

COUNTY OF JAMES CITY, VIRGINIA

Comprehensive Annual Financial Report

June 30, 2012

(With Independent Auditors' Report Thereon)

**Prepared by the Department of Financial
and Management Services
James City County, Virginia**

COUNTY OF JAMES CITY, VIRGINIA

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COUNTY OF JAMES CITY, VIRGINIA

Comprehensive Annual Financial Report

County Officials

Year ended June 30, 2012

Board of Supervisors

Mary K. Jones, Berkeley District	Chair
John J. McGlennon, Roberts District	Vice Chair
James O. Icenhour, Jr., Powhatan District	
James G. Kennedy, Stonehouse District	
W. Wilford Kale, Jr., Jamestown District	
Robert C. Middaugh	Clerk

Officials

Samuel T. Powell, III *	Judge of the Circuit Court
Thomas B. Hoover	Judge of the Circuit Court
Betsy B. Woolridge	Clerk of the Circuit Court
Nathan R. Green	Commonwealth's Attorney
Richard W. Bradshaw	Commissioner of the Revenue
M. Ann Davis	Treasurer
Colleen K. Killilea	Judge of the General District Court
George C. Fairbanks, IV	Judge of the Juvenile and Domestic Relations Court
Robert J. Deeds	Sheriff
Emmett H. Harmon	Chief of Police
Dr. Steven M. Constantino	Superintendent of Schools
Robert C. Middaugh	County Administrator
Leo P. Rogers	County Attorney

*Retired on January 31, 2012

COUNTY OF JAMES CITY, VIRGINIA

Comprehensive Annual Financial Report

County Officials

Year ended June 30, 2012

Board of Directors, James City Service Authority

James G. Kennedy Chair

James O. Icenhour, Jr. Vice Chair

Mary K. Jones

W. Wilford Kale, Jr.

John J. McGlennon

Robert C. Middaugh Secretary

Stephanie A. Luton Treasurer

Larry M. Foster General Manager

School Board, Williamsburg-James City County Public Schools

Ruth Larson Chair

Joe Fuentes Vice Chair

Heather Cordasco

Elise Emanuel

James Kelly

James Nickols

Dr. Oscar Prater

Board Members, Economic Development Authority

Paul W. Gerhardt Chair

Marshall N. Warner Vice Chair

Robin Carson

Leanne DuBois

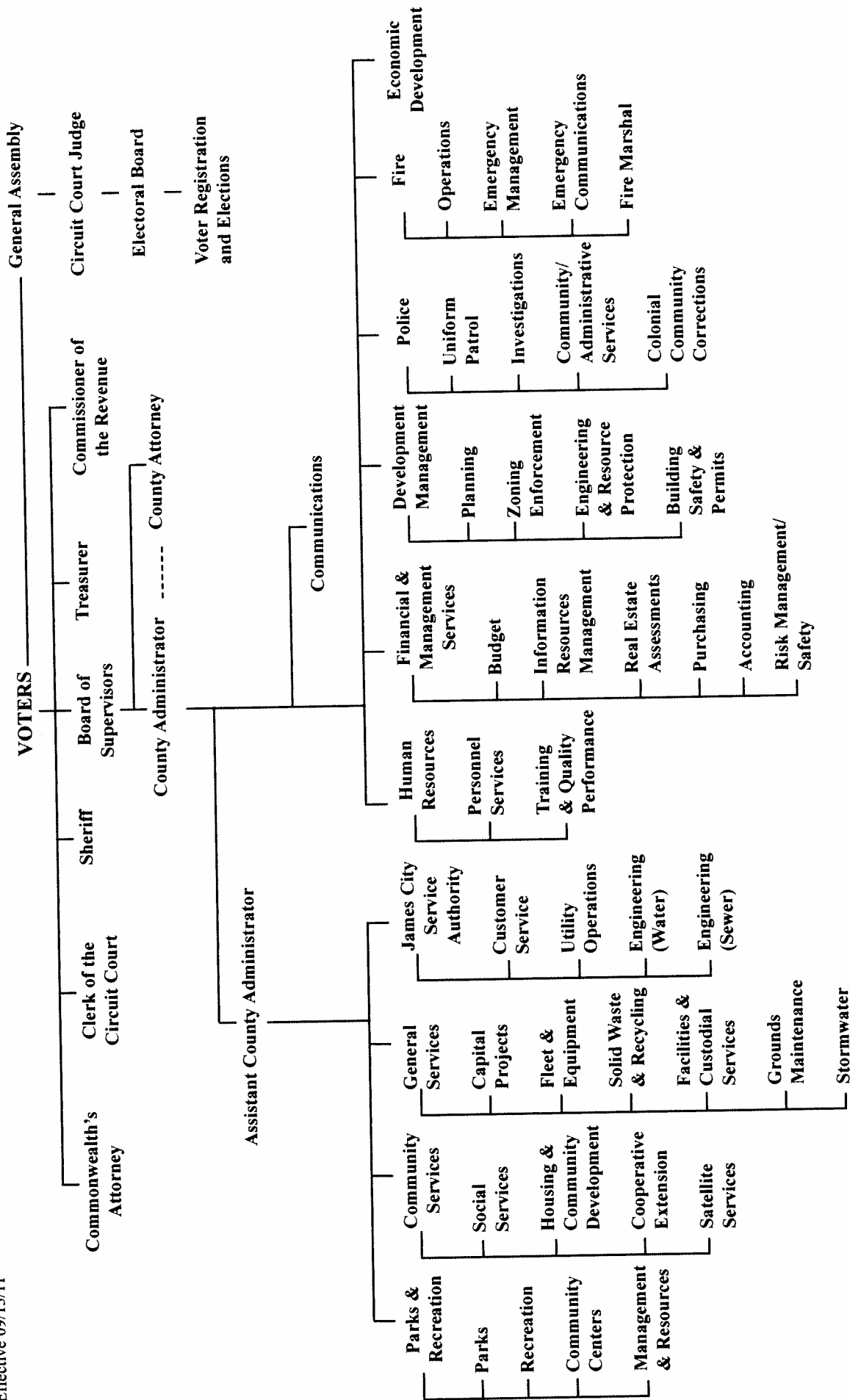
Tim Harris

Stephen Montgomery

Thomas G. Tingle

James City County Organization Chart

Effective 09/13/11





Financial and Management Services
101-F Mounts Bay Road
P.O. Box 8784
Williamsburg, VA 23187-8784
P: 757-253-6630
jamescitycountyva.gov

November 27, 2012

The Members of the Board of Supervisors and the Citizens of James City County:

We are pleased to submit to you the Comprehensive Annual Financial Report of James City County, Virginia (the County), for the fiscal year ended June 30, 2012, as required by the Code of Virginia. The Department of Financial and Management Services has prepared this report in accordance with accounting principles generally accepted in the United States of America (GAAP) and the standards of financial reporting prescribed by the Governmental Accounting Standards Board and specifications of the Auditor of Public Accounts of the Commonwealth of Virginia. Section 15.1-67 of the Code of Virginia (1950, as amended) requires the County to have an annual audit of the books of account, financial records, and the transactions of the County. Dixon Hughes Goodman LLP was selected to perform the required audit. The unqualified report of Dixon Hughes Goodman LLP, the highest possible result of the audit process, accompanies the financial statements in this report.

Responsibility for both the accuracy of the presented data and the fairness of the presentation, including all disclosures, rests with the County. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds of the County; and that all disclosures necessary to enable the reader to gain maximum understanding of the County's financial activity have been included.

The County government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996, as amended, and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, the schedule of findings and questioned costs, and the auditors' reports on internal control and compliance with applicable laws and regulations, are included in the compliance section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors on pages 3-13 of this report.

Profile of the Government

The County is located in southeastern Virginia and partially surrounds the City of Williamsburg. Although much of the County's 144 square miles consists of developed suburban areas, it has retained a considerable amount of undeveloped agricultural and forest land. There are no incorporated towns within the County. The County is empowered to levy a property tax on both real and personal properties located within its boundaries.

The County is organized under the County Administrator form of government (as defined under Virginia Law). Under this form of government, the Board of Supervisors appoints a County Administrator to serve as the Chief Executive Officer of the County. The Administrator serves at the pleasure of the Board of Supervisors, implements its policies, appoints department heads, and directs business and administrative procedures.

The Board of Supervisors is a five-member body, elected by the voters of the Electoral Districts in which they live to staggered terms. The Chairman of the Board is elected annually by its members. Each member serves a four-year term. This body enacts ordinances, appropriates funds, sets tax rates, and establishes policies for the administration of the County's public services.

The County provides a full range of services, including law enforcement, fire protection, and recreational activities. Water and sewer services are provided through the legally separate James City Service Authority (JCSA). The Board of Supervisors of James City County serves as the Board of Directors of the JCSA. The financial activity of the JCSA is included as an integral part of the County's financial statements. The County is also financially accountable for the legally separate Williamsburg-James City County (WJCC) School Board and the legally separate James City County Economic Development Authority, both of which are reported separately as discretely presented component units within the County's financial statements. Additional information on each of these legally separate entities can be found in note 1(a) in the notes to the basic financial statements.

The annual budget serves as the foundation for the County's financial planning and control. In the spring of each year, departments and agencies of the County are required to submit requests for appropriation to the County Administrator. The County Administrator then submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget include proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments.

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund and function level. The appropriation for each fund and function can be revised only by the Board of Supervisors; however, the County Administrator may amend the budget within functions. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 73-78 as part of the required supplementary information other than management's discussion and analysis. For governmental funds, other than the general fund, with appropriated budgets, these comparisons are presented in the other supplementary information subsection of this report which starts on page 81.

Economic Condition and Outlook

James City County has seen a gradual increase in economy activity during the current fiscal year. Overall, revenues increased 2.3% from last year. Revenues are expected to have a modest increase of 1.1% during fiscal year 2013. The real estate tax revenue is expected to decline over the next fiscal year due to a decrease in the real estate assessment of approximately 3.7%. Reductions in residential assessments lowered the actual taxable value approximately 5.7%, but that reduction was partially offset by new development.

In October 2010, the County was upgraded by Standard & Poor's to a AAA rating, which is the highest rating possible. The County also maintains a AAA rating with Fitch Ratings and Aa1 rating from Moody's Investors Service. These bond ratings are based on analysts' recommendations after a review of economic and fiscal performance, fiscal policies and practices, current debt outstanding and evidence of financial planning to meet future capital needs. These ratings are excellent for a community the size of James City County and give the County additional leverage in the bond market for potential bond buyers and investors.

Major Initiatives

In fiscal year 2012, the County continued to utilize its Strategic Management Plan as a framework for planning and accountability and continued to seek out new partnerships to help achieve its goals.

As a historic place, the County launched a new logo in February 2012 to reflect the County's history and value of collaboration and forward movement as one unified group. The logo was inspired by the art sculpture "Voyage", commemorating the 400th Anniversary of the founding of Jamestown and was commissioned in 2007 for Legacy Hall.

The County values healthy minds and healthy bodies as evidenced by the opening of the Powhatan Creek Trail, which connects Clara Byrd Baker Elementary School with the Mainland Farm and the Greensprings Interpretive Trail. Over 300 volunteer hours were provided by the boy scouts to develop the trail connection. In April 2012, Go Ape opened at Freedom Park, which is a public-private partnership located in the park offering high ropes and a treetop adventure course. In addition, the Eco Discovery Park opened, which is another public-private partnership that allows continued operation of the Jamestown Marina and development of an environmental education park area to encourage eco tourism, promote adventure and recreation which are consistent with the Shaping our Shores Master Plan.

The County has special character by continuing to preserve open space with the purchase of development rights and greenspace programs. This year, the County drafted a green building policy to encourage goals consistent with Leadership in Energy and Environmental Design (LEED) and similar certifications for new construction projects. In addition, the government center has been retrofitted with 2 rain gardens with native vegetation to help reduce stormwater run-off. Also, the County, Hampton Roads Planning District Commission (HRPDC) and 15 other regional entities from cities and counties launched HRgreen.org to encourage environmental stewardship.

The County continues to be a community of choice as evidenced by securing a regional grant with the City of Hampton to address homelessness in the area. The County also conducted community outreach for residents after Hurricane Irene in August 2011.

The County is a first-class government and received a 2011 Achievement Award from Virginia Association of Counties (VACo) for collaborating with other localities and businesses in the region to create a one-stop portal to information and resources of interest to prospective employees with emphasis on job and relocation opportunities.

Economic Development

The Economic Development offices of the County, City of Williamsburg, and York County co-sponsored an event to target marketing the historic triangle as a great place to expand businesses. November 26, 2011 was declared "Small Business Saturday" encouraging all Virginians to support their local small businesses. Economic Development also hosted an enterprise zone workshop to inform property owners, developers, business owners and contractors how they can meet qualification requirement for State and local enterprise zone incentives.

The County maintains a Business and Technology Incubator, which is managed by the College of William & Mary and provides a wide variety of services to new businesses in the community. During this fiscal year, the incubator became home to one new business. The new business utilizes technology and e-commerce in their business plan.

Capital Improvement Program

Capital expenditures totaled \$15,023,734 (including transfers) in fiscal year 2012. The largest capital expenditures this year were related to the construction costs for the public safety building, the new Freedom Park interpretive center and renovations to the fire administration and government center buildings. There were transfers to the schools for costs associated with expansion of Jamestown High School and installation of field lights at Jamestown High School and Warhill High School.

James City County will continue to face challenges over the next several years. Several years of population growth have produced demands for public services and facilities. The five-year Capital Improvement Program totals \$60,665,700 and focuses on a wide variety of needs. An indication of anticipated impacts can be seen in the adopted budget and capital improvements program for the fiscal year beginning July 1, 2012.

In fiscal year 2013, funding is included for renovation of the fire station in Toano, replacement of two fire pumpers and an ambulance replacement. Future planning includes fire pumper replacements, ambulance replacements, human services building rehabilitation, general services operations building, and drainage improvement projects.

James City Service Authority

The financial statements of the JCSA are included in this report in accordance with GAAP. The JCSA, for legal and management purposes, issues its own comprehensive annual financial report which is audited and available from the Department of Financial and Management Services.

The Board of Directors has authorized water and sewer operations for the JCSA within the Primary Service Area (PSA) in the County. The JCSA also provides water and/or sewer service to limited sections of York County and the City of Williamsburg with the concurrence of the appropriate governing bodies. The JCSA's operating funds are self-supporting, and the JCSA receives no share of any local or property tax levies.

The JCSA's water system includes the central water system with 10 water production facilities, and 7 independent water production facilities that are located outside the PSA. There are approximately 390 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 4.8 million gallons of water per day to 20,070 water customers.

The JCSA's sewer system includes 76 pump stations with approximately 423 miles of sewer collection lines. The sewer system facilities collect and move approximately 5 million gallons of sewage per day for 21,488 sewer customers. The JCSA has no sewage treatment facilities. Sewage treatment for areas served

by the JCSA, as well as for other Hampton Roads communities, is provided by the Hampton Roads Sanitation District.

The JCSA currently has groundwater permits for its central system to withdraw 8.9 million gallons per day to support the residential and commercial customers. In March 2008, the JCSA entered into an agreement with Newport News to purchase 4 million gallons of potable water capacity per day per calendar year depending on climatic conditions to meet the County's water supply needs through 2040. During fiscal year 2012, preliminary design work was completed for the Jamestown Road and Indigo Dam Road water line replacement projects. A major manhole rehabilitation project was also completed this year and design work began on the improvement of the sewer interceptor in the Lift Station 1-5 basin (upper reaches of Powhatan Creek) along Chisel Run to Olde Towne Road near Route 60.

In October 2011, the JCSA opened the new 12,500 square foot Operations Center located at 119 Tewning Road. This houses the JCSA field operations and engineering team members along with the centralized SCADA and Hansen work order management systems.

Treasury Management

A conservative cash management system is carried out by the County Treasurer. Temporary idle funds are automatically invested overnight in repurchase agreements that are secured or collateralized by government securities as required by the Code of Virginia. Funds that are available for a longer period of time are part of a comprehensive investment strategy that maximizes short and medium term interest rate.

Risk Management

In our opinion, the County maintains a practical insurance program through a variety of vendors which affords adequate protection against loss and includes comprehensive public liability insurance for bodily injury and property damage.

Awards of Achievement

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to James City County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the twenty-seventh year that the County has received this prestigious award.

In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

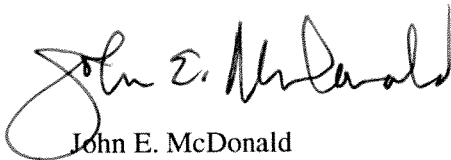
The County has established and continues to maintain a strong and stable financial position through progressive management of financial operations and through sound accounting and financial reporting practices. Appreciation is expressed to the Members of the James City County Board of Supervisors and all of the Constitutional Officers for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

The preparation of this report could not have been accomplished without the extensive effort and efficient services of the staff of Financial and Management Services. We would like to express our appreciation to each employee of the department who assisted with the annual audit and preparation of the financial statements.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Middaugh", with a stylized, flowing script.

Robert C. Middaugh
County Administrator

A handwritten signature in black ink, appearing to read "John E. McDonald", with a stylized, flowing script.

John E. McDonald
Director of Financial and Management Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

James City County
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Danison

President

Jeffrey R. Enen

Executive Director

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INDEPENDENT AUDITORS' REPORT



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report

Board of Supervisors
County of James City, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***County of James City, Virginia*** as of and for the year ended June 30, 2012, which collectively comprise the ***County of James City, Virginia's*** basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***County of James City, Virginia's*** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform our audits 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, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the ***County of James City, Virginia*** as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the ***County of James City, Virginia's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the required supplementary information included in Exhibits 10 and 11 and related notes on pages 73 through 80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental*

Accounting Standards Board, who considers them to be an essential parts of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *County of James City, Virginia's* financial statements as a whole. The introductory section, supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 27, 2012

**MANAGEMENT'S DISCUSSION AND
ANALYSIS (MD&A)**

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

As management of James City County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the County's financial statements, which follow this analysis.

Financial Highlights

- The County's total net assets increased by approximately \$8.6 million over the course of this year's operations, which represents a 2.3% increase from fiscal year 2011. The increase is primarily a result of an increase in property tax revenue.
- The assets of the County exceeded its liabilities as of June 30, 2012 by approximately \$384.8 million. Of this amount, approximately \$268.9 million, or 69.9%, is the net investment in capital assets.
- The County's total long-term liabilities for governmental activities at June 30, 2012 were \$206,746,932. In September 2011, the County issued \$6,672,000 in lease revenue bonds to finance a new fire station, renovations to a government center building and infrastructure improvements at Mid-County Park. In December 2011, the County issued \$1,000,000 in general obligation school bonds to finance an expansion at Jamestown High School.
- Actual General Fund revenues received were 3.1%, or \$5,124,714 more than what had been budgeted and showed a 2.3% increase, or \$3,825,946 from fiscal year 2011. The increase is primarily a result of increased revenue for property tax, sales tax, meals tax and business licenses.

Overview of the Financial Statements

The County's Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical and compliance. The financial section consists of three primary components – government-wide financial statements, fund financial statements, and notes to the basic financial statements.

Government-Wide Financial 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. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial 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, you need to consider additional nonfinancial factors, such as changes in the County's property tax base.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

- The government-wide financial statements of the County are divided into three categories:
 - *Governmental activities* – Most of the County's basic services are included here, such as the police, fire, parks and recreation, and general administration. Property taxes and state and federal funding finance most of these activities.
 - *Business-type activities* – Activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services are included here.
 - *Component units* – The County includes two other entities in its report – The Public Schools and the Economic Development Authority. Although legally separate, these "component units" are important because of the County's financial accountability for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants. Other funds are established to control and manage money for particular purposes or to show that the County is properly using certain taxes and grants. The County has three kinds of funds:

- *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 be readily converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. Consequently, the governmental funds 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 programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* – Services that are intended to recover all or a significant portion of their costs through user fees are generally reported in the proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financing information. The County's enterprise fund (one type of proprietary fund) is the same as its business-type activity, but provides more detail and additional information, such as cash flows.
- *Fiduciary funds* – The County is responsible for assets of various agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use their assets to finance its operations.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's General Fund budget and progress in funding its obligation to provide pension benefits to its employees. The combining statements for nonmajor governmental funds are presented immediately following the required supplementary information on the General Fund budget and defined benefit pension plans.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's assets exceeded liabilities by \$384,832,399 at the close of the most recent fiscal year. This represents a 2.3% increase from last year.

Condensed Summary of Net Assets

June 30, 2012

	Governmental activities	Business-type activity	Total	Component unit – public schools
Assets:				
Current and other assets	\$ 99,647,533	41,238,168	140,885,701	16,180,450
Capital assets	<u>326,234,111</u>	<u>167,810,314</u>	<u>494,044,425</u>	<u>47,957,321</u>
Total assets	<u>\$ 425,881,644</u>	<u>209,048,482</u>	<u>634,930,126</u>	<u>64,137,771</u>
Liabilities:				
Long-term liabilities	\$ 206,746,932	33,475,813	240,222,745	4,275,557
Other liabilities	<u>8,752,015</u>	<u>1,122,967</u>	<u>9,874,982</u>	<u>13,107,089</u>
Total liabilities	<u>\$ 215,498,947</u>	<u>34,598,780</u>	<u>250,097,727</u>	<u>17,382,646</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 133,812,951	135,110,313	268,923,264	47,957,321
Restricted net assets:				
Capital projects	21,226,338	4,876,760	26,103,098	—
Unrestricted net assets	<u>55,343,408</u>	<u>34,462,629</u>	<u>89,806,037</u>	<u>(1,202,196)</u>
Total net assets	<u>\$ 210,382,697</u>	<u>174,449,702</u>	<u>384,832,399</u>	<u>46,755,125</u>

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Condensed Summary of Net Assets

June 30, 2011

	<u>Governmental activities</u>	<u>Business-type activity</u>	<u>Total</u>	<u>Component unit – public schools</u>
Assets:				
Current and other assets	\$ 100,756,354	41,254,213	142,010,567	20,807,022
Capital assets	<u>328,406,073</u>	<u>169,831,622</u>	<u>498,237,695</u>	<u>44,767,708</u>
Total assets	<u>\$ 429,162,427</u>	<u>211,085,835</u>	<u>640,248,262</u>	<u>65,574,730</u>
Liabilities:				
Long-term liabilities	\$ 214,304,033	35,001,394	249,305,427	3,692,754
Other liabilities	<u>13,060,830</u>	<u>1,644,175</u>	<u>14,705,005</u>	<u>16,689,873</u>
Total liabilities	<u>\$ 227,364,863</u>	<u>36,645,569</u>	<u>264,010,432</u>	<u>20,382,627</u>
Net assets:				
Invested in capital assets, net of related debt	\$ 46,961,066	135,641,623	182,602,689	44,767,708
Restricted net assets:				
Capital projects	20,005,183	4,740,769	24,745,952	—
Unrestricted net assets	<u>134,831,315</u>	<u>34,057,874</u>	<u>168,889,189</u>	<u>424,395</u>
Total net assets	<u>\$ 201,797,564</u>	<u>174,440,266</u>	<u>376,237,830</u>	<u>45,192,103</u>

The largest portion of the County's net assets at June 30, 2012 (69.9%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted portion of net assets (23.3%) may be used to meet the County's ongoing obligations to citizens and creditors. The remaining portion of net assets (6.8%) is restricted for specific purposes.

At the end of the current fiscal year, the County was able to report positive balances in all three categories of net assets, both for the primary government as a whole, as well as for its separate governmental and business-type activities.

The Public Schools' net assets increased 3.5% to approximately \$46.8 million. Of the balance, a \$1.2 million deficit for unrestricted net assets exists at June 30, 2012 from the recognition of unfunded liabilities related to other post employment benefits (OPEB) and \$48 million is invested in capital assets. The increase in net assets is primarily attributable to the capitalization of ongoing and completed capital projects.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Summary of Changes in Net Assets

Year ended June 30, 2012

	Governmental activities	Business-type activity	Total	Component unit – public schools
Revenues:				
Program revenues:				
Charges for services	\$ 14,980,225	14,883,627	29,863,852	2,568,153
Operating grants and contributions	33,019,242	—	33,019,242	17,998,894
Capital grants and contributions	2,035,365	5,395,362	7,430,727	—
General revenues:				
Property taxes	111,454,692	—	111,454,692	—
Other taxes	20,006,069	—	20,006,069	—
Grants and contributions not restricted to specific programs	—	—	—	103,477,467
Interest and investment earnings	395,001	351,929	746,930	8,454
Miscellaneous	1,286,664	740,199	2,026,863	61,251
Total revenues	183,177,258	21,371,117	204,548,375	124,114,219
Expenses:				
General government administration	17,103,421	—	17,103,421	—
Judicial administration	5,513,976	—	5,513,976	—
Public safety	23,768,668	—	23,768,668	—
Public works	6,119,246	—	6,119,246	—
Health and welfare	7,042,619	—	7,042,619	—
Education	82,082,568	—	82,082,568	122,551,197
Parks, recreation and cultural	8,744,156	—	8,744,156	—
Community development	14,832,661	—	14,832,661	—
Interest on long-term debt	9,384,810	—	9,384,810	—
Service Authority	—	21,361,681	21,361,681	—
Total expenses	174,592,125	21,361,681	195,953,806	122,551,197
Change in net assets	8,585,133	9,436	8,594,569	1,563,022
Net assets at beginning of year	201,797,564	174,440,266	376,237,830	45,192,103
Net assets at end of year	\$ 210,382,697	174,449,702	384,832,399	46,755,125

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Summary of Changes in Net Assets

Year ended June 30, 2011

	Governmental activities	Business-type activity	Total	Component unit – public schools
Revenues:				
Program revenues:				
Charges for services	\$ 14,282,467	16,443,520	30,725,987	2,459,149
Operating grants and contributions	32,049,993	—	32,049,993	19,437,453
Capital grants and contributions	434,823	1,750,073	2,184,896	—
General revenues:				
Property taxes	109,545,003	—	109,545,003	—
Other taxes	19,100,086	—	19,100,086	—
Grants and contributions not restricted to specific programs	—	—	—	104,117,528
Interest and investment earnings	442,698	509,675	952,373	3,661
Miscellaneous	1,201,369	521,384	1,722,753	44,934
Total revenues	177,056,439	19,224,652	196,281,091	126,062,725
Expenses:				
General government administration	23,061,671	—	23,061,671	—
Judicial administration	5,394,548	—	5,394,548	—
Public safety	15,003,864	—	15,003,864	—
Public works	7,332,972	—	7,332,972	—
Health and welfare	7,582,994	—	7,582,994	—
Education	83,737,593	—	83,737,593	121,587,771
Parks, recreation and cultural	8,980,597	—	8,980,597	—
Community development	9,467,357	—	9,467,357	—
Interest on long-term debt	9,853,465	—	9,853,465	—
Service Authority	—	20,896,660	20,896,660	—
Total expenses	170,415,061	20,896,660	191,311,721	121,587,771
Change in net assets	6,641,378	(1,672,008)	4,969,370	4,474,954
Net assets at beginning of year, as restated	195,156,186	176,112,274	371,268,460	40,717,149
Net assets at end of year	\$ 201,797,564	174,440,266	376,237,830	45,192,103

Governmental Activities

For the fiscal year ended June 30, 2012, revenues from governmental activities totaled \$183,177,258. Of this amount, \$51,716,497, or 28.2%, is received from sources other than local tax revenue. Real estate tax revenues, the County's largest single revenue source, totaled \$86,502,226. The County's assessed real property tax base for fiscal year 2012 was \$11,316,807,900, which was an increase of 1.3% over fiscal year 2011. Overall, the net assets increased by \$8,585,133 from last year.

