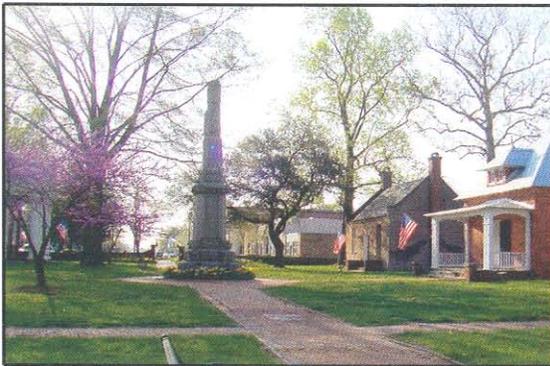
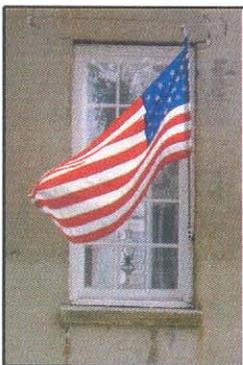
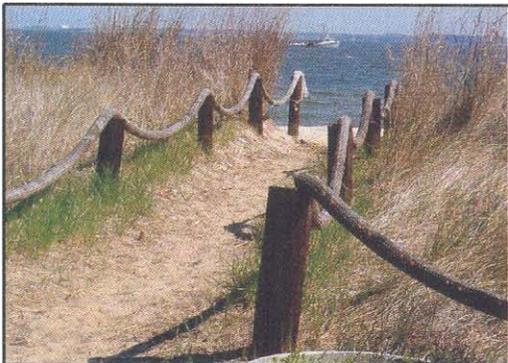


County of Gloucester Virginia



Comprehensive Annual Financial Report



**For the Fiscal
Year Ending
June 30, 2008**

COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

Prepared By:

Nickie C. Champion
Director of Financial Services

Andy Scales
Accounting Manager

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Teresa L. Altemus, Chairperson
Christian D. Rilee, Vice-Chairperson

Charles R. Allen, Jr.
Robert A. Crewe

Michelle R. Ressler

Louise D. Theberge
Gregory Woodard

County School Board

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

Starr F. Belvin
George R. Burak

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

Mary Ann Boon
Fredericka S. Branch
Patrick J. Cooney

William B. Hudgins
Nancy E. Warner
Gregory Woodard

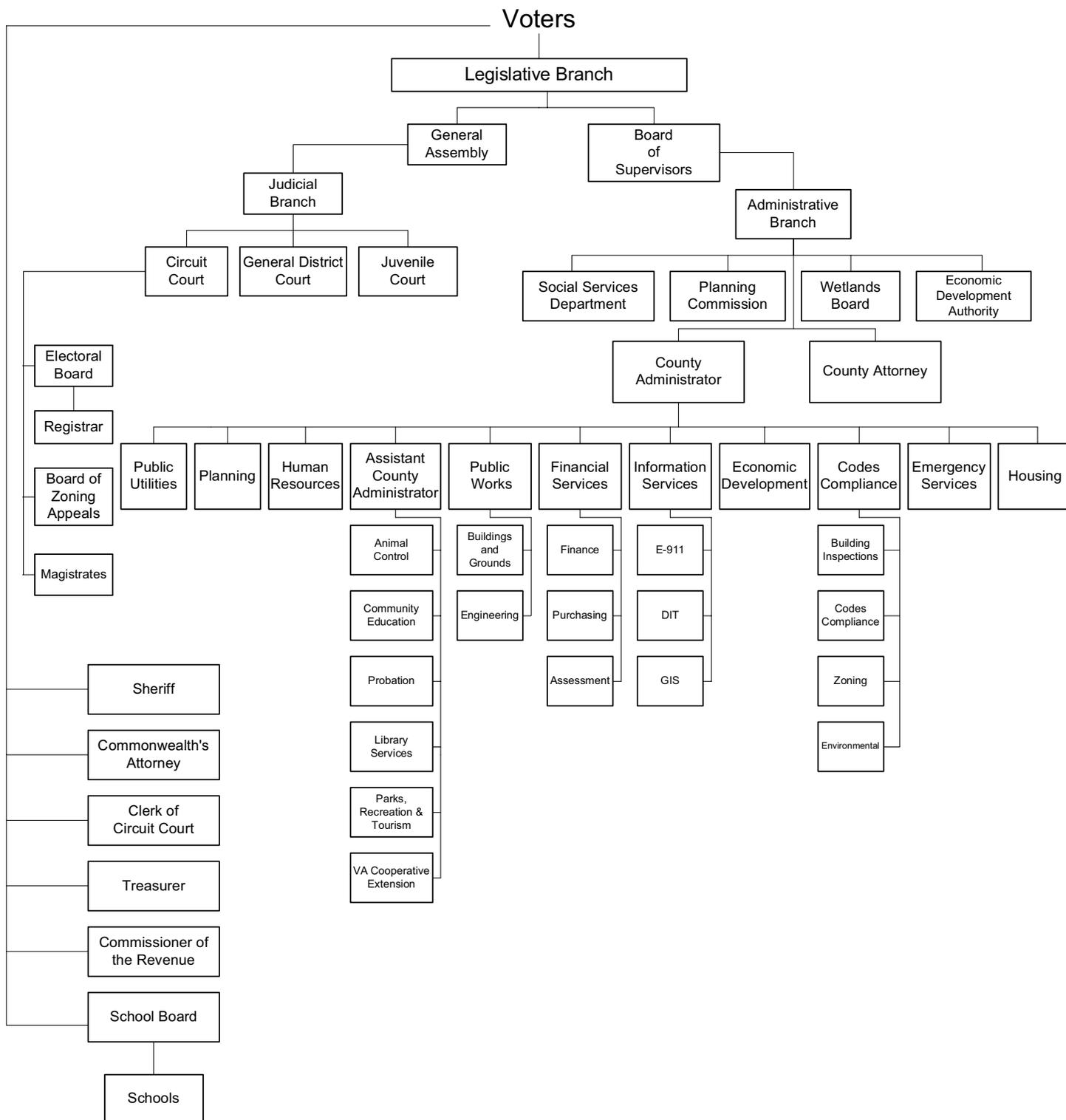
Other Officials

County Administrator.....Brenda G. Garton
Judge of the Circuit Court Honorable William H. Shaw, III
Clerk of the Circuit Court.....Margaret Walker
Commonwealth's Attorney Robert D. Hicks
Commissioner of the Revenue Kevin A. Wilson
Treasurer..... Tara L. Thomas
Judge of the Juvenile and Domestic Relations Court Honorable Isabel H. Atlee
Judge of the General District Court.....Honorable R. Bruce Long
Sheriff..... E. Steve Gentry
Superintendent of Schools Howard B. Kiser, Ed.D.
Director of Department of Social Services Zane S. Barry
County Attorney Edwin Wilmot

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Gloucester County Organizational Chart



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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, 2007

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.



Chloe S. Cox

President

Jeffrey R. Emer

Executive Director

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County of Gloucester

County Administrator

6467 Main Street

P. O. Box 329

Gloucester, Virginia 23061

(804)693-4042

November 21, 2008

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, 2008.

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, 2008. The independent auditor's report is located at the front of the financial section of this report.

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

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

Profile of Gloucester County

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

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

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

The County provides a full range of services including police protection, social services, planning and inspections, public works 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 generally runs below state and national averages. The local unemployment rate was 3.7% for June 2008, as compared to 2.5% for June 2007. The state and national unemployment rates for June 2008 were 4.2% and 5.7% respectively.

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 2008 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 Virginia Institute of Marine Science, which is the graduate school in marine science for the College of William & Mary, completed two new marine research buildings. The complex brings a state-of-the-art facility supporting research in areas such as computer modeling, genetics, geochemistry, immunology, pathobiology, physical oceanography, and toxicology.

New developments, both under construction and planned, in the Gloucester Business Park have increased capital and job investments in Gloucester. The Sentara Medical Arts Project, which is an urgent/care and diagnostic medical arts complex, opened early 2008. A joint venture between RJS Associates and AES Consulting Engineers to build on 5.96 acres as a phased development will add almost 60,000 square feet of office space at build-out. The RJS/AES project completes the absorption of business property available in the park.

Industrial Resource Technologies Inc., a manufacturing subsidiary of Canon USA, began a 70,000 square foot expansion to meet the growing demand in the recycling and reclaiming of toner cartridges and related materials. The expansion will generate new capital investment of \$10.0 million and approximately 50 new jobs.

In other medical service delivery, Riverside Walter Reed Hospital (Riverside Health Systems) 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.

Retail development continued to flourish. In 2008, 14,000 square feet of retail space, including a drive-through Starbucks, was constructed in Fox Mill Centre. A newly planned phase for 2009 includes TJ Maxx, Belk Department Stores, Best Buy, Staples and others. The Shoppes of Gloucester saw new growth with a Dollar Tree expansion and Ollie's Bargain Barn. Tractor Supply Company anticipates opening a retail center by early 2009.

The Allen Group completed construction of a Hampton Inn, which opened July 2008.

Long term financial planning

The County prepared a Capital Improvement Plan (CIP) for FY 2008 to FY 2012. 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.

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 population of this school. This project is expected to be complete in fiscal year 2009.

The Federal Emergency Management Agency has awarded several grants totaling \$5.1 million to Gloucester County to acquire or elevate properties that have sustained damage or can expect to sustain damage as a result of coastal storms. The Mitigation Grant Program seeks to protect and reduce the damages associated with natural disasters by returning acquired properties to green space and raising homes to a desired flood protection elevation.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the twelfth consecutive year that the County government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

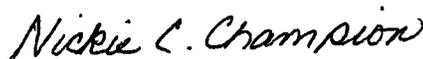
A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and will be submitted to GFOA.

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

Respectfully submitted,



Brenda G. Garton
County Administrator



Nickie C. Champion
Director of Financial Services

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of June 30, 2008, 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 14, 2008, 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 important for 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 opinions on the financial statements that collectively comprise the County of Gloucester, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County of Gloucester, Virginia. The other supplementary information including the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robinson, Farmer, & Associates

Richmond, Virginia
November 14, 2008

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, 2008. 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 \$37.3 million (*net assets*). Of this amount, \$24.5 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 \$.5 million, of which the governmental activities decreased by \$.7 million and business-type activities increased by \$1.2 million.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21.5 million, a decrease of \$4.7 million in comparison with the prior year. Approximately 86.6% of this total amount, \$18.6 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 \$12.0 million, or 12.5% 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 \$3.5 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 17-19 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses funds 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 23-26 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 27-29 of this report.

Overview of the Financial Statements (Continued)

Fund financial statements (Continued)

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund statement can be found on page 30 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-62 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 pages 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 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$37.3 million at the close of the most recent fiscal year. A large portion of the County's net assets (\$12.8 million, 34.3% of total) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities (i.e., the County's investment in capital assets are of a permanent nature as assets acquired are generally not sold or otherwise disposed of during their useful life).

Unrestricted net assets of \$24.5 million or 65.7% may be used to meet the County's ongoing obligations to citizens and creditors.

Government-Wide Financial Analysis (Continued)

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

Summary of Net Assets								
As of June 30, 2008 and 2007								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2008	2007	2008	2007	2008	2007	2008	2007
Current & other assets	\$ 29,630,040	\$ 33,606,408	\$ 5,954,889	\$ 5,443,287	\$ 35,584,929	\$ 39,049,695	\$ 9,708,925	\$ 9,173,359
Capital assets	43,231,305	35,110,466	29,537,954	30,194,919	72,769,259	65,305,385	27,520,834	24,465,468
Total assets	\$ 72,861,345	\$ 68,716,874	\$ 35,492,843	\$ 35,638,206	\$ 108,354,188	\$ 104,355,080	\$ 37,229,759	\$ 33,638,827
Long-term debt outstanding	\$ 36,091,749	\$ 31,838,827	\$ 23,636,690	\$ 25,181,267	\$ 59,728,439	\$ 57,020,094	\$ 5,713,239	\$ 5,793,348
Other liabilities	9,189,248	8,631,808	2,162,477	1,988,022	11,351,725	10,619,830	9,389,435	7,006,578
Total liabilities	\$ 45,280,997	\$ 40,470,635	\$ 25,799,167	\$ 27,169,289	\$ 71,080,164	\$ 67,639,924	\$ 15,102,674	\$ 12,799,926
Net assets								
Invested in capital asset, net of related debt	\$ 6,263,692	\$ 8,637,111	\$ 6,500,868	\$ 6,421,570	\$ 12,764,560	\$ 15,058,681	\$ 23,417,048	\$ 21,947,314
Restricted	-	-	-	-	-	-	-	-
Unrestricted	21,316,656	19,609,128	3,192,808	2,047,347	24,509,464	21,656,475	(1,289,963)	(1,108,413)
Total net assets	\$ 27,580,348	\$ 28,246,239	\$ 9,693,676	\$ 8,468,917	\$ 37,274,024	\$ 36,715,156	\$ 22,127,085	\$ 20,838,901

The County's combined net assets, which is the County's bottom line, increased by \$.6 million or 1.5% from the prior year. This increase can be attributed to the efforts of the business-type activities as the efforts of governmental activities decreased net assets by \$.7 million. The decrease in net assets of governmental activities can be attributed to using excess cash for pay-as-you-go capital projects.

The 14.5% increase in the net assets from business-type activities was the result of a 50.1% increase in the revenue from water and sewer connection fees as well as modest increases in charges for services and modest decreases in the amount of outstanding debt.

In the case of the component units, Gloucester County Public Schools and Gloucester Economic Development Authority, assets exceed liabilities by \$22.1 million at the close of fiscal year 2008. The capital assets of the Gloucester Economic Development Authority (net of depreciation) increased by \$2.1 million due to construction in progress at the Gloucester Business Park. The capital assets of the Public Schools (net of depreciation) increased by \$1.0 million due to the continued renovation and expansion of Abingdon Elementary School. The Commonwealth of Virginia requires that counties, as well as their financially dependent component units, be financed under a single taxing structure. This results in counties issuing debt to finance capital assets, such as public schools, for their component units. The capital assets of the Gloucester County Public Schools are jointly owned with the County. The County maintains ownership of the capital asset until any debt owed on the asset is paid. The County reports depreciation expense on these assets until such time as the debt is paid, and the asset is transferred to the component unit. One major factor affecting the increase in net assets for the component units are the result of the transfer of jointly owned assets from the County to Gloucester Public Schools (component unit).

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

Government-Wide Financial Analysis (Continued)

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

Summary of Changes in Net Assets								
Years Ended June 30, 2008 and 2007								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenues:								
Program revenue:								
Charges for services	\$ 1,662,147	\$ 1,649,744	\$ 3,332,589	\$ 3,072,172	\$ 4,994,736	\$ 4,721,916	\$ 2,213,923	\$ 1,896,662
Operating grants & contributions	7,595,236	7,314,692	1,058,499	705,200	8,653,735	8,019,892	35,568,306	35,061,304
Capital grants & contributions	1,948,761	1,069,233	-	3,036,901	1,948,761	4,106,134	-	-
General revenues:								
Property taxes	30,064,891	27,475,955	36,222	36,441	30,101,113	27,512,396	-	-
Other taxes	10,637,789	10,356,066	-	-	10,637,789	10,356,066	-	-
Unrestricted revenues	951,284	1,318,342	221,205	249,510	1,172,489	1,567,852	54,770	66,722
Miscellaneous	583,074	719,956	-	-	583,074	719,956	131,926	24,508
Grants and contributions	3,014,716	1,727,129	-	-	3,014,716	1,727,129	-	-
Loss on disposal of capital assets	-	(22,282)	-	-	-	(22,282)	-	21,101
Payment from County	-	-	-	-	-	-	22,985,952	22,245,963
Total revenue	\$ 56,457,898	\$ 51,608,835	\$ 4,648,515	\$ 7,100,224	\$ 61,106,413	\$ 58,709,059	\$ 60,954,877	\$ 59,316,260
Expenses:								
General government	\$ 5,059,027	\$ 4,385,731	\$ -	\$ -	\$ 5,059,027	\$ 4,385,731	\$ -	\$ -
Judicial administration	1,789,176	1,498,764	-	-	1,789,176	1,498,764	-	-
Public safety	11,897,730	10,480,141	-	-	11,897,730	10,480,141	-	-
Public works	1,991,262	2,032,499	-	-	1,991,262	2,032,499	-	-
Health and welfare	4,065,857	3,953,184	-	-	4,065,857	3,953,184	-	-
Parks, recreation, & cultural	2,015,572	1,898,798	-	-	2,015,572	1,898,798	-	-
Community development	2,780,816	1,534,243	-	-	2,780,816	1,534,243	687,830	514,143
Interest on long-term debt	1,754,490	1,559,087	-	-	1,754,490	1,559,087	-	-
Education	24,969,859	23,035,692	-	-	24,969,859	23,035,692	58,978,863	58,114,352
Public Utilities	-	-	4,223,756	3,963,709	4,223,756	3,963,709	-	-
Total expenses	\$ 56,323,789	\$ 50,378,139	\$ 4,223,756	\$ 3,963,709	\$ 60,547,545	\$ 54,341,848	\$ 59,666,693	\$ 58,628,495
Change in net assets, before transfers	\$ 134,109	\$ 1,230,696	\$ 424,759	\$ 3,136,515	\$ 558,868	\$ 4,367,211	\$ 1,288,184	\$ 687,765
Transfers	(800,000)	(900,000)	800,000	900,000	-	-	-	-
Increase in net assets	\$ (665,891)	\$ 330,696	\$ 1,224,759	\$ 4,036,515	\$ 558,868	\$ 4,367,211	\$ 1,288,184	\$ 687,765
Net assets, beginning	28,246,239	27,915,543	8,468,917	4,432,402	36,715,156	32,347,945	20,838,901	20,151,136
Net assets, ending	\$ 27,580,348	\$ 28,246,239	\$ 9,693,676	\$ 8,468,917	\$ 37,274,024	\$ 36,715,156	\$ 22,127,085	\$ 20,838,901

Governmental activities – For the fiscal year ended June 30, 2008, revenues from governmental activities totaled \$56.5 million. Real estate tax revenues, the County’s largest revenue source, reflecting the accrual of the last half of calendar year 2007 and the first half of calendar year 2008 real property tax billing, were \$22.6 million. The County’s assessed real property tax base for calendar year 2008 saw a very modest increase of \$27.8 million largely due to new construction, therefore, the driving factor in the 9.4% increase in property taxes were tax rate increases.

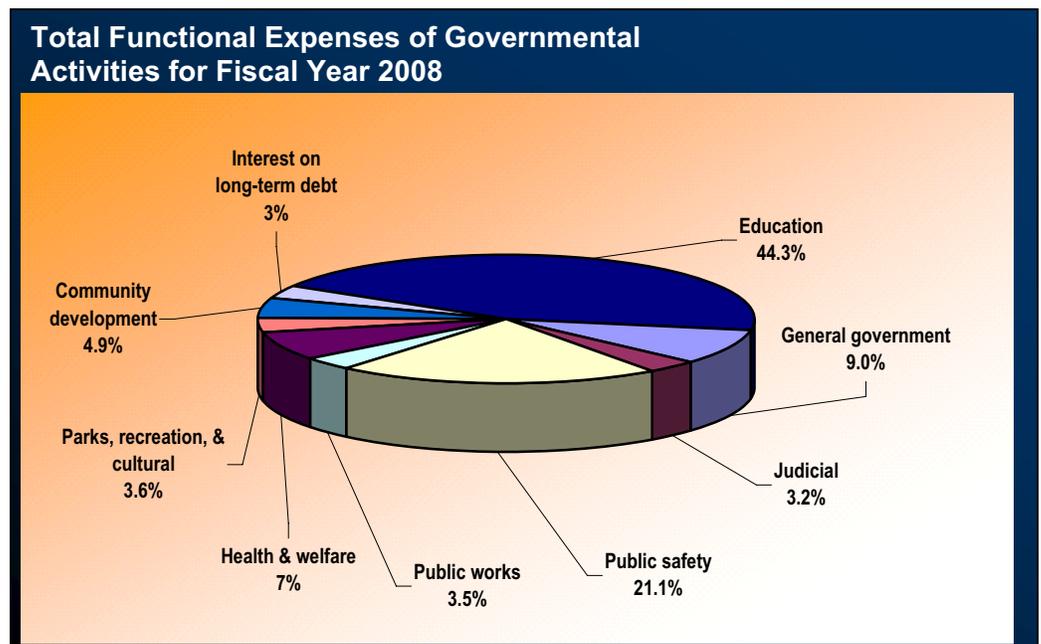
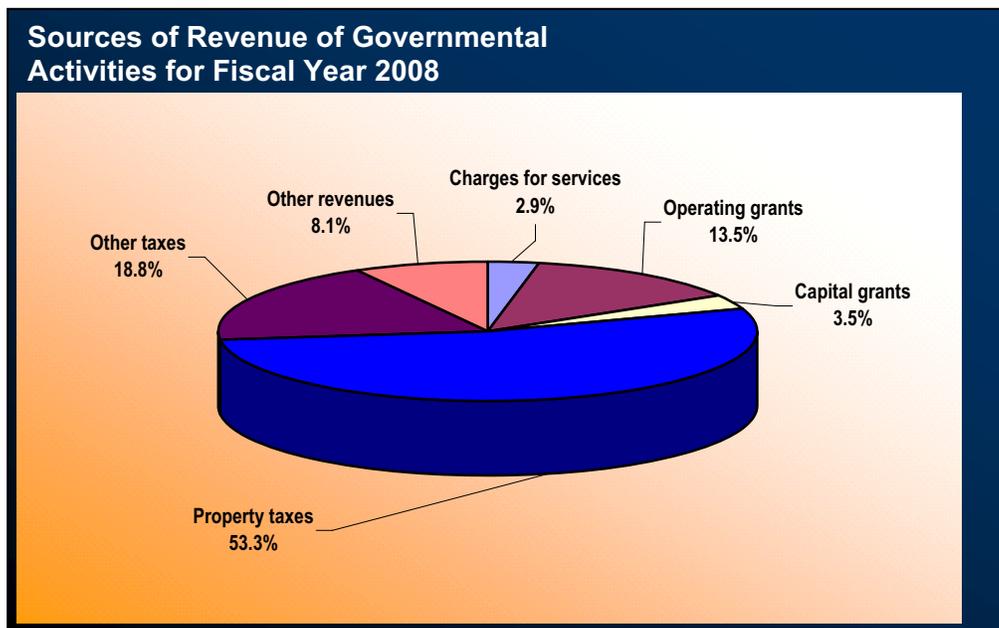
In the General Fund, a major fund, the County reported current year collections of \$9.0 million in personal property taxes, the County’s second largest revenue source. Of that amount, \$2.8 million was received as reimbursement from the Commonwealth of Virginia. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state’s share of local personal property tax was approximately 35.4% of most taxpayer’s payments.

