



*– photograph by Brittany Labr, one of the winners in the 2015 Rural Economic Development Photography Contest –*

# THE COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
PREPARED BY THE DEPARTMENT OF  
FINANCIAL AND MANAGEMENT SERVICES

JAMES CITY COUNTY, VIRGINIA

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**County of James City, Virginia**  
Comprehensive Annual Financial Report  
*(With Independent Auditors' Report Thereon)*

For the Fiscal Year Ended  
June 30, 2018

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

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## **Introductory Section**

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# County of James City, Virginia

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**County of James City, Virginia**  
County Officials  
Year ended June 30, 2018

**Board of Supervisors**

Ruth Larson, Berkeley District, Chairman  
Jim Icenhour, Jamestown District, Vice Chairman  
Michael J. Hipple, Sr., Powhatan District  
John J. McGlennon, Roberts District  
Sue Sadler, Stonehouse District  
William C. Porter, Clerk

**Officials**

Michael E. McGinty, Judge of the Circuit Court  
B. Elliott Bondurant, Judge of the Circuit Court  
Mona Foley, Clerk of the Circuit Court  
Nathan R. Green, Commonwealth's Attorney  
Richard W. Bradshaw, Commissioner of the Revenue  
Jennifer D. Tomes, 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  
Bradley J. Rinehimer, Chief of Police  
Dr. Olwen E. Herron, Superintendent of Schools  
William C. Porter, Interim County Administrator  
Adam R. Kinsman, County Attorney

**Board of Directors, James City Service Authority**

Sue Sadler, Chairman  
Michael J. Hipple, Sr., Vice Chairman  
Jim Icenhour  
Ruth Larson  
John J. McGlennon  
M. Douglas Powell, General Manager  
Stephanie A. Luton, Assistant Manager/Treasurer

**School Board, Williamsburg-James City County Public Schools**

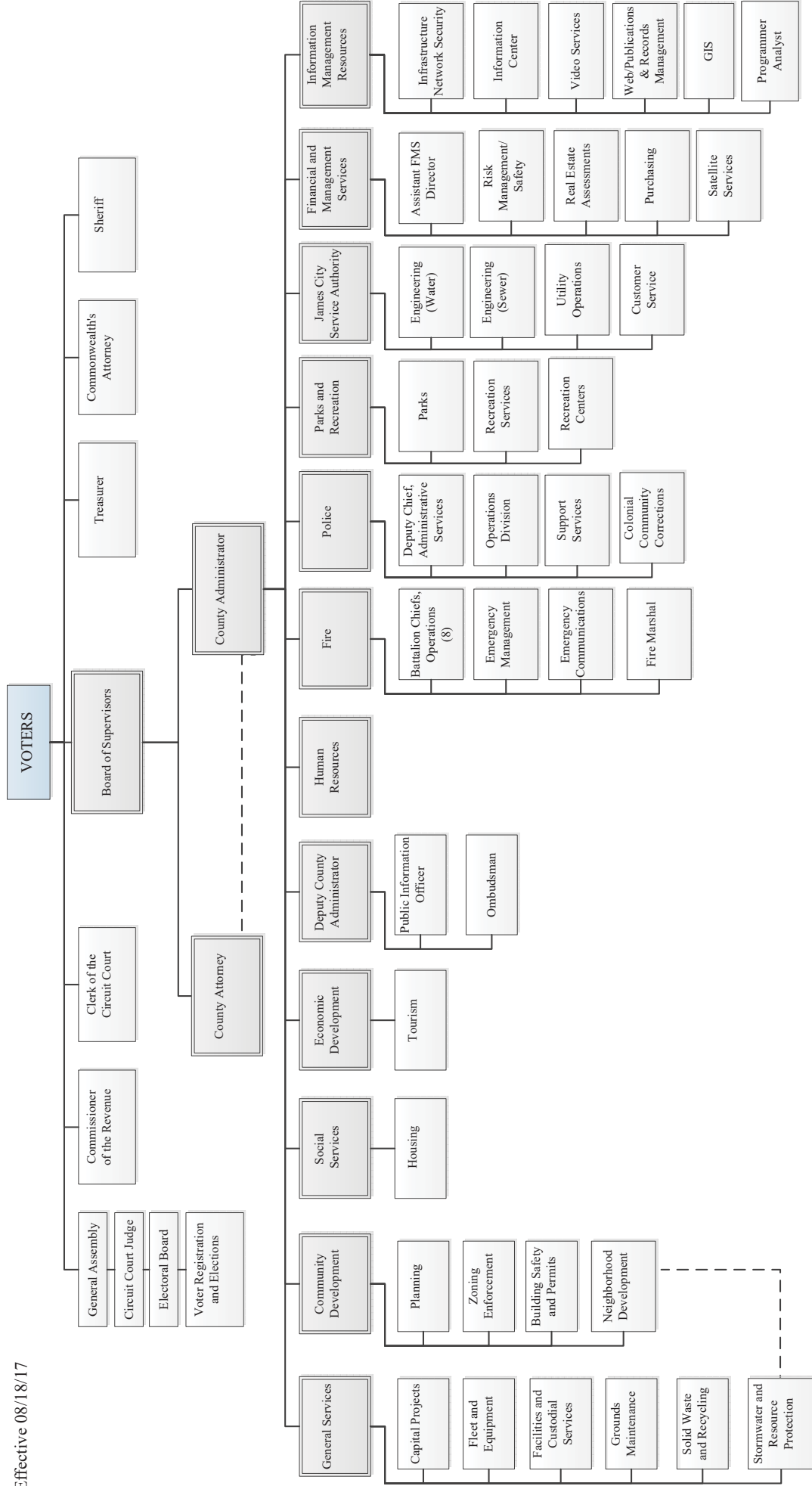
Kyra Cook, Chairman  
Lisa L. Ownby, Vice Chairman  
James W. Beers  
Julie Y. Hummel  
Jim Kelly  
Holly A. Taylor  
Sandra S. Young

**Board Members, Economic Development Authority**

Marshall N. Warner, Chairman  
Robin Bledsoe, Vice Chairman  
Robin D. Carson  
Paul W. Gerhardt  
Christopher J. Odle  
Rick Shippey  
Thomas G. Tingle

# James City County Organization Chart

Effective 08/18/17





January 17, 2019

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, 2018, 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 (GASB) 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. Brown, Edwards & Company L.L.P. was selected to perform the required audit. The unmodified report of Brown, Edwards & Company L.L.P., 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. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement. 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 as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). 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 4-9 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 division directors, and directs business and administrative procedures.

The Board of Supervisors is a five-member body; one member from each of the five districts, elected for a four-year staggered term by the voters of the district in which the member resides. The Chairman of the Board is elected annually by its members. 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 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 100-103 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 119.

### **Economic Condition and Outlook**

James City County has seen a gradual increase in economic activity during the current fiscal year. Overall, general fund revenues increased 0.58% from last year. The majority of the increase was due a growth in real estate and personal property. Revenues are expected to increase 4.9% during fiscal year 2019. The increase is primarily due to fiscal year 2019 being a general real estate reassessment year, and as a result of new legislation, Senate Bill 942, which increases the state sales tax by 1% for the localities in the Historic Triangle. The new revenue will be used toward tourism marketing efforts in the region.

In May 2016, Standard & Poor's and Moody's Investors Service reaffirmed the County's AAA bond rating, which is the highest possible rating. This bond rating is based on analysts' recommendations after a review of economic and fiscal performance, strong liquidity, fiscal policies and practices, evidence of financial planning to meet future capital needs. This rating is excellent for a community the size of James City County and gives the County additional leverage in the bond market for potential bond buyers and investors.

### **Major Initiatives**

For its fiscal year 2018 budget, the County was awarded the Government Finance Officers' Association of the United States and Canada's Distinguished Budget Presentation for the first time. Also during fiscal year 2018, the County conducted a compensation study which will be phased in over the next two fiscal years, 2019 and 2020.

## **Economic Development**

In FY2018, James City County continued to grow. The Office of Economic Development announced a \$20 million investment at Williamsburg Landing including expansion of assisted facilities, a new adult day support facility, and a new memory care building. Publix announced they would be opening a 69,000 square foot grocery store in the Monticello Marketplace shopping center. This is the first Publix in Hampton Roads. Billsburg Brewery opened and received a \$100,000 Virginia Tourism Growth Fund grant. Edgeworth Park opened in New Town Williamsburg, and features 62 apartments of assisted living and 21 apartments of memory care and represents more than \$8 million in improvements on four acres of land.

Additionally, Busch Gardens Williamsburg refurbished an existing ride into a new virtual reality ride, Battle for Eire. Anheuser-Busch opened its doors to the public for the first time in 20 years with public tours and a new beer garden.

Launchpad, the Greater Williamsburg Business Incubator and the Greater Williamsburg Partnership continue to support regional economic development.

The Grove area of James City County was officially designated an Opportunity Zone by the U.S. Department of Treasury. Governor Northam submitted 212 Opportunity Zones to the Treasury in April 2018, all of which were approved. Each state was allowed to nominate qualified census tracts as potential Opportunity Zones because of the Federal Tax Cuts and Jobs Act of 2017 that passed in December 2017, which included provisions for a new revitalization tool, the Opportunity Zone and Opportunity Fund. The zones and funds will allow investors to receive tax benefits on currently unrealized capital gains by investing those gains in qualified census tracts.

## **Capital Improvement Program**

Capital outlay expenditures (including County and school projects) totaled \$26,833,602 in fiscal year 2018. The largest capital expenditures were related to capital maintenance projects whose purpose is to improve and extend the useful life of County or School buildings and to replace major pieces of equipment. In fiscal year 2018, major projects included land purchases, the replacement of fire apparatus, and stormwater projects. Significant school expenditures included the costs of a middle school, an auxiliary gym at Lafayette High School, and HVAC replacements at Jamestown High School, Norge Elementary School and Rawls Baker Elementary School.

James City County will continue to face challenges over the next several years. A steady growth in population has produced demands for public services and facilities. The five-year Capital Improvement Program totals \$110,846,762 and focuses on a wide variety of needs. In fiscal year 2019, funding is included for the following major projects: stormwater projects focusing on federal and state mandates on improving water quality, the Enterprise Resource Software replacement, the radio system upgrade, fire apparatus replacements, school entrance redesigns for safety purposes and HVAC replacements. Future planning includes drainage projects, capital building maintenance, software replacements, fire equipment and vehicle replacements, and school refurbishments and projects.

An indication of anticipated impacts are included in the adopted budget and capital improvements program for the fiscal year beginning July 1, 2018.

## **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 audited comprehensive annual financial report and is available from the Department of Financial and Management Services.

The Board of Supervisors has authorized water and sewer operations for the JCSA within the Primary Service Area (PSA) in the County. With the approval of the County, the JCSA has extended services beyond the PSA to several public sites in the County, including three public schools, Freedom Park and two major communities, Greensprings West and Governor's Land. 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.

In 2007, the Board of Directors authorized the JCSA to enter into a Consent Agreement with the Virginia Department of Environmental Quality (VDEQ) to address sanitary sewer overflows (SSOs). Thirteen other Hampton Roads localities entered into similar agreements during the same timeframe. In February 2014, Hampton Roads Sanitation District (HRSD) and 14 Hampton Roads localities, including the JCSA, entered into a Regional Hybrid Consolidation Plan for meeting Consent Agreement requirements.

This regional approach to capital construction is estimated to save approximately \$1 billion regionally compared to the cost of each locality individually fulfilling its Consent Agreement responsibilities. HRSD will fund the work through a regional HRSD rate. In addition, HRSD will also assume liability for wet weather sewer overflows due to inadequate capacity. JCSEA keeps ownership and control of its local sewer infrastructure and is still responsible for monitoring and maintaining the local sewer system to Consent Agreement standards and fixing significant defects.

Under the Consolidation Plan, HRSD is responsible for preparing the Regional Wet Weather Management Plan (RWWMP) which details the major rehabilitation and capacity enhancement projects to be performed throughout the Hampton Roads region and reviewing the proposed improvements with JCSEA and the thirteen other localities.

HRSD has introduced a new initiative known as SWIFT (Sustainable Water Initiative for Tomorrow) which may significantly delay the RWWMP rehabilitation and capacity enhancement work if it receives regulatory approval. HRSD is proposing to treat already highly treated wastewater effluent to drinking water standards and return it to the aquifer. SWIFT is expected to benefit the region by replenishing groundwater, reducing or eliminating land subsidence, mitigating salt water intrusion into the aquifer, and providing a cost effective way of addressing regional stormwater obligations. EPA and DEQ are currently considering this proposal. If approved, HRSD proposes to fund SWIFT before the RWWMP to gain the greatest environmental benefit (reduction of nutrients to the Chesapeake Bay) before addressing SSOs. HRSD will have some funding available to address priority SSOs while SWIFT is under construction. The balance of the RWWMP will be constructed upon completion of SWIFT beyond 2030. In fiscal year 2018, HRSD proposed an amendment to the Consolidation Plan to better accommodate SWIFT's implementation. The amendment would extend the schedule for RWWMP work and assign HRSD the responsibility and liability for all regional wet weather overflows earlier than originally proposed.

#### **Awards of Achievement**

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to James City County, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 33<sup>rd</sup> consecutive year that the County has achieved 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. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

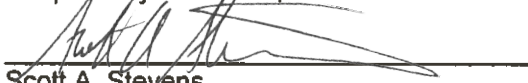
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

#### **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,



Scott A. Stevens  
County Administrator



Suzanne R. Mellen  
Director of Financial and Management Services



Government Finance Officers Association

**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, 2017**

*Christopher P. Morill*

Executive Director/CEO

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## **Financial Section**

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## **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, 2018, and the related notes to the financial statements, which collectively comprise the County of James City, Virginia's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the business-type activities/proprietary fund, the Economic Development Authority discretely presented component unit, or the agency funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the business-type activities/proprietary fund, the Economic Development Authority discretely presented component unit, and the agency funds are based solely on the reports of the other auditors. 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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

***Change in Accounting Principle***

As discussed in Notes 1 and 18 to the financial statements, during 2018 the County implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a cumulative effect adjustment to net position as of the beginning of the year. Our opinion is not modified with respect to these changes.

***Other Matters******Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of James City, Virginia's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2019, 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* in considering the County of James City, Virginia's internal control over financial reporting and compliance.

*Brown, Edwards & Company, L.L.P.*

**Newport News, Virginia  
January 17, 2019**

**County of James City, Virginia**  
Management's Discussion and Analysis  
June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information 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 position increased by approximately \$28.9 million over the course of this year's operations, which represents a 6.8% increase from fiscal year 2017.
- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources as of June 30, 2018 by approximately \$454.9 million. Of this amount, approximately \$331.2 million, or 72.8% is the net investment in capital assets.
- General Fund revenues were \$1.1 million or 0.56% higher than the final budget. The bulk of the increase was driven by real estate and personal property taxes. These collections were the result of new development, higher vehicle values and a moderate uptick in economic growth.

**Overview of the Financial Statements**

The 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 position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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 position and how it's changed. Net position - the difference between the County's (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources, is one way to measure the County's financial health, or position.

Over time, increases or decreases in the County's net position is 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.

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.

**County of James City, Virginia**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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, additional information is provided 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 position and a statement of changes in fiduciary net position. These activities are excluded 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.

### 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 the County's obligation to provide pension and other post-employment benefits to its employees. The combining statements for nonmajor governmental funds are presented immediately following the required supplementary information.

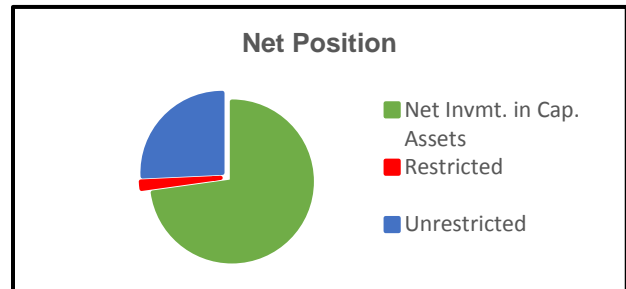
### Financial Analysis

<b>Condensed Statement of Net Position</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>	<b>6/30/2018</b>	<b>6/30/2017</b>
Current and other assets	\$ 114,003,941	\$ 119,635,411	\$ 50,414,851	\$ 45,422,745	\$ 164,418,792	\$ 165,058,156
Capital assets	349,026,496	338,734,819	153,554,105	158,226,696	502,580,601	496,961,515
Total assets	463,030,437	458,370,230	203,968,956	203,649,441	666,999,393	662,019,671
Deferred outflows of resources	4,287,374	7,816,198	2,074,076	2,509,590	6,361,450	10,325,788
Total assets and deferred outflows	\$ 467,317,811	\$ 466,186,428	\$ 206,043,032	\$ 206,159,031	\$ 673,360,843	\$ 672,345,459
Long-term liabilities	\$ 176,438,881	\$ 199,059,314	\$ 24,417,995	\$ 25,863,250	\$ 200,856,876	\$ 224,922,564
Other liabilities	10,001,603	11,614,527	1,022,319	1,395,092	11,023,922	13,009,619
Total liabilities	186,440,484	210,673,841	25,440,314	27,258,342	211,880,798	237,932,183
Deferred inflows of resources	5,782,053	2,102,340	754,495	82,431	6,536,548	2,184,771
Net investment in capital assets	198,539,384	185,274,286	132,616,889	136,696,744	331,156,273	321,971,030
Restricted net position	6,176,950	4,294,487	567,011	677,614	6,743,961	4,972,101
Unrestricted net position	70,378,940	63,841,474	46,664,323	41,443,900	117,043,263	105,285,374
Total net position	275,095,274	253,410,247	179,848,223	178,818,258	454,943,497	432,228,505
Total liabilities, deferred inflows and net position	\$ 467,317,811	\$ 466,186,428	\$ 206,043,032	\$ 206,159,031	\$ 673,360,843	\$ 672,345,459

**County of James City, Virginia**  
**Management's Discussion and Analysis**  
**June 30, 2018**

The County's net position was \$454,943,497 at the close of the most recent fiscal year. The largest portion of the County's net position at June 30, 2018 (72.8%) reflects its investment in capital assets, 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 restricted net position (1.5%) is restricted for specific purposes. The unrestricted portion of net position (25.7%) may be used to meet the County's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the County was able to report positive balances in all three categories of net position, both for the primary government as a whole, as well as for its separate governmental and business-type activities.



The County's overall net position increased 6.8% from last year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

Condensed Changes in Net Position							
	Governmental activities		Business-type activities		Total		
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	
Program revenues							
Charges for services	\$ 18,055,087	\$ 18,131,741	\$ 19,523,972	\$ 19,064,677	\$ 37,579,059	\$ 37,196,418	
Operating grants and contributions	32,980,663	32,903,768	-	-	32,980,663	32,903,768	
Capital grants and contributions	828,415	196,051	796,235	1,509,214	1,624,650	1,705,265	
General revenues:							
Property taxes	131,493,564	128,334,481	-	-	131,493,564	128,334,481	
Other taxes	24,442,882	24,555,363	-	-	24,442,882	24,555,363	
Interest and investment earnings	382,080	402,544	43,940	90,148	426,020	492,692	
Miscellaneous	3,065,493	2,924,978	726,432	973,869	3,791,925	3,898,847	
Total revenues and transfers	211,248,184	207,448,926	21,090,579	21,637,908	232,338,763	229,086,834	
Expenses:							
General government admin.	8,768,221	11,261,405	-	-	8,768,221	11,261,405	
Judicial admin.	6,053,891	5,147,078	-	-	6,053,891	5,147,078	
Public safety	32,036,916	30,313,710	-	-	32,036,916	30,313,710	
Public works	7,258,365	9,161,360	-	-	7,258,365	9,161,360	
Health and welfare	7,883,242	7,742,508	-	-	7,883,242	7,742,508	
Education	94,073,287	93,728,530	-	-	94,073,287	93,728,530	
Parks, rec. and cultural	12,346,131	11,779,541	-	-	12,346,131	11,779,541	
Community development	10,627,626	11,905,882	-	-	10,627,626	11,905,882	
Interest on long-term debt	4,905,534	5,386,316	-	-	4,905,534	5,386,316	
Service Authority	-	-	19,522,028	19,876,242	19,522,028	19,876,242	
Total expenses	183,953,213	186,426,330	19,522,028	19,876,242	203,475,241	206,302,572	
Change in net position	27,294,971	21,022,596	1,568,551	1,761,666	28,863,522	22,784,262	
Net position, beginning of year (as restated)	247,800,303	232,387,651	178,279,672	177,056,592	426,079,975	409,444,243	
Net position, end of year	\$ 275,095,274	\$ 253,410,247	\$ 179,848,223	\$ 178,818,258	\$ 454,943,497	\$ 432,228,505	

### Governmental Activities

During the fiscal year, net position for governmental activities increased \$27,294,971 from last year for an ending balance of \$275,095,274.