In fiscal year 2012, the County reported current year collections of \$16,139,518 in personal property taxes, and received reimbursement from the Commonwealth of Virginia of \$9,770,137. Under the provisions of the

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was approximately 55.5% of most taxpayer's payments.

For the fiscal year ended June 30, 2012, expenses for governmental activities totaled \$174,592,125, including payments of \$78,718,206 to Public Schools. Expenses increased by \$4,177,064 over fiscal year 2011. This was primarily due to costs incurred related to Hurricane Irene in August 2011, increase in health insurance costs and spending for a grant received to purchase a safe boat for use by the police department.

Business-Type Activity

The business-type activity remained relatively flat this year, only increasing the County's net assets by \$9,436. This year, there was a decrease in water service revenue and an increase in utility costs related to opening the new Operations Center. There was an increase in the water and sewer system dedications from 2011. Overall, the expenses increased from last year by 2.2%. The primary source of revenue consists of charges for water and sewer services, which totaled \$11,718,297 and decreased by 7% from last year. This decrease was primarily a result a decrease in water production due to cooler temperatures in the fall months and increased rainfall.

Component Unit – Public Schools

The Schools received \$78,718,206 from the County during fiscal year 2012. This money supported the operating and capital activities for the Schools. Expenses increased by 0.8% from fiscal year 2011, which is primarily a result of an increase in employee retirement costs for professional staff and purchase of school buses. Revenues also decreased by 1.6% from the previous fiscal year. This is primarily due to a reduction in capital funding received from the County, City of Williamsburg and the federal government.

Financial Analysis of the County's Funds

The County's General Fund experienced an overall increase in fund balance of \$4,404,589. This was mostly due to increased revenue from property tax, sales tax, meals tax and business licenses. The portion of the unassigned fund balance for fiscal liquidity totaled \$21,674,594, which was 10.8% of the total general governmental expenditures (from table 11A on page 114), including the County's share of the Public Schools' operating expenditures, and within the goal of 8% to 12%.

General Fund Budgetary Highlights

The overall difference between the original budget and the final amended budget for revenues increased by \$5,000, which was an appropriation to offset the loss of state funds for Commonwealth's Attorney office to replace a career prosecutor. Actual General Fund revenues received were 3.1%, or \$5,124,714 more than what had been projected in the amended budget and showed a 2.3% increase, or \$3,825,946 from fiscal year 2011.

The largest increase in revenues from fiscal year 2011 to fiscal year 2012 occurred in personal property tax revenues totaling \$992,202 as a result of an increase to the tax base. Real estate tax revenues, both current and delinquent, are the County's largest revenue source and for fiscal year 2012 totaled \$86,502,226 and was \$915,922 more than the amended budget. Personal property taxes, another large source of local tax funding, had combined collections from the state and local taxpayers of \$25,909,655. State revenues, not including the personal property tax reimbursement, were \$352,502 more than budgeted. State revenues, not including the personal property tax reimbursement, increased \$293,869 in fiscal year 2012 from fiscal year 2011 levels. This increase is primarily due receiving more in state sales tax, which increased \$424,897 from fiscal year 2011.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

General Fund budgeted expenditures were 1.1% below the final budget, or \$1,520,106, which was primarily due to reduced departmental spending. Of this amount, \$733,900 is for encumbrances and is assigned in the fund balance.

As a result of an increase in property tax revenue and a decrease in departmental spending, the fund balance increased to \$43,876,490. This was an increase of \$4,404,589 or 11.2% over 2011.

Other Governmental Funds

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for all funds, which can be found on pages 84-86. The other governmental funds had an increase of \$980,931 in net assets during the fiscal year. This increase was primarily a result of receiving proceeds from the sale of property in the Community Development Fund and revenue received for watershed management, drainage improvement and flood mitigation projects in the Grants and Special Projects Fund.

Proprietary Fund

The County operates one proprietary fund, James City Service Authority (JCSA or the Authority), which provides water and sewer service to County residents. The proprietary funds had a moderate increase of \$9,436 in net assets during the fiscal year primarily due to a decrease in water service revenue and increase in utility costs related to opening the new Operations Center. In addition, water and sewer system dedications increased over 2011.

Capital Assets and Debt Administration

At the end of fiscal year 2012, the County's investment in capital assets for its governmental and business-type activities totaled \$494,044,425 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, water and sewer systems, infrastructure, equipment, and vehicles. The County does not own its roads and they are therefore not included in the capital assets. In addition, the Public Schools own all school buildings and the related debt is County debt. The value associated with the purchase and/or construction of the Public Schools' buildings is reported as capital assets in the governmental activities of the County to properly match with the associated debt, as allowed by Virginia state law. In fiscal year 2012, the net value of school buildings reflected in the governmental activities of the County equals \$205,340,369, and the associated current year's depreciation expense of \$5,008,700 is reflected in the educational expense line of the County's governmental activities in the statement of net assets.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Capital Assets, Net of Depreciation and Amortization

June 30, 2012 and 2011

	2012			2011 Total
	Governmental activities	Business-type activity	Total	
Land	\$ —	1,750,391	1,750,391	1,750,391
Land and land rights – utility plant	—	962,695	962,695	962,695
Land and land improvements	25,570,545	13,183	25,583,728	26,144,346
Construction in progress	4,108,503	595,777	4,704,280	22,655,482
Water and sewer systems	—	136,509,873	136,509,873	135,169,554
Buildings and improvements	255,368,807	3,712,676	259,081,483	247,145,129
Improvements other than buildings	19,229,378	—	19,229,378	18,369,003
Equipment and vehicles	13,346,327	1,255,014	14,601,341	14,828,380
Infrastructure	5,658,032	—	5,658,032	5,184,850
Intangible assets – easements	2,952,519	4,570	2,957,089	2,408,233
Intangible assets – water rights	—	23,006,135	23,006,135	23,619,632
Total	\$ 326,234,111	167,810,314	494,044,425	498,237,695

Additional information about the County's capital assets can be found in note 7 to the financial statements.

Capital Projects Fund

The Capital Projects Fund is used by the County to account for the financing sources used to acquire and construct major capital projects for the general government. A major source of funding for the capital projects is transfers from the General Fund.

For fiscal year 2012, \$1,818,000 was transferred to the Capital Projects Fund from the General Fund. During the year, capital project expenditures of \$15,131,234 (including transfer) included the following:

- Transfers to schools for expansion of Jamestown High School
- Transfers to schools for installation of field lights at Jamestown High School and Warhill High School
- Construction costs for the new public safety building
- Costs associated with renovation of the fire administration building
- Costs associated with renovation of a government center building
- Construction costs for the new Freedom Park interpretive center

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Long-Term Debt

At June 30, 2012 and 2011, the County had total outstanding debt of \$232,779,350 and \$242,625,540, respectively. Compensated absences, OPEB obligation and landfill postclosure care costs of \$7,443,393 and \$7,211,983 at June 30, 2012 and 2011, respectively, are not included in these amounts.

Summary of Long-Term Debt

June 30, 2012 and 2011

	2012			2011
	Governmental activities	Business-type activity	Total	Total
General obligation bonds	\$ 86,134,103	—	86,134,103	93,283,624
Revenue bonds	104,472,000	32,938,174	137,410,174	139,056,394
Capital lease – radio system	8,026,000	—	8,026,000	8,973,000
Other capital leases	1,209,073	—	1,209,073	1,312,522
Total	\$ 199,841,176	32,938,174	232,779,350	242,625,540

In September 2011, the County issued \$6,672,000 in lease revenue bonds to finance a new fire station, renovations to a government center building and infrastructure improvements at Mid-County Park.

In December 2011, the County issued \$1,000,000 in general obligation school bonds to finance an expansion at Jamestown High School.

Additional information about the County's long-term debt can be found in note 10 to the financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2012

Economic Factors and Next Year's Budgets and Tax Rates

The County has a two-year budget cycle. The first year of a two-year cycle is adopted and appropriated and the second year is adopted for planning purposes. Fiscal year 2013 is the first year of the next two-year cycle. The fiscal year 2013 approved budget for the General Fund is \$165,630,000.

This budget was adopted on May 8, 2012, and reflects a \$1,439,000, or a 0.9%, increase over the amended fiscal year 2012 budget. This increase is primarily due to an increase in projected local sales tax and meals tax revenue as a result of increased tourism in the area. Revenue from charges for services are also projected to increase 7.2% over the 2012 amended budget due to additional park revenues expected because of the addition of a new tree top adventure course in Freedom Park and an ice skating rink in New Town.

During fiscal year 2013, real estate revenues, the largest source of general fund revenue, are projected to decrease 3.4% over last year due to a decrease in the taxable real estate assessments. Other areas are increasing revenue including personal property and machinery and tools, which are projected to increase from 2012 by 8% and 3.7%, respectively. The personal property tax revenue increase is primarily due to an increase in valuations as newer vehicles have replaced older, less valuable ones. An increase in machinery and tools is a result of County manufacturers investing in expansions and new equipment. State revenues increase slightly, primarily from an increase in sales tax for education. This increase is a result of an increase in state sales tax and a higher census of school-age children.

Expenditures include increased costs for employee retirement and motor fuels due to higher gasoline rates, funding to secure or demolish unsafe structures, and some outsourcing of grounds maintenance. The County's general fund contribution to the Williamsburg-James City County School Board will be \$76,689,505, which is a 3.3% or \$2,439,505 increase from fiscal year 2012.

Contacting the County's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

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BASIC FINANCIAL STATEMENTS

COUNTY OF JAMES CITY, VIRGINIA

Statement of Net Assets

June 30, 2012

Assets	Primary government			Discretely presented component units	
	Governmental activities	Business-type activity	Total	Public schools	Economic Development Authority
Cash and cash equivalents (note 2)	\$ 9,360,468	699,024	10,059,492	13,501,406	1,614,402
Investments (note 2)	32,839,803	32,590,092	65,429,895	—	—
Cash and cash equivalents and investments - restricted (notes 2 and 3)	9,999,519	4,876,760	14,876,279	—	—
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	27,296,163	—	27,296,163	—	—
Accounts	—	2,471,587	2,471,587	—	—
Interest	34,592	89,863	124,455	—	2,777
Loans	167,249	—	167,249	—	—
Notes	—	118,651	118,651	—	25,870
Miscellaneous	4,937,584	285,962	5,223,546	136,231	—
Internal balances (note 5)	1,235,087	(1,235,087)	—	—	—
Due from primary government (note 8)	—	—	—	1,063,414	109,386
Due from other governments, net (note 6)	11,077,196	—	11,077,196	1,438,867	—
Inventory	346,545	747,416	1,093,961	40,532	—
Prepaid and other assets	2,353,327	593,900	2,947,227	—	—
Capital assets (note 7):					
Land and land improvements	25,570,545	2,726,269	28,296,814	8,435,126	2,483,106
Construction in progress (note 17)	4,108,503	595,777	4,704,280	418,043	166,510
Buildings, improvements and equipment	393,744,562	237,496,181	631,240,743	61,442,512	5,119
Intangible assets	2,952,519	25,004,570	27,957,089	—	7,600
Less accumulated depreciation and amortization	(100,142,018)	(98,012,483)	(198,154,501)	(22,338,360)	(469)
Net capital assets	326,234,111	167,810,314	494,044,425	47,957,321	2,661,866
Total assets	\$ 425,881,644	209,048,482	634,930,126	64,137,771	4,414,301
Liabilities and Net Assets					
Liabilities:					
Accounts payable (note 4)	\$ 3,603,702	252,010	3,855,712	1,161,258	131,585
Accrued liabilities (note 4)	1,905,871	695,023	2,600,894	11,721,549	—
Liabilities payable from restricted assets	1,158,492	—	1,158,492	—	—
Due to component units (note 8)	1,171,973	—	1,171,973	—	—
Advances for construction (note 17)	—	32,902	32,902	—	—
Amounts held for others	—	133,117	133,117	—	—
Unearned revenue (note 9)	911,977	9,915	921,892	224,282	—
Long-term liabilities (notes 10, 11 and 13):					
Due within one year	18,186,320	1,876,471	20,062,791	437,966	—
Due in more than one year	188,560,612	31,599,342	220,159,954	3,837,591	—
Total liabilities	215,498,947	34,598,780	250,097,727	17,382,646	131,585
Net assets:					
Invested in capital assets, net of related debt	133,812,951	135,110,313	268,923,264	47,957,321	2,661,866
Restricted net assets:					
Capital projects	21,226,338	4,876,760	26,103,098	—	—
Unrestricted net assets	55,343,408	34,462,629	89,806,037	(1,202,196)	1,620,850
Total net assets	210,382,697	174,449,702	384,832,399	46,755,125	4,282,716
Total liabilities and net assets	\$ 425,881,644	209,048,482	634,930,126	64,137,771	4,414,301

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Activities

Year ended June 30, 2012

Functions/programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
General government administration	\$ 17,103,421	7,246,961	21,788,307	886,250
Judicial administration	5,513,976	1,816,700	1,145,915	—
Public safety	23,768,668	3,172,589	1,550,824	765,139
Public works	6,119,246	216,443	23,496	—
Health and welfare	7,042,619	—	3,752,661	—
Education (including payments to school system)	82,082,568	—	—	—
Parks, recreation and cultural	8,744,156	2,527,532	228,000	383,976
Community development	14,832,661	—	4,530,039	—
Interest on long-term debt	9,384,810	—	—	—
Total governmental activities	174,592,125	14,980,225	33,019,242	2,035,365
Business-type activity - Service Authority	21,361,681	14,883,627	—	5,395,362
Total primary government	\$ 195,953,806	29,863,852	33,019,242	7,430,727
Component units:				
Economic Development Authority	\$ 646,817	159,692	58,607	—
Public Schools	122,551,197	2,568,153	17,998,894	—
Total component units	\$ 123,198,014	2,727,845	18,057,501	—
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local sales and use taxes				
Franchise license tax				
Taxes on recordation and wills				
Hotel and motel room taxes				
Restaurant food taxes				
Deeds of conveyance				
Penalties and interest				
Grants and contributions not restricted to specific programs				
Interest and investment earnings				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets – beginning				
Net assets – ending				

See accompanying notes to basic financial statements.

Exhibit 2

Net (expenses) revenues and changes in net assets				
Primary government			Discretely presented component units	
Governmental activities	Business-type activity	Total	Public schools	Economic Development Authority
12,818,097	—	12,818,097	—	—
(2,551,361)	—	(2,551,361)	—	—
(18,280,116)	—	(18,280,116)	—	—
(5,879,307)	—	(5,879,307)	—	—
(3,289,958)	—	(3,289,958)	—	—
(82,082,568)	—	(82,082,568)	—	—
(5,604,648)	—	(5,604,648)	—	—
(10,302,622)	—	(10,302,622)	—	—
(9,384,810)	—	(9,384,810)	—	—
(124,557,293)	—	(124,557,293)	—	—
—	(1,082,692)	(1,082,692)	—	—
(124,557,293)	(1,082,692)	(125,639,985)	—	—
—	—	—	—	(428,518)
—	—	—	(101,984,150)	—
—	—	—	(101,984,150)	(428,518)
\$ 111,454,692	—	111,454,692	—	—
9,322,142	—	9,322,142	—	—
508,414	—	508,414	—	—
1,121,581	—	1,121,581	—	—
2,753,408	—	2,753,408	—	—
5,982,787	—	5,982,787	—	—
278,326	—	278,326	—	—
39,411	—	39,411	—	—
—	—	—	103,477,467	—
395,001	351,929	746,930	8,454	40,465
1,286,664	740,199	2,026,863	61,251	100,131
133,142,426	1,092,128	134,234,554	103,547,172	140,596
8,585,133	9,436	8,594,569	1,563,022	(287,922)
201,797,564	174,440,266	376,237,830	45,192,103	4,570,638
\$ 210,382,697	174,449,702	384,832,399	46,755,125	4,282,716

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Governmental Funds

June 30, 2012

Assets	General	Capital projects	Debt service	Other governmental funds	Total governmental funds
Cash and cash equivalents and investments	\$ 6,392,474	—	—	2,967,994	9,360,468
Investments	17,912,868	14,926,935	—	—	32,839,803
Cash and cash equivalents and investments – restricted (note 3)	1,075,346	7,970,401	—	953,772	9,999,519
Receivables, net of allowance for uncollectibles:					
Taxes	27,295,018	1,145	—	—	27,296,163
Interest	—	34,402	—	190	34,592
Loans	—	—	—	167,249	167,249
Miscellaneous (note 4)	4,918,436	—	—	19,148	4,937,584
Due from other funds (note 5)	1,563,449	—	—	899	1,564,348
Due from blended component unit (note 8)	1,236,087	—	—	—	1,236,087
Due from other governments, net (note 6)	7,233,773	73,764	—	3,769,659	11,077,196
Inventory	346,545	—	—	—	346,545
Prepaid items	515	—	—	—	515
Total assets	\$ 67,974,511	23,006,647	—	7,878,911	98,860,069
Liabilities and Fund Balances					
Liabilities:					
Accounts payable (note 4)	\$ 2,582,630	713,025	—	308,047	3,603,702
Accrued liabilities (note 4)	328,244	—	—	17,606	345,850
Liabilities payable from restricted assets	1,091,552	22,360	—	44,580	1,158,492
Due to other funds (note 5)	—	—	—	1,564,348	1,564,348
Due to component units (note 8)	102,790	1,043,779	—	26,404	1,172,973
Deferred revenue (note 9)	19,992,805	1,145	—	823,087	20,817,037
Total liabilities	24,098,021	1,780,309	—	2,784,072	28,662,402
Fund balances:					
Nonspendable:					
Loans	—	—	—	167,249	167,249
Inventory	346,545	—	—	—	346,545
Committed:					
Capital projects	—	21,226,338	—	—	21,226,338
Other governmental funds	—	—	—	962,702	962,702
Assigned:					
General	6,089,236	—	—	—	6,089,236
Capital reserve	15,766,115	—	—	—	15,766,115
Other governmental funds	—	—	—	3,964,888	3,964,888
Unassigned:					
General	21,674,594	—	—	—	21,674,594
Total fund balances	43,876,490	21,226,338	—	5,094,839	70,197,667
Total liabilities and fund balances	\$ 67,974,511	23,006,647	—	7,878,911	98,860,069

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Governmental Funds

June 30, 2012

Reconciliation of the balance sheet for governmental funds to the government-wide statement of net assets:

Ending fund balance – governmental funds	\$	70,197,667	
Amounts reported for governmental activities in the balance sheet are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		326,234,111	
Land held for resale and future development used in governmental activities are not are not financial resources and therefore are not reported in the funds.		968,323	
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		19,905,060	
Governmental funds report the effect of issuance costs when the debt is issued. These costs are deferred in the government-wide statement of net assets.		1,384,489	
Obligation for OPEB is not due and payable in the current period and is not recorded as a liability in the governmental funds.		(1,197,962)	
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore is not reported in the funds.		(1,560,021)	
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds, net	\$	(86,134,103)	
Capital leases		(9,235,074)	
Lease revenue bonds		(104,472,000)	
Compensated absences		(3,368,993)	
Landfill postclosure care cost		(2,338,800)	
		<u>(205,548,970)</u>	
Net assets of governmental activities	\$	<u>210,382,697</u>	

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2012

	General	Capital projects	Debt service	Other governmental funds	Total governmental funds
Revenues:					
General property taxes	\$ 110,677,787	—	—	—	110,677,787
Other local taxes	20,006,069	—	—	—	20,006,069
Permits, privilege fees and regulatory licenses	7,487,105	—	—	—	7,487,105
Fines and forfeitures	274,198	—	—	—	274,198
Revenue from use of money and property	297,668	88,555	7,143	1,635	395,001
Charges for services	5,174,185	—	—	—	5,174,185
Miscellaneous	155,011	390,403	245,123	496,127	1,286,664
Intergovernmental:					
Local	—	—	—	231,153	231,153
Commonwealth	25,224,094	886,250	—	3,635,211	29,745,555
Federal	19,597	351,778	—	6,751,263	7,122,638
Total revenues	169,315,714	1,716,986	252,266	11,115,389	182,400,355
Expenditures:					
Current:					
General government administration	8,669,692	—	—	—	8,669,692
Judicial administration	3,998,928	—	—	1,255,561	5,254,489
Public safety	23,860,985	—	—	1,054,836	24,915,821
Public works	6,470,077	—	—	23,496	6,493,573
Health and welfare	1,544,753	—	—	5,497,866	7,042,619
Education	74,280,245	—	—	—	74,280,245
Parks, recreation and cultural	8,821,159	—	—	342,782	9,163,941
Community development	6,694,468	—	142,768	3,036,504	9,873,740
Storm costs	—	—	—	2,454,661	2,454,661
Nondepartmental	1,265,803	—	—	—	1,265,803
Debt service:					
Principal retirement	—	—	14,787,955	—	14,787,955
Interest, other fiscal charges and early retirement	—	—	9,384,810	—	9,384,810
Capital outlay – governmental activities	—	10,555,528	—	—	10,555,528
Capital outlay – school activities	—	4,468,206	—	—	4,468,206
Total expenditures	135,606,110	15,023,734	24,315,533	13,665,706	188,611,083
Excess (deficiency) of revenues over (under) expenditures	33,709,604	(13,306,748)	(24,063,267)	(2,550,317)	(6,210,728)
Other financing sources (uses):					
Proceeds from issuance of debt	—	7,672,000	—	—	7,672,000
Transfers in (note 5)	—	1,818,000	24,063,267	3,531,248	29,412,515
Transfers out (note 5)	(29,305,015)	(107,500)	—	—	(29,412,515)
Total other financing sources (uses)	(29,305,015)	9,382,500	24,063,267	3,531,248	7,672,000
Net change in fund balances	4,404,589	(3,924,248)	—	980,931	1,461,272
Fund balances at beginning of year	39,471,901	25,150,586	—	4,113,908	68,736,395
Fund balances at end of year	\$ 43,876,490	21,226,338	—	5,094,839	70,197,667

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2012

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities:

Net change in fund balances – total governmental funds \$ 1,461,272

Amounts 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 those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:

Depreciation expense	\$ (11,354,039)	
Capital outlay expenditures	11,776,854	
Cost of assets sold	<u>(1,626,454)</u>	
		(1,203,639)

Because some revenues will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenue decreased by this amount this year.

776,905

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, refunding costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. The details of this difference are as follows:

Issuance of debt	(7,672,000)	
Cost of issuance	9,065	
Amortization of issuance costs	(132,761)	
Principal payments	14,787,954	
Deferred costs	667,015	
OPEB obligation	<u>(239,000)</u>	
		7,420,273

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This difference includes the decrease in vested compensated absences of \$44,505, increase in landfill postclosure care cost of \$31,373 and decrease in accrued interest of \$117,190.

	<u>130,322</u>	
Change in net assets of governmental activities	\$	<u><u>8,585,133</u></u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Proprietary Fund

June 30, 2012

	James City Service Authority
Assets	
Current assets:	
Cash and cash equivalents	\$ 699,024
Investments	32,590,092
Receivables, net of allowance for uncollectibles:	
Accounts	2,471,587
Interest	89,863
Notes	118,651
Miscellaneous	285,962
Inventory	747,416
Total current assets	<u>37,002,595</u>
Noncurrent assets:	
Capital assets (notes 7, 10 and 17):	
Land	1,750,391
Land – utility plant	962,695
Land improvements	13,183
Construction in progress	595,777
Water and sewer systems – utility plant	228,822,869
Buildings and improvements	4,817,690
Office fixtures and equipment	1,482,163
Automotive equipment	2,373,459
Intangible assets	25,004,570
Less accumulated depreciation and amortization	<u>(98,012,483)</u>
Net capital assets	<u>167,810,314</u>
Investments restricted for future use (note 2)	<u>4,876,760</u>
Bond issuance costs, net	<u>593,900</u>
Total noncurrent assets	<u>173,280,974</u>
Total assets	<u>\$ 210,283,569</u>
Liabilities and Net Assets	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 252,010
Accrued salaries	14,927
Compensated absences, current portion	290,347
Due to other funds (note 5)	1,235,087
Deposits	133,117
Interest payable	680,096
Deferred liability	9,915
Current portion of bonds payable (note 10)	<u>1,586,124</u>
Total current liabilities	<u>4,201,623</u>
Noncurrent liabilities:	
Advances for construction (note 17)	32,902
OPEB liability	150,509
Bonds payable, net of current portion (note 10)	31,352,051
Compensated absences, net of current portion	<u>96,782</u>
Total noncurrent liabilities	<u>31,632,244</u>
Total liabilities	<u>35,833,867</u>
Net assets:	
Invested in capital assets, net of related debt	135,110,313
Restricted for capital projects	4,876,760
Unrestricted net assets	<u>34,462,629</u>
Total net assets	<u>174,449,702</u>
Total liabilities and net assets	<u>\$ 210,283,569</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund

Year ended June 30, 2012

	James City Service Authority
Operating revenues:	
Water and sewer services	\$ 11,718,297
Water supply proffers	26,967
Rental income	144,381
Reimbursement from storm costs	349,541
Miscellaneous	198,025
Total operating revenues	<u>12,437,211</u>
Operating expenses:	
Salaries	4,144,696
Fringe benefits	1,584,707
Operating supplies	899,095
Maintenance of buildings and equipment	3,065,512
Utilities	917,498
Contractual fees	882,505
Storm costs	359,921
Depreciation and amortization	7,469,016
Other	560,671
Total operating expenses	<u>19,883,621</u>
Operating loss	<u>(7,446,410)</u>
Nonoperating revenues (expenses):	
Facility charges	3,165,330
Investment income	351,929
Gain on disposal of capital assets	21,285
Interest expense, net	(1,478,060)
Total nonoperating revenues, net	<u>2,060,484</u>
Loss before contributions	<u>(5,385,926)</u>
Capital contributions	<u>5,395,362</u>
Increase in net assets	9,436
Total fund net assets at beginning of year	<u>174,440,266</u>
Total fund net assets at end of year	<u><u>\$ 174,449,702</u></u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2012

	James City Service Authority
Cash flows from operating activities:	
Cash receipts from customers	\$ 11,624,054
Other operating cash receipts	514,592
Cash payments to suppliers of goods and services	(6,940,023)
Cash payments to employees for services	(5,724,131)
Facility charges	3,165,330
Net cash provided by operating activities	<u>2,639,822</u>
Cash flows from capital and related financing activities:	
Payment of debt	(1,490,000)
Interest paid	(1,544,243)
Acquisition and construction of capital assets	(21,294)
Proceeds from sale of capital assets	24,227
Net cash used in capital and related financing activities	<u>(3,031,310)</u>
Cash flows from investing activities:	
Purchases of investments	(38,111,812)
Sales of investments	38,154,089
Interest received	369,937
Net cash provided by investing activities	<u>412,214</u>
Net increase in cash and cash equivalents	20,726
Cash and cash equivalents at beginning of year	<u>678,298</u>
Cash and cash equivalents at end of year	<u>\$ 699,024</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (7,446,410)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	7,469,016
Facility charges	3,165,330
Changes in assets and liabilities:	
Accounts receivable	(99,025)
Accounts receivable, miscellaneous	(227,140)
Notes receivable	270,102
Inventory	35,931
Accounts payable	(253,376)
Accrued salaries	(15,728)
Due to other funds	(37,376)
Deposits	4,782
Deferred liability	(247,284)
OPEB liability	21,000
Net cash provided by operating activities	<u>\$ 2,639,822</u>
Supplemental schedule – noncash capital and investing activities:	
Capital asset contributions	<u>\$ 5,395,362</u>
Unrealized gain from change in fair value of investments	<u>\$ 11,711</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2012

Assets	Pension trust fund	Agency funds
Cash and cash equivalents (note 2)	\$ —	2,588,795
Restricted cash and cash equivalents and investments with fiscal agent/trustee (notes 2 and 12):		
Money market funds	5,316,289	6,975,370
Bond mutual funds	1,042,263	—
Debt and equities	6,184,497	—
U.S. stock funds	7,325,990	—
International stock funds	540,138	—
Accounts receivable	—	2,905,782
Prepaid item	—	9,972
Total assets	<u>\$ 20,409,177</u>	<u>12,479,919</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ —	1,560,481
Amounts held for others	—	10,919,438
Total liabilities	—	12,479,919
Net assets:		
Held in trust for employees' retirement	20,409,177	—
Total liabilities and net assets	<u>\$ 20,409,177</u>	<u>12,479,919</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year ended June 30, 2012

	<u>Pension trust fund</u>
Additions:	
Revenue from use of money and property	\$ 218,315
Contributions	<u>1,611,575</u>
Total additions	1,829,890
Deductions:	
Distributions to employees	<u>755,480</u>
Change in net assets held in trust for employees' retirement	1,074,410
Net assets at beginning of year	<u>19,334,767</u>
Net assets at end of year	\$ <u><u>20,409,177</u></u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The County of James City (the County or the primary government) operates under the County Administrator form of government (as defined under Virginia Law). The elected five-member Board of Supervisors appoints a County Administrator to serve as the Chief Executive Officer of the County.