Government-Wide Financial Analysis (Continued)

For the fiscal year ended June 30, 2008, expenses relating to governmental activities were \$33.2 million less than planned. Departments typically do not expend their entire operating budgets, returning any remaining balances. In addition, \$31.7 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 and Abingdon Elementary School renovations. A third major capital project, a jail expansion, has been placed on hold indefinitely as the County explores options to make the project economically feasible.

Public education continues to be one of the County's highest priorities and commitments. The County contributed \$20.8 million to public school operations, \$2.9 million toward debt payments relating to school projects, and \$1.6 million for general school capital needs for a total contribution of \$25.3 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 \$1.2 million, which can be attributed to increases in water and sewer connection fees and a decrease in outstanding debt.

The County has one enterprise fund for the provision of water and wastewater services to approximately 4,399 customers in the County. While the continued increases in connection fees correspond to new customers for the department, it is worth noting that these revenues are not sustainable in the long term and help to offset the cost of upgrading and replacing infrastructure. Operating fees from water and sewer rates must be sufficient to cover the operating expenses of the fund. In Fiscal Year 2008, the Utility Fund had an operating income of \$418,635.

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 \$21.5 million, a decrease of \$4.7 million in comparison with the prior year. This decrease can be attributed to the use of accumulated cash and debt proceeds for capital projects. Of this total amount, \$18.6 million or 86.6% 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 \$13.1 million, while total fund balance reached \$13.6 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 12.5% 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 \$5.5 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 \$6.4 million were issued in the current fiscal year to fund a portion of the renovation and expansion of Abingdon Elementary School. These bonds were sold through the Virginia Public School Authority's Literary Fund Subsidy Program, which means they came with a \$.8 million loan subsidy, which will be expended in fiscal year 2009.

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 \$3.1 million. The \$1.1 million increase in the total net assets of business type activities includes \$.4 million in connection fees for the current year as well as a \$.3 million increase in charges for services. 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 2008 was no exception, with total General Fund expenditures \$1.1 million below the final amended budget. Education expenditures were under budget by \$.2 million due to a small decrease in student enrollment. In addition, personnel savings were realized as a result of turnover and retirements.

There was an increase of \$.7 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 \$.4 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.

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, 2008, amounts to \$72.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. Major capital asset events during the current fiscal year included the following:

- A construction project with a budget of \$14.7 million to expand and renovate Abingdon Elementary School was started by the Gloucester County School Board (a Component Unit) in fiscal year 2007 and is expected to be completed in fiscal year 2009.
- 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 and built a road to the Water Treatment Plant.
- The County also began an emergency communications system project with a projected budget of \$15.3 million.

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

Capital Assets								
As of June 30, 2008 and 2007								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2008	2007	2008	2007	2008	2007	2008	2007
Land	\$ 4,921,068	\$ 4,720,875	\$ 3,574,046	\$ 3,574,046	\$ 8,495,114	\$ 8,294,921	\$ 1,949,796	\$ 1,949,796
Construction in progress	12,020,451	1,822,318	-	-	12,020,451	1,822,318	2,245,841	-
Buildings	10,342,988	10,670,334	25,777,607	26,411,556	36,120,595	37,081,890	2,541,185	2,722,699
Improvements other than buildings	80,398	40,400	-	-	80,398	40,400	-	-
Equipment	1,792,325	1,769,657	186,301	209,317	1,978,626	1,978,974	3,226,349	2,986,495
Jointly owned assets	14,074,075	16,086,882	-	-	14,074,075	16,086,882	17,557,663	16,806,478
Total	\$ 43,231,305	\$ 35,110,466	\$ 29,537,954	\$ 30,194,919	\$ 72,769,259	\$ 65,305,385	\$ 27,520,834	\$ 24,465,468

Additional information on the County's capital assets can be found in Note 6 on pages 43-46 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 \$63.8 million and details are summarized in the following table:

Long-Term Debt								
As of June 30, 2008 and 2007								
	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2008	2007	2008	2007	2008	2007	2008	2007
Bonds Payable:								
General obligation bonds	\$ 23,125,057	\$ 17,663,684	\$ 91,502	\$ 124,585	\$ 23,216,559	\$ 17,788,269	-	-
Revenue bonds	-	-	24,950,999	25,664,002	24,950,999	25,664,002	-	-
Loans and Notes	-	-	-	-	-	-	5,464,699	4,264,315
Literary loans	4,143,520	4,783,520	-	-	4,143,520	4,783,520	-	-
Capital leases	9,699,036	10,158,148	-	-	9,699,036	10,158,148	-	-
Note payable	-	-	-	-	-	-	-	-
Total	<u>\$ 38,626,647</u>	<u>\$ 34,328,593</u>	<u>\$ 25,171,305</u>	<u>\$ 25,960,922</u>	<u>\$ 63,797,952</u>	<u>\$ 60,289,515</u>	<u>\$ 7,272,958</u>	<u>\$ 6,062,197</u>

Debt associated with governmental activities increased by \$4.3 million while debt associated with business-type activities decreased by \$.8 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, 2008, the County's net debt as a percentage of assessed value was 1.0%, the net debt per capita ratio was \$1,013, and the debt payments percentage was 4.8%.

Additional information on the County's long-term debt can be found in Note 8 on pages 47-57.

Economic Factors and Next Year's Budgets and Rates

The County's staff and Board of Supervisors considered many factors when developing the fiscal year General Fund 2009 budget, particularly the commitment to capital projects for the Emergency Communications System and the renovation and expansion of Abingdon Elementary School. The Emergency Communications System is expected to be completed in fiscal year 2010 and the Abingdon Elementary School Project in fiscal year 2009. Although the County will contribute \$3.9 million of cash to the Emergency Communications System project, the projects are heavily funded using debt.

The fiscal year 2009 General Fund approved budget is \$54.7 million, which is a 3.7% increase over the fiscal year 2008 budget. Included in this budget were tax rate increases of \$.04 for real estate and \$.40 for personal property, which drives the 9.8% increase in revenue from property taxes. These rate increases were necessary to meet increased debt payments and to offset the loss of state revenue.

The fiscal year 2009 School Operating Budget was approved at \$59.2 million, which is a 3.6% increase over the fiscal year 2008 budget.

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

It has become apparent that state and national economic conditions will negatively impact our local budgets – to what extent has not been determined. The Board of Supervisors has requested that departments and agencies curtail all discretionary spending and that a review of each job vacancy is made before a decision is made to fill the position. In addition, departments and agencies have submitted proposed strategies to reduce fiscal year 2009 budgets by focusing on program efficiencies and examining all operations to identify activities that may not be necessary to the County's core mission.

The current economic climate is expected to continue into fiscal year 2010.

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, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 18,915,013	\$ 3,369,907	\$ 22,284,920	\$ 555,196	\$ 1,558,940
Receivables (net of allowance for uncollectibles):					
Taxes receivable	4,697,390	3,773	4,701,163	-	-
Accounts receivable	876,350	331,856	1,208,206	715,729	-
Due from other governmental units	2,791,348	-	2,791,348	5,033,369	-
Inventories	-	29,189	29,189	17,919	1,360,913
Prepaid expenses	2,095,051	6,404	2,101,455	404,057	-
Deferred charges	-	1,112	1,112	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	-	2,005,415	2,005,415	-	-
Other assets:					
Unamortized bond issue costs	254,888	207,233	462,121	-	62,802
Capital assets (net of accumulated depreciation):					
Land	4,921,068	3,574,046	8,495,114	1,476,061	473,735
Buildings and system	24,417,063	25,777,607	50,194,670	17,557,663	2,541,185
Improvements other than buildings	80,398	-	80,398	-	-
Machinery and equipment	1,792,325	186,301	1,978,626	3,226,349	-
Construction in progress	12,020,451	-	12,020,451	-	2,245,841
Total assets	<u>\$ 72,861,345</u>	<u>\$ 35,492,843</u>	<u>\$ 108,354,188</u>	<u>\$ 28,986,343</u>	<u>\$ 8,243,416</u>
LIABILITIES					
Accounts payable	\$ 1,751,121	\$ 213,848	\$ 1,964,969	\$ 1,107,458	\$ 1,047,952
Accrued liabilities	537,862	-	537,862	5,065,397	-
Accrued interest payable	736,540	295,054	1,031,594	-	-
Due to other governmental units	3,628,827	-	3,628,827	150,000	458,909
Deposits held in escrow	-	118,960	118,960	-	-
Long-term liabilities:					
Due within one year	2,534,898	1,534,615	4,069,513	180,826	1,378,893
Due in more than one year	36,091,749	23,636,690	59,728,439	1,627,433	4,085,806
Total liabilities	<u>\$ 45,280,997</u>	<u>\$ 25,799,167</u>	<u>\$ 71,080,164</u>	<u>\$ 8,131,114</u>	<u>\$ 6,971,560</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 6,263,692	\$ 6,500,868	\$ 12,764,560	\$ 22,260,073	\$ 1,156,975
Unrestricted (deficit)	21,316,656	3,192,808	24,509,464	(1,404,844)	114,881
Total net assets	<u>\$ 27,580,348</u>	<u>\$ 9,693,676</u>	<u>\$ 37,274,024</u>	<u>\$ 20,855,229</u>	<u>\$ 1,271,856</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, 2008

<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>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 5,059,027	\$ -	\$ 375,982	\$ -
Judicial administration	1,789,176	336,565	1,023,515	-
Public safety	11,897,730	544,106	3,262,003	100,000
Public works	1,991,262	390,002	9,775	-
Health and welfare	4,065,857	-	2,638,891	-
Education	24,969,859	1,676	-	181,782
Parks, recreation, and cultural	2,015,572	362,618	181,610	-
Community development	2,780,816	27,180	103,460	1,666,979
Interest on long-term debt	1,754,490	-	-	-
Total governmental activities	<u>\$ 56,323,789</u>	<u>\$ 1,662,147</u>	<u>\$ 7,595,236</u>	<u>\$ 1,948,761</u>
Business-type activities:				
Public utilities	\$ 4,223,756	\$ 3,332,589	\$ 1,058,499	\$ -
Total business-type activities	<u>\$ 4,223,756</u>	<u>\$ 3,332,589</u>	<u>\$ 1,058,499</u>	<u>\$ -</u>
Total primary government	<u>\$ 60,547,545</u>	<u>\$ 4,994,736</u>	<u>\$ 8,653,735</u>	<u>\$ 1,948,761</u>
COMPONENT UNITS:				
School Board	\$ 58,978,863	\$ 1,419,408	\$ 35,568,306	\$ -
Economic Development Authority	687,830	794,515	-	-
Total component units	<u>\$ 59,666,693</u>	<u>\$ 2,213,923</u>	<u>\$ 35,568,306</u>	<u>\$ -</u>

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
 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	
\$ (4,683,045)	\$ -	\$ (4,683,045)	\$ -	\$ -	
(429,096)	-	(429,096)	-	-	
(7,991,621)	-	(7,991,621)	-	-	
(1,591,485)	-	(1,591,485)	-	-	
(1,426,966)	-	(1,426,966)	-	-	
(24,786,401)	-	(24,786,401)	-	-	
(1,471,344)	-	(1,471,344)	-	-	
(983,197)	-	(983,197)	-	-	
(1,754,490)	-	(1,754,490)	-	-	
<u>\$ (45,117,645)</u>	<u>\$ -</u>	<u>\$ (45,117,645)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 167,332	\$ 167,332	\$ -	\$ -	
\$ -	\$ 167,332	\$ 167,332	\$ -	\$ -	
<u>\$ (45,117,645)</u>	<u>\$ 167,332</u>	<u>\$ (44,950,313)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	(21,991,149)	\$ -	
-	-	-	-	106,685	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(21,991,149)</u>	<u>106,685</u>	
\$ 30,064,891	\$ 36,222	\$ 30,101,113	\$ -	\$ -	
3,944,337	-	3,944,337	-	-	
686,877	-	686,877	-	-	
6,006,575	-	6,006,575	-	-	
951,284	221,205	1,172,489	20,880	33,890	
583,074	-	583,074	131,926	-	
3,014,716	-	3,014,716	-	-	
-	-	-	22,985,952	-	
(800,000)	800,000	-	-	-	
<u>\$ 44,451,754</u>	<u>\$ 1,057,427</u>	<u>\$ 45,509,181</u>	<u>\$ 23,138,758</u>	<u>\$ 33,890</u>	
\$ (665,891)	\$ 1,224,759	\$ 558,868	\$ 1,147,609	\$ 140,575	
28,246,239	8,468,917	36,715,156	19,707,620	1,131,281	
<u>\$ 27,580,348</u>	<u>\$ 9,693,676</u>	<u>\$ 37,274,024</u>	<u>\$ 20,855,229</u>	<u>\$ 1,271,856</u>	

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>School Construction</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 15,161,473	\$ 650	\$ 118,452	\$ 3,634,438	\$ -	\$ 18,915,013
Receivables (net of allowance for uncollectibles):						
Taxes receivable	4,697,390	-	-	-	-	4,697,390
Accounts receivable	875,997	-	-	-	353	876,350
Due from other funds	2,025,274	-	4,732,166	-	-	6,757,440
Due from other governmental units	1,242,077	-	1,241,857	-	307,414	2,791,348
Prepaid items	291,985	1,803,066	-	-	-	2,095,051
Total assets	<u>\$ 24,294,196</u>	<u>\$ 1,803,716</u>	<u>\$ 6,092,475</u>	<u>\$ 3,634,438</u>	<u>\$ 307,767</u>	<u>\$ 36,132,592</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 378,113	\$ -	\$ 606,757	\$ 680,692	\$ 85,559	\$ 1,751,121
Accrued liabilities	537,862	-	-	-	-	537,862
Due to other governmental units	3,628,827	-	-	-	-	3,628,827
Due to other funds	4,149,318	1,803,066	-	582,848	222,208	6,757,440
Deferred revenue	1,964,266	-	-	-	-	1,964,266
Total liabilities	<u>\$ 10,658,386</u>	<u>\$ 1,803,066</u>	<u>\$ 606,757</u>	<u>\$ 1,263,540</u>	<u>\$ 307,767</u>	<u>\$ 14,639,516</u>
Fund balances:						
Reserved for:						
Construction	\$ -	\$ -	\$ -	\$ 2,370,898	\$ -	\$ 2,370,898
Prepaid items	291,985	-	-	-	-	291,985
Rezoning proffers	-	-	19,000	-	-	19,000
Asset forfeiture	203,591	-	-	-	-	203,591
Unreserved, reported in:						
General fund	13,140,234	-	-	-	-	13,140,234
Debt service funds	-	650	-	-	-	650
Capital projects funds	-	-	5,466,718	-	-	5,466,718
Total fund balances	<u>\$ 13,635,810</u>	<u>\$ 650</u>	<u>\$ 5,485,718</u>	<u>\$ 2,370,898</u>	<u>\$ -</u>	<u>\$ 21,493,076</u>
Total liabilities and fund balances	<u>\$ 24,294,196</u>	<u>\$ 1,803,716</u>	<u>\$ 6,092,475</u>	<u>\$ 3,634,438</u>	<u>\$ 307,767</u>	<u>\$ 36,132,592</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, 2008

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	21,493,076	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	62,064,789	
Less: accumulated depreciation		<u>(18,833,484)</u>	43,231,305
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Deferred revenue	\$	1,964,266	
Unamortized bond issue costs		<u>254,888</u>	2,219,154
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	\$	(28,522,046)	
Interest payable		(736,540)	
Capital lease obligations		(8,445,567)	
Compensated absences		<u>(1,659,034)</u>	<u>(39,363,187)</u>
Net assets of governmental activities	\$		<u><u>27,580,348</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, 2008

	General	Debt Service	Capital Projects	School Construction	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 29,677,158	\$ -	\$ -	\$ -	\$ -	\$ 29,677,158
Other local taxes	10,637,789	-	-	-	-	10,637,789
Permits, privilege fees, and regulatory licenses	505,444	-	-	-	-	505,444
Fines and forfeitures	111,970	-	-	-	-	111,970
Revenue from the use of money and property	592,081	224	4,884	312,406	-	909,595
Charges for services	1,044,733	-	-	-	-	1,044,733
Miscellaneous	399,451	-	166,145	-	17,478	583,074
Recovered costs	300,414	-	-	-	-	300,414
Intergovernmental revenues:						
Commonwealth	7,725,012	-	531,618	-	1,210,759	9,467,389
Federal	324,609	-	1,417,143	-	1,349,572	3,091,324
Total revenues	<u>\$ 51,318,661</u>	<u>\$ 224</u>	<u>\$ 2,119,790</u>	<u>\$ 312,406</u>	<u>\$ 2,577,809</u>	<u>\$ 56,328,890</u>
EXPENDITURES						
Current:						
General government administration	\$ 4,744,278	\$ -	\$ -	\$ -	\$ -	\$ 4,744,278
Judicial administration	1,616,046	-	-	-	-	1,616,046
Public safety	10,657,869	-	-	-	-	10,657,869
Public works	1,820,371	-	-	-	-	1,820,371
Health and welfare	548,552	-	-	-	3,453,115	4,001,667
Education	21,561,837	-	-	-	-	21,561,837
Parks, recreation, and cultural	2,040,444	-	-	-	-	2,040,444
Community development	828,242	-	-	-	-	828,242
Nondepartmental	271,250	-	-	-	-	271,250
Capital projects	-	-	4,731,187	10,781,567	-	15,512,754
Debt service:						
Principal retirement	-	2,317,442	-	-	-	2,317,442
Interest and other fiscal charges	-	1,603,656	-	-	-	1,603,656
Total expenditures	<u>\$ 44,088,889</u>	<u>\$ 3,921,098</u>	<u>\$ 4,731,187</u>	<u>\$ 10,781,567</u>	<u>\$ 3,453,115</u>	<u>\$ 66,975,856</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 7,229,772</u>	<u>\$ (3,920,874)</u>	<u>\$ (2,611,397)</u>	<u>\$ (10,469,161)</u>	<u>\$ (875,306)</u>	<u>\$ (10,646,966)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 3,920,723	\$ 1,492,790	\$ -	\$ 875,306	\$ 6,288,819
Transfers out	(7,088,819)	-	-	-	-	(7,088,819)
Issuance of debt	-	-	-	6,364,713	-	6,364,713
Bond premium issuance	-	-	-	343,349	-	343,349
Total other financing sources (uses)	<u>\$ (7,088,819)</u>	<u>\$ 3,920,723</u>	<u>\$ 1,492,790</u>	<u>\$ 6,708,062</u>	<u>\$ 875,306</u>	<u>\$ 5,908,062</u>
Net change in fund balances	\$ 140,953	\$ (151)	\$ (1,118,607)	\$ (3,761,099)	\$ -	\$ (4,738,904)
Fund balances - beginning	13,494,857	801	6,604,325	6,131,997	-	26,231,980
Fund balances - ending	<u>\$ 13,635,810</u>	<u>\$ 650</u>	<u>\$ 5,485,718</u>	<u>\$ 2,370,898</u>	<u>\$ -</u>	<u>\$ 21,493,076</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, 2008

