



ISLE OF WIGHT  
COUNTY, VIRGINIA

# Comprehensive Annual Financial Report



FOR FISCAL YEAR ENDED JUNE 30, 2017

# **Isle of Wight County, Virginia**

## **Acknowledgments...**

The preparation of this report has been accomplished by the efficient and dedicated services of the staff of the Department of Finance and various departments.

The following Finance employees were instrumental in the preparation of this report:

Julie Boswell  
Virginia Branch  
Wendy Hu  
Nancy Mayo

Kay McKee  
Teresa Morgan  
Donna Proffitt

It is also appropriate to thank the County Administrator, the assistant County Administrator, the Board of Supervisors, for making possible the excellent financial position of the County through their interest and support in planning and conducting the financial affairs of the County.

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# ISLE OF WIGHT COUNTY, VIRGINIA

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March 30, 2018

Members of the Board of Supervisors and Citizens of the County of Isle of Wight, Virginia:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the County of Isle of Wight, Virginia for the fiscal year ended June 30, 2017. This report is intended to provide informative and relevant financial data for the residents of the County, Board of Supervisors, investors, creditors and any other interested readers.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County's management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. 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 government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with U. S. generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the County's 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. Further, as management we assert that all disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included in this financial report.

PBMares, LLP, a certified public accounting firm, audited the County's basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the County for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements and assessing the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's basic financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP with noted emphasis in the independent auditors report as presented in the first component of the financial section of this report. The independent audit of the financial statements of the County is part of a broader, federal

and state mandated “Single Audit” designed to meet the special needs of federal and state 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 government’s internal controls and compliance with legal requirements, with additional emphasis on the administration of federal and state awards. This “Single Audit” information will be available in a separately issued report and will be available upon request from the Department of Budget & Finance.

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’s MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

Isle of Wight County was formally established in 1634, although prior to 1637, the County was known as Warrosquoyacke. It is one of the oldest county governments in the United States of America and one of the original eight (8) shires by an order of King Charles I. Nestled on the shores of the James River in southeastern Virginia, Isle of Wight’s residents enjoy its rural nature spread over 320 square miles coupled with the quaint atmosphere of two (2) incorporated Towns – Smithfield and Windsor.

Isle of Wight County has a rich history that pre-dates its formal establishment in 1634. The County provided fertile farmland and hunting opportunities for its Native American inhabitants prior to the first English settlement in 1619. It still provides an excellent quality of life for over 36,000 residents while balancing its rural history with a future focused on quality commercial and residential growth.

The County has a traditional form of government. The five members of the Board of Supervisors are elected from districts and serve staggered four-year terms. The Board of Supervisors is the policy-making and legislative authority for the County. They are also responsible for adopting an annual budget and appointing a County Administrator. The Administrator is responsible for implementing policies, managing daily operations, and appointing County employees. The County provides a wide array of services to citizens. Major programs include Public Safety, Health and Welfare, Parks and Recreation, and Community Development. The financial reporting for the County covers all of these major areas, as well as the County Public Schools.

The **Public Safety** programs of the County feature five fire stations and two rescue squads staffed by well-trained volunteers and a growing number of professional firefighters and EMS personnel with state of the art equipment and well-maintained facilities. Two of the five fire stations provide first response services for both fire and EMS calls.

The **Health and Welfare** services program for the County was vastly improved by acquiring a facility formerly utilized as a family medical practice to serve as the location for the Isle of Wight County Health Department. The property was offered to the County at half of its appraised value and after extensive renovations were completed, it serves the community well by allowing the Health Department to significantly expand its public health services.

**Parks and Recreation** programs are essential to the quality of life of County residents. The Isle of Wight County Fair has become one of the community's signature events. Held at Heritage Park, it provides great family entertainment and highlights the County's rural roots, attracting over 30,000 visitors annually from all over the Commonwealth of Virginia.

The County is also home to Windsor Castle Park located in the heart of downtown Smithfield. It is a 210-acre riverside park that features a woodland trail system, picnic and play areas, a dog park, kayak and canoe launch, scenic overlook and the Windsor Castle Historic Site. Windsor Castle Farm was originally part of a 1,450-acre parcel patented in 1637 by Arthur Smith and is situated on a knoll overlooking the Pagan River. The site preserves the rich historic heritage of the Castle, as well as providing a passive public park on the estate grounds.

**Community Development** continues to be an extremely important focus of the Board of Supervisors in that it provides an opportunity for the County to preserve its natural beauty while simultaneously promoting smart growth. The County's Comprehensive Land Use Plan is designed to encourage manageable residential and commercial growth in specific areas of the County while preserving farm land and forestry in an effort to maintain the County's rural character and natural beauty.

As part of its community-wide vision, the County has designated three strategic growth areas called Development Service Districts, or DSDs. The three DSDs are located around and close to the existing population centers of Carrollton, Windsor, and Camptown. The benefits of these strategic growth areas include:

- Existing and planned public water and sewer facilities.
- Ready access to the region's transportation network, including Route 17, Route 258, Route 460, and Route 58 as well as two rail lines, which provide direct connections to the Virginia Ports.
- Proximity to the nearby population centers of Smithfield, Windsor, Franklin, Newport News, and Hampton as well as the rest of the Hampton Roads region.
- Planned, future growth opportunities including a mix of residential, commercial and industrial land uses.

Even with its historic low density land use pattern, the County has maintained a healthy population growth rate over the last thirty years. Since the 2000 US Census, the County has grown an average

of approximately 1.78% per year, which is higher than the State's average growth rate of 1.45% over the same time period as well as the national average growth rate of 1.2%. The Virginia Employment Commission (VEC) projects 38,828 persons by 2020, or a 10.1% increase over 2010. This represents an average annual growth rate of approximately 1% through 2040. This average growth rate is consistent with the average growth rate for the state as a whole. This slowing of average growth rate is attributed to the wider trend of a slowdown of birthrates and the general aging of the population.

Despite this relative sluggish growth rate compared to pre-2008 levels, the local economy is showing signs of gradual recovery based on positive growth in regional indicators such as real gross regional product, a continued reduction in the unemployment rate, increased retail sales, increased tourism revenue, an increase in housing sales and increasing port activity. Isle of Wight County provides a close example of the improvement in conditions in the housing market. The Smithfield Times recently reported that sales of existing homes are up 11 percent from last year, and building permits for single family homes were up 42 percent, according to the multiple listing service and the U.S. Census. In 2015, there were 478 houses sold in Isle of Wight and 532 in 2016. Building permits also increased from 121 in 2015 to 172 in 2016.

The County's **Public Schools** are operated by a legally distinct governing body and the County provides a significant portion of the funding for a school system recognized for excellence.

Isle of Wight County Schools implement research-based instructional strategies to provide rigorous and engaging learning experiences that ensure student success. The division educates more than 5,500 students in grades PreK-12 at nine schools: five elementary schools, two middle schools, and two high schools.

All nine schools earned full accreditation from the Virginia Department of Education. Isle of Wight County Schools met or exceeded the state pass rates in all core subjects. Division-wide, students increased overall pass rates in Science in every student subgroup. Isle of Wight County Schools earned an on-time graduation rate of nearly, 94 percent (93.8%) for the Class of 2017, according to data released by the Virginia Department of Education.

The County's Schools rank 33<sup>rd</sup> out of 132 school districts in Virginia according to SchoolDigger. The Isle of Wight County Schools continue to rise to the challenge of meeting increases in state and federal benchmarks, many of which are unfunded mandates. The division's success is attributed to the dedicated administrators, teachers, and staff. The division benefits from strong relationships between the community and the schools.

## **Economic Overview**

Isle of Wight County is a community of choice for homeowners and businesses alike because of its rural aesthetics and affordable tax rates. Maintaining and improving the quality of life for residential and commercial residents requires a commitment to the long-term strategies for economic development. Those strategies include significant investment in the infrastructure to serve the County's Shirley T. Holland Intermodal Park.

Strategically located for port-related businesses, the 1,500-acre park provides affordable sites close to The Port of Virginia. Businesses in the park can easily access the Port using U.S. Route 460 or U.S. Route 58 or by rail on the adjacent Norfolk Southern Heartland Corridor.

The Park, part of Foreign Trade Zone #20, is a designated Enterprise Zone which offers state and local incentive programs for qualifying businesses that locate there. The Port of Virginia also offers the Economic and Infrastructure Development Zone Grant Program for Port users. The park is home to three national companies, including Cost Plus World Market, Safco Products Company and Keurig Green Mountain, which together employ over 850 people. The total private investment in the park since 2000 is over \$230 million, which resulted in annual direct tax revenues of over \$2.4 million in 2016.

Keurig Green Mountain, Inc. purchased a 330,000 square-foot spec building on a 64-acre parcel of land in Phase II of Shirley T. Holland Intermodal Park, where it houses coffee roasting, grinding, flavoring, and packaging operations for its single-serve portion packs for its Keurig® Single-Cup Brewing System. The facility has approximately 550 employees.

In 2015, Cost Plus World Market completed substantial upgrades to its 1.1 million-square-foot facility in Shirley T. Holland Intermodal Park including expansion of its climate-controlled chocolate room and the installation of a new sorting and racking system to improve operational efficiencies.

The County completed the design of a “permit-ready” site in 2017 to accommodate up to a 350,000-square-foot building in Shirley T. Holland Intermodal Park Phase II. The permit-ready site will allow clients to begin construction immediately, which makes the site more attractive to buyers because it reduces risks and project completion time.

In 2016, the County was awarded a state grant through the new Virginia Business Ready Sites Program to assist with an industrial site assessment for about 985 acres in Phase III of the park.

International Paper had been a mainstay in the County until its 2009 announcement to close its local plant; however, in 2011, the company announced its plan to reopen a portion of its operation to manufacture fluff paper creating \$90 million in capital investment and over 200 jobs.

In 2012, ST Tissue initiated plans to invest \$60 million and create 85 jobs to establish a recycled tissue plant. The company recycles waste paper into tissue for napkins and towels using a part of the International Paper mill property. In September 2016, Gov. Terry McAuliffe announced that ST Tissue LLC, would invest \$35 million to expand its manufacturing operation. The company will add a new tissue machine and hard-wound towel line that will increase existing capacity by more than 45,000 tons annually.

Virginia successfully competed against Wisconsin for the project, which will create 50 new jobs with an average salary of \$53,000.

In 2013, former employees of the International Paper mill formed Franklin Lumber, LLC, reopened the saw mill, investing over \$4.6 million to date and creating 66 new jobs. In December 2016, the owners of Franklin Lumber purchased the former ATC Panels facility. The company is using a portion of the facility to collect and package wood shavings from its operations for recycling into manufactured wood fuel pellets for residential and industrial end users. Economic Development staff is assisting the owners with marketing the remaining space for other wood-based manufacturing firms.

Isle of Wight County's first solar farm powered up in December 2016. Woodland Solar features 79,648 panels on more than 100 acres of farmland owned by the Oliver family. The \$44 million facility, located in Smithfield, is owned by Dominion Virginia Power and took about six months to build. The project created approximately 200 construction jobs. It is a 19-megawatt facility, and it will power roughly 4,700 homes. Tours of the facility are available to the public.

As the United States emerges from the *Great Recession*, there are signs of economic growth in the county's tax base. Isle of Wight County housing starts in 2016 were up significantly over 2015 with a 41% increase. Permits for new houses totaled 172 compared to 122 in 2015. Housing starts in 2016 exceeded the previous year permits in each quarter when compared to 2015 indicating a steady growth.

In addition to the increased housing starts, it is interesting to note that the value of homes built in FY17 was higher than the value of those built in FY16. Homes built in FY17 had an average value of \$294,000 compared to a value of \$263,000 in FY16. Since the rate tables did not change, this is an indication of larger homes and higher construction quality being built. The same is true of condos being constructed. In FY17, the average value of a condo constructed in Isle of Wight was \$176,000 compared to \$140,000 in FY16.

Economic growth is also being realized in the area of Machinery & Tools as manufacturers are reporting purchases of new equipment. Business equipment assessments are also increasing as businesses are investing in new equipment and new businesses are being established. Overall, Isle of Wight County is experiencing positive growth in its tax base.

## **Financial Guidelines**

The County prepares an annual Operating Budget that balances revenues and expenditures within available resources to ensure the sustainability of day-to-day operations and essential services for its citizenry.

The County also prepares a Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool for the efficient, effective and equitable distribution of public improvements throughout the County. The plan represents a balance between finite resources and an increasing number of competing priorities. The County develops a five-year CIP each year inclusive of the capital needs of the Public Schools. The Board of Supervisors approves the first year of the plan as the Capital Budget after legal advertising and public hearing requirements have been met.

The CIP also anticipates significant projects that are envisioned beyond the initial five-year period and identifies projects up to ten years out to allow for appropriate long-term planning and financial projections.

The CIP represents a fiscally responsible approach in its level of reliance on long-term financing for general County improvement projects. The CIP will utilize debt financing as a funding source only after it has been determined that the County can afford to service this debt and the associated operating expenses in subsequent years.

The **Debt Guidelines** adopted to meet the fiscal challenges of financing capital projects identified in the Capital Budget are as follows:

- The County's tax-supported debt service will not exceed 12 percent of general governmental expenditures. Tax-supported debt service shall include any debt service on general obligation bonds which are not self-supporting from a user fee revenue stream (i.e. water and sewer fee). A self-supporting revenue stream is defined as a revenue stream that provides coverage of all debt service obligations without general fund support. Any long-term financing lease obligations which may be subject to annual appropriation by the County will also be included in calculations of tax-supported debt service.
- The County's tax-supported debt will not exceed 4 percent of the assessed value of taxable real and personal property in the County.

### **Major Initiatives and Accomplishments**

During the past year, the County was involved in a number of major projects. Highlights of these projects are discussed in the following paragraphs.

The County issued \$8 million in general obligation bonds for the purchase and construction of a new 800 MHz, E911 public radio communication system which will include the construction of 5 new public safety radio towers.

The Benn's Church intersection improvement project was completed in the County's northern Development Service District in the Summer of 2016. This \$5.7 million transportation project was a public/private partnership between Isle of Wight County, VDOT, and local development partners to address existing roadway deficiencies and provide infrastructure to incentivize future growth opportunities. The project included construction of new thru and turn lanes, new signals, and new stormwater facilities which are estimated to more than double the available capacity while providing an improved level of service at the intersection. The innovative quadrant intersection design has already been shown to noticeably reduce travel times.

The County began the development of its new comprehensive plan with an initial public engagement process that started in June 2017. The public input process included an online survey, 10 community meetings and establishing a project website at [www.iwus.net/plan](http://www.iwus.net/plan). Hard copies of the survey were also made available at kiosks located at key locations such as libraries, Smithfield Town Hall, and Windsor Town Hall along with the public meetings held throughout the County.

During this phase of public input, the County received over 754 survey responses and over 135 people attended the public meetings.

In addition to beginning the update of this important strategic planning document, the County also made several important amendments to increase the flexibility of its Zoning Ordinance, including reducing the regulatory criteria for signage, public safety radio towers, and pre-existing lots and structures within its Chesapeake Bay Preservation Areas. The County also expanded the number of uses permitted as home occupations in the County, such as gunsmiths and personal transportation services. The Virginia General Assembly drove other legislative changes to the County's ordinance, including easing of restrictions on nonconforming uses and setting stricter criteria for the acceptance of voluntary cash proffers. Throughout the next year, the County will continue to strive to identify ways to streamline the development review process and improve service levels to its residents and businesses.

The County issued \$7.9 million in general obligation bonds for new construction and renovation projects at Smithfield and Windsor High Schools to provide for Career and Technical Education facilities at each high school in place of a contracted service that the School System had been paying for at the Pruden Center in Suffolk.

In August 2017, Moody's Investors Service Inc. and Fitch Ratings affirmed the County's excellent Aa2 and AA credit rating respectively with a stable outlook. S&P Global Ratings affirmed the County's credit rating of AA with a revised outlook to positive from stable.

### **Awards**

In recognition of its Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2016, a Certificate of Achievement for Excellence in Financial Reporting was awarded to Isle of Wight County by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and reporting, and its attainment represents a significant accomplishment by a government and its management.

The County also received the GFOA's Distinguished Budget Presentation Award for its budget for the Fiscal Year Beginning July 1, 2017.

## Acknowledgement

We would like to express our appreciation to the County staff who contributed to the timely preparation of this report. We would also like to thank the members of the Board of Supervisors for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Randy R. Keaton', written in a cursive style.

Randy R. Keaton  
County Administrator

A handwritten signature in blue ink, appearing to read 'Wendy Hu', written in a cursive style.

Wendy Hu  
Director of Finance



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# ISLE OF WIGHT COUNTY, VIRGINIA

**Isle of Wight County, Virginia**  
**Officials**  
**June 30, 2017**

**Primary Government Officials**

BOARD OF SUPERVISORS

Rex W. Alphin, Chairman.....Carrsville District  
William M. McCarty, Vice-Chairman.....Newport District  
Rudolph Jefferson.....Hardy District  
Richard L. "Dick" Grice.....Smithfield District  
Joel C. Acree.....Windsor District

CONSTITUTIONAL OFFICERS

Georgette C. Phillips.....Commonwealth's Attorney  
Gerald H. Gwaltney.....Commissioner of the Revenue  
Sharon N. Jones.....Clerk of Circuit Court  
Mark M. Marshall.....Sheriff  
Judith C. Wells.....Treasurer

ADMINISTRATIVE OFFICERS

Randy R. Keaton ..... County Administrator (September 1 - June 30, 2017)  
Donald T. Robertson.....Assistant County Administrator  
Michael W. Terry.....Director, Budget & Finance (July 1 - December 31, 2016)  
Wendy Hu.....Director, Budget & Finance (March 1 - June 30, 2017)  
Mark C. Popovich.....County Attorney

**School Board Officials**

SCHOOL BOARD

Alvin Wilson, Chairman.....Hardy District  
Victoria "Vicky" Hulick, Vice-Chairman.....Newport District  
Kirstin Cook.....Smithfield District  
Julia W. Perkins.....Windsor District  
Jackie W. Carr.....Carrsville District

ADMINISTRATIVE OFFICERS

Dr. James "Jim" Thornton.....Superintendent  
Rachel Yates.....Director of Budget & Finance  
Stacy Haney, Reed Smith LLP.....School Attorney



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

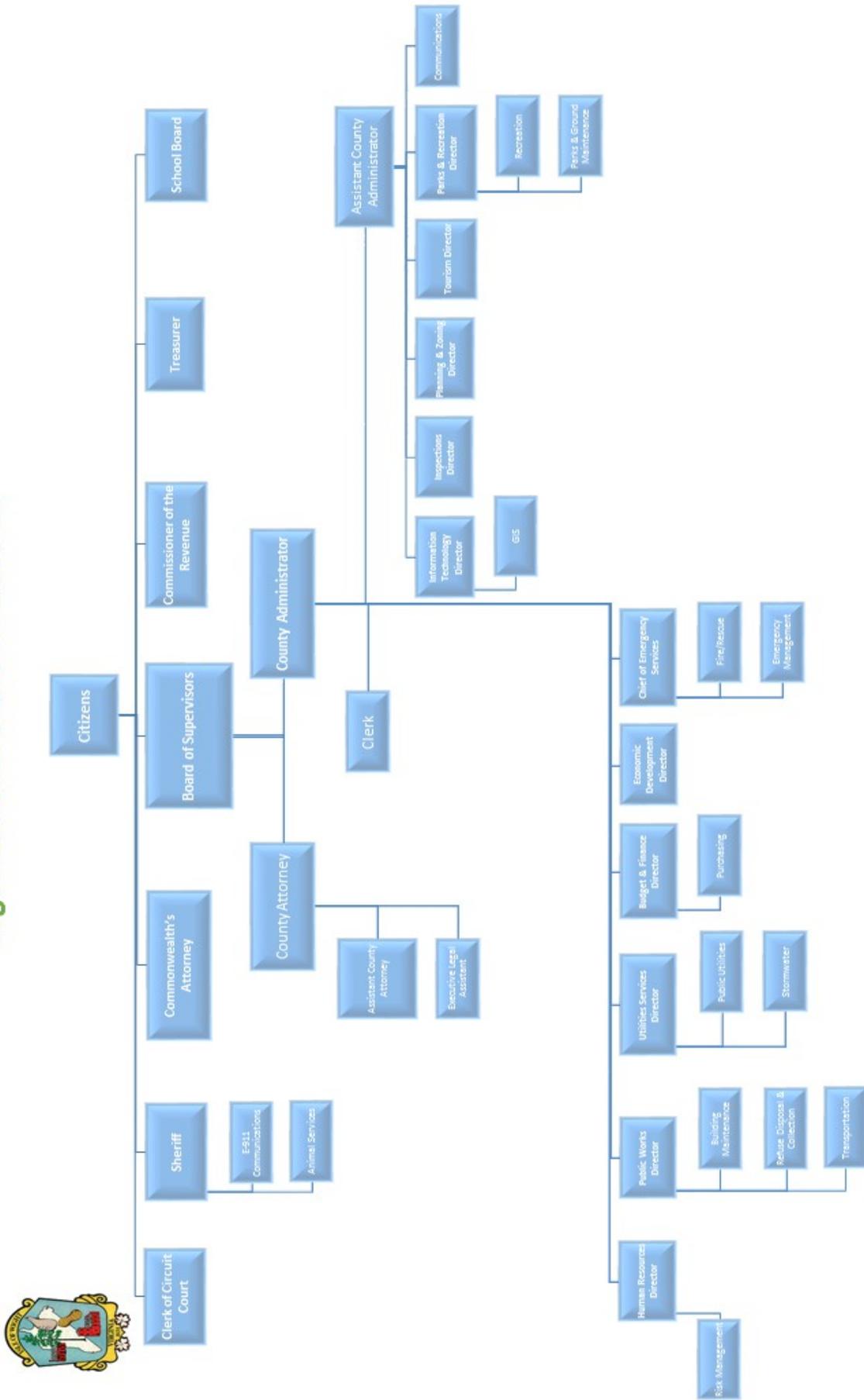
**County of Isle of Wight  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# Organizational Chart FY 2016-17





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# ISLE OF WIGHT COUNTY, VIRGINIA

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the Board of Supervisors  
County of Isle of Wight, Virginia

### **Report on the Financial Statements**

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 Isle of Wight, Virginia (County), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 13 to the financial statements, the County restated net position to adjust capital assets and accumulated depreciation to correct errors related to jointly owned assets. The School Board Component Unit restated net position to adjust capital assets and accumulated depreciation to correct errors related to jointly owned assets and to adjust other capital asset balances to agree to subsidiary ledgers. The Economic Development Authority Component Unit restated net position to record land held for resale not recorded in the prior year.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 5-14 and 89-102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financials. The accompanying schedules listed in the table of contents as introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*PBMares, LLP*

Harrisonburg, Virginia  
March 30, 2018



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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## *County of Isle of Wight, Virginia* *Management's Discussion & Analysis*

This section of the County of Isle of Wight, Virginia's (County) annual financial report presents our discussion and analysis of the County's financial performance for the fiscal year ended June 30, 2017. Please read it in conjunction with the County's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The net position of the County, excluding the component units as of June 30, 2017 was \$3.8 million a 132.7% increase from the previous fiscal year. The beginning net position was restated due to an adjustment to the jointly owned capital assets. Please reference Note 13 for additional information. Of the total net position, \$23.1 million is restricted for capital projects, while \$9.7 million is unrestricted.
- The County's net position for the governmental activities was \$13.7 million, a 9100.8% increase from FY 2016. \$17.7 million of the governmental net position is restricted for capital projects and \$8.3 million remains unrestricted.
- The net position of business activities was a deficit of \$9.9 million resulting from a deficit in net investment in capital assets of \$16.6 million. Business activities has \$5.3 million net position restricted for capital assets and \$1.4 million unrestricted.
- The County's General Fund reported a net increase in fund balance of \$0.8 million, with a total fund balance of \$19.4 million. Of this amount, \$11.0 million is unassigned. The increase is due to the County's management of expenses and implementation of cost containment measures throughout the fiscal year.
- The County's long-term debt (bonds, loans and capital leases) at June 30, 2017 was \$163.0 million, an increase of 7.9% due to the issuance of debt for County and School projects and a continued participation in the MasterLease Program for the purchase of vehicles and equipment.
- The County's tax rate on real estate did not increase from the prior year rate of \$0.85 per \$100 of assessed value. This is currently the lowest tax rate in the Hampton Roads area.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - *Management's Discussion and Analysis* (this section), the *basic financial statements*, and *required and other supplementary information*. The basic financial statements include two statements presenting different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.
- *The governmental funds* statement tells how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as public utilities.
- *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong, such as Special Welfare.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required and other supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1, Required Components of the County's Annual Financial Report**

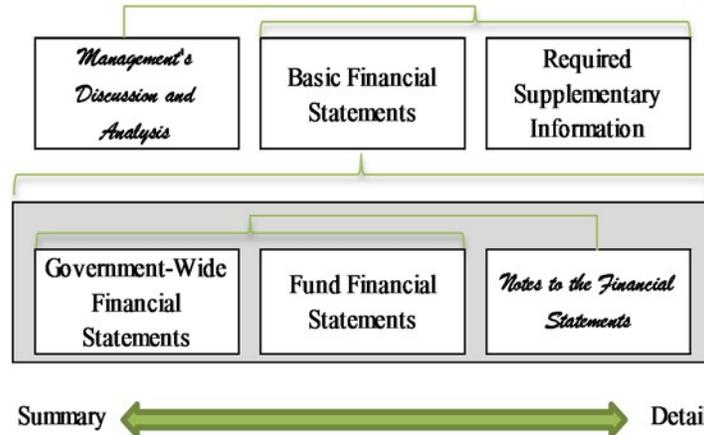


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Type of Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire County's government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses: public utilities.	Instances in which the County is the trustee or agent for someone else's resources: Special Welfare
<b>Required financial statements</b>	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures & changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net position
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets, although they can
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

## Government-wide Statements

The *government-wide financial statements* report information about the County using accounting methods similar to those used by private-sector companies. These statements provide both long-term and short-term information about the County's overall financial status. Government-wide financial reporting consists of two statements: the Statement of Net Position and the Statement of Activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to reporting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how they have changed. Net position, the difference between the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in the County's tax base.

The government-wide statements of the County include the following:

- **Governmental activities** - Most of the County's basic services are reported here including general government, judicial administration, public safety, public works, education, health and welfare, parks and recreation and economic and community development. Property taxes, other local taxes, and state and federal grants finance most of these activities.
- **Business-type activities** - The County's water, sewer and stormwater services are reported as business-type activities. These services are mostly supported by charges for services based on use.
- **Component Units** - The County includes two separate legal entities in its report - the Isle of Wight County School Board and the Industrial Development Authority of the County of Isle of Wight. While legally separate, the County is financially accountable and provides operating and capital funding to these component units.

## Fund Financial Statements

The fund financial statements provide additional information about the County's most significant funds. These statements focus on the individual parts of the County government and groupings of related accounts that are used to maintain control over resources that have been segregated for specific purposes. Governments use fund accounting to ensure and demonstrate finance-related legal compliance. The fund financial statements are divided into three categories: governmental funds, proprietary funds and fiduciary funds. These financial statements are supplemented by accompanying Notes to the Financial Statements and Required Supplemental Information.

- **Governmental funds** - Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's services. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page, which explains the relationship (or differences) between them.
- **Proprietary Funds** - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The County's enterprise fund (one type of proprietary fund) is used to report the same functions presented as business-type activities in the government-wide financial statements, but the fund financial statements provide more detail and additional information, such as cash flows. The County's public utilities enterprise fund accounts for the operation of its water and sewer systems while the stormwater enterprise fund accounts for the operation of its stormwater system.

- **Fiduciary Funds** - The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's services. The accounting used for fiduciary funds is similar to that of the proprietary funds. The County maintained Special Welfare and School Activity Agency Funds in fiscal year 2017.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table A-1 summarizes the Statement of Net Position at June 30, 2017 and 2016.

**Table A-1**

	Governmental Activities		Business - Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 62,251,917	\$ 48,896,998	\$ 13,961,387	\$ 12,250,672	\$ 76,213,304	\$ 61,147,670
Capital assets	87,424,459	89,137,637 *	14,027,060	14,221,413	101,451,519	103,359,050 *
<b>Total assets</b>	<u>149,676,376</u>	<u>138,034,635</u>	<u>27,988,447</u>	<u>26,472,085</u>	<u>177,664,823</u>	<u>164,506,720</u>
<b>Deferred outflows of resources</b>	5,847,098	4,575,420	2,432,458	2,688,968	8,279,556	7,264,388
Current liabilities	\$ 6,831,968	\$ 8,011,063	\$ 1,840,265	\$ 1,848,832	\$ 8,672,233	\$ 9,859,895
Long-term liabilities	133,152,103	119,231,631	38,414,728	38,902,356	171,566,831	158,133,987
<b>Total liabilities</b>	<u>139,984,071</u>	<u>127,242,694</u>	<u>40,254,993</u>	<u>40,751,188</u>	<u>180,239,064</u>	<u>167,993,882</u>
<b>Deferred inflows of resources</b>	1,818,253	15,218,629	95,602	50,348	1,913,855	15,268,977
Net Investment in capital assets	(13,319,241)	(17,351,642) *	(16,643,332)	(16,265,290)	(29,962,573)	(33,616,932) *
Restricted	18,689,154	5,467,291	5,320,770	5,522,985	24,009,924	10,990,276
Unrestricted	8,314,662	12,033,083	1,392,872	(898,178)	9,707,534	11,134,905
<b>Total net position</b>	<u>\$ 13,684,575</u>	<u>\$ 148,732</u> *	<u>\$ (9,929,690)</u>	<u>\$ (11,640,483)</u>	<u>\$ 3,754,885</u>	<u>\$ (11,491,751)</u> *

\* Restated FY 16 balance

As described earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the fiscal year, the County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3.8 million, a 132.7% increase from the previous year due to an adjustment to jointly owned capital assets. Total assets increased by \$13.2 million, an 8.0% increase and total liabilities increased by \$12.3 million, a 7.3% increase when compared to June 30, 2016.

The largest portion of the County's net position at June 30, 2017 is restricted net position which increased by \$13.0 million, or a 118.5% increase when compared to the prior year. The unrestricted net position of the County in FY 2017 was \$9.7 million, which represents 258.5% of total net position.

### Governmental Activities

Of the total net position of the County, \$13.7 million can be attributed to governmental activities. This is a \$13.5 million or 9100.8% increase from the prior year. The increase is mainly due to an allocation adjustment to jointly owned capital assets which is reflected as a restatement in the beginning net assets.

Liabilities of the governmental funds are \$140.0 million, up by \$12.8 million or a 10.0% increase from the prior year. This is due to the issuance of general obligation bonds in FY 2017.

### Business-Type Activities

The Public Utilities and Stormwater Funds had a negative net position of \$9.9 million, which is \$1.7 million better than the prior year due to transfers from the County's general fund. The net position includes \$1.4 million which is unrestricted and \$5.3 million restricted for capital projects. A deficit of \$16.6 million in net investment in capital assets largely contributes to the negative net position.

Total liabilities decreased slightly by \$0.5 million to compared to FY 2016. This represents a 1.2% decrease over the prior year.

The following summarizes the County's changes in net position for the years ended June 30, 2017 and 2016:

**Table A-2**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 5,368,399	\$ 2,786,734	\$ 6,988,013	\$ 6,009,332	\$ 12,356,412	\$ 8,796,066
Operating grants and contribution	9,874,844	5,357,743	-	-	9,874,844	5,357,743
Capital grants and contribution	2,827,555	3,059,806	-	2,469,514	2,827,555	5,529,320
General Revenue:						
Taxes	70,744,959	64,073,472	-	-	70,744,959	64,073,472
Others	1,427,624	1,852,691	44,586	18,397	1,472,210	1,871,088
<b>Total Revenues</b>	<u>90,243,381</u>	<u>77,130,446</u>	<u>7,032,599</u>	<u>8,497,243</u>	<u>97,275,980</u>	<u>85,627,689</u>
<b>Expenses</b>						
General government administration	\$ 5,305,220	\$ 6,596,750	\$ -	\$ -	\$ 5,305,220	\$ 6,596,750
Judicial administration	1,711,476	1,358,364	-	-	1,711,476	1,358,364
Public safety	15,820,681	13,206,973	-	-	15,820,681	13,206,973
Public Works	5,029,762	9,279,614	-	-	5,029,762	9,279,614
Health and welfare	4,232,228	3,832,773	-	-	4,232,228	3,832,773
Education	28,709,110	28,279,608	-	-	28,709,110	28,279,608
Parks, recreation and cultural	3,593,465	4,118,975	-	-	3,593,465	4,118,975
Community development	2,259,598	3,457,268	-	-	2,259,598	3,457,268
Interest on long-term debt	5,123,993	4,498,640	-	-	5,123,993	4,498,640
Public utility	-	-	8,787,726	9,016,192	8,787,726	9,016,192
Stormwater	-	-	1,456,085	820,320	1,456,085	820,320
<b>Total expenses</b>	<u>71,785,533</u>	<u>74,628,965</u>	<u>10,243,811</u>	<u>9,836,512</u>	<u>82,029,344</u>	<u>84,465,477</u>
<b>Excess (deficiency) before transfers</b>	18,457,848	2,501,481	(3,211,212)	(1,339,269)	15,246,636	1,162,212
Transfers	(4,922,005)	(1,565,679)	4,922,005	1,565,679	-	-
<b>Change in net position</b>	13,535,843	935,802	1,710,793	226,410	15,246,636	1,162,212
Net position - beginning of year (restated)	148,732 *	(787,070)	(11,640,483)	(11,866,893)	(11,491,751)	(12,653,963)
Net position - end of year	<u>\$ 13,684,575</u>	<u>\$ 148,732</u>	<u>\$ (9,929,690)</u>	<u>\$ (11,640,483)</u>	<u>\$ 3,754,885</u>	<u>\$ (11,491,751)</u>

\* Restated FY 16 balance

The total revenue of the County was \$97.3 million in the year ended June 30, 2017, which is \$11.6 million more than the prior year while the total expenditures of all programs and services was \$82.0 million which is \$2.8 million less than FY 2016. A more detailed explanation of the changes in both governmental and business-type activities is given below.

### Governmental Activities

The County's total revenues for governmental activities were \$90.2 million, of which a significant portion, 78.4% comes from local taxes. Expenditures of all governmental programs and services was \$71.8 million. Charges for services for FY 2017 was \$5.4 million and increased by \$2.6 million. This was largely due to increased billings and collections of Emergency Services revenues over the budgeted amount. Revenues from operating grants increased \$4.5 million from the prior year due to a revenue reclassification in FY 2017. Capital grants and contributions fell overall by \$0.2 million or 7.6%. Tax revenues for the governmental funds increased by \$6.7 million or 10.4%.

Total expenses decreased by \$2.8 million, or a decrease of 3.8% from the year ended June 30 2016. The decrease can be attributed to General Government Administration \$(1.3 million), Community Development (\$1.2 million) and Public Works \$(4.2 million) offset by increases in Public Safety expenditures of \$2.6 million largely due to increased pension and capital cost. The reduction in General Government Administration expenditures was a result of unspent professional service fees. While the decrease in Community Development was due to \$1.2 million less in FY 2016 for Economic Development Incentive Grants. Qualifying businesses must adhere to strict rules in order to qualify for these incentives from the County. A decrease in Public Works was largely due to a reduction in tipping fees from the Southeastern Public Service Authority (SPSA) in FY 2017. The remaining net increase in expenses of \$1.3 million is comprised of Judicial Administration - \$0.4 million; Health & Welfare - \$0.4 million; Education - \$0.4 million; Parks, recreation & cultural - \$(0.5 million) and interest on long-term debt - \$0.6 million.

### Business-Type Activities

Total revenues decreased by \$1.5 million, or 17.2% from the year ended June 30, 2016. Charges for services increased by \$1.0 million. Capital grants and contributions decreased by \$2.5 million from business-type activities. The Public Utilities Fund had an overall decrease in total revenue due to the prior year having substantially higher sewer and water connection fees as a result of the Benn's Grant development, while the Stormwater Fund revenue decreased by less than \$0.1 million or 3.6%.

Expenses for business-type activities had a slight increase of \$0.4 million or 4.1.0% over FY 2016. This is due to a \$0.2 million decrease in Public Utilities expenses and a \$0.6 million increase or 77.5% increase in Stormwater Fund expenses. Stormwater expenses were greater than last year primarily due to increased professional services.

### Governmental Activities

Table A-3a presents the cost of each of the County's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid).

**Table A-3a**

	Total Cost of Services			Net Cost of Services		
	2017	2016	% Change	2017	2016	% Change
Governmental Activities:						
General government						
administration	\$ 5,305,220	\$ 6,596,750	-19.6%	\$ (3,650,655)	\$ 5,626,838	-164.9%
Judicial administration	1,711,476	1,358,364	26.0%	1,007,429	780,718	29.0%
Public safety	15,820,681	13,206,973	19.8%	11,613,382	9,594,498	21.0%
Public works	5,029,762	9,279,614	-45.8%	4,373,093	6,679,833	-34.5%
Health and welfare	4,232,228	3,832,773	10.4%	1,787,522	1,535,502	16.4%
Education	28,709,110	28,279,608	1.5%	28,709,110	28,279,608	1.5%
Parks, recreation and cultural	3,593,465	4,118,975	-12.8%	2,758,818	3,456,572	-20.2%
Community development	2,259,598	3,457,268	-34.6%	1,992,043	2,972,473	-33.0%
Interest on long-term debt	5,123,993	4,498,640	13.9%	5,123,993	4,498,640	13.9%
<b>Total expenses</b>	<b>\$ 71,785,533</b>	<b>\$ 74,628,965</b>	<b>-3.8%</b>	<b>\$ 53,714,735</b>	<b>\$ 63,424,682</b>	<b>-15.3%</b>

- The cost of all *governmental* activities this year was \$71.8 million, a 3.8% decrease from the previous year.
- Education continues to be one of the County's highest priorities and commitments representing 40.0% of total costs and 52.4% of General Fund expenditures.