The accompanying financial statements of the County of James City, Virginia conform to U.S. generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the County's more significant accounting policies:

(a) *The Financial Reporting Entity*

As defined by U.S. GAAP established by GASB, the financial reporting entity consists of the primary government and its component units, which are legally separate organizations for which the Board of Supervisors of the County is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government.

These financial statements present the County and its component units. The component units discussed below are included in the County's reporting entity because of the significance of the operational or financial relationships with the County.

Blended Component Unit

1. James City Service Authority

The James City Service Authority (the Authority) was established on June 30, 1969, by resolution of the Board of Supervisors of James City County, Virginia and was chartered by the Commonwealth of Virginia State Corporation Commission in July 1969 to provide water and sewer service to County residents as permitted under the *Code of Virginia*, 1950, as amended (the Enabling Act).

The Authority's governing body is appointed by the James City County Board of Supervisors, although the Authority is legally separate. The James City County Board of Supervisors is the appointed Board of Directors of the Authority.

The County can impose its will over the Authority, significantly influencing the programs, projects, activities, or level of service. Although a financial benefit or burden relationship may not exist, the County is financially accountable. The Authority is accounted for as a proprietary fund and its financial statements have been blended with the County's financial statements for reporting purposes.

The Authority's financial statements for the fiscal year ended June 30, 2012 may be obtained from the Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Discretely Presented Component Units

1. Williamsburg-James City County Public Schools

The Williamsburg-James City County Public Schools (the Public Schools), pursuant to an agreement dated January 14, 1954, as amended, is responsible for educating the school-age population of the City of Williamsburg, Virginia (the City) and the County. Two members of the School Board are appointed by the City Council of the City. Five members of the School Board represent James City County and are elected by the citizens of James City County.

Although the Public Schools are legally separate, the County is financially accountable due to the significance of the fiscal dependency relationship with the Public Schools.

Local costs related to operations of the Public Schools are apportioned between the participating localities in accordance with the agreement, as amended. For the fiscal year ended June 30, 2012, the apportionment of the Public Schools' operating costs to the City and County was \$7,325,478 and 8.98% and \$74,250,000 and 91.02%, respectively. For the fiscal year ended June 30, 2012, the contributions for the Public Schools' capital project costs from the City and County were \$411,701 and 8.6% and \$4,393,268 and 91.4%, respectively.

The Public Schools' financial statements for the fiscal year ended June 30, 2012 may be obtained from the Finance Department, 117 Ironbound Road, Williamsburg, Virginia 23185.

2. James City County Economic Development Authority

The James City County Economic Development Authority (the Development Authority) is responsible for industrial and commercial development in the County. The Development Authority makes recommendations to the James City County board of supervisors. The Development Authority consists of seven members appointed by the James City County Board of Supervisors. Although the Development Authority is a legally separate entity, the County is financially accountable due to the significance of the fiscal dependency relationship with the Development Authority because the majority of their income is appropriated by the County.

From time to time, the Development Authority has issued Industrial Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, there were 15 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$344 million.

The Development Authority's financial statements for the fiscal year ended June 30, 2012 may be obtained from the Director of Economic Development, 101-D Mounts Bay Road, Williamsburg, Virginia 23185.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Other Related Organizations and Joint Ventures

Separate financial statements for the fiscal year ended June 30, 2012, for all other related organizations and joint ventures discussed below except the Colonial Community Corrections Program, Inc., the Virginia Peninsulas Public Service Authority, and the Williamsburg Regional Library, may be obtained from the Accounting Division Director of James City County, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

1. Williamsburg Area Medical Assistance Corporation

The Williamsburg Area Medical Assistance Corporation (the Corporation) was incorporated on February 19, 1993. The Corporation provides a primary medical care clinic to economically disadvantaged persons in the Counties of James City and York and the City of Williamsburg. The County appoints one board member to the Corporation. The Corporation is a legally separate organization, and the County cannot impose its will on the Corporation. The program is fiscally independent, and there is no financial benefit or burden relationship with the County. The County is fiscal agent for the Corporation, and as a result, the Corporation's financial transactions are included as an agency fund in the County's financial statements.

2. Colonial Community Corrections Program

The Colonial Community Corrections Program (the Program) serves the Counties of James City, New Kent, York and Charles City, and the City of Williamsburg. The Program is fiscally independent, and there is no financial benefit or burden relationship with the County. The County is the fiscal and administrative agent and the Program is included as a special revenue fund in the County's financial statements.

3. Virginia Peninsulas Public Service Authority

The Virginia Peninsulas Public Service Authority (the Public Service Authority), was created pursuant to the *Code of Virginia*, 1950, as amended, between the Cities of Hampton, Newport News, Poquoson and Williamsburg, and the Counties of Essex, Gloucester, James City, King and Queen, King William, Mathews, Middlesex and York. The Public Service Authority's financial statements for the fiscal year ended June 30, 2012 may be obtained from the Public Service Authority, 300 McLaws Circle, Suite 200, Williamsburg, Virginia 23185-5676.

Each jurisdiction appoints one board member. The Public Service Authority is a legally separate organization, and the County cannot impose its will on the Public Service Authority. The Public Service Authority is fiscally independent, and there is no financial benefit or burden relationship with the County; therefore, it is not included in the County's financial statements.

4. Williamsburg Regional Library

Pursuant to an agreement dated May 26, 1977, as amended, the Williamsburg Regional Library (the Library) provides library services to the City and the County. The Library is operated by a board of trustees. The County appoints 5 trustees and the City appoints 4

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

trustees. The Library is a legally separate organization, and the County cannot impose its will on the trustees. The Library is fiscally independent, and there is no financial benefit or burden relationship with the County; therefore, it is not included in the County's financial statements. The Library's financial statements for the fiscal year ended June 30, 2012 may be obtained from the Library, 7770 Croaker Road, Williamsburg, Virginia 23188.

5. Virginia Peninsula Regional Jail Authority

The Virginia Peninsula Regional Jail Authority (the Jail Authority) was organized and exists pursuant to resolutions adopted in 1993 by and between the Cities of Williamsburg and Poquoson and the Counties of James City and York. The Jail Authority is operated by a board. Each member jurisdiction appoints one member and the sheriff from that jurisdiction. The County, as fiscal agent, appoints one additional member. The Jail Authority is a legally separate organization, and the County cannot impose its will on the Jail Authority.

The Jail Authority is fiscally independent, and there is no financial benefit or burden relationship with the County. The County is charged user fees based on inmate population in order to cover direct and indirect costs of the Jail Authority. The County is fiscal agent for the Jail Authority, and as such, the Jail Authority's financial transactions are included as an agency fund in the County's financial statements.

6. Middle Peninsula Juvenile Detention Commission

The Middle Peninsula Juvenile Detention Commission (the Commission) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 1993. The member jurisdictions are as follows: Caroline County, Charles City County, Essex County, Gloucester County, Hanover County, James City County, King and Queen County, King William County, Lancaster County, Mathews County, Middlesex County, New Kent County, Northumberland County, City of Poquoson, Richmond County, Westmoreland County, City of Williamsburg and York County. The Commission is operated by a board.

Each member jurisdiction appoints one member. The Commission is a legally separate organization, and the County cannot impose its will on the Commission. The Commission is fiscally independent, and there is no financial benefit or burden relationship with the County. The County is charged user fees based on juvenile population in order to cover direct and indirect costs of the Commission. The County is fiscal agent for the Commission, and as such, the Commission's financial statements are included as an agency fund in the County's financial statements.

7. Williamsburg Area Transit Authority

The Williamsburg Area Transit Authority (the Transit Authority) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 2008. Members include the County, City of Williamsburg, County of York and the Colonial Williamsburg Foundation. The Transit Authority is governed by a board, consisting of five representatives appointed by the members. The Transit Authority is a legally separate organization, and the County cannot impose its will on the Transit Authority. The Transit Authority is fiscally

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independent from the County, and there is no financial benefit or burden relationship with the County. The County is fiscal agent for the Transit Authority, and as such, the Transit Authority's financial statements are included as an agency fund in the County's financial statements.

(b) *The Financial Reporting Model*

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the County prepares and presents financial information. State and local governments, including other governmental entities such as the County, traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

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

Management's Discussion and Analysis – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The government-wide statement of net assets is designed to display the financial position of the County. Governments report all capital assets, including infrastructure, in the government-wide statement of net assets and report depreciation expense – the cost of "using up" capital assets – in the statement of activities. The net assets of a government are broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

Fund Financial Statements – These statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis here is on major funds.

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(c) ***Government-Wide and Fund Financial Statements***

The accompanying basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model, the focus is on either the County as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net assets, the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual basis of accounting and economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The County generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The County may defer the use of restricted assets based on a review of the specific transaction.

The government-wide statement of activities reflects both the gross and net cost per functional category that are otherwise being supported by general government revenues. The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function or a business-type activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Administrative overhead charges are allocated to the programs and included in direct expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The governmental fund statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented which explains the adjustments necessary to reconcile the fund financial statements to the governmental activities column of the government-wide financial statements. The County's fiduciary funds are presented in the fund financial statements. Since, by definition, these assets are being held for the benefit of third parties and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

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The County reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in other funds. A significant part of the General Fund's revenues is contributed to the joint-school operations of the City and County or is transferred to other funds principally to fund debt service, capital projects and social services requirements.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by the proprietary fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal, interest and related costs on long-term debt of governmental funds.

The County reports the following major proprietary fund:

James City Service Authority – The James City Service Authority accounts for the operation of the County's water and sewer services.

Additionally, the County reports the following fund types:

Nonmajor Governmental Funds – Nonmajor Governmental Funds include special revenue funds which account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities of the County.

Nonmajor Fiduciary Funds – Nonmajor Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Fiduciary Funds of the County are the Pension Trust Fund, which is the Deferred Compensation Plan and is accounted for in essentially the same manner as proprietary funds. Also included are the Agency Funds, which consist of Special Welfare, Williamsburg Area Medical Assistance Corporation, Regional Jail, Juvenile Detention, and Williamsburg Area Transit Authority.

(d) Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The accompanying fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available to finance operations during the year. Revenues are considered to be

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available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the fund liability is incurred. Interest on long-term debt is recorded when due.

In applying the modified accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of those revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the County, which is usually within 45 days; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Real estate and personal property taxes are recorded as revenues and receivables when levied and billed, net of allowances for uncollectible amounts. Property taxes levied but not collected within 45 days after year end are reflected as deferred revenue. Sales taxes, which are collected by the state and subsequently remitted to the County, are recognized as revenues and receivables upon execution of the sale, which is generally two months preceding receipt by the County.

License and permits, fines and rents are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded at fair value as earned since they are measurable and available.

The government-wide and the proprietary fund financial statements are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are included on the statement of net assets. The proprietary fund-type operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The statement of net assets, statement of activities and financial statements of the proprietary fund are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's proprietary fund are charges to customers for services. Operating expenses for the proprietary fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, proprietary fund types follow all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor Accounting Principles Board Opinions and

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Accounting Research Bulletins (ARB) issued on or before November 30, 1989. Under paragraph 7 of GASB Statement No. 20, the County has elected not to apply FASB pronouncements issued after November 30, 1989.

(e) Cash and Cash Equivalents

For purpose of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash, and (b) so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, the County considers investments with original maturities of 90 days or less to be cash equivalents.

(f) Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance for uncollectible accounts relating solely to property taxes was \$73,443 in the General Fund at June 30, 2012. Additionally, the County recorded an allowance for uncollectible accounts of \$16,886 related to business, professional and occupational license taxes and \$620,035 for the Advance Life Support/Basic Life Support (ALS/BLS) fees.

The Authority has few uncollectible receivables and does not use allowance accounts. State law permits filing of liens against real property for unpaid utility charges. The write-off of bad debts only occurs when the property is sold prior to the lien process being instituted.

(g) Investments

All investments of the County are stated at fair value as of June 30, 2012, in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

(h) Inventory

All inventories, which consist of materials and supplies, are valued at cost using the average-cost method. Reported inventories are accounted for under the consumption method (i.e., recorded as expenditures when used) in the governmental and proprietary funds. The cost is recorded as an expenditure at the time individual inventory items are consumed. Quantities on hand at year end are recorded at cost on the balance sheet with an offsetting reserve to fund balance which indicates that they do not constitute available spendable resources.

(i) Capital Assets

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the accompanying government-wide financial statements to the extent the County's capitalization threshold of \$5,000 is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the proprietary funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Contributed capital assets are valued at their estimated fair market value on the date donated.

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Maintenance, repairs and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

Depreciation of capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings and improvements	10 to 50 years
Improvements other than buildings	6 to 40 years
Equipment and vehicles	3 to 20 years
Infrastructure	20 to 40 years

(j) *Compensated Absences*

County employees are granted sick and vacation leave in varying amounts based on length of service. They may accumulate, subject to certain limitations, unused sick and vacation leave, and upon retirement, termination, or death, may be compensated for certain amounts at their then current rates of pay. The accumulated annual sick and vacation leave estimated to be payable upon separation are recorded in the accompanying government-wide financial statements.

(k) *Unbilled Revenue*

The Authority records the amount of earned but unbilled service charges revenue by prorating actual subsequent billings. Amounts accrued but unbilled were approximately \$1,076,000 at June 30, 2012.

(l) *Property Taxes*

Real property taxes are recognized as receivables when levied. Real property taxes attach as an enforceable lien on property automatically. Taxes are levied no later than October 1 and are due by December 5 and June 5.

Property taxes levied in the current and prior year have been recorded in governmental activities as receivables as of the date the County has the legal right to receive payments thereon. Personal property taxes create a lien on the assessed property. The receivables collected during the fiscal year and during the first 45 days of the succeeding fiscal year are recognized in the General Fund as revenues in the current fiscal year.

A penalty of 10% of the tax is assessed on December 6 and June 6 on taxes outstanding as of those dates and interest at 10% per annum is added.

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(m) *Risk Management*

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property and liability coverages are provided through a group self insurance risk pool. The County's retention is through deductibles on a per-claim basis. Deductibles and coverage limits at June 30, 2012 are as follows:

	Deductibles
Property	\$ 10,000
Flood	25,000
Earthquake	25,000
Inland marine	1,000
General liability and law enforcement	100,000
Automobile:	
Liability	100,000
Comprehensive	1,000
Collision	1,000
Crime	250
Workers' compensation	None

	Coverage limits
Property insurance:	
Valuation at functional replacement	\$ 72,348,278
Flood (outside 100 year flood plain)	72,348,278
Business interruption/extra expense	3,000,000
Property in transit	5,000,000
Increased cost of construction/ordinance demolition	20,000,000
Back-up of sewers and drains	1,000,000
Debris removal	20,000,000
Pollutant clean-up and removal	500,000
Off premises power failure	1,000,000
Media reproduction	100,000
Newly acquired locations for up to 120 days	20,000,000
General liability and law enforcement	9,000,000
Automobile liability	9,000,000
Public officials	9,000,000
Crime	500,000
Workers' compensation	Statutory limits

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There have been no reductions in insurance coverages from the prior year, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Effective July 1, 2011, the County participates in the group self insurance risk pool with Virginia Association of Counties to provide Line of Duty Act benefits to eligible participants. During fiscal year 2012, the County made a payment of \$100,636 for these premiums.

(n) Bond Premiums, Discounts and Issuance Costs

In the accompanying government-wide financial statements, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the terms of the related issues on a straight-line basis, which approximates the effective interest method.

In the accompanying fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(o) Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

(p) Encumbrances

Encumbrance accounting, in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year end are reported as assigned in fund balance since they do not constitute expenditures or liabilities under GAAP.

(q) Fund Balances

Fund balances are reported according to the following categories:

- *Nonspendable* – Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for sale, and long term receivables.
- *Restricted* – Amounts reported when constraints are placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

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- *Committed* – Amounts that require formal action of the Board of Supervisors either by resolution or ordinance that identifies the specific circumstances under which the resources may be expended.
- *Assigned* – Amounts that are constrained by the County's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee) or by the Director of Financial and Management Services. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.
- *Unassigned* – Includes all spendable amounts not contained in other classification. The general fund is the only fund that would report a positive amount in unassigned fund balance. This includes the County's goal of maintaining a fiscal liquidity balance between 8%-12% of the total general governmental expenditures.

The County's policy is to apply expenditures against restricted resources first when either restricted or unrestricted amounts are available. Within unrestricted fund balance, it is the County's policy to apply expenditures against committed amounts first, followed by assigned, and then unassigned amounts. In a governmental fund other than the general fund, a negative unassigned fund balance could result if expenditures incurred for a specific purpose exceeds the amounts in the fund that are restricted, committed, and assigned for that purpose.

For the fiscal year ended June 30, 2012, the General Fund has the following amounts assigned or unassigned:

	<u>Assigned</u>	<u>Unassigned</u>
Capital projects	\$ 3,000,000	—
Health insurance	2,055,336	—
Potential insurance loss	300,000	—
Capital reserve fund	15,766,115	—
Encumbrances	733,900	—
Fiscal liquidity	—	21,674,594
	<u>\$ 21,855,351</u>	<u>21,674,594</u>

(r) *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.

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(s) **Subsequent Events**

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 27, 2012, the date the financial statements were available to be issued.

(2) **Cash and Cash Equivalents and Investments**

Primary Government

(a) **Deposits**

At year end, the carrying value of the deposits with banks and savings and loans was \$12,110,970 and the bank balance was \$13,710,073. The difference between the carrying value of bank deposits and the bank balance is primarily due to outstanding checks and deposits in transit. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act).

Under the Act, banks holding public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. If any member financial institution fails, the entire collateral becomes available to satisfy the claims of the County. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members (banks and savings and loans) of the pool; therefore, these deposits are considered collateralized and as a result are considered insured. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans.

(b) **Investments**

As of June 30, 2012, the primary government had the following investments and maturities:

	Fair value	Original investment maturity (in years)		
		Less than 1	1-2	2-5
Commonwealth of Virginia				
LGIP	\$ 23,986,680	23,986,680	—	—
Money market funds	13,227,454	13,227,454	—	—
Certificates of deposit	4,218,012	1,300,034	1,302,670	1,615,308
Federal agency bonds/notes	20,962,301	—	2,352,007	18,610,294
Corporate notes	5,908,806	—	460,670	5,448,136
Municipal bonds	977,289	199,978	—	777,311
U.S. Treasury notes	8,974,154	—	813,595	8,160,559
	<u>\$ 78,254,696</u>	<u>38,714,146</u>	<u>4,928,942</u>	<u>34,611,608</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

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(c) *Summary of Deposits*

A reconciliation of the carrying value of deposits and investments reported above to amounts reported in the statement of net assets is as follows:

Deposits	\$ 12,110,970
Investments	<u>78,254,696</u>
	<u>\$ 90,365,666</u>
Cash and cash equivalents	\$ 10,059,492
Investments	65,429,895
Cash and cash equivalents and investments - restricted	<u>14,876,279</u>
	<u>\$ 90,365,666</u>

(d) *Investment Policy*

In accordance with the Code of Virginia and other applicable law, including regulations, the County's Investment Policy (the Policy) permits investments in U.S. government obligations, municipal obligations, prime quality commercial paper, and certain corporate notes, bankers' acceptances, repurchase agreements, negotiable certificates of deposit, bank deposit notes, mutual funds that invest exclusively in securities specifically permitted under the Policy, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). The fair value of the Commission's position in the LGIP is the same as the value of the pool shares. The Treasury Board of the Commonwealth of Virginia has regulatory oversight of the LGIP.

The Policy establishes limitations on the holdings of non-U.S. government obligations. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Negotiable certificates of deposit/bank notes	20% maximum
Municipal obligations	20% maximum
Corporate notes	15% maximum
Bank deposits	25% maximum

(e) *Credit Risk*

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investors Service and a minimum of

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“AA” long-term debt rating by Standard & Poor’s. Negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investors Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investors Service.

Although state statute does not impose credit standards on repurchase agreement counterparties, bankers’ acceptances or money market mutual funds, the County has established stringent credit standards for these investments to minimize portfolio risk.

The County’s investments as of June 30, 2012 were rated by Standard & Poor’s, Moody’s and Fitch and/or an equivalent national rating organization and the ratings are presented on the following page:

		Investment ratings					
		AAA	AA+	AA	AA-	A+	A-1+/A-1
Money market funds	\$	—	—	—	—	—	499,158
Certificate of deposit		—	—	—	1,250,065	—	2,353,572
Corporate notes		1,059,246	2,212,613	310,814	1,530,558	795,576	—
Federal agency							
bonds/notes		—	20,962,301	—	—	—	—
Municipal bonds		—	—	977,289	—	—	—
U.S. Treasury notes		—	8,974,152	—	—	—	—
Total	\$	1,059,246	32,149,066	1,288,103	2,780,623	795,576	2,852,730

Commonwealth of Virginia LGIP, a portion of money market funds and a portion of certificate of deposit, totaling \$37,329,352 at June 30, 2012, are unrated; therefore, they are not included in the information presented above.

(f) **Concentration of Credit Risk**

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk. No more than 5% of the County’s portfolio will be invested in the securities of any single issuer with the following exceptions:

U.S. Treasury	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

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As of June 30, 2012, the portions of the County's portfolio (excluding the blended component units), excluding U.S. Treasury notes, that exceed 5% of the total portfolio are as follows:

<u>Issuer</u>	<u>% of portfolio</u>
Federal Home Loan Mortgage Corporation	25.3%
Federal Home Loan Bank	13.1
Federal National Mortgage Association	7.1

(g) 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 short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities, so long as the maturity does not exceed the expected disbursement date of those funds.

(h) Custodial Credit Risk

The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2012, all of the County's investments are held in a bank's trust department in the name of James City County.

(i) Component Unit – Public Schools

Cash and cash equivalents:	
Bank deposits (including school agency funds)	\$ 14,143,029
Certificates of deposit	48,506
Investment in LGIP	245,743
	<u>\$ 14,437,278</u>

At year end, the carrying value of the Public Schools' deposits with banks and savings institutions in the General Fund and the Agency Fund was \$14,437,278 (including \$935,872 of the School Activity Funds) and the bank balance was \$17,141,868. The difference between the carrying value of bank deposits and the bank balance is primarily due to outstanding checks and deposits in transit. The bank balance is fully covered by federal depository insurance or collateralized in accordance with the Act.

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(j) *Component Unit – Economic Development Authority – Deposits*

Cash and cash equivalents:	
Bank deposits	\$ 84,811
Investment in LGIP	242
Certificates of deposit	1,529,349
	<u>\$ 1,614,402</u>

At year end, the carrying value of the Development Authority's deposits with banks and savings institutions was \$84,811 and the bank balance was \$90,644. The bank balance, which may differ from the carrying value of deposits primarily due to outstanding checks and deposits in transit, is fully covered by federal depository insurance (FDIC) or collateralized in accordance with the Act.

