

*Comprehensive Annual
Financial Report
Fiscal Year Ended
June 30, 2006*



Prepared by:

*Liesl R. DeVary
Director of Budget and Finance*

Goodman
& COMPANY

Certified Public Accountants
Financial Planning
Specialized Services

County of Isle of Wight, Virginia

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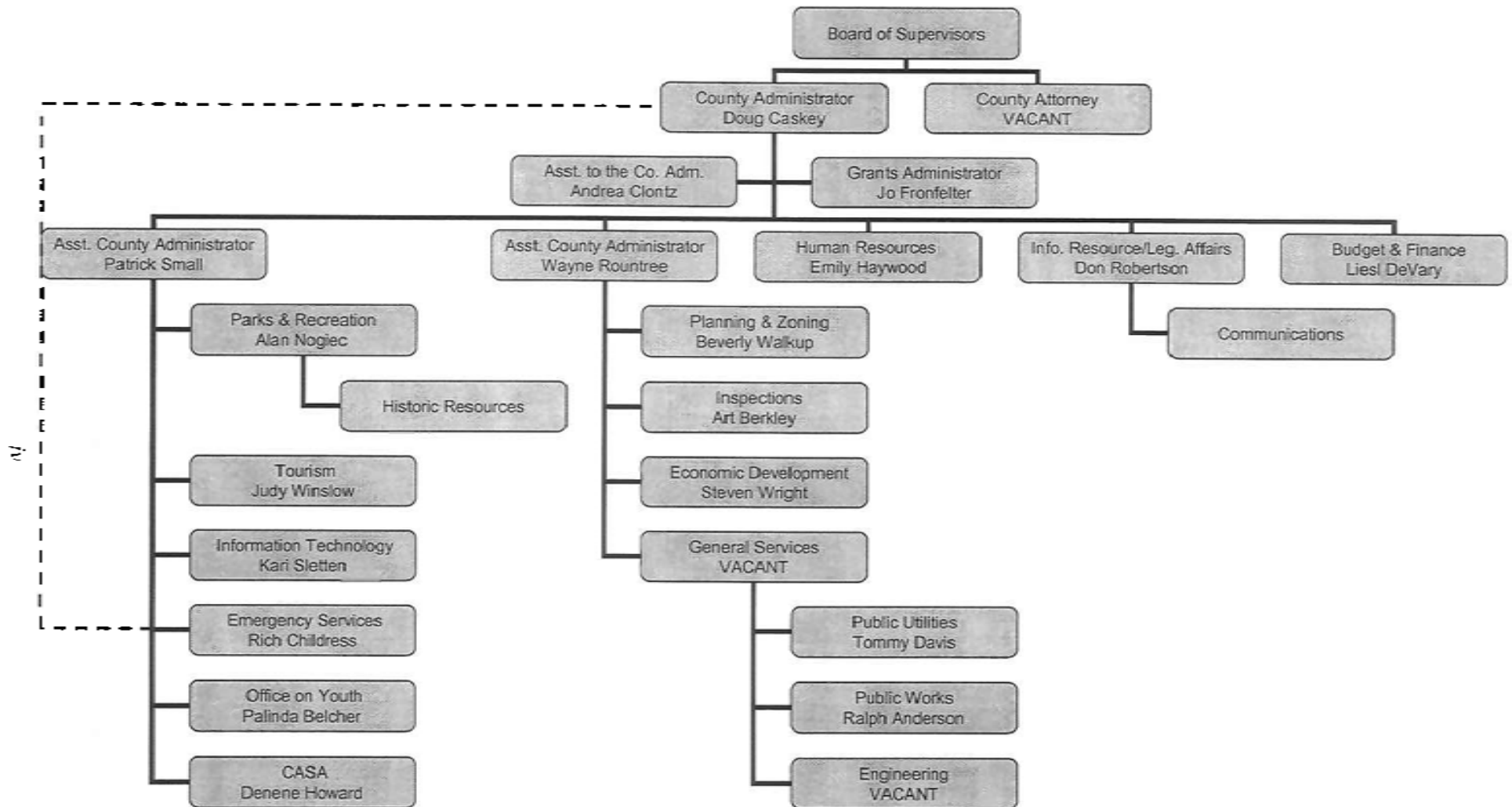
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Isle of Wight County Organizational Chart



***County of Isle of Wight, Virginia
Principal Officials
June 30, 2006***

Board of Supervisors

Thomas J. Wright, III, Chairman
Stan D. Clark, Vice Chairman
Phillip A. Bradshaw
James B. Brown, Jr.
Thomas R. Ivy

County School Board

J. Kevin Duck, Chairman
Kenneth M. Bunch, Vice Chairman
Dr. George A. Bradby
Herbert DeGroft
Barbara B. Olin

Board of Social Services

Pamice Clark, Chairman
Gloria Wilson, Vice Chairman
Jeanne Kelly
Kristin Wilda
Phillip A. Bradshaw

Other Officials

County Administrator
Assistant County Administrator
Assistant County Administrator
Treasurer
Commonwealth's Attorney
Commissioner of the Revenue
Sheriff
Clerk of the Circuit Court
Chief Judge of the Circuit Court
Judge of the General District Court
Judge of the Juvenile and Domestic Relations Court
Director of Social Services
Superintendent of Schools
Interim County Attorney

W. Douglas Caskey
E. Wayne Rountree
Patrick Small
Judith C. Wells
Parker Council
Danielle Gray
Charles Phelps
William Laine, Jr.
The Honorable Westbrook J. Parker
The Honorable Robert B. Edwards
The Honorable William R. Moore, Jr.
John Catron
Dr. Michael W. McPherson
A. Paul Burton

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Financial Section

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Report of Independent Auditors

Certified Public Accountants
Specialized Services
Business Solutions

Board of Supervisors
County of Isle of Wight, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the ***County of Isle of Wight, Virginia***, as of and for the year ended June 30, 2006, which collectively comprise the ***County of Isle of Wight, Virginia***'s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***County of Isle of Wight, Virginia***'s management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the ***County of Isle of Wight, Virginia*** as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006, on our consideration of the ***County of Isle of Wight, Virginia***'s internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the budgetary comparison information, and schedules of other required supplementary information (presented on pages 3 through 11, 42 through 47, and 48 through 50, respectively) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Fountain Plaza One, 701 Town Center Drive, Suite 700
Newport News, VA 23606-4295
ph: 757.873.1033
fax: 757.873.1106
www.goodmanco.com

Board of Supervisors
County of Isle of Wight, Virginia

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

Goodman & Company, L.L.P.

Newport News, Virginia
October 20, 2006

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

This section of *County of Isle of Wight, Virginia* (County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended June 30, 2006. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

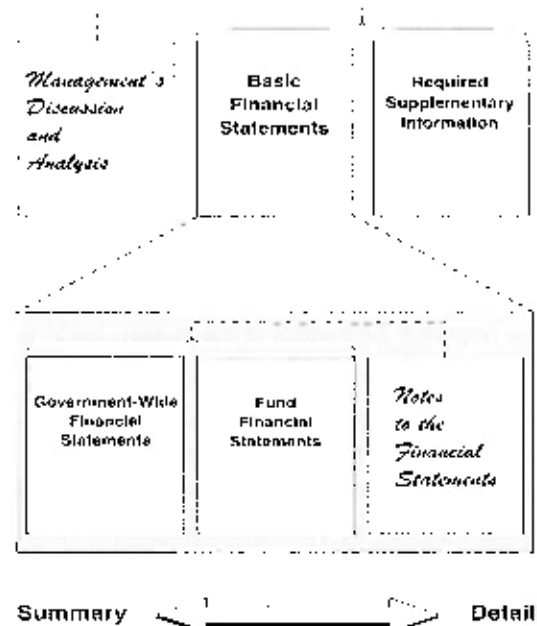
- The net assets of the County's governmental activities were \$41,945,973 as of June 30, 2006, a 14% increase from the previous fiscal year.
- In support of the County's primary governmental activities, revenues were generated in the amount of \$52,975,430, of which 71% consisted of local taxes, 15% from the Commonwealth of Virginia, 6% in operating grants and 8% from other revenue sources; whereas expenditures were \$45,167,065 or a 9% increase from the previous year.
- The County's General Fund reported revenues in excess of expenditures and other financing sources by \$2,697,918 resulting in an undesignated fund balance of \$14,982,480.
- The County experienced a 5% increase in the overall tax base resulting in an increase in general property taxes and other local taxes of \$1,950,711 or 5.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Government-wide Statements

The *government-wide financial statements* report information about the County as a whole 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 Assets and the Statement of Activities. These statements include all assets and liabilities 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 assets and how they have changed. Net assets - the difference between the County's assets and liabilities - is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets 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, public safety, public works, education, health and welfare, parks, recreation and cultural and economic and community development. Property taxes, other local taxes, and state and federal grants finance most of these activities.

Figure A-2. Major Features of the County's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	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
Type of asset/liability information	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
Type of inflow/outflow information	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

- **Business-type activities** – The County's water and sewer services are reported as business-type activities. These services are mostly supported by charges for services based on use.
- **Component Units** – The County includes two separate legal entities in its report – the Isle of Wight County School Board and the Industrial Development Authority of the County of Isle of Wight. While legally separate, the County is financially accountable and provides operating and capital funding to these component units.

Fund Financial Statements

The fund financial statements provide additional information about the County's most significant funds - as opposed to the County as a whole. These statements focus on the individual parts of the County government and are groupings of related accounts 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 Supplementary 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* 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 a subsequent page, which explains the relationship (or reconciles the 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 a statement of cash flows. The County's only enterprise fund accounts for the operation of its water and sewer systems.
- **Fiduciary Funds** – The fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's services. The accounting used for fiduciary funds is similar to that of the proprietary funds. The County maintained Special Welfare and School Activity Agency Funds in fiscal year 2006.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As described earlier, net assets 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 exceeded its liabilities by \$49,333,541 a 14% increase from the previous year as illustrated in Table A-1.

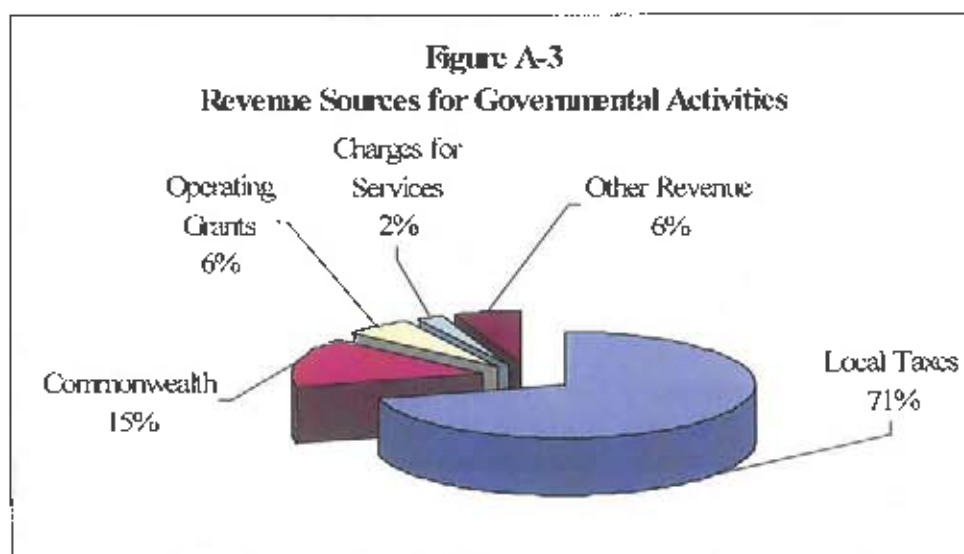
Statement of Net Assets

Table A-1	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2006	2005	2006	2005	2006	2005	
Current assets							
Cash and cash equivalents	\$31,117,879	\$35,219,130	\$4,382,145	\$2,672,912	\$35,500,024	\$37,892,042	(6%)
Other current assets	2,766,655	2,408,611	170,653	278,624	2,937,308	2,687,235	9%
Total current assets	33,884,534	37,627,741	4,552,798	2,951,536	38,437,332	40,579,277	(5%)
Noncurrent assets							
Nondepreciable assets	9,458,906	30,183,976	255,003	288,923	9,713,909	30,472,899	(68%)
Depreciable assets-net	56,241,694	35,704,982	14,044,391	14,828,462	70,286,085	50,533,444	39%
Other long-term receivables	710,908	1,288,574	1,365,760	-	2,076,668	1,288,574	61%
Total noncurrent assets	66,411,508	67,177,532	15,665,154	15,117,385	82,076,662	82,294,917	- %
Total assets	100,296,042	104,805,273	20,217,952	18,068,921	120,513,994	122,874,194	(2%)
Current liabilities							
Accounts payable	722,301	938,796	95,691	90,571	817,992	1,029,367	(21%)
Other current liabilities	1,397,435	5,601,337	118,337	118,902	1,515,772	5,720,239	(74%)
Total current liabilities	2,119,736	6,540,133	214,028	209,473	2,333,764	6,749,606	(65%)
Noncurrent liabilities							
Due within one year	4,824,638	4,627,114	520,348	433,296	5,344,986	5,060,410	6%
Due more than one year	51,405,695	56,571,619	12,098,008	11,269,660	63,503,703	67,841,279	(6%)
Total noncurrent liabilities	56,230,333	61,198,733	12,618,356	11,702,956	68,848,689	72,901,689	(6%)
Total liabilities	58,350,069	67,738,866	12,832,384	11,912,429	71,182,453	79,651,295	(11%)
Net assets							
Invested in capital assets net of related debt	10,905,026	11,362,753	3,321,270	3,447,385	14,226,296	14,810,138	(4%)
Restricted for:							
capital projects	6,685,306	13,409,255	911,938	1,093,386	7,597,244	14,502,641	(48%)
Unrestricted	24,355,641	12,294,399	3,152,360	1,615,721	27,508,001	13,910,120	97%
Total net assets	41,945,973	37,066,407	7,385,568	6,156,492	49,331,541	43,222,899	14%
Total liabilities and net assets	\$100,296,042	\$104,805,273	\$20,217,952	\$18,068,921	\$120,513,994	\$122,874,194	(2%)

The \$27,508,001 of unrestricted net assets represents resources available to fund obligations of the County next year. The increase from the previous fiscal year is a result of a decrease in liabilities complemented with positive operating income. Additionally, the County adopted a policy to maintain a minimum of 10% of the subsequent year's expenditures as undesignated fund balance. As of June 30, 2006, the undesignated fund balance represented approximately 16% of the 2006-07 general operating and capital budget.

Governmental Activities

- The County's total revenues for governmental activities were \$52,975,430 of which a significant portion, 71%, comes from local taxes.
- General property taxes and other local taxes increased 5.4%, or \$1,950,711, directly attributable to residential growth. The County's assessed value of real property increased by 5%.



- Operating grants consist of state and federal revenues received to offset the cost of various programs. However, the reimbursements do not necessarily represent 100% of expenditures as illustrated in Table A-2.

Table A-2 presents the cost of each of the County's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what local tax dollars, as well as state and federal revenues funded.

Net Cost of County Functions

Table A-2	Total Cost of Services			Net Cost of Services		
	2006	2005	% Change	2006	2005	% Change
General Government						
Administration	\$ 5,800,635	\$ 4,897,964	18%	\$ 5,425,430	\$ 48,808	11,116%
Judicial Administration	866,371	794,478	9%	100,326	90,950	10%
Public Safety	5,632,965	5,135,185	10%	3,521,019	3,449,691	2%
Public Works	3,903,265	3,711,511	8%	3,889,390	3,508,338	11%
Health and Welfare	4,340,638	3,824,681	13%	4,159,575	3,700,765	12%
Education	19,336,608	18,249,151	6%	19,336,608	18,185,689	6%
Parks, Recreation and Cultural	1,494,482	1,339,854	12%	1,188,975	686,196	73%
Community Development	1,548,527	1,210,072	28%	991,715	870,153	14%
Interest on long-term debt	2,243,574	2,170,135	3%	2,243,574	2,170,135	3%
Total expenses	\$ 45,167,065	\$ 41,333,031	9%	\$ 40,856,612	\$ 32,710,725	25%

- The cost of all governmental activities this year was \$45,167,065, a 9% increase from the previous year. This increase is reflective of the County's commitment to public safety, community development and health and welfare
- Education continues to be one of the County's highest priorities with commitments representing 43% of total costs and 47% of total net costs.

- The net cost of General Government Administration increased by 11,116% primarily due to the reclassification of the revenue received from the Commonwealth for Personal Property Tax Relief. Prior to fiscal year 2007, the Commonwealth provided personal property tax relief equal to 70% of the tax levied by a locality. Beginning in fiscal year 2007, the Commonwealth will provide a predetermined fixed dollar amount to the County instead of providing 70% for each tax bill collected. This change will ultimately place a significantly higher burden on the taxpayer. The County estimates the taxpayer will pay 40% versus 30% of the tax levied on motor vehicles in fiscal year 2007. As the County's population increases, resulting in an increase in the taxable value of motor vehicles, and with the amount of tax relief from the Commonwealth being fixed, the tax burden will shift from revenues received from the Commonwealth to the taxpayer. This change in reporting will more accurately reflect the impact on local taxes.

Business-Type Activities

Revenues of the County's business-type activities for the operation of its water and sewer systems decreased 4% largely due to a decrease in one time connection fees; however user fees increased 14% representing 51% of total expenditures. Expenditures decreased 7% as a result of the 2005 bond refunding and a decrease in contracted services. For a second year in a row, the County did not transfer funds from the General Government fund to support operations of the Public Utilities fund. As the operations of the water and sewer systems are expected to continue to grow, it is the intent of the County to establish a repayment schedule to the General Government fund for previous operating transfers. As of June 30, 2006, the total amount of transfers due to the General Government fund was \$4,613,098.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to maintain control over resources that have been segregated for specific purposes and 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$32,823,942, of which 48%, or \$15,677,314, is unreserved and undesignated.

- **General Fund.** The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance was \$25,810,740, of which \$14,982,480 represents the undesignated fund balance of the general fund. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. As of June 30, 2006, the unreserved fund balance represented 61% of the total fund expenditures.
- **Capital Projects Fund.** The capital projects fund accounts for all construction projects of general public improvements, excluding capital projects related to business-type activities which are accounted for in their respective fund. At the end of the current fiscal year, the fund balance was \$6,273,860, consisting of funds encumbered for contracts in process or designated for subsequent years' expenditures.
- **Proprietary Fund.** The County's proprietary fund consists of its water and sewer operations and provides the same type of information found in the government-wide financial statements, but in more detail. The net assets of the proprietary fund at the end of the current fiscal year totaled \$7,385,568 of which 43%, or \$3,152,360, was unrestricted.
- **Non-Major Governmental Funds.** The County accounts for other programs and services in different funds. These funds include the Department of Social Services, Comprehensive Services, E-911, Section 8, Asset Forfeiture, the County Fair and the Museum Fund. As of June 30, 2006, the combined fund balances were \$739,342.

General Fund Budgetary Highlights

The County's annual budget is prepared on an operating basis and includes estimated revenues and annual appropriations for operations. Over the course of the year, the County revised its budget to incorporate nearly \$3.7 million dollars in various grants. Excluding transfers between funds, actual expenditures were \$4,706,902 below final budget amounts, of which \$2,806,321 will carry over to fiscal year 2007 for the completion of projects and grants that cross fiscal years.

On the other hand, resources available were \$3,125,731 above the final budgeted amount. As the County realized an increase in the overall tax base of approximately 5%, general real property tax revenues exceeded the budget by \$1,161,989.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the County had invested \$65,700,600 in a broad range of capital assets, including land, buildings, equipment, and vehicles. (See Table A-3.)

Annually, the Board of Supervisors adopts a 5 year Capital Improvement Plan with a 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 3 members from the Planning Commission and 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.