### Business-type Activities

**Table A-3b**

	Total Cost of Services			Net Cost of Services		
	2017	2016	% Change	2017	2016	% Change
Business-type Activities:						
Public Utilities	\$ 8,787,726	\$ 9,016,192	-2.5%	\$ 3,554,599	\$ 2,518,512	41.1%
Stormwater	1,456,085	820,320	77.5%	(298,801)	(1,160,846)	-74.3%
<b>Total expense</b>	<b>\$ 10,243,811</b>	<b>\$ 9,836,512</b>	<b>4.1%</b>	<b>\$ 3,255,798</b>	<b>\$ 1,357,666</b>	<b>139.8%</b>

Total revenues of the Public Utility Fund decreased by \$1.2 million or 19.0% over last year while expenses decreased by 2.5%. The higher revenues are mainly due to increased charges for service.

In FY 2017, the General Fund transferred \$4.9 million to support the operations of the Public Utilities fund which has been the practice in prior fiscal years. However, the operation of Public Utilities is expected to continue to grow and it is the intent of the County to establish a repayment schedule to the Governmental Funds for previous operating transfers.

Total revenues of the Stormwater Fund decreased by \$0.2 million or 11.4% while the expenses increased by \$0.6 million or 77.5% from the year ended June 30, 2016 due to increased contractual services. The increase in expenditures was due to increased professional services.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County uses fund accounting to maintain control over resources that have been segregated for specific purposes and to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds** – The primary purpose of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information assists in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$43.5 million, of which \$10.7 million or 24.5% is unassigned.

- **General Fund.** The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance was \$11.0 million or 23.5% lower than FY 2016. This was primarily due to a \$2.5 million reclassification of the Purchase Agricultural Conservation Easement Program (PACE) from unassigned to committed fund balance for future debt service. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total current expenditures. At June 30, 2017, the unassigned fund balance represented approximately 20.0% of the total General Fund expenditures. For FY 2017, the general fund had a total fund balance of \$19.4 million, or 4.2% higher than the previous year. The committed fund balance was \$3.9 million of which \$1.6 million is for the Economic Development Investment Program and \$2.3 million is committed for the Purchase Agricultural Conservation Easement Program (PACE). The assigned fund balance was \$3.6 million. The remainder fund balance components are in the nonspendable and restricted categories and total \$0.9 million.
- **Capital projects fund.** The capital projects fund accounts for all construction projects of general public improvements, excluding capital projects related to business-type activities, which are accounted for in their respective fund. At the end of the current fiscal year, the fund balance was \$23.6 million, an increase of \$15.0 million or 173.8% over FY 2016. The increase is due to \$15.9 million in bond funds dedicated for the E911 Radio System project and Schools Career Technical Education (CTE) project. The restricted fund balance was \$17.7 million which is restricted for School and County capital projects.
- **Non-Major Governmental Funds.** The County accounts for other programs and services in different funds. These funds include the Department of Social Services, Children's Services Fund, E-911 Funds, Community Development Block Grant Funds, the County Fair, the Grants Fund and the Heritage Park Concert Fund. At June 30, 2017, the combined fund balances were \$0.5 million.

**Proprietary funds** – The County's proprietary funds consist of the Public Utilities and Stormwater Fund. More detailed information can be found in the government-wide financial statements.

The net position of the Public Utility Fund at the end of the current fiscal year was a deficit of \$14.1 million, of which a deficit of \$17.5 million is representative of net investment in capital assets and a deficit of \$1.9 million is unrestricted at June 30, 2017. Additionally, \$5.3 million is restricted net position and represents less than 3.5% decrease from the prior year. The total net position is slightly less than \$1.0 million better than the prior year which equates to 6.5%.

The net position of the Stormwater Fund for FY 2017 was \$4.2 million which is a \$0.7 million increase over the prior year. This increase was due to new construction of homes and apartment communities. Eagle Harbor development had eight new buildings in FY 2017 and Benn's Grant had 71 new homes. The net investment in capital assets for the Stormwater Fund at the end of the current fiscal year was \$0.9 million and the unrestricted net position was \$3.3 million.

### General Fund Budgetary Highlights

The County's annual budget is prepared on an operating basis and includes estimated revenues and annual appropriations for operations. Actual general fund revenues (excluding other financing sources) were \$1.4 million less than the final budget primarily due to machinery and tool tax refunds. The difference between the original budget for FY 2017 and the final budget was \$3.9 million. This increase was partially due to rollovers from the prior year (\$3.2 million) and the transfer of unexpended funds from Economic Development to the machinery and tools budget line of \$0.3 million. Actual General Fund expenditures, excluding transfers between funds, interfund transfers and debt service costs, were \$1.1 million below the final budget due to unexpended budget in Economic Development incentives, County Attorney professional fees and other cost saving measures.

### Capital Assets

At the end of fiscal year 2017, the County had invested \$101.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Annually, the Board of Supervisors adopts a five (5) year Capital Improvement Plan with a five (5) year horizon. The capital improvement plan begins with a review of requests from departments, agencies and other organizations by a sub-committee, comprised of three (3) members from the Planning Commission and two (2) members from the Board of Supervisors. The funding stream, consisting of operating revenues, reserves and bonded debt is also reviewed in connection with the requests. The proposed plan is then presented to the Planning Commission for discussion and review and subsequently presented to the Board of Supervisors for adoption. More detailed information on the county's capital assets are presented in Note 6 to the basic financial statements.

**Table A-4**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Nondepreciable assets						
Land	\$ 13,107,935	\$ 13,303,370	\$ 463,013	\$ 228,840	\$ 13,570,948	\$ 13,532,210
Intangibles	4,338,512	4,338,512	-	-	4,338,512	4,338,512
Construction in progress	4,542,834	3,088,979	1,872,401	1,545,982	6,415,235	4,634,961
Total nondepreciable assets	21,989,281	20,730,861	2,335,414	1,774,822	24,324,695	22,505,683
Depreciable assets						
Land improvements	11,536,626	12,750,485 *	11,645,449	11,760,322	23,182,075	24,510,807
Buildings	70,201,513	70,950,741 *	14,316,527	14,279,506	84,518,040	85,230,247
Equipment	5,198,185	5,716,022	930,554	930,987	6,128,739	6,647,009
Vehicles	5,216,610	4,113,271	461,120	396,131	5,677,730	4,509,402
Total depreciable assets	92,152,934	93,530,519	27,353,650	27,366,946	119,506,584	120,897,465
Total accumulated depreciation	(26,717,756)	(25,123,743) *	(15,662,004)	(14,920,355)	(42,379,760)	(40,044,098)
Net capital assets	\$ 87,424,459	\$ 89,137,637	\$ 14,027,060	\$ 14,221,413	\$ 101,451,519	\$ 103,359,050

\* Restated FY 16 balance

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

- E911 Radio Communication Equipment project, \$8.0 million
- Acquisition of vehicles and equipment, \$0.3 million
- Issuance of bonds for Career Technical Education project (CTE), \$7.9 million

## Long-Term Debt

At year-end the County had \$163.0 million in bonds, loans, and capital leases as shown in Table A-5. The Commonwealth of Virginia limits the amount of debt outstanding to 10% of the localities assessed value of real property. At June 30, 2017, the County's debt ratio to assessed value was approximately 2.6% demonstrating the County's conservative debt borrowing policy and management approach. In FY 2017, the County issued \$8.0 million in General Obligation Public Improvement Bonds Series 2017B to finance a E911 Radio Communications System to better serve the County. In addition, the County issued \$7.9 million of General Obligation Public Improvement Bonds to finance various capital projects for Schools for their Career and Technical Education program. The County also issued \$0.3 million as part of the Master Lease Program to purchase vehicles and equipment for the Sheriff's deputies. More detailed information on the county's long-term debt are presented in Note 7 to the basic financial statements.

**Table A-5**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 115,954,028	\$ 103,060,728	\$ 35,070,967	\$ 35,229,267	\$ 151,024,995	\$ 138,289,995
Bond premium	3,899,655	4,303,607	2,915,119	3,305,090	6,814,774	7,608,697
Subtotal	119,853,683	107,364,335	37,986,086	38,534,357	157,839,769	145,898,692
Installment purchase agreements - PACE	4,326,512	4,326,512	-	-	4,326,512	4,326,512
Note payable	-	-	-	12,000	-	12,000
Capital leases	834,485	766,113	28,763	39,916	863,248	806,029
<b>Total long-term debt</b>	<b>\$ 125,014,680</b>	<b>\$ 112,456,960</b>	<b>\$ 38,014,849</b>	<b>\$ 38,586,273</b>	<b>\$ 163,029,529</b>	<b>\$ 151,043,233</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The County's per capita personal income, as of the latest data available, was \$32,477.
- The unemployment rate for Isle of Wight County for 2017 is 3.7% compared to 2016 which was 4.6%. Real Estate tax rate remained at \$0.85.
- The issuance of refunding bonds by the County in FY 2018 will provide cost savings in future debt service.

These indicators were taken into account when adopting the operating and capital budget for fiscal year 2017-18. Amounts available for appropriation in the general operating and capital budget are \$166.7 million, less than 1% higher than fiscal year 2016-17 in the amount of \$1.2 million.

## OTHER FACTORS TO CONSIDER

The County is committed to using its resources wisely and to delivering quality services to its citizens. The County continually strives to enhance the cost-effectiveness of its operations and the services it provides without sacrificing quality.

The Board of Supervisors' strategic plan incorporates a Values Statement, Mission Statement and four primary strategic directions as follows:

### *Isle of Wight Values Statement*

To sustain Isle of Wight County's stature as a COMMUNITY OF CHOICE for people, families, and businesses alike while preserving and protecting our rural heritage, our bountiful mix of natural resources and our natural beauty for present and future generations.

### Isle of Wight County Mission Statement

As a COMMUNITY OF CHOICE, Isle of Wight County is committed to providing an excellent quality of life for all citizens through the provision of fiscally responsible services and programs.

## ***Isle of Wight County Slogan***

*A COMMUNITY OF CHOICE committed to excellence.*

## ***Isle of Wight County's Strategic Direction/Agenda 2013-2017***

- 1. Effective governance and community partnerships.*
- 2. Economic well-being and quality of life.*
- 3. Managing growth and change.*
- 4. Funding the future.*

## ***Isle of Wight County Schools***

Isle of Wight County Schools (IWCS) is committed to preparing our students for excellence in the 21st century by ensuring that they are provided with the knowledge and skills needed to be successful in pursuit of college, careers and citizenship in the global world community. Annually, IWCS educates more than 5500 students in a comprehensive Pre-Kindergarten through twelfth grade instructional program; consisting of five elementary, two middle and two high schools. All IWC schools are fully accredited by the Virginia Department of Education and by the Southern Association of Colleges and Schools. The on-time graduation rate of Isle of Wight County Schools Class of 2017 was 94%.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's Department Finance at 757-365- 6273.

## *Basic Financial Statements*



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# ISLE OF WIGHT COUNTY, VIRGINIA

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*County of Isle of Wight, Virginia**Statement of Net Position***June 30, 2017**

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
<b>Assets</b>					
Cash and cash equivalents	\$ 25,932,325	7,725,232	33,657,557	6,489,550	405,292
Restricted cash and cash equivalents	17,760,355	5,320,770	23,081,125	-	-
Investments	2,271,701	-	2,271,701	-	-
Receivables - net	13,677,879	785,833	14,463,712	291,886	9,736
Due from primary government	-	-	-	672,915	-
Due from other governments	1,800,465	100,375	1,900,840	1,362,746	-
Due from component units - School Board	247,361	-	247,361	-	-
Inventories and prepaid items	130,114	29,177	159,291	33,456	-
Deposits	56,717	-	56,717	-	-
Advance to component unit	375,000	-	375,000	-	-
Land held for resale	-	-	-	-	3,808,285
Capital assets:					
Nondepreciable	21,989,281	2,335,414	24,324,695	2,328,711	10,178,545
Depreciable - net	65,435,178	11,691,646	77,126,824	57,309,592	224,217
<b>Total assets</b>	<b>149,676,376</b>	<b>27,988,447</b>	<b>177,664,823</b>	<b>68,488,856</b>	<b>14,626,075</b>
<b>Deferred Outflows of Resources</b>					
Deferred losses on refundings	2,714,029	2,226,016	4,940,045	-	-
Deferred outflows related to pension	3,133,069	206,442	3,339,511	8,281,016	-
<b>Total deferred outflows of resources</b>	<b>5,847,098</b>	<b>2,432,458</b>	<b>8,279,556</b>	<b>8,281,016</b>	<b>-</b>

*County of Isle of Wight, Virginia**Statement of Net Position***June 30, 2017**

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
<b>Liabilities</b>					
Accounts payable	1,146,999	794,394	1,941,393	1,128,606	1,944
Accrued liabilities	281,971	31,274	313,245	4,792,562	-
Amounts held in escrow	3,101,045	16,933	3,117,978	-	-
Due to primary government	-	-	-	247,361	-
Due to component unit	672,915	-	672,915	-	-
Customer deposits payable	-	223,924	223,924	-	-
Accrued interest payable	1,045,402	772,940	1,818,342	80,697	-
Due to other governments	36,575	-	36,575	-	-
Unearned revenues	583,636	800	584,436	113,088	9,736
Long-term obligations:					
Due within one year	5,359,480	523,475	5,882,955	1,210,685	375,000
Due in more than one year	123,932,862	37,630,934	161,563,796	13,572,069	-
Net pension liabilities	3,859,761	260,319	4,120,080	52,259,160	-
<b>Total liabilities</b>	<b>140,020,646</b>	<b>40,254,993</b>	<b>180,275,639</b>	<b>73,404,228</b>	<b>386,680</b>
<b>Deferred Inflows of Resources</b>					
Deferred gains on refundings	267,846	-	267,846	-	-
Deferred inflows related to pension	1,550,407	95,602	1,646,009	5,274,991	-
<b>Total deferred inflows of resources</b>	<b>1,818,253</b>	<b>95,602</b>	<b>1,913,855</b>	<b>5,274,991</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	(13,319,241)	(16,643,332)	(29,962,573)	49,836,087	10,402,762
Restricted:					
Capital projects	17,738,141	5,320,770	23,058,911	1,777,921	-
Other	951,013	-	951,013	33,456	-
Unrestricted (deficit)	8,314,662	1,392,872	9,707,534	(53,556,811)	3,836,633
<b>Total net position (deficit)</b>	<b>\$ 13,684,575</b>	<b>(9,929,690)</b>	<b>3,754,885</b>	<b>(1,909,347)</b>	<b>14,239,395</b>

The accompanying notes are an integral part of these financial statements.

**County of Isle of Wight, Virginia**  
**Statement of Activities**

Function/Program Activities	Program Revenues					Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	School Board	Economic Development Authority	Total
<b>Functions:</b>										
<b>Primary Government:</b>										
Governmental Activities:										
General government administration	\$ 5,305,220	1,029,176	6,164,592	1,762,107	3,650,655	-	-	-	-	3,650,655
Judicial administration	1,711,476	397,063	306,984	-	(1,007,429)	-	-	-	-	(1,007,429)
Public safety	15,820,681	2,682,915	1,232,457	291,927	(11,613,382)	-	-	-	-	(11,613,382)
Public works	5,029,762	193,473	-	463,196	(4,373,093)	-	-	-	-	(4,373,093)
Health and welfare	4,232,228	273,895	2,170,811	-	(1,787,522)	-	-	-	-	(1,787,522)
Education	28,709,110	-	-	-	(28,709,110)	-	-	-	-	(28,709,110)
Parks, recreation and cultural	3,593,465	693,847	-	140,800	(2,758,818)	-	-	-	-	(2,758,818)
Community development	2,259,598	98,030	-	169,525	(1,992,043)	-	-	-	-	(1,992,043)
Interest on long-term debt	5,123,993	-	-	-	(5,123,993)	-	-	-	-	(5,123,993)
Total governmental activities	71,785,533	5,368,399	9,874,844	2,827,555	(53,714,735)	-	-	-	-	(53,714,735)
Business-type Activities:										
Public utility	8,787,726	5,233,127	-	-	(3,554,599)	-	-	-	-	(3,554,599)
Stormwater	1,456,085	1,754,886	-	-	298,801	-	-	-	-	298,801
<b>Total Business-type Activities</b>	<b>10,243,811</b>	<b>6,988,013</b>	<b>-</b>	<b>-</b>	<b>(3,255,798)</b>	<b>-</b>	<b>(3,255,798)</b>	<b>-</b>	<b>-</b>	<b>(3,255,798)</b>
<b>Total Primary Government</b>	<b>82,029,344</b>	<b>12,356,412</b>	<b>9,874,844</b>	<b>2,827,555</b>	<b>(53,714,735)</b>	<b>(56,970,533)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(56,970,533)</b>
<b>Component Units:</b>										
School Board	60,680,278	834,639	32,644,051	-	(27,201,588)	-	-	-	-	(27,201,588)
Economic Development Authority	46,291	10,209	-	-	(36,082)	-	-	-	-	(36,082)
Total Component Units	\$ 60,726,569	844,848	32,644,051	-	(27,201,588)	-	-	-	-	(27,201,588)
General Revenues:										
Taxes:										
General property taxes					62,107,289					62,107,289
Other local taxes					8,637,670					8,637,670
Revenue from use of property & money					44,586			54,513		32,051
Miscellaneous					1,328,044			1,048,569		85,545
Payment from the Primary Government					-			27,316,112		-
Transfers					(4,922,005)		4,922,005	-		-
<b>Total General Revenues and Transfers</b>					<b>67,250,578</b>		<b>4,966,591</b>	<b>28,419,194</b>		<b>117,596</b>
Change in net position					13,535,843		1,710,793	1,217,606		81,514
<b>Net position - beginning of year (restated)</b>					<b>148,732</b>		<b>(1,640,483)</b>	<b>(3,126,953)</b>		<b>14,157,881</b>
<b>Net position - end of year</b>					<b>\$ 13,684,575</b>		<b>(9,929,690)</b>	<b>3,754,885</b>		<b>14,239,395</b>

The accompanying notes are an integral part of these financial statements.



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

**County of Isle of Wight, Virginia****Balance Sheet - Governmental Funds****June 30, 2017**

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 19,590,188	\$ 5,474,323	\$ 15,600	\$ 425,118	\$ 25,505,229
Restricted cash and cash equivalents	22,214	17,738,141	-	-	17,760,355
Investments	2,271,701	-	-	-	2,271,701
Receivables - net of allowance for uncollectibles:					
Taxes	12,447,888	-	-	-	12,447,888
Accounts receivable	714,828	-	-	718	715,546
Note	514,445	-	-	-	514,445
Deposit	-	56,717	-	-	56,717
Due from other funds	158,609	-	-	-	158,609
Due from component unit	247,361	-	-	-	247,361
Due from other governments	775,369	610,986	-	351,115	1,737,470
Prepaid Items	31,200	-	-	-	31,200
Advance to component unit	375,000	-	-	-	375,000
<b>Total assets</b>	<b>\$ 37,148,803</b>	<b>\$ 23,880,167</b>	<b>\$ 15,600</b>	<b>\$ 776,951</b>	<b>\$ 61,821,521</b>
<b>Liabilities</b>					
Accounts payable	\$ 877,780	\$ 26,941	\$ -	\$ 125,795	\$ 1,030,516
Accrued expenses	257,240	5,629	15,600	2,983	281,452
Amounts held in escrow	3,096,739	-	-	4,306	3,101,045
Due to other funds	-	-	-	158,609	158,609
Due to component unit	429,581	243,334	-	-	672,915
Unearned revenues	579,736	-	-	3,900	583,636
Due to other governments	7,249	-	-	29,326	36,575
<b>Total liabilities</b>	<b>5,248,325</b>	<b>275,904</b>	<b>15,600</b>	<b>324,919</b>	<b>5,864,748</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	12,456,729	-	-	-	12,456,729
<b>Total deferred inflows of resources</b>	<b>12,456,729</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,456,729</b>
<b>Fund Balances</b>					
Nonspendable	920,645	-	-	-	920,645
Restricted	61,568	17,738,141	-	-	17,799,709
Committed	3,877,087	-	-	-	3,877,087
Assigned	3,623,722	6,106,794	-	497,865	10,228,381
Unassigned	10,960,727	(240,672)	-	(45,833)	10,674,222
<b>Total fund balances</b>	<b>19,443,749</b>	<b>23,604,263</b>	<b>-</b>	<b>452,032</b>	<b>43,500,044</b>
<b>Total liabilities, deferred inflow of resources, and fund balances</b>	<b>\$ 37,148,803</b>	<b>\$ 23,880,167</b>	<b>\$ 15,600</b>	<b>\$ 776,951</b>	<b>\$ 61,821,521</b>

The accompanying notes are an integral part of these financial statements.

*County of Isle of Wight, Virginia****Reconciliation of the Governmental Fund's Balance Sheet  
To the Statement of Net Position*****June 30, 2017****Total fund balances - governmental funds**

Amount reported for governmental activities in the Statement of Net Position are different because:	\$ 43,500,044
Internal service funds are used to charge the costs of equipment and risk management to individual funds. The assets and liabilities of internal service funds are reported with governmental activities in the statement of net position	332,091
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.	
Nondepreciable capital assets	21,989,281
Depreciable capital assets, including \$107,180 reported in internal service fund	65,435,178
Capital assets, net	<u>87,424,459</u>
Revenues not collected soon enough to pay for current-period expenditures.	12,456,729
Receivable not reported in the fund statements	62,995
Deferred outflows of resources:	
Losses on refundings	2,714,029
Pension	3,133,069
Deferred inflows:	
Gains on refundings	(267,846)
Pension	(1,550,407)
Long-term obligations, including bonds payable, are not due and payable in the current period and are not reported in the funds.	
Bonds and PACE obligations	(124,180,195)
Capital leases	(834,485)
Compensated absences	(1,318,891)
Net pension liabilities	(3,859,761)
Net OPEB obligation	(1,308,470)
Landfill closure costs	(1,650,301)
Accrued interest and other	(982,407)
Other liabilities	<u>13,922</u>
<b>Total net position - governmental activities</b>	<b>\$ <u>13,684,575</u></b>

The accompanying notes are an integral part of these financial statements.

*County of Isle of Wight, Virginia*

*Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds*

**Year Ended June 30, 2017**

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 49,835,086	\$ -	\$ -	\$ -	\$ 49,835,086
Other local taxes	8,561,288	-	-	19,694	8,580,982
Permits, privilege fees and regulatory licenses	538,016	1,603,076	-	-	2,141,092
Fines and forfeitures	151,318	-	-	-	151,318
Revenues from use of money and property	(19,076)	86,319	-	32,337	99,580
Charges for services	2,306,675	-	-	296,771	2,603,446
Miscellaneous	983,429	-	-	87,548	1,070,977
Recovered costs	396,686	-	-	-	396,686
Intergovernmental:					
Commonwealth of Virginia	7,531,044	454,410	-	1,400,470	9,385,924
Federal	639	71,490	-	1,620,842	1,692,971
Local	-	17,872	-	247,366	265,238
<b>Total revenues</b>	<b>70,285,105</b>	<b>2,233,167</b>	<b>-</b>	<b>3,705,028</b>	<b>76,223,300</b>
<b>Expenditures</b>					
Current:					
General government administration	4,376,415	-	-	-	4,376,415
Judicial administration	1,542,881	-	-	-	1,542,881
Public safety	10,887,881	-	-	1,731,017	12,618,898
Public works	4,565,386	-	-	20,513	4,585,899
Health and welfare	794,748	-	-	3,094,038	3,888,786
Education	25,872,778	243,334	-	-	26,116,112
Parks, recreation and cultural	2,314,902	-	-	523,399	2,838,301
Community development	2,627,327	-	-	253,212	2,880,539
Nondepartmental	1,676,722	-	-	-	1,676,722
Capital outlay	139,850	3,328,282	-	-	3,468,132
Debt Service	-	55,767	7,598,143	-	7,653,910
<b>Total expenditures</b>	<b>54,798,890</b>	<b>3,627,383</b>	<b>7,598,143</b>	<b>5,622,179</b>	<b>71,646,595</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>15,486,215</b>	<b>(1,394,216)</b>	<b>(7,598,143)</b>	<b>(1,917,151)</b>	<b>4,576,705</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	197,045	7,598,143	2,158,099	9,953,287
Transfers out	(14,699,865)	(19,750)	-	-	(14,719,615)
Proceeds from bond issuance and capital lease	-	16,198,865	-	-	16,198,865
<b>Total other financing sources (uses), net</b>	<b>(14,699,865)</b>	<b>16,376,160</b>	<b>7,598,143</b>	<b>2,158,099</b>	<b>11,432,537</b>
<b>Net change in fund balance</b>	<b>786,350</b>	<b>14,981,944</b>	<b>-</b>	<b>240,948</b>	<b>16,009,242</b>
<b>Fund balances (deficit) - beginning of year</b>	<b>18,657,399</b>	<b>8,622,319</b>	<b>-</b>	<b>211,084</b>	<b>27,490,802</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ 19,443,749</b>	<b>\$ 23,604,263</b>	<b>\$ -</b>	<b>\$ 452,032</b>	<b>\$ 43,500,044</b>

The accompanying notes are an integral part of these financial statements.

*County of Isle of Wight, Virginia*

***Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities***

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**Year Ended June 30, 2017**

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<b>Net change in fund balances - governmental funds</b>	<b>\$ 16,009,242</b>
Amount reported for governmental activities in the Statement of Activities are different because:	
Internal service funds are used to charge the costs of technology and risk management to individual funds. The net revenues (expense) of certain activities of internal service fund of is reported with governmental activities	142,665
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. Transfers of capital assets to the school board are recorded as additional expenses related to education.	
Capital outlay	2,528,827
Depreciation expense, including \$34,864 reported in internal service fund	(2,011,894)
Joint activity - transfer of capital assets, net	(1,153,248)
Miscellaneous transactions involving capital assets	(1,050,345)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of net position.	
Bond and capital lease proceeds	(16,198,865)
Repayment of debt principal	3,237,193
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	11,634,996
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.	
Accrued interest	742,764
Compensated absences	(292,210)
Pension expenses	131,048
Net OPEB obligation	(122,126)
Landfill closure costs	(100,037)
Amortization of bond premiums	403,952
Amortization of deferred gain on refunding	44,645
Amortization of deferred loss on refunding	(410,764)
<b>Change in net position of governmental activities</b>	<b>\$ 13,535,843</b>

The accompanying notes are an integral part of these financial statements.

*County of Isle of Wight, Virginia**Statement of Net Position - Proprietary Funds***June 30, 2017**

	Enterprise Funds			Governmental Activities- Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 4,293,245	\$ 3,431,987	\$ 7,725,232	\$ 427,096
Restricted cash and cash equivalents	5,320,770	-	5,320,770	-
Receivables - net of allowance	671,738	114,095	785,833	-
Inventories	29,177	-	29,177	-
Due from other governments	-	100,375	100,375	-
Prepaid items	-	-	-	98,914
Total current assets	<u>10,314,930</u>	<u>3,646,457</u>	<u>13,961,387</u>	<u>526,010</u>
<b>Noncurrent assets</b>				
Capital assets:				
Nondepreciable	2,018,529	316,885	2,335,414	-
Depreciable - net	11,057,147	634,499	11,691,646	107,180
Total noncurrent assets	<u>13,075,676</u>	<u>951,384</u>	<u>14,027,060</u>	<u>107,180</u>
Total assets	<u>23,390,606</u>	<u>4,597,841</u>	<u>27,988,447</u>	<u>633,190</u>
<b>Deferred outflows of resources</b>				
Deferred losses on bond refundings	2,226,016	-	2,226,016	-
Pension plan	124,514	81,928	206,442	110,374
Total deferred outflows of resources	<u>2,350,530</u>	<u>81,928</u>	<u>2,432,458</u>	<u>110,374</u>

*County of Isle of Wight, Virginia**Statement of Net Position - Proprietary Funds***June 30, 2017**

	Enterprise Funds			Governmental Activities- Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 545,782	\$ 248,612	\$ 794,394	\$ 116,483
Accrued liabilities	2,583	28,691	31,274	519
Amount held in escrow	-	16,933	16,933	-
Accrued interest payable	772,879	61	772,940	-
Customer deposits payable	223,924	-	223,924	-
Unearned revenue	800	-	800	-
General obligation bonds payable	503,777	-	503,777	-
Capital leases	5,695	5,678	11,373	-
Compensated absences	5,605	2,720	8,325	6,391
Total current liabilities	<u>2,061,045</u>	<u>302,695</u>	<u>2,363,740</u>	<u>123,393</u>
<b>Noncurrent liabilities</b>				
General obligation bonds payable	37,482,309	-	37,482,309	-
Capital leases	8,695	8,695	17,390	-
Compensated absences	50,447	24,477	74,924	57,521
Other postemployment benefits	35,398	20,913	56,311	43,663
Net pension liability	156,462	103,857	260,319	135,258
Total noncurrent liabilities	<u>37,733,311</u>	<u>157,942</u>	<u>37,891,253</u>	<u>236,442</u>
Total liabilities	<u>39,794,356</u>	<u>460,637</u>	<u>40,254,993</u>	<u>359,835</u>
<b>Deferred inflows of resources</b>				
Pension plan	61,981	33,621	95,602	51,638
Total deferred inflows of resources	<u>61,981</u>	<u>33,621</u>	<u>95,602</u>	<u>51,638</u>
<b>Net Position</b>				
Net investment in capital assets	(17,551,644)	908,312	(16,643,332)	107,180
Restricted	5,320,770	-	5,320,770	-
Unrestricted (deficit)	(1,884,327)	3,277,199	1,392,872	224,911
Total net position (deficit)	<u>\$ (14,115,201)</u>	<u>\$ 4,185,511</u>	<u>\$ (9,929,690)</u>	<u>\$ 332,091</u>

The accompanying notes are an integral part of these financial statements.

*County of Isle of Wight, Virginia*

*Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds*

**Year Ended June 30, 2017**

	Enterprise Funds			Governmental Activities- Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Operating revenues</b>				
Charges for services	\$ 4,414,831	\$ 1,754,886	\$ 6,169,717	\$ 1,571,582
Connection fees	818,296	-	818,296	-
Other revenue	-	-	-	71,290
<b>Total operating revenues</b>	<b>5,233,127</b>	<b>1,754,886</b>	<b>6,988,013</b>	<b>1,642,872</b>
<b>Operating expenses:</b>				
Personnel services	623,881	441,329	1,065,210	471,575
Fringe benefits	280,256	224,540	504,796	177,035
Contractual services	254,902	348,006	602,908	461,163
Purchases	4,721,231	-	4,721,231	-
Other charges	621,461	133,830	755,291	367,270
Depreciation	815,048	30,886	845,934	34,864
<b>Total operating expenses</b>	<b>7,316,779</b>	<b>1,178,591</b>	<b>8,495,370</b>	<b>1,511,907</b>
<b>Operating income (loss)</b>	<b>(2,083,652)</b>	<b>576,295</b>	<b>(1,507,357)</b>	<b>130,965</b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	38,665	5,921	44,586	-
Interest and fiscal charges	(1,524,947)	-	(1,524,947)	-
Loss from disposal of assets	(223,494)	-	(223,494)	-
<b>Total nonoperating revenues (expenses), net</b>	<b>(1,709,776)</b>	<b>5,921</b>	<b>(1,703,855)</b>	<b>-</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>(3,793,428)</b>	<b>582,216</b>	<b>(3,211,212)</b>	<b>130,965</b>
Transfers in	4,766,328	-	4,766,328	-
Capital contributions	-	155,677	155,677	5,850
<b>Changes in net position</b>	<b>972,900</b>	<b>737,893</b>	<b>1,710,793</b>	<b>136,815</b>
<b>Net position (deficit) - beginning of year</b>	<b>(15,088,101)</b>	<b>3,447,618</b>	<b>(11,640,483)</b>	<b>195,276</b>
<b>Net position (deficit) - end of year</b>	<b>\$ (14,115,201)</b>	<b>\$ 4,185,511</b>	<b>\$ (9,929,690)</b>	<b>\$ 332,091</b>

The accompanying notes are an integral part of these financial statements.

## County of Isle of Wight, Virginia

## Statements of Cash Flows – Proprietary Funds

## Year Ended June 30, 2017

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Cash flows from operating activities</b>				
Received from customers and users	\$ 5,319,327	\$ 1,777,797	\$ 7,097,124	\$ 1,642,872
Payments to suppliers for goods and services	(5,812,469)	(261,730)	7,097,124	(848,580)
Payments to employees	(948,339)	(620,925)	(1,569,264)	(634,752)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,441,481)</b>	<b>895,142</b>	<b>(546,339)</b>	<b>159,540</b>
<b>Cash Flows from non-capital financing actives</b>				
Transfers in	4,766,328	-	4,766,328	-
<b>Net cash provided by non-capital financing activities</b>	<b>4,766,328</b>	<b>-</b>	<b>4,766,328</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(234,320)	(267,905)	(502,225)	(13,528)
Loss on sale of capital assets	(220,500)	-	(220,500)	-
Principal payments on bonds	(158,300)	-	(158,300)	-
Principal payments on notes	(12,000)	-	(12,000)	-
Principal payments on capital leases	(5,568)	(5,585)	(11,153)	-
Interest paid on notes, bonds, and capital leases	(1,527,843)	(22)	(1,527,865)	-
<b>Net cash used in capital and related financing activities</b>	<b>(2,158,531)</b>	<b>(273,512)</b>	<b>(2,432,043)</b>	<b>(13,528)</b>
<b>Cash flows from investing activities</b>				
Interest received	38,665	5,921	44,586	-
<b>Net cash provided by investing activities</b>	<b>38,665</b>	<b>5,921</b>	<b>44,586</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>1,204,981</b>	<b>627,551</b>	<b>1,832,532</b>	<b>146,012</b>
<b>Change in cash and cash equivalents - beginning on year</b>	<b>8,409,034</b>	<b>2,804,436</b>	<b>11,213,470</b>	<b>281,084</b>
<b>Change in cash and cash equivalents - end of year</b>	<b>\$ 9,614,015</b>	<b>\$ 3,431,987</b>	<b>\$ 13,046,002</b>	<b>\$ 427,096</b>

*County of Isle of Wight, Virginia***Statements of Cash Flows – Proprietary Funds (Continued)****Year Ended June 30, 2017**

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating Income (loss)	\$ (2,083,652)	\$ 576,295	\$ (1,507,357)	\$ 130,965
Adjustments to reconcile to net cash provided by (used in) operating activities:				
Depreciation	815,048	30,886	845,934	34,864
Change in:				
Prepaid Items	-	-	-	(98,914)
Accounts Receivable	85,650	31,066	116,716	-
Accounts Payable	(210,691)	211,952	1,261	78,748
Accrued Expenses and Other Liabilities	(20,636)	49,630	28,994	44,441
Unearned Revenue	550	-	550	-
Customer Deposits Payable	(4,184)	-	(4,184)	-
Compensated Absences	(2,475)	3,889	1,414	13
Deferred Outflows and Inflows of Resources	(21,091)	(8,576)	(29,667)	(30,577)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,441,481)</b>	<b>\$ 895,142</b>	<b>\$ (546,339)</b>	<b>\$ 159,540</b>

The accompanying notes are an integral part of these financial statements

*County of Isle of Wight, Virginia**Statement of Net Position - Fiduciary Funds***June 30, 2017**

		<u>Agency Funds</u>
	<b>Assets</b>	
Cash and cash equivalents		\$ 574,633
	<b>Liabilities</b>	
Amounts held for social services clients		25,535
Amounts held for others		<u>549,098</u>
<b>Total liabilities</b>		<u>\$ 574,633</u>

The accompanying notes are an integral part of these financial statements.

June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies**

The County of Isle of Wight, Virginia (the County) is a municipal corporation governed by an elected five member Board of Supervisors. The County provides a full range of services for its citizens. These services include police and fire protection, general services, community development, sanitation services, recreational activities, cultural events, education, and social services.

The financial statements of the County have been prepared in conformity with the U.S. generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (the GASB) and the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia. The County's more significant accounting policies are described herein.

**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 the Primary Government'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 (the Primary Government) and its component units. Each discretely presented component unit is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the government.

**Discretely Presented Component Units**

The *Isle of Wight County Public School Board* (School Board) members are elected by the citizens of the County of Isle of Wight. 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 primary funding source for the School System is the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discretely presented component of the County financial statements.

The *Economic Development Authority of Isle of Wight County* (EDA) was created by the Board of Supervisors and is responsible for industrial and commercial development in the County. The EDA consists of seven members appointed by the primary government's Board of Supervisors. The EDA holds certain real property being developed into an industrial park. The land was purchased by the County and conveyed to the EDA. The EDA is fiscally dependent on the County. The EDA does not issue a separate financial report. The financial statements of the EDA are presented as a discretely presented component of the County financial statements.

**B. Financial Reporting Model and basis of Presentation**

**Government-wide Financial Statements** – The government-wide Statement of Net Position and Statement of Activities report the overall financial activity of the County, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the County. These statements distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Financial Reporting Model and basis of Presentation (Continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are other charges between the County's public utility function and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

**Fund Financial Statements** – The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the following major governmental funds:

**General** – This is the County's primary operating fund. It accounts for all financial resources of the County, 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. The services which are administered by the County and accounted for in the General Fund include, among others, County Board, Finance, Administration, Public Safety, and General Services.