**County of James City, Virginia**  
Management's Discussion and Analysis  
June 30, 2018

While the overall local economy slowly improved, the County experienced growth in real estate and personal property taxes. Further, on the expenditure side, the County had significant personnel savings, primarily due to turnover.

For the fiscal year ended June 30, 2018, revenues from governmental activities totaled \$211,248,184. Of this amount, \$55,311,738, or 26.2%, is received from sources other than local tax revenue.

Real estate tax revenues, the County's largest single revenue source, totaled \$98,355,122. The County's assessed real property tax base for fiscal year 2018 was \$11,797,419,633, which was an increase of 1.6% from fiscal year 2017.

In fiscal year 2018, the County reported current year collections of \$22,928,134 in personal property taxes, and received reimbursement from the Commonwealth of Virginia of \$9,770,137. Under the provisions of the Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was approximately 42.6% of most taxpayer's payments.

For the fiscal year ended June 30, 2018, expenses for governmental activities totaled \$183,953,213, including \$94,073,287 for Education expenses for the public school system. Total expenses had a net decrease of 1.3% over fiscal year 2017, primarily due to the following: general government administration's pension expense experienced a reduction in fiscal year 2018; public safety had an increase in depreciation expense due to a new addition for the radio system upgrade capital lease and had a loss on the disposal of a fire truck; public works decreased due to reduced costs in the landfill post-closure cost and community development decreased due to a transportation project in 2017 that was in capital outlay expenses.

### **Business-Type Activities**

The business-type activity's ending net position was \$179,848,223, an increase of \$1,568,551 for fiscal year 2018. This was a result of an increase in service revenue as well as in facility charges. Overall, the expenses decreased from last year by 1.8%. The primary source of revenue consists of charges for water and sewer services, which totaled \$15,942,612 and increased by 10.7% from last year. This was primarily a result of the water and sewer rate increase.

## **Financial Analysis of the County's Governmental and Proprietary Funds**

### ***Governmental Funds***

**General Fund:** The County's General Fund is the chief operating fund of the County. At the end of fiscal year 2018, the General Fund had an overall increase in fund balance of \$3,855,583. This was primarily due to higher real estate and personal property tax revenue as a result of growth in the community. The portion of the unassigned fund balance for fiscal liquidity totaled \$30,119,197, which was 13.0% of the total general governmental expenditures (from Table 11 in the Statistical section), including the County's share of the Public Schools' operating expenditures, and within the goal of 10% to 12%.

**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. At the end of fiscal year 2018, the Capital Projects Fund's fund balance decreased by \$12,259,819, primarily due to the use of accumulated resources for capital outlay expenditures. A major source of funding for the capital projects is transfers from the General Fund, which was \$13,073,353 for fiscal year 2018. During the year, capital project expenditures of \$26,833,602 included land purchases, the replacement of fire apparatus, and stormwater projects. Significant school expenditures included the costs of a middle school, an auxiliary gym at Lafayette High School, and HVAC replacements at Jamestown High School, Norge Elementary School and Rawls Baker Elementary School.

**Debt Service Fund:** The Debt Service Fund is used by the County to account for the accumulation of resources for the repayment of long-term debt of the governmental funds. The primary source of funding is transfers from the General Fund. There were no new borrowings during fiscal year 2018.

**County of James City, Virginia**  
Management's Discussion and Analysis  
June 30, 2018

**Non-major Governmental Funds:** The County maintains six non-major 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 100-103. The non-major governmental funds had an increase in fund balance of \$3,289,840 in fiscal year 2018.

***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 an increase of \$1,568,551 in net position during the fiscal year primarily as a result of an increase in the water and sewer rates.

**General Fund Budgetary Highlights**

The final amended revenue budget increased by \$93,385 over the original budget. The increase was for insurance recovery funds and a budget adjustment for the increase in the transient occupancy tax collected. General Fund revenues were 0.56%, or \$1,110,502 higher than the final budget and 0.58% (or \$1,148,015) from fiscal year 2017.

The largest increase in revenues from fiscal year 2017 to 2018 occurred in real estate tax revenues, by \$1,357,149 and is the County's largest revenue source. For fiscal year 2018, total collections were \$98,355,122, which exceeded the budget by \$755,122. Personal property taxes, another large source of local tax funding, had combined collections from the state and local taxpayers of \$32,698,271. State revenues, excluding the personal property tax reimbursement, were \$777,993 less than budgeted and decreased by \$463,722 from 2017. The significant factor in the decrease was State sales tax for education.

General Fund budgeted expenditures were 4.2% below the final budget, or \$6,765,618, which was primarily due to reduced departmental spending. Of this amount, \$1,069,915 is for encumbrances and is included in Assigned Fund Balance.

As a result of revenues above budget and underspending, the fund balance increased to \$45,778,686. This was an increase of \$3,855,583 or 9.2% from 2017.

**Capital Assets**

At the end of fiscal year 2018, the County's investment in capital assets for its governmental and business-type activities totaled \$502,580,601 (net of accumulated depreciation). This total includes land and land improvements, construction in progress, intangibles, buildings and improvements, water and sewer systems, infrastructure, equipment, and vehicles. The County does not own its roads, and therefore they are not included in 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 2018, the net value of school buildings reflected in the governmental activities of the County equals \$211,832,290, and the associated current year's depreciation expense of \$5,000,891 is reflected in Education expense in the County's governmental activities in the statement of net position.

<b>Summary of Capital Assets, Net</b>				
	<b>6/30/2018</b>			<b>6/30/2017</b>
	<b>Governmental activities</b>	<b>Business-type activity</b>	<b>Total</b>	<b>Total</b>
Non-depreciable	\$ 69,240,324	\$ 6,707,060	\$ 75,947,384	\$ 63,569,661
Depreciable	279,786,172	146,847,045	426,633,217	433,391,854
Total	<u>\$ 349,026,496</u>	<u>\$ 153,554,105</u>	<u>\$ 502,580,601</u>	<u>\$ 496,961,515</u>

Additional information about the County's capital assets can be found in Note 6 to the financial statements.

**County of James City, Virginia**  
Management's Discussion and Analysis  
June 30, 2018

**Long-Term Debt**

Below is a summary of the County's long-term debt as of June 30, 2018 and 2017, respectively.

<b>Summary of Long-Term Debt</b>				
	<b>6/30/2018</b>			<b>6/30/2017</b>
	<b>Governmental activities</b>	<b>Business-type activity</b>	<b>Total</b>	<b>Total</b>
General obligation bonds, net				
unamortized premium	\$ 38,348,323	\$ -	\$ 38,348,323	\$ 44,155,482
Revenue bonds, net				
unamortized premium	109,069,984	22,600,295	131,670,279	143,124,970
Capital leases	3,183,141	-	3,183,141	4,195,266
Pension	13,912,380	613,640	14,526,020	24,801,767
OPEB	8,062,827	802,065	8,864,892	3,360,471
Compensated absences	3,687,253	401,995	4,089,248	4,099,729
Landfill	174,973	-	174,973	1,184,879
<b>Total</b>	<b>\$ 176,438,881</b>	<b>\$ 24,417,995</b>	<b>\$ 200,856,876</b>	<b>\$ 224,922,564</b>

Additional information about the County's long-term debt can be found in Note 9 to the financial statements.

**Economic Factors and Next Year's Budget 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 2018 was the second year of the current two-year cycle. The fiscal year 2018 approved budget for the General Fund was \$196,250,000 (Note: for financial reporting purposes, the General Fund budget also includes \$290,000 for landfill user fees, for a total of \$196,540,000).

Fiscal year 2019 is the first year of the next two-year cycle. The fiscal year 2019 approved budget for the General Fund is \$205,850,000. This budget was adopted on May 8, 2018, and reflects a \$9,600,000, or a 4.9%, increase over the fiscal year 2018 budget. The increase is primarily due to fiscal year 2019 being a general real estate reassessment year, and as a result of new legislation, Senate Bill 942, which increases the state sales tax by 1% for the localities in the Historic Triangle. The new revenue will be used toward tourism marketing efforts in the region.

Expenditures include increases for a compensation study as well as a cost-of-living increase. The County's general fund contribution to the Williamsburg-James City County School Board will be \$108,168,382, which is a 2.7% or \$2,808,577 increase from fiscal year 2018.

**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.

\* \* \* \* \*

**County of James City, Virginia**  
Statement of Net Position  
June 30, 2018

	Primary government			Discretely presented component units	
	Governmental activities	Business-type activities	Total	Public schools	Economic Development Authority
<b>Assets</b>					
Cash and cash equivalents (note 2)	\$ 50,146,670	\$ 811,932	\$ 50,958,602	\$ 16,538,597	\$ 350,083
Investments (note 2)	12,021,658	45,389,644	57,411,302	-	-
Restricted cash, cash equivalents and investments (note 2)	7,719,058	567,011	8,286,069	-	-
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	27,678,646	-	27,678,646	-	-
Accounts	-	3,226,075	3,226,075	273,273	-
Interest	46,034	165,999	212,033	-	-
Loans	3,115,987	-	3,115,987	-	-
Notes	-	1,090	1,090	-	25,000
Miscellaneous (note 3)	3,886,713	-	3,886,713	-	3,028
Internal balances (note 7)	619,752	(619,752)	-	-	-
Due from primary government, net (note 7)	-	-	-	1,345,473	3,544
Due from other governments, net (note 5)	8,214,137	-	8,214,137	1,584,037	-
Inventory	311,882	872,852	1,184,734	36,661	-
Other assets	243,404	-	243,404	-	-
Net pension asset (note 11)	-	-	-	1,382,027	-
Net OPEB asset (note 12)	-	-	-	4,505	-
Capital assets, net (note 6):					
Non-depreciable	69,240,324	6,707,060	75,947,384	10,231,108	1,238,661
Depreciable	279,786,172	146,847,045	426,633,217	48,678,718	695,117
Net capital assets	349,026,496	153,554,105	502,580,601	58,909,826	1,933,778
Total assets	463,030,437	203,968,956	666,999,393	80,074,399	2,315,433
<b>Deferred Outflows of Resources</b>					
Deferred charge on refundings, net	114,336	1,663,079	1,777,415	-	-
Deferred pensions (note 11)	3,875,111	380,362	4,255,473	13,963,445	-
Deferred OPEB retiree healthcare plan (note 12)	-	-	-	163,175	-
Deferred OPEB group life insurance (note 12)	230,091	22,168	252,259	378,100	-
Deferred OPEB health insurance credit (note 12)	67,836	8,467	76,303	862,979	-
Deferred OPEB Virginia local disability program (note 12)	-	-	-	50,937	-
Total deferred outflow of resources	4,287,374	2,074,076	6,361,450	15,418,636	-
Total assets and deferred outflow of resources	<u>\$ 467,317,811</u>	<u>\$ 206,043,032</u>	<u>\$ 673,360,843</u>	<u>\$ 95,493,035</u>	<u>\$ 2,315,433</u>
<b>Liabilities</b>					
Accounts payable	\$ 3,230,499	\$ 361,215	\$ 3,591,714	\$ 3,422,759	\$ 1,730
Accrued liabilities	843,043	340,240	1,183,283	14,614,816	-
Liabilities payable from restricted assets	1,535,007	-	1,535,007	-	-
Due to component units, net (note 7)	1,349,017	-	1,349,017	-	-
Advances for construction (note 16)	-	32,902	32,902	-	-
Amounts held for others	-	287,962	287,962	-	-
Unearned revenue	3,044,037	-	3,044,037	138,108	-
Long-term liabilities (notes 9, 10, 11 and 12):					
Due within one year	19,151,890	995,403	20,147,293	612,576	-
Due in more than one year	157,286,991	23,422,592	180,709,583	128,625,702	-
Total liabilities	186,440,484	25,440,314	211,880,798	147,413,961	1,730
<b>Deferred Inflows of Resources</b>					
Deferred pensions (note 11)	5,116,117	683,372	5,799,489	13,831,970	-
Deferred OPEB retiree healthcare (note 12)	280,374	24,543	304,917	209,791	-
Deferred OPEB group life insurance (note 12)	354,000	40,000	394,000	684,000	-
Deferred OPEB health insurance credit (note 12)	31,562	6,580	38,142	241,983	-
Deferred OPEB Virginia local disability program (note 12)	-	-	-	1,000	-
Total deferred inflows of resources	5,782,053	754,495	6,536,548	14,968,744	-
<b>Net Position</b>					
Net position:					
Net investment in capital assets	198,539,384	132,616,889	331,156,273	58,877,527	1,933,778
Restricted net position:					
Debt service	1,236,338	567,011	1,803,349	-	-
Other	4,940,612	-	4,940,612	919,728	-
Unrestricted	70,378,940	46,664,323	117,043,263	(126,686,925)	379,925
Total net position	275,095,274	179,848,223	454,943,497	(66,889,670)	2,313,703
Total liabilities, deferred inflows of resources and net position	<u>\$ 467,317,811</u>	<u>\$ 206,043,032</u>	<u>\$ 673,360,843</u>	<u>\$ 95,493,035</u>	<u>\$ 2,315,433</u>

See accompanying notes to basic financials statements

**County of James City, Virginia**  
Statement of Activities  
Year ended June 30, 2018

					Net (expenses) revenues and changes in net assets				
								Discretely presented component units	
					Primary government				
					Governmental activities	Business-type activities	Total	Public schools	Economic Development Authority
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions					
Primary government:									
Governmental activities:									
General government administration	\$ 8,768,221	\$ 7,973,771	\$ 11,962,737	\$ -	\$ 11,168,287	\$ -	\$ 11,168,287	\$ -	\$ -
Judicial administration	6,053,891	2,407,582	1,310,183	105,443	(2,230,683)	-	(2,230,683)	-	-
Public safety	32,036,916	2,964,057	2,721,165	234,109	(26,117,585)	-	(26,117,585)	-	-
Public works	7,258,365	666,939	12,389	-	(6,579,037)	-	(6,579,037)	-	-
Health and welfare	7,883,242	-	3,844,774	-	(4,038,468)	-	(4,038,468)	-	-
Education (including School system)	94,073,287	-	11,105,215	-	(82,968,072)	-	(82,968,072)	-	-
Parks, recreation and cultural	12,346,131	3,694,635	7,100	-	(8,644,396)	-	(8,644,396)	-	-
Community development	10,627,626	348,103	2,017,100	488,863	(7,773,560)	-	(7,773,560)	-	-
Interest on long-term debt	4,905,534	-	-	-	(4,905,534)	-	(4,905,534)	-	-
Total governmental activities	183,953,213	18,055,087	32,980,663	828,415	(132,089,048)	-	(132,089,048)	-	-
Business-type activities:									
Service Authority	19,522,028	19,523,972	-	796,235	-	798,179	798,179	-	-
Total primary government	\$ 203,475,241	\$ 37,579,059	\$ 32,980,663	\$ 1,624,650	\$ (132,089,048)	\$ 798,179	\$ (131,290,869)	\$ -	\$ -
Component units:									
Economic Development Authority	\$ 306,429	\$ 64,725	\$ 111,768	\$ 804,845	\$ -	\$ -	\$ -	\$ -	\$ 674,909
Public Schools	138,180,335	2,337,475	19,543,489	-	-	-	-	(116,299,371)	-
Total component units	\$ 138,486,764	\$ 2,402,200	\$ 19,655,257	\$ 804,845	\$ -	\$ -	\$ -	\$ (116,299,371)	\$ 674,909
General revenues:									
Property taxes, levied for general purposes					\$ 131,493,564	\$ -	\$ 131,493,564	\$ -	\$ -
Local sales and use taxes					10,897,167	-	10,897,167	-	-
Franchise license tax					716,243	-	716,243	-	-
Taxes on recordation and wills					1,345,480	-	1,345,480	-	-
Hotel and motel room taxes					3,748,977	-	3,748,977	-	-
Restaurant food taxes					7,306,332	-	7,306,332	-	-
Deeds of conveyance					403,019	-	403,019	-	-
Penalties and interest					25,664	-	25,664	-	-
Grants and contributions not restricted to specific programs					-	-	-	121,671,393	-
Interest and investment earnings					382,080	43,940	426,020	808	4,360
Miscellaneous					3,065,493	726,432	3,791,925	180,324	17,712
Total general revenues and transfers					159,384,019	770,372	160,154,391	121,852,525	22,072
Change in net position					27,294,971	1,568,551	28,863,522	5,553,154	696,981
Net position, beginning (as restated)					247,800,303	178,279,672	426,079,975	(72,442,824)	1,616,722
Net position, ending					\$ 275,095,274	\$ 179,848,223	\$ 454,943,497	\$ (66,889,670)	\$ 2,313,703

See accompanying notes to basic financials statements.

**County of James City, Virginia**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018

	<b>Major Funds</b>			<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
	<b>General</b>	<b>Capital projects</b>	<b>Debt service</b>		
<b>Assets</b>					
Cash and cash equivalents	\$ 17,228,860	\$ 28,131,190	\$ -	\$ 4,786,620	\$ 50,146,670
Investments	12,021,658	-	-	-	12,021,658
Restricted cash and cash equivalents and investments (note 2)	1,178,614	1,599,832	-	4,940,612	7,719,058
Receivables, net of allowance:					
Taxes	27,585,058	593	-	92,995	27,678,646
Interest	-	46,034	-	-	46,034
Loans	-	-	-	3,115,987	3,115,987
Miscellaneous (note 3)	3,883,052	-	-	3,661	3,886,713
Due from other funds (note 4)	36,847	2,764,853	-	4,745	2,806,445
Due from blended component unit (note 7)	619,752	-	-	-	619,752
Due from component unit (note 7)	2,764,852	-	-	-	2,764,852
Due from other governments, net (note 5)	7,267,381	-	-	946,756	8,214,137
Inventory	311,882	-	-	-	311,882
Total assets	<u>\$ 72,897,956</u>	<u>\$ 32,542,502</u>	<u>\$ -</u>	<u>\$ 13,891,376</u>	<u>\$ 119,331,834</u>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ 2,302,762	\$ 428,491	\$ -	\$ 499,246	\$ 3,230,499
Accrued liabilities	234,147	2,221	-	6,714	243,082
Payables from restricted assets	1,156,614	363,494	-	14,899	1,535,007
Due to other funds (note 4)	2,769,598	-	-	36,847	2,806,445
Due to component units (note 7)	3,544	4,110,325	-	-	4,113,869
Unearned revenue (note 8)	621,868	-	-	2,422,169	3,044,037
Total liabilities	<u>7,088,533</u>	<u>4,904,531</u>	<u>-</u>	<u>2,979,875</u>	<u>14,972,939</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue (note 8)	<u>20,030,737</u>	<u>593</u>	<u>-</u>	<u>388,242</u>	<u>20,419,572</u>
<b>Fund Balances</b>					
Fund balances:					
Nonspendable:					
Inventory	311,882	-	-	-	311,882
Restricted	-	1,236,338	-	-	1,236,338
Assigned:					
General	8,384,195	-	-	-	8,384,195
Capital projects/reserve	6,963,412	26,401,040	-	-	33,364,452
Other governmental funds	-	-	-	10,523,259	10,523,259
Unassigned	30,119,197	-	-	-	30,119,197
Total fund balances	<u>45,778,686</u>	<u>27,637,378</u>	<u>-</u>	<u>10,523,259</u>	<u>83,939,323</u>
Total liabilities, deferred inflow, and fund balances	<u>\$ 72,897,956</u>	<u>\$ 32,542,502</u>	<u>\$ -</u>	<u>\$ 13,891,376</u>	<u>\$ 119,331,834</u>

See accompanying notes to basic financials statements.

