

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended  
June 30, 2018



ISLE OF WIGHT  
COUNTY, VIRGINIA



# **Isle of Wight County, Virginia**

## **Acknowledgments...**

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

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

Julie Boswell  
Virginia Branch  
Wendy Hu  
Nancy Mayo

Kay McKee  
Teresa Morgan  
Donna Proffitt

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



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA



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# ISLE OF WIGHT COUNTY, VIRGINIA

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# ISLE OF WIGHT COUNTY, VIRGINIA





January 31, 2019

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, 2018. 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.

PB Mares, 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, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements and assessing the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's basic financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP with noted emphasis in the independent auditors report as presented in the first component of the

financial section of this report. The independent audit of the financial statements of the County is part of a broader, federal and state mandated “Single Audit” designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government’s internal controls and compliance with legal requirements, with additional emphasis on the administration of federal and state awards. This “Single Audit” information will be available in a separately issued report and will be available upon request from the Department of Budget & Finance.

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

## **Profile of the Government**

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

Isle of Wight County has a rich history that pre-dates its formal establishment in 1634. The County provided fertile farmland and hunting opportunities for its Native American inhabitants prior to the first English settlement in 1619. It still provides an excellent quality of life for over 37,000 residents while balancing its rural history with a future focused on quality commercial and residential growth.

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

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

The **Health and Welfare** services program for the County was vastly improved by acquiring a

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

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

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

**Community Development** continues to be an extremely important focus of the Board of Supervisors in that it provides an opportunity for the County to preserve its natural beauty while simultaneously promoting smart growth. The County's Comprehensive Future 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; and
- Planned, future growth opportunities including a mix of residential, commercial and industrial land uses.

Even with its historic low density land use pattern, the County has maintained a healthy population growth rate over the last thirty years. Since the 2000 US Census, the County has grown an average of approximately 1.5% per year, which is higher than the State's average growth rate of 1.15% over the same time period as well as the national average growth rate of .95%. The Weldon Cooper Center projects 39,549 persons by 2025, representing a 12.1% increase over 2010 for an approximate average annual growth rate of 0.8%. This average growth

rate is slightly lower than the projected average annual growth rate for the state of 0.95%. This slowing of average growth rate is attributed to the wider trend of a slowdown of birthrates and the general aging of the population as well as the general economic turndown that began in 2008.

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

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

All nine schools earned full accreditation from the Virginia Department of Education. Isle of Wight County Schools met or exceeded the state pass rates in all core subjects. Division-wide, students increased overall pass rates in Science in every student subgroup. Isle of Wight County Schools earned an on-time graduation rate of nearly 95.5 percent for the Class of 2018, according to data released by the Virginia Department of Education. This is a 1.7 percent increase over the 2017 rate, which continues to exceed the state average.

The Isle of Wight County Schools continue to rise to the challenge of meeting increases in state and federal benchmarks, many of which are unfunded mandates. The division's success is attributed to the dedicated administrators, teachers, and staff. The division benefits from strong relationships between the community and the schools.

## **Economic Overview**

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

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

The park is a "Magnet Site" within Foreign Trade Zone #20 and is a designated Enterprise Zone, which makes businesses eligible for federal, state and local incentive programs. The Port of Virginia also offers the Economic and Infrastructure Development Zone Grant Program for Port users. The park is home to three nationally recognized companies: Keurig Dr. Pepper, Safco Products Company and Cost Plus World Market, a subsidiary of Bed, Bath & Beyond, which together employ over 700 people.

Keurig Green Mountain, Inc. purchased a 330,000 square-foot spec building on a 64-acre parcel of land in Phase II of Shirley T. Holland Intermodal Park, where it houses coffee roasting,

grinding, flavoring, and packaging operations for its single-serve portion packs for its Keurig® Single-Cup Brewing System. The facility has approximately 420 employees.

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

Design and engineering work were completed in 2017 for an 82-acre, permit-ready site in Phase II of Shirley T. Holland Intermodal Park. Because stormwater, water and sewer, grading and entrance road master plans are already established, the clients can begin construction immediately, making the site more attractive to buyers because it reduces risks, costs and project completion time.

In 2016, the County was awarded a state grant through the new Virginia Business Ready Sites Program to assist with an industrial site assessment for about 965 acres in Phase III of the park.

International Paper is proud to be an economic driver in the region, providing more than 300 jobs at the Franklin Mill. The annual production averages more than 950 tons of fluff pulp daily and the mill exports nearly 100 percent of its product. The fluff pulp is shipped to customers who make super absorbent products such as baby diapers, adult incontinence and feminine hygiene products and wipes.

The \$110 million repurposing and resumed operation of the mill continues to have a tremendous positive impact on the region's economy. Annual payroll for the mill is approximately \$18 million. The mill's estimated wood purchases in 2017 are nearly \$60 million. Additionally, ST Tissue and Franklin Lumber are both independent companies conducting operations on premises they lease from International Paper at the Franklin Mill complex.

In 2012, ST Tissue initiated plans to invest \$60 million and create 85 jobs to establish a recycled tissue plant. The company recycles waste paper into tissue for napkins and towels using a part of the International Paper mill property. In September 2016, Gov. Terry McAuliffe announced that ST Tissue LLC, would invest \$35 million to expand its manufacturing operation. The company added a new tissue machine and hard-wound towel line that will increase existing capacity by more than 45,000 tons annually. Virginia successfully competed against Wisconsin for the project, which is creating 50 additional jobs with an average salary of \$53,000.

In 2013, former employees of the International Paper mill formed Franklin Lumber, LLC, reopened the saw mill, investing over \$6 million to date and creating 70 new jobs. In December 2016, the owners of Franklin Lumber purchased the former ATC Panels facility. The company is using a portion of the facility to collect and package wood shavings from its operations for recycling into manufactured wood fuel pellets for residential and industrial end users. Economic Development staff is assisting the owners with marketing the remaining space for other wood-based manufacturing firms. The company plans near-term capital investment and job creation.

Isle of Wight County's first solar farm powered up in December 2016. Woodland Solar features 79,648 panels on more than 100 acres of farmland owned by the Oliver family. The \$44 million facility, located in Smithfield, is owned by Dominion Virginia Power and took about six months to build. The project created approximately 200 construction jobs. It is a 19-megawatt facility and generates enough electricity to power roughly 4,700 homes. Tours of the facility are available to the public. Since this facility opened, the County has received several inquiries from solar developers, and currently there are two projects in the early stages of development.

Isle of Wight County housing starts in FY 2018 were down 8.8%. Permits for new houses totaled 156 compared to 171 in FY 2017. Although the number of new houses declined, the value of new construction increased from \$32.1 million to \$32.6 million. New commercial construction totaled \$3.7 million compared to \$2.4 million the prior year. Altogether, the total value of new construction and renovations in the County was \$79.9 million vs. \$50.1 million in the prior year, an increase of 59.4%

Economic growth is also being realized in the area of Machinery & Tools as manufacturers are reporting purchases of new equipment. Business equipment assessments are also increasing as businesses are investing in new equipment and new businesses are being established. In 2018, the county realized a 3% increase in the number of business licenses issued over the previous year. Overall, Isle of Wight County is experiencing positive growth in its tax base.

## **Financial Guidelines**

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

The County also prepares a Capital Improvement Plan (CIP) annually. The CIP serves as a planning tool for the efficient, effective and equitable distribution of public improvements throughout the County. The plan represents a balance between finite resources and an increasing number of competing priorities. The County develops a five-year CIP each year inclusive of the capital needs of the Public Schools. The Board of Supervisors approves the first year of the plan as the Capital Budget after legal advertising and public hearing requirements have been met. The CIP also anticipates significant projects that are envisioned beyond the initial five-year period and identifies projects up to ten years out to allow for appropriate long-term planning and financial projections.

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

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



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

## **Major Initiatives and Accomplishments**

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

The County continued construction of a new 800 MHz, E911 public radio communication system which includes the construction of 5 new public safety radio towers and relocation of the 911 Dispatch Center to a newly renovated space within the same building.

The County continues the development of its new comprehensive plan with over 30 community meetings and three separate public input surveys conducted so far. The new comprehensive plan process is driven by extensive community input achieved through numerous public outreach activities, including a project website, a social media information campaign, postcard mailers to individual property owners, community meetings, paper and online surveys, and traditional media advertising. A draft of the new comprehensive plan, titled *Envision the Isle*, is anticipated in the summer of 2019.

In addition to beginning the update of this important strategic planning document, the County also continued its work to improve clarity and increase flexibility of its ordinances by taking such steps as including additional illustrations, increasing housing options by allowing accessory apartments in more areas, and eliminating duplicative bonding requirements with the state. In addition, the County eased the financial burden of the development review process by reducing plan fees for most development review applications.

The long-awaited, multi-use Nike Park Trail (later known as Park to Park Trail) kicked off in October 2017. The \$6.8 million construction project began as an idea in 1996. The first enhancement grant was received in 2008 and almost 10 years later, the first two phases consisting of 3.1 miles of trail started construction. These two phases will connect S. Church St. in Smithfield with Nike Park.

A new kayak/canoe launch was completed at Nike Park with grant funding assistance through the Hampton Roads Planning District Commission.

The County refunded \$30.7 million in general obligation bonds to take advantage of lower interest rates resulting in savings of \$3.1 million in interest payments over the remaining life of the bonds.

The County also completed a crossover refunding of \$9.4 million in Build America Bonds with Virginia Resources Authority for a total savings \$666,534.

In December 2017, the County was made aware of a significant economic development opportunity. A 60-bed Juvenile Detention Center was being planned for the Hampton Roads area and a proposed site in Chesapeake had fallen through. The County worked with the State to amend legislation to authorize that the facility be built in Isle of Wight County. The Center will employ 240 people and the County will donate 20 acres of land in the Shirley T. Holland Intermodal Park along with \$500,000 toward the cost of the water and sewer line to serve the site and other property in the park.

A Boundary Line Adjustment was approved for the Town of Smithfield which will allow the Town to incorporate an undeveloped parcel of property known as the Scott Farm into the Town limits. This will allow the owner of the property to develop this site in connection with other property that is owned by the same developer already in the Town limits.

The County and the Town of Smithfield approved an addendum to their Water Service Agreement which will require the Town to purchase water from the County within 3 to 5 years to offset water that the County currently purchases from the Town to serve Gatling Pointe and Battery Park.

The County and the Town of Smithfield approved a partnership agreement to jointly fund the Isle of Wight County Museum.

## **Awards**

In recognition of its Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2017, a Certificate of Achievement for Excellence in Financial Reporting was awarded to Isle of Wight County by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and reporting, and its attainment represents a significant accomplishment by a government and its management.

The County also received the GFOA's Distinguished Budget Presentation Award for its budget for the Fiscal Year Beginning July 1, 2018.

## Acknowledgement

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

Respectfully submitted,



Randy R. Keaton  
County Administrator



Teresa Morgan  
Interim Director of Finance

**Isle of Wight County, Virginia**  
**Officials**  
**June 30, 2018**

**Primary Government Officials**

BOARD OF SUPERVISORS

Rudolph Jefferson, Chairman.....	Hardy District
William M. McCarty, Vice-Chairman.....	Newport District
Don Rosie.....	Carrsville District
Richard L. “Dick” Grice .....	Smithfield District
Joel C. Acree.....	Windsor District

CONSTITUTIONAL OFFICERS

Georgette C. Phillips.....	Commonwealth’s Attorney
Gerald H. Gwaltney.....	Commissioner of the Revenue
Sharon N. Jones.....	Clerk of Circuit Court
Mark M. Marshall.....	(July 1, 2017-Feb. 28, 2018) Sheriff
James R. Clarke, Jr. ....	(March 1, 2018-June 30, 2018) Appointed Sheriff
Judith C. Wells.....	Treasurer

ADMINISTRATIVE OFFICERS

Randy R. Keaton.....	County Administrator
Donald T. Robertson.....	Assistant County Administrator
Wendy Hu.....	Director, Budget & Finance
Mark C. Popovich.....	County Attorney

**School Board Officials**

SCHOOL BOARD

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

ADMINISTRATIVE OFFICERS

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



Government Finance Officers Association

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**County of Isle of Wight  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO







Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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## **INDEPENDENT AUDITOR'S REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Isle of Wight, Virginia (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 17 to the financial statements, the County restated beginning net position for governmental activities, business-type activities, School Board component unit, the Public Utilities Fund, Stormwater Fund, Information Technology Fund, and Risk Management Fund, in order to record the liability for other postemployment benefits and related components in accordance with the implementation of GASB Statement No. 75.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the required supplementary information on pages 4-13 and 128-163, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*PBmares. LLP*

Harrisonburg, Virginia  
January 29, 2019

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

This section of the County of Isle of Wight, Virginia's (County) annual financial report presents our discussion and analysis of the County's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the County's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The net position of the County, excluding the component units as of June 30, 2018 was \$6.1 million a \$4,603,887 increase from the previous fiscal year. The beginning net position was restated due to an adjustment for OPEB resulting from the implementation of GASB 75. Please reference Note 17 for additional information. Of the total net position, \$15.4 million is restricted for capital projects, while \$50.1 million is unrestricted.
- The County's net position for the governmental activities was \$15.1 million, a 10.5% increase from FY 2017. \$10.1 million of the governmental net position is restricted for capital projects and \$41.6 million remains unrestricted.
- The net position of business activities was a deficit of \$9.0 million resulting from a deficit in net investment in capital assets of \$22.9 million. Business activities has \$5.3 million net position restricted for capital assets and \$8.6 million unrestricted.
- The County's General Fund reported a net increase in fund balance of \$4.1 million, with a total fund balance of \$23.5 million. Of this amount, \$15.9 million is unassigned. The increase is due to the County's management of expenses and implementation of cost containment measures throughout the fiscal year.
- The County's long-term debt (bonds, loans and capital leases) at June 30, 2018 was \$161.8 million, a decrease of less than 1% due to the issuance of refunding bonds.
- The County's tax rate on real estate did not increase from the prior year rate of \$0.85 per \$100 of assessed value.

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

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

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

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

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

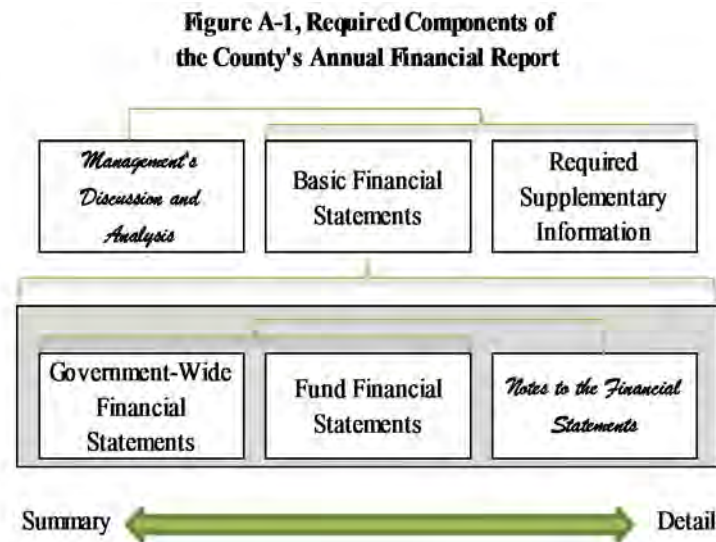


Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each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

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



## Government-wide Statements

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

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

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

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

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

## Fund Financial Statements

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

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

- **Fiduciary Funds** - The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's services. The accounting used for fiduciary funds is similar to that of the proprietary funds. The County maintained Special Welfare and School Activity Agency Funds in fiscal year 2018.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Table A-1 summarizes the Statement of Net Position at June 30, 2018 and 2017.

**Table A-1**

	Governmental Activities		Business - Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 59,807,925	\$ 62,251,917	\$ 14,201,092	\$ 13,961,387	\$ 74,009,017	\$ 76,213,304
Capital assets	89,743,084	87,424,459 *	14,537,001	14,027,060	104,280,085	101,451,519 *
<b>Total assets</b>	<u>149,551,009</u>	<u>149,676,376</u>	<u>28,738,093</u>	<u>27,988,447</u>	<u>178,289,102</u>	<u>177,664,823</u>
<b>Deferred outflows of resources</b>	<u>7,497,910</u>	<u>5,847,098</u>	<u>1,775,677</u>	<u>2,432,458</u>	<u>9,273,587</u>	<u>8,279,556</u>
Current liabilities	8,291,820	6,831,968	2,513,234	1,840,265	10,805,054	8,672,233
Long-term liabilities	132,138,153	133,152,103	36,932,787	38,414,728	169,070,940	171,566,831
<b>Total liabilities</b>	<u>140,429,973</u>	<u>139,984,071</u>	<u>39,446,021</u>	<u>40,254,993</u>	<u>179,875,994</u>	<u>180,239,064</u>
<b>Deferred inflows of resources</b>	<u>1,493,842</u>	<u>1,818,253</u>	<u>77,976</u>	<u>95,602</u>	<u>1,571,818</u>	<u>1,913,855</u>
Net Investment in capital assets	(37,423,718)	(13,319,241)	(22,900,089)	(16,643,332)	(60,323,807)	(29,962,573)
Restricted	10,987,940	18,689,154	5,321,509	5,320,770	16,309,449	24,009,924
Unrestricted	41,560,882	8,314,662	8,568,353	1,392,872	50,129,235	9,707,534
<b>Total net position</b>	<u>\$ 15,125,104</u>	<u>\$ 13,684,575</u>	<u>\$ (9,010,227)</u>	<u>\$ (9,929,690)</u>	<u>\$ 6,114,877</u>	<u>\$ 3,754,885</u>

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 \$6.1 million, a 62.9% increase from the previous year due to OPEB adjustments and restatement due to the requirements of GASB 75. Total assets increased by \$.6 million, a .4% increase and total liabilities decreased by \$.4 million, a .3% increase when compared to June 30, 2017.

The largest portion of the County's net position at June 30, 2018 is unrestricted net position which increased by \$40.4 million, or a 416.4% increase when compared to the prior year. This was largely due to the reclassification of fund balance components. The restricted net position of the County in FY 2018 was \$15.4 million, which represents 35.8% of total net position.

### Governmental Activities

Of the total net position of the County, \$15.1 million can be attributed to governmental activities. This is a \$1.4 million or 10.5% increase from the prior year resulting from a reduction in deferred inflows of resources as a result of GASB 75 adjustments.

Liabilities of the governmental activities are \$140.4 million, up by \$.4 million or a .3% increase from the prior year.

### Business-Type Activities

The Public Utilities and Stormwater Funds had a negative net position of \$9.0 million, which is \$.9 million better than the prior year due to transfers from the County's general fund. The net position includes \$8.6 million which is unrestricted and \$5.3 million restricted for capital projects. A deficit of \$22.9 million in net investment in capital assets largely contributes to the negative net position. Total liabilities decreased slightly by \$0.3 million to compared to FY 2017. This represents a .2% decrease over the prior year.

The following summarizes the County's changes in net position for the years ended June 30, 2018 and 2017:

**Table A-2**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,011,790	\$ 5,368,399	\$ 6,710,500	\$ 6,988,013	\$ 9,722,290	\$ 12,356,412
Operating grants and contribution	7,021,642	9,874,844	-	-	7,021,642	9,874,844
Capital grants and contribution	-	2,827,555	-	-	-	2,827,555
General Revenue:						
Taxes	65,683,627	70,744,959	-	-	65,683,627	70,744,959
Intergovernmental, non-categorical aid	5,409,797	-	-	-	5,409,797	-
Others	1,936,981	1,427,624	89,138	44,586	2,026,119	1,472,210
<b>Total Revenues</b>	<u>83,063,837</u>	<u>90,243,381</u>	<u>6,799,638</u>	<u>7,032,599</u>	<u>89,863,475</u>	<u>97,275,980</u>
<b>Expenses</b>						
General government administration	7,032,712	5,305,220	-	-	7,032,712	5,305,220
Judicial administration	1,474,725	1,711,476	-	-	1,474,725	1,711,476
Public safety	12,787,055	15,820,681	-	-	12,787,055	15,820,681
Public Works	5,095,079	5,029,762	-	-	5,095,079	5,029,762
Health and welfare	4,021,853	4,232,228	-	-	4,021,853	4,232,228
Education	33,451,339	28,709,110	-	-	33,451,339	28,709,110
Parks, recreation and cultural	3,114,863	3,593,465	-	-	3,114,863	3,593,465
Community development	2,792,293	2,259,598	-	-	2,792,293	2,259,598
Interest on long-term debt	5,880,446	5,123,993	-	-	5,880,446	5,123,993
Public utility	-	-	8,595,427	8,787,726	8,595,427	8,787,726
Stormwater	-	-	1,013,796	1,456,085	1,013,796	1,456,085
<b>Total expenses</b>	<u>75,650,365</u>	<u>71,785,533</u>	<u>9,609,223</u>	<u>10,243,811</u>	<u>85,259,588</u>	<u>82,029,344</u>
<b>Excess (deficiency) before transfers</b>	7,413,472	18,457,848	(2,809,585)	(3,211,212)	4,603,887	15,246,636
Transfers	(3,791,022)	(4,922,005)	3,791,022	4,922,005	-	-
<b>Change in net position</b>	<u>3,622,450</u>	<u>13,535,843</u>	<u>981,437</u>	<u>1,710,793</u>	<u>4,603,887</u>	<u>15,246,636</u>
Net position - beginning of year (restated)	11,502,654 *	148,732	(9,991,664) *	(11,640,483)	1,510,990	(11,491,751)
<b>Net position - end of year</b>	<u>\$ 15,125,104</u>	<u>\$ 13,684,575</u>	<u>\$ (9,010,227)</u>	<u>\$ (9,929,690)</u>	<u>\$ 6,114,877</u>	<u>\$ 3,754,885</u>

\* Restated FY 17 balance

The total revenue of the County was \$89.9 million in the year ended June 30, 2018, which is \$7.4 million less than the prior year while the total expenditures of all programs and services was \$85.3 million which is \$3.2 million more than FY 2017. A more detailed explanation of the changes in both governmental and business-type activities is given below.

### Governmental Activities

The County's total revenues for governmental activities were \$83.1 million, of which a significant portion, 79.1% comes from local taxes. Expenditures of all governmental programs and services was \$75.7 million. Charges for services for FY 2018 was \$3.0 million and decreased by \$2.4 million. This was largely due to a reduction in EMS revenues due to the Safe Haven policy that took effect in FY18. Revenues from operating grants decreased \$2.9 million from the prior year due to a revenue reclassification in FY 2018. Capital grants and contributions decreased overall in FY 2018. Tax revenues for the governmental funds decreased by \$5.1 million or 7.2% due to a change in the method of reflecting uncollected revenues during the current period.

Total expenses increased by \$3.9 million, or an increase of 5.4% from the year ended June 30 2017. The increase can be primarily be attributed to General Government Administration (\$1.7 million), Education (\$4.7 million) and Community Development (\$.5 million), (offset by decreases in Public Safety expenditures of \$3.0 million. The increase in General Government Administration expenditures was due to internal service charges. While the increase in Education expenditures was largely due to Career Technical Education (CTE) and roof projects.

### Business-Type Activities

Total revenues decreased by \$.2 million, or 3.3% from the year ended June 30, 2017.. The Public Utilities Fund had an overall decrease in total revenue of \$.2 million due to the prior year having substantially higher sewer and water connection fees as a result of the Benn's Grant development, while the Stormwater Fund revenue increased slightly by .04%.

Expenses for business-type activities had a modest decrease of \$.6 million or 6.2% over FY 2017 due to lower debt service expenditures as a result of an advance refunding during the year..

### Governmental Activities

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

**Table A-3a**

	Total Cost of Services			Net Cost of Services		
	2018	2017	% Change	2018	2017	% Change
Governmental Activities:						
General government						
administration	\$ 7,032,712	\$ 6,596,750	6.6%	\$ 5,058,086	\$ 5,626,838	-10.1%
Judicial administration	1,474,725	1,358,364	8.6%	807,914	780,718	3.5%
Public safety	12,787,055	13,206,973	-3.2%	9,591,435	9,594,498	0.0%
Public works	5,095,079	9,279,614	-45.1%	5,095,079	6,679,833	-23.7%
Health and welfare	4,021,853	3,832,773	4.9%	1,315,286	1,535,502	-14.3%
Education	33,451,339	28,279,608	18.3%	33,451,339	28,279,608	18.3%
Parks, recreation and						
cultural	3,114,863	4,118,975	-24.4%	2,607,665	3,456,572	-24.6%
Community development	2,792,293	3,457,268	-19.2%	1,809,683	2,972,473	-39.1%
Interest on long-term debt	5,880,446	4,498,640	30.7%	5,880,446	4,498,640	30.7%
Total expenses	<u>\$ 75,650,365</u>	<u>\$ 74,628,965</u>	1.4%	<u>\$ 65,616,933</u>	<u>\$ 63,424,682</u>	3.5%

- The cost of all *governmental* activities this year was \$75.7 million, a 1.4% increase from the previous year.
- Education continues to be one of the County's highest priorities and commitments representing 44.2% of total costs and 51.5% of General Fund expenditures.

### Business-type Activities

**Table A-3b**

	Total Cost of Services			Net Cost of Services		
	2018	2017	% Change	2018	2017	% Change
Business-type Activities:						
Public Utilities	\$ 8,595,427	\$ 8,787,726	-2.2%	\$ (3,640,102)	\$ (3,554,599)	2.4%
Stormwater	1,013,796	1,456,085	-30.4%	741,379	298,801	148.1%
<b>Total expense</b>	<u>\$ 9,609,223</u>	<u>\$ 10,243,811</u>	-6.2%	<u>\$ (2,898,723)</u>	<u>\$ (3,255,798)</u>	-11.0%

The net cost of services for the Public Utilities Fund was 2.4% more than the previous year . The Stormwater Fund had a net cost of services of \$.7 million which is 148.1% less than last year.

In FY 2018, the General Fund transferred \$3.9 million to support the operations of the Public Utilities fund which has been the practice in prior fiscal years. This is approximately \$1.0 million less than was transferred in the previous fiscal year. However, the operation of Public Utilities is expected to continue to grow and it is the intent of the County to establish a repayment schedule to the Governmental Funds for previous operating transfers.

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

**Governmental funds** – The primary purpose of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information assists in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$40.2 million, of which \$15.9 million or 39.5% is unassigned.

- **General Fund.** The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unassigned fund balance was \$15.9 million or 45.1% higher than FY 2017. This was primarily due to increased Property tax revenue and controlled spending. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total current expenditures. At June 30, 2018, the unassigned fund balance represented approximately 24.5% of the total General Fund expenditures. For FY 2018, the general fund had a total fund balance of \$23.5 million, or 21.1% higher than the previous year. The committed fund balance was \$5.5 million of which \$1.1 million is set aside for future capital projects, \$2.3 million is committed for the Purchase Agricultural Conservation Easement Program (PACE) and \$1.6 million is earmarked for commitments for the Economic Development Incentive Program. In addition, there is \$.5 million for future legal commitments. The assigned fund balance is \$1.3 million while the remaining fund balance components are in the nonspendable and restricted categories (\$.9 million).
- **Capital projects fund.** The capital projects fund accounts for all construction projects of general public improvements, excluding capital projects related to business-type activities, which are accounted for in their respective fund. At the end of the current fiscal year, the fund balance was \$15.7 million, a decrease of \$7.9 million or 33.6% less than FY 2017. The decrease is primarily due to expenditures related to the School's CTE Project and the roof projects and the County's Park to Park trail project. The restricted fund balance was \$10.1 million which is restricted for School and County capital projects.
- **Non-Major Governmental Funds.** The County accounts for other programs and services in different funds. These funds include the Department of Social Services, Children's Services Fund, E-911 Funds, Community Development Block Grant Funds, the County Fair, the Grants Fund and the Heritage Park Concert Fund. At June 30, 2018, the combined fund balances were \$0.6 million.

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

The net position of the Public Utility Fund at the end of the current fiscal year was a deficit of \$13.9 million, of which a deficit of \$24.8 million is representative of net investment in capital assets and \$5.3 million is restricted for Public Utilities construction projects. Additionally, \$5.4 million is unrestricted net position and represents 396.5 increase over prior years.

The net position of the Stormwater Fund for FY 2018 was \$4.9 million which is a \$0.7 million increase over the prior year. Contributing to this increase was new construction. Eagle Harbor development had 17 new houses in FY 2018 and Benn's Grant had 40 new homes. The net investment in capital assets for the Stormwater Fund at the end of the current fiscal year was \$1.9 million and the unrestricted net position was \$3.0 million.

### General Fund Budgetary Highlights

The County's annual budget is prepared on an operating basis and includes estimated revenues and annual appropriations for operations. Actual general fund revenues (excluding other financing sources) were \$1.6 million more than the final budget primarily due to machinery and tool tax revenue. The difference between the original budget for FY 2018 and the final budget was \$6.5 million. This increase was partially due to rollover funds and other board approved items. Actual General Fund expenditures, excluding transfers between funds, interfund transfers and debt service costs, were \$.5 million above the final budget.

## Capital Assets

At the end of fiscal year 2018, the County had invested \$104.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

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

**Table A-4**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Nondepreciable assets						
Land	\$ 12,899,648	\$ 13,107,935	\$ 463,012	\$ 463,012	\$ 13,362,660	\$ 13,570,947
Intangibles	4,338,512	4,338,512	-	-	4,338,512	4,338,512
Construction in progress	9,890,416	4,542,834	1,771,987	1,872,402	11,662,403	6,415,236
Total nondepreciable assets	27,128,576	21,989,281	2,234,999	2,335,414	29,363,575	24,324,695
Depreciable assets						
Land improvements	11,255,096	11,536,626	15,560,360	14,316,525	26,815,456	25,853,151
Buildings	68,611,823	70,201,513	11,645,449	11,645,449	80,257,272	81,846,962
Equipment	5,495,653	5,198,185	1,085,970	930,555	6,581,623	6,128,740
Vehicles	5,290,533	5,216,610	531,622	461,120	5,822,155	5,677,730
Total depreciable assets	90,653,105	92,152,934	28,823,401	27,353,649	119,476,506	119,506,583
Total accumulated depreciation	(28,038,597)	(26,717,756)	(16,521,399)	(15,662,003)	(44,559,996)	(42,379,759)
Net capital assets	\$ 89,743,084	\$ 87,424,459	\$ 14,537,001	\$ 14,027,060	\$ 104,280,085	\$ 101,451,519

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

- E911 Radio Communication Equipment project, \$ 4.0 million
- Schools CTE and Roof Projects, \$ 5.0 million

## Long-Term Debt

At year-end the County had \$161.8 million in bonds, loans, and capital leases as shown in Table A-5. The Commonwealth of Virginia limits the amount of debt outstanding to 10% of the localities assessed value of real property. At June 30, 2018, the County's debt ratio to assessed value was approximately 2.5% demonstrating the County's conservative debt borrowing policy and management approach. In FY 2018, the County issued \$30,700,000 of General Obligation Refunding Bonds and \$9,260,000 of Virginia Resource Authority Refunding bonds for the 2010C Bonds. These bonds were issued to advance refund various issues and will reduce the County's total debt service payments for the next 15 to 25 years. The County also issued \$0.4 million as part of the Master Lease Program to purchase vehicles and equipment for the County. More detailed information on the county's long-term debt are presented in Note 7 to the basic financial statements.

**Table A-5**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 112,008,193	\$ 115,954,028	\$ 33,207,384	\$ 35,070,967	\$ 145,215,577	\$ 151,024,995
Bond premium	7,225,459	3,899,655	4,103,112	2,915,119	11,328,571	6,814,774
Subtotal	119,233,652	119,853,683	37,310,496	37,986,086	156,544,148	157,839,769
Installment purchase agreements - PACE	4,326,512	4,326,512	-	-	4,326,512	4,326,512
Capital leases	872,070	834,485	77,956	28,763	950,026	863,248
Total long-term debt	\$ 124,432,234	\$ 125,014,680	\$ 37,388,452	\$ 38,014,849	\$ 161,820,686	\$ 163,029,529

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

- The County's per capita personal income, as of the latest data available, was \$34,139.
- The unemployment rate for Isle of Wight County for 2018 is 3.2% compared to 2017 which was 3.2%. Real Estate tax rate remained at \$0.85.
- The issuance of refunding bonds by the County in FY 2018 will provide cost savings in future debt service.

These indicators were taken into account when adopting the operating and capital budget for fiscal year 2018-19. Amounts available for appropriation in the general operating and capital budget are \$160.6 million, less than 3.7% lower than fiscal year 2017-18 in the amount of \$6.1 million.

## **OTHER FACTORS TO CONSIDER**

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

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

### ***Isle of Wight Values Statement***

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

### ***Isle of Wight County Mission Statement***

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

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

*A COMMUNITY OF CHOICE committed to excellence.*

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

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

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

Isle of Wight County Schools (IWCS) is committed to preparing our students for excellence in the 21st century by ensuring that they are provided with the knowledge and skills needed to be successful in pursuit of college, careers and citizenship in the global world community. Annually, IWCS educates more than 5500 students in a comprehensive Pre-Kindergarten through twelfth grade instructional program; consisting of five elementary, two middle and two high schools. All IWC schools are fully accredited by the Virginia Department of Education and by the Southern Association of Colleges and Schools. The on-time graduation rate of Isle of Wight County Schools Class of 2018 was 95.5%.