**Capital Projects** – Accounts for financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service** - Accounts for resources to be used for repayments of principal and interest on the general long-term debt of the County.

The County reports two major proprietary funds, the Enterprise **Public Utilities Fund**, which provides water and sewer services for the County and the **Stormwater Fund** which provides stormwater services for the County.

June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**B. Financial Reporting Model and basis of Presentation (Continued)**

The County reports two Internal Service Funds, the **Information Technology**, which provides implementation and maintenance of the technology infrastructure and the **Risk Management Fund**, which finances property, workers' compensation, auto and general liability coverage.

Additionally, the County reports an **Agency Fund**, which is custodial and accounts for amounts held for special assessment districts.

**C. Basis of Accounting**

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenues from property taxes is recognized in the period for which the levy is intended to finance, which is the year in which the taxes are levied. Revenue from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 County considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, claims and judgments, and compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Significant revenue sources which are susceptible to accrual include property taxes, miscellaneous taxes, charges for services, grants, and investment income. All other revenue sources including fines and forfeitures, inspection fees, and recreation fees are considered to be measurable and available only when cash is received.

**D. Accounting Changes**

GASB has issued Statement No. 77 - *Tax Abatement Disclosures*. This Statement addresses disclosure and financial reporting issues related to tax abatements. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users.

Notes to Basic Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

The County's and School Board's cash and cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents include cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date of acquisition. Deposit and investment instruments include certificates of deposit, savings accounts, money market funds, Virginia State Non-Arbitrage Program, bankers' acceptances, the Commonwealth Local Government Investment Pool (LGIP) and United States (U.S.) government securities. Investments are generally on deposit with banks and savings and loan institutions and are collateralized under the provisions of the Virginia Security for Public Deposits Act, Section 2.1-359 et seq. Securities are held in safekeeping by the respective financial institutions. Investment income is reported in the same fund that reports the investment.

F. Investments

Investments for the Primary Government, as well as for its component units, are reported at fair value based upon quoted market prices.

G. Property Taxes

All property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data, specific account analysis and management's judgment. At June 30, 2017, the allowance for the General Fund was \$679,757.

The County bills and collects taxes and recognizes such taxes as revenues, when measurable and available in the governmental funds financial statements and for the period in which they are levied for, in the government-wide financial statements property taxes, net of allowance for uncollectible amounts, not collected within 45 days after year end, are reflected as deferred inflow of resources in the governmental fund financial statements. Real property are budgeted and billed to fund operations occurring within the year they are required to be paid. The County in 2015 changed the billing cycle for personal property tax to April with the first payment due June 5 and second payment due on December 5. The County bills and collects its own property taxes.

	<u>Real property</u>	<u>Personal property</u>
Levy date	July 1	January 1
Due date and collection date	June 5/December 5	June 5/December 5
Lien date for delinquent taxes	July 1	July 1

While the assessed value of real estate for the County's ten largest taxpayers comprises 8.54% of the County's real estate tax base, credit risk with respect to real estate taxes receivable is limited due to the large number of property owners comprising the County's total tax base.

June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**G. Property Taxes (Continued)**

The Personal Property Tax Relief Act of 1998 (PPTRA) provided for the Commonwealth to reimburse a portion of the personal property tax levied on the first \$20,000 of personal use cars, motorcycles and trucks. During the 2005 Special Session I, the Virginia General Assembly passed Senate Bill 5005. The bill provides for the Commonwealth to reimburse a portion of the tangible personal property tax levied bases on a fixed relief amount. The fixed relief amount was capped at \$950,000,000 in total for all localities with the County's share capped at \$5,115,890, which the County received during the year ended June 30, 2017. The Commonwealth requires localities to record the revenue from PPTRA as received from other governments, not as property taxes.

**H. Connection Fees**

Connection fees accounted for in the Public Utilities Fund represents charges to new customers for their fair share of the capital cost of the system already in place and/or the cost of increasing the capacity of the system to meet the additional demand created by the connection of new customers.

**I. Unbilled Utility Receivables**

Estimated water sales for water usage prior to year-end that are unbilled are recognized as current year revenues and are included in utility receivables.

**J. Internal and Intra-entity Activity**

The County has the following types of interfund transactions:

**Loans** – Interfund loan amounts are provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

**Services provided and used** – Sales and purchases of goods and services between funds for a price approximate their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net position.

**Reimbursements** – Repayments are from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

**Transfers** – Transfers are flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

**K. Inventory**

Inventory consists of materials and supplies held for future use and is stated at cost using the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Notes to Basic Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Capital Assets

Capital assets include land and land improvements, buildings and building improvements, equipment, vehicles and intangibles assets. Any asset or group of assets acquired by the County are considered capital assets if they have an estimated useful life in excess of two years and an acquisition cost (or fair market value when received) of at least \$5,000. Such assets are recorded at historical cost (or estimated historical cost) if constructed or purchased. Donated capital assets are recorded at acquisition value at the date of donation. 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. Accumulated depreciation and amortization are reported as reductions of capital assets. At June 30, 2017, the recorded intangibles have lives into perpetuity and, therefore, are not amortized.

The costs of normal maintenance and repairs not adding to the value of the asset or materially extending asset 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 was no capitalized interest for the year ended June 30, 2017.

Capital assets of the Primary Government, as well as the component units, are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	Years
Buildings and building improvements	15-50
Land improvements	15-40
Equipment	5-20
Vehicles	5-16

M. Compensated Absences

County and School Board employees are granted vacation and sick leave in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation and sick leave earned and, upon retirement, termination or death, may be compensated for certain amounts at their current rates of pay at the time of separation. The liability for compensated absences reported in the government-wide and proprietary fund financial statements has been calculated using the vesting method, which includes leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are typically liquidated by the County’s General Fund for governmental activities as of June 30, 2017.

June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

***N. Expenditure recognition***

The County uses the purchase method to account for health insurance payments. The July premiums are included in the current fiscal year's operating budget. Therefore, the July employer's portion of premiums submitted in June are reported as expenditures for the current period.

Some payments for costs applicable to next fiscal year are recorded as prepaid items.

***O. Bond Premiums, Discounts, and Deferred Gains and Losses on Refunding***

In the government-wide and proprietary fund financial statements, bond premiums and discounts, as well as gains and losses on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

***P. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an expense or expenditure until that time. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as revenue until that time.

***Q. Pension***

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

June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**R. Net Position**

In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

**Net Investment in Capital Assets** – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, other borrowings and deferred inflows and outflows that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted** – This consists of net position that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation (e.g. customers’ deposits, unexpended bond proceeds). When both restricted and unrestricted resources are available for use, generally it is the County’s policy to use restricted resources first, then unrestricted resources when they are needed.

**Unrestricted** – This consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**S. Fund Balance**

In the fund financial statements, fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the County is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balances are reported in five components as follows:

**Nonspendable** – This component includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** – This component consists of amounts constrained to specific purposes by their providers (e.g. creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.

**Committed** – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the County’s highest level of decision making authority, the County’s Board of Supervisor, which is by board resolutions. Those committed amounts cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action (County resolutions) it employed previously to commit those amounts.

**Assigned** – This component consists of amounts that are constrained by the County’s intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Supervisors.

June 30, 2017

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**Note 1 – Summary of Significant Accounting Policies (Continued)**

**S. Fund Balance (Continued)**

**Unassigned** – This classification represents amounts that have not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the General Fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the County's policy to use committed resources first, then assigned, and then unassigned as they are needed.

**T. Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**U. Subsequent Events**

The County has evaluated subsequent events through March 30, 2018, the date on which the financial statements were available to be issued.

**V. Pending GASB Statements**

At June 30, 2017, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will improve accounting and financial reporting by state and local governments for OPEB. It will also require the recognition of the entire OPEB liability and a comprehensive measure of OPEB expense. Statement No. 75 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO's. Statement No. 83 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities*, will improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 will be effective for fiscal years beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. Statement No. 85 will be effective for fiscal years beginning after June 15, 2017.

Notes to Basic Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

V. Pending GASB Statements (continued)

GASB Statement No. 86, Certain Debt Extinguishment Issues, will improve accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance. Statement No. 86 will be effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, Leases, will increase the usefulness of the County’s financial statements by requiring reporting of certain lease assets and liabilities and deferred inflows of resources for leases that previously were classified as operating leases. Statement No. 87 will be effective for fiscal years beginning after December 15, 2019.

Management has not determined the effects these new Statements may have on prospective financial statements.

Note 2 – Deposits and Investments

Cash and investments are held separately and in pools by several of the County’s funds. The County maintains various cash and investment pools that are available for use by all funds. Income from pooled investments is allocated to the funds based on their proportional share of their investment balance.

A summary of deposits and investments held by the Primary Government at June 30, 2017 is as follows:

<b>Deposits</b>	
Demand deposits	\$ 17,950,780
Cash on hand	2,311
<b>Investments</b>	
LGIP	22,621,522
Zero coupon bond	2,271,701
SNAP	23,058,911
<b>Total deposits and investments</b>	<u>\$ 65,905,225</u>
 <b>Reconciliation to Statements of Net Position</b>	
<u>Government-wide:</u>	
Cash and cash equivalents	\$ 40,552,399
Restricted cash and cash equivalents	23,081,125
Investments	2,271,701
<b>Total deposits and investments</b>	<u>\$ 65,905,225</u>

June 30, 2017

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**Note 2 - Deposits and Investments (Continued)**

**A. Deposits**

All cash of the Primary Government and discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (Act), a multiple financial institution collateral pool, Section 2.2-4400 et. Seq. of the *Code of Virginia* or covered by the Federal Depository Insurance Corporation (FDIC). Under the Act, financial institutions, 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, while savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board can assess additional collateral from participating financial institutions to cover collateral shortfalls in the event of default and is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by financial institutions. All funds, unless otherwise classified as restricted, are deposited into pooled bank accounts; the major account defined as the General Fund concentration account. As disbursements are made from the payroll, budget, and social services bank accounts, funds from the general fund concentration account are automatically transferred to those bank accounts to cover those disbursements on a daily basis. All cash classified as restricted is related to grantor or debtor requirements.

**B. Investment Policy**

In accordance with the *Code of Virginia* and other applicable law and regulations, the County's investment policy (Policy) permits investments in obligations of the U.S. government, an agency thereof, or government sponsored corporations; high quality commercial paper and bankers' acceptances; repurchase agreements and certificates of deposit of Virginia banks and savings institutions; and the Local Government Investment Pool (LGIP) and State Non-Arbitrage Program. The maximum percentage of the portfolio permitted in commercial paper is 35% and not more than 5% can be in commercial paper issued by one corporation.

The LGIP is an externally managed investment pool that is not registered with the Securities Exchange Commission. Pursuant to the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The LGIP values portfolio securities by the amortized cost method and on a monthly basis this valuation is compared to current market to monitor any variance. The LGIP is in compliance with the requirements of GASB Statement 79 and elects to measure its investments at amortized cost for financial reporting. Therefore, participants (the County) in the LGIP should also measure their investments in the LGIP at amortized cost for financial reporting. The maturity of the LGIP is less than one year and classified as cash and cash equivalents.

According to GASB 72 investments in the LGIP and SNAP should be excluded from measurement at Fair Value and thus exempt from the Fair Value Hierarchy Classifications.

The Virginia State Non-Arbitrage Program's (SNAP) Fund is a commingled investment program that operates in compliance with GASB 79 and that was authorized by the Government Non-Arbitrage Act in 1989 (Code of Virginia Section 2.2-4700 et. seq.). Virginia SNAP and the SNAP Fund are administered by the Treasury Board of the Commonwealth of Virginia. Virginia SNAP offers several investment options, including the SNAP Fund, and arbitrage rebate reporting services that are specifically designed for the investment of tax exempt bond proceeds.

**Notes to Basic Financial Statements**

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June 30, 2017

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**Note 2 - Deposits and Investments (Continued)**

**C. Credit Risk**

Credit risk is the risk that the County will not recover their investments due to the inability of the counterparty to fulfill its obligation. As required by state statute, the Policy requires commercial paper have a debt rating of no less than “A-1” (or its equivalent) from at least two of the following: Moody’s, Duff and Phelps, Inc., Standard & Poor’s, and Fitch Investors' Service. Negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard and Poor's and "P-1" by Moody's Investor Services.

The Primary Government’s investments are rated as follows:

	AAAm	AAA	Total
Zero coupon bond	\$ -	\$ 2,271,701	\$ 2,271,701
SNAP (*)	23,058,911	-	23,058,911
LGIP	22,621,522	-	22,621,522
	<u>\$ 45,680,433</u>	<u>\$ 2,271,701</u>	<u>\$ 47,952,134</u>

\* Restricted cash and cash equivalents

**D. Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. As a means of limiting exposure to fair value losses arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase. The average maturity of the operating fund investment portfolio may not exceed 12 months. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities.

Custodial Credit Risk (Investments): This is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of items investments or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. If certain investments in any one issuer represent 5 percent of total investments, there must be a disclosure for the amount and issuer. Investments issued or explicitly guaranteed by the U. S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement, therefore, concentration of credit risk does not apply to the LGIP or SNAP.

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 2 - Deposits and Investments (Continued)

D. Interest Rate Risk (Continued)

The Primary Government had the following investments and maturities:

	Fair Value	Less than 1 year	More than 1 year
Zero coupon bond	2,271,701	-	2,271,701
SNAP (*)	23,058,911	23,058,911	-
LGIP	22,621,522	22,621,522	-
	<u>\$ 47,952,134</u>	<u>\$ 45,680,433</u>	<u>\$ 2,271,701</u>

\* Restricted cash and cash equivalents

E. Fair Value

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurement as of June 30, 2017.

- U.S. Treasury Zero Coupon bond of \$2,271,701 is valued using a matrix pricing model (Level 2 inputs).

Note 3 - Due from other governments

The County and School Board receivables from other governments are as follows:

	Primary Government					Component Unit
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Stormwater Funds	Total	School Board
<u>Amounts Due From:</u>						
Commonwealth of Virginia:						
Operating grants	\$ 51,025	\$ 503,398	\$ 35,276	\$ -	\$ 678,587	\$ -
Compensation Board	175,257	-	-	-	175,257	-
Social Services	-	-	30,359	-	30,359	-
Comprehensive Services	-	-	43,900	-	43,900	-
Communication tax	206,737	-	-	-	206,737	-
State and Use Sales Tax	237,240	-	-	-	237,240	1,106,182
Stormwater	-	-	-	100,375	100,375	-
Other	720	-	-	-	720	-
Federal government	-	107,588	129,581	-	211,276	246,365
Town of Windsor	-	-	53,533	-	53,533	-
Town of Smithfield	104,390	-	58,466	-	162,856	-
Other	-	-	-	-	-	10,199
<b>Totals</b>	<u>\$ 775,369</u>	<u>\$ 610,986</u>	<u>\$ 351,115</u>	<u>\$ 100,375</u>	<u>\$ 1,900,840</u>	<u>\$ 1,362,746</u>

*County of Isle of Wight, Virginia*

***Notes to Basic Financial Statements***

**June 30, 2017**

**Note 4 – Interfund Balances and Activity**

The following balances at June 30, 2017 represent amounts due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Nonmajor Governmental Funds	\$ 158,609

Note: Represents the reclass of cash deficits in the nonmajor governmental funds to Due To the the General Fund and a reduction of cash in the General Fund.

These balances result from operating transactions between funds and are repaid during the next fiscal year within the normal course of business.

Interfund transfers for the year ended June 30, 2017 were as follows:

<b>Transfer from Other Funds</b>			
<b>Transfers to Other Funds</b>	General Fund	Capital Projects Fund	Total
Capital Projects Fund	\$ 197,045	-	197,045
Debt Services fund	7,578,393	19,750	7,598,143
Public Utilities fund	4,766,328	-	4,766,328
Nonmajor Governmental funds	2,158,099	-	2,158,099
<b>Total</b>	<b>\$ 14,699,865</b>	<b>19,750</b>	<b>14,719,615</b>

Transfers are used as follows: (1) to move revenues from the fund that statute or budget requires to collect them, to the fund that statute or budget requires to expend them (2) to use unrestricted revenues collected in the General Fund to finance various grants, projects or programs accounted for in other funds in accordance with budgetary authorization (3) to provide funding for capital expenditures or budgeted subsidies for operations and (4) transfer programs to Grants Fund.

**Note 5 – Note Receivable**

**A. Town of Smithfield**

As recorded in the General Fund, the County sold a building and land to the Town of Smithfield in 2011 for \$677,215. The County financed \$638,908 of the selling price at variable rates of interest from 4.0% to 5.5% and maturing on January 1, 2019. The outstanding principle balance of the note receivable at June 30, 2017 is \$514,445.

**B. Industrial Development Authority (EDA)**

On September 2012, the County advanced \$500,000 to the Industrial Development Authority to purchase parcels of land for future development. In January 2014 a payment of \$125,000 was made towards the outstanding receivable by Johnson Development Associates. Repayment of this note was to be made within 30 days of the sale of any property owned by the IDA (now EDA). However, no property has been sold by the EDA as repayment. The County is not anticipating the collection of any payments from the EDA. The outstanding principal balance of the note as of June 30, 2017 is \$375,000.

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 6 – Capital Assets

The following is a summary of changes in capital assets:

<b>Primary Government</b>	<b>Balance July 1, 2016</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2017</b>
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 13,303,370	\$ (431,785)	\$ 236,350	\$ -	\$ 13,107,935
Intangibles	4,338,512	-	-	-	4,338,512
Construction in progress	3,088,979	-	1,453,855	-	4,542,834
<b>Total capital assets not being depreciated:</b>	<b>20,730,861</b>	<b>(431,785)</b>	<b>1,690,205</b>	<b>-</b>	<b>21,989,281</b>
Capital assets being depreciated:					
Buildings - County	41,440,863	395,459	75,541	180,931	41,730,932
Buildings - jointly owned assets	51,596,536	(22,086,658) *	-	1,039,297	28,470,581
Land improvements	10,042,918	(984,280)	5,000	97,252	8,966,386
Land improvements - jointly owned assets	2,428,927	278,640 *	-	137,327	2,570,240
Equipment	5,716,022	(584,315)	85,020	18,542	5,198,185
Vehicles	4,113,271	527,569	673,061	97,291	5,216,610
<b>Total capital assets being depreciated</b>	<b>115,338,537</b>	<b>(22,453,585)</b>	<b>838,622</b>	<b>1,570,640</b>	<b>92,152,934</b>
Less - accumulated depreciation:					
Buildings - County	7,309,857	327,860	933,258	180,931	8,390,044
Buildings - jointly owned assets	13,115,671	(4,451,445) *	-	17,213	8,647,013
Land improvements	3,170,343	21,174	407,315	97,252	3,501,580
Land improvements - jointly owned assets	226,358	-	-	6,163	220,195
Equipment	3,010,766	(244,473)	185,197	12,692	2,938,798
Vehicles	2,742,193	(134,400)	486,124	73,791	3,020,126
<b>Total accumulated depreciation</b>	<b>29,575,188</b>	<b>(4,481,284)</b>	<b>2,011,894</b>	<b>388,042</b>	<b>26,717,756</b>
<b>Total capital assets being depreciated - net</b>	<b>85,763,349</b>	<b>(17,972,301)</b>	<b>(1,173,272)</b>	<b>1,182,598</b>	<b>65,435,178</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 106,494,210</b>	<b>\$ (18,404,086)</b>	<b>\$ 516,933</b>	<b>\$ 1,182,598</b>	<b>\$ 87,424,459</b>

\* Restated FY2017 beginning balance

Depreciation expense was charged to functions of the Primary Government as follows:

<b>Governmental activities</b>	
General Government	\$ 458,880
Public safety	723,145
Public works	134,680
Health and welfare	80,117
Parks, recreation and culture	540,532
Community development	39,677
Internal Service Fund	34,863
<b>Total depreciation expense - governmental activities</b>	<b>\$ 2,011,894</b>

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 6 – Capital Assets (Continued)

	Balance July 1, 2016	Adjustments	Additions	Deletions/ Transfers	Balance June 30, 2017
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 228,840	\$ 217,172	\$ 17,000	\$ -	\$ 463,012
Construction in progress	1,545,982	-	326,420	-	1,872,402
<b>Total capital assets not being depreciated</b>	<u>1,774,822</u>	<u>217,172</u>	<u>343,420</u>	<u>-</u>	<u>2,335,414</u>
Capital assets being depreciated:					
Buildings	11,760,322	(312,724)	16,920	180,931	11,645,449
Land improvements	14,279,504	(59,769)	96,790	-	14,316,525
Equipment	930,990	(5,702)	25,198	(19,931)	930,555
Vehicles	396,131	25,161	19,897	19,931	461,120
<b>Total capital assets being depreciated</b>	<u>27,366,947</u>	<u>(353,034)</u>	<u>158,805</u>	<u>180,931</u>	<u>27,353,649</u>
<b>Less - accumulated depreciation:</b>					
Buildings	3,665,145	(85,585)	211,781	25,254	3,816,595
Land improvements	9,176,143	1,291,811	541,074	-	11,009,028
Equipment	1,163,257	(654,260)	52,854	-	561,851
Vehicles	915,810	(681,506)	40,225	-	274,529
<b>Total accumulated depreciation</b>	<u>14,920,355</u>	<u>(129,540)</u>	<u>845,934</u>	<u>25,254</u>	<u>15,662,003</u>
<b>Total capital assets being depreciated - net</b>	<u>12,446,592</u>	<u>(223,494)</u>	<u>(687,129)</u>	<u>155,677</u>	<u>11,691,646</u>
<b>Business-type activities capital assets - net</b>	<u>\$ 14,221,414</u>	<u>\$ (6,322)</u>	<u>\$ (343,709)</u>	<u>\$ 155,677</u>	<u>\$ 14,027,060</u>

Depreciation expense was charged to Public Utility and Stormwater as follows:

<b>Business-type activities</b>	
Public Utility	\$ 815,048
Stormwater	30,886
<b>Total depreciation expense - Business-type activities</b>	<u>\$ 845,934</u>

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 6 – Capital Assets (Continued)

**Discretely Presented Component**

<b>Unit - School Board</b>	<b>Balance July 1, 2016</b>	<b>Adjustments *</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance June 30, 2017</b>
Capital assets not being depreciated					
Land	\$ 1,619,726	\$ -	\$ -	\$ -	1,619,726
Construction in Progress	-	-	708,985	-	\$ 708,985
<b>Total capital assets not being depreciated</b>	<b>1,619,726</b>	<b>-</b>	<b>708,985</b>	<b>-</b>	<b>2,328,711</b>
Capital assets being depreciated:					
Buildings and improvements	52,653,909	21,598,815 *	171,363	1,039,297	75,463,384
Land improvements	2,263,367	(87,878) *	-	137,327	2,312,816
Equipment	20,461,382	(50,185) *	193,819	-	20,605,016
Vehicles	6,806,826	(249,162) *	1,188,400	(502,589)	7,243,475
<b>Total capital assets being depreciated</b>	<b>82,185,484</b>	<b>21,211,590</b>	<b>1,553,582</b>	<b>674,035</b>	<b>105,624,691</b>
Less - accumulated depreciation:					
Buildings and improvements	28,925,862	(199,651) *	2,248,517	17,213	30,957,515
Land improvements	1,578,083	(107,871) *	178,968	6,163	1,643,017
Equipment	11,223,532	(334,284) *	859,167	-	11,748,415
Vehicles	4,967,573	(889,482) *	343,898	(502,589)	4,924,578
<b>Total accumulated depreciation</b>	<b>46,695,050</b>	<b>(1,531,288)</b>	<b>3,630,550</b>	<b>(479,213)</b>	<b>48,315,099</b>
<b>Total capital assets being depreciated - net</b>	<b>35,490,434</b>	<b>22,742,878</b>	<b>(2,076,968)</b>	<b>1,153,248</b>	<b>57,309,592</b>
<b>School Board capital assets - net</b>	<b>\$ 37,110,160</b>	<b>\$ 22,742,878</b>	<b>\$ (1,367,983)</b>	<b>\$ 1,153,248</b>	<b>\$ 59,638,303</b>

\*Restated FY2017 beginning balance

Depreciation expense was charged to functions of the School Board as follows:

<b>Discretely Presented Component Unit - School Board</b>	
Instructional services	\$ 3,286,652
Pupil Transportation	343,898
<b>Total depreciation expense - school board</b>	<b>\$ 3,630,550</b>

In accordance with Section 15.2-1800.1 of the Code of Virginia, 1950, as amended, 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 Isle of Wight, Virginia for the year ended June 30, 2017, is that school financed assets, net of accumulated depreciation, in the amount of \$22,173,613 are reported in the primary government as “jointly owned assets” for financial reporting purposes.

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 6 – Capital Assets (Continued)

Discretely Presented Component Unit

<u>Economic Development Authority</u>	<u>Balance July 1, 2016</u>	<u>Restated FY17 Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated:					
Land	\$ 10,859,198	\$ (680,653)	\$ -	\$ -	\$ 10,178,545
<b>Total capital assets not being depreciated</b>	<b>10,859,198</b>	<b>(680,653)</b>	<b>-</b>	<b>-</b>	<b>10,178,545</b>
Capital assets being depreciated					
Buildings	55,000	-	-	-	55,000
Land improvements	229,566	-	-	-	229,566
<b>Total capital assets being depreciated</b>	<b>284,566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284,566</b>
Less - accumulated depreciation					
Buildings	8,250	-	1,100	-	9,350
Land improvements	39,094	-	11,905	-	50,999
<b>Total accumulated depreciation</b>	<b>47,344</b>	<b>-</b>	<b>13,005</b>	<b>-</b>	<b>60,349</b>
<b>Total capital assets being depreciated - net</b>	<b>237,222</b>	<b>-</b>	<b>(13,005)</b>	<b>-</b>	<b>224,217</b>
<b>EDA capital assets - net</b>	<b>\$ 11,096,420</b>	<b>\$ (680,653)</b>	<b>\$ (13,005)</b>	<b>\$ -</b>	<b>\$ 10,402,762</b>

The following construction commitments were entered into by the County with various vendors for infrastructure and building improvements in the areas of general government administration, public safety, education, parks, recreation and cultural and public utility as follows:

<u>Construction Commitments:</u>	<u>Spent - to - date</u>	<u>Remaining</u>
Industrial Park	\$ 8,033,107	\$ 9,379
STH Intermodal Park	12,880,832	1,570,661
Building Capital Maintenance	738,296	340,896
E911 Radio Upgrade	1,248,665	5,833,243
IOW Rescue Squad Bldg	5,399,647	383,247
Heritage Pk Restrooms/Rodeo	-	355,000
Nike Park Pavement	-	70,000
Nike Skate Park	396,700	8,000
Parks & Recreation Maintenance	345,035	50,000
Regional Consent Order	984,116	14,984
Schools Capital Maintenance Projects	-	2,700,000
Water Capital Maintenance	-	500,000
Route 10 Water Infrastructure Project	178,835	5,095,176
Bethel Heights Upgrade	175,171	77,027
Lawnes Pt Ext Rushmere Shores	-	750,000
Master Sewer Plan	76,775	23,225
Waterline Extension WTWA-STH Park	-	9,526
TMDL	420,468	312,265
Stormwater Management Program	20,418	414,029
Stormwater Master Plan	-	50,000
Stormwater Retrofit Projects	-	83,145
Stormwater Capital Maintenance	-	100,000
Watershed Impl Planning Phase III	-	100,000
BMP Retrofit CVFD	-	450,000
Energov Database Upgrades	-	220,000
Heritage Park SLAF	92,900	445,855
Sewer Capital Maintenance	22,900	100,000
Route 460 Pump Station	170,800	28,800
Camptown/Carrsville Public Utilities	411,709	17,817
	<b>\$ 31,596,374</b>	<b>\$ 20,112,275</b>

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 7 – Long-Term Obligations

The following is a summary of changes in long-term obligations during the year ended June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds	\$ 103,060,728	\$ 15,900,000	\$ (3,006,700)	\$ 115,954,028	\$ 4,639,186
Bond premiums	4,303,607	-	(403,952)	3,899,655	324,971
<b>Subtotal</b>	<u>107,364,335</u>	<u>15,900,000</u>	<u>(3,410,652)</u>	<u>119,853,683</u>	<u>4,964,157</u>
PACE program	4,326,512	-	-	4,326,512	-
Capital leases	766,113	298,865	(230,493)	834,485	263,434
Compensated absences	1,026,681	839,628	(547,418)	1,318,891	131,889
Net OPEB obligation	1,186,344	142,408	(20,282)	1,308,470	-
Landfill closure costs	1,550,264	201,697	(101,660)	1,650,301	-
Net pension liability	3,011,382	848,379	-	3,859,761	-
<b>Total Governmental Activities</b>	<u>\$ 119,231,631</u>	<u>\$ 18,230,977</u>	<u>\$ (4,310,505)</u>	<u>\$ 133,152,103</u>	<u>\$ 5,359,480</u>
<b>Business-Type Activities</b>					
General obligation bonds	\$ 35,229,267	\$ -	\$ (158,300)	\$ 35,070,967	\$ 165,232
Bond premiums	3,305,090	-	(389,971)	2,915,119	338,545
<b>Subtotal</b>	<u>38,534,357</u>	<u>-</u>	<u>(548,271)</u>	<u>37,986,086</u>	<u>503,777</u>
Notes payable	12,000	-	(12,000)	-	-
Capital leases	39,916	-	(11,153)	28,763	11,373
Compensated absences	81,835	59,311	(57,897)	83,249	8,325
Net OPEB obligation	48,559	7,932	(180)	56,311	-
Net pension liability	185,689	74,630	-	260,319	-
<b>Total Business-Type Activities</b>	<u>\$ 38,902,356</u>	<u>\$ 141,873</u>	<u>\$ (629,501)</u>	<u>\$ 38,414,728</u>	<u>\$ 523,475</u>
<b>Discretely Presented Component Units</b>					
<b>School Board</b>					
Capital leases	\$ 8,862,274	\$ 1,590,015	\$ (1,152,612)	\$ 9,299,677	\$ 1,164,058
Compensated absences	406,955	362,210	(302,898)	466,267	46,627
Net OPEB obligation	4,757,514	336,810	(77,514)	5,016,810	-
Net pension liability	47,706,184	4,552,976	-	52,259,160	-
<b>Total School Board</b>	<u>\$ 61,732,927</u>	<u>\$ 6,842,011</u>	<u>\$ (1,533,024)</u>	<u>\$ 67,041,914</u>	<u>\$ 1,210,685</u>
<b>Economic Development Authority</b>					
Note payable	\$ 21,560	\$ -	\$ (21,560)	\$ -	\$ -

June 30, 2017

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**Note 7 – Long-Term Obligations (Continued)**

**A. General Obligation Bonds**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities and are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued with varied amounts of principal maturing each year. There are no sinking fund requirements. General obligation bonds currently outstanding are as follows:

	Amount Outstanding
<p><b>General Obligation Public Improvement Bonds Series 2017B -</b></p> <p>On May 5, 2017, the County issued \$7,900,000 in General Obligation Public Improvement Bonds to finance various capital projects related to career and technical education for Isle of Wight County Schools. Interest on the bonds is due semiannually at a rate of 2.4% until maturity commencing on December 1, 2017.</p>	<p>\$ 7,900,000</p>
<p><b>General Obligation Public Improvement Bonds Series 2016 -</b></p> <p>On July 29, 2016, the County issued \$8,000,000 in General Obligation Public Improvement Bonds, Series 2016 with a semi-annual interest payable at a rate of 1.651% over the life of the bond. The bonds were issued to finance the acquisition, construction and equipping of facilities and equipment related to public safety purposes and uses and to pay the cost of issuance. Interest on the 2016 bond is payable semiannually commencing on January 1, 2017.</p>	<p>8,000,000</p>
<p><b>General Obligation Refunding Bonds of 2015 (tax exempt bonds) -</b></p> <p>\$17,395,000 dated June 2015 with principal payable in various annual installments through 2031. Interest is payable semi-annually at a rate of 2.90% over the life of the bond. The bonds were used to advance refund prior issues.</p>	<p>16,445,000</p>
<p><b>General Obligation Refunding Bonds of 2014B (taxable bonds) -</b></p> <p>\$12,290,000 dated July 2014 with principal payable in various annual installments through 2040. Interest is payable semi-annually at a rate of 4.50% over the life of the bond. The bonds were used to advance refund prior issues.</p>	<p>12,290,000</p>
<p><b>General Obligation Refunding Bonds of 2014A (tax exempt bonds) -</b></p> <p>\$24,730,000 dated July 2014 with principal payable in various annual installments through 2037. Interest is payable semi-annually at a rate that varies from 3.00% to 5.00% over the life of the bond. The bonds were used to advance refund prior issues. The bonds were issued at a premium of \$2,752,653, which is being amortized over the life of the bonds.</p>	<p>24,730,000</p>

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

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June 30, 2017

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Note 7 – Long-Term Obligations (Continued)

**General Obligations Bonds of 2013** - \$2,145,000 dated June 2013, principal payable in various annual installments through 2021, interest payable semi-annually at a coupon rate of 2.07%. The principal was used to refund \$790,000 and \$1,105,000 of outstanding 2004 and 2008B Series Bonds respectively. 2,145,000

**General Obligations Bonds of 2012** - \$48,465,000 dated September 2012, principal payable in various annual installments through 2043, interest payable semi-annually at coupon rates from 3% to 5%. Of this bond issue, \$3,494,846 was borrowed to finance various capital improvements. The remaining \$33,680,000 was used to current refund \$7,685,000 of outstanding 2010 Series Bonds and advance refund \$6,460,000 of the outstanding 2011 Bond Anticipation Note, and \$19,535,000 of the outstanding 2003 and 2004 bonds. The bonds were issued at a \$6,774,843 premium, which is being amortized over the life of the bonds. 42,715,000

**General Obligation Bonds of 2011A (tax exempt bonds)** - \$17,630,000 dated June 2011 with principal payable in various annual installments through 2031. Interest is payable semi-annually at a rate that varies from 2.00% to 4.125% over the life of the bond. The bonds were used to finance general obligation public improvements and to advance refund prior issues. The bonds were issued at a premium of \$235,938, which is being amortized over the life of the bonds. 14,005,000

**General Obligation Bonds of 2011 VPSA (tax exempt bonds)** - \$7,500,000 dated June 2011 with principal payable in various annual installments beginning June 2014 through to June 2027. These bonds were obtained through the Virginia Public School Authority pooled Qualified School Construction Bonds (QSCB). The QSCBs are tax credit bonds such that the interest component of the bond is subject entirely to the federal subsidy reimbursement which offsets completely the interest on these bonds. The bonds are being used for the school construction and renovation projects. 6,150,000

**General Obligation Bonds of 2010D (tax exempt bonds)** - \$12,145,000 dated September 2010 with principal payable in various annual installments through April 2028. Interest is payable semi-annually at a rate that varies from 3.00% to 4.00% over the life of the bond. The bonds are being used to refund the balance of all the County's outstanding general obligation series 2008A and general obligation refunding series 2009. The bonds were issued at a premium of \$643,939, which is being amortized over the life of the bonds. 4,445,000

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 7 – Long-Term Obligations (Continued)

A. General Obligation Bonds (Continued)

**General Obligation Bonds of 2010C (taxable Build America Bonds)** - \$13,530,000 dated April 2010 with principal payable in various annual installments through 2033. Interest is payable semi-annually at a rate that varies from 3.70% to 6.05% over the life of the bond. The bonds were used to finance various capital improvements, including but not limited to, the acquisition, construction and equipping of courthouse and public safety facilities, public buildings and the acquisition of land for economic development. The bonds were issued at par value. Remaining interest rates are from 4.45 - 6.05%

12,200,000

Total General Obligation Bonds Outstanding \$ 151,024,995

Maturities of General Obligation Bonds, including future interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 4,639,186	\$ 4,065,594	\$ 165,232	\$ 1,561,428	\$ 4,804,418	\$ 5,627,022
2019	6,833,703	3,912,215	344,060	1,552,164	7,177,763	5,464,379
2020	7,036,608	3,723,858	356,636	1,539,407	7,393,244	5,263,265
2021	7,153,354	3,513,296	340,890	1,526,423	7,494,244	5,039,719
2022	7,166,075	3,302,791	479,699	1,513,199	7,645,774	4,815,990
2023-2027	37,575,208	13,210,426	4,045,962	7,208,253	41,621,170	20,418,679
2028-2032	30,488,288	7,441,049	5,495,100	6,284,182	35,983,388	13,725,231
2033-2037	11,641,776	3,003,447	8,438,224	4,918,503	20,080,000	7,921,950
2038-2042	3,419,830	759,992	13,365,164	1,872,097	16,784,994	2,632,089
2043-2046	-	-	2,040,000	69,250	2,040,000	69,250
Total	\$ 115,954,028	\$ 42,932,668	\$ 35,070,967	\$ 28,044,906	\$ 151,024,995	\$ 70,977,574

B. Refunded Debt

Prior Years Defeased Obligations

In prior years, the County defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. At June 30, 2017, the outstanding balance of the defeased debt, including current year defeased debt, is \$27,674,749.

**Notes to Basic Financial Statements**

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June 30, 2017

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**Note 7 – Long-Term Obligations (Continued)**

**C. Purchase Agricultural Conservation Easement Program**

On May 19, 2005, Board of Supervisors adopted an ordinance establishing the Purchase Agricultural Conservation Easement Program (PACE). The primary purpose of the ordinance is to promote and encourage the preservation of farmland in Isle of Wight County. Through PACE, the County acquires development rights in designated areas within the County through the purchase of agricultural land preservation easements. Landowners who meet certain eligibility criteria may sell an easement to the County while holding fee simple title to the land and continuing to farm. The County acquires development rights by executing installment purchase agreements with the landowners and have an indefinite life.