**County of James City, Virginia**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018

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

Ending fund balance, governmental funds		\$ 83,939,323
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.		349,026,496
Land held for resale and future development used in governmental activities are not financial resources and therefore are not reported in the funds.		243,404
Some receivables are not available to pay for current-period expenditures and therefore are unavailable revenue in the funds.		20,419,572
Deferred outflows of resources represent a consumption of net position applying to future periods and therefore, are not reported in the governmental funds.		
Deferred charge on refundings	\$ 114,336	
Deferred pension	3,875,111	
Deferred OPEB group life insurance	230,091	
Deferred OPEB health insurance credit	67,836	4,287,374
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore is not reported in the funds.		(599,961)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(35,505,000)	
Lease revenue bonds	(99,268,000)	
Unamortized bond premiums, net	(12,645,307)	
Capital leases	(3,183,141)	
Net pension liability	(13,912,380)	
OPEB liability	(8,062,827)	
Compensated absences	(3,687,253)	
Landfill postclosure care cost	(174,973)	(176,438,881)
Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period and therefore, is not reported in the governmental funds.		
Deferred pension	(5,116,117)	
Deferred OPEB retiree healthcare	(280,374)	
Deferred OPEB GLI	(354,000)	
Deferred OPEB HIC	(31,562)	(5,782,053)
Net position, governmental activities		<u>\$ 275,095,274</u>

See accompanying notes to basic financials statements.

**County of James City, Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2018**

	<b>Major Funds</b>			<b>Nonmajor governmental funds</b>	<b>Total governmental funds</b>
	<b>General</b>	<b>Capital projects</b>	<b>Debt service</b>		
Revenues:					
General property taxes	\$ 130,402,106	\$ -	\$ -	\$ -	\$ 130,402,106
Other local taxes	23,627,630	-	-	815,252	24,442,882
Permits, privilege fees and regulatory licenses	8,892,499	-	-	-	8,892,499
Fines and forfeitures	265,561	-	-	-	265,561
Use of money and property	181,013	100,091	100,976	-	382,080
Charges for services	6,656,889	-	-	-	6,656,889
Miscellaneous	816,300	1,732,176	209,788	307,229	3,065,493
Intergovernmental:					
Local	-	-	-	305,526	305,526
Commonwealth	26,894,007	617,821	-	3,837,748	31,349,576
Federal	7,882	-	-	4,068,830	4,076,712
Total revenues	<u>\$ 197,743,887</u>	<u>\$ 2,450,088</u>	<u>\$ 310,764</u>	<u>\$ 9,334,585</u>	<u>\$ 209,839,324</u>
Expenditures:					
Current:					
General government administration	\$ 10,083,807	\$ -	\$ -	\$ 2,596	\$ 10,086,403
Judicial administration	4,329,842	-	-	1,526,511	5,856,353
Public safety	28,067,310	-	-	661,490	28,728,800
Public works	7,623,362	-	-	12,389	7,635,751
Health and welfare	2,104,509	-	-	5,480,188	7,584,697
Education	85,395,004	-	-	-	85,395,004
Parks, recreation and cultural	10,317,792	-	-	76,303	10,394,095
Community development	5,783,201	-	46,546	4,130,063	9,959,810
Debt service:					
Principal	-	871,854	15,412,271	-	16,284,125
Interest and other fiscal charges	-	77,804	6,117,276	-	6,195,080
Capital outlay - County activities	-	6,516,601	-	-	6,516,601
Capital outlay - School activities	-	20,317,001	-	-	20,317,001
Total expenditures	<u>153,704,827</u>	<u>27,783,260</u>	<u>21,576,093</u>	<u>11,889,540</u>	<u>214,953,720</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,039,060</u>	<u>(25,333,172)</u>	<u>(21,265,329)</u>	<u>(2,554,955)</u>	<u>(5,114,396)</u>
Other financing sources (uses):					
Transfers in (note 4)	60,597	13,073,353	21,265,329	5,909,982	40,309,261
Transfers out (note 4)	(40,244,074)	-	-	(65,187)	(40,309,261)
Total other financing sources (uses)	<u>(40,183,477)</u>	<u>13,073,353</u>	<u>21,265,329</u>	<u>5,844,795</u>	<u>-</u>
Net change in fund balances	<u>3,855,583</u>	<u>(12,259,819)</u>	<u>-</u>	<u>3,289,840</u>	<u>(5,114,396)</u>
Fund balances, beginning of year	<u>41,923,103</u>	<u>39,897,197</u>	<u>-</u>	<u>7,233,419</u>	<u>89,053,719</u>
Fund balances, end of year	<u>\$ 45,778,686</u>	<u>\$ 27,637,378</u>	<u>\$ -</u>	<u>\$ 10,523,259</u>	<u>\$ 83,939,323</u>

See accompanying notes to basic financials statements.

**County of James City, Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2018**

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, governmental funds \$ (5,114,396)

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	\$ (12,646,419)	
Capital outlay expenditures	23,555,245	
Loss on disposal of capital assets	<u>(617,149)</u>	10,291,677

Loss on land held for resale and future development is not reported in the governmental funds however, is reflected in the statement of activities. Other assets decreased by this amount this year. (366,462)

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. Unavailable revenue increased by this amount this year. 1,408,860

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 position. Also, governmental funds report the effect of premiums and refunding gains/losses, 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:

Principal payments	16,284,125	
Amortization on premium	1,320,943	
Amortization on deferred charge on refundings	<u>(84,849)</u>	17,520,219

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. The details of this difference is as follows:

Compensated absences	592	
Landfill	1,009,906	
Interest payable	53,452	
Pension liability and related deferred inflows and outflows	2,265,053	
OPEB liability and related deferred inflows and outflows	<u>226,070</u>	3,555,073

Change in net position, governmental activities		<u><u>\$ 27,294,971</u></u>
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See accompanying notes to basic financials statements.

**County of James City, Virginia**  
Statement of Net Position  
Proprietary Fund  
June 30, 2018

	<b>James City Service Authority</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (note 2)	\$ 811,932
Investments (note 2)	45,389,644
Restricted investments (note 2)	567,011
Accounts receivable, customers	3,189,777
Accounts receivable, other	36,298
Notes receivable	1,090
Interest receivable	165,999
Inventories	872,852
Total current assets	<u>51,034,603</u>
Capital assets, net (note 6):	
Non-depreciable	6,707,060
Depreciable	146,847,045
Net capital assets	<u>153,554,105</u>
Total assets	<u>204,588,708</u>
<b>Deferred Outflows of Resources</b>	
Deferred charge on refunding, net	1,663,079
Deferred pensions (note 11)	380,362
Deferred OPEB group life insurance (note 12)	22,168
Deferred OPEB health insurance credit (note 12)	8,467
Total deferred outflows of resources	<u>2,074,076</u>
Total assets and deferred outflows of resources	<u>\$ 206,662,784</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 361,215
Accrued salaries	7,834
Compensated absences, current portion (note 9)	301,496
Due to other funds (note 7)	619,752
Deposits	287,962
Interest payable	332,406
Bonds payable, current portion (note 9)	693,907
Total current liabilities	<u>2,604,572</u>
Noncurrent liabilities:	
Advances for construction (note 16)	32,902
Other post-employment benefits (OPEB) (note 12)	802,065
Compensated absences, net of current portion (note 9)	100,499
Bonds payable, net of current portion (note 9)	21,906,388
Net pension liability (note 11)	613,640
Total noncurrent liabilities	<u>23,455,494</u>
Total liabilities	<u>26,060,066</u>
<b>Deferred Inflows of Resources</b>	
Deferred pensions (note 11)	683,372
Deferred OPEB retiree healthcare (note 12)	24,543
Deferred OPEB group life insurance (note 12)	40,000
Deferred OPEB health insurance credit (note 12)	6,580
Total deferred inflows of resources	<u>754,495</u>
<b>Net Position</b>	
Net position:	
Net investment in capital assets	132,616,889
Restricted for debt service	567,011
Unrestricted	46,664,323
Total net position	<u>179,848,223</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 206,662,784</u>

See accompanying notes to basic financials statements.

**Exhibit 6**

**County of James City, Virginia**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year ended June 30, 2018**

	<b>James City Service Authority</b>
Operating revenues:	
Water and sewer services	\$ 15,942,612
Water supply proffers	293,900
Rental income	354,987
Other	77,545
Total operating revenues	<u>16,669,044</u>
Operating expenses:	
Salaries	4,552,923
Fringe benefits	1,511,372
Operating supplies	1,150,760
Maintenance	1,381,649
Utilities	913,104
Contractual fees	877,652
Other	222,249
Total operating expenses	<u>10,609,709</u>
Operating income before depreciation and amortization	6,059,335
Depreciation and amortization	<u>7,992,438</u>
Operating loss	<u>(1,933,103)</u>
Nonoperating revenues (expenses):	
Facility charges	3,581,360
Investment income	43,940
Loss on disposal of capital assets	(165,655)
Interest expense	(754,226)
Total nonoperating revenues, net	<u>2,705,419</u>
Income before capital contributions	772,316
Capital contributions	<u>796,235</u>
Change in net position	1,568,551
Net position, beginning of year (as restated)	178,279,672
Net position, end of year	<u><u>\$ 179,848,223</u></u>

See accompanying notes to basic financials statements.

## County of James City, Virginia

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2018

	<b>James City Service Authority</b>
Cash flows from operating activities:	
Cash receipts from customers	\$ 15,781,875
Other cash receipts	739,584
Cash payments to suppliers of goods and services	(4,294,153)
Cash payments for personnel services	(6,354,308)
Facility charges	3,581,360
Net cash provided by operating activities	<u>9,454,358</u>
Cash flows from capital and related financing activities:	
Repayments of debt	(605,000)
Interest paid	(753,226)
Acquisition and construction of capital assets	(2,698,112)
Proceeds from sale of capital assets	8,845
Net cash used in capital and related financing activities	<u>(4,047,493)</u>
Cash flows from investing activities:	
Purchases of investments	(26,927,603)
Proceeds from sales of investments	21,779,889
Interest received	12,765
Net cash used in investing activities	<u>(5,134,949)</u>
Increase in cash and cash equivalents	271,916
Cash and cash equivalents, beginning of year	540,016
Cash and cash equivalents, end of year	<u>\$ 811,932</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (1,933,103)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	7,992,438
Facility charges	3,581,360
Changes in operating assets and liabilities:	
Accounts receivable, customers and others	(244,815)
Notes receivable	496,800
Inventories	(29,455)
Accounts payable	44,547
Accrued salaries	(6,486)
Compensated absences	(9,889)
Due to other funds	236,169
Deposits	97,230
Unearned revenue	(496,800)
OPEB liability and related deferred inflows/outflows of resources	(9,542)
Net pension liability and related deferred inflows/outflows of resources	(264,096)
Net cash provided by operating activities	<u>\$ 9,454,358</u>
Supplemental schedule – noncash capital and investing activities:	
Capital asset contributions	<u>\$ 796,235</u>
Unrealized loss from change in fair value of investments	<u>\$ (330,376)</u>

See accompanying notes to basic financials statements.

**County of James City, Virginia**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	<b>Deferred compensation trust fund</b>	<b>Agency funds</b>
<b>Assets</b>		
Cash and investments (note 2)	\$ -	\$ 5,345,837
Restricted cash and investments (note 2)		
Money market funds	8,026,116	386,741
Bond mutual funds	987,739	6,781,108
Debt and equities	11,030,953	-
U.S. stock funds	12,538,006	-
International stock funds	825,616	-
Accounts receivable and due from other governmental units	-	4,278,964
Total assets	<u>\$ 33,408,430</u>	<u>\$ 16,792,650</u>
<b>Liabilities and Net Position</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 4,422,887
Amounts held for others	-	12,369,763
Total liabilities	<u>-</u>	<u>16,792,650</u>
Net position restricted for deferred compensation	<u>33,408,430</u>	<u>-</u>
Total liabilities and net position	<u>\$ 33,408,430</u>	<u>\$ 16,792,650</u>

See accompanying notes to basic financials statements.

**Exhibit 9**

**County of James City, Virginia**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended June 30, 2018**

	<b>Deferred compensation trust fund</b>
Additions:	
Contributions	\$ 1,988,035
Net increase in fair value of investments	2,824,992
Total additions	<u>4,813,027</u>
Deductions:	
Distributions to employees	1,430,792
Administrative expenses	1,063
Total deductions	<u>1,431,855</u>
Change in net position restricted for deferred compensation	<u>3,381,172</u>
Net position, beginning of year	<u>30,027,258</u>
Net position, end of year	<u><u>\$ 33,408,430</u></u>

See accompanying notes to basic financials statements.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**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 County's significant accounting and reporting policies are described below.

**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**

James City Service Authority (the 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 serves all the citizens and businesses of the County and is governed by a Board of Directors that is comprised of the County's elected Board of Supervisors. The County can impose its will over the Authority, significantly influencing the programs, projects, activities, or level of service. 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, 2018 may be obtained from the Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

**Discretely Presented Component Units**

Williamsburg-James City County Public Schools (the Public Schools): The Public Schools, pursuant to an agreement dated January 14, 1954, as amended, are 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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

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, 2018, the apportionment of the Public Schools' operating costs to the City and County was \$8,981,729 (9.46%) and \$86,025,771 (90.54%), respectively. For the fiscal year ended June 30, 2018, the contributions for the Public Schools' capital project costs from the City and County were \$2,059,673 (9.49%) and \$19,649,982 (90.51%), respectively.

The Public Schools' financial statements for the fiscal year ended June 30, 2018 may be obtained from the Finance Department, 117 Ironbound Road, Williamsburg, Virginia 23185.

James City County Economic Development Authority (the 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, 2018, there were 15 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$181.4 million.

The Development Authority's financial statements for the fiscal year ended June 30, 2018 may be obtained from the Director of Economic Development, 101-D Mounts Bay Road, Williamsburg, Virginia 23185.

**Other Related Organizations and Joint Ventures**

Separate financial statements for the fiscal year ended June 30, 2018, 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 Assistant Director of Financial and Management Services of James City County, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

Williamsburg Area Medical Assistance Corporation (the 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 two board members 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.

Colonial Community Corrections Program (the 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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

Virginia Peninsulas Public Service Authority (the 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. 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. The Public Service Authority's financial statements for the fiscal year ended June 30, 2018 may be obtained from the Public Service Authority, 475 McLaws Circle, Suite 3B, Williamsburg, Virginia 23185-5676.

Williamsburg Regional Library (the Library): The Library, pursuant to an agreement dated May 26, 1977, as amended, provides library services to the City of Williamsburg, James City County and York County. The Library is operated by a board of trustees. The County appoints 6 trustees, the City of Williamsburg appoints 4 trustees and York County appoints 1 trustee. 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, 2018 may be obtained from the Library, 7770 Croaker Road, Williamsburg, Virginia 23188.

Virginia Peninsula Regional Jail Authority (the 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.

Middle Peninsula Juvenile Detention Commission (the 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.

Williamsburg Area Transit Authority (the 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 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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

**Basis of Presentation**

**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. 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 position, 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.

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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

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. These funds consist of Virginia Public Assistance, Colonial Community Corrections, Community Development, Trust, Tourism Investment, and Grants and Special Projects.

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 County's Fiduciary Funds includes the Deferred Compensation Trust Fund, which accounts for wages of employees participating in the deferred compensation plan created in accordance with Internal Revenue Code Section 457 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.

**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 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 position. The proprietary fund-type operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

The statement of net position, 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.

**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.

**Investments**

Investments are reported at fair value except for the position in Virginia's Local Government Investment Pool (LGIP) which in accordance with state law, is reported at amortized cost. The County determines fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach, or an income approach. The statement establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements.

**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 \$78,944 in the General Fund at June 30, 2018. Additionally, the County recorded an allowance for uncollectible accounts of \$32,155 related to business, professional and occupational license taxes and \$194,681 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.

**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 offset to nonspendable fund balance, which indicates that they do not constitute available spendable resources.

**Capital Assets**

Capital outlays are recorded as expenditures of the governmental 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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

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 acquisition value on the date donated.

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

**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.

**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 \$1,636,000 at June 30, 2018.

**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 the business day after the due date on taxes outstanding as of those dates and interest at 10% per annum is added.

**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 line of duty coverages are provided through a group self-insurance risk pool. The County's retention is through deductibles on a per-claim basis.

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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

Deductibles and coverage limits at June 30, 2018 are as follows:

	Deductibles	Liability Coverage Limits
Property insurance:		
Building and contents	\$ 10,000	Replacement cost
Inland marine	\$ 1,000	Functional cost/actual cash value
Flood/earthquake (outside 100 year flood plain)	\$ 25,000	\$ 50,250,000
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		\$ 10,000,000
Debris removal		\$ 25,000,000
Pollutant clean-up and removal		\$ 500,000
Utility services time element		\$ 5,000,000
Newly acquired locations for up to 120 days		\$ 25,000,000
Boiler/equipment breakdown	\$ 1,000	\$ 50,000,000
General liability	\$ 100,000	\$ 2,000,000
Public officials liability	\$ 100,000	\$ 9,000,000
Law enforcement liability	\$ 100,000	\$ 2,000,000
Automobile liability	\$ 100,000	\$ 2,000,000
Automobile comprehensive/collision	\$ 1,000	Actual cash value/repair cost
Crime	\$ 250	\$ 500,000
Cyber risk	\$ 100,000	\$ 2,000,000
Environmental liability	\$ 100,000	\$ 1,000,000
Excess liability		\$ 7,000,000
Worker's compensation; Line of duty		Statutory limits

**Bond Premiums, Discounts and Issuance Costs**

In the accompanying government-wide financial statements, bond premiums and discounts 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.

**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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

**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. Outstanding encumbrances at year-end are reported in their appropriate fund balance classification in accordance with GASB 54.

**Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balances are reported according to the following categories:

Nonspendable: Amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted: Amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed: Amounts that can be used only for the specific purposes determined by formal action of the Board of Supervisors by adoption of an ordinance and cannot be used for any other purpose unless the County removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process.

Assigned: Amounts that are intended to be used for specific purposes, but do not meet the criteria as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Supervisors, or as delegated to the Director of Financial and Management Services. The Board of Supervisors has, by resolution, authorized the Director of Financial and Management Services to assign fund balance. Unlike commitments, assignments generally only exist temporarily and an additional action is not normally required to be taken for the removal of an assignment.