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

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



## ***Basic Financial Statements***

**County of Isle of Wight, Virginia****Statement of Net Position****June 30, 2018**

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
<b>Assets</b>					
Cash and cash equivalents	\$ 15,432,984	\$ 7,603,704	\$ 23,036,688	\$ 6,248,911	\$ 508,858
Restricted cash and cash equivalents	10,118,659	5,321,509	15,440,168	-	-
Investments	18,409,481	-	18,409,481	-	-
Receivables - net	13,767,183	849,862	14,617,045	270,673	184
Due from primary government	-	-	-	1,238,025	-
Due from other governments	1,661,970	363,189	2,025,159	1,164,609	-
Inventories and prepaid items	7,044	29,177	36,221	31,213	-
Deposits	35,604	33,651	69,255	-	-
Advance to component unit	375,000	-	375,000	-	-
Land held for resale	-	-	-	-	9,011,625
Capital assets:					
Nondepreciable	27,128,576	2,234,999	29,363,575	8,459,609	376,537
Depreciable - net	62,614,508	12,302,002	74,916,510	55,331,936	2,684,476
<b>Total assets</b>	<b>149,551,009</b>	<b>28,738,093</b>	<b>178,289,102</b>	<b>72,744,976</b>	<b>12,581,680</b>
<b>Deferred Outflows of Resources</b>					
Deferred losses on refundings	5,684,613	1,657,242	7,341,855	-	-
Pension	1,713,059	111,061	1,824,120	6,459,830	-
OPEB	100,238	7,374	107,612	636,685	-
<b>Total deferred outflows of resources</b>	<b>7,497,910</b>	<b>1,775,677</b>	<b>9,273,587</b>	<b>7,096,515</b>	<b>-</b>

**County of Isle of Wight, Virginia****Statement of Net Position****June 30, 2018**

	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
<b>Liabilities</b>					
Accounts payable	\$ 1,261,805	\$ 696,942	\$ 1,958,747	\$ 2,186,120	\$ 4,620
Accrued liabilities	252,373	15,760	268,133	4,714,465	-
Amounts held in escrow	3,143,223	25,386	3,168,609	-	-
Due to component unit	1,237,795	-	1,237,795	-	-
Customer deposits payable	-	250,836	250,836	-	-
Accrued interest payable	1,831,631	701,265	2,532,896	66,239	-
Unearned revenues	564,993	-	564,993	113,088	-
Long-term obligations:					
Due within one year	7,873,014	822,542	8,695,556	824,831	375,000
Due in more than one year	119,293,788	36,637,453	155,931,241	7,749,324	-
Net pension liabilities	2,858,692	185,336	3,044,028	45,332,387	-
Net OPEB Obligation	2,112,659	110,501	2,223,160	10,423,017	-
<b>Total liabilities</b>	<b>140,429,973</b>	<b>39,446,021</b>	<b>179,875,994</b>	<b>71,409,471</b>	<b>379,620</b>
<b>Deferred Inflows of Resources</b>					
Deferred gains on refundings	223,205	-	223,205	-	-
Pension	981,286	63,619	1,044,905	7,444,288	-
OPEB	289,351	14,357	303,708	460,168	-
<b>Total deferred inflows of resources</b>	<b>1,493,842</b>	<b>77,976</b>	<b>1,571,818</b>	<b>7,904,456</b>	<b>-</b>
<b>Net Position</b>					
Net investment in capital assets	(37,423,718)	(22,900,089)	(60,323,807)	-	3,061,013
Restricted:					
Capital projects	10,088,474	5,321,509	15,409,983	-	-
Other	899,466	-	899,466	31,213	-
Unrestricted (deficit)	41,560,882	8,568,353	50,129,235	496,351	9,141,047
<b>Total net position (deficit)</b>	<b>\$ 15,125,104</b>	<b>\$ (9,010,227)</b>	<b>\$ 6,114,877</b>	<b>\$ 527,564</b>	<b>\$ 12,202,060</b>

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

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

**Year Ended June 30, 2018**

Function/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position				Economic Development Authority
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Functions:</b>								
<b>Primary Government:</b>								
Governmental Activities:								
General government administration	\$ 7,032,712	\$ 43,196	\$ 1,931,430	\$ -	\$ (5,058,086)	\$ -	\$ -	-
Judicial administration	1,474,725	13,072	653,739	-	(807,914)	-	(807,914)	-
Public safety	12,787,055	1,465,714	1,729,906	-	(9,591,435)	-	(9,591,435)	-
Public works	5,095,079	-	-	-	(5,095,079)	-	(5,095,079)	-
Health and welfare	4,021,853	-	2,706,567	-	(1,315,286)	-	(1,315,286)	-
Education	33,451,339	-	-	-	(33,451,339)	-	(33,451,339)	-
Parks, recreation and cultural	3,114,863	507,198	-	-	(2,607,665)	-	(2,607,665)	-
Community development	2,792,293	982,610	-	-	(1,809,683)	-	(1,809,683)	-
Interest on long-term debt	5,880,446	-	-	-	(5,880,446)	-	(5,880,446)	-
Total governmental activities	75,650,365	3,011,790	7,021,642	-	(65,616,933)	-	(65,616,933)	-
Business-type Activities:								
Public utility	8,595,427	4,955,325	-	-	(3,640,102)	-	(3,640,102)	-
Stormwater	1,013,796	1,755,175	-	-	-	741,379	741,379	-
<b>Total Business-type Activities</b>	<b>9,609,223</b>	<b>6,710,500</b>	<b>-</b>	<b>-</b>	<b>(2,898,723)</b>	<b>(2,898,723)</b>	<b>(2,898,723)</b>	<b>-</b>
<b>Total Primary Government</b>	<b>85,259,588</b>	<b>9,722,290</b>	<b>7,021,642</b>	<b>-</b>	<b>(65,616,933)</b>	<b>(2,898,723)</b>	<b>(68,515,656)</b>	<b>-</b>
<b>Component Units:</b>								
School Board	58,482,501	802,514	33,332,067	-	-	-	(24,347,920)	-
Economic Development Authority	2,162,795	125,460	-	-	-	-	-	(2,037,335)
Total Component Units	60,645,296	927,974	33,332,067	-	-	-	(24,347,920)	(2,037,335)
General Revenues:								
Taxes:								
General property taxes					57,755,525	-	57,755,525	-
Other local taxes					7,928,102	-	7,928,102	-
Revenue from use of property & money					786,748	89,138	875,886	-
Miscellaneous					1,150,233	-	1,150,233	66,555
Payment from the Primary Government					-	-	-	1,383,994
Intergovernmental, non-categorical aid					5,409,797	-	5,409,797	30,361,058
Transfers					(3,791,022)	3,791,022	-	-
<b>Total General Revenues and Transfers</b>					69,239,383	3,880,160	73,119,543	31,811,607
Change in net position					3,622,450	981,437	4,603,887	7,463,687
<b>Net position - beginning of year (restated)</b>					11,502,654	(9,991,664)	1,510,990	(6,936,123)
<b>Net position - end of year</b>					\$ 15,125,104	\$ (9,010,227)	\$ 6,114,877	\$ 527,564
								\$ 12,202,060

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

**County of Isle of Wight, Virginia****Balance Sheet - Governmental Funds****June 30, 2018**

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 7,082,829	\$ 6,935,275	\$ 316,472	\$ 545,921	\$ 14,880,497
Restricted cash and cash equivalents	22,259	10,088,475	7,925	-	10,118,659
Investments	18,409,481	-	-	-	18,409,481
Receivables - net of allowance for uncollectibles:					
Taxes	12,548,955	-	-	-	12,548,955
Accounts receivable	720,761	2,000	-	3,097	725,858
Note	489,553	-	-	-	489,553
Deposit	-	35,604	-	-	35,604
Due from other funds	199,979	-	-	-	199,979
Due from other governments	857,748	386,874	-	417,348	1,661,970
Prepaid Items	2,189	-	-	4,855	7,044
Advance to component unit	375,000	-	-	-	375,000
<b>Total assets</b>	<b>\$ 40,708,754</b>	<b>\$ 17,448,228</b>	<b>\$ 324,397</b>	<b>\$ 971,221</b>	<b>\$ 59,452,600</b>
<b>Liabilities</b>					
Accounts payable	\$ 642,781	\$ 475,689	\$ -	\$ 128,011	\$ 1,246,481
Accrued expenses	175,258	70,185	-	6,211	251,654
Amounts held in escrow	3,134,840	-	-	8,383	3,143,223
Due to other funds	-	-	-	199,979	199,979
Due to component unit	7,240	1,230,555	-	-	1,237,795
Unearned revenues	564,978	-	-	-	564,978
Due to other governments	140	-	-	-	140
<b>Total liabilities</b>	<b>4,525,237</b>	<b>1,776,429</b>	<b>-</b>	<b>342,584</b>	<b>6,644,250</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	12,637,279	-	-	-	12,637,279
<b>Total deferred inflows of resources</b>	<b>12,637,279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,637,279</b>
<b>Fund Balances</b>					
Nonspendable	866,742	-	-	4,855	871,597
Restricted	22,259	10,088,475	7,925	-	10,118,659
Committed	5,460,229	-	-	-	5,460,229
Assigned	1,291,755	5,583,324	316,472	673,510	7,865,061
Unassigned	15,905,253	-	-	(49,728)	15,855,525
<b>Total fund balances</b>	<b>23,546,238</b>	<b>15,671,799</b>	<b>324,397</b>	<b>628,637</b>	<b>40,171,071</b>
<b>Total liabilities, deferred inflow of resources, and fund balances</b>	<b>\$ 40,708,754</b>	<b>\$ 17,448,228</b>	<b>\$ 324,397</b>	<b>\$ 971,221</b>	<b>\$ 59,452,600</b>

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

*County of Isle of Wight, Virginia****Reconciliation of the Governmental Fund's Balance Sheet  
To the Statement of Net Position*****June 30, 2018****Total fund balances - governmental funds**

Amount reported for governmental activities in the Statement	\$ 40,171,071
of Net Position are different because:	

Internal service funds are used to charge the costs of equipment and risk management to individual funds. The assets and liabilities of internal service funds are reported with governmental activities in the statement of net position		
Net Position	389,681	
Adjustments for items included in governmental activities below:		
Depreciable capital assets	(71,754)	
Deferred outflows - pension	(65,607)	
Deferred outflows - OPEB	(3,752)	
Deferred inflows - pension	37,582	
Deferred inflows - OPEB	9,908	
Compensated absences	60,035	
Net pension liability	109,483	
Net OPEB obligation	73,811	
	<u>539,387</u>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements.		
Nondepreciable capital assets	27,128,576	
Depreciable capital assets, including \$107,180 reported in internal service fund	62,614,508	
Capital assets, net		<u>89,743,084</u>
Revenues not collected soon enough to pay for current-period expenditures.		12,637,279
Deferred outflows of resources:		
Losses on refundings		5,684,613
Pension		1,713,059
OPEB		100,238
Deferred inflows:		
Gains on refundings		(223,205)
Pension		(981,286)
OPEB		(289,351)
Long-term obligations, including bonds payable, are not due and payable in the current period and are not reported in the funds.		
Bonds and PACE obligations		(123,560,164)
Capital leases		(872,070)
Compensated absences		(1,177,940)
Net pension liabilities		(2,858,692)
Net OPEB obligation		(2,112,659)
Landfill closure costs		(1,556,628)
Accrued interest and other		<u>(1,831,632)</u>
<b>Total net position - governmental activities</b>		<u><u>\$ 15,125,104</u></u>

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, 2018**

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 57,574,975	\$ -	\$ -	\$ -	\$ 57,574,975
Other local taxes	7,421,830	-	-	506,272	7,928,102
Permits, privilege fees and regulatory licenses	592,154	360,149	-	-	952,303
Fines and forfeitures	169,606	-	-	-	169,606
Revenues from use of money and property	522,988	223,978	-	39,782	786,748
Charges for services	1,587,031	-	-	302,850	1,889,881
Miscellaneous	1,093,176	-	-	57,057	1,150,233
Recovered costs	646,819	-	-	-	646,819
Intergovernmental:					
Commonwealth of Virginia	7,637,778	206,745	-	1,157,609	9,002,132
Federal	11,579	803,984	-	1,692,008	2,507,571
Local	-	27,006	-	247,911	274,917
<b>Total revenues</b>	<b>77,257,936</b>	<b>1,621,862</b>	<b>-</b>	<b>4,003,489</b>	<b>82,883,287</b>
<b>Expenditures</b>					
Current:					
General government administration	4,443,690	-	-	-	4,443,690
Judicial administration	1,582,629	-	-	-	1,582,629
Public safety	10,914,466	-	-	1,616,762	12,531,228
Public works	5,192,525	-	-	9,310	5,201,835
Health and welfare	810,648	-	-	3,354,095	4,164,743
Education	25,498,212	6,269,246	-	-	31,767,458
Parks, recreation and cultural	2,450,731	-	-	422,416	2,873,147
Community development	2,889,967	-	-	20,207	2,910,174
Nondepartmental	1,846,733	-	-	-	1,846,733
Capital outlay	-	6,471,210	-	-	6,471,210
Debt Service	9,286,290	-	4,714,492	-	14,000,782
<b>Total expenditures</b>	<b>64,915,891</b>	<b>12,740,456</b>	<b>4,714,492</b>	<b>5,422,790</b>	<b>87,793,629</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>12,342,045</b>	<b>(11,118,594)</b>	<b>(4,714,492)</b>	<b>(1,419,301)</b>	<b>(4,910,342)</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	2,853,130	-	1,595,906	4,449,036
Transfers out	(8,240,056)	-	-	-	(8,240,056)
Issuance of debt	-	333,000	27,303,789	-	27,636,789
Payment to escrow agent	-	-	(26,610,438)	-	(26,610,438)
Proceeds from sale of property	500	-	-	-	500
Premium on bonds issued	-	-	4,345,538	-	4,345,538
<b>Total other financing sources (uses), net</b>	<b>(8,239,556)</b>	<b>3,186,130</b>	<b>5,038,889</b>	<b>1,595,906</b>	<b>1,581,369</b>
<b>Net change in fund balance</b>	<b>4,102,489</b>	<b>(7,932,464)</b>	<b>324,397</b>	<b>176,605</b>	<b>(3,328,973)</b>
<b>Fund balances - beginning of year</b>	<b>19,443,749</b>	<b>23,604,263</b>	<b>-</b>	<b>452,032</b>	<b>43,500,044</b>
<b>Fund balances - end of year</b>	<b>\$ 23,546,238</b>	<b>\$ 15,671,799</b>	<b>\$ 324,397</b>	<b>\$ 628,637</b>	<b>\$ 40,171,071</b>

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

*County of Isle of Wight, Virginia****Reconciliation of the Governmental Funds' Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities*****Year Ended June 30, 2018**

<b>Net change in fund balances - governmental funds</b>	<b>\$ (3,328,973)</b>
Amount reported for governmental activities in the Statement of Activities are different because:	
Internal service funds are used to charge the costs of technology and risk management to individual funds. The net revenues (expense) of certain activities of internal service fund of is reported with governmental activities	207,295
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	6,335,156
Depreciation expense	(1,975,122)
Joint activity - transfer of capital assets, net	(1,686,657)
Miscellaneous transactions involving capital assets	(354,752)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of net position.	
Bond and capital lease proceeds, including premiums	(31,982,327)
Repayment of debt principal	4,934,601
Payment to refunded bond escrow agent	26,610,438
Deferred loss on refunding	3,549,951
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	180,550
Some expenses reported in the Statement of Activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued interest	(849,224)
Compensated absences	140,951
Pension	150,180
OPEB	1,188,619
Landfill closure costs	93,673
Amortization of bond premiums	1,019,734
Amortization of deferred gain on refunding	44,641
Amortization of deferred loss on refunding	(579,367)
Other	(76,917)
<b>Change in net position of governmental activities</b>	<b>\$ 3,622,450</b>

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



**County of Isle of Wight, Virginia****Statement of Net Position - Proprietary Funds****June 30, 2018**

	Enterprise Funds			Governmental Activities- Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 4,827,872	\$ 2,775,832	\$ 7,603,704	\$ 552,487
Restricted cash and cash equivalents	5,321,509	-	5,321,509	-
Receivables - net of allowance	789,736	60,126	849,862	2,817
Inventories	29,177	-	29,177	-
Deposits	33,651	-	33,651	-
Due from other governments	-	363,189	363,189	-
Total current assets	11,001,945	3,199,147	14,201,092	555,304
<b>Noncurrent assets</b>				
Capital assets:				
Nondepreciable	2,100,593	134,406	2,234,999	-
Depreciable - net	10,460,065	1,841,937	12,302,002	71,754
Total noncurrent assets	12,560,658	1,976,343	14,537,001	71,754
Total assets	23,562,603	5,175,490	28,738,093	627,058
<b>Deferred outflows of resources</b>				
Deferred losses on bond refundings	1,657,242	-	1,657,242	-
Pension plan	53,378	57,683	111,061	65,607
Other post-employment benefits	3,868	3,506	7,374	3,753
Total deferred outflows of resources	1,714,488	61,189	1,775,677	69,360

*County of Isle of Wight, Virginia**Statement of Net Position - Proprietary Funds***June 30, 2018**

	Enterprise Funds			Governmental Activities- Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 618,588	\$ 78,354	\$ 696,942	\$ 15,324
Accrued liabilities	6,170	9,590	15,760	579
Amount held in escrow	-	25,386	25,386	-
Accrued interest payable	701,228	37	701,265	-
Customer deposits payable	250,836	-	250,836	-
Unearned revenue	-	-	-	15
General obligation bonds payable	791,305	-	791,305	-
Capital leases	18,814	5,772	24,586	-
Compensated absences	4,297	2,857	7,154	6,003
Total current liabilities	2,391,238	121,996	2,513,234	21,921
<b>Noncurrent liabilities</b>				
General obligation bonds payable	36,519,191	-	36,519,191	-
Capital leases	50,446	2,922	53,368	-
Compensated absences	38,671	25,720	64,391	54,032
Other post-employment benefits	59,802	50,699	110,501	73,811
Net pension liability	89,077	96,259	185,336	109,483
Total noncurrent liabilities	36,757,187	175,600	36,932,787	237,326
Total liabilities	39,148,425	297,596	39,446,021	259,247
<b>Deferred inflows of resources</b>				
Pension plan	30,577	33,042	63,619	37,582
Other post-employment benefits	7,974	6,383	14,357	9,908
Total deferred inflows of resources	38,551	39,425	77,976	47,490
<b>Net Position</b>				
Net investment in capital assets	(24,819,098)	1,919,009	(22,900,089)	71,754
Restricted - Capital projects	5,321,509	-	5,321,509	-
Unrestricted (deficit)	5,587,704	2,980,649	8,568,353	317,927
Total net position (deficit)	\$ (13,909,885)	\$ 4,899,658	\$ (9,010,227)	\$ 389,681

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

*County of Isle of Wight, Virginia**Statements of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds***Year Ended June 30, 2018**

	Enterprise Funds			Governmental Activities- Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Operating revenues</b>				
Charges for services	\$ 4,693,553	\$ 1,391,986	\$ 6,085,539	\$ 1,733,010
Connection fees	248,319	-	248,319	-
Other revenue	13,453	363,189	376,642	15,973
<b>Total operating revenues</b>	<b>4,955,325</b>	<b>1,755,175</b>	<b>6,710,500</b>	<b>1,748,983</b>
<b>Operating expenses:</b>				
Personnel services	572,287	434,709	1,006,996	483,308
Fringe benefits	259,832	194,791	454,623	181,353
Contractual services	263,005	186,031	449,036	515,445
Purchases	4,698,933	-	4,698,933	-
Other charges	649,109	146,679	795,788	465,512
Depreciation	817,447	51,395	868,842	35,426
<b>Total operating expenses</b>	<b>7,260,613</b>	<b>1,013,605</b>	<b>8,274,218</b>	<b>1,681,044</b>
<b>Operating income (loss)</b>	<b>(2,305,288)</b>	<b>741,570</b>	<b>(1,563,718)</b>	<b>67,939</b>
<b>Nonoperating revenues (expenses)</b>				
Interest income	82,802	6,336	89,138	-
Interest and fiscal charges	(1,334,814)	(191)	(1,335,005)	-
<b>Total nonoperating revenues (expenses), net</b>	<b>(1,252,012)</b>	<b>6,145</b>	<b>(1,245,867)</b>	<b>-</b>
<b>Income (loss) before transfers</b>	<b>(3,557,300)</b>	<b>747,715</b>	<b>(2,809,585)</b>	<b>67,939</b>
Transfers in	3,912,992	-	3,912,992	25,268
Transfers out	(121,970)	-	(121,970)	-
<b>Changes in net position</b>	<b>233,722</b>	<b>747,715</b>	<b>981,437</b>	<b>93,207</b>
<b>Net position (deficit) - beginning of year (restated)</b>	<b>(14,143,607)</b>	<b>4,151,943</b>	<b>(9,991,664)</b>	<b>296,474</b>
<b>Net position (deficit) - end of year</b>	<b>\$ (13,909,885)</b>	<b>\$ 4,899,658</b>	<b>\$ (9,010,227)</b>	<b>\$ 389,681</b>

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

*County of Isle of Wight, Virginia****Statements of Cash Flows – Proprietary Funds*****Year Ended June 30, 2018**

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Cash flows from operating activities</b>				
Received from customers and users	\$ 4,863,439	\$ 1,546,330	\$ 6,409,769	\$ 1,746,181
Payments to suppliers for goods and services	(5,568,305)	(497,732)	6,409,769	(1,106,187)
Payments to employees	(872,752)	(612,961)	(1,485,713)	(539,871)
<b>Net cash provided by (used in) operating activities</b>	<b>(1,577,618)</b>	<b>435,637</b>	<b>(1,141,981)</b>	<b>100,123</b>
<b>Cash Flows from non-capital financing activities</b>				
Transfers in	3,912,992	595,000	4,507,992	-
Transfers out	(121,970)	(595,000)	(716,970)	25,268
<b>Net cash provided by non-capital financing activities</b>	<b>3,791,022</b>	<b>-</b>	<b>3,791,022</b>	<b>25,268</b>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(302,429)	(1,092,234)	(1,394,663)	-
Principal payments on bonds	(165,232)	-	(165,232)	-
Issuance of refunding debt	12,656,211	-	12,656,211	-
Payment to refunded bond escrow agent	(14,354,562)	-	(14,354,562)	-
Proceeds from capital leases	67,000	-	67,000	-
Bond premiums on refunding debt	1,782,657	-	1,782,657	-
Principal payments on capital leases	(12,130)	(5,677)	(17,807)	-
Interest and fiscal charges paid on bonds and capital leases	(1,432,355)	(217)	(1,432,572)	-
<b>Net cash used in capital and related financing activities</b>	<b>(1,760,840)</b>	<b>(1,098,128)</b>	<b>(2,858,968)</b>	<b>-</b>
<b>Cash flows from investing activities</b>				
Interest received	82,802	6,336	89,138	-
<b>Net cash provided by investing activities</b>	<b>82,802</b>	<b>6,336</b>	<b>89,138</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>535,366</b>	<b>(656,155)</b>	<b>(120,789)</b>	<b>125,391</b>
<b>Change in cash and cash equivalents - beginning on year</b>	<b>9,614,015</b>	<b>3,431,987</b>	<b>13,046,002</b>	<b>427,096</b>
<b>Change in cash and cash equivalents - end of year</b>	<b>\$ 10,149,381</b>	<b>\$ 2,775,832</b>	<b>\$ 12,925,213</b>	<b>\$ 552,487</b>

The accompanying notes are an integral part of these financial statements

*County of Isle of Wight, Virginia**Statements of Cash Flows – Proprietary Funds (Continued)***Year Ended June 30, 2018**

	Enterprise Funds			Governmental Activities - Internal Service Funds
	Public Utilities	Stormwater	Total	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating Income (loss)	\$ (2,305,288)	\$ 741,570	\$ (1,563,718)	\$ 67,939
Adjustments to reconcile to net cash provided by (used in) operating activities:				
Loss on disposal of capital asset	-	15,880	15,880	-
Depreciation	817,447	51,395	868,842	35,426
Pension and OPEB expense (benefit)	(94,817)	(5,576)	(100,393)	(35,392)
Change in:				
Prepaid Items	-	-	-	98,914
Accounts Receivable	(117,998)	53,969	(64,029)	(2,817)
Deposits	(33,651)	-	(33,651)	-
Accounts Payable and Amounts Held in Escrow	72,806	(161,801)	(88,995)	(101,099)
Due from other governments	-	(262,814)	(262,814)	-
Customer Deposits Payable	26,912	-	26,912	-
Unearned Revenue	(800)	-	(800)	15
Accrued Expenses and Other Liabilities	3,587	(19,101)	(15,514)	-
Deferred Outflows of Resources	67,268	20,739	88,007	41,014
Compensated Absences	(13,084)	1,376	(11,708)	(3,877)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (1,577,618)</b>	<b>\$ 435,637</b>	<b>\$ (1,141,981)</b>	<b>\$ 100,123</b>

The accompanying notes are an integral part of these financial statements

***County of Isle of Wight, Virginia******Statement of Net Position - Fiduciary Funds*****June 30, 2018**

		<u>Agency Funds</u>
	<b>Assets</b>	
Cash and cash equivalents		<u>\$ 545,495</u>
	<b>Liabilities</b>	
Amounts held for social services clients		27,229
Amounts held for others		<u>518,266</u>
<b>Total liabilities</b>		<u>\$ 545,495</u>

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

***Notes to Basic Financial Statements***

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**June 30, 2018**

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

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

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

***A. Financial Reporting Entity***

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

***Discretely Presented Component Units***

The *Isle of Wight County Public School Board* (School Board) members are elected by the citizens of the County of Isle of Wight. The School Board is responsible for the operations of the County's School System within the County boundaries. The School Board is fiscally dependent on the County. The County has the ability to approve its budget and any amendments. The primary funding source for the School System is the General Fund of the County. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discretely presented component of the County financial statements.

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

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

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

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

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

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

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

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

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

The County reports the following major governmental funds:

**General** – This is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. The services which are administered by the County and accounted for in the General Fund include, among others, County Board, Finance, Administration, Public Safety, and General Services.

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

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

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



**Notes to Basic Financial Statements**

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**June 30, 2018**

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

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

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

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

**C. Basis of Accounting**

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

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

**D. Accounting Changes**

The County adopted GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as amended, as well as the requirements of GASB No. 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* in the current year.

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

***E. Cash and Cash Equivalents***

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

***F. Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

***G. Investments***

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

***H. Property Taxes***

All property tax receivables are shown net of an allowance for uncollectible accounts. The County calculates its allowance for uncollectible accounts using historical collection data, specific account analysis and management's judgment. At June 30, 2018, the allowance for the General Fund was \$673,981.

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

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

While the assessed value of real estate for the County's ten largest taxpayers comprises 7.14% 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.

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

***H. Property Taxes (Continued)***

The Personal Property Tax Relief Act of 1998 (PPTRA) provided for the Commonwealth to reimburse a portion of the personal property tax levied on the first \$20,000 of personal use cars, motorcycles and trucks. During the 2005 Special Session I, the Virginia General Assembly passed Senate Bill 5005. The bill provides for the Commonwealth to reimburse a portion of the tangible personal property tax levied bases on a fixed relief amount. The fixed relief amount was capped at \$950,000,000 in total for all localities with the County's share capped at \$5,115,890, which the County received during the year ended June 30, 2018. The Commonwealth requires localities to record the revenue from PPTRA as received from other governments, not as property taxes.

***I. 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.

***J. 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.

***K. 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.

***L. Inventory***

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

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

***M. Capital Assets***

Capital assets include land and land improvements, buildings and building improvements, equipment, vehicles and intangibles assets. Any asset or group of assets acquired by the County are considered capital assets if they have an estimated useful life in excess of two years and an acquisition cost (or fair market value when received) of at least \$5,000. Such assets are recorded at historical cost (or estimated historical cost) if constructed or purchased. Donated capital assets are recorded at acquisition value at the date of donation. The County does not have any infrastructure in its capital assets since roads, streets, bridges and similar assets within its boundaries are the property of the Commonwealth of Virginia. Accumulated depreciation and amortization are reported as reductions of capital assets. At June 30, 2018, 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, 2018.

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

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

***N. Compensated Absences***

County and School Board employees are granted vacation and sick leave in varying amounts as services are provided. They may accumulate, subject to certain limitations, unused vacation and sick leave earned and, upon retirement, termination or death, may be compensated for certain amounts at their current rates of pay at the time of separation. The liability for compensated absences reported in the government-wide and proprietary fund financial statements has been calculated using the vesting method, which includes leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are typically liquidated by the County's General Fund for governmental activities as of June 30, 2018.

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

***O. Expenditure recognition***

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

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

***P. 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.

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

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

***R. Pension***

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

***Notes to Basic Financial Statements***

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**June 30, 2018**

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

***S. Other Postemployment Benefit Plans***

Medical Insurance Programs

The County and the IOW County Public Schools Medical Insurance Plans are single-employer plans administered by the County and the Schools. Experience gains or losses are amortized over the average working lifetime of all participants, which for the current period is seven years. Plan amendments are recognized immediately. Changes in actuarial assumptions are amortized over the average working lifetime of all participants.

Group Life Insurance Program

The VRS Group Life Insurance Program (GLI) is a multiple employer, cost-sharing plan. It provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI was established pursuant to Section 51.1-500 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI is a defined benefit plan that provides a basic GLI benefit for employees of participating employers. For purposes of measuring the total GLI OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Health Insurance Credit Program

The County plan is a single employer plan for political subdivisions. The School Board professional HIC Program is a multiple employer, cost-sharing plan. The HIC programs were established pursuant to Section 51.1-1400 et seq. of the *Code of Virginia* as amended, and which provide the authority under which benefit terms are established or may be amended. For purposes of measuring the HIC Programs' total OPEB liability, deferred outflows of resources and deferred inflows of resources related to the HIC Programs' OPEB, and the HIC Programs' OPEB expense, information about the fiduciary net position of the HIC Programs, and the additions to/deductions from the HIC Programs' net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Virginia Local Disability Program

The County has three Virginia Local Disability Programs (VLDP). The first and second plans are the County and School Board non-professional plans, which are political subdivision employee plans. The third plan is the School Board professional plan, which is a teacher employee plan. The plans are multiple-employer, cost-sharing plans. For purposes of measuring the net VLDP OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB expenses, information about the fiduciary net position of the VLDP, and the additions to/deductions from the VLDPs' net fiduciary positions have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

**T. Net Position**

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

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

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

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

**U. Fund Balance**

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

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

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

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

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

**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.

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

***U. Fund Balance (Continued)***

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.

***V. 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 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.

***W. Subsequent Events***

The County has evaluated subsequent events through January 29, 2019, the date on which the financial statements were available to be issued.

***X. Pending GASB Statements***

At June 30, 2018, the Governmental Accounting Standards Board (GASB) had issued statements not yet implemented by the County. The statements which might impact the County are as follows:

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt*, will improve the information that is disclosed in notes related to debt. It also clarifies which liabilities governments should include when disclosing information related to debt. Statement No. 88 will be effective for fiscal years beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will(1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 will be effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*, is intended to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 will be effective for fiscal years beginning after December 15, 2018.

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



**Notes to Basic Financial Statements**

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**June 30, 2018**

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**Note 2 – Deposits and Investments**

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

A summary of deposits and investments held by the Primary Government at June 30, 2018 is as follows:

<b>Deposits</b>	
Demand deposits	\$ 10,180,559
Cash on hand	2,311
<b>Investments</b>	
LGIP	12,884,002
Zero coupon bond	2,280,615
SNAP	15,409,984
VIP Short Term	16,053,577
VIP Long Term	75,289
Total deposits and investments	<u>\$ 56,886,337</u>
 <b>Reconciliation to Statements of Net Position</b>	
<u>Government-wide:</u>	
Cash and cash equivalents	\$ 23,036,688
Restricted cash and cash equivalents	15,440,168
Investments	18,409,481
Total deposits and investments	<u>\$ 56,886,337</u>

**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.

***Notes to Basic Financial Statements***

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**June 30, 2018**

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

***B. Investment Policy***

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

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

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

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

The Virginia Investment Pool (VIP) is a commingled investment program organized as an external local government investment pool with oversight provided by a shareholder elected board of trustees. VIP is designed for the investment of longer-term monies that are not necessary for near term disbursement. VIP has a bond fund rating from S&P of AAF/S1.

**Notes to Basic Financial Statements**

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**June 30, 2018**

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

**C. Credit Risk**

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

The Primary Government's investments are rated as follows:

	AAAm	AAA	AA	Total
Zero coupon bond	\$ -	\$ 2,280,615	\$ -	\$ 2,280,615
SNAP (*)	15,409,984	-	-	15,409,984
VIP Investments	-	16,053,577	75,289	16,128,866
LGIP (*)	12,884,002	-	-	12,884,002
	<u>\$ 28,293,986</u>	<u>\$ 18,334,192</u>	<u>\$ 75,289</u>	<u>\$ 46,703,467</u>

\* Restricted cash and cash equivalents

**D. Interest Rate Risk**

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

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

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

**Notes to Basic Financial Statements**

**June 30, 2018**

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

**D. Interest Rate Risk (Continued)**

The Primary Government had the following investments and maturities:

	Fair Value	Less than 1 year	More than 1 year
Zero coupon bond	\$ 2,280,615	\$ -	\$ 2,280,615
SNAP (*)	15,409,984	15,409,984	-
VIP Short Term	16,053,577	16,053,577	-
VIP Long Term	75,289	-	75,289
LGIP	12,884,002	12,884,002	-
	<u>\$ 46,703,467</u>	<u>\$ 44,347,563</u>	<u>\$ 2,355,904</u>

\* Restricted cash and cash equivalents

**E. Fair Value**

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

The County has the following recurring fair value measurement as of June 30, 2018.

- U.S. Treasury Zero Coupon bond of \$2,280,615 is valued using a matrix pricing model (Level 2 inputs).
- VIP Short Term and Long Term of \$16,128,866 is valued using quoted market price (Level 1 inputs).

**Note 3 - Due from other governments**

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

	Primary Government					Component Unit School Board
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Stormwater Fund	Total	
<u>Amounts Due From:</u>						
Commonwealth of Virginia:						
Operating grants	\$ 39,182	\$ 36,032	\$ 34,912	\$ -	\$ 110,126	\$ -
Compensation Board	189,955	-	-	-	189,955	-
Social Services	-	-	26,411	-	26,411	-
Children's Services	-	-	43,502	-	43,502	-
Communication tax	195,625	-	-	-	195,625	-
State and Use Sales Tax	273,038	-	-	-	273,038	742,277
Stormwater	-	-	-	363,189	363,189	-
Other	48,862	-	-	-	48,862	-
Federal government	-	350,842	157,066	-	507,908	260,480
Town of Windsor	-	-	57,738	-	57,738	-
Town of Smithfield	105,586	-	97,719	-	203,305	-
Other	5,500	-	-	-	5,500	161,852
<b>Totals</b>	<u>\$ 857,748</u>	<u>386,874</u>	<u>417,348</u>	<u>\$ 363,189</u>	<u>\$ 2,025,159</u>	<u>\$ 1,164,609</u>

**County of Isle of Wight, Virginia**

**Notes to Basic Financial Statements**

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**June 30, 2018**

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**Note 4 – Interfund Balances and Activity**

The following balances at June 30, 2018 represent amounts due to/from other funds:

Receivable Fund	Payable Fund	Amount
	Other Nonmajor Governmental	
General Fund	Funds	<u>\$ 199,979</u>

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

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

Interfund transfers for the year ended June 30, 2018 were as follows:

Transfer from Other Funds			
Transfers to Other Funds	General Fund	Public Utilities Fund	Total
Capital Projects Fund	\$ 2,731,159	\$ 121,970	\$ 2,853,129
Public Utilities fund	3,912,992	-	3,912,992
Nonmajor Governmental funds	1,595,905	-	1,595,905
Total	\$ 8,240,056	\$ 121,970	\$ 8,362,026

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

**Note 5 – Note Receivable**

**A. Town of Smithfield**

As recorded in the General Fund, the County sold a building and land to the Town of Smithfield in 2011 for \$677,215. The County financed \$638,908 of the selling price at variable rates of interest from 4.0% to 5.5% and maturing on January 1, 2019. The outstanding principle balance of the note receivable at June 30, 2018 is \$489,553.

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

On September 2012, the County advanced \$500,000 to the Industrial Development Authority to purchase parcels of land for future development. In January 2014 a payment of \$125,000 was made towards the outstanding receivable by Johnson Development Associates. Repayment of this note was to be made within 30 days of the sale of any property owned by the IDA (now EDA). However, no property has been sold by the EDA as repayment. The County is not anticipating the collection of any payments from the EDA. The outstanding principal balance of the note as of June 30, 2018 is \$375,000.

