b>ASSETS</b>	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 559,613
Total assets	<u>\$ 559,613</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 537,123
Total liabilities	<u>\$ 537,123</u>
<b>NET ASSETS</b>	
Unrestricted	\$ 22,490
Total net assets	<u><u>\$ 22,490</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Internal Service Fund - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2007

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	<b>Self- Insurance Fund</b>
	<u>                    </u>
<b>OPERATING REVENUES</b>	
Charges for services:	
Insurance premiums	\$ 4,955,784
Total operating revenues	<u>\$ 4,955,784</u>
<b>OPERATING EXPENSES</b>	
Insurance claims and expenses	\$ 5,538,217
Total operating expenses	<u>\$ 5,538,217</u>
Operating income (loss)	<u>\$ (582,433)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	\$ 6,037
Total nonoperating revenues (expenses)	<u>\$ 6,037</u>
Change in net assets	<u>\$ (576,396)</u>
Total net assets - beginning	<u>\$ 598,886</u>
Total net assets - ending	<u><u>\$ 22,490</u></u>

Statement of Cash Flows  
 Internal Service Fund - Discretely Presented Component Unit - School Board  
 For the Year Ended June 30, 2007

	<u>Self- Insurance Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts for insurance premiums	\$ 5,411,827
Payments for premiums	<u>(5,417,864)</u>
Net cash provided (used) by operating activities	<u>\$ (6,037)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends received	<u>6,037</u>
Net cash provided (used) by investing activities	<u>\$ 6,037</u>
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents - beginning	\$ <u>-</u>
Cash and cash equivalents - ending	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	<u>\$ (582,433)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ 456,043
Increase (decrease) in accounts payable	<u>120,353</u>
Total adjustments	<u>\$ 576,396</u>
Net cash provided (used) by operating activities	<u>\$ (6,037)</u>
Noncash investing, capital, and financing activities:	
Increase in fair value of investments	<u>\$ -</u>

Capital Assets Used in the Operation of Governmental Funds-  
 Discretely Presented Component Unit-School Board  
 Schedule of Capital Assets by Source  
 June 30, 2007

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Governmental funds capital assets:

Land	\$ 1,476,061
Jointly owned assets	25,440,182
Machinery and equipment	7,988,653
Total governmental funds capital assets	<u>\$ 34,904,896</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	\$ 34,904,896
Total governmental funds capital assets	<u>\$ 34,904,896</u>

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

Capital Assets Used in the Operation of Governmental Funds-  
 Discretely Presented Component Unit-School Board  
 Schedule by Function and Activity  
 June 30, 2007

<u>Function and Activity</u>	<u>Land</u>	<u>Jointly Owned Assets</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Education:				
Schools	\$ 1,476,061	\$ 25,440,182	\$ 7,988,653	\$ 34,904,896
Total governmental funds capital assets	<u>\$ 1,476,061</u>	<u>\$ 25,440,182</u>	<u>\$ 7,988,653</u>	<u>\$ 34,904,896</u>

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

Capital Assets Used in the Operation of Governmental Funds-  
 Discretely Presented Component Unit-School Board  
 Schedule of Changes By Function and Activity  
 For the Year Ended June 30, 2007

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
Education:				
Schools	\$ 32,354,472	\$ 3,026,595	\$ (476,171)	\$ 34,904,896
Total governmental funds capital assets	<u>\$ 32,354,472</u>	<u>\$ 3,026,595</u>	<u>\$ (476,171)</u>	<u>\$ 34,904,896</u>

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

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

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Statement of Net Assets  
 Discretely Presented Component Unit - Economic Development Authority  
 June 30, 2007

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**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 911,493
Inventories	1,746,161
Total current assets	<u>\$ 2,657,654</u>
Noncurrent assets:	
Other assets:	
Unamortized bond issue costs	\$ 70,191
Capital assets:	
Land	473,735
Buildings	4,537,831
Machinery and equipment	7,234
Less accumulated depreciation	(1,822,366)
Total capital assets	<u>\$ 3,196,434</u>
Total noncurrent assets	<u>\$ 3,266,625</u>
Total assets	<u>\$ 5,924,279</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 41,974
Customers' deposits	1,000
Due to other governmental units	458,909
Unearned revenue	26,800
Bonds payable - current portion	89,061
Total current liabilities	<u>\$ 617,744</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 4,175,254
Total noncurrent liabilities	<u>\$ 4,175,254</u>
Total liabilities	<u>\$ 4,792,998</u>

**NET ASSETS**

Invested in capital assets, net of related debt and debt service reserve	\$ 678,280
Unrestricted	453,001
Total net assets	<u>\$ 1,131,281</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets  
 Discretely Presented Component Unit - Economic Development Authority  
 For the Year Ended June 30, 2007

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**OPERATING REVENUES**

Charges for services:	
Rents	\$ 379,713
Contributions from local governments	62,441
Other revenues	12,343
Total operating revenues	<u>\$ 454,497</u>

**OPERATING EXPENSES**

Contractual services	\$ 31,940
Other charges	43,595
Automobile expense	7,005
Road and utility construction at business park	31,944
Depreciation	185,931
Total operating expenses	<u>\$ 300,415</u>
Operating income (loss)	<u>\$ 154,082</u>

**NONOPERATING REVENUES (EXPENSES)**

Interest earnings	\$ 38,389
Interest expense	<u>(213,728)</u>
Total nonoperating revenues (expenses)	<u>\$ (175,339)</u>
Change in net assets	\$ (21,257)
Total net assets - beginning	<u>1,152,538</u>
Total net assets - ending	<u><u>\$ 1,131,281</u></u>

Statement of Cash Flows  
 Discretely Presented Component Unit - Economic Development Authority  
 For the Year Ended June 30, 2007

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 374,103
Receipts for miscellaneous items	12,343
Receipts for local government contributions	62,441
Payments for operating activities	<u>(72,511)</u>
Net cash provided (used) by operating activities	<u>\$ 376,376</u>

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

Principal payments on bonds	\$ (4,277,219)
Proceeds from indebtedness	4,226,115
Interest payments	<u>(213,728)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (264,832)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest and dividends received	<u>\$ 38,389</u>
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Net increase (decrease) in cash and cash equivalents \$ 149,933

Cash and cash equivalents - beginning - including restricted 761,560

Cash and cash equivalents - ending - including restricted \$ 911,493

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

Operating income (loss)	<u>\$ 154,082</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 185,931
Increase (decrease) in customer deposits	1,000
Increase (decrease) in accounts payable and accrued liabilities	41,973
Increase (decrease) in unearned revenue	<u>(6,610)</u>
Total adjustments	<u>\$ 222,294</u>
Net cash provided (used) by operating activities	<u>\$ 376,376</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, 2007