Unassigned: Includes the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications. Only the general fund can report a positive unassigned fund balance. This includes the County's goal of maintaining a fiscal liquidity balance between 10%-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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

The constraints placed on fund balance for the major governmental funds and non-major governmental funds in the aggregate at June 30, 2018 were as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor governmental Funds</u>
Nonspendable:			
Inventory	\$ 311,882	\$ -	\$ -
Restricted:			
Bond proceeds held in escrow	-	1,236,338	-
Assigned:			
General government	65,222	4,373,906	5,201
Judicial administration	51,021	80,000	442,997
Public safety	149,855	459,536	819,540
Public works	356,139	1,708,129	-
Health and welfare	-	-	2,417,244
Education	-	9,204,381	-
Parks, recreation and cultural	135,233	2,209,718	25,374
Community development	312,445	6,215,647	6,812,903
Other	-	2,149,723	-
Health insurance reserve	5,123,280	-	-
Potential insurance losses	300,000	-	-
Capital reserve (debt reserve fund)	6,963,412	-	-
Subsequent year's budget - capital projects	1,891,000	-	-
Total assigned	<u>15,347,607</u>	<u>26,401,040</u>	<u>10,523,259</u>
Unassigned	<u>30,119,197</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>\$ 45,778,686</u>	<u>\$ 27,637,378</u>	<u>\$ 10,523,259</u>

**Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

**Reclassification**

Certain amounts in the prior year financial presentations in the management's discussion and analysis and statistical sections have been reclassified for comparative purposes to conform to the current year presentation.

**Adoption of New Accounting Statement**

Effective for the fiscal year ended June 30, 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*.

Statement No. 75 addresses accounting and financial reporting for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**1) Summary of Significant Accounting Policies, Continued**

The County could not practically determine the period-specific details of the change on all prior periods presented; therefore, the cumulative effect of the change was applied to the beginning balances of the OPEB liability and net position of the current year (see Note 18).

**2) Cash, Cash Equivalents and Investments**

**Primary Government**

The primary government's cash and investments at June 30, 2018, consisted of the following:

Bank deposits	\$ 62,164,715
Petty cash	8,055
Amounts held for others	140
Investments	66,996,749
Total	<u>\$ 129,169,659</u>
Per Exhibit I:	
Cash and cash equivalents	\$ 50,958,602
Investments	57,411,302
Restricted cash, cash equivalents and investments	8,286,069
Per Exhibit C-1:	
Cash and cash equivalents	5,345,837
Restricted cash and investments	7,167,849
Total	<u>\$ 129,169,659</u>

The totals above include Agency Funds in the amount of \$12,513,686 from Exhibit C-1, which are not a part of the government-wide financial statements.

Deposits with banks are fully covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia.

The primary government's restricted cash, cash equivalents and investments at June 30, 2018 are detailed as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>	<u>Total</u>
Major governmental funds			
General	Subdivision escrow		\$ 1,178,614
Capital projects	Unspent bond proceeds	\$ 1,236,338	
	Developer escrow	<u>363,494</u>	1,599,832
Nonmajor governmental funds			
Community development	Community rehabilitation	1,661,350	
Grants and special projects	Grants and special projects	<u>3,279,262</u>	4,940,612
Total			<u>\$ 7,719,058</u>
Proprietary - James City			
Service Authority	Debt service		\$ 567,011
Total			<u>\$ 8,286,069</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**2) Cash, Cash Equivalents and Investments, Continued**

As of June 30, 2018, the primary government's investments were as follows:

<b>Investment Type</b>	<b>Cost</b>	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
U.S. Treasury securities	\$ 23,980,003	\$ 23,690,836	\$ -	\$ 23,690,836	\$ -
Federal agency notes and bonds	15,332,940	15,153,740	-	15,153,740	-
Corporate notes and bonds	9,082,132	8,996,033	-	8,996,033	-
Commercial paper	3,701,972	3,725,814	-	3,725,814	-
Certificates of deposit	4,300,000	4,272,661	-	4,272,661	-
Supra-National Agency Bond/Note	124,044	122,843	-	122,843	-
Federal agency collateralized mortgage obligation	1,154,894	1,147,255	-	1,147,255	-
Subtotal	57,675,985	57,109,182	-	57,109,182	-
LGIP (amortized cost)	25,589	25,589	N/A	N/A	N/A
Money market	2,079,879	2,079,879	N/A	N/A	N/A
<b>Total</b>	<b>\$ 59,781,453</b>	<b>\$ 59,214,650</b>	<b>\$ -</b>	<b>\$ 57,109,182</b>	<b>\$ -</b>

	<b>Fair value</b>	<b>Weighted average maturity (in years)</b>		
		<b>Less than 1</b>	<b>1-2</b>	<b>2-5</b>
U.S. Treasury securities	\$ 23,690,836	\$ 1,664,933	\$ 13,520,748	\$ 8,505,155
Federal agency notes and bonds	15,153,740	2,904,570	9,010,844	3,238,326
Corporate notes and bonds	8,996,033	2,232,385	4,080,092	2,683,556
Commercial paper	3,725,814	3,725,814	-	-
Certificates of deposit	4,272,661	2,371,081	1,069,330	832,250
Supranationals	122,843	-	122,843	-
Federal agency collateralized mortgage obligation	1,147,255	163,009	323,283	660,963
LGIP	25,589	25,589	-	-
Money market	2,079,879	2,079,879	-	-
<b>Total</b>	<b>\$ 59,214,650</b>	<b>\$ 15,167,260</b>	<b>\$ 28,127,140</b>	<b>\$ 15,920,250</b>

**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, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, which measures its investments at amortized cost). 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:

U.S. Treasury obligations	100% maximum
Federal Agency obligations	100% maximum
Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
Bank deposits	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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**2) Cash, Cash Equivalents and Investments, Continued**

**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 "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, 2018 were rated by Standard & Poor's, Moody's and Fitch and/or an equivalent national rating organization and the ratings are as follows:

	Unrated	AAA	AA+	AA	AA-	A-1+	A-1
U.S. Treasury securities	\$ -	\$ -	\$ 23,690,836	\$ -	\$ -	\$ -	\$ -
Federal agency notes and bonds	-	-	15,153,740	-	-	-	-
Corporate notes and bonds	-	697,759	2,056,082	1,405,735	4,836,457	-	-
Commercial paper	-	-	-	-	-	-	3,725,814
Certificates of deposit	-	-	-	-	1,901,580	920,982	1,450,099
Supranationals	-	122,843	-	-	-	-	-
Federal agency collateralized mortgage obligation	-	-	1,147,255	-	-	-	-
LGIP	-	25,589	-	-	-	-	-
Money market	1,803,349	276,530	-	-	-	-	-
<b>Total</b>	<b>\$ 1,803,349</b>	<b>\$ 1,122,721</b>	<b>\$ 42,047,913</b>	<b>\$ 1,405,735</b>	<b>\$ 6,738,037</b>	<b>\$ 920,982</b>	<b>\$ 5,175,913</b>

**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
Commonwealth of Virginia LGIP	100% maximum
Each bank deposit institution	100% maximum
Each money market mutual fund	50% maximum
Each federal agency	35% maximum
Each repurchase agreement counterparty	25% maximum

As of June 30, 2018, the portions of the County's portfolio (excluding the blended component units), excluding U.S. Treasury notes, which exceed 5% of the total portfolio are as follows:

Issuer	% of portfolio
Freddie MAC	14.61%
Federal Home Loan Banks	14.27%

**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.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**2) Cash, Cash Equivalents and Investments, Continued**

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.

**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, 2018, all of the County's investments are held in a bank's trust department in the name of James City County.

**Component Units**

The Public School's and the Economic Development Authority's (EDA) cash and investments at June 30, 2018, consisted of the following:

	<b>Component Unit</b>	
	<b>Public Schools</b>	<b>EDA</b>
Bank deposits	\$ 17,584,844	\$ 115,729
Investments	219,943	234,354
Total cash and cash equivalents	<u>\$ 17,804,787</u>	<u>\$ 350,083</u>

The Public Schools' total includes Agency Funds of \$1,266,190, which are not part of the government-wide financial statements.

Deposits with banks are fully covered by the Federal Deposit Insurance Corporation (FDIC) or collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia.

**3) Receivables**

Amounts due from miscellaneous sources at June 30, 2018 are detailed as follows:

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>
Sales tax	\$ 1,918,282	\$ -
Meals tax	846,150	-
Emergency medical services	454,255	-
Charges for services	211,378	-
Business license	172,029	-
Other	72,600	3,661
Recordation tax	117,326	-
Deeds of conveyance	38,907	-
Utility consumption fee	29,421	-
Fines and forfeitures	22,704	-
Total	<u>\$ 3,883,052</u>	<u>\$ 3,661</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**4) 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, 2018, the balances were as follows:

	Due from other funds			Total
	General	Capital Projects	Nonmajor governmental funds	
<b>Due to other funds:</b>				
General	\$ -	\$ 2,764,853	\$ 4,745	\$ 2,769,598
Nonmajor governmental	36,847	-	-	36,847
Total	<u>\$ 36,847</u>	<u>\$ 2,764,853</u>	<u>\$ 4,745</u>	<u>\$ 2,806,445</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.

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfers In	Transfers Out
General	\$ 60,597	\$ (40,244,074)
Capital projects	13,073,353	-
Debt service	21,265,329	-
Nonmajor governmental	5,909,982	(65,187)
Total	<u>\$ 40,309,261</u>	<u>\$ (40,309,261)</u>

Transfers from the nonmajor governmental funds of \$60,597 to the General Fund were for reimbursement of a prior year expenditure and to provide funding for a tourism-related position.

Transfers from the General Fund of \$13,166,431 to the Capital Projects Fund represent the County's pay-as-you-go project funding. Transfers from the General Fund of \$21,265,329 to the Debt Service Fund were for the principal and interest on outstanding debt as the payments became due.

Transfers from the General Fund of \$5,909,982 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, 2018

**5) Due from Other Governments**

Details of amounts due from other governments as of June 30, 2018 are as follows:

<b>Primary Government</b>	<b>General</b>	<b>Nonmajor Governmental</b>	<b>Total</b>
Local:			
City of Williamsburg	\$ 96,310	\$ -	\$ 96,310
Wmbg. Regional Library	207,678	-	207,678
WJCC Schools - Comprehensive Svcs. Act	-	165,421	165,421
WJCC Schools for services	69,478	-	69,478
Other	13,639	110,179	123,818
Commonwealth of Virginia:			
Car rental tax	6,503	-	6,503
Communications sales and use tax	250,295	-	250,295
Compensation Board	180,245	-	180,245
Personal property tax relief	4,836,856	-	4,836,856
Comprehensive Services Act	-	49,129	49,129
E911 Wireless Board	17,397	-	17,397
Mobile home tax commission	8,827	-	8,827
Office of Emergency Medical Services	-	-	-
Other	29,250	74,087	103,337
Recordation tax	100,076	-	100,076
Rolling stock tax	11,917	-	11,917
Sales tax	1,431,187	-	1,431,187
Virginia Dept. of Aviation	-	89,600	89,600
Virginia Dept. of Criminal Justice Services	-	3,510	3,510
Virginia Dept. of Emergency Services	-	7,013	7,013
Virginia Dept. of Social Services	-	112,639	112,639
Virginia Dept. of Transportation	7,723	-	7,723
Federal:			
Dept. of Criminal Justice Services	-	32,528	32,528
Dept. of Homeland Security	-	490	490
Dept. of Housing & Community Development	-	380	380
Dept. of Justice	-	29,103	29,103
Dept. of Social Services	-	213,882	213,882
Dept. of Transportation	-	10,643	10,643
FEMA	-	48,152	48,152
<b>Total</b>	<b>\$ 7,267,381</b>	<b>\$ 946,756</b>	<b>\$ 8,214,137</b>

**Component Unit - Public Schools**

Federal government	\$ 1,123,971
Commonwealth of Virginia	5,278
City of Williamsburg	261,951
Fiduciary fund	192,837
<b>Total</b>	<b>\$ 1,584,037</b>

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**6) Capital Assets**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balances July 1, 2017	Increases	Decreases	Balances June 30, 2018
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land and land improvements	\$ 28,132,818	\$ -	\$ -	\$ 28,132,818
Construction in progress	21,498,917	22,175,103	11,392,863	32,281,157
Intangible assets - easements	8,826,349	-	-	8,826,349
Total capital assets not being depreciated	<u>58,458,084</u>	<u>22,175,103</u>	<u>11,392,863</u>	<u>69,240,324</u>
Capital assets being depreciated:				
Depreciable land improvements	-	104,202	-	104,202
Intangible assets	-	543,371	-	543,371
Buildings and improvements	336,248,929	3,107,885	162,112	339,194,702
Improvements other than buildings	37,496,478	477,943	-	37,974,421
Equipment and vehicles	46,003,865	8,448,879	2,416,311	52,036,433
Infrastructure	10,613,669	90,725	-	10,704,394
Total capital assets being depreciated	<u>430,362,941</u>	<u>12,773,005</u>	<u>2,578,423</u>	<u>440,557,523</u>
Less accumulated depreciation for:				
Depreciable land improvements	-	689	-	689
Intangible assets	-	9,056	-	9,056
Buildings and improvements	99,981,699	7,471,964	157,089	107,296,574
Improvements other than buildings	11,586,639	1,202,431	-	12,789,070
Equipment and vehicles	34,224,225	3,580,607	1,804,185	36,000,647
Infrastructure	4,293,643	381,672	-	4,675,315
Total accumulated depreciation	<u>150,086,206</u>	<u>12,646,419</u>	<u>1,961,274</u>	<u>160,771,351</u>
Total capital assets being depreciated, net	<u>280,276,735</u>	<u>126,586</u>	<u>617,149</u>	<u>279,786,172</u>
Total	<u>\$ 338,734,819</u>	<u>\$ 22,301,689</u>	<u>\$ 12,010,012</u>	<u>\$ 349,026,496</u>

Depreciation was charged to governmental functions as follows:

General government administration	\$ 834,155
Judicial administration	301,622
Public safety	3,393,114
Public works	476,250
Parks, recreation and cultural	1,933,838
Community development	359,170
Education	5,000,891
Health and welfare	347,379
Total	<u>\$ 12,646,419</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**6) Capital Assets, Continued**

<b>Business-type activity:</b>	<b>Balances July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2018</b>
Capital assets not being depreciated:				
Land	\$ 1,739,491	\$ -	\$ -	\$ 1,739,491
Land - utility plant	955,995	-	-	955,995
Land improvements	13,183	-	-	13,183
Construction in progress	2,398,338	5,972,159	4,376,676	3,993,821
Intangible assets - easements	4,570	-	-	4,570
Total capital assets not being depreciated	<u>5,111,577</u>	<u>5,972,159</u>	<u>4,376,676</u>	<u>6,707,060</u>
Capital assets being depreciated:				
Water and sewer systems - utility plant	253,790,928	1,491,999	-	255,282,927
Buildings and improvements	5,284,909	59,716	950,147	4,394,478
Office fixtures and equipment	2,049,369	141,000	61,644	2,128,725
Automotive equipment	2,839,714	114,351	48,780	2,905,285
Intangible assets - water rights	25,000,000	-	-	25,000,000
Infrastructure	-	91,798	-	91,798
Total capital assets being depreciated	<u>288,964,920</u>	<u>1,898,864</u>	<u>1,060,571</u>	<u>289,803,213</u>
Less accumulated depreciation for:				
Water and sewer systems - utility plant	125,542,787	6,787,815	-	132,330,602
Buildings and improvements	1,783,924	156,556	779,908	1,160,572
Office fixtures and equipment	1,304,925	150,486	57,383	1,398,028
Automotive equipment	2,156,815	283,554	48,780	2,391,589
Intangible assets - water rights	5,061,350	613,497	-	5,674,847
Infrastructure	-	530	-	530
Total accumulated depreciation	<u>135,849,801</u>	<u>7,992,438</u>	<u>886,071</u>	<u>142,956,168</u>
Total capital assets being depreciated, net	<u>153,115,119</u>	<u>(6,093,574)</u>	<u>174,500</u>	<u>146,847,045</u>
Total	<u>\$ 158,226,696</u>	<u>\$ (121,415)</u>	<u>\$ 4,551,176</u>	<u>\$ 153,554,105</u>

Depreciation was charged to the business-type operations as follows:

Water	\$ 5,043,640
Sewer	2,948,798
Total	<u>\$ 7,992,438</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**6) Capital Assets, Continued**

<b>Component Unit - Public Schools</b>	<b>Balances July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2018</b>
Capital assets not being depreciated:				
Land improvements	\$ 8,435,126	\$ -	\$ -	\$ 8,435,126
Construction in progress	3,690,362	5,074,496	6,968,876	1,795,982
Total capital assets not being depreciated	12,125,488	5,074,496	6,968,876	10,231,108
Capital assets being depreciated:				
Buildings and improvements	57,637,333	7,181,574	-	64,818,907
Furniture and equipment	24,943,057	1,416,986	97,857	26,262,186
Total capital assets being depreciated	82,580,390	8,598,560	97,857	91,081,093
Less accumulated depreciation for:				
Buildings and improvements	21,256,940	2,815,495	-	24,072,435
Furniture and equipment	16,699,641	1,686,077	55,778	18,329,940
Total accumulated depreciation	37,956,581	4,501,572	55,778	42,402,375
Total capital assets being depreciated, net	44,623,809	4,096,988	42,079	48,678,718
Total	\$ 56,749,297	\$ 9,171,484	\$ 7,010,955	\$ 58,909,826

Depreciation of \$4,501,572 was charged to the Public Schools' governmental functions.

The total construction in progress for the Public Schools was \$28,002,130 at June 30, 2018. Capital outlay expenditures totaling \$26,206,148 are presented in the County's construction in progress balance in order to match the corresponding debt.

<b>Component Unit - EDA</b>	<b>Balances July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2018</b>
Capital assets not being depreciated:				
Land	\$ 233,106	\$ 804,845	\$ -	\$ 1,037,951
Land improvements	-	34,200	-	34,200
Construction in progress	815,639	-	649,129	166,510
Total capital assets not being depreciated	1,048,745	839,045	649,129	1,238,661
Capital assets being depreciated:				
Land improvements	-	237,988	-	237,988
Buildings and improvements	-	290,095	-	290,095
Infrastructure	-	182,379	-	182,379
Furniture and equipment	5,119	-	-	5,119
Total capital assets being depreciated	5,119	710,462	-	715,581
Less accumulated depreciation for:				
Buildings and improvements	-	4,835	-	4,835
Land improvements	-	7,933	-	7,933
Infrastructure	-	4,155	-	4,155
Furniture and equipment	3,029	512	-	3,541
Total accumulated depreciation	3,029	17,435	-	20,464
Total capital assets being depreciated, net	2,090	693,027	-	695,117
Total	\$ 1,050,835	\$ 1,532,072	\$ 649,129	\$ 1,933,778

**7) Due From and To Component Units**

The Authority owed the County \$619,752 at June 30, 2018, which primarily represented payroll expenses and purchase card expenses.

The County funds its construction costs for schools through the Capital Projects Fund for the component unit - Public Schools. At June 30, 2018, the County owed the Public Schools \$4,110,325 (primarily for construction incurred by the Public Schools). The Public Schools owed the County \$2,764,852 (for local schools funds unexpended at year-end that are contractually required to be returned to the County). The net due to component unit - Public Schools was \$1,345,473 at June 30, 2018.

