

**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

**COUNTY OF GLOUCESTER
VIRGINIA**

**FOR THE FISCAL YEAR ENDING
JUNE 30, 2004**

COUNTY OF GLOUCESTER, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2004

Prepared By:

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Director of Financial Services

Theresa S. Owens
Accounting Manager

COUNTY OF GLOUCESTER, VIRGINIA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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COUNTY OF GLOUCESTER, VIRGINIA

Board of Supervisors

Charles R. Allen, Jr., Chairperson
John J. Adams, Sr., Vice-Chairperson

Christian D. Rilee
Teresa L. Altemus

Michelle R. Ressler

Louise D. Theberge
Burton M. Bland

County School Board

Ronnie Cohen, Chairperson
E. Stanley Belvin, Jr., Vice-Chairperson

Ann F. Burruss
Kevin M. Smith

Michael D. Jenkins

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

Board of Social Services

Mary Ann Boon, Chairperson
Patrick J. Cooney, Vice-Chairperson

Michelle R. Ressler
Fredericka S. Branch
Gilbert B. Gray

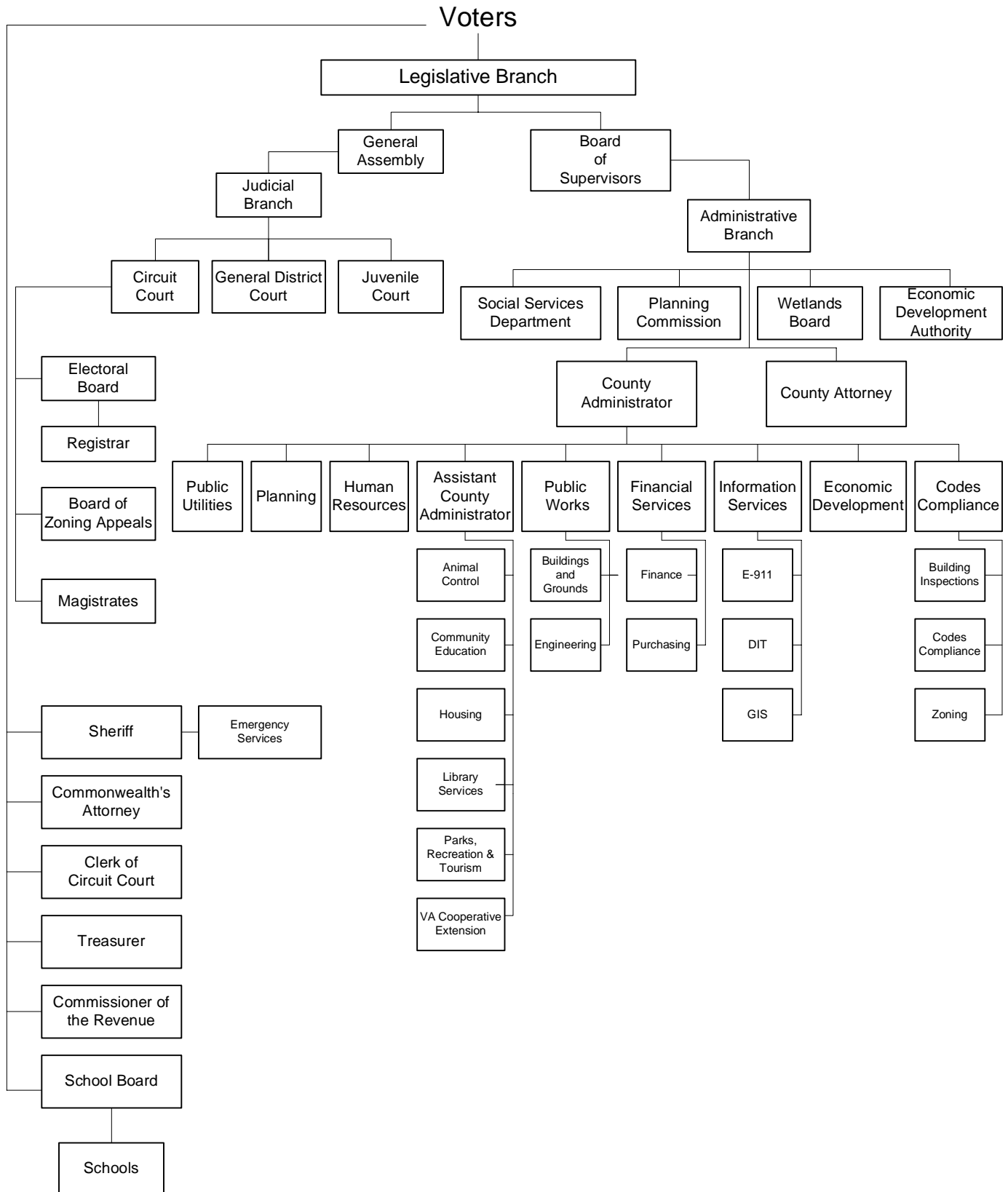
Nancy E. Warner
Luella H. Lemon
David A. Woods

Other Officials

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



Gloucester County Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Gloucester,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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



President

Executive Director



County of Gloucester

COUNTY ADMINISTRATOR

6467 Main Street

P. O. Box 329

Gloucester, Virginia

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October 13, 2004

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, 2004.

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

The County's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of Gloucester County

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

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

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

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

The private investment in new service and retail continues within Gloucester. In the Courthouse area of the County, the Fox Mill Centre shopping center infrastructure changes to accommodate new business expansion began with projects including a new 5,000 square foot building, a new Ruby Tuesday's and Blockbuster video store. A new Sonic opened in 2004 and the franchisee groups for Arby's and Outback Steak are looking for sites. Lowes Home Improvement Warehouse and Home Depot opened their new buildings in late 2003.

The Houtz and Williams' families continue to grow their businesses in the County. Ken Houtz Chevrolet built a new 22,000 square foot facility on US Route 17 moving from its Main Street location after 20 years and Kim Williams opened the Short Lane Ice Cream Company. Ms. Williams renovated an old residence/antique store into a unique shop.

A new community bank, Colonial Virginia Bank, is building new offices in the Courthouse and at Gloucester Point. Additionally, Newport News Shipbuilding Federal Credit Union is expanding its branch operations, while 1st Advantage Federal is expanding into Gloucester by building a new branch near Lowe's.

At Gloucester Point, Eckerd Drugs will open its new store in late 2004.

The Gloucester Business Park is being developed through the activities of the Economic Development Authority. The EDA, previously the Industrial Development Authority, was renamed in 2004. In cooperation with the Gloucester Board of Supervisors, the Gloucester Business Park was constructed in 1997. This 70-acre-park is development ready with roads, water and sewer and storm water infrastructure in place to facilitate and expedite construction to help reduce development costs. Currently, there are three tenants within the park: Industrial Resource Technologies, Inc., Coastal Bioanalysts and Bay Design Group. Bay Design Group purchased a parcel in 2004 and will construct a new 5,000 square foot facility that will consolidate their Gloucester and Saluda offices. Bay Design is a full service engineering, surveying and land planning firm. Industrial Resource Technologies is a joint venture between Canon U.S.A. and Canon Virginia, Inc., which recycles toner cartridges. Coastal Bioanalysts performs water quality tests and analysis for commercial and industrial businesses.

Accounting System

In developing and maintaining the County's overall accounting and financial management system, adequacy of internal accounting controls has been considered. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss and the reliability of financial records. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the County's internal control structure adequately protects the County assets and provides reasonable assurance of proper recording of financial transactions. In addition, the external auditors evaluate these controls during the course of the annual audit. We are committed

to deriving the maximum benefits from this review process and will continue to actively pursue implementation of all recommended policy and procedural changes, which are deemed practicable.

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

Cash Management

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

Risk Management

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

Pension and other post-employment benefits

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

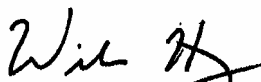
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Gloucester for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

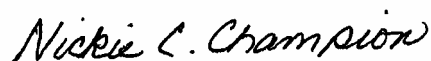
A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program requirements and will be submitted to GFOA.

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

Respectfully submitted,



William H. Whitley
County Administrator



Nickie C. Champion
Director of Financial Services

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, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Gloucester, Virginia, as of June 30, 2004, 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 October 13, 2004, on our consideration of the County of Gloucester, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Fann, Cox Associates

Charlottesville, Virginia

October 13, 2004

County of Gloucester, Virginia Management's Discussion and Analysis

As management of the County of Gloucester (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. Please read it in conjunction with the transmittal letter at the front of this report and with the County's basic financial statements, which follow this section.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$30.4 million (*net assets*). Of this amount, \$24.0 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 \$5.2 million, of which the governmental activities increased by \$5.4 million and business-type activities decreased by \$.2 million. A large portion of this increase (\$1.8 million) can be attributed to the courthouse project (completed June 30, 2003) coming in under budget, which allowed for the reimbursement of interest paid during construction from excess bond proceeds.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26.5 million, an increase of \$11.2 million in comparison with the prior year. Approximately 98% of this total amount, \$26.0 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 \$17.6 million, or 25.8% of governmental fund expenditures less any capital outlay projects funded with bond proceeds. The Board of Supervisors has adopted a policy to keep undesignated general fund balance at a minimum of 10% of governmental fund expenditures less any capital outlay projects funded with bond proceeds.
- The County's total debt increased by \$4.9 million (8.3%) during the current fiscal year. The primary factor in this net increase was the issuance of \$7.5 million in Virginia Public School Authority bonds for school construction projects.

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.

Overview of the Financial Statements: (Continued)

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).

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.

Overview of the Financial Statements: (Continued)

Fund financial statements: (Continued)

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.

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

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, 2004 and 2003

	Governmental		Business-type		Total		Component Units	
	Activities		Activities		Primary Government			
	2004	2003	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 36,051,838	\$ 22,667,366	\$ 5,659,426	\$ 6,358,503	\$ 41,711,264	\$ 29,025,869	\$ 5,855,866	\$ 5,961,855
Capital assets	30,912,239	33,599,342	28,417,797	29,162,174	59,330,036	62,761,516	19,769,444	19,059,035
Total assets	\$ 66,964,077	\$ 56,266,708	\$ 34,077,223	\$ 35,520,677	\$ 101,041,300	\$ 91,787,385	\$ 25,625,310	\$ 25,020,890
Long-term debt outstanding	\$ 31,927,391	\$ 26,440,256	\$ 28,838,243	\$ 30,376,492	\$ 60,765,634	\$ 56,816,748	\$ 6,117,459	\$ 6,254,095
Other liabilities	8,143,649	7,677,511	1,717,924	1,398,216	9,861,573	9,075,727	5,793,663	5,930,178
Total liabilities	\$ 40,071,040	\$ 34,117,767	\$ 30,556,167	\$ 31,774,708	\$ 70,627,207	\$ 65,892,475	\$ 11,911,122	\$ 12,184,273
Net assets								
Invested in capital asset, net of related debt	\$ 5,429,820	\$ 6,404,714	\$ 492,739	\$ (1,696,961)	\$ 5,922,559	\$ 4,707,753	\$ 14,959,063	\$ 14,050,625
Restricted	510,268	699,863	-	-	510,268	699,863	324,210	274,679
Unrestricted	20,952,949	15,044,364	3,028,317	5,442,930	23,981,266	20,487,294	(1,569,085)	(1,488,687)
Total net assets	\$ 26,893,037	\$ 22,148,941	\$ 3,521,056	\$ 3,745,969	\$ 30,414,093	\$ 25,894,910	\$ 13,714,188	\$ 12,836,617

The County's combined net assets (which is the County's bottom line) increased by \$5.2 million or 20.9%, an overall improvement that resulted from the increase in net assets from Governmental Activities; however, further explanation is necessary. An adjustment of \$.7 million was made to beginning net assets for 2004, which is described in footnote 15.

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 \$30.4 million at the close of the most recent fiscal year. A large portion of the County's net assets (\$5.9 million, 19.5% 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).

Another portion of the County's net assets (\$.5 million, 1.7% of total) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$24.0 million, 78.8% of total) may be used to meet the County's ongoing obligations to citizens and creditors.

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)

In the case of the component units (Gloucester County Public Schools and Gloucester Economic Development Authority), assets exceed liabilities by \$13.7 million at the close of fiscal year 2004. This is an increase of \$.9 million or 6.8%.

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

Summary of Changes in Net Assets Years Ended June 30, 2004 and 2003

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	2004	2003	2004	2003	2004	2003	2004	2003
Revenues:								
Program revenue:								
Charges for services	\$ 1,381,318	\$ 1,077,522	\$ 2,776,662	\$ 2,960,089	\$ 4,157,980	\$ 4,037,611	\$ 1,768,474	\$ 1,632,240
Operating grants and contributions	6,892,182	5,927,266	-	-	6,892,182	5,927,266	28,946,795	28,603,632
Capital grants and contributions	657,824	461,189	-	-	657,824	461,189	-	-
General revenues:								
Property taxes	26,844,694	23,117,558	43,111	40,639	26,887,805	23,158,197	-	-
Other taxes	9,429,641	8,558,339	-	-	9,429,641	8,558,339	1,169	1,704
Unrestricted revenues	221,448	280,952	36,393	94,114	257,841	375,066	43,831	41,284
Miscellaneous	1,375,249	3,539,593	-	-	1,375,249	3,539,593	-	-
Grants and contributions	2,906,969	2,775,813	-	-	2,906,969	2,775,813	-	-
Gain on disposal of capital assets	-	(2,250)	-	-	-	(2,250)	-	(16,825)
Payment from County	-	(2,250)	-	-	-	-	16,923,373	17,290,688
Total revenue	\$ 49,709,325	\$ 45,733,732	\$ 2,856,166	\$ 3,094,842	\$ 52,565,491	\$ 48,830,824	\$ 47,683,642	\$ 47,552,723
Expenses:								
General government	\$ 3,514,851	\$ 3,512,786	\$ -	\$ -	\$ 3,514,851	\$ 3,512,786	\$ -	\$ -
Judicial administration	1,354,943	1,634,531	-	-	1,354,943	1,634,531	-	-
Public safety	8,842,271	7,242,241	-	-	8,842,271	7,242,241	-	-
Public works	1,453,010	1,434,062	-	-	1,453,010	1,434,062	-	-
Health and welfare	3,411,223	3,249,649	-	-	3,411,223	3,249,649	-	-
Parks, recreation, and cultural	2,719,637	4,180,678	-	-	2,719,637	4,180,678	-	-
Community development	1,245,316	1,777,142	-	-	1,245,316	1,777,142	601,261	604,042
Interest on long-term debt	1,986,667	1,944,817	-	-	1,986,667	1,944,817	-	-
Education	19,006,986	18,371,729	-	-	19,006,986	18,371,729	46,204,810	45,841,210
Public Utilities	-	-	3,781,079	3,446,672	-	-	-	-
Total expenses	\$ 43,534,904	\$ 43,347,635	\$ 3,781,079	\$ 3,446,672	\$ 43,534,904	\$ 43,347,635	\$ 46,806,071	\$ 46,445,252
Change in net assets, before transfers	\$ 6,174,421	\$ 2,388,347	\$ (924,913)	\$ (351,830)	\$ 5,249,508	\$ 2,036,517	\$ 877,571	\$ 1,107,471
Transfers	(700,000)	(694,872)	700,000	694,872	-	-	-	-
Increase in net assets	\$ 5,474,421	\$ 1,693,475	\$ (224,913)	\$ 343,042	\$ 5,249,508	\$ 2,036,517	\$ 877,571	\$ 1,107,471
Net assets, beginning - as restated	21,418,616	20,455,466	3,745,969	3,402,927	25,164,585	23,858,393	12,836,617	11,729,146
Net assets, ending	\$ 26,893,037	\$ 22,148,941	\$ 3,521,056	\$ 3,745,969	\$ 30,414,093	\$ 25,894,910	\$ 13,714,188	\$ 12,836,617

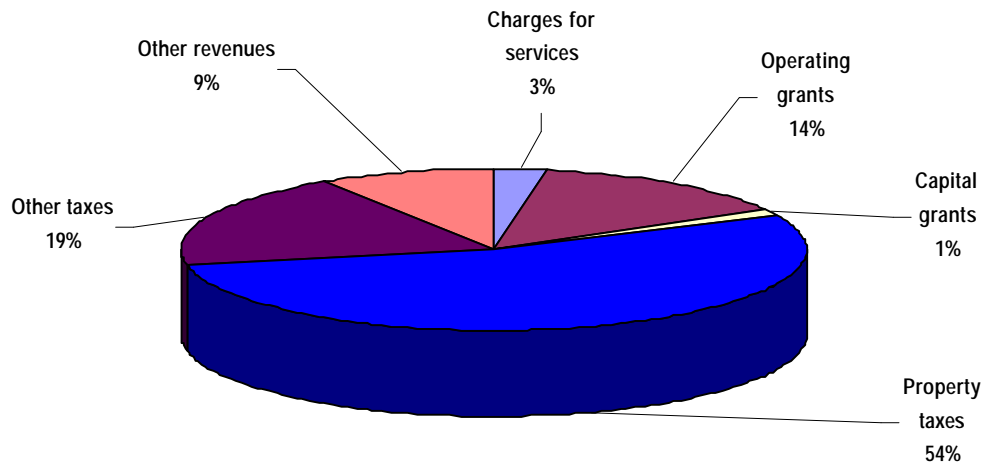
Government-Wide Financial Analysis: (Continued)

Governmental activities increased the County's net assets by \$5.4 million. Generally net asset changes are the difference between revenues and expenses. Key elements of this increase are as follows:

- General property taxes, including the payments received from the State as reimbursement under the State's personal property tax relief program, were \$27.1 million, which represents an increase of \$1.5 million or 5.8% over the prior fiscal year. This was a result of continued growth in the tax base from new residential and commercial construction, as well as a \$.50 increase in the personal property tax rate for the first installment billing of 2004 personal property.
- Other local taxes were \$9.4 million, which represents an increase of \$.9 million or 10.2%. This increase is mainly attributable to strong growth in local retail sales.
- General Fund activity expenses were \$1.4 million less than planned. These expense savings primarily result from conservative budgetary practices whereby 100% of all projected position costs are budgeted with savings arising from attrition and position vacancies. In addition, departments typically do not expend their entire operating budget, returning any remaining balances.

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

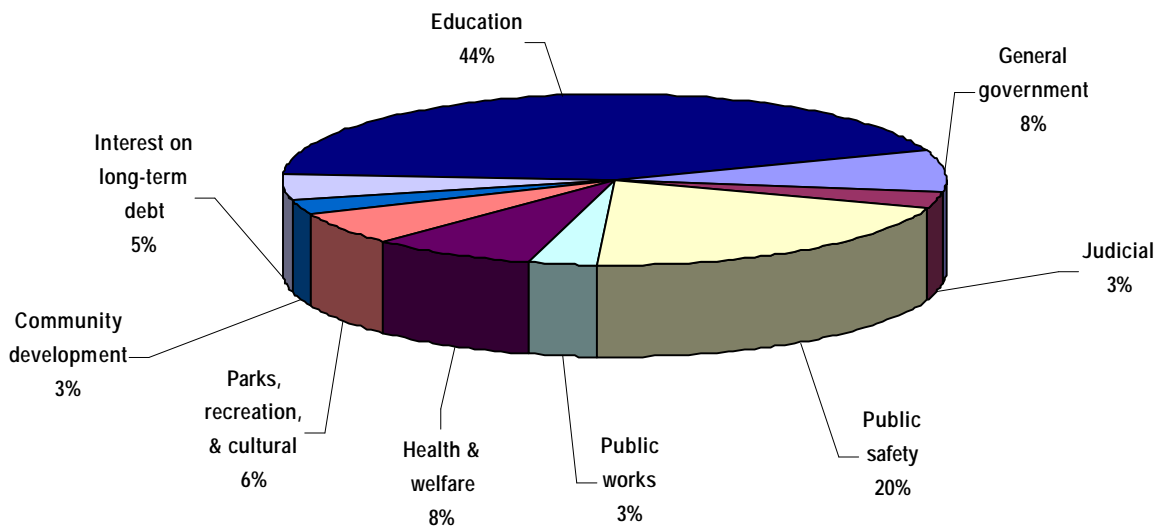
Sources of Revenue of Governmental Activities for Fiscal Year 2004



- General property taxes, the County's largest revenue source were \$26.8 million or 54.3% of total governmental revenues.
- There was a significant decrease of \$2.2 million in the amount of miscellaneous revenue received. Miscellaneous revenue in fiscal year 2003 included a one-time donation from a local philanthropist for building renovations for a new public library site.
- Other local taxes, which includes local sales taxes were \$6.9 million or 18.9% of total governmental revenues.
- Operating grants and contributions restricted to specific programs provided revenues of \$6.9 million, which includes revenues to support constitutional officers, libraries, and various human services needs.