These agreements provide for the payment of the principal balance to be paid in a single installment due approximately thirty years after execution of the agreement. Interest on the unpaid principal balance is payable semi-annually and interest expense was \$209,836 for June 30, 2017.

These obligations are constituted within the meaning of Article VII, Section 10 of the Virginia Constitution and are general obligations of the County, pledging the full faith and credit and unlimited taxing power of the County. By policy, interest will be paid from a dedicated portion of real estate taxes with principal payments being made from a maturing zero coupon Treasury securities purchased from the dedicated portion of real estate taxes.

At June 30, 2017, two installment purchase agreements totaling 619.08 acres at a total purchase price of \$4,326,512 are outstanding.

The following is a summary of the repayment schedules:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ -	\$ 209,836
2019	-	209,836
2020	-	209,836
2021	-	209,836
2022	-	209,836
2023-2027	-	1,049,180
2028-2032	-	1,049,180
2033-2037	-	1,049,180
2038-2040	4,326,512	524,590
	<u>\$ 4,326,512</u>	<u>\$ 4,721,310</u>

**Notes to Basic Financial Statements**

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June 30, 2017

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**Note 7 – Long-Term Obligations (Continued)**

**D. Primary Government Leases**

During the fiscal year 2017, the County entered into a noncancellable lease purchase agreement for equipment. The cost of equipment put in service during the year was \$314,006. At June 30, 2017, the accumulated depreciation on this equipment was \$33,683. In addition, the County has noncancellable operating lease agreements for communications equipment for multiple years. The future minimum capital and operating lease payments and the present value of minimum capital lease payments for the Primary Government as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities	Operating Leases
2018	275,796	11,786	21,896
2019	275,796	11,786	22,155
2020	192,118	5,893	22,919
2021	85,322	-	23,360
2022	31,102	-	23,644
Total minimum lease payments	\$ 860,134	\$ 29,465	\$ 113,974
less amounts representing interest	(25,649)	(702)	
Present value of minimum lease payments	\$ 834,485	\$ 28,763	

**Notes to Basic Financial Statements**

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**June 30, 2017**

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**Note 7 – Long-Term Obligations (Continued)**

**E. School Board Capital Leases**

During fiscal year 2014, the School Board has entered into a non-cancelable equipment lease purchase agreement to finance the costs to acquire, construct and install certain energy savings. The cost of the asset placed in service was in the amount of \$6,599,173. At June 30, 2017, the accumulated depreciation was in the amount of \$736,284. The future minimum capital and operating lease payments and the present value of minimum capital lease payments for School Board capital leases as of June 30, 2017 are as follows:

	Fiscal Year <u>Ending June 30,</u>	
	2018	\$ 435,944
	2019	450,648
	2020	466,486
	2021	483,381
	2022	500,256
	Thereafter	<u>6,801,523</u>
	Total minimum lease payments	\$ 9,138,238
	less amounts representing interest	<u>(2,548,238)</u>
	Present value of minimum lease payments	<u>\$ 6,590,000</u>

During the fiscal year 2016, the School Board has entered into a master equipment lease purchase agreement to finance the purchase technology equipment, school buses, and food service equipment in the amount of \$1,240,000, \$860,000, and \$620,000, respectively. The cost of the assets placed in service was in the amount of \$2,720,000. At June 30, 2017, the accumulated depreciation was in the amount of \$178,626.

Future minimum lease payments are as follows:

	Fiscal Year <u>Ending June 30,</u>	
	2018	\$ 614,627
	2019	196,175
	2020	196,175
	2021	196,175
	2022	196,175
	Thereafter	<u>201,564</u>
	Total minimum lease payments	\$ 1,600,891
	less amounts representing interest	<u>(74,696)</u>
	Present value of minimum lease payments	<u>\$ 1,526,195</u>

**Notes to Basic Financial Statements**

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**June 30, 2017**

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**Note 7 – Long-Term Obligations (Continued)**

During the fiscal year 2017, the School Board has entered into a master equipment lease purchase agreement to finance the purchase of equipment, vehicles, and school buses in the amount of \$551,725, \$584,442 and \$453,848 respectively. The cost of the assets placed in service was in the amount of \$1,590,015.

US Bancorp Leases:

	Fiscal Year <u>Ending June 30,</u>	
	2018	\$ 264,683
	2019	264,683
	2020	<u>264,683</u>
Total minimum lease payments		\$ 794,049
less amounts representing interest		<u>(20,442)</u>
Present value of minimum lease payments		<u>\$ 773,607</u>

Apple Lease:

	Fiscal Year <u>Ending June 30,</u>	
	2018	\$ 141,849
	2019	141,849
	2020	<u>141,849</u>
Total minimum lease payments		\$ 425,548
less amounts representing interest		<u>(15,673)</u>
Present value of minimum lease payments		<u>\$ 409,875</u>

**Note 8 – Pension Plan**

**A. Plan Description**

The County and Schools contribute to the Virginia Retirement System Plan (VRS), which provides agent, multiple employer and cost-sharing, multiple-employer defined benefit plans administered by the Virginia Retirement System. The County employees and Schools nonprofessional employees are covered by the agent, multiple-employer defined benefit plan and Schools professional employees are covered by the cost-sharing multiple-employer defined benefit plan.

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

Notes to Basic Financial Statements

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June 30, 2017

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**Note 8 – Pension Plan (Continued)**

**A. Plan Description (Continued)**

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

**RETIREMENT PLAN PROVISIONS**

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"><li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li></ul>

June 30, 2017

Note 8 – Pension Plan (Continued)

A. Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
		<b>About the Hybrid Retirement Plan (Continued)</b>
		<ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<b>Eligible Members</b>	<b>Eligible Members</b>	<b>Eligible Members</b>
Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• School division employees (teacheres)</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.</li> </ul>
<b>Hybrid Opt-In Election</b>	<b>Hybrid Opt-In Election</b>	<b>*Non-Eligible Members</b>
Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.	Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul>
The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.	The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.	Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	
Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	

June 30, 2017

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Note 8 – Pension Plan (Continued)

A. Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p><b>Retirement Contributions</b> Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions and school divisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p><b>Retirement Contributions</b> A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <b><u>Defined Benefit Component:</u></b> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><b><u>Defined Contributions Component:</u></b> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

June 30, 2017

Note 8 – Pension Plan (Continued)

A. Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b>            Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b>            Same as Plan 1.</p>	<p><b>Vesting</b>  <u><b>Defined Benefit Component:</b></u>            Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u><b>Defined Contributions Component:</b></u>            Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> <li>• Distribution is not required by law until age 70½.</li> </ul>

June 30, 2017

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**Note 8 – Pension Plan (Continued)**

**A. Plan Description (Continued)**

**RETIREMENT PLAN PROVISIONS (Continued)**

<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <b><u>Defined Benefit Component:</u></b> See definition under Plan 1</p>
<p><b>Average Final Compensation</b> A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b> Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier:</b> The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p>	<p><b>Service Retirement Multiplier:</b> Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non- hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b> <b><u>Defined Benefit Component:</u></b> The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p>
<p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p>	<p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p>
<p><b>Political Subdivision hazardous duty employees:</b> The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p><b>Political Subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political Subdivision hazardous duty employees:</b> Not applicable.</p> <p>Defined Contribution Component: Not applicable.</p>

June 30, 2017

**Note 8 – Pension Plan (Continued)**

**A. Plan Description (Continued)**

**RETIREMENT PLAN PROVISIONS (Continued)**

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

June 30, 2017

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Note 8 – Pension Plan (Continued)

A. Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>            The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><b>Eligibility:</b>            For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>            The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><b>Eligibility:</b>            Same as Plan 1</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b>  <u>Defined Benefit Component:</u>            Same as Plan 2.</p> <p><u>Defined Contribution Component:</u>            Not applicable.</p> <p><b>Eligibility:</b>            Same as Plan 1 and Plan 2.</p>

Notes to Basic Financial Statements

June 30, 2017

Note 8 – Pension Plan (Continued)

A. Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b><u>Exceptions to COLA Effective Dates:</u></b>  <b>School Division (Teachers) and Political Subdivision Employees:</b>            The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  <b>School Division (Teachers) and Political Subdivision Employees:</b>            Same as Plan 1</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b>  <b>School Division (Teachers) and Political Subdivision Employees:</b>            Same as Plan 1 and Plan 2.</p>

June 30, 2017

Note 8 – Pension Plan (Continued)

A. Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (Continued)

PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work- related disability benefits.</p> <p>N/A for School Board Professional employees</p> <p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p> <p>N/A for School Board Professional employees</p> <p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions and school divisions (teachers) (including Plan 1 and Plan 2 opt- ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one- year waiting period before becoming eligible for non-work- related disability benefits.</p> <p><b>Purchase of Prior Service <u>Defined Benefit Component:</u></b> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that on- year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b> Not applicable.</p>

**Notes to Basic Financial Statements**

June 30, 2017

**Note 8 – Pension Plan (Continued)**

**A. Plan Description (Continued)**

Detailed information about the pension plans' fiduciary net position is available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/pdf/publications/2016-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**County and School Board Non-Professional (Agent Plan)  
Employees Covered by Benefit Terms**

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Plans	
	County	School Board Non- Professional
Inactive members or their beneficiaries currently receiving benefits	153	55
Inactive members		
Vested	54	13
Non-vested	59	44
Active elsewhere in VRS	116	22
<b>Total inactive</b>	<b>229</b>	<b>79</b>
Active	263	92
<b>Total</b>	<b>645</b>	<b>226</b>

**Contributions**

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

The County's contractually required contribution rate for the year ended June 30, 2017 was 8.81% of covered employee compensation. The School Board non-professional's contractually required contribution rate for the year ended June 30, 2017 was 6.30% of covered employee compensation. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,177,661 and \$1,232,527 for the years ended June 30, 2017 and June 30, 2016, respectively. Contributions to the pension plan from the School Board for the non-professional employees were \$119,522 and \$135,297 for the years ended June 30, 2017 and June 30, 2016, respectively.

June 30, 2017

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**Note 8 – Pension Plan (Continued)**

**A. Contributions (Continued)**

**School Board Professional (Cost-Sharing Plan)**

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

The School Board Professional's contractually required contribution rate for the year ended June 30, 2017 was 14.6% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were \$4,951,158 and \$3,977,579 for the years ended June 30, 2017 and June 30, 2016, respectively.

**B. Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the County's and School Board's non-professional retirement plans were based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 5.35
Investment Rate of Return	7.0 percent, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However,

since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Notes to Basic Financial Statements

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June 30, 2017

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Note 8 – Pension Plan (Continued)

B. Actuarial Assumptions (continued)

Actuarial Assumptions -General Employees

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

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

Actuarial Assumptions - Public Safety Employees

The total pension liability for Public Safety employees in the County's retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2016.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 5.35
Investment Rate of Return	7.0 percent, net of pension plan investment expense, including inflation*

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

Notes to Basic Financial Statements

June 30, 2017

Note 8 - Pension Plan (Continued)

B. Actuarial Assumptions (continued)

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

Pre-Retirement:

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

Post-Retirement:

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

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Decrease in male and female rates of disability

Actuarial Assumptions - School Board Professional Plan

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2016.

Inflation	2.5 percent
Salary increases, including Inflation	3.5 percent - 5.95
Investment Rate of Return	7.0 percent, net of pension plan investment expense, including inflation*

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

Mortality rates:

Pre-Retirement:

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

Post-Retirement:

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

**Notes to Basic Financial Statements**

**June 30, 2017**

**Note 8 - Pension Plan (Continued)**

**B. Actuarial Assumptions (continued)**

Post-Disablement:

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table
- Adjustments to rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by .025% per year

**C. Long-Term Expected Rate of Return**

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

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

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

**Notes to Basic Financial Statements**

June 30, 2017

**Note 8 – Pension Plan (Continued)**

**D. Discount Rate**

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

**E. Changes in Net Pension Liability**

The following tables show the changes in net pension liability recognized over the measurement period.

County	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a)-(b)
Balance at June 30, 2015	\$ 39,631,766	\$ 36,434,695	\$ 3,197,071
Changes for the year:			
Service Cost	1,495,249	-	1,495,249
Interest	2,716,218	-	2,716,218
Difference between expected and actual experience	(818,238)	-	(818,238)
Contributions - employer	-	1,232,527	(1,232,527)
Contributions - employee	-	615,182	(615,182)
Net investment income	-	645,055	(645,055)
Benefit payments, including refunds of employee contributions	(1,657,309)	(1,657,309)	-
Administrative expense	-	(22,272)	22,272
Other changes	-	(272)	272
Net Changes	1,735,920	812,911	923,009
Balance at June 30, 2016	\$ 41,367,686	\$ 37,247,606	\$ 4,120,080

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2017

Note 8 – Pension Plan (Continued)

E. Changes in Net Pension Liability (continued)

School Board Non-Professional	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a)-(b)
Balance at June 30, 2015	\$ 5,523,255	\$ 5,351,071	\$ 172,184
Changes for the year:			
Service Cost	184,282	-	184,282
Interest	375,141	-	375,141
Difference between expected and actual experience	(159,890)	-	(159,890)
Contributions - employer	-	135,297	(135,297)
Contributions - employee	-	77,177	(77,177)
Net investment income	-	91,464	(91,464)
Benefit payments, including refunds of employee contributions	(328,182)	(328,182)	-
Administrative expense	-	(3,342)	3,342
Other changes	-	(39)	39
Net Changes	71,351	(27,625)	98,976
Balance at June 30, 2016	\$ 5,594,606	\$ 5,323,446	\$ 271,160

The following tables show the roll-forward of total pension liability to the measurement date:

County		
	Actual	Expected
(a) TPL as of June 30, 2015	\$ 38,867,058	\$ 39,631,766
(b) Entry Age Normal Cost for the period June 30, 2015 - June 30, 2016	1,397,429	1,397,429
(c) Actual benefits and refunds for the period June 30, 2015 - June 30, 2016.	1,657,309	1,657,309
(d) TPL as of June 30, 2016 = [(a) + (b)] x (1.07) - [(c) x (1.035)]	\$ 41,367,686	42,185,924
(f) Difference between expected and actual Experience		\$ (818,238)

School Board Non-Professional		
	Actual	Expected
(a) TPL as of June 30, 2015	\$ 5,373,825	\$ 5,523,255
(b) Entry Age Normal Cost for the period June 30, 2015 - June 30, 2016	172,226	172,226
(c) Actual benefits and refunds for the period June 30, 2015 - June 30, 2016.	328,182	328,182
(d) TPL as of June 30, 2016 = [(a) + (b)] x (1.07) - [(c) x (1.035)]	\$ 5,594,606	5,754,496
(f) Difference between expected and actual Experience		\$ (159,890)

**Notes to Basic Financial Statements**

June 30, 2017

**Note 8 - Pension Plan (Continued)**

**F. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

	Net Pension Liability (Asset)		
	1% Decrease	Current Discount	1% Increase
	-6.00%	-7.00%	-8.00%
County	\$ 9,430,403	\$ 4,120,080	\$ (294,280)
School Board Non-Professional	\$ 903,987	\$ 271,160	\$ (260,422)
School Board Professional	\$ 74,123,000	\$ 51,988,000	\$ 33,772,000

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

At June 30, 2017, the School Board reported a liability for the professional plan of \$51,998,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the school board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the school board's proportion was .37104% as compared to .37766% at June 30, 2015.

For the year ended June 30, 2017, the school board recognized pension expense of \$3,245,000. Since there was a change in proportionate share between June 30, 2015 and June 30, 2016, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

For the year ended June 30, 2017, the County and the School Board non-professional plan recognized pension expense of \$933,529 and \$(82,229) respectively. County and the School Board non-professional plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	County	
	Deferred outflows of Resources	Deferred inflows of Resources
Contribution made after the measurement date	\$ 1,177,661	\$ -
Difference between expected and actual experience	131,848	(583,786)
Net difference between projected and actual earning on and proportionate share of contribution	2,030,002	(1,062,223)
Total	<u>\$ 3,339,511</u>	<u>\$ (1,646,009)</u>

**Notes to Basic Financial Statements**

June 30, 2017

**Note 8 - Pension Plan (Continued)**

**G. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

At June 30, 2017, the School board professional plan reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<b>School Board Non-Professional</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contribution made after the measurement date	\$ 119,522	\$ -
Difference between expected and actual experience	-	(155,991)
Net difference between projected and actual earning on and proportionate share of contribution	140,336	-
Total	<u>259,858</u>	<u>(155,991)</u>

<b>School Board Professional</b>		
	<b>Deferred outflows of Resources</b>	<b>Deferred inflows of Resources</b>
Contribution made after the measurement date	\$ 4,951,158	\$ -
Difference between expected and actual experience	-	(1,684,000)
Net difference between projected and actual earning on pension plan investments	2,970,000	-
Changes in proportion between employer contribution and proportionate share of contribution	100,000	(3,435,000)
Total	<u>\$ 8,021,158</u>	<u>\$ (5,119,000)</u>

\$1,177,661 and \$119,522 reported as deferred outflows of resources related to pensions resulting from the County and the School Board’s non-professional contributions, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Year Ended June 30	<b>Deferred Outflows/(Inflows) of Resources</b>		
	<b>County</b>	<b>School Board Non-Professional</b>	<b>School Board Professional</b>
2018	\$ (128,996)	\$ (127,034)	\$ (1,574,000)
2019	(171,781)	(25,447)	(1,574,000)
2020	434,369	81,039	595,000
2021	382,249	55,787	687,000
2022	-	-	(183,000)
Total	<u>\$ 515,841</u>	<u>\$ (15,655)</u>	<u>\$ (2,049,000)</u>

\$4,951,158 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Notes to Basic Financial Statements

June 30, 2017

Note 8 – Pension Plan (Continued)

H. Net Pension Liability (Continued)

The County and School Board's non-professional plan net pension liabilities were measured as of June 30, 2016. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2016, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	Teacher Employee Retirement Plan
Total pension liability	\$ 44,182,326
Plan fiduciary net position	30,168,211
<b>Employers' net pension liability</b>	<b>\$ 14,014,115</b>
Plan fiduciary net position as a percentage of the total pension liability	68.28%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

June 30, 2017

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**Note 9 – Other Post Employment Benefit (OPEB) Plans**

**A. Plan Provisions**

In addition to providing the pension benefits described in Note 8, the County and School Board provide postemployment health care (OPEB) for qualifying retired employees, who are not yet eligible for Medicare, through single-employer defined benefit plans. The benefit levels, employee contributions and employer contributions are governed by the County and School Board and can be amended.

**B. Plan Description**

Currently, covered full-time active employees who retire directly from the County, are eligible to receive an early or regular retirement benefit from the VRS and have at least 15 years of service (or have retired due to line-of-duty injuries) are eligible to receive post-employment health care benefits. Each year, retirees participating in the County's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of two plans: Key Care and Health Keepers Plans. Post-Medicare retirees and spouses of retirees are not eligible to participate. Dental plans are available at the retiree's cost and it is assumed for both the County and the Schools that participant dental contributions cover any dental claims that may occur. Therefore, there is no liability for dental plan coverage in retirement. There were 3 retirees and 296 active County participants at the time of the actuarial study. Since the retirees contribute towards their health insurance premiums based on a blended rate, the County has an implicit liability.

For the School Board, the retiree must also retire directly from the Schools and be eligible to receive an early or regular retirement benefit from the VRS. Post-Medicare retirees are not eligible to participate. Spouses of retirees may participate until they are eligible for Medicare. The School Board provides a single-employer defined benefit medical plan that covers retirees until they are eligible for Medicare. There is no coverage provided for retirees or their spouses once they reach the age of 65 and are eligible for Medicare. Both plans were established under the authority of the Isle of Wight County School Board and any amendments to the plans must be approved by the School Board. The School Board's current plan participants are 14 retirees and 667 active participants. Since the retirees contribute towards their health insurance premiums based on a blended rate, the School Board has an implicit liability.

Employees may retire under the Virginia Retirement System with an unreduced pension benefit under the following age and service requirements:

- Age 50 and 30 years of service
- Age 65 and 5 years of service

Employees may retire with a reduced pension benefit at either age 50 and 10 years of service or age 55 and five years of service.

**C. Funding Policy**

The anticipated growth in the net OPEB obligations are based on contributions to the benefit plans on a pay-as-you-go cost basis. The County and School Board's actuarial studies used data which has been projected into the future based on the assumption the current active population remains constant. In addition, the estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees. The plans are unfunded. The County uses the General Fund to liquidate the OPEB obligation for governmental activities and the Public Utility Enterprise Fund to liquidate the OPEB obligation for business-type activities.

Notes to Basic Financial Statements

June 30, 2017

**Note 9 – Other Post Employment Benefit (OPEB) Plans (Continued)**

**D. Annual OPEB Costs and Net OPEB Obligations**

The County's and School Board's annual OPEB cost (expense) is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the County's and School Board's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the County's and School Board's net OPEB obligations.

<b><u>Governmental Activities</u></b>	
Annual required contribution (ARC)	\$ 145,326
Interest on net OPEB obligations	47,454
Adjustment to annual required contribution	(50,372)
<b>Annual OPEB Cost</b>	<u>142,408</u>
Pay-As-You-Go Annual Employer Contributions	(20,282)
<b>Increase in Net OPEB Obligations</b>	122,126
Net OPEB Obligations - beginning of year	1,186,344
<b>Net OPEB Obligations - end of year</b>	<u><u>\$ 1,308,470</u></u>
<b><u>Business-Type Activities</u></b>	
Annual required contribution	\$ 8,051
Interest on net OPEB obligations	1,942
Adjustment to annual required contributions	(2,061)
<b>Annual OPEB Cost</b>	<u>7,932</u>
Pay-As-You-Go Annual Employer Contributions	(180)
<b>Increase in Net OPEB Obligations</b>	7,752
Net OPEB Obligations - beginning of year	48,559
<b>Net OPEB Obligations - end of year</b>	<u><u>\$ 56,311</u></u>
<b><u>Component Unit - School Board</u></b>	
Annual required contribution	\$ 348,509
Interest on net OPEB obligation	190,301
Adjustment to annual required contribution	(202,000)
<b>Annual OPEB Cost</b>	<u>336,810</u>
Pay-As-You-Go Annual Employer Contribution	(77,514)
<b>Increase in Net OPEB Obligations</b>	259,296
Net OPEB Obligation - beginning of year	4,757,514
<b>Net OPEB Obligations - end of year</b>	<u><u>\$ 5,016,810</u></u>

**Notes to Basic Financial Statements**

June 30, 2017

**Note 9 – Other Post Employment Benefit (OPEB) Plans (Continued)**

**D. Annual OPEB Costs and Net OPEB Obligations (Continued)**

Information reflecting the annual OPEB cost, which approximated the annual required contribution, and the percentages contributed for the past three fiscal years is as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation
Governmental Activities			
2017	\$ 142,408	14.2%	\$ 1,308,470
2016	153,199	18.3%	1,186,344
2015	154,963	12.2%	1,061,221
Business-Type Activities			
2017	\$ 7,932	2.3%	\$ 56,311
2016	6,235	23.4%	48,559
2015	6,256	12.1%	43,780
Component Unit - School Board			
2017	\$ 336,810	23.0%	\$ 5,016,810
2016	858,588	25.7%	4,757,514
2015	789,871	20.0%	4,119,374

**E. Actuarial Methods and Assumptions**

**Valuation Methods**

The Entry Age Normal actuarial cost method was used to calculate all of the expense amounts and the funded status of the plans. The calculations were performed in accordance with the methodologies set forth in GAAP. This method assigns the plan’s total actuarial present value of future benefits to various periods. The actuarial accrued liability is assigned to years prior to the valuation and the normal cost is assigned to the year following the valuation. The remaining costs are assigned to future years.

**Employees Included in the Calculations**

All active employees who are expected to meet the plans' eligibility requirements on or before the ultimate assumed retirement age are included in the calculations. Retirees, spouses, and spouse survivors who are entitled to a benefit under the provisions of the plans are also included.

**Notes to Basic Financial Statements**

June 30, 2017

**Note 9 – Other Post Employment Benefit (OPEB) Plans (Continued)**

**E. Actuarial Methods and Assumptions (Continued)**

**Actuarial Assumptions**

In the actuarial valuations for fiscal year ending June 30, 2017 (dated November 17, 2017), the Entry Age Normal actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 4.0% for the unfunded liability, expected payroll growth rate of 2.5%, 0% expected rate of return on assets since the plans are not funded, healthcare cost trend rate of 7.75% for 2016 and reduced by 0.5% per year to 4.75% thereafter in 2027, inflation rate of 2.5%, and amortization of the initial unfunded actuarial liability over 30 years based on a level percent of payroll method. The actuarial accrued liability was \$1,380,033 and \$3,349,865 for the County and the School Board, respectively.

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

Calculations are based on the types of benefits provided under the terms of the substantive plans at the time of each valuation and on the pattern of sharing of costs between the employer and plan members.

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

**F. Funded Status and Funding Progress**

Actuarial Valuation Date	Actuarial value of assets	Actuarial accrued liability (AAL) project unit	Unfunded actuarial accrued liability	Funding Ratio	Covered Payroll	UAAL as a percentage of covered payroll
<b>July 1, 2016</b>						
Governmental activities	\$ -	\$ 1,319,257	\$ 1,319,257	0.0%	\$ 13,396,171	9.80%
Business-type activities	-	60,776	60,776	0.0%	521,244	11.7%
Total Primary Government	\$ -	\$ 1,380,033	\$ 1,380,033	0.0%	\$ 13,917,415	9.9%
Component Unit - School Board	\$ -	\$ 3,349,865	\$ 3,349,865	0.0%	\$ 29,294,265	11.4%

June 30, 2017

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**Note 10 – Commitments and Contingent Liabilities**

**A. Post Closure Landfill Costs**

State and federal laws and regulations require the County to perform certain continuing maintenance and monitoring functions subsequent to the closure of a landfill site. The County ceased accepting solid waste at its landfill in 1987 and completed initial closure measures in that same year. The County closed its landfill prior to the date mandated by state and federal law and regulation and, therefore, the County is only liable for post-closure monitoring. During fiscal year 2006, the County was deemed to be in violation of the Virginia Solid Waste Management Regulations and the approved Closure Plan. The County submitted a corrective action plan to the Commonwealth's Department of Environmental Quality. During 2008, the County provided for additional financial assurance in the amount of \$1,000,000. The currently estimated future annual total cost of the post-closure monitoring and maintenance is \$1,650,301 based on the expected cost for all equipment, facilities and services required to monitor and maintain the landfill post-closure. This represents a increase over the 2016 estimated liability as a result of the completed repairs to the landfill cap, elimination of post closure care requirement for gas monitoring, and elimination of leachate management requirements. The cap repairs allowed the County to terminate a stormwater discharge (VPDES) permit which carried costs associated with demonstrating permit compliance such as lab testing, outfall sampling, coordination visits with Consultant and State, permit renewal fees etc. During the fiscal year ended June 30, 2017, the County expended \$101,660 in post-closure costs. The current costs of landfill closure and post closure care is an estimate subject to changes resulting from inflation, technology or change in applicable laws or regulations.

**B. Risk Management**

The County and School Board are exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. For general liability, automobile liability and workers compensation and employers' liability, the County participates with other localities in the Virginia Association of Counties (VACO) Risk Management Program. The VACO Risk Management Program provides counties and county related agencies with insurance coverage for property and liability insurance and risk management services through the Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP). The County pays an annual premium for its share of the cost of the insurance which includes general liability, product liability and personal injury with a limit of \$5,000,000 for each occurrence; \$5,000,000 combined limit for auto liability and \$1,000,000 limit for workers compensation coverage. The School Board participates in the Virginia School Boards Association Property & Casualty Pool for its general liability and automobile liability with limits of \$1,000,000, respectively, for each occurrence.

The School Board's workers' compensation coverage is \$500,000 and the School board has additional excess liability coverage and there have not been any reductions in insurance coverage for the County or the School Board from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The School Health Benefits Internal Service Fund was established to account for the School Board's group health insurance. The School Board provides insurance benefits from this fund through its third-party administrator. The School Board pays the basic premiums for the employees' coverage into the fund and allows employees to select additional benefits for themselves and their dependents with premiums paid by the employees for such additional benefits. Contracted insurance providers receive disbursements from the fund.

Notes to Basic Financial Statements

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June 30, 2017

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**Note 10 – Commitments and Contingent Liabilities (Continued)**

**B. Risk Management (Continued)**

based on monthly enrollment and premium calculations. All funds are available to pay claims, claim reserves and administrative costs of the program.

The changes in medical claims liability for the three years ended June 30, 2017 are as follow:

	2017	2016	2015
Claims liabilities, beginning of year	\$ 32,635	\$ 162,148	\$ 755,310
Current year claims	4,619,596	4,739,015	4,069,179
Change in prior year claims	55,390	(829,534)	352,470
Claim payments	(3,871,642)	(3,436,792)	(3,904,542)
Legal, administrative and other expenses	(633,943)	(602,202)	(1,110,269)
Claims liabilities, end of year	<u>\$ 202,036</u>	<u>\$ 32,635</u>	<u>\$ 162,148</u>

**C. Contingencies**

Amounts received or receivable for grants or contracts from outside agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed amounts, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, which may be disallowed by any grantors, cannot be determined at this time, but management of the County believes any such amounts will be immaterial to its financial position.

Notes to Basic Financial Statements

June 30, 2017

Note 10 – Commitments and Contingent Liabilities (Continued)

D. Southeastern Public Service Authority (SPSA)

The County is a member of the Southeastern Public Authority ("SPSA"), together with the Cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk, Virginia Beach and the County of Southampton. SPSA operates a regional system for the reception, transfer, processing and disposal of solid waste. Under intergovernmental contracts with SPSA ("Use and Support Agreements"), each member government is required to dispose of 95% of the waste generated within its jurisdiction and to pay SPSA's costs through "tipping fees" payments. Due to certain in-kind contributions, Suffolk is not subject to these tipping fees, and Virginia Beach's tipping fee payment obligations are capped. The effect of this structure is that Chesapeake, Franklin, Isle of Wight, Norfolk, Portsmouth and Southampton are contractually obligated to provide for the break-even operations of SPSA's solid waste system, based on relative population.

Due to declining waste disposal volumes at its landfills, SPSA suffered a budget shortfall that required additional payments from its member jurisdictions and the restructuring of its debt in 2009. In connection with the debt restructuring, the Virginia Resources Authority ("VRA"), as the holder of a majority of SPSA's debt, required, among other things, that the member jurisdictions deliver guarantees in respect of such VRA debt. The County's original guaranty was approximately \$10 million, and, as of June 30, 2009, SPSA total indebtedness equaled approximately \$210.0 million. In 2010, SPSA completed the sale of a portion of its assets, which resulted in a substantial reduction in its indebtedness and a corresponding reduction in the County's guaranty. As of June 30, 2017 SPSA's outstanding indebtedness totaled approximately \$9.9 million, and the County's guaranty equaled \$393,821.

The Use and Support Agreements currently in place are set to expire in 2018. The County has adopted a resolution in support of continuing its partnership with SPSA after 2018.

E. Encumbrances

Outstanding encumbrances at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders and other commitments in process of completion at fiscal year end. Outstanding encumbrances as of June 30, 2017 for the County are as follows:

<u>Governmental Funds</u>	
General Fund	\$ 201,138
Capital Projects	6,549,469
Other Governmental Funds	59,905
Total	\$ <u>6,810,512</u>

**June 30, 2017**

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**Note 11 – Joint Ventures**

In September 2009, the County amended its agreement with the Western Tidewater Water Authority which provides for construction of the Western Branch Pipeline used to convey purchased raw water. The amendment to the contract contains provisions for the Authority to negotiate a water supply agreement between the Cities of Suffolk and Norfolk and the County. Annually, the County pays a fixed charge as an outside customer to the City of Suffolk to reserve the capacity for County's annual water resource requirements. The County also pays a fixed charge to the City of Norfolk for access to its water supply reservoir. Additionally, in fiscal year 2017, the County contributed approximately \$782,241 to the Authority for its share of capital costs incurred by the Authority and to the City of Suffolk, \$2,502,471.

**Note 12 – Annexation Agreement**

The County has entered into an agreement with the City of Franklin (City) whereby the City waived any and all of its rights and power to seek the annexation of the County's territory within a designated area adjacent to the City. In return, the County agreed to share with the City all local tax revenues collected by the County within the designated area using a predetermined formula. For the year ended June 30, 2017, the payments made to the City were \$717,304.

*County of Isle of Wight, Virginia*

***Notes to Basic Financial Statements***

**June 30, 2017**

**Note 13 – Fund Balances/Net Position Restatement**

The County has the following fund balance classifications at June 30, 2017:

	General	Capital Projects	Other Governmental	Total
Nonspendable				
Notes receivable	\$ 514,445	\$ -	\$ -	\$ 514,445
Advance to component unit	375,000	-	-	375,000
Prepaid expenditures	31,200			31,200
Restricted for:				
Community development	22,214	-	-	22,214
Public safety	14,086	-	-	14,086
Information Technology	25,268	-	-	25,268
Capital projects		17,738,141		17,738,141
Committed for:				
Technology Fees	8,601	-	-	8,601
Debt service - PACE	2,271,701	-	-	2,271,701
Economic Development	1,596,785	-	-	1,596,785
Assigned to:				
Capital projects	-	6,106,794	-	6,106,794
Public Works	15,000	-	-	15,000
General Administration	2,895,946	-	-	2,895,946
Special Revenue	-	-	497,865	497,865
Education	712,776	-	-	712,776
Unassigned	10,960,727	(240,672)	(45,833)	10,674,222
	<u>\$ 19,443,749</u>	<u>\$ 23,604,263</u>	<u>\$ 452,032</u>	<u>\$ 43,500,044</u>

**Restatement**

The beginning net position of the Economic Development Authority was restated to properly reflect the amount reported as land held for resale.

2017 Beginning Balance Prior to Restatement	Restatement	2017 Beginning Balance Restated
\$ 12,460,939	\$ 1,696,942	\$ 14,157,881

The beginning net position of the Primary Government was restated to reflect the jointly owned asset adjustments. The School Board's net position at the beginning of the year was also restated due to adjustments to the School Boards capital assets.

	2017 Beginning Balance Prior to Restatement	Restatement	2017 Beginning Balance Restated
Primary Government	\$ 17,505,305	\$ (17,356,573)	\$ 148,732
School Board	\$ (25,869,831)	\$ 22,742,878	\$ (3,126,953)

**June 30, 2017**

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**Note 14– Subsequent Event**

**Machinery & Tools and Real Estate Taxes**

In August 2017, International Paper filed two new lawsuits against the County in the County Circuit Court, alleging that (1) the one-year rate increase was an unlawful attempt to recoup the refund payments (the “M&T Suit”) and (2) in fiscal years 2012 through 2017, the assessed value of the Franklin paper mill exceeded the fair market value of the real property in violation of the Virginia Constitution (the “RE Suit”). The M&T Suit asserts a claim for approximately \$2.7 million in damages and requests an abatement of all remaining calendar year 2017 M&T taxes to be assessed against International Paper. The trial date is scheduled for the week of July 30, 2018. The RE Suit asserts a claim for approximately \$3.1 million in damages plus accrued interest. The County will vigorously defend the suits and filed responsive pleadings on September 6, 2017. A subsequent trial date has been set on September 17, 2018. Although the County expects to prevail on the merits, the outcome of the litigation cannot be predicted, and an adverse decision could have a material adverse effect on the County’s financial condition.

**County Bond Issuance**

On September 21, 2017, the County issued \$30,700,000 General Obligation Refunding Bonds, Series 2017B. These bonds were issued to refinance selected maturities of the County's outstanding general obligation bonds. The final maturity of the bonds is July 1, 2042.

On November 15, 2017, the County issued \$9,260,000 of Virginia Resources Authority Refunding Bonds, Series 2017C. The purpose of these bonds is to refund the Series 2010C Build America Bonds (BABs). The bonds mature October 1, 2032.

**Capital Leases**

On October 13, 2017, the County entered into a Master Equipment Lease Purchase Agreement with Signature Public Funding Corporation for \$400,000 to acquire vehicles and equipment for various County departments.