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 20,896,024	\$ 20,896,024	\$ 21,165,933	\$ 269,909
Real and personal public service corporation taxes	710,236	710,236	543,155	(167,081)
Personal property taxes	5,385,175	5,385,175	5,197,731	(187,444)
Mobile home taxes	180,000	180,000	107,502	(72,498)
Penalties	328,788	328,788	236,043	(92,745)
Interest	131,582	131,582	121,156	(10,426)
Total general property taxes	<u>\$ 27,631,805</u>	<u>\$ 27,631,805</u>	<u>\$ 27,371,520</u>	<u>\$ (260,285)</u>
Other local taxes:				
Local sales and use taxes	\$ 3,990,981	\$ 3,990,981	\$ 3,913,265	\$ (77,716)
Communication sales tax	-	-	607,676	607,676
Consumers' utility taxes	1,787,890	1,787,890	1,217,097	(570,793)
Electric consumption taxes	128,195	128,195	124,286	(3,909)
E-911 telephone taxes	285,000	285,000	133,838	(151,162)
Business license taxes	1,502,102	1,502,102	1,518,015	15,913
Cable TV franchise tax	165,000	165,000	287,582	122,582
Bank stock taxes	150,000	150,000	180,334	30,334
Taxes on recordation and wills	615,000	615,000	695,673	80,673
Hotel and motel room taxes	84,000	84,000	102,064	18,064
Restaurant food taxes	1,489,000	1,489,000	1,576,236	87,236
Total other local taxes	<u>\$ 10,197,168</u>	<u>\$ 10,197,168</u>	<u>\$ 10,356,066</u>	<u>\$ 158,898</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 20,350	\$ 20,350	\$ 20,136	\$ (214)
Land use application fees	1,000	1,000	1,280	280
Transfer fees	1,560	1,560	1,441	(119)
Permits and other licenses	375,600	375,600	538,434	162,834
Total permits, privilege fees, and regulatory licenses	<u>\$ 398,510</u>	<u>\$ 398,510</u>	<u>\$ 561,291</u>	<u>\$ 162,781</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 120,000	\$ 120,000	\$ 88,898	\$ (31,102)
Parking fines	10,000	10,000	1,170	(8,830)
Total fines and forfeitures	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 90,068</u>	<u>\$ (39,932)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 612,100	\$ 612,100	\$ 884,124	\$ 272,024
Revenue from use of property	183,000	183,000	180,717	(2,283)
Total revenue from use of money and property	<u>\$ 795,100</u>	<u>\$ 795,100</u>	<u>\$ 1,064,841</u>	<u>\$ 269,741</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Charges for services:				
Excess fees of clerk	\$ 125,000	\$ 125,000	\$ 113,635	\$ (11,365)
Charges for law enforcement and traffic control	17,750	17,750	21,219	3,469
Charges for courthouse maintenance	15,100	15,100	14,870	(230)
Circuit court judge fees	33,000	33,000	32,164	(836)
Charges for courthouse security	28,000	28,000	27,864	(136)
Charges for probation	-	-	36,788	36,788
Charges for Commonwealth's Attorney	1,200	1,200	1,640	440
Charges for rental assistance	15,000	15,000	23,204	8,204
Miscellaneous dog fees	5,000	5,000	10,318	5,318
Charges for library	28,000	28,000	30,650	2,650
Charges for sanitation and waste removal	434,876	434,876	378,457	(56,419)
Charges for parks and recreation	246,500	246,500	250,894	4,394
Charges for community education	3,500	3,500	1,584	(1,916)
Charges for sale of publications and commemorative material	13,200	13,200	14,589	1,389
Charges for daffodil festival	37,900	37,900	39,612	1,712
Charges for sale of historical material	500	500	897	397
Total charges for services	<u>\$ 1,004,526</u>	<u>\$ 1,004,526</u>	<u>\$ 998,385</u>	<u>\$ (6,141)</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 310,377</u>	<u>\$ 368,851</u>	<u>\$ 571,610</u>	<u>\$ 202,759</u>
Total miscellaneous revenue	<u>\$ 310,377</u>	<u>\$ 368,851</u>	<u>\$ 571,610</u>	<u>\$ 202,759</u>
Recovered costs:				
Care of federal prisoners	\$ 20,000	\$ 20,000	\$ 7,744	\$ (12,256)
Recovered costs sheriff	217,392	217,392	185,447	(31,945)
Treasurer recovered costs	20,000	42,000	49,698	7,698
Probation & pretrial recovered costs	29,680	29,860	-	(29,860)
Federal recovered costs	37,677	37,677	-	(37,677)
Demolition recovered costs	7,500	7,500	-	(7,500)
Total recovered costs	<u>\$ 332,249</u>	<u>\$ 354,429</u>	<u>\$ 242,889</u>	<u>\$ (111,540)</u>
Total revenue from local sources	<u>\$ 40,799,735</u>	<u>\$ 40,880,389</u>	<u>\$ 41,256,670</u>	<u>\$ 376,281</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 20,390	\$ 20,390	\$ 40,778	\$ 20,388
Wine taxes	21,372	21,372	42,744	21,372
Motor vehicle carriers' tax	1,000	1,000	1,265	265
Mobile home titling tax	42,000	42,000	55,563	13,563
Motor vehicle rental tax	50,000	50,000	42,078	(7,922)
State recordation tax	115,237	115,237	140,378	25,141
Personal property tax relief funds	2,778,639	2,778,639	2,793,553	14,914
Total noncategorical aid	<u>\$ 3,028,638</u>	<u>\$ 3,028,638</u>	<u>\$ 3,116,359</u>	<u>\$ 87,721</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 298,300	\$ 298,300	\$ 316,070	\$ 17,770
Sheriff	2,552,665	2,552,665	2,648,968	96,303
Commissioner of revenue	124,000	124,000	142,274	18,274
Treasurer	130,000	130,000	155,688	25,688
Medical examiner	1,000	1,000	30	(970)
Registrar/electoral board	50,300	50,300	52,258	1,958
Clerk of the Circuit Court	250,000	250,000	240,646	(9,354)
Total shared expenses	<u>\$ 3,406,265</u>	<u>\$ 3,406,265</u>	<u>\$ 3,555,934</u>	<u>\$ 149,669</u>
Other categorical aid:				
Emergency medical services	\$ 32,000	\$ 32,000	\$ 30,985	\$ (1,015)
Litter control grant	6,341	6,341	7,904	1,563
E911 wireless grant	40,000	40,000	45,419	5,419
Library grant	142,628	151,053	151,141	88
Abandoned auto program	37,500	37,500	28,750	(8,750)
Virginia Housing grant	73,567	83,767	101,086	17,319
Probation & pretrial	293,880	293,880	293,666	(214)
Victim-witness grant	50,000	50,000	48,902	(1,098)
Other state funds	2,610	2,610	8,297	5,687
Fire programs	82,000	82,000	84,360	2,360
Disaster assistance	-	-	10,052	10,052
Asset forfeiture	-	-	10,489	10,489
Total other categorical aid	<u>\$ 760,526</u>	<u>\$ 779,151</u>	<u>\$ 821,051</u>	<u>\$ 41,900</u>
Total categorical aid	<u>\$ 4,166,791</u>	<u>\$ 4,185,416</u>	<u>\$ 4,376,985</u>	<u>\$ 191,569</u>
Total revenue from the Commonwealth	<u>\$ 7,195,429</u>	<u>\$ 7,214,054</u>	<u>\$ 7,493,344</u>	<u>\$ 279,290</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant				
V-stop prosecutor grant	\$ 21,500	\$ 21,500	\$ 17,533	\$ (3,967)
Disaster assistance	-	-	43,557	43,557
COP program grant	15,000	15,000	13,548	(1,452)
Domestic violence grant	210,613	210,613	235,040	24,427
State domestic preparedness grant	7,000	7,000	13,644	6,644
Other federal revenue	26,037	145,001	123,041	(21,960)
Total categorical aid	<u>\$ 280,150</u>	<u>\$ 399,114</u>	<u>\$ 446,363</u>	<u>\$ 47,249</u>
Total revenue from the federal government	<u>\$ 280,150</u>	<u>\$ 399,114</u>	<u>\$ 446,363</u>	<u>\$ 47,249</u>
Total General Fund	<u>\$ 48,275,314</u>	<u>\$ 48,493,557</u>	<u>\$ 49,196,377</u>	<u>\$ 702,820</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 10,000	\$ 10,000	\$ 5,392	\$ (4,608)
Total miscellaneous revenue	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 5,392</u>	<u>\$ (4,608)</u>
Total revenue from local sources	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 5,392</u>	<u>\$ (4,608)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 562,891	\$ 562,891	\$ 638,130	\$ 75,239
Total categorical aid	<u>\$ 562,891</u>	<u>\$ 562,891</u>	<u>\$ 638,130</u>	<u>\$ 75,239</u>
Total revenue from the Commonwealth	<u>\$ 562,891</u>	<u>\$ 562,891</u>	<u>\$ 638,130</u>	<u>\$ 75,239</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,583,084	\$ 1,583,084	\$ 1,623,236	\$ 40,152
Total categorical aid	<u>\$ 1,583,084</u>	<u>\$ 1,583,084</u>	<u>\$ 1,623,236</u>	<u>\$ 40,152</u>
Total revenue from the federal government	<u>\$ 1,583,084</u>	<u>\$ 1,583,084</u>	<u>\$ 1,623,236</u>	<u>\$ 40,152</u>
Total Virginia Public Assistance Fund	<u><u>\$ 2,155,975</u></u>	<u><u>\$ 2,155,975</u></u>	<u><u>\$ 2,266,758</u></u>	<u><u>\$ 110,783</u></u>
<b>Comprehensive Services Act Fund:</b>				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,000	\$ 4,000	\$ 14,195	\$ 10,195
Total miscellaneous revenue	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 14,195</u>	<u>\$ 10,195</u>
Total revenue from local sources	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 14,195</u>	<u>\$ 10,195</u>
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 364,286	\$ 364,286	\$ 202,210	\$ (162,076)
Public assistance and welfare administration	6,000	6,000	4,628	(1,372)
Total categorical aid	<u>\$ 370,286</u>	<u>\$ 370,286</u>	<u>\$ 206,838</u>	<u>\$ (163,448)</u>
Total revenue from the Commonwealth	<u>\$ 370,286</u>	<u>\$ 370,286</u>	<u>\$ 206,838</u>	<u>\$ (163,448)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 30,000	\$ 30,000	\$ 23,140	\$ (6,860)
Total categorical aid	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 23,140</u>	<u>\$ (6,860)</u>
Total revenue from the federal government	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 23,140</u>	<u>\$ (6,860)</u>
Total Comprehensive Services Act Fund	<u><u>\$ 404,286</u></u>	<u><u>\$ 404,286</u></u>	<u><u>\$ 244,173</u></u>	<u><u>\$ (160,113)</u></u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Debt Service Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 2,876	\$ 2,876
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,876</u>	<u>\$ 2,876</u>
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 97,895	\$ 97,895
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,895</u>	<u>\$ 97,895</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,771</u>	<u>\$ 100,771</u>
Total Debt Service Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,771</u>	<u>\$ 100,771</u>
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,000	\$ 4,000	\$ 5,826	\$ 1,826
Total revenue from use of money and property	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 5,826</u>	<u>\$ 1,826</u>
Miscellaneous revenue:				
Cash proffers	\$ -	\$ -	\$ 19,000	\$ 19,000
Other miscellaneous	100,000	104,096	11,864	(92,232)
Total miscellaneous revenue	<u>\$ 100,000</u>	<u>\$ 104,096</u>	<u>\$ 30,864</u>	<u>\$ (73,232)</u>
Total revenue from local sources	<u>\$ 104,000</u>	<u>\$ 108,096</u>	<u>\$ 36,690</u>	<u>\$ (71,406)</u>
Revenue from the Commonwealth:				
Categorical aid:				
School construction funds	\$ 181,983	\$ 181,983	\$ 182,690	\$ 707
Burn building grant	420,000	420,000	230,000	(190,000)
Acquisition/elevation grant	400,000	400,000	71,082	(328,918)
Total categorical aid	<u>\$ 1,001,983</u>	<u>\$ 1,001,983</u>	<u>\$ 483,772</u>	<u>\$ (518,211)</u>
Total revenue from the Commonwealth	<u>\$ 1,001,983</u>	<u>\$ 1,001,983</u>	<u>\$ 483,772</u>	<u>\$ (518,211)</u>
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ 296,000	\$ 509,604	\$ 172,291	\$ (337,313)
Acquisition/elevation grant	1,500,000	1,810,000	276,163	(1,533,837)
Community development block grant	-	-	137,097	137,097
Total categorical aid	<u>\$ 1,796,000</u>	<u>\$ 2,319,604</u>	<u>\$ 585,551</u>	<u>\$ (1,734,053)</u>
Total revenue from the federal government	<u>\$ 1,796,000</u>	<u>\$ 2,319,604</u>	<u>\$ 585,551</u>	<u>\$ (1,734,053)</u>
Total County Capital Improvements Fund	<u>\$ 2,901,983</u>	<u>\$ 3,429,683</u>	<u>\$ 1,106,013</u>	<u>\$ (2,323,670)</u>