Government-Wide Financial Analysis: (Continued)

Total Functional Expenses of Governmental Activities for Fiscal Year 2004



- Education continues to be one of the County's highest priorities and commitments. The County contributed \$16.0 million to school operations, \$2.4 million toward debt payments relating to school projects, \$.7 million for general school capital needs, and \$.8 for school construction projects for a total contribution of \$19.9 million.
- Public safety expenses increased by \$1.6 million or 22.1%. On September 18, 2003, Hurricane Isabel passed through the County causing some property damage from falling trees, debris and storm surge. As a result we incurred approximately \$1.1 million in related expenses, of which we received reimbursement of \$1.0 million from insurance and FEMA reimbursements.

Business-type activities decreased the County's net assets by \$.2 million. Similar to how changes arise in the governmental activities, business-type activities also experience budgetary differences; however, as a public utility function comprises the County's business-type activities, there is more of a direct correlation to the revenues generated relative to the expenses incurred because of service demands. The decrease in revenues was primarily due to very low interest rates on investments.

Financial Analysis of the County's Funds

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

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26.5 million, an increase of \$11.2 million in comparison with the prior year. Of this total amount, \$26.0 million or 98.1% constitutes *unreserved fund balance*, which is available for spending at the County's discretion. Unreserved fund balance of \$9.1 million has already been designated as described in the footnote on page 38. A small portion of fund balance (\$.5 million) is *reserved* to indicate that it is not available for new spending because it has already been committed to a specific purpose.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$17.6 million, while total fund balance reached \$18.1 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 25.8% using this policy criterion.

Expenses relating to governmental activities (excluding school construction) were \$3.4 million less than planned. Departments typically do not expend their entire operating budgets, returning any remaining balances. In addition, \$2.1 million of planned County capital projects were not completed as planned. This decrease in planned spending was due to the uncertainty related to decreased revenues from the state.

Proprietary funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets of the Utility Fund at the end of the year amounted to \$3.5 million. Other factors concerning the finances of this fund has already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

There was an increase of \$3.2 million between the original budget and the final amended budget, and these differences can be summarized as follows:

- An increase of \$.9 million in contributions, which is attributed to a public/private partnership between the County and Main Street Gloucester, Inc. to purchase and renovate Main Street Center into a new public library.
- An increase of \$1.1 million to Emergency Services for expenses relating to Hurricane Isabel recovery efforts.
- An increase of \$.3 million can be associated with the appropriation of fund balances for designated carryovers.
- The remaining increase of \$.9 million can be attributed to receipt of various grants and other miscellaneous activities.

Of this increase, \$2.2 million was to be funded from the receipt of additional revenues. The remaining \$1.0 million was to be budgeted from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw from existing fund balance.

Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$59.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and machinery and equipment. Major capital asset events during the current fiscal year included the following:

- A construction project to expand and renovate Achilles and Botetourt Elementary Schools was started by Gloucester County School Board (a Component Unit). The completed project is expected to cost approximately \$10.3 million.

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

	Governmental		Business-type		Total		Component Units	
	Activities		Activities		Primary Government			
	2004	2003	2004	2003	2004	2003	2004	2003
Land	\$ 3,604,349	\$ 3,604,349	\$ 3,559,796	\$ 3,559,796	\$ 7,164,145	\$ 7,164,145	\$ 1,088,054	\$ 1,088,054
Construction in progress	-	-	-	-	-	-	677,571	-
Infrastructure	-	-	-	-	-	-	1,741,638	1,838,396
Buildings	11,590,585	11,344,301	24,777,097	25,503,639	36,367,682	36,847,940	3,267,238	3,448,751
Equipment	1,130,056	1,865,306	80,904	98,739	1,210,960	1,964,045	2,886,407	3,009,156
Jointly owned assets	14,587,249	16,055,061	-	-	14,587,249	16,055,061	10,108,536	9,674,677
Total	\$ 30,912,239	\$ 32,869,017	\$ 28,417,797	\$ 29,162,174	\$ 59,330,036	\$ 62,031,191	\$ 19,769,444	\$ 19,059,034

Additional information on the County's capital assets can be found in note 6 on pages 43-47 of this report.

Long-term debt: At the end of the current fiscal year, the County had total outstanding debt of \$64.8 million and details are summarized in the following table:

	Governmental		Business-type		Total		Component Units	
	Activities		Activities		Primary Government			
	2004	2003	2004	2003	2004	2003	2004	2003
Bonds Payable:								
General obligation bonds	\$ 14,683,090	\$ 7,780,000	\$ 222,838	\$ 252,454	\$ 14,905,928	\$ 8,032,454	\$ 4,523,141	\$ 4,651,054
Revenue bonds	-	-	29,696,963	30,606,681	29,696,963	30,606,681	280,593	325,470
Literary loans	6,703,520	7,343,520	-	-	6,703,520	7,343,520	-	-
Capital leases	11,689,935	12,071,108	-	-	11,689,935	12,071,108	-	-
Note payable	-	-	-	-	-	-	6,647	31,886
Compensated absences	1,585,537	1,590,802	178,684	172,822	1,764,221	1,763,624	1,667,895	1,603,100
Total	\$ 34,662,082	\$ 28,785,430	\$ 30,098,485	\$ 31,031,957	\$ 64,760,567	\$ 59,817,387	\$ 6,478,276	\$ 6,611,510

Debt associated with governmental activities increased by \$5.9 million while debt associated with business-type activities decreased by \$1.0 million. The primary factor in this net increase was the issuance of \$7.5 million in Virginia Public School Authority bonds for school construction projects.

Capital Asset and Debt Administration: (Continued)

The County is not subject to a statutory debt limitation, but the County's Debt Obligation Policy, which was adopted on April 4, 2000, limits net debt as a percentage of assessed value that will not exceed 3.0%. In addition, the County's Debt Obligation Policy limits the net debt per capita at \$1,700 per capita, and general obligation debt service and capital lease payments will not exceed 10.0% of general governmental expenditures. As of June 30, 2004, using the criteria listed in the County's Debt Obligation Policy, the County's net debt as a percentage of assessed value was 1.38%, the net debt per capita ratio was \$951, and the debt payments percentage was 6.67%.

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

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County is currently 2.6%, which is a decrease from a rate of 2.7% a year ago. This compares favorably to the State's average unemployment rate of 3.8% and the national average rate of 5.8%.
- The fiscal year 2005 County budget included the use of \$1.2 million of the unreserved fund balance of the General Fund, which is to be used for various capital projects.
- In August 2004, the Board of Supervisors appropriated an additional \$2.2 million of the unreserved fund balance of the General Fund, which is to be used for higher than expected construction costs associated with the Achilles and Botetourt Elementary School projects.
- The County's real estate tax rate remained the same for calendar year 2004 as had existed in 2003, but the personal property tax rate was raised \$.50 to \$4.00 for calendar year 2004.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Financial Services, County of Gloucester, 6467 Main Street, P.O. Box 1460, Gloucester, VA 23061.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
June 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	EDA
ASSETS					
Cash and cash equivalents	\$ 18,902,820	\$ 3,132,832	\$ 22,035,652	\$ 462,524	\$ 103,456
Receivables (net of allowance for uncollectibles):					
Taxes receivable	6,295,089	2,754	6,297,843	-	-
Accounts receivable	699,698	266,627	966,325	35,897	-
Internal balances	(17,130)	17,130	-	-	-
Due from other governmental units	2,127,630	-	2,127,630	4,323,131	-
Inventories	-	37,659	37,659	23,420	606,648
Prepaid expenses	449,605	4,350	453,955	300,790	-
Deferred charges	-	1,468	1,468	-	-
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents (in custody of others)	7,594,126	1,994,743	9,588,869	-	-
Other assets:					
Unamortized bond issue costs	-	201,863	201,863	-	-
Capital assets (net of accumulated depreciation):					
Land	3,604,349	3,559,796	7,164,145	614,319	473,735
Buildings and system	26,177,834	24,777,097	50,954,931	10,108,536	3,267,238
Improvements other than buildings	-	-	-	-	-
Machinery and equipment	1,130,056	80,904	1,210,960	2,884,237	2,170
Infrastructure	-	-	-	-	1,741,638
Construction in progress	-	-	-	677,571	-
Total assets	\$ 66,964,077	\$ 34,077,223	\$ 101,041,300	\$ 19,430,425	\$ 6,194,885
LIABILITIES					
Accounts payable	\$ 1,206,464	\$ 100,106	\$ 1,306,570	\$ 500,445	\$ -
Accrued liabilities	363,841	36,612	400,453	4,290,082	-
Accrued interest payable	592,148	320,964	913,112	-	-
Due to other governmental units	3,246,505	-	3,246,505	150,000	458,909
Deferred revenue	-	-	-	-	33,410
Long-term liabilities:					
Due within one year	2,734,691	1,260,242	3,994,933	166,789	194,028
Due in more than one year	31,927,391	28,838,243	60,765,634	1,501,106	4,616,353
Total liabilities	\$ 40,071,040	\$ 30,556,167	\$ 70,627,207	\$ 6,608,422	\$ 5,302,700
NET ASSETS					
Invested in capital assets, net of related debt	\$ 5,429,820	\$ 492,739	\$ 5,922,559	\$ 14,284,663	\$ 674,400
Restricted for:					
Prepaid items	87,995	-	87,995	23,420	-
Construction	-	-	-	300,790	-
E-911	144,727	-	144,727	-	-
Asset forfeiture	277,546	-	277,546	-	-
Unrestricted (deficit)	20,952,949	3,028,317	23,981,266	(1,786,870)	217,785
Total net assets	\$ 26,893,037	\$ 3,521,056	\$ 30,414,093	\$ 12,822,003	\$ 892,185

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, 2004

<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	\$ 3,514,851	\$ -	\$ 283,358	\$ -
Judicial administration	1,354,943	104,569	549,058	-
Public safety	8,842,271	506,593	3,317,061	9,047
Public works	1,453,010	453,178	-	-
Health and welfare	3,411,223	-	2,287,481	-
Education	19,006,986	-	-	-
Parks, recreation, and cultural	2,719,637	289,514	103,368	192,469
Community development	1,245,316	27,464	351,856	456,308
Interest on long-term debt	1,986,667	-	-	-
Total government activities	<u>\$ 43,534,904</u>	<u>\$ 1,381,318</u>	<u>\$ 6,892,182</u>	<u>\$ 657,824</u>
Business-type activities:				
Public utilities	\$ 3,781,079	\$ 2,776,662	\$ -	\$ -
Total business-type activities	<u>\$ 3,781,079</u>	<u>\$ 2,776,662</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 47,315,983</u>	<u>\$ 4,157,980</u>	<u>\$ 6,892,182</u>	<u>\$ 657,824</u>
COMPONENT UNITS:				
School Board	\$ 46,204,810	\$ 1,228,957	\$ 28,946,795	\$ -
Economic Development Authority	601,261	539,517	-	-
Total component units	<u>\$ 46,806,071</u>	<u>\$ 1,768,474</u>	<u>\$ 28,946,795</u>	<u>\$ -</u>
General revenues:				
General property taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Payment from Gloucester County				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning - as adjusted				
Net assets - ending				

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	EDA	
\$ (3,231,493)	\$ -	\$ (3,231,493)	\$ -	\$ -	
(701,316)	-	(701,316)	-	-	
(5,009,570)	-	(5,009,570)	-	-	
(999,832)	-	(999,832)	-	-	
(1,123,742)	-	(1,123,742)	-	-	
(19,006,986)	-	(19,006,986)	-	-	
(2,134,286)	-	(2,134,286)	-	-	
(409,688)	-	(409,688)	-	-	
(1,986,667)	-	(1,986,667)	-	-	
<u>\$ (34,603,580)</u>	<u>\$ -</u>	<u>\$ (34,603,580)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ (1,004,417)	\$ (1,004,417)	\$ -	\$ -	
\$ -	\$ (1,004,417)	\$ (1,004,417)	\$ -	\$ -	
<u>\$ (34,603,580)</u>	<u>\$ (1,004,417)</u>	<u>\$ (35,607,997)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (16,029,058)	\$ -	
-	-	-	-	(61,744)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,029,058)</u>	<u>\$ (61,744)</u>	
\$ 26,844,694	\$ 43,111	\$ 26,887,805	\$ -	\$ -	
9,429,641	-	9,429,641	-	-	
221,448	36,393	257,841	1,169	-	
1,375,249	-	1,375,249	39,324	4,507	
2,906,969	-	2,906,969	-	-	
-	-	-	16,923,373	-	
(700,000)	700,000	-	-	-	
<u>\$ 40,078,001</u>	<u>\$ 779,504</u>	<u>\$ 40,857,505</u>	<u>\$ 16,963,866</u>	<u>\$ 4,507</u>	
\$ 5,474,421	\$ (224,913)	\$ 5,249,508	\$ 934,808	\$ (57,237)	
21,418,616	3,745,969	25,164,585	11,887,195	949,422	
<u>\$ 26,893,037</u>	<u>\$ 3,521,056</u>	<u>\$ 30,414,093</u>	<u>\$ 12,822,003</u>	<u>\$ 892,185</u>	

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 June 30, 2004

	General	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 18,099,207	\$ 487	\$ 171,918	\$ 631,208	\$ -	\$ 18,902,820
Receivables (net of allowance for uncollectibles):						
Taxes receivable	6,295,089	-	-	-	-	6,295,089
Accounts receivable	673,006	-	2,175	-	24,517	699,698
Due from other funds	954,672	-	-	-	169,674	1,124,346
Due from other governmental units	1,198,187	-	690,770	-	238,673	2,127,630
Prepaid items	87,995	361,610	-	-	-	449,605
Restricted assets:						
Temporarily restricted:						
Cash and cash equivalents	-	-	-	7,594,126	-	7,594,126
Total assets	<u>\$ 27,308,156</u>	<u>\$ 362,097</u>	<u>\$ 864,863</u>	<u>\$ 8,225,334</u>	<u>\$ 432,864</u>	<u>\$ 37,193,314</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 616,183	\$ 46,671	\$ 166,878	\$ 249,854	\$ 126,878	\$ 1,206,464
Accrued liabilities	361,070	-	-	-	2,771	363,841
Due to other governmental units	3,246,505	-	-	-	-	3,246,505
Due to other funds	186,804	314,938	506,163	-	133,571	1,141,476
Deferred revenue	4,766,679	-	-	-	-	4,766,679
Total liabilities	<u>\$ 9,177,241</u>	<u>\$ 361,609</u>	<u>\$ 673,041</u>	<u>\$ 249,854</u>	<u>\$ 263,220</u>	<u>\$ 10,724,965</u>
Fund balances:						
Reserved for:						
Prepaid items	\$ 87,995	\$ -	\$ -	\$ -	\$ -	\$ 87,995
E-911	144,727	-	-	-	-	144,727
Asset forfeiture	277,546	-	-	-	-	277,546
Unreserved, reported in:						
General fund	17,620,647	-	-	-	-	17,620,647
Special revenue funds	-	-	-	-	169,644	169,644
Debt service funds	-	488	-	-	-	488
Capital projects funds	-	-	191,822	7,975,480	-	8,167,302
Total fund balances	<u>\$ 18,130,915</u>	<u>\$ 488</u>	<u>\$ 191,822</u>	<u>\$ 7,975,480</u>	<u>\$ 169,644</u>	<u>\$ 26,468,349</u>
Total liabilities and fund balances	<u>\$ 27,308,156</u>	<u>\$ 362,097</u>	<u>\$ 864,863</u>	<u>\$ 8,225,334</u>	<u>\$ 432,864</u>	<u>\$ 37,193,314</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, 2004

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds \$ 26,468,349

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 30,912,239

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 4,766,679

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. (35,254,230)

Net assets of governmental activities \$ 26,893,037

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, 2004

	General	Debt Service	County Capital Improvements	School Construction	Other Governmental Funds	Total
REVENUES						
General property taxes	\$ 24,578,024	\$ -	\$ -	\$ -	\$ -	\$ 24,578,024
Other local taxes	9,429,641	-	-	-	-	9,429,641
Permits, privilege fees, and regulatory licenses	325,348	-	-	-	-	325,348
Fines and forfeitures	94,788	-	-	-	-	94,788
Revenue from the use of money and property	145,193	207	1,084	60,202	-	206,686
Charges for services	961,182	-	-	-	-	961,182
Miscellaneous	1,303,801	-	63,316	-	8,132	1,375,249
Recovered costs	235,694	-	-	-	-	235,694
Intergovernmental revenues:						
Commonwealth	6,620,017	-	201,516	-	740,367	7,561,900
Federal	891,653	-	456,308	-	1,547,114	2,895,075
Total revenues	<u>\$ 44,585,341</u>	<u>\$ 207</u>	<u>\$ 722,224</u>	<u>\$ 60,202</u>	<u>\$ 2,295,613</u>	<u>\$ 47,663,587</u>
EXPENDITURES						
Current:						
General government administration	\$ 3,252,076	\$ -	\$ -	\$ -	\$ -	\$ 3,252,076
Judicial administration	1,134,736	-	-	-	-	1,134,736
Public safety	8,652,538	-	-	-	-	8,652,538
Public works	1,453,195	-	-	-	-	1,453,195
Health and welfare	495,770	-	-	-	2,890,915	3,386,685
Education	16,080,604	-	-	-	-	16,080,604
Parks, recreation, and cultural	1,242,768	-	-	-	-	1,242,768
Community development	726,647	-	-	-	-	726,647
Nondepartmental	1,362,005	-	-	-	-	1,362,005
Capital projects	-	-	1,859,250	681,914	-	2,541,164
Debt service:						
Principal retirement	-	2,186,094	-	-	-	2,186,094
Interest and other fiscal charges	-	1,682,544	-	-	-	1,682,544
Total expenditures	<u>\$ 34,400,339</u>	<u>\$ 3,868,638</u>	<u>\$ 1,859,250</u>	<u>\$ 681,914</u>	<u>\$ 2,890,915</u>	<u>\$ 43,701,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 10,185,002</u>	<u>\$ (3,868,431)</u>	<u>\$ (1,137,026)</u>	<u>\$ (621,712)</u>	<u>\$ (595,302)</u>	<u>\$ 3,962,531</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 3,868,639	\$ -	\$ 123,000	\$ 637,728	\$ 4,629,367
Transfers out	(4,718,960)	-	(610,407)	-	-	(5,329,367)
Proceeds from general obligation bonds	-	-	-	7,525,000	-	7,525,000
Proceeds from bond issuance premium	-	-	-	442,852	-	442,852
Proceeds of capital leases	-	1,589,921	-	-	-	1,589,921
Refunding of capital lease	-	(1,589,921)	-	-	-	(1,589,921)
Total other financing sources (uses)	<u>\$ (4,718,960)</u>	<u>\$ 3,868,639</u>	<u>\$ (610,407)</u>	<u>\$ 8,090,852</u>	<u>\$ 637,728</u>	<u>\$ 7,267,852</u>
Net change in fund balances	\$ 5,466,042	\$ 208	\$ (1,747,433)	\$ 7,469,140	\$ 42,426	\$ 11,230,383
Fund balances - beginning	12,664,873	280	1,939,255	506,340	127,218	15,237,966
Fund balances - ending	<u>\$ 18,130,915</u>	<u>\$ 488</u>	<u>\$ 191,822</u>	<u>\$ 7,975,480</u>	<u>\$ 169,644</u>	<u>\$ 26,468,349</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, 2004

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

Net change in fund balances - total governmental funds	\$ 11,230,383
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	(1,956,778)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,266,670
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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.	(5,766,996)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.	<u>(298,858)</u>
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Change in net assets of governmental activities	<u><u>\$ 5,474,421</u></u>
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The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
 Proprietary Funds
 June 30, 2004