County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2018

Note 6 – Capital Assets

The following is a summary of changes in capital assets:

<b>Primary Government</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 13,107,935	\$ -	\$ 208,287	\$ 12,899,648
Intangibles	4,338,512	-	-	4,338,512
Construction in progress	4,542,834	5,347,582	-	9,890,416
<b>Total capital assets not being depreciated:</b>	<b>21,989,281</b>	<b>5,347,582</b>	<b>208,287</b>	<b>27,128,576</b>
Capital assets being depreciated:				
Buildings - County	41,730,932	138,740	258,900	41,610,772
Buildings - jointly owned assets	28,470,581	-	1,469,530	27,001,051
Land improvements	8,966,386	7,075	71,478	8,901,983
Land improvements - jointly owned assets	2,570,240	-	217,127	2,353,113
Equipment	5,198,185	424,125	126,657	5,495,653
Vehicles	5,216,610	417,634	343,711	5,290,533
<b>Total capital assets being depreciated</b>	<b>92,152,934</b>	<b>987,574</b>	<b>2,487,403</b>	<b>90,653,105</b>
Less - accumulated depreciation:				
Buildings - County	8,390,044	865,470	163,732	9,091,782
Buildings - jointly owned assets	8,647,013	-	31,915	8,615,098
Land improvements	3,501,580	393,920	53,442	3,842,058
Land improvements - jointly owned assets	220,195	-	11,428	208,767
Equipment	2,938,798	226,388	114,283	3,050,903
Vehicles	3,020,126	489,344	279,481	3,229,989
<b>Total accumulated depreciation</b>	<b>26,717,756</b>	<b>1,975,122</b>	<b>654,281</b>	<b>28,038,597</b>
<b>Total capital assets being depreciated - net</b>	<b>65,435,178</b>	<b>(987,548)</b>	<b>1,833,122</b>	<b>62,614,508</b>
<b>Governmental activities capital assets - net</b>	<b>\$ 87,424,459</b>	<b>\$ 4,360,034</b>	<b>\$ 2,041,409</b>	<b>\$ 89,743,084</b>

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

<b>Governmental activities</b>	
General Government	\$ 489,752
Public safety	731,745
Public works	167,747
Health and welfare	50,785
Parks, recreation and cultural	467,394
Community development	32,273
Internal Service Fund	35,426
<b>Total depreciation expense - governmental activities</b>	<b>\$ 1,975,122</b>

Notes to Basic Financial Statements

June 30, 2018

Note 6 – Capital Assets (Continued)

	Balance July 1, 2017	Additions	Transfers	Deletions	Balance June 30, 2018
<b>Business-type activities</b>					
Capital assets not being depreciated:					
Land	\$ 463,012	\$ -	\$ -	\$ -	\$ 463,012
Construction in progress	1,872,402	141,640	(242,055)	-	1,771,987
<b>Total capital assets not being depreciated</b>	<b>2,335,414</b>	<b>141,640</b>	<b>(242,055)</b>	<b>-</b>	<b>2,234,999</b>
Capital assets being depreciated:					
Buildings	11,645,449	-	-	-	11,645,449
Land improvements	14,316,525	1,001,780	242,055	-	15,560,360
Equipment	930,555	155,415	-	-	1,085,970
Vehicles	461,120	95,829	-	25,327	531,622
<b>Total capital assets being depreciated</b>	<b>27,353,649</b>	<b>1,253,024</b>	<b>242,055</b>	<b>25,327</b>	<b>28,823,401</b>
<b>Less - accumulated depreciation:</b>					
Buildings	3,816,595	211,780	-	-	4,028,375
Land improvements	11,009,028	544,537	-	-	11,553,565
Equipment	561,851	57,498	-	-	619,349
Vehicles	274,529	55,028	-	9,447	320,110
<b>Total accumulated depreciation</b>	<b>15,662,003</b>	<b>868,843</b>	<b>-</b>	<b>9,447</b>	<b>16,521,399</b>
<b>Total capital assets being depreciated - net</b>	<b>11,691,646</b>	<b>384,181</b>	<b>242,055</b>	<b>15,880</b>	<b>12,302,002</b>
<b>Business-type activities capital assets - net</b>	<b>\$ 14,027,060</b>	<b>\$ 525,821</b>	<b>\$ -</b>	<b>\$ 15,880</b>	<b>\$ 14,537,001</b>

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

<b>Business-type activities</b>	
Public Utility	\$ 817,448
Stormwater	51,395
<b>Total depreciation expense - Business-type activities</b>	<b>\$ 868,843</b>

Notes to Basic Financial Statements

June 30, 2018

Note 6 – Capital Assets (Continued)

**Discretely Presented Component**

Unit - School Board	Balance July 1, 2017	Additions	Deletions/ Adjustments	Balance June 30, 2018
Capital assets not being depreciated				
Land	\$ 1,619,726	\$ -	\$ -	\$ 1,619,726
Construction in Progress	708,985	6,130,898	-	6,839,883
<b>Total capital assets not being depreciated</b>	<b>2,328,711</b>	<b>6,130,898</b>	<b>-</b>	<b>8,459,609</b>
Capital assets being depreciated:				
Buildings and improvements	75,463,384	1,722,007	-	77,185,391
Land improvements	2,312,816	231,384	-	2,544,200
Equipment	20,605,016	106,219	2,333,075	18,378,160
Vehicles	7,243,475	149,290	392,446	7,000,319
<b>Total capital assets being depreciated</b>	<b>105,624,691</b>	<b>2,208,900</b>	<b>2,725,521</b>	<b>105,108,070</b>
Less - accumulated depreciation:				
Buildings and improvements	30,991,941	2,255,054	-	33,246,995
Land improvements	1,655,343	194,000	-	1,849,343
Equipment	11,748,415	831,599	2,333,075	10,246,939
Vehicles	3,919,400	403,314	(110,143)	4,432,857
<b>Total accumulated depreciation</b>	<b>48,315,099</b>	<b>3,683,967</b>	<b>2,222,932</b>	<b>49,776,134</b>
<b>Total capital assets being depreciated - net</b>	<b>57,309,592</b>	<b>(1,475,067)</b>	<b>502,589</b>	<b>55,331,936</b>
<b>School Board capital assets - net</b>	<b>\$ 59,638,303</b>	<b>\$ 4,655,831</b>	<b>\$ 502,589</b>	<b>\$ 63,791,545</b>

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

<b>Discretely Presented Component Unit - School Board</b>	
Instructional services	\$ 3,280,653
Pupil Transportation	403,314
<b>Total depreciation expense - school board</b>	<b>\$ 3,683,967</b>

In accordance with Section 15.2-1800.1 of the *Code of Virginia*, 1950, as amended, local governments have a “tenancy in common” with the school board whenever the locality incurs any financial obligation for any school property which is payable over more than one fiscal year. For financial reporting purposes, the legislation permits the locality to report the portion of school property related to any outstanding financial obligation eliminating any potential deficit from capitalizing assets financed with debt. The effect on the County of Isle of Wight, Virginia for the year ended June 30, 2018, is that school financed assets, net of accumulated depreciation, in the amount of \$20,530,299 are reported in the primary government as “jointly owned assets” for financial reporting purposes.



*County of Isle of Wight, Virginia*

***Notes to Basic Financial Statements***

**June 30, 2018**

**Note 6 – Capital Assets (Continued)**  
**Discretely Presented Component Unit**

<b><u>Economic Development Authority</u></b>	<b><u>Balance July 1, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Deletions/ Transfers</u></b>	<b><u>Balance June 30, 2018</u></b>
Capital assets not being depreciated:				
Land	\$ 10,178,545	\$ -	\$ (9,802,008)	\$ 376,537
<b>Total capital assets not being depreciated</b>	<b>10,178,545</b>	<b>-</b>	<b>(9,802,008)</b>	<b>376,537</b>
Capital assets being depreciated				
Buildings	55,000	-	-	55,000
Land improvements	229,566	-	4,531,169	4,760,735
<b>Total capital assets being depreciated</b>	<b>284,566</b>	<b>-</b>	<b>4,531,169</b>	<b>4,815,735</b>
Less - accumulated depreciation				
Buildings	9,350	1,100	-	10,450
Land improvements	50,999	2,069,810	-	2,120,809
<b>Total accumulated depreciation</b>	<b>60,349</b>	<b>2,070,910</b>	<b>-</b>	<b>2,131,259</b>
<b>Total capital assets being depreciated - net</b>	<b>224,217</b>	<b>(2,070,910)</b>	<b>4,531,169</b>	<b>2,684,476</b>
<b>EDA capital assets - net</b>	<b>\$ 10,402,762</b>	<b>\$ (2,070,910)</b>	<b>\$ (5,270,839)</b>	<b>\$ 3,061,013</b>

\* \$5,203,339 was reclassified from land to land held for sale.

***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 6 – Capital Assets (Continued)**

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:

<b>Construction Commitments:</b>	<b>Spent - to - date</b>	<b>Remaining</b>
Public Safety Facility Assessment	\$ -	\$ 60,000
STH Intermodal Park	13,014,008	328,518
Building Capital Maintenance	901,645	452,817
E911 Radio Upgrade	5,223,460	2,687,123
Registrar Mold Remediation	-	13,920
Clerks Office Renovation	-	3,345
IT Bldg Asbestos	2,810	2,575
Boykins Tavern Restoration	-	177,170
DSS Air Conditioner	179,361	72,638
Smithfield Library Roof	-	10,738
WSES Sidewalk	27,006	103,118
Shirley Drive Sidewalk	6,000	58,170
Heritage Pk Restrooms/Rodeo	16,570	27,002
Nike Park Pavement	299,207	23,167
Tylers Beach	31,971	102,560
Parks & Recreation Maintenance	419,648	56,118
Park to Park Trail	1,726,585	1,091,994
Schools Capital Maintenance Projects	5,283,964	2,933,049
Route 10 Water Infrastructure Project	260,898	1,719,536
Lawnes Pt Ext Rushmere Shores	-	1,840
Master Sewer Plan	182,108	23,225
TMDL	443,834	6,978
Stormwater BMP Projects	-	96,000
Stormwater Master Plan	-	50,000
Nike Park Drainage	-	46,296
Stormwater Capital Maintenance	26,242	69,755
Drainage Pipe E&S	56,588	3,000
SLAF Grant FY15	808,470	2,182
Energov Database Upgrades	-	100,000
Heritage Park SLAF	392,955	4,150
Sewer Capital Maintenance	-	71,561
Route 460 Pump Station	170,800	28,800
	<u>\$ 29,474,130</u>	<u>\$ 10,427,345</u>

*County of Isle of Wight, Virginia*

***Notes to Basic Financial Statements***

**June 30, 2018**

**Note 7 – Long-Term Obligations**

The following is a summary of changes in long-term obligations during the year ended June 30, 2018:

	Balance July 1, 2017	Adjustments *	Increases	Decreases	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities</b>						
General obligation bonds	\$ 115,954,028	\$ -	\$ 27,303,789	\$ (31,249,624)	\$ 112,008,193	\$ 6,833,703
Bond premiums	3,899,655	-	4,345,538	(1,019,734)	7,225,459	588,889
Subtotal	119,853,683	-	31,649,327	(32,269,358)	119,233,652	7,422,592
PACE program	4,326,512	-	-	-	4,326,512	-
Capital leases	834,485	-	333,000	(295,415)	872,070	332,628
Compensated absences	1,318,891	-	942,507	(1,083,458)	1,177,940	117,794
Net OPEB obligation	1,308,470	1,053,015	-	(248,826)	2,112,659	-
Landfill closure costs	1,650,301	-	31,438	(125,111)	1,556,628	-
Net pension liability	3,859,761	-	-	(1,001,069)	2,858,692	-
<b>Total Governmental Activities</b>	<u>\$ 133,152,103</u>	<u>\$ 1,053,015</u>	<u>\$ 32,956,272</u>	<u>\$ (35,023,237)</u>	<u>\$ 132,138,153</u>	<u>\$ 7,873,014</u>
<b>Business-Type Activities</b>						
General obligation bonds	\$ 35,070,967	\$ -	\$ 12,656,211	\$ (14,519,794)	\$ 33,207,384	\$ 344,060
Bond premiums	2,915,119	-	1,782,657	(594,664)	4,103,112	446,808
Subtotal	37,986,086	-	14,438,868	(15,114,458)	37,310,496	790,868
Capital leases	28,763	-	67,000	(17,807)	77,956	24,520
Compensated absences	83,249	-	61,055	(72,763)	71,541	7,154
Net OPEB obligation	56,311	68,638	-	(13,902)	111,047	-
Net pension liability	260,319	-	-	(74,983)	185,336	-
<b>Total Business-Type Activities</b>	<u>\$ 38,414,728</u>	<u>\$ 68,638</u>	<u>\$ 14,566,923</u>	<u>\$ (15,293,913)</u>	<u>\$ 37,756,376</u>	<u>\$ 822,542</u>
<b>Discretely Presented Component Units</b>						
<b>School Board</b>						
Capital leases	\$ 9,299,677	\$ -	\$ -	\$ (1,164,058)	\$ 8,135,619	\$ 780,977
Compensated absences	466,267	-	345,962	(373,693)	438,536	43,854
Net OPEB obligation	5,016,810	5,026,776	379,431	-	10,423,017	-
Net pension liability	52,259,160	-	-	(6,926,773)	45,332,387	-
<b>Total School Board</b>	<u>\$ 67,041,914</u>	<u>\$ 5,026,776</u>	<u>\$ 725,393</u>	<u>\$ (8,464,524)</u>	<u>\$ 64,329,559</u>	<u>\$ 824,831</u>

\*Restated FY2018 beginning balance.

June 30, 2018

Note 7 – Long-Term Obligations (Continued)

A. General Obligation Bonds

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

	Amount Outstanding
<b><i>General Obligation Public Improvement Refunding Bonds, Series 2017B</i></b>	\$ 30,700,000
On September 21, 2017, the County issued \$30,700,000 in General Obligation Public Improvement Refunding Bonds to advance refund Series 2010D and a portion of Series 2011A & 2012. Interest is payable semiannually commencing on January 1, 2018 at a rate which varies from 3.00-5.00%. These bonds were issued at a premium of \$4,324,168 which is being amortized over the life of the bonds.	
<b><i>VRA Refunding of Isle of Wight BABs Series 2010C, Series 2017C</i></b>	9,260,000
On November 15, 2017, the Virginia Resources Authority (VRA) issued \$9,260,000 of bonds to refund the Series 2010C (Taxable - Build America Bonds). A portion of the proceeds will be used to purchase the Restricted Escrow Fund Securities and to provide the cash that will be placed in various escrow funds to refund the bonds. Interest is payable semiannually commencing on July 1, 2018 at a rate which varies from 4.43% to 5.13%. These bonds were issued at a premium of \$1,804,027 which is being amortized over the life of the bonds.	
<b><i>General Obligation Public Improvement Bonds Series 2017B</i></b>	7,387,464
On May 5, 2017, the County issued \$7,900,000 in General Obligation Public Improvement Bonds to finance various capital projects related to career and technical education for Isle of Wight County Schools. Interest on the bonds is due semiannually at a rate of 2.4% until maturity.	
<b><i>General Obligation Public Improvement Bonds Series 2016</i></b>	7,258,113
On July 29, 2016, the County issued \$8,000,000 in General Obligation Public Improvement Bonds, Series 2016 with a semi-annual interest payable at a rate of 1.651% over the life of the bond. The bonds were issued to finance the acquisition, construction and equipping of facilities and equipment related to public safety purposes and uses and to pay the cost of issuance.	
<b><i>General Obligation Refunding Bonds of 2015 (tax exempt bonds)</i></b>	16,055,000
On June 9, 2015, the County issued \$17,395,000 in General Obligation Refunding Bonds with principal payable in various annual installments through 2031. Interest is payable semi-annually at a rate of 2.79% over the life of the bond. The bonds were used to advance refund prior issues.	

June 30, 2018

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

**A. General Obligation Bonds (Continued)**

**General Obligation Refunding Bonds of 2014B (taxable bonds)**

\$12,290,000 dated July 2014 with principal payable in various annual installments through 2040. Interest is payable semi-annually at a rate of 4.50% over the life of the bond. The bonds were used to advance refund prior issues. \$ 12,290,000

**General Obligation Refunding Bonds of 2014A (tax exempt bonds)**

\$24,730,000 dated July 2014 with principal payable in various annual installments through 2037. Interest is payable semi-annually at a rate that varies from 3.00% to 5.00% over the life of the bond. The bonds were used to advance refund prior issues. The bonds were issued at a premium of \$2,752,653, which is being amortized over the life of the bonds 24,730,000

**General Obligation Bonds Series 2013**

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

**General Obligation Bonds Series 2012**

\$48,465,000 dated September 2012, principal payable in various annual installments through 2043, interest payable semi-annually at coupon rates from 3% to 5%. Of this bond issue, \$3,494,846 was borrowed to finance various capital improvements. The remaining \$33,680,000 was used to current refund \$7,685,000 of outstanding 2010 Series Bonds and advance refund \$6,460,000 of the outstanding 2011 Bond Anticipation Note, and \$19,535,000 of the outstanding 2003 and 2004 bonds. The bonds were issued at a \$6,774,843 premium, which is being amortized over the life of the bonds. 23,420,000

**General Obligation Bonds Series 2011A (tax exempt bonds)**

\$17,630,000 dated June 2011 with principal payable in various annual installments through 2031. Interest is payable semi-annually at a rate that varies from 2.00% to 4.00% 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. In September 2017, \$8,785,000 of these bonds were refunded by the Series 2017B General Obligation Refunding Bonds. As of June 30, 2018, \$5,220,000 remains outstanding. 5,220,000

**Notes to Basic Financial Statements**

**June 30, 2018**

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

**A. General Obligation Bonds (Continued)**

**General Obligation Bonds of 2011 VPSA (tax exempt bonds)** \$ 5,550,000

\$7,500,000 dated June 2011 with principal payable in various annual installments beginning June 2014 through 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.

**General Obligation Bonds Series 2010C (taxable Build America Bonds)** 1,200,000

\$13,530,000 dated April 2010 with principal payable in various annual installments through 2020. Interest is payable semi-annually at a rate that varies from 4.65% to 4.80% over the life of the bond. The bonds were issued 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.

Total General Obligation Bonds Outstanding \$ 145,215,577

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
2019	\$ 6,833,703	\$ 4,276,572	\$ 344,060	\$ 1,395,878	\$ 7,177,763	\$ 5,672,450
2020	7,036,608	4,115,191	356,636	1,383,121	7,393,244	5,498,312
2021	7,053,353	3,697,672	340,890	1,370,137	7,394,243	5,067,809
2022	6,620,899	3,472,346	864,875	1,349,122	7,485,774	4,821,468
2023	6,812,253	3,269,462	910,591	1,319,237	7,722,844	4,588,699
2024-2028	33,988,241	12,909,796	7,311,753	5,758,339	41,299,994	18,668,135
2029-2033	26,117,020	7,274,265	6,674,700	4,208,186	32,791,720	11,482,451
2034-2038	11,885,696	3,381,783	7,959,304	2,958,634	19,845,000	6,340,417
2039-2043	5,660,420	764,303	8,079,575	725,887	13,739,995	1,490,190
2044-2047	-	-	365,000	9,125	365,000	9,125
Total	<u>\$ 112,008,193</u>	<u>\$ 43,161,390</u>	<u>\$ 33,207,384</u>	<u>\$ 20,477,666</u>	<u>\$ 145,215,577</u>	<u>\$ 63,639,056</u>

*Notes to Basic Financial Statements*

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**June 30, 2018**

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

***B. Refunded Debt***

Current and Prior Years Defeased Obligations

On September 21, 2017, the County issued \$30,700,000 in General Obligation Public Improvement Refunding Bonds at a premium of \$4,324,168 with interest ranging from 3.0% to 5.0%. The proceeds were used to advance refund \$30,780,000 of outstanding General Obligation Bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$4,171,430. This amount will be amortized over the remaining life of the refunding debt. As a result of the refunding, the County will reduce its total debt service payments over 25 years by \$3,135,517 and has an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$2,196,258.

On November 15, 2017, the Virginia Resources Authority (VRA) issued \$9,260,000 of General Obligation Refunding Bonds at a premium of \$1,804,028 at interest ranging from 4.43% to 5.13%. The proceeds were used to refund the General Obligation Public Improvement Bonds, Series 2010C (Taxable - Build America Bonds). The reacquisition price exceeded the net carrying amount of the old debt by \$191,744. This amount will be amortized over the remaining life of the refunding debt.

As a result of the refunding, the County will reduce its total debt service payments over 15 years by \$666,534 and has an economic gain of (difference between the present values of the debt service payments on the old and new debt) of \$470,480. A portion of the proceeds will be used to purchase the Restricted Escrow Fund Securities and to provide the cash that will be placed in various escrow funds to refund the bonds.

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, 2018, the outstanding balance of the defeased debt, including current year defeased debt, is \$66,877,584.

***C. Purchase Agricultural Conservation Easement Program***

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

These agreements provide for the payment of the principal balance to be paid in a single installment due approximately thirty years after execution of the agreement. Interest on the unpaid principal balance is payable semi-annually and interest expense was \$209,836 for June 30, 2018.

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, 2018, two installment purchase agreements totaling 619.08 acres at a total purchase price of \$4,326,512 are outstanding.

**County of Isle of Wight, Virginia**

**Notes to Basic Financial Statements**

**June 30, 2018**

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

**C. Purchase Agricultural Conservation Easement Program (Continued)**

The following is a summary of the repayment schedules:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ -	\$ 209,836
2020	-	209,836
2021	-	209,836
2022	-	209,836
2023	-	209,836
2024-2028	-	1,049,179
2029-2033	-	1,049,179
2034-2038	-	1,049,179
2039-2040	4,326,512	314,753
	<u>\$ 4,326,512</u>	<u>\$ 4,511,470</u>

**D. Primary Government Leases**

During the fiscal year 2018, the County entered into a noncancellable lease purchase agreement for equipment. The cost of equipment put in service during the year was \$337,228. At June 30, 2018, the accumulated depreciation on this equipment was \$29,680. In addition, the County has noncancellable operating lease agreements for communications equipment for multiple years. The future minimum capital and operating lease payments and the present value of minimum capital lease payments for the Primary Government as of June 30, 2018 are as follows:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities	Operating Leases
2019	\$ 345,718	\$ 25,854	\$ 22,302
2020	262,040	19,961	23,070
2021	155,244	14,069	23,516
2022	101,024	14,069	23,805
2023	34,961	7,034	24,102
Total minimum lease payments	\$ 898,987	\$ 80,987	\$ 116,795
less amounts representing interest	(26,917)	(3,031)	
Present value of minimum lease payments	<u>\$ 872,070</u>	<u>\$ 77,956</u>	

**E. School Board Capital Leases**

During fiscal year 2014, the School Board has entered into a non-cancelable equipment lease purchase agreement to finance the costs to acquire, construct and install certain energy savings. The cost of the asset placed in service was in the amount of \$6,599,173. At June 30, 2018, the accumulated depreciation was in the amount of \$1,076,108.



*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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

***E. School Board Capital Leases (Continued)***

The future minimum capital and operating lease payments and the present value of minimum capital lease payments for school Board capital leases as of June 30, 2018 are as follows:

Fiscal Year <u>Ending June 30,</u>	
2019	450,648
2020	466,486
2021	483,381
2022	500,256
2023	517,110
Thereafter	<u>628,413</u>
Total minimum lease payments	8,702,294
less amounts representing interest	<u>(2,296,294)</u>
Present value of minimum lease payments	<u><u>\$ 6,406,000</u></u>

During the fiscal year 2016, the School Board has entered into a master equipment lease purchase agreement to finance the purchase technology equipment, school buses, and food service equipment in the amount of \$1,240,000, \$860,000, and \$620,000, respectively. The cost of items meeting the County's capitalization threshold totaled \$1,480,000. At June 30, 2018, the accumulated depreciation was in the amount of \$291,075.

Future minimum lease payments are as follows:

Fiscal Year <u>Ending June 30,</u>	
2019	\$ 196,175
2020	196,175
2021	196,175
2022	196,175
2023	67,188
Thereafter	<u>134,376</u>
Total minimum lease payments	986,264
less amounts representing interest	<u>(51,559)</u>
Present value of minimum lease payments	<u><u>\$ 934,705</u></u>

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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

***E. School Board Capital Leases (Continued)***

During the fiscal year 2017, the School Board has entered into a master equipment lease purchase agreement to finance the purchase of equipment, vehicles, and school buses in the amount of \$551,725, \$21,054 and \$1,017,236 respectively. The cost of items meeting the County's capitalization threshold totaled \$1,038,290. As of June 30, 2018, the accumulated depreciation was in the amount of \$157,406.

US Bancorp Leases:

Fiscal Year <u>Ending June 30,</u>	
2019	\$ 264,683
2020	<u>264,683</u>
Total minimum lease payments	529,366
less amounts representing interest	<u>(10,265)</u>
Present value of minimum lease payments	<u><u>\$ 519,101</u></u>

Apple Lease:

Fiscal Year <u>Ending June 30,</u>	
2019	\$ 141,849
2020	<u>141,849</u>
Total minimum lease payments	283,698
less amounts representing interest	<u>(7,885)</u>
Present value of minimum lease payments	<u><u>\$ 275,813</u></u>

**June 30, 2018**

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**Note 8 – Pension Plan**

**A. Plan Description**

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

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

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>About Plan 1</b> Plan 1 is a defined benefit plan The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	<b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.	<b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. <ul style="list-style-type: none"><li>• The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.</li><li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li><li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li></ul>

Notes to Basic Financial Statements

June 30, 2018

Note 8 - Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"><li>• Political subdivision employees.*</li><li>• School division employees (teachers).</li><li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li></ul>
<p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p>	<p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014</p>	
<p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014</p>	<p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014</p>	<p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"><li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li></ul>
<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	

June 30, 2018

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Note 8 - Pension Plan (Continued)

A. Plan Description (Continued)

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

Notes to Basic Financial Statements

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June 30, 2018

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Note 8 - Pension Plan (Continued)

A. Plan Description (Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <b><u>Defined Benefit Component</u></b> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contribution Component</u></b> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"><li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li><li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li><li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li></ul> <p>Distribution is not required by law until age 70 1/2.</p>

Notes to Basic Financial Statements

June 30, 2018

Note 8 - Pension Plan (Continued)

A. Plan Description (Continued)

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

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

**June 30, 2018**

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

A. Plan Description (Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<p><b>Normal Retirement Age</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b> <b><u>Defined Benefit Component</u></b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b> <b><u>Defined Benefit Component</u></b> Normal Social Security retirement age and have at least 5 years (60 months) of creditable service or when their age and service equal 90</p>
<p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <b><u>Defined Benefit Component:</u></b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component</u></b> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>



*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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

A. Plan Description (Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 2%) up to a maximum COLA of 3%.	<b>Cost-of-Living Adjustment (COLA) in Retirement</b> <b><u>Defined Benefit Component</u></b> Same as Plan 2.
<b><u>Eligibility:</u></b> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.  For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	<b><u>Eligibility:</u></b> Same as Plan 1.	<b><u>Defined Contribution Component</u></b> Not applicable.
<b><u>Exceptions to COLA</u></b> <b><u>Effective Dates:</u></b> <b>School Division (Teachers) and Political Subdivision Employees:</b> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: <ul style="list-style-type: none"><li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013</li><li>• The member retires on disability. The member is involuntarily separated from employment for or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li></ul>	<b><u>Exceptions to COLA</u></b> <b><u>Effective Dates:</u></b> <b>School Division (Teachers) and Political Subdivision Employees:</b> Same as Plan 1.	<b><u>Exceptions to COLA</u></b> <b><u>Effective Dates:</u></b> <b>School Division (Teachers) and Political Subdivision Employees:</b> Same as Plan 1 and Plan 2.

Notes to Basic Financial Statements

June 30, 2018

Note 8 - Pension Plan (Continued)

A. Plan Description(Continued)

Plan 1	Plan 2	Hybrid Retirement Plan
<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>		
<b><u>Exceptions to COLA Effective Dates: (Continued)</u></b>		
<b>School Division (Teachers) and Political Subdivision Employees (continued):</b>		
<ul style="list-style-type: none"><li>• The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li><li>• <b>Political subdivision employees:</b> The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li></ul>		
<b>Disability Coverage Political subdivision employees:</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted.	<b>Disability Coverage Political subdivision employees:</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service regardless of when it was earned, purchased or granted.	<b>Disability Coverage</b> Employees of political subdivisions and school divisions (teachers), including Plan 1 and Plan 2 opt-ins, participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.
		Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

**June 30, 2018**

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

A. Plan Description(Continued)

<b>Plan 1</b>	<b>Plan 2</b>	<b>Hybrid Retirement Plan</b>
<b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	<b>Purchase of Prior Service</b> Same as Plan 1.	<b>Purchase of Prior Service</b> <b><u>Defined Benefit Component</u></b> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"><li>• Hybrid Retirement Plan members are ineligible for ported service.</li></ul> <b><u>Defined Contribution Component</u></b> Not applicable.

B. Employees Covered by Benefit Terms

**County Plan**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit term of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	164
Inactive members:	
Vested	59
Non-vested	64
Active elsewhere in VRS	120
<b>Total inactive members</b>	243
Active members	263
<b>Total covered employees</b>	670

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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

B. Employees Covered by Benefit Terms (Continued)

**School Board Non-Professional Plan (Agent Plan)**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	59
Inactive members:	
Vested	16
Non-vested	42
Active elsewhere in VRS	20
<b>Total inactive members</b>	<u>78</u>
Active members	<u>95</u>
<b>Total covered employees</b>	<u><u>232</u></u>

## ***County of Isle of Wight, Virginia***

### ***Notes to Basic Financial Statements***

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**June 30, 2018**

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

##### **C. Contributions**

##### **County (Agent Plan)**

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member

contribution may have been assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to five years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The County's contractually required contribution rate for the year ended June 30, 2018 was 8.81% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the County were \$1,152,830 and \$1,103,715 for the years ended June 30, 2018 and 2017, respectively.

##### **School Board Non-Professional Plan (Agent Plan)**

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

The School Board non-professional's contractually required contribution rate for the year ended June 30, 2018 was 6.30% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by an employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the non-professional plan were \$120,037 and \$95,514 for the years ended June 30, 2018 and 2017, respectively.

## ***County of Isle of Wight, Virginia***

### ***Notes to Basic Financial Statements***

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**June 30, 2018**

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

##### **C. Contributions (Continued)**

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

The contribution requirement for active employees is governed by Section 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. The School Board professional's contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016 and reflects the transfer in June 2016 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School Board for the professional plan were \$5,606,793 and \$4,951,158 for the years ended June 30, 2018 and 2017, respectively

##### **D. Net Pension Liability**

##### **County and School Board Non-Professional Plans (Agent Plans)**

The net pension liabilities were measured as of June 30, 2017. The total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

At June 30, 2018, the School Board reported a liability for the professional plan of \$45,337,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School Board's proportion of the net pension liability was based on the School Board's actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board's proportion was 0.36865% as compared to 0.37766% at June 30, 2016.

## ***County of Isle of Wight, Virginia***

### ***Notes to Basic Financial Statements***

**June 30, 2018**

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

##### **D. Net Pension Liability (Continued)**

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

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2017, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows:

	Teacher Employee Retirement Plan
Total pension liability	\$ 45,417,520,000
Plan fiduciary net position	<u>33,119,545,000</u>
<b>Employers' net pension liability</b>	<b><u>\$ 12,297,975,000</u></b>

Plan fiduciary net position as a percentage of the total pension liability 72.92%

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

##### **E. Actuarial Assumptions**

###### **County and School Board Non-Professional Plans (Agent Plans)**

###### ***General Employees***

The total pension liability for General Employee's in the County's retirement plan and the total pension liability for the General Employees in the School Board non-professional retirement plan were based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal Actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

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

## ***County of Isle of Wight, Virginia***

### ***Notes to Basic Financial Statements***

**June 30, 2018**

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

##### **E. Actuarial Assumptions (Continued)**

Mortality Rates	15% of deaths are assumed to be service related
- Pre-retirement	RP-2014 Employee Rates to age 80, healthy Annuitant Rates at 81 and older projected with scale BB to 2020, males 95% of rates; females 105% of rates.
- Post-retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.
- Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience each year, age and service through nine years of service

##### ***General Employees (Continued)***

Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

##### **County Plan (Agent Plan)**

##### ***Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the County's retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*



## ***County of Isle of Wight, Virginia***

### ***Notes to Basic Financial Statements***

**June 30, 2018**

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

##### **E. Actuarial Assumptions (Continued)**

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

Mortality Rates	45% of deaths are assumed to be service related.
- Pre-retirement	RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at 81 and older projected with scale BB to 2020, males 90% of rates; females set forward one year.
- Post-retirement	RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward one year, 1.0% increase compounded from ages 70 to 90; females set forward three years.
- Post-disablement	RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward two years; unisex using 100% males

##### ***Public Safety Employees with Hazardous Duty Benefits (Continued)***

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience each year, age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 45%

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

The total pension liability for the VRS Teacher retirement plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date as of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

## ***County of Isle of Wight, Virginia***

### ***Notes to Basic Financial Statements***

**June 30, 2018**

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

##### **E. Actuarial Assumptions (Continued)**

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

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

##### **Mortality Rates**

- Pre-retirement RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020
- Post-retirement RP-2014 White Collar Employee Rates to age 40, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020, males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-disablement RP-2014 Disability Mortality Rates projected with scale BB to 2020, 1115% of rates for males and females

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience each year, age and service through nine years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change

**June 30, 2018****Note 8 - Pension Plan (Continued)****F. Long-Term Expected Rate of Return****County and School Board Non-Professional Plans (Agent Plans) and the School Board Professional Plan (Cost-Sharing Plan)**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.000%</b>		<b>4.80%</b>
		Inflation	<b>2.50%</b>
		* Expected arithmetic nominal return	<b>7.30%</b>

The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**G. Discount Rate****County and School Board Non-Professional Plans (Agent Plans) and the School Board Professional Plan (Cost-Sharing Plan)**

The discount rate used to measure the total pension liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the County, and the School Board's retirement plans will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

*Notes to Basic Financial Statements***June 30, 2018****Note 8 - Pension Plan (Continued)****G. Discount Rate (Continued)**

Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liabilities.

**H. Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2016	\$ 41,367,686	\$ 37,247,606	\$ 4,120,080
Changes for the Year:			
Service cost	1,541,242	-	1,541,242
Interest	2,826,947	-	2,826,947
Changes in assumptions	(131,919)	-	(131,919)
Difference between expected and actual experience	928,085	-	928,085
Contributions - employer	-	1,103,715	(1,103,715)
Contributions - employee	-	623,563	(623,563)
Net investment income	-	4,543,101	(4,543,101)
Benefit payments, including refunds of employee contributions	(1,965,461)	(1,965,461)	-
Administrative expense	-	(25,914)	25,914
Other changes	-	(4,058)	4,058
<b>Net changes</b>	<b>3,198,894</b>	<b>4,274,946</b>	<b>(1,076,052)</b>
Balances at June 30, 2017	\$ 44,566,580	\$ 41,522,552	\$ 3,044,028

June 30, 2018

Note 8 - Pension Plan (Continued)

H. Changes in the Net Pension Liability (Asset) (Continued)

School Board Non-Professional Plan (Agent Plan)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at June 30, 2016	\$ 5,594,606	\$ 5,323,446	\$ 271,160
Charges for the Year:			
Service cost	176,414	-	176,414
Interest	379,508	-	379,508
Changes in assumptions	(11,537)	-	(11,537)
Difference between expected and actual experience	(6,991)	-	(6,991)
Contributions - employer	-	95,514	(95,514)
Contributions - employee	-	81,403	(81,403)
Net investment income	-	640,604	(640,604)
Benefit payments, including refunds of employee contributions	(346,120)	(346,120)	-
Administrative expense	-	(3,788)	3,788
Other changes	-	(566)	566
Net changes	191,274	467,047	(275,773)
Balances at June 30, 2017	\$ 5,785,880	\$ 5,790,493	\$ (4,613)

I. Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

County and School Board Non-Professional Plans (Agent Plans) and the School Board Professional Plan(Cost-Sharing Plan)

The following presents the net pension liabilities of the County, the School Board non-professional plan, and the School Board professional plan, using the discount rate of 7.00%, as well as what the County and the District, the School Board non-professional plan, and the School Board professional plan's net pension liabilities would be if they were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00)%	1% Increase (8.00%)
County net pension liability (asset)	\$ 8,825,572	\$ 3,044,027	\$ (1,759,038)
School Board non-professional net pension liability (asset)	643,645	(4,613)	(550,140)
School Board professional net pension liability	67,703,000	45,337,000	26,835,000

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

**County Plan (Agent Plan)**

For the year ended June 30, 2018, the County recognized pension expense of \$917,118. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	County	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 671,290	\$ (349,334)
Changes in assumptions	-	(89,088)
Net differences between projected and actual earnings on pension plan investments	-	(606,483)
Employer contributions subsequent to the measurement date	1,152,830	-
Total	\$ 1,824,120	\$ (1,044,905)

The \$1,152,830 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (302,317)
2020	303,833
2021	13,899
2022	(389,030)
	<u>\$ (373,615)</u>

Notes to Basic Financial Statements

June 30, 2018

Note 8 - Pension Plan (Continued)

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

School Board Non-Professional Plan (Agent Plan)

For the year ended June 30, 2018, the School Board recognized pension expense related to its non-professional plan of (\$77,626). At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for its non-professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (31,140)
Changes in assumption	-	(6,499)
Net difference between projected and actual earnings on pension plan investments	-	(80,649)
Employer contributions subsequent to the measurement date	120,037	-
<b>Total</b>	<b>\$ 120,037</b>	<b>\$ (118,288)</b>

The \$120,037 reported as deferred outflows of resources related to pensions resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30,	Amount
2019	\$ (88,345)
2020	23,886
2021	980
2022	(54,809)
	<u>\$ (118,288)</u>

Notes to Basic Financial Statements

June 30, 2018

Note 8 - Pension Plan (Continued)

J. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions(Continued)

School Board Professional Plan (Cost-Sharing Plan)

For the year ended June 30, 2018, the School Board recognized pension expense related to the professional plan of \$2,077,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to pensions for the professional plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (3,211,000)
Changes in assumptions	662,000	-
Net difference between projected and actual earnings on pension plan investments	-	(1,647,000)
Changes in proportion and differences between Employer contributions and proportionate share of contributions	71,000	(2,468,000)
Employer contributions subsequent to the measurement date	5,606,793	-
<b>Total</b>	<b>\$ 6,339,793</b>	<b>\$ (7,326,000)</b>

The \$5,606,793 reported as deferred outflows of resources related to pensions resulting from the School Board's contributions for the professional plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (3,048,000)
2020	(889,000)
2021	(795,000)
2022	(1,659,000)
2023	(202,000)
	<u>\$ (6,593,000)</u>



**June 30, 2018**

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

K. Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 23218-2500.

**Notes to Basic Financial Statements**

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**June 30, 2018**

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**Note 9 – Other Post Employment Benefits Medical Insurance Program**

**A. Plan Description**

The County and the Isle of Wight County School Board (School Board) have defined benefit other postemployment benefit (OPEB) – medical insurance plans that provide OPEB for all permanent full-time employees of the County and the School Board. The plans have separate plan provisions. The plans were established by the respective Boards and any amendments to the plans must be approved by the Boards. These plans are single-employer defined benefit OPEB plan administered by the County and School Board. No assets are accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75. These plans do not issue stand-alone financial reports.

The specific information for Medical Insurance Program’s OPEB, including eligibility, is set out in the tables below:

**County**

Isle of Wight County employees are eligible for retiree health benefits until Medicare eligibility once they meet Virginia Retirement System (VRS) pension eligibility requirements and have 15 years of service. Spouses are not eligible for retiree health care benefits.

**School Board**

Isle of Wight County School Board employees are eligible for retiree health benefits until Medicare eligibility once they meet Virginia Retirement System (VRS) pension eligibility requirements and have 15 years of service. Spouses are eligible to participate in the plan while the retiree is eligible for coverage by paying full cost of coverage. Coverage ends when retiree reaches Medicare age or passes away.