(3) **Restricted Cash and Cash Equivalents and Investments**

Restricted cash and cash equivalents and investments of the County's governmental activities at June 30, 2012, are detailed as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital projects	Lease bonds	\$ 7,948,041
Capital projects	Proffers escrow	22,360
Grants and special projects	Grants and special projects	199,347
General	Subdivision escrow	1,075,346
Community development	Community rehabilitation	754,425
		<u>\$ 9,999,519</u>

(4) **Receivables and Payables**

Amounts due from miscellaneous sources in the General Fund at June 30, 2012, are detailed as follows:

Sales tax	\$ 1,626,768
Emergency medical services	1,692,999
Meals tax	762,714
Other	174,902
Williamsburg Regional Library	257,241
Business license	126,735
Recordation tax	101,252
Utility consumption fee	23,466
Charges for services	87,757
Deeds of conveyance	29,143
Fines and forfeitures	35,459
	<u>\$ 4,918,436</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Accounts payable and accrued liabilities at June 30, 2012, are comprised of the following:

	<u>Accounts payable</u>	<u>Accrued liabilities</u>	<u>Total</u>
General	\$ 2,582,630	328,244	2,910,874
Capital projects	713,025	—	713,025
Other governmental funds	308,047	17,606	325,653
Governmental funds	3,603,702	345,850	3,949,552
Accrued interest	—	1,560,021	1,560,021
Governmental activities	\$ 3,603,702	1,905,871	5,509,573

(5) Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances are considered short-term in nature. All other balances resulted from the time-lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2012, the balances are as follows:

	<u>Due from other funds</u>		
	<u>General</u>	<u>Nonmajor governmental funds</u>	<u>Total</u>
Due to other funds:			
Nonmajor			
governmental funds	\$ 1,563,449	899	1,564,348
Service Authority	1,236,087	—	1,236,087
Total	\$ 2,799,536	899	2,800,435

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

	Interfund Receivable	Interfund Payable
General fund	\$ 1,563,449	—
Nonmajor governmental funds:		
Virginia public assistance	—	273,899
Colonial community corrections	—	12,156
Community development	—	67,352
Trust fund	—	6,929
Tourism investment	—	525
Grants/special projects	—	1,202,588
Total	<u>\$ 1,563,449</u>	<u>1,563,449</u>

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	Transfers to other Funds	Transfers from other Funds
General fund	\$ 29,305,015	—
Capital projects	107,500	1,818,000
Debt service	—	24,063,267
Nonmajor governmental funds	—	3,531,248
Total	<u>\$ 29,412,515</u>	<u>29,412,515</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

	Transfers in	Transfers out	Net transfers
Governmental funds:			
General fund	\$ —	(29,305,015)	(29,305,015)
Capital projects	1,818,000	(107,500)	1,710,500
Debt service	24,063,267	—	24,063,267
Nonmajor governmental funds	3,531,248	—	3,531,248
Total	<u>\$ 29,412,515</u>	<u>(29,412,515)</u>	<u>—</u>

Transfers from the General Fund to Capital Projects Fund represent the County's budgeted pay-as-you-go funding.

Transfers from the General Fund to Debt Service Fund represent the movement of restricted receipts from the funds collecting the receipts as debt service payments become due.

Transfers from the General Fund to various Nonmajor governmental funds represent the movement of funds collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

(6) Due from Other Governments

Details of amounts due from other governments as of June 30, 2012 are as follows:

Governmental activities:

General Fund:

Local Governments:

City of Williamsburg	\$	59,320
Other		15,919

Commonwealth of Virginia:

Recordation tax	114,602
Rolling stock tax	53,152
Communications sales and use tax	297,139
State sales tax	1,646,062
Personal property tax relief	4,836,856
Compensation Board	167,846
Other	42,827

Federal Government	50
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Total General Fund	<u>7,233,773</u>
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Capital Projects Fund:

Commonwealth of Virginia	<u>73,764</u>
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Nonmajor Governmental Funds:

Commonwealth of Virginia:

Virginia Department of Transportation	7,838
Virginia Department of Social Services	98,992
Virginia Department of Housing and Community Development	183,487
Virginia Department of Emergency Management	374,685
Other	230,021

Federal Government:

Department of Homeland Security	340,819
Department of Social Services	251,225
Federal Emergency Management Agency	1,870,035
Department of Housing and Community Development	346,089
Other	<u>66,468</u>

Total Nonmajor Governmental Funds	<u>3,769,659</u>
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Total Governmental Activities	<u>\$ 11,077,196</u>
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COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Component Unit – Public Schools:

Federal government	\$ 1,198,113
City of Williamsburg	77,449
Commonwealth of Virginia	<u>163,305</u>
Total	<u><u>\$ 1,438,867</u></u>

All amounts due from other governments are expected to be collected within one year.

(7) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

Governmental Activities

	<u>Balances July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances June 30, 2012</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 26,131,163	170,055	730,673	25,570,545
Construction in progress	16,604,224	11,363,673	23,859,394	4,108,503
Intangible assets - easements	<u>2,403,663</u>	<u>548,856</u>	<u>—</u>	<u>2,952,519</u>
Total capital assets not being depreciated	<u>45,139,050</u>	<u>12,082,584</u>	<u>24,590,067</u>	<u>32,631,567</u>
Other capital assets:				
Buildings and improvements	304,972,960	16,888,429	1,212,174	320,649,215
Improvements other than buildings	23,473,687	1,975,750	102,931	25,346,506
Equipment and vehicles	38,091,457	2,757,317	1,303,749	39,545,025
Infrastructure	<u>7,752,708</u>	<u>963,847</u>	<u>512,739</u>	<u>8,203,816</u>
Total other capital assets	<u>374,290,812</u>	<u>22,585,343</u>	<u>3,131,593</u>	<u>393,744,562</u>
Less accumulated depreciation for:				
Buildings and improvements	59,116,772	6,859,559	695,923	65,280,408
Improvements other than buildings	5,104,684	1,063,909	51,465	6,117,128
Equipment and vehicles	24,234,475	3,135,570	1,171,347	26,198,698
Infrastructure	<u>2,567,858</u>	<u>295,001</u>	<u>317,075</u>	<u>2,545,784</u>
Total accumulated depreciation	<u>91,023,789</u>	<u>11,354,039</u>	<u>2,235,810</u>	<u>100,142,018</u>
Other capital assets, net	<u>283,267,023</u>	<u>11,231,304</u>	<u>895,783</u>	<u>293,602,544</u>
	<u><u>\$ 328,406,073</u></u>	<u><u>23,313,888</u></u>	<u><u>25,485,850</u></u>	<u><u>326,234,111</u></u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Depreciation was charged to governmental functions as follows:

General government administration	\$	648,407
Judicial administration		259,487
Public safety		2,477,939
Public works		213,032
Parks, recreation and cultural		1,582,813
Community development		420,289
Education		5,008,700
Nondepartmental		<u>743,372</u>
Total depreciation expense – governmental activities	\$	<u><u>11,354,039</u></u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Business-Type Activity

	<u>Balances</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 1,750,391	—	—	1,750,391
Land – utility plant	962,695	—	—	962,695
Land improvements	13,183	—	—	13,183
Construction in progress	6,051,258	1,499,098	6,954,579	595,777
Intangible assets - easements	4,570	—	—	4,570
Total capital assets not being depreciated	<u>8,782,097</u>	<u>1,499,098</u>	<u>6,954,579</u>	<u>3,326,616</u>
Other capital assets:				
Water and sewer systems – utility plant	221,077,670	7,745,199	—	228,822,869
Buildings and improvements	2,270,619	2,551,027	3,956	4,817,690
Office fixtures and equipment	1,168,028	411,403	97,268	1,482,163
Automotive equipment	2,363,891	164,510	154,942	2,373,459
Intangible assets – water rights	25,000,000	—	—	25,000,000
Total other capital assets	<u>251,880,208</u>	<u>10,872,139</u>	<u>256,166</u>	<u>262,496,181</u>
Less accumulated depreciation and amortization for:				
Water and sewer systems – utility plant	85,908,115	6,404,881	—	92,312,996
Buildings and improvements	981,679	124,349	1,014	1,105,014
Office fixtures and equipment	844,281	93,982	97,268	840,995
Automotive equipment	1,716,240	198,315	154,942	1,759,613
Intangible assets – water rights	1,380,368	613,497	—	1,993,865
Total accumulated depreciation and amortization	<u>90,830,683</u>	<u>7,435,024</u>	<u>253,224</u>	<u>98,012,483</u>
Other capital assets, net	<u>161,049,525</u>	<u>3,437,115</u>	<u>2,942</u>	<u>164,483,698</u>
	<u>\$ 169,831,622</u>	<u>4,936,213</u>	<u>6,957,521</u>	<u>167,810,314</u>

Depreciation and amortization of \$7,435,024 was charged to water and sewer operations as follows:

Water	\$ 4,627,228
Sewer	2,807,796
	<u>\$ 7,435,024</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Component Unit – Public Schools

	<u>Balances</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land improvements	\$ 8,435,126	—	—	8,435,126
Construction in progress	5,141,861	5,114,442	9,838,260	418,043
Total capital assets not being depreciated	<u>13,576,987</u>	<u>5,114,442</u>	<u>9,838,260</u>	<u>8,853,169</u>
Other capital assets:				
Buildings and improvements	31,945,050	10,027,444	258,527	41,713,967
Furniture and equipment	18,971,278	820,336	63,069	19,728,545
Total other capital assets	<u>50,916,328</u>	<u>10,847,780</u>	<u>321,596</u>	<u>61,442,512</u>
Less accumulated depreciation for:				
Buildings and improvements	8,738,781	1,544,279	174,656	10,108,404
Furniture and equipment	10,986,826	1,274,470	31,340	12,229,956
Total accumulated depreciation	<u>19,725,607</u>	<u>2,818,749</u>	<u>205,996</u>	<u>22,338,360</u>
Other capital assets, net	<u>31,190,721</u>	<u>8,029,031</u>	<u>115,600</u>	<u>39,104,152</u>
	<u>\$ 44,767,708</u>	<u>13,143,473</u>	<u>9,953,860</u>	<u>47,957,321</u>

Depreciation of \$2,818,749 was charged to the Public Schools' governmental functions.

The total construction in progress for the Public Schools is \$2,217,447. Capital outlay expenditures totaling \$1,799,404 are presented in the County's construction in progress balance in order to match the corresponding debt.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Component Unit – Economic Development Authority

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Capital assets not being depreciated:				
Land	\$ 2,483,106	—	—	2,483,106
Construction in progress	166,510	—	—	166,510
Total capital assets not being depreciated	2,649,616	—	—	2,649,616
Other capital assets:				
Furniture and equipment	—	5,119	—	5,119
Intangible assets	—	7,600	—	7,600
Total other capital assets	—	12,719	—	12,719
Less accumulated depreciation for:				
Furniture and equipment	—	469	—	469
Other capital assets, net	—	12,250	—	12,250
	<u>\$ 2,649,616</u>	<u>12,250</u>	<u>—</u>	<u>2,661,866</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

(8) Amounts Due From and To Component Units

The Service Authority owes the County \$1,235,087, net of \$1,000 owed to the Service Authority from the County's grants fund, at June 30, 2012, which primarily represents payroll expenses.

The County funds its construction costs for new schools through the Capital Projects Fund for the component unit – Public Schools. At June 30, 2012, the County owed the Public Schools \$1,063,414, which primarily represents construction incurred by the Public Schools. Additionally, the County owed the Development Authority \$109,386, which primarily represents payments for Development Authority grants.

(9) Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Details of unearned revenue as of June 30, 2012 follow:

	<u>General fund</u>	<u>Capital projects</u>	<u>Other governmental funds</u>	<u>Total</u>
Prepaid property taxes	\$ 88,890	—	—	88,890
Unexpended grants	—	—	823,087	823,087
Governmental activities	88,890	—	823,087	911,977
Property taxes not collected within 45 days	19,903,915	1,145	—	19,905,060
Governmental funds	<u>\$ 19,992,805</u>	<u>1,145</u>	<u>823,087</u>	<u>20,817,037</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

(10) Long-Term Debt

Primary Government

A summary of the County's long-term liability activity for governmental activities for the fiscal year ended June 30, 2012, is presented below:

	Amounts payable at July 1, 2011	Additions	Retirements and reductions	Amounts payable at June 30, 2012	Amounts due within one year
Governmental activities:					
General obligation bonds	\$ 85,196,591	1,000,000	7,482,506	78,714,085	7,519,085
Deferred amounts:					
Add bond premium	8,581,281	—	707,152	7,874,129	—
Deduct underwriter's discount	(494,248)	—	(40,137)	(454,111)	—
Total general obligation bonds	<u>93,283,624</u>	<u>1,000,000</u>	<u>8,149,521</u>	<u>86,134,103</u>	<u>7,519,085</u>
Capital lease – Radio System	8,973,000	—	947,000	8,026,000	993,000
Other capital lease	1,312,522	—	103,448	1,209,074	110,220
Lease revenue bonds	104,055,000	6,672,000	6,255,000	104,472,000	6,968,000
OPEB obligation	958,962	239,000	—	1,197,962	—
Compensated absences	3,413,498	3,747,599	3,792,104	3,368,993	2,526,745
Landfill postclosure care cost	<u>2,307,427</u>	<u>31,373</u>	<u>—</u>	<u>2,338,800</u>	<u>69,270</u>
Total other long-term liabilities	<u>121,020,409</u>	<u>10,689,972</u>	<u>11,097,552</u>	<u>120,612,829</u>	<u>10,667,235</u>
Governmental activities long- term liabilities	<u>\$ 214,304,033</u>	<u>11,689,972</u>	<u>19,247,073</u>	<u>206,746,932</u>	<u>18,186,320</u>

The General Fund or the Special Revenue Fund where the employees' salaries are charged generally liquidates compensated absences.

In September 2011, the County issued \$6,672,000 in Lease Revenue Bonds to finance a new fire station, renovations to a government center building and infrastructure improvement at Mid-County Park.

In December 2011, the County issued \$1,000,000 in General Obligation School Bonds to finance an expansion at Jamestown High School.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

The County entered into a capital lease agreement with SunTrust Bank during fiscal year 2004 to lease radio system equipment for the County 911 facility. Included in capital assets are \$12,099,132 related to this lease arrangement, and depreciation expense incurred on the capital asset totaled \$1,196,619 for fiscal year 2012.

In November 2010, the County executed a regional lease purchase agreement with York County totaling \$1,312,522 to purchase enhanced 911 equipment to service each respective jurisdiction's Dispatch Center and to be compatible with current technology and telephone systems. At June 30, 2012, \$1,008,700 was included in capital assets, and \$100,820 depreciation expense was incurred during fiscal year 2012.

The present value of future minimum capital lease payments of the County as of June 30, 2012, is as follows:

Fiscal year ending June 30:	
2013	\$ 1,531,097
2014	1,530,732
2015	1,538,235
2016	1,537,242
2017	1,537,817
2018-2021	<u>3,400,504</u>
Total minimum lease payments	11,075,627
Less amount representing interest	<u>(1,840,553)</u>
Present value of minimum capital lease payments	<u>\$ 9,235,074</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

(a) *Governmental Activities*

Details of long-term bonded indebtedness:

\$2,350,959 School Bonds, 1992 GO, issued November 12, 1992, maturing in various annual installments through July 15, 2012, with interest payable semiannually at 6.35%	\$ 124,085
\$18,800,000 School Bonds, issued May 1, 1997, maturing in various annual installments through January 15, 2018, with interest payable semiannually at 5.60%	7,955,000
\$19,220,000 School Bonds, Series 1999A, issued May 13, 1999, maturing in various annual installments through July 15, 2019, with interest payable semiannually at 4.60%	9,870,000
\$1,250,000 School Bonds, Series 1999B, issued August 17, 1999, maturing in various annual installments through July 15, 2019, with interest payable semiannually at 5.975%	480,000
\$21,510,000 General Obligation Public Improvement Refunding Bond, Series 2003, issued June 26, 2003, maturing in various installments through December 15, 2014, with interest payable semiannually at 5.00%	7,425,000
\$39,820,000 General Obligation School Bonds, Series 2005, issued June 8, 2005, maturing in various installments through December 15, 2029, with interest payable semiannually at 4.00%	32,845,000
\$21,000,000 General Obligation Bonds, Series 2006, issued December 28, 2006, maturing in annual installments of \$1,050,000 through June 15, 2026, with interest payable semiannually at 4.00%	14,700,000
\$4,820,000 General Obligation Public Improvement Refunding Bonds, Series, 2010, issued on October 20, 2010, maturing in various annual installments through December 15, 2015, with interest payable semiannually at 3.00%	4,315,000
\$1,000,000 General Obligation School Bond, Series 2011A, issued December 15, 2011, maturing in various installments through December 1, 2030, with interest payable semiannually at 4.25%	1,000,000
	<hr/> 78,714,085
Add premiums	7,874,129
Deduct underwriter's discount	(454,111)
	<hr/>
Total general obligation bonds	86,134,103

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Capital lease obligations:

\$14,500,000 entered into on November 7, 2003, due in various installments through March 1, 2019, with interest paid semiannually at 4.77%	8,026,000
\$1,312,522 entered into on November 10, 2010, due in various annual installments through December 1, 2020, with interest paid semiannually at 3.725%	1,209,074

Lease revenue bonds:

\$22,570,000 issued August 24, 2005, due in various installments through July 25, 2025, with interest paid semiannually at 4.00%	17,580,000
\$95,775,000 issued December 28, 2006, due in various installments through June 15, 2026, with interest paid semiannually at 5.00%	67,035,000
\$14,935,000 issued September 23, 2009, due in various installments through January 15, 2030, with interest paid semiannually at 2.250%	13,185,000
\$6,672,000 issued September 30, 2011, due in various installments through July 15, 2021, with interest paid semiannually at 2.18%	6,672,000
OPEB obligation	1,197,962
Compensated absences	3,368,993
Landfill postclosure care costs	2,338,800

Total other long-term liabilities	120,612,829
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Total governmental activities	\$ 206,746,932
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(b) Business-Type Activity

A summary of the County's long-term liability activity for the business-type activity for the fiscal year ended June 30, 2012, is presented below:

	<u>Amounts payable at July 1, 2011</u>	<u>Additions</u>	<u>Retirements and reductions</u>	<u>Amounts payable at June 30, 2012</u>	<u>Amounts due within one year</u>
Business-type activity:					
Revenue bonds	\$ 34,190,000	—	1,490,000	32,700,000	1,545,000
Add bond premium	279,298	—	41,123	238,175	41,124
OPEB obligation	129,509	21,000	—	150,509	—
Compensated absences	402,587	—	15,458	387,129	290,347
Total	\$ 35,001,394	21,000	1,546,581	33,475,813	1,876,471

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Details of long-term bonded indebtedness:

\$14,650,000 Revenue Bonds, Series 2003 issued April, 2003, maturing in various annual installments through 2018 with interest payable semiannually at 3.75%	\$ 7,005,000
\$27,120,000 Revenue Bonds, Series 2008 issued August, 2008, maturing in various annual installments through 2040 with interest payable semiannually at 3.50%	25,695,000
Add premium	238,175
Total	<u>\$ 32,938,175</u>

Future maturities of the County's various debt obligations together with scheduled interest payments are as follows:

Governmental activities:

	General obligation bonds		Lease revenue bonds	
	Principal	Interest	Principal	Interest
Fiscal year ending				
June 30:				
2013	\$ 7,519,085	3,540,670	6,968,000	4,873,677
2014	7,685,000	3,195,910	7,018,000	4,566,321
2015	7,985,000	2,840,438	7,062,000	4,254,288
2016	7,940,000	2,500,629	7,122,000	3,936,804
2017	5,275,000	2,200,726	7,182,000	3,608,445
2018-2022	19,610,000	7,630,337	37,045,000	12,916,909
2023-2027	14,900,000	3,818,750	29,310,000	4,322,872
2028-2030	7,800,000	663,781	2,765,000	299,333
	<u>\$ 78,714,085</u>	<u>26,391,241</u>	<u>104,472,000</u>	<u>38,778,649</u>

Future maturities of compensated absences and landfill postclosure care costs are not determinable (see note 11).

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Business-type activity:

	Revenue bonds	
	Principal	Interest
Fiscal year ending		
June 30:		
2013	\$ 1,545,000	1,483,100
2014	1,605,000	1,423,850
2015	1,680,000	1,350,125
2016	1,755,000	1,274,300
2017	1,835,000	1,193,538
2018-2022	4,590,000	5,023,425
2023-2027	4,010,000	4,216,563
2028-2032	4,970,000	3,389,388
2033-2037	—	2,563,188
2038-2040	10,710,000	1,103,525
	<u>\$ 32,700,000</u>	<u>23,021,002</u>

Future maturities of compensated absences are not determinable (see note 11).

(c) *Component Unit – Public Schools*

	Amounts payable at July 1, 2011	Additions	Retirements and reductions	Amounts payable at June 30, 2012	Amounts due within one year
OPEB obligation	\$ 2,756,300	748,000	202,000	3,302,300	—
Compensated absences	936,454	902,092	865,289	973,257	437,966
Component Unit – Public Schools					
long-term liabilities	<u>\$ 3,692,754</u>	<u>1,650,092</u>	<u>1,067,289</u>	<u>4,275,557</u>	<u>437,966</u>

(11) **Landfill Closure and Postclosure Care Cost**

The County closed its landfill during fiscal year 1994 and contracted with a third party to provide solid waste disposal services to its residents. This third party operates the site, collects fees based upon the source of the waste, and pays the associated expenditures. The County was responsible for construction of the transfer station and all major maintenance and repairs to it.

State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for 10 to 30 years after closure. The \$2,338,800 reported as landfill postclosure liability at June 30, 2012, represents the liability estimated to monitor the landfill for an average monitoring period of 25 years plus the cost of a corrective action plan. This amount is based on what it would cost to perform all closure and postclosure care in 2012. Actual costs may be higher due to inflation, technology changes, or regulation changes. The County intends to fund these costs

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

from the net revenues collected from the above contract and from any funds accumulated for this purpose in the County General Fund.

(12) Pension Plan

(a) Plan Description

The County, the Authority and the Public Schools contribute to the Virginia Retirement System (VRS or the System), an agent multiple-employer, defined benefit pension plan administered by the VRS. All full-time, salaried regular employees of participating employers must participate in the VRS. Benefits vest after five years of service.

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

- Employees hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous employees are eligible for an unreduced retirement benefit at age 65 with at least five years of service credit or age 55 with at least 30 years of service credit. They may retire with a reduced benefit early at age 50 with at least 10 years of service credit.
- Employees hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous employees are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service or when their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Participating law enforcement officers and firefighters in Plan 1 and Plan 2 are eligible for an unreduced retirement benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS basic benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total service credit. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation. The retirement multiplier for all employees is 1.7%. At retirement, employees can elect the basic benefit, the survivor option, a partial lump-sum option payment (PLOP) or the advance pension option. A retirement reduction factor is applied to the basic benefit amount for employees electing the survivor option, PLOP or advance pension option or those retiring with a reduced benefit.

In addition, retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year after retirement. Under Plan 1, the COLA cannot exceed 5%; under Plan 2, the COLA cannot exceed 6%. During years of no inflation or deflation, the COLA is 0%. 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.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained by writing to the system's Chief Financial Officer at P.O. Box 2500, Richmond, Virginia 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 salary to the VRS. For Plan 1 members, all of the 5% member contribution has been assumed by the employer. Effective July 1, 2011, Plan 2 members were required to make their 5% contribution. In addition, the County, the Authority and the Public Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the statute and approved by the VRS board of trustees. The employer contribution rates for the fiscal year ended June 30, 2012 were 13.46%, 8.46%, 9.99%, 4.99% and 6.56% of annual covered payroll for the County Plan 1, the County Plan 2, the Authority Plan 1, the Authority Plan 2 and the Public Schools, respectively.

(c) Annual Pension Cost

For the fiscal year ended June 30, 2012, the annual pension cost of \$4,466,056, \$382,768, and \$566,011 for the County, Authority, Public Schools (non-professional), respectively, was equal to the annual required and actual contributions. The required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry-age-normal-actuarial-cost method amortizing the unfunded actuarial accrued liability over 20 years using the level percent, open method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases between 3.75% and 5.60%, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the respective entities' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a 5 year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the unfunded actuarial accrued liability (UAAL) was 20 years.

The trend information for each entity's employees is as follows:

Governmental activities:

Three-year trend information			
Fiscal year ending	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 2012	\$ 4,466,056	100%	None
June 30, 2011	4,680,445	100	None
June 30, 2010	4,555,954	100	None

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Business-type activity:

Three-year trend information			
Fiscal year ending	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 2012	\$ 382,768	100%	None
June 30, 2011	379,057	100	None
June 30, 2010	350,878	100	None

Component Unit – Public Schools (non-professional):

Three-year trend information			
Fiscal year ending	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 2012	\$ 566,011	100%	None
June 30, 2011	543,878	100	None
June 30, 2010	568,724	100	None

(d) Funded Status and Funding Progress

The most recent actuarial valuation as of June 30, 2011 indicated the following with respect to the plan's funded status and funding progress:

Governmental activities:

Actuarial value of assets	\$	105,068,952
Actuarial accrued liability (AAL)		134,838,075
Unfunded actuarial accrued liability (UAAL)		29,769,123
Funded ratio		77.92%
Covered payroll	\$	34,570,101
UAAL as a percentage of covered payroll		86.11%

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Business-type activity:

Actuarial value of assets	\$	9,884,534
Actuarial accrued liability (AAL)		11,714,335
Unfunded actuarial accrued liability (UAAL)		1,829,801
Funded ratio		84.38%
Covered payroll	\$	3,789,456
UAAL as a percentage of covered payroll		48.29%

Component Unit – Public Schools (non-professional):

Actuarial value of assets	\$	12,608,672
Actuarial accrued liability (AAL)		14,672,694
Unfunded actuarial accrued liability (UAAL)		2,064,022
Funded ratio		85.93%
Covered payroll	\$	4,796,556
UAAL as a percentage of covered payroll		43.03%

Immediately following the notes to basic financial statements in the Required Supplementary Information is a schedule of funding progress for the County, Authority and its Component Unit- Public Schools' defined benefit pension plan, which presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

(13) Post-Employment Benefits Other Than Pensions (OPEB)

For the fiscal year ended June 30, 2009, the County, Authority and Public Schools adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for reporting the liability for the County's nonpension postemployment benefit, the health care plan for retirees.

A valuation report was prepared for the County by Bolton Partners, Inc. The report may be obtained from the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

(a) Plan Provisions

In addition to providing the pension benefits described in footnote 12, the County, Authority and Public Schools provide postemployment health care (OPEB) for qualifying retired employees who are not yet eligible for Medicare through single-employer defined benefit plans. The benefits, benefit levels, employee contributions and employer contributions are governed by the County and Public Schools and can be amended through their personnel manuals.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

(b) Funding Policy

The County, Authority and Public Schools do not intend to establish a trust to prefund this liability. The anticipated growth in the net OPEB obligation is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption the current active population remains constant. Retirees pay the full rate of coverage under the medical plan.

(c) Plan Description

Currently, covered full-time active employees who retire directly from the County or Authority and are at least 50 years of age with 15 years of service are eligible to receive postretirement health care benefits. Each year, retirees participating in the County or Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost, and therefore, have no GASB 45 liability. There is no coverage for post-Medicare retirees. There were 346 County and 80 Authority participants at the time of the actuarial study. The County and Authority do not contribute towards the retiree's health insurance premiums. Therefore, since the retirees pay their health insurance premiums based on a blended rate, the County and Authority has an implicit liability.