	<u>Enterprise Fund Utilities Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,132,832
Taxes receivable, net of allowances for uncollectibles	2,754
Accounts receivables, net of allowances for uncollectibles	266,627
Due from other funds	17,130
Inventories	37,659
Prepaid expenses	4,350
Deferred charges	1,468
Total current assets	<u>\$ 3,462,820</u>
Noncurrent assets:	
Restricted current assets:	
Cash and cash equivalents, debt service reserve	\$ 1,994,743
Total restricted current assets	<u>\$ 1,994,743</u>
Other assets:	
Unamortized bond issue costs	<u>\$ 201,863</u>
Capital assets:	
Utility plant in service	\$ 30,698,081
Land	3,559,796
Machinery and equipment	376,399
Buildings	3,640,292
Less accumulated depreciation	(9,856,771)
Total capital assets	<u>\$ 28,417,797</u>
Total noncurrent assets	<u>\$ 30,614,403</u>
Total assets	<u>\$ 34,077,223</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 100,106
Accrued interest payable	320,964
Compensated absences	17,868
Deposits held in escrow	36,612
Bonds payable - current portion	1,242,374
Total current liabilities	<u>\$ 1,717,924</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 28,677,427
Compensated absences	160,816
Total noncurrent liabilities	<u>\$ 28,838,243</u>
Total liabilities	<u>\$ 30,556,167</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 492,739
Unrestricted	3,028,317
Total net assets	<u>\$ 3,521,056</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2004

	Enterprise Fund <u>Utilities Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 2,195,326
Sewer revenues	509,158
Other revenues	72,178
Total operating revenues	<u>\$ 2,776,662</u>
OPERATING EXPENSES	
Personal services	\$ 648,942
Fringe benefits	166,265
Contractual services	130,347
Other charges	438,529
Depreciation	769,003
Total operating expenses	<u>\$ 2,153,086</u>
Operating income (loss)	<u>\$ 623,576</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 36,393
Amortization of loan costs	(22,439)
Taxes	43,111
Interest expense	(1,605,554)
Total nonoperating revenues (expenses)	<u>\$ (1,548,489)</u>
Income before contributions and transfers	\$ (924,913)
Transfers in	<u>700,000</u>
Change in net assets	<u>\$ (224,913)</u>
Total net assets - beginning	<u>3,745,969</u>
Total net assets - ending	<u><u>\$ 3,521,056</u></u>

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

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 3,055,033
Receipts for miscellaneous items	75,638
Payments to suppliers	(1,021,575)
Payments to employees	(643,080)
Net cash provided (used by) operating activities	<u>\$ 1,466,016</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 700,000
Tax revenue	42,278
Net cash provided (used) by noncapital financing activities	<u>\$ 742,278</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to capital assets	\$ (24,626)
Principal payments on bonds	(1,235,309)
Increase in capital appreciation bonds payable	295,975
Interest payments	(1,605,947)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,569,907)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 36,393
Net cash provided (used) by investing activities	<u>\$ 36,393</u>
Net increase (decrease) in cash and cash equivalents	\$ (325,220)
Cash and cash equivalents - beginning - including restricted	5,452,795
Cash and cash equivalents - ending - including restricted	<u>\$ 5,127,575</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 623,576
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 769,003
(Increase) decrease in accounts receivable	350,549
(Increase) decrease in prepaid expenses	1,702
Increase (decrease) in customer deposits	3,460
Increase (decrease) in accounts payable and accrued liabilities	(282,274)
Total adjustments	<u>\$ 842,440</u>
Net cash provided (used) by operating activities	<u>\$ 1,466,016</u>

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

Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 76,120
Total assets	<u>\$ 76,120</u>
LIABILITIES	
Accounts payable	\$ 2,608
Amounts held for social services clients	12,832
Amounts held for others	45,916
Amounts held for inmates	<u>14,764</u>
Total liabilities	<u>\$ 76,120</u>

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004

Note 1—Summary of Significant Accounting Policies:

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

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

Financial Statement Presentation

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

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

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

Government-wide and Fund Financial Statements

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

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

Statement of Net Assets - The Statement of Net Assets is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component 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.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit. The County has no blended component units to be included for the fiscal year ended June 30, 2004.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

B. Individual Component Unit Disclosures: (Continued)

Discretely Presented Component Units. The School Board members are elected by the citizens of Gloucester County. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The School Fund does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation of the County financial statements for the fiscal year ended June 30, 2004.

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, 2004. Complete financial statements for the Authority are available from the Authority in Gloucester, Virginia.

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.

Included in the County's Financial Report

None

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

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

1. Governmental Funds

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

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

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

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

The County reports the following non-major governmental funds:

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

Fiduciary Funds - (Trust and Agency Funds) - account for assets held by the County unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust and Agency Funds utilize the accrual basis of accounting. Fiduciary funds are not included in the government-wide financial statements.

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The County's Enterprise Funds consist of the Utility Fund.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

E. Cash and Cash Equivalents:

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

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

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

F. Investments

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

G. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$348,708 at June 30, 2004 is composed solely of property taxes.

Real and Personal Property Tax Data:

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

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

The County bills and collects its own property taxes.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

H. Capital Assets

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

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

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

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, 2004.

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

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

I. Compensated Absences

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

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

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

	<u>General</u>	<u>Debt Service</u>	<u>County Capital Improvements</u>	<u>School Construc- tion</u>	<u>Other Govern- mental Funds</u>	<u>Utility Fund</u>	<u>Total</u>
Designated for:							
Mosquito Control	\$ 223,037	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,037
Tourism Projects	68,056	-	-	-	-	-	68,056
Daffodil Festival	38,858	-	-	-	-	-	38,858
Trustee Cash	-	488	-	-	-	-	488
Revenue Maximization Program	-	-	-	-	169,644	-	169,644
School Land Purchase	-	-	-	631,208	-	-	631,208
School Capital Projects	-	-	-	7,344,272	-	-	7,344,272
Asset Forfeiture	277,546	-	-	-	-	-	277,546
E-911	144,727	-	-	-	-	-	144,727
Utility Expansion	-	-	-	-	-	230,900	230,900
Older Adult Projects	-	-	101,220	-	-	-	101,220
Subsequent expenditures	-	-	90,602	-	-	-	90,602
Total designated for specific purposes	<u>\$ 752,224</u>	<u>\$ 488</u>	<u>\$ 191,822</u>	<u>\$ 7,975,480</u>	<u>\$ 169,644</u>	<u>\$ 230,900</u>	<u>\$ 9,320,558</u>

M. Net Assets

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term 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 expenditure 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. Prior to March 15th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the 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.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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

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, 2004.

Note 3—Cash and Cash Equivalents:

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

Primary Government and Component Unit School Board:

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

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

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

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

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 3—Cash and Cash Equivalents: (Continued)

Primary Government and Component Unit School Board: (Continued)

	Category			Carrying Value
	1	2	3	
Repurchase agreement	\$ -	\$ 4,171,728	\$ -	\$ 4,171,728
	\$ -	\$ 4,171,728	\$ -	\$ 4,171,728

Add investments not subject to categorization:

Investment in State Treasurer's Local Government Investments Pool (LGIP)	15,614,803
Investment in Virginia State Non-Arbitrage Funds	8,655,883
United State Treasury Money Market Funds	2,440,130
Total investments	\$ 30,882,544
Deposits	\$ 1,589,643
Total Deposits and Investments	\$ 32,472,187
Cash and Petty Cash	5,455
Total Cash and Cash Equivalents	\$ 32,477,642

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

Governmental funds - Cash and cash equivalents	\$ 18,902,820
Governmental funds - Restricted assets	7,594,126
Proprietary funds - Cash and cash equivalents	3,132,832
Proprietary funds - Restricted assets	1,994,743
Fiduciary funds - Cash and cash equivalents	76,120
Discretely presented component unit Economic Development Authority:	
Cash and cash equivalents	103,456
Discretely presented component unit School Board:	
Cash and cash equivalents	462,524
Private-Purpose Trust Fund - Cash and cash equivalents	211,021
Total	\$ 32,477,642

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 4—Due from Other Governments:

At June 30, 2004, the County has receivables from other governments as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	
		<u>School Board</u>	<u>Economic Development Authority</u>
Other Local Governments:			
County of Gloucester	\$ -	\$ 3,246,505	\$ -
Gloucester County Cafeteria	150,000	-	-
Gloucester County Economic Development Authority	458,909	-	-
Commonwealth of Virginia:			
Local sales tax	612,147	-	-
ABC and wine taxes	33,268	-	-
Recordation tax	50,729	-	-
Victim witness grant	11,405	-	-
VPA funds	38,090	-	-
Fringe Benefits	-	103,452	-
State Sales Tax	-	830,434	-
Constitutional officer reimbursements	220,361	-	-
Miscellaneous grants	29,043	-	-
Comprehensive service	79,247	-	-
Federal Government:			
School fund grants	-	142,740	-
Community Development Block Grant	231,861	-	-
VPA funds	121,335	-	-
Other federal grants	85,080	-	-
Federal prisoners	6,155	-	-
Total due from other governments	<u>\$ 2,127,630</u>	<u>\$ 4,323,131</u>	<u>\$ -</u>

Amounts due to other governments are as follows:

Other Local Governments:			
Gloucester County School Board	\$ 3,246,505	\$ -	\$ -
Gloucester County	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 458,909</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables, and payables as of June 30, 2004, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 954,672	\$ 186,804
County Capital Improvements	-	506,163
Comprehensive Services Act	-	18,071
Utilities	17,130	-
Revenue Maximization	169,674	-
Debt Service	-	314,938
Virginia Public Assistance	-	115,500
Total	<u>\$ 1,141,476</u>	<u>\$ 1,141,476</u>

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2004:

Primary Government:

	<u>Balance July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2004</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 3,604,349	\$ -	\$ -	\$ 3,604,349
Capital assets subject to depreciation:				
Buildings	\$ 15,099,714	\$ -	\$ -	\$ 15,099,714
Equipment	4,473,863	417,239	551,674	4,339,428
Jointly owned assets	24,994,496	-	1,233,808	23,760,688
Total capital assets being depreciated	<u>\$ 44,568,073</u>	<u>\$ 417,239</u>	<u>\$ 1,785,482</u>	<u>\$ 43,199,830</u>
Less accumulated depreciation for:				
Buildings	\$ (3,755,413)	\$ (305,390)	\$ (551,674)	\$ (3,509,129)
Equipment	(2,608,557)	(600,815)	-	(3,209,372)
Jointly owned assets	(8,939,435)	(234,004)	-	(9,173,439)
Total accumulated depreciation	<u>\$ (15,303,405)</u>	<u>\$ (1,140,209)</u>	<u>\$ (551,674)</u>	<u>\$ (15,891,940)</u>
Total capital assets being depreciated, net	<u>\$ 29,264,668</u>	<u>\$ (722,970)</u>	<u>\$ 1,233,808</u>	<u>\$ 27,307,890</u>
Governmental capital assets, net	<u>\$ 32,869,017</u>	<u>\$ (722,970)</u>	<u>\$ 1,233,808</u>	<u>\$ 30,912,239</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 6—Capital Assets: (Continued)

Component Unit-School Board:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 614,319	\$ -	\$ -	\$ 614,319
Construction in progress	<u>-</u>	<u>677,571</u>	<u>-</u>	<u>677,571</u>
 Total capital assets not subject to depreciation	 <u>\$ 614,319</u>	 <u>\$ 677,571</u>	 <u>\$ -</u>	 <u>\$ 1,291,890</u>
Capital assets subject to depreciation:				
Equipment	\$ 7,039,843	\$ 436,719	\$ 491,359	\$ 6,985,203
Jointly owned assets	<u>14,676,784</u>	<u>1,233,808</u>	<u>-</u>	<u>15,910,592</u>
 Total capital assets being depreciated	 <u>\$ 21,716,627</u>	 <u>\$ 1,670,527</u>	 <u>\$ 491,359</u>	 <u>\$ 22,895,795</u>
Less accumulated depreciation for:				
Equipment	\$ (4,033,580)	\$ (558,745)	\$ (491,359)	\$ (4,100,966)
Jointly owned assets	<u>(5,002,107)</u>	<u>(799,949)</u>	<u>-</u>	<u>(5,802,056)</u>
 Total accumulated depreciation	 <u>\$ (9,035,687)</u>	 <u>\$ (1,358,694)</u>	 <u>\$ (491,359)</u>	 <u>\$ (9,903,022)</u>
 Total capital assets being depreciated, net	 <u>\$ 12,680,940</u>	 <u>\$ 311,833</u>	 <u>\$ -</u>	 <u>\$ 12,992,773</u>
 Governmental capital assets , net	 <u><u>\$ 13,295,259</u></u>	 <u><u>\$ 989,404</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 14,284,663</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 6—Capital Assets: (Continued)

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

Primary Government:	Balance		Restatement		Restated
	June 30, 2003				Balance
					July 1, 2003
Land	\$ 3,604,349	\$	-	\$	3,604,349
Buildings	15,099,714		-		15,099,714
Equipment	4,473,863		-		4,473,863
Jointly owned assets	24,994,496		-		24,994,496
	<u>48,172,422</u>		<u>-</u>		<u>48,172,422</u>
Totals	\$ 48,172,422	\$	-	\$	48,172,422
Accumulated depreciation	<u>14,573,080</u>		<u>730,325</u>		<u>15,303,405</u>
Net capital assets primary government	<u>\$ 33,599,342</u>	\$	<u>(730,325)</u>	\$	<u>32,869,017</u>

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

Governmental activities:

General government	\$ 208,200
Judicial administration	195,113
Public safety	331,458
Public works	65,146
Health and welfare	44,303
Education	234,004
Parks, recreation and cultural	56,612
Community development	<u>5,373</u>
Total Governmental activities	<u>\$ 1,140,209</u>
Component Unit School Board	<u>\$ 1,358,694</u>

Legislation enacted during the year ended June 30, 2002, Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, has changed the reporting of local school capital assets and related debt for financial statement purposes. Historically, debt incurred by local governments "on-behalf" of school boards was reported in the school board's discrete column along with the related capital assets. Under the new law, local governments have a "tenancy in common" with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Gloucester, Virginia for the year ended June 30, 2004, is that school financed assets in the amount of \$14,587,249 are reported in the Primary Government for financial reporting purposes.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 6—Capital Assets: (Continued)

A summary of proprietary fund property, plant, and equipment at June 30, 2004 follows:

Primary Government:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Enterprise activities:				
Enterprise Fund:				
Capital assets not subject to depreciation:				
Land	\$ 3,559,796	\$ -	\$ -	\$ 3,559,796
Capital assets subject to depreciation:				
Plant in service	\$ 30,687,901	\$ 10,180	\$ -	\$ 30,698,081
Machinery and equipment	361,953	14,446	-	376,399
Buildings	3,640,292	-	-	3,640,292
		-		
Total capital assets being depreciated	\$ 34,690,146	\$ 24,626	\$ -	\$ 34,714,772
Less accumulated depreciation for:				
Plant in service	\$ (6,828,558)	\$ (650,385)	\$ -	\$ (7,478,943)
Machinery and equipment	(263,214)	(32,281)	-	(295,495)
Buildings	(1,995,996)	(86,337)	-	(2,082,333)
Total accumulated depreciation	\$ (9,087,768)	\$ (769,003)	\$ -	\$ (9,856,771)
Total capital assets being depreciated, net	\$ 25,602,378	\$ (744,377)	\$ -	\$ 24,858,001
Enterprise capital assets , net	<u>\$ 29,162,174</u>	<u>\$ (744,377)</u>	<u>\$ -</u>	<u>\$ 28,417,797</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 6—Capital Assets: (Continued)

A summary of the component unit Economic Development Authority property, plant, and equipment at June 30, 2004 follows:

Component Unit Economic Development Authority:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Enterprise activities:				
Capital assets not subject to depreciation:				
Land	\$ 473,735	\$ -	\$ -	\$ 473,735
Capital assets subject to depreciation:				
Buildings	\$ 4,537,831	\$ -	\$ -	\$ 4,537,831
Infrastructure	2,418,942	-	-	2,418,942
Equipment	7,234	-	-	7,234
		-		
Total capital assets being depreciated	\$ 6,964,007	\$ -	\$ -	\$ 6,964,007
Less accumulated depreciation for:				
Buildings	\$ (1,089,080)	\$ (181,513)	\$ -	\$ (1,270,593)
Infrastructure	(580,546)	(96,758)	-	(677,304)
Equipment	(4,341)	(723)	-	(5,064)
Total accumulated depreciation	\$ (1,673,967)	\$ (278,994)	\$ -	\$ (1,952,961)
Total capital assets being depreciated, net	\$ 5,290,040	\$ (278,994)	\$ -	\$ 5,011,046
Enterprise capital assets, net	\$ 5,763,775	\$ (278,994)	\$ -	\$ 5,484,781

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2004, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
General Fund	\$ -	\$ 4,718,960
Debt Service	3,868,639	-
County Capital Improvements	-	610,407
Virginia Public Assistance	383,787	-
Comprehensive Services Act	253,941	-
School Construction	123,000	-
Utilities	700,000	-
	-	-
Total	\$ 5,329,367	\$ 5,329,367

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 7— Interfund Transfers:

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

Note 8—Long-Term Obligations:

Primary Government:

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

	<u>Amounts Payable at July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2004</u>	<u>Amounts Due Within OneYear</u>
Governmental Obligations:					
Incurred by County:					
Compensated absences payable	\$ 1,590,802	\$ 757,602	\$ 762,867	\$ 1,585,537	\$ 158,553
Capital lease obligations	<u>9,795,681</u>	<u>-</u>	<u>316,417</u>	<u>9,479,264</u>	<u>334,299</u>
Total incurred by County	<u>\$ 11,386,483</u>	<u>\$ 757,602</u>	<u>\$ 1,079,284</u>	<u>\$ 11,064,801</u>	<u>\$ 492,852</u>
Incurred by School Board:					
State Literary Fund Loans payable	\$ 7,343,520	-	\$ 640,000	\$ 6,703,520	\$ 640,000
General obligation bonds payable	7,780,000	7,525,000	1,050,000	14,255,000	1,370,000
Add deferred amounts:					
For issuance premium	-	442,852	14,762	428,090	-
Capital lease and notes payable obligations	<u>2,275,427</u>	<u>1,589,921</u>	<u>1,654,677</u>	<u>2,210,671</u>	<u>231,839</u>
Total incurred by School Board	<u>\$ 17,398,947</u>	<u>\$ 9,557,773</u>	<u>\$ 3,359,439</u>	<u>\$ 23,597,281</u>	<u>\$ 2,241,839</u>
Total Governmental Obligations	<u>\$ 28,785,430</u>	<u>\$ 10,315,375</u>	<u>\$ 4,438,723</u>	<u>\$ 34,662,082</u>	<u>\$ 2,734,691</u>
Enterprise Obligations:					
Compensated absences payable	\$ 172,822	\$ 76,190	\$ 70,328	\$ 178,684	\$ 17,868
General obligation bonds payable	252,454	-	29,616	222,838	31,133
Revenue bonds payable	<u>30,606,681</u>	<u>295,975</u>	<u>1,205,693</u>	<u>29,696,963</u>	<u>1,211,241</u>
Total Enterprise Obligations	<u>\$ 31,031,957</u>	<u>\$ 372,165</u>	<u>\$ 1,305,637</u>	<u>\$ 30,098,485</u>	<u>\$ 1,260,242</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