**B. Employees Covered by Benefit Terms**

At June 30, 2018, the following employees were covered by the benefit terms:

**County**

	<u>Number</u>
Active Participants	280
Retiree participants	<u>2</u>
Total	<u><u>282</u></u>

Notes to Basic Financial Statements

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June 30, 2018

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**Note 9 – Other Post Employment Benefits Medical Insurance Program (Continued)**

**B. Employees Covered by Benefit Terms (Continued)**

**School Board**

	<u>Number</u>
Active participants	672
Retiree participants	<u>14</u>
Total	<u>686</u>

**C. Total Medical Insurance Program OPEB Liability**

The County's total Medical Insurance OPEB liability of \$1,083,616 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018. The School Board's total Medical Insurance OPEB liability of \$3,275,017 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2018.

**D. Actuarial Assumptions and Other Inputs**

The total Medical Insurance Program OPEB liabilities were based on an actuarial valuation as of June 30, 2018, using the Entry Age Normal actuarial cost method and the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%	
Salary increases	3.50%	per annum
Discount rate	3.87%	per annum
Healthcare cost trend rates	9.00%	graded down to 4.5% over 10 years

The discount rate was based on the Bond Buyer Go 20-Bond Municipal Bond Index.

**County of Isle of Wight, Virginia**

***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 9 - Other Postemployment Benefits – Medical Insurance Program (Continued)**

**E. Changes in the Total Medical Insurance OPEB Liability**

**County**

	Total Medical Insurance OPEB Liability
Balance at June 30, 2017	<u>\$ 1,172,217</u>
Charges for the year:	
Service cost	86,867
Interest	44,679
Changes in assumptions	13,156
Differences between expected and actual experience	(210,999)
Benefits paid	<u>(22,304)</u>
<b>Net changes</b>	<u>(88,601)</u>
Balance at June 30, 2018	<u><u>\$ 1,083,616</u></u>

**School Board**

	Total Medical Insurance OPEB Liability
Balance at June 30, 2017	<u>\$ 2,987,076</u>
Changes for the year:	
Service cost	223,772
Interest	113,449
Changes in assumptions	107,739
Differences between expected and actual experience	(72,529)
Benefits paid	<u>(84,490)</u>
	<u>287,941</u>
Balance at June 30, 2018	<u><u>\$ 3,275,017</u></u>

**Notes to Basic Financial Statements**

**June 30, 2018**

**Note 9 - Other Postemployment Benefits – Medical Insurance Program (Continued)**

**F. Sensitivity of the Total Medical Insurance OPEB Liabilities to Changes in the Discount Rate**

The following presents the total OPEB liabilities of the County and the School Board calculated using the stated discount rate, as well as what the County's and the School Board's total Medical Insurance OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
County	\$ 1,170,320	\$ 1,083,616	\$ 1,001,996
School Board	3,514,220	3,275,017	3,044,775

**G. Sensitivity of the Total Medical Insurance OPEB Liabilities to Changes in Healthcare Cost Trend Rate**

The following represents the total Medical Insurance OPEB liabilities of the County and the School Board calculated using the stated discount rate, as well as what the County's and the School Board's total Medical Insurance OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (8.0 percent decreasing to 4.0 percent over 10 years) or 1-percentage-point higher (10.0 percent decreasing to 6.0 percent over 10 years) than the current discount rate:

	1% Decrease (8.00% decreasing to 4% over 10 years)	Current Trend Rate (9.00% decreasing to 5% over 10 years)	1% Increase (10.00% decreasing to 6% over 10 years)
County	\$ 960,494	\$ 1,083,616	\$ 1,228,353
School Board	2,901,255	3,275,017	3,711,267

**H. Medical Insurance OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical Insurance OPEB**

For the year ended June 30, 2018, the County and the School Board recognized Medical Insurance OPEB expense of \$98,572 and \$342,251, respectively.

**Notes to Basic Financial Statements**

**June 30, 2018**

**Note 9 - Other Postemployment Benefits – Medical Insurance Program (Continued)**

At June 30, 2018, the County and School Board recognized deferred inflows and outflows of resources from the following sources:

	County		School Board	
	Deferred Outflows of Resource	Deferred Inflows of Resources	Deferred Outflows of Resource	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 175,832	\$ -	\$ (62,168)
Changes in assumptions	10,963	-	92,348	-
	<u>\$ 10,963</u>	<u>\$ 175,832</u>	<u>\$ 92,348</u>	<u>\$ (62,168)</u>

Amounts recognized as deferred inflows and outflows of resources will be recognized in the Medical Insurance OPEB expense in future reporting periods as follows:

Fiscal Year Ending June 30,	County	School Board
2019	\$ (32,974)	\$ (5,030)
2020	(32,974)	(5,030)
2021	(32,974)	(5,030)
2022	(32,974)	(5,030)
2023	(32,973)	(5,030)
Thereafter	-	(5,030)
	<u>\$ (164,869)</u>	<u>\$ (30,180)</u>

***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 10 - Other Postemployment Benefits – Group Life Insurance Program**

**A. Plan Description**

All full-time, salaried permanent employees of the County and the School Board non-professional and the School Board professional employees are automatically covered by the VRS Group Life Insurance Program (GLI) upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI. For members who elect the optional GLI coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from the members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS</b>
<p><b>Eligible Employees</b></p> <p>The GLI was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program.</p> <p>Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

<b>GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (Continued)</b>
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the GLI have several components.</p> <p>Natural Death Benefit – The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled.</p> <p>Accidental Death Benefit – The accidental death benefit is double the natural death benefit.</p> <p>Other Benefit Provisions – In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include:</p> <ul style="list-style-type: none"><li>Accidental dismemberment benefit</li><li>Safety belt benefit</li><li>Repatriation benefit</li><li>Felonious assault benefit</li><li>Accelerated death benefit option</li></ul>

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

**June 30, 2018**

**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (continued)**

**A. Plan Description**

<b>Reduction in Benefit Amounts</b>
The benefit amounts provided to members covered under the GLI are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.
<b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b>
For covered members with at least 30 years of creditable service, there is a minimum benefit payable under GLI. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 COLA and is currently \$8,111.

**B. Contributions**

The contribution requirements for the GLI are governed by Sections 51.1-506 and 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI from the participating employers for the years ended June 30, 2018 and June 30, 2017 were as follows.

	2018	2017
County	\$ 70,608	\$ 66,898
School Board Non-Professional	8,323	8,356
School Board Professional	154,209	150,730

**C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2018, the participating employers' reported liabilities for its proportionate share of the net GLI OPEB liability as follows:

	2018
County	\$ 1,049,000
School Board Non-Professional	131,000
School Board Professional	2,365,000



*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

**C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**

The net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employers' proportion of the net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the GLI for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, comparisons of the participating employers' proportions to June 30, 2016 are as follows:

	2017	2016
County	0.06975%	0.06969%
School Board Non-Professional	0.00871%	0.00896%
School Board Professional	0.15715%	0.15767%

For the year ended June 30, 2018, the County, School Board non-professional, and School Board professional employees recognized GLI OPEB expense of \$13,000, \$-0-, and \$26,000, respectively. Since there was a change in the proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employers reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

**County**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (24,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(39,000)
Change in assumptions	-	(54,000)
Employer contributions subsequent to the measurement date	70,608	-
<b>Total</b>	<b>\$ 70,608</b>	<b>\$ (117,000)</b>

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

**C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**

The \$70,608 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (24,000)
2020	(24,000)
2021	(24,000)
2022	(24,000)
2023	(14,000)
Thereafter	<u>(7,000)</u>
<b>Total</b>	<b><u>\$ (117,000)</u></b>

**School Board Non-Professional**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of of Resources</u>
Differences between expected and actual experience	\$ -	\$ (3,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(5,000)
Change in assumptions	-	(7,000)
Changes in proportion	-	(3,000)
Employer contributions subsequent to the measurement date	<u>8,323</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 8,323</u></b>	<b><u>\$ (18,000)</u></b>

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

**C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**

The \$8,323 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (4,000)
2020	(4,000)
2021	(4,000)
2022	(3,000)
2023	(2,000)
Thereafter	<u>(1,000)</u>
<b>Total</b>	<b><u>\$ (18,000)</u></b>

**School Board Professional**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (52,000)
Net difference between projected and actual earnings on GLI OPEB program investments	-	(89,000)
Change in assumptions	-	(122,000)
Changes in proportion	-	(8,000)
Employer contributions subsequent to the measurement date	<u>154,209</u>	<u>-</u>
	<b><u>\$ 154,209</u></b>	<b><u>\$ (271,000)</u></b>

*County of Isle of Wight, Virginia*

***Notes to Basic Financial Statements***

**June 30, 2018**

**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

**C. GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**

The \$154,209 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (55,000)
2020	(55,000)
2021	(55,000)
2022	(55,000)
2023	(33,000)
Thereafter	<u>(18,000)</u>
<b>Total</b>	<b><u>\$ (271,000)</u></b>

**D. Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Teachers	3.5%-5.95%
Locality – general employees	3.5%-5.35%
Locality – hazardous duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

D. Actuarial Assumptions (Continued)

**School Board Professional**

***Mortality Rates – Teachers***

Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year, age and service through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

D. Actuarial Assumptions (Continued)

**County and School Board Non-Professional**

***Mortality Rates – General Employees***

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

***Mortality Rates – Hazardous Duty Employees***

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward one year.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward two years; unisex using 100% male.

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

**June 30, 2018**

**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

D. Actuarial Assumptions (Continued)

**County and School Board Non-Professional (Continued)**

***Mortality Rates – Hazardous Duty Employees (Continued)***

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

E. Net GLI OPEB Liability

The net OPEB liability (NOL) for the GLI represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the GLI is as follows:

	Group Life Insurance OPEB Program
Total GLI OPEB liability	\$ 2,942,426,000
Plan fiduciary net position	<u>1,437,586,000</u>
<b>Employers' net GLI OPEB liability</b>	<b><u>\$ 1,504,840,000</u></b>
Plan fiduciary net position as a percentage of the total GLI OPEB liability	48.86%

***Notes to Basic Financial Statements*****June 30, 2018****Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)****E. Net GLI OPEB Liability (Continued)**

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
Inflation			2.50%
*Expected arithmetic nominal return			<b>7.30%</b>

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.



***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 10 - Other Postemployment Benefits – Group Life Insurance Program (Continued)**

**G. Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the participating employers for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**H. Sensitivity of the Participating Employers' Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the participating employers' proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the participating employers' proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00)%	Current Discount Rate (7.00)%	1% Increase (8.00)%
County	\$ 1,359,000	\$ 1,049,000	\$ 800,000
School Board Non-Professional	170,000	131,000	100,000
School Board Professional	3,059,000	2,365,000	1,803,000

**I. Group Life Insurance Program Fiduciary Net Position**

Detailed information about the GLI's fiduciary net position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program**

**A. Plan Description**

**County and School Board Professional Plans**

The County has two types of Health Insurance Credit Program (HIC) OPEB plans. A single-employer plan for political subdivisions (County) and a cost-sharing employer plan for VRS teacher employees (School Board professional plan). For the County plan, all full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program (HIC) upon employment. For the School Board professional Plan, all full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee Health Insurance Credit Program. These plans are administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death.

**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

A. Plan Description (Continued)

**County Plan**

The specific information about the County HIC OPEB, including eligibility, coverage and benefits is set out in the table below:

<b>POLITICAL SUBDIVISION HIC PLAN PROVISIONS</b>
<p><b><i>Eligible Employees</i></b></p> <p>The Political Subdivision Retiree HIC was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit.</p> <p>Eligible employees of participating political subdivisions are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"><li>• Full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.</li></ul>
<p><b><i>Benefit Amounts</i></b></p> <p>The political subdivision's Retiree HIC provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"><li>• At Retirement – for employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45.00 per month.</li><li>• Disability Retirement – for employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45.00 per month.</li></ul>
<p><b><i>Health Insurance Credit Program Notes</i></b></p> <ul style="list-style-type: none"><li>• The monthly HIC benefit cannot exceed the individual premium amount</li><li>• No HIC for premiums paid and qualified under Line of Duty Act (LODA), however, the employee may receive the credit for premiums paid for other qualified health plans.</li><li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.</li></ul>

June 30, 2018

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

A. Plan Description (Continued)

**School Board Professional Plan**

The specific information for the Teacher Employee HIC OPEB, including eligibility, coverage, and benefits is set out in the table below:

<b>TEACHER EMPLOYEE HIC PLAN PROVISIONS</b>
<p><b><i>Eligible Employees</i></b></p> <p>The Teacher Employee Retiree HIC was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit.</p> <p>Eligible employees are enrolled automatically upon employment. They include:</p> <ul style="list-style-type: none"><li>• Full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li></ul>
<p><b><i>Benefit Amounts</i></b></p> <p>The Teacher Employee Retiree HIC provides the following benefits for eligible employees:</p> <ul style="list-style-type: none"><li>• At Retirement – for teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.</li><li>• Disability Retirement – for teacher and other professional school employees who retire on disability or go on long-term disability under the VLDP, the monthly benefit is either:<ul style="list-style-type: none"><li>○ \$4.00 per month, multiplied by twice the amount of service credit, or</li><li>○ \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.</li></ul></li></ul>
<p><b><i>Health Insurance Credit Program Notes</i></b></p> <ul style="list-style-type: none"><li>• The monthly HIC benefit cannot exceed the individual premium amount</li><li>• Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.</li></ul>

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

**B. Employees Covered by Benefit Terms**

**County Plan**

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the HIC OPEB plan.

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>35</u>
Inactive members	
Vested	<u>6</u>
<b>Total inactive members</b>	<u>41</u>
Active members	<u>143</u>
<b>Total covered employees</b>	<u>184</u>

**C. Contributions**

**County and School Board Professional Plans**

The contribution requirement for active employees is governed by Section 51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. For the year ended June 30, 2018, the contractually required employer contribution rates for the School Board non-professional and School Board professional was 0.15% and 1.23%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation of June 30, 2016. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the HIC Program from the participating employers for the years ended June 30, 2018 and June 30, 2017 were as follows:

	<u>2018</u>	<u>2017</u>
County	\$ 11,231	\$ 10,645
School Board Professional	364,272	320,831

**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

**D. Net HIC OPEB Liability**

**County Plan**

The County plan's net HIC OPEB liability was measured as of June 30, 2017. The total HIC OPEB liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

**School Board Professional Plan**

The net OPEB liability (NOL) for the Teacher Employee HIC represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Teacher Employee HIC are as follows:

	Teacher Employee HIC OPEB Plan
Total teacher employee HIC OPEB liability	\$ 1,364,702,000
Plan fiduciary net position	<u>96,091,000</u>
Teacher employee net HIC OPEB liability	<u>\$ 1,268,611,000</u>
Plan fiduciary net position as a percentage of the total teacher employee HIC OPEB liability	7.04%

The total Teacher Employee HIC OPEB liability is calculated by the System's actuary, and the plan's fiduciary net position is reported in the System's financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

E. Actuarial Assumptions

**County and School Board Professional Plans**

The total HIC OPEB liabilities were based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Locality-general employees	3.5%-5.35%
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**County Plan**

***Mortality Rates – General Employees***

Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward three years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement: RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

E. Actuarial Assumptions (Continued)

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**School Board Professional Plan**

***Mortality Rates – Teachers***

Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.



**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

E. Actuarial Assumptions (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year, age and service through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**June 30, 2018****Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)****F. Long-Term Expected Rate of Return****County and School Board Professional Plans**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
<b>Total</b>	<b>100.00%</b>		<b>4.80%</b>
	Inflation		<b>2.50%</b>
	*Expected arithmetic nominal return		<b>7.30%</b>

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

***Notes to Basic Financial Statements*****June 30, 2018****Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)****G. Discount Rate****County and School Board Professional Plans**

The discount rate used to measure the total HIC OPEB liabilities was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the School Board non-professional and School Board professional plans for the HIC OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the HIC OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total HIC OPEB liability.

**H. Changes in Net HIC OPEB Liability****County Plan**

	Increase (Decrease)		
	Total HIC OPEB Liability	Plan Fiduciary Net Position	Net HIC OPEB Liability
	(a)	(b)	(c)
Balance at June 30, 2016	\$ 250,620	\$ 159,403	\$ 91,217
Changes for the year:			
Service cost	6,296	-	6,296
Interest	17,128	-	17,128
Changes in assumptions	(4,905)	-	(4,915)
Contributions-employer	-	10,645	(10,645)
Net investment income	-	18,362	(18,362)
Benefit payments, including refunds of employee contributions	(11,866)	(11,866)	-
Administrative expenses	-	(295)	295
Other changes	-	934	(934)
<b>Net changes</b>	<b>6,653</b>	<b>17,780</b>	<b>(11,137)</b>
Balance at June 30, 2017	\$ 257,273	\$ 177,183	\$ 80,080

**June 30, 2018****Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)****I. Sensitivity of the HIC Net OPEB Liabilities to Changes in the Discount Rate****County and School Board Professional Plans**

The following presents the net HIC OPEB liabilities using the discount rate of 7.00%, as well as what the net HIC OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Current Discount		
	1% Decrease (6.00)%	Rate (7.00)%	1% Increase (8.00)%
School Board Professional	\$ 5,186,000	\$ 4,646,000	\$ 4,188,000
County	105,000	80,000	58,000

**J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB****County Plan**

For the year ended June 30, 2018, the County plan recognized HIC OPEB expense of \$ 9,394. At June 30, 2018, the County plan reported deferred outflows of resources and deferred inflows of resources related to the HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB program investments	\$ -	\$ (6,000)
Change in assumptions	-	(4,000)
Employer contributions subsequent to the measurement date	11,231	-
<b>Total</b>	<b>\$ 11,231</b>	<b>\$ (10,000)</b>

***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

**J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB(Continued)**

The \$11,231 reported as deferred outflows of resources related to the HIC OPEB resulting from the County plan's contributions subsequent to the measurement date will be recognized as a reduction of the total HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows (amounts expressed in the thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (2,000)
2020	(2,000)
2021	(2,000)
2022	(2,000)
2023	<u>(2,000)</u>
<b>Total</b>	<u><u>\$ (10,000)</u></u>

Notes to Basic Financial Statements

June 30, 2018

Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)

- J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB (Continued)

School Board Professional Plan

At June 30, 2018, the School Board professional plan reported a liability of \$4,646,000 for its proportionate share of the Teacher Employee HIC total OPEB liability. The total Teacher Employee HIC OPEB liability was measured as of June 30, 2017 and the total Teacher Employee HIC OPEB liability used to calculate the total Teacher Employee HIC OPEB liability was determined by an actuarial valuation as of that date. The School Board professional plan's proportion of the total Teacher Employee HIC OPEB liability was based on the School Board professional plan's actuarially determined employer contributions to the Teacher Employee HIC OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the School Board professional plan's proportion of the Teacher Employee HIC was 0.36624% as compared to 0.37101% at June 30, 2016.

For the year ended June 30, 2018, the School Board professional plan recognized Teacher Employee HIC OPEB expense of \$370,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the Teacher Employee HIC net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the School Board professional plan reported deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HIC OPEB program investments	\$ -	\$ (8,000)
Change in assumptions	-	(48,000)
Changes in proportionate share	-	(53,000)
Employer contributions subsequent to the measurement date	364,272	-
<b>Total</b>	<b>\$ 364,272</b>	<b>\$ (109,000)</b>

Notes to Basic Financial Statements

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June 30, 2018

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**Note 11 - Other Postemployment Benefits – Health Insurance Credit Program (Continued)**

- J. HIC OPEB Liabilities, HIC OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB (Continued)

**School Board Professional Plan (Continued)**

The \$364,272 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the School Board professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the total Teacher Employee HIC OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (17,000)
2020	(17,000)
2021	(17,000)
2022	(17,000)
2023	(15,000)
Thereafter	<u>(26,000)</u>
<b>Total</b>	<u><u>\$ (109,000)</u></u>

K. HIC Credit Program Plan Data

Information about the VRS Political Subdivision HIC is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website

<http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia, 23218-2500.

***Notes to Basic Financial Statements***

**June 30, 2018**

**Note 12 - Other Postemployment Benefits – Virginia Local Disability Program**

***Plan Description***

The County has three types of Virginia Local Disability Programs (VLDP) OPEB plans. The first two plans, the County and School Board non-professional plans, are single-employer plans for political subdivisions. The third plan, the School Board professional plan, is a multiple-employer, cost-sharing employer plan for VRS teacher employees. For the County and School Board non-professional plans, all full-time, salaried general employees, including local law enforcement officers, firefighters, or emergency medical technicians of the County and School Board non-professional plans who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee VLDP. For the School Board professional plan, all full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee VLDP. These plans are administered by the System, along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. These plans are required by Title 51.1 of the Code of Virginia, as amended, to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the VLDP.

The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>POLITICAL SUBDIVISION AND TEACHER EMPLOYEE VLDP PLAN PROVISIONS</b>
<b>County and School Board Non-Professional Plans</b>
<b><i>Eligible Employees</i></b> The Political Subdivision Employee VLDP was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: <ul style="list-style-type: none"><li>• Full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.</li></ul>
<b>School Board Professional Plan</b>
<b><i>Eligible Employees</i></b> The Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: <ul style="list-style-type: none"><li>• Teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.</li></ul>



**June 30, 2018**

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**Note 12 - Other Postemployment Benefits – Virginia Local Disability Program(Continued)**

***Plan Description (Continued)***

**Benefit Amounts**

The Political Subdivision VLDP provides the following benefits for eligible employees:

- Short-Term Disability:
  - o The program provides a short-term disability benefit beginning after a seven-calendar-day waiting period from the first day of disability. Employees become eligible for non-work-related short-term disability coverage after one year of continuous
  - o During the first five years of continuous participation in VLDP with their current employer, employees are eligible for 60% of their pre-disability income if they go out on non-work-related or work-related disability.
  - o Once the eligibility period is satisfied, employees are eligible for higher income replacement levels.
- Long-Term Disability:
  - o The VLDP program provides a long-term disability benefit beginning after 125 workdays of short-term disability. Members are eligible if they are unable to work all or are working fewer than 20 hours per week.
  - o Members approved for long-term disability will receive 60% of their pre-disability income. If approved for work-related long-term disability, the VLDP benefit will be offset by the workers' compensation benefit. Members will not receive a VLDP benefit if their workers' compensation benefit is greater than the VLDP benefit.

**Virginia Local Disability Program Notes**

- Members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible.
- VLDP Long-Term Care Plan is a self-funded program that assists with the cost of covered long-term care services.

***Notes to Basic Financial Statements***

**June 30, 2018**

**Note 12 - Other Postemployment Benefits – Virginia Local Disability Program (Continued)**

***Contributions***

The contribution requirement for active Hybrid employees is governed by Section 51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to the County, School Board non-professional, and School Board professional plans by the Virginia General Assembly. For the year ended June 30, 2018, the contractually required employer contribution rates of covered employee compensation for employees in the VLDP for the County, School Board non-professional, and School Board professional plans were 0.60%, 0.60%, and 0.31%, respectively. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2016. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the VLDP from the County, School Board non-professional plan, and School Board professional plan to the VLDP from the participating employers for the years ended June 30, 2018 and June 30, 2017 were as follows:

	2018	2017
School Board Professional	\$ 14,699	\$ 7,000
School Board Non-Professional	1,833	2,000
County	14,810	8,000

***VLDP OPEB Liability, VLDP OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the VLDP OPEB***

At June 30, 2018, the County, School Board non-professional, and School Board professional plans reported liabilities of \$6,000, \$-0- and \$6,000, respectively for their proportionate share of their VLDP net OPEB liabilities. The VLDP net OPEB liabilities were measured as of June 30, 2017 and the total VLDP OPEB liabilities used to calculate the VLDP net OPEB liabilities were determined by a actuarial valuations as of that date. The County, School Board non-professional, and School Board professional plans' proportions of the VLDP net OPEB liabilities were based on the County, School Board non-professional, and School Board professional plans' actuarially determined employer contributions to their VLDP OPEB plans for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, comparisons of the participating employers' proportions to June 30, 2016 are as follows:

	2017	2016
School Board Professional	0.14372%	0.19785%
County	1.07225%	1.10619%

For the year ended June 30, 2018, the County, School Board non-professional, and School Board professional plans recognized VLDP OPEB expenses of \$11,000, \$1,000 and \$7,000, respectively. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017, a portion of the VLDP net OPEB expenses were related to deferred amounts from changes in proportion.

*County of Isle of Wight, Virginia*

*Notes to Basic Financial Statements*

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**June 30, 2018**

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**Note 12 - Other Postemployment Benefits – Virginia Local Disability Program(Continued)**

**County Plan**

At June 30, 2018, the County plan reported deferred outflows of resources related to the employer contributions subsequent to the measurement date.

The \$14,810 reported as deferred outflows of resources related to the VLDP OPEB resulting from the County plan's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2019.

**School Board Non-Professional Plan**

At June 30, 2018, the School Board non-professional plan reported deferred outflows of resources related to the employer contributions subsequent to the measurement date.

The \$1,833 reported as deferred outflows of resources related to the VLDP OPEB resulting from the School Board non-professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2019.

**School Board Professional Plan**

At June 30, 2018, the School Board professional plan reported deferred outflows of resources related to the VLDP OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ (1,000)
Employer contributions subsequent to the measurement date	14,699	-
<b>Total</b>	<b>\$ 14,699</b>	<b>\$ (1,000)</b>

The \$14,699 reported as deferred outflows of resources related to the VLDP OPEB resulting from the School Board professional plan's contributions subsequent to the measurement date will be recognized as a reduction of the net VLDP OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the VLDP OPEB will be recognized in the VLDP OPEB expense in future reporting periods as follows:

Year Ending June 30,	Amount
2019	\$ (1,000)
<b>Total</b>	<b>\$ (1,000)</b>

***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 12 - Other Postemployment Benefits – Virginia Local Disability Program(Continued)**

***Actuarial Assumptions***

The total VLDP OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
Political subdivision employees	3.5%-5.35%
Teacher employees	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**County and School Board Non-Professional Plan**

**Mortality Rates – Non-Largest Ten Locality Employers – General and Non-Hazardous Duty Employees**

*Pre-Retirement:* RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward one year.

*Post-Retirement:* RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward one year with 1.0% increase compounded from ages 70 to 90; females set forward three years.

*Post-Disablement:* RP-2014 Disability Life Mortality Table projected with Scale BB to 2020; males set forward two years; unisex using 100% male.

## *County of Isle of Wight, Virginia*

### *Notes to Basic Financial Statements*

**June 30, 2018**

#### **Note 12 - Other Postemployment Benefits – Virginia Local Disability Program(Continued) County and School Board Non-Professional Plan (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year, age and service
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

#### **School Board Professional Plan**

##### Mortality Rates – Teachers

*Pre-Retirement:* RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

*Post-Retirement:* RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back three years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

*Post-Disablement:* RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year, age and service through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

# County of Isle of Wight, Virginia

## Notes to Basic Financial Statements

June 30, 2018

### Note 12 - Other Postemployment Benefits – Virginia Local Disability Program(Continued)

#### *Net VLDP OPEB Liability*

The net OPEB liabilities (NOL) for the County, School Board non-professional and School Board professional plans VLDP represents the programs' total OPEB liabilities determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the County, School Board non-professional and School Board professional plans VLDP is as follows:

	County and School Board Non-Professional Plans	School Board Professional Plan
	VLDP OPEB Plans	
Total VLDP OPEB liability	\$ 914,000	\$ 873,000
Plan fiduciary net position	351,000	279,000
<b>Employers' net VLDP OPEB liability</b>	<b>\$ 563,000</b>	<b>\$ 594,000</b>
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	38.40%	31.96%

The total VLDP OPEB liabilities are calculated by the System's actuary, and the plan's fiduciary net positions are reported in the System's financial statements. The net VLDP OPEB liabilities are disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to financial statements and required supplementary information.

## County of Isle of Wight, Virginia

### Notes to Basic Financial Statements

June 30, 2018

#### Note 12 - Other Postemployment Benefits – Virginia Local Disability Program(Continued)

##### *Long-Term Expected Rate of Return*

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
Public Equity	40.0%	4.54%	1.82%
Fixed Income	15.0%	0.69%	0.10%
Credit Strategies	15.0%	3.96%	0.59%
Real Assets	15.0%	5.76%	0.86%
Private Equity	15.0%	9.53%	1.43%
<b>Total</b>	100.00%		4.80%
		Inflation	2.50%
		* Expected arithmetic nominal return	7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the System, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

##### *Discount Rate*

The discount rate used to measure the total VLDP OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by the School Board non-professional and School Board professional plans for the VLDP will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the School Board non-professional and School board professional plans VLDP OPEB plans' fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total School Board non-professional School Board professional plans VLDP OPEB liabilities.

## County of Isle of Wight, Virginia

### Notes to Basic Financial Statements

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**June 30, 2018**

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#### **Note 12 - Other Postemployment Benefits – Virginia Local Disability Program(Continued)**

##### ***Sensitivity of the VLDP Net OPEB Liability to Changes in the Discount Rate***

The following presents the proportionate share of the net VLDP OPEB liabilities using the discount rate of 7.00%, as well as what the proportionate share of the net VLDP OPEB liabilities would be if they were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School Board Professional	\$ 7,000	\$ 6,000	\$ 5,000
County	7,000	6,000	5,000

##### ***VLDP OPEB Fiduciary Net Position***

Detailed information about the School Board non-professional plan VLDP's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.



**June 30, 2018**

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**Note 13 – 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. This amount was reduced to the actual cost of implementation of the CAP, upon approval of VDEQ. The current estimated future annual total cost of the post-closure monitoring and maintenance is \$1,556,628 based on the expected cost for all equipment, facilities and services required to monitor and maintain the landfill post-closure. This represents a decrease over the 2017 estimated liability as a result of permit modification removing two monitoring wells from the compliance network. During the fiscal 2018 year ended June 30, 2018, the County expended \$125,111 in post-closure costs. The current costs of landfill closure and post-closure care is an estimate subject to changes resulting from inflation, technology or change in applicable laws or regulations.

***B. Risk Management***

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

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

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

Notes to Basic Financial Statements

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June 30, 2018

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**Note 13 – Commitments and Contingent Liabilities (Continued)**

**B. Risk Management (Continued)**

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

The changes in medical claims liability for the three years ended June 30, 2018 are as follow:

	2018	2017	2016
Claims liabilities, beginning of year	\$ 202,036	\$ 32,635	\$ 162,148
Current year claims	4,576,765	4,619,596	4,739,015
Change in prior year claims	512,919	55,390	(829,534)
Claim payments	(4,184,433)	(3,871,642)	(3,436,792)
Legal, administrative and other expenses	(777,093)	(633,943)	(602,202)
Claims liabilities, end of year	<u>\$ 330,194</u>	<u>\$ 202,036</u>	<u>\$ 32,635</u>

**C. Contingencies**

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

June 30, 2018

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**Note 13 – Commitments and Contingent Liabilities (Continued)**

***D. Southeastern Public Service Authority (SPSA)***

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

Due to declining waste disposal volumes at its landfills, SPSA suffered a budget shortfall that required additional payments from its member jurisdictions and the restructuring of its debt in 2009. In connection with the debt restructuring, the Virginia Resources Authority ("VRA"), as the holder of a majority of SPSA's debt, required, among other things, that the member jurisdictions deliver guarantees in respect of such VRA debt. The County's original guaranty was approximately \$10 million, and, as of June 30, 2009, SPSA total indebtedness equaled approximately \$210.0 million. In 2010, SPSA completed the sale of a portion of its assets, which resulted in a substantial reduction in its indebtedness and a corresponding reduction in the County's guaranty. As a part of the VRA's consent, the proceeds from the sale were to be applied proportionately amongst the lenders resulting in a residual level debt service. Additionally, the VRA required the eight member communities' guarantee, by general obligation, repayment of the remaining VRA bonds outstanding. Previous guarantee agreements with the communities were rescinded. The member community guarantees percentages were calculated based on a three-year average of proportional municipal tonnages. As of June 30, 2018 SPSA's outstanding debt was paid in full.

***E. Encumbrances***

Outstanding encumbrances at year end represent the estimated amount of the expenditures required to complete contracts, purchase orders and other commitments in process of completion at fiscal year end. Outstanding encumbrances as of June 30, 2018 for the County are as follows:

<u>Governmental Funds</u>	
General Fund	\$ 192,118
Capital Projects	9,204,060
Other Governmental Funds	191,191
Total	<u>\$ 9,587,369</u>

***Notes to Basic Financial Statements***

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**June 30, 2018**

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**Note 14 – Joint Ventures**

In September 2009, the County amended its agreement with the Western Tidewater Water Authority which provides for construction of the Western Branch Pipeline used to convey purchased raw water. The amendment to the contract contains provisions for the Authority to negotiate a water supply agreement between the Cities of Suffolk and Norfolk and the County. Annually, the County pays a fixed charge as an outside customer to the City of Suffolk to reserve the capacity for County's annual water resource requirements. The County also pays a fixed charge to the City of Norfolk for access to its water supply reservoir. Additionally, in fiscal year 2018, the County contributed approximately \$882,844 to the Authority for its share of capital costs incurred by the Authority and to the City of Suffolk, \$2,380,293.

**Note 15 – 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, 2018, the payments made to the City were \$720,000.

**Note 16 - Tax Abatements**

Isle of Wight County negotiates performance incentive agreements on an individual basis with private entities to stimulate investments and job creation.

Purpose	FY 2018 Percentage of Taxes Abated during the Fiscal Year	FY 2018 Amount of Taxes Abated during the Fiscal Year
Performance incentive to locate and expand in the County	25%	\$ 67,295

**County of Isle of Wight, Virginia**

**Notes to Basic Financial Statements**

**June 30, 2018**

**Note 17 – Fund Balances/Net Position Restatement**

The County has the following fund balance classifications at June 30, 2018:

	General	Capital Projects	Debt Service	Other Governmental	Total
Nonspendable					
Notes receivable	\$ 489,553	\$ -	\$ -	\$ -	\$ 489,553
Advance to component unit	375,000	-	-	-	375,000
Prepaid expenditures	2,189	-	-	4,855	7,044
Restricted for:					
Community development	22,259	-	-	-	22,259
Debt expenses	-	-	7,925	-	7,925
Capital projects	-	10,088,475	-	-	10,088,475
Committed for:					
Technology Fees	13,292	-	-	-	13,292
Capital projects	1,116,732	-	-	-	1,116,732
Debt service - PACE	2,280,615	-	-	-	2,280,615
Future legal commitments	450,000	-	-	-	450,000
Economic Development	1,599,590	-	-	-	1,599,590
Assigned to:					
Capital projects	-	5,583,324	-	-	5,583,324
Public Works	51,000	-	-	-	51,000
General Administration	715,117	-	316,472	-	1,031,589
Community Development	130,000	-	-	-	130,000
Special Revenue	-	-	-	673,510	673,510
Education	395,638	-	-	-	395,638
Unassigned	15,905,253	-	-	(49,728)	15,855,525
	<u>\$ 23,546,238</u>	<u>\$ 15,671,799</u>	<u>\$ 324,397</u>	<u>\$ 628,637</u>	<u>\$ 40,171,071</u>

**Restatement**

The beginning net position of the following funds was restated to properly reflect the amount reported due to GASB 75.

Public Utilities Fund		
2018 Beginning Balance Prior to Restatement	Restatement	2018 Beginning Balance Restated
\$ (14,115,201)	\$ (28,406)	\$ (14,143,607)
Stormwater Fund		
2018 Beginning Balance Prior to Restatement	Restatement	2018 Beginning Balance Restated
\$ 4,185,511	\$ (33,568)	\$ 4,151,943

Notes to Basic Financial Statements

June 30, 2018

Note 17 Fund Balance/Net Position Restatement (Continues)

Business-Type Activities		
2018 Beginning Balance Prior to Restatement	Restatement	2018 Beginning Balance Restated
\$ (9,929,690)	\$ (61,974)	\$ (9,991,664)

Information Technology Fund		
2018 Beginning Balance Prior to Restatement	Restatement	2018 Beginning Balance Restated
\$ 122,251	\$ (37,618)	\$ 84,633

Risk Management Fund		
2018 Beginning Balance Prior to Restatement	Restatement	2018 Beginning Balance Restatement
\$ 209,840	\$ 2,001	\$ 211,841

Government Activities		
2018 Beginning Balance Prior to Restatement	Restatement	2018 Beginning Balance Restatement
\$ 13,684,575	\$ (2,181,921)	\$ 11,502,654

School Board Component Unit		
2018 Beginning Balance Prior to Restatement	Restatement	2018 Beginning Balance Restatement
\$ (1,909,347)	\$ (5,026,776)	\$ (6,936,123)

**June 30, 2018**

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**Note 18– Subsequent Event**

**Machinery & Tools and Real Estate Taxes**

In August 2017, International Paper filed two new lawsuits against the County in the County Circuit Court, alleging that (1) the one-year rate increase was an unlawful attempt to recoup the refund payments (the “M&T Suit”) and (2) in fiscal years 2012 through 2017, the assessed value of the Franklin paper mill exceeded the fair market value of the real property in violation of the Virginia Constitution (the “RE Suit”). The M&T Suit asserts a claim for approximately \$2.7 million in damages and requests an abatement of all remaining calendar year 2017 M&T taxes to be assessed against International Paper. The trial was held the week of November 26, 2018. The Circuit Court Judge ruled in favor of the County and dismissed International Paper's challenge. The RE Suit asserted a claim for approximately \$3.1 million in damages plus accrued interest. The trial was held the week of September 17, 2018. The Circuit Court Judge ruled in favor of the County and dismissed International Paper's challenge to all tax years (2012-2017).