The Public Schools provides a single-employer defined benefit medical plan and a retiree health insurance premium contribution plan that covers retirees until they reach 65 years of age. There is no coverage for retirees or their spouses once they reach the age of 65 and are eligible for Medicare. Both plans were established under the authority of the Williamsburg-James City County School Board and any amendments to the plans must be approved by the School Board. The Public Schools' plan allows retirees under the age of 65 to remain in the same medical and dental plan as active employees if they have at least five years of service and are a covered member under the plan at retirement and for at least 24 months prior to retiring. Retirees pay 100% of the premium, minus any applicable \$62.50 monthly contributed. The Public Schools' plan allows eligible retirees to receive a \$62.50 monthly contribution toward their health insurance premium if they have a minimum of twelve continuous years of service. The Public Schools' current membership is 50.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

(d) Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation as of June 30, 2012 was calculated as follows:

Governmental activities:

Annual required contribution	\$ 308,000
Interest on net OPEB obligation	38,000
Actuarial adjustments	<u>(41,000)</u>
Annual OPEB cost	305,000
Contributions made	<u>(66,000)</u>
Increase in net OPEB obligation	239,000
Net OPEB obligation, beginning of year	<u>958,962</u>
Net OPEB obligation, end of year	<u><u>\$ 1,197,962</u></u>

Business-type activity:

Annual required contribution	\$ 33,000
Interest on net OPEB obligation	5,000
Actuarial adjustments	<u>(6,000)</u>
Annual OPEB cost	32,000
Contributions made	<u>(11,000)</u>
Increase in net OPEB obligation	21,000
Net OPEB obligation, beginning of year	<u>129,509</u>
Net OPEB obligation, end of year	<u><u>\$ 150,509</u></u>

Component Unit – Public Schools:

Annual required contribution	\$ 744,000
Interest on net OPEB obligation	110,000
Actuarial adjustments	<u>(106,000)</u>
Annual OPEB cost	748,000
Contributions made	<u>(202,000)</u>
Increase in net OPEB obligation	546,000
Net OPEB obligation, beginning of year	<u>2,756,300</u>
Net OPEB obligation, end of year	<u><u>\$ 3,302,300</u></u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

The trend information for the OPEB plans is as follows:

Governmental activities:

Three-year trend information			
Fiscal year ended June 30,	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
2012	\$ 305,000	21.6%	\$ 1,197,962
2011	290,470	13.9	958,962
2010	270,760	14.7	708,962

Business-type activity:

Three-year trend information			
Fiscal year ended June 30,	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
2012	\$ 32,000	34.4%	\$ 150,509
2011	31,560	14.4	129,509
2010	30,480	14.7	102,509

Component Unit – Public Schools:

Three-year trend information			
Fiscal year ended June 30,	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
2012	\$ 748,000	27.0%	\$ 3,302,300
2011	1,074,000	27.0	2,756,300
2010	998,000	26.6	1,972,300

(e) *Actuarial Methods and Assumptions*

Valuation Methods

The projected unit credit actuarial cost method was used to calculate all of the expense amounts and the funded status of the plan. The calculations were performed in accordance with the methodologies set forth in GASB Statement No. 45. Under the methods, benefits provided by the substantive plans (the plans as understood by the employers and the members of the plans) at the time of the actuarial study are projected and their present value is determined. The present value is divided into equal parts which are earned over the period from date of hire to the full eligibility date.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Employees Included in the Calculations

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

Actuarial Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability, rate of inflation of 2.5%, payroll growth of 3%, healthcare cost trend rate of 9% and amortization of the initial unfunded actuarial liability over a closed 28 year period based on a level percent of payroll method. The actuarial accrued liability was \$2,767,000, \$322,000 and \$5,803,000 for the County, Authority and Public Schools, respectively. Future increases for the cost of medical benefits were assumed to range from 5% to 9% with the larger increases in the early years and gradually decreasing to 5% thereafter. It should be noted actuarial calculations reflect a long-term perspective and, therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

(f) Schedule of Funding Progress

Governmental activities:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funding ratio	Covered payroll	UAAL as a percentage of covered payroll
July 1,						
2009	\$ —	2,009,000	2,009,000	—	\$ 33,008,935	6.1%
2010	—	2,194,000	2,194,000	—	32,436,359	6.8
2011	—	2,767,000	2,767,000	—	32,497,922	8.5

Business-type activity:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funding ratio	Covered payroll	UAAL as a percentage of covered payroll
July 1,						
2009	\$ —	225,000	225,000	—	\$ 4,133,261	5.4%
2010	—	244,000	244,000	—	4,040,543	6.0
2011	—	322,000	322,000	—	4,144,696	7.8

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Component Unit – Public Schools:

Actuarial valuation date July 1,	Actuarial value of assets	Actuarial accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funding ratio	Covered payroll	UAAL as a percentage of covered payroll
2009	\$ —	7,231,000	7,231,000	—	\$ 72,061,802	10.0%
2010	—	7,988,000	7,988,000	—	69,697,225	11.5
2011	—	5,803,000	5,803,000	—	71,381,094	8.1

(14) Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to permanent part-time and full-time County and Authority employees, permits them to defer 25% of their gross income up to the maximum allowable by the IRC (\$16,500 in 2012). The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the participants. The County acts as trustee for the plan with the choice of investment options being made by the participants. The activity of the plan is accounted for in the Deferred Compensation Plan trust fund in the accompanying basic financial statements in accordance with the provisions of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

(15) Related-Party Transactions

Certain financial management, accounting, legal and other services are provided to the Authority by the County. The charge for these services amounted to \$868,108 for the year ended June 30, 2012. In addition, the County rents space in the Authority administration building under a lease agreement. This is a 25-year noncancelable operating lease agreement, which expires in 2014. The yearly rate was \$87,426 for 2012, and continues through 2014. The rental charge includes the following: utilities, insurance, maintenance, housekeeping supplies and custodian services.

In September 2009, the County entered into an agreement with the Schools for maintenance and custodial services. The agreement is in place for one year, which may be renewed or amended by November 1 each year. The County paid the Schools \$97,094 for the year ended June 30, 2012 for these services.

(16) Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Property, liability and

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

worker's compensation coverage are provided through the Virginia Association of Counties Group Self Insurance Risk Pool. The County reports all of its risk management expenditures in the General Fund.

The County maintains surety coverage for principal officials through the Virginia Association of Counties Self Insurance Risk Pool. Surety coverage is provided under the general liability coverage with a limit of \$9,000,000. All elected officials, appointed officials, members of all appointed governing bodies, employees and volunteers are covered while acting within the scope of their duties with the County.

(17) Commitments and Contingencies

Primary Government

Construction in Progress – Governmental Activities

At June 30, 2012, the County had several major projects under construction which are presented in the accompanying financial statements as construction in progress. Presented below is a list of major projects, by budget, expenditures to date, balance of contract and budget balance.

Project	Budget	Expenditures to date	Balance of contract	Budget balance
Public safety	\$ 3,938,077	81,355	506,626	3,350,096
General governmental	4,467,533	1,815,435	1,354,313	1,297,785
Education	2,281,851	1,799,404	120,792	361,655
Community development	602,553	—	41,638	560,915
Parks and recreation	5,025,982	412,309	92,749	4,520,924
	<u>\$ 16,315,996</u>	<u>4,108,503</u>	<u>2,116,118</u>	<u>10,091,375</u>

Construction in Progress – Business-Type Activity

At June 30, 2012, the Authority had several major projects under construction which are presented in the accompanying financial statements as construction in progress. Presented below is a list of major projects, by budget, expenditures to date, balance of contract and budget balance.

Project	Budget	Expenditures to date	Balance of contract	Budget balance
Sewer improvements	\$ 3,166,501	—	258,344	2,908,157
Water supply	6,130,406	440,122	501,290	5,188,994
Water distribution	55,934	39,159	2,242	14,533
Water transmission	1,093,694	74,480	41,777	977,437
Water storage	724,683	14,380	—	710,303
Other	388,741	27,636	304,065	57,040
	<u>\$ 11,559,959</u>	<u>595,777</u>	<u>1,107,718</u>	<u>9,856,464</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Advances for Construction

The Authority records advances for construction representing two separate agreement types. The first one represents funds advanced by developers for the construction of specific facilities. These agreements call for rebates, up to the amount advanced, and have no expiration date. Secondly, developers can also construct a facility, dedicate it to the Authority and receive rebates, up to the cost of the facility, for up to 10 years. The Authority no longer enters into these types of agreements. At June 30, 2012, the Authority had \$32,902 outstanding in advances for construction.

Operating Leases

Primary Government

The County leases certain land and office space under noncancelable operating lease agreements. A summary of future minimum lease payments as of June 30, 2012 are as follows:

	<u>Lease payments due</u>
Year ending June 30:	
2013	\$ 359,304
2014	367,591
2015	377,078
2016	173,042
2017	23,185
2018-2022	118,014
2023-2027	121,554
2028-2029	<u>49,195</u>
	\$ <u><u>1,588,963</u></u>

Rental expenditures related to these lease agreements were \$488,136 for the year ended June 30, 2012.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2012

Component Unit – Public Schools

The Public Schools had commitments under operating leases with initial terms in excess of one year as follows:

	<u>Lease payments due</u>
Year ending June 30:	
2013	\$ 277,397
2014	183,903
2015	126,808
2016	31,917
2017	15,407
	<u>\$ 635,432</u>

Other

The County and the Public Schools participate in a number of federal awards. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial. The County, the Public Schools and the Development Authority are currently not involved in any litigation which management feels could have a significant impact on the County's, the Public Schools', or the Development Authority's financial condition.

(18) Subsequent Event

On September 11, 2012, the County issued lease revenue bonds totaling \$26,380,000 to finance the construction, renovation, installation and equipping of certain improvements at James River Elementary School, Toano Middle School, and Lafayette High School, a replacement fire station and to refinance the County's obligation under a lease purchase agreement dated November 2003 that financed certain emergency 911 communications equipment and facilities.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

COUNTY OF JAMES CITY, VIRGINIA

General Fund

The General Fund is the general operating fund of the County, which is used to account for all of the financial resources, except those required to be accounted for in another fund. Revenues are derived primarily from general property taxes, other local taxes, licenses, permits and fees and intergovernmental revenues. Primary expenditures are for public safety, public works, health and welfare, parks, recreation and culture, education and the general administration of the County.

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)

General Fund

Year ended June 30, 2012

Fund, major and minor revenue source	Original budget	Final budget	Actual	Variance positive (negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 85,586,304	85,586,304	86,502,226	915,922
Real and personal public service corporation property taxes	1,650,000	1,650,000	1,716,355	66,355
Personal property taxes	15,679,316	15,679,316	16,139,518	460,202
Machinery and tools taxes	5,400,000	5,400,000	5,598,542	198,542
Penalties	425,000	425,000	509,451	84,451
Interest	175,000	175,000	211,695	36,695
Total general property taxes	108,915,620	108,915,620	110,677,787	1,762,167
Other local taxes:				
Local sales and use taxes	8,400,000	8,400,000	9,322,142	922,142
Franchise license taxes	475,000	475,000	508,414	33,414
Taxes on recordation and wills	1,200,000	1,200,000	1,121,581	(78,419)
Hotel and motel room taxes	2,500,000	2,500,000	2,753,408	253,408
Restaurant food taxes	5,525,000	5,525,000	5,982,787	457,787
Deeds of conveyance	300,000	300,000	278,326	(21,674)
Penalties	—	—	27,351	27,351
Interest	—	—	12,060	12,060
Total other local taxes	18,400,000	18,400,000	20,006,069	1,606,069
Permits, privilege fees and regulatory licenses:				
Animal licenses	35,000	35,000	21,791	(13,209)
Business licenses	4,875,000	4,875,000	6,010,887	1,135,887
Motor vehicle licenses	130,000	130,000	134,780	4,780
Building permits	800,000	800,000	806,434	6,434
Permits and other licenses	537,000	537,000	513,213	(23,787)
Total permits, privilege fees and regulatory licenses	6,377,000	6,377,000	7,487,105	1,110,105
Fines and forfeitures	300,000	300,000	274,198	(25,802)
Revenue from use of property	270,000	270,000	297,668	27,668
Charges for services:				
Excess fees of the clerk	165,000	165,000	158,861	(6,139)
Charges for Commonwealth's attorney	2,500	2,500	6,959	4,459
Charges for law enforcement and traffic control	144,000	144,000	139,979	(4,021)
Charges for emergency medical services	1,860,000	1,860,000	2,069,605	209,605
Charges for parks and recreation	2,496,088	2,496,088	2,527,532	31,444
Landfill user fees	186,000	186,000	216,443	30,443
Other fees	71,000	71,000	54,806	(16,194)
Total charges for services	4,924,588	4,924,588	5,174,185	249,597
Miscellaneous revenue:				
Sale of property	50,000	50,000	44,671	(5,329)
Miscellaneous	75,700	75,700	110,340	34,640
Total miscellaneous revenue	125,700	125,700	155,011	29,311
Total revenue from local sources	139,312,908	139,312,908	144,072,023	4,759,115

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)

General Fund

Year ended June 30, 2012

Fund, major and minor revenue source	Original budget	Final budget	Actual	Variance positive (negative)
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 40,000	40,000	33,244	(6,756)
Tax on deeds	321,485	321,485	443,297	121,812
Railroad rolling stock taxes	51,000	51,000	53,152	2,152
Personal property tax relief	9,770,137	9,770,137	9,770,137	—
Car rental tax	70,000	70,000	90,911	20,911
Total noncategorical aid	10,252,622	10,252,622	10,390,741	138,119
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	491,415	496,415	504,120	7,705
Sheriff	654,084	654,084	690,531	36,447
Commissioner of the revenue	158,019	158,019	160,662	2,643
Treasurer	156,297	156,297	157,227	930
Medical examiner	300	300	—	(300)
Registrar/electoral board	48,214	48,214	75,968	27,754
Clerk of the circuit court	445,019	445,019	456,229	11,210
Total shared expenses	1,953,348	1,958,348	2,044,737	86,389
Other categorical aid:				
Wireless Board	140,135	140,135	179,801	39,666
Commission of the arts	5,000	5,000	5,000	—
HB 599 payments	1,320,487	1,320,487	1,320,488	1
Share of state sales tax	9,350,000	9,350,000	9,492,973	142,973
Communications sales and use tax	1,800,000	1,800,000	1,739,851	(60,149)
Other	45,000	45,000	50,503	5,503
Total other categorical aid	12,660,622	12,660,622	12,788,616	127,994
Total categorical aid	14,613,970	14,618,970	14,833,353	214,383
Total revenue from the Commonwealth	24,866,592	24,871,592	25,224,094	352,502
Revenue from the federal government:				
Payments in lieu of taxes	6,500	6,500	7,183	683
Other	—	—	12,414	12,414
Total revenue from the federal government	6,500	6,500	19,597	13,097
Total revenues	164,186,000	164,191,000	169,315,714	5,124,714

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)

General Fund

Year ended June 30, 2012

Fund, major and minor expenditure source	Original budget	Final budget	Actual	Variance positive (negative)
General government administration:				
Legislative:				
Board of supervisors	\$ 195,376	196,453	176,990	19,463
General and financial administration:				
County administrator	412,910	412,625	409,512	3,113
County attorney	457,625	466,941	465,992	949
Human resources	626,744	646,880	630,554	16,326
Legal services	36,900	31,934	10,236	21,698
Commissioner of the revenue	696,680	707,445	671,164	36,281
Real estate assessments	667,674	678,281	632,477	45,804
Treasurer	1,028,339	1,088,642	1,087,655	987
Financial management	811,983	863,679	808,555	55,124
Accounting	124,794	141,530	141,208	322
Publications management	190,775	197,236	190,482	6,754
Purchasing	346,234	350,043	264,697	85,346
Records management	247,022	255,088	243,663	11,425
Telecommunications	231,039	244,192	219,239	24,953
Information technology	1,525,478	1,526,783	1,482,725	44,058
Fleet maintenance	855,214	873,811	817,501	56,310
Total general and financial administration	8,259,411	8,485,110	8,075,660	409,450
Board of elections:				
Voter registration and elections	403,340	459,445	417,042	42,403
Total general government administration	8,858,127	9,141,008	8,669,692	471,316
Judicial administration:				
Courts:				
Circuit court and judicial services	484,243	486,396	474,159	12,237
General district court	46,752	46,752	31,727	15,025
Juvenile and domestic relations district court	23,624	23,624	14,054	9,570
Clerk of the circuit court	704,705	701,755	685,651	16,104
Sheriff	1,173,729	1,223,757	1,223,713	44
9th judicial district	9,300	9,685	9,115	570
Court services and juvenile detention	460,550	453,609	384,252	69,357
Courthouse	451,544	464,590	399,863	64,727
Total courts	3,354,447	3,410,168	3,222,534	187,634
Commonwealth's attorney	796,590	796,700	776,394	20,306
Total judicial administration	4,151,037	4,206,868	3,998,928	207,940
Public safety:				
Law enforcement and traffic control:				
Police department	8,424,336	8,608,101	8,390,998	217,103
Emergency communications	2,492,255	2,526,438	2,439,518	86,920
Total law enforcement and traffic control	10,916,591	11,134,539	10,830,516	304,023
Fire and rescue services:				
Fire department and emergency medical services	9,528,960	9,651,496	9,517,338	134,158

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)

General Fund

Year ended June 30, 2012

Fund, major and minor expenditure source	Original budget	Final budget	Actual	Variance positive (negative)
Correction and detention: Regional jail	\$ 2,090,500	2,116,117	2,116,117	—
Inspections: Building and safety permits	983,517	1,040,374	929,639	110,735
Other protection: Animal control	177,173	180,126	165,715	14,411
Emergency management	322,628	330,058	301,660	28,398
Total other protection	499,801	510,184	467,375	42,809
Total public safety	24,019,369	24,452,710	23,860,985	591,725
Public works: Sanitation and waste removal: Grounds maintenance	1,218,941	1,254,162	1,235,704	18,458
Solid waste and recycling	1,643,121	1,673,294	1,661,844	11,450
Total sanitation and waste removal	2,862,062	2,927,456	2,897,548	29,908
Maintenance of general buildings and grounds: Facilities management	3,918,250	3,974,264	3,572,529	401,735
Total public works	6,780,312	6,901,720	6,470,077	431,643
Health and welfare: Local health department	731,815	731,815	689,958	41,857
Mental health and mental retardation	854,795	854,795	854,795	—
Total health and welfare	1,586,610	1,586,610	1,544,753	41,857
Education: School board administration	74,280,815	74,280,815	74,280,245	570
Parks, recreation and cultural: Parks and recreation: Administration	644,190	4,229,112	4,077,501	151,611
Community centers	1,081,285	132,515	119,330	13,185
Park operations	986,785	248,444	234,339	14,105
Recreation services	2,191,627	362,320	322,533	39,787
Total parks and recreation	4,903,887	4,972,391	4,753,703	218,688
Library: Regional library	4,067,456	4,067,456	4,067,456	—
Total parks, recreation and cultural	8,971,343	9,039,847	8,821,159	218,688
Community development: Planning and community development: Planning	958,584	930,384	755,489	174,895
Development management	252,001	253,616	207,748	45,868
Communications	563,767	575,096	538,468	36,628
Zoning enforcement	302,835	311,065	294,060	17,005
Economic development	428,676	436,740	433,716	3,024
Satellite office	194,832	198,600	197,430	1,170
Contributions – other	2,279,831	2,309,831	2,338,849	(29,018)
Regional transportation	481,158	481,158	481,158	—
Total planning and community development	5,461,684	5,496,490	5,246,918	249,572

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Unaudited)

General Fund

Year ended June 30, 2012

Fund, major and minor expenditure source	Original budget	Final budget	Actual	Variance positive (negative)
Environmental management:				
Engineering and resource protection	\$ 979,176	992,094	949,595	42,499
Stormwater management	476,691	612,781	449,234	163,547
Total environmental management	1,455,867	1,604,875	1,398,829	206,046
Cooperative extension program:				
Community development	49,076	49,076	48,721	355
Total community development	6,966,627	7,150,441	6,694,468	455,973
Nondepartmental:				
Miscellaneous	435,223	366,197	1,265,803	(899,606)
Total expenditures	136,049,463	137,126,216	135,606,110	1,520,106
Excess of revenues over expenditures	28,136,537	27,064,784	33,709,604	6,644,820
Other financing uses:				
Operating transfers out	(28,136,537)	(28,136,537)	(29,305,015)	(1,168,478)
Excess (deficiency) of revenues over expenditures and other uses	—	(1,071,753)	4,404,589	5,476,342
Fund balance at beginning of year	—	1,071,753	39,471,901	36,743,249
Fund balance at end of year	\$ —	—	43,876,490	42,219,591

Unaudited - see accompanying independent auditors' report.

See accompanying note to required supplementary information.

COUNTY OF JAMES CITY, VIRGINIA

Schedules of Funding Progress - VRS

Required Supplementary Information (Unaudited)

June 30, 2012

County employees:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded actuarial accrued liability (UAAL)	Funded ratio (%)	Covered payroll	UAAL as a percentage of covered payroll (%)
June 30, 2007	\$ 82,716,140	92,545,110	9,828,970	89.38%	\$ 33,380,299	29.45%
June 30, 2008	93,426,419	103,829,642	10,403,223	89.98	35,800,046	29.06
June 30, 2009	98,175,234	112,735,283	14,560,049	87.08	36,393,488	40.01
June 30, 2010	101,235,996	127,031,132	25,795,136	79.69	35,200,976	73.28
June 30, 2011	105,068,952	134,838,075	29,769,123	77.92	34,570,101	86.11

James City Service Authority employees:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded actuarial accrued liability / (funding excess) (UAAL)	Funded ratio (%)	Covered payroll	UAAL / excess funding as a percentage of covered payroll (%)
June 30, 2007	\$ 7,577,511	7,464,623	(112,888)	101.51%	\$ 3,633,388	(3.11)%
June 30, 2008	8,716,528	8,860,331	143,803	98.38	3,762,899	3.82
June 30, 2009	9,259,271	9,773,570	514,299	94.74	3,995,122	12.87
June 30, 2010	9,379,722	11,139,934	1,760,212	84.20	3,762,294	46.79
June 30, 2011	9,884,534	11,714,335	1,829,801	84.38	3,789,456	48.29

Public Schools' – non-professional:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded actuarial accrued liability / (UAAL)	Funded ratio (%)	Covered payroll	UAAL as a percentage of covered payroll (%)
June 30, 2007	\$ 9,953,121	10,491,400	538,279	94.87%	\$ 3,911,323	13.76%
June 30, 2008	11,280,529	11,431,652	151,123	98.70	4,500,204	3.40
June 30, 2009	11,767,848	12,381,835	613,987	95.04	4,819,099	12.74
June 30, 2010	12,134,124	14,053,571	1,919,447	86.34	4,839,145	39.67
June 30, 2011	12,608,672	14,672,694	2,064,022	85.93	4,796,556	43.03

Unaudited - see accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Note to Required Supplementary Information (Unaudited)

June 30, 2012

(1) **Budgeting and Budgetary Accounting**

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

Prior to April 1, 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 budget and capital budget include proposed expenditures and the means of financing them. Public hearings are then conducted to obtain citizen comments.

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund and function level. The appropriation for each fund and function can be revised only by the Board of Supervisors; however, the County Administrator may amend the budget within functions. Supplemental appropriations in addition to the appropriated budget were necessary during the year.

Formal budgetary integration is employed as a management control device during the year for those funds with legally adopted annual budgets which are the General Fund, Special Revenue Fund – Virginia Public Assistance, and Debt Service Fund, and these funds are integrated only at the level of legal adoption. Program and project budgets are utilized in the Capital Projects; Colonial Community Corrections; Community Development; and Revolving Loan Funds where appropriations remain open and carry over to the succeeding year.

All budgets are adopted on a basis consistent with GAAP. The budget was increased by \$572,964, excluding encumbrances carried forward of \$503,789, in supplemental appropriations during the fiscal year ended June 30, 2012. This increase was to appropriate fund balance to make a one-time bonus payment to employees and to increase the Commonwealth's Attorney personnel budget to cover the loss of state funds for a career prosecutor position that became vacant. All appropriations lapse on June 30 for all County funds, except the funds referenced above. All budget data presented in the accompanying basic financial statements represents the appropriated budget as of June 30, 2012, as adopted and amended by supplemental appropriations.

Unaudited – see accompanying independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

COUNTY OF JAMES CITY, VIRGINIA

Debt Service Fund

Debt Service Fund – accounts for the accumulation of resources for, and the payment of principal, interest and related costs on long-term debt of governmental funds.

COUNTY OF JAMES CITY, VIRGINIA

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

Debt Service Fund

Year ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues:				
Revenue from use of money and property	\$ 50,000	50,000	7,143	(42,857)
Miscellaneous	228,000	228,000	245,123	17,123
Total revenues	<u>278,000</u>	<u>278,000</u>	<u>252,266</u>	<u>(25,734)</u>
Expenditures:				
Community development	75,000	120,820	142,768	(21,948)
Principal retirement	15,026,000	15,026,000	14,787,955	238,045
Interest, other fiscal charges and early retirement	9,505,000	9,459,180	9,384,810	74,370
Total expenditures	<u>24,606,000</u>	<u>24,606,000</u>	<u>24,315,533</u>	<u>290,467</u>
Excess (deficiency) of revenues over (under) expenditures	(24,328,000)	(24,328,000)	(24,063,267)	264,733
Other financing sources:				
Operating transfers in	<u>22,825,000</u>	<u>22,825,000</u>	<u>24,063,267</u>	<u>1,238,267</u>
Excess (deficiency) of revenues and other sources over (under) expenditures	(1,503,000)	(1,503,000)	—	1,503,000
Fund balance at beginning of year	<u>1,503,000</u>	<u>1,503,000</u>	<u>—</u>	<u>(1,503,000)</u>
Fund balance at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Nonmajor Governmental Funds

The County reports the following nonmajor governmental funds:

Virginia Public Assistance Fund – accounts for funds received from the federal and state governments and transfers from the General Fund that are utilized for Social Service programs.

Colonial Community Corrections Fund – accounts for the revenues and expenditures, under the Virginia Community Corrections Act, for providing the judicial system with sentencing alternatives for certain nonviolent offenders requiring less than institutional custody, but more than probation supervision.

Community Development Fund – accounts for the revenues that are utilized to improve targeted areas within the County.

Revolving Loan Fund – accounts for revenues and expenditures that provide housing rehabilitation to qualified recipients.

Trust Fund – accounts for monies and donations held to celebrate historical events and various special purposes.

Tourism Investment Fund – accounts for revenues and expenditures that provide for tourism initiatives.

Grants and Special Projects Fund – accounts for monies held for use for grants and special projects.