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

Year Ending June 30,	County Obligations	
	Capital Leases	
	Principal	Interest
2005	\$ 334,298	\$ 490,734
2006	325,872	475,248
2007	343,564	459,946
2008	315,530	443,984
2009	190,000	432,802
2010	200,000	423,783
2011	205,000	414,264
2012	220,000	404,060
2013	230,000	393,119
2014	240,000	381,512
2015	255,000	368,659
2016	265,000	354,684
2017	280,000	340,038
2018	295,000	324,584
2019	315,000	308,191
2020	330,000	290,856
2021	350,000	272,581
2022	370,000	253,000
2023	390,000	232,100
2024	410,000	210,100
2025	435,000	186,862
2026	460,000	162,250
2027	485,000	136,263
2028	515,000	108,763
2029	540,000	79,750
2030	575,000	49,087
2031	605,000	16,638
Total	\$ <u>9,479,264</u>	\$ <u>8,013,858</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (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
2005	\$ 640,000	\$ 212,250	\$ 1,370,000	\$ 818,940	\$ 231,839	\$ 70,257
2006	640,000	191,800	1,200,000	669,883	232,523	69,963
2007	640,000	171,350	1,050,000	602,496	240,193	62,063
2008	640,000	150,900	1,010,000	542,183	252,442	53,809
2009	540,000	130,450	860,000	488,998	259,260	45,211
2010	540,000	113,000	850,000	441,238	270,641	36,275
2011	540,000	95,550	815,000	394,813	251,910	27,354
2012	540,000	78,100	800,000	349,540	263,059	18,447
2013	513,196	60,650	680,000	308,545	65,736	12,048
2014	250,000	44,110	490,000	277,215	69,528	8,255
2015	250,000	36,610	510,000	250,788	73,540	4,243
2016	250,000	29,110	530,000	223,288	-	-
2017	250,000	21,610	550,000	194,255	-	-
2018	250,000	14,110	435,000	167,591	-	-
2019	220,324	6,610	455,000	144,353	-	-
2020	-	-	480,000	121,710	-	-
2021	-	-	500,000	97,920	-	-
2022	-	-	530,000	71,655	-	-
2023	-	-	555,000	43,988	-	-
2024	-	-	585,000	14,918	-	-
Total	\$ <u>6,703,520</u>	\$ <u>1,356,210</u>	\$ <u>14,255,000</u>	\$ <u>6,224,317</u>	\$ <u>2,210,671</u>	\$ <u>407,925</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Year Ending June 30,	Enterprise Obligations			
	General Obligation Bonds Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2005	\$ 31,133	\$ 10,435	\$ 571,991	\$ 1,935,222
2006	32,726	8,842	714,983	1,970,730
2007	34,400	7,168	696,161	1,988,809
2008	36,160	5,408	676,260	2,007,164
2009	38,011	3,557	1,428,724	1,257,507
2010	39,955	1,613	1,454,426	1,197,895
2011	10,453	88	1,510,162	1,137,137
2012	-	-	1,585,940	1,061,381
2013	-	-	1,661,755	981,821
2014	-	-	1,742,613	898,458
2015	-	-	1,818,514	810,767
2016	-	-	1,914,461	718,980
2017	-	-	2,000,457	622,201
2018	-	-	2,106,503	520,295
2019	-	-	2,212,603	412,965
2020	-	-	388,760	300,208
2021	-	-	389,797	278,909
2022	-	-	410,000	257,320
2023	-	-	430,000	234,360
2024	-	-	455,000	210,280
2025	-	-	480,000	184,800
2026	-	-	505,000	157,920
2027	-	-	535,000	129,640
2028	-	-	560,000	99,680
2029	-	-	595,000	68,320
2030	-	-	625,000	35,000
Total	\$ <u>222,838</u>	\$ <u>37,111</u>	\$ <u>27,469,110</u>	\$ <u>19,477,769</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Debt:

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

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

Details of Long-Term Indebtedness:

	<u>Amount Outstanding</u>
<u>General Long-Term Debt:</u>	
<u>Capital Lease Obligations:</u>	
\$1,429,000 capital lease obligation (payable from the General Fund) issued March 3, 1999, secured by the building, due in monthly installments of principal and interest of \$14,934 through March 2008, interest at 4.68%	\$ 618,497
\$59,715 capital lease obligation (payable from the General Fund) issued August 31, 2001, secured by voting equipment, due in various annual installments, interest at 4.4% through 2005	20,767
\$9,275,000 capital lease obligation (payable from the General Fund) issued September 14, 2000, secured by the courthouse, principal due in various annual installments through 2031, interest payable semi-annually at coupon rates from 5.375% to 5.500%	<u>8,840,000</u>
Total Capital Lease Obligations	\$ 9,479,264
Compensated absences (payable from the General Fund)	<u>1,585,537</u>
Total Debt Incurred by County	<u>\$ 11,064,801</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Indebtedness: (Continued)

	<u>Amount Outstanding</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%	\$ 222,838
<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%	273,251
\$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 \$16,455,000 plus unamortized issuance premium of \$657,671, less unamortized deferred amount on refunding of \$581,122. Carrying value	16,531,549
\$5,727,000 capital appreciation bonds payable annually April 1, 1999 through 2008 including interest, accreted value	3,982,163
\$8,910,000 Virginia Resource Authority bonds dated November 7, 2000, principal payable in various annual installments through 2030, interest payable semi-annually at coupon rates from 5.1% to 5.6%	<u>8,910,000</u>
Total revenue bonds	\$ 29,919,801
Compensated absences (payable from the Enterprise Fund)	<u>178,684</u>
Total enterprise obligations payable	<u>\$ 30,098,485</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Indebtedness: (Continued)

	<u>Amount Outstanding</u>
<u>School Bonds Payable:</u>	
\$1,760,000 School Bonds issued May 10, 1985 payable in various annual installments each December 15 through 2005, interest payable semi-annually at 8.74%	\$ 85,000
\$8,565,000 School Bonds issued January 3, 1994 payable in various annual installments each December 15 through 2013, interest payable semi-annually at an average rate of 6.45%	2,205,000
\$4,335,000 School Bonds issued April 28, 1992 payable in various annual installments each December 15 through 2013, interest payable semiannually at 5.83%	1,695,000
\$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%	925,000
\$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%	1,820,000
\$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%	<u>7,525,000</u>
Total school bonds payable	<u>\$ 14,255,000</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Primary Government: (Continued)

Details of Long-Term Indebtedness: (Continued)

	<u>Amount Outstanding</u>
<u>State Literary Fund Loans:</u>	
\$2,000,000, issued February 1, 1988, due in annual installments of \$100,000 each February 1, through 2008 interest payable annually at 3%	\$ 400,000
\$1,678,784, issued December 15, 1992, due in annual installments of \$84,000 each December 15, through 2012 interest payable annually at 3%	754,784
\$1,604,993, issued December 15, 1992, due in annual installments of \$81,000 each December 15, through 2012 interest payable annually at 3%	713,993
\$2,489,419, issued December 15, 1992 due in annual installments of \$125,000 each December 15, through 2012 interest payable annually at 4%	1,114,419
\$4,970,324 issued June 23, 1998 due in annual installments of \$250,000 each July 15, through 2018, interest payable annually at 3%	<u>3,720,324</u>
Total State Literary Fund Loans	<u>\$ 6,703,520</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%	\$ 1,589,921
<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>620,750</u>
Total Capital Lease and Notes Payable Obligations	<u>\$ 2,210,671</u>
Total School Board Long-Term Debts Issued, payable from the General Fund	<u><u>23,169,191</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Unit—School Board:

The following is a summary of long-term debt transactions of the Component Unit—School Board for the year ended June 30, 2004:

	<u>Amounts Payable at July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2004</u>	<u>Amounts Due Within OneYear</u>
Compensated absences payable (payable from the School Fund)	\$ 1,603,100	\$ 1,590,890	\$ 1,526,095	\$ 1,667,895	\$ 166,789

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, 2004:

	<u>Amounts Payable at July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Amounts Payable at June 30, 2004</u>	<u>Amounts Due Within OneYear</u>
General obligation bonds payable	\$ 4,651,054	-	\$ 127,913	\$ 4,523,141	\$ 140,489
Revenue note payable	325,470	-	44,877	280,593	46,892
Note payable	31,886	-	25,239	6,647	6,647
Total	<u>\$ 5,008,410</u>	<u>\$ -</u>	<u>\$ 198,029</u>	<u>\$ 4,810,381</u>	<u>\$ 194,028</u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 8—Long-Term Obligations: (Continued)

Component Unit—Economic Development Authority: (Continued)

Details of Long-Term Indebtedness:

	<u>Amount Outstanding</u>
\$391,000 restated revenue note payable to SunTrust Bank Series 1997, issued December 21, 2001, secured by a deed of trust, creating a lien on real estate in the business park, due in quarterly installments of principal of \$14,500 interest at 4.25% through 2007	\$ 280,593
<u>General Obligation Bonds:</u>	
\$5,260,000 general obligation Crestar Securities Corporation bonds issued February 13, 1997, due in quarterly installments of \$100,443 over 10 years, with a balloon payment due February 14, 2007, interest at 5.85%	4,523,141
<u>Notes Payable:</u>	
Promissory Note Payable for value received, due in monthly installments of \$1,647 including principal and interest at 9%	6,647
Total Long-Term Indebtedness, Component Unit Economic Development Authority	<u>\$ 4,810,381</u>

<u>Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Notes Payables</u>		<u>Revenue Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 140,489	\$ 261,287	\$ 6,467	\$ 300	\$ 46,892	\$ 11,108
2006	148,890	252,886	-	-	48,917	9,083
2007	4,233,762	183,851	-	-	184,784	5,431
Total	<u>\$ 4,523,141</u>	<u>\$ 698,024</u>	<u>\$ 6,467</u>	<u>\$ 300</u>	<u>\$ 280,593</u>	<u>\$ 25,622</u>

Note 9—Landfill Post Closure Costs:

The County closed its landfill prior to the date mandated by State and Federal laws and regulations; so as to be liable for post-closure monitoring for a period of only ten years. The county has contracted with a third party, Waste Management, to provide funds in the amount of \$75,000 per year for post-closure monitoring of the landfill site. This amount appears adequate to fund the County's liability for post-closure monitoring of the landfill. No amounts have been recorded in these financial statements for this liability because the third party has assumed all post-closure obligations.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

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 \$4,766,679 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$4,411,170 at June 30, 2004.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2004, but paid in advance by the tax payers totaled \$161,608 at June 30, 2004.

Advance Grant Funding: This represents a liability incurred by the County for monies accepted from a grantor using an advancement method for payments. The liability is reduced and revenue recorded when expenditures are made in accordance with the grantor's requirements. If expenditures are not made, the funds may revert back to the grantor. Advanced grant funding at June 30, 2004 totaled \$163,901.

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 \$364,953 during the fiscal year ended June 30, 2004.

The County has active construction projects as of June 30, 2004. The projects relate to school improvements. At year-end, the County commitments were as follows:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Architectural services	\$ 387,697	\$ 115,500
Botetourt Elementary School	41,135	5,268,865
Achilles Elementary School	32,300	<u>3,762,315</u>
Total		<u>\$ 9,146,680</u>

These projects are to be funded with the proceeds of general obligation indebtedness.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 12—Litigation:

At June 30, 2004, there were no matters of litigation involving the County or which would materially affect the County's financial position should any court decisions on pending matters not be favorable to such entities.

Note 13—Risk Management:

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

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

Note 14—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by downloading from their website at <http://www.varetire.org/pdf/2003AnnuRept.pdf> or writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their reported compensation to the VRS. This 5% member contribution has been assumed by the employer. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The County and School Board non-professional employees' contribution rates for the fiscal year ended 2004 were 4% and 3% of annual covered payroll, respectively.

The School Board's professional employees contributed \$936,510, \$907,481, and \$824,203 to the teacher cost-sharing pool for the fiscal years ended June 30, 2004, 2003, and 2002 respectively and these contributions represented 3.77%, 3.77%, and 1.98% respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal 2004, the County's annual pension cost of \$375,386 was equal to the County's required and actuarial contributions. The required contribution was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

For fiscal 2004, the County School Board's annual pension cost for the Board's non-professional employees were \$110,732 which was equal to the Board's required and actuarial contributions. The required contributions were determined as a part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method.

	<u>County</u>	<u>Non-Professional School Board</u>
Contribution rates:		
Employer	4%	3%
Plan Members	5%	5%
Annual pension cost	\$375,386	\$110,732
Contributions made	\$375,386	\$110,732
Valuation date	June 30, 2001	June 30, 2001
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	1 Year	7 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return ¹	8.00%	8.00%
Projected salary increases: ¹		
Non LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustments	3.0%	3.0%

¹ Includes inflation at 3%

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 14—Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

C. Annual Pension Cost: (Continued)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
County:			
June 30, 2004	\$ 375,386	100%	\$ -
June 30, 2003	364,712	100%	-
June 30, 2002	218,446	100%	-
School Board:			
Non-Professional:			
June 30, 2004	\$ 110,732	100%	\$ -
June 30, 2003	105,713	100%	-
June 30, 2002	165,947	100%	-

(1) Employer portion only

Note 15—Adjustment to Beginning Net Assets:

The following adjustment was made to beginning net assets:

	<u>Primary Government</u>
	<u>Governmental Activities</u>
Net assets as previously reported	\$ 22,148,941
Adjustment to correct prior year accumulated depreciation	<u>(730,325)</u>
Totals as adjusted	<u><u>\$ 21,418,616</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Financial Statements
June 30, 2004 (Continued)

Note 16—Surety Bonds:

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

Note 17—Operating Leases:

The County leases space for the County Library under an operating lease. The total cost for the lease was \$12,500 for the year ended June 30, 2004. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 150,000
2006	150,000
2007	150,000
2008	150,000
2009	150,000
2010-2013	<u>475,000</u>
Total	<u>\$ 1,225,000</u>

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, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 22,660,956	\$ 22,660,956	\$ 24,578,024	\$ 1,917,068
Other local taxes	7,955,867	7,955,867	9,429,641	1,473,774
Permits, privilege fees, and regulatory licenses	316,025	316,025	325,348	9,323
Fines and forfeitures	65,500	65,500	94,788	29,288
Revenue from the use of money and property	131,200	131,200	145,193	13,993
Charges for services	860,543	860,543	961,182	100,639
Miscellaneous	147,034	1,236,684	1,303,801	67,117
Recovered costs	393,267	393,267	235,694	(157,573)
Intergovernmental revenues:				
Commonwealth	5,894,197	6,195,451	6,620,017	424,566
Federal	74,811	927,947	891,653	(36,294)
Total revenues	\$ 38,499,400	\$ 40,743,440	\$ 44,585,341	\$ 3,841,901
EXPENDITURES				
Current:				
General government administration	3,424,453	3,420,244	3,252,076	168,168
Judicial administration	1,319,613	1,351,191	1,134,736	216,455
Public safety	7,524,561	9,131,830	8,652,538	479,292
Public works	1,498,846	1,496,846	1,453,195	43,651
Health and welfare	494,868	496,868	495,770	1,098
Education	16,466,835	16,467,335	16,080,604	386,731
Parks, recreation, and cultural	1,140,453	1,254,011	1,242,768	11,243
Community development	785,781	785,781	726,647	59,134
Nondepartmental	287,324	1,362,605	1,362,005	600
Total expenditures	\$ 32,942,734	\$ 35,766,711	\$ 34,400,339	\$ 1,366,372
Excess (deficiency) of revenues over (under) expenditures	\$ 5,556,666	\$ 4,976,729	\$ 10,185,002	\$ 5,208,273
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (5,922,111)	\$ (6,293,530)	\$ (4,718,960)	\$ 1,574,570
Total other financing sources and uses	\$ (5,922,111)	\$ (6,293,530)	\$ (4,718,960)	\$ 1,574,570
Net change in fund balances	\$ (365,445)	\$ (1,316,801)	\$ 5,466,042	\$ 6,782,843
Fund balances - beginning	365,445	1,316,801	12,664,873	11,348,072
Fund balances - ending	\$ -	\$ -	\$ 18,130,915	\$ 18,130,915

Schedule of Pension Funding Progress
For the Year Ended June 30, 2004

Primary Government:
County Retirement Plan:

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
6/30/2003	\$ 22,823,680	\$ 22,739,831	\$ (83,849)	100.4%	\$ 9,249,541	-0.91%
6/30/2002	21,892,438	20,766,406	(1,126,032)	105.4%	8,859,633	-12.71%
6/30/2001	20,729,714	18,539,509	(2,190,205)	111.8%	8,607,360	-25.45%
6/30/2000	18,302,032	14,619,472	(3,682,560)	125.2%	7,976,299	-46.17%
6/30/1999	15,350,268	14,002,604	(1,347,664)	109.6%	7,493,842	-17.98%

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

<u>Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Excess Funded) Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as % of Payroll</u>
6/30/2003	\$ 7,799,120	\$ 7,471,273	\$ (327,847)	104.4%	\$ 3,180,322	-10.31%
6/30/2002	7,531,520	7,012,430	(519,090)	107.4%	3,346,995	-15.51%
6/30/2001	7,081,682	6,239,031	(842,651)	113.5%	3,154,094	-26.72%
6/30/2000	6,288,434	5,503,038	(785,396)	114.3%	2,958,960	-26.54%
6/30/1999	5,304,624	5,503,186	198,562	96.4%	2,692,761	7.37%

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, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 207	\$ 207
Total revenues	\$ -	\$ -	\$ 207	\$ 207
EXPENDITURES				
Debt service:				
Principal retirement	\$ 2,186,094	\$ 2,186,094	\$ 2,186,094	\$ -
Interest and other fiscal charges	1,678,292	1,682,552	1,682,544	8
Total expenditures	\$ 3,864,386	\$ 3,868,646	\$ 3,868,638	\$ 8
Excess (deficiency) of revenues over (under) expenditures	\$ (3,864,386)	\$ (3,868,646)	\$ (3,868,431)	\$ 215
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 3,864,386	\$ 3,868,646	\$ 3,868,639	\$ (7)
Proceeds of capital leases	-	-	1,589,921	1,589,921
Refunding of capital lease	-	-	(1,589,921)	(1,589,921)
Total other financing sources and uses	\$ 3,864,386	\$ 3,868,646	\$ 3,868,639	\$ (7)
Net change in fund balances	\$ -	\$ -	\$ 208	\$ 208
Fund balances - beginning	-	-	280	280
Fund balances - ending	\$ -	\$ -	\$ 488	\$ 488

Capital Projects Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,084	\$ 1,084
Miscellaneous	-	10,625	63,316	52,691
Intergovernmental revenues:				
Commonwealth	192,503	192,503	201,516	9,013
Federal	609,700	979,700	456,308	(523,392)
Total revenues	<u>\$ 802,203</u>	<u>\$ 1,182,828</u>	<u>\$ 722,224</u>	<u>\$ (460,604)</u>
EXPENDITURES				
Current:				
Capital projects	\$ 3,409,009	\$ 4,003,794	\$ 1,859,250	\$ 2,144,544
Total expenditures	<u>\$ 3,409,009</u>	<u>\$ 4,003,794</u>	<u>\$ 1,859,250</u>	<u>\$ 2,144,544</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,606,806)</u>	<u>\$ (2,820,966)</u>	<u>\$ (1,137,026)</u>	<u>\$ 1,683,940</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 420,119	\$ 634,279	\$ -	\$ (634,279)
Transfers out	-	-	(610,407)	(610,407)
Proceeds of revenue bonds	1,000,000	1,000,000	-	(1,000,000)
Proceeds of capital leases	1,186,687	1,186,687	-	(1,186,687)
Total other financing sources and uses	<u>\$ 2,606,806</u>	<u>\$ 2,820,966</u>	<u>\$ (610,407)</u>	<u>\$ (3,431,373)</u>
Net change in fund balances	\$ -	\$ -	\$ (1,747,433)	\$ (1,747,433)
Fund balances - beginning	-	-	1,939,255	1,939,255
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,822</u>	<u>\$ 191,822</u>

School Construction Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ -	\$ 1,345	\$ 60,202	\$ 58,857
Total revenues	\$ -	\$ 1,345	\$ 60,202	\$ 58,857
EXPENDITURES				
Current:				
Capital projects	\$ -	\$ 10,842,911	\$ 681,914	\$ 10,160,997
Total expenditures	\$ -	\$ 10,842,911	\$ 681,914	\$ 10,160,997
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (10,841,566)	\$ (621,712)	\$ 10,219,854
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 123,000	\$ 123,000	\$ -
Proceeds of general obligation bonds	-	10,212,226	7,525,000	(2,687,226)
Proceeds from bond issuance premium	-	-	442,852	442,852
Total other financing sources and uses	\$ -	\$ 10,335,226	\$ 8,090,852	\$ (2,244,374)
Net change in fund balances	\$ -	\$ (506,340)	\$ 7,469,140	\$ 7,975,480
Fund balances - beginning	-	506,340	506,340	-
Fund balances - ending	\$ -	\$ -	\$ 7,975,480	\$ 7,975,480

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 June 30, 2004

	<u>Virginia Public Assistance Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>Revenue Maximization Fund</u>	<u>Total</u>
ASSETS				
Receivables (net of allowance for uncollectibles):				
Accounts receivable	\$ 21,240	\$ 2,507	\$ 770	\$ 24,517
Due from other funds	-	-	169,674	169,674
Due from other governmental units	159,426	79,247	-	238,673
Total assets	<u>\$ 180,666</u>	<u>\$ 81,754</u>	<u>\$ 170,444</u>	<u>\$ 432,864</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 62,395	\$ 63,683	\$ 800	\$ 126,878
Accrued liabilities	2,771	-	-	2,771
Due to other funds	115,500	18,071	-	133,571
Total liabilities	<u>\$ 180,666</u>	<u>\$ 81,754</u>	<u>\$ 800</u>	<u>\$ 263,220</u>
Fund balances:				
Unreserved:				
Designated for subsequent expenditure	\$ -	\$ -	\$ 169,644	\$ 169,644
Total fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,644</u>	<u>\$ 169,644</u>
Total liabilities and fund balances	<u>\$ 180,666</u>	<u>\$ 81,754</u>	<u>\$ 170,444</u>	<u>\$ 432,864</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2004