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

Net change in fund balances - total governmental funds \$ (4,738,904)

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	\$ 8,953,864	
Depreciation expense	<u>(833,025)</u>	8,120,839

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 387,733

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	\$ 6,708,062	
Principal payments	(2,317,442)	
Premium amortization	<u>(41,689)</u>	(4,348,931)

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	\$ 64,206	
(increase) decrease in interest payable	<u>(150,834)</u>	<u>(86,628)</u>

Change in net assets of governmental activities \$ (665,891)

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

Statement of Net Assets
 Proprietary Fund
 June 30, 2008

	Enterprise Fund Utilities Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,369,907
Taxes receivable, net of allowances for uncollectibles	3,773
Accounts receivable, net of allowances for uncollectibles	331,856
Inventories	29,189
Prepaid expenses	6,404
Deferred charges	1,112
Total current assets	<u>\$ 3,742,241</u>
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents-bond requirements	<u>\$ 2,005,415</u>
Other assets:	
Unamortized bond issue costs	<u>\$ 207,233</u>
Capital assets:	
Utility plant in service	\$ 33,429,090
Land	3,574,046
Machinery and equipment	535,359
Buildings	5,042,285
Less accumulated depreciation	<u>(13,042,826)</u>
Total capital assets	<u>\$ 29,537,954</u>
Total noncurrent assets	<u>\$ 31,750,602</u>
Total assets	<u>\$ 35,492,843</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 213,848
Accrued interest payable	295,054
Compensated absences	12,880
Deposits held in escrow	118,960
Bonds payable - current portion	<u>1,521,735</u>
Total current liabilities	<u>\$ 2,162,477</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 23,520,766
Compensated absences	<u>115,924</u>
Total noncurrent liabilities	<u>\$ 23,636,690</u>
Total liabilities	<u>\$ 25,799,167</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 6,500,868
Unrestricted	<u>3,192,808</u>
Total net assets	<u><u>\$ 9,693,676</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, 2008

	<u>Enterprise Fund Utilities Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 2,612,269
Sewer revenues	665,886
Other revenues	54,434
Total operating revenues	<u>\$ 3,332,589</u>
OPERATING EXPENSES	
Personal services	\$ 903,883
Fringe benefits	233,411
Contractual services	136,211
Other charges	757,844
Depreciation	882,605
Total operating expenses	<u>\$ 2,913,954</u>
Operating income (loss)	<u>\$ 418,635</u>
NONOPERATING REVENUES (EXPENSES)	
Connection fees	\$ 1,058,499
Investment earnings	221,205
Amortization of loan costs	(26,624)
Taxes	36,222
Interest expense	(1,283,178)
Total nonoperating revenues (expenses)	<u>\$ 6,124</u>
Income before contributions and transfers	<u>\$ 424,759</u>
Transfers in	800,000
Change in net assets	<u>\$ 1,224,759</u>
Total net assets - beginning	8,468,917
Total net assets - ending	<u><u>\$ 9,693,676</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, 2008

	Enterprise Fund <u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,293,458
Receipts for miscellaneous items	54,434
Payments to suppliers	(797,812)
Payments to employees	(1,180,825)
Net cash provided (used) by operating activities	<u>\$ 1,369,255</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 800,000
Connection fees	1,058,499
Tax revenue	36,082
Net cash provided (used) by noncapital financing activities	<u>\$ 1,894,581</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (225,640)
Principal payments on bonds	(746,086)
Interest payments	(1,968,341)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,940,067)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 221,205
Net cash provided (used) by investing activities	<u>\$ 221,205</u>
Net increase (decrease) in cash and cash equivalents	\$ 544,974
Cash and cash equivalents - beginning - including restricted	<u>4,830,348</u>
Cash and cash equivalents - ending - including restricted	<u><u>\$ 5,375,322</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 418,635
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 882,605
(Increase) decrease in accounts receivable	13,517
(Increase) decrease in inventories	(6,379)
(Increase) decrease in prepaid expenses	(160)
Increase (decrease) in customer deposits	1,786
Increase (decrease) in accounts payable and accrued liabilities	59,251
Total adjustments	<u>\$ 950,620</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,369,255</u></u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 138,820
Total assets	\$ <u>138,820</u>
LIABILITIES	
Accounts payable	\$ 7,597
Amounts held for social services clients	18,695
Amounts held for others	101,752
Amounts held for regional program	10,776
Total liabilities	\$ <u>138,820</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

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, 2008 (CONTINUED)

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2008.

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, 2008.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

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

B. Individual Component Unit Disclosures: (Continued)

The Gloucester County Economic Development Authority is responsible for industrial 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, 2008. 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, 2008.

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, 2008 (CONTINUED)

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

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

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

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

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 (CONTINUED)

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

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

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

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

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

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

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

E. Cash and Cash Equivalents:

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

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

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

F. Investments

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$405,877 at June 30, 2008 and is comprised solely of property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (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, 2008.

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, 2008 (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>Capital Projects</u>	<u>Total</u>
Designated for:				
Mosquito Control	\$ 173,167	\$ -	\$ -	\$ 173,167
Tourism Projects	112,678	-	-	112,678
Daffodil Festival	61,976	-	-	61,976
Trustee Cash	-	650	-	650
Subsequent expenditures	756,955	-	5,273,266	6,030,221
Norman Land Sale	-	-	75,000	75,000
Probation & Pretrial	13,844	-	-	13,844
Cable	7,321	-	-	7,321
Older Adult Projects	-	-	118,452	118,452
Total designated for specific purposes	<u>\$ 1,125,941</u>	<u>\$ 650</u>	<u>\$ 5,466,718</u>	<u>\$ 6,593,309</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 (CONTINUED)

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

M. Net Assets

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

N. Long-term Obligations

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

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

O. Prepaid Items

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, 2008 (CONTINUED)

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, 2008.

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, 2008 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, 2008 (CONTINUED)

NOTE 3—DEPOSITS AND INVESTMENTS: (CONTINUED)

Credit Risk of Debt Securities

The County's rated debt investments as of June 30, 2008 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.

<u>Locality's Rated Debt Investments' Values</u>	
<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	\$ 5,093,219
Virginia State Non-Arbitrage Pool	3,634,439
Money Market Funds	<u>481,521</u>
Total	<u>\$ 9,209,179</u>

Interest Rate Risk

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

<u>Investment Maturities (in years)</u>		
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>
U.S. Treasury Notes	\$ <u>2,005,415</u>	\$ <u>2,005,415</u>
Total	\$ <u>2,005,415</u>	\$ <u>2,005,415</u>

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). 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, 2008 (CONTINUED)

NOTE 4—DUE FROM OTHER GOVERNMENTS:

At June 30, 2008, the County has receivables from other governments as follows:

	Component Unit		
	Primary Government	School Board	Economic Development Authority
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,628,827	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	458,909	-	-
Commonwealth of Virginia:			
Local sales tax	692,543	-	-
Motor vehicle carrier tax	1,911	-	-
Mobile home titling tax	7,500	-	-
Victim witness grant	13,848	-	-
VPA funds	73,006	-	-
State sales tax	-	1,038,353	-
Constitutional officer reimbursements	289,766	-	-
Miscellaneous	34,329	(451)	-
Comprehensive service	122,613	-	-
Rental vehicle tax	10,750	-	-
Mitigation grant	120,960	-	-
E-911 funds	3,207	-	-
Federal Government:			
School fund grants	-	366,640	-
Mitigation grant	459,802	-	-
VDOT Grant	202,186	-	-
VPA funds	111,795	-	-
Miscellaneous	4,138	-	-
Other federal grants	34,085	-	-
Total due from other governments	<u>\$ 2,791,348</u>	<u>\$ 5,033,369</u>	<u>\$ -</u>

Amounts due to other governments are as follows:

Other Local Governments:			
Gloucester County School Board	<u>\$ 3,628,827</u>	<u>\$ -</u>	<u>\$ -</u>
Gloucester County	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 458,909</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 5—INTERFUND OBLIGATIONS:

Details of the Primary Government's interfund receivables and payables as of June 30, 2008, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 2,025,274	\$ 4,149,318
County Capital Improvements	4,732,166	-
Debt Service	-	1,803,066
School Construction	-	582,848
Virginia Public Assistance	-	222,208
Total Governmental Funds	<u>\$ 6,757,440</u>	<u>\$ 6,757,440</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 ended June 30, 2008:

Primary Government:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 4,720,875	\$ 200,193	\$ -	\$ 4,921,068
Construction in progress	969,111	219,767	620,893	567,985
Jointly owned construction in progress	853,207	10,634,499	35,240	11,452,466
Total capital assets not subject to depreciation	<u>\$ 6,543,193</u>	<u>\$ 11,054,459</u>	<u>\$ 656,133</u>	<u>\$ 16,941,519</u>
Capital assets subject to depreciation:				
Buildings	\$ 15,306,862	\$ 70,676	\$ -	\$ 15,377,538
Improvements other than buildings	40,400	44,230	-	84,630
Equipment	5,637,027	561,887	230,463	5,968,451
Jointly owned assets	25,813,906	35,240	2,156,495	23,692,651
Total capital assets being depreciated	<u>\$ 46,798,195</u>	<u>\$ 712,033</u>	<u>\$ 2,386,958</u>	<u>\$ 45,123,270</u>
Less accumulated depreciation for:				
Buildings	\$ (4,636,528)	\$ (398,022)	\$ -	\$ (5,034,550)
Improvements other than buildings	-	(4,232)	-	(4,232)
Equipment	(3,867,370)	(539,219)	(230,463)	(4,176,126)
Jointly owned assets	(9,727,024)	108,448	-	(9,618,576)
Total accumulated depreciation	<u>\$ (18,230,922)</u>	<u>\$ (833,025)</u>	<u>\$ (230,463)</u>	<u>\$ (18,833,484)</u>
Total capital assets being depreciated, net	<u>\$ 28,567,273</u>	<u>\$ (120,992)</u>	<u>\$ 2,156,495</u>	<u>\$ 26,289,786</u>
Governmental capital assets, net	<u>\$ 35,110,466</u>	<u>\$ 10,933,467</u>	<u>\$ 2,812,628</u>	<u>\$ 43,231,305</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2008:

Component Unit - School Board:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Total capital assets not subject to depreciation	\$ 1,476,061	\$ -	\$ -	\$ 1,476,061
Capital assets subject to depreciation:				
Equipment	\$ 7,988,653	\$ 909,532	\$ 321,696	\$ 8,576,489
Jointly owned assets	25,440,182	2,156,495	-	27,596,677
Total capital assets being depreciated	\$ 33,428,835	\$ 3,066,027	\$ 321,696	\$ 36,173,166
Less accumulated depreciation for:				
Equipment	\$ (5,002,158)	\$ (669,678)	\$ (321,696)	\$ (5,350,140)
Jointly owned assets	(8,633,704)	(1,405,310)	-	(10,039,014)
Total accumulated depreciation	\$ (13,635,862)	\$ (2,074,988)	\$ (321,696)	\$ (15,389,154)
Total capital assets being depreciated, net	\$ 19,792,973	\$ 991,039	\$ -	\$ 20,784,012
Governmental capital assets, net	\$ 21,269,034	\$ 991,039	\$ -	\$ 22,260,073

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

Governmental activities:

General government	\$ 79,232
Judicial administration	184,842
Public safety	431,643
Public works	71,893
Health and welfare	55,769
Education	(59,295)
Parks, recreation and cultural	67,396
Community development	1,545

Total Governmental activities \$ 833,025

Component Unit School Board \$ 2,074,988

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (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, 2008, is that school financed assets in the amount of \$25,526,541 are reported in the Primary Government for financial reporting purposes.

A summary of proprietary fund property, plant, and equipment at June 30, 2008 follows:

Primary Government:

	<u>Balance</u> <u>June 30, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Enterprise activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,574,046	\$ -	\$ -	\$ 3,574,046
Total capital assets not subject to depreciation	<u>\$ 3,574,046</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,574,046</u>
Capital assets subject to depreciation:				
Plant in service	\$ 33,399,090	\$ 30,000	\$ -	\$ 33,429,090
Machinery and equipment	544,159	-	8,800	535,359
Buildings	4,846,645	195,640	-	5,042,285
Total capital assets being depreciated	<u>\$ 38,789,894</u>	<u>\$ 225,640</u>	<u>\$ 8,800</u>	<u>\$ 39,006,734</u>
Less accumulated depreciation for:				
Plant in service	\$ (9,477,111)	\$ (723,175)	\$ -	\$ (10,200,286)
Machinery and equipment	(334,842)	(23,016)	(8,800)	(349,058)
Buildings	(2,357,068)	(136,414)	-	(2,493,482)
Total accumulated depreciation	<u>\$ (12,169,021)</u>	<u>\$ (882,605)</u>	<u>\$ (8,800)</u>	<u>\$ (13,042,826)</u>
Total capital assets being depreciated, net	<u>\$ 26,620,873</u>	<u>\$ (656,965)</u>	<u>\$ -</u>	<u>\$ 25,963,908</u>
Enterprise capital assets, net	<u>\$ 30,194,919</u>	<u>\$ (656,965)</u>	<u>\$ -</u>	<u>\$ 29,537,954</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

A summary of the component Unit Economic Development Authority property, plant, and equipment at June 30, 2008 follows:

Component Unit Economic Development Authority:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>
Enterprise activities:				
Capital assets not subject to depreciation:				
Land	\$ 473,735	\$ -	\$ -	\$ 473,735
Construction in progress	-	2,245,841	-	2,245,841
Total capital assets not subject to depreciation	<u>\$ 473,735</u>	<u>\$ 2,245,841</u>	<u>\$ -</u>	<u>\$ 2,719,576</u>
Capital assets subject to depreciation:				
Buildings	\$ 4,537,831	\$ -	\$ -	\$ 4,537,831
Equipment	7,234	-	-	7,234
Total capital assets being depreciated	<u>\$ 4,545,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,545,065</u>
Less accumulated depreciation for:				
Buildings	\$ (1,815,132)	\$ (181,514)	\$ -	\$ (1,996,646)
Equipment	(7,234)	-	-	(7,234)
Total accumulated depreciation	<u>\$ (1,822,366)</u>	<u>\$ (181,514)</u>	<u>\$ -</u>	<u>\$ (2,003,880)</u>
Total capital assets being depreciated, net	<u>\$ 2,722,699</u>	<u>\$ (181,514)</u>	<u>\$ -</u>	<u>\$ 2,541,185</u>
Enterprise capital assets, net	<u>\$ 3,196,434</u>	<u>\$ 2,064,327</u>	<u>\$ -</u>	<u>\$ 5,260,761</u>

NOTE 7—INTERFUND TRANSFERS:

Interfund transfers for the year ended June 30, 2008, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Governmental Funds:		
General Fund	\$ -	\$ 7,088,819
Debt Service	3,920,723	-
County Capital Improvements	1,492,790	-
Virginia Public Assistance	568,313	-
Comprehensive Services Act	306,993	-
Total Governmental Funds	<u>\$ 6,288,819</u>	<u>\$ 7,088,819</u>
Enterprise Funds:		
Utilities	800,000	-
Total-All Funds	<u>\$ 7,088,819</u>	<u>\$ 7,088,819</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, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS:

Details of Long-Term Indebtedness:

Primary Government:

A summary of long-term obligation transactions for the year ended June 30, 2008 is as follows:

	<u>Amounts Payable at July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Governmental Obligations:					
Incurred by County					
Compensated absences payable	\$ 1,723,241	\$ 1,404,554	\$ 1,468,761	\$ 1,659,034	\$ 165,903
Capital lease obligations	8,960,000	-	220,000	8,740,000	235,000
Less deferred amounts:					
On refunding	<u>(307,762)</u>	<u>-</u>	<u>(13,329)</u>	<u>(294,433)</u>	<u>-</u>
				-	
Total incurred by County	<u>\$ 10,375,479</u>	<u>\$ 1,404,554</u>	<u>\$ 1,675,432</u>	<u>\$ 10,104,601</u>	<u>\$ 400,903</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 4,783,520	\$ -	\$ 640,000	\$ 4,143,520	\$ 540,000
General obligation bonds payable	17,140,000	6,364,713	1,205,000	22,299,713	1,334,735
Add deferred amounts:					
For issuance premium	523,684	343,349	41,689	825,344	-
Capital lease and notes payable obligations	<u>1,505,910</u>	<u>-</u>	<u>252,441</u>	<u>1,253,469</u>	<u>259,260</u>
Total incurred by School Board	<u>\$ 23,953,114</u>	<u>\$ 6,708,062</u>	<u>\$ 2,139,130</u>	<u>\$ 28,522,046</u>	<u>\$ 2,133,995</u>
Total Governmental Obligations	<u>\$ 34,328,593</u>	<u>\$ 8,112,616</u>	<u>\$ 3,814,562</u>	<u>\$ 38,626,647</u>	<u>\$ 2,534,898</u>
Enterprise Obligations:					
Compensated absences payable	\$ 172,335	\$ 44,257	\$ 87,788	\$ 128,804	\$ 12,880
General obligation bonds payable	124,585	-	33,083	91,502	38,011
Revenue bonds payable	25,970,976	-	726,253	25,244,723	1,483,724
Add deferred amounts:					
For issuance premium	456,335	-	67,081	389,254	-
Less deferred amounts:					
For issuance discount	(67,098)	-	(2,928)	(64,170)	-
For issuance costs	<u>(696,211)</u>	<u>-</u>	<u>(77,403)</u>	<u>(618,808)</u>	<u>-</u>
Total Enterprise Obligations	<u>\$ 25,960,922</u>	<u>\$ 44,257</u>	<u>\$ 833,874</u>	<u>\$ 25,171,305</u>	<u>\$ 1,534,615</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

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

Year Ending June 30	County Obligations	
	Capital Leases	
	Principal	Interest
2009	\$ 235,000	\$ 370,996
2010	245,000	360,289
2011	250,000	349,083
2012	265,000	338,070
2013	275,000	327,270
2014	285,000	316,070
2015	300,000	304,370
2016	305,000	292,270
2017	320,000	279,770
2018	330,000	266,770
2019	350,000	252,951
2020	360,000	238,308
2021	380,000	222,997
2022	395,000	206,472
2023	410,000	188,863
2024	425,000	170,597
2025	450,000	151,456
2026	470,000	131,331
2027	490,000	110,025
2028	515,000	87,412
2029	535,000	63,788
2030	560,000	39,150
2031	590,000	13,275
Total	\$ <u>8,740,000</u>	\$ <u>5,081,583</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

Year Ending June 30	School Obligations					
	State Literary Fund Loans		General Obligation Bonds Payable		Capital Leases and Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 540,000	\$ 130,450	\$ 1,334,735	\$ 1,154,899	\$ 259,260	\$ 45,211
2010	540,000	113,000	1,352,011	1,022,293	270,641	36,275
2011	540,000	95,550	1,330,226	949,928	251,910	27,354
2012	540,000	78,100	1,328,609	878,038	263,059	18,447
2013	513,196	60,650	1,227,168	809,610	65,736	12,048
2014	250,000	44,110	1,055,914	749,897	69,528	8,255
2015	250,000	36,610	1,089,857	694,252	73,335	4,243
2016	250,000	29,110	1,129,005	636,691	-	-
2017	250,000	21,609	1,168,371	576,616	-	-
2018	250,000	14,109	1,072,965	519,337	-	-
2019	220,324	6,609	1,112,799	465,753	-	-
2020	-	-	1,157,887	411,657	-	-
2021	-	-	1,198,240	355,495	-	-
2022	-	-	1,253,874	295,328	-	-
2023	-	-	1,298,501	233,905	-	-
2024	-	-	1,353,369	170,297	-	-
2025	-	-	794,794	118,237	-	-
2026	-	-	821,556	79,574	-	-
2027	-	-	848,672	39,358	-	-
2028	-	-	371,160	9,465	-	-
Total	\$ 4,143,520	\$ 629,907	\$ 22,299,713	\$ 10,170,630	\$ 1,253,469	\$ 151,833