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Funds: (Continued)</b>				
<b>School Construction Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 222,656	\$ 222,656
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,656</u>	<u>\$ 222,656</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,656</u>	<u>\$ 222,656</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,656</u>	<u>\$ 222,656</u>
Total Primary Government	<u>\$ 53,737,558</u>	<u>\$ 54,483,501</u>	<u>\$ 53,136,748</u>	<u>\$ (1,346,753)</u>
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,500	\$ 1,500	\$ 2,000	\$ 500
Total revenue from use of money and property	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 2,000</u>	<u>\$ 500</u>
Charges for services:				
Tuition and payments from other divisions	\$ 89,300	\$ 89,300	\$ 69,127	\$ (20,173)
Total charges for services	<u>\$ 89,300</u>	<u>\$ 89,300</u>	<u>\$ 69,127</u>	<u>\$ (20,173)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 19,500	\$ 19,500	\$ 55,418	\$ 35,918
Total miscellaneous revenue	<u>\$ 19,500</u>	<u>\$ 19,500</u>	<u>\$ 55,418</u>	<u>\$ 35,918</u>
Recovered costs:				
Medicaid reimbursements	\$ 110,000	\$ 110,000	\$ 78,716	\$ (31,284)
Other recovered costs	122,000	122,000	111,501	(10,499)
Total recovered costs	<u>\$ 232,000</u>	<u>\$ 232,000</u>	<u>\$ 190,217</u>	<u>\$ (41,783)</u>
Total revenue from local sources	<u>\$ 342,300</u>	<u>\$ 342,300</u>	<u>\$ 316,762</u>	<u>\$ (25,538)</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 19,877,656	\$ 19,877,656	\$ 19,486,786	\$ (390,870)
Total revenues from local governments	<u>\$ 19,877,656</u>	<u>\$ 19,877,656</u>	<u>\$ 19,486,786</u>	<u>\$ (390,870)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,612,261	\$ 6,612,261	\$ 6,130,906	\$ (481,355)
Basic school aid	17,748,023	17,748,023	17,720,153	(27,870)
ISAEF	15,717	15,717	15,717	-
Remedial summer education	111,963	111,963	97,658	(14,305)
Regular foster care	14,201	14,201	-	(14,201)
Adult secondary education	4,860	4,860	6,750	1,890
Gifted and talented	165,486	165,486	162,859	(2,627)

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 262,356	\$ 262,356	\$ 258,191	\$ (4,165)
Enrollment loss	-	-	106,115	106,115
English as a second language	-	-	9,248	9,248
Special education	1,473,230	1,473,230	1,449,839	(23,391)
Textbook payment	410,930	410,930	398,328	(12,602)
Vocational standards of quality payments	371,335	371,335	365,439	(5,896)
Social security fringe benefits	887,974	887,974	873,876	(14,098)
Retirement fringe benefits	1,134,185	1,134,185	1,108,233	(25,952)
Group life insurance fringe benefits	56,507	56,507	51,638	(4,869)
State lottery payments	939,759	939,759	920,787	(18,972)
Early reading intervention	53,170	53,170	33,002	(20,168)
JVG	25,000	25,000	25,000	-
Project graduation	-	-	4,884	4,884
Homebound education	20,553	20,553	39,353	18,800
Regional program tuition	434,994	434,994	505,800	70,806
Vocational educational equipment	73,579	73,579	69,530	(4,049)
Special education - foster children	33,137	33,137	16,115	(17,022)
Salary supplements	473,587	473,587	425,021	(48,566)
VI teacher	4,050	4,050	4,103	53
At risk payments	195,229	195,229	191,310	(3,919)
At risk four year olds	64,900	64,900	-	(64,900)
Industry credential student	-	-	5,611	5,611
Industrial based cert	95,000	95,000	60,157	(34,843)
Primary class size	412,791	412,791	409,486	(3,305)
Technology	284,000	284,000	284,000	-
Race to GED	-	-	13,200	13,200
Standards of Learning algebra readiness	41,321	41,321	39,487	(1,834)
Other state funds	10,984	10,984	83	(10,901)
Mentor teacher program	4,600	4,600	4,482	(118)
Total categorical aid	<u>\$ 32,435,682</u>	<u>\$ 32,435,682</u>	<u>\$ 31,806,361</u>	<u>\$ (629,321)</u>
Total revenue from the Commonwealth	<u>\$ 32,435,682</u>	<u>\$ 32,435,682</u>	<u>\$ 31,806,361</u>	<u>\$ (629,321)</u>

Revenue from the federal government:

Categorical aid:

Title V	\$ 12,961	\$ 12,961	\$ 14,370	\$ 1,409
Adult literacy	50,663	50,663	47,774	(2,889)
Title I	958,151	958,151	766,317	(191,834)
Title VI-B, special education flow-through	1,183,087	1,183,087	1,169,873	(13,214)
Vocational education	102,000	102,000	95,319	(6,681)
Workforce investment act	33,280	33,280	-	(33,280)
Title IID	19,000	19,000	9,679	(9,321)
Title II	263,312	263,312	259,719	(3,593)
Impact aid	70,000	70,000	73,348	3,348

Schedule of Revenues - Budget and Actual  
Governmental Funds  
For The Year Ended June 30, 2007 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Discretely Presented Component Unit-School Board:</b>				
<b>School Operating Fund: (Continued)</b>				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Drug free school	\$ 31,154	\$ 31,154	\$ 34,724	\$ 3,570
ROTC	56,774	56,774	59,548	2,774
Other federal funds	150,000	150,000	19,609	(130,391)
Total categorical aid	<u>\$ 2,930,382</u>	<u>\$ 2,930,382</u>	<u>\$ 2,550,280</u>	<u>\$ (380,102)</u>
Total revenue from the federal government	<u>\$ 2,930,382</u>	<u>\$ 2,930,382</u>	<u>\$ 2,550,280</u>	<u>\$ (380,102)</u>
Total School Operating Fund	<u>\$ 55,586,020</u>	<u>\$ 55,586,020</u>	<u>\$ 54,160,189</u>	<u>\$ (1,425,831)</u>
<b>School Cafeteria Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,000	\$ 10,000	\$ 20,296	\$ 10,296
Total revenue from use of money and property	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 20,296</u>	<u>\$ 10,296</u>
Charges for services:				
Cafeteria sales	\$ 1,391,670	\$ 1,391,670	\$ 1,326,812	\$ (64,858)
Other charges for services	57,050	57,050	46,226	(10,824)
Total charges for services	<u>\$ 1,448,720</u>	<u>\$ 1,448,720</u>	<u>\$ 1,373,038</u>	<u>\$ (75,682)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 33,000	\$ 33,000	\$ 10,490	\$ (22,510)
Total miscellaneous revenue	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 10,490</u>	<u>\$ (22,510)</u>
Total revenue from local sources	<u>\$ 1,491,720</u>	<u>\$ 1,491,720</u>	<u>\$ 1,403,824</u>	<u>\$ (87,896)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 29,000	\$ 29,000	\$ 25,846	\$ (3,154)
Total categorical aid	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 25,846</u>	<u>\$ (3,154)</u>
Total revenue from the Commonwealth	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 25,846</u>	<u>\$ (3,154)</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 595,420	\$ 595,420	\$ 678,817	\$ 83,397
Total categorical aid	<u>\$ 595,420</u>	<u>\$ 595,420</u>	<u>\$ 678,817</u>	<u>\$ 83,397</u>
Total revenue from the federal government	<u>\$ 595,420</u>	<u>\$ 595,420</u>	<u>\$ 678,817</u>	<u>\$ 83,397</u>
Total School Cafeteria Fund	<u>\$ 2,116,140</u>	<u>\$ 2,116,140</u>	<u>\$ 2,108,487</u>	<u>\$ (7,653)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 57,702,160</u>	<u>\$ 57,702,160</u>	<u>\$ 56,268,676</u>	<u>\$ (1,433,484)</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Legislative:				
Board of supervisors	\$ 231,730	\$ 233,230	\$ 193,743	\$ 39,487
General and financial administration:				
County administrator	\$ 373,078	\$ 373,078	\$ 365,708	\$ 7,370
Human resources	261,277	261,277	260,027	1,250
County attorney	282,859	282,859	281,296	1,563
Commissioner of revenue	450,756	450,756	454,287	(3,531)
County assessor	287,539	287,539	266,352	21,187
Treasurer	564,477	586,477	581,748	4,729
Finance	293,787	293,787	286,554	7,233
Department of information technology	965,463	965,463	925,257	40,206
Purchasing	279,129	279,129	253,580	25,549
Other general and financial administration	318,177	328,377	279,418	48,959
Total general and financial administration	\$ 4,076,542	\$ 4,108,742	\$ 3,954,227	\$ 154,515
Board of elections:				
Electoral board and officials	\$ 176,939	\$ 176,939	\$ 144,596	\$ 32,343
Total board of elections	\$ 176,939	\$ 176,939	\$ 144,596	\$ 32,343
Total general government administration	\$ 4,485,211	\$ 4,518,911	\$ 4,292,566	\$ 226,345
Judicial administration:				
Courts:				
Circuit court	\$ 64,888	\$ 64,888	\$ 56,186	\$ 8,702
General district court	17,950	19,208	13,905	5,303
Commissioner of accounts	500	500	494	6
Magistrate	5,650	5,650	5,368	282
Juvenile and domestic relations district court	34,525	34,525	17,153	17,372
Clerk of the circuit court	391,815	396,815	373,424	23,391
Victim and witness assistance	57,033	57,465	54,305	3,160
Court services unit	196,985	196,985	123,762	73,223
Group home commission	182,249	182,249	181,638	611
Total courts	\$ 951,595	\$ 958,285	\$ 826,235	\$ 132,050
Commonwealth's attorney:				
Commonwealth's attorney	\$ 495,059	\$ 495,059	\$ 485,326	\$ 9,733
Total commonwealth's attorney	\$ 495,059	\$ 495,059	\$ 485,326	\$ 9,733
Total judicial administration	\$ 1,446,654	\$ 1,453,344	\$ 1,311,561	\$ 141,783
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,241,621	\$ 4,274,928	\$ 4,021,825	\$ 253,103
Emergency operations center	295,877	295,877	311,214	(15,337)
Total law enforcement and traffic control	\$ 4,537,498	\$ 4,570,805	\$ 4,333,039	\$ 237,766