**Capital Leases**

On August 24, 2018, the County entered into a Master Equipment Loan/Purchase Agreement with HomeTrust Bank as part of the VML/VACo Equipment Leasing Program for \$678,149 to acquire vehicles and equipment for various County departments.

On October 1, 2018, the Schools entered into Master Tax-Exempt Lease Purchase Agreement with U.S. Bancorp Government Leasing and Finance, Inc. for \$804,742 to acquire vehicles. The interest rate is 3.05% for 4 years with the first annual payment being paid as part of the closing agreement.



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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***Required Supplementary Information***



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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**County of Isle of Wight, Virginia****Required Supplementary Information****Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Primary Government</b>				
General fund:				
<b>Revenues and Other Financing Sources</b>				
Revenue from local sources:				
General property taxes:				
Real property	\$ 37,063,000	\$ 37,063,000	\$ 37,056,412	\$ (6,588)
Real and personal public service corporation property	1,528,000	1,528,000	1,530,079	2,079
Personal property	7,700,000	7,700,000	7,953,951	253,951
Boat/Airplane	100,000	100,000	99,935	(65)
Mobile home	156,400	156,400	140,689	(15,711)
Machinery and tools	4,394,000	4,449,000	8,323,188	3,874,188
Equipment	1,849,500	1,849,500	1,806,372	(43,128)
Penalties	340,000	340,000	464,908	124,908
Interest and other costs	160,000	160,000	199,441	39,441
<b>Total general property taxes</b>	<b>53,290,900</b>	<b>53,345,900</b>	<b>57,574,975</b>	<b>4,229,075</b>
Other local taxes:				
Local sales and use	2,615,000	2,615,000	2,449,835	(165,165)
Communications sales and use	754,800	754,800	730,921	(23,879)
Consumer's utility	874,000	874,000	944,732	70,732
Consumption	125,000	125,000	125,671	671
Business license	721,000	721,000	876,454	155,454
Motor vehicle licenses	1,110,000	1,110,000	1,084,597	(25,403)
Recordation and wills	575,000	575,000	658,539	83,539
Lodging	60,000	60,000	71,427	11,427
Meals tax	412,000	412,000	455,298	43,298
Bank franchise	8,700	8,700	9,360	660
Cable franchise	9,000	9,000	2,866	(6,134)
Local penalties	7,127	7,127	7,483	356
Local interest	2,873	2,873	4,647	1,774
<b>Total other local taxes</b>	<b>7,274,500</b>	<b>7,274,500</b>	<b>7,421,830</b>	<b>147,330</b>
Permits, fees and licenses:				
Animal licenses	40,490	40,490	47,229	6,739
Land use application and transfer fees	3,240	3,240	1,372	(1,868)
Zoning and subdivision fees	60,000	60,000	83,795	23,795
Building permits	432,100	432,100	384,509	(47,591)
Concealed weapon permits	19,600	19,600	32,053	12,453
Misc permits/fees	36,200	36,200	43,196	6,996
<b>Total permits, fees and licenses</b>	<b>591,630</b>	<b>591,630</b>	<b>592,154</b>	<b>524</b>
Fines and forfeitures	128,800	128,800	169,606	40,806
<b>Total fines and forfeitures</b>	<b>128,800</b>	<b>128,800</b>	<b>169,606</b>	<b>40,806</b>

See accompanying Notes to Required Supplementary Information

Continued

**County of Isle of Wight, Virginia****Required Supplementary Information****Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues from use of property:				
Revenues from use of money	\$ 327,265	\$ 327,265	\$ 325,268	\$ (1,997)
Revenues from use of property	185,620	185,620	197,720	12,100
<b>Total revenues from use of money and property</b>	<b>512,885</b>	<b>512,885</b>	<b>522,988</b>	<b>10,103</b>
Charges for services:				
Charges for Commonwealth's Attorney	10,400	10,400	13,072	2,672
Charges for parks and recreation	293,359	293,359	204,348	(89,011)
Charges for building construction court fee	44,800	44,800	44,264	(536)
Charges for law enforcement and other protections	123,780	123,780	116,853	(6,927)
Charges for emergency medical services	860,000	860,000	1,099,973	239,973
Charges for maps and others	54,110	54,110	108,521	54,411
<b>Total charges for services</b>	<b>1,386,449</b>	<b>1,386,449</b>	<b>1,587,031</b>	<b>200,582</b>
Miscellaneous:				
Miscellaneous	1,135,540	1,137,361	787,318	(350,043)
Farmers market	-	46,600	77,783	31,183
Recovered costs:				
Indirect cost allocation	298,076	298,076	344,376	46,300
Recovered costs	234,000	248,096	530,518	282,422
<b>Total miscellaneous</b>	<b>1,667,616</b>	<b>1,730,133</b>	<b>1,739,995</b>	<b>9,862</b>
Other financing sources:				
Interfund transfers	-	6,079,814	-	(6,079,814)
Issuance of debt	-	316,472	-	(316,472)
Proceeds from sale of assets	-	-	500	500
<b>Total other financing sources</b>	<b>-</b>	<b>6,396,286</b>	<b>500</b>	<b>(6,395,786)</b>
<b>Total revenues from local sources</b>	<b>64,852,780</b>	<b>71,366,583</b>	<b>69,609,079</b>	<b>(1,757,504)</b>
Revenue from the Commonwealth:				
Noncategorical aid:				
State personal property tax relief	5,115,890	5,115,890	5,115,890	-
Other revenue from the Commonwealth	216,500	216,500	293,907	77,407
<b>Total noncategorical aid</b>	<b>5,332,390</b>	<b>5,332,390</b>	<b>5,409,797</b>	<b>77,407</b>
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	387,000	387,000	387,025	25
Sheriff	1,096,330	1,096,330	1,104,398	8,068
Commissioner of the Revenue	141,400	141,400	137,892	(3,508)
Treasurer	120,100	120,100	120,008	(92)
Registrar/electoral board	41,000	41,000	42,321	1,321
Clerk of the Circuit Court	267,200	267,200	266,714	(486)
Technology Trust Fund	15,000	15,000	36,850	21,850
<b>Total shared expenses</b>	<b>2,068,030</b>	<b>2,068,030</b>	<b>2,095,208</b>	<b>27,178</b>
Other categorical aid:				
State grants	120,000	131,500	132,773	1,273
<b>Total other categorical aid</b>	<b>120,000</b>	<b>131,500</b>	<b>132,773</b>	<b>1,273</b>
<b>Total categorical aid</b>	<b>2,188,030</b>	<b>2,199,530</b>	<b>2,227,981</b>	<b>28,451</b>
<b>Total revenues from the Commonwealth</b>	<b>7,520,420</b>	<b>7,531,920</b>	<b>7,637,778</b>	<b>105,858</b>

See accompanying Notes to Required Supplementary Information

Continued

*County of Isle of Wight, Virginia**Required Supplementary Information**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund***Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenue from the federal government:				
Homeland security	\$ 45,000	\$ 45,000	\$ 11,579	\$ (33,421)
<b>Total revenues from the federal government</b>	45,000	45,000	11,579	(33,421)
<b>Total General Fund revenues and other financing sources</b>	72,418,200	78,943,503	77,258,436	(1,685,067)
<b>Expenditures and Other Financing Uses</b>				
General government administration				
Legislative:				
Board of Supervisors	294,543	322,648	300,318	22,330
<b>Total legislative</b>	294,543	322,648	300,318	22,330
General and financial administration:				
Budget and finance	600,416	667,716	629,005	38,711
Admin - Commissioner of the Revenue	665,749	665,749	653,958	11,791
County Administrator	424,150	448,150	446,255	1,895
County Attorney	699,373	1,551,881	1,037,947	513,934
Human resources	292,487	292,487	274,788	17,699
Purchasing	94,004	94,004	94,039	(35)
Real estate assessment	61,200	61,200	52,406	8,794
Admin - Treasurer	737,338	737,338	707,066	30,272
<b>Total general and financial administration</b>	3,574,717	4,518,525	3,895,464	623,061
Board of Elections:				
Registrar/electoral board and officials	255,822	277,822	247,908	29,914
<b>Total Board of Elections</b>	255,822	277,822	247,908	29,914
<b>Total general government administration</b>	4,125,082	5,118,995	4,443,690	675,305
Judicial administration:				
Courts:				
Circuit Court	73,593	75,593	72,749	2,844
General District Court	10,885	10,885	14,152	(3,267)
Fifth District Court services unit	201,971	251,471	244,728	6,743
Juvenile and Domestic Relations District Court	25,049	25,049	9,221	15,828
Expenses - Clerk of the Circuit Court	539,340	539,340	522,562	16,778
<b>Total courts</b>	850,838	902,338	863,412	38,926
Commonwealth's Attorney	700,437	700,437	719,217	(18,780)
<b>Total Commonwealth's Attorney</b>	700,437	700,437	719,217	(18,780)
<b>Total judicial administration</b>	1,551,275	1,602,775	1,582,629	20,146

See accompanying Notes to Required Supplementary Information

Continued

**County of Isle of Wight, Virginia****Required Supplementary Information****Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,822,234	\$ 4,805,394	\$ 4,692,023	\$ 113,371
<b>Total law enforcement and traffic control</b>	<b>4,822,234</b>	<b>4,805,394</b>	<b>4,692,023</b>	<b>113,371</b>
Fire and rescue services:				
Emergency services	451,636	455,075	451,385	3,690
Fire and rescue response	3,963,710	4,010,899	3,911,556	99,343
<b>Total fire and rescue services</b>	<b>4,415,346</b>	<b>4,465,974</b>	<b>4,362,941</b>	<b>103,033</b>
Inspections - building	557,846	566,537	474,154	92,383
<b>Total inspections - building</b>	<b>557,846</b>	<b>566,537</b>	<b>474,154</b>	<b>92,383</b>
Other protection:				
Animal control	541,447	595,557	524,834	70,723
Western Tidewater Regional Jail	860,514	860,514	860,514	-
<b>Total other protection</b>	<b>1,401,961</b>	<b>1,456,071</b>	<b>1,385,348</b>	<b>70,723</b>
<b>Total public safety</b>	<b>11,197,387</b>	<b>11,293,976</b>	<b>10,914,466</b>	<b>379,510</b>
Public works:				
Administration:				
General Administration	255,462	255,462	263,293	(7,831)
Transportation	248,037	253,437	224,212	29,225
<b>Total administration</b>	<b>503,499</b>	<b>508,899</b>	<b>487,505</b>	<b>21,394</b>
Sanitation and waste removal:				
Programs and inspections	76,754	76,754	69,441	7,313
Refuse collection	3,313,708	3,347,171	3,154,949	192,222
<b>Total sanitation and waste removal</b>	<b>3,390,462</b>	<b>3,423,925</b>	<b>3,224,390</b>	<b>199,535</b>
Maintenance of general buildings and grounds:				
General Properties (Bldg&Grds)	1,508,989	1,565,714	1,480,630	85,084
<b>Total maintenance of general buildings and grounds</b>	<b>1,508,989</b>	<b>1,565,714</b>	<b>1,480,630</b>	<b>85,084</b>
<b>Total public works</b>	<b>5,402,950</b>	<b>5,498,538</b>	<b>5,192,525</b>	<b>306,013</b>
Health and welfare:				
Court Appointed Special Advocate	20,000	20,000	20,000	-
Genieve Shelter	8,000	8,000	8,000	-
Endependence Center of Tidewater	5,000	5,000	5,000	-
IOW Christian Outreach	8,000	8,000	8,000	-
Senior Services of Southeastern Hampton Roads	48,934	48,934	48,934	-
Western Tidewater Health District	522,464	522,464	522,464	-
Western Tidewater Community Service Board	173,250	173,250	173,250	-
Western Tidewater Free Clinic	25,000	25,000	25,000	-
<b>Total health and welfare</b>	<b>810,648</b>	<b>810,648</b>	<b>810,648</b>	<b>-</b>
Education:				
Education	26,545,166	27,010,581	25,498,212	1,512,369
<b>Total education</b>	<b>26,545,166</b>	<b>27,010,581</b>	<b>25,498,212</b>	<b>1,512,369</b>

See accompanying Notes to Required Supplementary Information

Continued

*County of Isle of Wight, Virginia**Required Supplementary Information**Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund***Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Parks, recreation and cultural:				
Parks and recreation	\$ 266,673	\$ 269,968	\$ 254,870	\$ 15,098
Parks and recreation programs	777,424	825,550	614,512	211,038
Parks and gateways	888,325	943,725	867,518	76,207
<b>Total parks and recreation</b>	<b>1,932,422</b>	<b>2,039,243</b>	<b>1,736,900</b>	<b>302,343</b>
Cultural enrichment:				
Isle of Wight Arts	5,000	5,000	5,000	-
<b>Total cultural enrichment</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>-</b>
Library:				
Library administration	706,064	706,664	708,831	(2,167)
<b>Total library</b>	<b>706,064</b>	<b>706,664</b>	<b>708,831</b>	<b>(2,167)</b>
<b>Total parks, recreation and cultural</b>	<b>2,643,486</b>	<b>2,750,907</b>	<b>2,450,731</b>	<b>300,176</b>
Community development:				
Planning:				
Planning & Zoning	914,146	1,088,146	835,159	252,987
Economic Development	628,030	2,240,623	611,890	1,628,733
Tourism	480,176	491,676	450,559	41,117
Farmer's market	-	71,600	69,256	2,344
Other Public Service Organizations	118,343	118,343	112,379	5,964
Annexation settlement payment	720,000	720,000	720,000	-
Communication	59,320	59,320	60,722	(1,402)
<b>Total planning</b>	<b>2,920,015</b>	<b>4,789,708</b>	<b>2,859,965</b>	<b>1,929,743</b>
Cooperative extension program	63,277	63,277	30,002	33,275
<b>Total cooperative extension program</b>	<b>63,277</b>	<b>63,277</b>	<b>30,002</b>	<b>33,275</b>
<b>Total community development</b>	<b>2,983,292</b>	<b>4,852,985</b>	<b>2,889,967</b>	<b>1,963,018</b>
Nondepartmental	808,004	2,103,231	1,846,733	256,498
<b>Total nondepartmental</b>	<b>808,004</b>	<b>2,103,231</b>	<b>1,846,733</b>	<b>256,498</b>
Other financing uses:				
Debt Service	9,301,070	9,443,683	9,286,290	157,393
Transfers out	7,049,840	8,457,184	8,240,056	217,128
<b>Total other financing uses</b>	<b>16,350,910</b>	<b>17,900,867</b>	<b>17,526,346</b>	<b>374,521</b>
<b>Total General Fund expenditures and other financing uses</b>	<b>72,418,200</b>	<b>78,943,503</b>	<b>73,155,947</b>	<b>5,787,556</b>
<b>Excess of revenues and other financing sources over expenditures and other financing uses</b>	<b>-</b>	<b>-</b>	<b>4,102,489</b>	<b>4,102,489</b>
<b>Fund balance-beginning of year</b>	<b>19,443,749</b>	<b>19,443,749</b>	<b>19,443,749</b>	<b>-</b>
<b>Fund balance-end of year</b>	<b>\$ 19,443,749</b>	<b>\$ 19,443,749</b>	<b>\$ 23,546,238</b>	<b>\$ 4,102,489</b>

See accompanying Notes to Required Supplementary Information

## *County of Isle of Wight, Virginia*

### *Notes to Required Supplementary Information*

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#### **Year Ended June 30, 2018**

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

1. Prior to March 30, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The General and Capital Projects Fund budgets include proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. Only the Board of Supervisors can revise the appropriation for each department or category. The County Administrator is authorized to transfer budgeted amounts within general government departments; however, the School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for the General, Special Revenue, Capital Projects, and Proprietary funds of the Primary Government and Component Unit - School Board.
6. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.
7. Appropriations lapsed on June 30 for all County units. All unexpended appropriations of the School Board revert back to the County at the end of each fiscal year.
8. The Primary Government have assigned fund balances for subsequent year's years expenditures unless the subsequent year's years expenditures relate to restricted or committed resources.



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

	<b>Fiscal Year June 30, *</b>			
	2017	2016	2015	2014
<b>Total pension liability</b>				
Service Cost	\$ 1,541,242	\$ 1,495,249	\$ 1,458,672	\$ 1,417,914
Interest	2,826,947	2,716,218	2,533,894	2,390,589
Differences between expected and actual experience	(131,919)	(818,238)	306,482	-
Changes of assumptions	928,085	-	-	-
Benefit payments, including refunds of employee contributions	(1,965,461)	(1,657,309)	(1,731,525)	(1,791,060)
<b>Net change in total pension liability</b>	<b>3,198,894</b>	<b>1,735,920</b>	<b>2,567,523</b>	<b>2,017,443</b>
<b>Total pension liability - beginning</b>	<b>41,367,686</b>	<b>39,631,766</b>	<b>37,064,243</b>	<b>35,046,800</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 44,566,580</b>	<b>\$ 41,367,686</b>	<b>\$ 39,631,766</b>	<b>\$ 37,064,243</b>
<b>Pension fiduciary net position</b>				
Contributions - employer	\$ 1,103,715	\$ 1,232,527	\$ 1,131,871	\$ 1,354,797
Contributions - employee	623,563	615,182	568,417	663,795
Net investment income	4,543,101	645,055	1,604,942	4,757,268
Benefit payments, including refunds of employee contributions	(1,965,461)	(1,657,309)	(1,731,525)	(1,791,060)
Administrative expense	(25,913)	(22,272)	(21,686)	(25,127)
Other changes	(4,058)	(272)	(340)	251
<b>Net change in plan fiduciary net position</b>	<b>4,274,947</b>	<b>812,911</b>	<b>1,551,679</b>	<b>4,959,924</b>
<b>Plan fiduciary net position - beginning</b>	<b>37,247,606</b>	<b>36,434,695</b>	<b>34,883,016</b>	<b>29,923,092</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 41,522,553</b>	<b>\$ 37,247,606</b>	<b>\$ 36,434,695</b>	<b>\$ 34,883,016</b>
<b>County's net pension liability - ending (a)-(b)</b>	<b>\$ 3,044,027</b>	<b>\$ 4,120,080</b>	<b>\$ 3,197,071</b>	<b>\$ 2,181,227</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>93.17%</b>	<b>90.04%</b>	<b>91.93%</b>	<b>94.12%</b>
<b>Covered payroll</b>	<b>\$ 12,527,980</b>	<b>\$ 11,803,972</b>	<b>\$ 11,257,635</b>	<b>\$ 10,876,942</b>
<b>County's net pension liability as a percentage of covered payroll</b>	<b>24.30%</b>	<b>34.90%</b>	<b>28.40%</b>	<b>20.05%</b>

\* Note to Schedule:

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

*County of Isle of Wight, Virginia***Required Supplementary Information****Schedule of Changes in the School Board Non-Professional Net Pension Liability and Related Ratios –  
Virginia Retirement System (Continued)**

	<b>Fiscal Year June 30,*</b>			
	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 176,414	\$ 184,282	\$ 191,347	\$ 220,250
Interest	379,508	375,141	382,347	371,046
Differences between expected and actual experience	(11,537)	(159,890)	(328,165)	-
Changes of assumptions	(6,991)	-	-	-
Benefit payments, including refunds of employee contributions	(346,120)	(328,182)	(362,980)	(515,046)
<b>Net change in total pension liability</b>	191,274	71,351	(117,640)	76,673
<b>Total pension liability - beginning</b>	5,594,606	5,523,255	5,640,895	5,564,222
<b>Total pension liability - ending (a)</b>	\$ 5,785,880	\$ 5,594,606	\$ 5,523,255	\$ 5,640,895
<b>Pension fiduciary net position</b>				
Contributions - employer	\$ 95,514	\$ 135,297	\$ 136,787	\$ 183,059
Contributions - employee	81,403	77,177	78,445	80,042
Net investment income	640,604	91,464	237,020	723,316
Benefit payments, including refunds of employee contributions	(346,120)	(328,182)	(362,980)	(515,146)
Administrative expense	(3,788)	(3,342)	(3,349)	(4,085)
Other changes	(566)	(39)	(49)	38
<b>Net change in plan fiduciary net position</b>	467,047	(27,625)	85,874	467,324
<b>Plan fiduciary net position - beginning</b>	5,323,446	5,351,071	5,265,197	4,797,873
<b>Plan fiduciary net position - ending (b)</b>	\$ 5,790,493	\$ 5,323,446	\$ 5,351,071	\$ 5,265,197
<b>School Board non-professional net pension liability (asset) - ending (a)-(b)</b>	\$ (4,613)	\$ 271,160	\$ 172,184	\$ 375,698
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>	100.08%	95.15%	96.88%	93.34%
<b>Covered payroll</b>	\$ 1,516,095	\$ 1,602,936	\$ 1,595,356	\$ 2,121,914
<b>School Board non-professional net pension liability (asset) as a percentage of covered payroll</b>	(0.30)%	16.91%	10.79%	17.71%

\* Note to Schedule:

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

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

	2018	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 1,152,830	\$ 1,103,715	\$ 1,232,527	\$ 1,307,818	\$ 1,354,797
Contribution in relation to the CRC	(1,152,830)	(1,103,715)	(1,232,527)	(1,307,818)	(1,354,797)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 13,085,471	\$ 12,527,980	\$ 11,803,972	\$ 11,257,635	\$ 10,876,942
Contributions as a percentage of covered payroll	8.81%	8.81%	10.44%	11.62%	12.46%

**\*Note to Schedule:**

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

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


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	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 120,037	\$ 95,514	\$ 135,297	\$ 238,553	\$ 183,059
Contributions in relation to the actuarially determined contribution	(120,037)	(95,514)	(135,297)	(238,553)	(183,059)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -

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Covered payroll	\$ 1,905,349	\$ 1,516,095	\$ 1,602,936	\$ 1,595,356	\$ 2,121,914
Contributions as a percentage of covered payroll	6.30%	6.30%	8.44%	14.95%	8.63%

**\*Note to Schedule:**

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

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


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	2017	2016	2015	2014
School Board's proportion of the net pension liability	0.36865%	0.37766%	0.37104%	0.37652%
School Board's proportionate share of the net pension liability	\$ 45,337,000	\$ 51,998,000	\$ 47,534,000	\$ 45,501,000
School Board's covered payroll	33,773,247	\$ 28,290,036	\$ 25,481,507	\$ 24,619,814
School Board's proportionate share of the net pension liability as a percentage of its covered payroll	134.24%	183.80%	186.54%	184.81%
Plan fiduciary net position as a percentage of the total pension liability	72.92%	68.28%	70.68%	70.88%

## Note to schedule:

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

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


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	2018	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 5,606,793	\$ 4,951,158	\$ 3,977,579	\$ 6,114,064	\$ 3,210,607
Contributions in relation to the CRC	(5,606,793)	(4,951,158)	(3,977,579)	(6,114,064)	(3,210,607)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School Board's covered payroll	\$ 38,245,518	\$ 33,773,247	\$ 28,290,036	\$ 25,481,507	\$ 24,619,814
Contributions as a percentage of covered payroll	14.66%	14.66%	14.06%	23.99%	13.04%

## Note to schedule:

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

## *County of Isle of Wight, Virginia*

### *Notes to Required Supplementary Information Virginia Retirement System*

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#### **Year Ended June 30, 2018**

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

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

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

##### Non-LEOS:

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

##### LEOS:

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

#### **School Board Professional:**

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

#### **Note 3. Contractually Required Contributions**

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

Methods and assumptions used to determine contribution rates:

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

##### Non-LEOS:

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

##### LEOS:

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

*County of Isle of Wight, Virginia*

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

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**Year Ended June 30, 2018**

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**Note 3. Contractually Required Contributions (Continued)**

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

**School Board Professional:**

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



***County of Isle of Wight, Virginia******Schedules of Changes in the County's Total OPEB Liability  
And Related Ratios- Medical Insurance***

	<u>Fiscal Year June 30,</u> <u>2018</u>
Total Medical Insurance OPEB liability:	
Service cost	\$ 86,867
Interest	44,679
Differences between expected and actual experience	(210,999)
Changes in assumptions	13,156
Benefit payments	<u>(22,304)</u>
<b>Net change in total OPEB liability</b>	<b>(88,601)</b>
Total Medical Insurance OPEB liability - beginning	<u>1,172,217</u>
County total Medical Insurance OPEB liability - ending	<u><u>\$ 1,083,616</u></u>
Plan fiduciary net position as a percentage of the total Medical Insurance OPEB liability	0.00%
Covered payroll	\$ 13,578,462
Total OPEB liability as a percentage of covered payroll	7.98%

## Note to Schedule:

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

***County of Isle of Wight, Virginia******Schedules of Changes in the School Board's Total OPEB Liability  
And Related Ratios - Medical Insurance***

	<u>Fiscal Year June 30,</u> <u>2018</u>
Total Medical Insurance OPEB liability:	
Service cost	\$ 223,772
Interest	113,449
Changes in assumptions	107,739
Differences between expected and actual experience	(72,529)
Benefit payments	<u>(84,490)</u>
<b>Net change in total OPEB liability</b>	<b>287,941</b>
Total Medical Insurance OPEB liability - beginning	<u>2,987,076</u>
School Board total Medical Insurance OPEB liability - ending	<u><u>\$ 3,275,017</u></u>
Plan fiduciary net position as a percentage of the total	-%
Medical Insurance OPEB liability	
Covered payroll	\$ 31,256,259
Total OPEB liability as a percentage of covered payroll	10.48%

## Note to Schedule:

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

*County of Isle of Wight, Virginia**Schedule of County Contributions - Medical Insurance*


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	<u>Fiscal Year June 30,</u>
	<u>2018</u>
Contractually required contribution (CRC)	\$ 22,304
Contributions in relation to the CRC	<u>22,304</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Employer's covered payroll	\$ 13,578,462
Contributions as a percentage of covered payroll	0.16%

## Note to Schedule:

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

*County of Isle of Wight, Virginia**Schedule of School Board Contributions - Medical Insurance*


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	Fiscal Year June 30, 2018
Contractually required contribution (CRC)	\$ 84,490
Contributions in relation to the CRC	<u>84,490</u>
Contribution deficiency (excess)	<u>\$ -</u>
Employer's covered payroll	\$ 31,256,259
Contributions as a percentage of covered payroll	0.27%

## Note to Schedule:

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

**County of Isle of Wight, Virginia****Employer's Share of Net OPEB Liability - Group Life Insurance**

		<u>Fiscal Year June 30,</u> <u>2017</u>
County:		
Employer's proportion of the net GLI OPEB liability		0.06975%
Employer's proportionate share of the net GLI OPEB liability	\$	1,049,000
Employer's covered payroll		12,865,047
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.15%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%
School Board Non-Professional:		
Employer's proportion of the net GLI OPEB liability		0.00871%
Employer's proportionate share of the net GLI OPEB liability	\$	131,000
Employer's covered payroll		1,606,998
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.15%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%
School Board Professional:		
Employer's proportion of the net GLI OPEB liability		0.15715%
Employer's proportionate share of the net GLI OPEB liability	\$	2,365,000
Employer's covered payroll		28,986,478
Employer's proportionate share of the net GLI OPEB liability as a percentage of its covered payroll		8.16%
Plan fiduciary net position as a percentage of the total GLI OPEB liability		48.86%

## Note to Schedule:

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

**County of Isle of Wight, Virginia****Schedule of Employer Contributions - OPEB -  
Group Life Insurance Program**

		Fiscal Year June 30,				
		2018	2017	2016	2015	2014
<b>County:</b>						
Contractually required contribution (CRC)	\$	70,608	\$ 66,898	\$ 60,109	\$ 54,945	\$ 55,687
Contributions in relation to the CRC		70,608	66,898	60,109	54,945	55,687
Contribution deficiency (excess)	\$	-	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$	13,578,462	\$ 12,865,047	\$ 12,522,770	\$ 11,446,842	\$ 11,601,386
Contributions as a percentage of covered payroll		0.52%	0.52%	0.48%	0.48%	0.48%
<b>School Board Non-Professional:</b>						
Contractually required contribution (CRC)	\$	8,323	\$ 8,356	\$ 7,730	\$ 7,861	\$ 7,808
Contributions in relation to the CRC		8,323	8,356	7,730	7,861	7,808
Contribution deficiency (excess)	\$	-	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$	1,600,657	\$ 1,606,998	\$ 1,610,420	\$ 1,637,741	\$ 1,626,702
Contributions as a percentage of covered payroll		0.52%	0.52%	0.48%	0.48%	0.48%
<b>School Board Professional:</b>						
Contractually required contribution (CRC)	\$	154,209	\$ 150,730	\$ 136,004	\$ 135,062	\$ 132,709
Contributions in relation to the CRC		154,209	150,730	136,004	135,062	132,709
Contribution deficiency (excess)	\$	-	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$	29,655,602	\$ 28,986,478	\$ 28,334,241	\$ 28,137,894	\$ 27,647,631
Contributions as a percentage of covered payroll		0.52%	0.52%	0.48%	0.48%	0.48%

Continued

**County of Isle of Wight, Virginia****Schedule of Employer Contributions - OPEB -  
Group Life Insurance Program**

	Fiscal Year June, 30				
	2013	2012	2011	2010	2009
County:					
Contractually required contribution (CRC)	\$ 54,219	\$ 29,224	\$ 28,820	\$ 20,891	\$ 27,858
Contributions in relation to the CRC	54,219	29,224	28,820	20,891	27,858
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 11,295,569	\$ 10,437,063	\$ 10,293,007	\$ 7,737,557	\$ 10,317,843
Contributions as a percentage of covered payroll	0.48%	0.28%	0.28%	0.27%	0.27%
School Board Non-Professional:					
Contractually required contribution (CRC)	\$ 9,438	\$ 5,726	\$ 5,549	\$ 3,886	\$ 8,408
Contributions in relation to the CRC	9,438	5,726	5,549	3,886	8,408
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 1,966,159	\$ 2,045,128	\$ 1,981,954	\$ 1,439,353	\$ 3,114,047
Contributions as a percentage of covered payroll	0.48%	0.28%	0.28%	0.27%	0.27%
School Board Professional:					
Contractually required contribution (CRC)	\$ 144,550	\$ 80,546	\$ 79,893	\$ 55,155	\$ 79,869
Contributions in relation to the CRC	144,550	80,546	79,893	55,155	79,869
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 30,114,580	\$ 28,766,511	\$ 28,533,094	\$ 20,427,646	\$ 29,581,233
Contributions as a percentage of covered payroll	0.48%	0.28%	0.28%	0.27%	0.27%

*County of Isle of Wight, Virginia**Schedule of County Plan**Contributions -OPEB - Health Insurance Credit Program*


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	Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 11,231	\$ 10,645	\$ 9,671	\$ 8,735	\$ 7,670
Contributions in relation to the CRC	11,231	10,645	9,671	8,735	7,670
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 7,470,170	\$ 7,097,196	\$ 6,908,014	\$ 6,239,478	\$ 6,392,014
Contributions as a percentage of covered payroll	0.15%	0.15%	0.14%	0.14%	0.12%

*Continued*



***County of Isle of Wight, Virginia******Schedule of County Plan  
Contributions -OPEB - Health Insurance Credit Program***


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	Fiscal Year June 30,				
	2013	2012	2011	2010	2009
Contractually required contribution (CRC)	\$ 13,505	\$ 12,523	\$ 12,379	\$ 37,069	\$ 37,145
Contributions in relation to the CRC	13,505	12,523	12,379	37,069	37,145
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 11,254,257	\$ 10,436,109	\$ 10,315,611	\$ 10,296,920	\$ 10,318,114
Contributions as a percentage of covered payroll	0.12%	0.12%	0.12%	0.36%	0.36%

*County of Isle of Wight, Virginia**Schedule of Changes County's  
Net OPEB Liability and Related Ratios -  
Health Insurance Credit Program*

	Fiscal Year June 30, 2017
Total HIC OPEB liability:	
Service cost	\$ 6,296
Interest	17,128
Changes in assumptions	(4,905)
Benefit payments	(11,866)
<b>Net change in total OPEB liability</b>	<b>6,653</b>
Total HIC OPEB liability - beginning	250,620
Total HIC OPEB liability - ending (a)	<u>\$ 257,273</u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 10,645
Net investment income	18,362
Benefit payments, including refunds of employee contributions	(11,866)
Administrative expense	(295)
Other changes	934
<b>Net change in plan fiduciary net position</b>	<b>17,780</b>
Plan fiduciary net position - beginning	159,403
Plan fiduciary net position - ending (b)	<u>\$ 177,183</u>
<b>School Board non-professional net HIC OPEB liability - ending (a) - (b)</b>	<u><b>\$ 80,090</b></u>
Plan fiduciary net position as a percentage of the total HIC OPEB liability	68.87%
Covered payroll	\$ 7,097,196
Net OPEB liability as a percentage of covered payroll	1.13%

## Note to Schedule:

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

*County of Isle of Wight, Virginia****Schedule of School Board Professional Plan's Share of the Net OPEB Liability - Health Insurance***


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	<u>Fiscal Year June 30,</u>
	<u>2017</u>
Employer's proportion of the net HIC OPEB liability	0.36624%
Employer's proportionate share of the net HIC OPEB liability	\$ 4,646,000
Employer's covered payroll	28,903,680
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	16.07%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	7.04%

## Note to Schedule:

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

*County of Isle of Wight, Virginia**Schedule of School Board Professional Plan  
Contributions - OPEB - Health Insurance Credit Program*


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	Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 364,272	\$ 320,831	\$ 299,874	\$ 297,635	\$ 305,641
Contributions in relation to the CRC	364,272	320,831	299,874	297,635	305,641
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 29,615,591	\$ 28,903,680	\$ 28,290,038	\$ 28,078,735	\$ 27,535,220
Contributions as a percentage of covered payroll	1.23%	1.11%	1.06%	1.06%	1.11%

*Continued*

*County of Isle of Wight, Virginia****Schedule of School Board Professional Plan  
Contributions - OPEB - Health Insurance Credit Program***


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	Fiscal Year June 30,				
	2013	2012	2011	2010	2009
Contractually required contribution (CRC)	\$ 333,957	\$ 171,973	\$ 170,368	\$ 211,336	\$ 318,127
Contributions in relation to the CRC	333,957	171,973	170,368	211,336	318,127
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 30,086,223	\$ 28,662,129	\$ 28,394,735	\$ 20,320,748	\$ 29,456,196
Contributions as a percentage of covered payroll	1.11%	0.60%	0.60%	1.04%	1.08%

*County of Isle of Wight, Virginia****Schedule of School Board Professional Plan's Share of Net OPEB Liability - Virginia Local Disability Program***


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	<u>Fiscal Year June 30,</u> <u>2017</u>
Employer's proportion of the net VLDP OPEB liability	0.14372%
Employer's proportionate share of the net VLDP OPEB liability	\$ 6,000
Employer's covered payroll	2,902,316
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.21%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	31.96%

## Note to Schedule:

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

*County of Isle of Wight, Virginia**Schedule of School Board Professional Plan  
Contributions - OPEB - Virginia Local Disability Program*


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	Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 14,699	\$ 8,997	\$ 5,607	\$ 2,342	\$ 95
Contributions in relation to the CRC	14,699	8,997	5,607	2,342	95
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 4,741,727	\$ 2,902,316	\$ 1,933,512	\$ 807,459	\$ 32,889
Contributions as a percentage of covered payroll	0.31%	0.31%	0.29%	0.29%	0.29%

## Note to Schedule:

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

***County of Isle of Wight, Virginia******Schedule of County Plan's Share of Net OPEB Liability - Virginia  
Local Disability Program***


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	<u>Fiscal Year June 30,</u> <u>2017</u>
Employer's proportion of the net VLDP OPEB liability	1.07225%
Employer's proportionate share of the net VLDP OPEB liability	\$ 6,000
Employer's covered payroll	1,968,960
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	0.30%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	38.40%

## Note to Schedule:

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



*County of Isle of Wight, Virginia**Schedule of County Plan**Contributions - OPEB - Virginia Local Disability Program*

	Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 14,810	\$ 11,814	\$ 8,197	\$ 3,899	\$ 36
Contributions in relation to the CRC	14,810	11,814	8,197	3,899	36
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 2,468,217	\$ 1,968,960	\$ 1,366,240	\$ 649,779	\$ 5,919
Contributions as a percentage of covered payroll	0.60%	0.60%	0.60%	0.60%	0.61%

## Note to Schedule:

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

*County of Isle of Wight, Virginia**Schedule of School Board Non-Professional Plan  
Contributions - OPEB - Virginia Local Disability Program*


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	Fiscal Year June 30,				
	2018	2017	2016	2015	2014
Contractually required contribution (CRC)	\$ 1,833	\$ 1,583	\$ 1,466	\$ 884	\$ 42
Contributions in relation to the CRC	1,833	1,583	1,466	884	42
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 305,472	\$ 263,907	\$ 244,357	\$ 147,331	\$ 6,946
Contributions as a percentage of covered payroll	0.60%	0.60%	0.60%	0.60%	0.60%

## Note to Schedule:

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

*County of Isle of Wight, Virginia**Schedule of School Board Non-Professional Plan's Share of Net OPEB Liability - Virginia Local Disability Program*


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	Fiscal Year June 30,
	2017
Employer's proportion of the net VLDP OPEB liability	0.14372%
Employer's proportionate share of the net VLDP OPEB liability	\$ -
Employer's covered payroll	263,907
Employer's proportionate share of the net VLDP OPEB liability as a percentage of its covered payroll	-%
Plan fiduciary net position as a percentage of the total VLDP OPEB liability	38.40%

## Note to Schedule:

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

**June 30, 2018**

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**I. Medical Insurance Programs**

*Changes of Benefit Terms*

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation

*Changes of Assumptions*

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following is the discount rate used for the period presented:

2018     3.87%

**II. Group Life Insurance Program**

*Changes of Benefit Terms*

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

*Changes of Assumptions*

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

**School Board Professional**

*Teachers*

Mortality Rates (pre-retirement, post retirement healthy, and disabled)	Updated to a more current mortality table - RP 2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

## *County of Isle of Wight, Virginia*

### *Notes to Required Supplementary Information - OPEB (Continued)*

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**June 30, 2018**

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#### **County and School Board Non-Professional Plans**

##### *General Employees*

Mortality Rates	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

##### *Hazardous Duty Employees*

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

### **III. Health Insurance Credit Program**

#### ***Changes to Benefit Terms***

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

#### ***Changes of Assumptions***

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

#### **County and School Board Non-Professional Plan**

##### *Non-Largest Ten Locality Employers - General Employees*

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**June 30, 2018**

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**School Board Professional Plan**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**IV. Virginia Local Disability Program**

***Changes of Benefit Terms***

There have been no actuarially material changes to the Virginia Retirement System benefit provisions since the prior actuarial valuation.

