

ISLE of WIGHT

COUNTY IN VIRGINIA



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prepared by
Department of Budget & Finance

Isle of Wight, Virginia
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COUNTY of ISLE OF WIGHT

THE COURTHOUSE

November 25, 2013

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, 2013. 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.

Cherry Bekaert 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, 2013, 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, assessing the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's basic financial statements for the fiscal year ended June 30, 2013, 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 formerly established in 1634, although prior to 1637, the County was known as Warroquoyacke. 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 35,000 residents while balancing its rural history with a future focused on quality commercial and residential growth.

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 the professional firefighters and EMS personnel with state of the art equipment and well-maintained facilities. Two of the five fire stations now 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 new location for the Isle of Wight County Health Department. The property was offered to the County at half of its appraised value. After renovations are completed, it will serve the community well by allowing the Health Department to significantly expand its services in the future.

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 33,000 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 209.8 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.

The County's Public Schools are operated by a legally distinct governing body, the County provides a significant portion of the funding for a public school system recognize 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 89 percent (88.9%) for the Class of 2013, according to data released by the Virginia Department of Education. Advanced Placement Test results indicate that Isle of Wight County students compare very favorably with students around the state of Virginia as well as those in the Southern Region.

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 Industrial Park located just east of the Town of Windsor. The Industrial Park is currently home to warehouse distribution facilities for Cost Plus World Market and Safco Products, Inc., a production and distribution facility for Green Mountain Coffee Roasters, Inc. (GMCR), a leader in specialty coffee and coffeemakers, and is poised to attract significant new investments in distribution and manufacturing facilities that will create new jobs and further diversify the County's tax base.

GMCR has 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. It is estimated the new facility will have as many as 800 employees (currently at just under 400 employees).

Phase III of the Shirley T. Holland Intermodal Park was rezoned by the Board of Supervisors in an effort to set the stage for future industrial and commercial development to occur in the central portion of the County.

In September 2013, Smithfield Foods merged with Shuanghui International Holdings Limited. It continues to be a \$12 billion global food company and the world's largest pork processor and hog producer. In the United States, the company is also the leader in numerous packaged meats categories with popular brands including Smithfield®, Eckrich®, Armour®, Farmland®, Gwaltney®, Kretschmar®, Curly's®, Carando®, Margherita®, Healthy Ones®, and John Morrell®. In June 2012, Smithfield Foods opened its flagship restaurant/retail store aptly named Taste of Smithfield in Smithfield to highlight its food products.

International Paper had been a mainstay in the County until its 2009 announcement to close its local plant; however, in 2010, the company announced its plan to reopen a portion of its operation to manufacture fluff paper. International Paper has also been in negotiations with other companies that have

announced that they will utilize a portion of the former facility to start new operations.

Franklin Lumber, LLC and will restart operations by end of 2013. A new company started by former employees of the IP mill, Franklin Lumber will create 72 jobs with the reopening of the facility, with the potential to create additional jobs as market conditions allow. The new owners plan to make \$14.8 million in new capital investments to the facility over the next five years to increase the capacity and competitiveness of the mill.

Franklin Lumber plans to produce 60 million board feet of southern yellow pine lumber annually. Its products will consist of dimensional lumber for retail, treating and truss manufacturers. The company will also have a strong market for its residual products, including International Paper, which will purchase wood chips for its recently re-opened fluff mill. More than 40% of Franklin Lumber's annual purchases of logs, estimated at almost 300,000 tons, will be sourced from Virginia. Total wood receipts paid to area loggers and landowners likely will exceed \$10 million on an annual basis.

Logan Fire Apparatus signed a lease for a portion of the former Franklin Equipment property, which is located in close proximity to the International Paper property. Ezzell Trucking also began operations out of another portion of the Franklin Equipment site.

Tourism continues to be a strong component of economic development within the County. The community's assets are promoted locally, regionally, and nationally for its "Hams, History, Hospitality, and Heart". The Smithfield Farmers' Market was recently named one of the top 101 farmers' markets in America and the only farmers' market in Virginia to be recognized in the listing.

Financial Guidelines

The County prepares annually an Operating Budget that balances revenues and expenditures within available resources. The Operating Budget guidelines for the FY2012-13 were as follows:

- Budget requests were to reflect a flat budget.
- No salary adjustments for FY2012-13.

- Operationally critical needs that required additional funding required departments to provide the appropriate documentation to explain/support the request.

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 10 percent of general governmental revenues. 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 5 percent of the assessed value of taxable real property in the County.
- The County's tax-supported debt per capita will not exceed \$2,300.

Major Initiatives and Accomplishments

In June 2013, the County received excellent news from all three of the international credit rating agencies. Standard & Poor's **upgraded** the County's rating from AA- to AA. This is the second ratings upgrade that the County has received from Standard & Poor's since 2008. Fitch Ratings and Moody's Investors Service **affirmed** the County's excellent credit ratings of AA and Aa2 respectively with a stable outlook.

Additionally, the County received the same short-term credit ratings from all three rating agencies as organizations with AAA ratings, such as the Commonwealth of Virginia.

Awards

In recognition of its Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2012, 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.

An Award of Financial Reporting Achievement was also awarded to the Isle of Wight County Department of Budget & Finance for its role in preparing the award-winning CAFR.

Acknowledgement

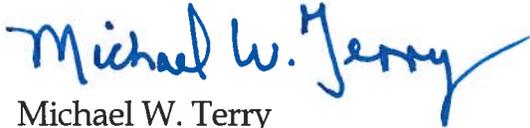
We would like to express our appreciation to the County staff who contributed to the timely preparation of this report. We would also like to thank the members of the Board of Supervisors for your interest and support in planning and conducting the financial operations of the County in a responsible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

Respectfully submitted,



Anne Seward

County Administrator



Michael W. Terry

Director of Budget & Finance

**Isle of Wight County, Virginia
Officials
June 30, 2013**

Primary Government Officials

BOARD OF SUPERVISORS

JoAnn W. Hall, Chairman.....Hardy District
Byron B. "Buz" Bailey, Vice-Chairman.....Newport District
Rex W. Alphin.....Carrsville District
Al Casteen.....Smithfield District
Deloris C. "DeeDee" Darden.....Windsor District

CONSTITUTIONAL OFFICERS

L. Wayne Farmer.....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

W. Douglas Caskey.....County Administrator
Michael W. Terry.....Director, Budget & Finance
Mark C. Popovich.....County Attorney

School Board Officials

SCHOOL BOARD

Robert Eley, Chairman.....Carrsville District
Julia Perkins, Vice-Chairman.....Windsor District
Herbert DeGroft.....Hardy District
Kent Hildebrand.....Newport District
Denise Tynes.....Smithfield District

ADMINISTRATIVE OFFICERS

A. Katrise Perera.....Superintendent
Christina Berta.....Executive Director of Budget & Finance
A. Paul Burton.....School Attorney



Government Finance Officers Association

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

Presented to

**County of Isle of Wight
Virginia**

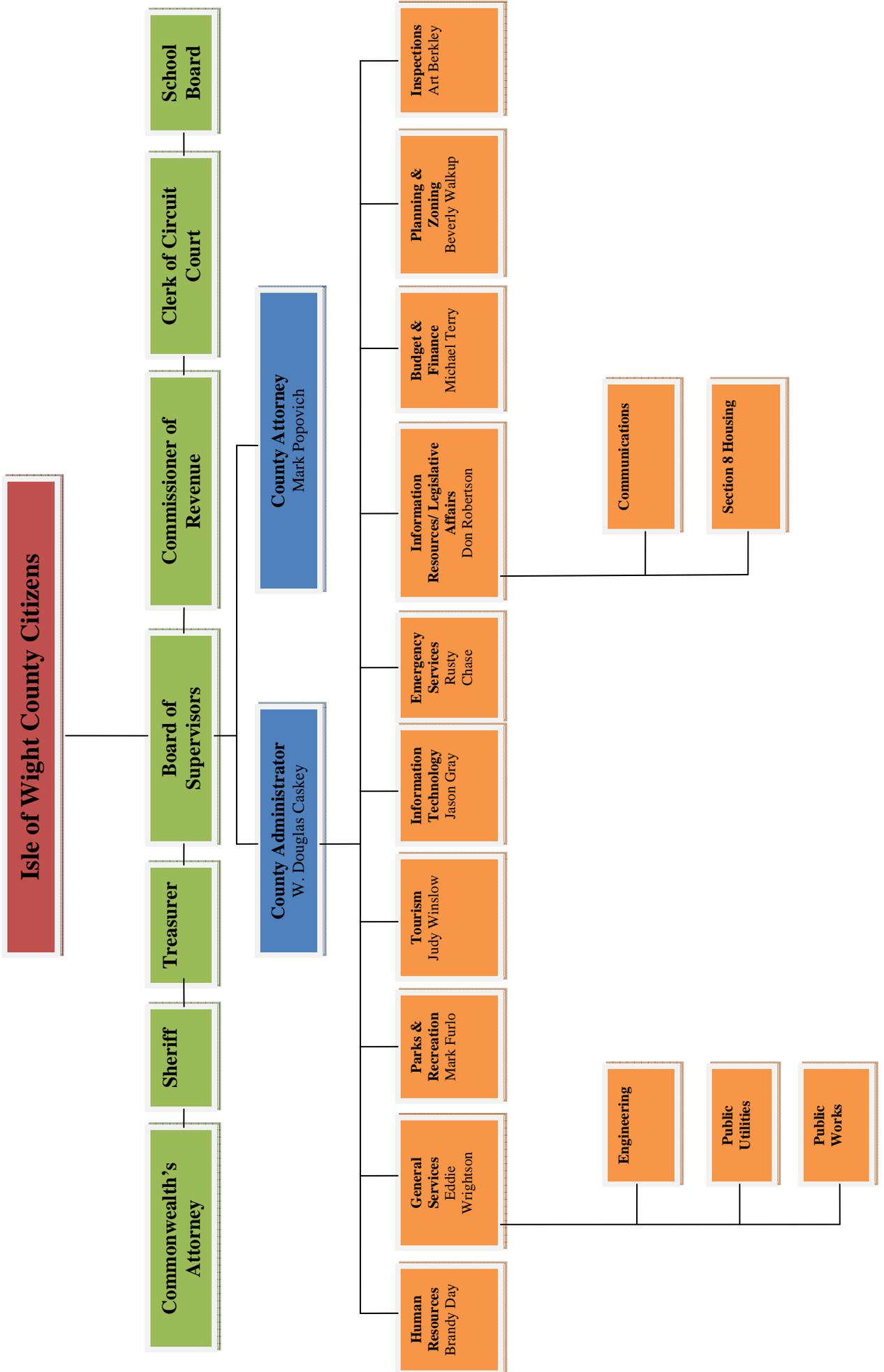
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

ORGANIZATIONAL CHART

FY2012-13



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Financial Section

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Report of Independent Auditor

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the individual and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Isle of Wight, Virginia, (the "County") as of and for the year ended June 30, 2013, 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, 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 individual and aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 15 to the financial statements, effective July 1, 2012, the County adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress as listed in the table of contents 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 of Isle of Wight, Virginia's basic financial statements. The introductory section, combining and individual non-major fund statements in Exhibit B, and statistical section in Exhibit C are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules 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 combining and individual non-major fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Cheryl Bekart LLP

Virginia Beach, Virginia
November 25, 2013

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 during the fiscal year ended June 30, 2013. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

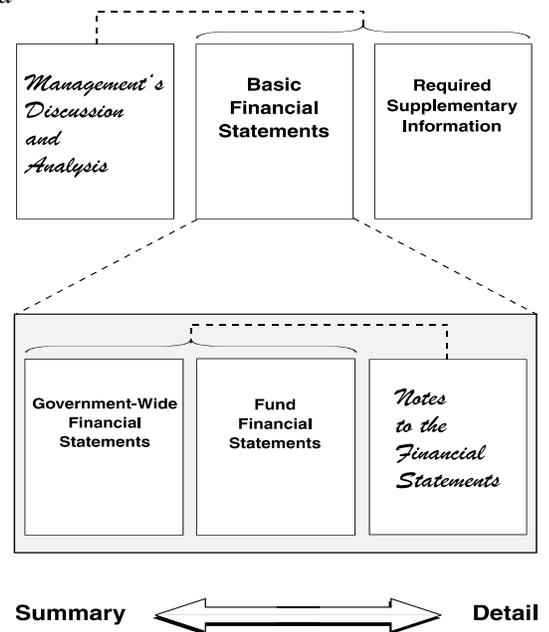
- The net position of the County's governmental activities were \$23,705,560 at June 30, 2013, a 23% decrease from the previous fiscal year.
- In support of the County's primary governmental activities, revenues were generated in the amount of \$62,368,716 of which 79% consisted of local taxes, 13% from the Commonwealth of Virginia, 4% from Federal and other sources and 4% from charges for service. Of the total revenue, 15% is in operating grants. Expenses from County operations were \$69,467,358 or a 5% increase over the previous year.
- The County's General Fund reported expenditures in excess of revenues and other financing uses of \$4,659,774 resulting in an unassigned fund balance of \$16,393,908. The expenditures in excess of revenues and other financing uses of is \$3,354,482 less than the amounts budgeted for the year because of the County's management of expenses and implementation cost containment measures throughout the fiscal year.
- The County's tax rate on real estate remained unchanged at \$0.65 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 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.

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



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 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.

Type of Statements

	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	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
<i>Required financial statements</i>	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures & changes in fund balances	Statement of revenues, expenses and changes in fund net position	
			Statement of cash flows	
<i>Accounting basis and measurement</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>focus</i>	All assets and liabilities,	financial resources focus Only assets expected to	All assets and liabilities,	All assets and liabilities,
<i>Type of asset/liability information</i>	both financial and capital, short-term and long-term	be used up and liabilities that come due during the year or soon thereafter; no capital assets included	both financial and capital, and short-term and long-term	both short-term and long-term; the County's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	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

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 .

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, general services, 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 and sewer 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 only enterprise fund accounts for the operation of its water and sewer systems.
- **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 2013.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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 \$23,705,360 a 23% decrease from the previous year as illustrated in Table A-1.

Table A-1

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 51,646,846	\$ 59,252,773	\$ 19,479,611	\$ 6,849,486	\$ 71,126,457	\$ 66,102,259
Capital assets	93,701,937	89,960,817	15,396,002	16,491,478	109,097,939	106,452,295
Total assets	145,348,783	149,213,590	34,875,613	23,340,964	180,224,396	172,554,554
Deferred outflows of resources	819,766	-	995,140	-	1,814,906	-
Current liabilities	\$ 8,328,278	\$ 4,139,985	\$ 2,935,438	\$ 1,137,301	\$ 11,263,716	\$ 5,277,286
Long-term liabilities	113,221,590	114,289,403	43,848,021	28,498,173	157,069,611	142,787,576
Total liabilities	121,549,868	118,429,388	46,783,459	29,635,474	168,333,327	148,064,862
Deferred inflows of resources	913,121	-	-	-	913,121	-
Net position-restated						
Net Investment in capital assets	4,923,554	9,453,645	(8,834,474)	(6,129,102)	(3,910,920)	3,324,543
Restricted	24,568,034	320,527	-	-	24,568,034	320,527
Unrestricted	(5,786,028)	21,030,030	(2,078,232)	(165,408)	(7,864,260)	20,864,622
Total net position-restated	\$ 23,705,560	\$ 30,804,202	\$ (10,912,706)	\$ (6,294,510)	\$ 12,792,854	\$ 24,509,692

Governmental Activities

- The County's total revenues for governmental activities were \$62,368,716 of which a significant portion, 79%, comes from local taxes.
- General Property taxes and other local taxes increased by 11% or \$4,787,010.
- Operating grants consist of state and federal revenues received to offset the cost of various programs. However, the reimbursements do not necessarily represent 100% of expenditures as illustrated in Table A-2.
- Operating grants increased 29% or \$3,804,542.

Table A-2 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). The net cost reflects what local tax dollars, as well as state and federal revenues funded.

Table A-2

Cost of County Functions	Total Cost of Services			Net Cost of Services		
	2013	2012	% Change	2013	2012	% Change
General government administration	\$ 6,446,046	\$ 5,571,463	15.70%	\$ 5,863,310	\$ (32,172)	-18324.88%
Judicial administration	1,198,998	1,078,015	11.22%	626,653	114,724	446.23%
Public safety	10,360,047	9,999,240	3.61%	7,476,375	7,372,761	1.41%
General services	6,979,003	7,072,833	-1.33%	3,952,687	6,388,779	-38.13%
Health and welfare	4,361,198	4,444,284	-1.87%	921,125	1,907,929	-51.72%
Education	28,106,226	24,794,008	13.36%	29,976,658	24,794,008	20.90%
Parks, recreation and cultural	2,990,630	2,979,591	0.37%	2,279,607	2,393,851	-4.77%
Community development	3,174,930	5,995,359	-47.04%	2,128,819	1,700,311	25.20%
Nondepartmental	-	1,314,563	-100.00%	341,490	1,314,563	-74.02%
Interest on long-term debt	5,850,280	3,743,163	56.29%	3,722,721	2,222,899	67.47%
Total expenses-restated	\$ 69,467,358	\$ 66,992,519	3.69%	\$ 57,289,445	\$ 48,177,653	18.91%

- The cost of all *governmental* activities this year was \$69,467,358 a 4% increase from the previous year. The increase in 2013 was primarily driven by the County's payment of economic incentives to attract new business and increases in public safety and education costs.
- Education continues to be one of the County's highest priorities and commitments representing 40% of total costs and 52% of total net costs.
- The cost of debt service increased \$2,107,117 (56%) from the prior fiscal year.

Business-type Activities

Revenues of the County's business-type activities for the operation of water and sewer systems increased by 8% due to a prior year acquisition of a private water company current year's billing and related connection charges. Current year expenses increased by 11%. A significant portion of the operating expenses, 63%, were attributable to the purchase of an annual fixed rate charge for water availability from a neighboring local government and capital contributions to the Western Tidewater Authority.

Cost of Public Utilities	Total Cost of Services			Net Cost of Services		
	2013	2012	% Change	2013	2012	% Change
Public Utilities	\$8,214,531	\$7,602,645	8.05%	\$4,665,949	\$3,168,041	47.28%

In September 2009, the City of Suffolk and the County entered into revised agreement with Western Tidewater Water Authority (WTWA) which supersedes the 2006 agreement. The 2009 Regional Water Agreement provides for the construction of the Authority's Western Branch pipeline to convey raw water purchased under the Norfolk agreement as well as "Phase 3" expansion and subsequent "Phase 4" expansion of the Water Plant.

The County did not make any transfers from its Capital Projects Fund to support the operations of the Public Utilities fund which has been the practice in prior fiscal years. However, the operations of the water and sewer systems are 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.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, 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 \$46,397,988, of which 35% or \$16,393,308 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 \$16,393,908. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At June 30, 2013, the unassigned fund balance represented approximately 27% of the total General Fund expenditures.
- **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 \$29,377,237, a decrease of \$4,695,080 or 14%. The decrease represents the amount of current year capital expenditures.
- **Proprietary fund.** The County's proprietary fund consists of its water and sewer operations and provides the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary fund at the end of the current fiscal year were \$(10,912,706), of which \$(8,834,474) is representative of capital assets and \$(2,078,232) is unrestricted (Exhibit A-5) at June 30, 2013.
- **Non-Major Governmental Funds.** The County accounts for other programs and services in different funds. These funds include the Department of Social Services, Comprehensive Services, E-911 Funds, Community Development Block Grant Funds, Section 8, Asset Forfeiture, the County Fair and the Museum Fund. At June 30, 2013, the combined fund balances were \$251,869.

General Fund Budgetary Highlights

The County's annual budget is prepared on an operating basis and includes estimated revenues and annual appropriations for operations. Excluding transfers between funds and debt service costs, actual expenditures were \$10,223,730 below final budget amounts.