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 1,461,312	\$ 1,488,907	\$ 1,487,105	\$ 1,802
State forestry service	4,957	4,957	4,956	1
Office of emergency services	156,466	214,751	213,776	975
Total fire and rescue services	<u>\$ 1,622,735</u>	<u>\$ 1,708,615</u>	<u>\$ 1,705,837</u>	<u>\$ 2,778</u>
Correction and detention:				
County operated institutions	\$ 2,467,851	\$ 2,510,188	\$ 2,615,893	\$ (105,705)
Probation & pretrial	336,586	336,586	306,624	29,962
Total correction and detention	<u>\$ 2,804,437</u>	<u>\$ 2,846,774</u>	<u>\$ 2,922,517</u>	<u>\$ (75,743)</u>
Inspections:				
Building	\$ 835,759	\$ 835,759	\$ 808,025	\$ 27,734
Total inspections	<u>\$ 835,759</u>	<u>\$ 835,759</u>	<u>\$ 808,025</u>	<u>\$ 27,734</u>
Other protection:				
Animal control	\$ 354,400	\$ 355,360	\$ 354,901	\$ 459
Medical examiner	1,200	1,200	380	820
Total other protection	<u>\$ 355,600</u>	<u>\$ 356,560</u>	<u>\$ 355,281</u>	<u>\$ 1,279</u>
Total public safety	<u>\$ 10,156,029</u>	<u>\$ 10,318,513</u>	<u>\$ 10,124,699</u>	<u>\$ 193,814</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 218,858	\$ 218,858	\$ 214,725	\$ 4,133
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 218,858</u>	<u>\$ 218,858</u>	<u>\$ 214,725</u>	<u>\$ 4,133</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 16,700	\$ 56,700	\$ 38,802	\$ 17,898
Total sanitation and waste removal	<u>\$ 16,700</u>	<u>\$ 56,700</u>	<u>\$ 38,802</u>	<u>\$ 17,898</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,534,351	\$ 1,534,351	\$ 1,464,409	\$ 69,942
Total maintenance of general buildings and grounds	<u>\$ 1,534,351</u>	<u>\$ 1,534,351</u>	<u>\$ 1,464,409</u>	<u>\$ 69,942</u>
Total public works	<u>\$ 1,769,909</u>	<u>\$ 1,809,909</u>	<u>\$ 1,717,936</u>	<u>\$ 91,973</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 327,600	\$ 338,987	\$ 336,437	\$ 2,550
Mosquito control	99,839	99,839	97,620	2,219
Total health	<u>\$ 427,439</u>	<u>\$ 438,826</u>	<u>\$ 434,057</u>	<u>\$ 4,769</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 104,896	\$ 104,896	\$ 104,896	\$ -
Total mental health and mental retardation	<u>\$ 104,896</u>	<u>\$ 104,896</u>	<u>\$ 104,896</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 532,335</u>	<u>\$ 543,722</u>	<u>\$ 538,953</u>	<u>\$ 4,769</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 10,462	\$ 10,462	\$ 10,462	\$ -
Contribution to community education	475,810	492,210	466,812	25,398
Cable services	77,355	234,954	159,668	75,286
Contribution to County School Board	19,877,656	19,877,656	19,486,786	390,870
Total education	<u>\$ 20,441,283</u>	<u>\$ 20,615,282</u>	<u>\$ 20,123,728</u>	<u>\$ 491,554</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 710,903	\$ 783,301	\$ 739,886	\$ 43,415
Beaverdam reservoir park	199,774	199,774	198,071	1,703
Total parks and recreation	<u>\$ 910,677</u>	<u>\$ 983,075</u>	<u>\$ 937,957</u>	<u>\$ 45,118</u>
Cultural enrichment:				
Daffodil festival	\$ 37,900	\$ 37,900	\$ 41,284	\$ (3,384)
Historical committee	53,933	53,933	51,486	2,447
Total cultural enrichment	<u>\$ 91,833</u>	<u>\$ 91,833</u>	<u>\$ 92,770</u>	<u>\$ (937)</u>
Library:				
Contribution to county library	\$ 844,159	\$ 881,796	\$ 848,971	\$ 32,825
Total library	<u>\$ 844,159</u>	<u>\$ 881,796</u>	<u>\$ 848,971</u>	<u>\$ 32,825</u>
Total parks, recreation, and cultural	<u>\$ 1,846,669</u>	<u>\$ 1,956,704</u>	<u>\$ 1,879,698</u>	<u>\$ 77,006</u>
Community development:				
Planning and community development:				
Community development	\$ 425,880	\$ 439,947	\$ 360,176	\$ 79,771
Tourism	152,909	152,909	133,248	19,661
Economic development	219,169	219,169	217,964	1,205
Contribution to Industrial Development Authority	50,000	62,000	62,941	(941)
Total planning and community development	<u>\$ 847,958</u>	<u>\$ 874,025</u>	<u>\$ 774,329</u>	<u>\$ 99,696</u>
Environmental management:				
Clean community program	\$ 54,662	\$ 56,262	\$ 50,860	\$ 5,402
Total environmental management	<u>\$ 54,662</u>	<u>\$ 56,262</u>	<u>\$ 50,860</u>	<u>\$ 5,402</u>
Cooperative extension program:				
Extension office	\$ 85,643	\$ 85,643	\$ 83,580	\$ 2,063
Total cooperative extension program	<u>\$ 85,643</u>	<u>\$ 85,643</u>	<u>\$ 83,580</u>	<u>\$ 2,063</u>
Total community development	<u>\$ 988,263</u>	<u>\$ 1,015,930</u>	<u>\$ 908,769</u>	<u>\$ 107,161</u>

Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2007 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Contributions to civic organizations	\$ 242,300	\$ 242,300	\$ 242,300	\$ -
Total nondepartmental	<u>\$ 242,300</u>	<u>\$ 242,300</u>	<u>\$ 242,300</u>	<u>\$ -</u>
Total General Fund	<u>\$ 41,908,653</u>	<u>\$ 42,474,615</u>	<u>\$ 41,140,210</u>	<u>\$ 1,334,405</u>
<b>Special Revenue Funds:</b>				
<b>Virginia Public Assistance Fund:</b>				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,955,106	\$ 1,912,106	\$ 1,851,551	\$ 60,555
Public assistance	453,398	463,898	444,026	19,872
Purchased services	442,999	484,999	428,839	56,160
Grants	87,790	78,290	72,250	6,040
Board of public welfare	5,000	5,000	4,957	43
Total welfare and social services	<u>\$ 2,944,293</u>	<u>\$ 2,944,293</u>	<u>\$ 2,801,623</u>	<u>\$ 142,670</u>
Total health and welfare	<u>\$ 2,944,293</u>	<u>\$ 2,944,293</u>	<u>\$ 2,801,623</u>	<u>\$ 142,670</u>
Total Virginia Public Assistance Fund	<u>\$ 2,944,293</u>	<u>\$ 2,944,293</u>	<u>\$ 2,801,623</u>	<u>\$ 142,670</u>
<b>Comprehensive Services Act Fund:</b>				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 760,000	\$ 760,000	\$ 515,726	\$ 244,274
Total Comprehensive Services Act Fund	<u>\$ 760,000</u>	<u>\$ 760,000</u>	<u>\$ 515,726</u>	<u>\$ 244,274</u>
<b>Revenue Maximization Fund:</b>				
Health and welfare:				
Welfare and social services:				
Revenue maximization program	\$ 63,974	\$ 63,974	\$ 63,974	\$ -
Total Revenue Maximization Fund	<u>\$ 63,974</u>	<u>\$ 63,974</u>	<u>\$ 63,974</u>	<u>\$ -</u>
<b>Debt Service Fund:</b>				
Debt service:				
Principal retirement	\$ 2,125,399	\$ 2,125,399	\$ 2,125,399	\$ -
Interest and other fiscal charges	1,457,506	1,457,506	1,430,257	27,249
Total Debt Service Fund	<u>\$ 3,582,905</u>	<u>\$ 3,582,905</u>	<u>\$ 3,555,656</u>	<u>\$ 27,249</u>
<b>Capital Projects Funds:</b>				
<b>County Capital Improvements Fund:</b>				
Capital projects expenditures:				
County capital assets	\$ 14,861,760	\$ 28,215,614	\$ 2,134,255	\$ 26,081,359
Equipment and vehicles	584,000	631,626	562,806	68,820
School capital assets	1,108,000	1,654,433	1,636,746	17,687
Total capital projects	<u>\$ 16,553,760</u>	<u>\$ 30,501,673</u>	<u>\$ 4,333,807</u>	<u>\$ 26,167,866</u>
Total County Capital Improvements Fund	<u>\$ 16,553,760</u>	<u>\$ 30,501,673</u>	<u>\$ 4,333,807</u>	<u>\$ 26,167,866</u>

Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2007 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Capital Projects Funds: (Continued)</b>				
<b>School Construction Fund:</b>				
Capital projects expenditures:				
Abingdon Elementary School renovations	\$ -	\$ 1,500,000	\$ 757,681	\$ 742,319
Total capital projects	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 757,681</u>	<u>\$ 742,319</u>
Total School Construction Fund	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ 757,681</u>	<u>\$ 742,319</u>
Total Primary Government	<u>\$ 65,813,585</u>	<u>\$ 81,827,460</u>	<u>\$ 53,168,677</u>	<u>\$ 28,658,783</u>
<b>Discretely Presented Component Unit-School Board</b>				
<b>School Operating Fund:</b>				
Education:				
Administration of schools:				
School board	\$ 104,327	\$ 104,327	\$ 95,878	\$ 8,449
Executive administration services	497,254	497,254	475,508	21,746
Personnel	490,904	490,904	458,467	32,437
Fiscal services	316,760	316,760	307,008	9,752
Total administration of schools	<u>\$ 1,409,245</u>	<u>\$ 1,409,245</u>	<u>\$ 1,336,861</u>	<u>\$ 72,384</u>
Instruction costs:				
Elementary and secondary schools	\$ 43,483,416	\$ 43,379,517	\$ 42,071,047	\$ 1,308,470
Total instruction costs	<u>43,483,416</u>	<u>43,379,517</u>	<u>42,071,047</u>	<u>1,308,470</u>
Operating costs:				
Attendance and health services	\$ 1,061,545	\$ 1,061,545	\$ 1,035,426	\$ 26,119
Pupil transportation	4,034,633	4,134,632	4,127,198	7,434
Operation and maintenance of school plant	5,597,181	5,601,081	5,589,657	11,424
Total operating costs	<u>\$ 10,693,359</u>	<u>\$ 10,797,258</u>	<u>\$ 10,752,281</u>	<u>\$ 44,977</u>
Total education	<u>\$ 55,586,020</u>	<u>\$ 55,586,020</u>	<u>\$ 54,160,189</u>	<u>\$ 1,425,831</u>
Total School Fund	<u>\$ 55,586,020</u>	<u>\$ 55,586,020</u>	<u>\$ 54,160,189</u>	<u>\$ 1,425,831</u>
<b>Cafeteria Fund:</b>				
Education:				
School food services:				
Administration of school food program	\$ 2,141,140	\$ 2,141,140	\$ 2,085,786	\$ 55,354
Total education	<u>\$ 2,141,140</u>	<u>\$ 2,141,140</u>	<u>\$ 2,085,786</u>	<u>\$ 55,354</u>
Total Cafeteria Fund	<u>\$ 2,141,140</u>	<u>\$ 2,141,140</u>	<u>\$ 2,085,786</u>	<u>\$ 55,354</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 57,727,160</u>	<u>\$ 57,727,160</u>	<u>\$ 56,245,975</u>	<u>\$ 1,481,185</u>

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## Statistical Section

### Contents

### Tables

#### Financial Trends

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

1 - 4

#### Revenue Capacity

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

5 - 7

#### Debt Capacity

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

8 - 10

#### Demographic and Economic Information

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

11 - 12

#### Operating Information

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

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*Sources:* Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>Governmental activities</b>					
Invested in capital assets, net of related debt	\$ 8,637,111	\$ 6,392,933	\$ 7,027,169	\$ 5,429,820	\$ 6,404,714
Restricted	-	367,597	398,179	510,268	699,863
Unrestricted	19,609,128	21,155,013	22,429,995	20,952,949	15,044,364
<b>Total governmental activities net assets</b>	<b>\$ 28,246,239</b>	<b>\$ 27,915,543</b>	<b>\$ 29,855,343</b>	<b>\$ 26,893,037</b>	<b>\$ 22,148,941</b>
<b>Business-type activities</b>					
Invested in capital assets, net of related debt	\$ 6,421,570	\$ 3,676,016	\$ 2,018,698	\$ 492,739	\$ (1,696,961)
Unrestricted	2,047,347	756,386	1,584,243	3,028,317	5,442,930
<b>Total business-type activities net assets</b>	<b>\$ 8,468,917</b>	<b>\$ 4,432,402</b>	<b>\$ 3,602,941</b>	<b>\$ 3,521,056</b>	<b>\$ 3,745,969</b>
<b>Primary government</b>					
Invested in capital assets, net of related debt	\$ 15,058,681	\$ 10,068,949	\$ 9,045,867	\$ 5,922,559	\$ 4,707,753
Restricted	-	367,597	398,179	510,268	699,863
Unrestricted	21,656,475	21,911,399	24,014,238	23,981,266	20,487,294
<b>Total primary government net assets</b>	<b>\$ 36,715,156</b>	<b>\$ 32,347,945</b>	<b>\$ 33,458,284</b>	<b>\$ 30,414,093</b>	<b>\$ 25,894,910</b>

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

	Fiscal Year				
	2007	2006	2005	2004	2003
Expenses					
Governmental activities:					
General government administration	\$ 4,385,731	\$ 4,361,409	\$ 3,847,340	\$ 3,514,851	\$ 3,515,036
Judicial administration	1,498,764	1,437,573	1,394,318	1,354,943	1,634,531
Public safety	10,480,141	9,293,694	8,505,036	8,842,271	7,242,241
Public works	2,032,499	1,676,331	1,469,138	1,453,010	1,434,062
Health and welfare	3,953,184	3,728,909	3,800,505	3,411,223	3,249,649
Education	23,035,692	24,779,632	20,447,731	19,006,986	18,371,729
Parks, recreation, culture	1,898,798	1,883,177	1,508,612	2,719,637	4,180,678
Community development	1,534,243	1,027,936	1,129,146	1,245,316	1,777,142
Interest on long-term debt	1,559,087	1,611,850	1,694,134	1,986,667	1,944,817
Total governmental activities expenses	<u>50,378,139</u>	<u>49,800,511</u>	<u>43,795,960</u>	<u>43,534,904</u>	<u>43,349,885</u>
Business-type activities:					
Public utilities	<u>3,963,709</u>	<u>3,864,376</u>	<u>3,775,728</u>	<u>3,781,079</u>	<u>3,446,672</u>
Total business-type activities expenses	<u>3,963,709</u>	<u>3,864,376</u>	<u>3,775,728</u>	<u>3,781,079</u>	<u>3,446,672</u>
Total Primary government expenses	<u>\$ 54,341,848</u>	<u>\$ 53,664,887</u>	<u>\$ 47,571,688</u>	<u>\$ 47,315,983</u>	<u>\$ 46,796,557</u>
Program Revenues					
Governmental activities:					
Charges for services	\$ 1,649,744	\$ 1,545,122	\$ 1,508,535	\$ 1,381,318	\$ 1,077,522
Operating grants and contributions	7,314,692	6,825,175	6,905,210	6,892,182	5,927,266
Capital grants and contributions	1,069,233	1,086,133	208,270	657,824	461,189
Total governmental activities program revenues	<u>\$ 10,033,669</u>	<u>\$ 9,456,430</u>	<u>\$ 8,622,015</u>	<u>\$ 8,931,324</u>	<u>\$ 7,465,977</u>
Business-type activities:					
Charges for services	\$ 3,072,172	\$ 3,312,253	\$ 2,800,738	\$ 2,776,662	\$ 2,960,089
Operating grants and contributions	705,200	26,943	-	-	-
Capital grants and contributions	3,036,901	214,190	-	-	-
Total business-type activities program revenues	<u>6,814,273</u>	<u>3,553,386</u>	<u>2,800,738</u>	<u>2,776,662</u>	<u>2,960,089</u>
Total primary government program revenue	<u>\$ 16,847,942</u>	<u>\$ 13,009,816</u>	<u>\$ 11,422,753</u>	<u>\$ 11,707,986</u>	<u>\$ 10,426,066</u>
Net(Expense)/Revenue					
Governmental activities	\$ (40,344,470)	\$ (40,344,081)	\$ (35,173,945)	\$ (34,603,580)	\$ (35,883,908)
Business-type activities	<u>2,850,564</u>	<u>(310,990)</u>	<u>(974,990)</u>	<u>(1,004,417)</u>	<u>(486,583)</u>
Total primary government net expense	<u>\$ (37,493,906)</u>	<u>\$ (40,655,071)</u>	<u>\$ (36,148,935)</u>	<u>\$ (35,607,997)</u>	<u>\$ (36,370,491)</u>

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

	Fiscal Year				
	2007	2006	2005	2004	2003
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
General property taxes	\$ 27,475,955	\$ 23,039,459	\$ 25,460,056	\$ 26,844,694	\$ 23,117,558
Local sales and use tax	3,913,265	3,774,673	3,556,343	-	-
Consumer utility tax	1,217,097	1,744,135	1,790,229	-	-
Permits, privilege fees, and regularory licenses	-	-	-	-	367,752
Other local taxes	5,225,704	4,715,618	4,804,057	9,429,641	8,190,587
Unrestricted revenues from use of money and property	1,318,342	668,054	440,890	221,448	280,952
Miscellaneous	719,956	853,784	213,490	1,375,249	3,539,593
Grants and contributions not restricted to specific programs	1,727,129	4,508,558	2,768,484	2,906,969	2,775,813
Loss on disposal of capital assets	(22,282)	-	-	-	-
Transfers	(900,000)	(900,000)	(897,298)	(700,000)	(694,872)
Total governmental activities	<u>40,675,166</u>	<u>38,404,281</u>	<u>38,136,251</u>	<u>40,078,001</u>	<u>37,577,383</u>
Business-type activities:					
General property taxes	36,441	37,861	41,988	43,111	40,639
Unrestricted revenues from use of money and property	249,510	202,590	117,589	36,393	94,114
Transfers	900,000	900,000	897,298	700,000	694,872
Total business-type activities	<u>1,185,951</u>	<u>1,140,451</u>	<u>1,056,875</u>	<u>779,504</u>	<u>829,625</u>
Total primary governemnt	<u>\$ 41,861,117</u>	<u>\$ 39,544,732</u>	<u>\$ 39,193,126</u>	<u>\$ 40,857,505</u>	<u>\$ 38,407,008</u>
Change in Net Assets					
Governmental activities	\$ 330,696	\$ (1,939,800)	\$ 2,962,306	\$ 5,474,421	\$ 1,693,475
Business-type activities	4,036,515	829,461	81,885	(224,913)	343,042
Total primary government	<u>\$ 4,367,211</u>	<u>\$ (1,110,339)</u>	<u>\$ 3,044,191</u>	<u>\$ 5,249,508</u>	<u>\$ 2,036,517</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