County's Capital Assets

Table A-3	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2006	2005	2006	2005	2006	2005	
Nondepreciable assets							
Land	\$ 4,343,237	\$ 3,737,399	\$ 157,240	\$ 157,240	\$ 4,500,477	\$3,894,639	16%
Construction in progress	5,115,669	26,446,577	97,763	131,683	5,213,432	26,578,260	(80%)
Total nondepreciable assets	9,458,906	30,183,976	255,003	288,923	9,713,909	30,472,899	(68%)
Depreciable assets							
Land improvements	888,183	877,315	11,401,736	11,401,736	12,289,919	12,279,051	0%
Buildings	61,592,657	42,897,441	8,031,327	8,031,327	69,623,984	50,928,768	37%
Equipment	2,975,089	1,319,739	373,221	340,057	3,348,310	1,659,796	102%
Vehicles	2,640,824	2,534,841	246,053	253,253	2,886,877	2,788,094	4%
Total at historical cost	68,096,753	47,629,336	20,052,337	20,026,373	88,149,090	67,655,709	30%
Total accumulated depreciation	(11,855,059)	(11,924,354)	(6,007,946)	(5,197,911)	(17,863,005)	(17,122,265)	4%
Net capital assets	\$65,700,600	\$65,888,958	\$14,299,394	\$15,117,385	\$79,999,994	\$81,006,343	(1%)

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

- The completion of construction of a new \$24 million Smithfield Middle School which opened in September 2005.
- The continued development of the Central County Park Fairground site.
- Various equipment purchases for Volunteer Fire and Rescue Squads.
- Improvements to various water systems throughout the County.

- The continued development of the Shirley T. Holland Commerce Park.
- Replacement of the County-wide emergency radio system.

Long-Term Debt

At year-end the County had \$67,257,781 in bonds, loans, notes and capital leases outstanding and \$643,808 in compensated absences as shown in Table A-4. The Commonwealth of Virginia limits the amount of debt outstanding to 10% of the localities assessed value of real property. As of June 30, 2006, the County's debt ratio to assessed value was approximately 3%, demonstrating the County's conservative debt borrowing policy and management approach. More detailed information about the County's debt is presented in the notes to the financial statements.

Bond Ratings

The County's bonds presently carry "A+" rating from Standard & Poor's and "A2" from Moody's Investor Services.

Table A-4	Governmental Activities		Business-Type Activities		Total Primary Government		% Change
	2006	2005	2006	2005	2006	2005	
General Obligation Bonds							
Series of 1996	\$ 1,884,893	\$ 1,976,980	\$ -	\$ -	\$ 1,884,893	\$ 1,976,980	(5%)
Series A of 1997	-	-	1,925,000	11,670,000	1,925,000	11,670,000	(84%)
Series of 2003	7,820,000	8,155,000	-	-	7,820,000	8,155,000	(4%)
Series of 2005	-	-	10,433,036	-	10,433,036	-	N/A
Bonds for Schools							
Series of 1987	50,000	75,000	-	-	50,000	75,000	(33%)
Series of 1995	400,000	1,850,000	-	-	400,000	1,850,000	(78%)
Series of 1996	4,665,106	4,893,020	-	-	4,665,106	4,893,020	(5%)
Series B of 1997	1,120,000	4,245,000	-	-	1,120,000	4,245,000	(74%)
Series of 2003	4,890,000	6,775,000	-	-	4,890,000	6,775,000	(28%)
Series of 2004	27,040,000	27,870,000	-	-	27,040,000	27,870,000	(3%)
Series of 2005	3,276,994	-	-	-	3,276,994	-	100%
Literary Loans							
Series of 1986	-	100,000	-	-	-	100,000	(100%)
Series of 1999	3,500,000	3,750,000	-	-	3,500,000	3,750,000	(7%)
Notes Payable							
Pruden VPSA Note	47,277	54,333	-	-	47,277	54,333	(13%)
Capital Leases							
Equipment Lease 1992	36,484	65,567	-	-	36,484	65,567	(44%)
Equipment Lease 2004	168,991	217,223	-	-	168,991	217,223	(22%)
Total outstanding debt	54,899,745	60,027,123	12,358,036	11,670,000	67,257,781	71,697,123	(6%)
Compensated absences	609,923	401,142	33,885	32,956	643,808	434,098	48%
Total long-term debt	\$55,509,668	\$60,428,265	\$12,391,921	\$11,702,956	\$67,901,589	\$72,131,221	(6%)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The County's per capita personal income, as of the latest data available, was \$30,692 which ranked 29th in the State, 85% of the state average and 93% of the national average.
- Real estate tax rates were decreased to \$0.53 per \$100 of assessed value as a result of the biennial reassessment, however this rate will result in a 12% tax increase.
- Revenues generated from all general property taxes are budgeted at \$38.3 million, an 11% increase over the fiscal year 2006 budget.
- No changes in other tax rates.

- Increased funding for schools, including a 11% increase in the local contribution over the fiscal year 2006 budget.
- Addition of 4 sheriff's deputies and a \$5,000 annual supplement for each of the 37 deputies.
- Increase of nearly \$4 million dollars for capital projects, primarily related to economic development.

These indicators were taken into account when adopting the general operating and capital budgets for 2006-07. Amounts available for appropriation in the general fund budget are \$91,417,289, an increase of 16% over the 2005-06 budget of \$78,747,694. The County continues to enjoy a strong economy with positive demographic trends and management remains progressive and proactive with solid financial policies and a conservative debt borrowing policy.

OTHER FACTORS TO CONSIDER

The County of Isle of Wight 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. Accordingly, the County has adopted a strategic plan with action steps in nine goal areas that is reviewed and updated annually. The goal areas are as follows:

1. To effectively manage growth and preserve the quality of life and character of Isle of Wight and its communities through the County's Comprehensive Plan and governmental policies.
2. To maintain and improve the safety and free-flow of all forms of transportation throughout Isle of Wight consistent with the County's Comprehensive Plan.
3. To effectively and efficiently manage the County's financial operations to enhance the sound financial condition of Isle of Wight.
4. To proactively diversify and expand the County's economic base to provide a broad range of employment and commercial opportunities within the framework of the County's overall growth management goals.
5. To provide the best quality and comprehensive educational opportunities for all citizens in Isle of Wight County, in balance with available resources.
6. To protect the quality of the County's environmental and agricultural resources with high standards as identified in the County's Comprehensive Plan.
7. To provide excellence in public service with a responsive, professional and technologically innovative County government that is connected to its citizenry.
8. To protect and inspire future preservation of Isle of Wight's rich historical heritage and resources; additionally, to maintain and expand the County's recreational, cultural and social opportunities for all citizens.
9. To proactively engage in on-going, collaborative relationships with our Hampton Roads neighbors, and state and federal officials to enhance the effectiveness of our County government.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

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County of Isle of Wight, Virginia

Statement of Net Assets

June 30, 2006

Assets	Primary Government			Discretely Presented Component Units	
	Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
Cash and cash equivalents	\$ 30,977,882	\$ 4,382,145	\$ 35,360,027	\$ 4,880,223	\$ 1,882,605
Restricted cash	139,997	-	139,997	-	125,000
Receivables - net	2,486,766	123,463	2,610,229	34,127	-
Due from component unit	101,389	-	101,389	-	-
Due from primary government	-	-	-	377,827	-
Due from other governments	149,560	-	149,560	1,123,459	-
Inventory	28,940	47,190	76,130	71,090	-
Deferred charges	357,485	1,365,760	1,723,245	-	-
Capital lease receivable	-	-	-	-	315,712
Notes receivable	353,423	-	353,423	-	-
Capital assets:					
Nondepreciable	9,458,906	255,003	9,713,909	2,160,759	3,447,701
Depreciable - net	56,241,694	14,044,391	70,286,085	16,998,796	-
Total assets	\$ 100,296,042	\$ 20,217,952	\$ 120,513,994	\$ 25,646,281	\$ 5,771,018
Liabilities					
Accounts payable and other current liabilities	\$ 722,301	\$ 95,691	\$ 817,992	\$ 4,764,532	\$ 96,546
Due to component unit	377,827	-	377,827	-	-
Due to primary government	-	-	-	101,389	-
Due to other governments	7,311	-	7,311	-	-
Amounts held for others	-	79,406	79,406	-	125,000
Accrued payables	982,104	38,931	1,021,035	-	-
Deferred revenues	30,193	-	30,193	237,393	-
Noncurrent liabilities:					
Due within one year	4,824,638	520,348	5,344,986	46,092	19,307
Due in more than one year - net	51,405,695	12,098,008	63,503,703	414,826	267,200
Total liabilities	58,350,069	12,832,384	71,182,453	5,564,232	508,053
Net Assets					
Invested in capital assets - net of related debt	10,905,026	3,321,270	14,226,296	19,159,555	-
Restricted:					
Capital projects	6,545,309	911,938	7,457,247	-	-
Other purposes	139,997	-	139,997	765,713	-
Unrestricted	24,355,641	3,152,360	27,508,001	156,781	5,262,965
Total net assets	41,945,973	7,385,568	49,331,541	20,082,049	5,262,965
Total liabilities and net assets	\$ 100,296,042	\$ 20,217,952	\$ 120,513,994	\$ 25,646,281	\$ 5,771,018

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

Statement of Activities

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net Expenses, Revenues and Charges to Net Assets				
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
Primary Government									
Government activities:									
General government administration	\$ 5,600,635	\$ 64,564	\$ 163,134	\$ -	\$ 45,425,476	\$ -	\$ 45,425,476	\$ -	\$ -
Police administration	566,377	16,445	845,991	-	419,326	-	419,326	-	-
Public safety	5,682,664	520,715	1,527,461	-	4,535,491	-	4,535,491	-	-
Public works	3,963,269	4,320	9,554	-	3,958,096	-	3,958,096	-	-
Health and welfare	4,347,638	77,805	103,134	-	4,165,573	-	4,165,573	-	-
Education	19,036,668	-	-	-	19,036,668	-	19,036,668	-	-
Parks, recreation and cultural	1,941,482	243,788	49,715	-	1,748,573	-	1,748,573	-	-
Community development	1,548,527	2,314	654,498	-	691,715	-	691,715	-	-
Fines and forfeitures	-	64,466	-	-	64,466	-	64,466	-	-
Interest on long-term debt	10,243,574	-	-	-	10,243,574	-	10,243,574	-	-
Total governmental activities	49,167,065	1,017,146	3,196,313	-	49,556,612	-	49,556,612	-	-
Business-type activities:									
Public utility	3,247,260	1,661,115	-	-	-	(1,585,955)	(1,585,955)	-	-
Total business-type activities	3,247,260	1,661,115	-	-	-	(1,585,955)	(1,585,955)	-	-
Total primary government	\$ 49,414,325	\$ 2,078,261	\$ 3,196,313	\$ -	49,556,612	(1,585,955)	47,970,657	-	-
Component Units									
Isle of Wight Public Schools	\$ 10,701,274	\$ 911,964	\$ 27,567,542	-	-	-	-	(23,341,738)	-
Industrial Development Authority	35,254	9,996	-	-	-	-	-	-	(25,254)
Total component units	\$ 10,736,528	\$ 921,960	\$ 27,567,542	\$ -	-	-	-	(23,341,738)	(25,254)
General Revenues:									
General property taxes					30,592,628	-	30,592,628	-	-
Other local taxes					6,401,933	-	6,401,933	-	-
Permits, privilege fees and regulatory licenses					1,567,075	-	1,567,075	-	-
Fines and forfeitures					411	-	411	-	-
Revenues from use of money and property					1,022,794	21,183	1,043,977	53,448	738,297
Miscellaneous					33,463	2,965	36,389	47,407	-
Trip fees					-	2,793,660	2,793,660	-	-
Recovered costs					127,074	-	127,074	3,137,933	-
Revenue from the primary government:					-	-	-	19,954,415	-
Intergovernmental:									
Continued with					7,965,455	-	7,965,455	-	-
Transfers					2,925,754	-	2,925,754	2,557,373	371,421
Total general revenues, transfers and miscellaneous					48,758,714	2,815,908	51,574,622	25,752,553	1,109,718
Change in net assets					4,579,566	1,229,373	5,808,939	2,455,545	1,132,529
Net assets - beginning of year					37,166,467	6,155,492	43,321,899	17,647,244	4,169,436
Net assets - end of year					\$ 41,746,033	\$ 7,385,865	\$ 49,131,841	\$ 20,102,789	\$ 5,301,965

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

County of Isle of Wight, Virginia

Balance Sheet - Governmental Funds

June 30, 2006

Assets	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 23,908,567	\$ 6,545,309	\$ 524,006	\$ 30,977,882
Restricted cash	-	139,997	-	139,997
Receivables - net of allowance for uncollectibles:				
Taxes	658,732	-	-	658,732
Accounts	1,631,045	-	188,434	1,819,479
Notes/lease	286,506	66,917	-	353,423
Due from other funds	37,604	-	1,979	39,583
Due from component unit	101,389	-	-	101,389
Due from other governments	-	-	149,560	149,560
Inventory	-	-	28,940	28,940
Total assets	\$ 26,623,843	\$ 6,752,223	\$ 892,919	\$ 34,268,985
Liabilities				
Accounts payable	\$ 505,792	\$ 82,536	\$ 133,973	\$ 722,301
Due to other funds	1,979	18,000	19,604	39,583
Due to component unit	-	377,827	-	377,827
Due to other governments	7,311	-	-	7,311
Deferred revenues	298,021	-	-	298,021
Total liabilities	813,103	478,363	153,577	1,445,043
Fund Balances				
Fund balances				
Reserved:				
Inventory	-	-	28,940	28,940
Unreserved:				
Board designated	10,828,260	6,273,860	15,568	17,117,688
Undesignated	14,982,480	-	694,834	15,677,314
Total fund balances	25,810,740	6,273,860	739,342	32,823,942
Total liabilities and fund balances	\$ 26,623,843	\$ 6,752,223	\$ 892,919	\$ 34,268,985

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

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

June 30, 2006

**Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Assets**

Total fund balances - governmental funds	\$ 32,823,942
Amount reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	65,700,600
Some revenues were collected more than forty-five days after year-end and therefore are not available soon enough to pay for current-period expenditures	276,383
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(56,854,952)</u>
Total net assets - governmental activities	<u>\$ 41,945,973</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, 2006

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
General property taxes	\$ 31,455,053	\$ -	\$ -	\$ 31,455,053
Other local taxes	5,393,305	-	531,942	5,925,247
Permits, privilege fees and regulatory licenses	1,567,278	-	-	1,567,278
Fines and forfeitures	64,469	-	411	64,880
Revenues from use of money and property	1,118,244	104,550	-	1,222,794
Charges for services	523,256	-	123,580	646,836
Revenue from component unit	19,710	-	-	19,710
Miscellaneous	64,434	-	27,872	92,306
Recovered costs	380,125	-	127,074	507,199
Intergovernmental:				
Commonwealth	8,430,579	-	782,705	9,213,284
Federal	766,391	-	1,610,346	2,376,737
Total revenues	49,782,844	104,550	3,203,930	53,091,324
Expenditures				
Current:				
General government administration	4,653,439	48,162	-	4,701,601
Judicial administration	866,371	-	-	866,371
Public safety	4,260,282	1,449,260	488,014	6,197,556
Public works	3,780,746	293,093	-	4,073,839
Health and welfare	722,087	-	3,476,235	4,198,322
Education	16,654,576	3,356,785	-	20,011,361
Parks, recreation and cultural	1,300,577	606,549	152,709	2,059,835
Community development	1,501,480	11,274	-	1,512,754
Nondepartmental	1,534,907	-	-	1,534,907
Debt service:				
Principal retirement	4,452,197	-	77,315	4,529,512
Interest and other charges	2,360,650	-	12,935	2,373,585
Insurance costs	42,970	-	-	42,970
Total expenditures	42,130,282	5,765,123	4,207,208	52,102,613
Excess (deficiency) of revenues over expenditures	7,652,562	(5,660,573)	(1,003,278)	988,711
Other financing sources (uses)				
Operating transfers in	930,822	4,867,253	1,012,331	6,810,406
Operating transfers out	(5,944,141)	(1,237,685)	-	(7,181,826)
Proceeds from long-term debt	58,675	-	-	58,675
Total other financing sources (uses)	(4,954,644)	3,629,568	1,012,331	(312,745)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,697,918	(2,031,005)	9,053	675,966
Fund balances - beginning of year	23,112,822	\$ 8,304,865	\$ 730,289	\$ 32,147,976
Fund balances - end of year	\$ 25,810,740	\$ 6,273,860	\$ 739,342	\$ 32,823,942

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, 2006

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

Net change in fund balances - total governmental funds	\$ 675,966
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation and transfer to component unit exceeds capital outlays.	(188,358)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.	4,625,930
Landfill closure costs are recorded on the accrual basis of accounting in the statement of activities but on the modified accrual basis in the governmental funds. This is the net difference in the current year.	96,234
Certain changes in revenues are not reported as revenues in the government-wide financial statements.	(121,425)
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.	(208,781)
Change in net assets of governmental activities	\$ 4,879,566

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

*County of Isle of Wight, Virginia**Statement of Net Assets - Proprietary Fund***June 30, 2006**

Assets		Public Utilities
Current assets		
Cash and cash equivalents		\$ 4,382,145
Receivables - net		123,463
Total current assets		4,505,608
Noncurrent assets		
Inventory		47,190
Fixed assets - net of accumulated depreciation		14,299,394
Deferred charges - issuance and refunding costs		1,365,760
Total noncurrent assets		15,712,344
Total assets		\$ 20,217,952
Liabilities		
Current liabilities		
Accounts payable		\$ 95,691
Accrued interest payable		38,931
Amounts held for others		79,406
Bonds payable - current portion		516,959
Compensated absences - current portion		3,389
Total current liabilities		734,376
Noncurrent liabilities		
General obligation bonds payable - less current portion		11,841,077
Compensated absences - less current portion		30,496
Deferred charges - premium		226,435
Total noncurrent liabilities		12,098,008
Total liabilities		12,832,384
Net Assets		
Invested in capital assets - net of related debt		3,321,270
Restricted for capital projects		911,938
Unrestricted		3,152,360
Total net assets		7,385,568
Total liabilities and net assets		\$ 20,217,952

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

*County of Isle of Wight, Virginia**Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund***Year Ended June 30, 2006**

	Public Utilities
Operating revenues	
Charges for services	\$ 1,661,105
Miscellaneous	2,986
Total operating revenues	1,664,091
Operating expenses	
Current:	
Personnel services	484,157
Fringe benefits	141,213
Contractual services	197,957
Purchases	676,944
Other charges	435,890
Depreciation	817,235
Total operating expenses	2,753,396
Operating loss	(1,089,305)
Nonoperating revenues (expenses)	
Connection fees	2,790,662
Property rental	21,000
Interest earned on bond proceeds	383
Interest and fiscal charges	(422,456)
Amortization of deferred charges	(71,208)
Total nonoperating revenues	2,318,381
Change in net assets	1,229,076
Net assets - beginning of year	6,156,492
Net assets - end of year	\$ 7,385,568

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

*County of Isle of Wight, Virginia**Statement of Cash Flows - Proprietary Fund***Year Ended June 30, 2006**

	<u>Public Utilities</u>
Cash flows from operating activities	
Received from customers and users	\$ 1,798,510
Payments to suppliers for goods and services	(1,322,115)
Payments to employees	(624,441)
Net cash from operating activities	<u>(148,046)</u>
Cash flows from capital and related financing activities	
Bond refunding proceeds-net	1,243,622
Payment on bond principal	(554,829)
Interest paid on notes and bonds payable	(433,026)
Deferred charges	(1,210,533)
Connection fees received	2,790,662
Net cash from capital and related financing activities	<u>1,835,896</u>
Cash flows from investing activities	
Interest income	383
Property rental	21,000
Net cash from investing activities	<u>21,383</u>
Change in cash and cash equivalents	1,709,233
Cash and cash equivalents - beginning of year	<u>2,672,912</u>
Cash and cash equivalents - end of year	<u>\$ 4,382,145</u>
Reconciliation of operating loss to net cash	
from operating activities	
Operating loss	\$ (1,089,305)
Adjustments to reconcile to net cash from operating activities:	
Depreciation	817,235
Change in:	
Accounts receivable	124,413
Inventory	(16,443)
Amounts held for others	10,005
Accounts payable and accrued liabilities	6,049
Net cash from operating activities	<u>\$ (148,046)</u>

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

*County of Isle of Wight, Virginia**Statement of Fiduciary Net Assets***June 30, 2006**

		Special Welfare Agency Fund
Assets		
Cash		\$ 43,963
Total assets		\$ 43,963
Liabilities		
Amounts held for others		\$ 43,963
Total liabilities		\$ 43,963

		School Activity Agency Funds
Assets		
Cash		\$ 253,703
Total assets		\$ 253,703
Liabilities		
Amounts held for others		\$ 253,703
Total liabilities		\$ 253,703

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

Notes to Basic Financial Statements

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County of Isle of Wight, Virginia

Notes to Basic Financial Statements

June 30, 2006

I. Summary of Significant Accounting Policies

The financial statements presented for the *County of Isle of Wight, Virginia* (County) are prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant policies:

A. Government-Wide and Fund Financial Statements

In accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the basic financial statements are comprised of both government-wide and fund financial statements.