	<u>Virginia Public Assistance Fund</u>	<u>Comprehensive Services Act Fund</u>	<u>Revenue Maximization Fund</u>	<u>Total</u>
REVENUES				
Miscellaneous	\$ 8,132	\$ -	\$ -	\$ 8,132
Intergovernmental revenues:				
Commonwealth	456,921	283,446	-	740,367
Federal	1,361,884	31,571	153,659	1,547,114
Total revenues	<u>\$ 1,826,937</u>	<u>\$ 315,017</u>	<u>\$ 153,659</u>	<u>\$ 2,295,613</u>
EXPENDITURES				
Current:				
Health and welfare	<u>\$ 2,210,724</u>	<u>\$ 568,958</u>	<u>\$ 111,233</u>	<u>\$ 2,890,915</u>
Total expenditures	<u>\$ 2,210,724</u>	<u>\$ 568,958</u>	<u>\$ 111,233</u>	<u>\$ 2,890,915</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (383,787)</u>	<u>\$ (253,941)</u>	<u>\$ 42,426</u>	<u>\$ (595,302)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>\$ 383,787</u>	<u>\$ 253,941</u>	<u>\$ -</u>	<u>\$ 637,728</u>
Total other financing sources and uses	<u>\$ 383,787</u>	<u>\$ 253,941</u>	<u>\$ -</u>	<u>\$ 637,728</u>
Net change in fund balances	\$ -	\$ -	\$ 42,426	\$ 42,426
Fund balances - beginning	-	-	127,218	127,218
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,644</u>	<u>\$ 169,644</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, 2004

	Virginia Public Assistance Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 5,000	\$ 5,000	\$ 8,132	\$ 3,132
Intergovernmental revenues:				
Commonwealth	469,209	469,209	456,921	(12,288)
Federal	1,300,887	1,300,887	1,361,884	60,997
Total revenues	<u>\$ 1,775,096</u>	<u>\$ 1,775,096</u>	<u>\$ 1,826,937</u>	<u>\$ 51,841</u>
EXPENDITURES				
Current:				
Health and welfare	\$ 2,417,701	\$ 2,430,201	\$ 2,210,724	\$ 219,477
Total expenditures	<u>\$ 2,417,701</u>	<u>\$ 2,430,201</u>	<u>\$ 2,210,724</u>	<u>\$ 219,477</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (642,605)</u>	<u>\$ (655,105)</u>	<u>\$ (383,787)</u>	<u>\$ 271,318</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 642,605	\$ 655,105	\$ 383,787	\$ (271,318)
Total other financing sources and uses	<u>\$ 642,605</u>	<u>\$ 655,105</u>	<u>\$ 383,787</u>	<u>\$ (271,318)</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Comprehensive Services Act Fund				Revenue Maximization Fund			
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final			Original	Final		
\$ 4,000	\$ 4,000	\$ -	\$ (4,000)	\$ -	\$ -	\$ -	\$ -
276,000	366,000	283,446	(82,554)	-	-	-	-
30,000	30,000	31,571	1,571	43,550	151,600	153,659	2,059
<u>\$ 310,000</u>	<u>\$ 400,000</u>	<u>\$ 315,017</u>	<u>\$ (84,983)</u>	<u>\$ 43,550</u>	<u>\$ 151,600</u>	<u>\$ 153,659</u>	<u>\$ 2,059</u>
\$ 605,000	\$ 712,500	\$ 568,958	\$ 143,542	\$ 43,550	\$ 151,600	\$ 111,233	\$ 40,367
<u>\$ 605,000</u>	<u>\$ 712,500</u>	<u>\$ 568,958</u>	<u>\$ 143,542</u>	<u>\$ 43,550</u>	<u>\$ 151,600</u>	<u>\$ 111,233</u>	<u>\$ 40,367</u>
\$ (295,000)	\$ (312,500)	\$ (253,941)	\$ 58,559	\$ -	\$ -	\$ 42,426	\$ 42,426
\$ 295,000	\$ 312,500	\$ 253,941	\$ (58,559)	\$ -	\$ -	\$ -	\$ -
<u>\$ 295,000</u>	<u>\$ 312,500</u>	<u>\$ 253,941</u>	<u>\$ (58,559)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,426	\$ 42,426
-	-	-	-	-	-	127,218	127,218
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,644</u>	<u>\$ 169,644</u>

Combining Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2004

	<u>Agency Funds</u>			
	<u>Special Welfare</u>	<u>Flexible Benefits</u>	<u>Jail Inmate</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 12,832	\$ 48,524	\$ 14,764	\$ 76,120
LIABILITIES				
Accounts payable	\$ -	\$ 2,608	\$ -	\$ 2,608
Amounts held for social services clients	12,832	-	-	12,832
Amounts held for others	-	45,916	-	45,916
Amounts held for inmates	-	-	14,764	14,764
Total liabilities	\$ 12,832	\$ 48,524	\$ 14,764	\$ 76,120

Fiduciary Funds
 Schedule of Changes in Fiduciary Net Assets
 Year Ended June 30, 2004

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End of Year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ 14,225	\$ 28,588	\$ 29,981	\$ 12,832
Liabilities:				
Amounts held for others	\$ 14,225	\$ 28,588	\$ 29,981	\$ 12,832
Middle Peninsula Regional Special Education Program Fund:				
Assets:				
Cash	\$ 38,945	\$ 31	\$ 38,976	\$ -
Due from other governmental units	2,971	-	2,971	-
Total assets	<u>\$ 41,916</u>	<u>\$ 31</u>	<u>\$ 41,947</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	34,291	-	34,291	-
Amounts held for others	7,625	31	7,656	-
Total liabilities	<u>\$ 41,916</u>	<u>\$ 31</u>	<u>\$ 41,947</u>	<u>\$ -</u>
Flexible Benefits Fund:				
Assets:				
Cash	\$ 34,134	\$ 246,417	\$ 232,027	\$ 48,524
Liabilities:				
Accounts payable	\$ 4,822	\$ 2,608	\$ 4,822	\$ 2,608
Amounts held for others	29,312	243,809	227,205	45,916
Total liabilities	<u>\$ 34,134</u>	<u>\$ 246,417</u>	<u>\$ 232,027</u>	<u>\$ 48,524</u>
Jail Fund:				
Assets:				
Cash	\$ 9,264	\$ 113,878	\$ 108,378	\$ 14,764
Liabilities:				
Amounts held for others	\$ 9,264	\$ 113,878	\$ 108,378	\$ 14,764
Totals -- All Agency Funds				
Assets:				
Cash	\$ 96,568	\$ 388,914	\$ 409,362	\$ 76,120
Due from other governmental units	2,971	-	2,971	-
Total assets	<u>\$ 99,539</u>	<u>\$ 388,914</u>	<u>\$ 412,333</u>	<u>\$ 76,120</u>
Liabilities:				
Accounts payable	\$ 4,822	\$ 2,608	\$ 4,822	\$ 2,608
Accrued liabilities	34,291	-	34,291	-
Amounts held for others	60,426	386,306	373,220	73,512
Total liabilities	<u>\$ 99,539</u>	<u>\$ 388,914</u>	<u>\$ 412,333</u>	<u>\$ 76,120</u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Capital Assets by Source
 June 30, 2004

Governmental funds capital assets:	
Land	\$ 3,604,349
Buildings	15,099,714
Machinery and equipment	4,339,428
Jointly owned assets	23,760,688
Total governmental funds capital assets	<u>\$ 46,804,179</u>
Investments in governmental funds capital assets by source:	
General fund	\$ 8,947,080
Special revenue funds	118,211
Capital projects fund	13,978,200
Component unit, school fund	23,760,688
Total governmental funds capital assets	<u>\$ 46,804,179</u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule by Function and Activity
 June 30, 2004

Function and Activity	Land	Buildings	Machinery and Equipment	Total
General government administration:				
Board of supervisors	\$ 3,395,949	\$ 3,213,852	\$ -	\$ 6,609,801
County administrator	-	-	20,938	20,938
Commissioner of revenue	-	-	9,500	9,500
Assessor	-	-	8,995	8,995
Finance	-	-	17,769	17,769
Department of information technology	-	11,524	667,547	679,071
Total general government administration	<u>\$ 3,395,949</u>	<u>\$ 3,225,376</u>	<u>\$ 724,749</u>	<u>\$ 7,346,074</u>
Judicial administration:				
Circuit court	\$ -	\$ 7,237,000	\$ -	\$ 7,237,000
General district court	-	-	9,494	9,494
Juvenile and domestic relations district court	-	-	17,396	17,396
Clerk of circuit court	-	-	144,795	144,795
Commonwealth's Attorney	-	-	23,048	23,048
Total judicial administration	<u>\$ -</u>	<u>\$ 7,237,000</u>	<u>\$ 194,733</u>	<u>\$ 7,431,733</u>
Public safety:				
Sheriff	\$ -	\$ 2,127,475	\$ 1,749,933	\$ 3,877,408
Emergency 911 system	-	-	35,286	35,286
Jail	-	-	136,260	136,260
Codes compliance	-	61,784	154,568	216,352
Animal control	-	421,384	49,011	470,395
Total public safety	<u>\$ -</u>	<u>\$ 2,610,643</u>	<u>\$ 2,125,058</u>	<u>\$ 4,735,701</u>
Public works:				
Engineering	\$ -	\$ 12,230	\$ 193,849	\$ 206,079
Building and grounds	-	108,732	557,997	666,729
Total public works	<u>\$ -</u>	<u>\$ 120,962</u>	<u>\$ 751,846</u>	<u>\$ 872,808</u>
Education:				
Schools	\$ -	\$ 21,709,038	\$ 2,051,650	\$ 23,760,688
Community education	-	-	6,894	6,894
Total education	<u>\$ -</u>	<u>\$ 21,709,038</u>	<u>\$ 2,058,544</u>	<u>\$ 23,767,582</u>
Health and welfare:				
Mosquito control	\$ -	\$ -	\$ 52,012	\$ 52,012
Health department	-	221,724	-	221,724
Social services	-	758,240	151,675	909,915
Total health and welfare	<u>\$ -</u>	<u>\$ 979,964</u>	<u>\$ 203,687</u>	<u>\$ 1,183,651</u>
Parks, recreation, and cultural:				
Recreation	\$ 183,400	\$ 209,644	\$ 179,057	\$ 572,101
Beaverdam	-	171,458	-	171,458
Historical committee	-	155,783	-	155,783
Public library	25,000	306,600	134,262	465,862
Total parks, recreation, and cultural	<u>\$ 208,400</u>	<u>\$ 843,485</u>	<u>\$ 313,319</u>	<u>\$ 1,365,204</u>
Community development:				
Planning	\$ -	\$ 61,784	\$ 19,142	\$ 80,926
VPI extension program	-	20,500	-	20,500
Total community development	<u>\$ -</u>	<u>\$ 82,284</u>	<u>\$ 19,142</u>	<u>\$ 101,426</u>
Total governmental funds capital assets	<u>\$ 3,604,349</u>	<u>\$ 36,808,752</u>	<u>\$ 6,391,078</u>	<u>\$ 46,804,179</u>

Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 For the Year Ended June 30, 2004

Function and Activity	Governmental Funds Capital Assets July 1, 2003	Additions	Deductions	Governmental Funds Capital Assets June 30, 2004
General government administration:				
Board of supervisors	\$ 6,609,801	\$ -	\$ -	\$ 6,609,801
County administrator	38,299	-	(17,361)	20,938
Commissioner of revenue	15,728	-	(6,228)	9,500
Assessor	8,995	-	-	8,995
Finance	17,769	-	-	17,769
Department of information technology	742,837	-	(63,766)	679,071
Purchasing	5,264	-	(5,264)	-
Total general government administration	<u>\$ 7,438,693</u>	<u>\$ -</u>	<u>\$ (92,619)</u>	<u>\$ 7,346,074</u>
Judicial administration:				
Circuit court	\$ 7,237,000	\$ -	\$ -	\$ 7,237,000
General district court	9,494	-	-	9,494
Juvenile and domestic relations district court	17,396	-	-	17,396
Clerk of the circuit court	144,795	-	-	144,795
Commonwealth's Attorney	23,048	-	-	23,048
Total judicial administration	<u>\$ 7,431,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,431,733</u>
Public safety:				
Sheriff	\$ 3,995,851	\$ 242,760	\$ (361,203)	\$ 3,877,408
911 system	89,515	7,833	(62,062)	35,286
Jail	104,681	31,579	-	136,260
Building inspections	220,914	13,254	(17,816)	216,352
Animal control	472,955	13,926	(16,486)	470,395
Total public safety	<u>\$ 4,883,916</u>	<u>\$ 309,352</u>	<u>\$ (457,567)</u>	<u>\$ 4,735,701</u>
Public works:				
Engineering	\$ 206,079	\$ -	\$ -	\$ 206,079
Buildings and grounds	617,723	30,624	18,382	666,729
Total public works	<u>\$ 823,802</u>	<u>\$ 30,624</u>	<u>\$ 18,382</u>	<u>\$ 872,808</u>
Education:				
Schools	\$ 24,994,496	\$ -	\$ (1,233,808)	\$ 23,760,688
Community education	-	-	6,894	6,894
Total education	<u>\$ 24,994,496</u>	<u>\$ -</u>	<u>\$ (1,226,914)</u>	<u>\$ 23,767,582</u>
Health and welfare:				
Mosquito control	\$ 52,012	\$ -	\$ -	\$ 52,012
Health department	221,724	-	-	221,724
Social services	912,476	28,111	(30,672)	909,915
Total health and welfare	<u>\$ 1,186,212</u>	<u>\$ 28,111</u>	<u>\$ (30,672)</u>	<u>\$ 1,183,651</u>
Parks, recreation, and cultural:				
Recreation	\$ 505,064	\$ 49,152	\$ 17,885	\$ 572,101
Beaverdam	171,458	-	-	171,458
Historical committee	155,783	-	-	155,783
Public library	479,839	-	(13,977)	465,862
Total parks, recreation, and cultural	<u>\$ 1,312,144</u>	<u>\$ 49,152</u>	<u>\$ 3,908</u>	<u>\$ 1,365,204</u>
Community development:				
Community development	\$ 80,926	\$ -	\$ -	\$ 80,926
VPI extension program	20,500	-	-	20,500
Total community development	<u>\$ 101,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,426</u>
Total governmental funds capital assets	<u>\$ 48,172,422</u>	<u>\$ 417,239</u>	<u>\$ (1,785,482)</u>	<u>\$ 46,804,179</u>

Discretely Presented Component Unit-School Board

Combining Balance Sheet
 Discretely Presented Component Unit - School Board
 June 30, 2004

	<u>School Operating Fund</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 462,524	\$ 462,524
Receivables (net of allowance for uncollectibles):			
Accounts receivable	35,897	-	35,897
Due from other governmental units	4,323,131	-	4,323,131
Inventories	-	23,420	23,420
Prepaid items	300,790	-	300,790
Total assets	<u>\$ 4,659,818</u>	<u>\$ 485,944</u>	<u>\$ 5,145,762</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 494,313	\$ 6,132	\$ 500,445
Accrued liabilities	4,165,505	124,577	4,290,082
Due to other governmental units	-	150,000	150,000
Total liabilities	<u>\$ 4,659,818</u>	<u>\$ 280,709</u>	<u>\$ 4,940,527</u>
Fund balances:			
Reserved for:			
Inventories	\$ -	\$ 23,420	\$ 23,420
Prepaid items	300,790	-	300,790
Unreserved:			
Undesignated	(300,790)	181,815	(118,975)
Total fund balances	<u>\$ -</u>	<u>\$ 205,235</u>	<u>\$ 205,235</u>
Total liabilities and fund balances	<u>\$ 4,659,818</u>	<u>\$ 485,944</u>	<u>\$ 5,145,762</u>

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

Total fund balances per above	\$ 205,235
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,284,663
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,667,895)</u>
Net assets of governmental activities	<u>\$ 12,822,003</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2004

	<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	\$ 1,500	\$ (331)	\$ 1,169
Charges for services	68,532	1,160,425	1,228,957
Miscellaneous	15,788	23,536	39,324
Recovered costs	172,961	-	172,961
Intergovernmental revenues:			
Local government	15,689,565	-	15,689,565
Commonwealth	25,811,374	27,379	25,838,753
Federal	2,583,927	524,115	3,108,042
Total revenues	<u>\$ 44,343,647</u>	<u>\$ 1,735,124</u>	<u>\$ 46,078,771</u>
EXPENDITURES			
Current:			
Education	\$ 44,343,647	\$ 1,724,925	\$ 46,068,572
Total expenditures	<u>\$ 44,343,647</u>	<u>\$ 1,724,925</u>	<u>\$ 46,068,572</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ 10,199</u>	<u>\$ 10,199</u>
Net change in fund balances	\$ -	\$ 10,199	\$ 10,199
Fund balances - beginning	-	195,036	195,036
Fund balances - ending	<u>\$ -</u>	<u>\$ 205,235</u>	<u>\$ 205,235</u>

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

Net change in fund balances - total governmental funds - per above \$ 10,199

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. 989,404

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. (64,795)

Change in net assets of governmental activities \$ 934,808

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2004

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 1,000	\$ 1,000	\$ 1,500	\$ 500
Charges for services	93,600	93,600	68,532	(25,068)
Miscellaneous	20,000	20,000	15,788	(4,212)
Recovered costs	110,000	110,000	172,961	62,961
Intergovernmental revenues:				
Local government	16,067,653	16,067,653	15,689,565	(378,088)
Commonwealth	26,340,180	26,340,180	25,811,374	(528,806)
Federal	2,660,861	2,660,861	2,583,927	(76,934)
Total revenues	<u>\$ 45,293,294</u>	<u>\$ 45,293,294</u>	<u>\$ 44,343,647</u>	<u>\$ (949,647)</u>
EXPENDITURES				
Current:				
Education	\$ 45,293,294	\$ 45,293,294	\$ 44,343,647	\$ 949,647
Total expenditures	<u>\$ 45,293,294</u>	<u>\$ 45,293,294</u>	<u>\$ 44,343,647</u>	<u>\$ 949,647</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>

Statement of Fiduciary Net Assets
 Fiduciary Fund - Discretely Presented Component Unit School Board
 June 30, 2004

	<u>Scholarship Private-Purpose Trust</u>
ASSETS	
Cash and cash equivalents	\$ <u>211,021</u>
NET ASSETS	
Held in trust for scholarships	\$ <u>211,021</u>

Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds - Discretely Presented Component Unit School Board
 For the Year Ended June 30, 2004

	Scholarship Private-Purpose Trust
	<u> </u>
ADDITIONS	
Contributions:	
Private donations	\$ 11,691
Total contributions	<u>\$ 11,691</u>
Investment earnings:	
Interest	\$ 2,171
Total investment earnings	<u>\$ 2,171</u>
Less investment expense	<u>-</u>
Net investment earnings	<u>\$ 2,171</u>
Total additions	<u>\$ 13,862</u>
DEDUCTIONS	
Scholarships	\$ 11,400
Total deductions	<u>\$ 11,400</u>
Change in net assets	\$ 2,462
Net assets - beginning	<u>208,559</u>
Net assets - ending	<u><u>\$ 211,021</u></u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds - Discretely Presented Component Unit - School Board
 For the Year Ended June 30, 2004

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ 20,000	\$ 20,000	\$ (331)	\$ (20,331)
Charges for services	1,474,000	1,474,000	1,160,425	(313,575)
Miscellaneous	19,000	19,000	23,536	4,536
Intergovernmental revenues:				
Commonwealth	34,838	34,838	27,379	(7,459)
Federal	717,009	717,009	524,115	(192,894)
Total revenues	<u>\$ 2,264,847</u>	<u>\$ 2,264,847</u>	<u>\$ 1,735,124</u>	<u>\$ (529,723)</u>
EXPENDITURES				
Current:				
Education	<u>\$ 2,264,847</u>	<u>\$ 2,264,847</u>	<u>\$ 1,724,925</u>	<u>\$ 539,922</u>
Total expenditures	<u>\$ 2,264,847</u>	<u>\$ 2,264,847</u>	<u>\$ 1,724,925</u>	<u>\$ 539,922</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,199</u>	<u>\$ 10,199</u>
Net change in fund balances	\$ -	\$ -	\$ 10,199	\$ 10,199
Fund balances - beginning	-	-	195,036	195,036
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 205,235</u></u>	<u><u>\$ 205,235</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, 2004