On the other hand, resources available, excluding bond proceeds, were \$3,354,483 below the final budgeted amount. The decrease in the available resources was the result of a \$2,000,000 decrease in the collection of personal property taxes and a 2,000,000 decrease in real property taxes compared to the final budgeted amount, a 26.8% and 6.8% decrease respectively. Total taxes were 73% of the General Fund budget. Revenue from property taxes increased by .5% over the prior fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013, the County had invested \$109,097,939, net of accumulated depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-3.)

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 7 to the financial statements.

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2013	2012	2013	2012	2013	2102	
Nondepreciable assets							
Land	\$ 13,139,504	\$ 13,139,504	\$ 216,840	\$ 216,840	\$ 13,356,344	\$ 13,356,344	0.00%
Intangibles	4,326,512	4,326,512	-	-	4,326,512	4,326,512	0.00%
Construction in progress	11,221,249	4,359,674	921,087	1,177,737	12,142,336	5,537,411	119.28%
Total nondepreciable assets	<u>28,687,265</u>	<u>21,825,690</u>	<u>1,137,927</u>	<u>1,394,577</u>	<u>29,825,192</u>	<u>23,220,267</u>	28.44%
Depreciable assets							
Land improvements	8,076,468	7,971,776	11,506,779	13,911,547	19,583,247	21,883,323	-10.51%
Buildings	71,617,405	73,307,998	13,916,617	11,478,835	85,534,022	84,786,833	0.88%
Equipment	4,497,506	4,427,987	556,055	512,287	5,053,561	4,940,274	2.29%
Vehicles	3,488,048	2,984,236	358,207	304,912	3,846,255	3,289,148	16.94%
Total depreciable assets	<u>87,679,427</u>	<u>88,691,997</u>	<u>26,337,658</u>	<u>26,207,581</u>	<u>114,017,085</u>	<u>114,899,578</u>	-0.77%
Total accumulated depreciation	<u>(22,664,755)</u>	<u>(20,556,870)</u>	<u>(12,079,583)</u>	<u>(11,110,680)</u>	<u>(34,744,338)</u>	<u>(31,667,550)</u>	9.72%
Net capital assets	<u>\$ 93,701,937</u>	<u>\$ 89,960,817</u>	<u>\$ 15,396,002</u>	<u>\$ 16,491,478</u>	<u>\$ 109,097,939</u>	<u>\$ 106,452,295</u>	2.49%

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

- Expansion of water treatment and delivery infrastructure through participation with the Western Tidewater Water Authority
- A new courts/clerk building - completed.
- A new fire station for the Smithfield Volunteer Fire Department - completed.
- Construction of the Isle of Wight County Rescue Building
- A new County Animal Shelter – completed
- Construction of a new middle school

Long-Term Liabilities

At year-end the County had \$159,060,248 in bonds, loans, notes, and other long-term debt outstanding and \$1,462,625 in compensated absences as shown in Table A-4. The Commonwealth of Virginia limits the amount of debt outstanding to 10% of the localities assessed value of real property. At June 30, 2013, the County's debt ratio to assessed value was approximately 2% demonstrating the County's conservative debt borrowing policy and management approach. More detailed information about the County's debt is presented in the notes to the financial statements.

Table A-4

	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2013	2012	2013	2012	2013	2012	
General Obligation Bonds							
Series of 2003	\$ -	\$ 5,625,000	\$ -	\$ -	\$ -	\$ 5,625,000	-100%
Series of 2005	-	-	7,842,930	8,519,281	7,842,930	8,519,281	-8%
Series B of 2008	20,429,697	21,780,057	3,020,360	3,219,943	23,450,057	25,000,000	-6%
Series A of 2010	283,453	283,453	-	-	283,453	283,453	0%
Series B of 2010	-	-	-	7,685,000	-	7,685,000	-100%
Series C of 2010	13,530,000	13,530,000	-	-	13,530,000	13,530,000	0%
Series D of 2010	4,735,767	5,071,935	2,631,604	2,818,466	7,367,371	7,890,400	-7%
Series A of 2011	4,824,978	4,824,978	-	-	4,824,978	4,824,978	0%
Series B of 2011	-	-	-	6,460,000	-	6,460,000	-100%
Series 2012	19,739,500	-	27,385,000	-	47,124,500	-	100%
Series 2013	757,941	-	112,056	-	869,997	-	100%
Bonds for Schools							
Series of 2004	965,000	17,330,000	-	-	965,000	17,330,000	-94%
Series of 2005	1,642,070	1,940,719	-	-	1,642,070	1,940,719	-15%
Series A of 2010	701,547	701,547	-	-	701,547	701,547	0%
Series D of 2010	3,902,576	4,179,600	-	-	3,902,576	4,179,600	-7%
Series A of 2011	12,805,022	12,805,022	-	-	12,805,022	12,805,022	0%
Series C of 2011	7,500,000	7,500,000	-	-	7,500,000	7,500,000	0%
VPSA 2011	7,500,000	7,500,000	-	-	7,500,000	7,500,000	0%
Series 2012	1,340,500	-	-	-	1,340,500	-	100%
Series 2013	1,275,000	-	-	-	1,275,000	-	100%
Literary Loans							
Series of 1999	1,750,000	2,000,000	-	-	1,750,000	2,000,000	-13%
Total outstanding debt	103,683,050	105,072,310	40,991,950	28,702,690	144,675,000	133,775,000	8.15%
Installment purchase agreements - PACE	4,326,512	4,326,512	-	-	4,326,512	4,326,512	0.00%
Note payable	-	-	48,000	60,000	48,000	-	-
Compensated absences	1,402,749	1,234,023	59,876	61,518	1,462,625	1,295,541	12.90%
Landfill closure costs	1,777,352	1,893,367	-	-	1,777,352	1,893,367	-6.13%
Net OPEB obligations	740,281	548,766	30,356	22,632	770,637	571,398	34.87%
Deferred charges obligations - bond discounts	(198,001)	(149,019)	(89,611)	(19,235)	(287,612)	(168,254)	-
Deferred charges obligations - bond premiums	4,031,879	1,691,390	3,718,480	524,504	7,750,359	2,215,894	249.76%
Total long-term debt	\$ 115,763,822	\$ 114,617,349	\$ 44,759,051	\$ 29,352,109	\$ 160,522,873	\$ 143,909,458	25.53%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The County's per capita personal income, as of the latest data available, was \$42,883.
- All tax rates remained unchanged including the Real Estate Tax Rate of \$0.65 per \$100 of assessed value.
- Revenues generated from all local sources decreased by approximately 21% primarily from the decreased in bond proceeds of \$14,000,000.
- Increased funding for schools of approximately 5%.
- Decrease in costs for Virginia Retirement System of approximately 2%.

These indicators were taken into account when adopting the general operating and capital budget for fiscal year 2013-13. Amounts available for appropriation in the general operating budget are \$94,460,625. The operating budget decreased approximately 7%, primarily driven by decreases in funding for schools, in costs for Virginia Retirement System and decreases in revenues generated from all local sources. The County is experiencing a reduction in "growth" related revenues. The trend in the real estate and new construction market is apparent with the projected reduction in building permits and real estate transfers.

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 revised strategic plan to incorporate 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 2011-2013

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

Isle of Wight County Schools

Isle of Wight County Schools 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 5,500 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. Over 89% of IWCS' Class of 2013 graduated "on-time" with their four-year cohort group and received approximately \$7.66M in scholarship awards.

With the opening of the 2013-2014 school year, Isle of Wight County Schools continues with the i-SLE 21 Program (Initiative for Student Learning and Engagement in the 21st Century). The primary goals of this initiative include:

- Developing a culture that works collaboratively to utilize a variety of data sources and knowledge of best educational practices to guide our instructional decision-making
- Extend the rigor of daily classroom instruction and assessment to incorporate critical thinking and problem-solving skills and encourage creativity
- Increase opportunities for students to meaningfully engage in the learning process and utilize technology to enhance and expand learning opportunities.

As part of i-SLE21, all IWCS high school students have been issued an iPad for educational use, 24/7, both in and outside of the classroom. The intent of this 1-1 technology initiative is to help level the educational playing field by making technology resources available to all IWCS high school students so that the same learning opportunities are accessible to them beyond the confines of the traditional school walls and daily classroom schedule. IWCS is committed to extending the i-SLE21 initiative to middle and elementary students in the coming years. Wise use of financial resources coupled with extensive professional development for teachers will prove the keys to achieving Isle of Wight County School's to prepare our students for excellence in the 21st century.

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 of Budget and Finance at 757-365-6273.

Basic Financial Statements

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County of Isle of Wight, Virginia

Statement of Net Position

June 30, 2013

Assets	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Industrial
					Development Authority
Cash and cash equivalents	\$ 19,765,266	\$ -	\$ 19,765,266	\$ 5,808,318	\$ 151,752
Restricted cash and cash equivalents	41,944,879	3,849,252	45,794,131	-	-
Investments	1,653,347	-	1,653,347	-	-
Receivables - net	961,209	378,748	1,339,957	75,694	125,000
Internal balances	(15,222,434)	15,222,434	-	-	-
Due from component unit	86,925	-	86,925	413,075	-
Due from other governments	2,417,059	-	2,417,059	1,521,683	-
Inventory	40,595	29,177	69,772	54,933	-
Deposits	-	-	-	-	-
Capital lease receivable	-	-	-	-	136,360
Land held for resale	-	-	-	-	1,433,285
Capital assets:					
Nondepreciable	28,687,265	1,137,927	29,825,192	1,619,726	10,859,198
Depreciable - net	65,014,672	14,258,075	79,272,747	24,114,215	222,242
Total assets	145,348,783	34,875,613	180,224,396	33,607,644	12,927,837
Deferred Outflows of Resources					
Deferred losses on refundings	819,766	995,140	1,814,906	-	-
Total deferred outflows of resources	819,766	995,140	1,814,906	-	-
Liabilities					
Accounts payable	1,825,457	829,550	2,655,007	1,953,551	705
Accrued liabilities	101,056	-	101,056	5,412,214	-
Due to primary government	-	-	-	-	500,000
Amounts held in escrow	2,006,506	-	-	-	-
Customer deposits payable	-	190,173	190,173	-	1,000
Accrued interest payable	1,824,127	1,004,685	2,828,812	-	-
Unearned revenues	28,900	-	28,900	111,305	-
Long-term obligations:					
Due within one year	2,542,232	911,030	3,453,262	47,244	30,712
Due in more than one year	113,221,590	43,848,021	157,069,611	3,440,191	89,446
Total liabilities	121,549,868	46,783,459	168,333,327	10,964,505	621,863
Deferred Inflows of Resources					
Deferred gains on refundings	360,851	-	360,851	-	-
Unavailable revenues-property taxes	552,270	-	552,270	-	-
Total deferred inflows of resources	913,121	-	913,121	-	-
Net Position					
Net investment in capital assets	4,923,554	(8,834,474)	(3,910,920)	25,733,941	11,081,440
Restricted:					
Capital projects	24,393,317	-	24,393,317	-	-
Other	174,717	-	174,717	549,763	-
Unrestricted	(5,786,028)	(2,078,232)	(7,864,260)	(3,640,566)	1,224,534
Total net position	\$ 23,705,560	\$(10,912,706)	\$ 12,792,854	\$ 22,643,138	\$ 12,305,974

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

County of Isle of Wight, Virginia
Statement of Activities

Year Ended June 30, 2013	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Functions/Programs				Component Units				
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Government activities:									
General government administration	\$ 6,446,046	\$ 758	\$ 581,978	\$ -	\$ (5,863,310)	\$ -	\$ -	\$ -	\$ -
Judicial administration	1,198,998	156,543	415,802	-	(626,653)	-	-	-	-
Public safety	10,360,047	1,154,693	1,728,979	-	(7,476,375)	-	(7,476,375)	-	-
General services	6,979,003	375,498	2,650,818	-	(3,952,687)	-	(3,952,687)	-	-
Health and welfare	4,361,198	-	3,440,073	-	(921,125)	-	(921,125)	-	-
Education	28,106,226	-	-	-	(28,106,226)	-	(28,106,226)	-	-
Parks, recreation and cultural	2,990,630	526,622	34,401	150,000	(2,279,607)	-	(2,279,607)	-	-
Community development	2,833,440	30,412	674,209	-	(2,128,819)	-	(2,128,819)	-	-
Nondepartmental	341,490	-	-	-	(341,490)	-	(341,490)	-	-
Interest on long-term debt	5,850,280	257,127	-	-	(5,593,153)	-	(5,593,153)	-	-
Total governmental activities	69,467,358	2,501,653	9,526,260	150,000	(57,289,445)	-	(57,289,445)	-	-
Business-type activities:									
Public utility	8,214,531	3,080,643	-	467,939	-	(4,665,949)	(4,665,949)	-	-
Total Business-type activities	8,214,531	3,080,643	-	467,939	-	(4,665,949)	(4,665,949)	-	-
Total Primary Government	\$ 77,681,889	\$ 5,582,296	\$ 9,526,260	\$ 617,939	(57,289,445)	(4,665,949)	(61,955,394)	-	-
Component Units									
School Board	\$ 75,690,757	\$ 6,024,282	\$ 29,679,957	\$ -	-	-	(39,986,518)	-	(238,597)
Industrial Development Authority	276,851	38,254	-	-	-	-	-	-	(238,597)
Total component units	\$ 75,967,608	\$ 6,062,536	\$ 29,679,957	\$ -	-	-	(39,986,518)	-	(238,597)
General property taxes					42,408,465	-	42,408,465	-	-
Other local taxes					6,709,396	-	6,709,396	-	-
Investment earnings					909,387	47,754	957,141	43,002	10,195
Miscellaneous					-	-	-	131,294	17,028
Payment from the Primary Government					163,555	-	163,555	37,589,704	-
Gain on disposal of assets					50,190,803	47,754	50,238,557	37,764,000	27,223
Total general revenues and miscellaneous					(7,098,642)	(4,618,195)	(11,716,837)	(2,222,518)	(211,374)
Change in net position					30,804,202	(6,294,511)	24,509,691	24,865,656	12,517,348
Net position - beginning of year - restated					\$ 23,705,560	\$(10,912,706)	\$ 12,792,854	\$ 22,643,138	\$ 12,305,974
Net position - end of year									

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

*County of Isle of Wight, Virginia***Balance Sheet - Governmental Funds****June 30, 2013**

Assets	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 13,192,883	\$ 6,279,110	\$ 293,273	\$ 19,765,266
Restricted cash and cash equivalents	1,883,934	39,963,000	97,945	41,944,879
Investments	1,653,347	-	-	1,653,347
Receivables - net of allowance for uncollectibles:				
Taxes	537,953	-	-	537,953
Accounts	221,803	-	81,295	303,098
Notes	120,158	-	-	120,158
Due from other funds	1,360,708	-	-	1,360,708
Due from component unit	1,050,771	-	-	1,050,771
Due from other governments	1,246,978	1,035,347	134,734	2,417,059
Inventory	-	-	40,595	40,595
Total assets	\$ 21,268,535	\$ 47,277,457	\$ 647,842	\$ 69,193,834
Liabilities				
Accounts payable	\$ 1,253,414	\$ 478,420	\$ 93,623	\$ 1,825,457
Accrued expenses	97,403	-	3,653	101,056
Amounts held in escrow	1,861,897	-	144,609	2,006,506
Due to other funds	-	16,457,954	125,188	16,583,142
Due to component unit	-	963,846	-	963,846
Unearned revenues	600,740	-	28,900	629,640
Total liabilities	3,813,454	17,900,220	395,973	22,109,647
Deferred Inflows of Resources				
Unavailable revenue-property taxes	686,199	-	-	686,199
Total deferred inflows of resources	686,199	-	-	686,199
Fund Balances				
Fund balances				
Nonspendable	89,446	-	40,595	130,041
Restricted	29,650	24,422,967	145,067	24,597,684
Assigned	255,878	4,954,270	66,207	5,276,355
Unassigned	16,393,908	-	-	16,393,908
Total fund balances	16,768,882	29,377,237	251,869	46,397,988
Total liabilities, deferred inflow of resources and fund balances	\$ 21,268,535	\$ 47,277,457	\$ 647,842	\$ 69,193,834

(Continued)

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

*County of Isle of Wight, Virginia****Reconciliation of the Governmental Funds' Balance Sheet
to the Statement of Net Position*****June 30, 2013**

Total fund balances - governmental funds	\$ 46,397,988
Amount reported for governmental 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 funds.	
Nondepreciable capital assets	28,687,265
Depreciable capital assets	87,679,427
Accumulated depreciation	<u>(22,664,755)</u>
Depreciable capital assets, net	<u>65,014,672</u>
Revenues not collected soon enough to pay for current-period expenditures.	734,669
Deferred outflows-loss on refunding	819,766
Deferred inflows-gains on refundings	(360,851)
Long-term obligations, including bonds payable, are not due and payable in the current period and are not reported in the funds.	
Bonds, notes, loans and PACE obligations	(111,843,440)
Net OPEB obligation	(740,281)
Compensated absences	(1,402,749)
Landfill closure costs	(1,777,352)
Accrued interest payable	<u>(1,824,127)</u>
Total net position - governmental activities	\$ 23,705,560

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, 2013

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 37,158,645	\$ -	\$ -	\$ 37,158,645
Other local taxes	6,505,343	-	110,876	6,616,219
Permits, privilege fees and regulatory licenses	434,045	1,276,773	-	1,710,818
Fines and forfeitures	105,191	-	-	105,191
Revenues from use of money and property	838,814	70,573	-	909,387
Charges for services	2,577,275	-	281,980	2,859,255
Miscellaneous	30,997	150,000	36,990	217,987
Intergovernmental:				
Commonwealth of Virginia	8,381,358	1,244,125	1,097,923	10,723,406
Federal	422,497	118,783	1,360,561	1,901,841
Total revenues	56,454,165	2,860,254	2,888,330	62,202,749
Expenditures				
General government administration	4,869,180	-	-	4,869,180
Judicial administration	1,198,998	-	-	1,198,998
Public safety	8,984,757	-	988,863	9,973,620
General services	5,929,766	-	-	5,929,766
Health and welfare	920,882	-	3,378,495	4,299,377
Education	25,679,304	-	-	25,679,304
Parks, recreation and cultural	2,342,650	-	286,762	2,629,412
Community development	2,996,430	-	146,573	3,143,003
Capital outlay	-	9,489,014	-	9,489,014
Debt service:				
Principal retirement	3,173,957	-	-	3,173,957
Interest and other charges	4,592,524	-	-	4,592,524
Bond issuance costs	141,244	144,243	-	285,487
Total expenditures	60,829,692	9,633,257	4,800,693	75,263,642
Excess (deficiency) of revenues over (under) expenditures	(4,375,527)	(6,773,003)	(1,912,363)	(13,060,893)
Other financing sources (uses)				
Transfers in	1,350,000	-	1,777,894	3,127,894
Transfers out	(1,777,894)	(1,350,000)	-	(3,127,894)
Proceeds from bond issuances	-	3,494,846	-	3,494,846
Proceeds from refunding bond issuance	2,032,944	20,516,889	-	22,549,833
Payments to refunded debt escrow agent	(1,889,297)	(20,583,812)	-	(22,473,109)
Total other financing sources (uses), net	(284,247)	2,077,923	1,777,894	3,571,570
Net change in fund balance	(4,659,774)	(4,695,080)	(134,469)	(9,489,323)
Fund balances - beginning of year	21,428,656	34,072,317	386,338	55,887,311
Fund balances - end of year	\$ 16,768,882	\$ 29,377,237	\$ 251,869	\$ 46,397,988

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***

Year Ended June 30, 2013

Net change in fund balances - governmental funds	\$ (9,489,323)
Amount reported for governmental activities in the Statement of Activities 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. Transfers of capital assets to the school board are recorded as additional expenses related to education.	
Capital outlay	7,762,442
Joint activity - transfer of capital assets, net	(1,510,628)
Depreciation expense	(2,477,862)
Sale of property	(32,832)
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 Proceeds	(23,112,945)
Repayment of debt principal	24,502,205
Bond Premiums	(2,998,657)
Bond Discounts	66,923
Deferred loss on refunding	1,144,862
Amortization of bond premiums	658,168
Amortization of bond discounts	(17,941)
Amortization of deferred gain on refunding	36,085
Amortization of deferred loss on refunding	(1,049,978)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(163,444)
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.	
Decrease in landfill closure costs	116,015
Increase in compensated absences	(168,726)
Increase in accrued interest	(171,491)
Increase in net OPEB obligation	(191,515)
Change in net position of governmental activities	\$ (7,098,642)