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2008 (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
2009	\$ 38,011	\$ 3,557	\$ 1,483,724	\$ 1,186,535
2010	39,956	1,612	1,509,426	1,124,458
2011	13,535	88	1,555,164	1,061,226
2012	-	-	1,625,940	985,924
2013	-	-	1,701,755	907,175
2014	-	-	1,782,613	824,721
2015	-	-	1,858,514	738,359
2016	-	-	1,949,461	648,293
2017	-	-	2,035,457	553,766
2018	-	-	2,136,503	455,076
2019	-	-	2,237,603	350,061
2020	-	-	413,760	240,728
2021	-	-	409,803	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>91,502</u>	\$ <u>5,257</u>	\$ <u>25,244,723</u>	\$ <u>10,381,655</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Long-Term Debt:</u>	
<u>Capital Lease Obligations:</u>	
\$9,275,000 capital lease obligation (payable from the General Fund) issued September 14, 2000, secured by the courthouse, principal due in various annual installments through 2011, interest payable semi-annually at coupon rates from 5.375% to 5.500%	\$ 595,000
\$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, \$8,145,000 less unamortized deferred amount on refunding \$294,433.	<u>7,850,567</u>
Total Capital Lease Obligations	\$ 8,445,567
Compensated absences (payable from the General Fund)	\$ <u>1,659,034</u>
Total Debt Incurred by County	\$ <u><u>10,104,601</u></u>
<u>General Obligation Bonds:</u>	
<u>Enterprise Funds:</u>	
<u>Sanitary District No. 1 Fund:</u>	
\$670,000 general obligation Farmers Home Administration water and sewer bonds issued June 15, 1976, due in monthly installments of \$3,464 including principal and interest, interest at 5%	\$ <u>91,502</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds: (Continued)</u>	
<u>Revenue Bonds:</u>	
\$421,600 Farmers Home Administration water and sewer revenue bonds issued December 23, 1980, due in monthly installments of \$2,054 including principal and interest, interest at 5%	\$ 224,723
\$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, \$16,245,000 plus unamortized issuance premium of \$389,254, less unamortized deferred amount on refunding of \$324,755.	16,309,499
\$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%	430,000
\$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, \$8,345,000 less unamortized issuance discount of \$64,170, less unamortized deferred amount on refunding of \$294,053.	<u>7,986,777</u>
Total revenue bonds	\$ 24,950,999
Compensated absences (payable from the Enterprise Fund)	<u>\$ 128,804</u>
Total enterprise obligations payable	<u><u>\$ 25,171,305</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>General Obligation Bonds: (Continued)</u>	
<u>School Bonds Payable:</u>	
\$8,565,000 School Bonds issued January 3, 1994 payable in various annual installments each December 15 through 2013, interest payable semi-annually at an average rate of 6.45%	\$ 490,000
\$4,335,000 School Bonds issued April 28, 1992 payable in various annual installments each December 15 through 2013, interest payable semi-annually at 5.83%	835,000
\$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%	475,000
\$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%	1,260,000
\$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 \$339,520.	6,904,520
\$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 \$153,921.	6,463,921
\$6,364,713 School Bonds issued November 8, 2007 payable in various annual installments each July 15 through 2027. Interest payable semi-annually at various interest rates from 4.35% through 5.1%. Carrying amount of bonds including unamortized issuance premium of \$331,903.	<u>6,696,616</u>
Total school bonds payable	\$ <u>23,125,057</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%	\$ 418,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%	389,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%	614,419
\$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>2,720,324</u>
Total State Literary Fund Loans	\$ <u>4,143,520</u>
<u>Capital Lease Obligations:</u>	
\$1,589,921 capital lease obligation issued March 15, 2004 secured by equipment, due in various semi-annual installments of over 7 years, interest at 2.80%	\$ 815,885
<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>437,584</u>
Total Capital Lease and Notes Payable Obligations	\$ <u>1,253,469</u>
Total School Board Long-Term Debts Issued, payable from the General Fund	\$ <u><u>28,522,046</u></u>

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 8—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Indebtedness: (Continued)

Primary Government: (Continued)

Capital Leases: (Continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Component Unit- School Board</u>
Asset:		
Courthouse Construction	\$ 7,237,000	\$ -
HVAC equipment	-	2,051,650
Less: Accumulated depreciation	<u>(1,085,550)</u>	<u>(1,746,095)</u>
	<u>\$ 6,151,450</u>	<u>\$ 305,555</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>	<u>Component Unit- School Board</u>
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	<u>603,275</u>	<u>-</u>
Total minimum lease payments	\$ 13,821,583	\$ 861,023
Less: amount representing interest	<u>(5,081,583)</u>	<u>(45,138)</u>
Present value of minimum lease payments	<u>\$ 8,740,000</u>	<u>\$ 815,885</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (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, 2008:

	<u>Amounts Payable at July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable (payable from the School Fund)	\$ 1,797,882	\$ 2,135,290	\$ 2,124,913	\$ 1,808,259	\$ 180,826

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, 2008:

	<u>Amounts Payable at July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Loans Payable	\$ 4,264,315	-	\$ 86,608	\$ 4,177,707	\$ 91,901
Note Payable	-	1,286,992	-	1,286,992	1,286,992
Total	\$ 4,264,315	\$ 1,286,992	\$ 86,608	\$ 5,464,699	\$ 1,378,893

**Amount
Outstanding**

Bonds:

\$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%. \$ 4,177,707

\$1,500,000 line of credit with BB&T dated May 27, 2008, accrued interest payable in monthly installments through July 30, 2008, interest at 6.550%, funds drawn down at June 30, 2008 were \$1,286,992 1,286,992

Total Debt incurred by the Component Unit Economic
Development Authority \$ 5,464,699

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (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 2008, 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 2008. 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. Based on current year payments, the swap is listed at fair market value.

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>
2009	\$ 91,901	\$ 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>3,277,550</u>	<u>164,468</u>
Total	\$ <u>4,177,707</u>	\$ <u>1,705,814</u>

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.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 (CONTINUED)

NOTE 9—LANDFILL POST CLOSURE COSTS: (CONTINUED)

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 \$1,964,266 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$1,810,104 at June 30, 2008.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2008, but paid in advance by the tax payers totaled \$154,162 at June 30, 2008.

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 \$108,801 during the fiscal year ended June 30, 2008.

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, 2008, the equipment has not been received by the County nor has a liability been recorded in these financial statements.

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 \$2,168,137 outstanding at June 30, 2008.

The component unit Economic Development Authority is committed on a construction contract with Clancy and Theys Construction Company for IRT expansion work. The construction contract totals \$12,390,674 with \$10,188,469 outstanding at June 30, 2008.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 11—COMMITMENTS AND CONTINGENCIES: (CONTINUED)

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

NOTE 12—LITIGATION:

At June 30, 2008, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

NOTE 13—RISK MANAGEMENT:

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

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

Component Unit School Board—Health Insurance

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

Unpaid claims, June 30, 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	\$ 506,501
Incurred claims (including IBNR and changes in estimates)	5,285,322
Claim payments	<u>(5,266,455)</u>
Unpaid claims, June 30, 2008	<u>\$ 525,368</u>

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2007AnnuRept.pdf> or obtained by 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 annual salary to the VRS. This 5% member contribution may be 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's and School's non-professional employee contribution rates for the fiscal year ended 2008 were 8.02% and 7% of annual covered payroll, respectively.

The School Board's professional employees contributed \$3,052,493, \$2,680,037, and \$1,856,675, to the teacher cost-sharing pool for the fiscal years ended June 30, 2008, 2007, and 2006 respectively and these contributions represented 10.30%, 9.20%, and 6.62% respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2008, the County's annual pension cost of \$981,406 was equal to the County's required and actual contributions.

For fiscal year 2008, the County School Board's annual pension cost for the Board's non-professional employees were \$302,836, which was equal to the Board's required and actual contributions.

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 14—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

C. Annual Pension Cost: (Continued)

Three-Year Trend Information			
County and School Board Non-Professional Employees			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
County:			
June 30, 2008	\$ 981,406	100%	\$ -
June 30, 2007	938,864	100%	-
June 30, 2006	637,385	100%	-
School Board:			
Non-Professional:			
June 30, 2008	\$ 302,836	100%	\$ -
June 30, 2007	291,262	100%	-
June 30, 2006	158,886	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.73% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County's and School Board's assets is equal to the modified market value assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 21 years.

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the County plan was 90.50% funded. The actuarial accrued liability for benefits was \$34,534,550, and the actuarial value of assets was \$31,252,207, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,282,343. The covered payroll (annual payroll of active employees covered by the plan) was \$11,967,890, and ratio of the UAAL to the covered payroll was 27.43%.

As of June 30, 2007, the most recent actuarial valuation date, the School Board Non-Professional plan was 88.98% funded. The actuarial accrued liability for benefits was \$11,895,235, and the actuarial value of assets was \$10,583,920, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,311,315. The covered payroll (annual payroll of active employees covered by the plan) was \$4,192,789 and ratio of the UAAL to the covered payroll was 31.28%.

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

COUNTY OF GLOUCESTER, VIRGINIA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 (CONTINUED)

NOTE 15—SURETY BONDS:

	<u>Amount</u>
Commonwealth of Virginia - Division of Risk Management - Surety	
Margaret Walker, Clerk of the Circuit Court	\$ 103,000
Tara L Thomas, Treasurer	500,000
Kevin A. Wilson, Commissioner of the Revenue	3,000
E. Steven Gentry, Sheriff	30,000
The above constitutional officer's employees blanket bond	50,000
Western Surety	
Diane Gamache, Clerk of the School Board	10,000
NGM Insurance Company	
Brenda G. Garton, County Administrator	5,000
Fidelity and Deposit Company of Maryland – Surety	
All County and Social Services Employees – Blanket Bond	100,000
VA CORP Insurance Program - Surety	
All Social Services Employees - Blanket Bond	1,000,000

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, 2008. The future minimum lease payments for this lease are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2009	\$ 150,000
2010	150,000
2011	150,000
2012	175,000
2013	175,000
Total	<u>\$ 800,000</u>

NOTE 17—SUBSEQUENT EVENT:

On September 28, 2008, 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.

On July 17, 2008, the component unit Economic Development Authority refinanced the \$4,300,000 line of credit into a \$18,500,000 bond. The additional proceeds are being used to finance a capital improvement in the Gloucester Business Park.

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 29,563,398	\$ 29,563,398	\$ 29,677,158	\$ 113,760
Other local taxes	10,723,071	10,723,071	10,637,789	(85,282)
Permits, privilege fees, and regulatory licenses	469,450	469,450	505,444	35,994
Fines and forfeitures	98,000	98,000	111,970	13,970
Revenue from the use of money and property	871,642	871,642	592,081	(279,561)
Charges for services	1,029,534	1,029,534	1,044,733	15,199
Miscellaneous	320,405	416,477	399,451	(17,026)
Recovered costs	314,719	314,719	300,414	(14,305)
Intergovernmental revenues:				
Commonwealth	7,526,725	7,711,417	7,725,012	13,595
Federal	308,551	389,398	324,609	(64,789)
Total revenues	<u>\$ 51,225,495</u>	<u>\$ 51,587,106</u>	<u>\$ 51,318,661</u>	<u>\$ (268,445)</u>
EXPENDITURES				
Current:				
General government administration	4,698,296	4,744,447	4,744,278	169
Judicial administration	1,560,130	1,708,564	1,616,046	92,518
Public safety	10,983,159	11,135,334	10,657,869	477,465
Public works	1,852,386	1,870,284	1,820,371	49,913
Health and welfare	570,156	567,156	548,552	18,604
Education	21,604,390	21,739,849	21,561,837	178,012
Parks, recreation, and cultural	1,995,655	2,121,077	2,040,444	80,633
Community development	940,524	994,363	828,242	166,121
Nondepartmental	271,250	271,250	271,250	-
Total expenditures	<u>\$ 44,475,946</u>	<u>\$ 45,152,324</u>	<u>\$ 44,088,889</u>	<u>\$ 1,063,435</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 6,749,549</u>	<u>\$ 6,434,782</u>	<u>\$ 7,229,772</u>	<u>\$ 794,990</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>\$ (7,418,198)</u>	<u>\$ (7,848,122)</u>	<u>\$ (7,088,819)</u>	<u>\$ 759,303</u>
Total other financing sources and uses	<u>\$ (7,418,198)</u>	<u>\$ (7,848,122)</u>	<u>\$ (7,088,819)</u>	<u>\$ 759,303</u>
Net change in fund balances	\$ (668,649)	\$ (1,413,340)	\$ 140,953	\$ 1,554,293
Fund balances - beginning	668,649	1,413,340	13,494,857	12,081,517
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,635,810</u>	<u>\$ 13,635,810</u>

Schedule of Pension Funding Progress
For the Year Ended June 30, 2008

Primary Government:
County Retirement Plan:

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2007	\$ 31,252,207	\$ 34,534,550	\$ 3,282,343	90.50%	\$ 11,967,890	27.43%
6/30/2006	27,113,595	29,885,627	2,772,032	90.72%	10,880,883	25.48%
6/30/2005	24,961,333	29,212,017	4,250,684	85.45%	10,087,289	42.14%
6/30/2004	23,804,086	25,304,942	1,500,856	94.07%	9,534,011	15.74%

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

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability	Funded Ratio (2) (3)	Annual Covered Payroll	UAAL as % of Payroll (4) (6)
6/30/2007	\$ 10,583,920	\$ 11,895,235	\$ 1,311,315	88.98%	\$ 4,192,789	31.28%
6/30/2006	9,204,914	10,721,286	1,516,372	85.86%	3,976,011	38.14%
6/30/2005	8,491,998	10,207,856	1,715,858	83.19%	4,055,720	42.31%
6/30/2004	8,101,614	8,335,831	234,217	97.19%	3,647,401	6.42%

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 224	\$ 224
Total revenues	\$ -	\$ -	\$ 224	\$ 224
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,317,442	\$ 2,317,442	\$ 2,317,442	\$ -
Interest and other fiscal charges	1,654,519	1,654,519	1,603,656	50,863
Total expenditures	\$ 3,971,961	\$ 3,971,961	\$ 3,921,098	\$ 50,863
Excess (deficiency) of revenues over (under) expenditures	\$ (3,971,961)	\$ (3,971,961)	\$ (3,920,874)	\$ 51,087
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,971,961	\$ 3,971,961	\$ 3,920,723	\$ (51,238)
Total other financing sources and uses	\$ 3,971,961	\$ 3,971,961	\$ 3,920,723	\$ (51,238)
Net change in fund balances	\$ -	\$ -	\$ (151)	\$ (151)
Fund balances - beginning	-	-	801	801
Fund balances - ending	\$ -	\$ -	\$ 650	\$ 650

Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ 4,000	\$ 4,000	\$ 4,884	\$ 884
Miscellaneous	100,000	100,000	166,145	66,145
Intergovernmental revenues:				
Commonwealth	867,421	867,421	531,618	(335,803)
Federal	2,031,034	2,031,034	1,417,143	(613,891)
Total revenues	<u>\$ 3,002,455</u>	<u>\$ 3,002,455</u>	<u>\$ 2,119,790</u>	<u>\$ (882,665)</u>
EXPENDITURES				
Capital projects	\$ 32,605,977	\$ 33,035,901	\$ 4,731,187	\$ 28,304,714
Total expenditures	<u>\$ 32,605,977</u>	<u>\$ 33,035,901</u>	<u>\$ 4,731,187</u>	<u>\$ 28,304,714</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (29,603,522)</u>	<u>\$ (30,033,446)</u>	<u>\$ (2,611,397)</u>	<u>\$ 27,422,049</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,446,817	\$ 1,876,741	\$ 1,492,790	\$ (383,951)
Issuance of capital leases	24,007,484	24,007,484	-	(24,007,484)
Total other financing sources and uses	<u>\$ 25,454,301</u>	<u>\$ 25,884,225</u>	<u>\$ 1,492,790</u>	<u>\$ (24,391,435)</u>
Net change in fund balances	\$ (4,149,221)	\$ (4,149,221)	\$ (1,118,607)	\$ 3,030,614
Fund balances - beginning	4,149,221	4,149,221	6,604,325	2,455,104
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,485,718</u>	<u>\$ 5,485,718</u>

School Construction Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 375,000	\$ 375,000	\$ 312,406	\$ (62,594)
Total revenues	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 312,406</u>	<u>\$ (62,594)</u>
EXPENDITURES				
Capital projects	\$ 14,161,632	\$ 14,161,632	\$ 10,781,567	\$ 3,380,065
Total expenditures	<u>\$ 14,161,632</u>	<u>\$ 14,161,632</u>	<u>\$ 10,781,567</u>	<u>\$ 3,380,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (13,786,632)</u>	<u>\$ (13,786,632)</u>	<u>\$ (10,469,161)</u>	<u>\$ 3,317,471</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	\$ 13,786,632	\$ 13,786,632	\$ 6,364,713	\$ (7,421,919)
Bond issuance premium	-	-	343,349	343,349
Total other financing sources and uses	<u>\$ 13,786,632</u>	<u>\$ 13,786,632</u>	<u>\$ 6,708,062</u>	<u>\$ (7,078,570)</u>
Net change in fund balances	\$ -	\$ -	\$ (3,761,099)	\$ (3,761,099)
Fund balances - beginning	-	-	6,131,997	6,131,997
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,370,898</u>	<u>\$ 2,370,898</u>

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2008

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
ASSETS			
Receivables (net of allowance for uncollectibles):			
Accounts receivable	\$ 353	\$ -	\$ 353
Due from other governmental units	184,801	122,613	307,414
Total assets	<u>\$ 185,154</u>	<u>\$ 122,613</u>	<u>\$ 307,767</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 85,559	\$ 85,559
Due to other funds	185,154	37,054	222,208
Total liabilities	<u>\$ 185,154</u>	<u>\$ 122,613</u>	<u>\$ 307,767</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ -	\$ -	\$ -
Total fund balances	\$ -	\$ -	\$ -
Total liabilities and fund balances	<u>\$ 185,154</u>	<u>\$ 122,613</u>	<u>\$ 307,767</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Total
REVENUES			
Miscellaneous	\$ 5,779	\$ 11,699	\$ 17,478
Intergovernmental revenues:			
Commonwealth	862,283	348,476	1,210,759
Federal	1,330,181	19,391	1,349,572
Total revenues	<u>\$ 2,198,243</u>	<u>\$ 379,566</u>	<u>\$ 2,577,809</u>
EXPENDITURES			
Current:			
Health and welfare	\$ 2,766,556	\$ 686,559	\$ 3,453,115
Total expenditures	<u>\$ 2,766,556</u>	<u>\$ 686,559</u>	<u>\$ 3,453,115</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (568,313)</u>	<u>\$ (306,993)</u>	<u>\$ (875,306)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 568,313	\$ 306,993	\$ 875,306
Total other financing sources and uses	<u>\$ 568,313</u>	<u>\$ 306,993</u>	<u>\$ 875,306</u>
Net change in fund balances	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2008

	Virginia Public Assistance Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 5,779	\$ 779
Intergovernmental revenues:				
Commonwealth	586,689	586,689	862,283	275,594
Federal	1,617,155	1,617,155	1,330,181	(286,974)
Total revenues	<u>\$ 2,208,844</u>	<u>\$ 2,208,844</u>	<u>\$ 2,198,243</u>	<u>\$ (10,601)</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 3,010,179	\$ 3,010,179	\$ 2,766,556	\$ 243,623
Total expenditures	<u>\$ 3,010,179</u>	<u>\$ 3,010,179</u>	<u>\$ 2,766,556</u>	<u>\$ 243,623</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (801,335)</u>	<u>\$ (801,335)</u>	<u>\$ (568,313)</u>	<u>\$ 233,022</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 801,335	\$ 801,335	\$ 568,313	\$ (233,022)
Total other financing sources and uses	<u>\$ 801,335</u>	<u>\$ 801,335</u>	<u>\$ 568,313</u>	<u>\$ (233,022)</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>

Exhibit 18

Comprehensive Services Act Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 4,000	\$ 4,000	\$ 11,699	\$ 7,699
407,915	407,915	348,476	(59,439)
30,000	30,000	19,391	(10,609)
<u>\$ 441,915</u>	<u>\$ 441,915</u>	<u>\$ 379,566</u>	<u>\$ (62,349)</u>
\$ 840,000	\$ 840,000	\$ 686,559	\$ 153,441
<u>\$ 840,000</u>	<u>\$ 840,000</u>	<u>\$ 686,559</u>	<u>\$ 153,441</u>
\$ (398,085)	\$ (398,085)	\$ (306,993)	\$ 91,092
\$ 398,085	\$ 398,085	\$ 306,993	\$ (91,092)
<u>\$ 398,085</u>	<u>\$ 398,085</u>	<u>\$ 306,993</u>	<u>\$ (91,092)</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2008

	<u>Agency Funds</u>				<u>Total</u>
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Middle Peninsula Regional Special Education</u>	<u>Jail Inmate</u>	
ASSETS					
Cash and cash equivalents	\$ 18,695	\$ 76,458	\$ 10,776	\$ 32,891	\$ 138,820
Total assets	<u>\$ 18,695</u>	<u>\$ 76,458</u>	<u>\$ 10,776</u>	<u>\$ 32,891</u>	<u>\$ 138,820</u>
LIABILITIES					
Accounts payable	\$ -	\$ 7,597	\$ -	\$ -	\$ 7,597
Amounts held for social services clients	18,695	-	-	-	18,695
Amounts held for others	-	68,861	-	32,891	101,752
Amounts held for regional program	-	-	10,776	-	10,776
Total liabilities	<u>\$ 18,695</u>	<u>\$ 76,458</u>	<u>\$ 10,776</u>	<u>\$ 32,891</u>	<u>\$ 138,820</u>

Fiduciary Funds
 Statement of Changes in Assets and Liabilities - Agency Funds
 Year Ended June 30, 2008