***Changes of Assumptions***

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the Virginia Retirement System for the four-year period ended June 30, 2016:

**County and School Board Non-Professional Plan**

***Non-Largest Ten Locality Employers - General and Non-Hazardous Duty Employees***

Mortality Rates	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**School Board Professional Plan**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year through nine years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

## ***Other Supplementary Information***



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA



**County of Isle of Wight, Virginia****Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - Capital Projects****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Permits, privilege fees and regulatory licenses	\$ -	\$ -	\$ 360,149	\$ 360,149
Revenues from use of property	-	30,000	223,978	193,978
Intergovernmental:				
Commonwealth of Virginia	-	735,480	264,732	(470,748)
Federal	-	6,404,485	745,997	(5,658,488)
Local	-	1,006,095	27,006	(979,089)
<b>Total revenues</b>	-	8,176,060	1,621,862	(6,554,198)
<b>Expenditures</b>				
Education	-	-	6,269,246	(6,269,246)
Capital outlay	3,200,000	23,316,049	6,471,210	16,844,839
<b>Total expenditures</b>	3,200,000	23,316,049	12,740,456	10,575,593
<b>(Deficiency) of revenues (under) expenditures</b>	(3,200,000)	(15,139,989)	(11,118,594)	4,021,395
<b>Other financing sources</b>				
Transfers in	5,900,000	15,982,800	2,853,130	(13,129,670)
Transfers out	(2,700,000)	(1,880,000)	-	1,880,000
Issuance of debt	-	1,037,189	333,000	(704,189)
<b>Total other financing sources, net</b>	3,200,000	15,139,989	3,186,130	(11,953,859)
<b>Net change in fund balance</b>	-	-	(7,932,464)	(7,932,464)
<b>Fund balances - beginning of year</b>	-	-	23,604,263	23,604,263
<b>Fund balances - end of year</b>	\$ -	\$ -	\$ 15,671,799	\$ 15,671,799

*County of Isle of Wight, Virginia**Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget and Actual - Debt Service***Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures</b>				
Interest and other fiscal charges	\$ -	\$ -	\$ 4,714,492	\$ (4,714,492)
<b>Total expenditures</b>	-	-	4,714,492	(4,714,492)
<b>(Deficiency) of revenues (under) expenditures</b>	-	-	(4,714,492)	(4,714,492)
<b>Other financing sources</b>				
Issuance of debt	-	-	27,303,789	27,303,789
Payment to escrow agent	-	-	(26,610,438)	(26,610,438)
Premium on bonds issued	-	-	4,345,538	4,345,538
<b>Total other financing sources, net</b>	-	-	5,038,889	5,038,889
<b>Net change in fund balance</b>	-	-	324,397	324,397
<b>Fund balances - beginning of year</b>	-	-	-	-
<b>Fund balances - end of year</b>	\$ -	\$ -	\$ 324,397	\$ 324,397

*County of Isle of Wight, Virginia*

*Other Supplementary Information*  
*Nonmajor Governmental Funds*

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**Year Ended June 30, 2018**

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

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

**County of Isle of Wight, Virginia****Combining Balance Sheet -  
Nonmajor Governmental Funds****June 30, 2018**

	Department of Social Services Fund	Children's Services Fund	E-911 Fund	Community Development Block Grant Fund
<b>Assets</b>				
Cash and cash equivalents	\$ 155,254	\$ 30,382	\$ -	\$ 140,871
Accounts receivable	-	3,097	-	-
Due from other governments	115,216	43,502	163,811	-
Prepaid Items	-	-	-	-
<b>Total assets</b>	<b>\$ 270,470</b>	<b>\$ 76,981</b>	<b>\$ 163,811</b>	<b>\$ 140,871</b>
<b>Liabilities</b>				
Accounts payable	\$ 21,909	\$ 76,981	\$ 10,344	\$ -
Accrued expenses	-	-	2,082	-
Amounts held in escrow	-	-	-	-
Due to other funds	-	-	151,385	-
<b>Total liabilities</b>	<b>21,909</b>	<b>76,981</b>	<b>163,811</b>	<b>-</b>
<b>Fund Balances</b>				
Nonspendable	-	-	-	-
Assigned	248,561	-	-	140,871
Unassigned	-	-	-	-
<b>Total fund balances</b>	<b>248,561</b>	<b>-</b>	<b>-</b>	<b>140,871</b>
<b>Total liabilities and fund balances</b>	<b>\$ 270,470</b>	<b>\$ 76,981</b>	<b>\$ 163,811</b>	<b>\$ 140,871</b>

**County of Isle of Wight, Virginia****Combining Balance Sheet -****Nonmajor Governmental Funds (Continued)****June 30, 2018**

	County Fair Fund	Grants Fund	Heritage Park Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 219,414	\$ -	\$ 545,921
Accounts receivable	-	-	-	3,097
Due from other governments	-	94,819	-	417,348
Prepaid Items	3,895	960	-	4,855
<b>Total assets</b>	<b>\$ 3,895</b>	<b>\$ 315,193</b>	<b>\$ -</b>	<b>\$ 971,221</b>
<b>Liabilities</b>				
Accounts payable	\$ 1,134	\$ 17,643	\$ -	\$ 128,011
Accrued expenses	-	4,129	-	6,211
Amounts held in escrow	-	8,383	-	8,383
Due to other funds	2,761	-	45,833	199,979
<b>Total liabilities</b>	<b>3,895</b>	<b>30,155</b>	<b>45,833</b>	<b>342,584</b>
<b>Fund Balances</b>				
Nonspendable	3,895	960	-	4,855
Assigned	-	284,078	-	673,510
Unassigned	(3,895)	-	(45,833)	(49,728)
<b>Total fund balances</b>	<b>-</b>	<b>285,038</b>	<b>(45,833)</b>	<b>628,637</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,895</b>	<b>\$ 315,193</b>	<b>\$ -</b>	<b>\$ 971,221</b>

**County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds****Year Ended June 30, 2018**

	Department of Social Services Fund	Children's Services Fund	E-911 Fund	Community Development Block Grant Fund
<b>Revenues</b>				
Other local taxes	\$ -	\$ -	\$ 506,272	\$ -
Revenues from use of money and property	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	(163)	-	5,000	-
Intergovernmental:				
Commonwealth of Virginia	750,230	79,612	234,245	-
Federal	1,532,349	-	-	-
Local	-	-	246,911	-
<b>Total revenues</b>	<b>2,282,416</b>	<b>79,612</b>	<b>992,428</b>	<b>-</b>
<b>Expenditures</b>				
Public safety	-	-	1,412,843	-
Public works	-	-	-	-
Health and welfare	3,167,759	186,336	-	-
Parks, recreation and cultural	-	-	-	-
Community development	-	-	-	-
<b>Total expenditures</b>	<b>3,167,759</b>	<b>186,336</b>	<b>1,412,843</b>	<b>-</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>(885,343)</b>	<b>(106,724)</b>	<b>(420,415)</b>	<b>-</b>
<b>Other financing sources</b>				
Transfers in	885,343	106,724	420,415	-
<b>Total other financing sources</b>	<b>885,343</b>	<b>106,724</b>	<b>420,415</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - beginning of year</b>	<b>248,561</b>	<b>-</b>	<b>-</b>	<b>140,871</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ 248,561</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 140,871</b>

**County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Nonmajor Governmental Funds****Year Ended June 30, 2018**

	County Fair Fund	Grants Fund	Heritage Park Fund	Total Governmental Funds
<b>Revenues</b>				
Other local taxes	\$ -	\$ -	\$ -	\$ 506,272
Revenues from use of money and property	39,782	-	-	39,782
Charges for services	302,850	-	-	302,850
Miscellaneous	27,220	25,000	-	57,057
Intergovernmental:				
Commonwealth of Virginia	-	93,522	-	1,157,609
Federal	-	159,659	-	1,692,008
Local	-	1,000	-	247,911
<b>Total revenues</b>	<b>369,852</b>	<b>279,181</b>	<b>-</b>	<b>4,003,489</b>
<b>Expenditures</b>				
Public safety	-	203,919	-	1,616,762
Public works	-	9,310	-	9,310
Health and welfare	-	-	-	3,354,095
Parks, recreation and cultural	381,546	40,870	-	422,416
Community development	-	20,207	-	20,207
<b>Total expenditures</b>	<b>381,546</b>	<b>274,306</b>	<b>-</b>	<b>5,422,790</b>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<b>(11,694)</b>	<b>4,875</b>	<b>-</b>	<b>(1,419,301)</b>
<b>Other financing sources</b>				
Transfers in	11,694	171,730	-	1,595,906
<b>Total other financing sources</b>	<b>11,694</b>	<b>171,730</b>	<b>-</b>	<b>1,595,906</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>176,605</b>	<b>-</b>	<b>176,605</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>108,433</b>	<b>(45,833)</b>	<b>452,032</b>
<b>Fund balances (deficit) - end of year</b>	<b>\$ -</b>	<b>\$ 285,038</b>	<b>\$ (45,833)</b>	<b>\$ 628,637</b>

**County of Isle of Wight, Virginia**

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

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**Year Ended June 30, 2018**


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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental				
Miscellaneous	\$ -	\$ -	\$ (163)	\$ (163)
Commonwealth of Virginia	851,693	847,537	750,230	(97,307)
Federal	1,579,282	1,583,437	1,532,349	(51,088)
<b>Total revenues</b>	<b>2,430,975</b>	<b>2,430,974</b>	<b>2,282,416</b>	<b>(148,558)</b>
<b>Expenditures</b>				
Health and welfare	3,384,060	3,384,059	3,167,759	216,300
<b>Total expenditures</b>	<b>3,384,060</b>	<b>3,384,059</b>	<b>3,167,759</b>	<b>216,300</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(953,085)</b>	<b>(953,085)</b>	<b>(885,343)</b>	<b>67,742</b>
<b>Other financing sources (uses)</b>				
Transfers in	953,085	953,085	885,343	(67,742)
<b>Total other financing sources, net</b>	<b>953,085</b>	<b>953,085</b>	<b>885,343</b>	<b>(67,742)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>248,561</b>	<b>248,561</b>
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 248,561</b>	<b>\$ 248,561</b>

(Continued)



**County of Isle of Wight, Virginia****Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
Children's Services Fund****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Intergovernmental				
Commonwealth of Virginia	\$ 226,565	\$ 226,565	\$ 79,612	\$ (146,953)
<b>Total revenues</b>	<u>226,565</u>	<u>226,565</u>	<u>79,612</u>	<u>(146,953)</u>
<b>Expenditures</b>				
Health and welfare	429,297	433,301	186,336	246,965
<b>Total expenditures</b>	<u>429,297</u>	<u>433,301</u>	<u>186,336</u>	<u>246,965</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(202,732)	(206,736)	(106,724)	100,012
<b>Other financing sources (uses)</b>				
Transfers in	202,732	206,736	106,724	(100,012)
<b>Total other financing sources, net</b>	<u>202,732</u>	<u>206,736</u>	<u>106,724</u>	<u>(100,012)</u>
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balances - beginning of year</b>	-	-	-	-
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

**County of Isle of Wight, Virginia****Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
E-911 Fund****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Other local taxes	\$ 523,600	\$ 523,600	\$ 506,272	\$ (17,328)
Miscellaneous	5,000	5,000	5,000	-
Intergovernmental				
Commonwealth of Virginia	226,161	226,161	234,245	8,084
Local	252,641	252,641	246,911	(5,730)
<b>Total revenues</b>	<b>1,007,402</b>	<b>1,007,402</b>	<b>992,428</b>	<b>(14,974)</b>
<b>Expenditures</b>				
Public safety	1,364,442	1,467,049	1,412,843	54,206
<b>Total expenditures</b>	<b>1,364,442</b>	<b>1,467,049</b>	<b>1,412,843</b>	<b>54,206</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(357,040)</b>	<b>(459,647)</b>	<b>(420,415)</b>	<b>39,232</b>
<b>Other financing sources (uses)</b>				
Transfers in	430,172	459,647	420,415	(39,232)
Transfers out	(73,132)	-	-	-
<b>Total other financing sources, net</b>	<b>357,040</b>	<b>459,647</b>	<b>420,415</b>	<b>(39,232)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*(Continued)*

**County of Isle of Wight, Virginia****Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
County Fair Fund****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Revenues from use of property	\$ 28,931	\$ 28,931	\$ 39,782	\$ 10,851
Charges for services	289,534	302,534	302,850	316
Miscellaneous	38,934	38,934	27,220	(11,714)
<b>Total revenues</b>	<b>357,399</b>	<b>370,399</b>	<b>369,852</b>	<b>(547)</b>
<b>Expenditures</b>				
Parks, recreation and cultural	357,399	421,709	381,546	40,163
<b>Total expenditures</b>	<b>357,399</b>	<b>421,709</b>	<b>381,546</b>	<b>40,163</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(51,310)</b>	<b>(11,694)</b>	<b>39,616</b>
<b>Other financing sources (uses)</b>				
Transfers in	-	51,310	11,694	(39,616)
<b>Total other financing sources, net</b>	<b>-</b>	<b>51,310</b>	<b>11,694</b>	<b>(39,616)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - beginning of year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

*(Continued)*

**County of Isle of Wight, Virginia****Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Budget and Actual - Nonmajor Governmental Funds  
Grants Fund****Year Ended June 30, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Miscellaneous	\$ -	\$ 39,935	\$ 25,000	\$ (14,935)
Intergovernmental				
Commonwealth of Virginia	-	330,486	93,522	(236,964)
Federal	57,314	238,924	159,659	(79,265)
Local	-	31,470	1,000	(30,470)
<b>Total revenues</b>	<u>57,314</u>	<u>640,815</u>	<u>279,181</u>	<u>(361,634)</u>
<b>Expenditures</b>				
Public safety	-	466,457	203,919	262,538
Public works	-	9,310	9,310	-
Parks, recreation and cultural	142,000	249,464	40,870	208,594
Community development	57,314	117,744	20,207	97,537
<b>Total expenditures</b>	<u>199,314</u>	<u>842,975</u>	<u>274,306</u>	<u>568,669</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(142,000)	(202,160)	4,875	207,035
<b>Other financing sources (uses)</b>				
Transfers in	142,000	202,160	171,730	(30,430)
<b>Total other financing sources, net</b>	<u>142,000</u>	<u>202,160</u>	<u>171,730</u>	<u>(30,430)</u>
<b>Net change in fund balance</b>	-	-	176,605	176,605
<b>Fund balances - beginning of year</b>	-	-	108,433	108,433
<b>Fund balances - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 285,038</u>	<u>\$ 285,038</u>

*County of Isle of Wight, Virginia*

*Other Supplementary Information*  
*Internal Services*

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**Year Ended June 30, 2018**

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

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



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

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*County of Isle of Wight, Virginia**Combining Statements of Net Position - Internal Service Funds***June 30, 2018**

	Information Technology Fund	Risk Management Fund	Total
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 240,369	\$ 312,118	\$ 552,487
Receivables - net of allowance	2,817	-	2,817
<b>Total current assets</b>	<b>243,186</b>	<b>312,118</b>	<b>555,304</b>
<b>Noncurrent assets</b>			
Capital assets			
Depreciable - net	71,754	-	71,754
<b>Total noncurrent assets</b>	<b>71,754</b>	<b>-</b>	<b>71,754</b>
<b>Total assets</b>	<b>314,940</b>	<b>312,118</b>	<b>627,058</b>
<b>Deferred outflows of resources</b>			
Pension plan	57,921	7,686	65,607
Other post-employment benefits	3,383	370	3,753
<b>Total deferred outflows of resources</b>	<b>61,304</b>	<b>8,056</b>	<b>69,360</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	12,860	2,464	15,324
Accrued liabilities	579	-	579
Unearned revenue	15	-	15
Compensated absences	5,668	335	6,003
<b>Total current liabilities</b>	<b>19,122</b>	<b>2,799</b>	<b>21,921</b>
<b>Noncurrent liabilities</b>			
Compensated absences	51,014	3,018	54,032
Other post-employment benefits	68,961	4,850	73,811
Net pension liability	96,657	12,826	109,483
<b>Total noncurrent liabilities</b>	<b>216,632</b>	<b>20,694</b>	<b>237,326</b>
<b>Total liabilities</b>	<b>235,754</b>	<b>23,493</b>	<b>259,247</b>
<b>Deferred inflows of resources</b>			
Pension plan	33,179	4,403	37,582
Other post-employment benefits	9,360	548	9,908
<b>Total deferred inflows of resources</b>	<b>42,539</b>	<b>4,951</b>	<b>47,490</b>
<b>Net Position</b>			
Net investment in capital assets	71,754	-	71,754
Unrestricted	26,197	291,730	317,927
<b>Total net position</b>	<b>\$ 97,951</b>	<b>\$ 291,730</b>	<b>\$ 389,681</b>

**County of Isle of Wight, Virginia****Combining Statements of Revenues, Expenses,  
and Changes in Fund Net Position - Internal Service Funds****Year Ended June 30, 2018**

	Information Technology Fund	Risk Management Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 1,090,155	\$ 642,855	\$ 1,733,010
Other revenue	-	15,973	15,973
<b>Total operating revenues</b>	<b>1,090,155</b>	<b>658,828</b>	<b>1,748,983</b>
<b>Operating expenses:</b>			
Personnel services	428,241	55,067	483,308
Fringe benefits	169,081	12,272	181,353
Contractual services	13,811	501,634	515,445
Other charges	455,546	9,966	465,512
Depreciation	35,426	-	35,426
<b>Total operating expenses</b>	<b>1,102,105</b>	<b>578,939</b>	<b>1,681,044</b>
<b>Operating Income (loss)</b>	<b>(11,950)</b>	<b>79,889</b>	<b>67,939</b>
<b>Income (loss) before transfers</b>	<b>(11,950)</b>	<b>79,889</b>	<b>67,939</b>
Transfers in	25,268	-	25,268
<b>Changes in net position</b>	<b>13,318</b>	<b>79,889</b>	<b>93,207</b>
<b>Net position - beginning of year (restated)</b>	<b>84,633</b>	<b>211,841</b>	<b>296,474</b>
<b>Net position - end of year</b>	<b>\$ 97,951</b>	<b>\$ 291,730</b>	<b>\$ 389,681</b>



*County of Isle of Wight, Virginia**Combining Statement of Cash Flows – Internal Service Funds***Year Ended June 30, 2018**

	Information Technology Fund	Risk Management Fund	Total
<b>Cash flows from operating activities</b>			
Received from customers and users	\$ 1,087,353	\$ 658,828	\$ 1,746,181
Payments to suppliers for goods and services	(474,543)	(508,599)	(983,142)
Payments to employees	(597,588)	(65,328)	(662,916)
<b>Net cash provided by operating activities</b>	<u>15,222</u>	<u>84,901</u>	<u>100,123</u>
<b>Cash flows from non capital and related financing activities</b>			
Transfers In	25,268	-	25,268
<b>Net cash provided by non capital and related financing activities</b>	<u>25,268</u>	<u>-</u>	<u>25,268</u>
<b>Change in cash and cash equivalents</b>	40,490	84,901	125,391
<b>Cash and cash equivalents - beginning of year</b>	199,879	227,217	427,096
<b>Cash and cash equivalents - end of year</b>	<u>\$ 240,369</u>	<u>\$ 312,118</u>	<u>\$ 552,487</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ (11,950)	\$ 79,889	\$ 67,939
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	35,426	-	35,426
Pension and OPEB expense (benefit)	(35,183)	(209)	(35,392)
Change in			
Account Receivable	(2,817)	-	(2,817)
Prepaid items	96,575	2,339	98,914
Accounts payable and accrued liabilities	(101,761)	662	(101,099)
Unearned revenue	15	-	15
Deferred outflows of resources	38,726	2,288	41,014
Compensated absences	(3,809)	(68)	(3,877)
<b>Net cash provided by operating activities</b>	<u>\$ 15,222</u>	<u>\$ 84,901</u>	<u>\$ 100,123</u>

*County of Isle of Wight, Virginia**Combining Balance Sheet – Governmental Funds – Component Unit – School Board***June 30, 2018**

	Governmental Funds					
	School Operating Fund	School Capital Projects Fund	School Textbook Fund	School Cafeteria Fund	School Grants Fund	Totals
<b>Assets</b>						
Cash and investments	\$ 4,986,155	\$ -	\$ -	\$ 499,686	\$ -	\$ 5,485,841
Accounts receivable - net of allowances for uncollectibles	50,311	-	-	48,600	-	98,911
Inventory	-	-	-	31,213	-	31,213
Due from primary government	-	1,238,025	-	-	-	1,238,025
Due from other funds	955,200	1,357,847	14,540	11,900	19,568	2,359,055
Due from other governmental units	904,129	-	-	2,417	258,063	1,164,609
<b>Total assets</b>	<b>\$ 6,895,795</b>	<b>\$ 2,595,872</b>	<b>\$ 14,540</b>	<b>\$ 593,816</b>	<b>\$ 277,631</b>	<b>\$ 10,377,654</b>
<b>Liabilities</b>						
Accounts payable	\$ 842,436	\$ 946,637	\$ 14,540	\$ 26,969	\$ 25,344	\$ 1,855,926
Accrued liabilities	4,649,504	-	-	-	1,418	4,650,922
Due to other funds	1,403,855	590,143	-	114,188	250,869	2,359,055
<b>Total liabilities</b>	<b>6,895,795</b>	<b>1,536,780</b>	<b>14,540</b>	<b>141,157</b>	<b>277,631</b>	<b>8,865,903</b>
<b>Fund Balances</b>						
Fund balances:						
Nonspendable: Inventory	-	-	-	31,213	-	31,213
Assigned: Capital projects	-	1,059,092	-	-	-	1,059,092
Assigned: Food Services	-	-	-	421,446	-	421,446
<b>Total fund balances</b>	<b>-</b>	<b>1,059,092</b>	<b>-</b>	<b>452,659</b>	<b>-</b>	<b>1,511,751</b>
<b>Total liabilities and fund balance</b>	<b>\$ 6,895,795</b>	<b>\$ 2,595,872</b>	<b>\$ 14,540</b>	<b>\$ 593,816</b>	<b>\$ 277,631</b>	<b>\$ 10,377,654</b>

*County of Isle of Wight, Virginia****Reconciliation of Balance Sheets – Component Unit – School Board  
to the Statement of Net Position*****June 30, 2018**

<b>Total fund balances - School Board - governmental funds</b>	<b>\$ 1,511,751</b>
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Amounts reported for government activities in the Statement  
of Net Position are different because:

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

Non depreciable capital assets	8,459,609
Depreciable capital assets	105,108,070
Accumulated depreciation	(49,776,134)
Capital assets, net	<u>63,791,545</u>

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

Capital leases	(8,135,619)
Compensated absences	(438,536)
OPEB obligation	(10,423,017)
Net pension liability	(45,332,387)
Accrued interest	(66,239)

Deferred outflows of resources related to pension	6,459,830
Deferred outflows of resources related to OPEB	636,685
Deferred inflows of resources related to pension	(7,444,288)
Deferred inflows of resources related to OPEB	(460,168)

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

<u>428,007</u>
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<b>Total net position- School Board - governmental activities</b>	<b>\$ <u>527,564</u></b>
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*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, 2018**

	Governmental Funds					Totals
	School Operating Fund	School Capital Projects Fund	School Textbook Fund	School Cafeteria Fund	School Grants Fund	
<b>Revenues</b>						
Revenues from use of money and property	\$ 65,620	\$ -	\$ -	\$ 935	\$ -	\$ 66,555
Charges for services	76,681	-	-	725,833	-	802,514
Miscellaneous	383,994	1,000,000	-	-	-	1,383,994
Recovered costs	30,864	-	-	-	-	30,864
Revenue from primary government	24,946,610	5,182,624	231,824	-	-	30,361,058
Intergovernmental:						
Commonwealth	28,902,604	-	336,106	39,407	429,601	29,707,718
Federal	496,203	-	-	1,369,447	1,727,835	3,593,485
<b>Total revenues</b>	<u>54,902,576</u>	<u>6,182,624</u>	<u>567,930</u>	<u>2,135,622</u>	<u>2,157,436</u>	<u>65,946,188</u>
<b>Expenditures</b>						
Current:						
Administration, attendance and health	2,304,956	-	-	-	-	2,304,956
Instructional services	41,352,154	-	567,930	-	1,730,668	43,650,752
Operations and maintenance	4,965,925	-	-	-	-	4,965,925
Pupil transportation	3,805,172	-	-	-	-	3,805,172
School food services	-	-	-	2,035,640	-	2,035,640
Facilities	-	6,398,864	-	-	-	6,398,864
Debt Service	435,944	-	-	-	-	435,944
Capital outlay	2,038,425	-	-	-	426,768	2,465,193
<b>Total expenditures</b>	<u>54,902,576</u>	<u>6,398,864</u>	<u>567,930</u>	<u>2,035,640</u>	<u>2,157,436</u>	<u>66,062,446</u>
<b>Excess (Deficiency) of revenues over (under) expenditures</b>	<u>-</u>	<u>(216,240)</u>	<u>-</u>	<u>99,982</u>	<u>-</u>	<u>(116,258)</u>
<b>Net change in fund balance</b>	-	(216,240)	-	99,982	-	(116,258)
<b>Fund balance - beginning of year</b>	-	1,275,332	-	352,677	-	1,628,009
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ 1,059,092</u>	<u>\$ -</u>	<u>\$ 452,659</u>	<u>\$ -</u>	<u>\$ 1,511,751</u>

*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, 2018**

<b>Net change in fund balances - School Board - governmental funds</b>	<b>\$</b>	<b>(116,258)</b>
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Amounts reported for governmental activities in the statements  
of Net Position are different because:

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

Joint activity transfer	1,686,657	
Capital outlay	6,653,141	
Depreciation expense	(3,683,967)	
Adjustments to capital assets	(502,589)	

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

Repayment of debt principal		1,164,058
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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	27,731	
OPEB expense	(202,914)	
Pension benefit	2,936,290	
Decrease in accrued interest	14,458	

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

		(512,920)
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<b>Change in net position of School Board - governmental activities</b>	<b>\$</b>	<b>7,463,687</b>
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		(512,920)
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*County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board*****Year Ended June 30, 2018**

	School Operating Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenues from use of money and property	\$ 25,000	\$ 25,000	\$ 65,620	\$ 40,620
Charges for services	83,000	83,000	76,681	(6,319)
Miscellaneous	190,000	412,264	383,994	(28,270)
Recovered costs	25,000	25,000	30,864	5,864
Revenue from the Primary Government	24,946,610	24,946,610	24,946,610	-
Intergovernmental				
Commonwealth	28,830,832	29,358,230	28,902,604	(455,626)
Federal	355,000	355,000	496,203	141,203
Total Revenues	54,455,442	55,205,104	54,902,576	(302,528)
<b>Expenditures</b>				
Current				
Administration, attendance and health	2,383,755	2,315,075	2,304,956	10,119
Instructional services	40,932,364	41,498,028	41,352,154	145,874
Operations and maintenance	5,000,474	5,085,072	4,965,925	119,147
Pupil transportation	3,651,382	3,819,462	3,805,172	14,290
Technology	2,051,523	2,051,523	2,038,425	13,098
Debt Service	435,944	435,944	435,944	-
Total expenditures	54,455,442	55,205,104	54,902,576	302,528
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - beginning of year</b>	-	-	-	-
<b>Fund balance - end of year</b>	\$ -	\$ -	\$ -	\$ -

*(Continued)*

*County of Isle of Wight, Virginia**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)***Year Ended June 30, 2018**

	School Capital Projects Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenue from the Primary Government	\$ -	\$ 9,172,331	\$ 5,182,624	\$ (3,989,707)
Miscellaneous	-	2,000,000	1,000,000	(1,000,000)
<b>Total revenues</b>	-	11,172,331	6,182,624	(3,989,707)
<b>Expenditures</b>				
Current				
Facilities	-	11,172,331	6,398,864	4,773,467
<b>Total expenditures</b>	-	11,172,331	6,398,864	4,773,467
<b>Net change in fund balance</b>	-	-	(216,240)	(216,240)
<b>Fund balance - beginning of year</b>	-	-	1,275,332	1,275,332
<b>Fund balance - end of year</b>	\$ -	\$ -	\$ 1,059,092	\$ 1,059,092

(Continued)

*County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)*****Year Ended June 30, 2018**

	School Textbook Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenue from the Primary Government	\$ 231,824	\$ 231,824	\$ 231,824	\$ -
Intergovernmental				
Commonwealth	345,778	345,778	336,106	(9,672)
<b>Total revenues</b>	<u>577,602</u>	<u>577,602</u>	<u>567,930</u>	<u>(9,672)</u>
<b>Expenditures</b>				
Current				
Instructional services	577,602	577,602	567,930	9,672
<b>Total expenditures</b>	<u>577,602</u>	<u>577,602</u>	<u>567,930</u>	<u>9,672</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*(Continued)*



*County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)*****Year Ended June 30, 2018**

	School Cafeteria Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenues from use of money and property	\$ 1,500	\$ 1,500	\$ 935	\$ (565)
Charges for services	907,114	907,114	725,833	(181,281)
Intergovernmental				
Commonwealth	200,479	200,479	39,407	(161,072)
Federal	991,524	991,524	1,369,447	377,923
<b>Total revenues</b>	<u>2,100,617</u>	<u>2,100,617</u>	<u>2,135,622</u>	<u>35,005</u>
<b>Expenditures</b>				
Current				
School food services	2,100,617	2,100,617	2,035,640	64,977
<b>Total expenditures</b>	<u>2,100,617</u>	<u>2,100,617</u>	<u>2,035,640</u>	<u>64,977</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>99,982</u>	<u>99,982</u>
<b>Fund balance - beginning of year</b>	<u>-</u>	<u>-</u>	<u>352,677</u>	<u>352,677</u>
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,659</u>	<u>\$ 452,659</u>

*(Continued)*

*County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board (Continued)*****Year Ended June 30, 2018**

	School Grants Fund			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental				
Commonwealth	\$ 375,081	\$ 545,833	\$ 429,601	\$ (116,232)
Federal	2,379,965	2,403,181	1,727,835	(675,346)
<b>Total revenues</b>	<u>2,755,046</u>	<u>2,949,014</u>	<u>2,157,436</u>	<u>(791,578)</u>
<b>Expenditures</b>				
Current				
Administration, attendance and health	-	10,000	-	10,000
Instructional services	2,471,046	2,512,014	1,730,668	781,346
Technology	284,000	426,768	426,768	-
<b>Total expenditures</b>	<u>2,755,046</u>	<u>2,948,782</u>	<u>2,157,436</u>	<u>791,346</u>
<b>Net change in fund balance</b>	-	232	-	(232)
<b>Fund balance - beginning of year</b>	-	-	-	-
<b>Fund balance - end of year</b>	<u>\$ -</u>	<u>\$ 232</u>	<u>\$ -</u>	<u>\$ (232)</u>

*(Continued)*

*County of Isle of Wight, Virginia****Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –  
Budget and Actual – Governmental Funds – Component Unit – School Board*****Year Ended June 30, 2018**

	Totals			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Revenues from use of money and property	\$ 26,500	\$ 26,500	\$ 66,555	\$ 40,055
Charges for services	990,114	990,114	802,514	(187,600)
Miscellaneous	190,000	2,412,264	1,383,994	(1,028,270)
Recovered costs	25,000	25,000	30,864	5,864
Revenue from the Primary Government	25,178,434	34,350,765	30,361,058	(3,989,707)
Intergovernmental				
Commonwealth	29,752,170	30,450,320	29,707,718	(742,602)
Federal	3,726,489	3,749,705	3,593,485	(156,220)
<b>Total Revenues</b>	<b>59,888,707</b>	<b>72,004,668</b>	<b>65,946,188</b>	<b>(6,058,480)</b>
<b>Expenditures</b>				
Current				
Administration, attendance and health	2,383,755	2,325,075	2,304,956	20,119
Instructional services	43,981,012	44,587,644	43,650,752	936,892
Operations and maintenance	5,000,474	5,085,072	4,965,925	119,147
Pupil transportation	3,651,382	3,819,462	3,805,172	14,290
School food services	2,100,617	2,100,617	2,035,640	64,977
Facilities	-	11,172,331	6,398,864	4,773,467
Technology	-	-	-	-
Debt Service	435,944	435,944	435,944	-
Capital outlay	2,335,523	2,478,291	2,465,193	13,098
<b>Total Expenditures</b>	<b>59,888,707</b>	<b>72,004,436</b>	<b>66,062,446</b>	<b>5,941,990</b>
<b>Net change in fund balances</b>	-	232	(116,258)	(116,490)
<b>Fund balances - beginning of year</b>	-	-	1,628,009	1,628,009
<b>Fund balances - end of year</b>	<b>\$ -</b>	<b>\$ 232</b>	<b>\$ 1,511,751</b>	<b>\$ 1,511,519</b>

*County of Isle of Wight, Virginia**Statement of Net Position – Internal Service Fund – Component Unit – School Board***June 30, 2018**

		School Health Benefits Fund
	<b>Assets</b>	
<b>Current assets</b>		
Cash and cash equivalents - restricted		\$ 763,070
Accounts Receivable		171,762
<b>Total current assets</b>		<u>934,832</u>
	<b>Liabilities</b>	
<b>Current liabilities</b>		
Accounts payable		330,194
Claims payable		63,543
Unearned revenues		113,088
<b>Total current liabilities</b>		<u>506,825</u>
	<b>Net Position</b>	
<b>Net position - unrestricted</b>		<u>\$ 428,007</u>

*County of Isle of Wight, Virginia**Statement of Revenues, Expenses, and Changes in Net Position –  
Internal Service Fund – Component Unit – School Board***Year Ended June 30, 2018**

	School Health Benefits Fund
<b>Operating revenues</b>	
Recovered costs	\$ 4,576,765
<b>Operating expenses</b>	
Healthcare benefits	5,089,685
<b>Operating loss</b>	(512,920)
<b>Change in net position</b>	(512,920)
<b>Net position - beginning of year</b>	940,927
<b>Net position - end of year</b>	\$ 428,007

*County of Isle of Wight, Virginia**Statement of Cash Flows – Internal Service Fund – Component Unit – School Board***Year Ended June 30, 2018**