There are two basic government-wide statements, the statement of net assets and the statement of activities, which report information on all of the nonfiduciary activities of the County and its component units. These two statements report governmental activities, which are normally supported by taxes and intergovernmental revenues, and, separately, business-type activities, which rely primarily on fees and charges for services. Fiduciary activities are not reported in the government-wide statements because their resources are not available to support government programs. In addition to separately presenting business-type activities from governmental activities, the government-wide financial statements present a consolidated total column for the primary government, and, accordingly, the effect of interfund activity has been eliminated from these totals. However, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses of a function and the program revenues related to that function. Direct expenses are those that are specifically associated with a specific function or segment. Program revenues include a) fees, fines and charges paid by the recipients of goods or services offered by the function or segment and b) grants and contributions that are restricted to meet the operating or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements are provided to separately present governmental funds, proprietary funds and fiduciary funds (the latter being excluded from the government-wide financial statements, as noted above). Major individual governmental funds and major individual enterprise funds are reported separately in the fund financial statements with all other, smaller funds presented as combined totals.

B. Reporting Entity

The County's financial statements present the County and its component units as required by GASB Statement No. 14, *The Financial Reporting Entity*. That statement established standards for defining a financial reporting entity. A financial reporting entity consists of a primary government (County) and any legally separate organization (component unit) for which that primary government is financially accountable. Financial accountability is defined in Statement No. 14 as (a) the ability to appoint the component unit's governing board, (b) the component unit's fiscal dependence upon the primary government, and (c) the potential that exclusion of such a component unit would result in misleading financial reporting. Therefore, the County includes the Isle of Wight School Board (School Board) and the Industrial Development Authority of Isle of Wight County (Authority or IDA) as separate and discretely presented component units of the County's reporting entity.

The School Board operates the elementary and secondary public schools in the County. The School Board is fiscally dependent upon the County because the County approves all debt issuances of the School Board and provides significant funding to operate the public schools since the School Board does not have separate taxing authority. The School Board does not issue a separate financial report. The financial statements of the School Board are presented as a discrete presentation within the County's financial statements.

The Isle of Wight County Industrial Development Authority holds certain real property that is being developed into an industrial park. The land was purchased by the County for the Authority. The Authority does not issue a separate financial report. The financial statements of the Authority are also presented as a discrete presentation within the County's financial statements.

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

The government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus attempts to match revenues and related costs. The accrual basis of accounting recognizes revenues as they are earned and expenses are recognized when a liability is incurred.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus does not attempt to match revenues and related costs; instead the focus is on increases and decreases in current financial resources. The modified accrual basis of accounting recognizes revenue when measurable and available. That is, revenues are recognized to the degree they are available to finance expenditures of the current fiscal period. Generally, revenues are considered available to be used to pay liabilities of the current period if they are collected within the current period or within 45 days thereafter. Real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible accounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County. Revenues from licenses, permits, fines and rents are recorded when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or when related eligible expenditures are incurred. Revenues from general-purpose grants are recognized in the period to which the grant applies. Expenditures, other than interest on long-term debt, are recorded as the related fund liabilities are incurred. Interest on long-term debt is recognized when due, except for interest due on July 1, which is accrued.

With the fund financial statements, two reconciliations are provided to explain the difference between the fund financial statements and the government-wide financial statements caused by these differences in measurement focus and basis of accounting.

The County and its component units report the following major governmental funds:

General Fund

General Funds are the general operating funds of the County and the School Board. These funds account for all revenues and expenditures of the County and School Board that are not accounted for in the other funds.

Capital Projects Funds

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County and its component units report the following nonmajor governmental funds:

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes.

The County reports the following proprietary fund:

Public Utilities Fund

The Public Utilities Fund accounts for water and sewer operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is for the cost of providing these services to be financed or recovered through user charges.

The County, including its component units, reports the following additional fund types:

Internal Service Fund

The Internal Service Fund of the School Board accounts for the financing of healthcare benefits to School Board employees on a cost-reimbursement basis.

Agency Funds

These funds are custodial in nature and do not involve measurement of results of operations.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and investments with original maturities of 90 days or less, and, in accordance with the *Code of Virginia*, all certificates of deposit. Accordingly, certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

E. Investments

Investments are stated at fair value.

F. Property Taxes

Real property is assessed at its value on July 1. Real estate taxes are payable the following December 5th and June 5th. Personal property is assessed at its value on January 1, the property taxes attach as an enforceable lien on property as of January 1, and are payable on the following December 5th.

G. Allowance For Uncollectible Accounts

Provision for uncollectible property taxes is based upon a historical percentage of accounts written off applied to the total levies of all years carried in taxes receivable and, in certain cases, specific account analysis. An allowance is also provided for accounts receivable of the Public Utilities Fund based on historical data. At June 30, 2006, the allowance for property taxes was \$974,103 and \$42,783 for the accounts receivable of the Public Utilities Fund.

H. Inventory

Inventory consists of materials and supplies held for future use and is stated using the first-in, first-out cost method.

I. Capital Assets

Capital assets include land and land improvements, buildings and building improvements, equipment, and vehicles. Any asset or group of assets acquired by the County that has a useful life in excess of two years and an acquisition cost (or fair market value when received) of at least \$5,000 are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

Such assets are recorded at historical cost (or estimated historical cost) if constructed or purchased. Donated capital assets are recorded at fair market value at the date of donation. Capital assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows:

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

J. Compensated Absences

County employees, including employees of component units, 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 then current rates of pay. In the governmental fund types of the fund financial statements, including the component units, the cost of vacation and sick leave is only recognized when payments are made to employees. However, in the proprietary funds' financial statements and in the government-wide financial statements, the liability for accrued vacation and sick leave benefits representing the County's commitment to fund such costs from future operations is recognized in full as vested.

K. Fund Equity

In the fund financial statements, governmental funds report "reservations" of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties. "Designations" of fund balances represent tentative management plans that are subject to change.

L. Estimates

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

M. Credit Risk

While the assessed value of real estate for the County's ten largest taxpayers comprises 7.65% 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.

2. Investments

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 corporation; high quality commercial paper and bankers' acceptances; repurchase agreements and certificates of deposit of Virginia banks and savings institutions; and the State Treasurer's Local Government Investment Pool (Virginia LGIP, a 2a-7 like pool) and State Non-Arbitrage Program. The maximum percentage of the portfolio permitted in commercial paper is 35% and not more than 5% can be in commercial paper issued by one corporation.

Credit Risk

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 Investor's Service. Bankers' acceptances must be rated no lower than "B/C" by Keefe, Bruyette and Woods.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the County's 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 investment portfolio may not exceed 12 months.

Proceeds from 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.

As of June 30, 2006, the carrying values of the County's investments along with its cash on hand and deposit accounts, all of which are considered cash and cash equivalents, were as follows:

Deposits:

Demand deposits	\$ 16,765,416
Cash on hand	13,095

Investments:

Virginia LGIP	18,581,516
U. S. Treasury bills	139,997

Total deposits and investments	\$ 35,500,024
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Reconciliation to Statement of Net Assets

Cash and cash equivalents	35,360,027
Investments	139,997
	\$ 35,500,024

Custodial Credit Risk

The Policy requires all investment securities purchased by the County with maturities greater than thirty days be held by a third-party custodial agent, except those insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation and those collateralized according to the provisions of the Virginia Security for Public Deposit Act and the requirements of the State Treasury Board Regulations.

3. Interfund Transactions

A. Due From Other Governments

	Primary Government	Component Unit - School Board	Totals
Commonwealth of Virginia	\$ -	\$ 604,828	\$ 604,828
Federal Government	136,324	490,483	626,807
Town of Windsor	3,209	-	3,209
Town of Smithfield	10,027	-	10,027
Southeastern Cooperative Educational Programs	-	15,017	15,017
P.D. Pruden Center	-	13,131	13,131
Totals	\$ 149,560	\$ 1,123,459	\$ 1,273,019

B. Due To/From Other Funds and Primary Government/Component Units

	Due from Other Funds	Due to Other Funds
Primary Government		
General Fund		
Capital Projects Fund	\$ 18,000	\$ -
Special Revenue Fund	19,604	1,979
Component Unit - School Operating Fund	101,389	-
Capital Projects Fund		
General Fund	-	18,000
Component Unit - School Capital Projects Fund	-	377,827
Special Revenue Fund:		
General Fund	1,979	19,604
Component Unit		
Primary Government - General Fund	-	101,389
Primary Government - Capital Projects Fund	377,827	-
	<u>\$ 518,799</u>	<u>\$ 518,799</u>

C. Interfund Transactions**Interfund Operating Transfers**

The following interfund operating transfers occurred during the year ended June 30, 2006:

	Due from Other Funds	Due to Other Funds
Primary Government		
General Fund	\$ 930,822	\$ 5,944,141
Capital Projects Fund	4,867,253	1,237,685
Special Revenue Funds:		
Social Services	742,445	-
Comprehensive Services	215,280	-
VIIDA	14,455	-
County Fair	11,000	-
E-911	29,151	-
Total primary government	<u>6,810,406</u>	<u>7,181,826</u>
Component Unit - IDA	<u>371,420</u>	<u>-</u>
	<u>\$ 7,181,826</u>	<u>\$ 7,181,826</u>

Transfers Between Primary Government and Component Units

The following shows all transfers that took place between the primary government and its component units during the year ended June 30, 2006:

	Transfers In	Transfers Out
Primary Government		
General Fund	\$ -	\$ 16,999,052
Capital Projects Fund	-	3,356,788
	-	<u>20,355,840</u>
Discretely Presented Component Units		
School Board:		
School Operating Fund	16,627,632	-
School Capital Projects Fund	3,356,788	-
	<u>19,984,420</u>	-
Industrial Development Authority	371,420	-
	<u>\$ 20,355,840</u>	<u>\$ 20,355,840</u>

4. Notes Receivable

A. Acquisition Notes

The County agreed to loan the IDA \$358,000 to finance the acquisition of an office building by the IDA. Interest on the outstanding principal balance of the note is due at a rate of 7.00% per annum. The outstanding principal balance of the note receivable at June 30, 2006 is \$286,506.

B. Rehabilitation Notes

The Community Development Block Grant Program has made rehabilitation loans to individuals which are repayable in monthly installments with interest at 6%. The following is a summary of rehabilitation loan transactions for the fiscal year ended June 30, 2006:

Rehabilitation notes receivable at July 1, 2005	\$ 84,084
Additional loans during 2006	14,278
Principal repayments	<u>(31,445)</u>
Rehabilitation notes receivable at June 30, 2006	<u>\$ 66,917</u>

These notes are included in "notes receivable" of the Capital Projects Fund.

5. Lease Receivable

The IDA leases the office building discussed in Note 4.A. to International Paper. The agreement calls for the purchase of this office building by International Paper for \$1 at the end of the lease and has, therefore, been treated as a direct financing lease transaction. The following schedule summarizes the total future minimum lease payments:

Year	
2007	41,184
2008	41,184
2009	41,184
2010	41,184
2011	41,184
2012-2017	236,812
Total minimum lease payments	442,732
Less - amount representing interest	(127,020)
Present value of future payments (principal)	\$ 315,712

6. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
Primary Government				
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 3,737,399	\$ 605,838	\$ -	\$ 4,343,237
Construction in progress	26,446,577	692,215	22,023,123	5,115,669
Total capital assets not being depreciated	30,183,976	1,298,053	22,023,123	9,458,906
Capital assets being depreciated:				
Buildings	42,897,441	22,720,327	4,025,111	61,592,657
Land improvements	877,315	10,868	-	888,183
Equipment	1,319,739	1,683,350	28,000	2,975,089
Vehicles	2,534,841	345,983	240,000	2,640,824
Total capital assets being depreciated	47,629,336	24,760,528	4,293,111	68,096,753
Less - accumulated depreciation				
Buildings	9,368,206	1,185,662	1,467,172	9,086,696
Land improvements	446,948	40,264	-	487,212
Equipment	378,448	143,793	560	521,681
Vehicles	1,730,752	268,718	240,000	1,759,470
Total accumulated depreciation	11,924,354	1,638,437	1,707,732	11,855,059
Total capital assets being depreciated - net	35,704,982	23,122,091	2,585,379	56,241,694
Governmental activities capital assets - net	\$ 65,888,958	\$ 24,420,144	\$ 24,608,502	\$ 65,700,600

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 157,240	\$ -	\$ -	\$ 157,240
Construction in progress	131,683	-	33,920	97,763
Total capital assets not being depreciated	<u>288,923</u>	<u>-</u>	<u>33,920</u>	<u>255,003</u>
Capital assets being depreciated:				
Buildings	8,031,327	-	-	8,031,327
Land improvements	11,401,736	-	-	11,401,736
Equipment	340,057	33,164	-	373,221
Vehicles	253,253	-	7,200	246,053
Total capital assets being depreciated	<u>20,026,373</u>	<u>33,164</u>	<u>7,200</u>	<u>20,052,337</u>
Less - accumulated depreciation				
Buildings	1,449,603	160,333	-	1,609,936
Land improvements	3,510,228	582,589	-	4,092,817
Equipment	89,854	48,442	-	138,296
Vehicles	148,226	25,871	7,200	166,897
Total accumulated depreciation	<u>5,197,911</u>	<u>817,235</u>	<u>7,200</u>	<u>6,007,946</u>
Total capital assets being depreciated - net	<u>14,828,462</u>	<u>(784,071)</u>	<u>-</u>	<u>14,044,391</u>
Business-type activities capital assets - net	<u>\$ 15,117,385</u>	<u>\$ (784,071)</u>	<u>\$ 33,920</u>	<u>\$ 14,299,394</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities	
General Government Administration	\$ 103,625
Public Safety	255,624
Public Works	137,112
Health and Welfare	40,068
Culture and Recreation	73,902
Community Development	35,773
Education	992,333
Total depreciation expense - governmental activities	<u>\$ 1,638,437</u>
Business-type activities	
Administration	\$ 58,551
Water	369,876
Sewer	388,808
Total depreciation expense - business-type activities	<u>\$ 817,235</u>

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
Discretely Presented Component				
Units – School Board				
Capital assets not being depreciated:				
Land	\$ 1,619,726	\$ -	\$ -	\$ 1,619,726
Construction in progress	500,000	541,033	500,000	541,033
Total capital assets not being depreciated	2,119,726	541,033	500,000	2,160,759
Capital assets being depreciated:				
Buildings	20,273,100	3,945,946	-	24,219,046
Land improvements	1,275,517	26,818	-	1,302,335
Equipment	3,996,730	1,836,363	-	5,833,093
Vehicles	4,908,700	55,931	27,000	4,937,631
Total capital assets being depreciated	30,454,047	5,865,058	27,000	36,292,105
Less - accumulated depreciation				
Buildings	10,173,009	1,885,014	-	12,058,023
Land improvements	854,323	49,878	-	904,201
Equipment	1,756,168	613,362	-	2,369,530
Vehicles	3,663,220	325,335	27,000	3,961,555
Total accumulated depreciation	16,446,720	2,873,589	27,000	19,293,309
Total capital assets being depreciated - net	14,007,327	2,991,469	-	16,998,796
School Board capital assets - net	\$ 16,127,053	\$ 3,532,502	\$ 500,000	\$ 19,159,555
Industrial Development Authority				
Capital assets not being depreciated:				
Land	\$ 1,344,813	\$ -	\$ 312,957	\$ 1,031,856
Construction in progress	2,006,630	409,215	-	2,415,845
Total capital assets not being depreciated - net	\$ 3,351,443	\$ 409,215	\$ 312,957	\$ 3,447,701

Construction Commitments

Project:	Spent-to-date	Remaining Commitment
CDSID Industrial Project - STII Phase II	\$ 4,846,854	\$ 473,338
Emergency Radio System	1,392,545	45,506
Carrollton Volunteer Fire Department Renovations	1,634,347	6,102
Central County Park	2,020,741	651,189
Roof Replacement - Paul D. Camp/Smithfield Library	145	34,855
Flouride Removal	1,058,544	598,810
Carrsville Water System Improvements	97,688	389,259
Old Jail Renovation	445	27,555
Knucle Boom Truck	116	104,116
	\$ 11,051,425	\$ 2,330,730

7. Noncurrent Liabilities

The following is a summary of changes in noncurrent liabilities during the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 55,840,000	\$ 3,322,134	\$ 8,015,141	\$ 51,146,993	\$ 4,388,041
Literary loans	3,850,000	-	350,000	3,500,000	250,000
Capital leases	282,790	-	77,315	205,475	81,706
Note payable	54,333	-	7,056	47,277	7,266
Compensated absences	401,142	208,781	-	609,923	49,770
Closure costs	355,241	56,142	152,376	259,007	47,855
Deferred charges - bond premiums	415,224	75,703	29,269	461,658	-
Total Governmental Activities	\$ 61,198,730	\$ 3,662,760	\$ 8,631,157	\$ 56,230,333	\$ 4,824,638
Business-Type Activities					
General obligation bonds	\$ 11,670,000	\$ 10,557,866	\$ 9,869,830	\$ 12,358,036	\$ 516,959
Compensated absences	32,596	1,289	-	33,885	3,389
Deferred charges - bond premiums	49,501	240,380	63,446	226,435	-
Total Business-Type Activities	\$ 11,752,097	\$ 10,799,535	\$ 9,933,276	\$ 12,618,356	\$ 520,348
Discretely Presented Component Units					
School Board					
Compensated absences	\$ 452,217	\$ 8,701	\$ -	\$ 460,918	\$ 46,092
Industrial Development Authority					
Note payable	\$ 304,574	\$ -	\$ 18,067	\$ 286,507	\$ 19,307

A. General Obligation Bonds

General Obligation Bonds are backed by the full faith and credit of the County. There are no sinking fund requirements.

In August 2005, the primary government issued \$13,880,000 of General Obligation Bonds at a premium of \$316,290, with interest calculated at 3.00% to 5.00% per annum. Principal payments are due in annual installments and interest payments are made in semi-annual installments. The bonds will mature in 2022. The premium is being amortized over the life of the bond and is included in the related debt in the statement of net assets. The proceeds were used for the purpose of advance refunding of a portion of the outstanding balance of 1995 and 1997 Series Bonds. The net proceeds from the refunding portion of this General Obligation Bond was deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1995 and 1997 Series Bond. As a result, that portion of the 1995 and 1997 Series Bonds was considered to be defeased and the liability for those bonds was removed from the General Obligation Bonds outstanding. As of June 30, 2006, the remaining outstanding balance of the defeased bonds was \$13,235,000. The defeasance resulted in net present value savings of \$737,720, or 5.574% of the par amount of the refunded bond.

In May 2004, the primary government issued \$28,870,000 of General Obligation Bonds at a premium of \$332,520, with interest calculated at 3.00% to 5.00% per annum. Principal payments are due in annual installments and interest payments are made in semi-annual installments. The bonds will mature in 2024. The premium is being amortized over the life of the bonds and is included in the related debt in the statement of net assets. Of this bond issue, \$23,700,000 was used to finance construction of a new school building. The remaining portion was issued for the purpose of advance refunding the outstanding balance of a 1995 Series Bond. The net proceeds from the refunding portion of this General Obligation Bond was deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1995 Series Bond. As a result, the 1995 Series Bond was considered to be defeased and the liability for this bond was removed from the General Obligation Bonds outstanding. As of June 30, 2006, the remaining outstanding balance of the defeased bonds was approximately \$5,000,000. The defeasance resulted in net present value savings of \$168,650, or 4.381% of the par amount of the refunded bonds.

In February 2003, the primary government issued \$18,140,000 of General Obligation Bonds at a premium of \$136,420, with interest calculated at 2.00% to 4.5% per annum. Principal payments are made in annual installments and interest payments are made in semi-annual installments. The bonds will mature in 2023. The premium will be amortized over the life of the bonds and is included with the related debt in the statement of net assets. Of this bond issue, \$8,815,000 was used to finance various capital improvements. The remaining \$9,325,000 was issued for the purpose of advance refunding \$9,050,000 of outstanding 1991, 1993, and 1994 Series Bonds. The net proceeds from the refunding portion of these General Obligation Bonds were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on \$9,050,000 of the \$10,100,000 1991, 1993, and 1994 Series Bonds. As a result, \$9,050,000 of the 1991, 1993, and 1994 Series Bonds were considered to be defeased and the liability for these bonds was removed from the General Obligation Bonds outstanding. The remaining \$1,050,000 was paid out from July 1, 2003 to June 30, 2004. Each of the three defeased bonds have now been retired. The defeasance resulted in a reduction of total debt service payments over the next 9 years by an average of \$39,000 per year.