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash and cash equivalents	\$ 27,674	\$ 40,486	\$ 49,465	\$ 18,695
Liabilities:				
Amounts held for social services clients	\$ 27,674	\$ 40,486	\$ 49,465	\$ 18,695
Middle Peninsula Regional Special Education Program Fund:				
Assets:				
Cash and cash equivalents	\$ 18,976	\$ 1,332,312	\$ 1,340,512	\$ 10,776
Accounts receivable	196	-	196	-
Total assets	<u>\$ 19,172</u>	<u>\$ 1,332,312</u>	<u>\$ 1,340,708</u>	<u>\$ 10,776</u>
Liabilities:				
Accounts payable	\$ 21	\$ 655,492	\$ 655,512	\$ -
Amounts held for regional program	19,151	676,820	685,196	10,776
Total liabilities	<u>\$ 19,172</u>	<u>\$ 1,332,312</u>	<u>\$ 1,340,708</u>	<u>\$ 10,776</u>
Flexible Benefits Fund:				
Assets:				
Cash and cash equivalents	\$ 71,944	\$ 250,846	\$ 246,332	\$ 76,458
Liabilities:				
Accounts payable	\$ 6,832	\$ 11,371	\$ 10,606	\$ 7,597
Amounts held for others	65,112	239,475	235,726	68,861
Total liabilities	<u>\$ 71,944</u>	<u>\$ 250,846</u>	<u>\$ 246,332</u>	<u>\$ 76,458</u>
Jail Inmate Fund:				
Assets:				
Cash and cash equivalents	\$ 26,796	\$ 155,187	\$ 149,092	\$ 32,891
Liabilities:				
Amounts held for others	\$ 26,796	\$ 155,187	\$ 149,092	\$ 32,891
Totals -- All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 145,390	\$ 1,778,831	\$ 1,785,401	\$ 138,820
Accounts receivable	196	-	196	-
Total assets	<u>\$ 145,586</u>	<u>\$ 1,778,831</u>	<u>\$ 1,785,597</u>	<u>\$ 138,820</u>
Liabilities:				
Accounts payable	\$ 6,853	\$ 666,863	\$ 666,118	\$ 7,597
Amounts held for social services clients	27,674	40,486	49,465	18,695
Amounts held for regional program	19,151	676,820	685,196	10,776
Amounts held for others	91,908	394,662	384,818	101,752
Total liabilities	<u>\$ 145,586</u>	<u>\$ 1,778,831</u>	<u>\$ 1,785,597</u>	<u>\$ 138,820</u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Capital Assets by Source
 June 30, 2008

Governmental funds capital assets:	
Land	\$ 4,921,068
Buildings	15,377,538
Improvements other than buildings	84,630
Machinery and equipment	5,968,451
Jointly owned assets	23,692,651
Construction in progress	12,020,451
Total governmental funds capital assets	<u>\$ 62,064,789</u>
Investments in governmental funds capital assets by source:	
General fund	\$ 11,967,586
Special revenue funds	171,410
Capital projects fund	14,780,676
Component unit, school fund	35,145,117
Total governmental funds capital assets	<u>\$ 62,064,789</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, 2008

Function and Activity	Land	Buildings	Construction in Progress	Machinery and Equipment	Improvements other than Buildings	Total
General government administration:						
Board of supervisors	\$ 4,651,768	\$ 1,625,811	\$ -	\$ -	\$ 33,700	\$ 6,311,279
County administrator	-	-	-	20,938	-	20,938
Commissioner of revenue	-	-	-	59,631	-	59,631
Assessor	-	-	-	53,355	-	53,355
Central accounting	-	-	-	32,106	-	32,106
Department of information technology	-	326,600	-	678,846	25,000	1,030,446
Total general government administration	\$ 4,651,768	\$ 1,952,411	\$ -	\$ 844,876	\$ 58,700	\$ 7,507,755
Judicial administration:						
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ -	\$ -	\$ 7,237,000
General district court	-	-	-	14,617	-	14,617
Probation and pre-trial	-	-	-	5,220	-	5,220
Juvenile and domestic relations district court	-	-	-	17,396	-	17,396
Clerk of circuit court	-	-	-	161,390	-	161,390
Commonwealth's attorney	-	-	-	23,048	-	23,048
Total judicial administration	\$ -	\$ 7,237,000	\$ -	\$ 221,671	\$ -	\$ 7,458,671
Public safety:						
Sheriff	\$ -	\$ 2,138,675	\$ -	\$ 2,692,150	\$ -	\$ 4,830,825
Emergency 911 system	-	-	-	35,286	-	35,286
Communication system	-	-	80,588	-	-	80,588
Emergency services	-	11,524	430,459	146,282	-	588,265
Jail	-	-	-	171,209	-	171,209
Codes compliance	-	61,784	-	161,934	-	223,718
Animal control	-	421,384	-	68,195	-	489,579
Total public safety	\$ -	\$ 2,633,367	\$ 511,047	\$ 3,275,056	\$ -	\$ 6,419,470
Public works:						
Engineering	\$ -	\$ 12,230	\$ -	\$ 208,431	\$ -	\$ 220,661
Building and grounds	-	166,991	-	641,474	6,700	815,165
Total public works	\$ -	\$ 179,221	\$ -	\$ 849,905	\$ 6,700	\$ 1,035,826
Education:						
Schools	\$ -	\$ 21,641,001	\$ 11,452,466	\$ 2,051,650	\$ -	\$ 35,145,117
Community education	-	1,556,351	-	58,118	-	1,614,469
Total education	\$ -	\$ 23,197,352	\$ 11,452,466	\$ 2,109,768	\$ -	\$ 36,759,586
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	\$ -	\$ 979,964	\$ -	\$ 202,534	\$ -	\$ 1,182,498
Parks, recreation, and cultural:						
Recreation	\$ 269,300	\$ 386,760	\$ 56,938	\$ 250,229	\$ -	\$ 963,227
Beaverdam	-	181,397	-	49,806	19,230	250,433
Historical committee	-	157,783	-	9,588	-	167,371
Public library	-	-	-	178,244	-	178,244
Total parks, recreation, and cultural	\$ 269,300	\$ 725,940	\$ 56,938	\$ 487,867	\$ 19,230	\$ 1,559,275
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	\$ -	\$ 113,284	\$ -	\$ 28,424	\$ -	\$ 141,708
Total governmental funds capital assets	\$ 4,921,068	\$ 37,018,539	\$ 12,020,451	\$ 8,020,101	\$ 84,630	\$ 62,064,789

(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, 2008

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets		
	July 1, 2007	Additions	Deductions	July 1, 2007	Additions	Deductions
General government administration:						
Board of supervisors	\$ 6,094,881	\$ 216,398	\$ -	\$ 6,311,279		
County administrator	20,938	-	-	20,938		
Commissioner of revenue	59,631	-	-	59,631		
Assessor	47,425	5,930	-	53,355		
Central accounting	41,768	-	(9,662)	32,106		
Department of information technology	1,005,446	25,000	-	1,030,446		
Total general government administration	<u>\$ 7,270,089</u>	<u>\$ 247,328</u>	<u>\$ (9,662)</u>	<u>\$ 7,507,755</u>		
Judicial administration:						
Circuit court	\$ 7,237,000	\$ -	\$ -	\$ 7,237,000		
General district court	9,494	5,123	-	14,617		
Probation and pre-trial	-	5,220	-	5,220		
Juvenile and domestic relations district court	17,396	-	-	17,396		
Clerk of the circuit court	161,390	-	-	161,390		
Commonwealth's Attorney	23,048	-	-	23,048		
Total judicial administration	<u>\$ 7,448,328</u>	<u>\$ 10,343</u>	<u>\$ -</u>	<u>\$ 7,458,671</u>		
Public safety:						
Sheriff	\$ 4,590,353	\$ 363,417	\$ (122,945)	\$ 4,830,825		
911 system	35,286	-	-	35,286		
Communication Systems	-	80,588	-	80,588		
Emergency services	480,267	136,927	(28,929)	588,265		
Jail	781,167	10,935	(620,893)	171,209		
Building inspections	228,789	10,227	(15,298)	223,718		
Animal control	489,579	-	-	489,579		
Total public safety	<u>\$ 6,605,441</u>	<u>\$ 602,094</u>	<u>\$ (788,065)</u>	<u>\$ 6,419,470</u>		
Public works:						
Engineering	\$ 220,661	\$ -	\$ -	\$ 220,661		
Buildings and grounds	801,146	46,020	(32,001)	815,165		
Total public works	<u>\$ 1,021,807</u>	<u>\$ 46,020</u>	<u>\$ (32,001)</u>	<u>\$ 1,035,826</u>		
Education:						
Schools	\$ 26,667,113	\$ 10,634,499	\$ (2,156,495)	\$ 35,145,117		
Community education	1,614,469	-	-	1,614,469		
Total education	<u>\$ 28,281,582</u>	<u>\$ 10,634,499</u>	<u>\$ (2,156,495)</u>	<u>\$ 36,759,586</u>		
Health and welfare:						
Mosquito control	\$ 54,279	\$ -	\$ -	\$ 54,279		
Health department	221,724	-	-	221,724		
Social services	906,495	-	-	906,495		
Total health and welfare	<u>\$ 1,182,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,182,498</u>		
Parks, recreation, and cultural:						
Recreation	\$ 867,177	\$ 106,744	\$ (10,694)	\$ 963,227		
Beaverdam	177,143	73,290	-	250,433		
Historical committee	167,371	-	-	167,371		
Public library	178,244	-	-	178,244		
Total parks, recreation, and cultural	<u>\$ 1,389,935</u>	<u>\$ 180,034</u>	<u>\$ (10,694)</u>	<u>\$ 1,559,275</u>		
Community development:						
Community development	\$ 80,926	\$ -	\$ -	\$ 80,926		
Economic development	9,282	-	-	9,282		
VPI extension program	51,500	-	-	51,500		
Total community development	<u>\$ 141,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,708</u>		
Total governmental funds capital assets	<u>\$ 53,341,388</u>	<u>\$ 11,720,318</u>	<u>\$ (2,996,917)</u>	<u>\$ 62,064,789</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-School Board

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Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2008

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 50	\$ 555,146	\$ 555,196
Receivables (net of allowance for uncollectibles):			
Accounts receivable	31,084	2,484	33,568
Due from other governmental units	5,033,369	-	5,033,369
Inventories	-	17,919	17,919
Prepaid items	404,057	-	404,057
Total assets	<u>\$ 5,468,560</u>	<u>\$ 575,549</u>	<u>\$ 6,044,109</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 541,330	\$ 40,760	\$ 582,090
Accrued liabilities	4,927,230	138,167	5,065,397
Due to other governmental units	-	150,000	150,000
Total liabilities	<u>\$ 5,468,560</u>	<u>\$ 328,927</u>	<u>\$ 5,797,487</u>

Fund balances:

Reserved for:			
Inventories	\$ -	\$ 17,919	\$ 17,919
Unreserved:			
Undesignated	-	228,703	228,703
Total fund balances	<u>\$ -</u>	<u>\$ 246,622</u>	<u>\$ 246,622</u>
Total liabilities and fund balances	<u>\$ 5,468,560</u>	<u>\$ 575,549</u>	<u>\$ 6,044,109</u>

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

Total fund balances per above \$ 246,622

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 22,260,073

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. 156,793

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds. (1,808,259)

Net assets of governmental activities \$ 20,855,229

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2008

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Revenue from the use of money and property	\$ 2,500	\$ 18,380	\$ 20,880
Charges for services	58,184	1,361,224	1,419,408
Miscellaneous	115,914	16,012	131,926
Recovered costs	273,578	-	273,578
Intergovernmental revenues:			
Local government	20,829,457	-	20,829,457
Commonwealth	32,112,596	34,344	32,146,940
Federal	2,529,507	891,859	3,421,366
Total revenues	<u>\$ 55,921,736</u>	<u>\$ 2,321,819</u>	<u>\$ 58,243,555</u>
EXPENDITURES			
Current:			
Education	\$ 55,921,736	\$ 2,289,175	\$ 58,210,911
Total expenditures	<u>\$ 55,921,736</u>	<u>\$ 2,289,175</u>	<u>\$ 58,210,911</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 32,644</u>	<u>\$ 32,644</u>
Net change in fund balances	\$ -	\$ 32,644	\$ 32,644
Fund balances - beginning	-	213,978	213,978
Fund balances - ending	<u>\$ -</u>	<u>\$ 246,622</u>	<u>\$ 246,622</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		\$	32,644
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.			
			991,039
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.			
			(10,377)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.			
			<u>134,303</u>
Change in net assets of governmental activities		\$	<u>1,147,609</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2008

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,500	\$ 1,500	\$ 2,500	\$ 1,000
Charges for services	69,800	69,800	58,184	(11,616)
Miscellaneous	29,500	29,500	115,914	86,414
Recovered costs	302,027	302,027	273,578	(28,449)
Intergovernmental revenues:				
Local government	20,983,556	20,983,556	20,829,457	(154,099)
Commonwealth	32,704,546	32,704,546	32,112,596	(591,950)
Federal	2,728,679	2,728,679	2,529,507	(199,172)
Total revenues	<u>\$ 56,819,608</u>	<u>\$ 56,819,608</u>	<u>\$ 55,921,736</u>	<u>\$ (897,872)</u>
EXPENDITURES				
Current:				
Education	\$ 56,819,608	\$ 56,819,608	\$ 55,921,736	\$ 897,872
Total expenditures	<u>\$ 56,819,608</u>	<u>\$ 56,819,608</u>	<u>\$ 55,921,736</u>	<u>\$ 897,872</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, 2008

	Scholarship Private-Purpose Trust
	<u> </u>
ASSETS	
Cash and cash equivalents	\$ 250,280
Total assets	\$ <u>250,280</u>
 NET ASSETS	
Held in trust for scholarships	\$ <u>250,280</u>

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2008

	Scholarship Private-Purpose Trust
	<u> </u>
ADDITIONS	
Contributions:	
Private donations	\$ 23,717
Total contributions	<u>\$ 23,717</u>
Investment earnings:	
Interest	\$ 9,906
Total investment earnings	<u>\$ 9,906</u>
Less investment expense	<u>-</u>
Net investment earnings	\$ 9,906
Total additions	<u>\$ 33,623</u>
DEDUCTIONS	
Scholarships	\$ 14,120
Total deductions	<u>\$ 14,120</u>
Change in net assets	\$ 19,503
Net assets - beginning	<u>230,777</u>
Net assets - ending	<u><u>\$ 250,280</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, 2008

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 10,400	\$ 10,400	\$ 18,380	\$ 7,980
Charges for services	1,532,834	1,532,834	1,361,224	(171,610)
Miscellaneous	34,320	34,320	16,012	(18,308)
Intergovernmental revenues:				
Commonwealth	30,000	30,000	34,344	4,344
Federal	628,463	628,463	891,859	263,396
Total revenues	<u>\$ 2,236,017</u>	<u>\$ 2,236,017</u>	<u>\$ 2,321,819</u>	<u>\$ 85,802</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,261,017</u>	<u>\$ 2,261,017</u>	<u>\$ 2,289,175</u>	<u>\$ (28,158)</u>
Total expenditures	<u>\$ 2,261,017</u>	<u>\$ 2,261,017</u>	<u>\$ 2,289,175</u>	<u>\$ (28,158)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (25,000)</u>	<u>\$ (25,000)</u>	<u>\$ 32,644</u>	<u>\$ 57,644</u>
Net change in fund balances	\$ (25,000)	\$ (25,000)	\$ 32,644	\$ 57,644
Fund balances - beginning	25,000	25,000	213,978	188,978
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,622</u>	<u>\$ 246,622</u>

Statement of Net Assets
 Internal Service Fund - Discretely Presented Component Unit - School Board
 June 30, 2008

	Self- Insurance Fund
	<u> </u>
ASSETS	
Current assets:	
Accounts receivable, net of allowances for uncollectibles	\$ 682,161
Total assets	<u>\$ 682,161</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 525,368
Total liabilities	<u>\$ 525,368</u>
NET ASSETS	
Unrestricted	\$ 156,793
Total net assets	<u><u>\$ 156,793</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, 2008

	Self- Insurance Fund
	<u> </u>
OPERATING REVENUES	
Charges for services:	
Insurance premiums	\$ 5,400,758
Total operating revenues	<u>\$ 5,400,758</u>
OPERATING EXPENSES	
Insurance claims and expenses	\$ 5,266,455
Total operating expenses	<u>\$ 5,266,455</u>
Operating income (loss)	<u>\$ 134,303</u>
Total net assets - beginning	<u>\$ 22,490</u>
Total net assets - ending	<u><u>\$ 156,793</u></u>

Statement of Cash Flows
 Internal Service Fund - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2008

	Self- Insurance Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for insurance premiums	\$ 5,278,209
Payments for premiums	<u>(5,278,209)</u>
Net cash provided (used) by operating activities	<u>\$ -</u>
Cash and cash equivalents - beginning	\$ <u>-</u>
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ <u>134,303</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in accounts receivable	\$ (122,549)
Increase (decrease) in accounts payable	<u>(11,754)</u>
Total adjustments	<u>\$ (134,303)</u>
Net cash provided (used) by operating activities	<u><u>\$ -</u></u>

Capital Assets Used in the Operation of Governmental Funds-
 Discretely Presented Component Unit-School Board
 Schedule of Capital Assets by Source
 June 30, 2008

Governmental funds capital assets:	
Land	\$ 1,476,061
Jointly owned assets	27,596,677
Machinery and equipment	<u>8,576,489</u>
Total governmental funds capital assets	<u>\$ 37,649,227</u>
Investments in governmental funds capital assets by source:	
Component unit, school fund	\$ <u>37,649,227</u>
Total governmental funds capital assets	<u>\$ 37,649,227</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, 2008

<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	\$ 27,596,677	\$ 8,576,489	\$ 37,649,227
Total governmental funds capital assets	<u>\$ 1,476,061</u>	<u>\$ 27,596,677</u>	<u>\$ 8,576,489</u>	<u>\$ 37,649,227</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, 2008

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2008</u>
Education:				
Schools	\$ 34,904,896	\$ 3,066,027	\$ (321,696)	\$ 37,649,227
Total governmental funds capital assets	<u>\$ 34,904,896</u>	<u>\$ 3,066,027</u>	<u>\$ (321,696)</u>	<u>\$ 37,649,227</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, 2008

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,558,940
Inventories	1,360,913
Total current assets	<u>\$ 2,919,853</u>
Noncurrent assets:	
Other assets:	
Unamortized bond issue costs	\$ 62,802
Capital assets:	
Land	\$ 473,735
Buildings	4,537,831
Machinery and equipment	7,234
Construction in progress	2,245,841
Less accumulated depreciation	(2,003,880)
Total capital assets	<u>\$ 5,260,761</u>
Total noncurrent assets	<u>\$ 5,323,563</u>
Total assets	<u>\$ 8,243,416</u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 1,047,952
Due to other governmental units	458,909
Note payable	1,286,992
Bonds payable - current portion	91,901
Total current liabilities	<u>\$ 2,885,754</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 4,085,806
Total noncurrent liabilities	<u>\$ 4,085,806</u>
Total liabilities	<u>\$ 6,971,560</u>

NET ASSETS

Invested in capital assets, net of related debt	\$ 1,156,975
Unrestricted	114,881
Total net assets	<u><u>\$ 1,271,856</u></u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2008

OPERATING REVENUES

Charges for services:		
Rents	\$	356,680
Contributions from local governments		48,546
Other revenues		12,134
Sale of land at the business park		377,155
Total operating revenues	\$	<u>794,515</u>

OPERATING EXPENSES

Contractual services	\$	18,332
Other charges		32,795
Automobile and travel expense		30,528
Depreciation		188,902
Total operating expenses	\$	<u>270,557</u>
Operating income (loss)	\$	<u>523,958</u>

NONOPERATING REVENUES (EXPENSES)

Interest earnings	\$	33,890
Interest expense		<u>(417,273)</u>
Total nonoperating revenues (expenses)	\$	<u>(383,383)</u>
Change in net assets	\$	140,575
Total net assets - beginning		<u>1,131,281</u>
Total net assets - ending	\$	<u><u>1,271,856</u></u>

Statement of Cash Flows
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,091,283
Receipts for miscellaneous items	12,134
Receipts for local government contributions	48,546
Payments for operating activities	<u>(117,755)</u>
Net cash provided (used) by operating activities	<u>\$ 1,034,208</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$ (86,608)
Proceeds from indebtedness	1,286,992
Addition to construction in progress	(1,203,763)
Interest payments	<u>(417,273)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (420,652)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	\$ 33,890
Net cash provided (used) by investing activities	<u>\$ 33,890</u>

Net increase (decrease) in cash and cash equivalents \$ 647,446

Cash and cash equivalents - beginning 911,493

Cash and cash equivalents - ending \$ 1,558,940

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

Operating income (loss)	\$ <u>523,958</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	\$ 188,902
(Increase) decrease in inventory of land for resale	385,247
Increase (decrease) in customer deposits	(1,000)
Increase (decrease) in accounts payable and accrued liabilities	(36,099)
Increase (decrease) in unearned revenue	<u>(26,800)</u>
Total adjustments	<u>\$ 510,250</u>
Net cash provided (used) by operating activities	<u>\$ 1,034,208</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, 2008