Governmental funds capital assets:

Land	\$ 614,319
Jointly owned assets	15,910,592
Machinery and equipment	7,967,921
Construction in progress	677,571
Total governmental funds capital assets	<u>\$ 25,170,403</u>

Investments in governmental funds capital assets by source:

Component unit, school fund	<u>\$ 25,170,403</u>
Total governmental funds capital assets	<u>\$ 25,170,403</u>

Capital Assets Used in the Operation of Governmental Funds-
 Discretely Presented Component Unit-School Board
 Schedule by Function and Activity
 June 30, 2004

<u>Function and Activity</u>	<u>Land</u>	<u>Jointly Owned Assets</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
Education:					
Schools	\$ 614,319	\$ 15,910,592	\$ 7,967,921	\$ 677,571	\$ 25,170,403
Total governmental funds capital assets	<u>\$ 614,319</u>	<u>\$ 15,910,592</u>	<u>\$ 7,967,921</u>	<u>\$ 677,571</u>	<u>\$ 25,170,403</u>

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, 2004

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2004</u>
Education:				
Schools	\$ 22,330,946	\$ 2,348,098	\$ 491,359	\$ 25,170,403
Total governmental funds capital assets	<u>\$ 22,330,946</u>	<u>\$ 2,348,098</u>	<u>\$ 491,359</u>	<u>\$ 25,170,403</u>

Discretely Presented Component Unit-Economic Development Authority

Statement of Net Assets
 Discretely Presented Component Unit - Economic Development Authority
 June 30, 2004

ASSETS

Current assets:

Cash and cash equivalents	\$ 103,456
Inventories	606,648
Total current assets	<u>\$ 710,104</u>

Noncurrent assets:

Capital assets:

Land	\$ 473,735
Buildings	4,537,831
Machinery and equipment	7,234
Infrastructure	2,418,942
Less accumulated depreciation	(1,952,961)
Total capital assets	<u>\$ 5,484,781</u>
Total noncurrent assets	<u>\$ 5,484,781</u>
Total assets	<u>\$ 6,194,885</u>

LIABILITIES

Current liabilities:

Due to other governmental units	\$ 458,909
Deferred revenue	33,410
Bonds payable - current portion	194,028
Total current liabilities	<u>\$ 686,347</u>

Noncurrent liabilities:

Bonds payable - net of current portion	\$ 4,616,353
Total noncurrent liabilities	<u>\$ 4,616,353</u>
Total liabilities	<u>\$ 5,302,700</u>

NET ASSETS

Invested in capital assets, net of related debt and debt service reserve	\$ 674,400
Unrestricted	217,785
Total net assets	<u>\$ 892,185</u>

Statement of Revenues, Expenses, and Changes in Fund Net Assets
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2004

OPERATING REVENUES

Charges for services:		
Rents	\$	391,404
Contributions from local governments		125,613
Other revenues		22,500
Miscellaneous		4,507
Total operating revenues	\$	<u>544,024</u>

OPERATING EXPENSES

Contractual services	\$	22,750
Other charges		12,531
Depreciation		278,994
Total operating expenses	\$	<u>314,275</u>
Operating income (loss)	\$	<u>229,749</u>

NONOPERATING REVENUES (EXPENSES)

Interest expense	\$	(286,986)
Total nonoperating revenues (expenses)	\$	<u>(286,986)</u>
Change in net assets	\$	(57,237)
Total net assets - beginning		<u>949,422</u>
Total net assets - ending	\$	<u><u>892,185</u></u>

Statement of Cash Flows
 Discretely Presented Component Unit - Economic Development Authority
 For the Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 391,404
Receipts for miscellaneous items	27,007
Receipts for local government contributions	125,613
Payments for operating activities	<u>(36,927)</u>
Net cash provided (used by) operating activities	<u>\$ 507,097</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	\$ (198,029)
Interest payments	<u>(286,986)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (485,015)</u>

Net increase (decrease) in cash and cash equivalents	\$ 22,082
Cash and cash equivalents - beginning - including restricted	<u>81,374</u>
Cash and cash equivalents - ending - including restricted	<u><u>\$ 103,456</u></u>

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

Operating income (loss)	\$ <u>229,749</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	\$ 278,994
Increase (decrease) in accounts payable and accrued liabilities	<u>(1,646)</u>
Total adjustments	<u>\$ 277,348</u>
Net cash provided (used) by operating activities	<u><u>\$ 507,097</u></u>

Supporting Schedules

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 18,555,106	\$ 18,555,106	\$ 19,284,350	\$ 729,244
Real and personal public service corporation taxes	700,000	700,000	793,859	93,859
Personal property taxes	2,910,000	2,910,000	3,925,837	1,015,837
Mobile home taxes	150,000	150,000	170,112	20,112
Penalties	245,500	245,500	272,249	26,749
Interest	100,350	100,350	131,617	31,267
Total general property taxes	<u>\$ 22,660,956</u>	<u>\$ 22,660,956</u>	<u>\$ 24,578,024</u>	<u>\$ 1,917,068</u>
Other local taxes:				
Local sales and use taxes	\$ 2,625,000	\$ 2,625,000	\$ 3,300,603	\$ 675,603
Consumers' utility taxes	1,550,000	1,550,000	1,693,846	143,846
Electric consumption taxes	105,000	105,000	116,417	11,417
E-911 telephone taxes	290,000	290,000	277,741	(12,259)
Business license taxes	920,000	920,000	1,209,299	289,299
Cable TV franchise tax	95,000	95,000	103,174	8,174
Motor vehicle licenses	775,000	775,000	831,543	56,543
Bank stock taxes	150,000	150,000	151,064	1,064
Taxes on recordation and wills	225,000	225,000	338,438	113,438
Hotel and motel room taxes	1,150,000	1,150,000	1,312,784	162,784
Restaurant food taxes	70,867	70,867	94,732	23,865
Total other local taxes	<u>\$ 7,955,867</u>	<u>\$ 7,955,867</u>	<u>\$ 9,429,641</u>	<u>\$ 1,473,774</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 20,650	\$ 20,650	\$ 19,519	\$ (1,131)
Land use application fees	2,500	2,500	1,080	(1,420)
Transfer fees	1,500	1,500	1,562	62
Permits and other licenses	291,375	291,375	303,187	11,812
Total permits, privilege fees, and regulatory licenses	<u>\$ 316,025</u>	<u>\$ 316,025</u>	<u>\$ 325,348</u>	<u>\$ 9,323</u>
Fines and forfeitures:				
Court fines and forfeitures	\$ 58,000	\$ 58,000	\$ 84,778	\$ 26,778
Parking fines	7,500	7,500	10,010	2,510
Total fines and forfeitures	<u>\$ 65,500</u>	<u>\$ 65,500</u>	<u>\$ 94,788</u>	<u>\$ 29,288</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 107,700	\$ 107,700	\$ 112,265	\$ 4,565
Revenue from use of property	23,500	23,500	32,928	9,428
Total revenue from use of money and property	<u>\$ 131,200</u>	<u>\$ 131,200</u>	<u>\$ 145,193</u>	<u>\$ 13,993</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2004 (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	\$ 40,000	\$ 40,000	\$ 103,237	\$ 63,237
Charges for law enforcement and traffic control	12,000	12,000	17,110	5,110
Charges for courthouse maintenance	12,000	12,000	14,509	2,509
Circuit court judge fees	25,300	25,300	26,175	875
Charges for courthouse security	18,000	18,000	25,097	7,097
Charges for Commonwealth's Attorney	1,000	1,000	1,332	332
Charges for rental assistance	15,000	15,000	10,590	(4,410)
Miscellaneous dog fees	6,000	6,000	3,566	(2,434)
Charges for library	16,000	16,000	20,354	4,354
Charges for sanitation and waste removal	439,243	439,243	453,178	13,935
Charges for parks and recreation	228,950	228,950	225,954	(2,996)
Charges for community education	4,500	4,500	2,261	(2,239)
Charges for sale of publications and commemorative material	12,800	12,800	12,751	(49)
Charges for daffodil festival	29,250	29,250	43,206	13,956
Charges for sale of historical material	500	500	1,862	1,362
Total charges for services	<u>\$ 860,543</u>	<u>\$ 860,543</u>	<u>\$ 961,182</u>	<u>\$ 100,639</u>
Miscellaneous revenue:				
Miscellaneous	\$ 147,034	\$ 1,236,684	\$ 1,303,801	\$ 67,117
Total miscellaneous revenue	<u>\$ 147,034</u>	<u>\$ 1,236,684</u>	<u>\$ 1,303,801</u>	<u>\$ 67,117</u>
Recovered costs:				
Care of federal prisoners	\$ 200,000	\$ 200,000	\$ 42,355	\$ (157,645)
Recovered costs sheriff	110,295	110,295	152,489	42,194
Health department	3,000	3,000	3,407	407
Federal recovered costs	69,972	69,972	37,443	(32,529)
Demolition recovered costs	10,000	10,000	-	(10,000)
Total recovered costs	<u>\$ 393,267</u>	<u>\$ 393,267</u>	<u>\$ 235,694</u>	<u>\$ (157,573)</u>
Total revenue from local sources	<u>\$ 32,530,392</u>	<u>\$ 33,620,042</u>	<u>\$ 37,073,671</u>	<u>\$ 3,453,629</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 20,000	\$ 20,000	\$ 60,024	\$ 40,024
Wine taxes	21,000	21,000	44,542	23,542
Motor vehicle carriers' tax	2,000	2,000	647	(1,353)
Mobile home titling tax	74,000	74,000	69,652	(4,348)
Motor vehicle rental tax	33,000	33,000	40,946	7,946
State recordation tax	122,882	122,882	108,329	(14,553)
Personal property tax relief funds	2,580,000	2,580,000	2,582,829	2,829
Total noncategorical aid	<u>\$ 2,852,882</u>	<u>\$ 2,852,882</u>	<u>\$ 2,906,969</u>	<u>\$ 54,087</u>

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2004 (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	\$ 264,500	\$ 264,500	\$ 272,012	\$ 7,512
Sheriff	1,875,000	1,875,000	2,124,102	249,102
Commissioner of revenue	108,000	108,000	118,996	10,996
Treasurer	113,581	113,581	123,343	9,762
Medical examiner	500	500	540	40
Registrar/electoral board	44,800	44,800	41,019	(3,781)
Clerk of the Circuit Court	193,786	193,786	221,498	27,712
Total shared expenses	<u>\$ 2,600,167</u>	<u>\$ 2,600,167</u>	<u>\$ 2,901,510</u>	<u>\$ 301,343</u>
Other categorical aid:				
Emergency medical services	\$ 16,000	\$ 17,292	\$ 17,292	\$ -
Bay transit grant	137,279	247,264	247,264	-
Litter control grant	-	-	6,341	6,341
Chesapeake Bay grant	-	-	4,552	4,552
Library grant	103,319	103,319	103,368	49
Abandoned auto program	30,450	30,450	25,300	(5,150)
Virginia Housing grant	60,000	60,000	76,330	16,330
Victim-witness grant	48,100	48,100	44,037	(4,063)
Other state funds	-	8,223	41,698	33,475
Fire programs	46,000	50,613	54,895	4,282
Disaster assistance	-	176,470	178,950	2,480
Asset forfeiture	-	671	11,511	10,840
Total other categorical aid	<u>\$ 441,148</u>	<u>\$ 742,402</u>	<u>\$ 811,538</u>	<u>\$ 69,136</u>
Total categorical aid	<u>\$ 3,041,315</u>	<u>\$ 3,342,569</u>	<u>\$ 3,713,048</u>	<u>\$ 370,479</u>
Total revenue from the Commonwealth	<u>\$ 5,894,197</u>	<u>\$ 6,195,451</u>	<u>\$ 6,620,017</u>	<u>\$ 424,566</u>
Revenue from the federal government:				
V-stop prosecutor grant	\$ 21,640	\$ 21,640	\$ 22,286	\$ 646
Disaster assistance	-	742,534	708,985	(33,549)
Chesapeake Bay grant	-	-	17,369	17,369
Emergency medical services	9,000	9,000	6,046	(2,954)
Other federal revenue	44,171	154,773	136,967	(17,806)
Total categorical aid	<u>\$ 74,811</u>	<u>\$ 927,947</u>	<u>\$ 891,653</u>	<u>\$ (36,294)</u>
Total revenue from the federal government	<u>\$ 74,811</u>	<u>\$ 927,947</u>	<u>\$ 891,653</u>	<u>\$ (36,294)</u>
Total General Fund	<u>\$ 38,499,400</u>	<u>\$ 40,743,440</u>	<u>\$ 44,585,341</u>	<u>\$ 3,841,901</u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2004 (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	\$ 8,132	\$ 3,132
Total miscellaneous revenue	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 8,132</u>	<u>\$ 3,132</u>
Total revenue from local sources	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 8,132</u>	<u>\$ 3,132</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 469,209	\$ 469,209	\$ 456,921	\$ (12,288)
Total categorical aid	<u>\$ 469,209</u>	<u>\$ 469,209</u>	<u>\$ 456,921</u>	<u>\$ (12,288)</u>
Total revenue from the Commonwealth	<u>\$ 469,209</u>	<u>\$ 469,209</u>	<u>\$ 456,921</u>	<u>\$ (12,288)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 1,300,887	\$ 1,300,887	\$ 1,361,884	\$ 60,997
Total categorical aid	<u>\$ 1,300,887</u>	<u>\$ 1,300,887</u>	<u>\$ 1,361,884</u>	<u>\$ 60,997</u>
Total revenue from the federal government	<u>\$ 1,300,887</u>	<u>\$ 1,300,887</u>	<u>\$ 1,361,884</u>	<u>\$ 60,997</u>
Total Virginia Public Assistance Fund	<u><u>\$ 1,775,096</u></u>	<u><u>\$ 1,775,096</u></u>	<u><u>\$ 1,826,937</u></u>	<u><u>\$ 51,841</u></u>
Comprehensive Services Act Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ 4,000	\$ 4,000	\$ -	\$ (4,000)
Revenue from the Commonwealth:				
Categorical aid:				
Comprehensive services act	\$ 270,000	\$ 360,000	\$ 269,722	\$ (90,278)
Public assistance and welfare administration	6,000	6,000	13,724	7,724
Total categorical aid	<u>\$ 276,000</u>	<u>\$ 366,000</u>	<u>\$ 283,446</u>	<u>\$ (82,554)</u>
Total revenue from the Commonwealth	<u>\$ 276,000</u>	<u>\$ 366,000</u>	<u>\$ 283,446</u>	<u>\$ (82,554)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 30,000	\$ 30,000	\$ 31,571	\$ 1,571
Total Comprehensive Services Act Fund	<u><u>\$ 310,000</u></u>	<u><u>\$ 400,000</u></u>	<u><u>\$ 315,017</u></u>	<u><u>\$ (84,983)</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2004 (Continued)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Revenue Maximization Fund:				
Revenue from the federal government:				
Categorical aid:				
Revenue maximization funds	\$ 43,550	\$ 151,600	\$ 153,659	\$ 2,059
Total categorical aid	<u>\$ 43,550</u>	<u>\$ 151,600</u>	<u>\$ 153,659</u>	<u>\$ 2,059</u>
Total revenue from the federal government	<u>\$ 43,550</u>	<u>\$ 151,600</u>	<u>\$ 153,659</u>	<u>\$ 2,059</u>
Total Revenue Maximization Fund	<u><u>\$ 43,550</u></u>	<u><u>\$ 151,600</u></u>	<u><u>\$ 153,659</u></u>	<u><u>\$ 2,059</u></u>
Debt Service Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 207	\$ 207
Capital Projects Funds:				
County Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,084	\$ 1,084
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 10,625	\$ 63,316	\$ 52,691
Total revenue from local sources	<u>\$ -</u>	<u>\$ 10,625</u>	<u>\$ 64,400</u>	<u>\$ 53,775</u>
Revenue from the Commonwealth:				
Categorical aid:				
School construction funds	\$ 192,503	\$ 192,503	\$ 192,469	\$ (34)
Emergency services	-	-	9,047	9,047
Total categorical aid	<u>\$ 192,503</u>	<u>\$ 192,503</u>	<u>\$ 201,516</u>	<u>\$ 9,013</u>
Total revenue from the Commonwealth	<u>\$ 192,503</u>	<u>\$ 192,503</u>	<u>\$ 201,516</u>	<u>\$ 9,013</u>
Revenue from the federal government:				
Categorical aid:				
Main Street Grant (ISTEA)	\$ 359,700	\$ 359,700	\$ 321,765	\$ (37,935)
Emergency services	-	-	38,569	38,569
Community development block grant	250,000	620,000	95,974	(524,026)
Total categorical aid	<u>\$ 609,700</u>	<u>\$ 979,700</u>	<u>\$ 456,308</u>	<u>\$ (523,392)</u>
Total revenue from the federal government	<u>\$ 609,700</u>	<u>\$ 979,700</u>	<u>\$ 456,308</u>	<u>\$ (523,392)</u>
Total County Capital Improvements Fund	<u><u>\$ 802,203</u></u>	<u><u>\$ 1,182,828</u></u>	<u><u>\$ 722,224</u></u>	<u><u>\$ (460,604)</u></u>

Schedule of Revenues - Budget and Actual
Governmental Funds
For The Year Ended June 30, 2004 (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	\$ -	\$ 1,345	\$ 60,202	\$ 58,857
Total School Construction Fund	<u>\$ -</u>	<u>\$ 1,345</u>	<u>\$ 60,202</u>	<u>\$ 58,857</u>
 Total Primary Government	 <u>\$ 41,430,249</u>	 <u>\$ 44,254,309</u>	 <u>\$ 47,663,587</u>	 <u>\$ 3,409,278</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	\$ 1,000	\$ 1,000	\$ 1,500	\$ 500
Charges for services:				
Charges for education	\$ 55,600	\$ 55,600	\$ 40,874	\$ (14,726)
Tuition and payments from other divisions	38,000	38,000	27,658	(10,342)
Total charges for services	<u>\$ 93,600</u>	<u>\$ 93,600</u>	<u>\$ 68,532</u>	<u>\$ (25,068)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 20,000	\$ 20,000	\$ 15,788	\$ (4,212)
Recovered costs:				
Medicaid reimbursements	\$ 110,000	\$ 110,000	\$ 172,961	\$ 62,961
Total recovered costs	<u>\$ 110,000</u>	<u>\$ 110,000</u>	<u>\$ 172,961</u>	<u>\$ 62,961</u>
Total revenue from local sources	<u>\$ 224,600</u>	<u>\$ 224,600</u>	<u>\$ 258,781</u>	<u>\$ 34,181</u>
Intergovernmental revenues:				
Revenues from local governments:				
Contribution from County of Gloucester, Virginia	\$ 16,067,653	\$ 16,067,653	\$ 15,689,565	\$ (378,088)
Total revenues from local governments	<u>\$ 16,067,653</u>	<u>\$ 16,067,653</u>	<u>\$ 15,689,565</u>	<u>\$ (378,088)</u>
Revenue from the Commonwealth:				
Categorical aid:				
Share of state sales tax	\$ 4,410,759	\$ 4,410,759	\$ 4,581,365	\$ 170,606
Basic school aid	15,552,408	15,552,408	14,760,386	(792,022)
ISAEF	15,717	15,717	15,717	-
Remedial summer education	43,643	43,643	64,367	20,724
Regular foster care	6,100	6,100	16,820	10,720
Adult secondary education	4,860	4,860	4,122	(738)
Gifted and talented	161,999	161,999	156,205	(5,794)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2004 (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	\$ 262,701	\$ 262,701	\$ 253,306	\$ (9,395)
Enrollment loss	-	-	272,954	272,954
Student achievement	-	-	68,673	68,673
Special education	1,374,802	1,374,802	1,326,117	(48,685)
Textbook payment	329,952	329,952	318,152	(11,800)
Vocational standards of quality payments	297,728	297,728	287,080	(10,648)
Social security fringe benefits	766,211	766,211	757,427	(8,784)
Retirement fringe benefits	446,592	446,592	441,472	(5,120)
State lottery payments	981,757	981,757	946,730	(35,027)
Early reading intervention	43,730	43,730	40,366	(3,364)
JVG	13,100	13,100	6,000	(7,100)
Dropout prevention	68,576	68,576	-	(68,576)
Homebound education	38,888	38,888	49,144	10,256
Salary supplements	183,891	183,891	177,314	(6,577)
Regional program tuition	356,980	356,980	344,233	(12,747)
Vocational occupational preparedness	13,804	13,804	11,541	(2,263)
Special education - foster children	14,236	14,236	35,158	20,922
VI teacher	4,000	4,000	4,090	90
At risk payments	157,896	157,896	152,285	(5,611)
Remediation assistance	82,867	82,867	78,817	(4,050)
Primary class size	300,413	300,413	289,981	(10,432)
Technology	310,000	310,000	310,000	-
Standards of Learning algebra readiness	43,161	43,161	38,022	(5,139)
Other state funds	-	-	987	987
Alternative education pilot--Victory Academy	49,000	49,000	-	(49,000)
Mentor teacher program	4,409	4,409	2,543	(1,866)
Total revenue from the Commonwealth	<u>26,340,180</u>	<u>26,340,180</u>	<u>25,811,374</u>	<u>(528,806)</u>