Other General Obligation Bonds outstanding as of June 30, 2006 are:

\$7,860,000 General Obligation Refunding Bond, issued December 15, 1996, bonds bearing interest varying from 4.05% to 5.15%, maturing December 15, 2010. (Debt service allocated between the primary government - \$2,279,400 and the Component Unit - School Board - \$5,580,600).

\$1,305,000 Refunding Series 1994B, bonds bearing interest at 7.54%, maturing December 15, 2008, (\$75,000 annually until final 4 years, then \$25,000 annually).

\$8,100,000 issued June 1, 1995, bonds bearing interest at 4.10% to 6.10%, maturing July 1, 1996 to 2013, with semi-annual payments varying from \$150,000 to \$900,000.

\$7,860,000 General Obligation Bond Refunding, issued December 15, 1996, bonds bearing interest varying from 4.05% to 5.15%, maturing December 15, 2010 with semi-annual principal payments varying from \$150,000 to \$700,000 (debt service allocated between primary government - \$2,261,875 and the Component Unit - School Board - \$5,598,125).

\$5,800,000 issued December 1, 1997, bonds bearing interest at 4.70% to 5.75%, maturing each June 1 and December 1 through 2017, with semi-annual principal payments varying from \$200,000 to \$400,000.

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

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 4,388,041	\$ 2,119,806	\$ 516,959	\$ 467,168
2008	3,631,658	2,125,007	713,372	281,728
2009	3,754,999	1,996,840	745,001	245,632
2010	4,072,525	1,668,638	572,475	396,328
2011	4,239,775	1,542,834	635,225	335,125
2012-2016	13,333,250	5,590,950	3,511,750	1,307,318
2017-2021	9,971,745	3,098,073	3,938,254	681,695
2022-2025	7,755,000	747,447	1,725,000	69,700
	<u>\$ 51,146,993</u>	<u>\$ 18,889,595</u>	<u>\$ 12,358,036</u>	<u>\$ 3,784,694</u>

B. Literary Loans

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

The following is a summary of the repayment schedules:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2007	\$ 250,000	\$ 105,000
2008	250,000	97,500
2009	250,000	90,000
2010	250,000	82,500
2011	250,000	75,000
2012-2016	1,250,000	262,500
2017-2020	1,000,000	75,000
	<u>\$ 3,500,000</u>	<u>\$ 787,500</u>

C. Compensated Absences

Compensated absences are typically liquidated by the County's general fund for governmental activities and the operating fund for the School Board.

D. Notes Payable

The note payable of governmental type activities is a taxable-refunding note used to refinance the Virginia Retirement System (VRS) obligation incurred by the School Board in a one-time early retirement incentive program offered by VRS during fiscal year 1992. Payments are being made in semiannual installments plus interest at 6.27% per annum.

The note payable of the IDA is the note to the general fund used to finance the construction of the office building leased by the IDA to International Paper. This note is payable in annual installments plus interest at 7.00% per annum.

The following is a summary of the repayment schedules:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2007	\$ 7,266	\$ 2,870
2008	7,490	2,384
2009	7,726	1,885
2010	7,985	1,368
2011	8,258	834
2012-2015	8,552	281
	\$ 47,277	\$ 9,622

Fiscal Year Ending June 30,	Component Unit Industrial Development Authority	
	Principal	Interest
2007	\$ 19,307	\$ 18,471
2008	20,630	17,148
2009	22,045	15,733
2010	23,556	14,222
2011	25,171	12,606
2012-2016	154,237	34,653
2017	21,560	481
	\$ 286,506	\$ 113,314

8. Leases

The County leases equipment under a capital lease agreement. A summary of future minimum lease payments under the capital lease together with the present value of the total minimum lease payments as of June 30, 2006 is as follows:

Fiscal Year Ending June 30,	Governmental Activities
2007	\$ 90,250
2008	63,084
2009	57,651
2010	9,609
Total minimum lease payments	220,594
Less amount representing interest	(15,119)
Present value principal	\$ 205,475

The recorded cost of capital assets under the capital lease agreement is \$393,827. Accumulated depreciation on these capital assets at June 30, 2006 is \$136,472.

9. Defined Pension Benefit Obligation

A. Plan Description

The County contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the VRS. In addition, professional and nonprofessional employees of the School Board are covered by the VRS. Professional employees participate in a VRS statewide teacher cost-sharing pool and nonprofessional employees participate as a separate group in the agent and cost sharing multiple-employer defined benefit pension plan administered by the VRS.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating local law enforcement officers, firefighters, and sheriffs - LEO's) or at age 50 with at least 30 years of service for participating employers (age 50 with 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for an annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation.

Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the VRS. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. This 5% member contribution has been assumed by both the County and School Board. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by statute and approved by the VRS Board of Trustees. The County and School Board's contribution rate for the year ended June 30, 2006, was 1.50% and 9.75%, respectively, of annual covered payroll. The School Board's required employer contributions to the teacher cost-sharing pool for all professional employees for the fiscal years ended June 30, 2006, 2005, and 2004 were \$2,628,625, \$2,335,982, and \$1,706,970, respectively. The School Board contributed 100% of required contributions to the pool for the fiscal year ended June 30, 2006, and each of the two preceding fiscal years.

C. Annual Pension Cost

For the fiscal year ended June 30, 2006, the County and School Board's annual pension costs of \$515,137 and \$197,971, respectively, were equal to the County and School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return, (b) projected salary increases of 3.50% to 5.73%, and (c) 2.50% per year cost-of-living adjustment. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the County and School Board's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payrolls on an open basis within a period of 30 years or less.

D. Schedules of Employer Contributions

	Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
County employees	2006	\$ 515,137	100.00 %	\$ -
	2005	\$ 468,725	100.00 %	\$ -
	2004	\$ 360,048	100.00 %	\$ -
School Board nonprofessional employees	2006	\$ 197,971	100.00 %	\$ -
	2005	\$ 199,867	100.00 %	\$ -
	2004	\$ 184,732	100.00 %	\$ -

E. Schedules of Funding Progress

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Over (Under) Funded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Over (Under) Funded Liability as Percentage of Payroll
County employees	06/30/05	\$ 17,425,682	\$ 19,283,630	\$ (1,857,948)	90.37%	\$ 7,332,113	(25.34%)
	06/30/04	\$ 16,822,166	\$ 16,276,480	\$ 545,686	103.35%	\$ 6,425,477	8.49%
	06/30/03	\$ 16,388,230	\$ 14,261,218	\$ 2,127,012	114.91%	\$ 6,022,188	35.32%
School Board nonprofessional employees	06/30/05	\$ 2,970,946	\$ 3,955,050	\$ (984,104)	75.12%	\$ 1,412,766	(69.66%)
	06/30/04	\$ 2,859,269	\$ 3,716,570	\$ (857,301)	76.93%	\$ 1,313,565	(65.27%)
	06/30/03	\$ 2,783,080	\$ 3,455,183	\$ (672,103)	80.55%	\$ 1,286,537	(52.24%)

F. Notes to Schedule of Employer Contributions and Funding Progress

The information presented in the schedules of employer contributions and funding progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Payroll growth rate	3%
Remaining amortization period	21 Years
Asset valuation method	Modified Market
Actuarial assumptions:	
Investment rate of return *	7.50%
Projected salary increases: *	
Non-LEO	3.50% to 5.73%
LEO employees	3.50% to 4.71%
Cost of living adjustment	2.50%

** Includes inflation of 2.50%*

10. Commitments and Contingent Liabilities

A. Post Closure Landfill Costs

State and federal laws and regulations require the County to perform certain continuing maintenance and monitoring functions subsequent to the closure of a landfill site. The County ceased accepting solid waste at its landfill in 1987 and completed initial closure measures in that same year. The County closed its landfill prior to the date mandated by state and federal laws and regulations, and, therefore, is only liable for post-closure monitoring for a limited period. During fiscal year 2005, 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 Department of Environmental Quality. The estimated total cost of the post-closure monitoring and maintenance of \$259,007 was based on the expected cost for all equipment, facilities and services required to monitor and maintain the former landfill. Because the County is subject to ground water monitoring, the County provided additional financial assurance in the amount of \$1,000,000. However, the actual cost of post-closure monitoring and maintenance may be higher due to inflation, changes in technology or changes in landfill laws and regulations. For the year ended June 30, 2006, the County expended \$44,850 in post-closure costs. It is estimated the remaining balance of the estimated costs will be recognized as post-closure costs between June 30, 2006 and the date post-closure requirements expire.

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 worker's compensation, the County participates with other localities through the Virginia Municipal League in a public entity risk pool. The County pays an annual premium to the pool for its share of the cost of the insurance. The County and School Board continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School Health Benefits Internal Service Fund was established to account for the School Board's group health insurance. The School Board provides insurance benefits from this fund through its third-party administrator. The School Board pays the basic premiums for the employees' coverage into the fund and allows employees to select additional benefits for themselves and their dependents with premiums paid by the employees for such additional benefits. Contracted insurance providers receive disbursements from the Fund based on monthly enrollment and premium calculations. All funds are available to pay claims, claim reserves and administrative costs of the program. The medical claims liability includes an estimate of \$360,240 for incurred but not reported claims.

Subsequent to year end (in October 2006), the County declared a local emergency due to heavy rains, flooding and wind damage incurred from an unnamed storm system. The County estimates a property insurance claim of approximately \$200,000 unless the County receives funding from the Commonwealth of Virginia.

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.

11. Surety Bonds

The Commonwealth of Virginia, Department of General Services, Division of Risk Management
- Faithful Performance Bond:

Clerk of the Circuit Court	\$	103,000
Treasurer	\$	400,000
Commissioner of the Revenue	\$	450,000
Sheriff	\$	30,000
Employees of Constitutional Officers - Blanket Bond	\$	500,000

Virginia Risk 2 Pool:

Social Service employees - blanket bond	\$	1,000,000
County employees - blanket bond	\$	1,000,000
Superintendent of Schools	\$	10,000
Clerk of School Board	\$	10,000
Finance Director for School Board	\$	10,000

12. Jointly Governed Organizations

The County, in conjunction with other localities, has created the Western Tidewater Water Authority, the Western Tidewater Regional Jail Authority, the Blackwater Regional Library and the Western Tidewater Community Services Board. The governing bodies of these organizations are appointed by the governing bodies of the participating jurisdictions. During the fiscal year ended June 30, 2006, the County contributed \$149,570 to the operations of the Western Tidewater Community Services Board and \$388,000 to the Blackwater Regional Library. Additionally, the County amended its agreement with the Western Tidewater Water Authority (Authority) primarily for the purposes of extending the Crittenden well and pipeline, to expand Suffolk's water treatment facilities and to acquire additional water sources beyond 2015 to meet public demand. As a result of this amendment, previous loans to the Authority in the amount of \$375,000 were converted to capital contributions to the Authority effective July 1, 2006. Accordingly, the receivable due from the Authority was expensed as of June 30, 2006.

13. Annexation Agreement

The County has entered into an agreement with the City of Franklin (City) whereby the City waived any and all of its rights and power to seek the annexation of the County's territory within a designated area adjacent to the City. In return, the County agreed to share with the City all local tax revenues collected by the County within the designated area using a predetermined formula.

For the year ended June 30, 2006, the payment made to the City of Franklin totaled \$1,058,207.

14. Deferred Revenues

Deferred revenues in the fund financial statements represent amounts for which, under the modified accrual basis of accounting used for those financial statements, asset recognition criteria have been met, but for which revenue recognition criteria have not been met (i.e., such amounts are measurable, but not available). At June 30, 2006, deferred revenues totaled \$298,021. Of this amount, \$267,828 represents uncollected tax billings not available for funding of current expenditures and \$30,193 represents the receipt of payments on a tax assessment not yet due.

15. Personal Property Tax Relief Act of 1998

The Commonwealth of Virginia enacted the Personal Property Tax Relief Act in 1998. The effect of the legislation has been a decline in local personal property tax revenues with a corresponding increase in intergovernmental revenues from the Commonwealth of Virginia. In the fiscal year ended June 30, 2006, the effect of the legislation shifted \$5,575,405 from general property taxes to state revenue. The amount of payments to the County is 100% of the tax on qualifying vehicles with a value of \$1,000 or less. For each qualifying vehicle with a value of more than \$1,000, but not more than \$20,000, the reimbursement as of June 30, 2006, was legislated at 70% of the tax.

Effective in fiscal year 2007, the Commonwealth will provide a predetermined fixed dollar amount to the County based on the 2005 tax collections. As the County's population continues to grow, the amount of tax relief provided by this fixed dollar amount (as a percent of the total assessment) will decrease, thereby shifting a great percentage of the tax burden back to the taxpayer. The County estimates the percent of relief provided by this fixed dollar amount for fiscal year 2007 will be 60%, versus the current 70%.

16. Public Utilities

To subsidize the operations of the Public Utilities Fund, the General Fund has been providing operating transfers to the Public Utilities Fund since 1994. As of June 30, 2006, such transfers have amounted to \$4,613,098. While no repayment schedule has been established, it is the intention of the County to have the Public Utilities Fund reimburse the General Fund for these transfers at such time as the operations of the Public Utilities Fund enable it to do so.

17. Accounting Changes

The County implemented GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section* and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* during the fiscal year ended June 30, 2006. There is no fiscal impact on the financial statements as a result of these changes.

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Required Supplementary Information

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County of Isle of Wight, Virginia

Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Government				
General fund:				
Revenue from local sources:				
General property taxes:				
Real property	\$ 16,708,802	\$ 16,708,802	\$ 17,870,791	\$ 1,161,989
Real and personal public service corporation property	1,300,000	1,300,000	1,391,517	91,517
Personal property	9,900,000	9,900,000	5,126,801	(4,773,199)
Boat	-	-	198,969	198,969
Mobile home	180,000	180,000	164,645	(15,355)
Machinery and tools	6,100,000	6,100,000	6,372,676	272,676
Penalties	200,000	200,000	223,455	23,455
Interest and other costs	100,000	100,000	106,199	6,199
Total general property taxes	34,488,802	34,488,802	31,455,053	(3,033,749)
Other local taxes:				
Local sales and use	1,700,000	1,700,000	1,842,461	142,461
Consumer's utility	790,000	790,000	925,539	135,539
Lodging	40,000	40,000	26,313	(13,687)
Business license	350,000	350,000	467,618	117,618
Motor vehicle licenses	445,000	445,000	470,928	25,928
Franchise licenses (cable)	85,000	85,000	99,783	14,783
Recordation and wills	450,000	450,000	867,450	417,450
Consumption	439,000	439,000	494,399	55,399
Meals Tax	150,000	150,000	198,814	48,814
Total other local taxes	4,449,000	4,449,000	5,393,305	895,491
Permits, fees and licenses:				
Animal licenses	13,000	13,000	10,790	(2,210)
Transfer fees	1,000	1,000	1,675	675
Zoning and subdivision fees	100,000	100,000	171,126	71,126
Building permits	375,000	375,000	503,052	128,052
Concealed weapon permits	3,000	3,000	4,888	1,888
Cash proffers	500,000	500,000	875,747	375,747
Total permits, fees and licenses	992,000	992,000	1,567,278	575,278
Fines and forfeitures	36,000	36,000	64,469	28,469
Total fines and forfeitures	36,000	36,000	64,469	28,469
Revenues from use of money and property:				
Revenues from use of money	210,000	210,000	1,022,083	812,083
Revenues from use of property	86,000	86,000	96,161	10,161
Total revenues from use of money and property	296,000	296,000	1,118,244	822,244
Miscellaneous:				
Miscellaneous	68,000	91,411	30,793	(60,618)
Gifts and donations	-	35,111	33,641	(1,470)
Revenue from component units	19,000	19,000	19,710	710
Total miscellaneous	87,000	145,522	84,144	(61,378)

County of Isle of Wight, Virginia

Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Government (Continued)				
General fund: (Continued)				
Charges for services:				
Court costs	36,500	36,500	44,903	8,403
Charges for Commonwealth's Attorney	1,000	1,000	1,355	355
Charges for community development	1,000	1,000	2,314	1,314
Charges for sanitation and waste removal	3,000	3,000	4,320	1,320
Charges for parks and recreation	231,000	231,000	134,665	(96,335)
Charges for building construction court fee	14,000	14,000	17,988	3,988
Charges for law enforcement and other protection	2,500	2,500	1,300	(1,200)
Charges for Emergency Medical Services	300,000	300,000	315,868	15,868
Charges for tourism	-	-	543	543
Total charges for services	589,000	589,000	523,256	(65,744)
Recovered costs				
Town of Smithfield-tourism and fire and rescue	195,000	195,000	184,747	(10,253)
Indirect cost allocation	48,000	48,000	77,925	29,925
Court costs	20,000	20,000	52,199	32,199
Other	-	-	65,254	65,254
Total recovered costs	263,000	263,000	380,125	117,125
Total revenues from local sources	41,200,802	41,259,324	40,585,874	(673,450)
Revenue from the Commonwealth				
Noncategorical aid:				
State personal property tax relief	-	-	5,575,405	5,575,405
Total noncategorical aid	-	-	5,575,405	5,575,405
Categorical aid:				
Shared expenses:				
Commonwealth's Attorney	250,000	250,000	247,851	(2,149)
Sheriff	1,070,000	1,070,000	1,067,781	(2,219)
Commissioner of the Revenue	114,000	114,000	115,295	1,295
Treasurer	108,000	108,000	108,082	82
Medical examiner	200	200	180	(20)
Registrar/Electoral Board	50,000	50,000	51,711	1,711
Clerk of the Circuit Court	220,000	220,000	401,749	181,749
Total shared expenses	1,812,200	1,812,200	1,992,649	180,449
Other categorical aid:				
Fire program funds	42,000	47,706	47,706	-
Two for life	18,000	26,450	26,450	-
Emergency services	-	27,000	27,000	-
E-911 wireless	-	54,332	54,332	-
Litter control	-	9,555	9,555	-
Victim witness	-	47,346	45,171	(2,175)
Virginia Port Authority	-	39,850	-	(39,850)
Central County Park	-	32,705	32,705	-
Hazard mitigation	-	165,766	103,297	(62,469)
Other	-	48,201	29,622	(18,579)
Total other categorical aid	60,000	498,911	375,838	(123,073)
Total categorical aid	1,872,200	2,311,111	2,368,487	57,376

County of Isle of Wight, Virginia

Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Government (Continued)				
General fund: (Continued)				
Other revenue from the Commonwealth	382,000	382,000	486,687	104,687
Total revenues from the Commonwealth	2,254,200	2,693,111	8,430,579	5,737,468
Community Development Block Grant Home Program	-	1,400,000	43,886	(1,356,114)
Hazard Mitigation	-	277,953	18,146	(259,807)
Buffer Zone Protection	-	661,234	387,365	(273,869)
COPS Technology	-	25,000	25,000	-
Juvenile Accountability	-	24,666	24,150	(516)
DMV Selective Enforcement	-	19,831	19,831	-
SRO - Windsor/Smithfield	-	10,870	5,465	(5,405)
Court Appointed Services Advocate	-	75,506	69,093	(6,413)
V-STOP	-	15,000	14,715	(285)
LE/TPP-Terrorism Prevention Program	-	27,872	17,866	(10,006)
Homeland Security	-	-	(1,622)	(1,622)
Total revenues from the Federal Government	-	166,746	142,496	(24,250)
Total General Fund Revenues	\$ 43,455,002	\$ 46,657,113	\$ 49,782,844	\$ 3,125,731
General government administration:				
Legislative:				
Board of Supervisors	\$ 278,131	\$ 293,624	\$ 249,650	\$ 43,974
General and financial administration:				
Communications	84,807	105,486	96,489	8,997
County Administrator	560,659	673,159	623,047	50,112
County Attorney	256,139	326,530	323,161	3,369
Commissioner of the Revenue	362,842	449,081	436,410	12,671
Budget and finance	296,037	344,672	321,164	23,508
Insurance	198,000	198,750	166,064	32,686
GIS operations	185,668	219,265	125,861	93,404
Economic development	478,595	534,328	467,834	66,494
Tourism	276,520	287,049	216,668	70,381
Treasurer	311,580	368,711	366,827	1,884
Information technology	449,895	1,009,710	729,795	279,915
Real estate assessment	230,400	245,036	245,036	-
Human resources	145,377	163,456	145,817	17,639
Total general and financial administration	3,836,519	4,925,233	4,264,173	661,060