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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*Required Supplementary Information*



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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*County of Isle of Wight, Virginia*

*Required Supplementary Information*

*Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund*

**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Primary Government</b>				
General fund:				
<b>Revenues and Other Financing Sources</b>				
Revenue from local sources:				
General property taxes:				
Real property	\$ 36,628,889	\$ 36,628,889	\$ 36,399,787	\$ (229,102)
Real and personal public service corporation property	1,352,000	1,352,000	1,483,961	131,961
Personal property	7,800,000	7,800,000	10,508,667	2,708,667
Boat/Airplane	100,000	100,000	148,669	48,669
Mobile home	155,760	155,760	191,034	35,274
Machinery and tools	4,109,000	4,423,000	(262,246)	(4,685,246)
Equipment	1,764,000	1,764,000	1,710,502	(53,498)
Penalties	485,000	485,000	421,687	(63,313)
Interest and other costs	15,000	15,000	(766,975)	(781,975)
<b>Total general property taxes</b>	<b>52,409,649</b>	<b>52,723,649</b>	<b>49,835,086</b>	<b>(2,888,563)</b>
Other local taxes:				
Local sales and use	2,304,000	2,304,000	2,462,429	158,429
Communications sales and use	1,283,000	1,283,000	1,257,515	(25,485)
Consumer's utility	865,000	865,000	925,112	60,112
Consumption	122,000	122,000	112,352	(9,648)
Business license	744,000	744,000	828,228	84,228
Motor vehicle licenses	1,131,000	1,131,000	1,743,745	612,745
Recordation and wills	520,000	520,000	718,687	198,687
Lodging	68,000	68,000	64,817	(3,183)
Meals tax	364,000	364,000	417,736	53,736
Bank franchise	8,731	8,731	8,620	(111)
Cable franchise	9,000	9,000	11,288	2,288
Local penalties	9,700	9,700	7,380	(2,320)
Local interest	300	300	3,379	3,079
<b>Total other local taxes</b>	<b>7,428,731</b>	<b>7,428,731</b>	<b>8,561,288</b>	<b>1,132,557</b>
Permits, fees and licenses:				
Animal licenses	40,483	40,483	41,072	589
Land use application and transfer fees	1,531	1,531	4,486	2,955
Zoning and subdivision fees	47,140	47,140	63,165	16,025
Building permits	432,058	432,058	362,087	(69,971)
Inspection fees	21,045	21,045	-	(21,045)
Concealed weapon permits	19,551	19,551	24,106	4,555
Misc permits/fees	36,178	36,178	43,100	6,922
<b>Total permits, fees and licenses</b>	<b>597,986</b>	<b>597,986</b>	<b>538,016</b>	<b>(59,970)</b>
Fines and forfeitures	128,764	128,764	151,318	22,554
<b>Total fines and forfeitures</b>	<b>128,764</b>	<b>128,764</b>	<b>151,318</b>	<b>22,554</b>

See accompanying Notes to Required Supplementary Information

Continued

## County of Isle of Wight, Virginia

## Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund

## Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues from use of property:				
Revenues from use of money	229,326	229,326	(207,493)	(436,819)
Revenues from use of property	185,619	185,619	188,417	2,798
<b>Total revenues from use of money and property</b>	<b>414,945</b>	<b>414,945</b>	<b>(19,076)</b>	<b>(434,021)</b>
Charges for services:				
Charges for Commonwealth's Attorney	10,363	10,363	11,772	1,409
Charges for parks and recreation	297,600	297,800	196,336	(101,464)
Charges for building construction court fee	44,829	44,829	49,676	4,847
Charges for law enforcement and other protections	121,102	121,102	119,981	(1,121)
Charges for emergency medical services	760,000	800,000	1,846,781	1,046,781
Charges for maps and others	54,359	54,359	82,129	27,770
<b>Total charges for services</b>	<b>1,288,253</b>	<b>1,328,453</b>	<b>2,306,675</b>	<b>978,222</b>
Miscellaneous:				
Miscellaneous	871,792	1,121,927	912,975	(208,952)
Farmers market	25,772	32,940	70,454	37,514
Recovered costs:				
Indirect cost allocation	70,000	70,000	104,965	34,965
Recovered costs	198,048	198,048	291,721	93,673
<b>Total miscellaneous</b>	<b>1,165,612</b>	<b>1,422,915</b>	<b>1,380,115</b>	<b>(42,800)</b>
Other financing sources:				
Interfund transfers	-	3,272,961	-	(3,272,961)
<b>Total other financing sources</b>	<b>-</b>	<b>3,272,961</b>	<b>-</b>	<b>(3,272,961)</b>
<b>Total revenues from local sources</b>	<b>63,433,940</b>	<b>67,318,404</b>	<b>62,753,422</b>	<b>(4,564,982)</b>
Revenue from the Commonwealth:				
Noncategorical aid:				
State personal property tax relief	5,115,890	5,115,890	5,115,890	-
Other revenue from the Commonwealth	211,175	211,175	258,515	47,340
<b>Total noncategorical aid</b>	<b>5,327,065</b>	<b>5,327,065</b>	<b>5,374,405</b>	<b>47,340</b>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	378,296	378,296	378,849	553
Sheriff	1,202,572	1,202,572	1,067,939	(134,633)
Commissioner of the Revenue	138,239	138,239	133,509	(4,730)
Treasurer	118,437	118,437	115,607	(2,830)
Registrar/electoral board	41,033	41,033	41,896	863
Clerk of the Circuit Court	260,616	260,616	296,834	36,218
Technology Trust Fund	-	11,832	10,150	(1,682)
<b>Total shared expenses</b>	<b>2,139,193</b>	<b>2,151,025</b>	<b>2,044,784</b>	<b>(106,241)</b>
Other categorical aid:				
Fire program funds	68,985	87,466	79,684	(7,782)
Four for life	37,666	39,660	32,171	(7,489)
<b>Total other categorical aid</b>	<b>106,651</b>	<b>127,126</b>	<b>111,855</b>	<b>(15,271)</b>
<b>Total categorical aid</b>	<b>2,245,844</b>	<b>2,278,151</b>	<b>2,156,639</b>	<b>(121,512)</b>
<b>Total revenues from the Commonwealth</b>	<b>7,572,909</b>	<b>7,605,216</b>	<b>7,531,044</b>	<b>(74,172)</b>

See accompanying Notes to Required Supplementary Information

Continued

*County of Isle of Wight, Virginia*

*Required Supplementary Information*

*Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund*

**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from the federal government:				
Homeland security	-	-	639	639
<b>Total revenues from the federal government</b>	-	-	639	639
<b>Total General Fund revenues and other financing sources</b>	71,006,849	74,923,620	70,285,105	(4,638,515)
<b>Expenditures and Other Financing Uses</b>				
General government administration				
Legislative:				
Board of Supervisors	294,688	304,719	279,514	25,205
<b>Total legislative</b>	294,688	304,719	279,514	25,205
General and financial administration:				
Budget and finance	675,981	729,165	682,949	46,216
Admin - Commissioner of the Revenue	645,074	643,676	619,346	24,330
County Administrator	414,728	421,129	402,390	18,739
County Attorney	753,188	1,826,189	949,706	876,483
Human resources	284,544	290,169	269,015	21,154
Purchasing	87,974	89,775	91,991	(2,216)
Real estate assessment	11,200	11,200	11,924	(724)
Admin - Treasurer	674,229	674,230	657,685	16,545
<b>Total general and financial administration</b>	3,546,918	4,685,533	3,685,006	1,000,527
Board of Elections:				
Registrar/electoral board and officials	431,307	431,308	411,895	19,413
<b>Total Board of Elections</b>	431,307	431,308	411,895	19,413
<b>Total general government administration</b>	4,272,913	5,421,560	4,376,415	1,045,145
Judicial administration:				
Courts:				
Circuit Court	136,671	140,281	139,557	724
General District Court	9,481	14,481	12,965	1,516
Fifth District Court services unit	201,629	318,129	294,260	23,869
Juvenile and Domestic Relations District Court	25,467	25,467	11,131	14,336
Expenses - Clerk of the Circuit Court	514,239	530,969	525,037	5,932
<b>Total courts</b>	887,487	1,029,327	982,950	46,377
Commonwealth's Attorney	560,520	560,521	559,931	590
<b>Total Commonwealth's Attorney</b>	560,520	560,521	559,931	590
<b>Total judicial administration</b>	1,448,007	1,589,848	1,542,881	46,967

See accompanying Notes to Required Supplementary Information

Continued

*County of Isle of Wight, Virginia*

*Required Supplementary Information*

*Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund*

**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public safety:				
Law enforcement and traffic control:				
Sheriff	4,512,981	4,572,202	4,427,439	144,763
<b>Total law enforcement and traffic control</b>	4,512,981	4,572,202	4,427,439	144,763
Fire and rescue services:				
Emergency services	743,556	768,557	730,536	38,021
Fire and rescue response	3,878,297	3,952,294	3,963,202	(10,908)
<b>Total fire and rescue services</b>	4,621,853	4,720,851	4,693,738	27,113
Inspections - building	525,696	555,111	471,102	84,009
<b>Total inspections - building</b>	525,696	555,111	471,102	84,009
Other protection:				
Animal control	431,986	431,986	435,088	(3,102)
Western Tidewater Regional Jail	860,514	860,514	860,514	-
<b>Total other protection</b>	1,292,500	1,292,500	1,295,602	(3,102)
<b>Total public safety</b>	10,953,030	11,140,664	10,887,881	252,783
Public works:				
Administration:				
General Administration	287,954	329,888	296,657	33,231
Transportation	228,284	242,694	219,404	23,290
<b>Total administration</b>	516,238	572,582	516,061	56,521
Sanitation and waste removal:				
Refuse collection	3,471,023	3,384,147	2,913,488	470,659
<b>Total sanitation and waste removal</b>	3,471,023	3,384,147	2,913,488	470,659
Maintenance of general buildings and grounds:				
General Properties (Bldg&Grds)	1,197,623	1,234,114	1,135,837	98,277
<b>Total maintenance of general buildings and grounds</b>	1,197,623	1,234,114	1,135,837	98,277
<b>Total public works</b>	5,184,884	5,190,843	4,565,386	625,457
Health and welfare:				
Court Appointed Special Advocate	20,000	20,000	20,000	-
Genieve Shelter	8,000	8,000	8,000	-
Endeppence Center of Tidewater	3,000	3,000	3,000	-
IOW Christian Outreach	6,000	6,000	6,000	-
Senior Services of Southeastern Hampton Roads	48,934	48,934	48,934	-
Western Tidewater Health District	522,464	522,464	522,464	-
Western Tidewater Community Service Board	165,000	165,400	165,350	50
Western Tidewater Free Clinic	21,000	21,000	21,000	-
<b>Total health and welfare</b>	794,398	794,798	794,748	50
Education:				
Education	26,144,264	26,582,776	25,872,778	709,998
<b>Total education</b>	26,144,264	26,582,776	25,872,778	709,998

See accompanying Notes to Required Supplementary Information

Continued

*County of Isle of Wight, Virginia*

*Required Supplementary Information*

*Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund*

**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Parks, recreation and cultural:				
Parks and recreation	240,246	244,407	228,526	15,881
Parks and recreation programs	758,488	794,539	500,132	294,407
Parks and gateways	852,421	923,426	876,469	46,957
<b>Total parks and recreation</b>	<b>1,851,155</b>	<b>1,962,372</b>	<b>1,605,127</b>	<b>357,245</b>
Cultural enrichment:				
Isle of Wight Arts	5,000	5,000	5,000	-
<b>Total cultural enrichment</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
Library:				
Library administration	651,209	707,409	704,775	2,634
<b>Total library</b>	<b>651,209</b>	<b>707,409</b>	<b>704,775</b>	<b>2,634</b>
<b>Total parks, recreation and cultural</b>	<b>2,507,364</b>	<b>2,674,781</b>	<b>2,314,902</b>	<b>359,879</b>
Community development:				
Planning:				
Planning & Zoning	915,912	916,768	752,040	164,728
Economic Development	501,565	2,111,846	432,698	1,679,148
Tourism	464,534	465,685	456,295	9,390
Farmer's market	-	7,168	71,476	(64,308)
Other Public Service Organizations	92,076	92,076	87,041	5,035
Annexation settlement payment	680,000	717,283	717,304	(21)
Communication	68,415	68,415	62,238	6,177
<b>Total planning</b>	<b>2,722,502</b>	<b>4,379,241</b>	<b>2,579,092</b>	<b>1,800,149</b>
Cooperative extension program	60,119	60,119	48,235	11,884
<b>Total cooperative extension program</b>	<b>60,119</b>	<b>60,119</b>	<b>48,235</b>	<b>11,884</b>
<b>Total community development</b>	<b>2,782,621</b>	<b>4,439,360</b>	<b>2,627,327</b>	<b>1,812,033</b>
Nondepartmental	1,806,027	1,380,035	1,676,722	(296,687)
<b>Total nondepartmental</b>	<b>1,806,027</b>	<b>1,380,035</b>	<b>1,676,722</b>	<b>(296,687)</b>
Capital outlay	-	-	139,850	(139,850)
Other financing uses:				
Transfers out	15,113,341	15,708,955	14,699,865	1,009,090
<b>Total other financing uses</b>	<b>15,113,341</b>	<b>15,708,955</b>	<b>14,699,865</b>	<b>1,009,090</b>
<b>Total General Fund expenditures and other financing uses</b>	<b>71,006,849</b>	<b>74,923,620</b>	<b>69,498,755</b>	<b>5,424,865</b>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>-</b>	<b>-</b>	<b>786,350</b>	<b>786,350</b>
<b>Fund balance-beginning of year</b>	<b>18,657,399</b>	<b>18,657,399</b>	<b>18,657,399</b>	<b>-</b>
<b>Fund balance-end of year</b>	<b>\$ 18,657,399</b>	<b>\$ 18,657,399</b>	<b>\$ 19,443,749</b>	<b>\$ 786,350</b>

See accompanying Notes to Required Supplementary Information

## *County of Isle of Wight, Virginia*

### *Notes to Required Supplementary Information*

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#### **Year Ended June 30, 2017**

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

1. Prior to March 30, 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 General and Capital Projects Fund budgets include 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 department level or category level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General, Special Revenue, Capital Projects, and Proprietary funds of the Primary Government and Component Unit - School Board.
6. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
7. Appropriations lapsed on June 30 for all County units. All unexpended appropriations of the School Board revert back to the County at the end of each fiscal year.
8. The Primary Government have assigned fund balances for subsequent year's years expenditures unless the subsequent year's years expenditures relate to restricted or committed resources.

*County of Isle of Wight, Virginia**Required Supplementary Information**Schedule of Funding Progress and Employer Contributions-Other Post Employment Benefit Plans***Schedule of Funding Progress****Year Ended June 30, 2017**

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a Percentage of covered payroll
<b>County Employees</b>						
7/1/2016	\$ -	\$ 1,380,033	\$ 1,380,033	0.00%	\$ 13,917,415	9.90%
7/1/2015	\$ -	\$ 1,154,595	\$ 1,154,595	0.00%	\$ 11,074,210	10.43%
7/1/2014	\$ -	\$ 1,146,599	\$ 1,146,599	0.00%	\$ 10,804,106	10.61%
7/1/2013	\$ -	\$ 1,584,278	\$ 1,584,278	0.00%	\$ 11,326,971	13.99%
<b>School Board</b>						
7/1/2016	\$ -	\$ 3,349,865	\$ 3,349,865	0.00%	\$ 29,294,265	11.40%
7/1/2015	\$ -	\$ 5,884,606	\$ 5,884,606	0.00%	\$ 30,343,758	19.39%
7/1/2014	\$ -	\$ 5,192,126	\$ 5,192,126	0.00%	\$ 29,310,983	17.71%
7/1/2013	\$ -	\$ 7,051,556	\$ 7,051,556	0.00%	\$ 28,815,816	24.47%

**Schedule of Employer Contributions**

<b>County Employees</b>			
Fiscal year ended June 30:	Employer Contribution	Annual Required Contribution	Actual Amount Contributed in Percent
2017	\$ 20,462	\$ 153,377	13.3%
2016	\$ 29,532	\$ 162,152	18.2%
2015	\$ 19,590	\$ 162,322	12.1%
<b>School Board</b>			
Fiscal year ended June 30:	Employer Contribution	Annual Required Contribution	Actual Amount Contributed in Percent
2017	\$ 77,514	\$ 348,509	22.2%
2016	\$ 220,448	\$ 868,718	25.4%
2015	\$ 158,128	\$ 794,836	19.9%

*County of Isle of Wight, Virginia**Required Supplementary Information**Schedule of Changes in the County Net Position Liability and Related Ratios – Virginia Retirement System*

	<b>Fiscal Year June 30, *</b>		
	2016	2015	2014
<b>Total pension liability</b>			
Service Cost	\$ 1,495,249	\$ 1,458,672	\$ 1,417,914
Interest	2,716,218	2,533,894	2,390,589
Differences between expected and actual experience	(818,238)	306,482	-
Benefit payments, including refunds of employee contributions	(1,657,309)	(1,731,525)	(1,791,060)
<b>Net change in total pension liability</b>	1,735,920	2,567,523	2,017,443
<b>Total pension liability - beginning</b>	39,631,766	37,064,243	35,046,800
<b>Total pension liability - ending (a)</b>	\$ 41,367,686	\$ 39,631,766	\$ 37,064,243
<b>Pension fiduciary net position</b>			
Contributions - employer	\$ 1,232,527	\$ 1,131,871	\$ 1,354,797
Contributions - employee	615,182	568,417	663,795
Net investment income	645,055	1,604,942	4,757,268
Benefit payments, including refunds of employee contributions	(1,657,309)	(1,731,525)	(1,791,060)
Administrative expense	(22,272)	(21,686)	(25,127)
Other changes	(272)	(340)	251
<b>Net change in plan fiduciary net position</b>	812,911	1,551,679	4,959,924
<b>Plan fiduciary net position - beginning</b>	36,434,695	34,883,016	29,923,092
<b>Plan fiduciary net position - ending (b)</b>	\$ 37,247,606	\$ 36,434,695	\$ 34,883,016
<b>County's net pension liability - ending (a)-(b)</b>	\$ 4,120,080	\$ 3,197,071	\$ 2,181,227
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	90.04%	91.93%	94.12%
<b>Covered-employee payroll</b>	\$ 11,803,972	\$ 11,257,635	\$ 10,876,942
<b>County's net pension liability as a percentage of covered - employee payroll</b>	34.90%	28.40%	20.05%

\* Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

*County of Isle of Wight, Virginia*

**Required Supplementary Information**

**Schedule of Changes in the School Board Non-Professional Net Position Liability and Related Ratios –  
Virginia Retirement System (Continued)**

	<b>Fiscal Year June 30, *</b>		
	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 184,282	\$ 191,347	\$ 220,250
Interest	375,141	382,347	371,046
Differences between expected and actual experience	(159,890)	(328,165)	-
Benefit payments, including refunds of employee contributions	(328,182)	(362,980)	(515,046)
<b>Net change in total pension liability</b>	<b>71,351</b>	<b>(117,640)</b>	<b>76,673</b>
<b>Total pension liability - beginning</b>	<b>5,523,255</b>	<b>5,640,895</b>	<b>5,564,222</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 5,594,606</b>	<b>\$ 5,523,255</b>	<b>\$ 5,640,895</b>
<b>Pension fiduciary net position</b>			
Contributions - employer	\$ 135,297	\$ 136,787	\$ 183,059
Contributions - employee	77,177	78,445	80,042
Net investment income	91,464	237,020	723,316
Benefit payments, including refunds of employee contributions	(328,182)	(362,980)	(515,146)
Administrative expense	(3,342)	(3,349)	(4,085)
Other changes	(39)	(49)	38
<b>Net change in plan fiduciary net position</b>	<b>(27,625)</b>	<b>85,874</b>	<b>467,324</b>
<b>Plan fiduciary net position - beginning</b>	<b>5,351,071</b>	<b>5,265,197</b>	<b>4,797,873</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 5,323,446</b>	<b>\$ 5,351,071</b>	<b>\$ 5,265,197</b>
<b>School Board non-professional net pension liability - ending (a)-(b)</b>	<b>\$ 271,160</b>	<b>\$ 172,184</b>	<b>\$ 375,698</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>95.15%</b>	<b>96.88%</b>	<b>93.34%</b>
<b>Covered-employee payroll</b>	<b>\$ 1,602,936</b>	<b>\$ 1,595,356</b>	<b>\$ 2,121,914</b>
<b>School Board non-professional net pension liability as a percentage of covered - employee payroll</b>	<b>16.91%</b>	<b>10.79%</b>	<b>17.71%</b>

\* Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

*County of Isle of Wight, Virginia**Required Supplementary Information**Schedule of County Contributions - Virginia Retirement System*

	<b>Fiscal Years June 30,*</b>			
	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 1,177,661	\$ 1,232,527	\$ 1,307,818	\$ 1,354,797
Contribution in relation to the CRC	(1,177,661)	(1,232,527)	(1,307,818)	(1,354,797)
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	\$ 13,367,321	\$ 11,803,972	\$ 11,257,635	\$ 10,876,942
Contributions as a percentage of covered -employee payroll	8.81%	10.44%	11.62%	12.46%

**\*Note to Schedule:**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

*County of Isle of Wight, Virginia*

***Required Supplementary Information***

***Schedule of School Board Non-Professional Contributions - Virginia Retirement System***

	<b>Fiscal Year June 30,</b>			
	2017	2016	2015	2014
Actuarially determined contribution	\$ 119,522	\$ 135,297	\$ 238,553	\$ 183,059
Contributions in relation to the actuarially determined contribution	(119,522)	(135,297)	(238,553)	(183,059)
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	\$ 1,897,174	\$ 1,602,936	\$ 1,595,356	\$ 2,121,914
Contributions as a percentage of covered -employee payroll	6.30%	8.44%	14.95%	8.63%

\*Note to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years which information is available.

*County of Isle of Wight, Virginia**Required Supplementary Information**Schedule of School Board Proportionate Share of the Net Pension Liability VRS Teacher Retirement Plan  
(Cost Sharing) - Virginia Retirement System*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
School Board's proportion of the net pension liability	0.37766%	0.37104%	0.37652%
School Board's proportionate share of the net pension liability	\$ 51,998,000	\$ 47,534,000	\$ 45,501,000
School Board's covered-employee payroll	\$ 28,290,036	\$ 25,481,507	\$ 24,619,814
School Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	183.80%	186.54%	184.81%
Plan fiduciary net position as a percentage of the total pension liability	68.28%	70.68%	70.88%

## Note to schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

*County of Isle of Wight, Virginia**Required Supplementary Information**Schedule of School Board Professional Contributions – Virginia Retirement System*

	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 4,951,158	\$ 3,977,579	\$ 6,114,064	\$ 3,210,607
Contributions in relation to the CRC	(4,951,158)	(3,977,579)	(6,114,064)	(3,210,607)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School Board's covered-employee payroll	\$ 33,773,247	\$ 28,290,036	\$ 25,481,507	\$ 24,619,814
Contributions as a percentage of covered-employee payroll	14.66%	14.06%	23.99%	13.04%

## Note to schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the School Board will present information for those years which information is available.

## County of Isle of Wight, Virginia

### Notes to Required Supplementary Information Virginia Retirement System

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#### Year Ended June 30, 2017

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**Note 1. Change of Benefit Terms** – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2016 are not material.

**Note 2. Changes of Assumptions** – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

#### County and School Board Non-Professional:

##### Non-LEOS:

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

##### LEOS:

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

#### School Board Professional:

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

#### Note 3. Contractually Required Contributions

The actuarially determined contribution rates are calculated as of June 30, one year prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

#### County and School Board Non-Professional:

##### Non-LEOS:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.35%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

##### LEOS:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed

*County of Isle of Wight, Virginia*

*Notes to Required Supplementary Information Virginia Retirement System (Continued)*

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**Year Ended June 30, 2017**

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**Note 3 (Continued)**

Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-4.75%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

**School Board Professional:**

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19-28 years
Asset valuation method	5-year smoothed marked
Cost-of-living adjustments	2.25%-2.50%
Projected salary increases	3.50%-5.95%, including inflation at 2.50%
Investment rate of return	7.0%, including inflation at 2.50%

*Other Supplementary Information*



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

*County of Isle of Wight, Virginia**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - Capital Projects***Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Permits, privilege fees and regulatory licenses	\$ -	\$ -	\$ 1,603,076	\$ 1,603,076
Revenues from use of property	-	-	86,319	86,319
Intergovernmental:				
Commonwealth of Virginia	2,458,200	1,896,682	454,410	(1,442,272)
Federal	1,832,800	4,809,790	71,490	(4,738,300)
Local	100,000	1,302,448	17,872	(1,284,576)
<b>Total revenues</b>	<b>4,391,000</b>	<b>8,008,920</b>	<b>2,233,167</b>	<b>(5,775,753)</b>
<b>Expenditures</b>				
Education	-	-	243,334	(243,334)
Capital outlay	5,097,000	20,017,049	3,328,282	16,688,767
Interest and other fiscal charges	-	150,000	55,767	94,233
<b>Total expenditures</b>	<b>5,097,000</b>	<b>20,167,049</b>	<b>3,627,383</b>	<b>16,539,666</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(706,000)</b>	<b>(12,158,129)</b>	<b>(1,394,216)</b>	<b>10,763,913</b>
<b>Other financing sources (uses)</b>				
Transfers in	806,000	3,972,236	197,045	(3,775,191)
Transfers out	(250,000)	(250,000)	(19,750)	230,250
Proceeds from bond issuance and capital lease	150,000	8,435,893	16,198,865	7,762,972
<b>Total other financing sources (uses), net</b>	<b>706,000</b>	<b>12,158,129</b>	<b>16,376,160</b>	<b>4,218,031</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>14,981,944</b>	<b>14,981,944</b>
<b>Fund balances - beginning of year</b>	<b>11,897,941</b>	<b>11,897,941</b>	<b>8,622,319</b>	<b>(3,275,622)</b>
<b>Fund balances - end of year</b>	<b>\$ 11,897,941</b>	<b>\$ 11,897,941</b>	<b>\$ 23,604,263</b>	<b>\$ 11,706,322</b>

*County of Isle of Wight, Virginia**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - Debt Service***Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures</b>				
Redemption Principal GO Bond	\$ 3,063,444	\$ 3,014,836	\$ 3,006,700	\$ 8,136
Interest and other fiscal charges	4,025,129	4,593,906	4,591,443	2,463
<b>Total expenditures</b>	<u>7,088,573</u>	<u>7,608,742</u>	<u>7,598,143</u>	<u>10,599</u>
<b>(Deficiency) of revenues (under) expenditures</b>	(7,088,573)	(7,608,742)	(7,598,143)	10,599
<b>Other financing sources (uses)</b>				
Transfers in	7,088,573	7,608,742	7,598,143	(10,599)
<b>Total other financing sources (uses), net</b>	<u>7,088,573</u>	<u>7,608,742</u>	<u>7,598,143</u>	<u>(10,599)</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balances - beginning of year</b>	-	-	-	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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*County of Isle of Wight, Virginia*

*Other Supplementary Information  
Nonmajor Governmental Funds*

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**Year Ended June 30, 2017**

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The following is a brief description of the nonmajor governmental funds reported by the County:

- The *Department of Social Services Fund* accounts for revenues and expenditures related to services provided to citizens in the community. Revenues are derived from state and federal funding.
- The *Children's Services Fund* accounts for revenues and expenditures related to services provided to the youth of the County. Revenues are derived from state and local funding.
- The *E-911 Fund* accounts for revenues and expenditures related to operation of the Emergency Communications Center, which supports all Public Safety Response Agencies of the county. Revenues are derived from local and state collected E911 wireless taxes and recovered costs from the County and the towns of Smithfield and Windsor.
- The *Community Development Block Grant Fund* accounts for revenues and expenditures related to management of the Federal rehabilitation loan program for individuals.
- The *County Fair Fund* accounts for revenues and expenditures related to services provided to the community to provide entertainment activities emphasizing the agriculture industry of the county. Revenues are derived from charges for services and local funding.
- The *Grants Fund* accounts for special revenues that are legally restricted to expenditures for specified purposes. The Grants Fund provides accounting for certain federal and state grants awarded to the County.
- The *Heritage Park Fund* accounts for special revenues that increase the utilization of Heritage Park while enhancing program opportunities that provide work-class entertainment for the citizens of Isle of Wight County.

*County of Isle of Wight, Virginia**Combining Balance Sheet -  
Nonmajor Governmental Funds***June 30, 2017**

	Department of Social Services Fund	Children's Services Fund	E-911 Fund	Community Development Block Grant Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 141,211	\$ -	\$ -	\$ 140,871
Accounts receivable	-	-	718	-
Due from other governments	107,350	43,900	120,232	-
<b>Total assets</b>	<b>\$ 248,561</b>	<b>\$ 43,900</b>	<b>\$ 120,950</b>	<b>\$ 140,871</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 34,256	\$ 15,467	\$ -
Accrued expenses	-	341	2,010	-
Amounts held in escrow	-	-	-	-
Due to other funds	-	9,303	103,473	-
Unearned revenues	-	-	-	-
Due to other governments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>43,900</b>	<b>120,950</b>	<b>-</b>
<b>Fund Balances</b>				
Assigned	248,561	-	-	140,871
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>248,561</b>	<b>-</b>	<b>-</b>	<b>140,871</b>
<b>Total liabilities and fund balances</b>	<b>\$ 248,561</b>	<b>\$ 43,900</b>	<b>\$ 120,950</b>	<b>\$ 140,871</b>

*County of Isle of Wight, Virginia**Combining Balance Sheet -**Nonmajor Governmental Funds (Continued)***June 30, 2017**

	County Fair Fund	Grants Fund	Heritage Park Fund	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 5,400	\$ 137,636	\$ -	\$ 425,118
Accounts receivable	-	-	-	718
Due from other governments	-	79,633	-	351,115
<b>Total assets</b>	<b>\$ 5,400</b>	<b>\$ 217,269</b>	<b>\$ -</b>	<b>\$ 776,951</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,500	\$ 74,572	\$ -	\$ 125,795
Accrued expenses	-	632	-	2,983
Amounts held in escrow	-	4,306	-	4,306
Due to other funds	-	-	45,833	158,609
Unearned revenues	3,900	-	-	3,900
Due to other governments	-	29,326	-	29,326
<b>Total liabilities</b>	<b>5,400</b>	<b>108,836</b>	<b>45,833</b>	<b>324,919</b>
<b>Fund Balances</b>				
Assigned	-	108,433	-	497,865
Unassigned	-	-	(45,833)	(45,833)
<b>Total fund balances</b>	<b>-</b>	<b>108,433</b>	<b>(45,833)</b>	<b>452,032</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,400</b>	<b>\$ 217,269</b>	<b>\$ -</b>	<b>\$ 776,951</b>

**County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds****Year Ended June 30, 2017**

	Department of Social Services Fund	Children's Services Fund	E-911 Fund	Community Development Block Grant Fund
<b>Revenues</b>				
Other local taxes	\$ -	\$ -	\$ 19,694	\$ -
Revenues from use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	5,000	-
Intergovernmental:				
Commonwealth of Virginia	692,579	115,961	227,029	-
Federal	1,478,232	-	-	-
Local	-	-	231,433	-
<b>Total revenues</b>	<b>2,170,811</b>	<b>115,961</b>	<b>483,156</b>	<b>-</b>
<b>Expenditures</b>				
Public safety	-	-	1,428,276	-
Public works	-	-	-	-
Health and welfare	2,823,696	270,342	-	-
Parks, recreation and cultural	-	-	-	-
Community development	-	-	-	-
<b>Total expenditures</b>	<b>2,823,696</b>	<b>270,342</b>	<b>1,428,276</b>	<b>-</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(652,885)</b>	<b>(154,381)</b>	<b>(945,120)</b>	<b>-</b>
<b>Other financing sources</b>				
Transfers in	901,446	154,381	945,120	-
<b>Total other financing sources</b>	<b>901,446</b>	<b>154,381</b>	<b>945,120</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>248,561</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,871</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ 248,561</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 140,871</b>

**County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds****Year Ended June 30, 2017**

	County Fair Fund	Grants Fund	Heritage Park Fund	Total Governmental Funds
<b>Revenues</b>				
Other local taxes	\$ -	\$ -	\$ -	\$ 19,694
Revenues from use of money and property	32,337	-	-	32,337
Charges for services	277,204	-	19,567	296,771
Miscellaneous	82,548	-	-	87,548
Intergovernmental:				
Commonwealth of Virginia	-	364,901	-	1,400,470
Federal	-	142,610	-	1,620,842
Local	-	15,933	-	247,366
<b>Total revenues</b>	<b>392,089</b>	<b>523,444</b>	<b>19,567</b>	<b>3,705,028</b>
<b>Expenditures</b>				
Public safety	-	302,741	-	1,731,017
Public works	-	20,513	-	20,513
Health and welfare	-	-	-	3,094,038
Parks, recreation and cultural	408,284	49,715	65,400	523,399
Community development	-	253,212	-	253,212
<b>Total expenditures</b>	<b>408,284</b>	<b>626,181</b>	<b>65,400</b>	<b>5,622,179</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(16,195)</b>	<b>(102,737)</b>	<b>(45,833)</b>	<b>(1,917,151)</b>
<b>Other financing sources</b>				
Transfers in	16,195	140,957	-	2,158,099
<b>Total other financing sources</b>	<b>16,195</b>	<b>140,957</b>	<b>-</b>	<b>2,158,099</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>38,220</b>	<b>(45,833)</b>	<b>240,948</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>70,213</b>	<b>-</b>	<b>211,084</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ -</b>	<b>\$ 108,433</b>	<b>\$ (45,833)</b>	<b>\$ 452,032</b>

**County of Isle of Wight, Virginia****Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
Department of Social Services Fund****Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental				
Commonwealth of Virginia	\$ 801,674	\$ 796,137	\$ 692,579	\$ (103,558)
Federal	1,556,526	1,562,062	1,478,232	(83,830)
<b>Total revenues</b>	<b>2,358,200</b>	<b>2,358,199</b>	<b>2,170,811</b>	<b>(187,388)</b>
<b>Expenditures</b>				
Health and welfare	3,234,646	3,259,645	2,823,696	435,949
<b>Total expenditures</b>	<b>3,234,646</b>	<b>3,259,645</b>	<b>2,823,696</b>	<b>435,949</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(876,446)</b>	<b>(901,446)</b>	<b>(652,885)</b>	<b>248,561</b>
<b>Other financing sources</b>				
Transfers in	876,446	901,446	901,446	-
<b>Total other financing sources</b>	<b>876,446</b>	<b>901,446</b>	<b>901,446</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>248,561</b>	<b>248,561</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 248,561</b>	<b>\$ 248,561</b>

*(Continued)*

*County of Isle of Wight, Virginia*

*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
Children's Services Fund*

**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental				
Commonwealth of Virginia	\$ 226,565	\$ 226,565	\$ 115,961	\$ (110,604)
<b>Total revenues</b>	<u>226,565</u>	<u>226,565</u>	<u>115,961</u>	<u>(110,604)</u>
<b>Expenditures</b>				
Health and welfare	429,297	429,297	270,342	158,955
<b>Total expenditures</b>	<u>429,297</u>	<u>429,297</u>	<u>270,342</u>	<u>158,955</u>
<b>(Deficiency) of revenues (under) expenditures</b>	(202,732)	(202,732)	(154,381)	48,351
<b>Other financing sources</b>				
Transfers in	202,732	202,732	154,381	(48,351)
<b>Total other financing sources</b>	<u>202,732</u>	<u>202,732</u>	<u>154,381</u>	<u>(48,351)</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balances - beginning of year</b>	-	-	-	-
<b>Fund balances (deficit) - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(Continued)*

*County of Isle of Wight, Virginia*

*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
E-911 Fund*

**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Other local taxes	\$ 20,400	\$ 20,400	\$ 19,694	\$ (706)
Miscellaneous	-	5,000	5,000	-
Intergovernmental				
Commonwealth of Virginia	93,000	93,000	227,029	134,029
Local	301,410	301,410	231,433	(69,977)
<b>Total revenues</b>	<b>414,810</b>	<b>419,810</b>	<b>483,156</b>	<b>63,346</b>
<b>Expenditures</b>				
Public safety	1,571,773	1,649,773	1,428,276	221,497
<b>Total expenditures</b>	<b>1,571,773</b>	<b>1,649,773</b>	<b>1,428,276</b>	<b>221,497</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>(1,156,963)</b>	<b>(1,229,963)</b>	<b>(945,120)</b>	<b>284,843</b>
<b>Other financing sources</b>				
Transfers in	1,156,963	1,166,435	945,120	(221,315)
<b>Total other financing sources</b>	<b>1,156,963</b>	<b>1,166,435</b>	<b>945,120</b>	<b>(221,315)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(63,528)</b>	<b>-</b>	<b>63,528</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ -</b>	<b>\$ (63,528)</b>	<b>\$ -</b>	<b>\$ 63,528</b>

*(Continued)*

*County of Isle of Wight, Virginia**Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
County Fair Fund***Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Revenues from use of property	\$ 30,650	\$ 30,650	\$ 32,337	\$ 1,687
Charges for services	333,050	333,050	277,204	(55,846)
Miscellaneous	35,637	35,637	82,548	46,911
<b>Total revenues</b>	<b>399,337</b>	<b>399,337</b>	<b>392,089</b>	<b>(7,248)</b>
<b>Expenditures</b>				
Parks, recreation and cultural	399,337	402,652	408,284	(5,632)
<b>Total expenditures</b>	<b>399,337</b>	<b>402,652</b>	<b>408,284</b>	<b>(5,632)</b>
<b>(Deficiency) of revenues (under) expenditures</b>	<b>-</b>	<b>(3,315)</b>	<b>(16,195)</b>	<b>(12,880)</b>
<b>Other financing sources</b>				
Transfers in	-	3,315	16,195	12,880
<b>Total other financing sources</b>	<b>-</b>	<b>3,315</b>	<b>16,195</b>	<b>12,880</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*(Continued)*

*County of Isle of Wight, Virginia*

*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
Grants Fund*

**Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental				
Commonwealth of Virginia	\$ -	\$ 591,339	\$ 364,901	\$ (226,438)
Federal	57,314	218,220	142,610	(75,610)
Local	-	41,916	15,933	(25,983)
<b>Total revenues</b>	<u>57,314</u>	<u>851,475</u>	<u>523,444</u>	<u>(328,031)</u>
<b>Expenditures</b>				
Public safety	-	401,968	302,741	99,227
Public works	-	47,569	20,513	27,056
Parks, recreation and cultural	142,000	231,282	49,715	181,567
Community development	57,314	312,656	253,212	59,444
<b>Total expenditures</b>	<u>199,314</u>	<u>993,475</u>	<u>626,181</u>	<u>367,294</u>
<b>(Deficiency) of revenues (under) expenditures</b>	(142,000)	(142,000)	(102,737)	39,263
<b>Other financing sources</b>				
Transfers in	142,000	142,000	140,957	(1,043)
<b>Total other financing sources</b>	<u>142,000</u>	<u>142,000</u>	<u>140,957</u>	<u>(1,043)</u>
<b>Net change in fund balance</b>	-	-	38,220	38,220
<b>Fund balances - beginning of year</b>	-	-	70,213	70,213
<b>Fund balances (deficit) - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,433</u>	<u>\$ 108,433</u>

(Continued)

*County of Isle of Wight, Virginia**Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
Heritage Park Fund***Year Ended June 30, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Charges for services	\$ 242,000	\$ 242,000	\$ 19,567	\$ (222,433)
Miscellaneous	5,000	5,000	-	(5,000)
<b>Total revenues</b>	<b>247,000</b>	<b>247,000</b>	<b>19,567</b>	<b>(227,433)</b>
<b>Expenditures</b>				
Parks, recreation and cultural	247,000	247,000	65,400	181,600
<b>Total expenditures</b>	<b>247,000</b>	<b>247,000</b>	<b>65,400</b>	<b>181,600</b>
<b>(Deficiency) of revenues (under) expenditures</b>	-	-	(45,833)	(45,833)
<b>Net change in fund balance</b>	-	-	(45,833)	(45,833)
<b>Fund balances - beginning of year</b>	-	-	-	-
<b>Fund balances (deficit) - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (45,833)</b>	<b>\$ (45,833)</b>

*County of Isle of Wight, Virginia*

*Other Supplementary Information  
Internal Services*

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**Year Ended June 30, 2017**

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The following is a brief description of the Internal Service Funds reported by the County:

- The ***Information Technology Fund*** - provides implementation and maintenance of the technology infrastructure.
- The ***Risk Management Fund*** - finances property, workers' compensation, auto and general liability insurance coverage.