	School Health Benefits Fund
<b>Cash flows from operating activities</b>	<b>\$ 4,405,003</b>
Received from customers and users	(4,970,720)
Payments to suppliers for goods and services	
<b>Net cash used in operating activities</b>	<b>(565,717)</b>
 <b>Change in cash and cash equivalents</b>	 <b>(565,717)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>1,328,787</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 763,070</b>
 <b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (512,920)
Adjustments to reconcile operating loss to net cash used in operating activities	
Change in:	
Accounts and claims payable	118,965
Accounts receivable	(171,762)
<b>Net cash used in operating activities</b>	<b>\$ (565,717)</b>

*County of Isle of Wight, Virginia**Combining Statement of Assets and Liabilities - Fiduciary Funds***June 30, 2018**

	Special Welfare Fund	Student Activities Fund	Totals Agency Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 27,229	\$ 518,266	\$ 545,495
<b>Liabilities</b>			
Amounts held for social services clients	\$ 27,229	\$ -	\$ 27,229
Amounts held for others	-	518,266	518,266
<b>Total liabilities</b>	<b>\$ 27,229</b>	<b>\$ 518,266</b>	<b>\$ 545,495</b>

*County of Isle of Wight, Virginia**Combining Statements of Change in Assets and Liabilities – Fiduciary Funds***Year Ended June 30, 2018**

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Special Welfare Fund</b>				
Assets				
Cash and cash equivalents	\$ 25,535	\$ 39,017	\$ (37,323)	\$ 27,229
Liabilities				
Amounts held for social service clients	\$ 25,535	\$ 39,017	\$ (37,323)	\$ 27,229
<b>Student Activities Fund</b>				
Assets				
Cash and cash equivalents	\$ 549,098	\$ 1,308,882	\$ (1,339,714)	\$ 518,266
Liabilities				
Amounts held for others	\$ 549,098	\$ 1,308,882	\$ (1,339,714)	\$ 518,266
<b>Total</b>				
Assets				
Cash and cash equivalents	\$ 574,633	\$ 1,347,899	\$ (1,377,037)	\$ 545,495
Liabilities				
Amounts held for social services clients	\$ 25,535	\$ 39,017	\$ (37,323)	\$ 27,229
Amounts held for others	549,098	1,308,882	(1,339,714)	518,266
	\$ 574,633	\$ 1,347,899	\$ (1,377,037)	\$ 545,495



*County of Isle of Wight, Virginia**Statement of Net Position – Component Unit – Economic Development Authority***June 30, 2018**

<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 508,858
Accounts receivable	184
<b>Total current assets</b>	<u>509,042</u>
<b>Noncurrent assets</b>	
Land held for resale	9,011,625
Capital assets	
Nondepreciable	376,537
Depreciable, net	2,684,476
<b>Total capital assets</b>	<u>3,061,013</u>
<b>Total noncurrent assets</b>	<u>12,072,638</u>
<b>Total assets</b>	<u>12,581,680</u>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	4,620
Advance from primary government	375,000
<b>Total current liabilities</b>	<u>379,620</u>
<b>Net Position</b>	
Net investment in capital assets	3,061,013
Unrestricted	9,141,047
<b>Total net position</b>	<u>\$ 12,202,060</u>

*County of Isle of Wight, Virginia**Statement of Revenues, Expenses, and Changes in Net Position*  
*Component Unit – Economic Development Authority***Year Ended June 30, 2018**

<b>Operating revenues</b>	
Charges for services	\$ 9,898
Other revenues	65,474
<b>Total operating revenues</b>	<u>75,372</u>
<b>Operating expenses</b>	
Operations	20,485
Compensation	3,900
Depreciation	2,070,910
<b>Total operating expenses</b>	<u>2,095,295</u>
<b>Operating loss</b>	<u>(2,019,923)</u>
<b>Nonoperating revenues (expenses)</b>	
Property rental	50,088
Loss from disposal of asset	(67,500)
<b>Total nonoperating expenses, net</b>	<u>(17,412)</u>
<b>Change in net position</b>	(2,037,335)
<b>Net position - beginning of year</b>	<u>14,239,395</u>
<b>Net position - end of year</b>	<u>\$ 12,202,060</u>

*County of Isle of Wight, Virginia**Statement of Cash Flows – Component Unit – Economic Development Authority***Year Ended June 30, 2018**

<b>Cash flows from operating activities</b>	
Received from customers and users	\$ 75,188
Payments to suppliers for goods and services	(17,810)
Payments to employees	(3,900)
<b>Net cash provided by operating activities</b>	<u>53,478</u>
<b>Cash flows from investing activities</b>	
Rental of property	50,088
<b>Net cash provided by investing activities</b>	<u>50,088</u>
<b>Change in cash and cash equivalents</b>	103,566
<b>Cash and cash equivalents - beginning of year</b>	<u>405,292</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 508,858</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (2,019,923)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	2,070,910
Change in accounts receivable	9,552
Change in unearned revenue	(9,736)
Change in accounts payable	2,675
<b>Net cash provided by operating activities</b>	<u>\$ 53,478</u>

## *Statistical Section*



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

## ***County of Isle of Wight, Virginia***

### ***Statistical Section Overview***

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#### **Year Ended June 30, 2018**

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

#### **Contents**

#### **Exhibits**

##### **Financial Trends**

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

C-1 through C-4

##### **Revenue Capacity**

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

C-5 through C-10

##### **Debt Capacity**

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

C-11 through C-13

##### **Demographic and Economic Information**

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

C14

##### **Operating Information**

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

C-15 through C-17

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

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

<b>Last Ten Fiscal Years</b>						
	<b>2018</b>	<b>2017*</b>	<b>2016</b>	<b>2015</b>	<b>2014*</b>	
<b>Governmental activities</b>						
Net investment in capital assets	\$ (37,423,718)	\$ (13,319,241)	\$ 4,931	\$ 2,045,769	\$ 6,086,446	
Restricted	10,987,940	18,689,154	5,440,119	7,174,341	13,734,652	
Unrestricted	41,560,882	8,314,662	12,060,255	7,349,393	(1,715,310)	
<b>Total governmental activities net position</b>	<b>\$ 15,125,104</b>	<b>\$ 13,684,575</b>	<b>\$ 17,505,305</b>	<b>\$ 16,569,503</b>	<b>\$ 18,105,788</b>	
<b>Business-type activities</b>						
Net investment in capital assets	\$ (22,900,089)	\$ (16,643,332)	\$ (16,265,290)	\$ (16,186,173)	\$ (12,140,987)	
Restricted	5,321,509	5,320,770	5,522,985	5,927,757	-	
Unrestricted	8,568,353	1,392,872	(898,178)	(1,608,477)	17,086	
<b>Total business-type activities net position</b>	<b>\$ (9,010,227)</b>	<b>\$ (9,929,690)</b>	<b>\$ (11,640,483)</b>	<b>\$ (11,866,893)</b>	<b>\$ (12,123,901)</b>	
<b>Primary government</b>						
Net investment in capital assets	\$ (60,323,807)	\$ (29,962,573)	\$ (16,260,359)	\$ (14,140,404)	\$ (6,054,541)	
Restricted	16,309,449	24,009,924	10,963,104	13,102,098	13,734,652	
Unrestricted	50,129,235	9,707,534	11,162,077	5,740,916	(1,698,224)	
<b>Total primary government net position</b>	<b>\$ 6,114,877</b>	<b>\$ 3,754,885</b>	<b>\$ 5,864,822</b>	<b>\$ 4,702,610</b>	<b>\$ 5,981,887</b>	

Continued)

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

\* 2017 unrestricted net position restated to reflect implementation of GASSB 75

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

<b>Last Ten Fiscal Years</b>					
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Governmental activities</b>					
Net investment in capital assets	\$ 4,923,554	\$ 9,453,645	\$ 15,381,413	\$ (5,119,903)	\$ 7,629,388
Restricted	24,568,034	320,527	349,812	22,703,988	27,436,029
Unrestricted	(5,786,028)	21,960,979	18,615,968	17,675,588	4,259,513
<b>Total governmental activities net position</b>	<b>\$ 23,705,560</b>	<b>\$ 31,735,151</b>	<b>\$ 34,347,193</b>	<b>\$ 35,259,673</b>	<b>\$ 39,324,930</b>
<b>Business-type activities</b>					
Net investment in capital assets	\$ (8,834,474)	\$ (6,129,102)	\$ (1,661,794)	\$ 88,152	\$ 864,915
Restricted	-	-	-	631,542	1,619,337
Unrestricted	(2,078,232)	(2,587)	(1,332,945)	-	-
<b>Total business-type activities net position</b>	<b>\$ (10,912,706)</b>	<b>\$ (6,131,689)</b>	<b>\$ (2,994,739)</b>	<b>\$ 719,694</b>	<b>\$ 2,484,252</b>
<b>Primary government</b>					
Net investment in capital assets	\$ (3,910,920)	\$ 3,324,543	\$ 13,719,619	\$ (5,031,751)	\$ 8,494,303
Restricted	24,568,034	320,527	349,812	23,335,530	29,055,366
Unrestricted	(7,864,260)	21,958,392	17,283,023	17,675,588	4,259,513
<b>Total primary government net position</b>	<b>\$ 12,792,854</b>	<b>\$ 25,603,462</b>	<b>\$ 31,352,454</b>	<b>\$ 35,979,367</b>	<b>\$ 41,809,182</b>



*County of Isle of Wight, Virginia**Change in Net Position***Last Ten Fiscal Years**

	2018	2017	2016	2015	2014
<b>Expenses</b>					
Governmental activities:					
General government	\$ 7,032,712	\$ 5,305,220	\$ 6,596,750	\$ 4,954,948	\$ 5,859,778
Judicial administration	1,474,725	1,711,476	1,358,364	1,345,313	1,334,545
Public safety	12,787,055	15,820,681	13,206,973	11,227,838	10,856,876
General services	5,095,079	5,029,762	9,279,614	6,059,730	6,444,839
Health and welfare	4,021,853	4,232,228	3,832,773	3,654,546	4,267,056
Education	33,451,339	28,709,110	28,279,608	31,627,526	25,930,462
Parks, recreation and cultural	3,114,863	3,593,465	4,118,975	3,051,601	3,250,023
Community development	2,792,293	2,259,598	3,457,268	3,066,139	2,805,145
Interest on long-term debt	5,880,446	5,123,993	4,498,640	4,568,504	4,507,212
<b>Total governmental activities expenses</b>	<b>75,650,365</b>	<b>71,785,533</b>	<b>74,628,965</b>	<b>69,556,145</b>	<b>65,255,936</b>
Business-type activities:					
Public utilities	8,595,427	8,787,726	8,787,726	11,146,341	8,677,215
Stormwater	1,013,796	1,456,085	1,456,085	829,480	347,845
<b>Total business-type activities expenses</b>	<b>9,609,223</b>	<b>10,243,811</b>	<b>10,243,811</b>	<b>11,975,821</b>	<b>9,025,060</b>
<b>Total primary government expenses</b>	<b>\$ 85,259,588</b>	<b>\$ 82,029,344</b>	<b>\$ 84,872,776</b>	<b>\$ 81,531,966</b>	<b>\$ 74,280,996</b>
<b>Program Revenue</b>					
Governmental activities:					
Charges for services:					
General government	\$ 43,196	\$ 1,029,176	\$ 1,029,176	\$ 388,251	\$ 682
Judicial administration	13,072	397,063	203,810	220,034	174,940
Public safety	1,465,714	2,682,915	1,584,774	1,330,020	1,518,532
General services	-	193,473	-	-	-
Health and welfare	-	273,895	-	-	-
Parks, recreation and cultural	507,198	693,847	560,673	479,016	584,689
Community development	982,610	98,030	64,411	42,952	43,357
Operating grants and contributions	7,021,642	9,874,844	5,357,743	5,282,485	5,718,851
Capital grants and contributions	-	2,827,555	3,059,806	3,133,139	905,676
Interest rate subsidy	-	-	-	-	-
<b>Total governmental activities program revenues</b>	<b>\$ 10,033,432</b>	<b>\$ 18,070,798</b>	<b>\$ 11,860,393</b>	<b>\$ 10,875,897</b>	<b>\$ 8,946,727</b>

(Continued)

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

<b>Last Ten Fiscal Years</b>					
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Expenses</b>					
Governmental activities:					
General government	\$ 6,446,046	\$ 5,571,463	\$ 5,585,577	\$ 4,721,064	\$ 3,410,733
Judicial administration	1,198,998	1,078,015	970,228	1,017,192	1,034,595
Public safety	10,360,047	9,999,240	7,454,652	8,228,634	8,966,721
General services	6,979,003	7,072,833	6,604,193	6,479,386	6,810,610
Health and welfare	4,361,198	4,444,284	4,884,843	5,062,126	5,143,058
Education	29,976,658	24,794,008	25,419,456	25,724,901	24,360,654
Parks, recreation and cultural	2,990,630	2,979,591	2,797,390	2,724,759	3,526,076
Community development	3,174,930	5,995,359	1,931,593	2,898,788	3,902,800
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
<b>Total governmental activities expenses</b>	<b>69,467,358</b>	<b>66,041,570</b>	<b>59,157,557</b>	<b>60,827,478</b>	<b>59,448,119</b>
Business-type activities:					
Public utilities	8,214,531	7,439,824	6,999,024	6,986,865	6,273,275
Stormwater	-	-	-	-	-
<b>Total business-type activities expenses</b>	<b>8,214,531</b>	<b>7,439,824</b>	<b>6,999,024</b>	<b>6,986,865</b>	<b>6,273,275</b>
<b>Total primary government expenses</b>	<b>\$ 77,681,889</b>	<b>\$ 73,481,394</b>	<b>\$ 66,156,581</b>	<b>\$ 67,814,343</b>	<b>\$ 65,721,394</b>
<b>Program revenue</b>					
Governmental activities:					
Charges for services:					
General government	\$ 758	\$ 123,391	\$ 198,737	\$ 25,863	\$ 11,162
Judicial administration	156,543	369,278	149,251	147,275	91,288
Public safety	1,154,693	2,155,302	625,612	637,668	833,366
General services	375,498	408,320	-	4,744	4,080
Health and welfare	-	77,525	35,446	-	-
Parks, recreation and cultural	526,622	585,740	436,303	394,328	357,218
Community development	30,412	134,755	672,840	387,414	281,552
Operating grants and contributions	9,526,260	13,330,802	10,676,049	5,655,377	6,617,823
Capital grants and contributions	150,000	109,489	102,935	1,618,901	161,236
Interest rate subsidy	257,127	569,315	-	-	-
<b>Total governmental activities program revenues</b>	<b>\$ 12,177,913</b>	<b>\$ 17,863,917</b>	<b>\$ 12,897,173</b>	<b>\$ 8,871,570</b>	<b>\$ 8,357,725</b>

(Continued)

*County of Isle of Wight, Virginia**Change in Net Position(Continued)***Last Ten Fiscal Years**

	2018	2017	2016	2015	2014
Business-type activities					
Charges for services	\$ 6,710,500	\$ 6,988,013	\$ 6,009,332	\$ 5,779,255	\$ 5,206,661
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	2,469,514	480,741	481,900
<b>Total business-type activities program revenues</b>	<b>6,710,500</b>	<b>6,988,013</b>	<b>8,478,846</b>	<b>6,259,996</b>	<b>5,688,561</b>
<b>Total Primary Government program revenues</b>	<b>\$ 16,743,932</b>	<b>\$ 19,674,359</b>	<b>\$ 19,683,129</b>	<b>\$ 17,135,893</b>	<b>\$ 14,635,288</b>
Net expense - governmental activities	\$ (65,616,933)	\$ 53,714,735	\$ 63,424,682	\$ 58,680,248	\$ 56,309,209
Net expense - business-type activities	(2,898,723)	3,255,798	1,357,666	5,715,825	3,336,499
<b>Total primary government net expense</b>	<b>\$ (68,515,656)</b>	<b>\$ 56,970,533</b>	<b>\$ 64,782,348</b>	<b>\$ 64,396,073</b>	<b>\$ 59,645,708</b>
<b>General revenues and other changes in net position</b>					
Governmental activities					
Taxes					
General revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	57,755,525	62,107,289	56,575,683	54,539,535	48,365,143
Permits, fees and licenses	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Other taxes	7,928,102	8,637,670	7,497,791	7,005,687	7,046,183
Revenue from use of property and money	786,748	99,580	-	-	-
Unrestricted grants and contributions	-	-	-	-	-
Recovered costs	-	-	-	-	-
Investment earnings	-	-	1,434,262	956,397	324,636
Miscellaneous	1,150,233	1,328,044	356,418	379,229	840,977
Intergovernmental, non-categorical aid	5,409,797	-	-	-	-
Gain on sale of assets	-	-	62,012	218,075	-
Transfers	(3,791,022)	(4,922,005)	(1,565,679)	(5,954,960)	(2,313,266)
<b>Total governmental activities</b>	<b>69,239,383</b>	<b>67,250,578</b>	<b>64,360,487</b>	<b>57,143,963</b>	<b>54,263,673</b>
Business-type activities					
Investment earnings	89,138	44,586	18,397	17,873	16,438
Connection fees	-	-	-	-	-
Gain on sale of assets	-	-	-	-	10,275
Miscellaneous	-	-	-	-	-
Transfers	3,791,022	4,922,005	1,565,679	5,954,960	2,313,266
<b>Total business-type activities</b>	<b>3,880,160</b>	<b>4,966,591</b>	<b>1,584,076</b>	<b>5,972,833</b>	<b>2,339,979</b>
<b>Total primary government</b>	<b>\$ 73,119,543</b>	<b>\$ 72,217,169</b>	<b>\$ 65,944,563</b>	<b>\$ 63,116,796</b>	<b>\$ 56,603,652</b>
<b>Change in net position</b>					
Governmental activities	\$ 3,622,450	\$ 13,535,843	\$ 935,802	\$ (1,536,285)	\$ (2,045,536)
Business-type activities	981,437	1,710,793	226,410	257,008	(996,520)
<b>Total primary government</b>	<b>\$ 4,603,887</b>	<b>\$ 15,246,636</b>	<b>\$ 1,162,212</b>	<b>\$ (1,279,277)</b>	<b>\$ (3,042,056)</b>

(Continued)

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

<b>Last Ten Fiscal Years</b>					
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Business-type activities					
Charges for services	\$ 3,080,643	\$ 2,856,747	\$ 2,902,184	\$ 2,708,017	\$ 2,014,246
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	467,939	1,415,036	360,504	585,994	609,989
<b>Total business-type activities program revenues</b>	<b>3,548,582</b>	<b>4,271,783</b>	<b>3,262,688</b>	<b>3,294,011</b>	<b>2,624,235</b>
<b>Total primary government program revenues</b>	<b>15,726,495</b>	<b>22,135,700</b>	<b>16,159,861</b>	<b>12,165,581</b>	<b>10,981,960</b>
Net expense - governmental activities	57,289,445	48,177,653	46,260,384	51,955,908	51,090,394
Net expense - business-type activities	4,665,949	3,168,041	3,736,336	3,692,854	3,649,040
<b>Total primary government net expense</b>	<b>\$ 61,955,394</b>	<b>\$ 51,345,694</b>	<b>\$ 49,996,720</b>	<b>\$ 55,648,762</b>	<b>\$ 54,739,434</b>
<b>General revenues and other changes in net position</b>					
Governmental activities					
Taxes					
General Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes	42,408,465	38,130,254	38,254,048	38,081,388	38,665,135
Permits, fees and licenses	-	-	-	-	426,074
Fines and forfeitures	-	-	-	-	86,997
Other taxes	6,709,396	6,200,597	6,582,549	5,898,162	6,248,462
Revenue from use of property and money	-	-	-	-	-
Unrestricted grants and contributions	-	-	-	5,115,890	5,218,907
Recovered costs	-	-	-	-	-
Investment earnings	909,387	1,066,841	196,774	627,179	562,017
Miscellaneous	-	397,920	314,533	74,328	45,572
Gain on sale of assets	163,555	(23,789)	-	-	-
Transfers	-	-	-	(1,906,296)	(4,366,474)
<b>Total governmental activities</b>	<b>\$ 50,190,803</b>	<b>\$ 45,771,823</b>	<b>\$ 45,347,904</b>	<b>\$ 47,890,651</b>	<b>\$ 46,886,690</b>
Business-type activities					
Investment earnings	47,754	27,205	21,903	-	-
Connection fees	-	-	-	-	-
Gain on sale of assets	-	-	-	-	-
Miscellaneous	-	3,886	-	-	-
Transfers	-	-	-	1,928,296	(1,210,303)
<b>Total business-type activities</b>	<b>47,754</b>	<b>31,091</b>	<b>21,903</b>	<b>1,928,296</b>	<b>(1,210,303)</b>
<b>Total primary government</b>	<b>\$ 50,238,557</b>	<b>\$ 45,802,914</b>	<b>\$ 45,369,807</b>	<b>\$ 49,818,947</b>	<b>\$ 45,676,387</b>
<b>Change in net position</b>					
Governmental activities	(7,098,642)	(2,405,830)	(912,480)	(4,065,257)	(4,203,704)
Business-type activities	(4,618,195)	(3,136,950)	(3,714,433)	(1,764,558)	(4,859,343)
<b>Total primary government</b>	<b>\$ (11,716,837)</b>	<b>\$ (5,542,780)</b>	<b>\$ (4,626,913)</b>	<b>\$ (5,829,815)</b>	<b>\$ (9,063,047)</b>

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

<b>Last Ten Fiscal Years</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
General fund					
Designated	\$ -	\$ -	\$ -	\$ -	-
Undesignated	-	-	-	-	-
<b>Total general fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	-
Unreserved, reported in					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
<b>Total all other governmental funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Post-GASB 54</b>					
General Fund					
Non Spendable:					
Non Spendable	\$ 866,742	\$ 920,645	\$ 935,898	\$ 992,540	\$ 1,045,272
Spendable:					
Restricted	22,259	61,568	22,170	22,126	22,081
Assigned	1,291,755	3,623,722	3,372,391	4,169,225	165,775
Unassigned	15,905,253	10,960,727	14,326,940	9,649,642	15,040,237
Committed	5,460,229	3,877,087	-	-	-
<b>Total General Fund</b>	<b>\$ 23,546,238</b>	<b>\$ 15,566,662</b>	<b>\$ 18,657,399</b>	<b>\$ 14,833,533</b>	<b>\$ 16,273,365</b>
All other Government funds					
Non Spendable:					
Non Spendable	\$ 4,855	\$ -	\$ 3,246	\$ 2,349	\$ 40,381
Spendable:					
Restricted	10,096,400	17,738,141	5,445,121	7,149,866	13,712,571
Assigned	6,573,306	6,318,154	3,385,036	5,242,890	4,169,285
Unassigned	(49,728)	-	-	-	-
<b>Total all other government funds</b>	<b>\$ 16,624,833</b>	<b>\$ 24,056,295</b>	<b>\$ 8,833,403</b>	<b>\$ 12,395,105</b>	<b>\$ 17,922,237</b>

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

	2013	2012	2011	2010	2009
General fund					
Designated	\$ -	\$ -	\$ -	2,518,642	\$ 3,414,895
Undesignated	-	-	-	17,045,858	13,036,057
<b>Total general fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>19,564,500</b>	<b>\$ 16,450,952</b>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	31,574	\$ 29,441
Unreserved, reported in					
Special revenue funds	-	-	-	298,329	502,420
Capital projects funds	-	-	-	22,703,988	27,436,029
<b>Total all other governmental funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>23,033,891</b>	<b>\$ 27,967,890</b>

**Post-GASB 54**

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
<b>Total General Fund</b>	<b>\$ 16,768,882</b>	<b>\$ 19,296,266</b>	<b>\$ 20,475,001</b>
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
<b>Total all other government funds</b>	<b>\$ 29,629,106</b>	<b>\$ 34,458,655</b>	<b>\$ 39,625,231</b>

*County of Isle of Wight, Virginia**Changes in Fund Balance - Governmental Funds***Last Ten Fiscal Years**

	2018	2017	2016	2015	2014
<b>Revenues</b>					
General property taxes	\$ 57,574,975	\$ 49,835,086	\$ 51,334,720	\$ 49,173,371	\$ 43,628,917
Other local taxes	7,928,102	8,580,982	7,284,843	6,842,828	6,840,236
Permits, fees and licenses	952,303	2,141,092	928,634	1,121,174	635,888
Fines and forfeitures	169,606	151,318	139,822	153,929	118,609
Revenue from use of property	786,748	99,580	920,139	438,475	366,712
Charges for services	1,889,881	2,887,413	1,651,746	1,264,429	1,578,846
Miscellaneous	1,150,233	787,010	1,589,453	2,265,305	1,321,386
Recovered costs	646,819	396,686	-	-	9,327,462
Intergovernmental	11,784,620	11,344,133	13,144,754	12,297,700	2,070,994
<b>Total revenues</b>	<b>82,883,287</b>	<b>76,223,300</b>	<b>76,994,111</b>	<b>73,557,211</b>	<b>65,889,050</b>
<b>Expenditures</b>					
General governmental administration	4,443,690	4,376,415	6,196,320	5,118,338	5,301,989
Judicial administration	1,582,629	1,542,881	1,373,968	1,389,675	1,334,756
Public safety	12,531,228	12,618,898	12,687,614	10,840,494	10,425,432
General Services	5,201,835	4,585,899	5,334,386	4,958,423	5,747,203
Health and welfare	4,164,743	3,888,786	3,783,847	3,878,728	4,244,521
Education	31,767,458	26,116,112	25,672,090	23,161,494	23,126,262
Parks, recreation and cultural	2,873,147	2,838,301	2,752,043	2,675,524	2,885,662
Community development	2,910,174	2,880,539	3,456,762	3,117,464	2,773,473
Nondepartmental	1,846,733	1,676,722	-	-	-
Capital outlay	6,471,210	3,468,132	6,750,976	13,264,484	18,432,571
Debt service					
Principal	4,639,186	3,006,700	3,100,940	2,845,721	2,401,952
Interest	8,623,961	4,468,592	4,329,537	5,014,093	5,195,448
Other fiscal charges	737,635	178,618	-	-	-
<b>Total expenditures</b>	<b>87,793,629</b>	<b>71,646,595</b>	<b>75,438,483</b>	<b>76,264,438</b>	<b>81,869,269</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(4,910,342)</b>	<b>4,576,705</b>	<b>1,555,628</b>	<b>(2,707,227)</b>	<b>(15,980,219)</b>
<b>Other financing sources (uses)</b>					
Transfers in	4,449,036	9,953,287	8,626,309	12,719,784	1,763,908
Transfers out	(8,240,056)	(14,719,615)	(10,191,988)	(18,674,744)	(4,077,174)
Proceeds from borrowing	27,636,789	16,198,865	220,514	44,871,848	6,011,099
Premium on bonds issued	4,345,538	-	-	-	-
Payments to escrow agent	(26,610,438)	-	-	(43,476,292)	80,000
Proceeds from sale of property	500	-	51,701	299,667	-
<b>Total other financing sources (uses)</b>	<b>1,581,369</b>	<b>11,432,537</b>	<b>(1,293,464)</b>	<b>(4,259,737)</b>	<b>3,777,833</b>
<b>Net change in fund balance</b>	<b>\$ (3,328,973)</b>	<b>\$ 16,009,242</b>	<b>\$ 262,164</b>	<b>\$ (6,966,964)</b>	<b>\$ (12,202,386)</b>

Debt service as a percentage of noncapital expenditures	17%	11%	11%	12%	12%
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(Continued)

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

	2013	2012	2011	2010	2009
<b>Revenues</b>					
General property taxes	\$ 37,158,645	\$ 38,024,532	\$ 37,864,858	\$ 38,385,088	\$ 39,132,235
Other local taxes	6,616,219	6,301,083	6,582,549	5,898,162	6,248,462
Permits, fees and licenses	1,710,818	380,302	443,308	407,410	426,074
Fines and forfeitures	105,191	85,598	75,813	60,345	86,997
Revenue from use of property	909,387	1,066,841	196,774	627,179	562,017
Charges for services	2,859,255	1,620,896	1,599,068	1,091,590	1,043,664
Miscellaneous	217,987	524,121	309,404	122,347	136,831
Recovered costs	-	-	-	595,391	755,480
Intergovernmental	12,625,247	15,591,979	10,778,984	12,382,619	11,173,159
<b>Total revenues</b>	<b>62,202,749</b>	<b>63,595,352</b>	<b>57,850,758</b>	<b>59,570,131</b>	<b>59,564,919</b>
<b>Expenditures</b>					
General governmental administration	4,869,180	4,814,890	4,292,762	4,822,494	5,841,246
Judicial administration	1,198,998	1,058,580	970,228	1,017,192	1,034,595
Public safety	9,973,620	8,655,939	6,770,494	6,844,989	8,341,561
General Services	5,929,766	10,110,789	6,155,695	5,938,395	6,359,832
Health and welfare	4,299,377	951,649	4,785,833	5,019,248	5,105,498
Education	25,679,304	26,268,626	25,004,954	25,058,724	23,508,520
Parks, recreation and cultural	2,629,412	2,633,606	2,443,506	2,482,008	4,297,093
Community development	3,143,003	5,995,716	1,897,246	1,797,791	3,828,750
Nondepartmental	-	1,314,563	1,429,542	1,351,357	1,338,618
Capital projects	9,489,014	5,035,723	12,947,475	20,491,939	-
Debt service					
Principal	3,173,957	31,516	380,000	1,534,551	4,316,323
Interest	4,592,524	2,784,497	2,312,636	1,750,465	2,407,157
Other fiscal charges	285,487	284,568	289,453	253,168	352,213
<b>Total expenditures</b>	<b>75,263,642</b>	<b>69,940,662</b>	<b>69,679,824</b>	<b>78,362,321</b>	<b>66,731,406</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(13,060,893)</b>	<b>(6,345,310)</b>	<b>(11,829,066)</b>	<b>(18,792,190)</b>	<b>(7,166,487)</b>
<b>Other financing sources (uses)</b>					
Transfers in	3,127,894	1,826,748	1,789,120	1,607,891	30,884,999
Transfers out	(3,127,894)	(1,826,748)	(1,789,120)	(3,514,187)	(39,709,180)
Proceeds from borrowing	26,044,679	-	43,654,158	18,878,035	25,102,717
Payments to escrow agent	(22,473,109)	-	(14,137,039)	-	-
Proceeds from sale of property	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,571,570</b>	<b>-</b>	<b>29,517,119</b>	<b>16,971,739</b>	<b>16,278,536</b>
<b>Net change in fund balance</b>	<b>\$ (9,489,323)</b>	<b>\$ (6,345,310)</b>	<b>\$ 17,688,053</b>	<b>\$ (1,820,451)</b>	<b>\$ 9,112,049</b>

Debt service as a percentage of noncapital expenditures

12%

5%

5%

6%

11%



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

Fiscal Year	Residential Property	Commercial / Industrial Property	Agriculture Property	(1) Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2018	\$ 3,451,012,097	\$ 719,464,081	\$ 549,075,515	\$ 4,719,551,693	\$ 0.85	\$ 4,719,551,693	100%
2017	3,400,486,756	694,930,358	551,118,971	4,646,536,085	0.85	4,646,536,085	100%
2016	3,349,194,640	679,547,808	550,272,662	4,579,015,110	0.85	4,579,015,110	100%
2015	3,285,777,463	671,045,521	240,480,302	4,197,303,286	0.85	4,197,303,286	100%
2014	3,239,296,300	665,825,700	242,072,000	4,147,194,000	0.73	4,147,194,000	100%
2013	3,187,589,700	648,094,500	245,103,000	4,080,787,200	0.65	4,080,787,200	100%
2012	3,380,104,000	642,766,300	252,515,900	4,275,386,200	0.65	4,275,386,200	100%
2011	3,383,219,600	648,572,200	651,867,200	4,683,659,000	0.52	4,683,659,000	100%
2010	3,505,342,600	671,872,400	666,436,200	4,843,651,200	0.52	4,843,651,200	100%
2009	3,483,983,000	622,787,400	684,778,700	4,791,549,100	0.52	4,791,549,100	100%

(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
2018	\$ 4,719,551,693	\$ 341,308,665	\$ 18,667,107	\$ 253,695,910	\$ 177,064,299	\$ 5,510,287,674
2017	4,646,536,085	334,433,134	18,250,173	246,170,869	171,357,723	5,416,747,984
2016	4,579,015,110	379,231,914	17,585,358	587,545,879	152,225,378	5,715,603,639
2015	4,197,303,286	380,073,520	20,267,854	578,929,789	145,270,583	5,321,845,032
2014	4,147,194,000	376,396,647	19,875,446	503,480,949	142,459,577	5,189,406,619
2013	4,070,990,990	353,861,037	19,586,906	380,157,383	141,582,514	4,966,178,830
2012	4,287,008,000	310,527,887	20,398,831	279,087,266	125,549,557	5,022,571,541
2011	4,245,268,423	304,164,506	19,902,737	704,140,467	238,256,420	5,511,732,553
2010	4,410,701,000	313,455,361	22,572,521	768,126,945	216,191,065	5,731,046,892
2009	4,359,684,973	319,490,754	21,850,013	768,109,446	199,316,241	5,668,451,427

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

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Boats and Aircraft / Farm Machinery
2018	\$ 0.85	\$ 4.50	\$ 0.85	\$ 1.75	\$ 1.00/1.00
2017	0.85	4.50	0.85	4.24	1.00/1.00
2016	0.85	4.50	0.85	0.70	1.00/1.00
2015	0.85	4.50	0.85	0.70	1.00/1.00
2014	0.73	4.50	0.73	0.70	1.00/1.00
2013	0.65	4.50	0.65	0.70	1.00/1.00
2012	0.65	4.50	0.65	0.95	1.00/1.00
2011	0.52	4.40	0.52	0.95	1.00/1.00
2010	0.52	4.40	0.52	0.95	1.00/1.00
2009	0.52	4.40	0.52	0.95	1.00/1.00

*County of Isle of Wight, Virginia**Principal Property Taxpayers***Current Year and Nine Years Ago**

Taxpayer	2018			2009		
	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	\$ 111,010,800	1	2.27%	\$ 117,845,700	1	2.97%
FBCP LLC	49,449,400	2	1.01%	-	-	-%
Smithfield Foods	42,454,400	3	0.87%	42,858,400	3	1.08%
Inland RI Holdings LLC etals	-	-	-%	50,845,200	2	1.28%
Smithfield Farmland Corp	31,254,700	4	0.64%	-	-	-%
Eagle Harbor Apartments, LP	25,555,300	5	0.52%	20,755,500	6	0.52%
Green Mountain Coffee Roasters	18,829,800	7	0.38%	-	-	-%
Eagle Harbor Apartments II, LP	16,427,700	8	0.34%	22,615,700	5	0.57%
LDI Virginia LLC	14,752,000	9	0.30%	15,456,500	8	0.39%
Sentara Healthcare	14,669,700	10	0.30%	-	-	-%
Eagle Harbor Shopping Center, LLC	-	-	-%	11,869,400	10	0.30%
Gwaltney of Smithfield, Ltd.	-	-	-%	24,410,700	4	0.62%
Eagle Harbor West LLC	25,000,000	6	0.51%	-	-	-%
Isle of Wight Industrial Properties	-	-	-%	13,917,200	9	0.35%
Smithfield Packing Co., Inc.	-	-	-%	17,424,700	7	0.44%
	<b>\$ 349,403,800</b>		<b>7.14%</b>	<b>\$ 337,999,000</b>		<b>8.52%</b>

Taxpayer	2018			2009		
	Assessed Valuation Personal Property	Rank	Percent of Total Assessed Valuation Personal Property (1)	Assessed Valuation Personal Property	Rank	Percent of Total Assessed Valuation Personal Property (1)
International Paper	\$ 139,503,039	1	22.73%	\$ 594,863,074	1	55.76%
Keuring Green Mountain Inc	42,280,731	2	6.89%	-	-	-%
Gwaltney of Smithfield Ltd.	36,601,087	3	5.96%	72,900,919	2	6.83%
ST Tissue LLC	15,526,201	4	2.53%	-	-	-%
Franklin Lumber LLC	6,761,284	6	1.10%	-	-	-%
Cost Plus, Inc.	6,821,657	5	1.11%	4,884,252	8	0.46%
Food Lion	2,484,176	7	0.40%	2,460,106	9	0.23%
Premium Pet Health LLC	1,288,784	9	0.21%	-	-	-%
Charter Communications	-	-	-%	2,283,121	10	0.21%
HYG Financial Services	1,585,568	8	0.26%	-	-	-%
ATC Panels Inc	-	-	-%	16,573,470	4	1.55%
Smithfield Packing Co., Inc.	-	-	-%	52,999,824	3	4.97%
Riverside Convalescent Center	1,117,054	10	0.18%	-	-	-%
Smithfield Foods	-	-	-%	5,991,210	6	0.56%
Franklin Equipment Co.	-	-	-%	5,483,273	7	0.51%
Specialty Minerals	-	-	-%	8,218,483	5	0.77%
	<b>\$ 253,969,581</b>		<b>41.37%</b>	<b>\$ 766,657,732</b>		<b>71.85%</b>

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



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# ISLE OF WIGHT COUNTY, VIRGINIA

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

Fiscal Year	Total (3) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (1)(2) Tax Collections	(4) Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2018	\$ 57,775,634	\$ 56,573,858	97.92%	\$ 1,201,776	\$ 56,788,549	98.29%	\$ 1,201,776	2.08%
2017	52,429,271	51,212,340	97.68%	1,216,932	53,469,984	100.00%	1,902,005	3.63%
2016	51,099,354	49,979,110	97.81%	1,120,244	51,099,354	100.00%	1,120,244	2.19%
2015	50,406,860	48,910,585	97.03%	1,496,274	50,406,859	100.00%	2,043,041	4.05%
2014	44,218,554	42,859,922	96.93%	1,358,632	44,043,677	99.60%	1,875,008	4.24%
2013	39,022,902	37,912,561	97.15%	1,092,333	37,276,878	95.53%	1,498,059	3.84%
2012	38,146,295	37,009,730	97.02%	1,136,565	38,155,848	100.00%	740,634	1.94%
2011	37,800,619	36,741,218	97.20%	1,059,401	38,021,111	100.00%	1,088,242	2.88%
2010	38,229,341	37,103,403	97.05%	1,125,938	38,463,274	100.00%	2,021,149	5.29%
2009	39,119,371	37,700,668	96.37%	1,431,558	39,132,235	100.00%	2,236,992	5.72%

- (1) Exclusive of penalties and interest. Includes Commonwealth's reimbursement for personal property taxes and balance outstanding.
- (2) Does not include land redemptions.
- (3) Represents fully supplemented and abated tax levy amounts.
- (4) Represents total taxes collected in fiscal year for all tax years.