County of Isle of Wight, Virginia

Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Government (Continued)				
General fund: (Continued)				
Board of elections:				
Electoral board and officials	51,925	52,555	46,762	5,793
Registrar	75,628	95,141	92,854	2,287
Total board of elections	127,553	147,696	139,616	8,080
Total general government administration	4,242,703	5,366,553	4,653,439	713,114
Judicial administration:				
Courts:				
Circuit Court	38,700	38,700	29,999	8,701
General District Court	6,200	6,200	5,721	479
Fifth District Court services unit	149,579	171,492	171,492	-
Juvenile and Domestic Relations District Court	11,175	11,175	8,793	2,382
Clerk of the Circuit Court	289,641	352,295	352,295	-
Total courts	495,295	579,862	568,300	11,562
Commonwealth's Attorney	240,080	299,312	298,071	1,241
Total Commonwealth's Attorney	240,080	299,312	298,071	1,241
Total judicial administration	735,375	879,174	866,371	12,803
Public safety:				
Law enforcement and traffic control:				
Sheriff	1,574,008	2,065,919	1,943,583	122,336
Sheriff auxiliary	5,000	3,500	3,462	38
Total law enforcement and traffic control	1,579,008	2,069,419	1,947,045	122,374
Fire and rescue services:				
Emergency management	522,878	583,579	507,558	76,021
Volunteer fire department	314,748	332,254	332,254	-
Amulance and rescue service	249,010	292,930	292,930	-
Forestry service	4,900	4,900	4,900	-
Total fire and rescue services	1,091,536	1,213,663	1,137,642	76,021
Inspections - building	366,628	439,218	403,717	35,501
Total inspections - building	366,628	439,218	403,717	35,501
Other protection:				
Animal control	198,449	232,167	218,623	13,544
Emergency services (civil defense)	13,500	40,813	35,272	5,541
E-911 wireless	-	68,836	60,251	8,585
DMV selective enforcement	-	10,870	5,465	5,405
DOJ equipment	-	111,230	111,144	86
SRO - Windsor/Smithfield	-	106,867	96,907	9,960
COPS technology	-	24,666	24,150	516
Homeland Security / Terrorism Prevention Program	-	217,935	190,864	27,071
Buffer Zone Protection	-	25,000	19,552	5,448
Other protection	-	27,157	9,650	17,507
Total other protection	211,949	865,541	771,878	93,663
Total public safety	3,249,121	4,587,841	4,260,282	327,559

County of Isle of Wight, Virginia

Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Government (Continued)				
General fund: (Continued)				
Public works:				
Administration:				
General engineering/administration	106,364	130,136	129,689	447
Total administration	106,364	130,136	129,689	447
Maintenance of highways, streets, bridges and sidewalks:				
Roadway beautification	11,500	16,500	7,626	8,874
Road improvements	1,010,000	1,774,849	764,849	1,010,000
Total maintenance of highways, streets, bridges and sidewalks	1,021,500	1,791,349	772,475	1,018,874
Sanitation and waste removal:				
Refuse collection	674,939	748,998	748,238	760
Refuse disposal	1,293,000	1,293,000	1,118,392	174,608
Total sanitation and waste removal	1,967,939	2,041,998	1,866,630	175,368
Maintenance of general buildings and grounds:				
General properties	855,341	968,627	901,827	66,800
Transportation maintenance	86,000	99,744	99,744	-
Radio communications	4,000	4,000	2,209	1,791
Lotter control	-	10,395	8,172	2,223
Total maintenance of general buildings and grounds	945,341	1,082,766	1,011,952	70,814
Total public works	4,041,194	5,046,249	3,780,746	1,265,503
Health and welfare:				
Health:				
Supplement to local health department	403,614	403,614	403,614	-
Total health	403,614	403,614	403,614	-
Mental health and mental retardation:				
Western Tidewater Community Services Board	149,570	149,570	149,570	-
Total mental health and mental retardation	149,570	149,570	149,570	-
Welfare:				
STOP Organization	7,051	7,051	7,051	-
Senior Services of Southeastern Hampton Roads	6,227	6,227	6,227	-
Substance Abuse Advisory Council	2,900	2,900	-	2,900
Surry Area Free Clinic	5,000	5,000	5,000	-
Endependence Center of Tidewater	4,500	4,500	4,500	-
Genieve Shelter	7,000	7,000	7,000	-
Victim witness	-	47,346	45,171	2,175
State and local hospitalization	13,000	13,667	13,666	1
Suffolk Homeless Shelter	4,000	4,000	4,000	-
Coun Appointed Special Advocate	-	30,000	26,720	3,280
V-STOP	-	28,927	17,866	11,061
Juvenile Accountability Program	-	37,034	28,548	8,486
Other	-	3,155	3,154	1
Total welfare	49,678	196,807	168,903	27,904
Total health and welfare	602,862	749,991	722,087	27,904

County of Isle of Wight, Virginia

Schedule of Revenues and Expenditures - Budget and Actual -
General Fund

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Primary Government (Continued)				
General fund: (Continued)				
Education:				
Truancy Reduction	-	26,945	26,944	1
Transfers	16,729,821	16,729,821	16,627,632	102,189
Total education	16,729,821	16,756,766	16,654,576	102,190
Parks, recreation and cultural:				
Central County Park	-	32,705	32,705	-
Virginia Port Authority	-	39,850	-	39,850
Parks and recreation	718,661	843,272	734,375	108,897
Other parks and recreation	-	15,774	14,458	1,316
Total parks and recreation	718,661	931,601	781,538	150,063
Cultural enrichment:				
Historic Resources Division	97,261	145,469	124,539	20,930
Total cultural enrichment	97,261	145,469	124,539	20,930
Library:				
Community College	6,500	6,500	6,500	-
Library administration	388,000	388,000	388,000	-
Total library	394,500	394,500	394,500	-
Total parks, recreation and cultural	1,210,422	1,471,570	1,300,577	170,993
Community development:				
Planning and community development:				
Planning	639,177	838,884	751,578	87,306
Youth services	43,898	47,756	28,164	19,592
Community development	-	2,838,480	659,304	2,179,176
Pesticide recycling	-	3,750	1,803	1,947
Total planning	683,075	3,728,870	1,440,849	2,288,021
Environmental management:	18,000	18,000	18,000	-
Total environmental management	18,000	18,000	18,000	-
Cooperative extension program	51,421	51,421	42,631	8,790
Total cooperative extension program	51,421	51,421	42,631	8,790
Total planning and community development	752,496	3,798,291	1,501,480	2,296,811
Nondepartmental:				
Annexation settlement payment	1,200,000	1,200,000	1,058,207	141,793
Chamber of Commerce	16,000	16,000	16,000	-
Commission on Aging	1,000	1,000	998	2
Other	1,686,273	150,902	459,702	(308,800)
Total nondepartmental	2,903,273	1,367,902	1,534,907	(167,005)
Debt service:				
Principal retirement	4,452,197	4,452,197	4,452,197	-
Interest and other charges	2,360,650	2,360,650	2,360,650	-
Issuance costs	-	-	42,970	(42,970)
Total debt service	6,812,847	6,812,847	6,855,817	(42,970)
Total General Fund Expenditures	\$ 41,279,614	\$ 46,837,184	\$ 42,130,282	\$ 4,706,902

County of Isle of Wight, Virginia

Schedule of Funding Progress for Defined Pension Plans

Year Ended June 30, 2006

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Over/Under Funded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Over/Under Funded Liability as Percentage of Payroll
	County Employees						
	6/30/2005	\$ 17,425,682	\$ 19,255,530	\$ (1,857,848)	95.57%	\$ 7,332,113	-25.54%
	6/30/2004	\$ 16,822,166	\$ 16,276,450	\$ 545,686	103.58%	\$ 6,425,477	8.49%
2	6/30/2003	\$ 16,389,250	\$ 14,261,218	\$ 2,127,912	114.91%	\$ 6,022,138	35.32%
	School Board - Nonprofessional Employees						
	6/30/2005	\$ 2,571,946	\$ 3,955,950	\$ (1,384,004)	75.12%	\$ 1,412,766	-86.66%
	6/30/2004	\$ 2,559,269	\$ 3,716,570	\$ (1,157,301)	76.53%	\$ 1,313,555	-88.27%
	6/30/2003	\$ 2,783,650	\$ 3,455,183	\$ (672,533)	89.55%	\$ 1,266,537	-53.24%

*County of Isle of Wight, Virginia**Schedule of Employer Contributions for Defined Benefit Pension Plans***Year Ended June 30, 2006**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>
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County Employees

2006	\$ 515,137	100%
2005	\$ 468,725	100%
2004	\$ 360,048	100%

School Board Nonprofessional Employees

2006	\$ 197,971	100%
2005	\$ 199,867	100%
2004	\$ 184,732	100%

County of Isle of Wight, Virginia

Notes to Required Supplementary Information

June 30, 2006

1. Budgets and Budgetary Accounting

- A. 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 operating and capital budget includes proposed expenditures and the means of financing them.
- B. Public hearings are conducted to obtain citizen comments.
- C. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- D. 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 county departments; however, the School Board is authorized to transfer budgeted amounts within all the school system's categories.
- E. Budgets are formally integrated for all funds and component units and are employed as management control devices.
- F. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- G. Appropriations lapse on June 30 for all County units.
- H. The primary government and the School Board (a component unit) have reserved fund balances for board designations, including encumbrances, and contractual obligations.

2. Budgetary Expenditures in Excess of Appropriations

- 1. Other nondepartmental expenditures exceeded appropriations by \$308,800. This was due to the reclassification/forgiveness of \$375,000 in loans receivable due from the Western Tidewater Water Authority as a capital contribution to the Authority.
- 2. Under debt service, issuance costs exceeded appropriations by \$42,970. These were unbudgeted costs which arose during the process of the debt refunding.

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Other Supplementary Information

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County of Isle of Wight, Virginia

Combining Balance Sheets -
Nonmajor Governmental Funds

June 30, 2006

	DSS	Comprehensive Services Fund	E-911 Fund	Section 8	Asset Forfeiture Fund	County Fair Fund	Museum Fund	Totals
Assets								
Cash and investments	\$ 166,888	\$ -	\$ 370,928	\$ -	\$ 2,522	\$ -	\$ 43,668	\$ 524,006
Receivables - net of allowance for uncollectibles	53,560	90,161	44,773	-	-	-	-	188,434
Due from other governmental units	136,324	-	13,236	-	-	-	-	149,560
Due from general fund	-	-	-	1,979	-	-	-	1,979
Inventory	-	-	-	-	-	-	28,940	28,940
Total assets	\$ 296,712	\$ 90,161	\$ 428,937	\$ 1,979	\$ 2,522	\$ -	\$ 72,608	\$ 892,919
Liabilities and Fund Balances								
Accounts payable	\$ -	\$ 90,161	\$ 193	\$ 1,979	\$ -	\$ 38,828	\$ 49	\$ 131,210
Accrued liabilities	-	-	2,763	-	-	-	-	2,763
Due to other funds	19,604	-	-	-	-	-	-	19,604
Total liabilities	19,604	90,161	2,956	1,979	-	38,828	49	153,577
Fund balances								
Reserved - inventory	-	-	-	-	-	-	28,940	28,940
Unreserved - board designated	-	-	15,646	-	2,522	-	-	15,568
Unreserved	277,108	-	412,935	-	-	(38,828)	43,619	694,834
Total fund balances	277,108	-	428,981	-	2,522	(38,828)	72,559	739,342
Total liabilities and fund balances	\$ 296,712	\$ 90,161	\$ 428,937	\$ 1,979	\$ 2,522	\$ -	\$ 72,608	\$ 892,919

County of Isle of Wight, Virginia

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

Year Ended June 30, 2006

	DSS	Comprehensive Services Fund	E-911 Fund	Section 8	Asset Forfeiture Fund	County Fair Fund	Museum Fund	Totals
Revenues								
Other local taxes	\$ -	\$ -	\$ 531,942	\$ -	\$ -	\$ -	\$ -	\$ 531,942
Charges for services	-	-	-	-	-	108,170	15,410	123,580
Fines and forfeitures	-	-	-	-	411	-	-	411
Miscellaneous	101	-	-	-	-	27,732	39	27,872
Recovered costs	-	-	16,173	110,903	-	-	-	127,074
Intergovernmental:								
Commonwealth	635,503	143,202	-	-	-	-	-	778,705
Federal	1,510,346	-	-	-	-	-	-	1,510,346
Total revenues	2,246,950	143,202	548,115	110,903	411	135,902	15,449	3,291,923
Expenditures								
Public safety	-	-	487,914	-	1,000	-	-	488,914
Health and welfare	2,992,395	333,482	-	125,358	-	-	-	3,449,235
Parks, recreation and cultural	-	-	-	-	-	151,580	1,129	152,709
Debt service:								
Principal retirement	-	-	77,315	-	-	-	-	77,315
Interest and other charges	-	-	12,933	-	-	-	-	12,933
Total expenditures	2,992,395	333,482	565,264	125,358	1,000	151,580	1,129	4,229,208
Excess (deficiency) of revenues over expenditures	(745,445)	(215,280)	(29,151)	(14,455)	(589)	(15,678)	14,320	(1,095,278)
Other financing sources								
Operating transfers in	742,445	215,280	29,151	14,455	-	11,000	-	1,012,331
Total other financing sources	742,445	215,280	29,151	14,455	-	11,000	-	1,012,331
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	-	-	(589)	(4,678)	14,320	9,053
Fund balances (accumulated deficit) - beginning of year	277,108	-	425,981	-	3,111	(34,159)	58,176	739,289
Fund balances (accumulated deficit) - end of year	\$ 277,108	\$ -	\$ 425,981	\$ -	\$ 2,522	\$ (38,828)	\$ 72,559	\$ 739,342

County of Isle of Wight, Virginia

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

Year Ended June 30, 2006

	DSS				Comprehensive Services Fund			
	Original Budget	Final Budget	Actual	Variance with: Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with: Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Miscellaneous	-	-	101	101	-	-	-	-
Recovered costs	-	-	-	-	-	-	-	-
Intergovernmental:	-	-	-	-	-	-	-	-
Commonwealth	699,639	870,275	639,503	(230,772)	175,000	143,202	143,202	-
Federal	1,426,837	1,426,837	1,610,346	183,509	-	-	-	-
Total revenues	2,126,486	2,297,112	2,249,956	847,162	175,000	143,202	143,202	-
Expenditures								
Public safety	-	-	-	-	-	-	-	-
Health and welfare	2,988,447	3,215,175	2,992,393	222,780	275,000	358,482	358,482	-
Parks, recreation and cultural	-	-	-	-	-	-	-	-
Total expenditures	2,988,447	3,215,175	2,992,393	222,780	275,000	358,482	358,482	-
Excess (deficiency) of revenues over expenditures	(861,961)	(918,063)	(742,445)	175,618	(100,000)	(215,280)	(215,280)	-
Other financing sources								
Operating transfers in	861,991	918,063	742,445	(175,618)	100,000	215,280	215,280	-
Total other financing sources	861,991	918,063	742,445	(175,618)	100,000	215,280	215,280	-
Excess (deficiency) of revenues and other financing sources over expenditures	-	-	-	-	-	-	-	-
Fund balances (accumulated deficit) - beginning of year	277,108	277,108	277,108	-	-	-	-	-
Fund balances (accumulated deficit) - end of year	\$ 277,108	\$ 277,108	\$ 277,108	\$ -	\$ -	\$ -	\$ -	\$ -

County of Isle of Wight, Virginia

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

Year Ended June 30, 2006

	1911 Fund				Section 8			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ 516,248	\$ 516,248	\$ 531,942	\$ 15,694	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Miscellaneous	77,419	77,419	16,171	(61,248)	-	-	-	-
Recovered costs	-	-	-	-	77,571	94,443	110,903	16,460
Intergovernmental:								
Commonwealth	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-
Total revenues	593,667	593,667	548,113	(45,554)	77,571	94,443	110,903	16,460
Expenditures								
Public safety	664,602	675,427	487,014	188,413	-	-	-	-
Health and welfare	-	-	-	-	96,571	113,443	125,358	(11,915)
Parks, recreation and cultural	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	73,317	77,817	77,315	502	-	-	-	-
Interest and other charges	12,935	12,935	12,935	-	-	-	-	-
Total expenditures	750,854	766,179	577,264	188,915	96,571	113,443	125,358	(11,915)
Excess (deficiency) of revenues over expenditures	(157,187)	(172,512)	(129,151)	143,361	(19,000)	(19,000)	(14,455)	4,545
Other financing sources								
Operating transfers in	157,187	157,187	29,151	(128,036)	19,000	19,000	14,455	(4,545)
Total other financing sources	157,187	157,187	29,151	(128,036)	19,000	19,000	14,455	(4,545)
Excess (deficiency) of revenues and other financing sources over expenditures	-	(15,325)	-	15,325	-	-	-	-
Fund balances (accumulated deficit) - beginning of year	425,981	425,981	425,981	-	-	-	-	-
Fund balances (accumulated deficit) - end of year	\$ 425,981	\$ 410,656	\$ 425,981	\$ 15,325	\$ -	\$ -	\$ -	\$ -

County of Isle of Wight, Virginia

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

Year Ended June 30, 2006

	Asset Forfeitures Fund				County Fair Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	122,800	122,800	138,170	(14,670)
Fines and forfeitures	-	-	411	411	-	-	-	-
Miscellaneous	-	-	-	-	18,000	18,000	27,732	9,732
Recovered costs	-	-	-	-	-	-	-	-
Intergovernmental:								
Commonwealth	-	-	-	-	-	-	-	-
Federal	-	-	-	-	-	-	-	-
Total revenues	-	-	411	411	140,800	140,800	135,902	(4,598)
Expenditures								
Public safety	-	3,111	1,000	2,111	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-
Parks, recreation and cultural	-	-	-	-	140,800	151,530	151,580	220
Total expenditures	-	3,111	1,000	2,111	140,800	151,530	151,580	220
Excess (deficiency) of revenues over expenditures	-	(3,111)	(589)	2,522	-	(11,000)	(15,678)	(4,678)
Other financing sources								
Operating transfers in	-	-	-	-	-	11,000	11,000	-
Total financing sources	-	-	-	-	-	11,000	11,000	-
Excess (deficiency) of revenues and other financing sources over expenditures	-	(3,111)	(589)	2,522	-	-	(4,678)	(4,678)
Fund balances (accumulated deficit) - beginning of year	3,111	3,111	3,111	-	(34,150)	(34,150)	(34,150)	-
Fund balances (accumulated deficit) - end of year	\$ 3,111	\$ -	\$ 2,522	\$ 2,522	\$ (34,150)	\$ (34,150)	\$ (38,828)	\$ (4,678)

County of Isle of Wight, Virginia

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

Year Ended June 30, 2006

	Museum Fund				Totals			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 516,248	\$ 516,248	\$ 511,942	\$ 45,694
Charges for services	17,000	17,000	15,410	(1,590)	139,800	139,800	123,580	(16,220)
Fees and forfeitures	-	-	-	-	-	-	411	411
Miscellaneous	-	-	39	39	95,419	95,419	44,043	(51,376)
Recovered costs	-	-	-	-	77,571	94,443	110,903	16,460
Intergovernmental:								
Commonwealth	-	-	-	-	874,519	1,613,477	782,705	(830,772)
Federal	-	-	-	-	1,426,837	1,426,837	1,610,346	183,509
Total revenues	17,000	17,000	15,449	(1,551)	3,120,494	3,286,224	3,208,936	(82,294)
Expenditures								
Public safety	-	-	-	-	664,592	678,538	488,914	(191,524)
Health and welfare	-	-	-	-	3,360,918	3,687,100	3,476,235	(210,865)
Parks, recreation and cultural	18,000	18,000	1,129	16,871	158,598	169,800	152,709	(17,091)
Debt service:								
Principal retirement	-	-	-	-	73,317	77,817	77,315	(502)
Interest and other charges	-	-	-	-	12,935	12,935	12,935	-
Total expenditures	18,000	18,000	1,129	16,871	4,269,872	4,626,190	4,207,208	(418,982)
Excess (deficiency) of revenues over expenditures	(1,000,000)	(1,000,000)	14,320	15,320	(1,139,178)	(1,339,966)	(1,000,272)	336,588
Other financing sources								
Operating transfers in	-	-	-	-	1,138,178	1,320,539	1,012,331	(308,199)
Total other financing sources	-	-	-	-	1,138,178	1,320,539	1,012,331	(308,199)
Excess (deficiency) of revenues and other financing sources over expenditures	(1,000,000)	(1,000,000)	14,320	15,320	(1,000,000)	(19,426)	9,953	28,489
Fund balances (accumulated deficit) - beginning of year	58,239	58,239	58,239	-	730,289	730,289	730,288	-
Fund balances (accumulated deficit) - end of year	\$ 57,239	\$ 57,239	\$ 72,559	\$ 15,320	\$ 729,289	\$ 710,863	\$ 739,342	\$ 28,489