COUNTY OF JAMES CITY, VIRGINIA

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

Assets	Virginia Public Assistance Fund	Colonial Community Corrections Fund	Community Development Fund	Revolving Loan Fund	Trust Fund	Tourism Investment Fund	Grants and Special Projects Fund	Total
Cash and cash equivalents and investments	\$ 1,232,405	84,261	704,901	386,585	501,117	58,725	—	2,967,994
Cash and cash equivalents, restricted	—	—	754,425	—	—	—	199,347	953,772
Accounts receivable	1,158	17,990	—	—	—	—	—	19,148
Interest receivable	—	—	119	30	41	—	—	190
Loans receivable	—	—	167,249	—	—	—	—	167,249
Due from other funds	640	—	259	—	—	—	—	899
Due from other governments	350,217	—	529,574	—	—	—	2,889,868	3,769,659
Total assets	\$ 1,584,420	102,251	2,156,527	386,615	501,158	58,725	3,089,215	7,878,911
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 23,826	9,755	28,354	—	20,681	—	225,431	308,047
Accrued liabilities	11,893	2,747	1,082	—	—	—	1,884	17,606
Liabilities payable from restricted assets	—	—	44,580	—	—	—	—	44,580
Due to other funds	273,899	12,156	67,353	—	6,929	525	1,203,486	1,564,348
Due to component unit	125	63	—	—	—	—	26,216	26,404
Deferred revenue	—	—	153,591	—	—	—	669,496	823,087
Total liabilities	309,743	24,721	294,960	—	27,610	525	2,126,513	2,784,072
Fund balances:								
Nonspendable -								
Loans	—	—	167,249	—	—	—	—	167,249
Committed -								
Grants	—	—	—	—	—	—	962,702	962,702
Assigned -								
Special revenue	1,274,677	77,530	1,694,318	386,615	473,548	58,200	—	3,964,888
Total fund balances	1,274,677	77,530	1,861,567	386,615	473,548	58,200	962,702	5,094,839
Total liabilities and fund balances	\$ 1,584,420	102,251	2,156,527	386,615	501,158	58,725	3,089,215	7,878,911

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2012

	Virginia Public Assistance Fund	Colonial Community Corrections Fund	Community Development Fund	Revolving Loan Fund	Trust Fund	Tourism Investment Fund	Grants and Special Projects Fund	Total
Revenues:								
Revenue from use of money and property	\$ —	—	817	361	457	—	—	1,635
Miscellaneous	—	54,723	393,982	6,302	41,120	—	—	496,127
Intergovernmental:								
Local	—	105,425	—	—	—	—	125,728	231,153
Commonwealth	1,329,036	801,924	566,178	—	232,226	—	705,847	3,635,211
Federal	2,191,705	3,626	1,695,054	—	2,790	—	2,858,088	6,751,263
Total revenues	3,520,741	965,698	2,656,031	6,663	276,593	—	3,689,663	11,115,389
Expenditures:								
Current:								
Judicial administration	—	1,002,726	—	—	3,717	—	249,118	1,255,561
Public safety	—	—	—	—	262,890	—	791,946	1,054,836
Public works	—	—	—	—	—	—	23,496	23,496
Health and welfare	5,037,144	—	—	—	—	—	460,722	5,497,866
Parks, recreation and cultural	—	—	—	—	13,821	—	328,961	342,782
Community development	—	—	2,769,954	—	—	221,800	44,750	3,036,504
Storm costs	—	—	—	—	—	—	2,454,661	2,454,661
Total expenditures	5,037,144	1,002,726	2,769,954	—	280,428	221,800	4,353,654	13,665,706
Excess (deficiency) of revenues over (under) expenditures	(1,516,403)	(37,028)	(113,923)	6,663	(3,835)	(221,800)	(663,991)	(2,550,317)
Other financing sources:								
Transfers in	1,578,400	34,470	533,241	—	—	280,000	1,105,137	3,531,248
Net change in fund balances	61,997	(2,558)	419,318	6,663	(3,835)	58,200	441,146	980,931
Fund balances at beginning of year	1,212,680	80,088	1,442,249	379,952	477,383	—	521,556	4,113,908
Fund balances at end of year	\$ 1,274,677	77,530	1,861,567	386,615	473,548	58,200	962,702	5,094,839

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Virginia Public Assistance Fund
 Year ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues:			
Intergovernmental:			
Commonwealth	\$ —	1,329,036	1,329,036
Federal	4,472,373	2,191,705	(2,280,668)
Total intergovernmental revenues	4,472,373	3,520,741	(951,632)
Expenditures:			
Current:			
Health and welfare	6,488,805	5,037,144	1,451,661
Excess (deficiency) of revenues over (under) expenditures	(2,016,432)	(1,516,403)	500,029
Other financing sources:			
Operating transfers in	1,578,400	1,578,400	—
Excess (deficiency) of revenues and other sources over (under) expenditures	(438,032)	61,997	(500,029)
Fund balance at beginning of year	438,032	1,212,680	(774,648)
Fund balance at end of year	\$ —	1,274,677	(1,274,677)

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Agency Funds

Trust and Agency funds account for money received and held by the County in the capacity of trustee, custodian, or agent for individuals, other governmental agencies and private organizations. The County reports the following Trust and Agency funds:

Pension Trust Fund

Deferred Compensation Plan – accounts for wages of employees participating in the deferred compensation plan created in accordance with Internal Revenue Code Section 457.

Agency Funds

Special Welfare – accounts for the transfer of funds provided by the Virginia Public Assistance Fund for aid to dependent children.

WAMAC – accounts for the fiscal agent funds held for the Williamsburg Area Medical Assistance Corporation.

Regional Jail – accounts for the fiscal agency funds held for the Virginia Peninsula Regional Jail Authority.

Juvenile Detention – accounts for fiscal agency funds held for the Middle Peninsula Juvenile Detention Commission.

Williamsburg Area Transit – accounts for the fiscal agency funds held for the Williamsburg Area Transit Authority.

COUNTY OF JAMES CITY, VIRGINIA

Combining Statement of Fiduciary Net Assets

Agency Funds

June 30, 2012

Assets	Special Welfare	WAMAC	Regional Jail	Juvenile Detention	Williamsburg Area Transit Authority	Total
Cash and cash equivalents	\$ 2,638	94,749	1,472,731	380,984	637,693	2,588,795
Restricted cash and cash equivalents and investments with fiscal agent/trustee	—	3,773,891	3,201,479	—	—	6,975,370
Accounts receivable	—	84,823	690,454	89,303	12,114	876,694
Prepaid item	—	—	9,972	—	—	9,972
Due from other governmental units	—	—	1,290,642	—	738,446	2,029,088
Total assets	\$ 2,638	3,953,463	6,665,278	470,287	1,388,253	12,479,919
Liabilities						
Accounts payable and accrued liabilities	\$ —	42,238	790,862	244,939	482,442	1,560,481
Amounts held for others	2,638	3,911,225	5,874,416	225,348	905,811	10,919,438
Total liabilities	\$ 2,638	3,953,463	6,665,278	470,287	1,388,253	12,479,919

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2012

	<u>Balances beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances end of year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ 2,716	8,832	8,910	2,638
Liabilities:				
Amounts held for others	\$ 2,716	12,974	13,052	2,638
WAMAC Fund:				
Assets:				
Cash	\$ 317,794	2,263,435	2,486,480	94,749
Restricted cash	3,976,471	4,804	207,384	3,773,891
Accounts receivable	80,444	194,392	190,013	84,823
Total assets	\$ 4,374,709	2,462,631	2,883,877	3,953,463
Liabilities:				
Accounts payable and accrued liabilities	\$ 75,346	2,255,724	2,288,832	42,238
Amounts held for others	4,299,363	2,101,480	2,489,618	3,911,225
Total liabilities	\$ 4,374,709	4,357,204	4,778,450	3,953,463
Regional Jail Fund:				
Assets:				
Cash and cash equivalents	\$ 274,730	12,360,796	11,162,795	1,472,731
Restricted cash and cash equivalents and investments with fiscal agent/trustee	3,694,104	4,691,462	5,184,087	3,201,479
Accounts receivable	126,235	690,454	126,235	690,454
Prepaid item	8,586	9,972	8,586	9,972
Due from other governmental units	1,791,228	1,291,210	1,791,796	1,290,642
Total assets	\$ 5,894,883	19,043,894	18,273,499	6,665,278
Liabilities:				
Accounts payable and accrued liabilities	\$ 165,379	8,561,287	7,935,804	790,862
Amounts held for others	5,729,504	16,580,892	16,435,980	5,874,416
Total liabilities	\$ 5,894,883	25,142,179	24,371,784	6,665,278
Juvenile Detention Fund:				
Assets:				
Cash and cash equivalents and investments	\$ 462,226	3,439,964	3,521,206	380,984
Accounts receivable	110,421	89,303	110,421	89,303
Total assets	\$ 572,647	3,529,267	3,631,627	470,287
Liabilities:				
Accounts payable and accrued liabilities	\$ 295,008	3,280,415	3,330,484	244,939
Amounts held for others	277,639	4,180,102	4,232,393	225,348
Total liabilities	\$ 572,647	7,460,517	7,562,877	470,287
Williamsburg Area Transit Authority Fund:				
Assets:				
Cash and cash equivalents	\$ 420,855	5,951,169	5,734,331	637,693
Accounts receivable	8,859	12,114	8,859	12,114
Due from other governmental units	680,018	738,446	680,018	738,446
Total assets	\$ 1,109,732	6,701,729	6,423,208	1,388,253
Liabilities:				
Accounts payable and accrued liabilities	\$ 257,758	4,163,278	3,938,594	482,442
Amounts held for others	851,974	13,787,344	13,733,507	905,811
Total liabilities	\$ 1,109,732	17,950,622	17,672,101	1,388,253

COUNTY OF JAMES CITY, VIRGINIA

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Year ended June 30, 2012

	Balances beginning of year	Additions	Reductions	Balances end of year
Total:				
Assets:				
Cash and cash equivalents and investments	\$ 1,478,321	24,024,196	22,913,722	2,588,795
Restricted cash and cash equivalents and investments with fiscal agent/trustee	7,670,575	4,696,266	5,391,471	6,975,370
Accounts receivable	325,959	986,263	435,528	876,694
Prepaid item	8,586	9,972	8,586	9,972
Due from other governmental units	2,471,246	2,029,656	2,471,814	2,029,088
Total assets	\$ <u>11,954,687</u>	<u>31,746,353</u>	<u>31,221,121</u>	<u>12,479,919</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 793,491	18,260,704	17,493,714	1,560,481
Amounts held for others	11,161,196	36,662,792	36,904,550	10,919,438
Total liabilities	\$ <u>11,954,687</u>	<u>54,923,496</u>	<u>54,398,264</u>	<u>12,479,919</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Discretely Presented Component Units

The County reports the following discretely presented component units:

Public Schools – responsible for educating the school-age population of the City of Williamsburg, Virginia and the County.

Economic Development Authority – responsible for industrial and commercial development in the County.

COUNTY OF JAMES CITY, VIRGINIA

Exhibit D-1

Balance Sheet

Discretely Presented Component Unit – Public Schools – Governmental Funds

June 30, 2012

Assets	General	Grants	Schools' food services	Capital projects	Total governmental funds
Cash and temporary investments	\$ 12,614,865	45,511	625,967	215,063	13,501,406
Receivables	133,840	90	2,301	—	136,231
Due from federal government	180,806	703,858	313,449	—	1,198,113
Due from Commonwealth of Virginia	128,604	34,701	—	—	163,305
Due from the City of Williamsburg and James City County	56,523	—	—	1,084,340	1,140,863
Inventory	—	—	40,532	—	40,532
Total assets	\$ 13,114,638	784,160	982,249	1,299,403	16,180,450
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 692,117	42,896	63,818	362,427	1,161,258
Accrued payroll	6,465,035	312,669	129,804	—	6,907,508
Accrued benefits	4,515,497	204,313	94,231	—	4,814,041
Total liabilities	11,672,649	559,878	287,853	362,427	12,882,807
Fund balances:					
Nonspendable -					
Inventory	—	—	40,532	—	40,532
Restricted to -					
Grants	—	224,282	—	—	224,282
Committed to -					
Capital projects	685,097	—	—	936,976	1,622,073
Assigned to:					
General	256,892	—	—	—	256,892
Schools' food services fund	—	—	653,864	—	653,864
Unassigned, reported in -					
General fund	500,000	—	—	—	500,000
Total fund balances	1,441,989	224,282	694,396	936,976	3,297,643
Total liabilities and fund balances	\$ 13,114,638	784,160	982,249	1,299,403	
Adjustments for the statement of net assets:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					47,957,321
Unearned revenue is not reported as a liability in the governmental funds.					(224,282)
Long-term liabilities are not reported as liabilities in the governmental funds.					
Compensated absences		(973,257)			
Other post employment benefits		(3,302,300)			
Net assets of governmental activities					(4,275,557)
					\$ 46,755,125

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Discretely Presented Component Unit – Public Schools – Governmental Funds

Year ended June 30, 2012

Deficiency of revenues under expenditures	\$ (1,037,269)
-------------------------------------------	----------------

Adjustments for the statement of activities:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation expense in the current period:

Capital outlay	6,123,962
Depreciation expense	(2,818,749)
	<u>3,305,213</u>

In the statement of activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the equipment sold.	(115,600)
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Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in compensated absences liability	(36,803)
Change in net OPEB obligation	(546,000)
	<u>(582,803)</u>

Governmental funds recognize revenues when they are both measurable and available, that is collected during the period or within two months after year end. However, they are recognized in full for the period they are earned in the statement of activities.

	<u>(6,519)</u>
Change in net assets	\$ <u><u>1,563,022</u></u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Changes in Assets and Liabilities

Discretely Presented Component Unit – Public Schools – Agency Funds

Year ended June 30, 2012

	Balances beginning of year	Additions	Reductions	Balances end of year
State Operated Educational Program:				
Assets:				
Cash and temporary investments	\$ (172,786)	876,405	895,494	(191,875)
Due from other governmental units	237,119	251,665	237,119	251,665
Total assets	<u>\$ 64,333</u>	<u>1,128,070</u>	<u>1,132,613</u>	<u>59,790</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 64,333</u>	<u>1,674,341</u>	<u>1,678,884</u>	<u>59,790</u>
School Activity Fund:				
Assets:				
Cash and temporary investments	<u>\$ 1,022,992</u>	<u>1,895,799</u>	<u>1,791,044</u>	<u>1,127,747</u>
Liabilities:				
Amounts held for others	<u>\$ 1,022,992</u>	<u>1,895,799</u>	<u>1,791,044</u>	<u>1,127,747</u>
Totals – primary government:				
Assets:				
Cash and temporary investments	\$ 850,206	2,772,204	2,686,538	935,872
Due from other governmental units	237,119	251,665	237,119	251,665
Total assets	<u>\$ 1,087,325</u>	<u>3,023,869</u>	<u>2,923,657</u>	<u>1,187,537</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 64,333	1,674,341	1,678,884	59,790
Amounts held for others	1,022,992	1,895,799	1,791,044	1,127,747
Total liabilities	<u>\$ 1,087,325</u>	<u>3,570,140</u>	<u>3,469,928</u>	<u>1,187,537</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Discretely Presented Component Unit – Economic Development Authority

June 30, 2012

Assets

Assets:

Cash and short-term investments (note 2)	\$ 1,614,402
Due from James City County	109,386
Interest receivable	2,777
Notes receivable	25,870
Capital assets (note 7):	
Land	2,483,106
Furniture and equipment	5,119
Intangible assets	7,600
Construction in progress	166,510
Accumulated depreciation	<u>(469)</u>
Total capital assets	<u>2,661,866</u>
Total assets	<u><u>\$ 4,414,301</u></u>

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accounts payable	\$ <u>131,585</u>
------------------	-------------------

Net assets:

Invested in capital assets	2,661,866
Unrestricted	<u>1,620,850</u>
Total net assets	<u>4,282,716</u>
Total liabilities and net assets	<u><u>\$ 4,414,301</u></u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Discretely Presented Component Unit – Economic Development Authority

Year ended June 30, 2012

Operating revenues:	
County contribution	\$ 58,607
Bond fees	29,490
Lease income	159,692
Incubator revenue	34,641
Miscellaneous revenue	36,000
Total operating revenues	<u>318,430</u>
Operating expenses:	
Community development	396,812
Advertising	7,994
Professional fees	12,252
Note forgiveness	8,130
Performance based agreements	220,918
Other	242
Total operating expenses	<u>646,348</u>
Operating loss before depreciation	<u>(327,918)</u>
Depreciation	<u>469</u>
Operating loss	<u>(328,387)</u>
Nonoperating revenue:	
Interest income	<u>40,465</u>
Net nonoperating revenue	<u>40,465</u>
Change in net assets	(287,922)
Net assets at beginning of year	<u>4,570,638</u>
Net assets at end of year	<u>\$ 4,282,716</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Cash Flows

Discretely Presented Component Unit – Economic Development Authority

Year ended June 30, 2012

Cash flows from operating activities:	
Receipts from customers	\$ 498,742
Payments to suppliers	<u>(828,395)</u>
Net cash used by operating activities	<u>(329,653)</u>
Cash flows from capital and capital related financing activities -	
Acquisition of capital assets	<u>(12,719)</u>
Cash flows from investing activities -	
Interest received	<u>40,465</u>
Net decrease in cash and short-term investments	<u>(301,907)</u>
Cash and short-term investments at beginning of year	<u>1,916,309</u>
Cash and short-term investments at end of year	<u><u>\$ 1,614,402</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (328,387)
Adjustments to reconcile operating loss to cash used by operating activities:	
Depreciation	469
Changes in assets and liabilities:	
Due from James City County	208,959
Interest receivable	(25,870)
Notes receivable	(2,777)
Accounts payable	<u>(182,047)</u>
Net cash used by operating activities	<u><u>\$ (329,653)</u></u>
Cash and short term investments at June 30, 2012 are comprised of the following amounts:	
Cash and short-term investments	<u><u>\$ 1,614,402</u></u>

See accompanying independent auditors' report.

STATISTICAL SECTION

COUNTY OF JAMES CITY, VIRGINIA

Statistical Section Overview

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

CONTENTS

Financial Trends

Tables 1 - 4

These tables contain trend information to help the reader understand how the County's financial performance and well-being has changed over time.

Revenue Capacity

Tables 5 - 9

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

Debt Capacity

Tables 10 - 12

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

Demographic & Economic Information

Tables 13 - 14

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

Operation Information

Tables 15 - 18

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

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

Table 1

COUNTY OF JAMES CITY, VIRGINIA

Net Assets by Component
Last Ten Fiscal Years

	Fiscal year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities:										
Invested in capital assets, net of related debt	\$ 66,576,674	72,906,650	47,458,012	57,943,767	25,413,961	160,168,505	155,643,755	91,045,788	46,961,066	133,812,951
Reserved:										
Capital projects	—	—	43,794,137	41,541,322	124,329,355	6,498,734	15,716,245	41,296,767	20,005,183	21,226,338
Debt service	107,703	96,590	85,774	—	—	—	—	—	—	—
Other purposes	1,350,042	1,587,781	1,741,595	14,148,422	6,214,172	433,272	394,831	813,685	—	—
Unrestricted	57,788,196	58,697,908	55,102,486	47,114,240	37,081,001	44,309,703	42,816,887	61,999,946	134,831,315	55,343,408
Total governmental activities net assets	\$ 125,822,615	133,288,929	148,182,004	160,747,751	193,038,489	211,410,214	214,571,718	195,156,186	201,797,564	210,382,697
Business-type activity:										
Invested in capital assets, net of related debt	\$ 88,966,049	104,781,826	112,013,177	123,710,597	132,145,149	134,569,730	134,314,330	135,071,435	135,641,623	135,110,313
Reserved:										
Capital projects	15,048,381	3,155,428	696,483	703,494	709,584	1,305,775	4,674,837	4,610,218	4,740,769	4,876,760
Unrestricted	19,899,685	23,422,019	27,135,809	29,627,748	33,151,555	36,275,425	36,591,088	36,430,621	34,057,874	34,462,629
Total business-type activity net assets	\$ 123,914,115	131,359,273	139,845,469	154,041,839	166,006,288	172,150,930	175,580,255	176,112,274	174,440,266	174,449,702
Primary government:										
Invested in capital assets, net of related debt	\$ 155,542,723	177,688,476	159,471,189	181,654,364	157,559,110	294,738,235	289,958,085	226,117,223	182,602,689	268,923,264
Reserved:										
Capital projects	15,048,381	3,155,428	44,490,620	42,244,816	125,038,939	7,804,509	20,391,082	45,906,985	24,745,952	26,103,098
Debt service	107,703	96,590	85,774	—	—	—	—	—	—	—
Other purposes	1,350,042	1,587,781	1,741,595	14,148,422	6,214,172	433,272	394,831	813,685	—	—
Unrestricted	77,687,881	82,119,927	82,238,295	76,741,988	70,232,556	80,585,128	79,407,975	98,430,567	168,889,189	89,806,037
Total primary government net assets	\$ 249,736,730	264,648,202	288,027,473	314,789,590	359,044,777	383,561,144	390,151,973	371,268,460	376,237,830	384,832,399

Table 2

COUNTY OF JAMES CITY, VIRGINIA
Government-Wide Expenses and Program Revenues by Function
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses:										
Governmental activities:										
General government administration	\$ 7,197,198	7,421,564	7,715,060	5,790,007	16,835,827	18,873,491	21,347,839	23,962,622	23,061,671	17,103,421
Judicial administration	4,117,622	4,006,887	4,212,935	4,374,852	5,053,351	5,151,971	5,515,309	5,321,244	5,394,548	5,513,976
Public safety	14,199,802	14,856,391	16,742,887	13,599,920	23,500,193	24,704,720	23,267,505	22,477,094	15,003,864	23,768,668
Public works	3,295,519	3,487,207	4,390,347	2,674,311	3,361,025	5,990,017	5,925,566	19,240,014	7,332,972	6,119,246
Health and welfare	5,774,531	6,141,730	6,555,435	7,043,503	6,762,204	7,116,193	7,171,131	7,332,607	7,582,994	7,042,619
Education	52,526,017	55,189,245	58,841,825	77,265,247	63,874,870	75,880,133	83,021,945	81,441,066	83,737,593	82,082,568
Parks, recreation, and cultural	8,090,348	8,304,480	8,893,143	8,720,218	2,131,929	6,534,492	10,302,398	8,938,509	8,980,597	8,744,156
Community development	10,129,125	9,811,644	11,835,533	12,662,469	17,214,104	16,633,166	13,575,967	11,472,198	9,467,357	14,832,661
Storm costs	—	—	30,124	—	166,546	—	—	—	—	—
Interest on long-term debt	4,179,994	4,197,067	4,328,942	5,962,561	9,857,524	11,198,606	10,582,404	10,671,318	9,853,465	9,384,810
Non-departmental	829,715	1,643,125	1,973,709	5,161,844	—	—	—	—	—	—
Total governmental activities expenses	110,339,871	123,298,467	125,521,940	143,254,932	148,757,573	172,082,789	180,710,064	190,856,672	170,415,061	174,592,125
Business-type activities:										
Service Authority	10,505,144	11,731,280	12,804,913	14,149,218	17,688,528	16,551,103	18,742,699	20,074,066	20,896,660	21,361,681
Stormwater Utility	—	—	—	—	—	882,254	1,466,080	—	—	—
Total business-type expenses	10,505,144	11,731,280	12,804,913	14,149,218	17,688,528	17,433,357	20,208,779	20,074,066	20,896,660	21,361,681
Total primary government expenses	\$ 120,845,015	\$ 135,029,747	\$ 138,326,853	\$ 157,404,150	\$ 166,446,101	\$ 189,516,146	\$ 200,918,843	\$ 210,930,738	\$ 191,311,721	\$ 195,953,806
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	4,884,302	5,176,215	5,607,216	6,569,599	8,362,971	7,996,663	7,342,625	6,594,623	6,845,682	7,246,961
Judicial administration	1,852,313	1,888,854	1,926,242	2,098,886	2,269,336	2,200,572	2,013,959	1,753,575	1,864,708	1,816,700
Public safety	997,995	1,497,108	1,626,293	1,555,099	1,879,979	2,950,693	2,714,769	2,704,770	2,874,239	3,172,589
Parks, recreation and cultural	2,432,925	2,509,133	2,530,099	2,638,777	2,565,177	2,539,147	2,493,973	2,547,762	2,494,536	2,527,532
Other	1,463,335	1,977,719	2,129,972	2,473,163	691,062	684,719	736,926	213,976	203,302	216,443
Total charges for services	11,630,870	13,049,029	13,819,822	15,335,524	15,768,525	16,371,794	15,302,252	13,814,706	14,282,467	14,980,225
Operating grants and contributions	6,081,590	14,130,212	18,964,343	18,790,084	22,448,104	24,593,841	25,171,862	23,161,669	32,049,993	33,019,242
Capital grants and contributions	—	317,414	3,057,457	785,786	5,039,467	3,087,066	804,605	423,581	434,823	2,035,365
Total governmental activities program revenues	17,712,460	27,496,655	35,841,622	34,911,394	43,256,096	44,052,701	41,278,719	37,399,956	46,767,283	50,034,832
Business-type activities:										
Charges for services	11,801,581	12,942,503	15,149,124	16,805,640	17,899,853	16,928,117	14,787,096	15,575,143	16,443,520	14,883,627
Operating grants and contributions	—	371,538	—	—	—	—	21,978	2,756	—	—
Capital grants and contributions	5,696,575	5,233,761	4,983,390	10,077,376	7,926,456	3,154,158	4,563,025	3,427,510	1,750,073	5,395,362
Total business-type activities program revenues	17,498,156	18,547,802	20,132,514	26,883,016	25,826,309	20,082,275	19,372,099	19,005,409	18,193,593	20,278,989
Total primary government program revenues	\$ 35,210,616	\$ 46,044,457	\$ 55,974,136	\$ 61,794,410	\$ 69,082,405	\$ 64,134,976	\$ 60,650,818	\$ 56,405,365	\$ 64,960,876	\$ 70,313,821
Net (expense)/revenue:										
Governmental activities	\$ (92,627,411)	\$ (95,801,812)	\$ (89,680,318)	\$ (108,343,538)	\$ (105,501,477)	\$ (128,030,088)	\$ (139,431,345)	\$ (153,456,716)	\$ (123,647,778)	\$ (124,557,293)
Business-type activities	6,993,012	6,816,522	7,327,601	12,733,798	8,137,781	2,648,918	(836,680)	(1,068,657)	(2,703,067)	(1,082,692)
Total primary government net expense	\$ (85,634,399)	\$ (88,985,290)	\$ (82,352,717)	\$ (95,609,740)	\$ (97,363,696)	\$ (125,381,170)	\$ (140,268,025)	\$ (154,525,373)	\$ (126,350,845)	\$ (125,639,985)

Table 2

COUNTY OF JAMES CITY, VIRGINIA
Government-Wide Expenses and Program Revenues by Function
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General revenues and other changes in net assets:										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 65,470,090	68,374,743	74,480,869	86,204,347	94,855,055	109,559,232	106,494,452	109,159,897	109,545,003	111,454,692
Other local taxes	14,948,074	15,297,039	17,955,400	20,366,681	21,273,019	20,486,124	18,869,282	18,355,067	19,100,086	20,006,069
Permits, fees and licenses	6,481,619	15,463,455	7,746,142	8,877,130	9,255,185	8,288,580	7,420,591	6,672,136	—	—
Interest on investment earnings	880,626	563,216	849,860	3,407,722	7,306,357	5,105,721	2,351,497	673,668	442,698	395,001
Grants and contributions not restricted to specific programs	11,696,289	2,947,631	2,520,331	—	—	—	—	—	—	—
Gain (loss) on sale of capital assets	23,809	(93,129)	(53,727)	—	—	—	223,203	—	—	—
Sale of land	—	—	—	—	—	—	4,936,444	—	—	—
Miscellaneous	—	715,171	1,074,518	2,053,405	5,102,599	2,962,156	2,297,380	1,390,966	1,201,369	1,286,664
Total governmental activities	99,500,507	103,268,126	104,573,393	120,909,285	137,792,215	146,401,813	142,592,849	136,251,734	130,289,156	133,142,426
Business-type activities:										
Interest on investment earnings	302,872	184,213	506,939	935,971	1,503,939	2,004,957	3,669,266	956,056	509,675	351,929
Gain (loss) on sale of capital assets	(117,874)	1,869	24,124	—	—	181,615	74,226	—	—	—
Miscellaneous	286,296	442,554	627,532	526,601	1,378,725	1,309,152	522,513	644,620	521,384	740,199
Total business-type activities	471,294	628,636	1,138,595	1,462,572	2,882,664	3,495,724	4,266,005	1,600,676	1,031,059	1,092,128
Total primary government	\$ 99,971,801	103,896,762	105,711,988	122,371,857	140,674,879	149,897,537	146,858,854	137,852,410	131,320,215	134,234,554
Change in net assets:										
Governmental activities	\$ 6,873,096	7,466,314	14,893,075	12,565,747	32,290,738	18,371,725	3,161,504	(17,204,982)	6,641,378	8,585,133
Business-type activities	7,464,306	7,445,158	8,486,196	14,196,370	11,020,445	6,144,642	3,429,325	532,019	(1,672,008)	9,436
Total primary government	\$ 14,337,402	14,911,472	23,379,271	26,762,117	43,311,183	24,516,367	6,590,829	(16,672,963)	4,969,370	8,594,569
(1) Reflects expenses from Exhibit 2.										