Fund Balances, Governmental Funds

Last Ten Fiscal Years

*(modified accrual basis of accounting)*

	Fiscal Year				
	2007	2006	2005	2004	2003
General Fund					
Reserved	\$ 500,502	\$ 556,862	\$ 398,179	\$ 510,268	\$ 731,387
Unreserved	12,994,355	15,953,192	15,503,657	17,620,647	11,933,486
Total General Fund	<u>\$ 13,494,857</u>	<u>\$ 16,510,054</u>	<u>\$ 15,901,836</u>	<u>\$ 18,130,915</u>	<u>\$ 12,664,873</u>
 All Other Governmental Funds					
Reserved	\$ 6,150,997	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	63,974	63,974	169,644	127,218
Debt service funds	801	75,116	24,165	488	280
Capital projects funds	6,585,325	3,847,743	4,032,730	8,167,302	2,445,595
Total all other governmental funds	<u>\$ 12,737,123</u>	<u>\$ 3,986,833</u>	<u>\$ 4,120,869</u>	<u>\$ 8,337,434</u>	<u>\$ 2,573,093</u>

Table 3

						Fiscal Year									
						2002	2001	2000	1999	1998					
\$	943,221	\$	652,278	\$	248,900	\$	384,553	\$	513,755						
	<u>9,794,702</u>		<u>8,301,052</u>		<u>7,637,325</u>		<u>9,675,179</u>		<u>7,934,145</u>						
\$	<u>10,737,923</u>	\$	<u>8,953,330</u>	\$	<u>7,886,225</u>	\$	<u>10,059,732</u>	\$	<u>8,447,900</u>						
\$	-	\$	-	\$	-	\$	-	\$	-						
	-		-		-		-		-						
	-		-		-		-		-						
	<u>3,293,077</u>		<u>8,008,758</u>		<u>210,228</u>		<u>73,588</u>		<u>73,588</u>						
\$	<u>3,293,077</u>	\$	<u>8,008,758</u>	\$	<u>210,228</u>	\$	<u>73,588</u>	\$	<u>73,588</u>						

**COUNTY OF GLOUCESTER, VIRGINIA**

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

	Fiscal Year				
	2007	2006	2005	2004	2003
<b>REVENUES</b>					
General property taxes	\$ 27,371,520	\$ 26,432,859	\$ 25,361,237	\$ 24,578,024	\$ 23,089,347
Other local taxes	10,356,066	10,234,426	10,150,629	9,429,641	8,190,587
Permits, privilege fees, and regulatory licenses	561,291	442,365	358,550	325,348	367,752
Fines and forfeitures	90,068	99,699	124,446	94,788	69,936
Revenue from the use of money and property	1,296,199	645,911	418,748	206,686	280,952
Charges for services	998,385	1,003,058	1,025,539	961,182	1,007,586
Miscellaneous	719,956	853,784	213,490	1,375,249	3,539,593
Recovered costs	242,889	224,721	187,266	235,694	327,999
Intergovernmental revenues:					
Other local governments	-	-	-	-	-
Commonwealth	8,822,084	8,287,161	7,513,836	7,561,900	7,137,791
Federal	2,678,290	2,743,385	2,368,128	2,895,075	2,026,477
Total revenues	<u>\$ 53,136,748</u>	<u>\$ 50,967,369</u>	<u>\$ 47,721,869</u>	<u>\$ 47,663,587</u>	<u>\$ 46,038,020</u>
<b>EXPENDITURES</b>					
Current:					
General government administration	\$ 4,292,566	\$ 4,114,209	\$ 3,716,011	\$ 3,252,076	\$ 3,264,643
Judicial administration	1,311,561	1,256,090	1,188,720	1,134,736	1,072,443
Public safety	10,124,699	8,832,107	8,495,083	8,652,538	7,017,379
Public works	1,717,936	1,606,088	1,485,546	1,453,195	1,349,677
Health and welfare	3,920,276	3,685,808	3,744,821	3,386,685	3,296,833
Education	20,123,728	18,415,298	17,195,819	16,080,604	15,708,844
Parks, recreation, and cultural	1,879,698	1,708,483	1,486,361	1,242,768	1,112,185
Community development	908,769	803,212	735,022	726,647	794,845
Nondepartmental	242,300	199,126	165,327	1,362,005	3,673,350
Capital projects	5,091,488	5,173,233	10,227,835	2,541,164	2,880,899
Debt service:					
Principal retirement	2,125,399	2,237,523	3,041,103	2,186,094	2,288,399
Interest and other fiscal charges	1,430,257	2,202,010	1,788,567	1,682,544	1,972,079
Total expenditures	<u>\$ 53,168,677</u>	<u>\$ 50,233,187</u>	<u>\$ 53,270,215</u>	<u>\$ 43,701,056</u>	<u>\$ 44,431,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (31,929)</u>	<u>\$ 734,182</u>	<u>\$ (5,548,346)</u>	<u>\$ 3,962,531</u>	<u>\$ 1,606,444</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 10,171,364	\$ 8,122,258	\$ 11,187,176	\$ 4,629,367	\$ 6,033,929
Transfers out	(11,071,364)	(9,022,258)	(12,084,474)	(5,329,367)	(6,728,801)
Proceeds from general obligation bonds	6,505,000	-	-	7,525,000	-
Proceeds from bond issuance premium	162,022	-	-	442,852	-
Proceeds of capital leases	-	8,205,000	-	1,589,921	-
Proceeds of State Literary Fund Loans	-	-	-	-	-
Repayment of temporary loans	-	-	-	-	-
Advance refunding of bonds	-	(7,565,000)	-	-	-
Refunding of capital lease	-	-	-	(1,589,921)	-
Total other financing sources (uses)	<u>\$ 5,767,022</u>	<u>\$ (260,000)</u>	<u>\$ (897,298)</u>	<u>\$ 7,267,852</u>	<u>\$ (694,872)</u>
Net change in fund balances	\$ 5,735,093	\$ 474,182	\$ (6,445,644)	\$ 11,230,383	\$ 911,572
Fund balances - beginning	20,496,887	20,022,705	26,468,349	15,237,966	14,326,394
Fund balances - ending	<u>\$ 26,231,980</u>	<u>\$ 20,496,887</u>	<u>\$ 20,022,705</u>	<u>\$ 26,468,349</u>	<u>\$ 15,237,966</u>
Debt Service as a percentage of noncapital expenditures	<u>7.40%</u>	<u>9.85%</u>	<u>11.33%</u>	<u>9.44%</u>	<u>10.34%</u>

Table 4

					Fiscal Year				
2002		2001		2000		1999		1998	
\$	21,735,807	\$	22,058,778	\$	19,910,365	\$	20,099,408	\$	18,784,434
	7,534,250		7,575,853		6,487,305		6,205,078		5,826,714
	301,641		187,847		214,751		220,689		217,363
	77,277		65,891		80,615		79,746		99,703
	178,440		810,301		546,010		506,693		435,126
	873,832		900,043		793,259		823,597		782,627
	183,417		384,772		111,955		465,419		406,730
	308,160		250,606		215,650		401,550		530,757
	65,000		-		-		-		-
	7,939,865		6,439,199		5,530,687		4,211,574		4,180,837
	2,142,757		1,638,635		1,965,929		1,567,998		1,540,951
\$	<u>41,340,446</u>	\$	<u>40,311,925</u>	\$	<u>35,856,526</u>	\$	<u>34,581,752</u>	\$	<u>32,805,242</u>
\$	3,296,403	\$	3,148,864	\$	2,936,991	\$	2,604,716	\$	2,658,986
	1,194,277		1,155,282		1,099,412		1,040,520		977,773
	6,851,651		6,598,400		5,743,208		5,195,313		4,387,359
	1,191,479		1,211,031		1,157,294		1,143,624		1,146,937
	2,892,104		2,752,033		2,923,566		2,933,779		2,591,448
	14,858,211		17,407,408		16,964,109		14,756,266		15,435,401
	1,084,547		1,089,439		983,569		912,109		838,397
	646,556		474,070		739,766		686,218		573,291
	668,639		257,420		135,621		132,190		108,560
	7,320,020		3,768,067		3,322,194		2,574,113		6,220,420
	2,637,212		366,378		491,786		435,097		186,693
	2,144,126		978,127		697,013		699,062		728,987
\$	<u>44,785,225</u>	\$	<u>39,206,519</u>	\$	<u>37,194,529</u>	\$	<u>33,113,007</u>	\$	<u>35,854,252</u>
\$	<u>(3,444,779)</u>	\$	<u>1,105,406</u>	\$	<u>(1,338,003)</u>	\$	<u>1,468,745</u>	\$	<u>(3,049,010)</u>
\$	1,684,883	\$	2,061,582	\$	3,145,526	\$	1,928,044	\$	2,773,800
	(2,184,883)		(2,761,493)		(3,844,390)		(2,608,157)		(3,236,077)
	-		-		-		-		-
	-		-		-		-		-
	494,255		9,275,000		-		823,200		1,429,000
	-		-		-		-		4,970,324
	-		-		-		-		(5,000,000)
	-		-		-		-		-
	-		-		-		-		-
\$	<u>(5,745)</u>	\$	<u>8,575,089</u>	\$	<u>(698,864)</u>	\$	<u>143,087</u>	\$	<u>937,047</u>
\$	(3,450,524)	\$	9,680,495	\$	(2,036,867)	\$	1,611,832	\$	(2,111,963)
	17,776,918		8,096,423		10,133,290		8,521,458		10,633,421
\$	<u>14,326,394</u>	\$	<u>17,776,918</u>	\$	<u>8,096,423</u>	\$	<u>10,133,290</u>	\$	<u>8,521,458</u>
	<u>12.95%</u>		<u>3.85%</u>		<u>3.54%</u>		<u>3.75%</u>		<u>3.14%</u>

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Principal Property Tax Payers  
Current Year and Nine Years Ago