*County of Isle of Wight, Virginia**Combining Statements of Net Position - Internal Service Funds***June 30, 2017**

	Information Technology Fund	Risk Management Fund	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 199,879	\$ 227,217	\$ 427,096
Prepaid items	96,575	2,339	98,914
<b>Total current assets</b>	<b>296,454</b>	<b>229,556</b>	<b>526,010</b>
<b>Noncurrent assets</b>			
Capital assets			
Depreciable - net	107,180	-	107,180
<b>Total noncurrent assets</b>	<b>107,180</b>	<b>-</b>	<b>107,180</b>
<b>Total assets</b>	<b>403,634</b>	<b>229,556</b>	<b>633,190</b>
<b>Deferred outflows of resources</b>			
Pension plan	100,030	10,344	110,374
<b>Total deferred outflows of resources</b>	<b>100,030</b>	<b>10,344</b>	<b>110,374</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	115,181	1,302	116,483
Accrued liabilities	19	500	519
Compensated absences	6,049	342	6,391
<b>Total current liabilities</b>	<b>121,249</b>	<b>2,144</b>	<b>123,393</b>
<b>Noncurrent liabilities</b>			
Compensated absences	54,442	3,079	57,521
Other postemployment benefits	36,386	7,277	43,663
Net pension liability	121,841	13,417	135,258
<b>Total noncurrent liabilities</b>	<b>212,669</b>	<b>23,773</b>	<b>236,442</b>
<b>Total liabilities</b>	<b>333,918</b>	<b>25,917</b>	<b>359,835</b>
<b>Deferred inflows of resources</b>			
Pension plan	47,495	4,143	51,638
<b>Total deferred inflows of resources</b>	<b>47,495</b>	<b>4,143</b>	<b>51,638</b>
<b>Net Position</b>			
Net investment in capital assets	107,180	-	107,180
Unrestricted	15,071	209,840	224,911
<b>Total net position</b>	<b>\$ 122,251</b>	<b>\$ 209,840</b>	<b>\$ 332,091</b>

*County of Isle of Wight, Virginia**Combining Statements of Revenues, Expenses,  
and Changes in Fund Net Position - Internal Service Funds***Year Ended June 30, 2017**

	Information Technology Fund	Risk Management Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 1,017,279	\$ 554,303	\$ 1,571,582
Other revenue	-	71,290	71,290
<b>Total operating revenues</b>	<u>1,017,279</u>	<u>625,593</u>	<u>1,642,872</u>
<b>Operating expenses:</b>			
Personnel services	417,824	53,751	471,575
Fringe benefits	160,434	16,601	177,035
Contractual services	1,402	459,761	461,163
Other charges	360,236	7,034	367,270
Depreciation	34,864	-	34,864
<b>Total operating expenses</b>	<u>974,760</u>	<u>537,147</u>	<u>1,511,907</u>
<b>Operating Income</b>	42,519	88,446	130,965
<b>Income before capital contributions</b>	<u>42,519</u>	<u>88,446</u>	<u>130,965</u>
Capital contributions	5,850	-	5,850
<b>Changes in net position</b>	48,369	88,446	136,815
<b>Net position - beginning of year</b>	73,882	121,394	195,276
<b>Net position - end of year</b>	<u>\$ 122,251</u>	<u>\$ 209,840</u>	<u>\$ 332,091</u>

*County of Isle of Wight, Virginia**Combining Statement of Cash Flows – Internal Service Funds***Year Ended June 30, 2017**

	Information Technology Fund	Risk Management Fund	Total
<b>Cash flows from operating activities</b>			
Received from customers and users	\$ 1,017,279	\$ 625,593	\$ 1,642,872
Payments to suppliers for goods and services	(380,225)	(468,355)	(848,580)
Payments to employees	(571,278)	(63,474)	(634,752)
<b>Net cash provided by operating activities</b>	<u>65,776</u>	<u>93,764</u>	<u>159,540</u>
<b>Cash flows from capital and related financing activities</b>			
Acquisition and construction of capital assets	(13,528)	-	(13,528)
<b>Net cash used in capital and related financing activities</b>	<u>(13,528)</u>	<u>-</u>	<u>(13,528)</u>
<b>Change in cash and cash equivalents</b>	52,248	93,764	146,012
<b>Cash and cash equivalents - beginning of year</b>	147,631	133,453	281,084
<b>Cash and cash equivalents - end of year</b>	<u>\$ 199,879</u>	<u>\$ 227,217</u>	<u>\$ 427,096</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 42,519	\$ 88,446	\$ 130,965
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	34,864	-	34,864
Change in			
Prepaid items	(96,575)	(2,339)	(98,914)
Accounts payable	77,969	779	78,748
Accrued other liabilities	36,407	8,034	44,441
Deferred outflows of resources	(50,552)	(4,357)	(54,909)
Deferred inflows of resources	21,352	2,980	24,332
Compensated absences	(208)	221	13
<b>Net cash provided by operating activities</b>	<u>\$ 65,776</u>	<u>\$ 93,764</u>	<u>\$ 159,540</u>

*County of Isle of Wight, Virginia*

*Combining Balance Sheet – Governmental Funds – Component Unit – School Board*

**June 30, 2017**

	Governmental Funds					
	School Operating Fund	School Capital Projects Fund	School Textbook Fund	School Cafeteria Fund	School Grants Fund	Totals
<b>Assets</b>						
Cash and investments	\$ 4,862,931	\$ -	\$ -	\$ 297,832	\$ -	\$ 5,160,763
Accounts receivable - net of allowances for uncollectibles	179,559	76,495	-	35,832	-	291,886
Inventory	-	-	-	33,456	-	33,456
Due from primary government	426,803	243,334	-	-	2,778	672,915
Due from other funds	293,768	1,275,332	-	11,900	15,281	1,596,281
Due from other governmental units	1,116,381	-	-	-	246,365	1,362,746
<b>Total assets</b>	<b>\$ 6,879,442</b>	<b>\$ 1,595,161</b>	<b>\$ -</b>	<b>\$ 379,020</b>	<b>\$ 264,424</b>	<b>\$ 9,118,047</b>
<b>Liabilities</b>						
Accounts payable	\$ 739,042	\$ 243,334	\$ -	\$ 22,773	\$ 50,721	\$ 1,055,870
Accrued liabilities	4,590,526	-	-	-	-	4,590,526
Due to primary government	247,361	-	-	-	-	247,361
Due to other funds	1,302,513	76,495	-	3,570	213,703	1,596,281
<b>Total liabilities</b>	<b>6,879,442</b>	<b>319,829</b>	<b>-</b>	<b>26,343</b>	<b>264,424</b>	<b>7,490,038</b>
<b>Fund Balances</b>						
Fund balances:						
Nonspendable: Inventory	-	-	-	33,456	-	33,456
Assigned: Capital projects	-	1,275,332	-	-	-	1,275,332
Assigned: Food Services	-	-	-	319,221	-	319,221
<b>Total fund balances</b>	<b>-</b>	<b>1,275,332</b>	<b>-</b>	<b>352,677</b>	<b>-</b>	<b>1,628,009</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,879,442</b>	<b>\$ 1,595,161</b>	<b>\$ -</b>	<b>\$ 379,020</b>	<b>\$ 264,424</b>	<b>\$ 9,118,047</b>

*County of Isle of Wight, Virginia*

***Reconciliation of Balance Sheets – Component Unit – School Board  
to the Statement of Net Position***

**June 30, 2017**

**Total fund balances - School Board - governmental funds** \$ 1,628,009

Amounts reported for government activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements, net of accumulated depreciation.

Non depreciable capital assets	2,328,711
Depreciable capital assets	105,624,691
Accumulated depreciation	<u>(48,315,099)</u>
Capital assets, net	<u>59,638,303</u>

Long-term obligations are not due and payable in the current period and are not reported in funds.

Capital leases	(9,299,677)
Compensated absences	(466,267)
OPEB obligation	(5,016,810)
Net pension liability	(52,259,160)
Accrued interest	(80,697)

Deferred outflows of resources related to pension	8,281,016
Deferred inflows of resources related to pension	(5,274,991)

The internal service fund is used by management to charge the cost of health benefits. The assets and liabilities of the internal services fund is included in governmental activities in the Statement of Net Position.

	<u>940,927</u>
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**Total net position- School Board - governmental activities** \$ (1,909,347)

*County of Isle of Wight, Virginia*

***Combining Statements of Revenues, Expenditures, and Changes in Fund Balances –  
Governmental Funds – Component Unit – School Board***

**Year Ended June 30, 2017**

	Governmental Funds					Totals
	School Operating Fund	School Capital Projects Fund	School Textbook Fund	School Cafeteria Fund	School Grants Fund	
<b>Revenues</b>						
Revenues from use of money and property	\$ 53,717	\$ 3	\$ -	\$ 793	\$ -	\$ 54,513
Charges for services	82,597	-	-	752,042	-	834,639
Miscellaneous	22,234	1,000,000	-	-	20,500	1,042,734
Recovered costs	5,835	-	-	-	-	5,835
Revenue from primary government	25,415,079	466,431	231,824	-	2,778	26,116,112
Intergovernmental:						
Commonwealth	27,987,557	-	348,943	39,681	432,059	28,808,240
Federal	472,474	-	-	1,200,655	2,162,682	3,835,811
<b>Total revenues</b>	<b>54,039,493</b>	<b>1,466,434</b>	<b>580,767</b>	<b>1,993,171</b>	<b>2,618,019</b>	<b>60,697,884</b>
<b>Expenditures</b>						
Current:						
Administration, attendance and health	2,172,307	-	-	-	1,772	2,174,079
Instructional services	41,126,067	-	577,970	-	2,173,688	43,877,725
Operations and maintenance	4,883,296	17,305	-	-	-	4,900,601
Pupil transportation	3,514,022	-	-	-	-	3,514,022
School food services	-	-	-	1,942,020	10,500	1,952,520
Facilities	-	466,431	-	-	-	466,431
Technology	1,943,251	-	-	-	432,059	2,375,310
Debt Service	420,393	-	-	-	-	420,393
Capital outlay	-	1,590,015	-	-	-	1,590,015
<b>Total expenditures</b>	<b>54,059,336</b>	<b>2,073,751</b>	<b>577,970</b>	<b>1,942,020</b>	<b>2,618,019</b>	<b>61,271,096</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>(19,843)</b>	<b>(607,317)</b>	<b>2,797</b>	<b>51,151</b>	<b>-</b>	<b>(573,212)</b>
<b>Other financing sources (uses)</b>						
Transfer in	19,843	-	-	-	-	19,843
Transfer out	-	-	(19,843)	-	-	(19,843)
Proceeds from capital leases	-	1,590,015	-	-	-	1,590,015
<b>Total other financing sources     (uses), net</b>	<b>19,843</b>	<b>1,590,015</b>	<b>(19,843)</b>	<b>-</b>	<b>-</b>	<b>1,590,015</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>982,698</b>	<b>(17,046)</b>	<b>51,151</b>	<b>-</b>	<b>1,016,803</b>
<b>Fund balance - beginning of year</b>	<b>-</b>	<b>292,634</b>	<b>17,046</b>	<b>301,526</b>	<b>-</b>	<b>611,206</b>
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ 1,275,332</b>	<b>\$ -</b>	<b>\$ 352,677</b>	<b>\$ -</b>	<b>\$ 1,628,009</b>

*County of Isle of Wight, Virginia****Reconciliation of the Statements of Revenues, Expenditures, and Changes in  
Fund Balances to the Statement of Activities – Component Unit – School Board*****Year Ended June 30, 2017**

<b>Net change in fund balances - School Board - governmental funds</b>	<b>\$ 1,016,803</b>
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Amounts reported for governmental activities in the statements  
of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceed capital outlays and transfers.

Joint activity transfer	1,153,248
Capital outlay	2,262,567
Depreciation expense	(3,630,550)

Debt proceeds provide current financial resources to governmental funds but issuing debt increases long term liabilities in the statement of net position. Repayment of principal is an expenditure of the governmental funds but the repayment reduces long term liabilities in the statement of net position.

Capital lease proceeds	(1,590,015)
Repayment of debt principal	1,152,612

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	(59,312)
Increase in net OPEB obligation	(259,296)
Pension expense	1,215,773
Decrease in accrued interest	11,166

The internal service fund is used by management to charge the cost of health benefits. The net loss of the internal service fund is reported with governmental activities in the Statement of Activities

(55,390)
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<b>Change in net position of School Board - governmental activities</b>	<b>\$ 1,217,606</b>
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County of Isle of Wight, Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board

Year Ended June 30, 2017

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenues from use of money and property	\$ 25,000	\$ 25,000	\$ 53,717	\$ 28,717
Charges for services	148,000	148,000	82,597	(65,403)
Miscellaneous	190,000	190,000	22,234	(167,766)
Recovered costs	25,000	25,000	5,835	(19,165)
Revenue from the Primary Government	25,662,440	25,662,440	25,415,079	(247,361)
Intergovernmental				
Commonwealth	28,001,830	28,001,830	27,987,557	(14,273)
Federal	355,000	355,000	472,474	117,474
<b>Total Revenues</b>	<b>54,407,270</b>	<b>54,407,270</b>	<b>54,039,493</b>	<b>(367,777)</b>
<b>Expenditures</b>				
Current				
Administration, attendance and health	2,321,622	2,321,622	2,172,307	149,315
Instructional services	41,211,304	41,211,304	41,126,067	85,237
Operations and maintenance	4,912,304	4,912,304	4,883,296	29,008
Pupil transportation	3,517,343	3,517,343	3,514,022	3,321
Technology	2,024,304	2,024,304	1,943,251	81,053
Debt Service	420,393	420,393	420,393	-
<b>Total expenditures</b>	<b>54,407,270</b>	<b>54,407,270</b>	<b>54,059,336</b>	<b>347,934</b>
<b>Deficiency of revenues under expenditures</b>	<b>-</b>	<b>-</b>	<b>(19,843)</b>	<b>(19,843)</b>
<b>Other Financing Sources</b>				
Transfer in	-	-	19,843	19,843
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>19,843</b>	<b>19,843</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(Continued)

*County of Isle of Wight, Virginia*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)**

**Year Ended June 30, 2017**

	School Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenues from use of money and property	\$ -	\$ -	\$ 3	\$ 3
Revenue from the Primary Government	-	8,569,512	466,431	(8,103,081)
Miscellaneous	-	1,000,000	1,000,000	-
<b>Total revenues</b>	-	9,569,512	1,466,434	(8,103,078)
<b>Expenditures</b>				
Current				
Operations and maintenance	-	-	17,305	(17,305)
Facilities	-	9,569,512	466,431	9,103,081
Capital outlay	-	-	1,590,015	(1,590,015)
<b>Total expenditures</b>	-	9,569,512	2,073,751	7,495,761
<b>Deficiency of revenue under expenditures</b>	-	-	(607,317)	(607,317)
<b>Other Financing Sources</b>				
Proceeds from capital lease			1,590,015	1,590,015
<b>Total other financing sources</b>	-	-	1,590,015	1,590,015
<b>Net change in fund balance</b>	-	-	982,698	982,698
<b>Fund balance - beginning of year</b>	-	-	292,634	292,634
<b>Fund balance - end of year</b>	\$ -	\$ -	\$ 1,275,332	\$ 1,275,332

(Continued)

*County of Isle of Wight, Virginia*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)**

**Year Ended June 30, 2017**

	School Textbook Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenue from the Primary Government	\$ 231,824	\$ 231,824	\$ 231,824	\$ -
Intergovernmental				
Commonwealth	346,146	346,146	348,943	2,797
<b>Total revenues</b>	<u>577,970</u>	<u>577,970</u>	<u>580,767</u>	<u>2,797</u>
<b>Expenditures</b>				
Current				
Instructional services	577,970	577,970	577,970	-
<b>Total expenditures</b>	<u>577,970</u>	<u>577,970</u>	<u>577,970</u>	<u>-</u>
<b>Excess of revenues over expenditures</b>	-	-	2,797	2,797
<b>Other Financing Uses</b>				
Transfer out	-	-	(19,843)	(19,843)
<b>Net change in fund balance</b>	-	-	(17,046)	(17,046)
<b>Fund balance - beginning of year</b>	-	-	17,046	17,046
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

*County of Isle of Wight, Virginia*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)**

**Year Ended June 30, 2017**

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenues from use of money and property	\$ 1,500	\$ 1,500	\$ 793	\$ (707)
Charges for services	907,114	907,114	752,042	(155,072)
Intergovernmental				
Commonwealth	194,611	194,611	39,681	(154,930)
Federal	991,524	991,524	1,200,655	209,131
<b>Total revenues</b>	<u>2,094,749</u>	<u>2,094,749</u>	<u>1,993,171</u>	<u>(101,578)</u>
<b>Expenditures</b>				
Current				
School food services	2,094,749	2,094,749	1,942,020	152,729
<b>Total expenditures</b>	<u>2,094,749</u>	<u>2,094,749</u>	<u>1,942,020</u>	<u>152,729</u>
<b>Net change in fund balance</b>	-	-	51,151	51,151
<b>Fund balance - beginning of year</b>	-	-	301,526	301,526
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,677</u>	<u>\$ 352,677</u>

(Continued)

*County of Isle of Wight, Virginia*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)**

**Year Ended June 30, 2017**

	School Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Miscellaneous	\$ -	\$ 20,500	\$ 20,500	\$ -
Revenue from the Primary Government	-	-	2,778	2,778
Intergovernmental				
Commonwealth	378,400	558,115	432,059	(126,056)
Federal	2,379,965	2,645,894	2,162,682	(483,212)
<b>Total revenues</b>	<u>2,758,365</u>	<u>3,224,509</u>	<u>2,618,019</u>	<u>(606,490)</u>
<b>Expenditures</b>				
Current				
Administration, attendance and health	-	2,541	1,772	769
Instructional services	2,474,365	2,736,641	2,173,688	562,953
School food services	-	10,500	10,500	-
Technology	284,000	474,827	432,059	42,768
<b>Total expenditures</b>	<u>2,758,365</u>	<u>3,224,509</u>	<u>2,618,019</u>	<u>606,490</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning of year</b>	-	-	-	-
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

*County of Isle of Wight, Virginia*

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board**

**Year Ended June 30, 2017**

	Totals			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenues from use of money and property	\$ 26,500	\$ 26,500	\$ 54,513	\$ 28,013
Charges for services	1,055,114	1,055,114	834,639	(220,475)
Miscellaneous	190,000	1,210,500	1,042,734	(167,766)
Recovered costs	25,000	25,000	5,835	(19,165)
Revenue from the Primary Government	25,894,264	34,463,776	26,116,112	(8,347,664)
Intergovernmental				
Commonwealth	28,920,987	29,100,702	28,808,240	(292,462)
Federal	3,726,489	3,992,418	3,835,811	(156,607)
<b>Total Revenues</b>	<b>59,838,354</b>	<b>69,874,010</b>	<b>60,697,884</b>	<b>(9,176,126)</b>
<b>Expenditures</b>				
Current				
Administration, attendance and health	2,321,622	2,324,163	2,174,079	150,084
Instructional services	44,263,639	44,525,915	43,877,725	648,190
Operations and maintenance	4,912,304	4,912,304	4,900,601	11,703
Pupil transportation	3,517,343	3,517,343	3,514,022	3,321
School food services	2,094,749	2,105,249	1,952,520	152,729
Facilities	-	9,569,512	466,431	9,103,081
Technology	2,308,304	2,499,131	2,375,310	123,821
Debt Service	420,393	420,393	420,393	-
Capital outlay	-	-	1,590,015	(1,590,015)
<b>Total Expenditures</b>	<b>59,838,354</b>	<b>69,874,010</b>	<b>61,271,096</b>	<b>8,602,914</b>
<b>Deficiency of revenues under expenditures</b>	-	-	(573,212)	(573,212)
<b>Other financing sources (uses)</b>				
Transfer in	-	-	19,843	19,843
Transfer out	-	-	(19,843)	(19,843)
Proceeds from capital leases	-	-	1,590,015	1,590,015
<b>Total other financing sources, net</b>	-	-	<b>1,590,015</b>	<b>1,590,015</b>
<b>Net change in fund balances</b>	-	-	1,016,803	1,016,803
<b>Fund balances - beginning of year</b>	-	-	611,206	611,206
<b>Fund balances - end of year</b>	\$ -	\$ -	\$ 1,628,009	\$ 1,628,009

*County of Isle of Wight, Virginia**Statement of Net Position – Proprietary Fund – Component Unit – School Board***June 30, 2017**

	<b>Assets</b>	<u>School Health Benefits Fund</u>
<b>Current assets</b>		
Cash and cash equivalents - restricted		\$ 1,328,787
<b>Total current assets</b>		<u>1,328,787</u>
	<b>Liabilities</b>	
<b>Current liabilities</b>		
Claims payable		274,772
Unearned revenues		113,088
<b>Total current liabilities</b>		<u>387,860</u>
	<b>Net Position</b>	
<b>Net position - unrestricted</b>		<u>\$ 940,927</u>

*County of Isle of Wight, Virginia**Statement of Revenues, Expenses, and Changes in Net Position –  
Proprietary Fund – Component Unit – School Board***Year Ended June 30, 2017**

	School Health Benefits Fund
<b>Operating revenues</b>	
Recovered costs	\$ 4,618,791
<b>Operating expenses</b>	
Healthcare benefits	4,674,986
<b>Operating loss</b>	(56,195)
<b>Nonoperating revenue</b>	805
<b>Change in net position</b>	(55,390)
<b>Net position - beginning of year</b>	996,317
<b>Net position - end of year</b>	\$ 940,927

*County of Isle of Wight, Virginia**Statement of Cash Flows – Proprietary Fund – Component Unit – School Board***Year Ended June 30, 2017**

	<u>School Health Benefits Fund</u>
<b>Cash flows from operating activities</b>	\$ 4,618,393
Received from customers and users	<u>(4,432,849)</u>
Payments to suppliers for goods and services	
<b>Net cash provided by operating activities</b>	<u>185,544</u>
<b>Cash flows from investing activities</b>	
Interest received	<u>805</u>
<b>Net cash provided by investing activities</b>	<u>805</u>
<b>Change in cash and cash equivalents</b>	186,349
<b>Cash and cash equivalents - beginning of year</b>	<u>1,142,438</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 1,328,787</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (56,195)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Change in	
Claims payable	242,137
Unearned revenue	<u>(398)</u>
<b>Net cash provided by operating activities</b>	<u>\$ 185,544</u>

*County of Isle of Wight, Virginia**Combining Statement of Assets and Liabilities - Fiduciary Funds***June 30, 2017**

	Special Welfare Fund	Student Activities Fund	Totals Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 25,535	\$ 549,098	\$ 574,633
<b>Liabilities</b>			
Amounts held for social services clients	\$ 25,535	\$ -	\$ 25,535
Amounts held for others	-	549,098	549,098
<b>Total liabilities</b>	<b>\$ 25,535</b>	<b>\$ 549,098</b>	<b>\$ 574,633</b>

*County of Isle of Wight, Virginia*

***Combining Statements of Change in Assets and Liabilities – Fiduciary Funds***

**Year Ended June 30, 2017**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund</b>				
Assets				
Cash and cash equivalents	\$ 48,580	\$ 64,947	\$ (87,992)	\$ 25,535
Liabilities				
Amounts held for social service clients	\$ 48,580	\$ 64,947	\$ (87,992)	\$ 25,535
<b>Student Activities Fund</b>				
Assets				
Cash and cash equivalents	\$ 439,623	\$ 1,522,271	\$ (1,412,796)	\$ 549,098
Liabilities				
Amounts held for others	\$ 439,623	\$ 1,522,271	\$ (1,412,796)	\$ 549,098
<b>Total</b>				
Assets				
Cash and cash equivalents	\$ 488,203	\$ 1,587,218	\$ (1,500,788)	\$ 574,633
Liabilities				
Amounts held for social services clients	\$ 48,580	\$ 64,947	\$ (87,992)	\$ 25,535
Amounts held for others	439,623	1,522,271	(1,412,796)	549,098
	\$ 488,203	\$ 1,587,218	\$ (1,500,788)	\$ 574,633

*County of Isle of Wight, Virginia**Statement of Net Position – Component Unit – Economic Development Authority***June 30, 2017**

		<b>Assets</b>	
<b>Current assets</b>			
	Cash and cash equivalents		\$ 405,292
	Accounts receivable		9,736
	<b>Total current assets</b>		<u>415,028</u>
<b>Noncurrent assets</b>			
	Land held for resale		3,808,285
	Capital assets		
	Nondepreciable		10,178,545
	Depreciable, net		224,217
	<b>Total capital assets</b>		<u>10,402,762</u>
	<b>Total noncurrent assets</b>		<u>14,211,047</u>
	<b>Total assets</b>		<u>14,626,075</u>
		<b>Liabilities</b>	
<b>Current liabilities</b>			
	Accounts payable		1,944
	Advance from primary government		375,000
	Unearned revenue		9,736
	<b>Total current liabilities</b>		<u>386,680</u>
		<b>Net Position</b>	
	Net investment in capital assets		10,402,762
	Unrestricted		3,836,633
	<b>Total net position</b>		<u>\$ 14,239,395</u>

*County of Isle of Wight, Virginia**Statement of Revenues, Expenses, and Changes in Net Position  
Component Unit – Economic Development Authority***Year Ended June 30, 2017**

<b>Operating revenues</b>		
Charges for services		\$ 10,209
Other revenues		85,545
<b>Total operating revenues</b>		<u>95,754</u>
<b>Operating expenses</b>		
Operations		29,130
Compensation		3,675
Depreciation		13,005
<b>Total operating expenses</b>		<u>45,810</u>
<b>Operating income</b>		<u>49,944</u>
<b>Nonoperating revenues (expenses)</b>		
Property rental		31,212
Interest income		839
Interest expense		(481)
<b>Total nonoperating revenues, net</b>		<u>31,570</u>
<b>Change in net position</b>		81,514
<b>Net position - beginning of year (restated)</b>		<u>14,157,881</u>
<b>Net position - end of year</b>		<u>\$ 14,239,395</u>

*County of Isle of Wight, Virginia**Statement of Cash Flows – Component Unit – Economic Development Authority***Year Ended June 30, 2017**

<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 98,454
Payments to suppliers for goods and services	(29,130)
Payments to employees	(3,675)
<b>Net cash provided by operating activities</b>	<u>65,649</u>
<b>Cash flows from capital and related financing activities</b>	
Principal payments on notes payable	(21,560)
Interest paid on notes	(481)
Proceed from sale of surplus items	2,595
<b>Net cash used in capital and related financing activities</b>	<u>(19,446)</u>
<b>Cash flows from investing activities</b>	
Interest income	839
Principal collections on capital lease receivable	30,054
Rental of property	31,212
<b>Net cash provided by investing activities</b>	<u>62,105</u>
<b>Change in cash and cash equivalents</b>	108,308
<b>Cash and cash equivalents - beginning of year</b>	<u>296,984</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 405,292</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 49,944
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	13,005
Change in accounts receivable	(7,036)
Change in unearned revenue	9,736
<b>Net cash provided by operating activities</b>	<u>\$ 65,649</u>



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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*Statistical Section*

## County of Isle of Wight, Virginia

### Statistical Section Overview

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#### Year Ended June 30, 2017

This part of the County of Isle of Wight's comprehensive annual financial report presents detailed information as context for understanding the information in the financial statements, note disclosures and required supplementary information says about the County's overall financial health.

#### Contents

#### Exhibits

##### Financial Trends

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

C-1 through C-4

##### Revenue Capacity

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

C-5 through C-10

##### Debt Capacity

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

C-11 through C-13

##### Demographic and Economic Information

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

C14

##### Operating Information

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

C-15 through C-17

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

*County of Isle of Wight, Virginia**Net Position (Assets) by Component*

<b>Last Ten Fiscal Years</b>					
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014*</b>	<b>2013</b>
<b>Governmental activities</b>					
Net investment in capital assets	\$ (13,319,241)	\$ 4,931	\$ 2,045,769	\$ 6,086,446	\$ 4,923,554
Restricted	18,689,154	5,440,119	7,174,341	13,734,652	24,568,034
Unrestricted	8,314,662	12,060,255	7,349,393	(1,715,310)	(5,786,028)
<b>Total governmental activities net position</b>	<b>\$ 13,684,575</b>	<b>\$ 17,505,305</b>	<b>\$ 16,569,503</b>	<b>\$ 18,105,788</b>	<b>\$ 23,705,560</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ (16,643,332)	\$ (16,265,290)	\$ (16,186,173)	\$ (12,140,987)	\$ (8,834,474)
Restricted	5,320,770	5,522,985	5,927,757	-	-
Unrestricted	1,392,872	(898,178)	(1,608,477)	17,086	(2,078,232)
<b>Total business-type activities net position</b>	<b>\$ (9,929,690)</b>	<b>\$ (11,640,483)</b>	<b>\$ (11,866,893)</b>	<b>\$ (12,123,901)</b>	<b>\$ (10,912,706)</b>
<b>Primary government</b>					
Net investment in capital assets	\$ (29,962,573)	\$ (16,260,359)	\$ (14,140,404)	\$ (6,054,541)	\$ (3,910,920)
Restricted	24,009,924	10,963,104	13,102,098	13,734,652	24,568,034
Unrestricted	9,707,534	11,162,077	5,740,916	(1,698,224)	(7,864,260)
<b>Total primary government net position</b>	<b>\$ 3,754,885</b>	<b>\$ 5,864,822</b>	<b>\$ 4,702,610</b>	<b>\$ 5,981,887</b>	<b>\$ 12,792,854</b>

(Continued)

\* 2014 unrestricted net position restated to reflect implementation of GASB 68/71

*County of Isle of Wight, Virginia**Net Position (Assets) by Component (Continued)*

<b>Last Ten Fiscal Years</b>					
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Governmental activities</b>					
Net investment in capital assets	\$ 9,453,645	\$ 15,381,413	\$ (5,119,903)	\$ 7,629,388	\$ 9,382,768
Restricted	320,527	349,812	22,703,988	27,436,029	14,816,245
Unrestricted	21,960,979	18,615,968	17,675,588	4,259,513	19,329,621
<b>Total governmental activities net position</b>	<b>\$ 31,735,151</b>	<b>\$ 34,347,193</b>	<b>\$ 35,259,673</b>	<b>\$ 39,324,930</b>	<b>\$ 43,528,634</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ (6,129,102)	\$ (1,661,794)	\$ 88,152	\$ 864,915	\$ 6,425,436
Restricted	-	-	631,542	1,619,337	918,159
Unrestricted	(2,587)	(1,332,945)	-	-	-
<b>Total business-type activities net position</b>	<b>\$ (6,131,689)</b>	<b>\$ (2,994,739)</b>	<b>\$ 719,694</b>	<b>\$ 2,484,252</b>	<b>\$ 7,343,595</b>
<b>Primary government</b>					
Net investment in capital assets	\$ 3,324,543	\$ 13,719,619	\$ (5,031,751)	\$ 8,494,303	\$ 15,808,204
Restricted	320,527	349,812	23,335,530	29,055,366	15,734,404
Unrestricted	21,958,392	17,283,023	17,675,588	4,259,513	19,329,621
<b>Total primary government net position</b>	<b>\$ 25,603,462</b>	<b>\$ 31,352,454</b>	<b>\$ 35,979,367</b>	<b>\$ 41,809,182</b>	<b>\$ 50,872,229</b>

*County of Isle of Wight, Virginia*

*Change in Net Position*

<b>Last Ten Fiscal Years</b>					
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 5,305,220	\$ 6,596,750	\$ 4,954,948	\$ 5,859,778	\$ 6,446,046
Judicial administration	1,711,476	1,358,364	1,345,313	1,334,545	1,198,998
Public safety	15,820,681	13,206,973	11,227,838	10,856,876	10,360,047
General services	5,029,762	9,279,614	6,059,730	6,444,839	6,979,003
Health and welfare	4,232,228	3,832,773	3,654,546	4,267,056	4,361,198
Education	28,709,110	28,279,608	31,627,526	25,930,462	29,976,658
Parks, recreation and cultural	3,593,465	4,118,975	3,051,601	3,250,023	2,990,630
Community development	2,259,598	3,457,268	3,066,139	2,805,145	3,174,930
Interest on long-term debt	5,123,993	4,498,640	4,568,504	4,507,212	3,979,848
<b>Total governmental activities expenses</b>	<b>71,785,533</b>	<b>74,628,965</b>	<b>69,556,145</b>	<b>65,255,936</b>	<b>69,467,358</b>
Business-type activities:					
Public utilities	8,787,726	9,016,192	11,146,341	8,677,215	8,214,531
Stormwater	1,456,085	820,320	829,480	347,845	-
<b>Total business-type activities expenses</b>	<b>10,243,811</b>	<b>9,836,512</b>	<b>11,975,821</b>	<b>9,025,060</b>	<b>8,214,531</b>
<b>Total primary government expenses</b>	<b>\$ 82,029,344</b>	<b>\$ 84,465,477</b>	<b>\$ 81,531,966</b>	<b>\$ 74,280,996</b>	<b>\$ 77,681,889</b>
<b>Program Revenue</b>					
Governmental activities:					
Charges for services:					
General government	\$ 1,029,176	\$ 373,066	\$ 388,251	\$ 682	\$ 758
Judicial administration	397,063	203,810	220,034	174,940	156,543
Public safety	2,682,915	1,584,774	1,330,020	1,518,532	1,154,693
General services	193,473	-	-	-	375,498
Health and welfare	273,895	-	-	-	-
Parks, recreation and cultural	693,847	560,673	479,016	584,689	526,622
Community development	98,030	64,411	42,952	43,357	30,412
Operating grants and contributions	9,874,844	5,357,743	5,282,485	5,718,851	9,526,260
Capital grants and contributions	2,827,555	3,059,806	3,133,139	905,676	150,000
Interest rate subsidy	-	-	-	-	257,127
<b>Total governmental activities program revenues</b>	<b>\$ 18,070,798</b>	<b>\$ 11,204,283</b>	<b>\$ 10,875,897</b>	<b>\$ 8,946,727</b>	<b>\$ 12,177,913</b>

(Continued)

*County of Isle of Wight, Virginia*

*Change in Net Position(Continued)*

<b>Last Ten Fiscal Years</b>					
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 5,571,463	\$ 5,585,577	\$ 4,721,064	\$ 3,410,733	\$ 6,182,728
Judicial administration	1,078,015	970,228	1,017,192	1,034,595	857,697
Public safety	9,999,240	7,454,652	8,228,634	8,966,721	6,053,668
General services	7,072,833	6,604,193	6,479,386	6,810,610	5,145,769
Health and welfare	4,444,284	4,884,843	5,062,126	5,143,058	5,025,666
Education	24,794,008	25,419,456	25,724,901	24,360,654	26,964,798
Parks, recreation and cultural	2,979,591	2,797,390	2,724,759	3,526,076	1,279,128
Community development	5,995,359	1,931,593	2,898,788	3,902,800	2,332,420
Nondepartmental	1,314,563	1,429,542	1,351,357	-	-
Interest on long-term debt	2,792,214	2,080,083	2,619,271	2,292,872	2,186,412
<b>Total governmental activities expenses</b>	<b>66,041,570</b>	<b>59,157,557</b>	<b>60,827,478</b>	<b>59,448,119</b>	<b>56,028,286</b>
Business-type activities:					
Public utilities	7,439,824	6,999,024	6,986,865	6,273,275	5,581,285
Stormwater	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>7,439,824</b>	<b>6,999,024</b>	<b>6,986,865</b>	<b>6,273,275</b>	<b>5,581,285</b>
<b>Total primary government expenses</b>	<b>\$ 73,481,394</b>	<b>\$ 66,156,581</b>	<b>\$ 67,814,343</b>	<b>\$ 65,721,394</b>	<b>\$ 61,609,571</b>
<b>Program revenue</b>					
Governmental activities:					
Charges for services:					
General government	\$ 123,391	\$ 198,737	\$ 25,863	\$ 11,162	\$ 1,693
Judicial administration	369,278	149,251	147,275	91,288	201,653
Public safety	2,155,302	625,612	637,668	833,366	721,630
General services	408,320	-	4,744	4,080	2,520
Health and welfare	77,525	35,446	-	-	-
Parks, recreation and cultural	585,740	436,303	394,328	357,218	263,158
Community development	134,755	672,840	387,414	281,552	76,791
Operating grants and contributions	13,330,802	10,676,049	5,655,377	6,617,823	7,292,110
Capital grants and contributions	109,489	102,935	1,618,901	161,236	183,662
Interest rate subsidy	569,315	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>17,863,917</b>	<b>12,897,173</b>	<b>8,871,570</b>	<b>8,357,725</b>	<b>8,743,217</b>