*County of Isle of Wight, Virginia**Taxable Sales by Category***Last Ten Fiscal Years**

	<b>2018</b>		<b>2017</b>		<b>2016</b>		<b>2015</b>		<b>2014</b>	
Apparel stores	\$	2,945,495	\$	3,112,767	\$	3,138,661	\$	3,155,626	\$	3,390,204
General merchandise		18,471,979		17,055,174		17,052,902		15,058,574		16,305,494
Food stores		75,929,226		75,469,177		74,278,038		70,333,859		67,184,591
Eating and drinking establishments		32,415,274		30,001,191		30,638,029		28,003,995		27,356,817
Home furnishings and appliances		1,149,106		1,655,721		3,673,785		1,970,161		1,506,054
Building materials and farm tools		7,623,262		7,733,809		8,087,111		7,607,946		9,266,806
Auto dealers and supplies		4,127,154		4,262,699		3,734,038		3,699,950		3,891,078
Service stations		10,231,430		10,116,257		8,297,669		8,750,178		9,937,560
Other retail stores		7,707,369		7,444,040		8,318,528		8,155,461		6,725,858
All other outlets		76,326,354		67,585,166		63,207,520		66,100,640		56,617,257
	\$	236,926,649	\$	224,436,001	\$	220,426,281	\$	212,836,390	\$	202,181,719

(Continued)

Source: Isle of Wight County Commissioner of Revenue

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

<b>Last Ten Fiscal Years</b>							
		<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	
Apparel stores	\$	2,577,049	\$ 3,248,038	\$ 3,248,902	\$ 2,556,980	\$ 3,758,328	
General merchandise		17,733,688	11,841,685	11,710,358	14,918,672	12,228,829	
Food stores		66,740,132	61,823,527	63,183,444	74,800,531	60,905,257	
Eating and drinking establishments		28,035,436	26,704,871	27,138,019	32,607,044	23,713,146	
Home furnishings and appliances		1,578,689	4,510,823	2,058,879	2,481,550	2,306,325	
Building materials and farm tools		11,080,360	8,547,370	8,051,507	11,615,775	11,676,999	
Auto dealers and supplies		3,662,321	4,091,794	4,064,402	5,287,732	3,263,926	
Service stations		9,897,012	10,059,667	8,206,374	15,614,464	14,041,823	
Other retail stores		6,528,091	16,683,719	11,806,647	9,613,885	20,802,164	
All other outlets		52,632,271	45,568,767	51,916,137	74,411,889	15,581,876	
	\$	200,465,049	\$ 193,080,261	\$ 191,384,669	\$ 243,908,522	\$ 168,278,673	



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

Fiscal Year	Population	Assessed Value	(1) Gross Bonded Debt	(2) Less Debt Payable from Enterprise Revenues	Net Bonded Debt	Ratio of Net General Obligation Bonded Debt to Assessed Value	(3) Percentage of Per Capita Income	Net Bonded Debt Per Capita
2018	38,020	\$ 4,719,551,693	\$ 156,544,148	\$ 37,310,496	\$ 119,233,652	2.53%	9.2%	\$ 3,136
2017	37,074	4,646,536,085	157,839,769	37,986,086	119,853,683	2.58%	10.0%	3,233
2016	36,438	4,579,015,110	145,898,692	38,534,357	107,364,335	2.34%	9.4%	2,946
2015	36,007	4,197,303,286	150,247,147	39,148,981	111,098,166	2.65%	10.0%	3,085
2014	35,656	4,147,194,000	146,569,755	37,393,972	109,175,783	2.63%	9.9%	3,062
2013	35,399	4,966,178,830	150,387,747	44,620,819	105,766,928	2.13%	7.0%	2,988
2012	35,457	5,022,571,541	132,640,758	28,354,023	104,286,735	2.08%	7.2%	2,941
2011	35,270	5,511,732,553	135,269,771	29,215,647	106,054,124	1.92%	10.2%	3,007
2010	36,729	5,731,046,892	103,604,958	24,142,700	79,462,258	1.39%	5.7%	2,163
2009	35,659	5,668,451,427	85,142,005	16,330,058	71,210,095	1.26%	5.4%	1,997

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

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

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

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

Fiscal Year	Governmental Activities			Business Type Activities			Total Primary Government	Percentage Personal Income	Net Bonded Debt Per Capita
	General Obligation Bonds	Pace Loans	Capital Leases	General Obligation Bonds	Notes Payable	Capital Leases			
2018	\$ 119,233,652	\$ 4,326,512	\$ 872,070	\$ 37,310,496	\$ -	\$ 77,956	\$ 161,820,686	12.47%	\$ 4,256
2017	119,853,683	4,326,512	834,485	37,986,086	-	28,763	163,029,529	13.61%	4,397
2016	107,364,335	4,326,512	766,113	38,534,357	12,000	39,916	151,043,233	13.27%	4,145
2015	111,098,166	4,326,512	722,822	39,148,981	24,000	50,903	155,371,384	13.96%	4,315
2014	109,175,783	4,326,512	-	37,393,972	36,000	-	150,932,267	13.74%	4,233
2013	105,766,928	4,326,512	-	44,620,819	48,000	-	154,762,259	10.20%	4,372
2012	104,286,735	4,326,512	-	28,354,023	60,000	-	137,027,270	9.49%	3,865
2011	106,054,124	4,326,512	-	29,215,647	-	-	139,596,283	13.37%	3,958
2010	79,462,258	4,326,512	-	24,142,700	-	-	107,931,470	7.78%	2,939
2009	71,210,095	-	9,552	16,330,058	-	-	87,549,705	6.70%	2,455

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

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

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

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total assessed valuation of real estate from land book	\$ 4,719,551,693	\$ 4,646,536,085	\$ 4,579,015,110	\$ 4,197,303,286	\$ 4,147,194,000
Percent limitation according to the Code of Virginia	10%	10%	10%	10%	10%
<b>Debt limitation</b>	471,955,169	464,653,609	457,901,511	419,730,329	414,719,400
Total debt of the County	145,215,577	151,024,995	138,290,000	141,575,000	139,880,000
Total debt of the Town of Smithfield	-	-	-	-	-
Total debt of the Town of Windsor	-	-	-	-	-
<b>Total</b>	145,215,577	151,024,995	138,290,000	141,575,000	139,880,000
Amount by which legal debt margin exceeds total debt	\$ 326,739,592	\$ 313,628,614	\$ 319,611,511	\$ 278,155,329	\$ 274,839,400

Continued)

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

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
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
Percent limitation according to the Code of Virginia	10%	10%	10%	10%	10%
<b>Debt limitation</b>	407,099,099	428,700,800	424,526,842	468,072,850	435,968,497
Total debt of the County	142,925,000	131,775,000	133,488,773	102,759,627	84,569,627
Total debt of the Town of Smithfield	-	5,303,476	4,870,725	4,476,754	4,924,960
Total debt of the Town of Windsor	-	2,168,307	1,629,976	763,140	773,226
<b>Total</b>	142,925,000	139,246,783	139,989,474	107,999,521	90,267,813
Amount by which legal debt margin exceeds total debt	\$ 264,174,099	\$ 289,454,017	\$ 284,537,368	\$ 360,073,329	\$ 345,700,684

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**

East For Fiscal Years							
Fiscal Year	(1) Population		(1) Per Capita Income		Registered Voters	(2) Unemployment Rate	
2018	38,020	(4)	\$	34,139	(4)	28,200	3.2%
2017	37,074	(4)		32,477	(4)	27,718	3.7%
2016	36,438	(4)		31,247	(4)	26,555	4.6%
2015	36,007	(4)		30,903	(4)	26,176	5.2%
2014	35,656	(4)		30,806	(4)	26,685	5.5%
2013	35,399	(4)		42,883	(4)	26,490	6.0%
2012	35,457	(4)		40,710	(4)	26,534	6.3%
2011	35,270	(4)		29,594	(4)	26,023	7.1%
2010	36,729	(3)		37,754	(3)	25,675	7.7%
2009	35,659	(3)		36,654	(3)	25,732	6.7%

Source:

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



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# ISLE OF WIGHT COUNTY, VIRGINIA

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*County of Isle of Wight, Virginia**Full-time Equivalent County Government Employees by Function/Program***Last Ten Fiscal Years**

Function/Program	2018	2017	2016	2015	2014
<b>General government</b>					
Board of Supervisors	0.5	0.5	0.5	0.5	4.0
County Administration	2.5	2.5	3.5	3.0	4.0
County Attorney	2.0	2.0	2.0	2.0	2.0
Commissioner of Revenue	10.5	9.5	10.5	10.5	10.5
Treasurer	11.0	10.0	10.0	9.5	9.5
Budget and Finance	7.0	7.0	6.0	5.0	6.0
Purchasing	1.0	1.0	1.0	1.5	0.0
Human Resources	2.0	2.0	2.0	2.0	2.0
Communications	1.5	1.0	2.0	2.0	2.0
Economic Development	4.0	3.0	4.0	5.0	5.0
Registrar	3.5	3.0	3.5	3.5	3.5
Inspections	5.0	5.0	5.0	5.0	7.0
Information Technology	7.5	7.5	7.0	7.0	7.0
Risk Management	1.0	1.0	1.0	1.0	0.0
Planning and Zoning	11.0	10.0	10.0	10.0	9.0
Health & Welfare	2.0	1.5	1.5	1.5	1.5
Tourism	4.5	3.5	3.5	3.5	3.5
Clerk of Court	7.0	7.0	7.0	7.0	7.0
Commonwealth Attorney	8.0	6.0	6.0	6.0	6.0
<b>Total general government</b>	<b>91.5</b>	<b>83.0</b>	<b>86.0</b>	<b>85.5</b>	<b>89.5</b>
<b>Public Safety</b>					
Sheriff Deputies (including Sheriff)	52.5	49.0	48.5	47.5	46.5
Administrative	4.0	4.0	5.0	5.0	4.5
Animal Control	5.0	6.0	5.5	5.5	5.5
Emergency Communications	18.5	19.5	19.5	19.5	22.0
<b>Total Public Safety</b>	<b>80.0</b>	<b>78.5</b>	<b>78.5</b>	<b>77.5</b>	<b>78.5</b>
<b>Fire and Rescue</b>					
Administrative	5.0	5.5	5.0	5.0	6.0
Firefighters/Paramedics	43.5	47.0	58.5	54.5	60.0
<b>Total Fire and Rescue</b>	<b>48.5</b>	<b>52.5</b>	<b>63.5</b>	<b>59.5</b>	<b>66.0</b>
<b>General Services</b>					
Administrative	3.9	4.0	3.5	3.5	5.0
Engineering	2.0	1.5	1.9	1.9	6.0
Stormwater	7.2	9.0	10.4	10.4	4.0
Refuse collection	23.5	19.0	21.0	20.5	23.5
Building and Grounds	8.0	6.0	8.0	8.0	7.0
Custodians	8.0	-	-	-	6.5
<b>Total Public Works</b>	<b>52.6</b>	<b>39.5</b>	<b>44.8</b>	<b>44.3</b>	<b>52.0</b>
<b>Parks, Recreation and Cultural</b>	<b>27.0</b>	<b>25.0</b>	<b>20.0</b>	<b>21.0</b>	<b>20.5</b>
<b>Public Utilities</b>	<b>12.0</b>	<b>14.6</b>	<b>16.2</b>	<b>15.2</b>	<b>13.0</b>
<b>Public Schools</b>					
Instructional Positions	365.0	398.0	533.0	402.0	477.0
Administrators	58.0	60.0	19.0	45.5	47.0
Support Personnel	241.0	254.0	142.0	248.0	177.1
<b>Total Public Schools</b>	<b>664.0</b>	<b>712.0</b>	<b>694.0</b>	<b>695.5</b>	<b>701.1</b>
<b>Grand total</b>	<b>975.6</b>	<b>1,005.1</b>	<b>1,003.0</b>	<b>998.5</b>	<b>1,020.6</b>

Source: Various County of Isle of Wight Departments, including Isle of Wight County Schools for information relates to Public Schools  
Grand Totals 2009-2014 updated

*County of Isle of Wight, Virginia**Full-time Equivalent County Government Employees by Function/Program (Continued)***Last Ten Fiscal Years**

Function/Program	2013	2012	2011	2010	2009
<b>General government</b>					
County Administration	4.0	4.0	4.0	4.0	5.0
County Administration	4.0	4.0	4.0	4.0	5.0
County Attorney	1.5	2.0	3.0	3.0	3.0
Commissioner of Revenue	10.5	10.5	11.5	11.5	11.5
Treasurer	9.5	9.0	9.5	9.5	10.5
Budget and Finance	7.0	7.0	7.0	7.0	7.0
Purchasing	0.0	0.0	0.0	0.0	0.0
Human Resources	3.0	2.0	2.0	2.0	3.0
Communications	1.0	1.0	1.0	1.0	2.0
Economic Development	5.0	5.0	5.0	3.0	3.0
Registrar	2.5	2.5	2.5	2.5	2.0
Inspections	7.0	7.0	7.0	9.0	9.0
Information Technology	7.0	7.0	7.0	7.0	8.0
Risk Management	0.0	0.0	0.0	0.0	0.0
Planning and Zoning	10.0	10.0	11.0	12.0	13.0
Health & Welfare	1.5	4.0	5.0	5.0	7.0
Tourism	3.5	6.5	6.5	3.5	3.5
Clerk of Court	7.0	7.0	6.0	6.0	6.5
Commonwealth Attorney	6.0	6.0	6.0	6.0	5.5
Total general government	90	94.5	98.0	96.0	104.5
<b>Public Safety</b>					
Sheriff Deputies (including Sheriff)	46.5	45.5	44.0	44.0	44.0
Administrative	4.0	4.5	2.0	2.0	2.0
Animal Control	5.0	4.5	5.0	5.0	5.5
Emergency Communications	19.5	19.0	19.0	19.0	18.0
Total Public Safety	75.0	73.5	70.0	70.0	69.5
<b>Fire and Rescue</b>					
Administrative	4.0	4.0	2.0	2.0	3.0
Firefighters/Paramedics	55.5	46.0	23.0	23.0	20.5
Total Fire and Rescue	59.5	50.0	25.0	25.0	23.5
<b>General Services</b>					
Administrative	3.0	3.0	3.0	3.0	1.5
Engineering	7.0	7.5	8.0	6.0	5.0
Stormwater	0.0	0.0	0.0	0.0	0.0
Refuse collection	20.5	22.0	19.0	19.0	19.5
Building and Grounds	6.0	6.0	6.0	5.0	12.0
Custodians	6.5	7.0	7.0	6.5	6.5
Total Public Works	43.0	45.5	43.0	39.5	44.5
<b>Parks, Recreation and Cultural</b>	21.5	20.0	20.0	22.5	12.5
<b>Public Utilities</b>	13.0	13.5	13.5	13.5	9.5
<b>Public Schools</b>					
Instructional Positions	538.3	356.0	434.0	539.0	555.6
Administrators	53.4	44.0	40.0	23.0	23.0
Support Personnel	185.5	133.0	277.0	207.0	245.1
Total Public Schools	777.2	533.0	751.0	769.0	823.7
<b>Grand total</b>	1,079.2	830.0	1,020.5	1,035.5	1,087.7

Source: Various County of Isle of Wight Departments, including Isle of Wight County Schools for information relates to Public Schools  
Grand Totals 2009-2014 updated



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

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Sheriff</b>					
Physical arrests	1,056	853	842	470	814
Traffic violations	3,037	3,427	3,280	2,582	2,274
<b>Fire</b>					
Emergency responses - Fire	1,108	1,031	793	1,728	1,334
Emergency responses - Rescue	4,598	4,450	4,493	4,323	4,149
<b>Building Permits</b>					
Residential	156	171	158	130	126
Residential - Value	\$ 32,555,058	\$ 32,108,219	\$ 32,638,877	\$ 28,774,421	\$ 29,193,361
Commercial	14	15	8	9	5
Commercial - Value	\$ 3,744,477	\$ 2,361,121	\$ 2,616,297	\$ 1,803,859	\$ 3,010,200
<b>Refuse Collection</b>					
Refuse collected (tons per day)	64	59	29	28	31.0
<b>Public Schools</b>					
Cost Per Student	\$ 10,598	\$ 11,288	\$ 10,341	\$ 9,922	\$ 10,113
Average Daily Membership	5,338	5,263	5,441	5,233	5,325
Student/Teacher Ratio	14.60	16.10	14.00	14.1	17.2
<b>Park and Recreation</b>					
Athletic field permits issued	26	11	24	30	32
County Fair Admissions	-	30,168	25,000	29,337	25,160
<b>Library</b>					
Volumes in collection	67,281	68,638	69,454	73,430	184,288
Total volumes borrowed	163,688	200,768	191,128	187,594	417,529
<b>Water</b>					
New connections	80	102	92	52	58
Average daily consumption (thousands of gallons)	0.32	0.35	0.33	0.65	0.58

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

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

<b>Last Ten Fiscal Years</b>					
<b>Function/Program</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sheriff</b>					
Physical arrests	527	419	412	533	661
Traffic violations	2,032	1,448	1,214	1,456	1,047
<b>Fire</b>					
Emergency responses - Fire	709	1,479	1,375	2,285	1,920
Emergency responses - Rescue	4,720	4,179	4,343	3,360	4,657
<b>Building Permits</b>					
Residential	107	85	92	169	118
Residential - Value	\$ 25,170,632	\$ 12,656,261	\$ 24,909,824	\$ 4,121,500	\$ 24,255,044
Commercial	4	5	14	11	14
Commercial - Value	\$ 2,738,211	\$ 2,734,000	\$ 8,748,932	\$ 16,306,000	\$ 31,604,670
<b>Refuse Collection</b>					
Refuse collected (tons per day)	46.0	47.9	49.3	52.7	53.0
<b>Public Schools</b>					
Cost Per Student	\$ 9,628	\$ 9,827	\$ 9,827	\$ 10,861	\$ 11,136
Average Daily Membership	5,312	5,331	5,331	5,367	5,306
Student/Teacher Ratio	16.3	15.7	15.7	12.1	12.9
<b>Park and Recreation</b>					
Athletic field permits issued	59	872	-	94	539
County Fair Admissions	33,886	14,997	15,000	21,000	12,000
<b>Library</b>					
Volumes in collection	186,615	202,633	223,249	253,402	265,491
Total volumes borrowed	449,557	945,071	215,767	221,725	249,144
<b>Water</b>					
New connections	60	50	93	57	54
Average daily consumption (thousands of gallons)	0.60	0.58	0.57	0.56	0.89

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

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

<b>Function/Program</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sheriff</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	30	30	30	30	48	49	43	43	51	56
<b>Fire and Rescue</b>										
Fire Units	5	5	5	5	5	5	5	5	5	5
Rescue Units	2	2	2	4	4	4	4	4	4	4
<b>Refuse Collection</b>										
Collection trucks	5	5	6	6	6	6	6	6	6	6
<b>Public Schools</b>										
School Facilities	9	9	9	9	9	9	9	9	9	9
<b>Park and Recreation</b>										
Parks	10	7	7	7	7	7	7	7	7	7
Acreage	569	570	570	570	570	570	570	570	570	570
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	4	4	4	4	4	4	4	4	4	4
Soccer/football fields	9	12	12	12	12	12	12	12	12	12
Community centers	3	2	2	2	2	2	2	2	2	2
Museums	3	2	2	2	2	2	2	2	2	2
<b>Library Facilities</b>	3	3	3	3	3	3	3	3	3	3

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

## ***Compliance Section***



Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA

County of Isle of Wight, Virginia  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/State Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Pass-through Number	Provided to Subrecipients	Total Federal Expenditures
<b>Department of Agriculture</b>				
<b>Pass-through Virginia Department of Education</b>				
<b>Child Nutrition Cluster</b>				
School Breakfast Program	10.553	Not Provided	\$ -	\$ 310,546
National School Lunch Program	10.555	Not Provided	-	824,453
Summer Food Service Program	10.559	Not Provided	-	6,125
<b>Pass-through Virginia Department of Agriculture and Consumer Services</b>				
<b>Child Nutrition Cluster</b>				
USDA Government Commodities	10.555	Not Provided	-	42,415
USDA Donated Food Commodities	10.555	Not Provided	-	141,328
<b>Total Child Nutrition Cluster</b>			-	1,324,867
<b>Pass-through Virginia Department of Education</b>				
Child and Adult Care Food Program	10.558	Not Provided	-	44,581
<b>Pass-through Virginia Department of Social Services</b>				
<b>Supplemental Nutrition Assistance Program Cluster</b>				
State Administrative Matching Grants for Food Stamp Program	10.561	0010117/8;0040117/8	-	366,105
<b>Total Supplemental Nutrition Assistance Program Cluster</b>			-	366,105
<b>Total Department of Agriculture</b>			-	1,735,553
<b>Department of Defense</b>				
<b>Pass-through Virginia Department of Education</b>				
JROTC	12.000	Not Provided	-	73,742
<b>Total Department of Defense</b>			-	73,742
<b>Department of Housing and Urban Development</b>				
<b>Pass-through Payments- City of Suffolk</b>				
<b>VA Department of Planning &amp; Community Development</b>				
HOME Investment Partnerships	14.239	2016-H1364-VA-AP	-	12,044
<b>Total Department of Housing and Urban Development</b>			-	12,044
<b>Pass-through Virginia Department of Criminal Justice</b>				
Crime Victim Assistance	16.575	17-W8555VW16	-	54,292
Bullet Proof Vest Partnership	16.607	15-0404-0-1-754	-	4,961
Violence Against Women	16.588	17-U9425VA16	-	10,428
Violence Against Women	16.588	18-V9425VA17	-	7,880
Subtotal by Violence Against Women			-	18,308
<b>Total pass-through Virginia Department of Criminal Justice</b>			-	77,561
<b>Total Department of Justice</b>			-	77,561
<b>Department of Transportation</b>				
<b>Pass-through Virginia Department of Transportation</b>				
<b>Federal Highway Administration</b>				
<b>Highway Planning and Construction Cluster</b>				
Highway Planning and Construction	20.205	115,P101,R201,C501	-	834,106
<b>Total Highway Planning and Construction Cluster</b>				834,106
<b>Department of Motor Vehicles - Alcohol Traffic Safety Incentive Grants</b>				
DMV Law Enforcement Traffic Safety-Selective Enforce.-Alcohol	20.607	20.607	-	17,398
DMV Law Enforcement Traffic Safety-Selective Enforce.-Alcohol	20.616	20.616	-	2,074
Subtotal by DMV Law Enforcement Traffic Safety- Selective Enforce.-Alcohol			-	19,472
<b>Total Department of Transportation</b>			-	853,578

See Notes to Schedule of Expenditures of Federal Awards.

County of Isle of Wight, Virginia  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2018

Federal Grantor/State Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Pass-through Number	Provided to Subrecipients	Total Federal Expenditures
<b>Department of Education</b>				
<b>Pass-through Virginia Department of Education</b>				
Adult Education	84.002	Not Provided	\$ -	\$ 17,937
Title III Part A - Language Acquisition	84.365	Not Provided	-	2,153
Title I - Grants to Local Educational Agencies	84.010	S010A90046	-	535,041
<b>Special Education Cluster</b>				
Special Education - Grants to States	84.027	H027A110107	-	988,396
Special Education - Preschool Grants	84.173	H173A090112	-	13,106
<b>Total Special Education Cluster</b>			-	1,001,502
Impact Aid	84.041	Not Provided	-	28,876
Vocational Education - Basic Grants to States	84.048	VO48A110046	-	68,679
Improving Teacher Quality State Grants - Title II Part A	84.367	S010A090046	-	120,458
<b>Total Department of Education</b>			-	1,774,646
<b>Department of Health and Human Services</b>				
<b>Pass-through Virginia Department of Social Services:</b>				
Adoption Recruitment	93.556	0950116/7	-	12,046
<b>TANF Cluster</b>				
Temporary Assistance to Needy Families (TANF)	93.558	0400117/8	-	248,001
<b>Total TANF Cluster</b>			-	248,001
Refugee and Entrant Assistance State Administered Plans	93.566	0500112	-	379
Low-Income Home Energy Assistance Block Grant	93.568	0600417/8	-	35,602
<b>CCDF Cluster</b>				
CCDF At Risk Daycare	93.596	0760117/8	-	39,970
<b>Total CCDF Cluster</b>			-	39,970
Chafee Education & Training Vouchers	93.599	9160117	-	109
Adoption Incentives	93.603	1130115	-	1,575
Child Welfare Services State Grants	93.645	0900116/7	-	869
Foster Care - Title IV-E	93.658	1100117/8	-	151,004
Adoption Assistance	93.659	1120117/8	-	83,736
Social Services Block Grant	93.667	1000117/8	-	190,030
Chafee Foster Care Independence Program	93.674	9150117	-	2,291
FAMIS	93.767	0540117/8	-	14,667
<b>Medicaid Cluster</b>				
Medical Assistance Program (Medicaid, Title XIX)	93.778	1200117/8	-	552,183
<b>Total Medicaid Cluster</b>			-	552,183
<b>Total Department of Health and Human Services</b>			-	1,332,462
<b>Department of Homeland Security</b>				
<b>Pass-through Virginia Department of Emergency Management</b>				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	70-0702-0-1-453	-	26,188
2017 Local Emergency Management Performance Grant (LEMPG)	97.042	EMP-2017-EP-00006	-	6,358
<b>Total Department of Homeland Security</b>			-	32,546
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 5,892,132

See Notes to Schedule of Expenditures of Federal Awards.

## COUNTY OF ISLE OF WIGHT, VIRGINIA

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2018

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#### Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the County of Isle of Wight, Virginia (the County) and component unit of the Isle of Wight County School Board under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

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

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

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

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

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

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



## **COUNTY OF ISLE OF WIGHT, VIRGINIA**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** **Year Ended June 30, 2018**

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

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

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

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

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

In addition to amounts reported on the Schedule, the County consumed non-cash assistance in the form of food commodities. Commodities with a fair value of \$183,743 at the time received were consumed during the year ended June 30, 2018. These commodities were included in the determination of federal awards expended during the year ended June 30, 2018.



**INDEPENDENT AUDITOR'S REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Isle of Wight, Virginia (County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 29, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

## **Compliance and Other Matters**

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

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

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

## **Purpose of this Report**

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

*P. B. Mares, LLP*

Harrisonburg, Virginia  
January 29, 2019



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

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

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

We have audited the County of Isle of Wight, Virginia's (County) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Those standards and Uniform Guidance require we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2018.

## **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-002, that we consider to be a material weakness.

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

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

## **Purpose of this Report**

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

*Pratt, ZRP*

Harrisonburg, Virginia  
January 29, 2019

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2018**


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

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?

√

Yes

       No

Significant deficiencies identified?

Yes

√

None Reported

Noncompliance material to financial statements noted?

Yes

√

No

*Federal Awards*

Internal control over major programs:

Material weakness identified?

√

Yes

       No

Significant deficiencies identified?

Yes

√

None Reported

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

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

Yes

       No

Identification of major programs:

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

**Highway Planning and  
Construction Cluster:**

20.205	Highway Planning and Construction
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**Special Education Cluster:**

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

**Child Nutrition Cluster:**

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

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

Auditee qualified as low-risk auditee?

Yes

√

No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2018**

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**Section II. FINANCIAL STATEMENT FINDINGS****A. Material Weakness in Internal Control****2018-001: Material Weakness Due to Lack of Timely Reconciliations and Material Audit Adjustments**

Criteria and Condition: In order to prepare the comprehensive annual financial report (CAFR) in accordance with accounting principles generally accepted in the United States of America (GAAP), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of the County for the fiscal year just ended. The efficient, effective, and timely preparation of the financial statements depends heavily on personnel from the County and includes closing the general ledger, performing appropriate financial analyses and reconciliations of yearly activity, and accumulating the required data for reporting. In order to verify that the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete, accurate, and in accordance with GAAP. The CAFR should be final and free of significant misstatements.

Context: During the fiscal year 2018 audit and financial reporting processes, multiple instances were identified where the complete and accurate recording of financial transactions within the general ledger did not occur including (but not limited to) the following:

- Debt refunding, debt issuance, and bond premium activity were not recorded by the County.
- Net pension liability and related deferred inflows and outflows were not reconciled to actuarial valuations and employer contributions and current year activity were not recorded.
- The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, including recording other postemployment benefits liability, deferred inflows, deferred outflows, and restatement of beginning net position was not performed. Additionally, the County was unable to complete the required supplementary information and disclosures related to OPEB components.
- The County was unable to perform the government-wide conversion entries necessary to prepare a complete and accurate CAFR.

Cause: During the fiscal year 2018 audit, the County finance staff lacked training or the required technical skills to analyze and reconcile transactions both timely and accurately. Additionally, there was turnover in the County Director of Finance position. Internal control processes were not in place to monitor related account activities to ensure the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues and expenses/expenditures in the CAFR.

Effect: The controls in place to close the year-end books, reconcile the balances, analyze the period transactions, and accumulate and assimilate such data into a timely, GAAP compliant CAFR did not function. As noted above, the effect of these transactions was to misstate the net position of the County. The necessary entries above were significant to the financial statements and were included as adjustments in order to more accurately represent the financial position of each of the above. Failure to record the items noted above would be a departure from accounting principles generally accepted in the United States of America.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2018**

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

A. Material Weakness in Internal Control (Continued)

**2018-001: Material Weakness Due to Lack of Timely Reconciliations and Material Audit Adjustments (Continued)**

Recommendation: The County should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend increasing levels of oversight to ensure reconciliations are performed timely and formal year-end close procedures are documented and followed to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses reported in the CAFR.

Views of Responsible Officials: The material weakness due to lack of timely reconciliations and material audit adjustments was due to turnover in Finance Department staff at a critical point in the preparation of the CAFR. The Director of Finance left on September 4, 2018 to take a position with another locality. She planned to contract with us to assist in the completion of the CAFR, however due to the workload in her new position, she was unable to do so. The County subsequently requested assistance from our auditing firm, PB Mares, LLP. A new Director of Finance has been hired and will start work on February 4, 2019. Additional training will be provided to Finance Department staff to ensure that all appropriate adjustments and reconciliations can be performed by staff.

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

A. Material Weakness in Internal Control

**2018-002: Uniform Guidance**

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

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



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2018**

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

A. Material Weakness in Internal Control (Continued)

**2018-002: Uniform Guidance (Continued)**

Criteria and Condition (Continued):

- Procurement Policy – The Office of Management and Budget (OMB) has issued an addendum to the Uniform Guidance which extends the delayed implementation timeframe of procurement policy standards by an additional year and will be effective for fiscal year 2019. Until the procurement policy changes are implemented, the School Board should document in writing whether they are complying with the new Uniform Guidance requirements or whether they are delaying implementation.

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

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

Repeat Finding: This is a repeat finding, as the prior year finding was identified as 2017-004.

Effect: Noncompliance with regulations may result in improper payments.

Questioned Costs: Undeterminable

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

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



## **CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2018**

**Identifying Number: 2018-001 Material Weakness Due to Lack of Timely Reconciliations and Material Audit Adjustments**

**Audit Finding:**

During the fiscal year 2018 audit and financial reporting processes, multiple instances were identified where the complete and accurate recording of financial transactions within the general ledger did not occur including (but not limited to) the following:

- Debt refunding, debt issuance, and bond premium activity were not recorded by the County.
- Net pension liability and related deferred inflows and outflows were not reconciled to actuarial valuations and employer contributions and current year activity were not recorded.
- The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, including recording other postemployment benefits liability, deferred inflows, deferred outflows, and restatement of beginning net position was not performed. Additionally, the County was unable to complete the required supplementary information and disclosures related to OPEB components.
- The County was unable to perform the government-wide conversion entries necessary to prepare a complete and accurate CAFR.

**Corrective Action Taken or Planned:**

The material weakness due to lack of timely reconciliations and material audit adjustments was due to turnover in Finance Department staff at a critical point in the preparation of the CAFR. The Director of Finance left on September 4, 2018 to take a position with another locality. She planned to contract with us to assist in the completion of the CAFR, however due to the workload in her new position, she was unable to do so. The County subsequently requested assistance from our auditing firm, PB Mares, LLP. A new Director of Finance has been hired and will start work on February 4, 2019. Additional training will be provided to Finance Department staff to ensure that all appropriate adjustments and reconciliations can be performed by staff.

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**Identifying Number: 2018-002: Uniform Guidance**

**Audit Finding:**

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

**Corrective Action Taken or Planned:**

Policies required by Uniform Guidance will be adopted by the School Board and procedures will be created for School Board staff to implement.

**Contact information:**

Rachel Trollinger  
Executive Director of Budget and Finance  
820 West Main Street  
Smithfield, VA 23430  
757-365-1626



## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2018**

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

#### **Audit Finding:**

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

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

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

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

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

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

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

**Audit Finding:** (Continued)

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

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

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

**Corrective Action Taken or Planned:**

The County has taken the following corrective actions:

- The Fixed Asset Accountant has performed periodic reconciliations of fixed assets.
- The Director of Finance reviewed all significant fixed asset transactions as an additional reviewer
- Inventory verifications were sent to each department and signed by the department head to confirm that the capital items listed were correct. The confirmations were sent back to Budget and Finance. If there were any discrepancies, they were researched by the Fixed Asset Accountant.

The County will maintain these actions as a part of our normal processes and procedures.

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

**Identifying Number: 2017-002: Activities Allowed or Unallowed**

**Audit Finding:**

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

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

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

**Audit Finding:** (Continued)

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

Cause: Due to the falsification of a record.

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

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

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

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

**Corrective Action Taken or Planned:**

Procedures as outlined in the initial audit response were immediately put in place and remain in place, preventing any late renewals during 2018. No other resource records out of compliance issues have occurred since this fraud event was discovered.

**Identifying Number: 2017-003: Suspension and Debarment**

**Audit Finding:**

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

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

**Identifying Number: 2017-003: Suspension and Debarment (Continued)**

**Audit Finding:** (Continued)

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

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

Questioned Costs: Not applicable.

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

**Corrective Action Taken or Planned:**

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

**Identifying Number: 2017-004: Uniform Guidance**

**Audit Finding:**

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

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

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

**Audit Finding:** (Continued)

**Criteria and Condition:** (Continued)

- Procurement Policy – The Office of Management and Budget (OMB) has issued an addendum to the Uniform Guidance which extends the delayed implementation timeframe of procurement policy standards by an additional year and will be effective for fiscal year 2019. Until the procurement policy changes are implemented, the County, School Board, and Department should document in writing whether they are complying with the new Uniform Guidance requirements or whether they are delaying implementation.

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

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

Effect: Noncompliance with regulations may result in improper payments.

Questioned Costs: Undeterminable

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

**Corrective Action Taken or Planned:**

The County adopted the Uniform Guidance policy during fiscal year 2018.

Schools will adopt the Uniform Guidance and amend the existing policies in the fiscal year 2019. Most of the School's federal awards are on a reimbursement basis, School's will update the policy and procedures to meet the Uniform Grant Guidance requirements.





Local Roots, Global Reach

# ISLE OF WIGHT COUNTY, VIRGINIA



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