Taxpayer	2007		1998	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 20,170,500	0.53 %	\$ -	- %
Wal-Mart Real Estate Business Trust	13,307,000	0.35	-	-
York River Crossing Assoc., LLC	10,060,500	0.27	8,207,900	0.48
Lowe's Home Center, Inc.	7,387,400	0.20	-	-
Horn Harbor Nursing Home Inc.	7,146,400	0.19	3,447,400	0.20
Somerset Stokes	6,905,200	0.18	-	-
Thousand Trail, Inc.	5,525,500	0.15	3,209,800	0.19
E. Claiborne Robins, Jr.	5,334,450	0.14	-	-
Walter Reed Memorial Hospital	5,156,600	0.14	-	-
Newport News General, etal	5,141,500	0.14	3,914,400	0.23
Waste Management Disposal Services	-	-	4,223,610	0.25
GWD Ventures II, LLC	-	-	5,469,100	0.32
Retail Trust III	-	-	4,118,800	0.24
James E. Branch	-	-	3,089,200	0.18
York River Yacht Haven Associates	-	-	2,868,100	0.17
Martin H. and Valerie Wilcox	-	-	2,689,500	0.16
	<u>\$ 86,135,050</u>	<u>2.28 %</u>	<u>\$ 41,237,810</u>	<u>2.42 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections  
Last Six 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
2002	\$ 17,445,456	\$ (5,609)	\$ 17,439,847	\$ 16,822,442	96.43%	\$ 603,107	\$ 17,425,548	99.92%
2003	18,672,765	6,715	18,679,480	18,032,870	96.57%	625,825	18,658,695	99.89%
2004	19,067,303	(5,596)	19,061,707	18,502,834	97.04%	514,142	19,016,977	99.77%
2005	19,480,506	(645)	19,479,861	18,931,208	97.18%	435,169	19,366,377	99.42%
2006	20,261,412	(4,850)	20,256,562	19,792,078	97.68%	333,881	20,125,959	99.36%
2007	21,213,981	-	21,213,981	20,665,168	97.41%	-	20,665,168	97.41%

Source: Gloucester County Treasurer's Department

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

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

<b>Calendar Year Ended</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Less: Tax Exempt Property</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>
1998	\$ 1,368,537	\$ 181,571	\$ 172,243	\$ 1,377,865	0.91	\$ 1,377,865
1999	1,544,019	178,869	175,010	1,547,877	0.91	1,657,139
2000	1,579,744	184,036	175,637	1,588,143	0.92	1,760,351
2001	1,611,393	188,269	176,929	1,622,733	0.95	1,857,345
2002	1,780,904	215,909	163,074	1,833,738	0.95	1,833,738
2003	1,823,492	219,882	207,375	1,835,999	0.95	2,389,314
2004	1,851,153	240,989	208,335	1,883,807	0.95	2,143,254
2005	1,884,559	251,481	208,729	1,927,310	0.95	2,972,313
2006	3,431,000	376,354	261,229	3,546,125	0.57	3,546,125
2007	3,677,597	370,363	275,987	3,771,973	0.57	4,238,172

Source: Commissioner of Revenue Department

Note: Property in the County of Gloucester is reassessed once every four years. The County assesses property at 100% of market value. Beginning in 2009, the County will reassess property every two years.

Ratio of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Business Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	State Literary Funds Loans	Capital Lease and Notes Payable	General Obligation Bonds	Revenue Bonds	Capital Lease and Notes Payable			
1998	\$ 13,715,000	\$ 10,316,920	\$ 5,324,497	\$ 380,260	\$ 25,487,232	\$ 45,822	\$ 55,269,731	7.21%	\$ 1,620.81
1999	12,475,000	9,915,220	5,551,266	357,183	24,917,587	23,144	53,239,400	6.64%	1,538.71
2000	11,280,000	9,263,520	4,746,225	332,925	24,306,222	-	49,928,892	5.85%	1,435.56
2001	10,100,000	8,623,520	13,337,004	307,425	32,493,742	-	64,861,691	7.13%	1,858.50
2002	8,940,000	7,983,520	12,559,507	280,629	31,470,856	-	61,234,512	6.50%	1,749.56
2003	7,780,000	7,343,520	12,071,108	252,454	30,606,681	-	58,053,763	5.89%	1,649.25
2004	14,255,000	6,703,520	11,689,935	222,838	29,696,963	-	62,568,256	5.92%	1,767.46
2005	12,885,000	6,063,520	10,658,832	191,707	28,727,760	-	58,526,819	5.30%	1,550.38
2006	11,685,000	5,423,520	10,901,309	158,983	26,182,137	-	54,350,949	N/A	1,527.27
2007	17,140,000	4,783,520	10,465,911	124,585	25,970,976	-	58,484,992	N/A	1,627.70

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

N/A- The information was unavailable.

Ratio of General Bonded Debt Outstanding  
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding General Obligation Bonds			Per Capita(a)	Percentage of Actual Taxable Value of Property (b)
	Governmental Activities	Business-type Activities	Total		
1998	\$ 13,715,000	\$ 380,260	\$ 14,095,260	\$ 413.35	1.02%
1999	12,475,000	357,183	12,832,183	370.87	0.77%
2000	11,280,000	332,925	11,612,925	333.90	0.66%
2001	10,100,000	307,425	10,407,425	298.21	0.56%
2002	8,940,000	280,629	9,220,629	263.45	0.50%
2003	7,780,000	252,454	8,032,454	228.19	0.34%
2004	14,255,000	222,838	14,477,838	408.98	0.68%
2005	12,885,000	191,707	13,076,707	346.40	0.44%
2006	11,685,000	158,983	11,843,983	332.82	0.33%
2007	17,140,000	124,585	17,264,585	480.49	0.46%

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 10

Pledged Revenue Coverage  
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1998	\$ 2,255,892	\$ 999,530	\$ 1,256,362	\$ 513,945	\$ 1,622,682	0.59
1999	2,434,634	988,907	1,445,727	615,400	1,597,014	0.65
2000	2,411,893	1,098,294	1,313,599	649,283	1,562,755	0.59
2001	2,663,370	1,127,258	1,536,112	757,464	1,849,658	0.59
2002	2,788,101	1,204,986	1,583,115	1,352,063	1,788,377	0.50
2003	2,960,089	1,204,079	1,756,010	892,350	1,645,784	0.69
2004	2,776,662	1,384,083	1,392,579	939,334	1,605,947	0.55
2005	2,800,738	1,450,247	1,350,491	1,000,334	1,548,278	0.53
2006	3,339,196	1,589,324	1,749,872	747,709	1,486,498	0.78
2007	3,072,172	1,710,994	1,361,178	633,749	1,384,845	0.67

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

Demographic and Economic Statistics  
Last Ten Calendar Years

<b>Year</b>	<b>Population (1)</b>	<b>Personal Income (in thousands) (2)</b>	<b>Per Capita Personal Income</b>	<b>Unemployment Rate</b>	<b>School Enrollment (3)</b>
1998	34,100	\$ 766,075	\$ 22,466	2.1 %	6,555
1999	34,600	801,490	23,164	2.0	6,613
2000	34,780	853,309	24,534	1.6	6,526
2001	34,900	910,294	26,083	2.7	6,411
2002	35,000	942,410	26,926	3.1	6,350
2003	35,200	986,458	28,024	2.8	6,309
2004	35,400	1,057,181	29,864	2.9	6,147
2005	37,750	1,104,967	29,271	2.6	6,078
2006	35,587	N/A	N/A	2.7	6,000
2007	35,931	N/A	N/A	2.6	5,949

Sources:

- (1) Center for Public Service at the University of Virginia
  - (2) Bureau of Economic Analysis
  - (3) Gloucester County Schools (March census)
- N/A - This information was unavailable.

Principal Employers  
Current Year and Nine Years Ago

Employer	2007		1998	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County (local government and schools)	1,260	13.44 %	1,150	14.03 %
Wal-Mart	470	5.01	185	2.26
Virginia Institute of Marine Science	430	4.59	429	5.23
Riverside Walter Reed Hospital	425	4.53	420	5.13
Industrial Resources Technologies, Inc.	300	3.20	250	3.05
Home Depot	100	1.07	-	-
Lowe's	100	1.07	-	-
Dominion Virginia Power	70	0.75	100	1.22
York River Yacht Haven	60	0.64	-	-
GTE	-	-	50	0.61
Gloucester Seafood, Inc.	-	-	50	0.61
<b>Total</b>	<b>3,215</b>	<b>34.29 %</b>	<b>2,634</b>	<b>32.14 %</b>

Source: County Economic Development Department

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

	Full-time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>General Government</b>										
Board of Supervisors	7	7	7	7	7	7	7	7	7	7
Administration	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2	2	2	2	3	3	3	1.5	1.5	2
Human Resources	2	2	3	3	3	3	3	3	4	4
Commission of Revenue	7	7	7	7	9	9	9	10	9	9.5
County Assessor	2	2	2	2	2	2	2	2	4	4
Treasurer	8.5	8	9	9.5	9.5	9.5	9.5	10	10.5	10.5
Finance	5	4.5	4.5	5	5	5	5	5	5	5
Information Technology	7	10	10	11	11	11	11.5	11.5	11.5	13
Purchasing	3	3	3	3	3	3	3	3	3	3.5
VA Housing Dev. Authority	1.5	1.5	2	2	2	2	2	2	2	2.5
Registrar	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2	2.5
<b>Judicial</b>										
Circuit Court Judge	1	1	1	1	1	1	1	1	1	1
Clerk of Circuit Court	6	6	6	6	6	6	6.5	6.5	6.5	7
Victim Witness	1	1	1	1	1	1	1	1	1	1
Commonwealth Attorney	6	7.5	7.5	7	7	7	7.5	7.5	7.5	7.5
<b>Public Safety</b>										
Sheriff	69	77.5	78.5	83.5	83.5	84.5	85	89	53.5	53.5
E-911	9	10	10	10	10	10	11	11	12	12
Jail (included w/Sheriff until 2006)	0	0	0	0	0	0	0	0	38.5	38.5
Codes	10.5	12.5	12.5	12.5	12.5	12.5	13.5	13.5	14	16
Animal Control	4	4	4	4	4	4	4	4	5	5
Emergency Services	0	0	0	0	0	0	0	2	2	2.5
<b>Public Works</b>										
Engineering	3	3	3	3	3	3	3	3	3	3
Buildings & Grounds	21.5	21.5	21.5	21.5	22	26	27.5	27.5	28.5	28
<b>Education</b>										
Community Education	8	8	8	8	8	8	8	8	8	8
Cable Services	0	0	0	0	0	0	0	0	0.5	0.5
<b>Parks, Recreation &amp; Cultural</b>										
Parks & Recreation	6	6	6	6	6	6	6	6	7	8.5
Beaverdam	2.5	3.5	3.5	3	3	3	4	4	4	3
Historical	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Library	9.5	9.5	9.5	11	11	11	11	12	12	12
<b>Community Development</b>										
Planning	3	3	3	4	4	4	4	4	4	5
Economic Development	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Clean Community	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Tourism	0	0	0	0	0.5	1	1	1	1	1
VA Cooperative Extension	3	3	3	3	3	3	3.5	1	1	1
<b>Utilities</b>										
	19	19	20	20.5	20.5	20.5	20.5	20.5	20.5	21.5
<b>TOTAL</b>	<b>235.5</b>	<b>251.5</b>	<b>256</b>	<b>265</b>	<b>269</b>	<b>274.5</b>	<b>281.5</b>	<b>286</b>	<b>297</b>	<b>306</b>