(Continued)

## County of Isle of Wight, Virginia

## Change in Net Position(Continued)

## Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Business-type activities					
Charges for services	\$ 6,988,013	\$ 6,009,332	\$ 5,779,255	\$ 5,206,661	\$ 3,080,643
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	2,469,514	480,741	481,900	467,939
<b>Total business-type activities program revenues</b>	<b>6,988,013</b>	<b>8,478,846</b>	<b>6,259,996</b>	<b>5,688,561</b>	<b>3,548,582</b>
<b>Total Primary Government program revenues</b>	<b>\$ 19,674,359</b>	<b>\$ 19,683,129</b>	<b>\$ 17,135,893</b>	<b>\$ 14,635,288</b>	<b>\$ 15,726,495</b>
Net expense - governmental activities	53,714,735	63,424,682	58,680,248	56,309,209	57,289,445
Net expense - business-type activities	3,255,798	1,357,666	5,715,825	3,336,499	4,665,949
<b>Total primary government net expense</b>	<b>56,970,533</b>	<b>64,782,348</b>	<b>64,396,073</b>	<b>59,645,708</b>	<b>61,955,394</b>
<b>General revenues and other changes in net position</b>					
Governmental activities					
Taxes					
General revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	62,107,289	56,575,683	54,539,535	48,365,143	42,408,465
Permits, fees and licenses	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other taxes	8,637,670	7,497,791	7,005,687	7,046,183	6,709,396
Revenue from use of property and money	99,580	-	-	-	-
Unrestricted grants and contributions	-	-	-	-	-
Recovered costs	-	-	-	-	-
Investment earnings	-	1,434,262	956,397	324,636	909,387
Miscellaneous	1,328,044	356,418	379,229	840,977	-
Gain on sale of assets	-	62,012	218,075	-	163,555
Transfers	(4,922,005)	(1,565,679)	(5,954,960)	(2,313,266)	-
<b>Total governmental activities</b>	<b>67,250,578</b>	<b>64,360,487</b>	<b>57,143,963</b>	<b>54,263,673</b>	<b>50,190,803</b>
Business-type activities					
Investment earnings	44,586	18,397	17,873	16,438	47,754
Connection fees	-	-	-	-	-
Gain on sale of assets	-	-	-	10,275	-
Miscellaneous	-	-	-	-	-
Transfers	4,922,005	1,565,679	5,954,960	2,313,266	-
<b>Total business-type activities</b>	<b>4,966,591</b>	<b>1,584,076</b>	<b>5,972,833</b>	<b>2,339,979</b>	<b>47,754</b>
<b>Total primary government</b>	<b>\$ 72,217,169</b>	<b>\$ 65,944,563</b>	<b>\$ 63,116,796</b>	<b>\$ 56,603,652</b>	<b>\$ 50,238,557</b>
<b>Change in net position</b>					
Governmental activities	13,535,843	935,802	(1,536,285)	(2,045,536)	(7,098,642)
Business-type activities	1,710,793	226,410	257,008	(996,520)	(4,618,195)
<b>Total primary government</b>	<b>\$ 15,246,636</b>	<b>\$ 1,162,212</b>	<b>\$ (1,279,277)</b>	<b>\$ (3,042,056)</b>	<b>\$ (11,716,837)</b>

(Continued)

*County of Isle of Wight, Virginia*

*Change in Net Position (Continued)*

**Last Ten Fiscal Years**

	2012	2011	2010	2009	2008
Business-type activities					
Charges for services	\$ 2,856,747	\$ 2,902,184	\$ 2,708,017	\$ 2,014,246	\$ 1,750,406
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	1,415,036	360,504	585,994	609,989	642,005
<b>Total business-type activities program revenues</b>	<b>4,271,783</b>	<b>3,262,688</b>	<b>3,294,011</b>	<b>2,624,235</b>	<b>2,392,411</b>
<b>Total primary government program revenues</b>	<b>22,135,700</b>	<b>16,159,861</b>	<b>12,165,581</b>	<b>10,981,960</b>	<b>11,135,628</b>
Net expense - governmental activities	48,177,653	46,260,384	51,955,908	51,090,394	47,285,069
Net expense - business-type activities	3,168,041	3,736,336	3,692,854	3,649,040	3,188,874
<b>Total primary government net expense</b>	<b>\$ 51,345,694</b>	<b>\$ 49,996,720</b>	<b>\$ 55,648,762</b>	<b>\$ 54,739,434</b>	<b>\$ 50,473,943</b>

**General revenues and other changes in net position**

Governmental activities					
Taxes					
Property taxes	\$ 38,130,254	\$ 38,254,048	\$ 38,081,388	\$ 38,665,135	\$ 36,374,761
Permits, fees and licenses	-	-	-	426,074	-
Fines and forfeitures	-	-	-	86,997	-
Other taxes	6,200,597	6,582,549	5,898,162	6,248,462	6,393,256
Unrestricted grants and contributions	-	-	5,115,890	5,218,907	5,372,245
Recovered costs	-	-	-	-	-
Investment earnings	1,066,841	196,774	627,179	562,017	1,161,393
Miscellaneous	397,920	314,533	74,328	45,572	133,040
Gain on sale of assets	(23,789)	-	-	-	5,882
Transfers	-	-	(1,906,296)	(4,366,474)	(5,251,765)
<b>Total governmental activities</b>	<b>\$ 45,771,823</b>	<b>\$ 45,347,904</b>	<b>\$ 47,890,651</b>	<b>\$ 46,886,690</b>	<b>\$ 44,188,812</b>
Business-type activities					
Investment earnings	27,205	21,903	-	-	-
Connection fees	-	-	-	-	-
Gain on sale of assets	-	-	-	-	2,025
Miscellaneous	3,886	-	-	-	-
Transfers	-	-	1,928,296	(1,210,303)	4,282,478
<b>Total business-type activities</b>	<b>31,091</b>	<b>21,903</b>	<b>1,928,296</b>	<b>(1,210,303)</b>	<b>4,284,503</b>
<b>Total primary government</b>	<b>\$ 45,802,914</b>	<b>\$ 45,369,807</b>	<b>\$ 49,818,947</b>	<b>\$ 45,676,387</b>	<b>\$ 48,473,315</b>
<b>Change in net position</b>					
Governmental activities	(2,405,830)	(912,480)	(4,065,257)	(4,203,704)	(3,096,257)
Business-type activities	(3,136,950)	(3,714,433)	(1,764,558)	(4,859,343)	1,095,629
<b>Total primary government</b>	<b>\$ (5,542,780)</b>	<b>\$ (4,626,913)</b>	<b>\$ (5,829,815)</b>	<b>\$ (9,063,047)</b>	<b>\$ (2,000,628)</b>

*County of Isle of Wight, Virginia****Fund Balances - Governmental Funds***

<b>Last Ten Fiscal Years</b>					
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
General fund					
Designated	\$ -	\$ -	\$ -	\$ -	\$ -
Undesignated	-	-	-	-	-
<b>Total general fund</b>	<b>\$ -</b>				
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in	-	-	-	-	-
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ -</b>				
<b>Post-GASB 54</b>					
General Fund					
Non Spendable:					
Non Spendable	\$ 920,645	\$ 935,898	\$ 992,540	\$ 1,045,272	\$ 89,446
Spendable:					
Restricted	61,568	22,170	22,126	22,081	29,650
Assigned	3,623,722	3,372,391	4,169,225	165,775	255,878
Unassigned	10,960,727	14,326,940	9,649,642	15,040,237	16,393,908
Committed	3,877,087	-	-	-	-
<b>Total General Fund</b>	<b>\$ 19,443,749</b>	<b>\$ 18,657,399</b>	<b>\$ 14,833,533</b>	<b>\$ 16,273,365</b>	<b>\$ 16,768,882</b>
All other Government funds					
Non Spendable:					
Non Spendable	\$ -	\$ 3,246	\$ 2,349	\$ 40,381	\$ 40,595
Spendable:					
Restricted	17,738,141	5,445,121	7,149,866	13,712,571	24,568,034
Assigned	6,318,154	3,385,036	5,242,890	4,169,285	5,020,477
<b>Total all other government funds</b>	<b>\$ 24,056,295</b>	<b>\$ 8,833,403</b>	<b>\$ 12,395,105</b>	<b>\$ 17,922,237</b>	<b>\$ 29,629,106</b>

*County of Isle of Wight, Virginia**Fund Balances - Governmental Funds (Continued)***Last Ten Fiscal Years**

	2012	2011	2010	2009	2008
General fund					
Designated	\$ -	\$ -	\$ 2,518,642	\$ 3,414,895	\$ 8,908,921
Undesignated	-	-	17,045,858	13,036,057	13,343,356
<b>Total general fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,564,500</b>	<b>\$ 16,450,952</b>	<b>\$ 22,252,277</b>
All other governmental funds					
Reserved	\$ -	\$ -	\$ 31,574	\$ 29,441	\$ 9,181
Unreserved, reported in					
Special revenue funds	-	-	298,329	502,420	642,624
Capital projects funds	-	-	22,703,988	27,436,029	12,402,711
<b>Total all other governmental funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,033,891</b>	<b>\$ 27,967,890</b>	<b>\$ 13,054,516</b>

**Post-GASB 54**

General Fund		
Non Spendable:		
Non Spendable	\$ 120,158	\$ 148,990
Spendable:		
Restricted	29,650	29,650
Assigned	632,588	489,228
Unassigned	18,513,870	19,807,133
<b>Total General Fund</b>	<b>\$ 19,296,266</b>	<b>\$ 20,475,001</b>
All other Government funds		
Non Spendable:		
Non Spendable	\$ 40,215	\$ 40,430
Spendable:		
Restricted	29,041,335	38,040,517
Assigned	5,377,105	1,544,284
<b>Total all other government funds</b>	<b>\$ 34,458,655</b>	<b>\$ 39,625,231</b>

*County of Isle of Wight, Virginia*

*Changes in Fund Balance - Governmental Funds*

**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
<b>Revenues</b>					
General property taxes	\$ 49,835,086	\$ 51,334,720	\$ 49,173,371	\$ 43,628,917	\$ 37,158,645
Other local taxes	8,580,982	7,284,843	6,842,828	6,840,236	6,616,219
Permits, fees and licenses	2,141,092	928,634	1,121,174	635,888	1,710,818
Fines and forfeitures	151,318	139,822	153,929	118,609	105,191
Revenue from use of property	99,580	920,139	438,475	366,712	909,387
Charges for services	2,887,413	1,651,746	1,264,429	1,578,846	2,859,255
Miscellaneous	787,010	1,589,453	2,265,305	1,321,386	217,987
Recovered costs	396,686	-	-	9,327,462	-
Intergovernmental	11,344,133	13,144,754	12,297,700	2,070,994	12,625,247
<b>Total revenues</b>	<b>76,223,300</b>	<b>76,994,111</b>	<b>73,557,211</b>	<b>65,889,050</b>	<b>62,202,749</b>
<b>Expenditures</b>					
General governmental administration	4,376,415	6,196,320	5,118,338	5,301,989	4,869,180
Judicial administration	1,542,881	1,373,968	1,389,675	1,334,756	1,198,998
Public safety	12,618,898	12,687,614	10,840,494	10,425,432	9,973,620
General Services	4,585,899	5,334,386	4,958,423	5,747,203	5,929,766
Health and welfare	3,888,786	3,783,847	3,878,728	4,244,521	4,299,377
Education	26,116,112	25,672,090	23,161,494	23,126,262	25,679,304
Parks, recreation and cultural	2,838,301	2,752,043	2,675,524	2,885,662	2,629,412
Community development	2,880,539	3,456,762	3,117,464	2,773,473	3,143,003
Nondepartmental	1,676,722	-	-	-	-
Capital outlay	3,468,132	6,750,976	13,264,484	18,432,571	9,489,014
Debt service					
Principal	3,006,700	3,100,940	2,845,721	2,401,952	3,173,957
Interest	4,468,592	4,329,537	5,014,093	5,195,448	4,592,524
Debt expenses	178,618	-	-	-	285,487
<b>Total expenditures</b>	<b>71,646,595</b>	<b>75,438,483</b>	<b>76,264,438</b>	<b>81,869,269</b>	<b>75,263,642</b>
<b>Excess of revenues over (under) expenditures</b>	<b>4,576,705</b>	<b>1,555,628</b>	<b>(2,707,227)</b>	<b>(15,980,219)</b>	<b>(13,060,893)</b>
<b>Other financing sources (uses)</b>					
Transfers in	9,953,287	8,626,309	12,719,784	1,763,908	3,127,894
Transfers out	(14,719,615)	(10,191,988)	(18,674,744)	(4,077,174)	(3,127,894)
Proceeds from borrowing	16,198,865	220,514	44,871,848	6,011,099	26,044,679
Payments to escrow agent	-	-	(43,476,292)	80,000	(22,473,109)
Proceeds from sale of property	-	51,701	299,667	-	-
<b>Total other financing sources (uses)</b>	<b>11,432,537</b>	<b>(1,293,464)</b>	<b>(4,259,737)</b>	<b>3,777,833</b>	<b>3,571,570</b>
<b>Net change in fund balance</b>	<b>\$ 16,009,242</b>	<b>\$ 262,164</b>	<b>\$ (6,966,964)</b>	<b>\$ (12,202,386)</b>	<b>\$ (9,489,323)</b>
Debt service as a percentage of noncapital expenditures	11%	11%	12%	12%	12%

(Continued)

*County of Isle of Wight, Virginia*

**Changes in Fund Balance - Governmental Funds (Continued)**

<b>Last Ten Fiscal Years</b>					
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>					
General property taxes	\$ 38,024,532	\$ 37,864,858	\$ 38,385,088	\$ 39,132,235	\$ 36,455,016
Other local taxes	6,301,083	6,582,549	5,898,162	6,248,462	6,393,256
Permits, fees and licenses	380,302	443,308	407,410	426,074	422,715
Fines and forfeitures	85,598	75,813	60,345	86,997	102,098
Revenue from use of property	1,066,841	196,774	627,179	562,017	1,209,977
Charges for services	1,620,896	1,599,068	1,091,590	1,043,664	826,949
Miscellaneous	524,121	309,404	122,347	136,831	422,807
Recovered costs	-	-	595,391	755,480	580,925
Intergovernmental	15,591,979	10,778,984	12,382,619	11,173,159	11,893,008
<b>Total revenues</b>	<b>63,595,352</b>	<b>57,850,758</b>	<b>59,570,131</b>	<b>59,564,919</b>	<b>58,306,751</b>
<b>Expenditures</b>					
General governmental administration	4,814,890	4,292,762	4,822,494	5,841,246	4,776,697
Judicial administration	1,058,580	970,228	1,017,192	1,034,595	857,697
Public safety	8,655,939	6,770,494	6,844,989	8,341,561	6,580,696
General Services	10,110,789	6,155,695	5,938,395	6,359,832	5,131,709
Health and welfare	951,649	4,785,833	5,019,248	5,105,498	4,969,514
Education	26,268,626	25,004,954	25,058,724	23,508,520	21,788,354
Parks, recreation and cultural	2,633,606	2,443,506	2,482,008	4,297,093	2,026,518
Community development	5,995,716	1,897,246	1,797,791	3,828,750	3,568,838
Nondepartmental	1,314,563	1,429,542	1,351,357	1,338,618	1,249,397
Capital projects	5,035,723	12,947,475	20,491,939	-	7,708,392
Debt service					
Principal	31,516	380,000	1,534,551	4,316,323	3,947,613
Interest	2,784,497	2,312,636	1,750,465	2,407,157	2,229,008
Issuance costs	284,568	289,453	253,168	352,213	47,400
<b>Total expenditures</b>	<b>69,940,662</b>	<b>69,679,824</b>	<b>78,362,321</b>	<b>66,731,406</b>	<b>64,881,833</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(6,345,310)</b>	<b>(11,829,066)</b>	<b>(18,792,190)</b>	<b>(7,166,487)</b>	<b>(6,575,082)</b>
<b>Other financing sources (uses)</b>					
Transfers in	1,826,748	1,789,120	1,607,891	30,884,999	14,495,362
Transfers out	(1,826,748)	(1,789,120)	(3,514,187)	(39,709,180)	(17,576,578)
Proceeds from borrowing	-	43,654,158	18,878,035	25,102,717	10,000,000
Payments to escrow agent	-	(14,137,039)	-	-	-
Proceeds from sale of property	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>29,517,119</b>	<b>16,971,739</b>	<b>16,278,536</b>	<b>6,918,784</b>
<b>Net change in fund balance</b>	<b>\$ (6,345,310)</b>	<b>\$ 17,688,053</b>	<b>\$ (1,820,451)</b>	<b>\$ 9,112,049</b>	<b>\$ 343,702</b>
Debt service as a percentage of noncapital expenditures	5%	5%	6%	11%	11%

*County of Isle of Wight, Virginia**Assessed Value and Estimated Actual Value of Taxable Property***Last Ten  
Fiscal Years**

Fiscal Year	Residential Property	Commercial / Industrial Property	Agriculture Property	(1) Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2017	\$ 3,400,486,756	\$ 694,930,358	\$ 551,118,971	\$ 4,646,536,085	\$ 0.85	\$ 4,646,536,085	100%
2016	\$ 3,349,194,640	\$ 679,547,808	\$ 550,272,662	\$ 4,579,015,110	\$ 0.85	\$ 4,579,015,110	100%
2015	\$ 3,285,777,463	\$ 671,045,521	\$ 240,480,302	\$ 4,197,303,286	\$ 0.85	\$ 4,197,303,286	100%
2014	\$ 3,239,296,300	\$ 665,825,700	\$ 242,072,000	\$ 4,147,194,000	\$ 0.73	\$ 4,147,194,000	100%
2013	\$ 3,187,589,700	\$ 648,094,500	\$ 245,103,000	\$ 4,080,787,200	\$ 0.65	\$ 4,080,787,200	100%
2012	\$ 3,380,104,000	\$ 642,766,300	\$ 252,515,900	\$ 4,275,386,200	\$ 0.65	\$ 4,275,386,200	100%
2011	\$ 3,383,219,600	\$ 648,572,200	\$ 651,867,200	\$ 4,683,659,000	\$ 0.52	\$ 4,683,659,000	100%
2010	\$ 3,505,342,600	\$ 671,872,400	\$ 666,436,200	\$ 4,843,651,200	\$ 0.52	\$ 4,843,651,200	100%
2009	\$ 3,483,983,000	\$ 622,787,400	\$ 684,778,700	\$ 4,791,549,100	\$ 0.52	\$ 4,791,549,100	100%
2008	\$ 3,305,409,700	\$ 565,071,500	\$ 465,626,600	\$ 4,336,107,800	\$ 0.52	\$ 4,336,107,800	100%

(1) Does not reflect land use assessments.

Source: Isle of Wight County Commissioner of Revenue

*County of Isle of Wight, Virginia**Assessed Value of Taxable Property (4)***Last Ten Fiscal Years**

Fiscal Year	Real Estate (1)	Personal Property	Mobile Homes	Machinery and Tools	Public Service (2)(3)	Total
2017	\$ 4,646,536,085	\$ 334,433,134	\$ 18,250,173	\$ 246,170,869	\$ 171,357,723	\$ 5,416,747,984
2016	\$ 4,579,015,110	\$ 379,231,914	\$ 17,585,358	\$ 587,545,879	\$ 152,225,378	\$ 5,715,603,639
2015	\$ 4,197,303,286	\$ 380,073,520	\$ 20,267,854	\$ 578,929,789	\$ 145,270,583	\$ 5,321,845,032
2014	\$ 4,147,194,000	\$ 376,396,647	\$ 19,875,446	\$ 503,480,949	\$ 142,459,577	\$ 5,189,406,619
2013	\$ 4,070,990,990	\$ 353,861,037	\$ 19,586,906	\$ 380,157,383	\$ 141,582,514	\$ 4,966,178,830
2012	\$ 4,287,008,000	\$ 310,527,887	\$ 20,398,831	\$ 279,087,266	\$ 125,549,557	\$ 5,022,571,541
2011	\$ 4,245,268,423	\$ 304,164,506	\$ 19,902,737	\$ 704,140,467	\$ 238,256,420	\$ 5,511,732,553
2010	\$ 4,410,701,000	\$ 313,455,361	\$ 22,572,521	\$ 768,126,945	\$ 216,191,065	\$ 5,731,046,892
2009	\$ 4,359,684,973	\$ 319,490,754	\$ 21,850,013	\$ 768,109,446	\$ 199,316,241	\$ 5,668,451,427
2008	\$ 3,968,971,300	\$ 295,835,165	\$ 26,153,828	\$ 744,812,445	\$ 218,043,560	\$ 5,253,816,298

- (1) Real estate is assessed at 100% of fair market value.
- (2) Assessed values are established by the State Corporation Commission.
- (3) Real estate and personal property.
- (4) The assessed values listed are net of supplement and abatement activity.

*County of Isle of Wight, Virginia**Property Tax Rates**Tax Rates Per Hundred Dollars of Assessed Valuation***Last Ten Fiscal Years**

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Boats and Aircraft / Farm Machinery
2017	\$ 0.85	\$ 4.50	\$ 0.85	\$ 4.24	\$ 1.00/1.00
2016	\$ 0.85	\$ 4.50	\$ 0.85	\$ 0.70	\$ 1.00/1.00
2015	\$ 0.85	\$ 4.50	\$ 0.85	\$ 0.70	\$ 1.00/1.00
2014	\$ 0.73	\$ 4.50	\$ 0.73	\$ 0.70	\$ 1.00/1.00
2013	\$ 0.65	\$ 4.50	\$ 0.65	\$ 0.70	\$ 1.00/1.00
2012	\$ 0.65	\$ 4.50	\$ 0.65	\$ 0.95	\$ 1.00/1.00
2011	\$ 0.52	\$ 4.40	\$ 0.52	\$ 0.95	\$ 1.00/1.00
2010	\$ 0.52	\$ 4.40	\$ 0.52	\$ 0.95	\$ 1.00/1.00
2009	\$ 0.52	\$ 4.40	\$ 0.52	\$ 0.95	\$ 1.00/1.00
2008	\$ 0.52	\$ 4.40	\$ 0.52	\$ 0.95	\$ 1.00/1.00

*County of Isle of Wight, Virginia*

*Principal Property Taxpayers*

**Current Year and Nine Years Ago**

Taxpayer	2017			2008		
	Assessed Valuation Real Estate	Rank	Percent of Total Assessed Valuation Real Estate	Assessed Valuation Real Estate	Rank	Percent of Total Assessed Valuation Real Estate
International Paper	\$ 109,324,390	1	2.27%	\$ 174,023,461	1	4.38%
Virginia Electric & Power Co.	98,668,786	2	2.05%			
Smithfield Foods	42,454,400	3	0.88%	34,329,521	3	0.86%
Inland RI Holdings LLC etals	39,359,600	4	0.82%	49,769,600	2	1.25%
Smithfield Farmland Corp	31,195,100	5	0.65%	-	-	0.00%
Eagle Harbor Apartments, LP	25,555,300	6	0.53%	-	-	0.00%
Green Mountain Coffee Roasters	18,892,400	7	0.39%	-	-	0.00%
Eagle Harbor Apartments II, LP	16,427,700	8	0.34%	18,831,200	6	0.47%
LDI Virginia LLC	14,752,000	9	0.31%	-	-	0.00%
Sentara Healthcare	14,669,700	10	0.30%	-	-	0.00%
Carolina Cold Storage Ltd.	-	-	0.00%	11,952,600	10	0.30%
Gwaltney of Smithfield, Ltd.	-	-	0.00%	22,515,500	4	0.57%
Virginia Timberland LLC	-	-	0.00%	18,877,000	5	0.48%
Eagle Harbor LLC	-	-	0.00%	16,283,400	8	0.41%
Isle of Wight Industrial Properties	-	-	0.00%	17,050,900	7	0.43%
Smithfield Packing Co., Inc.	-	-	0.00%	15,758,900	9	0.40%
	<b>\$ 411,299,376</b>		<b>8.54%</b>	<b>\$ 379,392,082</b>		<b>9.55%</b>

Taxpayer	2017			2008		
	Assessed Valuation Personal Property	Rank	Percent of Total Assessed Valuation Personal Property (1)	Assessed Valuation Personal Property	Rank	Percent of Total Assessed Valuation Personal Property (1)
International Paper	\$ 137,423,137	1	22.92%	\$ 578,175,158	1	54.20%
Keuring Green Mountain Inc	40,991,787	2	6.84%	-	-	0.00%
Gwaltney of Smithfield Ltd.	32,610,526	3	5.44%	78,971,914	2	7.40%
ST Tissue LLC	15,408,625	4	2.57%	-	-	0.00%
Franklin Lumber LLC	6,761,284	5	1.13%	-	-	0.00%
Cost Plus, Inc.	6,349,871	6	1.06%	4,692,487	8	0.44%
Food Lion	2,534,667	7	0.42%	-	-	0.00%
Premium Pet Health LLC	1,268,177	8	0.21%	-	-	0.00%
Charter Communications	1,024,847	9	0.17%	2,254,469	9	0.21%
Safco Products Company	971,127	10	0.16%	-	-	0.00%
Blackwater Transport, Inc.	-	-	0.00%	1,981,521	10	0.19%
Smithfield Packing Co., Inc.	-	-	0.00%	52,622,044	3	4.93%
Aconcagua Timber Corp.	-	-	0.00%	15,371,207	4	1.44%
Smithfield Foods	-	-	0.00%	8,074,093	6	0.76%
Franklin Equipment Co.	-	-	0.00%	5,493,086	7	0.51%
Specialty Minerals	-	-	0.00%	8,133,318	5	0.76%
	<b>\$ 245,344,048</b>		<b>40.92%</b>	<b>\$ 755,769,297</b>		<b>70.84%</b>

(1) Includes personal property, mobile homes, and machinery and tools.



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# ISLE OF WIGHT COUNTY, VIRGINIA

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*County of Isle of Wight, Virginia**Property Tax Levies and Collections***Last Ten Fiscal Years**

Fiscal Year	Total (3) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1)(2) Tax Collections	(4) Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2017	\$ 52,429,271	\$ 51,212,340	97.68%	\$ 1,216,932	\$ 53,469,984	100.00%	\$ 1,902,005	3.63%
2016	\$ 51,099,354	\$ 49,979,110	97.81%	\$ 1,120,244	\$ 51,099,354	100.00%	\$ 1,120,244	2.19%
2015	\$ 50,406,860	\$ 48,910,585	97.03%	\$ 1,496,274	\$ 50,406,859	100.00%	\$ 2,043,041	4.05%
2014	\$ 44,218,554	\$ 42,859,922	96.93%	\$ 1,358,632	\$ 44,043,677	99.60%	\$ 1,875,008	4.24%
2013	\$ 39,022,902	\$ 37,912,561	97.15%	\$ 1,092,333	\$ 37,276,878	95.53%	\$ 1,498,059	3.84%
2012	\$ 38,146,295	\$ 37,009,730	97.02%	\$ 1,136,565	\$ 38,155,848	100.00%	\$ 740,634	1.94%
2011	\$ 37,800,619	\$ 36,741,218	97.20%	\$ 1,059,401	\$ 38,021,111	100.00%	\$ 1,088,242	2.88%
2010	\$ 38,229,341	\$ 37,103,403	97.05%	\$ 1,125,938	\$ 38,463,274	100.00%	\$ 2,021,149	5.29%
2009	\$ 39,119,371	\$ 37,700,668	96.37%	\$ 1,431,558	\$ 39,132,235	100.00%	\$ 2,236,992	5.72%
2008	\$ 36,629,733	\$ 35,338,546	96.48%	\$ 1,116,470	\$ 36,455,016	99.52%	\$ 2,115,219	5.77%

(1) Exclusive of penalties and interest. Includes Commonwealth's reimbursement for personal property taxes and balance outstanding.

(2) Does not include land redemptions.

(3) Represents fully supplemented and abated tax levy amounts.

(4) Represents total taxes collected in fiscal year for all tax years.

*County of Isle of Wight, Virginia*

**Taxable Sales by Category**

**Last Ten Fiscal Years**

	2017	2016	2015	2014	2013
Apparel stores	\$ 3,112,767	\$ 3,138,661	\$ 3,155,626	\$ 3,390,204	\$ 2,577,049
General merchandise	17,055,174	17,052,902	15,058,574	16,305,494	17,733,688
Food stores	75,469,177	74,278,038	70,333,859	67,184,591	66,740,132
Eating and drinking establishments	30,001,191	30,638,029	28,003,995	27,356,817	28,035,436
Home furnishings and appliances	1,655,721	3,673,785	1,970,161	1,506,054	1,578,689
Building materials and farm tools	7,733,809	8,087,111	7,607,946	9,266,806	11,080,360
Auto dealers and supplies	4,262,699	3,734,038	3,699,950	3,891,078	3,662,321
Service stations	10,116,257	8,297,669	8,750,178	9,937,560	9,897,012
Other retail stores	7,444,040	8,318,528	8,155,461	6,725,858	6,528,091
All other outlets	67,585,166	63,207,520	66,100,640	56,617,257	52,632,271
	<u>\$ 224,436,001</u>	<u>\$ 220,426,281</u>	<u>\$ 212,836,390</u>	<u>\$ 202,181,719</u>	<u>\$ 200,465,049</u>

(Continued)

Source: Isle of Wight County Commissioner of Revenue

*County of Isle of Wight, Virginia**Taxable Sales by Category (Continued)*

Last Ten Fiscal Years	2012		2011		2010		2009		2008	
Apparel stores	\$	3,248,038	\$	3,248,902	\$	2,556,980	\$	3,758,328	\$	3,184,117
General merchandise		11,841,685		11,710,358		14,918,672		12,228,829		16,115,703
Food stores		61,823,527		63,183,444		74,800,531		60,905,257		61,204,656
Eating and drinking establishments		26,704,871		27,138,019		32,607,044		23,713,146		21,443,858
Home furnishings and appliances		4,510,823		2,058,879		2,481,550		2,306,325		2,672,545
Building materials and farm tools		8,547,370		8,051,507		11,615,775		11,676,999		10,693,285
Auto dealers and supplies		4,091,794		4,064,402		5,287,732		3,263,926		4,272,627
Service stations		10,059,667		8,206,374		15,614,464		14,041,823		10,221,368
Other retail stores		16,683,719		11,806,647		9,613,885		20,802,164		57,032,191
All other outlets		45,568,767		51,916,137		74,411,889		15,581,876		18,866,150
	\$	193,080,261	\$	191,384,669	\$	243,908,522	\$	168,278,673	\$	205,706,500

*County of Isle of Wight, Virginia**Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita***Last Ten Fiscal Years**

Fiscal Year	Population	Assessed Value	(1) Gross Bonded Debt	(2) Less Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	(3) Percentage of Per Capita Income	Net Bonded Debt Per Capita
2017	37,074	\$ 4,646,536,085	\$ 157,839,769	\$ 37,986,086	\$ 119,853,683	2.58%	10.0%	\$ 3,233
2016	36,438	\$ 4,579,015,110	\$ 145,898,692	\$ 38,534,357	\$ 107,364,335	2.34%	9.4%	\$ 2,946
2015	36,007	\$ 4,197,303,286	\$ 150,247,147	\$ 39,148,981	\$ 111,098,166	2.65%	10.0%	\$ 3,085
2014	35,656	\$ 4,147,194,000	\$ 146,569,755	\$ 37,393,972	\$ 109,175,783	2.63%	9.9%	\$ 3,062
2013	35,399	\$ 4,966,178,830	\$ 150,387,747	\$ 44,620,819	\$ 105,766,928	2.13%	7.0%	\$ 2,988
2012	35,457	\$ 5,022,571,541	\$ 132,640,758	\$ 28,354,023	\$ 104,286,735	2.08%	7.2%	\$ 2,941
2011	35,270	\$ 5,511,732,553	\$ 135,269,771	\$ 29,215,647	\$ 106,054,124	1.92%	10.2%	\$ 3,007
2010	36,729	\$ 5,731,046,892	\$ 103,604,958	\$ 24,142,700	\$ 79,462,258	1.39%	5.7%	\$ 2,163
2009	35,659	\$ 5,668,451,427	\$ 85,142,005	\$ 16,330,058	\$ 71,210,095	1.26%	5.4%	\$ 1,997
2008	34,620	\$ 5,253,816,298	\$ 67,954,073	\$ 11,325,837	\$ 56,225,120	1.07%	4.6%	\$ 1,624

(1) Includes all long-term general obligation debt. Prior year amounts were restated to include bond premium, discount, and adjustments.

(2) Prior year amounts were restated to include bond premium.

(3) See Exhibit C-14 for per capita income.

*County of Isle of Wight, Virginia**Schedule of Outstanding Debt by Type***Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business Type Activities			Total Primary Government	Percentage Personal Income	Net Bonded Debt Per Capita
	General Obligation Bonds	Pace Loans	Capital Leases	General Obligation Bonds	Notes Payable	Capital Leases			
2017	\$ 119,853,683	\$ 4,326,512	\$ 834,485	\$ 37,986,086	\$ -	\$ 28,763	\$ 163,029,529	13.61%	\$ 4,397
2016	\$ 107,364,335	\$ 4,326,512	\$ 766,113	\$ 38,534,357	\$ 12,000	\$ 39,916	\$ 151,043,233	13.27%	\$ 4,145
2015	\$ 111,098,166	\$ 4,326,512	\$ 722,822	\$ 39,148,981	\$ 24,000	\$ 50,903	\$ 155,371,384	13.96%	\$ 4,315
2014	\$ 109,175,783	\$ 4,326,512	\$ -	\$ 37,393,972	\$ 36,000	\$ -	\$ 150,932,267	13.74%	\$ 4,233
2013	\$ 105,766,928	\$ 4,326,512	\$ -	\$ 44,620,819	\$ 48,000	\$ -	\$ 154,762,259	10.20%	\$ 4,372
2012	\$ 104,286,735	\$ 4,326,512	\$ -	\$ 28,354,023	\$ 60,000	\$ -	\$ 137,027,270	9.49%	\$ 3,865
2011	\$ 106,054,124	\$ 4,326,512	\$ -	\$ 29,215,647	\$ -	\$ -	\$ 139,596,283	13.37%	\$ 3,958
2010	\$ 79,462,258	\$ 4,326,512	\$ -	\$ 24,142,700	\$ -	\$ -	\$ 107,931,470	7.78%	\$ 2,939
2009	\$ 71,210,095	\$ -	\$ 9,552	\$ 16,330,058	\$ -	\$ -	\$ 87,549,705	6.70%	\$ 2,455
2008	\$ 56,225,120	\$ -	\$ 65,276	\$ 11,325,837	\$ -	\$ -	\$ 67,616,233	5.49%	\$ 1,953

- (1) Includes all long-term general obligation debt. Prior year amounts were restated to include bond premium, discount, and adjustments.
- (2) See Exhibit C-13 for per capita income.

*County of Isle of Wight, Virginia**Legal Debt Margin***Last Ten Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total assessed valuation of real estate from land book	\$ 4,646,536,085	\$ 4,579,015,110	\$ 4,197,303,286	\$ 4,147,194,000	\$ 4,070,990,990
Percent limitation according to the Code of Virginia	10%	10%	10%	10%	10%
<b>Debt limitation</b>	464,653,609	457,901,511	419,730,329	414,719,400	407,099,099
Total debt of the County	151,024,995	138,290,000	141,575,000	139,880,000	142,925,000
Total debt of the Town of Smithfield	-	-	-	-	-
Total debt of the Town of Windsor	-	-	-	-	-
<b>Total</b>	151,024,995	138,290,000	141,575,000	139,880,000	142,925,000
Amount by which legal debt margin exceeds total debt	\$ 313,628,614	\$ 319,611,511	\$ 278,155,329	\$ 274,839,400	\$ 264,174,099

(Continued)

Under state finance laws, the County of Isle of Wight's outstanding general obligation debt should not exceed 10% of total assessed value.

*County of Isle of Wight, Virginia**Legal Debt Margin (Continued)*

<b>Last Ten Fiscal Years</b>					
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total assessed valuation of real estate from land book	\$ 4,287,008,000	\$ 4,245,268,423	\$ 4,680,728,500	\$ 4,359,684,973	\$ 3,968,971,300
Percent limitation according to the Code of Virginia	10%	10%	10%	10%	10%
<b>Debt limitation</b>	428,700,800	424,526,842	468,072,850	435,968,497	396,897,130
Total debt of the County	131,775,000	133,488,773	102,759,627	84,569,627	64,255,029
Total debt of the Town of Smithfield	5,303,476	4,870,725	4,476,754	4,924,960	5,380,722
Total debt of the Town of Windsor	2,168,307	1,629,976	763,140	773,226	782,871
<b>Total</b>	139,246,783	139,989,474	107,999,521	90,267,813	70,418,622
Amount by which legal debt margin exceeds total debt	\$ 289,454,017	\$ 284,537,368	\$ 360,073,329	\$ 345,700,684	\$ 326,478,508

Under state finance laws, the County of Isle of Wight's outstanding general obligation debt should not exceed 10% of total assessed value.