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

County of Isle of Wight, Virginia

Statements of Net Position - Proprietary Fund

June 30, 2013

	Assets	Public Utilities
Current assets		
Receivables - net of allowance of \$80,209		\$ 378,748
Inventories		29,177
Due from other funds		15,222,434
Total current assets		15,630,359
Noncurrent assets		
Restricted cash and cash equivalents		3,849,252
Capital assets:		
Nondepreciable		1,137,927
Depreciable - net		14,258,075
Total noncurrent assets		19,245,254
Total assets		34,875,613
Deferred losses on bond refundings		995,140
Total deferred losses on bond refundings		995,140
	Liabilities	
Current liabilities		
Accounts payable		829,550
Accrued interest payable		1,004,685
Customer deposits payable		190,173
General obligation bonds payable		893,043
Notes payable		12,000
Compensated absences		5,987
Total current liabilities		2,935,438
Noncurrent liabilities		
General obligation bonds payable		43,727,776
Notes payable		36,000
Compensated absences		53,889
Net OPEB obligation		30,356
Total noncurrent liabilities		43,848,021
Total liabilities		46,783,459
	Net Position	
Net investment in capital assets		(8,834,474)
Unrestricted		(2,078,232)
Total net position		\$ (10,912,706)

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 Fund***Year Ended June 30, 2013**

	<u>Public Utilities</u>
Operating revenues	
Charges for services	<u>\$ 3,080,643</u>
Operating expenses	
Current:	
Personnel services	527,659
Fringe benefits	261,838
Contractual services	399,035
Purchases	4,501,345
Other charges	396,103
Depreciation	968,903
Total operating expenses	<u>7,054,883</u>
Operating loss	<u>(3,974,240)</u>
Nonoperating revenues (expenses)	
Interest income	47,754
Interest and fiscal charges	(1,159,648)
Total nonoperating expenses, net	<u>(1,111,894)</u>
Losses before contributions	<u>(5,086,134)</u>
Capital contributions - connection fees	467,939
Total contributions	<u>467,939</u>
Change in net position	(4,618,195)
Net position - beginning of year - restated	<u>(6,294,511)</u>
Net position- end of year	<u>\$(10,912,706)</u>

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

*County of Isle of Wight, Virginia**Statements of Cash Flows - Proprietary Fund*

Year Ended June 30, 2013	<u>Public Utilities</u>
Cash flows from operating activities	
Received from customers and users	\$ 3,297,833
Payments to suppliers for goods and services	(5,103,540)
Payments to employees	(783,415)
Net cash used in operating activities	<u>(2,589,122)</u>
Cash flows from non-capital and related financing activities	
Due to other funds	(15,293,576)
Customer deposits	21,622
Net cash used in non-capital and related financing activities	<u>(15,271,954)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(165,697)
Capital contributions	467,939
Proceeds from debt issued	31,362,273
Principal payments on bonds	(15,771,349)
Principal payments on notes	(12,000)
Bond issuance costs	(201,116)
Interest paid on notes and bonds payable	(267,783)
Net cash used in capital and related financing activities	<u>15,412,267</u>
Cash flows from investing activities	
Interest received	47,754
Net cash provided by investing activities	<u>47,754</u>
Change in cash and cash equivalents	(2,401,055)
Cash and cash equivalents - beginning of year	<u>6,250,307</u>
Cash and cash equivalents - end of year	<u>\$ 3,849,252</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	(3,974,240)
Adjustments to reconcile to net cash provided by operating activities:	
Allowance for doubtful accounts	
Depreciation	968,903
Change in:	
Accounts receivable	217,190
Inventories	45,206
Accounts payable	147,737
Compensated absences	(1,642)
Other post-employment benefits payable	7,724
Net cash used in operating activities	<u>\$ (2,589,122)</u>

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

County of Isle of Wight, Virginia

Statement of Assets and Liabilities - Fiduciary Funds

June 30, 2013

	Assets	<u>Agency Funds</u>
Cash and cash equivalents		\$ 375,477
	Liabilities	
Amounts held for social services clients		\$ 51,993
Amounts held for others		<u>323,484</u>
	Total liabilities	<u>\$ 375,477</u>

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

Notes to Financial Statements

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County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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

June 30, 2013

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.

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.

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 Public Works.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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

The County reports one major proprietary fund, the Enterprise **Public Utilities Fund**, which provides water and sewer services for the County.

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, except for property taxes, to be available if they are collected within 45 days of the end of the current fiscal period. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year. 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.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

D. 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.

E. Investments

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

F. Property Taxes

All property tax receivables are shown net of an allowance for uncollectibles. The County calculates its allowance for uncollectible accounts using historical collection data, specific account analysis and management's judgment. An allowance is also provided for accounts receivable of the Public Utilities Fund based on historical data. At June 30, 2013, the allowance for the General Fund was \$1,172,507.

The County bills and collects taxes and recognizes such taxes as revenues, when measurable and available in the General Fund and for the period in which they are levied for, in the Governmental and Business-Type activities. Property taxes, net of allowance for uncollectible amounts, not collected within 60 days after year end, are reflected as deferred revenues in the governmental fund financial statements. Taxes are budgeted and billed to fund operations occurring within the year they are required to be paid. Accordingly, payments received by June 30 with a December 5 due date are intended to fund the operations of the next fiscal year and are recorded as deferred revenues at June 30. 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	December 5
Lien date for delinquent taxes	January 1	January 1

While the assessed value of real estate for the County's ten largest taxpayers comprises 6.85% 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.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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 passes 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, 2013. The Commonwealth requires localities to record the revenue from PPTRA as received from other governments, not as property taxes.

G. 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.

H. 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.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

I. 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 fair market 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, 2013, 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, 2013.

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:

	<u>Years</u>
Buildings and building improvements	50
Land improvements	20
Equipment	5-15
Vehicles	5-8

J. 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, Public Utilities Fund for business-type activities and the Operating Fund for the School Board.

June 30, 2013

K. 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.

L. 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 “invested in capital assets, net of related debt.”

M. Fund Balances

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 that have constraints placed on them either externally by third-parties (e.g. creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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.

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.

N. 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.

O. 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.

P. 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.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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, 2013 is as follows:

Deposits	
Demand deposits	\$ 14,862,594
Cash on hand	2,192
Investments	
LGIP	6,784,414
Zero coupon bond	1,653,347
Money market funds	43,910,197
Total deposits and investments	\$ 67,212,744
Reconciliation to Statement of Net Assets	
Cash and cash equivalents	\$ 19,765,266
Restricted cash	45,794,131
Investments	1,653,347
Total deposits and investments	\$ 67,212,744

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.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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 LGIP, a 2a-7 like pool, 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 but is managed as a "2a-7 like pool." 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 fair value of the County's position in the pool is the same as the value of the pool shares.

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:

	AAA	AA	Total
LGIP	\$ 6,784,414	\$ -	\$ 6,784,414
Zero coupon bond	-	1,653,347	1,653,347
Money market funds	43,910,197	-	43,910,197
	<u>\$ 50,694,611</u>	<u>\$ 1,653,347</u>	<u>\$ 52,347,958</u>

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.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

The Primary Government had the following investments and maturities:

	Original investment maturity (in years)		
	Fair Value	Less than 1	FY 2039
LGIP	\$ 6,784,414	\$ 8,547,557	\$ -
Zero coupon bond	1,653,347	-	1,933,996
Money market funds	43,910,197	34,610,983	-
	<u>\$ 52,347,958</u>	<u>\$ 43,158,540</u>	<u>\$ 1,933,996</u>

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	Nonmajor	Totals	School Board
			Governmental Funds		
<u>Amounts Due From:</u>					
Commonwealth of Virginia:					
Operating grants	\$ 163,752	\$ -	\$ -	\$ 163,752	\$ -
Comprehensive Services	-	-	85,311	85,311	-
Mobile Home Titling tax	14,501	-	-	14,501	-
Communication tax	215,566	-	-	215,566	-
State and Use Sales Tax	198,865	-	-	198,865	922,114
Federal government operating grants	27,924	-	7,718	35,642	548,791
Town of Windsor	-	-	27,633	27,633	-
Town of Smithfield	626,370	-	14,072	640,442	-
Other	-	1,035,347	-	1,035,347	50,778
Totals	<u>\$ 1,246,978</u>	<u>\$ 1,035,347</u>	<u>134,734</u>	<u>\$ 2,417,059</u>	<u>\$ 1,521,683</u>

4. Interfund Balances and Activity

The following balances at June 30, 2013 represent amounts due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Fund	\$ 125,188
General Fund	Capital Projects Fund	1,360,708
Public Utilities	Capital Projects Fund	15,222,434
		<u>\$ 16,708,330</u>

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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, 2013 were as follows:

<u>Transfer Out</u>	<u>Transfer in</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Fund	Transfer for Social Services operations	\$ 737,846
General Fund	Nonmajor Governmental Fund	Comprehensive Services operations	204,441
General Fund	Nonmajor Governmental Fund	Transfer for Section 8 operations	65,117
General Fund	Nonmajor Governmental Fund	Transfer for E-911 operations	770,490
Capital Projects Fund	General Fund	Transfer for general operations	1,350,000
Total			<u>\$ 3,127,894</u>

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 and (3) to provide funding for capital expenditures or budgeted subsidies for operations.

5. Notes Receivable

A. Acquisition Notes

The County agreed to loan the IDA \$358,000 to finance the acquisition of an office building by the IDA. Interest on the outstanding principal balance of the note is due at a rate of 7% per annum. The outstanding principal balance of the note receivable at June 30, 2013 is \$120,158 and matures in March 2017.

B. 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, 2013 is \$600,740.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

C. Rehabilitation Notes

The Community Development Block Grant Program has made rehabilitation loans to individuals, which are repayable in monthly installments with interest at 6%. The following is a summary of rehabilitation loan transactions, which are included in the Special Revenue Funds:

Rehabilitation notes receivable at July 1, 2012	\$ 77,280
Principal repayments	(707)
Forgiveness	<u>(76,573)</u>
Rehabilitation notes receivable at June 30, 2013	<u>\$ -</u>

6. Lease Receivable

The IDA leases the office building discussed in Note 6.A. to International Paper. The agreement calls for the purchase of this office building by International Paper for \$1 at the end of the lease and has, therefore, been treated as a direct financing lease transaction.

The following schedule summarizes the total future minimum lease payments:

2014	\$ 41,184
2015	41,184
2016	41,184
2017	<u>30,891</u>
Total minimum lease payments	154,443
Less - amount representing interest	<u>(18,083)</u>
Present value of future payments	<u>\$ 136,360</u>

Although International Paper closed its Franklin facility, the Company has been actively engaged in marketing the facility.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

7. Capital Assets

The following is a summary of changes in capital assets:

Primary Government Governmental Activities	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 13,139,504	\$ -	\$ -	\$ 13,139,504
Intangibles	4,326,512	-	-	4,326,512
Construction in progress	2,963,106	1,031,005	438,897	3,555,214
Construction in progress - jointly owned assets	1,396,568	6,269,467	-	7,666,035
Total capital assets not being depreciated	21,825,690	7,300,472	438,897	28,687,265
Capital assets being depreciated:				
Buildings - County	35,083,326	106,019	5,300	35,184,045
Buildings - jointly owned assets	38,224,672	-	1,791,312	36,433,360
Land improvements	7,971,776	104,692	-	8,076,468
Equipment	4,427,987	77,619	8,100	4,497,506
Vehicles	2,984,236	612,537	108,725	3,488,048
Total capital assets being	88,691,997	900,867	1,913,437	87,679,427
Less - accumulated depreciation:				
Buildings - County	4,359,410	656,948	5,300	5,011,058
Buildings - jointly owned assets	9,924,355	916,294	280,684	10,559,965
Land improvements	1,666,207	340,810	-	2,007,017
Equipment	2,058,114	307,230	8,100	2,357,244
Vehicles	2,548,784	256,580	75,893	2,729,471
Total accumulated depreciation	20,556,870	2,477,862	369,977	22,664,755
Total capital assets being depreciated - net	68,135,127	(1,576,995)	1,543,460	65,014,672
Governmental activities capital assets - net	\$ 89,960,817	\$ 5,723,477	\$ 1,982,357	\$ 93,701,937

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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

Governmental activities	
General government administration	\$ 564,113
Public safety	451,297
General services	91,192
Health and welfare	61,821
Parks, recreation and culture	361,218
Community development	31,927
Education	<u>916,294</u>
Total depreciation expense - governmental activities	<u>\$ 2,477,862</u>

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business -Type activities				
Capital assets not being depreciated:				
Land	\$ 216,840	\$ -	\$ -	\$ 216,840
Construction in progress	1,177,737	20,880	277,530	921,087
Total capital assets not being depreciated	<u>1,394,577</u>	<u>20,880</u>	<u>277,530</u>	<u>1,137,927</u>
Capital assets being depreciated:				
Buildings	11,478,835	27,944	-	11,506,779
Land improvements	13,911,547	5,070	-	13,916,617
Equipment	512,287	43,768	-	556,055
Vehicles	304,912	53,295	-	358,207
Total capital assets being depreciated	<u>26,207,581</u>	<u>130,077</u>	<u>-</u>	<u>26,337,658</u>
Less - accumulated depreciation:				
Buildings	2,783,229	232,288	-	3,015,517
Land improvements	7,758,389	683,044	-	8,441,433
Equipment	352,182	24,131	-	376,313
Vehicles	216,880	29,440	-	246,320
Total accumulated depreciation	<u>11,110,680</u>	<u>968,903</u>	<u>-</u>	<u>12,079,583</u>
Total capital assets being depreciated - net	<u>15,096,901</u>	<u>(838,826)</u>	<u>-</u>	<u>14,258,075</u>
Business-Type activities capital assets - net	<u>\$ 16,491,478</u>	<u>\$ (817,946)</u>	<u>\$ 277,530</u>	<u>\$ 15,396,002</u>

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

<u>Discretely Presented Component</u>	Balance			Balance
<u>Unit - School Board</u>	July 1, 2012	Additions	Deletions	June 30, 2013
Capital assets not being depreciated:				
Land	\$ 1,619,726	\$ -	\$ -	\$ 1,619,726
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,619,726	-	-	1,619,726
Capital assets being depreciated:				
Buildings and improvements	41,317,679	1,800,882	-	43,118,561
Land improvements	1,782,172	28,396	-	1,810,568
Equipment	10,941,099	103,217	45,186	10,999,130
Vehicles	5,283,582	288,898	106,894	5,465,586
Total capital assets being depreciated	59,324,532	2,221,393	152,080	61,393,845
Less - accumulated depreciation:				
Buildings and improvements	21,335,026	2,099,870	-	23,434,896
Land improvements	1,214,926	59,334	-	1,274,260
Equipment	7,573,469	849,105	45,186	8,377,388
Vehicles	4,056,930	243,049	106,894	4,193,085
Total accumulated depreciation	34,180,351	3,251,358	152,080	37,279,629
Total capital assets being depreciated - net	25,144,181	(1,029,965)	-	24,114,216
School Board capital assets - net	\$ 26,763,907	\$ (1,029,965)	\$ -	\$ 25,733,942

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, 2013, is that school financed assets, net of accumulated depreciation, in the amount of \$29,696,885 are reported in the primary government as “jointly owned assets” for financial reporting purposes.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

<u>Discretely Presented Component Unit - Industrial Development Authority</u>	<u>Balance July 1, 2012</u>	Additions	Deletions	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 10,859,198	\$ -	\$ -	\$ 10,859,198
Construction in progress	181,255	-	181,255	-
Total capital assets not being depreciated	11,040,453	-	181,255	10,859,198
Capital assets being depreciated:				
Buildings	55,000	-	-	55,000
Land Improvements	-	181,255	-	181,255
Total capital assets being depreciated	55,000	181,255	-	236,255
Less - accumulated depreciation				
Buildings	3,850	1,100	-	4,950
Land Improvements	-	9,063	-	9,063
Total accumulated depreciation	3,850	10,163	-	14,013
Total capital assets being depreciated - net	51,150	171,092	-	222,242
IDA capital assets - net	\$ 11,091,603	\$ 171,092	\$ 181,255	\$ 11,081,440

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:

Construction Commitments:	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Industrial Park	\$ 8,031,107	\$ 18,758
STH Intermodel Park	12,149,121	508,108
IOW Rescue Squad Bldg	1,623,265	3,287,417
Heritage Park Upgrades	58,574	2,400
Georgie D. Tyler Middle School	7,666,035	16,257,421
Regional Consent Order	941,100	300,000
Bethel Heights Upgrade	11,646	192,651
Camptown/Carrsville Public Utilities Improvements	411,709	17,817
CSX/Sewer Force Main	86,645	25,516
Route 460 Pump Station	95,600	255,500
	\$ 31,074,802	\$ 20,865,588

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

8. Long-Term Obligations

The following is a summary of changes in long-term obligations during the year ended June 30, 2013:

Governmental Activities	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
General obligation bonds	\$ 103,072,310	\$ 23,112,945	\$ 24,252,205	\$ 101,933,050	\$ 2,151,957
Bond premiums	1,691,390	2,998,657	658,168	4,031,879	-
Bond discounts	(149,019)	66,923	17,941	(198,001)	-
	<u>104,614,681</u>	<u>26,044,679</u>	<u>24,892,432</u>	<u>105,766,928</u>	<u>2,151,957</u>
PACE program	4,326,512	-	-	4,326,512	-
Literary loans	2,000,000	-	250,000	1,750,000	250,000
Net OPEB obligation	548,766	223,251	31,736	740,281	-
Compensated absences	1,234,023	723,946	555,220	1,402,749	140,275
Landfill closure costs	1,893,367	34,792	150,807	1,777,352	-
Total Governmental Activities	\$ 114,617,349	\$ 27,026,668	\$ 25,880,195	\$ 115,763,822	\$ 2,542,232
Business-Type Activities					
General obligation bonds	\$ 28,702,690	\$ 27,497,055	\$ 15,207,795	\$ 40,991,950	\$ 893,043
Bond premiums	524,504	3,776,186	582,210	3,718,480	-
Bond discounts	(19,235)	89,032	18,656	(89,611)	-
	<u>29,207,959</u>	<u>31,184,209</u>	<u>15,771,349</u>	<u>44,620,819</u>	<u>893,043</u>
Notes payable	60,000	-	12,000	48,000	12,000
Compensated absences	61,518	35,946	37,588	59,876	5,987
Net OPEB obligation	22,632	8,371	647	30,356	-
Total Business-Type Activities	\$ 29,352,109	\$ 31,228,526	\$ 15,821,584	\$ 44,759,051	\$ 911,030

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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
<i>General Obligations Bonds of 2013</i> - \$2,145,000 dated June 2013, principal payable in various annual installments through 2020, interest payable semi-annually at a coupon rate of 2.7%. The principal was used to refund \$790,000 and \$1,105,000 of outstanding 2004 and 2008B, Series Bonds respectively.	2,145,000
<i>General Obligations Bonds of 2012</i> - \$48,465,000 dated September 2012, principal payable in various annual installments through 2043, interest payable semi-annually at coupon rates from 2% 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.	48,465,000
<i>General Obligation Bonds of 2011A (tax exempt bonds)</i> - \$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.	17,630,000
<i>General Obligation Bonds of 2011C (tax exempt bonds)</i> - \$7,500,000 dated June 2011 with principal payable in one payment due April 2016. Interest is payable semi-annually at a fixed rate of 4% over the life of the bond. The bonds are being used to finance the literary programs. The bonds were issued at a premium of \$702,150, which is being amortized over the life of the bonds.	7,500,000