The County owed the Development Authority \$3,544 for its contribution for enterprise zone incentive payments.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**8) Unavailable Revenue and Unearned Revenue**

Unavailable revenue represents amounts that have been earned but are not available. Unavailable revenue consists of the following as of June 30, 2018:

	General fund	Capital projects	Other governmental funds	Total
Medic fees	\$ 276,593	\$ -	\$ -	\$ 276,593
Grants not collected within availability period	-	-	388,242	388,242
Property taxes not collected within availability period	19,754,144	593	-	19,754,737
	<u>\$ 20,030,737</u>	<u>\$ 593</u>	<u>\$ 388,242</u>	<u>\$ 20,419,572</u>

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Details of unearned revenue as of June 30, 2018 were as follows:

	General fund	Capital projects	Other governmental funds	Total
Prepaid property taxes and fees	\$ 621,868	\$ -	\$ -	\$ 621,868
Grants received in advance	-	-	6,000	6,000
Loans	-	-	2,416,169	2,416,169
	<u>\$ 621,868</u>	<u>\$ -</u>	<u>\$ 2,422,169</u>	<u>\$ 3,044,037</u>

**9) Long-Term Liabilities**

**Primary Government**

A summary of the County's long-term liability activity for governmental activities for the fiscal year ended June 30, 2018, is presented below:

<b>Governmental activities</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>	<b>Due within one year</b>
General obligation bonds	\$ 41,020,000	\$ -	\$ 5,515,000	\$ 35,505,000	\$ 4,090,000
Lease revenue/refunding bonds	109,025,000	-	9,757,000	99,268,000	9,877,000
Bond premiums, net	13,966,250	-	1,320,943	12,645,307	1,320,944
Capital leases	4,195,266	-	1,012,125	3,183,141	1,036,182
Landfill post-closure care	1,184,879	-	1,009,906	174,973	62,324
Compensated absences	3,687,845	3,949,333	3,949,925	3,687,253	2,765,440
Pension liability	22,933,112	-	9,020,732	13,912,380	-
Net OPEB liability	3,046,962	5,877,991	862,126	8,062,827	-
Total	<u>\$199,059,314</u>	<u>\$ 9,827,324</u>	<u>\$ 32,447,757</u>	<u>\$176,438,881</u>	<u>\$ 19,151,890</u>

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

**Arbitrage**

Arbitrage is the difference between the yield on an issuer's tax-exempt bonds and the investment income earned on the proceeds. Arbitrage restrictions imposed by the federal government prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. Any excess arbitrage must be rebated to the U.S. Treasury. As of June 30, 2018, there was no rebate liability.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**9) Long-Term Liabilities, Continued**

Details of long-term bond indebtedness at June 30, 2018 for governmental activities were as follows:

	Sale date	Original borrowing	Interest rates	Final maturity	Balance June 30, 2018
<b>General obligation bonds</b>					
Virginia Public School Authority bonds (Series A)	1999	\$ 19,220,000	5.10-5.225%	2020	\$ 2,855,000
Virginia Public School Authority bonds (Series B)	1999	1,250,000	6.10%	2020	120,000
Virginia Public School Authority bonds (Series A)	2011	1,000,000	4.25%	2031	700,000
General obligation refunding bonds	2014	21,610,000	2.00-5.00%	2028	18,605,000
General obligation refunding bonds (Series A)	2015	11,280,000	2.50-5.00%	2030	11,200,000
Taxable general obligation refunding bonds (Series B)	2015	3,820,000	1.50-2.00%	2020	2,025,000
				<b>Total</b>	<b>\$ 35,505,000</b>
<b>Lease revenue/refunding bonds</b>					
Lease revenue bonds - Build America Bonds	2009	14,935,000	4.00-4.60%	2030	\$ 9,555,000
Lease revenue bonds	2011	6,672,000	2.18%	2022	2,668,000
Lease revenue bonds	2012	26,380,000	3.00-5.00%	2033	16,845,000
Lease revenue refunding bonds	2014	12,575,000	3.00-4.00%	2026	9,640,000
Lease revenue refunding bonds	2015	49,815,000	4.00-5.00%	2026	35,700,000
Lease revenue bonds	2016	26,750,000	2.00-5.00%	2036	24,860,000
				<b>Total</b>	<b>\$ 99,268,000</b>
Capital lease	2010	1,312,522	3.725%	2021	\$ 452,951
Capital lease	2017	4,736,044	2.160%	2021	2,730,190
				<b>Total</b>	<b>\$ 3,183,141</b>

The debt service requirements for the governmental activities' bond obligations are as follows:

Year ending June 30,	General obligation bonds		Lease revenue/refunding bonds	
	Principal	Interest	Principal	Interest
2019	\$ 4,090,000	\$ 1,335,088	\$ 9,877,000	\$ 4,162,085
2020	4,195,000	1,181,116	8,782,000	3,720,134
2021	2,710,000	1,062,788	8,907,000	3,329,013
2022	2,790,000	928,037	9,057,000	2,911,373
2023	2,885,000	789,038	8,540,000	2,493,915
2024-2028	13,595,000	2,088,613	33,265,000	6,753,759
2029-2033	5,240,000	335,750	15,665,000	2,220,355
2034-2036	-	-	5,175,000	313,500
<b>Total</b>	<b>\$ 35,505,000</b>	<b>\$ 7,720,430</b>	<b>\$ 99,268,000</b>	<b>\$ 25,904,134</b>

In November 2010, the County executed a regional lease purchase agreement with York County to purchase enhanced 911 equipment to service each respective jurisdiction's Dispatch Center and to be compatible with current technology and telephone systems. The amount included in capital assets at June 30, 2018 was \$1,008,200 and depreciation expense of \$100,820 was incurred during fiscal year 2018.

In July 2016, the County entered into a Memorandum of Understanding with York County to upgrade the joint public safety/public services radio communication system. The County's portion was \$4,736,044 and is included in capital assets. Depreciation expense of \$947,209 was incurred during fiscal year 2018.

The present value of future minimum capital lease payments of the County as of June 30, 2018 is as follows:

Year ending June 30:	
2019	\$ 1,112,027
2020	1,112,027
2021	1,112,027
Total minimum lease payments	3,336,081
Less amount representing interest	(152,940)
Present value of minimum capital lease payments	<b>\$ 3,183,141</b>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**9) Long-Term Liabilities, Continued**

A summary of the County's long-term liability activity for its business-type activity for the fiscal year ended June 30, 2018, is presented below:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>	<b>Due within one year</b>
Revenue refunding bonds	\$ 21,810,000	\$ -	\$ 605,000	\$ 21,205,000	\$ 630,000
Premium, net	1,459,202	-	63,907	1,395,295	63,907
Pension liability	1,868,655	-	1,255,015	613,640	-
Net OPEB liability	313,509	488,556	-	802,065	-
Compensated absences	411,884	450,885	460,774	401,995	301,496
Total	<u>\$ 25,863,250</u>	<u>\$ 939,441</u>	<u>\$ 2,384,696</u>	<u>\$ 24,417,995</u>	<u>\$ 995,403</u>

Details of long-term bond indebtedness at June 30, 2018 for the business-type activity were as follows:

	<b>Sale date</b>	<b>Original borrowing</b>	<b>Interest rates</b>	<b>Final maturity</b>	<b>Balance June 30, 2018</b>
Revenue refunding bonds					
Water and sewer system revenue refunding bonds	2016	\$ 22,595,000	3.00-5.00%	2040	<u>\$ 21,205,000</u>

The debt service requirements for the business-type activity debt obligations are as follows:

<b>Year ending June 30,</b>	<b>Revenue refunding bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2019	\$ 630,000	\$ 725,250
2020	655,000	700,050
2021	690,000	667,300
2022	720,000	632,800
2023	745,000	611,200
2024-2028	4,280,000	2,502,000
2029-2033	5,040,000	1,729,500
2034-2038	5,855,000	926,250
2039-2040	2,590,000	117,150
Total	<u>\$ 21,205,000</u>	<u>\$ 8,611,500</u>

**Component Unit - Public Schools**

A summary of the Public Schools' long-term liability activity for the fiscal year ended June 30, 2018, is presented below:

<b>Component unit - Public Schools</b>	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>	<b>Due within one year</b>
Capital leases	\$ 101,542	\$ -	\$ 69,243	\$ 32,299	\$ 32,299
Pension liability	122,131,689	-	15,930,689	106,201,000	-
Net OPEB liability	6,143,300	15,572,175	-	21,715,475	-
Compensated absences	1,148,898	1,107,471	966,865	1,289,504	580,277
Total	<u>\$ 129,525,429</u>	<u>\$ 16,679,646</u>	<u>\$ 16,966,797</u>	<u>\$ 129,238,278</u>	<u>\$ 612,576</u>

**10) 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.

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**10) Landfill Closure and Postclosure Care Cost, Continued**

The \$174,973 reported as landfill postclosure liability at June 30, 2018, represents the amount estimated to monitor the landfill for an average monitoring period of 25 years, and is based on what it would cost to perform all closure and postclosure care in 2018. The decrease of \$1,009,906 from prior year is the net impact of the release from a corrective action financial assurance of \$1,000,000, and an inflation factor of 1.018, required by the Department of Environment Quality. Actual costs may be higher due to inflation, technology changes, or regulation changes. The County intends to fund these costs from the net revenues collected from the above contract and from any funds accumulated for this purpose in the County's General Fund.

**11) Pension Plan**

The County, Authority, and Public Schools' non-professional employees participate in a multi-employer, agent defined benefit pension plan administered by the Virginia Retirement System (VRS). The Public Schools' professional employees (Teacher Retirement Plan) participate in a multi-employer, cost sharing defined benefit pension plan administered by VRS. The VRS establishes a separate annual contribution requirement for the Public Schools' professional employees who participate in the VRS statewide teacher cost-sharing pool.

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

**Plan Description**

All full-time, salaried regular employees of the County, Authority, and Public Schools (professional and non-professional) are automatically covered by VRS upon employment. This plan is administered by the VRS (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave and previously refunded service.

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

<b>Plan 1</b>
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**About Plan 1:** Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

**Eligible Members:** Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013, and they have not taken a refund.

**Hybrid Opt-In Election:** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.

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**11) Pension Plan, Continued**

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.

**Retirement Contributions:** Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Creditable Service:** Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Vesting:** Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

**Calculating the Benefit:** The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

**Average Final Compensation:** A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

**Normal Retirement Age:** Age 65 and age 60 for political subdivisions hazardous duty employees.

**Earliest Unreduced Retirement Eligibility:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. For hazardous duty employees, age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**Earliest Reduced Retirement Eligibility:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service. For hazardous duty employees, age 50 with at least five years of creditable service.

**County of James City, Virginia**  
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**11) Pension Plan, Continued**

**Cost-of-Living Adjustment (COLA) in Retirement:** The COLA matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

**Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

**Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**Disability Coverage:** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

**Purchase of Prior Service:** Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.

<b>Plan 2</b>
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**About Plan 2:** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.

**Eligible Members:** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

**Hybrid Opt-In Election:** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.

**Retirement Contributions:** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction.

**County of James City, Virginia**  
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**11) Pension Plan, Continued**

**Creditable Service:** Same as Plan 1.

**Vesting:** Same as Plan 1.

**Calculating the Benefit:** See definition under Plan 1.

**Average Final Compensation:** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. For Sheriffs, regional jail superintendents and political subdivisions hazardous duty employees, it is the same as Plan 1.

**Normal Retirement Age:** Normal Social Security retirement age. For political subdivisions hazardous duty employees, it is the same as Plan 1.

**Earliest Unreduced Retirement Eligibility:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. For political subdivisions hazardous duty employees, it is the same as Plan 1.

**Earliest Reduced Retirement Eligibility:** Age 60 with at least five years (60 months) of creditable service. For political subdivisions hazardous duty employees, it is the same as Plan 1.

**Cost-of-Living Adjustment (COLA) in Retirement:** The COLA matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

**Eligibility:** Same as Plan 1.

**Exceptions to COLA Effective Dates:** Same as Plan 1.

**Disability Coverage:** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.

**Purchase of Prior Service:** Same as Plan 1.

<b>Hybrid Retirement Plan</b>
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**About the Hybrid Retirement Plan:** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

**County of James City, Virginia**  
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**11) Pension Plan, Continued**

**Eligible Members:** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes political subdivision employees, members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. Some employees are not eligible to participate in the Hybrid Retirement Plan. They include political subdivision employees who are covered by enhanced benefits for hazardous duty employees. Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.

**Retirement Contributions:** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**Creditable Service**

**Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**Vesting**

**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

**Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. After two years, a member is 50% vested and may withdraw 50% of employer contributions. After three years, a member is 75% vested and may withdraw 75% of employer contributions. After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.

**Calculating the Benefit**

**Defined Benefit Component:** See definition under Plan 1.

**Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**Average Final Compensation:** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

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**11) Pension Plan, Continued**

***Service Retirement Multiplier***

**Defined Benefit Component:** The retirement multiplier is 1.00%. For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. This is not applicable to Sheriffs, jail superintendents and political subdivisions hazardous duty employees.

**Defined Contribution Component:** Not applicable.

***Normal Retirement Age***

**Defined Benefit Component:** Same as Plan 2. This is not applicable to political subdivisions hazardous duty employees.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Unreduced Retirement Eligibility***

**Defined Benefit Component:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. This is not applicable to political subdivisions hazardous duty employees.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Earliest Reduced Retirement Eligibility***

**Defined Benefit Component:** Age 60 with at least five years (60 months) of creditable service. This is not applicable to political subdivisions hazardous duty employees.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

***Cost-of-Living Adjustment (COLA) in Retirement***

**Defined Benefit Component:** Same as Plan 2.

**Defined Contribution Component:** Not applicable.

**Eligibility:** Same as Plan 1 and Plan 2.

**Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

***Disability Coverage:*** Employees of political subdivision (including Plan 1 and Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

***Purchase of Prior Service***

**Defined Benefit Component:** Same as VRS Plan 1 with the following exceptions:

- Hybrid retirement plan members are ineligible for ported service.

**Defined Contribution Component:** Not applicable.

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**11) Pension Plan, Continued**

**Agent Multiple-Employer Plan**

***Employees Covered by Benefit Terms***

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

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component unit- Public Schools (non-professional)</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>
Inactive members or their beneficiaries currently receiving benefits	406	44	96
Inactive members:			
Vested	150	12	21
Non-vested	175	17	71
Active elsewhere in VRS	256	28	45
Total inactive members	581	57	137
Active members	785	85	217
Total	1,772	186	450

***Contributions***

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

The County's, Authority's and Public Schools' contractually required contribution rates for the year ended June 30, 2018 were 9.37%, 7.29% and 4.67%, respectively, of covered employee compensation. These rates were based on actuarially determined rates from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Total contributions to the pension plan from the County were \$3,793,308 and \$3,640,677, the Authority were \$308,672 and \$297,668, and the Public Schools were \$224,276 and \$233,512 for years ended June 30, 2018 and 2017, respectively.

***Net Pension Liability***

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

***Actuarial Assumptions - General Employees***

The total pension liability for general employees in the County's retirement plan was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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**11) Pension Plan, Continued**

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

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-retirement:

RP-2014 employee rates to age 80, healthy annuitant rates at ages 81 and older projected with scale of BB to 2020; males 95% of rates; females 105% of rates.

Post-retirement:

RP-2014 employee rates to age 49, healthy annuitant rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-retirement:

RP-2014 employee rates to age 80, healthy annuitant rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates

Post-retirement:

RP-2014 employee rates to age 49, healthy annuitant rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Largest 10 - Non-Hazardous Duty:

- Update mortality rates to a more current mortality table - RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

- Update mortality rates to a more current mortality table - RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 15%

**County of James City, Virginia**  
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**11) Pension Plan, Continued**

***Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits***

The total pension liability for public safety employees in the retirement plan was based on an actuarial valuation as of June 30, 2016, using the entry age normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 – Hazardous Duty: 70% of deaths are assumed to be service related

Pre-retirement:

RP-2014 employee rates to age 80, healthy annuitant rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-retirement:

RP-2014 employee rates to age 49, healthy annuitant rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) – Hazardous Duty: 45% of deaths are assumed to be service related

Pre-retirement:

RP-2014 employee rates to age 80, healthy annuitant rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-retirement:

RP-2014 employee rates to age 49, healthy annuitant rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Largest 10 - Hazardous Duty:

- Update mortality rates to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience
- Increased disability rates
- No change in salary scale
- Increase line of duty disability rate from 60% to 70%

**County of James City, Virginia**  
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**11) Pension Plan, Continued**

All Others (Non 10 Largest) - Hazardous Duty:

- Update mortality rates to a more current mortality table – RP-2014 projected to 2020
- Increased age 50 retirement rates and lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better fit experience
- No change in salary scale
- Decrease line of duty disability rate from 60% to 45%

***Long Term Expected Rate of Return***

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

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

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

***Discount Rate***

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**11) Pension Plan, Continued**

***Changes in Net Pension Liability***

	<b>Increase (decrease)</b>		
	<b>Total pension liability (a)</b>	<b>Plan fiduciary net pension (b)</b>	<b>Net pension liability (asset) (a) - (b)</b>
<b>Governmental activities</b>			
Balances at June 30, 2016	\$ 168,645,685	\$ 145,712,573	\$ 22,933,112
Changes for the year:			
Service cost	4,344,463	-	4,344,463
Interest	11,561,915	-	11,561,915
Changes of assumptions	(1,296,832)	-	(1,296,832)
Difference between expected and actual experience	(554,290)	-	(554,290)
Contributions - employer	-	3,536,962	(3,536,962)
Contributions - employee	-	1,934,998	(1,934,998)
Net investment income	-	17,721,493	(17,721,493)
Benefit payments, including refunds of employee contributions	(6,950,943)	(6,950,943)	-
Administrative expenses	-	(101,649)	101,649
Other changes	-	(15,816)	15,816
Net changes	7,104,313	16,125,045	(9,020,732)
Balances at June 30, 2017	\$ 175,749,998	\$ 161,837,618	\$ 13,912,380
<b>Business-type activity</b>			
Balances at June 30, 2016	\$ 16,028,334	\$ 14,159,679	\$ 1,868,655
Changes for the year:			
Service cost	411,137	-	411,137
Interest	1,104,652	-	1,104,652
Changes of assumptions	(335,427)	-	(335,427)
Difference between expected and actual experience	(213,521)	-	(213,521)
Contributions - employer	-	288,588	(288,588)
Contributions - employee	-	210,624	(210,624)
Net investment income	-	1,734,000	(1,734,000)
Benefit payments, including refunds of employee contributions	(495,181)	(495,181)	-
Administrative expenses	-	(9,804)	9,804
Other changes	-	(1,552)	1,552
Net changes	471,660	1,726,675	(1,255,015)
Balances at June 30, 2017	\$ 16,499,994	\$ 15,886,354	\$ 613,640
<b>Component unit - Public Schools (non-professional)</b>			
Balances at June 30, 2016	\$ 17,783,291	\$ 17,720,602	\$ 62,689
Changes for the year:			
Service cost	523,460	-	523,460
Interest	1,222,200	-	1,222,200
Changes of assumptions	(236,957)	-	(236,957)
Difference between expected and actual experience	(318,599)	-	(318,599)
Contributions - employer	-	233,501	(233,501)
Contributions - employee	-	257,483	(257,483)
Net investment income	-	2,158,117	(2,158,117)
Benefit payments, including refunds of employee contributions	(646,577)	(646,577)	-
Administrative expenses	-	(12,355)	12,355
Other changes	-	(1,926)	1,926
Net changes	543,527	1,988,243	(1,444,716)
Balances at June 30, 2017	\$ 18,326,818	\$ 19,708,845	\$ (1,382,027)

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**11) Pension Plan, Continued**

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

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

	<b>1% Decrease (6%)</b>	<b>Current Discount Rate (7%)</b>	<b>1% Increase (8%)</b>
<b>Governmental activities</b>			
Net pension liability (asset)	\$ 37,924,862	\$ 13,912,380	\$ (5,947,186)
<b>Business-type activity</b>			
Net pension liability (asset)	\$ 2,785,275	\$ 613,640	\$ (1,194,376)
<b>Component unit - Public Schools (non-professional)</b>			
Net pension liability (asset)	\$ 812,045	\$ (1,382,027)	\$ (3,231,805)

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2018, the County, Authority, and Schools (non-professional) recognized pension expense of \$1,424,540, \$35,495 and (\$114,268), respectively. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
<b>Governmental activities</b>		
Differences between expected and actual experience	\$ 81,803	\$ 1,875,083
Changes of assumptions	-	945,387
Net difference between projected and actual earnings on pension plan investments	-	2,295,647
Employer contributions subsequent to the measurement date	3,793,308	-
Total	<u>\$ 3,875,111</u>	<u>\$ 5,116,117</u>
<b>Business-type activity</b>		
Differences between expected and actual experience	\$ 71,691	\$ 207,063
Changes of assumptions	-	245,980
Net difference between projected and actual earnings on pension plan investments	-	230,327
Employer contributions subsequent to the measurement date	308,672	-
Total	<u>\$ 380,363</u>	<u>\$ 683,370</u>
<b>Component unit - Public Schools (non-professional)</b>		
Differences between expected and actual experience	\$ -	\$ 280,245
Changes of assumptions	-	164,047
Net difference between projected and actual earnings on pension plan investments	-	284,678
Employer contributions subsequent to the measurement date	224,276	-
Total	<u>\$ 224,276</u>	<u>\$ 728,970</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**11) Pension Plan, Continued**

The County, Authority, and Schools reported deferred outflows of resources of \$3,793,308, \$308,672 and \$224,276, respectively, related to pensions resulting from contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended</b>	<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Component unit - Public Schools (non-professional)</b>
2019	\$ (2,520,303)	\$ (290,103)	\$ (381,215)
2020	(441,743)	(75,737)	(117,624)
2021	(556,771)	(97,226)	(45,406)
2022	(1,515,497)	(148,614)	(184,725)
	<u>\$ (5,034,314)</u>	<u>\$ (611,680)</u>	<u>\$ (728,970)</u>

***Pension Plan Data***

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

**Cost-Sharing Multiple-Employer Plan - Teacher Retirement Plan (Professional Plan)**

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5% of their compensation toward their retirement. The Public Schools' contractually required contribution rate for the year ended June 30, 2018 was 16.32% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and reflects the transfer in June 2015 of \$192,884,000 as an accelerated payback of the deferred contribution in the 2010-12 biennium. The actuarial determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$10,992,169 and \$9,829,909 for the years ended June 30, 2018 and June 30, 2017, respectively.