*County of Isle of Wight, Virginia**Demographic Statistics***Last Ten Fiscal Years**

Fiscal Year	(1) Population	(1) Per Capita Income	Registered Voters	(2) Unemployment Rate
2017	37,074 (4)	\$ 32,477 (4)	27,718	3.7%
2016	36,438 (4)	\$ 31,247 (4)	26,555	4.6%
2015	36,007 (4)	\$ 30,903 (4)	26,176	5.2%
2014	35,656 (4)	\$ 30,806 (4)	26,685	5.5%
2013	35,399 (4)	\$ 42,883 (4)	26,490	6.0%
2012	35,457 (4)	\$ 40,710 (4)	26,534	6.3%
2011	35,270 (4)	\$ 29,594 (4)	26,023	7.1%
2010	36,729 (3)	\$ 37,754 (3)	25,675	7.7%
2009	35,659 (3)	\$ 36,654 (3)	25,732	6.7%
2008	34,620 (3)	\$ 35,586 (3)	24,131	3.7%

## Source:

- (1) Weldon-Cooper Center for Public Service, UVA.
- (2) Virginia Employment Commission.
- (3) Estimated assuming a 3% growth rate from the prior year.
- (4) 2010 Census Data



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# ISLE OF WIGHT COUNTY, VIRGINIA

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*County of Isle of Wight, Virginia*

*Full-time Equivalent County Government Employees by Function/Program*

**Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30,				
	2017	2016	2015	2014	2013
<b>General government</b>					
Board of Supervisors	0.5	0.5	0.5	4.0	4.0
County Administration	2.5	3.5	3.0	4.0	4.0
County Attorney	2.0	2.0	2.0	2.0	1.5
Commissioner of Revenue	9.5	10.5	10.5	10.5	10.5
Treasurer	10.0	10.0	9.5	9.5	9.5
Budget and Finance	7.0	6.0	5.0	6.0	7.0
Purchasing	1.0	1.0	1.5	0.0	0.0
Human Resources	2.0	2.0	2.0	2.0	3.0
Communications	1.0	2.0	2.0	2.0	1.0
Economic Development	3.0	4.0	5.0	5.0	5.0
Registrar	3.0	3.5	3.5	3.5	2.5
Inspections	5.0	5.0	5.0	7.0	7.0
Information Technology	7.5	7.0	7.0	7.0	7.0
Risk Management	1.0	1.0	1.0	0.0	0.0
Planning and Zoning	10.0	10.0	10.0	9.0	10.0
Health & Welfare	1.5	1.5	1.5	1.5	1.5
Tourism	3.5	3.5	3.5	3.5	3.5
Clerk of Court	7.0	7.0	7.0	7.0	7.0
Commonwealth Attorney	6.0	6.0	6.0	6.0	6.0
<b>Total general government</b>	<b>83.0</b>	<b>86.0</b>	<b>85.5</b>	<b>89.5</b>	<b>90.0</b>
<b>Public Safety</b>					
Sheriff Deputies (including Sheriff)	49.0	48.5	47.5	46.5	46.5
Administrative	4.0	5.0	5.0	4.5	4.0
Animal Control	6.0	5.5	5.5	5.5	5.0
Emergency Communications	19.5	19.5	19.5	22.0	19.5
<b>Total Public Safety</b>	<b>78.5</b>	<b>78.5</b>	<b>77.5</b>	<b>78.5</b>	<b>75.0</b>
<b>Fire and Rescue</b>					
Administrative	5.5	5.0	5.0	6.0	4.0
Firefighters/Paramedics	47.0	58.5	54.5	60.0	55.5
<b>Total Fire and Rescue</b>	<b>52.5</b>	<b>63.5</b>	<b>59.5</b>	<b>66.0</b>	<b>59.5</b>
<b>General Services</b>					
Administrative	4.0	3.5	3.5	5.0	3.0
Engineering	1.5	1.9	1.9	6.0	7.0
Stormwater	9.0	10.4	10.4	4.0	-
Refuse collection	19.0	21.0	20.5	23.5	20.5
Building and Grounds	6.0	8.0	8.0	7.0	6.0
Custodians	-	-	-	6.5	6.5
<b>Total Public Works</b>	<b>39.5</b>	<b>44.8</b>	<b>44.3</b>	<b>52.0</b>	<b>43.0</b>
<b>Parks, Recreation and Cultural</b>	<b>25.0</b>	<b>20.0</b>	<b>21.0</b>	<b>20.5</b>	<b>21.5</b>
<b>Public Utilities</b>	<b>14.6</b>	<b>16.2</b>	<b>15.2</b>	<b>13.0</b>	<b>13.0</b>
<b>Public Schools</b>					
Instructional Positions	398.0	533.0	402.0	477.0	538.3
Administrators	60.0	19.0	45.5	47.0	53.4
Support Personnel	254.0	142.0	248.0	177.1	185.5
<b>Total Public Schools</b>	<b>712.0</b>	<b>694.0</b>	<b>695.5</b>	<b>701.1</b>	<b>777.2</b>
<b>Grand total</b>	<b>1,005.1</b>	<b>1,003.0</b>	<b>998.5</b>	<b>1,020.6</b>	<b>1,079.2</b>

Source: Various County of Isle of Wight Departments, including Isle of Wight County Schools for information relates to Public Schools  
Grand Totals 2008-2014 updated

*County of Isle of Wight, Virginia*

***Full-time Equivalent County Government Employees by Function/Program (Continued)***

**Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30,				
	2012	2011	2010	2009	2008
<b>General government</b>					
County Administration	4.0	4.0	4.0	5.0	6.0
County Administration	4.0	4.0	4.0	5.0	6.0
County Attorney	2.0	3.0	3.0	3.0	3.0
Commissioner of Revenue	10.5	11.5	11.5	11.5	10.5
Treasurer	9.0	9.5	9.5	10.5	8.5
Budget and Finance	7.0	7.0	7.0	7.0	7.0
Purchasing	0.0	0.0	0.0	0.0	0.0
Human Resources	2.0	2.0	2.0	3.0	3.0
Communications	1.0	1.0	1.0	2.0	1.0
Economic Development	5.0	5.0	3.0	3.0	3.0
Registrar	2.5	2.5	2.5	2.0	2.0
Inspections	7.0	7.0	9.0	9.0	9.0
Information Technology	7.0	7.0	7.0	8.0	6.5
Risk Management	0.0	0.0	0.0	0.0	0.0
Planning and Zoning	10.0	11.0	12.0	13.0	12.0
Health & Welfare	4.0	5.0	5.0	7.0	6.0
Tourism	6.5	6.5	3.5	3.5	6.5
Clerk of Court	7.0	6.0	6.0	6.5	6.5
Commonwealth Attorney	6.0	6.0	6.0	5.5	4.0
<b>Total general government</b>	<b>94.5</b>	<b>98.0</b>	<b>96.0</b>	<b>104.5</b>	<b>100.5</b>
<b>Public Safety</b>					
Sheriff Deputies (including Sheriff)	45.5	44.0	44.0	44.0	44.0
Administrative	4.5	2.0	2.0	2.0	2.0
Animal Control	4.5	5.0	5.0	5.5	5.0
Emergency Communications	19.0	19.0	19.0	18.0	17.0
<b>Total Public Safety</b>	<b>73.5</b>	<b>70.0</b>	<b>70.0</b>	<b>69.5</b>	<b>68.0</b>
<b>Fire and Rescue</b>					
Administrative	4.0	2.0	2.0	3.0	2.5
Firefighters/Paramedics	46.0	23.0	23.0	20.5	18.5
<b>Total Fire and Rescue</b>	<b>50.0</b>	<b>25.0</b>	<b>25.0</b>	<b>23.5</b>	<b>21.0</b>
<b>General Services</b>					
Administrative	3.0	3.0	3.0	1.5	1.5
Engineering	7.5	8.0	6.0	5.0	7.0
Stormwater	0.0	0.0	0.0	0.0	0.0
Refuse collection	22.0	19.0	19.0	19.5	21.5
Building and Grounds	6.0	6.0	5.0	12.0	11.0
Custodians	7.0	7.0	6.5	6.5	6.5
<b>Total Public Works</b>	<b>45.5</b>	<b>43.0</b>	<b>39.5</b>	<b>44.5</b>	<b>47.5</b>
<b>Parks, Recreation and Cultural</b>	<b>20.0</b>	<b>20.0</b>	<b>22.5</b>	<b>12.5</b>	<b>13.5</b>
<b>Public Utilities</b>	<b>13.5</b>	<b>13.5</b>	<b>13.5</b>	<b>9.5</b>	<b>10.5</b>
<b>Public Schools</b>					
Instructional Positions	356.0	434.0	539.0	555.6	549.6
Administrators	44.0	40.0	23.0	23.0	23.0
Support Personnel	133.0	277.0	207.0	245.1	247.5
<b>Total Public Schools</b>	<b>533.0</b>	<b>751.0</b>	<b>769.0</b>	<b>823.7</b>	<b>820.1</b>
<b>Grand total</b>	<b>830.0</b>	<b>1,020.5</b>	<b>1,035.5</b>	<b>1,087.7</b>	<b>1,081.1</b>

Source: Various County of Isle of Wight Departments, including Isle of Wight County Schools for information relates to Public Schools Grand Totals 2008-2014 updated

*County of Isle of Wight, Virginia**Operating Indicators by Function/Program***Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Sheriff</b>					
Physical arrests	853	842	470	814	527
Traffic violations	3,427	3,280	2,582	2,274	2,032
<b>Fire</b>					
Emergency responses - Fire	1,031	793	1,728	1,334	709
Emergency responses - Rescue	4,450	4,493	4,323	4,149	4,720
<b>Building Permits</b>					
Residential	171	158	130	126	107
Residential - Value	\$ 32,108,219	\$ 32,638,877	\$ 28,774,421	\$ 29,193,361	\$ 25,170,632
Commercial	15	8	9	5	4
Commercial - Value	\$ 2,361,121	\$ 2,616,297	\$ 1,803,859	\$ 3,010,200	\$ 2,738,211
<b>Refuse Collection</b>					
Refuse collected (tons per day)	59	29	28	31.0	46.0
<b>Public Schools</b>					
Cost Per Student	\$ 11,288	\$ 10,341	\$ 9,922	\$ 10,113	\$ 9,628
Average Daily Membership	5,263	5,441	5,233	5,325	5,312
Student/Teacher Ratio	16.10	14.00	14.1	17.2	16.3
<b>Park and Recreation</b>					
Athletic field permits issued	11	24	30	32	59
County Fair Admissions	30,168	25,000	29,337	25,160	33,886
<b>Library</b>					
Volumes in collection	68,638	69,454	73,430	184,288	186,615
Total volumes borrowed	200,768	191,128	187,594	417,529	449,557
<b>Water</b>					
New connections	102	92	52	58	60
Average daily consumption (thousands of gallons)	0.35	0.33	0.65	0.58	0.60

Source: Various County of Isle of Wight Departments, including Isle of Wight County Schools for information relates to Public Schools

*County of Isle of Wight, Virginia**Operating Indicators by Function/Program (Continued)***Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Sheriff</b>					
Physical arrests	419	412	533	661	890
Traffic violations	1,448	1,214	1,456	1,047	2,677
<b>Fire</b>					
Emergency responses - Fire	1,479	1,375	2,285	1,920	1,539
Emergency responses - Rescue	4,179	4,343	3,360	4,657	4,408
<b>Building Permits</b>					
Residential	85	92	169	118	167
Residential - Value	\$ 12,656,261	\$ 24,909,824	\$ 4,121,500	\$ 24,255,044	\$ 35,817,165
Commercial	5	14	11	14	14
Commercial - Value	\$ 2,734,000	\$ 8,748,932	\$ 16,306,000	\$ 31,604,670	\$ 10,537,686
<b>Refuse Collection</b>					
Refuse collected (tons per day)	47.9	49.3	52.7	53.0	56.0
<b>Public Schools</b>					
Cost Per Student	\$ 9,827	\$ 9,827	\$ 10,861	\$ 11,136	\$ 10,767
Average Daily Membership	5,331	5,331	5,367	5,306	5,286
Student/Teacher Ratio	15.7	15.7	12.1	12.9	13.1
<b>Park and Recreation</b>					
Athletic field permits issued	872	-	94	539	158
County Fair Admissions	14,997	15,000	21,000	12,000	2,400
<b>Library</b>					
Volumes in collection	202,633	223,249	253,402	265,491	268,863
Total volumes borrowed	945,071	215,767	221,725	249,144	229,489
<b>Water</b>					
New connections	50	93	57	54	71
Average daily consumption (thousands of gallons)	0.58	0.57	0.56	0.89	0.67

Source: Various County of Isle of Wight Departments, including Isle of Wight County Schools for information relates to Public Schools

*County of Isle of Wight, Virginia**Capital Asset Statistics by Function/Program***Last Ten Fiscal Years**

<b>Function/Program</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Sheriff</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	30	30	30	48	49	43	43	51	56	45
<b>Fire and Rescue</b>										
Fire Units	5	5	5	5	5	5	5	5	5	5
Rescue Units	2	2	4	4	4	4	4	4	4	4
<b>Refuse Collection</b>										
Collection trucks	5	6	6	6	6	6	6	6	6	5
<b>Public Schools</b>										
School Facilities	9	9	9	9	9	9	9	9	9	9
<b>Park and Recreation</b>										
Parks	7	7	7	7	7	7	7	7	7	7
Acreage	570	570	570	570	570	570	570	570	570	565
Playgrounds	4	4	4	4	4	4	4	4	4	8
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer/football fields	12	12	12	12	12	12	12	12	12	8
Community centers	2	2	2	2	2	2	2	2	2	2
Museums	2	2	2	2	2	2	2	2	2	2
<b>Library Facilities</b>										
	3	3	3	3	3	3	3	3	3	3

Source: Various County of Isle of Wight Departments, including Isle of Wight County Schools for information relates to Public Schools

## *Compliance Section*

County of Isle of Wight, Virginia  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/State Pass Through Grantor/Program Title	Federal CFDA Number	Federal Pass-through Number	Passed through to Subrecipients	Total Federal Expenditures
<b>Department of Agriculture</b>				
<b>Pass-through Virginia Department of Education</b>				
<b>Child Nutrition Cluster</b>				
School Breakfast Program	10.553	Not Provided	\$ -	\$ 315,770
National School Lunch Program	10.555	Not Provided	-	814,829
Summer Food Service Program	10.559	Not Provided	-	6,125
<b>Pass-through Virginia Department of Agriculture and Consumer Services</b>				
<b>Child Nutrition Cluster</b>				
USDA Government Commodities	10.555	Not Provided	-	24,097
<b>Total Child Nutrition Cluster</b>				<u>1,160,821</u>
<b>Pass-through Virginia Department of Education</b>				
Child and Adult Care Food Program	10.558	Not Provided	-	35,764
<b>Pass-through Virginia Department of Social Services</b>				
<b>Supplemental Nutrition Assistance Program Cluster</b>				
State Administrative Matching Grants for Food Stamp Program	10.561	Not Provided	-	346,401
<b>Total Supplemental Nutrition Assistance Program Cluster</b>				<u>346,401</u>
<b>Total Department of Agriculture</b>				<u>1,542,986</u>
<b>Department of Defense</b>				
<b>Pass-through Virginia Department of Education</b>				
JROTC	12.000	Not Provided	-	71,771
<b>Total Department of Defense</b>				<u>71,771</u>
<b>Department of Housing and Urban Development</b>				
<b>Pass-through Payments- City of Suffolk</b>				
<b>VA Department of Planning &amp; Community Development</b>				
HOME Investment Partnerships	14.239	2016-H1364-VA-AP	-	29,057
<b>Total Department of Housing and Urban Development</b>				<u>29,057</u>
<b>Department of Justice</b>				
State Criminal Alien Assistance Program	16.606	2016-AP-BX-0482	-	91
<b>Pass-through Virginia Department of Criminal Justice</b>				
Crime Victim Assistance	16.575	17-W8555VW15	-	60,086
Bullet Proof Vest Partnership	16.607	15-0404-0-1-754	-	3,596
Violence Against Women	16.588	16-T9425VA15	-	7,834
Violence Against Women	16.588	17-U9425VA16	-	6,420
Subtotal by Violence Against Women				<u>14,254</u>
<b>Total pass-through Virginia Department of Criminal Justice</b>				<u>77,936</u>
<b>Total Department of Justice</b>				<u>78,027</u>
<b>Department of Transportation</b>				
<b>Pass-through Virginia Department of Transportation</b>				
<b>Federal Highway Administration</b>				
<b>Highway Planning and Construction Cluster</b>				
Highway Planning and Construction	20.205	115,P101,R201,C501	-	101,281
<b>Total Highway Planning and Construction Cluster</b>				<u>101,281</u>
<b>Department of Motor Vehicles - Alcohol Traffic Safety Incentive Grants</b>				
DMV Law Enforcement Traffic Safety-Selective Enforce.-Alcohol	20.607	20.608	-	20,665
DMV Law Enforcement Traffic Safety-Selective Enforce.-Alcohol	20.607	20.607	-	1,767
Subtotal by DMV Law Enforcement Traffic Safety- Selective Enforce.-Alcohol				<u>22,432</u>
<b>Total Department of Transportation</b>				<u>123,713</u>

See Notes to Schedule of Expenditures of Federal Awards.

County of Isle of Wight, Virginia  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

Federal Grantor/State Pass Through Grantor/Program Title	Federal CFDA Number	Federal Pass-through Number	Passed through to Subrecipients	Total Federal Expenditures
<b>Department of Education</b>				
<b>Pass-through Virginia Department of Education</b>				
Adult Education	84.002	Not Provided	\$ -	\$ 46,599
Advanced Placement Incentive Program	84.330	Not Provided	-	1,178
Title III Part A - Language Acquisition	84.365	Not Provided	-	2,727
Title I - Grants to Local Educational Agencies	84.010	S010A90046	-	679,301
<b>Special Education Cluster</b>				
Special Education - Grants to States	84.027	H027A110107	-	1,227,988
Special Education - Preschool Grants	84.173	H173A090112	-	9,120
<b>Total Special Education Cluster</b>				<u>1,237,108</u>
Impact Aid	84.041	Not Provided	-	17,493
Vocational Education - Basic Grants to States	84.048	VO48A110046	-	65,834
Improving Teacher Quality State Grants - Title II Part A	84.367	S010A090046	-	176,723
<b>Total Department of Education</b>				<u>2,226,963</u>
<b>Department of Health and Human Services</b>				
<b>Pass-through Virginia Department of Social Services:</b>				
Adoption Recruitment	93.556	0950111	-	11,834
<b>TANF Cluster</b>				
Temporary Assistance to Needy Families (TANF)	93.558	0400112	-	253,550
<b>Total TANF Cluster</b>				<u>253,550</u>
Refugee and Entrant Assistance State Administered Plans	93.566	0500112	-	950
Low-Income Home Energy Assistance Block Grant	93.568	0600412	-	31,400
<b>CCDF Cluster</b>				
CCDF At Risk Daycare	93.596	0760112	-	45,031
<b>Total CCDF Cluster</b>				<u>45,031</u>
Chafee Education & Training Vouchers	93.599	9160116	-	159
Child Welfare Services State Grants	93.645	0900111	-	440
Foster Care - Title IV-E	93.658	1100111/3	-	157,563
Adoption Assistance	93.659	1100112	-	93,665
Social Services Block Grant	93.667	1000112	-	196,940
Chafee Foster Care Independence Program	93.674	9150113	-	1,327
FAMIS	93.767	0540112	-	13,050
<b>Medicaid Cluster</b>				
Medical Assistance Program (Medicaid, Title XIX)	93.778	1200112	-	625,077
<b>Total Medicaid Cluster</b>				<u>625,077</u>
<b>Total Department of Health and Human Services</b>				<u>1,430,986</u>
<b>Department of Homeland Security</b>				
<b>Pass-through Virginia Department of Emergency Management</b>				
2016 Supplemental Local Emergency Management Performance Grant (EMPG)	97.042	Not Provided	-	6,992
2016 Local Emergency Management Performance Grant (LEMPG)	97.042	Not Provided	-	6,102
<b>Total Department of Homeland Security</b>				<u>13,094</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ 5,516,597</u>

See Notes to Schedule of Expenditures of Federal Awards.

## COUNTY OF ISLE OF WIGHT, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

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#### **Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Isle of Wight, Virginia (the County) and component unit of the Isle of Wight County School Board under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

*Federal Financial Assistance* – The Single Audit Act Amendments of 1996 (Public Law 104-156) and Uniform Guidance define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

*Direct Payments* – Assistance received directly from the Federal government is classified as direct payments on the Schedule of Expenditures of Federal Awards.

*Pass-through Payments* – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

*Major Programs* – Major programs for the County of Isle of Wight, Virginia and its component units were determined using a risk-based approach in accordance with Uniform Guidance.

*Catalog of Federal Domestic Assistance* – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the Schedule.

*Cluster of Programs* – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Isle of Wight, Virginia and its component units: SNAP, Child Nutrition, Highway Planning and Construction, TANF, Child Care and Development Fund, Medicaid, and Special Education.

## COUNTY OF ISLE OF WIGHT, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

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#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note 3. Indirect Cost Rate**

The County has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### **Note 4. Non-Cash Assistance**

In addition to amounts reported on the Schedule, the County consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$24,097 at the time received were consumed during the year ended June 30, 2017. These commodities were included in the determination of federal awards expended during the year ended June 30, 2017.



**INDEPENDENT AUDITOR'S 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 Isle of Wight, Virginia

We have audited, 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, 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 Isle of Wight, Virginia (County) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 30, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002.

## **The County's Response to Findings**

The County's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*P. B. Mares, CPA*

Harrisonburg, Virginia  
March 30, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Supervisors  
County of Isle of Wight, Virginia

**Report on Compliance for Each Major Federal Program**

We have audited the County of Isle of Wight, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and Uniform Guidance require 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## **Opinion on Each Major Federal Programs**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2017.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 through 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

## **The County's Response to Noncompliance Findings**

The County's response to the noncompliance findings identified in our audit as items 2017-002 through 2017-003 are described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 through 2017-004, that we consider to be material weaknesses.

### **The County's Response to Findings**

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

*PBmares, LLP*

Harrisonburg, Virginia  
March 30, 2018

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

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**Section I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	<u>  √  </u> Yes	<u>      </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> None Reported
Noncompliance material to financial statements noted?	<u>  √  </u> Yes	<u>      </u> No

*Federal Awards*

Internal control over major programs:

Material weaknesses identified?	<u>  √  </u> Yes	<u>      </u> No
Significant deficiencies identified?	<u>      </u> Yes	<u>  √  </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

<u>  √  </u> Yes	<u>      </u> No
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Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.658	Foster Care – Title IV – E

**Special Education Cluster:**

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

**Child Nutrition Cluster:**

10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	USDA Government Commodities
10.559	Summer Food Service Program

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee?        Yes   √   No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

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**Section II. FINANCIAL STATEMENT FINDINGS**

A. Material Weakness in Internal Control

**2017-001: Material Weakness Due to Material Audit Adjustments**

Criteria: The year-end financial statements obtained from the County, School Board, and Economic Development Authority to be audited should be final and free of material misstatements.

Condition: Upon auditing the year-end balances of the County, School Board, and Economic Development Authority, there were instances of material adjustments identified, including entries to restate prior periods.

Context: Upon auditing the Economic Development Authority's year-end balances, an entry to restate prior periods was required to properly record land held for resale not previously recorded by the Economic Development Authority. A significant audit adjustment was also necessary to reclass a portion of capital assets, land, to land held for resale.

Upon auditing the County's year-end balances, an entry was required to restate prior periods to adjust capital assets and accumulated depreciation to correct errors related to jointly owned assets. Other significant audit adjustments were necessary to adjust other capital assets and accumulated depreciation to agree to subsidiary ledgers and detail listings.

Upon auditing the School Board's year-end balances, entries were required to restate prior periods to adjust capital assets to correct errors related to jointly owned assets and to adjust other capital assets and accumulated depreciation to agree to subsidiary ledgers and detail listings.

Upon auditing long-term liability balances at year end, it was determined the School Board had new capital leases but capital lease proceeds were not reflected in the general ledger, nor were the related current year capital outlay expenditures.

Cause: There was lack of sufficient review to ensure items noted above were accurately recorded.

Effect: As noted above, the effect of these transactions was to misstate prior and current year net position of the County, School Board, and Economic Development Authority. The necessary entries and restatements above were material to the financial statements, and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above is a departure from accounting principles generally accepted in the United States of America.

Recommendation: We recommend the County, School Board and Economic Development Authority increase levels of due diligence in maintaining schedules to support accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

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**Section II. FINANCIAL STATEMENT FINDINGS (Continued)**

A. Material Weakness in Internal Control (Continued)

**2017-001: Material Weakness Due to Material Audit Adjustments (Continued)**

View of Responsible Officials:

*County's Responses*

The material adjustments and weakness mentioned above were related to the financial system conversion dated back to the fiscal year 2007. In the Fiscal Year 2007, the County implemented a new financial system (Munis); during the conversion, some of capital assets data did not migrate from the legacy system to Munis (fixed asset module). The County discovered the variances in March 2017 and started working on the reconciliations. With the help from the County's Information Technology Department, we were able to identify the differences and recorded the necessary adjustments to ensure the fair presentation of the FY 2017 County's financial statement.

The adjustment to the Economic Development Authority was to correct the prior year's misclassification of a property that was held for resale. We discovered the error during the FY2017 audit and made the required adjustments.

*School's Responses*

Although the material adjustments were inherited from prior audited financials without noted issues, management agrees with the recommendation and has taken the necessary steps to prevent a recurrence.

B. Compliance Findings

**2017-002: Activities Allowed or Unallowed** – Foster Care Program – CFDA Number 93.658; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Social Services; *Children's Services' Act*, contained in Chapter 52 (Section 2.2-5200) of Title 2.2 of the *Code of Virginia*

Criteria and Condition: Persons and organizations who participate in the Foster Care Program must meet all standards required by the Department of Social Services and the Commonwealth of Virginia prior to obtaining approval as a foster care provider. A Certificate of Approval must be obtained after background checks are completed and verification of home safety requirements is satisfied. After the initial approval, a Mutual Family Assessment Renewal Form must be completed tri-annually, to ensure the foster care provider still meets the necessary requirements. This renewal must be reviewed and approved by appropriate individuals at the Local Department of Social Services.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017**

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**Section II. FINANCIAL STATEMENT FINDINGS (Continued)**

B. Compliance Findings (Continued)

**2017-002: Activities Allowed or Unallowed (Continued)**

Context: In April 2017, the Isle of Wight County Department of Social Services discovered ineligible payments had been made on behalf of one child in the Foster Care Program. Upon review of the case file information, it was determined that the caseworker overseeing this case falsified a Mutual Assessment Renewal form and forged the Director’s signature on the renewal, which led to the continuation of payments to the child’s foster parents. The Mutual Family Assessment Renewal for the case was to be renewed prior to its expiration in March of 2016 and upon examination, it was determined the inspection for renewal had never been completed, and the approving signature was falsified. Prior to the discovery of the forged documents, the caseworker overseeing the administration of the case resigned. The Virginia Department of Social Services was contacted to report the improper payments and action was immediately taken to remedy the situation.

As a result, \$4,550 of ineligible benefit payments were issued for the benefit of the child from July 2016 through September 2016 with funds from the Commonwealth of Virginia through the Children’s Services Act, which were later reimbursed to the Commonwealth of Virginia by the County. From October 2016 through May 2017, \$21,394 ineligible adoption subsidy payments were issued with funds from the Foster Care Program. The Foster Care Program was later reimbursed by the Commonwealth of Virginia. Beginning June 2017, all benefit payments for the child are to be made with funds from the Commonwealth of Virginia.

Cause: Due to the falsification of a record.

Effect: Noncompliance with regulations resulted in improper payments to an individual who was not properly approved.

Questioned Costs: \$21,394 of Foster Care (Federal) funds and \$4,550 of Children’s Services Act (Commonwealth of Virginia) funds

Recommendation: The Isle of Wight Department of Social Services should enforce existing internal control procedures and develop new procedures to ensure the proper supervision and review of records is performed for Foster Care cases, for program regulations to be strictly adhered to.

Views of Responsible Officials: Prior to the discovery in Mid- April 2017 of the forged documents, the caseworker had resigned effective April 2, 2017 in lieu of termination due to other issues. Caseworker had been hired from a private agency that certified Foster Care homes in Virginia and had demonstrated experience certifying Virginia foster families following employment with Isle of Wight Social Services. The supervisor had inquired timely about the renewal, based on a spreadsheet used to track renewals, and the worker had responded that in the supervisor’s absence the director had approved the required renewal of the mutual family assessment through the addendum process. The director had not seen or signed the renewal, making this a false statement to the supervisor. At that time in March of 2016, worker had not given supervisor any reason to distrust her. Supervisor is responsible for multiple child and adult services programs, including Adult Services/Adult Protection, Child Protective Services On-going, Prevention and Investigations, Foster Care and Adoptions including on-going adoption subsidies, Service Intake and Resource Family recruitment, training and certification. Supervisor directly supervises 12 positions which had an approximate 58% turnover rate from 2015-2017.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

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**Section III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

A. Material Weaknesses

**2017-002: Activities Allowed or Unallowed** – Foster Care Program – CFDA Number 93.658; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Social Services; *Children’s Services’ Act*, contained in Chapter 52 (Section 2.2-5200) of Title 2.2 of the *Code of Virginia*

See Section II. B. for all elements of the finding.

**2017-003: Suspension and Debarment** – Special Education Cluster – CFDA Number 84.027 and 84.173; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Education

Criteria and Condition: Title 2 of the U.S. Code of Federal Regulations (CFR) Section 200, Appendix XI, Compliance Supplement issued in April 2017 states, “Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.”

Context: In testing a sample of 12 non-payroll expenditures made with federal funds under the Special Education Cluster, it was determined that one vendor tested should have been subjected to review under the suspension and debarment requirements. Per further discussion with the School Board personnel regarding the suspension and debarment requirements, it was determined they were unaware of the requirements and therefore, no suspension and debarment procedures or review had been performed. During the audit, the vendor was searched in the System for Award Management (SAM) Exclusions website and was determined to not be suspended or debarred.

Cause: Due to lack of knowledge of suspension and debarment requirements.

Effect: Noncompliance with regulations may result in payments to vendors that have been suspended or debarred.

Questioned Costs: Not applicable.

Recommendation: The School Board should develop internal control procedures to ensure covered transactions are entered into with vendors that are not suspended or debarred. Verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction. Supporting documentation should be maintained when suspension and debarment procedures are performed.

Views of Responsible Officials: Management agrees with the recommendation and has taken necessary steps to prevent a recurrence.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2017**

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**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

A. Material Weaknesses (Continued)

**2017-004: Uniform Guidance**

Criteria and Condition: The County and School Board were required to implement the Uniform Guidance (2 CFR 200), which superseded OMB Circular A-133. As part of the new Uniform Guidance requirements, previous policies and procedures should be amended to address the following rules and regulations:

- Uniform Guidance Cost Principles – Cost Principles under OMB Circular A-87 have been superseded by the Uniform Guidance Cost Principles (2 CFR 200, Subpart E – Cost Principles).
- Conflicts of Interest Policy – According to 2 CFR §200.112, “The Federal awarding agency must establish written conflict of interest policies for Federal awards. The non-Federal entity must disclose in writing any potential conflict of interest to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.” 2 CFR §200.112 further notes, “The non-Federal entity or applicant for a Federal award must disclose, in a timely manner, in writing to the Federal awarding agency or pass-through entity all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures can result in any of the remedies described in §200.338, *Remedies for Noncompliance*, including suspension or debarment.”
- Cash Management Policy – Under the Uniform Guidance rules, there are documentation requirements related to cash management as it pertains to receiving Federal funds in advance of expenditures occurring. The County, School Board, and Department must document compliance with 2 CFR §200.302, which requires the financial management system of each non-federal entity to provide written procedures to implement the requirements of §200.305, *Payment*.
- Procurement Policy – The Office of Management and Budget (OMB) has issued an addendum to the Uniform Guidance which extends the delayed implementation timeframe of procurement policy standards by an additional year and will be effective for fiscal year 2019. Until the procurement policy changes are implemented, the County, School Board, and Department should document in writing whether they are complying with the new Uniform Guidance requirements or whether they are delaying implementation.

Context: Policies and procedures required by Uniform Guidance were not documented by the County and School Board.

Cause: There was a lack of due diligence to ensure that policies were in compliance with Uniform Guidance.

Effect: Noncompliance with regulations may result in improper payments.

Questioned Costs: Undeterminable

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2017**

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**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

A. Material Weaknesses (Continued)

**2017-004: Uniform Guidance (Continued)**

Recommendation: We recommend the County and School Board adopt or amend the current policies and procedures to address the rules and regulations required by Uniform Guidance.

Views of Responsible Officials:

*County's Response*

The County will adopt the Uniform Guidance and amend the existing policies in the fiscal year 2018 (the county decided to delay the implementation of the Procurement Policy to FY 2018). Most of the County's federal awards are on a reimbursement basis, the County will update the policy and procedures to meet the Uniform Grant Guidance requirements.

*School's Response*

Management agrees with the recommendation and has taken necessary steps to prevent a recurrence.

**CORRECTIVE ACTION PLAN**  
**Year Ended June 30, 2017**

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**Identifying Number: 2017-001 Material Weakness Due to Material Audit Adjustments**

Finding:

Upon auditing the year-end balances of the County, School Board, and Economic Development Authority, there were instances of material adjustments identified, including entries to restate prior periods.

Corrective Action Taken or Planned:

*County's Response*

The County's corrective action plan includes:

- Periodic reconciliation

The fixed asset accountant will perform quarterly reconciliation on the fixed assets and research any variances of fixed asset data.

- Additional reviewer

Another reviewer (i.e. the Director of Finance) will review significant fixed assets transactions.

- Inventory Verifications

Inventory verification reports are issued to each department at the end of the fiscal year. The reports contain a listing of all capital items for which the department maintains custodial responsibility as well as a memo with instructions for completing the report. The departments verify the existence of the equipment, make updates for location and user changes, and list any additional equipment items not listed on the report. The completed Inventory Verification report is approved by the department head and returned to the Finance Department. The Senior Accountant updates the equipment data and follows-up with the department if discrepancies exist.

*School's Response*

The School Board has processes in place to increase levels of due diligence in maintaining schedules to support accurate account balances. A thorough review of the general ledger and supporting schedules will be completed prior to each audit.

**Identifying Number: 2017-002: Activities Allowed or Unallowed – Foster Care Program – CFDA Number 93.658; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Social Services; *Children's Services' Act*, contained in Chapter 52 (Section 2.2-5200) of Title 2.2 of the *Code of Virginia***

Finding:

Ineligible benefit payments were issued as a result of the falsification of supporting documentation for a Foster Care case.

**CORRECTIVE ACTION PLAN**  
**Year Ended June 30, 2017**

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**Identifying Number: 2017-002: Activities Allowed or Unallowed (Continued)**

Corrective Action Taken or Planned:

*Corrective Action Process and Completion:*

Corrective action includes three procedures now in place to ensure the proper timely completion and supervision of all resource renewals. There is a spreadsheet on the “V” drive which is a drive shared by all services workers. This spreadsheet contains the names of the resource families and renewal dates. The spreadsheet is monitored monthly for upcoming renewals and the Family Service Specialist (caseworker) is notified to begin the renewal process 60 days in advance to allow sufficient time for completion of all requirements. The second procedure is the creation of ticklers in Oasis system. Ticklers should alert Family Services Specialist of upcoming renewals in advance, allowing again for sufficient time to complete the renewal process. Lastly, assigned caseworker will have the start and due dates on her Outlook Calendar and Supervisor will place due date on her calendar. Caseworker is required to submit renewals for supervisory approval prior to due dates. Procedures now in place will safeguard against any late renewals. This allows for proper supervision and compliance maintenance of all resource homes. All Isle of Wight County foster homes are in compliance as of November 29, 2017 and no others were determined to be out of compliance since the fraud was discovered.

**Identifying Number: 2017-003: Suspension and Debarment** – Special Education Cluster – CFDA Number 84.027 and 84.173; Award period: Year Ended June 30, 2017; Pass-through entity name: Virginia Department of Education

Finding:

Management was unaware of suspension and debarment requirements when making non-payroll expenditures with Special Education funds. One purchase tested did not comply with suspension and debarment requirements.

Corrective Action Taken or Planned:

The School Board will develop internal control procedures to ensure covered transactions are entered into with vendors that are not suspended or debarred. The School Board will accomplish this by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transactions. The School Board will ensure supporting documentation is maintained when suspension and debarment procedures are performed.

**CORRECTIVE ACTION PLAN**  
**Year Ended June 30, 2017**

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**Identifying Number: 2017-004: Uniform Guidance**

**Finding:**

Policies and procedures required by Uniform Guidance were not documented by the County and School Board.

**Corrective Action Taken or Planned:**

*County's Response*

The County is working on updating the existing policies and procedures to meet the Uniform Grant Guidance requirements and ensure our compliance with new rules and regulations. The revised procedures will be implemented during the fiscal year 2018.

*School's Response*

The School Board will adopt or amend the current policies and procedures to address the rules and regulations required by Uniform Guidance.

**COUNTY OF ISLE OF WIGHT, VIRGINIA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2017**

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**Identifying Number: 2016-001: Conflicts of Interest**

Finding:

Criteria: As described in Section 2.2-3115 of the *Code of Virginia*, local officials and constitutional officers must submit “statements of economic interests” online semi-annually on or before December 15 and June 15 disclosing personal financial interests that may cause conflicts.

Condition: All disclosure forms were not completed prior to the submission deadline.

Cause: Unknown.

Effect: Non-compliance may result in action by the Commonwealth.

Recommendation: Elected officials should complete all disclosure forms timely.

Corrective Action Taken or Planned:

Additional procedures have been put in place in the fiscal year 2017.



# ISLE OF WIGHT COUNTY, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR FISCAL YEAR ENDED JUNE 30, 2017