County of Isle of Wight, Virginia

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<p>General Obligation Bonds of 2011VPSA (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.</p>	7,500,000
<p>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 2.00% 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.</p>	11,270,000
<p>General Obligation Bonds of 2010A (tax exempt bonds) - \$985,000 dated April 2010 with principal payable in various annual installments through 2016. Interest is payable semi-annually at a rate that varies from 3.00% to 3.25% over the life of the bond. The bonds were used to refund the balance of all the County's outstanding general obligation series 1996. The bonds were issued at a premium of \$36,522, which is being amortized over the life of the bonds.</p>	985,000
<p>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.</p>	13,530,000
<p>General Obligation Bonds of 2008B - \$25,000,000 dated December 2008, principal is payable in various annual installments through 2032. Interest payable semi-annually at a rate that varies from 4% to 6% over the life of the bond. The bonds were used to finance continuation of public utility improvements begun under the Series 2008A bond, various economic development projects, a new County courts building, and other public safety and fire/rescue construction and renovation projects.</p>	23,450,000

County of Isle of Wight, Virginia

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June 30, 2013

General Obligation Bonds of 2005 - \$13,880,000 dated August 2005, principal payable in various annual installments through 2022, interest payable semi-annually at coupon rates from 3% to 5%. The proceeds were used to advance refund a portion of the outstanding balance of the 1995 and 1997 Series Bonds. The bonds were issued at a \$316,290 premium, which is being amortized over the life of the bonds. The repayment of the bonds is allocated between governmental and business-type activities. 9,485,000

General Obligation Bonds of 2004 - \$27,870,000 dated May 2004, principal payable in various annual installments through 2024, interest payable semi-annually at coupon rates from 3% to 5% per annum. Of this bond issue, \$23,700,000 was used to finance construction of a school building. The remaining portion was used to advance refund the outstanding balance of a 1995 Series Bonds. The bonds were issued at a \$332,520 premium, which is being amortized over the life of the bonds. 965,000

Total General Obligation Bonds Outstanding \$ 142,925,000

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
2014	\$ 2,151,957	\$ 4,027,511	\$ 893,043	\$ 2,060,146	\$ 3,045,000	\$ 6,087,657
2015	3,743,409	3,767,060	1,161,591	1,707,769	4,905,000	5,474,829
2016	12,562,807	3,640,062	1,587,193	1,659,905	14,150,000	5,299,966
2017	6,141,561	3,173,422	1,648,439	1,595,734	7,790,000	4,769,156
2018	6,330,788	2,955,897	1,709,212	1,546,097	8,040,000	4,501,994
2019-2023	32,826,669	11,213,852	8,928,331	6,770,218	41,755,000	17,984,070
2024-2028	23,230,115	5,958,359	5,559,885	5,312,656	28,790,000	11,271,015
2029-2033	14,945,744	1,671,454	5,629,256	4,111,979	20,575,000	5,783,433
2034-2038	-	-	5,915,000	2,758,875	5,915,000	2,758,875
2039-2043	-	-	7,595,000	1,078,875	7,595,000	1,078,875
2044	-	-	365,000	9,125	365,000	9,125
Total	\$ 101,933,050	\$ 36,407,617	\$ 40,991,950	\$ 28,611,378	\$ 142,925,000	\$ 65,018,995

County of Isle of Wight, Virginia

Notes to Financial Statements

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B. Refunded Debt

Series 2012 (Partial Current Refunding, Partial Advance Refunding)

On September 27, 2012, the County issued \$48,465,000 of General Obligation Public Improvement and Refunding Bonds, Series 2012. The refunding component of the bonds were used to a) advance refund the 2014-2023 maturities of the County's Series 2003 bonds, with a total principal amount of \$5,210,000 on February 1, 2013, b) advance refund the 2015-2024 maturities of the County's 2004 bonds, with a total principal amount of \$14,325,000 on July 1, 2014, c) refund the County's 2010B note, with a total principal amount of \$7,685,000 on October 27, 2012, and d) advance refund the County's 2011B note, with a total principal amount of \$6,460,000 on April 1, 2013.

The refunding net proceeds were used to purchase United States Treasury Securities – State and Local Government Series. Those securities and cash were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds and notes. As a result, the refundable bonds and notes are considered to be defeased and the related liability for the bonds and notes has been removed from the County's liabilities. The refunding of the bonds was done in order to more closely match the term of the debt with the life of the asset financed and to achieve debt service savings. The transaction resulted in the difference between the present value of the debt service on the old and the new bonds of approximately \$716,000 and \$1,584,000 for the Series 2003 and 2004 bonds, respectively.

Series 2013A (Partial Current Refunding, Partial Advance Refunding)

On June 27, 2013, the County issued \$2,145,000 of General Obligation Refunding Bonds, Series 2013A, with an interest rate of 2.07% and annual maturities from July 2018 through July 2020. The net proceeds were used to a) refund the 2013 maturity of the County's Series 2008B bonds, with principal amount \$790,000 and an interest rate of 4.00%, and b) advance refund the 2014 maturity of the County's 2004 bonds, with a total principal amount of \$1,105,000 and an interest rate of 5.00%.

A portion of the net proceeds were used as a cash deposit to refund the 2013 maturity of the Series 2008B bonds. The remainder of the net proceeds was used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refundable bonds are considered to be defeased and the related liability for the bonds has been removed from the County's liabilities. The refunding was done in order to more closely match the term of the debt with the life of the asset financed.

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, 2013, the County had \$15,430,000 in outstanding prior year bonds that are considered defeased.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

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 these 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, 2013.

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, 2013, 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
2014	\$ -	\$ 209,836
2015	-	209,836
2016	-	209,836
2017	-	209,836
2018	-	209,836
2019-2023	-	1,049,180
2024-2028	-	1,049,180
2029-2033	-	1,049,180
2034-2038	-	1,049,180
2039	4,326,512	314,753
	<u>\$ 4,326,512</u>	<u>\$ 5,560,653</u>

County of Isle of Wight, Virginia

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June 30, 2013

D. Literary Loans

Literary loans consist of loans from the State Literary Loan Fund for the construction and improvement of various schools. Payment will be made in annual installments plus interest of 3%.

The following is a summary of the repayment schedules:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 250,000	\$ 52,500
2015	250,000	45,000
2016	250,000	37,500
2017	250,000	30,000
2018	250,000	22,500
2019-2020	500,000	22,500
	<u>\$ 1,750,000</u>	<u>\$ 210,000</u>

E. Notes Payable

The note payable of the IDA is the note to the General Fund used to finance the construction of the office building leased by the IDA to International Paper. This note is payable in annual installments plus interest at 7% per annum.

The following is a summary of the repayment schedules:

Fiscal Year Ending June 30,	Principal	Interest
2014	\$ 30,712	\$ 7,066
2015	32,818	4,960
2016	35,068	2,710
2017	21,560	480
	<u>\$ 120,158</u>	<u>\$ 15,216</u>

F. Notes Payable – Public Utilities

The County in 2012 purchased a water transmission easement for \$90,000 of which \$60,000 of the amount was financed by the owner over five years at zero interest. The note matures in 2017.

County of Isle of Wight, Virginia

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June 30, 2013

The following is a summary of the repayment schedules:

Fiscal Year Ending June 30,	Principal		Interest	
2014	\$	12,000		-
2015		12,000		-
2016		12,000		-
2017		12,000		-
	\$	48,000	\$	-

9. Defined Pension Benefit Obligation

A. Plan Description

The County and School Board contribute to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan administered by the VRS. School Board nonprofessional employees participate as a separate group in the agent multiple-employer defined benefit pension plan. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

County of Isle of Wight, Virginia

Notes to Financial Statements

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The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70 %. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 3%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their compensation toward their retirement. All or part of the 5% member contribution may be 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. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by *Code of Virginia* and approved by the VRS Board of Trustees. The County and School Board (non professional employees) contribution rates for the fiscal year ended June 30, 2013, were 11.28% and 11.43%, respectively, of the annual covered payroll.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

C. Annual Pension Cost

For the fiscal year ended June 30, 2013, the County and School Board's annual pension costs of \$1,848,162 and \$283,685 respectively, were equal to the County and School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate of return, (b) projected salary increases of 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement, firefighters, and sheriffs, and (c) 2.50% per year cost-of-living adjustment. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis within a period of 30 years or less.

D. Schedules of Employer Contributions

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
County Employees			
2013	\$ 1,848,162	100%	-
2012	\$ 1,470,448	100%	-
2011	\$ 1,494,839	100%	-
School Board Nonprofessional Employees			
2013	\$ 238,685	100%	-
2012	\$ 289,096	100%	-
2011	\$ 276,687	100%	-

E. Schedule of Funding Progress

Actuarial value date June 30, 2011	Actuarial value of assets	Actuarial liability (AAL) project unit credit	Unfunded actuarial liability (UAAL)	Funding Ratio	Covered Payroll	UAAL as a percentage of covered payroll
County	\$ 26,642,546	\$ 35,003,441	\$ 8,360,895	76.11%	\$ 11,091,624	75.38%
Component Unit - School Board	\$ 4,381,849	\$ 5,533,659	\$ 1,151,810	79.19%	\$ 2,017,030	57.10%

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

F. School Board Cost Sharing Defined Benefit Plan

School Board professional employees participate in a multiple-employer defined benefit pension plan administered by the VRS cost-sharing pool.

School Board's contributions to VRS for the year ended June 30, 2013, 2012 and 2011 were \$3,721,221, \$3,505,082, \$2,791,144, respectively, and were equal to the required contribution for each year. The School Board's contribution rate applicable to professional employees for the fiscal year ended June 30, 2013 was 12.14% percent of the annual covered payroll.

10. Other Post Employment Benefit (OPEB) Plans

A. Plan Provisions

In addition to providing the pension benefits described in Note 10, the County and School Board provide postemployment health care (OPEB) for qualifying retired employees, who are not yet eligible for Medicare, through a single-employer defined benefit plan. The benefits 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 5 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.

June 30, 2013

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 23. 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 obligation is based on contributions to the benefit plan on a pay-as-you-go cost basis. The County of 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 plan is unfunded.

D. Annual OPEB Costs and Net OPEB Obligations

The County's annual OPEB cost (expense) is calculated based on the 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 annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

County of Isle of Wight, Virginia

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Governmental Activities

Annual required contribution (ARC)	\$ 224,032
Interest on net OPEB obligations	21,951
Adjustment to annual required contribution	<u>(22,732)</u>
Annual OPEB Cost	223,251
Pay-As-You-Go Annual Employer Contributions	<u>(31,736)</u>
Increase in Net OPEB Obligations	191,515
Net OPEB Obligations - beginning of year	<u>548,766</u>
Net OPEB Obligations - end of year	\$ 740,281

Business-Type Activities

Annual required contribution	\$ 8,403
Interest on net OPEB obligations	905
Adjustment to annual required contributions	<u>(937)</u>
Annual OPEB Cost	8,371
Pay-As-You-Go Annual Employer Contributions	<u>(647)</u>
Increase in Net OPEB Obligations	7,724
Net OPEB Obligations - beginning of year	<u>22,632</u>
Net OPEB Obligations - end of year	\$ 30,356

Component Unit - School Board

Annual required contribution	\$ 789,494
Interest on net OPEB obligation	99,874
Adjustment to annual required contribution	<u>(103,429)</u>
Annual OPEB Cost	785,939
Pay-As-You-Go Annual Employer Contribution	<u>(267,803)</u>
Increase in Net OPEB Obligations	518,136
Net OPEB Obligation - beginning of year	<u>2,496,859</u>
Net OPEB Obligations - end of year	\$ 3,014,995

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:

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Fiscal Year Ended June 30,	Annual OPEB Cost	Percent Contributed	Net OPEB Obligation
Governmental Activities			
2013	\$ 223,251	14.2%	\$ 740,281
2012	197,972	17.6%	548,766
2011	185,273	12.8%	385,736
Business-Type Activities			
2013	\$ 8,371	7.7%	\$ 30,356
2012	8,692	8.4%	22,632
2011	7,762	14.2%	14,671
Component Unit - School Board			
2013	\$ 785,939	34.1%	\$ 3,014,859
2012	945,624	39.4%	2,496,859
2011	872,172	30.7%	1,923,763

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 plan. 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 plan's 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 plan are also included.

Actuarial Assumptions

In the July 1, 2012 actuarial valuation, 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 and amortization of the initial unfunded actuarial liability over 30 years based on a level percent of payroll method. The actuarial accrued liability was \$1,383,668 and \$6,495,473 for the County and the School Board, respectively. Future increases for the cost of medical benefits were assumed to range from 5.0% to 9.0% with the larger increases in the early years and gradually decreasing to 5.0% in 2016 and beyond.

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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 plan 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 plan 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. Schedule of Funding Progress

Actuarial valuation date July 1, 2012	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
Governmental activities	\$ -	1,339,143	1,339,143	-	N/A	N/A
Business-type activities	\$ -	44,525	44,525	-	N/A	N/A
Component Unit - School Board	\$ -	6,495,473	6,495,473	-	N/A	N/A

June 30, 2013

11. 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 estimated future total cost of the post-closure monitoring and maintenance is \$1,777,352 based on the expected cost for all equipment, facilities and services required to monitor and maintain the landfill post-closure. This represents an increase over the 2012 estimated liability due to increased costs of state permits, increased laboratory fees, the addition of a Post-Closure consulting contract and the need to contract for repairs to the landfill cap. During the fiscal year ended June 30, 2013, the County expended \$150,807 in post-closure costs. The current costs of landfill closure and post closure cure is an estimate subject to changes resulting from inflation, technology or change in applicable laws or regulations.

B. Underground Storage Tank

In January 2001, petroleum contamination was encountered on the western edge of the County's complex, which was traced to a leaking 1,000 gallon underground storage tank containing heating oil. The tank was subsequently closed and an investigation was conducted to determine the extent of contamination. Although contamination appeared to be confined to the immediate vicinity, two 4-inch recovery wells and ten 2-inch monitoring wells were installed on the site. On July 2, 2003, the Department of Environmental Quality (DEQ) approved a Corrective Action Plan (CAP) calling for removal of free product by Fluid Vapor Recovery and passive skimmers and periodic sampling of groundwater and tap water. The endpoint for this CAP is a free product thickness of less than 0.01 feet in all wells maintained for six consecutive months. The County must continue to recover free product on a monthly basis and submit CAP Implementation reports on a quarterly basis until this endpoint is met. The DEQ has contracted directly with an outside contractor to continue the monitoring in accordance with the CAP.

June 30, 2013

C. 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 boiler and machinery coverage with limits of \$9,000,000 and \$10,000,000, respectively.

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 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 fiscal years 2013 and 2012 were:

	<u>2013</u>	<u>2012</u>
Claims liabilities, beginning of year	\$ 710,061	\$ 861,583
Current year claims	5,047,714	4,294,622
Change in prior year claims	911,144	891,143
Claim payments	(5,150,215)	(4,963,514)
Legal, Administrative and other expenses	<u>(729,025)</u>	<u>(373,773)</u>
Claims liabilities, end of year	<u>\$ 789,679</u>	<u>\$ 710,061</u>
Claims liabilities, due in one year	<u>\$ 678,374</u>	<u>\$ 615,841</u>

June 30, 2013

D. 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.

During the year, the County was involved in legal matters that were settled prior to the release of the financial statements. Those matters were settled for immaterial amounts; therefore, the amounts were not accrued in the accompanying financial statements.

12. Jointly Governed Organizations

The County, in conjunction with other localities, created the Western Tidewater Water Authority (Authority), the Western Tidewater Regional Jail Authority (Jail), the Blackwater Regional Library (Library) and the Western Tidewater Community Services Board (WTCSB). The governing bodies of these organizations are appointed by the governing bodies of the participating jurisdictions. During the fiscal year ended June 30, 2013, the County contributed \$160,272 to the operations of the WTCSB \$522,464 to the Library and \$634,713 to the Jail.

In September 2009, the County amended its agreement with the 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. The Authority passed through billings of \$2,321,957 to the County for the fixed charges during fiscal year 2013. Additionally, in fiscal year 2013, the County contributed approximately \$547,821 to the Authority for its share of capital costs incurred by the Authority.

13. 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, 2013, the payments made to the City were \$238,835.

County of Isle of Wight, Virginia

Notes to Financial Statements

June 30, 2013

14. Fund Balances

The County has the following fund balance classifications at June 30, 2013:

	General	Capital Projects	Other Governmental	Total
Nonspendable				
Inventory	\$ -	\$ -	\$ 40,595	\$ 40,595
Notes receivable	89,446	-	-	89,446
Restricted for:				
Environmental protection	29,650	-	-	29,650
Capital projects	-	24,422,967	-	24,422,967
Community development	-	-	140,680	140,680
Public safety	-	-	4,387	4,387
Assigned to:				
Capital projects	-	4,954,270	-	4,954,270
Parks and recreation	-	-	66,207	66,207
Subsequent year's expenditures	255,878	-	-	255,878
Unassigned	16,393,908	-	-	16,393,908
	<u>\$ 16,768,882</u>	<u>\$ 29,377,237</u>	<u>\$ 251,869</u>	<u>\$ 46,397,988</u>

15. Restatement of Prior Year Net Position

Implementation of and GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* (GASB 65) required the County to reclassify deferred gain/loss on refunding, which were previously netted against long-term debt, as deferred outflows or inflows on the face of the financial statements. It also required recognition of cost of issuance of bonds as an expense; therefore the adoption of this statement resulted in an increase to the cost of issuance expense and a decrease to the unamortized bond issuance costs (previously reported as deferred charges in the financial statements) for the fiscal year ended June 30, 2012. The restatement of prior year net position for the fiscal year ended June 30, 2012 decreased both the deferred charges and net position by \$950,949 and \$162,821 for the Governmental Activities and Business-Type Activities respectively. As a result, net position as of July 1, 2012 has been adjusted accordingly:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Balance previously reported ,June 30, 2012	\$31,755,151	\$(6,131,689)
Adjustment of implementation of GASB 65-Bond issuance costs	<u>(950,949)</u>	<u>(162,821)</u>
Balance Restated, June 30, 2012	<u>\$30,804,202</u>	<u>\$6,294,510</u>

Required Supplementary Information

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County of Isle of Wight, Virginia

Required Supplementary Information
Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Government				
General fund:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 28,313,000	\$ 28,313,000	\$ 26,353,484	\$ (1,959,516)
Real and personal public service corporation property	850,610	850,610	947,041	96,431
Personal property	8,900,000	8,900,000	6,513,731	(2,386,269)
Boat	260,000	260,000	267,014	7,014
Mobile home	160,000	160,000	130,046	(29,954)
Machinery and tools	900,000	900,000	817,480	(82,520)
Equipment	1,523,929	1,523,929	1,613,175	89,246
Penalties	225,000	225,000	344,110	119,110
Interest and other costs	130,000	130,000	172,564	42,564
Total general property taxes	41,262,539	41,262,539	37,158,645	(4,103,894)
Other local taxes:				
Local sales and use	2,748,000	2,748,000	2,134,545	(613,455)
Consumer's utility	839,000	839,000	899,430	60,430
Consumption	79,000	79,000	101,205	22,205
Business license	405,000	405,000	480,289	75,289
Motor vehicle licenses	668,000	668,000	633,856	(34,144)
Penalties	-	-	7,442	7,442
Interest	-	-	2,779	2,779
Recordation and wills	530,000	530,000	522,256	(7,744)
Lodging	21,000	21,000	20,690	(310)
Meals tax	334,000	334,000	321,093	(12,907)
Communications sales and use	1,243,000	1,243,000	1,363,442	120,442
Bank franchise tax	5,000	5,000	7,819	2,819
Charter Franchise	-	-	10,497	10,497
Total other local taxes	6,872,000	6,872,000	6,505,343	(366,657)
Permits, fees and licenses:				
Animal licenses	20,000	20,000	27,774	7,774
Transfer fees	500	500	964	464
Inspection Technology fees	-	-	13,058	13,058
Zoning and subdivision fees	30,000	30,000	47,990	17,990
Building permits	200,000	200,000	287,815	87,815
Inspection fees	10,000	10,000	26,635	16,635
Concealed weapon permits	5,000	5,000	29,809	24,809
Cash proffers	10,000	10,000	-	(10,000)
Total permits, fees and licenses	275,500	275,500	434,045	158,545
Fines and forfeitures	61,000	61,000	105,191	44,191
Total fines and forfeitures	61,000	61,000	105,191	44,191
Revenues from use of money and property:				
Revenues from use of money	18,000	18,000	(195,616)	(213,616)
Revenues from use of property	35,000	35,000	1,034,430	999,430
Total revenues from use of money and property	53,000	53,000	838,814	785,814
Miscellaneous:				
Miscellaneous	-	-	-	-
Gifts and donations	-	2,151	802	(1,349)
Farmers market	-	4,365	30,195	25,830
Total miscellaneous	-	6,516	30,997	24,481