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

At June 30, 2018, the Public Schools' reported a liability of \$106,201,000 for its proportionate share of the Net Pension Liability of the Teacher Retirement Plan. The Net Pension Liability was measured as of June 30, 2017 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**11) Pension Plan, Continued**

The Public Schools' proportion of the Net Pension Liability was based on the Public Schools' actuarially determined employer contributions to the pension plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Public Schools' proportion was 0.86356% as compared to 0.87104% at June 30, 2016.

For the year ended June 30, 2018, the Public Schools' recognized pension expense of \$7,793,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2018, the Public Schools' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the Teacher Retirement Plan:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
<b>Component unit - Public Schools (professional plan)</b>		
Differences between expected and actual experience	\$ -	\$ 7,520,000
Change in assumptions	1,550,000	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,197,000	1,725,000
Differences between expected and actual investment earnings on pension plan investments	-	3,858,000
Employer contributions subsequent to the measurement date	10,992,169	-
Total	<u>\$ 13,739,169</u>	<u>\$ 13,103,000</u>

Deferred outflows of resources report in the amount of \$10,992,169 related to pensions resulting from the Public Schools' contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended</u>	<u>Component unit - Public Schools (professional plan)</u>
2019	\$ (4,214,000)
2020	(278,000)
2021	(1,522,000)
2022	(3,850,000)
2023	(492,000)
	<u>\$ (10,356,000)</u>

**Actuarial Assumptions**

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

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**11) Pension Plan, Continued**

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

**Mortality rates**

**Pre Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020.

**Post-Retirement:**

RP-2014 White Collar Employee Rates at age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:**

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2012 through June 30, 2016.

Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and changed final retirement age from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service year through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

***Net Pension Liability***

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

	<b>Teacher Employee Retirement Plan</b>
Total Pension Liability	\$ 45,417,520
Plan Fiduciary Net Position	33,119,545
Employers' Net Pension Liability (Asset)	<u>\$ 12,297,975</u>
Plan Fiduciary Net Position as a % of the Total Pension Liability	72.92%

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**11) Pension Plan, Continued**

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

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

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

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

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

***Discount Rate***

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

***Sensitivity of the Public Schools' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**11) Pension Plan, Continued**

<b>Component unit - Public Schools (professional plan)</b>	<b>1% Decrease (6%)</b>	<b>Current Discount Rate (7%)</b>	<b>1% Increase (8%)</b>
Net pension liability	\$ 158,593,000	\$ 106,201,000	\$ 62,861,000

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be requested from the System's Chief Financial Officer in writing at P.O. Box 2500, Richmond, VA 23218-2500 or by downloading a copy from the VRS website at: <https://www.varetire.org/pdf/publications/2017-annual-report.pdf>.

**12) Other Post-Employment Benefits (OPEB)**

<b>Multiple Employer Agent Plan - Retiree Healthcare</b>
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The County, Authority and Public Schools provide post-employment health care benefits for qualifying retired employees who are not yet eligible for Medicare through an agent, multiple-employer (County and Authority and single-employer for the Schools) defined benefit plan. The plans are administered by the County and Schools, respectively, and 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.

Valuation reports were prepared for the County, Authority and Schools by Bolton Partners. The County and Authority reports may be obtained from the James City County Department of Financial and Management Services, 101-F Mounts Bay Road, Williamsburg, Virginia 23187-8784. The Public Schools' report may be obtained from the Finance Department, 117 Ironbound Road, Williamsburg, Virginia 23185.

***Plan Description***

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the County or Authority and are at least 55 years of age with 15 years of service. 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 five plans offered by 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 employer obligation. There is no coverage for post-Medicare retirees.

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 the monthly \$62.50 contribution, as applicable. The Public Schools' plan allows eligible retirees to receive a \$750 annual contribution toward their health insurance premium if they have a minimum of twelve continuous years of service. The Public Schools' current membership is 35.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
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**12) Other Post-Employment Benefits (OPEB), Continued**

***Funding Policy***

Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the County and Authority has an implicit obligation. Retirees pay 100% of the published rates for individual and dependent coverage until age 65. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees. The County, Authority and Public Schools do not intend to establish a trust to pre-fund their obligations. The anticipated growth in the net OPEB liability 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.

***Employees Covered by Benefit Terms***

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the OPEB plan:

	Number of participants		
	County	Authority	Public Schools
Active employees	568	74	1,148
Retirees	19	1	30
Total	587	75	1,178

***Actuarial Methods and Assumptions***

For the actuarial valuation at July 1, 2017 (measurement date of June 30, 2017), the entry age normal funding method was used. The goal of this method is that the annual accrual (or normal cost) be a level percent of pay throughout an employee's career. This method requires a salary increase assumption. The normal cost percentage is equal to the present value of benefits divided by the present value of future salary determined when the employee was hired. The actuarial accrued liability is equal to the present value of benefits minus the normal cost percentage times the present value of future salaries at the valuation date.

The actuarial assumptions included calculations based on a discount rate of 3.58% for the unfunded liability. Benefits are discounted based on an index rate for 20-year tax exempt general obligation (GO) municipal bonds with an average rating of AA/Aa or higher. For this valuation, the Bond Buyer GO 20-year Bond Municipal Bond Index was used.

The medical trend assumption for the County and Authority were changed from the previous valuation to an assumption developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007 and revised in 2014. The following assumptions were used as input variables into this model:

Inflation	2.20%
Rate of growth in real income/ GDP per capita	1.63%
Income multiplier for health spending	1.30
Extra trend due to technology and other factors	1.40%
Health share of GDP resistance point	25.00%
Year for limiting cost growth to GDP growth	2075

The medical trend assumption for the Public Schools was changed from the previous valuation to an assumption developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in December 2007. The following assumptions were used as input variables into this model:

Inflation	2.80%
Rate of growth in real income/ GDP per capita	1.50%
Income multiplier for health spending	1.30
Extra trend due to technology and other factors	1.10%
Health share of GDP resistance point	23.00%
Year for limiting cost growth to GDP growth	2060

**County of James City, Virginia**  
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**12) Other Post-Employment Benefits (OPEB), Continued**

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group.

The actuarial assumptions for the County and Authority included calculations based on salary increases of 3.15%-1.30% (general) and 2.55%-1.30% (public safety) based on years of service. The valuation assumed that 40% of participants currently with coverage will elect coverage upon retirement, and that 30% of participants electing coverage at retirement will elect coverage for their spouse.

Mortality decrements:

- Pre-Retirement (General): RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males set forward 2 years and females set back 3 years
- Pre-Retirement (LEOS): RP 2000 Employee Mortality Table Projected with Scale AA to 2020, males and females set back 2 years
- Post-Retirement (General): RP 2000 Combined Mortality Table Projected with Scale AA to 2020, females back 1 year
- Post-Retirement (LEOS): RP 2000 Combined Mortality Table Projected with Scale AA to 2020, males set forward 1 year
- Disabled: RP 2000 Disabled Mortality Table, males set back 3 years not fully generational

The actuarial assumptions for the Public Schools included calculations based on salary increases of 3.75%-1.30% based on years of service. The valuation assumed that 25% of participants currently with coverage will elect coverage upon retirement.

Mortality decrements:

- Healthy: RP 2000 Combined Healthy Table, fully generational with Scale AA, sex distinct
- Disabled: RP 200 Combined Disabled Table

***Changes in Assumptions Since Prior Valuation for the County and the Authority***

- Discount rate was updated as required under the GASB 75 standard.
- Decrement and mortality assumptions were updated to the most recent VRS assumptions.
- Election rate was decreased from 50% to 40% for participants currently with coverage and 50% to 30% for participants who elect coverage at retirement taking spousal coverage.
- Claims assumption was updated to include the most recent plan experience.

***Changes in Assumptions Since Prior Valuation for the Public Schools***

- Discount rate was updated as required under the GASB 75 standard.
- Decrement and mortality assumptions were updated to the most recent VRS assumptions.
- Changed in funding method.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Changes in Net OPEB Liability***

	<b>Increase (decrease)</b>		
	<b>Total OPEB liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net OPEB liability (a) - (b)</b>
<b>Governmental activities</b>			
Balances at June 30, 2016 (as restated)	\$ 4,626,546	\$ -	\$ 4,626,546
Changes for the year:			
Service cost	264,429	-	264,429
Interest	126,244	-	126,244
Changes of benefit terms	-	-	-
Experience losses	-	-	-
ER contribution	-	393,903	(393,903)
Net investment income	-	-	-
Changes in assumptions	(327,103)	-	(327,103)
Benefit payments	(393,903)	(393,903)	-
Administrative expenses	-	-	-
Net changes	(330,333)	-	(330,333)
Balances at June 30, 2017	\$ 4,296,213	\$ -	\$ 4,296,213
<b>Business-type activity</b>			
Balances at June 30, 2016 (as restated)	\$ 419,087	\$ -	\$ 419,087
Changes for the year:			
Service cost	20,093	-	20,093
Interest	11,723	-	11,723
Changes of benefit terms	-	-	-
Experience losses	-	-	-
ER contribution	-	15,527	(15,527)
Net investment income	-	-	-
Changes in assumptions	(28,634)	-	(28,634)
Benefit payments	(15,527)	(15,527)	-
Administrative expenses	-	-	-
Net changes	(12,345)	-	(12,345)
Balances at June 30, 2017	\$ 406,742	\$ -	\$ 406,742
<b>Component unit - Public Schools</b>			
Balances at June 30, 2016 (as restated)	\$ 4,504,186	\$ -	\$ 4,504,186
Changes for the year:			
Service cost	457,670	-	457,670
Interest	126,557	-	126,557
Changes of benefit terms	-	-	-
Experience losses	-	-	-
ER contribution	-	206,794	(206,794)
Net investment income	-	-	-
Changes in assumptions	(244,756)	-	(244,756)
Benefit payments	(127,182)	(206,794)	79,612
Administrative expenses	-	-	-
Net changes	212,289	-	212,289
Balances at June 30, 2017	\$ 4,716,475	\$ -	\$ 4,716,475

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

The following presents the net OPEB liability using the discount rate of 3.58%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current rate:

	<b>(2.58%)</b>	<b>Rate (3.58%)</b>	<b>(4.58%)</b>
<b>Governmental activities</b>			
Total and Net OPEB liability	\$ 4,750,280	\$ 4,296,213	\$ 3,885,614
<b>Business-type activity</b>			
Total and Net OPEB liability	\$ 446,406	\$ 406,742	\$ 370,413
<b>Component unit - Public Schools</b>			
Total and Net OPEB liability	\$ 5,053,923	\$ 4,716,475	\$ 4,396,760

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – the County and the Authority***

The following presents the net OPEB liability using the health care cost trend rate of 4.00%, as well as what the net OPEB liability would be if it were calculated using a health cost trend rate that is one percentage point lower (3.00%) or one percentage point higher (5.00%) than the current rate:

	<b>1% Decrease (3%)</b>	<b>Ultimate Trend Rate (4%)</b>	<b>1% Increase (5%)</b>
<b>Governmental activities</b>			
Total and Net OPEB liability	\$ 3,760,906	\$ 4,296,213	\$ 4,931,410
<b>Business-type activity</b>			
Total and Net OPEB liability	\$ 357,394	\$ 406,742	\$ 465,350

***Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate – Public Schools***

The following presents the net OPEB liability using the health care cost trend rate of 4.10%, as well as what the net OPEB liability would be if it were calculated using a health cost trend rate that is one percentage point lower (3.10%) or one percentage point higher (5.10%) than the current rate:

	<b>1% Decrease (3.10%)</b>	<b>Ultimate Trend Rate (4.10%)</b>	<b>1% Increase (5.10%)</b>
<b>Component unit - Public Schools</b>			
Total and Net OPEB liability	\$ 4,219,091	\$ 4,716,475	\$ 5,304,906

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources***

For the year ended June 30, 2018, the County, Authority, and Public Schools recognized OPEB expense of \$343,944, \$27,725, and \$549,262, respectively. At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources were reported:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
<b>Governmental activities</b>		
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	280,374
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 280,374</u>
<b>Business-type activity</b>		
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	24,543
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ 24,543</u>
<b>Component unit - Public Schools</b>		
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	209,791
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions subsequent to the measurement date	163,175	-
Total	<u>\$ 163,175</u>	<u>\$ 209,791</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB Expense as follows:

<u>Year ended</u>	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Component unit - Public Schools</u>
2019	\$ (46,729)	\$ (4,091)	\$ (34,965)
2020	(46,729)	(4,091)	(34,965)
2021	(46,729)	(4,091)	(34,965)
2022	(46,729)	(4,091)	(34,965)
2023	(46,729)	(4,091)	(34,965)
Thereafter	(46,729)	(4,088)	(34,966)
Total	<u>\$ (280,374)</u>	<u>\$ (24,543)</u>	<u>\$ (209,791)</u>

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

**Plan Description**

All full-time, salaried permanent employees of the state agencies, teachers and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

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

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible Employees: the Group Life Insurance Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement: City of Richmond, City of Portsmouth, City of Roanoke, City of Norfolk, and Roanoke City Schools Board. Basic group life insurance coverage is automatic upon employment. Coverage end for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Benefit Amounts: the benefits payable under the Group Life Insurance Program have several components.

- Natural death benefit - equal to the employee's covered compensation rounded to the next highest thousand and then doubled.
- Accidental death benefit - double the natural death benefit.
- Other benefit provisions - the program provides additional benefits provided under specific circumstances. These include:
  - o Accidental dismemberment benefit
  - o Safety belt benefit
  - o Repatriation benefit
  - o Felonious assault benefit
  - o Accelerated death benefit option

Reduction in benefit amounts: benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.

Minimum benefit amount and Cost-of-living adjustment (COLA): for covered members with at least 30 years of creditable service, the minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.

***Contributions***

The contribution requirement for the Group Life Insurance Program are governed by Section 51.1-506 and Section 51.1-508 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies and school division by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% X 60%) and the employer component was 0.52% (1.31% X 40%). Employers may elect to pay all or part of the employee contribution, however the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contribution to the Group Life Insurance Program from the County were \$212,091 and \$202,850, the Authority were \$22,168 and \$21,263 and the Schools were \$378,100 and \$346,407 for the year ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018, the County, Authority, and Schools reported a liability of \$3,183,000, \$333,000, and \$6,029,000 for its proportionate share of the Net GLI OPEB liability. The Net GLI OPEB liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017 the County's, Authority's, School's professional plan, and School's nonprofessional plan proportions were 0.21149%, 0.02217%, 0.37116%, and 0.02951% as compared to 0.21027%, 0.02241%, 0.37180% and 0.02981% at June 30, 2016.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

For the year ended June 30, 2018 the County, Authority, and Schools recognized GLI OPEB expense of \$39,000, \$3,000, and \$65,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

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

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
<b>Governmental activities</b>		
Differences between expected and actual experience	\$ -	\$ 70,000
Change of assumptions	-	164,000
Net difference between projected and actual earnings on OPEB plan investments	-	120,000
Changes in proportionate share	18,000	-
Employer contributions subsequent to the measurement date	212,091	-
Total	<u>\$ 230,091</u>	<u>\$ 354,000</u>
<b>Business-type activity</b>		
Differences between expected and actual experience	\$ -	\$ 7,000
Change of assumptions	-	17,000
Net difference between projected and actual earnings on OPEB plan investments	-	13,000
Changes in proportionate share	-	3,000
Employer contributions subsequent to the measurement date	22,168	-
Total	<u>\$ 22,168</u>	<u>\$ 40,000</u>
<b>Component unit - Public Schools</b>		
Differences between expected and actual experience	\$ -	\$ 133,000
Change of assumptions	-	311,000
Net difference between projected and actual earnings on OPEB plan investments	-	227,000
Changes in proportionate share	-	13,000
Employer contributions subsequent to the measurement date	378,100	-
Total	<u>\$ 378,100</u>	<u>\$ 684,000</u>

The \$212,091, \$22,168, and \$378,100 reported as deferred outflows of resources related to the GLI OPEB resulting from the County's, Authority's, and School's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<b>Year ended</b>	<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Component unit - Public Schools</b>
2019	\$ (70,000)	\$ (9,000)	\$ (141,000)
2020	(70,000)	(9,000)	(141,000)
2021	(70,000)	(9,000)	(141,000)
2022	(70,000)	(8,000)	(141,000)
2023	(40,000)	(5,000)	(82,000)
Thereafter	(16,000)	-	(38,000)
Total	<u>\$ (336,000)</u>	<u>\$ (40,000)</u>	<u>\$ (684,000)</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Actuarial Assumptions***

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

Inflation	2.50%
Salary increases, including inflation:	
Locality - general employees	3.5% - 5.35%
Locality - hazardous duty employees	3.5% - 4.75%
Teachers	3.5% - 5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**Mortality rates: Teachers**

- Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Mortality rates: Largest Ten Locality Employers - General Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates: Non-Largest Ten Locality Employers - General Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Mortality rates: Largest Ten Locality Employers – Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates: Non-Largest Ten Locality Employers – Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Net GLI OPEB Liability***

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

	<b>Group Life Insurance OPEB Program</b>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a % of the Total GLI OPEB Liability	48.86%

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

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

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

The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Discount Rate***

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

***Sensitivity of the Employer's Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

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

	<b>1% Decrease (6.00%)</b>	<b>Current Discount 7.00%</b>	<b>1% Increase (8.00%)</b>
<b>Governmental activities</b>			
Net OPEB liability	\$ 4,117,000	\$ 3,183,000	\$ 2,426,000
<b>Business-type activity</b>			
Net OPEB liability	\$ 431,000	\$ 333,000	\$ 254,000
<b>Component unit - Public Schools</b>			
Net OPEB liability	\$ 7,799,000	\$ 6,029,000	\$ 4,596,000

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

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

***Payables to the VRS Group Life Insurance OPEB Plan***

At June 30, 2018, the Public Schools reported a payable of \$93,572 to the Group Life Insurance Program.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

<b>Multiple Employer Agent Plan - Health Insurance Credit Program</b>
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The Political Subdivision Health Insurance Credit Program is a multiple-employer, agent defined benefit plan that provides a credit toward the cost of health insurance coverage for retired political subdivision employees of participating employers. The Political Subdivision Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the *Code of Virginia*, as amended, and which provides the authority under which benefit terms are established or may be amended. For purposes of measuring the net Political Subdivision Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program OPEB, and the Political Subdivision Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the VRS Political Subdivision Health Insurance Credit Program; and the additions to/deductions from the VRS Political Subdivision Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Plan Description***

All full-time, salaried permanent employees of participating political subdivisions are automatically covered by the VRS Political Subdivision Health Insurance Credit Program upon employment. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The health insurance credit is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. The specific information about the Political Subdivision Health Insurance Credit Program OPEB, including eligibility, coverage and benefits is set out below:

Eligible employees: the political subdivision retiree health insurance credit program was established July 1, 1993 for retired political subdivision employees of employers who elect the benefit and who retire with at least 15 years of service credit. Eligible employees of participating are enrolled automatically upon employment. They include full-time permanent salaried employees of the participating political subdivision who are covered under the VRS pension plan.