Table 3

COUNTY OF JAMES CITY, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years (1)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund:										
Nonspendable:										
Inventory	\$ 233,165	234,894	253,111	245,959	291,364	288,734	264,969	276,083	298,757	346,545
Prepaid items	—	—	—	—	—	—	—	400,301	—	—
Assigned:										
General	455,557	482,971	465,203	457,287	452,420	407,496	437,744	1,161,093	2,678,655	6,089,236
Capital projects	7,155,444	8,903,531	11,438,811	14,056,476	14,668,476	13,729,826	11,118,329	12,408,971	16,045,435	15,766,115
Unassigned:										
General	13,869,753	15,074,120	18,822,560	21,406,435	23,904,427	22,099,383	21,311,672	21,187,263	20,449,054	21,674,594
Total general fund	\$ 21,713,919	24,695,516	30,979,685	36,166,157	39,316,687	36,525,439	33,132,714	35,433,711	39,471,901	43,876,490
All other government funds:										
Nonspendable -										
Loans	\$ 150,142	143,645	158,438	147,168	170,886	144,538	129,862	137,301	155,940	167,249
Committed:										
Grants	—	—	—	—	—	—	—	—	741,113	962,702
Capital projects	15,578,329	20,826,056	54,962,288	51,808,002	113,413,284	95,085,866	80,344,173	52,626,696	25,150,586	21,226,338
Assigned:										
Debt service	107,703	96,590	6,134	—	—	—	—	—	—	—
Special revenue	4,929,400	5,320,033	4,319,239	3,662,370	2,880,529	4,248,738	5,206,988	4,317,141	3,216,855	3,964,888
Total all other government funds	\$ 20,765,574	26,386,324	59,446,099	55,617,540	116,464,699	99,479,142	85,681,023	57,081,138	29,264,494	26,321,177

(1) Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which provides clearer fund balance classifications that can be more consistently applied was adopted by the County as of July 1, 2010. Therefore, the fund balances for years 2003 through 2010 have been restated to reflect this standard.

Table 4

COUNTY OF JAMES CITY, VIRGINIA

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
General property taxes	\$ 64,994,207	68,756,419	73,733,187	85,280,660	97,049,153	105,668,764	107,015,723	107,695,813	108,564,306	110,677,787
Other local taxes	14,948,074	15,297,039	17,955,400	20,366,681	21,273,019	20,486,124	18,869,282	18,355,067	19,100,086	20,006,069
Licenses, permits, and fees	6,241,266	7,233,545	7,746,142	8,877,130	9,255,185	8,288,580	7,420,591	6,672,136	7,055,618	7,487,105
Fines and forfeitures	240,353	288,221	301,204	290,714	321,443	366,606	348,846	296,866	334,633	274,198
Use of money and property	880,626	849,860	849,860	3,407,723	7,306,357	5,105,721	2,351,497	673,668	442,698	395,001
Charges for services	3,471,380	3,846,636	4,007,722	4,335,505	4,124,072	5,519,603	5,504,494	4,857,836	4,861,478	5,174,185
Intergovernmental	24,804,534	34,539,339	31,833,900	30,285,175	38,810,581	38,166,492	35,425,379	32,245,254	34,515,554	37,099,346
Miscellaneous	1,132,835	715,171	3,293,645	2,053,402	5,102,599	2,962,156	7,457,027	1,390,966	1,201,370	1,286,664
Total revenues	116,713,275	131,239,586	139,721,060	154,896,990	183,242,409	186,564,046	184,392,839	172,187,606	176,075,743	182,400,355
Expenditures:										
Storm costs	—	8,239,127	30,124	—	166,546	—	—	—	—	—
General government	6,833,152	7,202,889	7,101,022	7,681,371	10,363,474	9,564,540	8,756,912	8,323,563	8,265,513	2,454,661
Judicial administration	3,795,286	3,747,921	3,923,755	4,188,180	4,837,033	5,267,359	5,323,019	5,302,279	5,311,684	8,669,692
Public works	3,437,085	3,341,281	4,218,631	4,494,973	5,181,021	5,885,527	5,878,757	5,650,572	7,241,872	5,254,489
Health and welfare	5,814,844	6,161,651	6,314,548	6,840,336	6,762,204	7,116,193	7,171,131	7,332,607	7,582,994	6,493,573
Education	49,505,679	52,556,412	55,459,098	60,297,314	64,498,554	74,228,490	74,724,304	73,757,904	73,830,796	74,280,245
Parks, recreation, and cultural	7,667,379	7,886,872	8,338,914	9,010,847	9,825,513	10,045,603	10,100,822	9,509,436	9,180,161	9,163,941
Public safety	14,939,911	15,176,064	17,526,762	18,791,965	22,416,276	23,382,553	23,159,401	22,987,019	23,792,805	24,915,821
Community development	9,377,193	9,333,332	14,770,525	13,048,650	17,191,954	16,332,072	14,520,010	11,086,234	10,289,898	9,873,740
Nondepartmental	1,105,541	720,813	997,581	1,267,388	1,473,817	2,492,546	1,502,034	556,381	(266,150)	1,265,803
Debt service (2):										
Principal	5,859,041	5,414,782	6,411,051	7,215,460	14,488,702	14,245,237	14,363,935	15,077,900	14,830,524	14,787,955
Interest	4,256,959	3,886,121	4,275,082	5,962,561	9,857,524	11,253,935	10,625,010	10,365,470	9,853,465	9,384,810
Debt issuance cost	171,502	—	—	—	—	—	—	—	—	—
Additional payments made to bond escrow agent	3,067,636	—	—	—	—	—	—	—	—	—
Underwriters discount	96,795	—	139,659	125,640	192,900	—	—	101,667	—	—
Capital outlay (1)	9,619,982	13,469,974	12,611,144	37,898,518	76,594,343	26,526,776	25,458,348	43,005,939	30,042,723	15,023,734
Total expenditures	125,547,985	137,137,239	142,117,896	177,323,203	243,849,861	206,340,851	201,583,683	213,056,971	199,956,285	188,611,083
Deficiency of revenues under expenditures	(8,834,710)	(5,897,653)	(2,396,836)	(22,426,213)	(60,607,452)	(19,776,805)	(17,190,844)	(40,869,365)	(23,880,542)	(6,210,728)
Other financing sources:										
Transfers in	—	—	—	—	—	—	—	—	—	—
Issuance of debt	18,612,049	15,023,528	15,338,857	23,559,107	32,695,840	33,046,784	30,904,124	29,093,987	28,784,026	29,412,515
Proceeds from capital lease	28,970,200	—	39,820,000	23,492,454	116,775,000	—	—	14,935,000	4,820,000	7,672,000
Underwriter's discount	—	14,500,000	—	—	—	—	—	—	—	—
Payment to refunded bond escrow agent	—	—	—	—	—	—	—	—	—	—
Premiums on bonds issued	(27,135,000)	—	—	—	—	—	—	—	(20,003)	—
Transfers out	1,489,579	—	1,920,780	291,672	7,830,141	—	—	—	(5,019,743)	—
	(18,612,049)	(15,023,528)	(15,338,857)	(23,559,107)	(32,695,840)	(33,046,784)	(30,904,124)	(29,093,987)	(28,784,026)	(29,412,515)
Total other financing sources	3,324,779	14,500,000	41,740,780	23,784,126	124,605,141	(19,776,805)	(17,190,844)	14,947,809	102,088	7,672,000
Net change in fund balances	(5,509,931)	8,602,347	39,343,944	1,357,913	63,997,689	(19,776,805)	(17,190,844)	(25,921,556)	(23,778,454)	1,461,272
Debt service as a percentage of noncapital expenditures	8.85%	7.56%	8.43%	9.33%	15.62%	14.48%	13.92%	13.58%	14.27%	13.65%

(1) Including operating transfers to capital projects.

(2) Noncapital expenditures equals total expenditures less amounts for capitalized assets on the government-wide statement of net assets.

Table 5

COUNTY OF JAMES CITY, VIRGINIA

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal year	Total real property	General personal property	Machinery and tools	Mobile homes	Total Personal property	Public service	Total assessed value	Total direct tax rate
2003	\$ 5,457,560,000	460,530,027	131,460,371	10,850,870	602,841,268	165,415,976	6,225,817,244	4.870
2004	5,953,156,800	476,376,143	126,907,184	11,363,983	614,647,310	163,577,218	6,731,381,328	4.860
2005	6,695,142,900	502,326,785	124,695,633	12,354,517	639,376,935	154,833,875	7,489,353,710	4.825
2006	8,189,928,900	558,027,641	123,471,704	12,350,825	693,850,170	165,476,326	9,049,255,396	4.785
2007	9,821,638,100	595,277,728	122,197,566	12,675,461	730,150,755	152,475,702	10,704,264,557	4.770
2008	10,672,714,225	623,336,868	125,136,293	12,537,160	761,010,321	176,428,097	11,610,152,643	4.770
2009	11,005,655,000	610,316,169	128,696,107	11,641,959	750,654,235	184,750,991	11,941,060,226	4.770
2010	11,155,493,300	598,149,387	132,052,632	10,994,266	741,196,285	196,289,584	12,092,979,169	4.770
2011	11,172,929,700	621,471,862	137,178,668	10,101,067	768,751,597	210,802,200	12,152,483,497	4.770
2012	11,316,807,900	652,561,625	139,945,157	9,719,184	802,225,966	222,670,868	12,341,704,734	4.770

Source: Real Estate Assessments and Commissioner of the Revenue, James City County.

Note: Tax rate is per \$100 of assessed value.

Table 6

COUNTY OF JAMES CITY, VIRGINIA

Tax Rates

Last Ten Fiscal Years

Fiscal year		Real estate tax (1)	Personal property tax (1)	Room tax	Meal tax	Retail sales tax (2)	Total direct tax rate
2003	\$	0.870	4.00	5.00%	4.00%	1.00%	\$ 4.870
2004		0.870	4.00	5.00	4.00	1.00	4.870
2005		0.825	4.00	5.00	4.00	1.00	4.825
2006		0.785	4.00	5.00	4.00	1.00	4.785
2007		0.770	4.00	5.00	4.00	1.00	4.770
2008		0.770	4.00	5.00	4.00	1.00	4.770
2009		0.770	4.00	5.00	4.00	1.00	4.770
2010		0.770	4.00	5.00	4.00	1.00	4.770
2011		0.770	4.00	5.00	4.00	1.00	4.770
2012		0.770	4.00	5.00	4.00	1.00	4.770

(1) Per \$100 assessed value

(2) Collected by the State and remitted to the County monthly

(3) There are no overlapping taxes in the rates disclosed in this table.

Table 7

COUNTY OF JAMES CITY, VIRGINIA

Principal Property Tax Payers

Current Year and Nine Years Ago

	2012			2003		
	Property taxes assessed	Rank	Percentage of County total	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	\$ 4,819,236	1	3.96%	4,862,581	1	6.65%
Seaworld Parks, LLC	1,683,395	2	1.38	1,347,484	2	1.84
Wal-Mart, Inc.	1,163,543	3	0.95	728,827	4	1.00
Powhatan Plantation Owners Association	981,075	4	0.81	543,061	7	0.74
Virginia Electric & Power Company	850,998	5	0.70	632,842	6	0.87
Ball Metal Container	780,129	6	0.64	634,457	5	0.87
Williamsburg Landing, Inc.	738,183	7	0.61	454,141	10	0.62
Owens-Brockway	690,470	8	0.57	456,004	9	0.62
Williamsburg Plantation Owners Association	655,332	9	0.54	—	—	—
Virginia United Methodist Homes, Inc.	602,041	10	0.49	—	—	—
Busch Properties	—		—	847,785	3	1.16
Prime Outlets of Williamsburg	—		—	467,282	8	0.64
Total	\$ 12,964,402		10.65%	10,974,464		15.01%

Source: Commissioner of the Revenue

Table 7A

COUNTY OF JAMES CITY, VIRGINIA

Principal Personal Property Tax Payers

Current Year and Nine Years Ago

	2012			2003 (1)		
	Property taxes assessed	Rank	Percentage of County total	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	\$ 3,736,011	1	11.79%	**		**
Seaworld Parks, LLC	1,161,711	2	3.66	**		**
Owens-Brockway Glass Container	618,220	3	1.95	**		**
Ball Metal Container	553,953	4	1.75	**		**
Printpack, Inc.	463,863	5	1.46	**		**
Wal-Mart, Inc.	359,969	6	1.14	**		**
Cox Communications of Hampton Roads	257,743	7	0.81	**		**
Branscome, Inc.	186,554	8	0.59	**		**
Toyota Motor Credit Corp	156,465	9	0.49	**		**
HVT, Inc.	143,634	10	0.45	**		**
Total	\$ 7,638,123		24.09%	—		—%

Source: Commissioner of the Revenue

(1) The first year this was reported was fiscal year 2010. Therefore, information for fiscal year 2003 is not available.

Table 7B

COUNTY OF JAMES CITY, VIRGINIA

Principal Real Estate Tax Payers

Current Year and Nine Years Ago

	2012		2003 (1)	
	Property taxes assessed	Rank	Property taxes assessed	Rank
				Percentage of County total
Anheuser-Busch, Inc.	\$ 1,083,225	1	**	**
Powhatan Plantation Owners Association	966,499	2	**	**
Virginia Electric & Power Company	848,943	3	**	**
Wal-Mart, Inc.	803,574	4	**	**
Williamsburg Landing, Inc.	675,738	5	**	**
Williamsburg Plantation Owners Association	650,274	6	**	**
Manor Houses Associates	596,756	7	**	**
Virginia United Methodist Homes, Inc.	577,698	8	**	**
Williamsburg Outlets, LLC	558,051	9	**	**
Seaworld Parks, LLC	521,684	10	**	**
Total	\$ 7,282,442		—	—%

Source: Commissioner of the Revenue

(1) The first year this was reported was fiscal year 2010. Therefore, information for fiscal year 2003 is not available.

Table 8

COUNTY OF JAMES CITY, VIRGINIA

Property Tax Levies and Collections

Last Seven Fiscal Years (2)

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount (1)	Percentage of levy (%)		Amount	Percentage of levy (%)
2006	\$ 95,578,378	78,647,494	82.29%	16,846,863	95,494,357	99.91%
2007	107,288,531	89,718,846	83.62	17,181,177	106,900,023	99.64
2008	115,446,967	97,825,725	84.74	17,454,226	115,279,951	99.86
2009	116,284,992	99,204,344	85.31	16,786,065	115,990,409	99.75
2010	117,431,906	100,511,036	85.59	16,711,690	117,222,726	99.82
2011	118,832,964	101,021,697	85.01	16,329,037	117,350,734	98.75
2012	119,664,019	102,640,717	85.77	—	102,640,717	85.77

(1) Collections related to fiscal year levies includes PPTRA claimed by taxpayers.

(2) Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, was adopted by the County as of July 1, 2005. Hence, the information for fiscal years prior to 2006 is not available.

Source: Treasurer, James City County

Table 9

COUNTY OF JAMES CITY, VIRGINIA

Taxable Sales by Category
Last Ten Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Apparel stores	\$ 77,812,731	81,257,571	97,321,446	106,280,148	129,014,904	140,648,465	167,950,739	175,885,946	183,244,309	197,130,479
Automotive dealers, supplies and repair	6,945,804	8,546,791	9,728,269	9,532,774	9,958,680	10,626,082	14,567,840	12,949,521	17,019,548	24,011,895
Building materials, machinery and equipment	66,570,828	76,748,086	95,792,695	80,881,233	70,536,701	48,814,343	31,817,138	42,771,225	16,631,597	20,539,619
Eating and drinking establishments	101,962,933	100,640,302	116,938,094	50,262,980	64,500,250	61,733,750	67,796,606	89,306,904	91,552,799	98,077,196
Food stores	108,456,499	106,942,175	106,657,961	93,670,198	121,052,401	131,331,534	136,126,199	109,487,554	135,172,441	148,363,870
Furniture, home furnishings and household equipment	22,143,579	21,940,341	25,363,301	38,502,745	39,426,034	40,492,354	34,053,707	21,986,380	22,119,421	22,997,128
General merchandise	53,143,646	17,129,785	18,483,634	55,149,333	89,788,633	100,039,981	91,584,624	95,560,600	87,029,287	92,184,869
Lodging	62,193,694	51,125,828	41,654,420	51,474,891	58,643,553	55,764,241	47,796,238	39,984,592	32,414,685	14,011,012
Other outlets	20,419,881	65,996,384	68,466,514	42,378,637	23,256,354	27,416,608	26,130,061	25,930,390	29,255,159	37,487,534
Other retail stores, dealers, trades and services	121,411,709	122,429,498	137,539,091	175,126,243	205,937,385	212,079,549	182,317,205	163,456,030	188,073,849	208,913,630
Total	\$ 641,061,304	652,756,761	717,945,425	703,259,182	812,114,895	828,946,907	800,140,357	777,319,142	802,513,095	863,717,232

Source: Weldon Cooper Center

Note: Some data is not categorized to protect confidentiality of the business.

Table 11

COUNTY OF JAMES CITY, VIRGINIA

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

Last Ten Fiscal Years

Fiscal year	(1) Population	(2) Assessed value	(3) (4) Gross bonded debt	(5) Less debt service monies available	Net bonded debt	Ratio of net general obligation debt to assessed value	Net bonded debt per capita
2003	52,303	\$ 6,225,817,244	80,537,541	—	80,537,541	1.29	\$ 1,540
2004	53,952	6,731,381,328	75,247,759	—	75,247,759	1.12	1,395
2005	56,463	7,489,353,710	109,465,708	—	109,465,708	1.46	1,939
2006	58,893	9,049,255,396	106,091,269	—	104,341,560	1.15	1,772
2007	60,867	10,704,264,557	126,590,560	1,749,709	124,758,521	1.17	2,050
2008	61,195	11,610,152,643	118,369,735	1,832,039	116,479,001	1.00	1,903
2009	63,135	11,941,060,226	109,974,105	1,890,734	108,267,580	0.91	1,715
2010	67,745	12,092,979,169	101,414,765	1,706,525	98,493,721	0.81	1,454
2011	68,500	12,152,483,497	93,283,624	2,921,044	90,362,587	0.74	1,319
2012	68,971	12,341,704,734	86,134,103	2,921,037	83,213,122	0.67	1,206

(1) Planning Division - population figure is the estimate from the second quarter of the year
 (2) From Table 5

(3) Includes all long-term general obligation bonded debt, bond anticipation notes, and literary fund loans

(4) Includes general obligation debt payable from enterprise revenues

(5) Debt Service Reserve Funds held by a trustee

COUNTY OF JAMES CITY, VIRGINIA

Table 11A

Ratio of Annual Debt Service Expenditures for General Bonded Debt (1) to
Total General Government Expenditures

Last Ten Fiscal Years

Fiscal year	(1) Principal	(2) Interest	(4) Total debt service	(3) Total general governmental expenditures	Ratio of debt service to general total governmental expenditures
2003	\$ 5,442,903	4,243,177	9,686,080	133,771,807	7.24
2004	5,414,782	3,886,121	9,300,903	142,379,879	6.53
2005	6,411,051	4,275,082	10,686,133	154,634,945	6.91
2006	7,215,460	5,962,561	13,178,021	171,917,860	7.67
2007	14,488,702	9,857,524	24,346,226	199,622,475	12.20
2008	14,245,257	11,253,935	25,499,192	212,383,260	12.01
2009	14,363,935	10,625,010	24,988,945	208,510,363	11.98
2010	15,077,900	10,147,353	25,225,253	198,552,653	12.70
2011	14,830,524	9,853,465	24,683,989	198,893,176	12.41
2012	14,787,955	9,384,810	24,172,765	201,078,316	12.02

- (1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.
- (2) Excludes bond issuance and other costs.
- (3) Reflects recurring expenditures included in the General Fund, Debt Service Fund, all Special Revenue funds, operating transfers to Capital Projects and the County's percentage of discretely presented Component Unit – Public Schools Operating Fund.
- (4) The County has no overlapping debt.

COUNTY OF JAMES CITY, VIRGINIA

Table 11B

Ratio of Annual Debt Service Expenditures for General Bonded Debt (1) to
Total General Government Revenues

Last Ten Fiscal Years

Fiscal year	(1) Principal	(2) Interest	(4) Total debt service	(3) Total general governmental revenues	Ratio of debt service to general total governmental revenues
2003	\$ 5,442,903	4,243,177	9,686,080	131,552,134	7.36
2004	5,414,782	3,886,121	9,300,903	146,620,455	6.34
2005	6,411,051	4,275,082	10,686,133	159,351,967	6.71
2006	7,215,460	5,962,561	13,178,021	177,521,975	7.42
2007	14,488,702	9,857,524	24,346,226	204,284,050	11.92
2008	14,245,257	11,253,935	25,499,192	219,920,086	11.59
2009	14,363,935	10,625,010	24,988,945	216,835,334	11.52
2010	15,077,900	10,147,353	25,225,253	200,014,429	12.61
2011	14,830,524	9,853,465	24,683,989	201,684,905	12.24
2012	14,787,955	9,384,810	24,172,765	206,996,888	11.68

- (1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.
- (2) Excludes bond issuance and other costs.
- (3) Reflects recurring revenues included in the General Fund, Debt Service Fund, all Special Revenue funds, and the County's percentage of discretely presented Component Unit – Public Schools Operating Fund.
- (4) The County has no overlapping debt.

COUNTY OF JAMES CITY, VIRGINIA

Pledged Revenue Coverage

James City Service Authority

Last Ten Fiscal Years

Fiscal year	Gross revenue	(1) Operating expenses	Net revenue available for debt service	(2) Debt service requirements			Coverage
				Principal	Interest	Total	
2003	\$ 12,390,749	6,587,651	5,803,098	435,000	60,969	495,969	11.70
2004	13,942,677	7,128,622	6,814,055	825,000	482,695	1,307,695	5.21
2005	16,307,719	7,743,365	8,564,354	840,000	541,881	1,381,881	6.20
2006	18,268,212	8,283,711	9,984,501	860,000	522,981	1,382,981	7.22
2007	20,782,517	9,420,318	11,362,199	880,000	503,631	1,383,631	8.21
2008	18,115,871	10,205,599	7,910,272	905,000	479,431	1,384,431	5.71
2009	19,034,715	10,953,522	8,081,193	1,395,000	1,637,050	3,032,050	2.67
2010	17,178,575	10,985,233	6,193,342	1,440,000	1,590,562	3,030,562	2.04
2011	17,474,579	12,091,472	5,383,107	1,490,000	1,537,750	3,027,750	1.78
2012	15,975,755	12,414,605	3,561,150	1,545,000	1,483,100	3,028,100	1.18

(1) Total operating expenses exclusive of depreciation.

(2) The Authority has no debt margin nor overlapping debt.

Table 13

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Last Ten Calendar Years

Calendar year	Population (1)	Personal income (2)	Per capita personal income (2)	Unemployment percentage (1)
2003	52,303	\$ 2,515,632,000	38,389	2.5%
2004	53,952	2,793,123,000	40,974	3.2
2005	56,463	2,952,937,000	41,692	3.1
2006	58,893	3,289,020,000	44,480	2.6
2007	60,867	3,641,841,000	47,825	2.5
2008	61,195	3,985,612,000	51,274	3.2
2009	63,135	3,840,912,000	48,129	5.5
2010	67,745	4,037,513,000	49,563	5.5
2011	68,500	**	**	5.3
2012	68,971	**	**	5.1

(1) Planning Division, supplemented by data from Virginia Employment Commission
(<http://www.vec.virginia.gov/>)

(2) Data from the Bureau of Economic Analysis (<http://www.bea.gov/>), and has combined data for
James City County and the City of Williamsburg

** Statistics not yet available

Table 13

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Households and Population

(Sources: Social Services Department and Planning Division)

	<u>Food stamp households</u>	<u>Total households *</u>	<u>Percentage of food stamp households</u>
Year:			
2003	696	21,160	3.3%
2004	773	22,095	3.5
2005	881	24,624	3.6
2006	974	25,659	3.8
2007	927	26,507	3.5
2008	965	27,217	3.5
2009	1,224	27,567	4.4
2010	1,638	27,003	6.1
2011	1,840	27,375	6.7
2012	2,015	27,707	7.3

* The number of households is the number of occupied housing.