Continued

County of Isle of Wight, Virginia

Required Supplementary Information
Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Charges for services:				
Charges for Commonwealth's Attorney	7,000	7,000	9,907	2,907
Charges for parks and recreation	258,284	258,284	228,519	(29,765)
Charges for building construction court fee	31,000	31,000	40,481	9,481
Charges for law enforcement and other protection	52,605	52,605	85,428	32,823
Charges for emergency medical services	550,000	550,000	1,011,682	461,682
Charges for maps	500	500	758	258
Recovered costs:				
Indirect cost allocation	70,000	70,000	70,937	937
Insurance Reimbursement	-	-	131,518	131,518
Other	2,960,319	2,963,188	998,045	(1,965,143)
Total charges for services	3,929,708	3,932,577	2,577,275	(1,355,302)
Other financing sources:				
Interfund transfers	-	-	1,350,000	1,350,000
Proceeds from refunding bond issuance	-	-	2,032,944	2,032,944
Total other financing sources	-	-	3,382,944	3,382,944
Total revenues from local sources	52,453,747	52,463,132	51,033,254	(1,429,878)
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	(14,000)	(14,000)	93,177	107,177
Total noncategorical aid	5,101,890	5,101,890	5,209,067	107,177
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	348,704	348,704	348,593	(111)
Sheriff	1,145,838	1,145,838	1,163,412	17,574
Commissioner of the Revenue	121,902	121,902	123,924	2,022
Treasurer	109,095	109,095	109,451	356
Registrar/electoral board	47,647	47,647	50,117	2,470
Clerk of the Circuit Court	261,229	261,229	285,829	24,600
Total shared expenses	2,034,415	2,034,415	2,081,326	46,911
Other categorical aid:				
Acq/Demolition Grant	-	149,615	136,506	(13,109)
Bicycle/ pedestrian trail	-	250,833	34,401	(216,432)
Fire program funds	46,500	46,500	70,033	23,533
Four for life	28,500	28,500	37,667	9,167
Litter control	-	11,137	11,137	-
OEMS Consolidated grants program	-	19,943	22,557	2,614
Port security grant	-	167,799	167,875	76
Victim witness	15,540	63,832	48,132	(15,700)
Governor's Develop. Opportunity Fund	-	550,000	550,000	-
Other	-	91,622	12,657	(78,965)
Total other categorical aid	90,540	1,379,781	1,090,965	(288,816)
Total categorical aid	2,124,955	3,414,196	3,172,291	(241,905)
Total revenues from the Commonwealth	7,226,845	8,516,086	8,381,358	(134,728)

Continued

County of Isle of Wight, Virginia

Required Supplementary Information
Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from the federal government				
Home Program	-	-	123,407	123,407
BPV	-	24,176	-	(24,176)
DMV Selective Enforcement	-	39,500	22,886	
V-STOP	7,699	44,004	19,077	(24,927)
DCR Stormwater Management	-	25,000	-	(25,000)
VDEM Acq/Demo Grant	-	52,365	-	(52,365)
Interest Subsidy	-	-	257,127	257,127
Total revenues from the federal government	7,699	185,045	422,497	254,066
Total General Fund revenues and other financing sources	59,688,291	61,164,263	59,837,109	(1,310,540)
General government administration				
Legislative:				
Board of Supervisors	344,690	346,690	341,573	5,117
General and financial administration:				
Budget and finance	681,542	685,542	653,911	31,631
Commissioner of the Revenue	606,953	606,953	603,398	3,555
Communications	94,987	95,338	93,673	1,665
County Administrator	537,549	537,549	526,556	10,993
County Attorney	473,947	473,947	332,494	141,453
Human resources	227,875	273,461	261,194	12,267
Information technology/GIS	845,713	966,024	904,320	61,704
Insurance	479,000	479,000	332,409	146,591
Real estate assessment	33,559	33,559	15,996	17,563
Treasurer	596,243	596,243	572,005	24,238
Total general and financial administration	4,577,368	4,747,616	4,295,956	451,660
Board of Elections:				
Registrar/electoral board and officials	236,667	247,279	231,651	15,628
Total Board of Elections	236,667	247,279	231,651	15,628
Total general government administration	5,158,725	5,341,585	4,869,180	472,405
Judicial administration:				
Courts:				
Circuit Court	76,305	76,305	66,011	10,294
General District Court	5,025	6,410	5,195	1,215
Fifth District Court services unit	155,560	155,560	178,245	(22,685)
Juvenile and Domestic Relations District Court	8,140	8,140	6,375	1,765
Clerk of the Circuit Court	429,353	429,353	416,579	12,774
Total courts	674,383	675,768	672,405	3,363
Commonwealth's Attorney				-
Total Commonwealth's Attorney	518,487	526,821	526,593	228
Total judicial administration	1,192,870	1,202,589	1,198,998	3,591

Continued

County of Isle of Wight, Virginia

Required Supplementary Information
Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public safety:				
Law enforcement and traffic control:				
Sheriff	3,708,767	3,863,090	3,869,975	(6,885)
Total law enforcement and traffic control	3,708,767	3,863,090	3,869,975	(6,885)
Fire and rescue services:				
Emergency services	1,841,679	1,936,829	1,943,687	(6,858)
Station services	77,500	77,500	32,162	45,338
EMS Ambulance Billing	-	21,850	15,572	6,278
Volunteer fire department	576,868	586,868	586,868	-
Ambulance and rescue service	561,865	597,865	597,862	3
Total fire and rescue services	3,057,912	3,220,912	3,176,151	44,761
Inspections - building	480,495	487,170	484,173	2,997
Total inspections - building	487,170	487,170	484,173	2,997
Other protection:				
Animal control	312,220	315,938	304,379	11,559
DMV selective enforcement	-	39,500	23,698	15,802
Hazard Mitigation Grant (601 Quail St.)	-	149,615	134,831	14,784
Fifth district community corrections program	10,491	10,491	10,491	-
Fire prevention	42,300	42,300	70,033	(27,733)
Four for life	34,550	34,550	37,667	(3,117)
Byrne JAG	-	2,481	2,481	-
OEMS consolidated grants program	-	19,943	22,549	(2,606)
Port security grant	-	167,799	167,875	(76)
BPV Partnership	-	27,871	-	27,871
Western Tidewater Regional Jail	647,123	647,123	647,123	-
Other	-	40,000	33,331	6,669
Total other protection	1,046,684	1,497,611	1,454,458	43,153
Total public safety	8,300,533	9,068,783	8,984,757	84,026
General services:				
General administration (Pub Wks)	256,601	252,259	240,392	11,867
Engineering division	578,389	616,656	544,784	71,872
Total administration	834,990	868,915	785,176	83,739
General services:				
Maintenance of highways, streets, bridges and sidewalks:				
Roadway beautification	3,100	4,933	1,974	2,959
Total maintenance of highways, streets, bridges and sidewalks	3,100	4,933	1,974	2,959
Sanitation and waste removal:				
Refuse collection	869,261	924,078	921,590	2,488
Refuse disposal	2,340,972	2,304,997	2,281,979	23,018
Total sanitation and waste removal	3,210,233	3,229,075	3,203,569	25,506
Maintenance of general buildings and grounds:				
General properties (Bldg&Grds)	1,525,080	1,612,899	1,509,283	103,616
Transportation/maintenance	41,000	41,000	28,133	12,867
Litter control	-	11,137	11,137	-
Generator maintenance	374,928	374,928	376,544	(1,616)
Other	-	77,476	13,950	63,526
Total maintenance of general buildings and grounds	1,941,008	2,117,440	1,939,047	178,393
Total general services	5,989,331	6,220,363	5,929,766	290,597

Continued

County of Isle of Wight, Virginia

Required Supplementary Information
Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Health and welfare:				
Commission on Aging	1,700	1,700	1,700	-
Community Health in Progress	1,886	1,886	1,886	-
Court Appointed Special Advocate	34,723	34,723	34,723	-
DMV Animal Plates	-	585	596	(11)
Early Childhood Council	31,250	31,250	31,250	-
Genieve Shelter	8,000	8,000	8,000	-
Endeppence Center of Tidewater	5,000	5,000	5,000	-
IOW Christian Outreach	6,000	6,000	6,000	-
Isle of Wight Triad	2,780	2,780	50	2,730
Obici Share Road Signage	-	6,743	2,509	4,234
Obici/Luter Obesity Reduction Program	-	21,483	-	21,483
Senior Services of Southeastern Hampton Roads	33,139	33,139	33,139	-
Suffolk Homeless Shelter	8,000	8,000	8,000	-
Juvenile Accountability	36,708	36,708	11,095	25,613
Western Tidewater Health District	522,464	522,464	522,464	-
Victim witness	15,540	63,832	63,763	69
V-STOP	7,699	44,004	25,435	18,569
Western Tidewater Community Service Board	160,272	160,272	160,272	-
Western Tidewater Free Clinic	5,000	5,000	5,000	-
Total health and welfare	880,161	993,569	920,882	72,687
Education:				
Local contribution	27,393,445	29,840,631	25,679,304	4,161,327
Total education	27,393,445	29,840,631	25,679,304	4,161,327
Parks, recreation and cultural:				
Parks and recreation	1,296,644	1,295,420	1,236,300	59,120
Skating rink	40,300	40,300	31,990	8,310
Virginia Port Authority	-	44,000	-	44,000
Bicycle/ pedestrian trail	-	364,838	44,324	320,514
Parks and recreation programs	235,681	236,128	165,490	70,638
Total parks and recreation	1,572,625	1,980,686	1,478,104	502,582
Historic Resources Division	222,725	227,744	212,658	15,086
Cultural Arts Organizations	5,000	10,000	10,000	-
Total cultural enrichment	227,725	237,744	222,658	15,086
Library:				
Community College	6,175	6,175	6,175	-
Library administration	634,713	634,713	634,713	-
Rawl's Museum	1,000	1,000	1,000	-
Total library	641,888	641,888	641,888	-
Total parks, recreation and cultural	2,442,238	2,860,318	2,342,650	517,668
Community development:				
Planning:				
Planning & Zoning	770,889	776,809	745,225	31,584
Economic development	518,744	520,594	508,154	12,440
Tourism	388,063	388,063	381,265	6,798
Chamber of Commerce	16,000	16,000	16,000	-
Purchase of agriculture development rights	-	521,904	218,336	303,568
Governor's Develop Opportunity Grant	-	550,000	550,000	-
Other - Planning	-	7,027	154,023	(146,996)
Annexation settlement payment	238,835	238,835	238,835	-
Other	325,122	269,466	102,655	166,811
Total planning	2,257,653	3,288,698	2,914,493	207,394

Continued

County of Isle of Wight, Virginia

Required Supplementary Information
Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Environmental management:	32,620	32,620	32,235	385
Total environmental management	32,620	32,620	32,235	385
Cooperative extension program	55,254	55,254	48,631	6,623
Other	-	1,875	1,071	804
Total cooperative extension program	55,254	57,129	49,702	7,427
Total community development	2,345,527	3,378,447	2,996,430	215,206
Debt service:				
Principal retirement	995,139	995,139	3,173,957	(2,178,818)
Payment to refunded debt escrow agent	-	-	1,889,297	(1,889,297)
Interest and other charges	1,574,288	1,574,288	4,592,524	(3,018,236)
Bond issuance costs	-	-	141,244	(141,244)
Total debt service	2,569,427	2,569,427	9,797,022	(7,227,595)
Other financing uses:				
Transfers to Capital Projects Fund	-	4,122,240	-	4,122,240
Transfers to Special Revenue Funds	1,955,537	1,955,537	1,777,894	177,643
Transfers to Public Utilities Fund	1,467,172	1,467,172	-	1,467,172
Total other financing uses	3,422,709	7,544,949	1,777,894	5,767,055
Total General Fund expenditures and other financing uses	59,694,966	69,020,661	64,496,883	4,356,967
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(6,675)	(7,856,398)	(4,659,774)	3,046,427
Fund balance- beginning of year	20,400,001	16,890,394	21,428,656	4,538,262
Fund balance- end of year	\$ 20,393,326	\$ 9,033,996	\$ 16,768,882	\$ 7,584,689

See accompanying independent auditors' report

County of Isle of Wight, Virginia

Notes to Required Supplementary Information

June 30, 2013

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, 2013 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 for Defined Benefit Pension Plans - VRS**

Year Ended June 30, 2013									
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			
County Employees									
6/30/2012	\$ 26,642,546	\$ 35,003,441	\$ 8,360,895	76.11%	\$ 11,091,624	75.38%			
6/30/2011	\$ 26,264,070	\$ 33,274,845	\$ 7,010,775	78.93%	\$ 10,509,123	66.71%			
6/30/2010	\$ 25,157,264	\$ 31,562,332	\$ 6,405,068	79.71%	\$ 10,302,172	62.17%			
School Board - Nonprofessional Employees									
6/30/2012	\$ 4,381,849	\$ 5,533,659	\$ 1,151,810	79.19%	\$ 2,017,030	57.10%			
6/30/2011	\$ 4,353,323	\$ 5,276,266	\$ 922,943	82.51%	\$ 2,050,158	45.02%			
6/30/2010	\$ 4,289,940	\$ 4,875,717	\$ 585,777	87.99%	\$ 2,055,678	28.50%			

(continued)

See accompanying independent auditors' report

County of Isle of Wight, Virginia

**Required Supplementary Information
Schedule of Funding Progress for Other Post Employment Benefit Plans - OPEB**

Year Ended June 30, 2013

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
County Employees						
7/1/2012	\$ -	\$ 1,383,668	\$ 1,383,668	-	N/A	N/A
7/1/2011	\$ -	\$ 1,487,111	\$ 1,487,111	-	N/A	N/A
7/1/2010	\$ -	\$ 1,318,675	\$ 1,318,675	-	N/A	N/A
School Board						
7/1/2012	\$ -	\$ 6,495,473	\$ 6,495,473	-	N/A	N/A
7/1/2011	\$ -	\$ 7,546,916	\$ 7,546,916	-	N/A	N/A
7/1/2010	\$ -	\$ 6,947,423	\$ 6,947,423	-	N/A	N/A

See accompanying independent auditors' report

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Other Supplementary Information

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County of Isle of Wight, Virginia

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Capital Projects Fund

Year Ended June 30, 2013

	Capital Projects			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Revenue from use of property	\$ -	\$ -	\$ 70,573	\$ 70,573
Permits, privilege fees and regulatory licenses	-	-	1,276,773	-
Miscellaneous	150,000	150,000	150,000	-
Intergovernmental:				
Commonwealth of Virginia	-	470,620	1,244,125	773,505
Federal	100,000	100,000	118,783	
Total revenues	250,000	720,620	2,860,254	2,741,471
Expenditures				
Capital outlay	4,800,000	19,906,616	9,489,014	10,417,602
Bond issuance costs	-	-	144,243	144,243
Total expenditures	4,800,000	19,906,616	9,633,257	10,561,845
Deficiency of revenues under expenditures	(4,800,000)	(19,906,616)	(6,773,003)	(10,491,272)
Other financing sources (uses)				
Operating transfers in	50,000	2,078,724	-	(2,078,724)
Operating transfers out	-	-	(1,350,000)	(1,350,000)
Bond proceeds	4,500,000	10,706,232	3,494,846	(7,211,386)
Proceeds form refunding bond issuance	-	-	20,516,889	-
Payments to refunded debt escrow agent	-	-	(20,583,812)	-
Total other financing sources (uses), net	4,550,000	12,784,956	2,077,923	(10,640,110)
Net change in fund balance	-	(6,401,040)	(4,695,080)	1,705,960
Fund balances - beginning of year	34,072,317	34,072,317	34,072,317	-
Fund balances - end of year	\$ 34,072,317	\$ 27,671,277	\$ 29,377,237	\$ 1,705,960

See accompanying independent auditors' report

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County of Isle of Wight, Virginia

June 30, 2013

Nonmajor Governmental Funds

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 ***Comprehensive 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 ***Asset Forfeiture Fund*** accounts for monies collected from the seizures of assets connected to the illegal distribution of narcotics according to [§ 19.2-386.22](#) of the *Code of Virginia* and governed by [§ 19.2-386.1-14](#) of the *Code of Virginia*. Revenues are derived from state and local funding.
- 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 ***Museum Fund*** accounts for revenues and expenditures related to the promotion and maintenance of the County museum. Revenues are derived from charges for services 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 ***Section 8 Fund*** accounts for revenues and expenditures to provide rental assistance and other services to assist first time home buyers. Revenues are derived from Federal funding.
- The ***Community Development Block Grant Fund*** accounts for revenues and expenditures related to management of the Federal rehabilitation loan program for individuals.