Benefit amounts: the political subdivision's retiree health insurance credit program provides the following benefits for eligible employees:

- At retirement: for employees who retire, the monthly benefit is \$1.50 per year of service per month with a maximum benefit of \$45 per month
- Disability retirement: for employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is \$45 per month

Health Insurance Credit Program notes: the monthly health insurance credit benefit cannot exceed the individual premium amount; no health insurance credit for premiums paid and qualified under LODA, however, the employee may receive the credit for premiums paid for other qualified health plans; and employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the health insurance credit as a retiree.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
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**12) Other Post-Employment Benefits (OPEB), Continued**

***Employees Covered by Benefit Terms***

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

	<b>Governmental Activities Number</b>	<b>Business-type Activities Number</b>	<b>Component unit- Public Schools (non-professional) Number</b>
Inactive members or their beneficiaries currently receiving benefits	139	14	31
Inactive members:			
Vested	9	-	1
Non-vested	-	-	-
Active elsewhere in VRS	-	-	-
Total inactive members	148	14	32
Active members	693	85	217
Total	841	99	249

***Contributions***

The contribution requirement for active employees is governed by §51.1-1402(E) of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. The County's, Authority's, and Schools' contractually required employer contribution rate for the year ended June 30, 2018 were 0.19%, 0.20%, 0.23% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the County, Authority, and Schools to the Political Subdivision Health Insurance Credit Program were \$67,836 and \$65,197, \$8,467 and \$8,166, \$11,165 and \$11,391 for the years ended June 30, 2018 and June 30, 2017, respectively.

***Net HIC OPEB liability***

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

***Actuarial Assumptions***

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

Inflation	2.50%
Salary increases, including inflation:	
Locality - general employees	3.5% - 5.35%
Locality - hazardous duty employees	3.5% - 4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
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**12) Other Post-Employment Benefits (OPEB), Continued**

Mortality rates – Largest Ten Locality Employers - General Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Mortality rates – Non-Largest Ten Locality Employers - General Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality rates – Non-Largest Ten Locality Employers – Hazardous Duty Employees

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

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

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

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

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

***Discount Rate***

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Changes in Net OPEB - HIC Liability:***

	<b>Increase (decrease)</b>		
	<b>Total OPEB - HIC liability (a)</b>	<b>Plan fiduciary net position (b)</b>	<b>Net OPEB - HIC liability (asset) (a) - (b)</b>
<b>Governmental activities</b>			
Balances at June 30, 2016	\$ 1,232,086	\$ 612,679	\$ 619,407
Changes for the year:			
Service cost	29,486	-	29,486
Interest	84,387	-	84,387
Changes in benefit terms	-	-	-
Changes of assumptions	(10,761)	-	(10,761)
Difference between expected and actual experience	-	-	-
Contributions - employer	-	65,197	(65,197)
Contributions - employee	-	-	-
Net investment income	-	71,316	(71,316)
Benefit payments, including refunds of employee contributions	(53,124)	(53,124)	-
Administrative expenses	-	(1,170)	1,170
Other changes	-	3,562	(3,562)
Net changes	49,988	85,781	(35,793)
Balances at June 30, 2017	\$ 1,282,074	\$ 698,460	\$ 583,614
<b>Business-type activity</b>			
Balances at June 30, 2016	\$ 155,602	\$ 85,165	\$ 70,437
Changes for the year:			
Service cost	3,682	-	3,682
Interest	10,769	-	10,769
Changes in benefit terms	-	-	-
Changes of assumptions	(3,953)	-	(3,953)
Difference between expected and actual experience	-	-	-
Contributions - employer	-	8,166	(8,166)
Contributions - employee	-	-	-
Net investment income	-	10,122	(10,122)
Benefit payments, including refunds of employee contributions	(3,508)	(3,508)	-
Administrative expenses	-	(170)	170
Other changes	-	494	(494)
Net changes	6,990	15,104	(8,114)
Balances at June 30, 2017	\$ 162,592	\$ 100,269	\$ 62,323
<b>Component unit - Public Schools (non-professional)</b>			
Balances at June 30, 2016	\$ 310,991	\$ 288,259	\$ 22,732
Changes for the year:			
Service cost	8,750	-	8,750
Interest	21,536	-	21,536
Changes in benefit terms	-	-	-
Changes of assumptions	(11,335)	-	(11,335)
Difference between expected and actual experience	-	-	-
Contributions - employer	-	11,391	(11,391)
Contributions - employee	-	-	-
Net investment income	-	33,666	(33,666)
Benefit payments, including refunds of employee contributions	(6,674)	(6,674)	-
Administrative expenses	-	(552)	552
Other changes	-	1,683	(1,683)
Net changes	12,277	39,514	(27,237)
Balances at June 30, 2017	\$ 323,268	\$ 327,773	\$ (4,505)

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Sensitivity of the Political Subdivision Health Insurance Credit Net OPEB Liability to Changes in the Discount Rate***

The following presents the Political Subdivision Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Political subdivision's net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<b>Governmental activities</b>			
Net OPEB liability	\$ 727,177	\$ 583,614	\$ 462,050
<b>Business-type activity</b>			
Net OPEB liability	\$ 79,377	\$ 62,323	\$ 47,770
<b>Component unit - Public Schools (non-professional)</b>			
Net OPEB liability (Asset)	\$ 27,293	\$ (4,505)	\$ (31,851)

***Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Health Insurance Credit Program OPEB***

For the year ended June 30, 2018, the County, the Authority, and the Schools recognized Health Insurance Credit Program OPEB expense of \$60,966, \$6,632, and \$4,137. At June 30, 2018, the political subdivision reported deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Health Insurance Credit Program from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
<b>Governmental activities</b>		
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	9,224
Net difference between projected and actual earnings on OPEB plan investments	-	22,338
Employer contributions subsequent to the measurement date	67,836	-
Total	<u>\$ 67,836</u>	<u>\$ 31,562</u>
<b>Business-type activity</b>		
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	3,391
Net difference between projected and actual earnings on OPEB plan investments	-	3,189
Employer contributions subsequent to the measurement date	8,467	-
Total	<u>\$ 8,467</u>	<u>\$ 6,580</u>
<b>Component unit - Public Schools (non-professional)</b>		
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	9,357
Net difference between projected and actual earnings on OPEB plan investments	-	10,626
Employer contributions subsequent to the measurement date	11,165	-
Total	<u>\$ 11,165</u>	<u>\$ 19,983</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

The County, Authority, and Schools reported \$67,836, \$8,467, and \$11,165 as deferred outflows of resources related to the HIC OPEB resulting from the political subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIC OPEB will be recognized in the HIC OPEB expense in future reporting periods as follows:

<b>Year ended</b>	<b>Governmental Activities</b>	<b>Business-type Activity</b>	<b>Component unit - Public Schools (non-professional)</b>
2019	\$ (7,121)	\$ (1,359)	\$ (4,635)
2020	(7,121)	(1,359)	(4,635)
2021	(7,121)	(1,359)	(4,635)
2022	(7,123)	(1,360)	(4,633)
2023	(1,537)	(562)	(1,445)
Thereafter	(1,539)	(581)	-
<b>Total</b>	<b>\$ (31,562)</b>	<b>\$ (6,580)</b>	<b>\$ (19,983)</b>

***Health Insurance Credit Program Plan Data***

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

**Multiple Employer Cost-Sharing Plan - Health Insurance Credit Program - Public Schools Professional Plan**

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program is a multiple-employer, cost-sharing plan. The Teacher Employee Health Insurance Credit Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The Teacher Employee Health Insurance Credit Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For purposes of measuring the net Teacher Employee Health Insurance Credit Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Health Insurance Credit Program OPEB, and the Teacher Employee Health Insurance Credit Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit Program; and the additions to/deductions from the VRS Teacher Employee Health Insurance Credit Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Plan Description***

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

The specific information for the Teacher Health Insurance Credit Program OPEB, including eligibility, coverage, and benefits is set out in the table below:

Eligible Employees: the teacher employee retiree health insurance credit program was established July 1, 1993 for retired teacher employees covered under VRS who retire with at least 15 years of service credit. Eligible employees are enrolled automatically upon employment. They include full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit Amounts: the teacher employee retiree health insurance credit program provides the following benefits for eligible employees:

- At retirement: for teacher and other professional school employees who retire, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount.
- Disability retirement: for teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either:
  - o \$4.00 per month, multiplied by twice the amount of service credit, or
  - o \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower

Health Insurance Credit Program Notes: the monthly health insurance credit benefit cannot exceed the individual premium amount and employees who retire after being on long-term disability under VLDP must have at least 15 years of credit to qualify for the health insurance credit as a retiree.

**Contributions**

The contribution requirement for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 1.23% of covered employee compensation for employees in the VRS Teacher Employee Health Insurance Credit Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Public Schools to the VRS Teacher Employee Health Insurance Credit Program were \$851,814 and \$767,163 for the years ended June 30, 2018 and June 30, 2017, respectively.

***Teacher Employee Health Insurance Credit Program OPEB Liabilities, Teacher Employee Health Insurance Credit Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Health Insurance Credit Program OPEB***

At June 30, 2018, the Public Schools reported a liability of \$10,946,000 for its proportionate share of the VRS Teacher Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Health Insurance Credit Program OPEB liability used to calculate the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Health Insurance Credit Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Health Insurance Credit Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the school division's proportion of the VRS Teacher Employee Health Insurance Credit Program was .86281% as compared to .87099% at June 30, 2016.

For the year ended June 30, 2018, the Public Schools recognized VRS Teacher Employee Health Insurance Credit Program OPEB expense of \$876,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee Health Insurance Credit Program Net OPEB expense was related to deferred amounts from changes in proportion.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
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**12) Other Post-Employment Benefits (OPEB), Continued**

At June 30, 2018, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Health Insurance Credit Program OPEB from the following sources:

<b>Component Unit - Public Schools (professional)</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	112,000
Net difference between projected and actual earnings on OPEB plan investments	-	20,000
Changes in proportionate share	-	90,000
Employer contributions subsequent to the measurement date	851,814	-
Total	<u>\$ 851,814</u>	<u>\$ 222,000</u>

\$851,814 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee HIC OPEB will be recognized in the Teacher Employee HIC OPEB expense in future reporting periods as follows:

<b>Year ended</b>	<b>Component unit - Public Schools (professional)</b>
2019	\$ (36,000)
2020	(36,000)
2021	(36,000)
2022	(36,000)
2023	(31,000)
Thereafter	(47,000)
Total	<u>\$ (222,000)</u>

**Actuarial Assumptions**

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

Inflation	2.50%
Salary increases, including inflation:	
Teacher Employees	3.5% - 5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Mortality rates: Teachers

- Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

***Net Teacher Employee HIC OPEB Liability***

The net OPEB liability (NOL) for the Teacher Employee Health Insurance Credit Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Health Insurance Credit Program is as follows (amounts expressed in thousands):

	<b>Teacher Employee HIC OPEB Plan</b>
Total Teacher Employee HIC OPEB Liability	\$ 1,364,702
Plan Fiduciary Net Position	96,091
Teacher Employee Net HIC OPEB Liability (Asset)	<u>\$ 1,268,611</u>
Plan Fiduciary Net Position as a % of the Total Teacher Employee HIC OPEB Liability	7.04%

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
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**12) Other Post-Employment Benefits (OPEB), Continued**

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

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

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

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

***Discount Rate***

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Sensitivity of the Public School's Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate***

The following presents the Public School's proportionate share of the VRS Teacher Employee Health Insurance Credit Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the Public School's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

<b>Component unit - Public Schools (professional)</b>	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Net OPEB liability	\$ 12,217,000	\$ 10,946,000	\$ 9,866,000

***Teacher Employee HIC OPEB Fiduciary Net Position***

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

***Payables to the Teacher Employee Health Insurance Credit Program OPEB Plan***

At June 30, 2018, the Public School's reported a payable of \$81,645 to the teacher employee health insurance credit program plan.

**Multiple Employer Cost-Sharing Plan – Virginia Local Disability Program - Public Schools Non-Professional Plan**

The Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Political Subdivision Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee Virginia Local Disability Program OPEB, and the Political Subdivision Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Political Subdivision Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Political Subdivision Employee Virginia Local Disability Program.

Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Plan Description***

All full-time, salaried general employees; including local law enforcement officers, firefighters, or emergency medical technicians of political subdivisions who do not provide enhanced hazardous duty benefits; who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Political Subdivision Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. Political subdivisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP).

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

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

Eligible employees: the Political Subdivision Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include: full-time general employees; including local law enforcement officers, firefighters, or emergency medical technicians who do not have enhanced hazardous duty benefits; of public political subdivisions covered under VRS.

Benefit amounts: the Political Subdivision Employee Virginia Disability Local Program provides the following benefits for eligible employees:

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

Virginia Local Disability Program notes: members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP long-term care plan is a self-funded program that assists with the cost of covered long-term care services.

**Contributions**

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to political subdivisions by the Virginia General Assembly. Each political subdivision's contractually required employer contribution rate for the year ended June 30, 2018 was 0.60% of covered employee compensation for employees in the VRS Political Subdivision Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Public School's to the VRS Political Subdivision Employee Virginia Local Disability Program were \$9,890 and \$6,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Political Subdivision Employee Virginia Local Disability Program OPEB Liabilities, Political Subdivision Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Political Subdivision Employee Virginia Local Disability Program OPEB***

At June 30, 2018, the Public School's reported a liability of \$4,000 for its proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2017 and the total VRS Political Subdivision Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The political subdivision's proportion of the Net VRS Political Subdivision Employee Virginia Local Disability Program OPEB Liability was based on the political subdivision's actuarially determined employer contributions to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Public School's proportion of the VRS Political Subdivision Employee Virginia Local Disability Program was 0.75284% as compared to 0.86144%.

For the year ended June 30, 2018, the Public School's recognized VRS Political Subdivision Employee Virginia Local Disability Program OPEB expense of \$8,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Political Subdivision Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the Public School's reported deferred outflows of resources and deferred inflows of resources related to the VRS Political Subdivision Employee Virginia Local Disability Program OPEB from the following sources:

<b>Component Unit - Public Schools non-professional</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	-	1,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	9,890	-
Total	<u>\$ 9,890</u>	<u>\$ 1,000</u>

\$9,890 reported as deferred outflows of resources related to the Political Subdivision Employee VLDP OPEB resulting from the Public School's contributions subsequent to the measurement date will be recognized as a reduction of the Net Political Subdivision Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Political Subdivision Employee VLDP OPEB will be recognized in the Public School's Employee VLDP OPEB expense in future reporting periods as follows:

<b>Year ended</b>	<b>Component unit - Public Schools (non-professional)</b>
2019	\$ (1,000)
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	<u>\$ (1,000)</u>

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Actuarial Assumptions***

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

Inflation	2.50%
Salary increases, including inflation:	
Political Subdivision Employees	3.5% - 5.35%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

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

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 95% of rates; females 105% of rates.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

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

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.
- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.
- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

**Net Political Subdivision Employee VLDP OPEB Liability**

The net OPEB liability (NOL) for the Political Subdivision Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Political Subdivision Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	<b>Political Subdivision Employee VLDP OPEB Plan</b>
Total Political Subdivision VLDP OPEB Liability	\$ 914
Plan Fiduciary Net Position	351
Political Subdivision net VLDP OPEB Liability (Asset)	<u>\$ 563</u>
Plan Fiduciary Net Position as a % of the Total Political Subdivision VLDP OPEB Liability	38.40%

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

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

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

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

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

***Discount Rate***

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Sensitivity of the Political Subdivision's Proportionate Share of the Political Subdivision Employee VLDP Net OPEB Liability to Changes in the Discount Rate***

The following presents the Public School's proportionate share of the VRS Political Subdivision Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 7.00%, as well as what the political subdivision's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<b>Component unit - Public Schools (non-professional)</b>			
Net OPEB liability	\$ 4,000	\$ 4,000	\$ 3,000

***Political Subdivision Employee VLDP OPEB Fiduciary Net Position***

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

***Payables to the Political Subdivision Employee Virginia Local Disability Program OPEB Plan***

At June 30, 2018, the school division reported a payable of \$962 to the Teacher Virginia Local Disability Program OPEB Plan.

<p><b>Multiple Employer Cost-Sharing Plan – Virginia Local Disability Program - Public Schools Professional Plan</b></p>
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The Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program is a multiple-employer, cost-sharing plan. For purposes of measuring the net Teacher Employee Virginia Local Disability Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the Teacher Employee Virginia Local Disability Program OPEB, and the Teacher Employee Virginia Local Disability Program OPEB expense, information about the fiduciary net position of the Virginia Retirement System (VRS) Teacher Employee Virginia Local Disability Program; and the additions to/deductions from the VRS Teacher Employee Virginia Local Disability Program's net fiduciary position have been determined on the same basis as they were reported by VRS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions who are in the VRS Hybrid Retirement Plan benefit structure and whose employer has not elected to opt out of the VRS-sponsored program are automatically covered by the VRS Teacher Employee Virginia Local Disability Program. This plan is administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for eligible public employer groups in the Commonwealth of Virginia. School divisions are required by Title 51.1 of the Code of Virginia, as amended to provide short-term and long-term disability benefits for their Hybrid employees either through a local plan or through the Virginia Local Disability Program (VLDP). The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Eligible employees: the Teacher Employee Virginia Local Disability Program was implemented January 1, 2014 to provide short-term and long-term disability benefits for non-work-related and work-related disabilities for employees with Hybrid retirement benefits. Eligible employees are enrolled automatically upon employment, unless their employer has elected to provide comparable coverage. They include teachers and other full-time permanent (professional) salaried employees of public school divisions covered under VRS.

Benefit amounts: the Teacher Employee Virginia Disability Local Program provides the following benefits for eligible employees:

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

Virginia Local Disability Program notes: members approved for short-term or long-term disability at age 60 or older will be eligible for a benefit, provided they remain medically eligible. VLDP long-term care plan is a self-funded program that assists with the cost of covered long-term care services.