Revenue from the federal government:

Categorical aid:

Title V	\$ 60,000	\$ 60,000	\$ 85,030	\$ 25,030
Adult literacy	55,000	55,000	31,711	(23,289)
Title I	1,029,150	1,029,150	850,377	(178,773)
Title VI-B, special education flow-through	956,902	956,902	996,892	39,990
Vocational education	110,000	110,000	94,556	(15,444)
Workforce investment act	33,080	33,080	19,169	(13,911)
Project serve	10,000	10,000	-	(10,000)
Title IID	30,000	30,000	19,591	(10,409)
Title II	99,440	99,440	266,441	167,001
Impact aid	70,000	70,000	73,485	3,485
HSTW	10,000	10,000	5,167	(4,833)

Schedule of Revenues - Budget and Actual
 Governmental Funds
 For The Year Ended June 30, 2004 (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	\$ 50,000	\$ 50,000	\$ 29,911	\$ (20,089)
ROTC	47,289	47,289	49,800	2,511
Other federal funds	100,000	100,000	-	(100,000)
Charter school	-	-	61,797	61,797
	<u>2,660,861</u>	<u>2,660,861</u>	<u>2,583,927</u>	<u>(76,934)</u>
Total revenue from the federal government				
	<u>2,660,861</u>	<u>2,660,861</u>	<u>2,583,927</u>	<u>(76,934)</u>
Total School Operating Fund	<u>\$ 45,293,294</u>	<u>\$ 45,293,294</u>	<u>\$ 44,343,647</u>	<u>\$ (949,647)</u>
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ 20,000	\$ 20,000	\$ (331)	\$ (20,331)
Charges for services:				
Cafeteria sales	\$ 1,424,000	\$ 1,424,000	\$ 1,115,894	\$ (308,106)
Other charges for services	50,000	50,000	44,531	(5,469)
Total charges for services	<u>\$ 1,474,000</u>	<u>\$ 1,474,000</u>	<u>\$ 1,160,425</u>	<u>\$ (313,575)</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 19,000	\$ 19,000	\$ 23,536	\$ 4,536
Total miscellaneous revenue	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 23,536</u>	<u>\$ 4,536</u>
Total revenue from local sources	<u>\$ 1,513,000</u>	<u>\$ 1,513,000</u>	<u>\$ 1,183,630</u>	<u>\$ (329,370)</u>
Intergovernmental revenues:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	\$ 34,838	\$ 34,838	\$ 27,379	\$ (7,459)
Revenue from the federal government:				
Categorical aid:				
School food program grant	\$ 717,009	\$ 717,009	\$ 524,115	\$ (192,894)
Total School Cafeteria Fund	<u>\$ 2,264,847</u>	<u>\$ 2,264,847</u>	<u>\$ 1,735,124</u>	<u>\$ (529,723)</u>
Total Discretely Presented Component Unit - School Board	<u>\$ 47,558,141</u>	<u>\$ 47,558,141</u>	<u>\$ 46,078,771</u>	<u>\$ (1,479,370)</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004

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	\$ 137,815	\$ 137,815	\$ 155,987	\$ (18,172)
General and financial administration:				
County administrator	\$ 332,718	\$ 332,735	\$ 347,376	\$ (14,641)
Human resources	165,144	166,627	166,216	411
County attorney	238,706	238,706	199,678	39,028
Commissioner of revenue	392,376	392,376	350,557	41,819
County assessor	88,214	88,214	91,516	(3,302)
Treasurer	473,537	473,537	458,120	15,417
Finance	264,215	263,215	221,247	41,968
Department of information technology	767,672	767,913	735,341	32,572
Purchasing	212,757	212,067	198,519	13,548
Other general and financial administration	222,717	218,457	216,788	1,669
Total general and financial administration	<u>\$ 3,158,056</u>	<u>\$ 3,153,847</u>	<u>\$ 2,985,358</u>	<u>\$ 168,489</u>
Board of elections:				
Electoral board and officials	\$ 128,582	\$ 128,582	\$ 110,731	\$ 17,851
Total board of elections	<u>\$ 128,582</u>	<u>\$ 128,582</u>	<u>\$ 110,731</u>	<u>\$ 17,851</u>
Total general government administration	<u>\$ 3,424,453</u>	<u>\$ 3,420,244</u>	<u>\$ 3,252,076</u>	<u>\$ 168,168</u>
Judicial administration:				
Courts:				
Circuit court	\$ 56,141	\$ 56,141	\$ 49,866	\$ 6,275
General district court	13,700	13,700	14,166	(466)
Commissioner of accounts	500	500	499	1
Magistrate	4,650	4,650	3,532	1,118
Juvenile and domestic relations district court	24,955	30,338	22,788	7,550
Clerk of the circuit court	316,929	316,929	303,056	13,873
Victim and witness assistance	48,981	49,529	45,443	4,086
Court services unit	307,260	307,209	148,556	158,653
Group home commission	139,451	139,451	138,841	610
Total courts	<u>\$ 912,567</u>	<u>\$ 918,447</u>	<u>\$ 726,747</u>	<u>\$ 191,700</u>
Commonwealth's attorney:				
Commonwealth's attorney	\$ 407,046	\$ 432,744	\$ 407,989	\$ 24,755
Total commonwealth's attorney	<u>\$ 407,046</u>	<u>\$ 432,744</u>	<u>\$ 407,989</u>	<u>\$ 24,755</u>
Total judicial administration	<u>\$ 1,319,613</u>	<u>\$ 1,351,191</u>	<u>\$ 1,134,736</u>	<u>\$ 216,455</u>
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 3,341,783	\$ 3,491,838	\$ 3,183,018	\$ 308,820
Emergency operations center	357,582	580,709	585,019	(4,310)
Total law enforcement and traffic control	<u>\$ 3,699,365</u>	<u>\$ 4,072,547</u>	<u>\$ 3,768,037</u>	<u>\$ 304,510</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2004 (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 department	\$ 564,261	\$ 570,166	\$ 573,328	\$ (3,162)
Volunteer rescue squads	527,743	527,743	529,010	(1,267)
State forestry service	4,714	4,714	4,713	1
Office of emergency services	2,000	1,229,881	1,108,329	121,552
Total fire and rescue services	<u>\$ 1,098,718</u>	<u>\$ 2,332,504</u>	<u>\$ 2,215,380</u>	<u>\$ 117,124</u>
Correction and detention:				
County operated institutions	\$ 1,919,175	\$ 1,917,375	\$ 1,887,116	\$ 30,259
Total correction and detention	<u>\$ 1,919,175</u>	<u>\$ 1,917,375</u>	<u>\$ 1,887,116</u>	<u>\$ 30,259</u>
Inspections:				
Building	\$ 574,299	\$ 574,999	\$ 553,861	\$ 21,138
Total inspections	<u>\$ 574,299</u>	<u>\$ 574,999</u>	<u>\$ 553,861</u>	<u>\$ 21,138</u>
Other protection:				
Animal control	\$ 232,004	\$ 233,405	\$ 227,244	\$ 6,161
Medical examiner	1,000	1,000	900	100
Total other protection	<u>\$ 233,004</u>	<u>\$ 234,405</u>	<u>\$ 228,144</u>	<u>\$ 6,261</u>
Total public safety	<u>\$ 7,524,561</u>	<u>\$ 9,131,830</u>	<u>\$ 8,652,538</u>	<u>\$ 479,292</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
General engineering	\$ 212,401	\$ 212,401	\$ 248,966	\$ (36,565)
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 212,401</u>	<u>\$ 212,401</u>	<u>\$ 248,966</u>	<u>\$ (36,565)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 52,800	\$ 52,800	\$ 36,243	\$ 16,557
Total sanitation and waste removal	<u>\$ 52,800</u>	<u>\$ 52,800</u>	<u>\$ 36,243</u>	<u>\$ 16,557</u>
Maintenance of general buildings and grounds:				
General properties	\$ 1,233,645	\$ 1,231,645	\$ 1,167,986	\$ 63,659
Total maintenance of general buildings and grounds	<u>\$ 1,233,645</u>	<u>\$ 1,231,645</u>	<u>\$ 1,167,986</u>	<u>\$ 63,659</u>
Total public works	<u>\$ 1,498,846</u>	<u>\$ 1,496,846</u>	<u>\$ 1,453,195</u>	<u>\$ 43,651</u>
Health and welfare:				
Health:				
Supplement of local health department	\$ 312,651	\$ 314,651	\$ 311,748	\$ 2,903
Mosquito control	89,950	89,950	91,755	(1,805)
Total health	<u>\$ 402,601</u>	<u>\$ 404,601</u>	<u>\$ 403,503</u>	<u>\$ 1,098</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2004 (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	\$ 92,267	\$ 92,267	\$ 92,267	\$ -
Total mental health and mental retardation	<u>\$ 92,267</u>	<u>\$ 92,267</u>	<u>\$ 92,267</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 494,868</u>	<u>\$ 496,868</u>	<u>\$ 495,770</u>	<u>\$ 1,098</u>
Education:				
Other instructional costs:				
Contribution to community colleges	\$ 9,613	\$ 9,613	\$ 9,613	\$ -
Contribution to community education	389,569	390,069	381,426	8,643
Contribution to County School Board	16,067,653	16,067,653	15,689,565	378,088
Total education	<u>\$ 16,466,835</u>	<u>\$ 16,467,335</u>	<u>\$ 16,080,604</u>	<u>\$ 386,731</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Recreation centers and playgrounds	\$ 495,964	\$ 497,165	\$ 484,214	\$ 12,951
Beaverdam reservoir park	191,102	191,102	193,725	(2,623)
Total parks and recreation	<u>\$ 687,066</u>	<u>\$ 688,267</u>	<u>\$ 677,939</u>	<u>\$ 10,328</u>
Cultural enrichment:				
Daffodil festival	\$ 29,250	\$ 29,250	\$ 37,129	\$ (7,879)
Historical committee	28,371	29,693	25,542	4,151
Total cultural enrichment	<u>\$ 57,621</u>	<u>\$ 58,943</u>	<u>\$ 62,671</u>	<u>\$ (3,728)</u>
Library:				
Contribution to county library	\$ 395,766	\$ 506,801	\$ 502,158	\$ 4,643
Total library	<u>\$ 395,766</u>	<u>\$ 506,801</u>	<u>\$ 502,158</u>	<u>\$ 4,643</u>
Total parks, recreation, and cultural	<u>\$ 1,140,453</u>	<u>\$ 1,254,011</u>	<u>\$ 1,242,768</u>	<u>\$ 11,243</u>
Community development:				
Planning and community development:				
Community development	\$ 281,311	\$ 281,311	\$ 258,644	\$ 22,667
Tourism	93,367	93,367	67,931	25,436
Economic development	178,006	178,006	174,912	3,094
Contribution to Economic Development Authority	125,000	125,000	125,613	(613)
Total planning and community development	<u>\$ 677,684</u>	<u>\$ 677,684</u>	<u>\$ 627,100</u>	<u>\$ 50,584</u>
Environmental management:				
Clean community program	\$ 50,615	\$ 50,615	\$ 41,655	\$ 8,960
Total environmental management	<u>\$ 50,615</u>	<u>\$ 50,615</u>	<u>\$ 41,655</u>	<u>\$ 8,960</u>
Cooperative extension program:				
Extension office	\$ 57,482	\$ 57,482	\$ 57,892	\$ (410)
Total cooperative extension program	<u>\$ 57,482</u>	<u>\$ 57,482</u>	<u>\$ 57,892</u>	<u>\$ (410)</u>
Total community development	<u>\$ 785,781</u>	<u>\$ 785,781</u>	<u>\$ 726,647</u>	<u>\$ 59,134</u>

Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2004 (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	\$ 287,324	\$ 1,362,605	\$ 1,362,005	\$ 600
Total nondepartmental	<u>\$ 287,324</u>	<u>\$ 1,362,605</u>	<u>\$ 1,362,005</u>	<u>\$ 600</u>
Total General Fund	<u>\$ 32,942,734</u>	<u>\$ 35,766,711</u>	<u>\$ 34,400,339</u>	<u>\$ 1,366,372</u>
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,577,038	\$ 1,577,038	\$ 1,540,108	\$ 36,930
Public assistance	302,640	302,640	261,981	40,659
Purchased services	473,273	473,273	337,981	135,292
Grants	59,750	72,250	66,146	6,104
Board of public welfare	5,000	5,000	4,508	492
Total welfare and social services	<u>\$ 2,417,701</u>	<u>\$ 2,430,201</u>	<u>\$ 2,210,724</u>	<u>\$ 219,477</u>
Total health and welfare	<u>\$ 2,417,701</u>	<u>\$ 2,430,201</u>	<u>\$ 2,210,724</u>	<u>\$ 219,477</u>
Total Virginia Public Assistance Fund	<u>\$ 2,417,701</u>	<u>\$ 2,430,201</u>	<u>\$ 2,210,724</u>	<u>\$ 219,477</u>
Comprehensive Services Act Fund:				
Health and welfare:				
Welfare and social services:				
Comprehensive services act	\$ 605,000	\$ 712,500	\$ 568,958	\$ 143,542
Total Comprehensive Services Act Fund	<u>\$ 605,000</u>	<u>\$ 712,500</u>	<u>\$ 568,958</u>	<u>\$ 143,542</u>
Revenue Maximization Fund:				
Health and welfare:				
Welfare and social services:				
Revenue maximization program	\$ 43,550	\$ 151,600	\$ 111,233	\$ 40,367
Total Revenue Maximization Fund	<u>\$ 43,550</u>	<u>\$ 151,600</u>	<u>\$ 111,233</u>	<u>\$ 40,367</u>
Debt Service Fund:				
Debt service:				
Principal retirement	\$ 2,186,094	\$ 2,186,094	\$ 2,186,094	\$ -
Interest and other fiscal charges	1,318,292	1,318,292	1,317,591	701
Other debt service	360,000	364,260	364,953	(693)
Total School Debt Service Fund	<u>\$ 3,864,386</u>	<u>\$ 3,868,646</u>	<u>\$ 3,868,638</u>	<u>\$ 8</u>
Capital Projects Fund:				
County Capital Improvements Fund:				
Capital projects expenditures:				
County capital assets	\$ 2,387,506	\$ 2,898,715	\$ 764,898	\$ 2,133,817
Equipment and vehicles	329,000	334,388	323,661	10,727
School capital assets	692,503	770,691	770,691	-
Total capital projects	<u>\$ 3,409,009</u>	<u>\$ 4,003,794</u>	<u>\$ 1,859,250</u>	<u>\$ 2,144,544</u>
Total County Capital Improvements Fund	<u>\$ 3,409,009</u>	<u>\$ 4,003,794</u>	<u>\$ 1,859,250</u>	<u>\$ 2,144,544</u>

Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2004 (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:				
New school construction	\$ -	\$ 630,685	\$ 4,343	\$ 626,342
Achilles Elementary School renovations	-	4,307,016	301,067	4,005,949
Botetourt Elementary School renovations	-	5,905,210	376,504	5,528,706
Total capital projects	<u>\$ -</u>	<u>\$ 10,842,911</u>	<u>\$ 681,914</u>	<u>\$ 10,160,997</u>
 Total School Construction Fund	 <u>\$ -</u>	 <u>\$ 10,842,911</u>	 <u>\$ 681,914</u>	 <u>\$ 10,160,997</u>
 Total Primary Government	 <u>\$ 40,216,129</u>	 <u>\$ 54,482,062</u>	 <u>\$ 40,810,141</u>	 <u>\$ 13,671,921</u>
 Discretely Presented Component Unit-School Board				
School Operating Fund:				
Education:				
Administration of schools:				
School board	\$ 79,982	\$ 79,982	\$ 95,342	\$ (15,360)
Executive administration services	335,911	335,911	386,669	(50,758)
Personnel	418,937	418,937	397,372	21,565
Fiscal services	257,216	257,216	253,917	3,299
Total administration of schools	<u>\$ 1,092,046</u>	<u>\$ 1,092,046</u>	<u>\$ 1,133,300</u>	<u>\$ (41,254)</u>
 Instruction costs:				
Elementary and secondary schools	\$ 35,362,571	\$ 35,362,571	\$ 34,415,542	\$ 947,029
Total instruction costs	<u>35,362,571</u>	<u>35,362,571</u>	<u>34,415,542</u>	<u>947,029</u>
 Operating costs:				
Attendance and health services	\$ 776,735	\$ 776,735	\$ 763,492	\$ 13,243
Pupil transportation	3,211,096	3,211,096	3,210,601	495
Operation and maintenance of school plant	4,850,846	4,850,846	4,820,712	30,134
Total operating costs	<u>\$ 8,838,677</u>	<u>\$ 8,838,677</u>	<u>\$ 8,794,805</u>	<u>\$ 43,872</u>
 Total education	 <u>\$ 45,293,294</u>	 <u>\$ 45,293,294</u>	 <u>\$ 44,343,647</u>	 <u>\$ 949,647</u>
 Total School Fund	 <u>\$ 45,293,294</u>	 <u>\$ 45,293,294</u>	 <u>\$ 44,343,647</u>	 <u>\$ 949,647</u>
 Cafeteria Fund:				
Education:				
School food services:				
Administration of school food program	\$ 2,264,847	\$ 2,264,847	\$ 1,724,925	\$ 539,922
 Total Cafeteria Fund	 <u>\$ 2,264,847</u>	 <u>\$ 2,264,847</u>	 <u>\$ 1,724,925</u>	 <u>\$ 539,922</u>
 Total Discretely Presented Component Unit - School Board	 <u>\$ 47,558,141</u>	 <u>\$ 47,558,141</u>	 <u>\$ 46,068,572</u>	 <u>\$ 1,489,569</u>

Statistical Tables

COUNTY OF GLOUCESTER, VIRGINIA

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

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education</u>
2004	\$ 3,514,851	\$ 1,354,943	\$ 8,842,271	\$ 1,453,010	\$ 3,411,223	\$ 19,006,986
2003	3,512,786	1,634,531	7,242,241	1,434,062	3,249,649	18,371,729

(1) Information has only been available for 2 years.

Table 1

<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Interest on Long- Term Debt</u>	<u>Utilities</u>	<u>Total</u>
\$ 2,719,637	\$ 1,245,316	\$ 1,986,667	\$ 3,781,079	\$ 47,315,983
4,180,678	1,777,142	1,944,817	3,446,672	46,794,307

COUNTY OF GLOUCESTER, VIRGINIA

Government-Wide Revenues

Last Ten Fiscal Years (1)

<u>Fiscal Year</u>	<u>PROGRAM REVENUES</u>		
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
2004	\$ 4,157,980	\$ 6,892,182	\$ 657,824
2003	4,405,363	5,927,266	461,189

(1) Information has only been available for 2 years.