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County of Isle of Wight, Virginia
Combining Balance Sheets -
Nonmajor Governmental Funds

June 30, 2013

	DSS	Comprehensive Services		E-911 Fund	Community Development		Section 8	Asset Forfeiture		County Fair Fund	Museum Fund	Totals
		Fund	Fund		Block Grant	Fund		Fund				
Assets												
Cash and investments	\$ -	\$ -	\$ 14,092	\$ 42,735	\$ -	\$ 148,996	\$ 29,168	\$ 58,282	\$ 293,273			
Restricted cash	-	-	-	97,945	-	-	-	-	97,945			
Accounts receivable, net	71,420	-	-	-	-	-	9,875	-	81,295			
Due from other governments	-	85,311	41,705	-	7,718	-	-	-	134,734			
Inventory	-	-	-	-	-	-	-	40,595	40,595			
Total assets	71,420	85,311	55,797	140,680	7,718	148,996	39,043	98,877	647,842			
Liabilities and Fund Balances												
Accounts payable	-	39,125	52,144	-	136	-	2,218	-	93,623			
Accrued expenses	-	-	3,653	-	-	-	-	-	3,653			
Court Escrow	-	-	-	-	-	144,609	-	-	144,609			
Due to other funds	71,420	46,186	-	-	7,582	-	-	-	125,188			
Unearned revenues	-	-	-	-	-	-	28,900	-	28,900			
Total liabilities	71,420	85,311	55,797	-	7,718	144,609	31,118	-	395,973			
Fund balances												
Nonspendable - inventory	-	-	-	-	-	-	-	40,595	40,595			
Restricted	-	-	-	140,680	-	4,387	-	-	145,067			
Assigned	-	-	-	-	-	-	7,925	58,282	66,207			
Total fund balances	-	-	-	140,680	-	4,387	7,925	98,877	251,869			
Total liabilities and fund balances	\$ 71,420	\$ 85,311	\$ 55,797	\$ 140,680	\$ 7,718	\$ 148,996	\$ 39,043	\$ 98,877	\$ 647,842			

See accompanying independent auditors' report

County of Isle of Wight, Virginia

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds

	Year Ended June 30, 2013										Totals	
	DSS	Comprehensive Services Fund	E-911 Fund	Community Development Block Grant	Section 8	Asset Forfeitures Fund	County Fair Fund	Museum Fund				
Revenues												
Other local taxes	\$ -	\$ -	\$ 110,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,876
Charges for services	-	-	-	217	-	-	269,346	12,417	-	-	-	281,980
Miscellaneous	-	-	20,650	-	-	-	16,340	-	-	-	-	36,990
Intergovernmental:												
Commonwealth	692,834	317,696	84,109	-	-	3,284	-	-	-	-	-	1,097,923
Federal	1,254,426	-	-	-	106,135	-	-	-	-	-	-	1,360,561
Total revenues	1,947,260	317,696	215,635	217	106,135	3,284	285,686	12,417	-	-	-	2,888,330
Expenditures												
Public safety	-	-	986,125	-	-	2,738	-	-	-	-	-	988,863
Health and welfare	2,685,106	522,137	-	-	171,252	-	-	-	-	-	-	3,378,495
Parks, recreation and cultural	-	-	-	-	-	-	277,761	9,001	-	-	-	286,762
Community development	-	-	-	146,573	-	-	-	-	-	-	-	146,573
Total expenditures	2,685,106	522,137	986,125	146,573	171,252	2,738	277,761	9,001	-	-	-	4,800,693
Excess (deficiency) of revenues over (under) expenditures	(737,846)	(204,441)	(770,490)	(146,356)	(65,117)	546	7,925	3,416	-	-	-	(1,912,363)
Other financing sources												
Operating transfers in	737,846	204,441	770,490	-	65,117	-	-	-	-	-	-	1,777,894
Total other financing sources	737,846	204,441	770,490	-	65,117	-	-	-	-	-	-	1,777,894
Net change in fund balance	-	-	-	(146,356)	-	546	7,925	3,416	-	-	-	(134,469)
Fund balances - beginning of year	-	-	-	287,036	-	3,841	-	95,461	-	-	-	386,338
Fund balances - end of year	\$ -	\$ -	\$ -	\$ 140,680	\$ -	\$ 4,387	\$ 7,925	\$ 98,877	\$ -	\$ -	\$ -	\$ 251,869

See accompanying independent auditors' report

County of Isle of Wight, Virginia

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds

	DSS				Comprehensive Services Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Intergovernmental:								
Commonwealth	1,239,797	1,239,797	692,834	(546,963)	438,996	438,996	317,696	(121,300)
Federal	1,072,743	1,205,688	1,254,426	48,738	-	-	-	-
Total revenues	2,312,540	2,445,485	1,947,260	(498,225)	438,996	438,996	317,696	(121,300)
Expenditures								
Public safety	-	-	-	-	-	-	-	-
Health and welfare	3,082,101	3,215,046	2,685,106	529,940	676,737	676,737	522,137	154,600
Parks, recreation and cultural	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	3,082,101	3,215,046	2,685,106	529,940	676,737	676,737	522,137	154,600
Excess (deficiency) of revenues over (under) expenditures	(769,561)	(769,561)	(737,846)	31,715	(237,741)	(237,741)	(204,441)	33,300
Other financing sources								
Operating transfers in	769,561	769,561	737,846	(31,715)	237,741	237,741	204,441	(33,300)
Total other financing sources	769,561	769,561	737,846	(31,715)	237,741	237,741	204,441	(33,300)
Net change in fund balance	-	-	-	-	-	-	-	-
Fund balances - beginning of year	-	-	-	-	-	-	-	-
Fund balances - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Continued

County of Isle of Wight, Virginia

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds

	Section 8				Asset Forfeitures Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Intergovernmental:								
Commonwealth	-	-	-	-	-	-	3,284	3,284
Federal	110,752	110,752	106,135	(4,617)	-	-	-	-
Total revenues	110,752	110,752	106,135	(4,617)	-	-	3,284	3,284
Expenditures								
Public safety	-	-	-	-	-	3,606	2,738	868
Health and welfare	174,152	174,152	171,252	2,900	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	174,152	174,152	171,252	2,900	-	3,606	2,738	868
Excess (deficiency) of revenues over (under) expenditures	(63,400)	(63,400)	(65,117)	(1,717)	-	(3,606)	546	4,152
Other financing sources								
Operating transfers in	63,400	63,400	65,117	1,717	-	-	-	-
Total other financing sources	63,400	63,400	65,117	1,717	-	-	-	-
Net change in fund balance	-	-	-	-	-	(3,606)	546	4,152
Fund balances - beginning of year	-	-	-	-	-	3,606	3,841	235
Fund balances - end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,387	\$ 4,387

Continued

County of Isle of Wight, Virginia

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds

Year Ended June 30, 2013	E911 Fund				Community Development Block Grant			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ 138,000	\$ 138,000	\$ 110,876	\$ (27,124)	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Miscellaneous	56,105	56,105	20,650	(35,455)	-	-	217	217
Intergovernmental:								
Commonwealth	84,000	84,000	84,109	109	-	-	-	-
Federal	-	-	-	-	-	-	-	-
Total revenues	278,105	278,105	215,635	(62,470)	-	-	217	217
Expenditures								
Public safety	1,046,955	1,046,955	986,125	60,830	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-
Total expenditures	1,046,955	1,046,955	986,125	60,830	-	70,000	146,573	(76,573)
Excess (deficiency) of revenues over (under) expenditures	(768,850)	(768,850)	(770,490)	(1,640)	-	(70,000)	(146,356)	(76,356)
Other financing sources								
Operating transfers in	768,850	768,850	770,490	1,640	-	-	-	-
Total other financing sources	768,850	768,850	770,490	1,640	-	-	-	-
Net change in fund balance	-	-	-	-	-	(70,000)	(146,356)	(76,356)
Fund balances - beginning of year	-	-	-	-	287,036	287,036	287,036	-
Fund balances - end of year	\$ -	\$ -	\$ -	\$ -	\$ 287,036	\$ 217,036	\$ 140,680	\$ (76,356)

Continued

County of Isle of Wight, Virginia

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds

Year Ended June 30, 2013	County Fair Fund				Museum Fund				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	
Revenues									
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	238,848	238,848	269,346	30,498	9,000	9,000	12,417	3,417	3,417
Miscellaneous	32,500	32,500	16,340	(16,160)	-	-	-	-	-
Intergovernmental:									
Commonwealth	-	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-	-
Total revenues	271,348	271,348	285,686	14,338	9,000	9,000	12,417	3,417	3,417
Expenditures									
Public safety	-	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-
Parks, recreation and cultural	279,685	279,685	277,761	1,924	9,000	9,000	9,001	(1)	(1)
Community development	-	-	-	-	-	-	-	-	-
Total expenditures	279,685	279,685	277,761	1,924	9,000	9,000	9,001	(1)	(1)
Excess (deficiency) of revenues over expenditures	(8,337)	(8,337)	7,925	16,262	-	-	3,416	3,416	3,416
Other financing sources									
Operating transfers in	8,337	8,337	-	(8,337)	-	7,950	-	(7,950)	(7,950)
Total other financing sources	8,337	8,337	-	(8,337)	-	7,950	-	(7,950)	(7,950)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	-	-	7,925	7,925	-	7,950	3,416	(4,534)	(4,534)
Fund balances - beginning of year	-	-	-	-	95,461	95,461	95,461	-	-
Fund balances - end of year	\$ -	\$ -	\$ 7,925	\$ 7,925	\$ 95,461	\$ 103,411	\$ 98,877	\$ (4,534)	\$ (4,534)

Continued

County of Isle of Wight, Virginia

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Nonmajor Governmental Funds

Year Ended June 30, 2013

	Totals			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Other local taxes	\$ 138,000	\$ 138,000	\$ 110,876	\$ (27,124)
Charges for services	247,848	247,848	281,763	33,915
Miscellaneous	88,605	88,605	37,207	(51,398)
Intergovernmental:				
Commonwealth	1,762,793	1,762,793	1,097,923	(664,870)
Federal	1,183,495	1,316,440	1,360,561	44,121
Total revenues	3,420,741	3,553,686	2,888,330	(665,356)
Expenditures				
Public safety	1,046,955	1,050,561	988,863	61,698
Health and welfare	3,932,990	4,065,935	3,378,495	687,440
Parks, recreation and cultural	288,685	288,685	286,762	1,923
Community development	-	70,000	146,573	(76,573)
Total expenditures	5,268,630	5,475,181	4,800,693	674,488
Excess (deficiency) of revenues over expenditures	(1,847,889)	(1,921,495)	(1,912,363)	9,132
Other financing sources				
Operating transfers in	1,847,889	1,855,839	1,777,894	(77,945)
Total other financing sources	1,847,889	1,855,839	1,777,894	(77,945)
Excess (deficiency) of revenues and other financing sources over expenditures	-	(65,656)	(134,469)	(68,813)
Fund balances - beginning of year	382,497	386,103	386,338	235
Fund balances - end of year	\$ 382,497	\$ 320,447	\$ 251,869	\$ (68,578)

County of Isle of Wight, Virginia

Combining Balance Sheets - Governmental Funds - Component Unit - School Board

June 30, 2013

Assets	Governmental Funds			Totals
	School Operating Fund	School Textbook Fund	School Cafeteria Fund	
Cash and investments	\$ 4,822,243	\$ -	\$ 404,461	\$ 5,226,704
Accounts receivable - net of allowances for uncollectibles	65,211	-	10,483	75,694
Inventory	-	-	54,933	54,933
Due from primary government	413,075	-	-	413,075
Due from other funds	77,692	186,752	-	264,444
Due from other governmental units	1,470,905	-	50,778	1,521,683
Total assets	\$ 6,849,126	\$ 186,752	\$ 520,655	\$ 7,556,533
Liabilities				
Accounts payable	\$ 1,250,160	\$ -	\$ 25,019	\$ 1,275,179
Accrued liabilities	5,412,214	-	-	5,412,214
Due to other funds	186,752	-	77,692	264,444
Total liabilities	6,849,126	-	102,711	6,951,837
Fund Balance				
Fund balances:				
Nonspendable: Inventory	-	-	54,933	54,933
Restricted: Textbooks	-	186,752	-	186,752
Restricted: Food Service	-	-	363,011	363,011
Total fund balances	-	186,752	417,944	604,696
Total liabilities and fund balance	\$ 6,849,126	\$ 186,752	\$ 520,655	\$ 7,556,533

See accompanying independent auditors' report

*County of Isle of Wight, Virginia****Reconciliation of Balance Sheets - Component Unit - School Board
to the Statement of Net Position***

June 30, 2013

Total fund balances - School Board - governmental funds \$ 604,696Amounts 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 funds, net of
accumulated depreciation.

Non depreciable capital assets	1,619,726
Depreciable capital assets	61,393,844
Accumulated depreciation	(37,279,628)
Depreciable assets, net	<u>24,114,216</u>

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

Compensated absences	(472,440)
Net OPEB obligation	(3,014,995)

The internal service fund is used by management to charge the cost of
health benefits. The assets and liabilities of the internal service fund is
included in governmental activities in the Statement of Net Position(208,065)**Total net position- School Board - governmental activities** \$ 22,643,138*See accompanying independent auditors' report*

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, 2013

	Governmental Funds			Total
	School Operating Fund	School Textbook Fund	School Cafeteria Fund	
Revenues				
Revenues from use of money and property	\$ 41,385	\$ -	\$ 863	\$ 42,248
Charges for services	121,194	-	873,345	994,539
Miscellaneous	131,294	-	-	131,294
Recovered costs	21,766	-	-	21,766
Payment from the Primary Government	25,679,304	-	-	25,679,304
Intergovernmental:				
Commonwealth	25,813,810	186,752	31,608	26,032,170
Federal	2,581,111	-	1,044,910	3,626,021
Total revenues	\$ 54,389,864	\$ 186,752	\$ 1,950,726	\$ 56,527,342
Expenditures				
Current:				
Administration, attendance and health	2,385,928	-	-	2,385,928
Instructional services	41,953,846	-	-	41,953,846
Operations and maintenance	4,532,002	-	-	4,532,002
Pupil transportation	3,266,223	-	-	3,266,223
School food services	-	-	2,011,722	2,011,722
Technology	2,251,865	-	-	2,251,865
Total expenditures	54,389,864	-	2,011,722	56,401,586
Deficiency of revenues under expenditures	-	186,752	(60,996)	125,756
Fund equity - beginning of year	-	-	478,940	478,940
Fund equity - end of year	\$ -	\$ 186,752	\$ 417,944	\$ 604,696

See accompanying independent auditors' report

*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, 2013**

Net change in fund balances - School Board - governmental funds	\$ 125,756
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Amounts reported for governmental activities in the statement 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 capital outlays and transfers exceed depreciation expense.

Joint activity-transfer of capital assets	1,510,628
Capital outlay	710,765
Depreciation expense	(3,251,358)

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.

Decrease in compensated absences	111,103
Increase in net OPEB obligation	(518,136)

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

(911,276)

Change in net position of School Board - governmental activities	\$ (2,222,518)
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See accompanying independent auditors' report

County of Isle of Wight, Virginia

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

Year Ended June 30, 2013	School Operating Fund				School Cafeteria Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Revenues from use of money and property	\$ 50,000	\$ 50,000	\$ 41,385	\$ (8,615)	\$ 2,400	\$ 2,400	\$ 863	\$ (1,537)
Charges for services	84,800	84,800	121,194	36,394	995,151	995,151	873,345	(121,806)
Miscellaneous	14,800	14,800	131,294	116,494	-	-	-	-
Recovered costs	20,000	20,000	21,766	1,766	-	-	-	-
Revenue from the Primary Government	24,062,341	26,209,527	25,679,304	(530,223)	-	-	-	-
Intergovernmental								
Commonwealth	26,129,193	25,827,365	25,813,810	(13,555)	28,982	28,982	31,608	2,626
Federal	411,445	2,972,458	2,581,111	(391,347)	1,227,905	1,227,905	1,044,910	(182,995)
Total revenues	50,772,579	55,178,950	54,389,864	(789,086)	2,254,438	2,254,438	1,950,726	(303,712)
Expenditures								
Current								
Administration, attendance and health	\$ 2,387,329	\$ 2,445,069	2,385,928	59,141	-	-	-	-
Instructional services	39,800,035	42,482,017	41,953,846	528,171	-	-	-	-
Operations and maintenance	4,197,628	4,779,106	4,532,002	247,104	-	-	-	-
Pupil transportation	-	3,333,037	3,266,223	66,814	-	-	-	-
School food services	-	-	-	-	2,254,438	2,261,415	2,011,722	(249,693)
Facilities	3,037,017	-	-	-	-	-	-	-
Technology	1,350,570	2,264,257	2,251,865	12,392	-	-	-	-
Total expenditures	50,772,579	55,303,485	54,389,864	913,621	2,254,438	2,261,415	2,011,722	(249,693)
Net change in fund balance	-	(124,535)	-	124,535	-	(6,977)	(60,996)	(553,405)
Fund balances (accumulated deficit) - beginning of year	-	-	-	-	478,940	478,940	478,940	-
Fund balances - end of year	\$ -	\$ (124,535)	\$ -	\$ 124,535	\$ 478,940	\$ 471,963	\$ 417,944	\$ (553,405)

See accompanying independent auditors' report

County of Isle of Wight, Virginia

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

	Totals						Variance with Final Budget Positive (Negative)
	School Textbook Fund			Totals			
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenues							
Revenues from use of money and property	\$ -	\$ -	\$ -	\$ 52,400	\$ 52,400	\$ 42,248	\$ (10,152)
Charges for services	-	-	-	1,079,951	1,079,951	994,539	(85,412)
Miscellaneous	-	-	-	14,800	14,800	131,294	116,494
Recovered costs	-	-	-	20,000	20,000	21,766	1,766
Revenue from the Primary Government	-	-	-	24,062,341	26,209,527	25,679,304	(530,223)
Intergovernmental:							
Commonwealth	-	186,752	186,752	26,158,175	26,043,099	26,032,170	(10,929)
Federal	-	-	-	1,639,350	4,200,363	3,626,021	(574,342)
Total revenues	-	186,752	186,752	53,027,017	57,620,140	56,527,342	(1,092,798)
Expenditures							
Current							
Administration, attendance and health	-	-	-	2,387,329	2,445,069	2,385,928	59,141
Instructional services	-	-	-	39,800,035	42,482,017	41,953,846	528,171
Operations and maintenance	-	-	-	4,197,628	4,779,106	4,532,002	247,104
Pupil transportation	-	-	-	-	3,333,037	3,266,223	66,814
School food services	-	-	-	2,254,438	2,261,415	2,011,722	249,693
Facilities	-	-	-	3,037,017	-	-	-
Technology	-	-	-	1,350,570	2,264,257	2,251,865	12,392
Total expenditures	-	-	-	53,027,017	57,564,899	56,401,586	1,163,313
Net change in fund balance	-	186,752	186,752	-	55,241	125,756	70,515
Fund balances - beginning of year	-	-	-	478,940	478,940	478,940	-
Fund balances - end of year	\$ -	\$ 186,752	\$ 186,752	\$ 478,940	\$ 534,181	\$ 604,696	\$ 70,515

See accompanying independent auditors' report

*County of Isle of Wight, Virginia**Statement of Net Position - Proprietary Fund - Component Unit - School Board***June 30, 2013**

	Assets	<u>School Health Benefits Fund</u>
Current assets		
Cash and cash equivalents - restricted		\$ 581,614
	Liabilities	
Current liabilities		
Accounts payable		678,374
Unearned revenues		<u>111,305</u>
Total current liabilities		<u>789,679</u>
	Net Position	
Net position - unrestricted		<u>\$ (208,065)</u>

See accompanying independent auditors' report

*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, 2013	School Health Benefits Fund
Operating revenues	
Recovered costs	\$ 5,029,743
Operating expenses	
Healthcare benefits	5,941,773
Operating loss	(912,030)
Nonoperating revenue	
Revenue from use of money and property	754
Change in net position	(911,276)
Net position - beginning of year	703,211
Net position - end of year	\$ (208,065)

See accompanying independent auditors' report

*County of Isle of Wight, Virginia**Statement of Cash Flows - Proprietary Fund - Component Unit - School Board***Year Ended June 30, 2013**

	School Health Benefits Fund
Cash flows from operating activities	
Received from customers and users	\$ 5,046,960
Payments to suppliers for goods and services	(5,879,240)
Net cash used in operating activities	<u>(832,280)</u>
Cash flows used in non-capital and related financing activities	
Due to other Funds	(132)
Net used in non-capital and related financing activities	<u>(132)</u>
Cash flows from investing activities	
Interest received	754
Net cash provided by from investing activities	<u>754</u>
Change in cash and cash equivalents	(831,658)
Cash and cash equivalents - beginning of year	<u>1,413,272</u>
Cash and cash equivalents - end of year	<u>\$ 581,614</u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (912,030)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Change in:	
Accounts payable and accrued liabilities	62,533
Unearned revenue	17,217
Net cash used in operating activities	<u>\$ (832,280)</u>

See accompanying independent auditors' report

*County of Isle of Wight, Virginia**Combining Statements of Assets and Liabilities - Fiduciary Funds***Year Ended June 30, 2013**

	Special Welfare Funds	Student Activity Funds	Totals Agency Funds
Assets			
Cash and cash equivalents	\$ 51,993	\$ 323,484	\$ 375,477
Liabilities			
Amounts held for social services clients	51,993	-	51,993
Amounts held for others	-	323,484	323,484
Total liabilities	\$ 51,993	\$ 323,484	\$ 375,477

See accompanying independent auditors' report

*County of Isle of Wight, Virginia**Combining Statements of Changes in Assets and Liabilities - Fiduciary Funds***Year Ended June 30, 2013**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Special Welfare				
Assets				
Cash and cash equivalents	\$ 7,842	\$ 44,437	\$ 286	\$ 51,993
Liabilities				
Amounts held for social services clients	\$ 7,842	\$ 44,437	\$ 286	\$ 51,993
Student Activities				
Assets				
Cash and cash equivalents	\$ 312,692	\$ 1,623,141	\$ 1,612,349	\$ 323,484
Liabilities				
Amounts held for others	\$ 312,692	\$ 1,623,141	\$ 1,612,349	\$ 323,484

See accompanying independent auditors' report

*County of Isle of Wight, Virginia**Statements of Net Position- Component Unit - Industrial Development Authority***June 30, 2013**

Assets	
Current assets	
Cash and cash equivalents	\$ 151,752
Receivables, net	125,000
Total current assets	<u>276,752</u>
Noncurrent assets	
Capital lease receivable	136,360
Land held for resale	1,433,285
Capital assets:	
Nondepreciable	10,859,198
Depreciable	222,242
Total noncurrent assets	<u>12,651,085</u>
Total assets	<u>12,927,837</u>
Liabilities	
Current liabilities	
Accounts payable	705
Escrow payable	1,000
Advance from primary government	500,000
Note payable - current portion	30,712
Total current liabilities	<u>532,417</u>
Noncurrent liabilities	
Note payable - less current portion	89,446
Total liabilities	<u>621,863</u>
Net Position	
Net investment in capital assets	11,081,440
Unrestricted	1,224,534
Total net position	<u>\$ 12,305,974</u>

See accompanying independent auditors' report

*County of Isle of Wight, Virginia**Statements of Revenues, Expenses, and Changes in Fund Net Position
Component Unit - Industrial Development Authority***Year Ended June 30, 2013**

Operating revenues	
Charges for services	\$ 38,254
Operating expenses	
Operations	61,112
Compensation	4,200
Depreciation	10,163
Total operating expenses	<u>75,475</u>
Operating income	<u>(37,221)</u>
Nonoperating revenues (expenses)	
Property rental	17,028
Interest income	10,195
Interest expense	(9,036)
Accounts receivable write down	(192,340)
Total nonoperating revenues, net	<u>(174,153)</u>
Change in net position	(211,374)
Net position - beginning of year	<u>12,517,348</u>
Net position - end of year	<u>\$ 12,305,974</u>

See accompanying independent auditors' report

*County of Isle of Wight, Virginia**Statements of Cash Flows - Component Unit - Industrial Development Authority***Year Ended June 30, 2013**

Cash flows from operating activities	
Received from customers and users	\$ 38,254
Payments to suppliers for goods and services	(64,778)
Net cash provided by operating activities	(26,524)
Cash flows from capital and related financing activities	
Advances from primary government	500,000
Principal payments on notes payable	(28,742)
Interest paid on notes	(9,036)
Net cash used in capital and related financing activities	462,222
Cash flows from investing activities	
Purchase of land for resale	(1,333,285)
Interest income	10,195
Principal collections on capital lease receivable	30,988
Rental of property	17,028
Net cash provided by investing activities	(1,275,074)
Change in cash and cash equivalents	(839,376)
Cash and cash equivalents - beginning of year	991,128
Cash and cash equivalents - end of year	\$ 151,752
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (37,221)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	10,163
Change in accounts payable	534
Net cash provided by operating activities	\$ (26,524)

See accompanying independent auditors' report

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Statistical Section

County of Isle of Wight, Virginia

Statistical Section Overview

Year Ended June 30, 2013

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-12

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.