*County of Isle of Wight, Virginia**Combining Balance Sheets - Capital Projects Funds***June 30, 2006**

	General Capital Improvements Fund	CDBG Fund	Totals
Assets			
Cash and investments	\$ 6,543,069	\$ 2,240	\$ 6,545,309
Restricted cash	-	139,997	139,997
Notes receivable	-	66,917	66,917
Total assets	\$ 6,543,069	\$ 209,154	\$ 6,752,223
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 82,536	\$ -	\$ 82,536
Due to other funds -			
Grants	-	18,000	18,000
Due to component unit -			
School Board	377,827	-	377,827
Total liabilities	460,363	18,000	478,363
Fund balances			
Board designated	6,082,706	191,154	6,273,860
Total fund balances	6,082,706	191,154	6,273,860
Total liabilities and fund balances	\$ 6,543,069	\$ 209,154	\$ 6,752,223

*County of Isle of Wight, Virginia**Combining Statements of Revenues, Expenditures, and Changes in Fund Balances -
Capital Projects Funds***Year Ended June 30, 2006**

	General Capital Improvements Fund	CDBG Fund	Totals
Revenues			
Revenues from use of money and property	\$ 86,381	\$ 18,169	\$ 104,550
Total revenues	<u>86,381</u>	<u>18,169</u>	<u>104,550</u>
Expenditures			
Current:			
General government administration	48,162	-	48,162
Public safety	1,449,260	-	1,449,260
Public works	293,093	-	293,093
Community development	10,000	1,274	11,274
Education	3,356,785	-	3,356,785
Parks, recreation and cultural	606,549	-	606,549
Total expenditures	<u>5,763,849</u>	<u>1,274</u>	<u>5,765,123</u>
Excess (deficiency) of revenues over expenditures	<u>(5,677,468)</u>	<u>16,895</u>	<u>(5,660,573)</u>
Other financing sources (uses)			
Transfers in	4,867,253	-	4,867,253
Transfers out	(1,237,685)	-	(1,237,685)
Total other financing sources (uses)	<u>3,629,568</u>	<u>-</u>	<u>3,629,568</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>(2,047,900)</u>	<u>16,895</u>	<u>(2,031,005)</u>
Fund balances - beginning of year	<u>8,130,606</u>	<u>174,259</u>	<u>8,304,865</u>
Fund balances - end of year	<u>\$ 6,082,706</u>	<u>\$ 191,154</u>	<u>\$ 6,273,860</u>

County of Isle of Wight, Virginia

Combining Statements of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual - Capital Projects Funds

Year Ended June 30, 2006

	General Capital Improvements Fund				JOSG Fund				Totals			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive Negative	Original Budget	Final Budget	Actual	Variance with Final Budget Positive Negative	Original Budget	Final Budget	Actual	Variance with Final Budget Positive Negative
Revenues												
Revenues from sale of land and property	\$ -	\$ -	\$ 80,581	\$ 80,581	\$ -	\$ -	\$ 18,169	\$ 18,169	\$ -	\$ -	\$ 104,550	\$ 104,550
Total revenues	-	-	80,581	80,581	-	-	18,169	18,169	-	-	104,550	104,550
Expenditures												
Current:												
General government administration	405,000	470,457	461,450	804,457	-	-	-	-	405,000	470,457	461,450	804,457
Public safety	828,000	1,557,000	1,444,250	80,998	-	-	-	-	828,000	1,557,000	1,444,250	80,998
Public works	145,000	466,000	263,761	170,247	-	-	-	-	145,000	466,000	263,761	170,247
Community development	-	14,400	10,000	39,400	-	1,000	1,074	274	-	14,400	11,074	33,326
Education	-	3,890,075	3,886,785	3,886,785	-	-	-	-	-	3,890,075	3,886,785	3,886,785
Public recreation and cultural	150,000	2,519,400	804,549	1,904,851	-	-	-	-	1,500,000	2,519,400	804,549	1,904,851
Nondepartmental	100,000	5,888	-	5,888	-	-	-	-	1,000,000	5,888	-	5,888
Total expenditures	1,528,000	8,397,739	5,765,345	3,607,393	-	1,000	1,074	274	2,868,000	8,397,739	5,765,345	3,607,393
Excess (deficiency) of revenues over expenditures	1,528,000	8,397,739	5,765,345	3,607,393	-	1,000	18,169	17,895	2,868,000	8,397,739	5,765,345	3,607,393
Other financing sources (uses)												
Transfers in	1,135,000	4,874,000	4,887,293	5,789	-	-	-	-	1,135,000	4,874,000	4,887,293	5,789
Transfers out	290,000	291,788	1,257,665	455,887	-	-	-	-	290,000	291,788	1,257,665	455,887
Total other financing sources (uses)	1,135,000	4,874,000	3,629,628	455,887	-	-	-	-	2,865,000	4,874,000	3,629,628	455,887
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	5,013,549	2,135,717	2,867,548	-	1,000	16,895	17,895	-	5,013,549	2,135,717	2,867,548
Fund balances - beginning of year	\$ 3,131,896	\$ 3,131,896	\$ 3,131,896	-	174,253	174,259	174,259	-	\$ 3,131,896	\$ 3,131,896	\$ 3,131,896	-
Fund balances - end of year	\$ 3,131,896	\$ 3,131,896	\$ 5,267,613	\$ 2,135,717	\$ 174,253	\$ 175,259	\$ 191,154	\$ 17,895	\$ 3,131,896	\$ 3,131,896	\$ 5,267,613	\$ 2,135,717

County of Isle of Wight, Virginia

Combining Balance Sheets - Component Unit - School Board

June 30, 2006

Assets	Governmental Funds				Totals
	School Operating Fund	School Textbook Fund	School Capital Projects Fund	School Cafeteria Fund	
Cash and investments	\$ 3,325,352	\$ 182,693	\$ -	\$ 298,695	\$ 3,806,740
Accounts receivable - net of allowances for uncollectibles	30,563	-	-	392	30,955
Inventory	-	44,910	-	26,180	71,090
Due from capital projects fund	-	-	377,827	-	377,827
Due from other governmental units	1,123,459	-	-	-	1,123,459
Total assets	\$ 4,479,374	\$ 227,603	\$ 377,827	\$ 325,267	\$ 5,410,071
Liabilities					
Accounts payable	\$ 254,248	\$ 20,176	\$ 377,827	\$ 13,216	\$ 665,467
Accrued liabilities	3,737,657	-	-	1,168	3,738,825
Deferred revenue	-	-	-	4,393	4,393
Due to other funds	282,298	-	-	-	282,298
Due to general fund	101,389	-	-	-	101,389
Total liabilities	4,375,592	20,176	377,827	18,777	4,792,372
Fund Equity					
Fund balances:					
Reserved:					
Inventory	-	44,910	-	26,180	71,090
Encumbrances	103,782	-	-	-	103,782
Unreserved:					
Undesignated	-	162,517	-	280,310	442,827
Total fund equity	103,782	207,427	-	306,490	617,699
Total liabilities and fund equity	\$ 4,479,374	\$ 227,603	\$ 377,827	\$ 325,267	\$ 5,410,071

*County of Isle of Wight, Virginia**Balance Sheets - Component Unit - School Board*

 June 30, 2006

**Reconciliation of the Balance Sheets of the School Board Funds
to the Statement of Net Assets**

Total fund balances - School Board - government funds	\$ 617,699
Amount reported for government activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation.	19,159,555
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(460,918)
The internal service fund is used by management to charge the cost of health benefits. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets	<u>765,713</u>
Total net assets - School Board - governmental activities	<u>\$ 20,082,049</u>

County of Isle of Wight, Virginia

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

Year Ended June 30, 2006

	Governmental Funds				Total
	School Operating Fund	School Textbook Fund	School Capital Projects Fund	School Cafeteria Fund	
Revenues					
Revenues from use of money and property	\$ 50,027	\$ 1,491	\$ -	\$ 1,928	\$ 53,446
Charges for services	94,844	-	-	717,150	811,994
Miscellaneous	28,675	-	-	18,730	47,405
Recovered costs	162,863	3,119	-	-	165,982
Revenue from the primary government	16,627,632	-	3,356,788	-	19,984,420
Intergovernmental:					
Commonwealth	24,393,747	-	-	22,802	24,416,549
Federal	2,349,159	-	-	801,834	3,150,993
Total revenues	43,706,947	4,610	3,356,788	1,562,444	48,630,789
Expenditures					
Current:					
Administration	1,915,064	-	-	-	1,915,064
School food services	-	-	-	1,569,703	1,569,703
Instructional services	34,434,802	610,148	-	-	35,044,950
Operations and maintenance	4,355,467	-	-	-	4,355,467
Pupil transportation	2,778,789	-	-	-	2,778,789
Capital projects	-	-	3,356,788	-	3,356,788
Debt service	2,000	-	-	-	2,000
Total expenditures	43,486,122	610,148	3,356,788	1,569,703	49,022,761
Excess (deficiency) of revenues over expenditures	220,825	(605,538)	-	(7,259)	(391,972)
Other financing sources (uses)					
Operating transfers in	-	513,000	-	-	513,000
Operating transfers out	(513,000)	-	-	-	(513,000)
Total other financing sources (uses)	(513,000)	513,000	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(292,175)	(92,538)	-	(7,259)	(391,972)
Fund equity - beginning of year	395,957	299,965	-	313,749	1,009,671
Fund equity - end of year	\$ 103,782	\$ 207,427	\$ -	\$ 306,490	\$ 617,699

*County of Isle of Wight, Virginia**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Component Unit - School Board*

 June 30, 2006

**Reconciliation of the Revenues, Expenditures, and Changes in
Fund Balances - School Board Funds to the Statement of Activities**

Net change in fund balances - School Board - total governmental funds	\$ (391,972)
Amount reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays and transfers from primary government exceeded depreciation.	3,032,502
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.	(8,701)
The internal service fund is used by management to charge the cost of health benefits. The net income of the internal service fund is reported with governmental activities.	<u>(192,984)</u>
Change in net assets of School Board - governmental activities	\$ <u>2,438,845</u>

County of Isle of High, Virginia

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

Year Ended June 30, 2006

	School Operating Fund				School Textbook Fund				School Capital Projects Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues												
Revenues from use of money and property	\$ 21,500	\$ 21,500	\$ 51,127	\$ 29,627	\$ 3,500	\$ 3,500	\$ 1,491	\$ (2,009)	\$ -	\$ -	\$ -	\$ -
Charges for services	82,600	82,600	94,844	12,244	-	-	-	-	-	-	-	-
Miscellaneous	11,500	11,500	18,619	7,119	-	-	-	-	-	-	-	-
Recovered costs	135,900	135,900	162,563	27,663	2,700	2,700	3,113	413	-	-	-	-
Revenue from the primary government (intergovernmental)	16,729,821	16,729,821	15,627,632	(1,102,189)	-	-	-	-	6,818,366	3,890,176	3,356,788	(3,461,588)
Commonwealth	24,501,390	24,727,553	24,389,747	(337,806)	-	-	-	-	-	-	-	-
Federal	2,487,800	2,487,800	2,349,189	(138,611)	-	-	-	-	-	-	-	-
Total revenues	44,185,811	44,427,674	43,776,947	(650,727)	6,200	6,200	4,614	(1,586)	6,818,366	3,890,176	3,356,788	(3,461,588)
Expenditures												
Current												
Administrative, maintenance and health	2,116,123	1,575,773	1,515,664	60,109	-	-	-	-	-	-	-	-
Instructional services	34,751,711	34,923,250	34,454,802	468,448	483,000	483,000	510,143	(34,143)	-	-	-	-
Operations and maintenance	4,366,464	4,376,371	4,355,467	20,904	-	-	-	-	-	-	-	-
School food services	-	-	-	-	-	-	-	-	-	-	-	-
Pupil transportation	1,606,711	2,563,930	2,778,739	(214,809)	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	6,818,366	3,890,176	3,356,788	(3,461,588)
Debt service	17,566	4,506	2,000	2,506	-	-	-	-	-	-	-	-
Total expenditures	42,712,811	44,253,430	43,456,122	797,308	483,000	483,000	510,143	(34,143)	6,818,366	3,890,176	3,356,788	(3,461,588)
Excess (deficiency) of revenues over expenditures	1,472,999	1,174,244	1,320,825	(173,981)	(483,000)	(483,000)	(510,143)	34,143	-	-	-	-
Other financing sources (uses)												
Operating transfers in	-	-	-	-	483,000	483,000	513,000	\$0,000	-	-	-	-
Operating transfers out	(483,000)	(483,000)	(513,000)	30,000	-	-	-	-	-	-	-	-
Other financing sources (uses)	(483,000)	(483,000)	(513,000)	30,000	483,000	483,000	513,000	\$0,000	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	691,244	(82,175)	773,419	6,200	6,200	(90,143)	(96,343)	-	-	-	-
Fund balances - beginning of year	-	3,153,438	323,987	(2,829,451)	152,883	152,883	259,966	(137,083)	-	-	-	-
Fund balances - end of year	\$ -	\$ 3,844,682	\$ 241,812	\$ (3,602,870)	\$ 159,083	\$ 159,083	\$ 169,823	\$ (89,740)	\$ -	\$ -	\$ -	\$ -

County of Isle of Wight, Virginia

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

Year Ended June 30, 2006

	School Cafeteria Fund				Totals			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues								
Revenues from sale of money and property	\$ 9,200	\$ 9,200	\$ 10,000	\$ 1,200	\$ 33,200	\$ 33,200	\$ 35,400	\$ 2,200
Charges for services	700,000	700,000	707,000	7,000	700,000	700,000	691,900	8,100
Miscellaneous	-	-	10,700	10,700	10,000	10,000	47,400	37,400
Recovered costs	-	-	-	-	142,000	142,000	149,000	7,000
Revenue from the primary government	-	-	-	-	20,000,000	20,000,000	19,980,000	20,000
Inter-governmental	-	-	-	-	-	-	-	-
Community	40,000	40,000	20,000	20,000	20,000,000	20,000,000	20,000,000	-
Federal	800,000	800,000	800,000	-	3,000,000	3,000,000	3,000,000	-
Total revenues	1,509,200	1,509,200	1,587,700	(10,200)	42,570,200	42,570,200	43,630,700	(10,200)
Expenditures								
Current								
Administration, attendance and health	-	-	-	-	1,000,000	1,000,000	1,000,000	-
Instructional services	-	-	-	-	10,000,000	10,000,000	10,000,000	-
Operations and maintenance	-	-	-	-	4,000,000	4,000,000	4,000,000	-
School food services	1,000,000	1,000,000	1,000,000	-	1,000,000	1,000,000	1,000,000	-
Plant transportation	-	-	-	-	2,000,000	2,000,000	2,000,000	-
Capital projects	-	-	-	-	6,000,000	6,000,000	6,000,000	-
Debt service	-	-	-	-	10,000	10,000	10,000	-
Total expenditures	1,000,000	1,000,000	1,000,000	-	23,010,000	23,010,000	23,010,000	-
Other financing sources (uses)								
Operating transfers in	-	-	-	-	400,000	400,000	400,000	-
Operating transfers out	-	-	-	-	(400,000)	(400,000)	(400,000)	-
Other financing sources (uses)	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	509,200	509,200	587,700	(10,200)	19,560,200	19,560,200	20,620,700	(10,200)
Fund balances - beginning of year	0	0	0	-	0	0	0	-
Fund balances - end of year	\$ 509,200	\$ 509,200	\$ 587,700	\$ (10,200)	\$ 19,560,200	\$ 19,560,200	\$ 20,620,700	\$ (10,200)

*County of Isle of Wight, Virginia**Statement of Net Assets - Proprietary Fund***June 30, 2006**

	Assets	School Health Benefits Fund
Current assets		
Cash and cash equivalents		\$ 1,073,483
Due from operating fund		282,298
Receivables - net		<u>3,172</u>
Total current assets		<u>\$ 1,358,953</u>
	Liabilities	
Current liabilities		
Accounts payable		\$ 360,240
Deferred revenue		<u>233,000</u>
Total current liabilities		<u>593,240</u>
	Net Assets	
Net assets		<u>765,713</u>
Total liabilities and net assets		<u>\$ 1,358,953</u>

*County of Isle of Wight, Virginia**Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Fund***Year Ended June 30, 2006**

	<u>School Health Benefits Fund</u>
Operating revenues	
Revenue from use of money and property	\$ 38,204
Charges for services	<u>2,933,747</u>
Total operating revenues	<u>2,971,951</u>
Operating expenses	
Healthcare benefits	<u>3,164,935</u>
Total operating expenses	<u>3,164,935</u>
Operating loss	<u>(192,984)</u>
Net assets - beginning of year	<u>958,697</u>
Net assets - end of year	<u>\$ 765,713</u>

*County of Isle of Wight, Virginia**Statement of Cash Flows - Proprietary Fund***Year Ended June 30, 2006**

	School Health Benefits Fund
Cash flows from operating activities	
Received from customers and users	\$ 2,998,892
Payments to suppliers for goods and services	<u>(3,171,834)</u>
Net cash from operating activities	(172,942)
Cash flows from noncapital financing activity	
Advance to operating fund	<u>(282,298)</u>
Change in cash and cash equivalents	(455,240)
Cash and cash equivalents - beginning of year	<u>1,528,722</u>
Cash and cash equivalents - end of year	<u>\$ 1,073,482</u>
Reconciliation of operating loss to net cash	
from operating activities	
Operating loss	\$ (192,984)
Adjustments to reconcile to net cash from operating activities:	
Change in:	
Accounts receivable	(3,172)
Accounts payable	(6,899)
Deferred revenue	<u>30,113</u>
Net cash from operating activities	<u>\$ (172,942)</u>

*County of Isle of Wight, Virginia**Statement of Cash Flows - Component Unit -
Industrial Development Authority***Year Ended June 30, 2006**

Cash flows from operating activities	
Received from customers and users	\$ 134,996
Payments to suppliers for goods and services	79,271
Payments to employees	(500)
Net cash from operating activities	<u>213,767</u>
Cash flows from noncapital financing activities	
Operating transfers in - net	371,420
Net cash from noncapital financing activities	<u>371,420</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(96,257)
Noncash capital asset disposal	(312,956)
Principal payments on notes and bonds payable	(18,068)
Interest paid on notes and bonds payable	(19,710)
Net cash from capital and related financing activities	<u>(446,991)</u>
Cash flows from investing activities	
Interest income	21,704
Capital lease	19,480
Sale of property	1,047,650
Net cash from investing activities	<u>1,088,834</u>
Change in cash and cash equivalents	1,227,030
Cash and cash equivalents - beginning of year	<u>780,575</u>
Cash and cash equivalents - end of year	<u>\$ 2,007,605</u>
Reconciliation of operating loss to net cash	
from operating activities	
Operating loss	\$ (5,578)
Adjustments to reconcile to net cash from operating activities:	
Change in:	
Accounts payable and other current liabilities	94,345
Amounts held for others	125,000
Net cash from operating activities	<u>\$ 213,767</u>

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Compliance Section

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***Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards***

Board of Supervisors
County of Isle of Wight, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Isle of Wight, Virginia* as of and for the year ended June 30, 2006, which collectively comprise the *County of Isle of Wight, Virginia's* basic financial statements, and have issued our report thereon dated October 20, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

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

Fountain Plaza One, 701 Town Center Drive, Suite 700
Newport News, VA 23606-4295
ph: 757.873.1033
fax: 757.873.1106
www.goodmanco.com

Board of Supervisors

County of Isle of Wight, Virginia

This report is intended solely for the information and use of the Board of Supervisors, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Goodman & Company, L.L.P.

Newport News, Virginia

October 20, 2006



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

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Board of Supervisors
County of Isle of Wight, Virginia

Compliance

We have audited the compliance of the *County of Isle of Wight, Virginia* with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The *County of Isle of Wight, Virginia's* major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the *County of Isle of Wight, Virginia's* management. Our responsibility is to express an opinion on the *County of Isle of Wight, Virginia's* compliance based on our audit.