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 22,664,986	\$ 22,664,986	\$ 22,563,847	\$ (101,139)
Real and personal public service corporation taxes	697,046	697,046	443,522	(253,524)
Personal property taxes	5,601,361	5,601,361	6,213,040	611,679
Mobile home taxes	140,000	140,000	100,597	(39,403)
Penalties	328,603	328,603	237,999	(90,604)
Interest	131,402	131,402	118,153	(13,249)
Total general property taxes	<u>\$ 29,563,398</u>	<u>\$ 29,563,398</u>	<u>\$ 29,677,158</u>	<u>\$ 113,760</u>
Other local taxes:				
Local sales and use taxes	\$ 3,990,981	\$ 3,990,981	\$ 3,944,337	\$ (46,644)
Communication sales tax	1,406,768	1,406,768	1,453,787	47,019
Consumers' utility taxes	680,000	680,000	686,877	6,877
Electric consumption taxes	124,000	124,000	127,645	3,645
Business license taxes	1,537,970	1,537,970	1,569,709	31,739
Cable TV franchise tax	288,000	288,000	299,988	11,988
Bank stock taxes	215,000	215,000	163,165	(51,835)
Taxes on recordation and wills	719,000	719,000	627,740	(91,260)
Hotel and motel room taxes	88,000	88,000	103,902	15,902
Restaurant food taxes	1,673,352	1,673,352	1,660,639	(12,713)
Total other local taxes	<u>\$ 10,723,071</u>	<u>\$ 10,723,071</u>	<u>\$ 10,637,789</u>	<u>\$ (85,282)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 20,300	\$ 20,300	\$ 25,184	\$ 4,884
Permits and other licenses	449,150	449,150	480,260	31,110
Total permits, privilege fees, and regulatory licenses	<u>\$ 469,450</u>	<u>\$ 469,450</u>	<u>\$ 505,444</u>	<u>\$ 35,994</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 96,000	\$ 96,000	\$ 111,550	\$ 15,550
Parking fines	2,000	2,000	420	(1,580)
Total fines and forfeitures	<u>\$ 98,000</u>	<u>\$ 98,000</u>	<u>\$ 111,970</u>	<u>\$ 13,970</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 688,642	\$ 688,642	\$ 574,140	\$ (114,502)
Revenue from use of property	183,000	183,000	17,941	(165,059)
Total revenue from use of money and property	<u>\$ 871,642</u>	<u>\$ 871,642</u>	<u>\$ 592,081</u>	<u>\$ (279,561)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Charges for services:				
Excess fees of clerk	\$ 116,000	\$ 116,000	\$ 102,961	\$ (13,039)
Charges for law enforcement and traffic control	19,650	19,650	27,247	7,597
Charges for courthouse maintenance	15,100	15,100	16,054	954
Circuit court judge fees	34,000	34,000	33,454	(546)
Charges for courthouse security	56,300	56,300	54,019	(2,281)
Charges for probation	15,000	15,000	16,475	1,475
Charges for Commonwealth's Attorney	1,500	1,500	1,632	132
Charges for rental assistance	15,609	15,609	13,809	(1,800)
Miscellaneous dog fees	5,500	5,500	11,415	5,915
Charges for library	30,000	30,000	38,301	8,301
Charges for sanitation and waste removal	413,675	413,675	390,002	(23,673)
Charges for parks and recreation	258,000	258,000	261,595	3,595
Charges for community education	1,000	1,000	1,676	676
Charges for sale of publications and commemorative material	9,700	9,700	12,963	3,263
Charges for daffodil festival	37,900	37,900	62,722	24,822
Charges for sale of historical material	600	600	408	(192)
Total charges for services	<u>\$ 1,029,534</u>	<u>\$ 1,029,534</u>	<u>\$ 1,044,733</u>	<u>\$ 15,199</u>
Miscellaneous revenue:				
Miscellaneous	\$ 320,405	\$ 416,477	\$ 399,451	\$ (17,026)
Total miscellaneous revenue	<u>\$ 320,405</u>	<u>\$ 416,477</u>	<u>\$ 399,451</u>	<u>\$ (17,026)</u>
Recovered costs:				
Care of federal prisoners	\$ 10,000	\$ 10,000	\$ 10,484	\$ 484
Recovered costs sheriff	217,392	217,392	212,369	(5,023)
Treasurer recovered costs	34,000	34,000	50,128	16,128
Probation & pretrial recovered costs	29,680	29,680	-	(29,680)
Federal recovered costs	16,147	16,147	27,433	11,286
Demolition recovered costs	7,500	7,500	-	(7,500)
Total recovered costs	<u>\$ 314,719</u>	<u>\$ 314,719</u>	<u>\$ 300,414</u>	<u>\$ (14,305)</u>
Total revenue from local sources	<u>\$ 43,390,219</u>	<u>\$ 43,486,291</u>	<u>\$ 43,269,040</u>	<u>\$ (217,251)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 20,390	\$ 20,390	\$ -	\$ (20,390)
Wine taxes	21,372	21,372	-	(21,372)
Motor vehicle carriers' tax	1,000	1,000	1,911	911
Mobile home titling tax	42,000	42,000	30,646	(11,354)
Motor vehicle rental tax	50,000	50,000	43,387	(6,613)
State recordation tax	117,112	117,112	160,133	43,021
Personal property tax relief funds	2,778,639	2,778,639	2,778,639	-
Total noncategorical aid	<u>\$ 3,030,513</u>	<u>\$ 3,030,513</u>	<u>\$ 3,014,716</u>	<u>\$ (15,797)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	\$ 369,735	\$ 369,735	\$ 378,586	\$ 8,851
Sheriff	2,692,311	2,692,311	2,753,782	61,471
Commissioner of revenue	144,562	144,562	148,238	3,676
Treasurer	149,732	149,732	162,920	13,188
Registrar/electoral board	54,000	54,000	64,824	10,824
Clerk of the Circuit Court	252,332	342,332	310,611	(31,721)
Total shared expenses	<u>\$ 3,662,672</u>	<u>\$ 3,752,672</u>	<u>\$ 3,818,961</u>	<u>\$ 66,289</u>
Other categorical aid:				
Emergency medical services	\$ 32,000	\$ 35,591	\$ 35,591	\$ -
Litter control grant	7,904	7,904	9,775	1,871
E911 wireless grant	44,400	44,400	39,839	(4,561)
Library grant	187,808	187,808	181,610	(6,198)
Abandoned auto program	37,500	37,500	9,550	(27,950)
Virginia Housing grant	89,428	89,428	103,460	14,032
Probation & pretrial	288,943	307,693	314,793	7,100
Victim-witness grant	50,000	50,000	46,538	(3,462)
Other state funds	11,057	76,225	56,941	(19,284)
Fire programs	84,500	91,683	91,683	-
Asset forfeiture	-	-	1,555	1,555
Total other categorical aid	<u>\$ 833,540</u>	<u>\$ 928,232</u>	<u>\$ 891,335</u>	<u>\$ (36,897)</u>
Total categorical aid	<u>\$ 4,496,212</u>	<u>\$ 4,680,904</u>	<u>\$ 4,710,296</u>	<u>\$ 29,392</u>
Total revenue from the Commonwealth	<u>\$ 7,526,725</u>	<u>\$ 7,711,417</u>	<u>\$ 7,725,012</u>	<u>\$ 13,595</u>
Revenue from the federal government:				
Categorical aid:				
DMV ground transportation safety grant				
V-stop prosecutor grant	\$ 21,000	\$ 21,000	\$ 17,970	\$ (3,030)
Public assistance and welfare administration	70,000	70,000	78,560	8,560
Domestic violence grant	210,551	210,551	187,446	(23,105)
USDA jail commodities	-	-	817	817
State domestic preparedness grant	7,000	7,000	6,822	(178)
Other federal revenue	-	80,847	32,994	(47,853)
Total categorical aid	<u>\$ 308,551</u>	<u>\$ 389,398</u>	<u>\$ 324,609</u>	<u>\$ (64,789)</u>
Total revenue from the federal government	<u>\$ 308,551</u>	<u>\$ 389,398</u>	<u>\$ 324,609</u>	<u>\$ (64,789)</u>
Total General Fund	<u>\$ 51,225,495</u>	<u>\$ 51,587,106</u>	<u>\$ 51,318,661</u>	<u>\$ (268,445)</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 5,000	\$ 5,000	\$ 5,779	\$ 779
Total miscellaneous revenue	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,779</u>	<u>\$ 779</u>
Total revenue from local sources	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,779</u>	<u>\$ 779</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 586,689	\$ 586,689	\$ 862,283	\$ 275,594
Total categorical aid	<u>\$ 586,689</u>	<u>\$ 586,689</u>	<u>\$ 862,283</u>	<u>\$ 275,594</u>
Total revenue from the Commonwealth	<u>\$ 586,689</u>	<u>\$ 586,689</u>	<u>\$ 862,283</u>	<u>\$ 275,594</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,617,155	\$ 1,617,155	\$ 1,330,181	\$ (286,974)
Total categorical aid	<u>\$ 1,617,155</u>	<u>\$ 1,617,155</u>	<u>\$ 1,330,181</u>	<u>\$ (286,974)</u>
Total revenue from the federal government	<u>\$ 1,617,155</u>	<u>\$ 1,617,155</u>	<u>\$ 1,330,181</u>	<u>\$ (286,974)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 2,208,844</u></u>	<u><u>\$ 2,208,844</u></u>	<u><u>\$ 2,198,243</u></u>	<u><u>\$ (10,601)</u></u>
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,000	\$ 4,000	\$ 11,699	\$ 7,699
Total miscellaneous revenue	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 11,699</u>	<u>\$ 7,699</u>
Total revenue from local sources	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 11,699</u>	<u>\$ 7,699</u>
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 401,915	\$ 401,915	\$ 334,893	\$ (67,022)
Public assistance and welfare administration	6,000	6,000	2,456	(3,544)
Other miscellaneous	-	-	11,127	11,127
Total categorical aid	<u>\$ 407,915</u>	<u>\$ 407,915</u>	<u>\$ 348,476</u>	<u>\$ (59,439)</u>
Total revenue from the Commonwealth	<u>\$ 407,915</u>	<u>\$ 407,915</u>	<u>\$ 348,476</u>	<u>\$ (59,439)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 30,000	\$ 30,000	\$ 19,391	\$ (10,609)
Total categorical aid	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 19,391</u>	<u>\$ (10,609)</u>
Total revenue from the federal government	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 19,391</u>	<u>\$ (10,609)</u>
Total Comprehensive Services Act Fund	<u><u>\$ 441,915</u></u>	<u><u>\$ 441,915</u></u>	<u><u>\$ 379,566</u></u>	<u><u>\$ (62,349)</u></u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 224	\$ 224
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224</u>	<u>\$ 224</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224</u>	<u>\$ 224</u>
Total Debt Service Fund	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 224</u></u>	<u><u>\$ 224</u></u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 4,000	\$ 4,000	\$ 4,884	\$ 884
Total revenue from use of money and property	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 4,884</u>	<u>\$ 884</u>
Miscellaneous revenue:				
Donations or other miscellaneous	\$ 100,000	\$ 100,000	\$ 166,145	\$ 66,145
Total miscellaneous revenue	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 166,145</u>	<u>\$ 66,145</u>
Total revenue from local sources	<u>\$ 104,000</u>	<u>\$ 104,000</u>	<u>\$ 171,029</u>	<u>\$ 67,029</u>
Revenue from the Commonwealth:				
Categorical aid:				
School construction funds	\$ 181,983	\$ 181,983	\$ 181,782	\$ (201)
Burn building grant	285,438	285,438	100,000	(185,438)
Acquisition/elevation grant	400,000	400,000	249,836	(150,164)
Total categorical aid	<u>\$ 867,421</u>	<u>\$ 867,421</u>	<u>\$ 531,618</u>	<u>\$ (335,803)</u>
Total revenue from the Commonwealth	<u>\$ 867,421</u>	<u>\$ 867,421</u>	<u>\$ 531,618</u>	<u>\$ (335,803)</u>
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ 351,034	\$ 351,034	\$ 299,954	\$ (51,080)
Acquisition/elevation grant	1,500,000	1,500,000	949,503	(550,497)
Community development block grant	180,000	180,000	167,686	(12,314)
Total categorical aid	<u>\$ 2,031,034</u>	<u>\$ 2,031,034</u>	<u>\$ 1,417,143</u>	<u>\$ (613,891)</u>
Total revenue from the federal government	<u>\$ 2,031,034</u>	<u>\$ 2,031,034</u>	<u>\$ 1,417,143</u>	<u>\$ (613,891)</u>
Total County Capital Improvements Fund	<u><u>\$ 3,002,455</u></u>	<u><u>\$ 3,002,455</u></u>	<u><u>\$ 2,119,790</u></u>	<u><u>\$ (882,665)</u></u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds: (Continued)				
School Construction Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 375,000	\$ 375,000	\$ 312,406	\$ (62,594)
Total revenue from use of money and property	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 312,406</u>	<u>\$ (62,594)</u>
Total revenue from local sources	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 312,406</u>	<u>\$ (62,594)</u>
Total School Construction Fund	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 312,406</u>	<u>\$ (62,594)</u>
Total Primary Government	<u>\$ 57,253,709</u>	<u>\$ 57,615,320</u>	<u>\$ 56,328,890</u>	<u>\$ (1,286,430)</u>
Discretely Presented Component Unit-School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 1,500	\$ 1,500	\$ 2,500	\$ 1,000
Total revenue from use of money and property	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 2,500</u>	<u>\$ 1,000</u>
Charges for services:				
Tuition and payments from other divisions	\$ 69,800	\$ 69,800	\$ 58,184	\$ (11,616)
Total charges for services	<u>\$ 69,800</u>	<u>\$ 69,800</u>	<u>\$ 58,184</u>	<u>\$ (11,616)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 29,500	\$ 29,500	\$ 115,914	\$ 86,414
Total miscellaneous revenue	<u>\$ 29,500</u>	<u>\$ 29,500</u>	<u>\$ 115,914</u>	<u>\$ 86,414</u>
Recovered costs:				
Medicaid reimbursements	\$ 100,000	\$ 100,000	\$ 117,862	\$ 17,862
Other recovered costs	<u>202,027</u>	<u>202,027</u>	<u>155,716</u>	<u>(46,311)</u>
Total recovered costs	<u>\$ 302,027</u>	<u>\$ 302,027</u>	<u>\$ 273,578</u>	<u>\$ (28,449)</u>
Total revenue from local sources	<u>\$ 402,827</u>	<u>\$ 402,827</u>	<u>\$ 450,176</u>	<u>\$ 47,349</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 20,983,556	\$ 20,983,556	\$ 20,829,457	\$ (154,099)
Total revenues from local governments	<u>\$ 20,983,556</u>	<u>\$ 20,983,556</u>	<u>\$ 20,829,457</u>	<u>\$ (154,099)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 6,313,673	\$ 6,313,673	\$ 6,003,751	\$ (309,922)
Basic school aid	17,746,962	17,746,962	17,596,390	(150,572)
ISAEF	15,717	15,717	15,717	-
Remedial summer education	103,458	103,458	90,835	(12,623)
Adult secondary education	4,860	4,860	6,623	1,763
Gifted and talented	164,254	164,254	161,783	(2,471)

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Remedial education	\$ 260,403	\$ 260,403	\$ 256,486	\$ (3,917)
Enrollment loss	-	-	81,915	81,915
English as a second language	10,781	10,781	11,525	744
Special education	1,462,263	1,462,263	1,440,266	(21,997)
Textbook payment	401,742	401,742	395,698	(6,044)
Vocational standards of quality payments	368,570	368,570	363,026	(5,544)
Social security fringe benefits	881,364	881,364	868,105	(13,259)
Retirement fringe benefits	1,322,046	1,322,046	1,302,158	(19,888)
Group life insurance fringe benefits	48,074	48,074	47,351	(723)
State lottery payments	885,330	885,330	879,154	(6,176)
Early reading intervention	45,836	45,836	58,670	12,834
Project graduation	3,756	3,756	15,401	11,645
Homebound education	32,839	32,839	38,210	5,371
Regional program tuition	439,977	439,977	516,062	76,085
Vocational educational equipment	31,135	31,135	36,290	5,155
Special education - foster children	51,287	51,287	-	(51,287)
Salary supplements	1,105,711	1,105,711	1,100,916	(4,795)
VI teacher	4,050	4,050	2,851	(1,199)
At risk payments	167,756	167,756	165,289	(2,467)
National Board Certification TC	-	-	30,000	30,000
Industry credential student	4,000	4,000	10,921	6,921
VPI Startup / Exp	-	-	71,202	71,202
Industrial based cert	90,500	90,500	50,133	(40,367)
Primary class size	412,048	412,048	423,405	11,357
Technology	284,000	284,000	-	(284,000)
Race to GED	-	-	17,522	17,522
Standards of Learning algebra readiness	37,654	37,654	35,641	(2,013)
Other state funds	-	-	11,621	11,621
Mentor teacher program	4,500	4,500	7,679	3,179
Total categorical aid	<u>\$ 32,704,546</u>	<u>\$ 32,704,546</u>	<u>\$ 32,112,596</u>	<u>\$ (591,950)</u>
Total revenue from the Commonwealth	<u>\$ 32,704,546</u>	<u>\$ 32,704,546</u>	<u>\$ 32,112,596</u>	<u>\$ (591,950)</u>
Revenue from the federal government:				
Categorical aid:				
Title V	\$ 6,481	\$ 6,481	\$ 37	\$ (6,444)
Adult literacy	52,986	52,986	48,767	(4,219)
Title I	847,352	847,352	773,357	(73,995)
Title VI-B, special education flow-through	1,169,873	1,169,873	1,205,985	36,112
Vocational education	92,716	92,716	92,678	(38)
Title IID	9,600	9,600	9,495	(105)
Title II	243,671	243,671	228,413	(15,258)
Impact aid	70,000	70,000	77,570	7,570

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2008 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Discretely Presented Component Unit-School Board:				
School Operating Fund: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Drug free school	\$ 26,730	\$ 26,730	\$ 21,568	\$ (5,162)
ROTC	59,270	59,270	56,964	(2,306)
Other federal funds	150,000	150,000	14,673	(135,327)
Total categorical aid	<u>\$ 2,728,679</u>	<u>\$ 2,728,679</u>	<u>\$ 2,529,507</u>	<u>\$ (199,172)</u>
Total revenue from the federal government	<u>\$ 2,728,679</u>	<u>\$ 2,728,679</u>	<u>\$ 2,529,507</u>	<u>\$ (199,172)</u>
Total School Operating Fund	<u>\$ 56,819,608</u>	<u>\$ 56,819,608</u>	<u>\$ 55,921,736</u>	<u>\$ (897,872)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 10,400	\$ 10,400	\$ 18,380	\$ 7,980
Total revenue from use of money and property	<u>\$ 10,400</u>	<u>\$ 10,400</u>	<u>\$ 18,380</u>	<u>\$ 7,980</u>
Charges for services:				
Cafeteria sales	\$ 1,473,502	\$ 1,473,502	\$ 1,309,525	\$ (163,977)
Other charges for services	59,332	59,332	51,699	(7,633)
Total charges for services	<u>\$ 1,532,834</u>	<u>\$ 1,532,834</u>	<u>\$ 1,361,224</u>	<u>\$ (171,610)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 34,320	\$ 34,320	\$ 16,012	\$ (18,308)
Total miscellaneous revenue	<u>\$ 34,320</u>	<u>\$ 34,320</u>	<u>\$ 16,012</u>	<u>\$ (18,308)</u>
Total revenue from local sources	<u>\$ 1,577,554</u>	<u>\$ 1,577,554</u>	<u>\$ 1,395,616</u>	<u>\$ (181,938)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 30,000	\$ 30,000	\$ 34,344	\$ 4,344
Total categorical aid	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 34,344</u>	<u>\$ 4,344</u>
Total revenue from the Commonwealth	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 34,344</u>	<u>\$ 4,344</u>
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 628,463	\$ 628,463	\$ 759,971	\$ 131,508
USDA commodities	-	-	131,888	131,888
Total categorical aid	<u>\$ 628,463</u>	<u>\$ 628,463</u>	<u>\$ 891,859</u>	<u>\$ 263,396</u>
Total revenue from the federal government	<u>\$ 628,463</u>	<u>\$ 628,463</u>	<u>\$ 891,859</u>	<u>\$ 263,396</u>
Total School Cafeteria Fund	<u>\$ 2,236,017</u>	<u>\$ 2,236,017</u>	<u>\$ 2,321,819</u>	<u>\$ 85,802</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 59,055,625</u>	<u>\$ 59,055,625</u>	<u>\$ 58,243,555</u>	<u>\$ (812,070)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Board of supervisors	\$ 204,532	\$ 223,132	\$ 218,921	\$ 4,211
General and financial administration:				
County administrator	\$ 391,604	\$ 394,604	\$ 458,900	\$ (64,296)
Human resources	274,994	275,894	288,502	(12,608)
County attorney	299,731	299,731	350,221	(50,490)
Commissioner of revenue	490,186	490,186	482,781	7,405
County assessor	324,792	349,150	301,477	47,673
Treasurer	620,975	620,975	614,054	6,921
Finance	308,552	307,652	282,240	25,412
Department of information technology	1,002,378	1,002,571	1,019,310	(16,739)
Purchasing	307,558	307,558	247,167	60,391
Other general and financial administration	290,700	290,700	286,802	3,898
Total general and financial administration	\$ 4,311,470	\$ 4,339,021	\$ 4,331,454	\$ 7,567
Board of elections:				
Electoral board and officials	\$ 182,294	\$ 182,294	\$ 193,903	\$ (11,609)
Total board of elections	\$ 182,294	\$ 182,294	\$ 193,903	\$ (11,609)
Total general government administration	\$ 4,698,296	\$ 4,744,447	\$ 4,744,278	\$ 169
Judicial administration:				
Courts:				
Circuit court	\$ 67,992	\$ 67,992	\$ 68,875	\$ (883)
General district court	17,950	17,950	9,678	8,272
Commissioner of accounts	500	500	617	(117)
Magistrate	5,650	5,650	5,445	205
Juvenile and domestic relations district court	34,525	34,525	20,093	14,432
Clerk of the circuit court	402,353	547,521	446,197	101,324
Victim and witness assistance	57,588	57,588	46,744	10,844
Court services unit	159,085	159,085	256,466	(97,381)
Group home commission	197,350	197,350	196,857	493
Total courts	\$ 942,993	\$ 1,088,161	\$ 1,050,972	\$ 37,189
Commonwealth's attorney:				
Commonwealth's attorney	\$ 617,137	\$ 620,403	\$ 565,074	\$ 55,329
Total commonwealth's attorney	\$ 617,137	\$ 620,403	\$ 565,074	\$ 55,329
Total judicial administration	\$ 1,560,130	\$ 1,708,564	\$ 1,616,046	\$ 92,518
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,584,424	\$ 4,666,444	\$ 4,448,449	\$ 217,995
Emergency operations center	321,834	321,834	328,196	(6,362)
Total law enforcement and traffic control	\$ 4,906,258	\$ 4,988,278	\$ 4,776,645	\$ 211,633