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

**COUNTY OF GLOUCESTER, VIRGINIA**

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

	Fiscal Year				
	2007	2006	2005	2004	2003
Sheriff's Department (1)					
Offence Incident reports	N/A	3,229	3,045	3,045	2,252
Civil Processed Served	N/A	11,257	7,887	9,457	2,333
Parks, Recreation & Tourism (2)					
Number of Participants	4,437	4,301	3,858	3,104	N/A
Library (3)					
Material circulated	196,633	186,519	178,469	121,688	115,775
Library patrons	29,133	19,584	18,089	15,019	15,244
Water system (4)					
Number of customers	4,276	4,187	4,099	4,064	4,019
Average daily consumption	900,460	874,616	833,394	874,504	847,161
Annual consumption in gallons	328,668,000	319,235,000	304,189,000	319,194,000	309,214,000

Sources:

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

N/A - This information is not available.

Table 14

Fiscal Year				
2002	2001	2000	1999	1998
2,451	N/A	N/A	N/A	N/A
1,955	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
103,099	94,407	92,297	92,985	92,329
15,118	12,464	7,684	18,000	18,951
3,932	3,854	3,814	3,790	3,718
839,309	794,000	848,668	810,941	784,000
306,348,000	289,991,000	309,764,000	291,939,000	282,555,000

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High Volume Users of Water System  
 Fiscal year ended June 30, 2007

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<b>Customer name</b>	<b>Monthly Average Water Usage (1)</b>	<b>Daily (1)</b>
Riverside Walter Reed Hospital	485,000	16,167
Walter Reed Convalescent Center	428,000	14,267
Water Wizard Car Wash	382,000	12,733
V.I.M.S.	352,000	11,733
B H Management	348,000	11,600
Wal-Mart	276,000	9,200
York River Yacht Haven	252,000	8,400
Touch of Spirit, Inc.	250,000	8,333
U-Do-It Laundry	201,000	6,700
County Jail	191,000	6,367

(1) Source - Gloucester County Utility Department

**COUNTY OF GLOUCESTER, VIRGINIA**

Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years

	Fiscal Year				
	2007	2006	2005	2004	2003
Sheriff's Department (1)					
Stations	1	1	1	1	1
Patrol Units	27	27	27	27	27
Jail	1	1	1	1	1
Mobil Command Center	1	1	1	-	-
Volunteer Fire and Rescue (2)					
Stations	6	6	6	6	6
Parks and recreation (3)					
Number of parks maintained	8	8	8	8	8
Park acreage owned by the County	185	185	185	185	185
Park acreage leased	40	40	40	40	40
Library (4)					
Number of libraries	2	2	2	2	2
Number of bookmobiles	1	1	1	1	1
Water system (5)					
Treatment capacity per day in gallons	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000

Sources:

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

Table 16

Fiscal Year				
2002	2001	2000	1999	1998
1	1	1	1	1
27	22	22	22	22
1	1	1	1	1
-	-	-	-	-
6	6	6	6	5
8	8	6	6	6
185	185	84	56	56
40	43	43	40	40
2	2	2	2	2
1	1	1	1	1
2,000,000	2,000,000	2,000,000	2,000,000	2,000,000

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the County of Gloucester, Virginia's basic financial statements and have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Gloucester, Virginia's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Gloucester, Virginia's internal control.

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

### **Compliance and Other Matters**

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

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

*Robinson, Fann, Cox Associates*

Charlottesville, Virginia  
November 2, 2007

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

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

### **Compliance**

We have audited the compliance of the County of Gloucester, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of Gloucester, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on the County of Gloucester, Virginia's compliance based on our audit.

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

In our opinion, the County of Gloucester, Virginia complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### **Internal Control Over Compliance**

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

**Internal Control Over Compliance (Continued)**

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Gloucester, Virginia's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County of Gloucester, Virginia's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the County of Gloucester, Virginia's internal control.

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

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

*Robinson, Fann, Cox Associates*

Charlottesville, Virginia  
November 2, 2007

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 39,139
Temporary Assist to Needy Families (TANF)	93.558	185,681
Refugee and Entrant Assistance - Discretionary Grants	93.566	274
Low Income Home Energy Assistance	93.568	17,363
Payments to States for Child Care Assistance	93.575	243,194
Child Care and Development Fund	93.596	152,766
Chafee Education and training vouchers program (ETV)	93.599	331
Child Welfare Services - State Grants	93.645	78
Foster Care - Title IV-E	93.658	244,220
Adoption Assistance	93.659	65,406
Social Services Block Grant	93.667	193,216
Independent Living	93.674	1,940
State Children's Insurance Program	93.767	489
Medical Assistance Program (Title XIX)	93.778	<u>236,186</u>
Total Dept. Health & Human Services-pass through		\$ <u>1,380,283</u>
Total Department Health and Human Services		\$ <u>1,380,283</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution--School	10.555	\$ 109,501
Department of Education:		
National school breakfast program	10.553	127,663
National school lunch program	10.555	551,154
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>266,093</u>
Total Department of Agriculture - pass-through payments		\$ <u>1,054,411</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007 (Continued)

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Department of Justice:		
Direct payments:		
Bulletproof vest program	16.607	\$ 4,465
Byrne justice assistance grant	16.738	1,257
Public Safety and Community Policing Grants	16.710	13,548
Grants to encourage arrest police	16.590	<u>235,038</u>
Total Department of Justice - direct		<u>\$ 254,308</u>
Pass Through Payments:		
Department of Criminal Justice Service:		
Domestic Violence Grant	16.588	\$ 17,533
Local law enforcement block grant	16.592	<u>13,644</u>
Total Department of Justice - pass-through		<u>\$ 31,177</u>
Total Department of Justice		<u>\$ 285,485</u>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Assistance:		
Disaster Assistance	97.036	\$ 43,557
Homeland Security	97.067	34,803
Citizens Corp	97.053	1,647
Hazardous Mitigation Grant Program (HMGP)	97.039	<u>276,163</u>
Total Department of Homeland Security		<u>\$ 356,170</u>
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	<u>\$ 137,097</u>
Corporation for National and Community Service:		
Direct Payments:		
Learn and Serve America	94.004	<u>\$ 5,585</u>

**COUNTY OF GLOUCESTER, VIRGINIA**

Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2007 (Continued)

<b>Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)</b>	<b>Federal Catalog Number</b>	<b>Expenditures</b>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety Funds	20.600	\$ 28,939
Highway Planning and Construction (ISTEA)	20.205	172,291
HMEP	20.703	<u>11,034</u>
Total Department of Transportation		\$ <u>212,264</u>
Department of the Navy:		
Direct Payments:		
ROTC	12.xxx	\$ <u>59,548</u>
Department of the Interior National Park Service:		
Direct Payments:		
Chesapeake Bay gateways network	15.xxx	\$ <u>20,898</u>
Department of Education:		
Direct Payments:		
National Council for Teachers of Math-ASR Federal worksheet	84.xxx	\$ 4,120
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	47,774
Title I: Educationally deprived children	84.010	766,317
Title VI-B: Handicapped state grants	84.027	1,144,599
Vocational Education: Basic grants to states	84.048	95,319
Title VI-B: Handicapped preschool incentive grant	84.173	35,178
Drug free schools and communities	84.186	34,724
Title VI: Improving school programs state block grant	84.298	14,370
Technology Literacy Challenge	84.318	9,679
Emergency Impact Aid for Displaced students	84.938	73,348
Title II - Part A	84.367	<u>259,719</u>
Total Department of Education		\$ <u>2,485,147</u>
Environmental Protection Agency:		
Pass Through Payments:		
Chesapeake Bay Local Assistance Department:		
Woodville (Small watershed grants program)	66.606	\$ <u>20,000</u>
Total Federal Assistance		\$ <u><u>6,016,888</u></u>

## COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

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### Note 1 - General

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

### Note 2 - Basis of Accounting

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

### Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:	
General Fund	\$ 446,363
Special Revenue Funds:	
Virginia Public Assistance Fund	1,623,236
CSA Fund	23,140
Capital Projects Funds:	
County Capital Projects Fund	585,551
Total primary government	\$ <u>2,678,290</u>
Component Unit Public Schools:	
School Operating Fund	\$ 2,550,280
School Cafeteria Fund	678,817
Total component unit public schools	\$ <u>3,229,097</u>
Total federal expenditures per basic financial statements	\$ <u>5,907,387</u>
Non-cash expenditures - value of donated commodities	\$ <u>109,501</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>6,016,888</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2007

**Section I—Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

a. Material weaknesses identified?        yes   X   no

b. Significant deficiencies identified that are not considered to be material weaknesses?        yes   X   none

Noncompliance material to financial statements noted?        yes   X   no

Federal Awards

Internal control over major programs

a. Material weaknesses identified?        yes   X   no

b. Significant deficiencies identified that are not considered to be material weaknesses?        yes   X   no

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027/84.173	Special Education Cluster

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

Auditee qualified as low-risk auditee?   X   yes        no

**Section II—Financial Statement Findings**

None

**Section III—Federal Award Findings and Questioned Costs**

None

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