C13

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-14 through C-16

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Last Ten Fiscal Years										
Governmental activities										
Net investment in capital assets	\$ 4,923,554	\$ 9,453,645	\$ 15,381,413	\$ (5,119,903)	\$ 7,629,388	\$ 9,382,768	\$ 12,936,538	\$ 10,905,026	\$ 11,362,753	\$ 5,461,013
Restricted	24,568,034	320,527	349,812	22,703,988	27,436,029	14,816,245	11,393,907	6,685,306	13,409,255	31,068,805
Unrestricted	(5,786,028)	21,960,979	18,615,968	17,675,588	4,259,513	19,329,621	22,294,446	24,355,641	12,294,399	(6,722,608)
Total governmental activities net position	\$ 23,705,560	\$ 31,735,151	\$ 34,347,193	\$ 35,259,673	\$ 39,324,930	\$ 43,528,634	\$ 46,624,891	\$ 41,945,973	\$ 37,066,407	\$ 29,807,210
Business-type activities										
Net investment in capital assets	\$ (8,834,474)	\$ (6,129,102)	\$ (1,661,794)	\$ 88,152	\$ 864,915	\$ 6,425,436	\$ 4,030,507	\$ 3,321,270	\$ 3,447,385	\$ 4,867,521
Restricted	-	-	-	631,542	1,619,337	918,159	859,724	911,938	1,093,386	372,373
Unrestricted	(2,078,232)	(2,587)	(1,332,945)	-	-	-	380,734	3,152,360	1,615,721	999,282
Total business-type activities net position	\$ (10,912,706)	\$ (6,131,689)	\$ (2,994,739)	\$ 719,694	\$ 2,484,252	\$ 7,343,595	\$ 5,270,965	\$ 7,385,568	\$ 6,156,492	\$ 6,239,176
Primary government										
Net investment in capital assets	\$ (3,910,920)	\$ 3,324,543	\$ 13,719,619	\$ (5,031,751)	\$ 8,494,303	\$ 15,808,204	\$ 16,967,045	\$ 14,226,296	\$ 14,810,138	\$ 10,328,534
Restricted	24,568,034	320,527	349,812	23,335,530	29,055,366	15,734,404	12,253,631	7,597,244	14,502,641	31,441,178
Unrestricted	(7,864,260)	21,958,392	17,283,023	17,675,588	4,259,513	19,329,621	22,675,180	27,508,001	13,910,120	(5,723,326)
Total primary government net assets	\$ 12,792,854	\$ 25,603,462	\$ 31,352,454	\$ 35,979,367	\$ 41,809,182	\$ 50,872,229	\$ 51,895,856	\$ 49,331,541	\$ 43,222,899	\$ 36,046,386

County of Isle of Wight, Virginia
Change in Net Position (Net Assets)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Last Ten Fiscal Years										
Expenses										
Governmental activities										
General government	\$ 6,446,046	\$ 5,571,463	\$ 5,585,577	\$ 4,721,064	\$ 3,410,733	\$ 6,182,728	\$ 4,794,578	\$ 5,800,635	\$ 4,897,964	\$ 5,339,611
Judicial administration	1,198,998	1,078,015	970,228	1,017,192	1,034,595	857,697	878,317	866,371	794,478	705,828
Public safety	10,360,047	9,999,240	7,454,652	8,228,634	8,966,721	6,053,668	6,166,925	5,632,965	5,135,185	4,616,949
General services	6,979,003	7,072,833	6,604,193	6,479,386	6,810,610	5,145,769	4,400,738	3,903,265	3,711,511	7,534,024
Health and welfare	4,361,198	4,444,284	4,884,843	5,062,126	5,143,058	5,025,666	4,894,622	4,340,638	3,824,681	3,456,212
Education	29,976,658	24,794,008	25,419,456	25,724,901	24,360,654	26,964,798	21,036,346	19,336,608	18,249,151	19,294,869
Parks, recreation and cultural	2,990,630	2,979,591	2,797,390	2,724,759	3,526,076	1,279,128	1,856,803	1,494,482	1,339,854	1,363,077
Community development	3,174,930	5,995,359	1,931,593	2,898,788	3,902,800	2,332,420	3,083,356	1,548,527	1,210,072	2,106,361
Nondepartmental	-	1,314,563	1,429,542	1,351,357	-	-	-	-	-	-
Interest on long-term debt	3,979,848	2,792,214	2,080,083	2,619,271	2,292,872	2,186,412	2,144,123	2,243,574	2,170,135	-
Total governmental activities expenses	69,467,358	66,041,570	59,157,557	60,827,478	59,448,119	56,028,286	49,255,808	45,167,065	41,333,031	44,416,931
Business-type activities										
Public utilities	8,214,531	7,439,824	6,999,024	6,986,865	6,273,275	5,581,285	5,137,986	3,247,060	3,496,871	3,144,441
Total business-type activities expenses	8,214,531	7,439,824	6,999,024	6,986,865	6,273,275	5,581,285	5,137,986	3,247,060	3,496,871	3,144,441
Total primary government expenses	\$ 77,681,889	\$ 73,481,394	\$ 66,156,581	\$ 67,814,343	\$ 65,721,394	\$ 61,609,571	\$ 54,393,794	\$ 48,414,125	\$ 44,829,902	\$ 47,561,372
Program revenue										
Governmental activities										
Charges for services:										
General government	\$ 758	\$ 123,391	\$ 198,737	\$ 25,863	\$ 111,162	\$ 1,693	\$ 242,086	\$ 66,864	\$ 342,958	\$ 652,345
Judicial administration	156,543	369,278	149,251	147,275	91,288	201,653	148,848	180,914	151,949	101,155
Public safety	1,154,693	2,155,302	625,612	637,668	833,366	721,630	704,337	520,015	563	501
General services	375,498	408,320	-	4,744	4,080	2,520	3,480	4,320	4,620	3,999
Health and welfare	-	77,525	35,446	-	-	-	75,030	77,925	-	314,248
Parks, recreation and cultural	526,622	585,740	436,303	394,328	357,218	263,158	260,831	258,788	404,313	744
Community development	30,412	134,755	672,840	387,414	281,552	76,791	140,302	2,314	1,543	40,374
Operating grants and contributions	9,526,260	13,330,802	10,676,049	5,655,377	6,617,823	7,292,110	5,581,783	3,199,313	7,716,360	10,018,189
Capital grants and contributions	150,000	109,489	102,935	1,618,901	161,236	183,662	-	-	-	-
Interest rate subsidy	257,127	569,315	-	-	-	-	-	-	-	-
Total governmental activities program revenues	12,177,913	17,863,917	12,897,173	8,871,570	8,357,725	8,743,217	7,156,697	4,310,453	8,622,306	11,131,555

County of Isle of Wight, Virginia
Change in Net Position (Net Assets)

Last Ten Fiscal Years	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Business-type activities:										
Charges for services	3,080,643	2,856,747	2,902,184	2,708,017	2,014,246	1,750,406	1,755,893	1,661,105	1,461,352	1,332,726
Operating grants and contributions	-	-	-	-	-	-	96,200	-	-	-
Capital grants and contributions	467,939	1,415,036	360,504	585,994	609,989	642,005	-	-	-	-
Total business-type activities program revenues	3,548,582	4,271,783	3,262,688	3,294,011	2,624,235	2,392,411	1,852,093	1,661,105	1,461,352	1,332,726
Total primary government program revenues	15,726,495	22,135,700	16,159,861	12,165,581	10,981,960	11,135,628	9,008,790	5,971,558	10,083,658	12,464,281
Net expense - governmental activities	57,289,445	48,177,653	46,260,384	51,955,908	51,090,394	47,285,069	42,099,111	40,856,612	32,710,725	33,285,376
Net expense - business-type activities	4,665,949	3,168,041	3,736,336	3,692,854	3,649,040	3,188,874	3,285,893	1,585,955	2,035,519	1,811,715
Total primary government net expense	61,955,394	51,345,694	49,996,720	55,648,762	54,739,434	50,473,943	45,385,004	42,442,567	34,746,244	35,097,091
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes	\$ 42,408,465	\$ 38,130,254	\$ 38,254,048	\$ 38,081,388	\$ 38,665,135	\$ 36,374,761	\$ 35,199,045	\$ 31,333,628	\$ 30,088,119	\$ 27,504,428
Permits, fees and licenses	-	-	-	-	426,074	-	705,195	1,567,278	1,222,849	697,762
Fines and forfeitures	-	-	-	-	86,997	-	-	411	-	703
Other taxes	6,709,396	6,200,597	6,582,549	5,898,162	6,248,462	6,393,256	6,080,588	6,411,933	5,706,731	4,746,873
Unrestricted grants and contributions	-	-	-	5,115,890	5,218,907	5,372,245	5,763,882	7,968,456	2,194,434	2,572,949
Recovered costs	-	-	-	-	-	-	224,213	127,074	144,867	113,252
Investment earnings	909,387	1,066,841	196,774	627,179	562,017	1,161,393	1,758,751	1,222,794	885,272	504,441
Miscellaneous	-	397,920	314,533	74,328	43,572	133,040	58,555	33,403	10,144	58,666
Gain on sale of assets	163,555	(23,789)	-	-	-	5,882	-	-	-	-
Transfers	-	-	-	(1,906,296)	(4,366,474)	(5,251,765)	(3,012,200)	(2,928,799)	(283,197)	(391,645)
Total governmental activities	50,190,803	45,771,823	45,347,904	47,890,651	46,886,690	44,188,812	46,778,029	45,736,178	39,969,922	35,807,938
Business-type activities:										
Investment earnings	47,754	27,205	21,903	-	-	-	-	21,383	21,000	21,000
Connection fees	-	-	-	-	-	-	1,164,379	2,790,662	3,188,875	1,542,337
Gain on sale of assets	-	-	-	-	-	2,025	-	-	-	-
Miscellaneous	-	3,886	-	-	-	-	32,000	2,986	9,448	551,004
Transfers	-	-	-	1,928,296	(1,210,303)	4,282,478	(25,089)	-	283,197	391,045
Total business-type activities	47,754	31,091	21,903	1,928,296	(1,210,303)	4,284,503	1,171,290	2,815,031	3,502,520	2,505,386
Total primary government	\$ 50,238,557	\$ 45,802,914	\$ 45,369,807	\$ 49,818,947	\$ 45,676,387	\$ 48,473,315	\$ 47,949,319	\$ 48,551,209	\$ 43,472,442	\$ 38,313,324
Change in net position										
Governmental activities	(7,098,642)	(2,405,830)	(912,480)	(4,065,257)	(4,203,704)	(3,096,257)	4,678,918	4,879,566	7,259,197	2,522,562
Business-type activities	(4,618,195)	(3,136,950)	(3,714,433)	(1,764,558)	(4,859,343)	1,095,629	(2,114,603)	1,229,076	1,467,001	693,671
Total primary government	\$ (11,716,837)	\$ (5,542,780)	\$ (4,626,913)	\$ (5,829,815)	\$ (9,063,047)	\$ (2,000,628)	\$ 2,564,315	\$ 6,108,642	\$ 8,726,198	\$ 3,216,233

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Last Ten Fiscal Years										
General fund										
Designated	\$ -	\$ -	\$ -	\$ 2,518,642	\$ 3,414,895	\$ 8,908,921	\$ 9,920,089	\$ 10,828,260	\$ 7,480,540	\$ 2,883,297
Undesignated	-	-	-	17,045,858	13,036,057	13,343,356	13,448,031	14,982,480	15,632,282	11,533,426
Total general fund	\$ -	\$ -	\$ -	\$ 19,564,500	\$ 16,450,952	\$ 22,252,277	\$ 23,368,120	\$ 25,810,740	\$ 23,112,822	\$ 14,416,723
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ 31,574	\$ 29,441	\$ 9,181	\$ 21,677	\$ 28,940	\$ 18,672	\$ 26,514
Unreserved, reported in	-	-	-	-	-	-	-	-	-	-
Special revenue funds	-	-	-	298,329	502,420	642,624	395,315	710,402	711,619	880,482
Capital projects funds	-	-	-	22,703,988	27,436,029	12,402,711	11,177,979	6,273,860	8,304,865	31,239,994
Total all other governmental funds	\$ -	\$ -	\$ -	\$ 23,033,891	\$ 27,967,890	\$ 13,054,516	\$ 11,594,971	\$ 7,013,202	\$ 9,035,156	\$ 32,146,990

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General Fund									
Non Spendable:									
Non Spendable	\$ 89,446	\$ 120,158	\$ 148,990						
Spendable:									
Restricted	29,650	29,650	29,650						
Assigned	255,878	632,588	489,228						
Unassigned	16,393,908	18,513,870	19,807,133						
Total General Fund	\$16,768,882	\$19,296,266	\$ 20,475,001						
All other Government funds									
Non Spendable:									
Non Spendable	\$ 40,595	\$ 40,215	\$ 40,430						
Spendable:									
Restricted	24,568,034	29,041,335	38,040,517						
Assigned	5,020,477	5,377,105	1,544,284						
Total all other government funds	\$29,629,106	\$34,458,655	\$ 39,625,231						

County of Isle of Wight, Virginia

Changes in Fund Balance - Governmental Funds

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Last Ten Fiscal Years										
Revenues										
General property taxes	\$ 37,158,645	\$ 38,024,532	\$ 37,864,858	\$ 38,385,088	\$ 39,132,235	\$ 36,455,016	\$ 34,738,809	\$ 31,455,053	\$ 30,000,161	\$ 27,692,549
Other local taxes	6,616,219	6,301,083	6,582,549	5,988,162	6,248,462	6,393,256	6,080,588	5,925,247	5,228,825	4,746,873
Permits, fees and licenses	1,710,818	380,302	443,308	407,410	426,074	422,715	705,195	1,567,278	1,222,849	714,128
Fines and forfeitures	105,191	83,598	75,813	60,345	86,997	102,098	47,800	64,880	46,754	41,586
Revenue from use of property	909,387	1,066,841	196,774	627,179	562,017	1,209,977	1,764,813	1,222,794	885,272	504,441
Charges for services	2,859,255	1,620,896	1,599,068	1,091,590	1,043,664	826,949	925,316	646,836	272,278	315,932
Miscellaneous	217,987	524,121	309,404	122,347	136,831	422,807	240,246	112,016	244,104	251,608
Recovered costs	-	-	-	595,391	755,480	580,925	683,004	507,199	520,139	660,407
Intergovernmental	12,625,247	15,591,979	10,778,984	12,382,619	11,173,159	11,893,008	11,306,981	11,590,021	10,367,083	12,591,138
Total revenues	62,202,749	63,595,352	57,850,758	59,570,131	59,564,919	58,306,751	56,492,752	53,091,324	48,787,465	47,518,662
Expenditures										
General governmental administration	4,869,180	4,814,890	4,292,762	4,822,494	5,841,246	4,776,697	4,240,227	4,653,439	3,664,790	3,391,721
Judicial administration	1,198,998	1,058,580	970,228	1,017,192	1,034,595	857,697	878,317	866,371	790,197	701,547
Public safety	9,973,620	8,655,939	6,770,494	6,844,989	8,341,561	6,580,696	5,676,894	4,748,296	4,593,177	3,652,814
General Services	5,929,766	10,110,789	6,155,695	5,938,395	6,359,832	5,131,709	4,064,393	3,780,746	3,738,631	7,104,667
Health and welfare	4,299,377	951,649	4,785,833	5,019,248	5,105,498	4,969,514	4,831,783	4,198,322	3,689,141	3,428,313
Education	25,679,304	26,268,626	25,004,954	25,058,724	23,508,520	21,788,354	18,701,537	16,654,576	14,870,161	14,735,310
Parks, recreation and cultural	2,629,412	2,633,606	2,443,506	2,482,008	4,297,093	2,026,518	1,871,428	1,453,286	1,491,348	1,201,224
Community development	3,143,003	5,995,716	1,897,246	1,797,791	3,828,750	3,568,838	1,777,156	1,501,480	1,038,563	867,043
Nondepartmental	-	1,314,563	1,429,542	1,351,357	1,338,618	1,249,397	1,133,400	1,534,907	1,051,501	1,019,465
Capital projects	9,489,014	5,035,723	12,947,475	20,491,939	-	7,708,392	4,185,235	5,765,123	22,384,972	8,300,618
Debt service	3,173,957	315,516	380,000	1,534,551	4,316,323	3,947,613	4,727,013	4,529,512	3,740,228	3,710,815
Principal	4,592,524	2,784,497	2,312,636	1,750,465	2,407,157	2,229,008	2,236,220	2,373,585	2,170,134	1,716,557
Interest	285,487	284,568	289,453	253,168	352,213	47,400	-	42,970	2,875	317,058
Total expenditures	75,263,642	69,940,662	69,679,824	78,362,321	66,731,406	64,881,833	54,323,603	52,102,613	63,225,718	50,147,152
Excess of revenues over (under) expenditures	(13,060,893)	(6,345,310)	(11,829,066)	(18,792,190)	(7,166,487)	(6,575,082)	2,169,149	988,711	(14,438,253)	(2,628,490)
Other financing sources (uses)										
Transfers in	3,127,894	1,826,748	1,789,120	1,607,891	30,884,999	14,495,362	10,536,626	6,810,406	4,686,313	11,372,630
Transfers out	(3,127,894)	(1,826,748)	(1,789,120)	(3,514,187)	(39,709,180)	(17,576,578)	(10,566,626)	(7,181,826)	(4,919,477)	(11,763,675)
Proceeds from borrowing	26,044,679	-	43,654,158	18,878,035	25,102,717	10,000,000	-	58,675	255,681	28,257,590
Payments to escrow agent	(22,473,109)	-	(14,137,039)	-	-	-	-	-	-	(4,176,284)
Total other financing sources (uses)	3,571,570	-	29,517,119	16,971,739	16,278,536	6,918,784	(30,000)	(312,745)	22,517	23,690,261
Net change in fund balances	(9,489,323)	(6,345,310)	17,688,053	(1,820,451)	9,112,049	343,702	2,139,149	675,966	(14,415,736)	21,061,771
Prior period adjustment	-	-	-	-	-	-	-	-	-	-
Net change in fund balance	\$ (9,489,323)	\$ (6,345,310)	\$ 17,688,053	\$ (1,820,451)	\$ 9,112,049	\$ 343,702	\$ 2,139,149	\$ 675,966	\$ (14,415,736)	\$ 21,061,771
Debt service as a percentage of noncapital expenditures	12%	5%	5%	6%	11%	11%	14%	15%	14%	14%

County of Isle of Wight, Virginia

Assessed Value and Estimated Actual Value of Taxable Property

Fiscal Year	Residential Property	Commercial / Industrial Property	Agriculture Property	(1)		Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
				Total Taxable Assessed Value	Total Taxable Value			
2013	\$ 3,187,589,700	\$ 648,094,500	\$ 245,103,000	\$ 4,080,787,200	\$ 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	\$ 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	\$ 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	\$ 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	\$ 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	\$ 4,336,107,800	0.52	\$ 4,336,107,800	100%
2007	\$ 3,101,569,900	\$ 513,599,500	\$ 491,224,800	\$ 4,106,394,200	\$ 4,106,394,200	0.53	\$ 4,106,394,200	100%
2006	\$ 2,013,888,400	\$ 387,838,300	\$ 394,450,700	\$ 2,796,177,400	\$ 2,796,177,400	0.68	\$ 2,796,177,400	100%
2005	\$ 1,924,066,025	\$ 358,005,900	\$ 403,887,900	\$ 2,685,959,825	\$ 2,685,959,825	0.68	\$ 2,685,959,825	100%
2004	\$ 1,525,431,300	\$ 300,236,400	\$ 339,773,600	\$ 2,165,441,300	\$ 2,165,441,300	0.75	\$ 2,165,441,300	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
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
2007	\$ 3,879,182,779	\$ 283,389,074 (5)	\$ 22,902,248	\$ 688,302,371	\$ 177,306,412	\$ 5,051,082,884
2006	\$ 2,626,671,100	\$ 239,166,064	\$ 26,328,256	\$ 676,290,770	\$ 202,190,306	\$ 3,770,646,496
2005	\$ 2,480,667,825	\$ 236,549,885	\$ 27,337,298	\$ 641,083,966	\$ 190,291,597	\$ 3,575,930,571
2004	\$ 2,047,366,488	\$ 213,355,172	\$ 26,941,289	\$ 596,034,772	\$ 226,837,648	\$ 3,110,535,369

- (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.
- (5) 2007 value was restated due to error.