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

In our opinion, the *County of Isle of Wight, Virginia* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

Fountain Plaza One, 701 Town Center Drive, Suite 700
Newport News, VA 23606-4295
ph: 757.873.1033
fax: 757.873.1106
www.goodmanco.com

Board of Supervisors
County of Isle of Wight, Virginia

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

This report is intended solely for the information and use of the Board of Supervisors, management, federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Goodman & Company, L.L.P.

Newport News, Virginia
October 20, 2006



Certified Public Accountants
Specialized Services
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***Report of Independent Auditors on Compliance
with Commonwealth of Virginia Laws,
Regulations, Contracts, and Grants***

Board of Supervisors
County of Isle of Wight, Virginia

We have audited the basic financial statements of the ***County of Isle of Wight, Virginia*** as of and for the year ended June 30, 2006 and have issued our report thereon dated October 20, 2006. 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 *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with the Commonwealth of Virginia's laws, regulations, contracts and grants applicable to the ***County of Isle of Wight, Virginia*** is the responsibility of the ***County of Isle of Wight, Virginia's*** management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the ***County of Isle of Wight, Virginia's*** compliance with certain provisions of the Commonwealth of Virginia's laws, regulations, contracts and grants. However, the objective of our audit of the basic financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Following is a summary of the Commonwealth of Virginia's laws, regulations, contracts, and grants for which we performed tests of compliance:

Code of Virginia
Budget and Appropriation Laws
Cash and Investments
Conflicts of Interest
Debt Provisions
Retirement Systems
Procurement
Unclaimed Property
Enhanced 911 Service Taxes
Personal Property Tax Relief Act

State Agency Requirements
Education
Comprehensive Services Act Funds
Social Services
Economic Development Opportunity Fund

Fountain Plaza One, 701 Town Center Drive, Suite 700
Newport News, VA 23606-4295
ph: 757.873.1033
fax: 757.873.1106
www.goodmanco.com

Board of Supervisors

County of Isle of Wight, Virginia

The results of our tests disclosed three instances of noncompliance with the provisions referred to in the preceding paragraph. These instances are discussed in the Schedule of Findings and Questioned Costs. With respect to items not tested, nothing came to our attention that caused us to believe that the *County of Isle of Wight, Virginia* had not complied, in all material respects, with those provisions.

This report is intended solely for the information of the Board of Supervisors, management, the Auditor of Public Accounts and applicable state agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

Goodman & Company, L.L.P.

Newport News, Virginia

October 20, 2006

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

Federal Grantor/State Pass Through Grantor/ Program Title (Pass-Through Grantor's Number)	Catalogue of Federal Domestic Assistance Number	Total Expenditures
Department of Agriculture		
Pass-Through Payments:		
Department of Education:		
Summer Food Service Program for Children	10.559	\$ 14,014
National School Lunch Program	10.555	538,546
School Breakfast Program	10.553	161,688
Department of Social Services		
State Administrative Matching Grants for Food Stamp Program	*	10.561 555,279
Total Department of Agriculture		1,269,527
Department of Housing and Urban Development		
Pass-Through Payments:		
Department of Housing and Community Development:		
HOME Investment Partnerships	14.239	18,145
Total Department of Housing and Urban Development		18,145
Department of Criminal Justice Services		
Pass-Through Payments:		
Department of Criminal Justice Services		
Juvenile Accountability	16.523	28,548
Title V - Delinquency Prevention Program	16.548	5,398
Crime Victim Assistance	16.575	45,171
Byrne Formula Grant Program	16.579	96,907
Violence Against Women	16.588	17,866
Local Law Enforcement Block Grant	16.592	853
Total Department of Criminal Justice Services		194,743
Department of Homeland Security		
Pass-Through Payments:		
Department of Emergency Services:		
DOJ Equipment Grant - State Domestic Preparedness		
Equipment Support Program	97.004	276,089
State and Local All Hazards Emergency	97.051	427
Hazard Mitigation Grants	*	97.039 516,487
Buffer Zone Protection	97.078	19,552
Total Department of Emergency Services		812,555

Schedule of Expenditures of Federal Awards**Year Ended June 30, 2006**

Federal Grantor/State Pass Through Grantor/ Program Title (Pass-Through Grantor's Number)	Catalogue of Federal Domestic Assistance Number	Total Expenditures
Department of Transportation		
Pass-Through Payments:		
State and Community Highway Safety	20.600	5,465
Department of Education		
Pass-Through Payments:		
Department of Education:		
Adult Education	84.002	22,208
Title I - Grants to Local Educational Agencies	84.010	865,951
Special Education - Grants to States	84.027	735,040
Vocational Education - Basic Grants to States	84.048	80,937
Special Education - Preschool Grants	84.173	20,042
Safe and Drug-Free Schools and Communities - State Grants	84.186	25,446
Innovative Education Program Strategies	84.298	21,262
Education Technology State Grants	84.318	4,347
Advanced Placement Program	84.330	416
Reading First	84.357	251,638
Improving Teacher Quality State Grants	84.367	215,838
State Assessments and Related Activities	84.369	3,662
Refugee Children School	93.576	775
Total Department of Education		2,247,562
Department of Health and Human Services		
Pass-Through Payments:		
Department of Social Services:		
Adoption Recruitment	93.556	20,931
Temporary Assistance to Needy Families (TANF)	* 93.558	415,451
Refugee and Entrant Assistance State Administered Plans	93.566	339
Low-Income Home Energy Assistance Block Grant	93.568	20,365
Child Care and Development Block Grant	* 93.575	120,113
CCDF At Risk Daycare	* 93.596	214,720
Adoption Incentive	93.603	17
Foster Care-Title IV-E	* 93.658	493,069
Adoption Assistance	93.659	96,385
Social Services Block Grant	93.667	492,605
Chafee Foster Care Independence Program	93.674	11,138
FAMIS	93.767	380
Medical Assistance Program (Medicaid, Title XIX)	* 93.778	478,809
Total Department of Health and Human Services		2,364,322
Total Expenditures of Federal Awards		\$ 6,912,319

* Denotes a major program

*County of Isle of Wight, Virginia**Notes to Schedule of Expenditures of Federal Awards*

Year Ended June 30, 2006

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the *County of Isle of Wight, Virginia*. The *County of Isle of Wight, Virginia's* reporting entity is defined in Note 1 to the County's basic financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.

* * * * *

County of Isle of Wight, Virginia
Schedule of Findings and Questioned Costs

June 30, 2006

1. Summary of Auditors' Results

- A. An unqualified opinion was issued on the basic financial statements.
- B. There were no reportable conditions noted in internal control required to be disclosed.
- C. No instances of noncompliance material to the basic financial statements required to be disclosed in accordance with *Government Auditing Standards* were noted during the audit.
- D. There were no reportable conditions noted during the audit of internal control over major federal programs required to be disclosed.
- E. There were three instances of noncompliance related to the Commonwealth of Virginia's Auditor of Public Accounts' *Specifications for Audits of Counties, Cities, and Towns*.
- F. An unqualified opinion was issued on compliance for major federal programs.
- G. The audit did not disclose any audit findings required to be reported.
- H. The major programs are:
 - i) Food Stamp (CFDA # 10.561)
 - ii) Hazard Mitigation Grants (CFDA # 97.039)
 - iii) Temporary Assistance to Needy Families (TANF) (CFDA # 93.558)
 - iv) Child Care Cluster - (CFDA #93.575, 93.596)
 - v) Foster Care - Title IV-E (CFDA #93.658)
 - vi) Medicaid (CFDA #93.778)
- I. The dollar threshold used to distinguish between Type A and Type B programs is \$300,000.
- J. The auditee does qualify as a low-risk auditee.

2. Findings Related to Financial Statements which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

None

3. Findings and Questioned Costs Related to Federal Awards

None

*County of Isle of Wight, Virginia**Schedule of Findings and Questioned Costs*

June 30, 2006

4. Findings and Questioned Costs Related to Auditor of Public Accounts', *Specifications for Audits of Counties, Cities, and Towns***Finding 2006-1****Criteria:**

Chapter 3-5 - Conflicts of Interest: The State and Local Government Conflict of Interests Act requires local government officials to file a statement of economic interests with the clerk of the governing body annually. Per the instructions for the statement, the annual filing deadline is January 15th of each year and the "affirmation" by all filers on the statement must be completed by a notary.

Condition: Out of the thirty-two forms filed, five were filed late and twenty-one were not notarized.

Effect: The County is not in compliance with the Commonwealth of Virginia State and Local Government Conflict of Interests Act.

Recommendation: Local officials submitting the form should review the instructions and complete the form as indicated in order to be in compliance with the State and Local Conflict of Interests Act.

Finding 2006-2**Criteria:**

Chapter 3-17 - Social Services: Special Requirements - Child Welfare Trust Accounts and Social Security Recipients: The Treasurer is to establish separate accounts for all Child Welfare Trust funds and these trust fund accounts are not to be commingled with any other funds or accounts of the locality. Federal law requires treasurers to maintain separate dedicated accounts for certain social security payments.

Condition: The County commingles social security deposits with Child Welfare Trust funds in one checking account.

Effect: The County is not in compliance with federal regulations and Commonwealth of Virginia requirements as related to segregation of Social Security deposits from other funds received on behalf of social security recipients.

Recommendation: The County should segregate social security funds from Child Welfare Trust funds by placing each into separate savings, checking, or money market accounts as mandated by state and federal regulations.

County of Isle of Wight, Virginia
Schedule of Findings and Questioned Costs

June 30, 2006

Finding 2006-3

Criteria:

Chapter 3-8 - Procurement - Special Requirement: All purchases must be made in accordance with the Virginia Public Procurement Act.

Condition: Noted one instance in which the School Board did not obtain a bid bond for a contract greater than \$100,000, which is noncompliant with Code of Virginia Section 2.2-4336. Also another instance was noted in which the School Board did not include a non-discrimination clause in a contract which was over \$10,000, which is noncompliant with Code of Virginia Section 2.2-4311.

Effect: The School Board is not in compliance with the Commonwealth of Virginia Public Procurement Act.

Recommendation: The School Board should review and comply with the regulations as set forth by the Virginia Public Procurement Act.

5. Status of Prior Year Findings

No prior year findings.

County of Isle of Wight, Virginia

Summary Schedule of Prior Year Federal Audit Findings

June 30, 2006

1. There were no prior year federal audit findings

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Statistical Section

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*County of Isle of Wight, Virginia**Net Assets by Component*

Last Four Fiscal Years	2006	2005	2004	2003
Governmental activities				
Invested in capital assets - net of related debt	\$ 10,905,026	\$ 11,362,753	\$ 5,461,013	\$ 11,412,982
Restricted	6,685,306	13,409,255	31,068,805	16,300,124
Unrestricted	24,355,641	12,294,399	(6,722,608)	(425,458)
Total governmental activities net assets	\$ 41,945,973	\$ 37,066,407	\$ 29,807,210	\$ 27,287,648
Business-type activities				
Invested in capital assets - net of related debt	\$ 3,321,270	\$ 3,447,385	\$ 4,867,521	\$ 4,738,611
Restricted	911,938	1,093,386	372,373	706,407
Unrestricted	3,152,360	1,615,721	999,282	100,487
Total business-type activities net assets	\$ 7,385,568	\$ 6,156,492	\$ 6,239,176	\$ 5,545,505
Primary government				
Invested in capital assets - net of related debt	\$ 14,226,296	\$ 14,810,138	\$ 10,328,534	\$ 16,151,593
Restricted	7,597,244	14,502,641	31,441,178	17,006,531
Unrestricted	27,508,001	13,910,120	(5,723,326)	(324,971)
Total primary government net assets	\$ 49,331,541	\$ 43,222,899	\$ 36,046,386	\$ 32,833,153

*County of Isle of Wight, Virginia**Change in Net Assets*

Last Four Fiscal Years	2006	2005	2004	2003
Expenses				
Governmental activities:				
General government	\$ 5,800,635	\$ 4,897,964	\$ 5,339,611	\$ 6,318,976
Judicial administration	866,371	794,478	705,828	619,458
Public safety	5,632,965	5,135,185	4,619,949	3,212,252
Public works	3,903,265	3,711,511	7,534,024	2,801,151
Health and welfare	4,340,638	3,824,681	3,456,212	3,507,654
Education	19,336,608	18,249,151	19,294,869	15,707,407
Cultural and recreation	1,494,482	1,339,854	1,363,077	1,249,694
Community development	1,548,527	1,210,072	2,106,361	1,971,116
Interest on long-term debt	2,243,574	2,170,135	-	-
Total governmental activities expenses	45,167,065	41,333,031	44,419,931	35,387,708
Business-type activities:				
Public utilities	3,247,060	3,496,871	3,144,441	2,795,248
Total business-type activities expenses	3,247,060	3,496,871	3,144,441	2,795,248
Total primary government expenses	\$ 48,414,125	\$ 44,829,902	\$ 47,564,372	\$ 38,182,956
Program Revenue				
Governmental activities:				
Charges for services:				
General government	\$ 66,864	\$ 342,958	\$ 652,345	\$ 64,463
Judicial administration	116,445	105,898	101,155	54,845
Public safety	520,015	563	501	539,029
Public works	4,320	4,620	3,999	3,660
Health and welfare	77,925	-	-	58,407
Cultural and recreation	258,788	404,313	314,248	371,934
Community development	2,314	1,543	744	613
Fines and forfeitures	64,469	46,051	40,374	1,496
Operating grants and contributions	3,199,313	7,716,360	10,018,189	4,164,547
Total governmental activities program revenues	4,310,453	8,622,306	11,131,555	5,258,994
Business-type activities:				
Charges for services	1,661,105	1,461,352	1,332,726	1,196,163
Total business-type activities program revenues	1,661,105	1,461,352	1,332,726	1,196,163
Total primary government program revenues	\$ 5,971,558	\$ 10,083,658	\$ 12,464,281	\$ 6,455,157
Net expense - Governmental activities	\$ 40,856,612	\$ 32,710,725	\$ 33,288,376	\$ 30,128,714
Net expense - Business-type activities	1,585,955	2,035,519	1,811,715	1,599,085
Total primary government net expense	\$ 42,442,567	\$ 34,746,244	\$ 35,100,091	\$ 31,727,799

*County of Isle of Wight, Virginia**Change in Net Assets***Last Four Fiscal Years****General Revenues and Other Changes in Net Assets**

Governmental activities:

Taxes

Property taxes	\$ 31,333,628	\$ 30,088,119	\$ 27,504,428	\$ 25,523,450
Permits, fees and licenses	1,567,278	1,222,849	697,762	690,848
Fines and forfeitures	411	703	1,212	37,389
Other taxes	6,411,933	5,706,731	4,746,873	3,407,260
Unrestricted grants and contributions	7,968,456	2,194,434	2,572,949	4,977,174
Recovered costs	127,074	144,867	113,252	174,072
Investment earnings	1,222,794	885,272	504,441	345,240
Miscellaneous	33,403	10,144	58,066	209,094
Transfers	(2,928,799)	(283,197)	(391,045)	(594,747)

Total governmental activities	45,736,178	39,969,922	35,807,938	34,769,780
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Business-type activities:

Revenues from use of money and property	21,383	21,000	21,000	123,521
Connection fees	2,790,662	3,188,875	1,542,337	962,689
Miscellaneous	2,986	9,448	551,004	462,444
Transfers	-	283,197	391,045	1,711,866

Total business-type activities	2,815,031	3,502,520	2,505,386	3,260,520
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Total primary government	\$ 48,551,209	\$ 43,472,442	\$ 38,313,324	\$ 38,030,300
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Change in Net Assets

Governmental activities	\$ 4,879,566	\$ 7,259,197	\$ 2,519,562	\$ 4,641,066
Business-type activities	1,229,076	1,467,001	693,671	1,661,435

Total primary government	\$ 6,108,642	\$ 8,726,198	\$ 3,213,233	\$ 6,302,501
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County of Lee, Florida

Fund Balances - Governmental Funds

Last Ten Fiscal Years	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Bond Proceeds	\$11,821,000	\$17,041,000	\$13,571,000	\$12,711,000	\$3,341,000	\$3,384,000	\$4,877,000	\$3,817,000	\$12,541,000	\$12,571,000
Unreserved	14,911,400	15,551,000	11,512,000	71,181,000	7,811,000	3,811,000	3,811,000	1,081,000	113,131,000	111,131,000
Total General Fund	\$26,732,400	\$32,592,000	\$25,083,000	\$83,892,000	\$11,152,000	\$7,195,000	\$8,688,000	\$4,898,000	\$125,672,000	\$123,702,000
All Other Governmental Funds										
Reserve	15,000	17,500	17,500	15,000	17,500	17,500	17,500	17,500	17,500	-
Unreserved - reported in:										
Special Revenue Funds	71,000	71,000	85,000	117,500	71,000	37,500	17,500	27,500	11,000	85,000
Capital Projects Funds	1,171,000	854,500	8,124,500	18,111,000	3,811,000	1,811,000	17,500	68,000	81,000	71,000
Total All Other Governmental Funds	\$1,257,000	\$979,000	\$8,226,500	\$18,283,500	\$4,699,000	\$2,223,500	\$33,500	\$108,000	\$109,500	\$156,000

County of Isle of Wight, Virginia

Changes in Fund Balance - Governmental Funds

Last Ten Fiscal Years	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues										
General property taxes	\$ 31,455,953	\$ 30,700,151	\$ 27,662,549	\$ 25,761,345	\$ 23,771,000	\$ 23,356,375	\$ 23,004,599	\$ 23,355,037	\$ 21,863,651	\$ 21,959,381
Other local taxes	5,925,247	5,128,815	4,746,573	3,939,515	3,920,575	3,415,155	3,401,844	3,155,729	3,227,585	3,023,000
Permits, fees and licenses	1,567,278	1,222,849	714,128	650,545	397,380	453,625	1,613,855	1,701,631	345,695	1,432,741
Fines and forfeitures	64,850	46,754	41,385	35,555	45,540	57,828	24,425	36,897	16,484	17,694
Revenue from use of property	1,222,794	855,272	524,441	345,241	791,984	362,121	437,825	575,450	1,547,574	724,692
Charges for services	546,836	272,278	315,923	317,509	415,941	413,158	355,351	365,275	170,356	32,291
Miscellaneous	112,016	244,104	251,505	422,453	247,782	312,756	347,147	314,945	453,542	599,193
Recovered costs	597,195	520,135	660,407	234,253	246,783	224,446	459,957	1,734,517	571,515	261,795
Intergovernmental	11,590,021	10,357,633	11,591,138	9,141,723	10,375,799	8,423,987	6,550,495	4,304,033	3,558,765	3,456,551
Total revenues	53,691,324	48,787,465	47,518,562	43,572,773	40,276,385	37,495,944	36,155,548	35,162,557	32,558,370	33,346,551
Expenditures										
General governmental administration	4,553,439	3,654,790	3,391,521	2,655,275	2,191,555	1,894,690	1,543,574	1,596,344	2,342,355	1,999,543
Judicial administration	566,571	790,197	751,547	616,124	662,414	692,738	545,342	504,345	511,287	459,550
Public safety	4,748,296	4,595,477	3,652,514	3,055,495	2,715,090	2,723,425	2,077,470	1,789,931	1,658,282	1,353,653
Public works	3,783,746	3,738,621	7,124,567	2,755,597	2,727,593	2,195,053	1,553,581	2,255,232	3,662,351	1,501,699
Health and welfare	4,193,522	3,659,141	2,425,313	2,470,791	3,216,592	3,079,456	3,175,607	3,077,244	2,904,280	2,604,276
Education	16,554,576	14,570,161	14,735,219	14,746,050	13,819,073	14,550,477	13,237,851	12,537,005	5,430,124	7,500,212
Parks, recreation, and cultural	1,453,256	1,491,243	1,231,224	1,257,515	1,145,362	1,065,906	1,090,237	1,369,658	857,202	736,590
Community development	1,501,450	1,935,353	857,643	1,254,335	2,621,393	2,777,219	1,250,994	769,890	623,355	542,744
Non-departmental	1,534,937	1,951,501	1,015,465	2,126,557	1,995,509	2,174,916	2,009,992	2,346,595	2,975,521	950,516
Capital projects	5,765,123	22,354,572	5,350,515	2,674,793	1,241,155	1,434,260	2,496,906	2,126,131	2,079,155	1,255,515
Debt service										
Principal	4,529,512	3,740,225	3,710,515	3,033,502	2,530,554	2,720,604	2,354,239	2,111,459	7,756,125	5,748,735
Interest	2,373,555	2,170,134	1,716,557	1,755,229	1,905,752	2,047,645	2,255,334	2,310,444	2,577,091	1,954,001
Insurance costs	42,976	2,575	317,558	55,255	-	-	-	-	-	-
Total expenditures	52,162,613	62,225,715	50,147,152	39,490,705	37,113,465	37,165,433	33,770,747	32,521,275	29,450,555	31,151,765
Excess of revenues over (under) expenditures	958,711	(14,438,251)	(2,628,590)	(3,817,932)	(3,695,920)	(350,511)	2,384,801	2,641,282	2,907,815	(2,545,114)
Other financing sources (uses)										
Transfers in	6,510,405	4,656,213	11,372,630	14,595,417	5,225,351	4,595,225	3,150,331	3,153,621	1,455,295	636,579
Transfers out	(7,181,826)	(4,915,477)	(11,763,675)	(15,194,165)	(8,023,857)	(6,564,659)	(3,689,907)	(4,435,215)	(1,375,439)	(636,579)
Proceeds from borrowing	55,675	255,581	38,257,590	15,433,954	-	-	-	-	-	2,251,570
Payments to escrow agent	-	-	(5,175,254)	(9,342,252)	-	-	-	-	-	-
Total other financing sources (uses)	(312,745)	22,577	23,690,261	(4,498,874)	(2,798,496)	(1,969,434)	(1,499,575)	(1,271,594)	(135,537)	(256,570)
Net Change in Fund Balances	675,966	(14,415,736)	21,061,771	9,575,439	295,474	(1,337,810)	855,225	1,369,587	5,047,171	1,457,353
Prior Period Adjustment	-	-	-	-	73,613	197,699	53,323	-	126,126	814,562
Net Change in Fund Balance	\$ 675,966	\$ (14,415,736)	\$ 21,061,771	\$ 9,575,439	\$ 370,037	\$ (1,140,220)	\$ 938,448	\$ 1,369,587	\$ 5,173,297	\$ 2,271,865
Debt Service as a percentage of noncapital expenditures	15%	14%	14%	13%	13%	13%	14%	15%	35%	33%