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Fire and rescue services:				
Volunteer fire and rescue squads	\$ 1,690,921	\$ 1,711,695	\$ 1,699,132	\$ 12,563
State forestry service	4,957	4,957	4,956	1
Office of emergency services	166,257	168,280	164,199	4,081
Total fire and rescue services	<u>\$ 1,862,135</u>	<u>\$ 1,884,932</u>	<u>\$ 1,868,287</u>	<u>\$ 16,645</u>
Correction and detention:				
County operated institutions	\$ 2,610,369	\$ 2,637,965	\$ 2,475,438	\$ 162,527
USDA Jail commodities	-	-	817	(817)
Probation & pretrial	363,303	382,053	341,254	40,799
Total correction and detention	<u>\$ 2,973,672</u>	<u>\$ 3,020,018</u>	<u>\$ 2,817,509</u>	<u>\$ 202,509</u>
Inspections:				
Building	\$ 871,835	\$ 871,835	\$ 843,760	\$ 28,075
Total inspections	<u>\$ 871,835</u>	<u>\$ 871,835</u>	<u>\$ 843,760</u>	<u>\$ 28,075</u>
Other protection:				
Animal control	\$ 368,059	\$ 369,071	\$ 351,248	\$ 17,823
Medical examiner	1,200	1,200	420	780
Total other protection	<u>\$ 369,259</u>	<u>\$ 370,271</u>	<u>\$ 351,668</u>	<u>\$ 18,603</u>
Total public safety	<u>\$ 10,983,159</u>	<u>\$ 11,135,334</u>	<u>\$ 10,657,869</u>	<u>\$ 477,465</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 232,732	\$ 232,732	\$ 228,808	\$ 3,924
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 232,732</u>	<u>\$ 232,732</u>	<u>\$ 228,808</u>	<u>\$ 3,924</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 9,200	\$ 27,098	\$ 5,442	\$ 21,656
Total sanitation and waste removal	<u>\$ 9,200</u>	<u>\$ 27,098</u>	<u>\$ 5,442</u>	<u>\$ 21,656</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,610,454	\$ 1,610,454	\$ 1,586,121	\$ 24,333
Total maintenance of general buildings and grounds	<u>\$ 1,610,454</u>	<u>\$ 1,610,454</u>	<u>\$ 1,586,121</u>	<u>\$ 24,333</u>
Total public works	<u>\$ 1,852,386</u>	<u>\$ 1,870,284</u>	<u>\$ 1,820,371</u>	<u>\$ 49,913</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 366,335	\$ 363,335	\$ 349,784	\$ 13,551
Mosquito control	94,730	94,730	89,677	5,053
Total health	<u>\$ 461,065</u>	<u>\$ 458,065</u>	<u>\$ 439,461</u>	<u>\$ 18,604</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Mental health and mental retardation:				
Community services board	\$ 109,091	\$ 109,091	\$ 109,091	\$ -
Total mental health and mental retardation	<u>\$ 109,091</u>	<u>\$ 109,091</u>	<u>\$ 109,091</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 570,156</u>	<u>\$ 567,156</u>	<u>\$ 548,552</u>	<u>\$ 18,604</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 11,005	\$ 11,005	\$ 11,005	\$ -
Contribution to community education	499,467	511,962	495,736	16,226
Cable services	110,362	233,326	225,639	7,687
Contribution to County School Board	20,983,556	20,983,556	20,829,457	154,099
Total education	<u>\$ 21,604,390</u>	<u>\$ 21,739,849</u>	<u>\$ 21,561,837</u>	<u>\$ 178,012</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 780,712	\$ 858,234	\$ 828,703	\$ 29,531
Beaverdam reservoir park	222,877	251,724	243,299	8,425
Total parks and recreation	<u>\$ 1,003,589</u>	<u>\$ 1,109,958</u>	<u>\$ 1,072,002</u>	<u>\$ 37,956</u>
Cultural enrichment:				
Daffodil festival	\$ 37,900	\$ 37,900	\$ 41,350	\$ (3,450)
Historical committee	56,899	56,706	52,898	3,808
Total cultural enrichment	<u>\$ 94,799</u>	<u>\$ 94,606</u>	<u>\$ 94,248</u>	<u>\$ 358</u>
Library:				
Contribution to county library	\$ 897,267	\$ 916,513	\$ 874,194	\$ 42,319
Total library	<u>\$ 897,267</u>	<u>\$ 916,513</u>	<u>\$ 874,194</u>	<u>\$ 42,319</u>
Total parks, recreation, and cultural	<u>\$ 1,995,655</u>	<u>\$ 2,121,077</u>	<u>\$ 2,040,444</u>	<u>\$ 80,633</u>
Community development:				
Planning and community development:				
Community development	\$ 438,141	\$ 489,480	\$ 370,472	\$ 119,008
Tourism	93,719	93,719	83,929	9,790
Economic development	212,769	212,769	208,862	3,907
Contribution to Industrial Development Authority	50,000	50,000	48,546	1,454
Total planning and community development	<u>\$ 794,629</u>	<u>\$ 845,968</u>	<u>\$ 711,809</u>	<u>\$ 134,159</u>
Environmental management:				
Clean community program	\$ 55,068	\$ 57,568	\$ 30,716	\$ 26,852
Total environmental management	<u>\$ 55,068</u>	<u>\$ 57,568</u>	<u>\$ 30,716</u>	<u>\$ 26,852</u>
Cooperative extension program:				
Extension office	\$ 90,827	\$ 90,827	\$ 85,717	\$ 5,110
Total cooperative extension program	<u>\$ 90,827</u>	<u>\$ 90,827</u>	<u>\$ 85,717</u>	<u>\$ 5,110</u>
Total community development	<u>\$ 940,524</u>	<u>\$ 994,363</u>	<u>\$ 828,242</u>	<u>\$ 166,121</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contributions to civic organizations	\$ 271,250	\$ 271,250	\$ 271,250	\$ -
Total nondepartmental	<u>\$ 271,250</u>	<u>\$ 271,250</u>	<u>\$ 271,250</u>	<u>\$ -</u>
Total General Fund	<u>\$ 44,475,946</u>	<u>\$ 45,152,324</u>	<u>\$ 44,088,889</u>	<u>\$ 1,063,435</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 2,013,944	\$ 1,876,944	\$ 1,666,818	\$ 210,126
Public assistance	471,446	663,760	653,090	10,670
Purchased services	451,999	430,519	408,633	21,886
Grants	67,790	33,956	33,303	653
Board of public welfare	5,000	5,000	4,712	288
Total welfare and social services	<u>\$ 3,010,179</u>	<u>\$ 3,010,179</u>	<u>\$ 2,766,556</u>	<u>\$ 243,623</u>
Total health and welfare	<u>\$ 3,010,179</u>	<u>\$ 3,010,179</u>	<u>\$ 2,766,556</u>	<u>\$ 243,623</u>
Total Virginia Public Assistance Fund	<u>\$ 3,010,179</u>	<u>\$ 3,010,179</u>	<u>\$ 2,766,556</u>	<u>\$ 243,623</u>
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 840,000	\$ 840,000	\$ 686,559	\$ 153,441
Total Comprehensive Services Act Fund	<u>\$ 840,000</u>	<u>\$ 840,000</u>	<u>\$ 686,559</u>	<u>\$ 153,441</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,317,442	\$ 2,317,442	\$ 2,317,442	\$ -
Interest and other fiscal charges	1,654,519	1,654,519	1,603,656	50,863
Total Debt Service Fund	<u>\$ 3,971,961</u>	<u>\$ 3,971,961</u>	<u>\$ 3,921,098</u>	<u>\$ 50,863</u>
Capital Projects Funds:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 30,199,436	\$ 30,368,510	\$ 2,474,390	\$ 27,894,120
Equipment and vehicles	724,558	781,186	667,385	113,801
School capital assets	1,681,983	1,886,205	1,589,412	296,793
Total capital projects	<u>\$ 32,605,977</u>	<u>\$ 33,035,901</u>	<u>\$ 4,731,187</u>	<u>\$ 28,304,714</u>
Total County Capital Improvements Fund	<u>\$ 32,605,977</u>	<u>\$ 33,035,901</u>	<u>\$ 4,731,187</u>	<u>\$ 28,304,714</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2008 (Continued)

Fund, Function, Activity and Element	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds: (Continued)				
School Construction Fund:				
Capital projects expenditures:				
Abingdon Elementary School renovations	\$ 14,161,632	\$ 14,161,632	\$ 10,781,567	\$ 3,380,065
Total capital projects	<u>\$ 14,161,632</u>	<u>\$ 14,161,632</u>	<u>\$ 10,781,567</u>	<u>\$ 3,380,065</u>
Total School Construction Fund	<u>\$ 14,161,632</u>	<u>\$ 14,161,632</u>	<u>\$ 10,781,567</u>	<u>\$ 3,380,065</u>
Total Primary Government	<u>\$ 99,065,695</u>	<u>\$ 100,171,997</u>	<u>\$ 66,975,856</u>	<u>\$ 33,196,141</u>
Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 104,557	\$ 104,592	\$ 102,265	\$ 2,327
Executive administration services	517,227	511,067	507,610	3,457
Personnel	510,094	492,594	494,129	(1,535)
Fiscal services	325,524	325,524	325,517	7
Total administration of schools	<u>\$ 1,457,402</u>	<u>\$ 1,433,777</u>	<u>\$ 1,429,521</u>	<u>\$ 4,256</u>
Instruction costs:				
Elementary and secondary schools	<u>\$ 44,227,040</u>	<u>\$ 44,044,272</u>	<u>\$ 43,185,098</u>	<u>\$ 859,174</u>
Total instruction costs	<u>44,227,040</u>	<u>44,044,272</u>	<u>43,185,098</u>	<u>859,174</u>
Operating costs:				
Attendance and health services	\$ 1,102,019	\$ 1,067,144	\$ 1,051,173	\$ 15,971
Pupil transportation	4,185,034	4,446,302	4,428,337	17,965
Operation and maintenance of school plant	5,848,113	5,828,113	5,827,607	506
Total operating costs	<u>\$ 11,135,166</u>	<u>\$ 11,341,559</u>	<u>\$ 11,307,117</u>	<u>\$ 34,442</u>
Total education	<u>\$ 56,819,608</u>	<u>\$ 56,819,608</u>	<u>\$ 55,921,736</u>	<u>\$ 897,872</u>
Total School Fund	<u>\$ 56,819,608</u>	<u>\$ 56,819,608</u>	<u>\$ 55,921,736</u>	<u>\$ 897,872</u>
Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,261,017	\$ 2,261,017	\$ 2,157,287	\$ 103,730
USDA commodities	-	-	131,888	(131,888)
Total school food services	<u>2,261,017</u>	<u>2,261,017</u>	<u>2,289,175</u>	<u>(28,158)</u>
Total education	<u>\$ 2,261,017</u>	<u>\$ 2,261,017</u>	<u>\$ 2,289,175</u>	<u>\$ (28,158)</u>
Total Cafeteria Fund	<u>\$ 2,261,017</u>	<u>\$ 2,261,017</u>	<u>\$ 2,289,175</u>	<u>\$ (28,158)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 59,080,625</u>	<u>\$ 59,080,625</u>	<u>\$ 58,210,911</u>	<u>\$ 869,714</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.

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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 Six Fiscal Years
 (accrual basis of accounting)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 6,263,692	\$ 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	21,316,656	19,609,128	21,155,013	22,429,995	20,952,949	15,044,364
Total governmental activities net assets	<u>\$ 27,580,348</u>	<u>\$ 28,246,239</u>	<u>\$ 27,915,543</u>	<u>\$ 29,855,343</u>	<u>\$ 26,893,037</u>	<u>\$ 22,148,941</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ 6,500,868	\$ 6,421,570	\$ 3,676,016	\$ 2,018,698	\$ 492,739	\$ (1,696,961)
Unrestricted	3,192,808	2,047,347	756,386	1,584,243	3,028,317	5,442,930
Total business-type activities net assets	<u>\$ 9,693,676</u>	<u>\$ 8,468,917</u>	<u>\$ 4,432,402</u>	<u>\$ 3,602,941</u>	<u>\$ 3,521,056</u>	<u>\$ 3,745,969</u>
Primary government						
Invested in capital assets, net of related debt	\$ 12,764,560	\$ 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	24,509,464	21,656,475	21,911,399	24,014,238	23,981,266	20,487,294
Total primary government net assets	<u>\$ 37,274,024</u>	<u>\$ 36,715,156</u>	<u>\$ 32,347,945</u>	<u>\$ 33,458,284</u>	<u>\$ 30,414,093</u>	<u>\$ 25,894,910</u>

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Expenses</u>						
Governmental activities:						
General government administration	\$ 5,059,027	\$ 4,385,731	\$ 4,361,409	\$ 3,847,340	\$ 3,514,851	\$ 3,515,036
Judicial administration	1,789,176	1,498,764	1,437,573	1,394,318	1,354,943	1,634,531
Public safety	11,897,730	10,480,141	9,293,694	8,505,036	8,842,271	7,242,241
Public works	1,991,262	2,032,499	1,676,331	1,469,138	1,453,010	1,434,062
Health and welfare	4,065,857	3,953,184	3,728,909	3,800,505	3,411,223	3,249,649
Education	24,969,859	23,035,692	24,779,632	20,447,731	19,006,986	18,371,729
Parks, recreation, culture	2,015,572	1,898,798	1,883,177	1,508,612	2,719,637	4,180,678
Community development	2,780,816	1,534,243	1,027,936	1,129,146	1,245,316	1,777,142
Interest on long-term debt	1,754,490	1,559,087	1,611,850	1,694,134	1,986,667	1,944,817
Total governmental activities expenses	<u>\$ 56,323,789</u>	<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	\$ 4,223,756	\$ 3,963,709	\$ 3,864,376	\$ 3,775,728	\$ 3,781,079	\$ 3,446,672
Total business-type activities expenses	<u>\$ 4,223,756</u>	<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>\$ 60,547,545</u>	<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>
<u>Program Revenues</u>						
Governmental activities:						
Charges for services						
General government administration	\$ -	\$ -	\$ 19,708	\$ 14,787	\$ -	\$ -
Judicial administration	336,565	317,029	310,705	300,909	104,569	243,866
Public safety	544,106	51,673	43,548	381,615	506,593	3,464
Public works	390,002	378,457	372,641	485,569	453,178	526,524
Education	1,676	1,584	1,967	-	-	4,588
Health and welfare	-	-	-	-	-	11,567
Parks, recreation, cultural	362,618	321,156	356,987	308,486	289,514	277,030
Community development	27,180	579,845	439,566	17,169	27,464	10,483
Total Charges for services	<u>\$ 1,662,147</u>	<u>\$ 1,649,744</u>	<u>\$ 1,545,122</u>	<u>\$ 1,508,535</u>	<u>\$ 1,381,318</u>	<u>\$ 1,077,522</u>
Operating grants and contributions	7,595,236	7,314,692	6,825,175	6,905,210	6,892,182	5,927,266
Capital grants and contributions	1,948,761	1,069,233	1,086,133	208,270	657,824	461,189
Total governmental activities program revenues	<u>\$ 11,206,144</u>	<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	\$ 3,332,589	\$ 3,072,172	\$ 3,312,253	\$ 2,800,738	\$ 2,776,662	\$ 2,960,089
Operating grants and contributions	1,058,499	705,200	26,943	-	-	-
Capital grants and contributions	-	3,036,901	214,190	-	-	-
Total business-type activities program revenues	<u>\$ 4,391,088</u>	<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 revenues	<u>\$ 15,597,232</u>	<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	\$ (45,117,645)	\$ (40,344,470)	\$ (40,344,081)	\$ (35,173,945)	\$ (34,603,580)	\$ (35,883,908)
Business-type activities	167,332	2,850,564	(310,990)	(974,990)	(1,004,417)	(486,583)
Total primary government net expense	<u>\$ (44,950,313)</u>	<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 Six Fiscal Years

(accrual basis of accounting)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>General Revenues and Other</u>						
<u>Changes in Net Assets</u>						
Governmental activities:						
Taxes:						
General property taxes	\$ 30,064,891	\$ 27,475,955	\$ 23,039,459	\$ 25,460,056	\$ 26,844,694	\$ 23,117,558
Local sales and use tax	3,944,337	3,913,265	3,774,673	3,556,343	-	-
Consumer utility tax	686,877	1,217,097	1,744,135	1,790,229	-	-
Permits, privilege fees, and regulatory licenses	-	-	-	-	-	367,752
Other local taxes	6,006,575	5,225,704	4,715,618	4,804,057	9,429,641	8,190,587
Unrestricted revenues from use of money and property	951,284	1,318,342	668,054	440,890	221,448	280,952
Miscellaneous	583,074	719,956	853,784	213,490	1,375,249	3,539,593
Grants and contributions not restricted to specific programs	3,014,716	1,727,129	4,508,558	2,768,484	2,906,969	2,775,813
Loss on disposal of capital assets	-	(22,282)	-	-	-	-
Transfers	(800,000)	(900,000)	(900,000)	(897,298)	(700,000)	(694,872)
Total governmental activities	<u>\$ 44,451,754</u>	<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	\$ 36,222	\$ 36,441	\$ 37,861	\$ 41,988	\$ 43,111	\$ 40,639
Unrestricted revenues from use of money and property	221,205	249,510	202,590	117,589	36,393	94,114
Transfers	800,000	900,000	900,000	897,298	700,000	694,872
Total business-type activities	<u>\$ 1,057,427</u>	<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 government	<u>\$ 45,509,181</u>	<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	\$ (665,891)	\$ 330,696	\$ (1,939,800)	\$ 2,962,306	\$ 5,474,421	\$ 1,693,475
Business-type activities	1,224,759	4,036,515	829,461	81,885	(224,913)	343,042
Total primary government	<u>\$ 558,868</u>	<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)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund						
Reserved	\$ 495,576	\$ 500,502	\$ 556,862	\$ 398,179	\$ 510,268	\$ 731,387
Unreserved	13,140,234	12,994,355	15,953,192	15,503,657	17,620,647	11,933,486
Total General Fund	<u>\$ 13,635,810</u>	<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	\$ 2,389,898	\$ 6,150,997	-	-	-	-
Unreserved, reported in:						
Special revenue funds	-	-	63,974	63,974	169,644	127,218
Debt service funds	650	801	75,116	24,165	488	280
Capital projects funds	5,466,718	6,585,325	3,847,743	4,032,730	8,167,302	2,445,595
Total all other governmental funds	<u>\$ 7,857,266</u>	<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