Table 2

GENERAL REVENUES					
General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
\$ 26,887,805	\$ 9,429,641	\$ 257,841	\$ 1,375,249	\$ 2,906,969	\$ 52,565,491
23,158,197	8,190,587	375,066	3,537,343	2,775,813	48,830,824

COUNTY OF GLOUCESTER, VIRGINIAGeneral Governmental Expenditures by Function (1)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>
1995	\$ 1,926,506	\$ 467,866	\$ 3,211,985	\$ 1,062,981	\$ 2,100,304
1996	2,025,150	515,031	3,495,375	1,026,907	2,142,633
1997	2,240,386	853,102	3,778,754	1,039,280	2,250,872
1998	2,658,986	977,773	4,387,359	1,146,937	2,591,448
1999	2,604,716	1,040,520	5,195,313	1,143,624	2,933,779
2000	2,936,991	1,099,412	5,743,208	1,157,294	2,923,566
2001	3,148,864	1,155,282	6,598,400	1,211,031	2,752,033
2002	3,296,403	1,194,277	6,851,651	1,191,479	2,892,104
2003	3,264,643	1,072,443	7,017,379	1,349,677	3,296,833
2004	3,252,076	1,134,736	8,652,538	1,453,195	3,386,685

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

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

Table 3

<u>Education (2)</u>	<u>Parks, Recreation, and Cultural</u>	<u>Community Development</u>	<u>Non- departmental</u>	<u>Debt Service</u>	<u>Total</u>
\$ 29,451,486	\$ 695,469	\$ 476,248	\$ 36,618	\$ 4,394,295	\$ 43,823,758
31,097,923	716,268	513,971	26,750	4,021,614	45,581,622
33,418,179	750,297	779,579	56,725	4,101,523	49,268,697
35,468,207	838,397	573,291	108,560	4,222,012	52,972,970
37,915,630	912,109	686,218	132,190	4,287,990	56,852,089
41,051,542	983,569	739,766	135,621	4,584,947	61,355,916
42,768,299	1,089,439	474,070	257,420	4,619,801	64,074,639
43,870,300	1,084,547	646,556	668,639	4,781,338	66,477,294
45,552,339	1,112,185	794,845	3,673,350	4,260,478	71,394,172
44,734,686	1,242,768	726,647	1,362,005	3,868,638	69,813,974

COUNTY OF GLOUCESTER, VIRGINIA

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

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property
1995	\$ 16,410,841	\$ 4,531,933	\$ 250,741	\$ 61,818	\$ 440,817
1996	17,144,356	4,691,201	219,161	46,162	487,212
1997	17,639,740	5,262,108	229,320	111,241	500,313
1998	18,784,434	5,826,714	217,363	99,703	422,322
1999	20,099,408	6,205,078	220,689	79,746	528,935
2000	19,910,365	6,487,305	214,751	80,615	568,503
2001	22,058,778	6,984,009	187,847	65,891	447,692
2002	21,735,807	7,534,250	301,641	77,277	177,043
2003	23,089,347	8,190,587	367,752	69,936	282,656
2004	24,578,024	9,429,641	325,348	94,788	206,771

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

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

Table 4

	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental (2)	Total
\$	1,480,068	\$ 101,878	\$ 397,673	\$ 22,834,451	\$ 46,510,220
	1,499,029	111,920	430,634	23,664,944	48,294,619
	1,668,556	465,710	485,008	26,020,731	52,382,727
	1,839,650	470,105	530,757	27,209,022	55,400,070
	1,955,625	322,203	401,550	30,651,995	60,465,229
	1,910,150	133,773	288,715	32,917,119	62,511,296
	2,103,247	413,879	355,465	34,820,856	67,437,664
	2,100,650	220,815	408,848	36,893,853	69,450,184
	2,247,422	3,577,005	416,959	37,628,969	75,870,633
	2,190,139	1,351,257	408,655	38,745,946	77,330,569

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy (1,3)</u>	<u>Current Tax Collections (1)</u>	<u>Percent of Levy Collected</u>	<u>Delinquent (1) Tax (2) Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes (1,2)</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1995	\$ 16,155,876	\$ 14,088,586	87.20%	\$ 1,939,738	\$ 16,028,324	99.21%	\$ 910,404	5.64%
1996	16,751,840	14,744,042	88.01%	2,029,283	16,773,325	100.13%	860,063	5.13%
1997	17,387,568	15,046,538	86.54%	2,194,143	17,240,681	99.16%	619,835	3.56%
1998	18,709,258	15,904,173	85.01%	2,069,520	17,973,693	96.07%	1,049,749	5.61%
1999	19,850,929	17,563,286	88.48%	2,183,055	19,746,341	99.47%	1,055,034	5.31%
2000	20,399,258	18,524,250	90.81%	1,906,540	20,430,790	100.15%	1,321,818	6.48%
2001	24,635,713	22,139,571	89.87%	2,248,184	24,387,755	98.99%	1,369,318	5.56%
2002	23,465,888	21,746,629	92.67%	2,061,926	23,808,555	101.46%	1,155,940	4.93%
2003	25,475,416	23,289,600	91.42%	2,255,679	25,545,279	100.27%	1,225,745	4.81%
2004	27,122,176	24,928,730	91.91%	2,202,800	27,131,530	100.03%	1,137,114	4.19%

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

(2) Does not include land redemptions.

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

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

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (3)	Machinery and Tools	Public Utility (2)		Total
				Real Estate	Personal Property	
1995	\$ 1,364,371	\$ 94,126	\$ 735	\$ 52,880	\$ 952	\$ 1,513,064
1996	1,393,305	106,230	788	54,334	840	1,555,497
1997	1,407,825	119,332	923	60,687	810	1,589,577
1998	1,529,486	125,848	859	51,809	679	1,708,681
1999	1,645,515	135,810	1,213	54,738	719	1,837,995
2000	1,720,584	144,047	3,045	65,052	544	1,933,272
2001	1,794,192	178,451	3,198	87,442	332	2,063,615
2002	1,900,137	191,113	3,526	91,735	268	2,186,779
2003	2,020,094	201,003	3,893	74,258	226	2,299,474
2004	2,092,142	218,901	3,595	72,412	2,971	2,390,021

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

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

(3) Personal property is assessed at 50% of fair market value as of January 1, 1995.

Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate		Personal Property		Machinery and Tools	Public Utility	
						Real Estate	Personal Property
1995	\$ 0.93	\$ 3.50	\$ 3.50	\$ 3.50	0.93	\$ 3.50	
1996	0.93	3.50	3.50	3.50	0.93	3.50	
1997	0.93	3.50	3.50	3.50	0.93	3.50	
1998	0.91	3.50	3.50	3.50	0.91	3.50	
1999	0.91	3.50	3.50	3.50	0.91	3.50	
2000	0.92	3.50	3.50	3.50	0.92	3.50	
2001	0.95	3.50	3.50	3.50	0.95	3.50	
2002	0.95	3.50	3.50	3.50	0.95	3.50	
2003	0.95	3.50	3.50	3.50	0.95	3.50	
2004	0.95	4.00	4.00	4.00	0.95	4.00	

(1) Per \$100 of assessed value.

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

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Gross Bonded Debt (in thousands)(3)	Less	Net Bonded Debt (in thousands)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
				Debt payable from Enterprise Revenues (in thousands)(4)			
1995	\$ 30,131	\$ 1,513	\$ 48,443	\$ 27,273	\$ 21,170	1.40%	\$ 703
1996	30,131	1,555	49,257	26,900	22,357	1.44%	742
1997	30,131	1,590	52,163	26,404	25,759	1.62%	855
1998	30,131	1,709	49,899	25,867	24,032	1.41%	798
1999	30,131	1,838	48,476	25,275	23,201	1.26%	770
2000	30,131	1,933	45,950	24,639	21,311	1.10%	707
2001	34,780	2,064	52,258	32,801	19,457	0.94%	559
2002	34,780	2,187	53,816	31,751	22,065	1.01%	634
2003	34,780	2,299	45,983	30,607	15,376	0.67%	442
2004	34,780	2,390	54,669	29,697	24,972	1.04%	718

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

(2) From Table 6

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

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

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

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995	\$ 1,779,941	\$ 1,430,574	\$ 3,210,515	\$ 43,823,758	7.33%
1996	1,633,466	1,294,193	2,927,659	45,581,622	6.42%
1997	1,620,110	1,445,110	3,065,220	49,268,697	6.22%
1998	1,721,533	1,137,840	2,859,373	52,865,892	5.41%
1999	1,641,700	1,201,649	2,843,349	56,852,089	5.00%
2000	1,846,700	1,042,525	2,889,225	61,355,916	4.71%
2001	1,820,000	950,348	2,770,348	64,074,639	4.32%
2002	1,800,000	1,437,722	3,237,722	66,477,294	4.87%
2003	1,800,000	741,328	2,541,328	71,394,172	3.56%
2004	1,690,000	671,738	2,361,738	69,813,974	3.38%

(1) General obligation bonds reported in the enterprise funds and capital leases with government commitment have been excluded.

(2) Excludes bond issuance and other costs.

(3) Includes general and special revenue funds of the primary government and its component unit school board.

Revenue Bond Coverage
 Enterprise Fund Bonds
 Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Debt Service Coverage
1995	\$ 511,493	\$ 1,241,239	\$ 1,752,732	0.96
1996	787,173	1,216,319	2,003,492	0.76
1997	932,542	1,163,908	2,096,450	0.72
1998	478,503	1,601,562	2,080,065	0.73
1999	569,645	1,575,807	2,145,452	0.80
2000	625,025	1,545,452	2,170,477	0.78
2001	731,964	1,833,956	2,565,920	0.84
2002	639,581	1,970,638	2,610,219	0.74
2003	892,350	1,658,846	2,551,196	0.73
2004	853,793	1,593,610	2,447,403	0.76

Demographic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population (1)</u>		<u>Per Capita Income (1)</u>	<u>Unemployment Rate (2)</u>
1995	32,500	\$	18,686	3.90%
1996	32,800		19,157	3.60%
1997	33,200		19,914	3.50%
1998	33,700		20,153	2.80%
1999	33,900		21,261	2.60%
2000	34,500		22,516	2.20%
2001	34,780		24,270	1.80%
2002	34,780		N/A	2.50%
2003	34,780		N/A	2.70%
2004	34,780		N/A	2.60%

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

(2) Virginia Employment Commission.

School Demographic Statistics (1)
 Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>School Facilities</u>	<u>Average Daily Membership (1)</u>	<u>Annual Operating Costs (2)</u>	<u>Cost per Student</u>	<u>Instructional Positions End of Year (3)</u>	<u>Student Teacher Ratio</u>
1995	8	6,358	\$ 27,890,623	\$ 4,387	441	14.4
1996	8	6,528	29,534,926	4,524	446	14.6
1997	8	6,541	31,681,624	4,844	450	14.5
1998	9	6,555	33,544,095	5,117	469	14.0
1999	9	6,613	35,903,284	5,429	478	13.8
2000	10	6,526	39,004,891	5,977	491	13.3
2001	10	6,411	40,748,366	6,356	458	14.0
2002	10	6,350	41,787,759	6,581	457	13.9
2003	10	6,309	43,462,014	6,889	457	13.8
2004	10	6,147	44,343,647	7,214	456	13.5

(1) County of Gloucester Public Schools

(2) County of Gloucester's Financial Reports

(3) Superintendent's Annual Report for Virginia

Residential and Commercial Construction and Bank Deposits
Last Ten Fiscal Years

Calendar Year	Residential		Commercial		Fiscal Year	Bank Deposits (2)
	Number	Value	Number	Value		
1994	366	\$ 23,877,960	22	\$ 6,319,800	1995	\$ 234,644,000
1995	348	20,921,661	16	1,908,395	1996	246,138,000
1996	348	23,234,151	13	16,100,065	1997	251,791,000
1997	352	28,254,161	20	3,496,700	1998	257,767,000
1998	347	23,442,187	9	3,041,134	1999	267,179,000
1999	307	24,583,927	23	4,446,850	2000	274,703,000
2000	272	22,790,508	20	4,512,540	2001	287,893,000
2001	304	27,715,663	23	23,645,750	2002	294,611,000
2002	319	27,588,037	7	1,969,500	2003	308,000,000
2003	344	41,358,034	18	16,413,899	2004	328,000,000

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

(2) Source - State Corporation Commission, Bureau of Financial Institutions, Federal Deposit Insurance Corporation (2003 and 2004)

Principal Taxpayers (1)
 Calendar Year Ended December 31, 2003

Company	Industry	Amount	% of Total (2)
Evergreen Development	Developer	12,343,200	0.59%
Wal-Mart Real Estate Business Trust	Shopping center	11,454,800	0.55%
York River Crossing Assoc., LLC	Shopping center	8,169,600	0.39%
Lowe's Home Center Inc.	Shopping center	6,853,600	0.33%
Waste Management Disposal	Landfill	5,752,300	0.27%
Butler Inv I, II, III	Developer	5,028,200	0.24%
Horn Harbor Nursing Home, Inc.	Nursing home	4,998,800	0.24%
E. Claiborne Robins, Jr.	Individual	4,634,100	0.22%
Retail Trust III	Shopping center	4,459,600	0.21%
Newport News General and Non-Sectarian Hospital	Hospital	4,321,100	0.21%
	Total		3.25%

(1) Rankings based on 2003 real estate assessments.
 (2) Total includes real estate original assessment of \$ 2,020,094,000.

Miscellaneous Statistics

Date established	1651
Form of government	Traditional - County Administrator
Number of employees	
Full-time	291
Permanent part-time	15
Total	<u>306</u>
Area in square miles	225
Library:	
Number of libraries	2
Number of bookmobiles	1
Materials circulated	121,688
Library patrons	15,019
Parks and recreation:	
Number of parks maintained	8
Park acreage owned by County	185
Park acreage leased	40
Total	<u>225</u>
Water system:	
Number of customers	4,064
Annual consumption in gallons	319,194,000
Daily average consumption in gallons	874,504
Treatment capacity per day in gallons	4,000,000
Facilities and services not included in reporting entity:	
Volunteer Fire and Rescue:	
Number of volunteers	202

High Volume Users of Water System
 Fiscal year ended June 30, 2004

<u>Customer name</u>	<u>Monthly Average Water Usage (1)</u>	<u>Daily (1)</u>
Walter Reed Convalescent Center	511,000	17,033
York River Yacht Haven	433,000	14,433
V.I.M.S. - Chesapeake Bay Hall	410,000	13,667
Riverside Walter Reed Hospital	395,000	13,167
Wal-Mart	313,000	10,433
County Jail	277,000	9,233
Riverside Wellness Center	215,000	7,167
U-Do-It Laundry	194,000	6,467
Sanders Nursing Home	146,000	4,867
V.I.M.S. - Franklin Hall	138,000	4,600

(1) Source - Gloucester County Utility Department

Principal Employers
 Fiscal year ended June 30, 2004

Taxpayer	Type of Business	Number of Employees
Gloucester County	Local government and schools	1,260
Wal-Mart	Retail	470
Virginia Institute of Marine Science	Marine biology	429
Riverside Walter Reed Hospital	Medical services	420
Industrial Resources Technologies, Inc.	Manufacturing and recycling	250
Lowe's Home Improvement	Home improvement retailer	100
Home Depot	Home improvement retailer	100
Dominion Virginia Power	Utility-power	61
York River Yacht Haven	Marina and boat repair	60
Peace Frogs	Manufacturer specialty retail	50
Verizon	Utility service	50
Rappahannock Concrete Corporation	Concrete and masonry supplies	41

(1) Source - Gloucester County Department of Economic Development

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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, 2004, which collectively comprise the County of Gloucester, Virginia's basic financial statements and have issued our report thereon dated October 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Supervisors, management, and 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, Cox Associates

Charlottesville, Virginia
October 13, 2004

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

Compliance

We have audited the compliance of the County of Gloucester, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004. The County of Gloucester, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Gloucester, Virginia's management. Our responsibility is to express an opinion on the County of Gloucester, Virginia's compliance based on our audit.

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

In our opinion, the County of Gloucester, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

Robinson, Fann, Cox Associates

Charlottesville, Virginia
October 13, 2004

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

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	\$ 31,766
Temporary Assist to Needy Families (TANF)	93.558	174,195
Refugee and Entrant Assistance - Discretionary Grants	93.566	593
Low Income Home Energy Assistance	93.568	8,570
Payments to States for Child Care Assistance	93.575	185,873
Child Care and Development Fund	93.596	108,897
Foster Care - Title IV-E	93.658	375,631
Adoption Assistance	93.659	44,451
Social Services Block Grant	93.667	151,543
Independent Living	93.674	2,667
Medical Assistance Program (Title XIX)	93.778	<u>200,135</u>
Total Dept. Health & Human Services-pass through		\$ <u>1,284,321</u>
Total Department Health and Human Services		\$ <u>1,284,321</u>
Department of Agriculture:		
Pass Through Payments:		
Department of Agriculture:		
Food Distribution--School	10.555	77,801
Department of Education:		
National school breakfast program	10.553	101,568
National school lunch program	10.555	422,547
Department of Social Services:		
State Admin Matching Grants for Food Stamp Program	10.561	\$ <u>262,793</u>
Total Department of Agriculture - pass-through payments		\$ <u>864,709</u>
Total Department of Agriculture		\$ <u>864,709</u>
Department of Justice:		
Direct payments:		
Bulletproof vest program	16.607	\$ 3,326
Public Safety and Community Policing Grants	16.710	29,990
Grants to encourage arrest police	16.590	<u>63,061</u>
Total Department of Justice - direct		\$ <u>96,377</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2004

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Pass Through Payments:		
Department of Criminal Justice Service:		
Drug control and system improvement grant	16.579	\$ 5,000
Domestic Violence Grant	16.588	<u>38,309</u>
Total Department of Justice - pass-through		<u>\$ 43,309</u>
Total Department of Justice		<u>\$ 139,686</u>
Department of Homeland Security:		
Pass Through Payments:		
Department of Emergency Assistance:		
Disaster Assistance	97.036	<u>\$ 747,554</u>
Department of Housing and Urban Development:		
Pass Through Payments:		
Department of Housing and Community Development:		
Community Development Block Grant	14.228	<u>\$ 95,974</u>
Federal Emergency Management Agency:		
Pass Through Payments:		
Department of Emergency Services:		
State and Local All Hazards Emergency Operations Planning	83.562	<u>\$ 6,046</u>
Total Federal Emergency Management Agency		<u>\$ 6,046</u>
Department of Labor:		
Pass Through Payments:		
Department of Education:		
Employment services and job training	17.249	<u>\$ 19,169</u>
Department of Transportation:		
Pass Through Payments:		
Department of Motor Vehicles:		
State and Community Highway Safety Funds	20.000	\$ 3,298
Highway Planning and Construction (ISTEA)	20.205	321,765
Ground Transportation Safety	20.600	4,819
FY2004 Section 163 Funds	20.605	<u>11,450</u>
Total Department of Transportation		<u>\$ 341,332</u>
Department of the Navy:		
Direct Payments:		
ROTC	12.xxx	<u>\$ 49,800</u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2004

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
Department of Education:		
Direct Payments:		
School assistance in federally affected areas	84.041	\$ 73,485
Pass Through Payments:		
Department of Education:		
Adult Basic Education	84.002	31,711
Title I: Educationally deprived children	84.010	850,377
Title VI-B: Handicapped state grants	84.027	958,523
Vocational Education: Basic grants to states	84.048	99,723
Title VI-B: Handicapped preschool incentive grant	84.173	38,369
Drug free schools and communities	84.186	29,911
Charter Schools	84.282	61,797
Title VI: Improving school programs state block grant	84.298	85,030
Title II - Part A	84.367	<u>286,032</u>
Total Department of Education		<u>\$ 2,514,958</u>
Environmental Protection Agency:		
Pass Through Payments:		
Chesapeake Bay Local Assistance Department:		
Chesapeake Bay Grant	66.466	<u>\$ 17,369</u>
Total Federal Assistance		<u><u>\$ 6,080,918</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

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	\$ 891,653
Special Revenue Funds:	
Virginia Public Assistance Fund	1,361,884
CSA Fund	31,571
Revenue Maximazation Fund	153,659
Capital Projects Funds:	
County Capital Projects Fund	456,308
Total primary government	<u>\$ 2,895,075</u>
Component Unit Public Schools:	
School Operating Fund	\$ 2,583,927
School Cafeteria Fund	524,115
Total component unit public schools	<u>\$ 3,108,042</u>
Total federal expenditures per basic financial statements	<u>\$ 6,003,117</u>
Non-cash expenditures - value of donated commodities	<u>\$ 77,801</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 6,080,918</u></u>

COUNTY OF GLOUCESTER, VIRGINIA

Schedule of Findings and Questioned Costs
For the year ended June 30, 2004

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued unqualified

Internal control over financial reporting:

a. Material weaknesses identified? yes no

b. Reportable conditions identified that are not considered to be material weaknesses? yes none

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs

A. Material weaknesses identified? yes no

B. Reportable conditions identified that are not considered to be material weaknesses? yes 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 no

Identification of major programs:

<u>CFDA Numbers</u>		<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction Program
84.027/84.173	Special Education Cluster
97.036	Disaster Assistance

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

Auditee qualified as low-risk auditee? yes no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

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