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	Less - Tax Exempt Property	(1) Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2006	\$ 3,101,569,900	\$ 513,599,500	\$ 491,224,800	\$ 251,617,200	\$ 3,854,777,000	\$ 0.69	\$ 3,854,777,000	100%
2005	\$ 2,013,888,400	\$ 387,838,300	\$ 394,480,700	\$ 183,834,800	\$ 2,612,342,600	\$ 0.68	\$ 2,612,342,600	100%
2004	\$ 1,924,066,025	\$ 358,005,900	\$ 403,887,900	\$ 181,387,400	\$ 2,504,772,425	\$ 0.75	\$ 2,504,772,425	100%
2003	\$ 1,525,431,300	\$ 300,236,400	\$ 339,773,600	\$ 144,757,800	\$ 2,020,673,500	\$ 0.75	\$ 2,020,673,500	100%
2002	\$ 1,456,424,700	\$ 288,136,400	\$ 343,635,000	\$ 144,598,900	\$ 1,943,597,200	\$ 0.77	\$ 1,943,597,200	100%
2001	\$ 1,189,774,875	\$ 242,571,317	\$ 282,697,300	\$ 82,682,330	\$ 1,632,361,192	\$ 0.72	\$ 1,632,361,192	100%
2000	\$ 1,143,649,026	\$ 238,451,700	\$ 280,748,100	\$ 82,267,530	\$ 1,580,587,326	\$ 0.72	\$ 1,580,587,326	100%
1999	\$ 1,086,893,300	\$ 233,651,200	\$ 280,840,669	\$ 81,546,930	\$ 1,519,938,099	\$ 0.72	\$ 1,519,938,099	100%
1998	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 0.72	\$ N/A	N/A
1997	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 0.72	\$ N/A	N/A

(1) Does not reflect land use assessments

Source: Isle of Wight County Commissioner of the Revenue
 Fiscal years 1998 and 1997 are not available

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
2006	\$ 2,625,671,100	\$ 259,166,364	\$ 26,328,256	\$ 675,291,770	\$ 211,191,306	\$ 3,777,548,456
2005	\$ 2,489,667,525	\$ 236,549,555	\$ 27,357,298	\$ 641,183,566	\$ 193,291,397	\$ 3,587,990,571
2004	\$ 2,047,366,488	\$ 213,355,172	\$ 26,941,289	\$ 595,034,772	\$ 225,857,648	\$ 3,110,535,199
2003	\$ 1,915,017,558	\$ 181,323,456	\$ 26,669,684	\$ 550,524,899	\$ 230,415,633	\$ 2,916,951,990
2002	\$ 1,715,143,492	\$ 167,509,785	\$ 21,183,401	\$ 650,111,217	\$ 93,657,641	\$ 2,648,005,536
2001	\$ 1,545,692,326	\$ 175,663,939	\$ 25,547,398	\$ 670,503,315	\$ 59,691,102	\$ 2,511,458,330
2000	\$ 1,473,718,889	\$ 165,542,350	\$ 25,291,389	\$ 652,853,684	\$ 92,167,425	\$ 2,417,553,437
1999	\$ 1,420,175,359	\$ 157,439,303	\$ 21,868,915	\$ 630,694,184	\$ 55,661,565	\$ 2,315,540,096
1998	\$ 1,269,268,257	\$ 151,665,251	\$ 20,200,650	\$ 565,004,236	\$ 52,694,786	\$ 2,058,832,640
1997	\$ 1,230,330,731	\$ 144,359,441	\$ 17,973,303	\$ 554,798,219	\$ 54,795,785	\$ 2,032,166,779

- (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

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Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Boats and Aircraft Farm Machinery
2006	\$ 3.68	\$ 4.47	\$ 0.68	\$ 0.88	\$ 1.00-1.50
2005	\$ 3.68	\$ 4.47	\$ 0.68	\$ 0.88	\$ 1.00-1.50
2004	\$ 3.78	\$ 4.47	\$ 0.78	\$ 0.88	\$ 1.00-1.50
2003	\$ 3.78	\$ 4.47	\$ 0.78	\$ 0.88	\$ 1.00-1.50
2002	\$ 3.77	\$ 4.47	\$ 0.77	\$ 0.88	\$ 1.00-1.50
2001	\$ 3.72	\$ 4.46	\$ 0.72	\$ 0.88	\$ 1.00-1.50
2000	\$ 3.72	\$ 4.46	\$ 0.72	\$ 0.88	\$ 1.00-1.50
1999	\$ 3.72	\$ 4.46	\$ 0.72	\$ 0.88	\$ 1.00-1.51
1998	\$ 3.72	\$ 4.46	\$ 0.72	\$ 0.88	\$ 1.00-1.51
1997	\$ 3.72	\$ 4.46	\$ 0.72	\$ 0.88	\$ 1.00-1.51

County of Isle of Wight, Virginia

Principal Property Taxpayers

June 30,	2006			2005		
Taxpayer	Assessed Valuation of Real Estate	Rank	Percent of Total Assessed Valuation of Real Estate	Assessed Valuation of Real Estate	Rank	Percent of Total Assessed Valuation of Real Estate
International Paper	\$ 65,839,477	1	2.51%	\$ 66,826,877	1	2.69%
Cost Plus	36,898,050	2	1.40%	36,898,050	2	1.49%
Smithfield Foods Inc.	21,947,200	3	0.84%	21,947,200	3	0.88%
Gwaltney of Smithfield Ltd.	18,383,200	4	0.70%	18,383,200	4	0.74%
Smithfield Packing Co., Inc.	15,861,017	5	0.60%	15,708,417	5	0.63%
Carolina Cold Storage Ltd.	10,200,500	6	0.39%	10,200,500	6	0.41%
Smithfield-Carroll's Farms	8,929,300	7	0.34%	11,028,800	7	0.44%
Eagle Harbor LLC	8,250,301	8	0.31%	8,250,301	8	0.33%
Eagle Harbor Shopping Center	7,554,725	9	0.29%	7,554,725	9	0.30%
Bradford Mews	7,119,800	10	0.27%	7,119,800	10	0.29%
	<u>\$ 200,983,570</u>		<u>7.65%</u>	<u>\$ 203,917,870</u>		<u>8.22%</u>

Taxpayer	Assessed Valuation of Personal Property	Rank	Percent of Total Assessed Valuation of Personal Property (1)	Assessed Valuation of Personal Property	Rank	Percent of Total Assessed Valuation of Personal Property (1)
International Paper	\$ 535,118,662	1	56.82%	\$ 512,828,385	1	56.67%
Smithfield Packing Co., Inc.	54,854,055	2	5.82%	51,539,397	2	5.70%
Gwaltney of Smithfield Ltd.	41,175,267	3	4.37%	38,803,187	3	4.29%
Aconcagua Timber Corp.	14,987,054	4	1.59%	13,045,526	4	1.44%
Smithfield Foods	8,755,451	5	0.93%	8,755,451	5	0.97%
Franklin Equipment Co.	6,439,594	6	0.68%	6,445,238	6	0.71%
Specialty Minerals	6,453,742	7	0.69%	6,370,263	7	0.70%
Cost Plus, Inc.	4,026,922	8	0.43%	3,769,257	8	0.42%
Smithfield Ham & Products Co.	2,882,921	9	0.31%	2,789,398	9	0.31%
Hollerbach Andres & Grap Equipment	901,657	10	0.10%	2,512,560	10	0.28%
	<u>\$ 675,595,325</u>		<u>71.74%</u>	<u>\$ 646,858,662</u>		<u>71.48%</u>

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

County of Isle of Wight, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	(3) Total Tax Levy	(1) Current Tax Collections	Percent of Levy Collected	(1)(2) Delinquent Tax Collections	(4) Total Tax Collections	Percent of Total Tax Collections to Tax Levy	(1) Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
2006	\$ 31,158,439	\$ 30,241,183	97.06%	\$ 1,213,870	\$ 31,455,053	100.95%	\$ 1,240,956	3.98%
2005	\$ 29,450,328	\$ 28,801,462	97.79%	\$ 1,198,654	\$ 30,000,116	101.75%	\$ 1,060,200	3.59%
2004	\$ 26,952,962	\$ 26,270,420	97.47%	\$ 1,014,471	\$ 27,284,891	101.23%	\$ 682,541	2.53%
2003	\$ 29,938,838	\$ 28,469,747	95.09%	\$ 1,187,196	\$ 29,656,943	99.06%	\$ 1,436,545	4.80%
2002	\$ 26,950,184	\$ 26,612,066	98.75%	\$ 314,475	\$ 27,426,541	101.77%	\$ 1,864,982	6.92%
2001	\$ 25,683,100	\$ 24,185,676	94.18%	\$ 889,540	\$ 25,075,216	97.64%	\$ 1,350,104	5.26%
2000	\$ 24,310,535	\$ 23,234,302	95.57%	\$ 595,414	\$ 23,829,716	98.02%	\$ 1,067,239	4.39%
1999	\$ 23,191,577	\$ 22,493,492	96.99%	\$ 595,068	\$ 22,998,561	99.17%	\$ 1,380,274	5.95%
1998	\$ 21,233,643	\$ 20,340,350	95.79%	\$ 769,850	\$ 21,110,200	99.42%	\$ 1,307,264	6.16%
1997	\$ 20,590,961	\$ 19,959,385	96.93%	\$ 660,528	\$ 20,619,913	100.14%	\$ 1,283,051	6.23%

(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 delinquent taxes in fiscal year for all tax years.

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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 Personal Income	Net Bonded Debt per Capita
2006	33,166	\$ 3,770,646,496	\$ 67,052,307	\$ 12,358,036	\$ 54,694,271	0.0145	4.8% _a	\$ 1,649.13
2005	32,200	\$ 3,575,930,571	\$ 71,414,333	\$ 11,670,000	\$ 59,744,333	0.0167	5.7% _a	\$ 1,855.41
2004	31,600	\$ 3,110,535,369	\$ 75,503,903	\$ 12,063,000	\$ 63,440,903	0.0204	6.5% _a	\$ 2,006.93
2003	30,419	\$ 2,916,951,990	\$ 55,637,300	\$ 12,483,000	\$ 43,154,300	0.0148	4.9% _a	\$ 1,418.60
2002	30,100	\$ 2,648,063,536	\$ 49,357,300	\$ 12,863,000	\$ 36,494,300	0.0138	4.3% _a	\$ 1,212.37
2001	29,728	\$ 2,511,458,330	\$ 52,416,000	\$ 13,230,000	\$ 39,186,000	0.0156	4.7% _a	\$ 1,318.15
2000	29,700	\$ 2,417,553,437	\$ 56,327,090	\$ 13,585,000	\$ 42,742,090	0.0176	5.3% _a	\$ 1,432.39
1999	29,100	\$ 2,315,840,069	\$ 58,501,329	\$ 13,933,000	\$ 44,568,329	0.0194	6.1% _a	\$ 1,542.14
1998	28,600	\$ 2,088,831,640	\$ 60,446,534	\$ 14,250,000	\$ 46,196,534	0.0221	6.5% _a	\$ 1,615.26
1997	28,200	\$ 2,032,166,778	\$ 45,037,522	\$ -	\$ 45,037,522	0.0236	7.2% _a	\$ 1,703.47

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

(2) Increase in debt payable from enterprise revenues in 1998 results from reclassification of general obligation debt.

(3) See Exhibit C-13 for personal income.

County of Isle of High, Virginia

Legal Debt Margin

Last Ten Fiscal Years	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Total assessed valuation of real estate from land taxes	\$1,034,971,100	\$1,497,967,125	\$1,047,356,498	\$1,134,717,099	\$1,715,145,492	\$1,545,651,525	\$1,471,718,869	\$1,413,175,099	\$1,394,255,217	\$1,131,131,751
Percent limited according to the Code of Virginia	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Debt Limitation	\$ 103,497,110	\$ 149,796,713	\$ 104,735,650	\$ 113,471,710	\$ 171,514,549	\$ 154,565,153	\$ 147,171,887	\$ 141,317,510	\$ 139,425,522	\$ 113,113,175
Total debt of the County	\$ 47,625,517	\$ 71,414,517	\$ 75,511,903	\$ 59,365,271	\$ 49,187,191	\$ 51,415,191	\$ 55,171,191	\$ 59,811,329	\$ 50,445,554	\$ 49,137,621
Total debt of the Town of Southfield	6,504,518	2,519,571	2,000,455	3,755,713	-	-	-	-	-	-
Total debt of the Town of Wakelee	8,061,75	311,415	51,211	-	-	-	-	-	-	-
Total	\$ 74,466,753	\$ 74,244,497	\$ 78,321,118	\$ 63,321,140	\$ 49,187,191	\$ 51,415,191	\$ 55,171,191	\$ 59,811,329	\$ 50,445,554	\$ 49,137,621
Amount by which legal debt margin exceeds total debt	\$ 31,110,341	\$ 78,382,196	\$ 26,414,531	\$ 54,146,779	\$ 122,327,358	\$ 103,150,323	\$ 91,947,796	\$ 81,506,270	\$ 88,979,968	\$ 74,055,151

Note: Under Commonwealth of Virginia law, the County's outstanding general obligation debt should not exceed 10 percent of total assessed value of real estate.

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

Fiscal Year	(1) Population	(1) Per Capita Income	Registered Voters	(2) Unemployment Rate
2006	33,166 (3)	\$ 34,486 (4)	22,501	N/A
2005	32,200	\$ 32,534 (4)	21,639	3.5%
2004	31,600	\$ 30,692	21,594	3.3%
2003	30,419	\$ 29,084	20,213	3.4%
2002	30,100	\$ 28,260	19,953	3.2%
2001	29,728	\$ 28,205	N/A	2.8%
2000	29,700	\$ 27,122	N/A	2.2%
1999	29,100	\$ 25,480	N/A	2.7%
1998	28,600	\$ 24,939	N/A	3.1%
1997	28,200	\$ 23,667	N/A	4.6%

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) Estimated assuming a 6% growth rate from the prior year.

*County of Isle of Wight, Virginia**Full-time Equivalent County Government Employees by Function/Program*

Last Four Fiscal Years	2006	2005	2004	2003
General government				
County Administration	7.0	6.0	4.0	3.5
County Attorney	3.0	3.0	3.0	1.5
Commissioner of Revenue	9.5	9.5	8.5	8.5
Treasurer	7.5	7.5	7.5	7.0
Budget and Finance	6.0	6.0	5.5	5.5
Human Resources	2.0	2.0	2.0	1.5
Communications	1.0	1.0	1.5	1.5
Economic Development	3.0	3.0	2.0	2.0
Registrar	2.0	2.0	2.0	2.0
Inspections	10.0	8.0	8.0	7.0
Information Technology	6.0	5.0	4.0	4.0
Planning and Zoning	13.0	10.0	10.0	9.0
Office on Youth	1.0	1.0	1.0	1.0
Tourism	5.5	5.5	4.5	5.0
Clerk of Court	6.0	6.0	6.0	6.0
Commonwealth Attorney	4.0	4.5	5.0	5.0
Total General Government	86.5	80.0	74.5	70.0
Public Safety				
Sheriff and Sheriff Deputies	37.0	35.0	33.0	29.0
Administrative	2.0	2.0	2.0	2.0
Animal Control	5.0	4.5	3.5	3.5
Emergency Communications	17.0	15.0	15.0	15.0
Total Public Safety	61.0	56.5	53.5	49.5
Fire and Rescue				
Administrative	1.0	1.0	1.0	1.0
Firefighters/Paramedics	15.5	15.0	14.0	13.5
Total Fire and Rescue	16.5	16.0	15.0	14.5
Public Works				
Administrative	2.0	2.0	2.0	2.0
Refuse collection	19.0	19.0	17.5	17.0
Building & Grounds	9.0	8.5	8.0	8.0
Custodians	5.0	3.8	3.5	3.5
Total Public Works	35.0	33.3	31.0	30.5
Parks, Recreation and Cultural	16.5	15.5	20.0	20.5
Public Utilities	14.0	12.0	12.0	12.0
Public Schools				
Instructional Positions	501.7	457.7	445.0	440.3
Administrators	25.0	25.0	25.0	24.0
Support Personnel	242.0	236.2	236.6	243.0
Total Public Schools	768.7	718.9	706.6	707.3
Grand Total	998.2	932.2	912.6	904.3

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

Last Four Fiscal Years	2006	2005	2004	2003
Sheriff				
Physical arrests	323	319	392	360
Traffic violations	816	1,306	1,300	1,248
Fire and Rescue				
Emergency responses - Fire	2,852	2,601	2,180	1,421
Emergency responses - Rescue	3,632	3,430	3,529	2,704
Building Permits				
Residential	512	445	423	335
Residential - Value	\$ 111,276,167	\$ 92,052,639	\$ 65,559,903	\$ 47,753,922
Commercial	17	21	20	20
Commercial - Value	\$ 13,244,130	\$ 3,699,895	\$ 20,210,548	\$ 6,181,451
Refuse collection				
Refuse collected (tons per day)	55.0	55.8	56.0	50.8
Public Schools				
Cost Per Student	\$ 9,721	\$ 9,022	\$ 8,360	\$ 7,840
Average Daily Membership	5,138	5,032	4,983	4,967
Student/Teacher Ratio	13.0	13.4	13.6	13.7
Park and recreation				
Athletic field permits issued	29	24	26	8
County Fair Admissions	12,250	12,927	-	10,872
Library				
Volumes in collection	N/A	215,698	240,336	227,141
Total volumes borrowed	191,040	181,733	130,346	151,755
Water				
New connections	360	380	202	91
Average daily consumption (thousands of gallons)	0.392	0.445	0.454	0.565

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

Last Four Fiscal Years	2006	2005	2004	2003
Sheriff				
Stations	1	1	1	1
Patrol units	40	31	31	30
Fire and Rescue				
Fire Units	5	5	5	5
Rescue Units	4	4	4	2
Refuse collection				
Collection trucks	5	5	5	4
Public Schools				
School Facilities	9	8	8	8
Park and recreation				
Parks	7	6	6	5
Acreage	576	511	511	511
Playgrounds	8	8	8	8
Baseball/softball diamonds	4	4	4	4
Soccer/football fields	10	10	10	10
Community centers	2	2	2	2
Museums	2	2	2	1
Library Facilities	3	3	3	3

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