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

COUNTY OF GLOUCESTER, VIRGINIA

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES					
General property taxes	\$ 29,677,158	\$ 27,371,520	\$ 26,432,859	\$ 25,361,237	\$ 24,578,024
Other local taxes	10,637,789	10,356,066	10,234,426	10,150,629	9,429,641
Permits, privilege fees, and regulatory licenses	505,444	561,291	442,365	358,550	325,348
Fines and forfeitures	111,970	90,068	99,699	124,446	94,788
Revenue from the use of money and property	909,595	1,296,199	645,911	418,748	206,686
Charges for services	1,044,733	998,385	1,003,058	1,025,539	961,182
Miscellaneous	583,074	719,956	853,784	213,490	1,375,249
Recovered costs	300,414	242,889	224,721	187,266	235,694
Intergovernmental revenues:					
Other local governments	-	-	-	-	-
Commonwealth	9,467,389	8,822,084	8,287,161	7,513,836	7,561,900
Federal	3,091,324	2,678,290	2,743,385	2,368,128	2,895,075
Total revenues	<u>\$ 56,328,890</u>	<u>\$ 53,136,748</u>	<u>\$ 50,967,369</u>	<u>\$ 47,721,869</u>	<u>\$ 47,663,587</u>
EXPENDITURES					
Current:					
General government administration	\$ 4,744,278	\$ 4,292,566	\$ 4,114,209	\$ 3,716,011	\$ 3,252,076
Judicial administration	1,616,046	1,311,561	1,256,090	1,188,720	1,134,736
Public safety	10,657,869	10,124,699	8,832,107	8,495,083	8,652,538
Public works	1,820,371	1,717,936	1,606,088	1,485,546	1,453,195
Health and welfare	4,001,667	3,920,276	3,685,808	3,744,821	3,386,685
Education	21,561,837	20,123,728	18,415,298	17,195,819	16,080,604
Parks, recreation, and cultural	2,040,444	1,879,698	1,708,483	1,486,361	1,242,768
Community development	828,242	908,769	803,212	735,022	726,647
Nondepartmental	271,250	242,300	199,126	165,327	1,362,005
Capital projects	15,512,754	5,091,488	5,173,233	10,227,835	2,541,164
Debt service:					
Principal retirement	2,317,442	2,125,399	2,237,523	3,041,103	2,186,094
Interest and other fiscal charges	1,603,656	1,430,257	2,202,010	1,788,567	1,682,544
Total expenditures	<u>\$ 66,975,856</u>	<u>\$ 53,168,677</u>	<u>\$ 50,233,187</u>	<u>\$ 53,270,215</u>	<u>\$ 43,701,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (10,646,966)</u>	<u>\$ (31,929)</u>	<u>\$ 734,182</u>	<u>\$ (5,548,346)</u>	<u>\$ 3,962,531</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 6,288,819	\$ 10,171,364	\$ 8,122,258	\$ 11,187,176	\$ 4,629,367
Transfers out	(7,088,819)	(11,071,364)	(9,022,258)	(12,084,474)	(5,329,367)
Issuance of general obligation debt	6,364,713	6,505,000	-	-	7,525,000
Bond premium issuance	343,349	162,022	-	-	442,852
Issuance of capital leases	-	-	8,205,000	-	1,589,921
Advance refunding of bonds	-	-	(7,565,000)	-	-
Refunding of capital lease	-	-	-	-	(1,589,921)
Total other financing sources (uses)	<u>\$ 5,908,062</u>	<u>\$ 5,767,022</u>	<u>\$ (260,000)</u>	<u>\$ (897,298)</u>	<u>\$ 7,267,852</u>
Net change in fund balances	\$ (4,738,904)	\$ 5,735,093	\$ 474,182	\$ (6,445,644)	\$ 11,230,383
Fund balances - beginning	26,231,980	20,496,887	20,022,705	26,468,349	15,237,966
Fund balances - ending	<u>\$ 21,493,076</u>	<u>\$ 26,231,980</u>	<u>\$ 20,496,887</u>	<u>\$ 20,022,705</u>	<u>\$ 26,468,349</u>
Debt Service as a percentage of noncapital expenditures	<u>6.76%</u>	<u>6.90%</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

Table 4

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$	23,089,347	\$ 21,735,807	\$ 22,058,778	\$ 19,910,365	\$ 20,099,408
	8,190,587	7,534,250	7,575,853	6,487,305	6,205,078
	367,752	301,641	187,847	214,751	220,689
	69,936	77,277	65,891	80,615	79,746
	280,952	178,440	810,301	546,010	506,693
	1,007,586	873,832	900,043	793,259	823,597
	3,539,593	183,417	384,772	111,955	465,419
	327,999	308,160	250,606	215,650	401,550
	-	65,000	-	-	-
	7,137,791	7,939,865	6,439,199	5,530,687	4,211,574
	2,026,477	2,142,757	1,638,635	1,965,929	1,567,998
\$	<u>46,038,020</u>	<u>\$ 41,340,446</u>	<u>\$ 40,311,925</u>	<u>\$ 35,856,526</u>	<u>\$ 34,581,752</u>
\$	3,264,643	\$ 3,296,403	\$ 3,148,864	\$ 2,936,991	\$ 2,604,716
	1,072,443	1,194,277	1,155,282	1,099,412	1,040,520
	7,017,379	6,851,651	6,598,400	5,743,208	5,195,313
	1,349,677	1,191,479	1,211,031	1,157,294	1,143,624
	3,296,833	2,892,104	2,752,033	2,923,566	2,933,779
	15,708,844	14,858,211	17,407,408	16,964,109	14,756,266
	1,112,185	1,084,547	1,089,439	983,569	912,109
	794,845	646,556	474,070	739,766	686,218
	3,673,350	668,639	257,420	135,621	132,190
	2,880,899	7,320,020	3,768,067	3,322,194	2,574,113
	2,288,399	2,637,212	366,378	491,786	435,097
	1,972,079	2,144,126	978,127	697,013	699,062
\$	<u>44,431,576</u>	<u>\$ 44,785,225</u>	<u>\$ 39,206,519</u>	<u>\$ 37,194,529</u>	<u>\$ 33,113,007</u>
\$	<u>1,606,444</u>	<u>\$ (3,444,779)</u>	<u>\$ 1,105,406</u>	<u>\$ (1,338,003)</u>	<u>\$ 1,468,745</u>
\$	6,033,929	\$ 1,684,883	\$ 2,061,582	\$ 3,145,526	\$ 1,928,044
	(6,728,801)	(2,184,883)	(2,761,493)	(3,844,390)	(2,608,157)
	-	-	-	-	-
	-	-	-	-	-
	-	494,255	9,275,000	-	823,200
	-	-	-	-	-
	-	-	-	-	-
\$	<u>(694,872)</u>	<u>\$ (5,745)</u>	<u>\$ 8,575,089</u>	<u>\$ (698,864)</u>	<u>\$ 143,087</u>
\$	911,572	\$ (3,450,524)	\$ 9,680,495	\$ (2,036,867)	\$ 1,611,832
	14,326,394	17,776,918	8,096,423	10,133,290	8,521,458
\$	<u>15,237,966</u>	<u>\$ 14,326,394</u>	<u>\$ 17,776,918</u>	<u>\$ 8,096,423</u>	<u>\$ 10,133,290</u>
	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

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Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2008		1999	
	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
Evergreen Development Co. LLC	\$ 21,953,900	0.58 %	\$ -	- %
Wal-Mart Real Estate Business Trust	12,653,600	0.33	-	-
York River Crossing Assoc., LLC	12,078,400	0.32	8,212,900	0.45
Centex Homes	10,771,900	0.28	-	-
Lowe's Home Center, Inc.	7,387,400	0.19	-	-
Somerset Stokes	8,037,900	0.21	-	-
Affordable Homes, LLC-1	7,522,200	0.20	-	-
Dunwood Holdings, LLC	7,315,900	0.19	-	-
Horn Harbor Nursing Home Inc.	7,146,400	0.19	3,447,400	0.19
Thousand Trail, Inc.	5,545,700	0.15	3,209,800	0.17
Newport News General, etal	-	-	3,914,400	0.21
Waste Management Disposal Services	-	-	4,316,110	0.23
Retail Trust III	-	-	4,118,800	0.22
James E. Branch	-	-	2,640,500	0.14
York River Yacht Haven Associates	-	-	2,970,200	0.16
Butler Investment	-	-	5,065,700	0.28
Peninsula Trust Bank	-	-	2,649,400	0.14
	<u>\$ 100,413,300</u>	<u>2.64 %</u>	<u>\$ 40,545,210</u>	<u>2.19 %</u>

Source: Gloucester County Commissioner of Revenue Department

Property Tax Levies and Collections
Last Seven 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	\$ (6,132)	\$ 17,439,324	\$ 16,822,442	96.43%	\$ 612,133	\$ 17,434,575	99.97%
2003	18,672,765	6,161	18,678,926	18,032,870	96.57%	639,027	18,671,897	99.96%
2004	19,067,303	(6,292)	19,061,011	18,502,834	97.04%	547,313	19,050,147	99.94%
2005	19,480,506	(654)	19,479,852	18,931,208	97.18%	529,692	19,460,900	99.90%
2006	20,261,412	(5,316)	20,256,096	19,792,078	97.68%	415,871	20,207,949	99.76%
2007	21,213,981	30,892	21,244,873	20,665,168	97.41%	432,421	21,097,589	99.31%
2008	22,593,114	-	22,593,114	21,946,260	97.14%	-	21,946,260	97.14%

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)

Calendar Year Ended	Residential Property	Commercial Property	Less: Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value
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
2008	3,698,100	379,187	277,551	3,799,736	0.61	4,269,366

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 2010, 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			
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%	1,644.61
2006	11,685,000	5,423,520	10,901,309	158,983	27,572,046	-	55,740,858	4.82%	1,541.80
2007	17,140,000	4,783,520	10,465,911	124,585	25,970,976	-	58,484,992	N/A	1,602.81
2008	22,299,713	4,143,520	9,993,469	91,502	25,244,723	-	61,772,927	N/A	1,692.92

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		
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	367.46	0.44%
2006	11,685,000	158,983	11,843,983	327.61	0.33%
2007	17,140,000	124,585	17,264,585	473.14	0.46%
2008	22,299,713	91,502	22,391,215	613.64	0.59%

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 11

(b) See Table 7 for property value data

Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Utilities Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2008	3,332,589	2,031,348	1,301,241	746,086	1,283,177	0.64

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

Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population (1)	Personal Income (in thousands) (2)	Per Capita Personal Income	Unemployment Rate	School Enrollment (3)
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	35,587	1,104,967	31,050	2.6	6,078
2006	36,153	1,157,343	30,674	2.7	6,000
2007	36,489	N/A	N/A	2.6	5,949
2008	36,489	N/A	N/A	3.7	5,910

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	2008		1999	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Gloucester County (local government and schools)	1,257	12.73 %	1,150	14.03 %
Wal-Mart	470	4.76	200	2.44
Virginia Institute of Marine Science	40	0.41	429	5.23
Riverside Walter Reed Hospital	425	4.31	420	5.13
Industrial Resources Technologies, Inc.	315	3.19	275	3.36
Home Depot	100	1.01	-	-
Lowe's	100	1.01	-	-
Dominion Virginia Power	70	0.71	100	1.22
Rappahannock Concrete	60	0.61	30	0.37
York River Yacht Haven	60	0.61	40	0.49
Verizon	50	0.51	50	0.61
Peace Frogs	50	0.51	25	0.31
Total	<u>2,997</u>	<u>30.36 %</u>	<u>2,719</u>	<u>33.18 %</u>

Source: County Economic Development Department

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
Board of Supervisors	7	7	7	7	7	7	7	7	7	7
Administration	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
County Attorney	2	2	2	3	3	3	1.5	1.5	2	3
Human Resources	2	3	3	3	3	3	3	4	4	4
Commission of Revenue	7	7	7	9	9	9	10	9	9.5	9
County Assessor	2	2	2	2	2	2	2	4	4	6
Treasurer	8	9	9.5	9.5	9.5	9.5	10	10.5	10.5	10.5
Finance	4.5	4.5	5	5	5	5	5	5	5	5
Information Technology	10	10	11	11	11	11.5	11.5	11.5	13	12
Purchasing	3	3	3	3	3	3	3	3	3.5	4
VA Housing Dev. Authority	1.5	2	2	2	2	2	2	2	2.5	2
Registrar	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2	2.5	2.5
Judicial										
Circuit Court Judge	1	1	1	1	1	1	1	1	1	1
Clerk of Circuit Court	6	6	6	6	6	6.5	6.5	6.5	7	7
Victim Witness	1	1	1	1	1	1	1	1	1	1
Commonwealth Attorney	7.5	7.5	7	7	7	7.5	7.5	7.5	7.5	8.5
Public Safety										
Sheriff	77.5	78.5	83.5	83.5	84.5	85	89	53.5	53.5	53.5
E-911	10	10	10	10	10	11	11	12	12	12
Jail (included w/Sheriff until 2006)	0	0	0	0	0	0	0	38.5	38.5	38.5
Probation/Pretrial	0	0	0	0	0	0	0	0	0	7.5
Codes	12.5	12.5	12.5	12.5	12.5	13.5	13.5	14	16	16
Animal Control	4	4	4	4	4	4	4	5	5	5
Emergency Services	0	0	0	0	0	0	2	2	2.5	2.5
Public Works										
Engineering	3	3	3	3	3	3	3	3	3	4
Buildings & Grounds	21.5	21.5	21.5	22	26	27.5	27.5	28.5	28	29
Education										
Community Education	8	8	8	8	8	8	8	8	8	8
Cable Services	0	0	0	0	0	0	0	0.5	0.5	0.5
Parks, Recreation & Cultural										
Parks & Recreation	6	6	6	6	6	6	6	7	8.5	8.5
Beaverdam	3.5	3.5	3	3	3	4	4	4	3	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	11	11	11	11	12	12	12	12
Community Development										
Planning	3	3	4	4	4	4	4	4	5	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	0.5	1	1	1	1	1	1
VA Cooperative Extension	3	3	3	3	3	3.5	1	1	1	1
Utilities										
	19	20	20.5	20.5	20.5	20.5	20.5	20.5	21.5	27
TOTAL	251.5	256	265	269	274.5	281.5	286	297	306	323.5

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)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Sheriff's Department (1)					
Offence Incident reports	N/A	N/A	3,229	3,045	3,045
Civil Processed Served	N/A	N/A	11,257	7,887	9,457
Parks, Recreation & Tourism (2)					
Number of Participants	4,455	4,437	4,301	3,858	3,104
Library (3)					
Material circulated	210,797	196,633	186,519	178,469	121,688
Library patrons	31,444	29,133	19,584	18,089	15,019
Water system (4)					
Number of customers	4,399	4,276	4,187	4,099	4,064
Average daily consumption	942,101	900,460	874,616	833,394	874,504
Annual consumption in gallons	343,867,000	328,668,000	319,235,000	304,189,000	319,194,000

Sources:

- (1) Gloucester County Sheriff's Department on a calender 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

2003	2002	2001	2000	1999
2,252	2,451	N/A	N/A	N/A
2,333	1,955	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
115,775	103,099	94,407	92,297	92,985
15,244	15,118	12,464	7,684	18,000
4,019	3,932	3,854	3,814	3,790
847,161	839,309	794,000	848,668	810,941
309,214,000	306,348,000	289,991,000	309,764,000	291,939,000

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High Volume Users of Water System
 Fiscal year ended June 30, 2008

Customer name	Monthly Average Water Usage (1)	Daily (1)
V.I.M.S.-Chesapeake Bay Hall	419,000	13,967
V.I.M.S.-MRL	409,000	13,633
Riverside Walter Reed Hospital/Dialysis	400,000	13,333
Walter Reed Convalescent Center	383,000	12,767
V.I.M.S.-SRL	258,000	8,600
Colonial Point Apartments	256,000	8,533
Water Wizard Car Wash	236,000	7,867
York River Mobile Home Park	192,000	6,400
Gloucester County Jail	186,000	6,200
U-Do-It Laundry	179,000	5,967

(1) Source - Gloucester County Utility Department

COUNTY OF GLOUCESTER, VIRGINIA

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Sheriff's Department (1)					
Stations	1	1	1	1	1
Patrol Units	27	27	27	27	27
Jail	1	1	1	1	1
Mobil Command Center	1	1	1	1	-
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	4000000	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

2003	2002	2001	2000	1999
1	1	1	1	1
27	27	22	22	22
1	1	1	1	1
-	-	-	-	-
6	6	6	6	6
8	8	8	6	6
185	185	185	84	56
40	40	43	43	40
2	2	2	2	2
1	1	1	1	1
4,000,000	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***

**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, 2008, which collectively comprise the County of Gloucester, Virginia's basic financial statements and have issued our report thereon dated November 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Gloucester, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County'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 management, the Board of Supervisors, others within the entity, 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, Farmer, Co. Associates

Richmond, Virginia
November 14, 2008

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

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

Compliance

We have audited the 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, 2008. 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, 2008.

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 management, the Board of Supervisors, others within the entity, 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.

Johnson, Farmer, Co. Associates

Richmond, Virginia
November 14, 2008

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Health and Human Services:		
Pass Through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 41,910
Temporary Assist to Needy Families (TANF)	93.558	140,858
Refugee and Entrant Assistance - Discretionary Grants	93.566	1,015
Low Income Home Energy Assistance	93.568	4,811
Payments to States for Child Care Assistance	93.575	197,495
Child Care and Development Fund	93.596	112,861
Chafee Education and training vouchers program (ETV)	93.599	973
Adoption Incentive Payments Program	93.603	626
Child Welfare Services - State Grants	93.645	1,308
Foster Care - Title IV-E	93.658	223,746
Adoption Assistance	93.659	61,530
Social Services Block Grant	93.667	213,073
Independent Living	93.674	3,116
State Children's Insurance Program	93.767	12,120
Medical Assistance Program (Title XIX)	93.778	<u>176,132</u>
Total Department of Health and Human Services-pass through		\$ <u>1,191,574</u>
Total Department of Health and Human Services		\$ <u>1,191,574</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution--Jail	10.550	\$ 817
Food Distribution--School	10.555	131,888
Department of Education:		
National school breakfast program	10.553	155,621
National school lunch program	10.555	604,350
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	<u>236,558</u>
Total Department of Agriculture - pass-through payments		\$ <u>1,129,234</u>
Department of Justice:		
Direct payments:		
Bulletproof vest program	16.607	\$ 3,819
Grants to encourage arrest police	16.590	<u>173,413</u>
Total Department of Justice - direct		\$ <u>177,232</u>
Pass Through Payments:		
Department of Criminal Justice Service:		
Domestic Violence Grant	16.588	<u>17,970</u>
Total Department of Justice - pass-through		\$ <u>17,970</u>
Total Department of Justice		\$ <u>195,202</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2008 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Assistance:		
Homeland Security	97.067	\$ 8,035
Hazardous Mitigation Grant Program (HMGP)	97.039	<u>71,362</u>
Total Department of Homeland Security		<u>\$ 79,397</u>
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	<u>\$ 167,686</u>
Federal Emergency Management Agency:		
Pass Through Payments:		
Department of Emergency Management		
Hazard Mitigation Grant Program	83.580	<u>\$ 878,141</u>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety Funds	20.600	\$ 7,476
Highway Planning and Construction (ISTEA)	20.205	299,954
Highway safety grant	20.607	27,697
HMEP	20.703	<u>6,822</u>
Total Department of Transportation		<u>\$ 341,949</u>
Department of the Navy:		
Direct Payments:		
ROTC	12.xxx	<u>\$ 56,964</u>
Department of Education:		
Pass Through Payments:		
Department of National Community Service:		
Learn and Serve America	94.004	\$ 13,931
Department of Education:		
Adult Basic Education	84.002	48,767
Title I: Educationally deprived children	84.010	773,357
Title VI-B: Handicapped state grants	84.027	1,170,771
Vocational Education: Basic grants to states	84.048	92,678
Title VI-B: Handicapped preschool incentive grant	84.173	35,214
Drug free schools and communities	84.186	21,568
Title VI: Improving school programs state block grant	84.298	37
Technology Literacy Challenge	84.318	9,495
Advance Placement Incentive	84.330	742
Emergency Impact Aid for Displaced students	84.938	77,570
Title II - Part A	84.367	<u>228,413</u>
Total Department of Education		<u>\$ 2,472,543</u>
Total Federal Assistance		<u><u>\$ 6,512,690</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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	\$ 324,609
Special Revenue Funds:	
Virginia Public Assistance Fund	1,330,181
CSA Fund	19,391
Capital Projects Funds:	
County Capital Projects Fund	1,417,143
Total primary government	\$ <u>3,091,324</u>
Component Unit Public Schools:	
School Operating Fund	\$ 2,529,507
School Cafeteria Fund	891,859
Total component unit public schools	\$ <u>3,421,366</u>
Total federal expenditures per basic financial statements	\$ <u>6,512,690</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>6,512,690</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

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 no

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>
83.580	Hazard Mitigation Grant Program
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

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2008

There were no prior year findings or questioned costs.

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