Population

(Source: U.S. Census)

	<u>Population number</u>	<u>Percentage increase</u>
1950	6,317	28.7%
1960	11,539	82.7
1970	17,853	54.7
1980	22,763	27.5
1990	34,859	53.1
2000	48,102	38.0
2010	67,009	39.3

Age Distribution

(Source: U.S. Census)

	<u>1970</u>	<u>%</u>	<u>1980</u>	<u>%</u>	<u>1990</u>	<u>%</u>	<u>2000</u>	<u>%</u>	<u>2010</u>	<u>%</u>
Age:										
0-14	5,226	29.3	5,008	22.0	7,211	20.7	9,254	19.2	11,608	17.3
15-19	1,448	8.1	2,276	10.0	2,147	6.2	2,838	5.9	4,120	6.2
20-29	2,915	16.3	3,870	17.0	5,330	15.3	—	—	—	—
20-34 **	—	—	—	—	—	—	7,484	15.6	9,741	14.5
30-44	3,172	17.8	4,780	21.0	8,901	25.5	—	—	—	—
35-44 **	—	—	—	—	—	—	7,866	16.4	8,133	12.1
45-64	3,531	19.8	5,235	23.0	7,255	20.8	12,563	26.1	19,537	29.2
65+	1,561	8.7	1,594	7.0	4,015	11.5	8,097	16.8	13,870	20.7
	<u>17,853</u>	<u>100.0</u>	<u>22,763</u>	<u>100.0</u>	<u>34,859</u>	<u>100.0</u>	<u>48,102</u>	<u>100.0</u>	<u>67,009</u>	<u>100.0</u>

** New categories, as defined by U.S. Census

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Table 13

Households and Population

(Source: Planning Division)

Year:	<u>Number of households *</u>	<u>Total households population **</u>	<u>Persons per household</u>
2003	21,160	52,266	2.47
2004	22,095	54,573	2.47
2005	24,624	56,463	2.29
2006	25,659	57,991	2.26
2007	26,507	59,905	2.26
2008	27,217	61,511	2.26
2009	27,567	62,301	2.47
2010	27,003	66,157	2.45
2011	27,375	67,068	2.45
2012	27,707	67,882	2.45

* The number of households is the number of occupied housing.

** Household population is total population less group quarter population, such as nursing facilities, Eastern State Hospital, a state mental facility, Middle Peninsula Juvenile Detention Center and the Virginia Peninsula Regional Jail.

Unemployment Rate and Labor Force

(Source: Planning Division supplemented by data from Virginia Workforce Connection)

Year:	<u>Civilian labor force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Unemployment rate (%)</u>
2003	26,525	25,645	880	3.3
2004	27,761	26,842	919	3.3
2005	28,974	28,072	902	3.1
2006	30,368	29,568	800	2.6
2007	31,437	30,664	773	2.5
2008	32,294	31,262	1,032	3.2
2009	32,648	30,867	1,781	5.5
2010	34,888	32,986	1,902	5.5
2011	35,170	33,319	1,851	5.3
2012	35,884	34,063	1,821	5.1

Table 13

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Last Ten Calendar Years

Median Household Income

Calendar year	James City County	Commonwealth of Virginia	United States
2003	\$ 62,326	50,028	43,318
2004	66,180	51,103	44,334
2005	65,681	54,207	46,242
2006	67,054	56,297	48,451
2007	70,487	59,575	50,740
2008	76,705	61,210	52,029
2009	72,902	59,372	50,221
2010	74,241	60,665	50,046
2011	**	**	**
2012	**	**	**

Source: U.S. Census Bureau, Small Area Income and Poverty Estimates

** Statistics not yet available

Table 14

COUNTY OF JAMES CITY, VIRGINIA

Principal Employers in James City County

Current Year and Nine Years Ago

	2012 (1)			2003		
	Employees	Rank	Percentage of total County employment	Employees	Rank	Percentage of total County employment
Employment:						
Principal Public/Private Employers:						
Busch Gardens*	4,005	1	11.76%	4,300	1	16.77%
Williamsburg-James City County Public Schools	2,206	2	6.48	1,843	2	7.19
Eastern State Hospital	940	3	2.76	800	4	3.12
James City County	745	4	2.19	689	5	2.69
Wal-Mart Distribution Center	604	5	1.77	450	7	1.75
Kingsmill Resort and Spa	533	6	1.56	—	—	—
Anheuser-Busch, Inc.	508	7	1.49	1,100	3	4.29
Avid Medical	431	8	1.27	150	10	0.58
Jamestown-Yorktown Foundation	395	9	1.16	—	—	—
Williamsburg Landing	321	10	0.94	—	—	—
Busch Properties, Inc.	—		—	650	6	2.53
Ball Metal Container	—		—	200	8	0.78
Owens-Brockway	—		—	160	9	0.62
Total	10,688		31.38%	10,342		40.32%

Source: Economic Development, James City County and Virginia Employment Commission

(1) Includes seasonal employees

* Seasonal employer

Table 15

COUNTY OF JAMES CITY, VIRGINIA

Full-time County Government Employees by Function/Program

Last Ten Fiscal Years

Function/program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Administrative:										
Board of supervisors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
County administration	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Satellite services	2.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
County attorney	4.5	4.5	4.5	4.5	5.0	5.0	5.0	5.0	5.0	5.0
Communications	4.5	5.0	5.0	6.0	7.5	7.5	6.5	6.5	7.5	7.5
Economic development	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Voter registration and elections	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Human resources:										
Human resources	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0	7.0
Training and Quality Performance	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	—
Financial administration:										
Accounting	8.0	8.0	8.0	8.0	9.0	9.0	9.0	8.0	8.0	8.0
Commissioner of the revenue	11.0	11.0	11.0	11.0	13.0	13.0	13.0	12.0	11.0	11.0
Financial and management services	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0
Purchasing	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Real estate assessments	11.0	11.0	11.0	11.0	12.0	13.0	13.0	11.0	10.0	9.0
Treasurer	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	12.0	11.0
Information resources management	19.0	19.0	19.0	20.0	20.0	21.0	21.0	21.0	20.0	21.0
General services:										
Facilities maintenance	20.0	20.0	20.0	19.0	18.0	19.0	19.0	18.0	17.0	17.0
Fleet and equipment	6.0	6.0	6.0	8.0	8.0	8.0	8.0	7.0	8.0	8.0
General and capital services	—	—	2.5	3.5	6.5	6.5	6.5	6.5	5.5	7.0
Grounds maintenance	11.0	11.0	15.0	13.0	16.0	21.0	21.0	20.0	22.0	22.0
Solid waste and recycling	6.0	6.0	6.0	6.0	7.0	7.0	7.0	7.0	6.0	6.0
Stormwater	—	—	—	—	—	9.0	8.5	6.5	6.5	4.0
Development management:										
Building safety and permits	15.0	16.0	17.0	18.0	20.0	21.0	19.0	15.0	13.0	13.0
Development management	4.5	4.5	4.5	4.5	3.5	4.5	2.5	2.5	2.5	2.5
Engineering and resource protection	9.0	10.0	11.0	12.0	15.0	15.0	15.0	14.0	12.0	13.0
Mosquito control	1.0	1.0	1.0	1.0	1.0	1.0	1.0	—	—	—
Planning	14.5	15.5	16.5	18.5	17.5	19.5	19.5	17.5	15.5	10.5
Zoning enforcement	—	—	—	—	—	—	—	—	—	4.0
Judicial:										
Courts/Judicial	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Courthouse	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Clerk of the circuit court	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Commonwealth's attorney	8.0	8.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0
Sheriff	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	16.0	16.0
Public safety:										
Animal control	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0
Emergency communications	22.0	24.0	25.0	26.0	27.0	27.0	27.0	27.0	26.0	26.0
Emergency management	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0
Emergency medical services	18.0	18.0	18.0	24.0	24.0	25.0	25.0	25.0	25.0	—
Fire	71.0	74.0	77.0	77.0	80.0	83.0	86.0	86.0	86.0	110.0
Police	72.0	73.0	74.0	78.0	87.0	94.0	97.0	98.0	98.0	98.0
Radio maintenance	1.0	1.0	—	—	—	—	—	—	—	—

Table 15

COUNTY OF JAMES CITY, VIRGINIA

Full-time County Government Employees by Function/Program

Last Ten Fiscal Years

Function/program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Parks and recreation	42.0	43.0	43.0	45.0	52.0	56.0	54.0	53.0	48.0	49.0
Community services:										
Community services	8.0	5.0	5.0	5.0	4.0	4.0	3.0	3.0	—	—
Cooperative extension service	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Neighborhood connections	3.5	3.0	3.0	3.0	4.0	4.0	4.0	2.0	—	—
Total general fund	474.0	480.0	492.5	512.5	548.5	586.5	584.0	563.0	541.0	541.0
Other services:										
Community development	8.5	8.5	8.5	8.5	9.5	9.5	9.5	8.5	9.5	9.5
JCSA	76.0	78.0	81.0	85.0	87.0	88.0	91.0	90.0	86.0	89.0
Social services	50.5	52.5	52.5	53.5	53.5	57.5	57.5	52.5	52.5	53.5
Colonial community corrections	11.0	12.0	13.0	13.0	13.0	13.0	11.0	11.0	12.0	12.0
Special projects/grants	—	—	3.0	3.0	1.0	2.0	2.0	2.0	—	—
Grand total all funds	620.0	631.0	650.5	675.5	712.5	756.5	755.0	727.0	701.0	705.0

Source: Financial and Management Services

Table 16

COUNTY OF JAMES CITY, VIRGINIA

Operating Indicators by Function/Program

Last Ten Fiscal Years

Function/program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Calls for service	17,574	18,433	18,574	20,641	21,897	21,320	21,694	21,762	21,129	20,879
Major crimes reported (1)	1,600	992	889	1,049	971	1,007	1,060	1,080	1,071	1,092
Major crimes cleared (2)	651	320	306	301	351	343	363	396	325	324
Fire:										
Fire/other responses	2,307	3,001	2,411	2,822	3,064	3,575	2,969	2,922	2,786	3,178
Inspections	769	894	1,574	1,798	1,486	2,334	1,156	2,037	1,735	1,804
EMS responses	4,227	4,642	4,688	4,869	5,219	4,851	5,276	5,573	5,956	6,147
Refuse collection:										
Refuse collected (tons per day)	N/A	N/A	8.95	10.76	11.83	9.25	7.68	8.06	8.51	10.39
Recyclables collected (tons per day)	N/A	N/A	1.11	1.08	1.43	1.25	1.12	1.08	1.10	1.01
Parks and recreation:										
Community center admissions	284,448	321,656	349,107	333,299	315,480	409,706	353,862	394,757	463,491	464,358
Park attendance	N/A	848,750	1,021,620	1,100,051	1,151,574	1,236,968	1,368,462	1,349,550	1,708,976	2,253,617
Participants in programs offered	N/A	N/A	N/A	228,504	250,042	408,905	422,009	384,650	395,789	378,733
Water:										
New connections	785	909	1,068	880	694	351	263	385	388	351
Water mains breaks	85	62	59	51	42	57	37	40	44	31
Wastewater:										
New connections	603	770	930	884	693	389	269	380	375	296

(1) Beginning with fiscal year 2004, major crimes and major crimes reported no longer included simple assaults, which were counted in previous years.

(2) Major crimes cleared includes administrative and pending warrant clearances.

N/A : This information is not available.

Table 17

COUNTY OF JAMES CITY, VIRGINIA
Capital Asset Statistics by Function/Program
 Last Ten Fiscal Years

Function/program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	5	5	5	5	5	5	5	5	5	5
Parks and recreation:										
Acreage	245	181	333	1,547	1,749	1,622	1,622	1,622	1,622	1,622
Playgrounds	4	5	6	7	8	10	10	11	11	11
Ball fields maintained	43	54	58	17	23	30	30	58	65	65
Tennis courts maintained	12	19	19	3	6	6	6	5	5	5
Community centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water lines (miles)	282	294	305	319	329	332	339	344	393	390
Water customers	14,761	15,657	16,531	17,552	18,283	18,770	19,085	19,368	19,719	20,070
Storage tanks (greater than 250,000 gallons)	6	6	6	6	6	7	7	7	7	7
Average ERCs (2)	15,600	16,800	18,800	19,200	19,600	20,400	25,753	20,200	20,866	19,200
Wastewater:										
Sewer lines (miles)	339	346	352	360	370	375	379	382	419	423
Gallons collected (millions)	1,509	1,471	1,469	1,606	1,680	1,727	1,765	1,833	1,598	1,771
Sewer customers	15,902	16,605	17,357	17,982	18,426	18,590	18,702	18,860	21,127	21,488

(1) Equivalent Residential Connections (ERCs) are determined based upon the rated capacity of a water meter (e.g., the average amount of water which can flow through such meter on a continuous basis) as compared to the rated capacity for a typical 5/8" residential water meter.

COUNTY OF JAMES CITY, VIRGINIA

Miscellaneous Statistics

Table 18

Retail Sales

Last 10 Years

(Source: Treasurer, James City County)

	<u>Taxable retail sales</u>	<u>Percentage change</u>
Year:		
2003	678,016,200	2.6
2004	679,508,600	0.2
2005	763,697,400	12.4
2006	832,202,000	9.0
2007	882,593,500	6.1
2008	892,444,900	1.1
2009	861,852,500	(3.4)
2010	842,195,600	(2.3)
2011	892,445,000	6.0
2012	932,214,200	4.5

Business Licenses Issued

Last 10 Years

(Source: Commissioner of the Revenue, James City County)

	<u>Business licenses issued</u>	<u>Percentage change</u>
Year:		
2003	4,099	3.7
2004	4,696	14.5
2005	4,967	5.8
2006	5,088	2.4
2007	5,983	17.6
2008	5,800	(3.1)
2009	6,446	11.1
2010	6,109	(5.2)
2011	5,931	(2.9)
2012	5,831	(1.7)

Table 18

COUNTY OF JAMES CITY, VIRGINIA

Miscellaneous Statistics

Construction Information

Last Ten Fiscal Years

(Source: Building and Safety Permits Division)

Fiscal year	Construction					
	Commercial/Industrial		Residential		Total	
	Number of permits	Value	Number of permits	Value	Number of permits	Value
2003	169	\$ 44,596,181	1,309	\$ 189,039,265	1,478	\$ 233,635,446
2004	187	34,879,976	1,371	226,011,007	1,558	260,890,983
2005	217	104,058,153	1,675	260,028,704	1,892	364,086,857
2006	197	70,501,744	1,645	264,701,674	1,842	335,203,418
2007	231	111,021,564	1,454	256,134,794	1,685	367,156,358
2008	225	63,187,911	973	130,064,874	1,198	193,252,785
2009	183	45,242,077	790	89,989,687	973	135,231,764
2010	128	24,599,420	830	99,077,199	958	123,676,619
2011	144	48,473,968	809	106,315,258	953	154,789,226
2012	172	45,837,716	802	100,812,412	974	146,650,128

Table 18

COUNTY OF JAMES CITY, VIRGINIA

Miscellaneous Statistics

Williamsburg-James City County Public Schools

Staffing Analysis

School year:	<u>Classroom teachers</u>	<u>Pupils</u>	<u>Pupil-teacher ratio</u>
2011-12	658.59	10,671	16.2
2010-11	673.91	10,549	15.7
2009-10	668.98	10,503	15.7
2008-09	643.00	10,249	15.9
2007-08	625.00	10,137	16.2
2006-07	612.00	10,107	16.5
2005-06	596.68	9,820	16.5
2004-05	574.68	9,402	16.4
2003-04	550.50	8,961	16.3
2002-03	546.46	8,553	15.7

Source: Williamsburg-James City County Public Schools

Projected Enrollment (1)

2012-13	10,748
2013-14	10,992
2014-15	11,208
2015-16	11,472
2016-17	11,681

(1) Based on enrollment projections provided by DeJong-Healy, November 2012.

COMPLIANCE SECTION

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Expenditures of Federal Awards – Primary Government and

Discretely Presented Component Unit – Public Schools

Year ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/Program Title	Federal catalog number	Expenditures
Primary Government:		
Governmental Activities:		
Department of Agriculture:		
Virginia Department of Social Services:		
State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	\$ 488,739
National Fish and Wildlife Foundation - Chesapeake Bay Stewardship Grant	10.683	19,133
Total Department of Agriculture		<u>507,872</u>
Department of Health and Human Services:		
Virginia Department of Social Services:		
Promoting Safe and Stable Families		
Temporary Assistance for Needy Families	93.558	350,914
Refugee and Entrant Assistance – State Administered Programs	93.566	493
Low-Income Home Energy Assistance	93.568	27,439
Chafee Education and Training Vouchers Program	93.599	12,711
Child Welfare Services	93.645	922
Foster Care – Title IV-E	93.658	228,240
Adoption Assistance	93.659	297,482
Social Services Block Grant	93.667	233,067
Chafee Foster Care Independent Living	93.674	5,415
State Children's Insurance Program	93.767	12,423
Medical Assistance Program	93.778	295,918
Child Care and Development Block Grant	93.575	156,984
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	86,478
Centers for Medicare and Medicaid Services - Early Retiree Reinsurance Program	93.546	12,414
Total Department of Health and Human Services		<u>1,720,900</u>
Department of Energy -		
Energy Efficiency and Conservation Block Grant	81.117	426,649
Total Department of Energy		<u>426,649</u>
Environmental Protection Agency -		
Office of Air and Radiation -		
Climate Showcase Communities Grant Program	66.041	83,856
Total Environmental Protection Agency		<u>83,856</u>

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Expenditures of Federal Awards – Primary Government and

Discretely Presented Component Unit – Public Schools

Year ended June 30, 2012

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
Primary Government, continued:		
Department of Homeland Security:		
Federal Emergency Management Agency:		
Fire Prevention and Safety	97.044	\$ 18,729
Public Assistance Disaster Grant	97.036	1,870,035
Homeland Security Grant Program -		
ARRA - Port Security Grant Program	ARRA - 97.116	303
Virginia Department of Emergency Management:		
State Homeland Security Program	97.073	71,918
Homeland Security Grant Program	97.067	95,882
Emergency Management Performance Grants	97.042	36,908
Port Security Grant Program	97.056	284,993
Total Department of Homeland Security		<u>2,378,768</u>
Department of Housing and Community Development:		
Virginia Department of Housing and Community Development:		
Community Development Block Grants	14.228	238,521
Section 8 Housing Choice Vouchers	14.871	1,206,314
Total Department of Housing and Community Development		<u>1,444,835</u>
Department of Interior:		
Direct Payment -		
Bureau of Cash Management Payment in lieu of taxes	15.000	7,183
Total Department of Interior		<u>7,183</u>
Department of Labor -		
Employee Benefits Security Administration -		
COBRA premium assistance	17.151	1,110
Total Department of Labor		<u>1,110</u>

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Expenditures of Federal Awards – Primary Government and

Discretely Presented Component Unit – Public Schools

Year ended June 30, 2012

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
Primary Government, continued:		
Department of Transportation:		
Federal Highway Administration:		
National Recreational Trails Funding Program	20.219	\$ 383,976
Highway Planning and Construction		
ARRA - Federal Aid Highway Program, Federal Lands Program	ARRA - 20.205	4,668
National Highway Traffic Safety Administration -		
Highway Safety Grant	20.600	41,285
Virginia Department of Transportation:		
Transportation Enhancement Programs Funds	20.205	703,658
Total Department of Transportation		<u>1,133,587</u>
Department of Justice:		
Bureau of Justice Administration -		
BJA - Bulletproof Vests Partnership	16.607	8,763
Office of Justice Programs -		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,529
Total Department of Justice		<u>20,292</u>
Department of Criminal Justice Services:		
Virginia Department of Criminal Justice Services:		
Criminal Justice Information Technology Improvement	16.738	14,213
Violence Against Women Formula Grants	16.588	29,046
Crime Victim Assistance	16.575	77,247
Total Department of Criminal Justice Services		<u>120,506</u>
Total federal awards, primary government-governmental activities		<u>7,845,558</u>
Business-type activity – James City Service Authority:		
Department of Homeland Security -		
Federal Emergency Management Agency -		
Public Assistance Disaster Grant	97.036	<u>188,075</u>
Department of Energy -		
Virginia Department of Mines, Minerals and Energy -		
ARRA - Energy Efficient Appliance Rebate Program	ARRA - 81.127	<u>1,875</u>
Total federal awards, primary government-business-type activity -		
James City Service Authority		<u>189,950</u>
Total federal awards, primary government		<u>8,035,508</u>

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Expenditures of Federal Awards – Primary Government and

Discretely Presented Component Unit – Public Schools

Year ended June 30, 2012

Federal Grantor/State Pass-Through Grantor/Program Title	Federal catalog number	Expenditures
Component Unit – Public Schools:		
Department of Agriculture:		
Virginia Department of Agriculture and Consumer Services -		
Food Commodities	10.555	\$ 196,572
Virginia Department of Education:		
School Breakfast Program	10.553	380,577
National School Lunch Program	10.555	1,348,509
Total Department of Agriculture		<u>1,925,658</u>
Department of Education:		
Carol White Physical Education Grant	84.215	413,635
Virginia Department of Education:		
Adult Education – State Grant Program	84.002	53,563
Title I Grants to Local Educational Agencies	84.010	1,293,730
ARRA - Title I Grants to Local Educational Agencies	ARRA - 84.389	155,476
Title I, Part D, Neglected and Delinquent Children	84.013	76,849
ARRA - State Jobs Stabilization Fund	ARRA - 84.410	1,813,377
Title IV, Part A, Safe and Drug-Free Schools and Communities -		
State Grants	84.186	2,133
Vocational Education – Basic Grants to States	84.048	126,323
Title II, Part A, Improving Teacher Quality State Grants	84.367	259,518
Title II, Part D, Enhancing Education Through Technology Program	84.318	2,780
Impact Aid	84.041	46,567
Title III, Part A, English Language Acquisition Grants	84.365	34,596
Special Education Cluster:		
Virginia Department of Education:		
Special Education – Grants to States	84.027	1,946,066
ARRA - Special Education – Grants to States	ARRA - 84.391	443,910
Special Education – Preschool Grants	84.173	25,606
ARRA - Special Education – Preschool Grants	ARRA - 84.392	15,573
Total Special Education Cluster		<u>2,431,155</u>
College of William and Mary -		
Project HOPE	84.387	<u>10,115</u>
Total Department of Education		<u>6,719,817</u>
Department of Health and Human Services -		
Head Start Program Cluster:		
Williamsburg-James City County Community Action Agency -		
Head Start	93.600	<u>62,240</u>
Total Department of Health and Human Services		<u>62,240</u>
Total federal awards, Component Unit – Public Schools		<u>8,707,715</u>
Total federal awards, reporting entity		<u>\$ 16,743,223</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) General

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of James City, Virginia (the County) and its component unit, Williamsburg-James City County Public Schools, and is presented on the modified accrual basis of accounting, which is described in note 1 to the County's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Relationship to Basic Financial Statements

Federal expenditures in the basic financial statements are summarized as follows:

General Fund	\$ 20,707
Capital Projects Fund	816,983
Special Revenue Funds	7,007,868
Component Unit – James City Service Authority	189,950
Component Unit – Public Schools	<u>8,707,715</u>
	<u>\$ 16,743,223</u>

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DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

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

To The Honorable Members of Board of Supervisors
County of James City, Virginia

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the *County of James City, Virginia*, as of and for the year ended June 30, 2012, which collectively comprise the *County of James City, Virginia's* basic financial statements and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the *County of James City, Virginia* is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the *County of James City, Virginia's* internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the *County of James City, Virginia's* internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *County of James City, 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*.

We noted certain other matters that we reported to management of *County of James City, Virginia* in a separate letter dated November 27, 2012.

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

Dixon Hughes Goodman LLP

Newport News, Virginia
November 27, 2012



DIXON HUGHES GOODMAN^{LLP}
Certified Public Accountants and Advisors

***Report on Compliance with Requirements That Could Have
A Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133***

To The Honorable Members of Board of Supervisors
County of James City, Virginia

Compliance

We have audited *County of James City, Virginia's* compliance 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, 2012. The *County of James City, Virginia's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the *County of James City, Virginia's* management. Our responsibility is to express an opinion on the *County of James City, 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the *County of James City, 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 James City, Virginia's* compliance with those requirements.

In our opinion, the *County of James City, Virginia* complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2012.

Internal Control over Compliance

The management of the *County of James City, Virginia* is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements of referred to above. In planning and performing our audit, we considered the *County of James City, Virginia's* internal control over compliance with the 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, but not for the purpose of expressing an

opinion on the effectiveness of the County's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the *County of James City, Virginia's* internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Dixon Hughes Goodman LLP

Newport News, Virginia
November 27, 2012



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

***Report of Independent Auditors on Compliance with
Commonwealth of Virginia Laws, Regulations, Contracts and Grants***

To The Honorable Members of Board of Supervisors
County of James City, Virginia

We have audited the financial statements of the *County of James City, Virginia*, as of and for the year ended June 30, 2012, and have issued our report thereon November 27, 2012.

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 general-purpose financial statements are free of material misstatement.

Compliance with Commonwealth of Virginia laws, regulations, contracts and grants applicable to the *County of James City, Virginia*, is the responsibility of the *County of James City, 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 James City, 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 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

State Agency Requirements

- Education
- Comprehensive Services Act Funds
- Social Services

The results of our tests disclosed one instance of noncompliance with the provisions referred to in the preceding paragraph. This instance is discussed in the Schedule of Findings and Questioned Costs as Finding 12-1. With respect to items not tested, nothing came to our attention that caused us to believe that the *County of James City, Virginia* had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the *County of James City, Virginia's* Board of Supervisors, management, and the Auditor of Public Accounts and all applicable state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 27, 2012

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unqualified opinion**
- (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **none noted**
Material weaknesses: **no**
- (c) Noncompliance which is material to the financial statements: **no**
- (d) Significant deficiencies in internal control over major programs: **no**
- (e) The type of report issued on compliance for major programs: **unqualified opinion**
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **no**
- (g) Major programs:
Special Education Cluster (CFDA Numbers 84.027, 84.173, ARRA-84.391 and ARRA-84.392), Education Jobs Fund (CFDA Number ARRA-84.410), Disaster Grants-Public Assistance (Presidentially Declared Disasters) (CFDA Number 97.036).
- (h) Dollar threshold used to determine Type A programs: **\$502,297**
- (i) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: **none noted**(3) Findings and Questioned Costs Relating to Federal Awards: **none noted**

(4) State Compliance Findings:

Finding 12-1

Condition: The State and Local Government Conflict of Interests Act contained in Chapter 31 of Title 2.2 of the Code of Virginia requires local government officials to file a statement of economic interests with the clerk of the governing body by January 15 of each year.

Criteria: One financial disclosure statement (from a member of the Planning Commission) was not filed timely.

Effect: The County was not in compliance with the State and Local Government Conflict of Interest Act.

Recommendation: The County should take steps to ensure that each local official files the statement of economic interests in a timely manner.

Management's response: The County agrees with the finding and new controls are in place.

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(5) Summary Schedule of Prior Federal Audit Findings:

Federal: There were no prior year federal findings.

State: There was a finding in the prior year related to internal controls over cash balances, which have been corrected and was not a finding in the current year.