County of Isle of Wight, Virginia

*Property Tax Rates
Tax Rates Per Hundred Dollars of Assessed Valuation*

Last Ten Fiscal Years		Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Boats and Aircraft/ Farm Machinery
Fiscal Year						
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
2007	\$	0.53	4.40	0.53	\$ 0.95	\$ 1.00/1.00
2006	\$	0.68	4.40	0.68	\$ 0.95	\$ 1.00/1.00
2005	\$	0.68	4.40	0.68	\$ 0.95	\$ 1.00/1.00
2004	\$	0.75	4.40	0.75	\$ 0.95	\$ 1.00/1.00

County of Isle of Wight, Virginia

Principal Property Taxpayers

June 30, 2013						
Taxpayer	2013			2012		
	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	\$109,371,400	1	2.69%	\$120,766,900	1	2.82%
Inland RI Holdings LLC etals	41,871,600	2	1.03%	39,789,300	3	0.93%
Smithfield Foods	41,811,700	3	1.03%	40,480,400	2	0.94%
Gwaltney of Smithfield, Ltd.	30,313,000	4	0.74%	28,626,800	4	0.67%
Eagle Harbor Apartments, LP	27,596,000	5	0.68%	26,774,000	5	0.62%
Sentara Healthcare	14,669,700	6	0.36%	14,787,500	7	0.34%
LDI Virginia LLC	14,417,900	7	0.35%	14,992,400	6	0.35%
Cypress Creek Dev. Co. LLC	13,643,100	8	0.34%			
Eagle Harbor LLC	12,947,700	9	0.32%	13,667,400	8	0.32%
PH Forest Investments	12,757,700	10	0.31%			
Carolina Cold Storage LTD				10,668,700	9	0.25%
Eagle Harbor Shopping Center, LLC	-			10,397,000	10	0.24%
	\$319,399,800		7.85%	\$320,950,400		7.49%

Taxpayer	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)
Gwaltney of Smithfield Ltd.	94,796,030	1	10.59%	92,421,822	1	12.56%
Cost Plus, Inc.	5,438,993	3	0.61%	4,958,434	5	0.67%
John Morrell & Co	3,141,497	4	0.35%			
Food Lion	2,507,196	5	0.28%	2,426,953	8	0.33%
Charter Communications	2,400,645	6	0.27%	2,404,541	9	0.33%
C R England	2,131,694	7	0.24%			
Smithfield Foods	1,770,163	8	0.20%			
Crittenden Service Inc.	1,109,958	9	0.12%			
Isle of Wight Forest Products	1,081,405	10	0.12%	7,752,701	3	1.05%
GE Capital	-	4	0.00%	5,910,297	4	0.80%
Specialty Minerals, Inc.	-	2	0.00%	8,262,782	2	1.12%
Southern Structural Steer	-	7	0.00%	2,439,968	7	0.33%
Bay Sand	-	10	0.00%	2,339,806	10	0.32%
	\$373,488,276		41.72%	\$131,861,689		17.93%

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

County of Isle of Wight, Virginia
Property Tax Levies and Collections

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		Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
						Total Tax Collections to Tax Levy	Total Tax Collections		
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	100.03%	\$ 740,634	1.94%	
2011	\$ 37,800,619	\$ 36,741,218	97.20%	\$ 1,059,401	\$ 38,021,111	100.58%	\$ 1,088,242	2.88%	
2010	\$ 38,229,341	\$ 37,103,403	97.05%	\$ 1,125,938	\$ 38,463,274	100.61%	\$ 2,021,149	5.29%	
2009	\$ 39,119,371	\$ 37,700,668	96.37%	\$ 1,431,558	\$ 39,132,235	100.03%	\$ 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%	
2007	\$ 34,875,852	\$ 33,657,328	96.51%	\$ 1,081,481	\$ 34,738,809	99.61%	\$ 1,931,984	5.54%	
2006	\$ 31,158,439	\$ 30,241,183	97.06%	\$ 1,213,870	\$ 31,455,053	100.95%	\$ 1,240,956	3.98%	
2005	\$ 29,480,328	\$ 28,801,462	97.70%	\$ 1,198,654	\$ 30,000,116	101.76%	\$ 1,000,200	3.39%	
2004	\$ 26,952,962	\$ 26,270,420	97.47%	\$ 1,014,471	\$ 27,284,891	101.23%	\$ 682,541	2.53%	

- (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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Apparel stores	\$ 2,577,049	\$ 3,248,038	\$ -	\$ 2,556,980	\$ 3,758,328	\$ 3,184,117	\$ 2,150,512	\$ 3,410,503	\$ 2,463,372	\$ 2,343,395
General merchandise	17,733,688	11,841,685	11,710,358	14,918,672	12,228,829	16,115,703	18,559,292	13,163,881	13,713,028	12,137,182
Food stores	66,740,132	61,823,527	63,183,444	74,800,531	60,905,257	61,204,656	54,501,587	48,032,908	55,664,066	61,960,182
Eating and drinking establishments	28,035,436	26,704,871	27,138,019	32,607,044	23,713,146	21,443,858	21,019,435	19,887,741	21,033,780	19,456,091
Home furnishings and appliances	1,578,689	4,510,823	2,058,879	2,481,550	2,306,325	2,672,545	3,379,379	3,635,937	3,994,726	4,128,173
Building materials and farm tools	11,080,360	8,547,370	8,051,507	11,615,775	11,676,999	10,693,285	9,891,751	7,049,986	10,007,550	9,288,298
Auto dealers and supplies	3,662,321	4,091,794	4,064,402	5,287,732	3,263,926	4,272,627	4,538,516	4,518,819	2,766,818	2,505,619
Service stations	9,897,012	10,059,667	8,206,374	15,614,464	14,041,823	10,221,368	8,343,933	6,723,241	9,839,101	9,667,969
Other retail stores	6,528,091	16,683,719	11,806,647	9,613,885	20,802,164	57,032,191	51,903,227	45,761,268	44,447,762	41,131,707
All other outlets	52,632,271	45,568,767	51,916,137	74,411,889	15,581,876	18,866,150	22,965,139	20,992,350	16,325,974	15,114,705
	\$ 200,465,049	\$ 193,080,261	\$ 188,135,767	\$ 243,908,522	\$ 168,278,673	\$ 205,706,500	\$ 197,252,771	\$ 173,176,634	\$ 180,256,177	\$ 177,733,321

County of Isle of Wight, Virginia

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Fiscal Year	Population	Assessed Value	(1)		Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value		Percentage of Per Capita Income	Net Bonded Debt per Capita
			Gross Bonded Debt	Less Debt			General Obligation Bonded Debt to Assessed Value	(2)		
2013	35,399	\$4,966,178,830	\$ 142,925,000	\$ 40,991,000	\$ 101,934,000	0.0205	9.7%	\$ 2,880		
2012	35,457	\$5,022,571,541	\$ 131,775,000	\$ 28,702,690	\$ 103,072,310	0.0205	9.8%	\$ 2,907		
2011	35,270	\$5,511,732,553	\$ 133,488,773	\$ 29,374,756	\$ 104,114,017	0.0189	10.0%	\$ 2,952		
2010	36,729	\$5,731,046,892	\$ 102,759,627	\$ 23,680,401	\$ 79,079,226	0.0138	5.7%	\$ 2,153		
2009	35,659	\$5,668,451,427	\$ 84,569,627	\$ 16,143,876	\$ 71,210,095	0.0126	5.4%	\$ 1,997		
2008	34,620	\$5,253,816,298	\$ 67,352,825	\$ 11,127,705	\$ 56,225,120	0.0107	4.6%	\$ 1,624		
2007	34,057	\$5,051,082,884	\$ 62,013,810	\$ 11,841,077	\$ 50,172,733	0.0099	4.3%	\$ 1,473		
2006	33,065	\$3,770,646,496	\$ 67,052,307	\$ 12,358,036	\$ 54,694,271	0.0145	4.9%	\$ 1,654		
2005	32,417	\$3,575,930,571	\$ 71,414,333	\$ 11,670,000	\$ 59,744,333	0.0167	5.7%	\$ 1,843		
2004	31,600	\$3,110,535,369	\$ 75,503,903	\$ 12,085,000	\$ 63,418,903	0.0204	6.5%	\$ 2,007		

(1) Includes all long-term general obligation debt.

(2) See Exhibit C-13 for per capita income.

County of Isle of Wight, Virginia
Legal Debt Margin

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Last Ten Fiscal Years										
Total assessed valuation of real estate from land book	\$ 4,070,990,990	\$ 4,287,008,000	\$ 4,245,268,423	\$ 4,680,728,500	\$ 4,359,684,973	\$ 3,968,971,300	\$ 3,879,182,779	\$ 2,626,671,100	\$ 2,480,667,825	\$ 2,047,366,488
Percent limitation according to the Code of Virginia	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Debt limitation	407,099,099	428,700,800	424,526,842	468,072,850	435,968,497	396,897,130	387,918,278	262,667,110	248,066,783	204,736,649
Total debt of the County	142,925,000	131,775,000	133,488,773	102,759,627	84,569,627	64,255,029	58,600,029	67,052,307	71,414,333	75,503,903
Total debt of the Town of Smithfield	-	5,303,476	4,870,725	4,476,754	4,924,960	5,380,722	5,977,452	6,604,383	3,509,671	2,000,805
Total debt of the Town of Windsor	-	2,168,307	1,629,976	763,140	773,226	782,871	792,091	800,079	810,489	817,310
Total	142,925,000	139,246,783	139,989,474	107,999,521	90,267,813	70,418,622	65,369,572	74,456,769	75,734,493	78,322,018
Amount by which legal debt margin exceeds total debt	\$ 264,174,099	\$ 289,454,017	\$ 284,537,368	\$ 360,073,329	\$ 345,700,684	\$ 326,478,508	\$ 322,548,706	\$ 188,210,341	\$ 172,332,290	\$ 126,414,631

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
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%
2007	33,612	\$ 34,549 (3)	23,356	3.0%
2006	33,090	\$ 33,543	22,501	3.1%
2005	32,417	\$ 32,275	21,639	3.5%
2004	31,600	\$ 30,711	21,594	3.2%

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

County of Isle of Wight, Virginia

Full-time Equivalent County Government Employees by Function/Program

Last Eight Fiscal Years Function/Program	Full-time Equivalent Employees as of June 30,							
	2013	2012	2011	2010	2009	2008	2007	2006
General government								
County Administration	4.0	4.0	4.0	4.0	5.0	6.0	7.0	7.0
County Attorney	1.5	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Commissioner of Revenue	10.5	10.5	11.5	11.5	11.5	10.5	9.5	9.5
Treasurer	9.5	9.0	9.5	9.5	10.5	8.5	7.5	7.5
Budget and Finance	7.0	7.0	7.0	7.0	7.0	7.0	6.5	6.0
Human Resources	3.0	2.0	2.0	2.0	3.0	3.0	3.0	2.0
Communications	1.0	1.0	1.0	1.0	2.0	1.0	1.0	1.0
Economic Development	5.0	5.0	5.0	3.0	3.0	3.0	3.0	3.0
Registrar	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0
Inspections	7.0	7.0	7.0	9.0	9.0	9.0	9.0	10.0
Information Technology	7.0	7.0	7.0	7.0	8.0	6.5	6.5	6.0
Planning and Zoning	10.0	10.0	11.0	12.0	13.0	12.0	12.0	13.0
Health & Welfare	1.5	4.0	5.0	5.0	7.0	6.0	1.0	1.0
Tourism	3.5	6.5	6.5	3.5	3.5	6.5	5.5	5.5
Clerk of Court	7.0	7.0	6.0	6.0	6.5	6.5	6.0	6.0
Commonwealth Attorney	6.0	6.0	6.0	6.0	5.5	4.0	4.0	4.0
Total general government	86.0	90.5	94.0	92.0	99.5	94.5	86.5	86.5
Public Safety								
Sheriff Deputies (including Sheriff)	46.5	45.5	44.0	44.0	44.0	44.0	42.0	37.0
Administrative	4	4.5	2.0	2.0	2.0	2.0	2.0	2.0
Animal Control	5	4.5	5.0	5.0	5.5	5.0	5.0	5.0
Emergency Communications	19.5	19.0	19.0	19.0	18.0	17.0	17.0	17.0
Total Public Safety	75.0	73.5	70.0	70.0	69.5	68.0	66.0	61.0

County of Isle of Wight, Virginia

Full-time Equivalent County Government Employees by Function/Program

Last Eight Fiscal Years Function/Program	Full-time Equivalent Employees as of June 30,							
	2013	2012	2011	2010	2009	2008	2007	2006
Fire and Rescue								
Administrative	4	4	2	2.0	3.0	2.5	1.0	1.0
Firefighters/Paramedics	55.5	46	23	23.0	20.5	18.5	18.5	15.5
Total Fire and Rescue	59.5	50.0	25.0	25.0	23.5	21.0	19.5	16.5
General Services								
Administrative	3	3	3	3.0	1.5	1.5	2.0	2.0
Engineering	7	7.5	8	6.0	5.0	7.0	5.0	-
Refuse collection	20.5	22	19	19.0	19.5	21.5	19.0	19.0
Building and Grounds	6	6	6	5.0	12.0	11.0	11.5	9.0
Custodians	6.5	7	7	6.5	6.5	6.5	5.0	5.0
Total Public Works	43	45.5	43.0	39.5	44.5	47.5	42.5	35.0
Parks, Recreation and Cultural	21.5	20	20	22.5	12.5	13.5	16.5	16.5
Public Utilities	13.0	14.0	13.5	13.5	9.5	10.5	12.0	14.0
Public Schools								
Instructional Positions	538.3	356.0	434.0	539.0	555.6	549.6	534.1	501.7
Administrators	53.4	44.0	40.0	23.0	23.0	23.0	24.0	25.0
Support Personnel	185.5	133.0	277.0	207.0	245.1	247.5	247.3	242.0
Total Public Schools	777.2	533.0	751.0	769.0	823.7	820.1	805.4	768.7
Grand total	1,075.2	826.5	1,016.5	1,031.5	1,082.7	1,075.1	1,048.4	998.2

County of Isle of Wight, Virginia
Operating Indicators by Function/Program

Last Eight Fiscal Years		2013	2012	2011	2010	2009	2008	2007	2006
Function/Program									
Sheriff									
Physical arrests		527	419	412	533	661	890	989	323
Traffic violations		2,032	1,448	1,214	1,456	1,047	2,677	1,383	816
Fire									
Emergency responses - Fire		709	1,479	1,375	2,285	1,920	1,539	1,792	2,852
Emergency responses - Rescue		4,720	4,179	4,343	3,360	4,657	4,408	3,660	2,521
Building Permits									
Residential		107	85	92	169	118	167	310	512
Residential - Value		\$ 25,170,632	\$ 12,656,261	\$ 24,909,824	\$ 4,121,500	\$ 24,255,044	\$ 35,817,165	\$ 56,519,045	\$ 11,276,167
Commercial		4	5	14	11	14	14	31	17
Commercial - Value		\$ 2,738,211	\$ 2,734,000	\$ 8,748,932	\$ 16,306,000	\$ 31,604,670	\$ 10,537,686	\$ 13,266,100	\$ 13,244,130
Refuse collection									
Refuse collected (tons per day)		46	47.9	49.3	52.7	53.0	56.0	56.0	55.0
Public Schools									
Cost Per Student		\$ 9,628	\$ 9,827	\$ 9,827	\$ 10,861	\$ 11,136	\$ 10,767	\$ 10,232	\$ 9,721
Average Daily Membership Student/Teacher Ratio		16.3	15.7	15.7	12.1	12.9	13.1	13.1	13.0
Park and recreation									
Athletic field permits issued		59	872	15,000	94	539	158	205	29
County Fair Admissions		33,886	14,997	15,000	21,000	12,000	2,400	2,979	12,250
Library									
Volumes in collection		186,615	202,633	223,249	253,402	265,491	268,863	258,620	214,903
Total volumes borrowed		449,557	945,071	215,767	221,725	249,144	229,489	193,082	191,040
Water									
New connections		60	50	93	57	54	71	109	360
Average daily consumption (thousands of gallons)		0.60	0.58	0.57	0.56	0.89	0.67	0.69	0.39

*County of Isle of Wight, Virginia**Capital Asset Statistics by Function/Program*

Last Eight Fiscal Years								
Function/Program	2013	2012	2011	2010	2009	2008	2007	2006
Sheriff								
Stations	1	1	1	1	1	1	1	1
Patrol units	49	43	43	51	56	45	41	40
Fire and Rescue								
Fire Units	5	5	5	5	5	5	5	5
Rescue Units	4	4	4	4	4	4	4	4
Refuse collection								
Collection trucks	6	6	6	6	6	5	5	5
Public Schools								
School Facilities	9	9	9	9	9	9	9	9
Park and recreation								
Parks	7	7	7	7	7	7	7	7
Acreage	570	570	570	570	570	565	565	565
Playgrounds	4	4	4	4	4	8	8	8
Baseball/softball diamonds	4	4	4	4	4	4	4	4
Soccer/football fields	12	12	12	12	12	8	9	10
Community centers	2	2	2	2	2	2	2	2
Museums	2	2	2	2	2	2	2	2
Library Facilities								
	3	3	3	3	3	3	3	3

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- Isle of Wight County Departments
- Isle of Wight County Component Units
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- John Georger, Certified Public Accountant, Certified Internal Auditor
- Davenport & Company LLC
- Other Related Organizations