**Contributions**

The contribution requirement for active Hybrid employees is governed by §51.1-1178(C) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2018 was 0.31% of covered employee compensation for employees in the VRS Teacher Employee Virginia Local Disability Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the Public School's to the VRS Teacher Employee Virginia Local Disability Program were \$39,047 and \$20,000 for the years ended June 30, 2018 and June 30, 2017, respectively.

***Teacher Employee Virginia Local Disability Program OPEB Liabilities, Teacher Employee Virginia Local Disability Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Teacher Employee Virginia Local Disability Program OPEB***

At June 30, 2018, the Public School's reported a liability of \$20,000 for its proportionate share of the VRS Teacher Employee Virginia Local Disability Program Net OPEB Liability. The Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was measured as of June 30, 2017 and the total VRS Teacher Employee Virginia Local Disability Program OPEB liability used to calculate the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net VRS Teacher Employee Virginia Local Disability Program OPEB Liability was based on the school division's actuarially determined employer contributions to the VRS Teacher Employee Virginia Local Disability Program OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Public School's proportion of the VRS Teacher Employee Virginia Local Disability Program was 3.31886% as compared to 3.56179%.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

For the year ended June 30, 2018, the Public School's recognized VRS Teacher Employee Virginia Local Disability Program OPEB expense of \$22,000. Since there was a change in proportionate share between June 30, 2016 and June 30, 2017 a portion of the VRS Teacher Employee Virginia Local Disability Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the Public School's reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee Virginia Local Disability Program OPEB from the following sources:

<b>Component Unit - Public Schools professional</b>	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change of assumptions	2,000	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportionate share	-	-
Employer contributions subsequent to the measurement date	39,047	-
Total	<u>\$ 41,047</u>	<u>\$ -</u>

\$39,047 reported as deferred outflows of resources related to the Teacher Employee VLDP OPEB resulting from the Public School's contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee VLDP OPEB Liability in the Fiscal Year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Teacher Employee VLDP OPEB will be recognized in the Teacher Employee VLDP OPEB expense in future reporting periods as follows:

<b>Year ended</b>	<b>Component unit - Public Schools (professional)</b>
2019	\$ 2,000
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	<u>\$ 2,000</u>

**Actuarial Assumptions**

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

Inflation	2.50%
Salary increases, including inflation:	
Teacher Employees	3.5% - 5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

Mortality rates – Teachers

- Pre-Retirement: RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.
- Post-Retirement: RP-2014 White Collar Employee Rates to age 49, White Collar Health Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.
- Post-Disablement: RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

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

Mortality Rates (Pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table – RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**Net Teacher Employee VLDP OPEB Liability**

The net OPEB liability (NOL) for the Teacher Employee Virginia Local Disability Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the VRS Teacher Employee Virginia Local Disability Program is as follows (amounts expressed in thousands):

	<b>Teacher Employee VLDP OPEB Plan</b>
Total Teacher Employee VLDP OPEB Liability	\$ 873
Plan Fiduciary Net Position	279
Teacher Employee Net VLDP OPEB Liability (Asset)	<u>\$ 594</u>
Plan Fiduciary Net Position as a % of the Total Teacher Employee VLDP OPEB Liability	31.96%

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

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

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

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

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

***Discount Rate***

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

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**12) Other Post-Employment Benefits (OPEB), Continued**

***Sensitivity of the School Division's Proportionate Share of the Teacher Employee VLDP Net OPEB Liability to Changes in the Discount Rate***

The following presents the Public School's proportionate share of the VRS Teacher Employee Virginia Local Disability Program net VLDP OPEB liability using the discount rate of 7.00%, as well as what the Public School's proportionate share of the net VLDP OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<b>Component unit - Public Schools (professional)</b>			
Net OPEB liability	\$ 23,000	\$ 20,000	\$ 17,000

***Teacher Employee VLDP OPEB Fiduciary Net Position***

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

***Payables to the Teacher Employee Virginia Local Disability Program OPEB Plan***

At June 30, 2018, the Public School's reported a payable of \$3,879 to the Teacher Virginia Local Disability Program OPEB Plan.

**13) 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 (\$18,500 in 2018). 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 trust fund in the accompanying basic financial statements.

**14) Related-Party Transactions**

Certain financial management, accounting, and other services are provided to the Authority by the County. The charges for these services amounted to \$786,149 for the year ended June 30, 2018. In addition, the County leases space in Authority's buildings under long-term operating leases. The County paid the Authority \$313,913 for the year ended June 30, 2018.

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 \$106,361 for the year ended June 30, 2018 for these services.

In April 2013, the County entered into a memorandum of understanding (MOU) with the Schools to provide risk management services. The MOU had an initial term of one year with the option of renewal for four additional one year terms and is currently on a monthly basis.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**15) Risk Management**

The County reports all of its risk management expenditures in the General Fund. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

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.

The County is subject to certain claims that arise in the ordinary course of operations. Many of these claims are in the early stages of the evaluation process. Accordingly, it is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits or other proceedings. In the opinion of management, after consultation with counsel, the eventual outcome of such claims has not yet been determined probable to have a material adverse effect on the County's operations or financial position.

**16) Commitments and Contingencies**

**Primary Government**

**Construction in Progress**

At June 30, 2018, the County and Authority had several major projects under construction which are presented in the accompanying financial statements as construction in progress. Below are the financial details.

<b>Project</b>	<b>Budget</b>	<b>Expenditures to date</b>	<b>Balance of contract</b>	<b>Budget balance</b>
<b><u>Governmental activities</u></b>				
General government admin.	\$ 4,154,843	\$ -	\$ 148,763	\$ 4,006,080
Judicial	80,000	-	-	80,000
Public safety	1,180,407	720,871	77,889	381,647
Public works	2,082,625	247,557	630,197	1,204,871
Health & welfare	88,300	-	7,736	80,564
Community development	10,377,152	4,376,743	446,070	5,554,339
Parks, recreation and cultural	2,939,555	729,838	250,395	1,959,322
Total	<u>\$ 20,902,882</u>	<u>\$ 6,075,009</u>	<u>\$ 1,561,050</u>	<u>\$ 13,266,823</u>
<b><u>Business-type activity</u></b>				
Sewer improvements	\$ 5,598,911	\$ 656,184	\$ 157,134	\$ 4,785,593
Water supply	20,777,764	2,856,592	442,932	17,478,240
Water distribution	691,761	114,226	44,774	532,761
Water transmission	500,000	40,567	4,508	454,925
Water storage	185,620	-	-	185,620
Other	2,423,602	326,252	44,142	2,053,208
	<u>\$ 30,177,658</u>	<u>\$ 3,993,821</u>	<u>\$ 693,490</u>	<u>\$ 25,490,347</u>

**Advances for Construction**

The Authority records advances for construction representing two separate agreement types. Funds can be advanced by developers for the construction of specific facilities. These agreements call for rebates, up to the amount advanced, and have no expiration date. 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, 2018, the Authority had \$32,902 outstanding in advances for construction.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**16) Commitments and Contingencies, Continued**

**Operating Leases**

The County leases certain land and office space under noncancelable operating lease agreements. Rental expenditures related to these lease agreements were \$248,658 for the year ended June 30, 2018.

The Public Schools lease equipment and buildings under noncancelable operating leases. Total costs for such leases were approximately \$295,270 for the year ended June 30, 2018. The future minimum lease payments for these leases are as follows:

<u>Year ending June 30:</u>	<u>Primary government - governmental activities</u>	<u>Component unit - Public Schools</u>
2019	\$ 251,809	\$ 267,804
2020	258,607	183,990
2021	265,027	107,225
2022	271,635	46,495
2023	279,013	-
2024-2028	1,060,215	-
2029	46,732	-
Total	<u>\$ 2,433,038</u>	<u>\$ 605,514</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 in which management deems any potential impact would be material to their respective financial statements.

**17) Tax Abatements**

The EDA of James City County negotiates tax abatements as part of the Enterprise Zone Grant Program, the purpose of which is to bring new commercial and industrial businesses to the County. To be eligible for this program, the business must be located in one of the two Enterprise Zones in the County and make a capital investment of \$500,000 or more in a commercial or industrial project. Depending on the investment, the taxes abated are Real Estate or Machinery & Tools. The abatement is determined by taking the improvement value of the tax assessment for qualified capital investments and applying the following percentages:

	<u>Real Estate</u>	<u>Machinery &amp; Tools</u>
Year 1	0.45%	0.50%
Year 2	0.36%	0.40%
Year 3	0.27%	0.30%
Year 4	0.18%	0.20%
Year 5	0.09%	0.10%

As of June 30, 2018, the County had 10 tax abatement agreements (all Real Estate taxes) as follows:

<u>Tax Abatement Program</u>	<u>Tax Amount Abated</u>
Enterprise Zone Grant Program - Real Estate	<u>\$ 19,787</u>

The EDA of James City County has a performance agreement with a business related to machinery and tools. The business is to make additional investments in their operations, which would increase their machinery and tools tax paid to the County. If the business meets a specified threshold of machinery and tools tax paid for five calendar years, the EDA and County will refund 10% of the total machinery and tools tax paid. For the year 2018, \$47,053 was returned to the business.

**County of James City, Virginia**  
Notes to Basic Financial Statements  
June 30, 2018

**18) Restatement - Net Position**

As stated in Note 1, the County adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in fiscal year 2018. The County could not practically determine the period-specific details of the change on all prior periods presented; therefore, the cumulative effect of the change was applied to the beginning balances of the current year as follows:

**Primary Government**

	<b>Previously Reported 6/30/2017</b>	<b>Restatement</b>	<b>As Restated 6/30/2017</b>
<b><u>Governmental Activities</u></b>			
Deferred outflow - OPEB GLI contribution	\$ -	\$ 202,850	\$ 202,850
Deferred outflow - OPEB HIC contribution	\$ -	\$ 65,197	\$ 65,197
OPEB liability - Retiree Healthcare	\$ (3,046,962)	\$ (1,579,584)	\$ (4,626,546)
OPEB liability - GLI	\$ -	\$ (3,679,000)	\$ (3,679,000)
OPEB liability - HIC	\$ -	\$ (619,407)	\$ (619,407)
Net position	\$ (253,410,247)	\$ 5,609,944	\$ (247,800,303)
<b><u>Busniess-type Activity</u></b>			
Deferred outflow - OPEB GLI contribution	\$ -	\$ 21,263	\$ 21,263
Deferred outflow - OPEB HIC contribution	\$ -	\$ 8,166	\$ 8,166
OPEB liability - Retiree Healthcare	\$ (313,509)	\$ (105,578)	\$ (419,087)
OPEB liability - GLI	\$ -	\$ (392,000)	\$ (392,000)
OPEB liability - HIC	\$ -	\$ (70,437)	\$ (70,437)
Net position	\$ (178,818,258)	\$ 538,586	\$ (178,279,672)

**Component Unit – Public Schools**

	<b>Previously Reported 6/30/2017</b>	<b>Restatement</b>	<b>As Restated 6/30/2017</b>
Deferred outflow - OPEB GLI contribution	\$ -	\$ 384,303	\$ 384,303
Deferred outflow - OPEB HIC prof contribution	\$ -	\$ 755,834	\$ 755,834
Deferred outflow - OPEB HIC non-prof contribution	\$ -	\$ 11,391	\$ 11,391
Deferred outflow - OPEB VLDP prof contribution	\$ -	\$ 29,034	\$ 29,034
Deferred outflow - OPEB VLDP non-prof contribution	\$ -	\$ 8,295	\$ 8,295
OPEB liability - Retiree Healthcare	\$ (6,143,300)	\$ 1,639,114	\$ (4,504,186)
OPEB liability - GLI	\$ -	\$ (7,027,000)	\$ (7,027,000)
OPEB liability - HIC prof	\$ -	\$ (11,047,000)	\$ (11,047,000)
OPEB liability - HIC non-prof	\$ -	\$ (22,732)	\$ (22,732)
OPEB liability - VLDP prof	\$ -	\$ (16,000)	\$ (16,000)
OPEB liability - VLDP non-prof	\$ -	\$ (3,000)	\$ (3,000)
Net position	\$ 57,155,063	\$ 15,287,761	\$ 72,442,824

**19) Subsequent Event**

On November 14, 2018, the County issued Public Facility Revenue and Refunding Bonds (County Government Projects), Series 2018, in the amount of \$21,015,000 at an interest rate of 5%. The Bonds were issued to finance school and fire safety improvements and to refinance the 2009 Build America Bonds.

\* \* \* \* \*

## **Required Supplementary Information Other Than MD&A**

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**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, 2018

<b>Fund, major and minor revenue source</b>	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 97,600,000	\$ 97,600,000	\$ 98,355,122	\$ 755,122
Real and personal public service corporation property taxes	2,060,000	2,060,000	2,106,708	46,708
Personal property taxes	22,654,000	22,654,000	22,928,134	274,134
Machinery and tools taxes	5,800,000	5,800,000	6,008,411	208,411
Penalties	675,000	675,000	674,878	(122)
Interest	300,000	300,000	328,853	28,853
Total general property taxes	<u>129,089,000</u>	<u>129,089,000</u>	<u>130,402,106</u>	<u>1,313,106</u>
Other local taxes:				
Local sales and use taxes	11,000,000	11,000,000	10,897,167	(102,833)
Franchise license taxes	600,000	600,000	716,243	116,243
Taxes on recordation and wills	1,425,000	1,425,000	1,345,480	(79,520)
Hotel and motel room taxes	2,800,000	2,880,235	2,933,725	53,490
Restaurant food taxes	7,190,000	7,190,000	7,306,332	116,332
Deeds of conveyance	375,000	375,000	403,019	28,019
Penalties	-	-	14,503	14,503
Interest	-	-	11,161	11,161
Total other local taxes	<u>23,390,000</u>	<u>23,470,235</u>	<u>23,627,630</u>	<u>157,395</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	30,000	30,000	21,450	(8,550)
Business licenses	7,145,000	7,145,000	7,077,644	(67,356)
Motor vehicle licenses	160,000	160,000	181,779	21,779
Building permits	1,000,000	1,000,000	916,356	(83,644)
Permits and other licenses	728,000	728,000	695,270	(32,730)
Total permits, privilege fees and regulatory licenses	<u>9,063,000</u>	<u>9,063,000</u>	<u>8,892,499</u>	<u>(170,501)</u>
Fines and forfeitures	330,000	330,000	265,561	(64,439)
Use of money and property	220,000	220,000	181,013	(38,987)
Charges for services:				
Excess fees - Clerk of Court	210,500	210,500	207,763	(2,737)
Charges for Commonwealth's attorney	6,000	6,000	6,641	641
Charges for law enforcement and traffic control	135,000	135,000	134,100	(900)
Charges for emergency medical services	2,300,000	2,300,000	1,967,011	(332,989)
Charges for parks and recreation	3,490,000	3,490,000	3,694,635	204,635
Landfill user fees	290,000	290,000	303,937	13,937
Other fees	113,500	113,500	342,802	229,302
Total charges for services	<u>6,545,000</u>	<u>6,545,000</u>	<u>6,656,889</u>	<u>111,889</u>
Miscellaneous revenue:				
Sale of property	100,000	100,000	76,936	(23,064)
Miscellaneous	123,000	136,150	739,364	603,214
Total miscellaneous revenue	<u>223,000</u>	<u>236,150</u>	<u>816,300</u>	<u>580,150</u>
Total revenue from local sources	<u>168,860,000</u>	<u>168,953,385</u>	<u>170,841,998</u>	<u>1,888,613</u>

(Continued)

See accompanying notes to the required supplementary information and independent auditors' report.

## County of James City, Virginia

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

## General Fund

Year ended June 30, 2018

<b>Fund, major and minor revenue source</b>	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 40,000	\$ 40,000	\$ 43,773	\$ 3,773
Tax on deeds	475,000	475,000	446,863	(28,137)
Railroad rolling stock taxes	45,000	45,000	25,520	(19,480)
Personal property tax relief	9,770,137	9,770,137	9,770,137	-
Communications sales and use tax	1,650,000	1,650,000	1,558,638	(91,362)
Car rental tax	110,000	110,000	98,723	(11,277)
Total noncategorical aid	<u>12,090,137</u>	<u>12,090,137</u>	<u>11,943,654</u>	<u>(146,483)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	579,000	579,000	572,953	(6,047)
Sheriff	724,000	724,000	747,341	23,341
Commissioner of the revenue	179,597	179,597	178,808	(789)
Treasurer	163,000	163,000	162,380	(620)
Registrar/electoral board	50,000	50,000	47,458	(2,542)
Clerk of the circuit court	502,000	502,000	483,137	(18,863)
Total shared expenses	<u>2,197,597</u>	<u>2,197,597</u>	<u>2,192,077</u>	<u>(5,520)</u>
Other categorical aid:				
Wireless Board	210,000	210,000	208,669	(1,331)
Commission of the arts	5,000	5,000	-	(5,000)
HB 599 payments	1,361,735	1,361,735	1,363,004	1,269
Share of state sales tax	11,732,531	11,732,531	11,105,215	(627,316)
DMV Satellite Office	75,000	75,000	81,388	6,388
Total other categorical aid	<u>13,384,266</u>	<u>13,384,266</u>	<u>12,758,276</u>	<u>(625,990)</u>
Total categorical aid	<u>15,581,863</u>	<u>15,581,863</u>	<u>14,950,353</u>	<u>(631,510)</u>
Total revenue from the Commonwealth	<u>27,672,000</u>	<u>27,672,000</u>	<u>26,894,007</u>	<u>(777,993)</u>
Revenue from the federal government:				
Payments in lieu of taxes	8,000	8,000	7,882	(118)
Total revenue from the federal government	<u>8,000</u>	<u>8,000</u>	<u>7,882</u>	<u>(118)</u>
Total revenues	<u>\$ 196,540,000</u>	<u>\$ 196,633,385</u>	<u>\$ 197,743,887</u>	<u>\$ 1,110,502</u>

(Continued)

See accompanying notes to the required supplementary information and independent auditors' report.

## County of James City, Virginia

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

## General Fund

Year ended June 30, 2018

<b>Fund, major and minor expenditure source</b>	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
General government administration:				
Legislative:				
Board of supervisors	\$ 194,851	\$ 222,601	\$ 193,295	\$ 29,306
General and financial administration:				
County administrator	610,509	582,759	550,644	32,115
County attorney	488,836	552,570	473,562	79,008
Human resources	512,357	584,972	454,205	130,767
Legal services	18,000	18,000	8,597	9,403
Commissioner of the revenue	824,780	824,780	820,034	4,746
Real estate assessments	839,556	842,394	821,129	21,265
Treasurer	1,108,852	1,108,852	1,005,273	103,579
Financial management	1,295,302	1,302,990	1,272,157	30,833
Accounting	154,268	154,268	138,045	16,223
Publications management	223,028	223,028	201,491	21,537
Purchasing	303,623	303,623	261,413	42,210
Records management	261,231	268,828	226,701	42,127
Information technology	2,317,332	2,326,099	2,237,585	88,514
Fleet maintenance	1,010,957	1,094,107	1,094,034	73
Total general and financial administration	9,968,631	10,187,270	9,564,870	622,400
Board of elections:				
Voter registration and elections	401,693	402,269	325,642	76,627
Total general government administration	10,565,175	10,812,140	10,083,807	728,333
Judicial administration:				
Courts:				
Circuit court and judicial services	527,150	527,246	512,969	14,277
General district court	38,998	38,998	25,931	13,067
Juvenile and domestic relations district court	15,385	15,385	12,281	3,104
Clerk of the circuit court	764,334	767,078	749,996	17,082
Sheriff	1,453,289	1,453,289	1,333,573	119,716
9th judicial district	6,255	6,255	2,807	3,448
Court services and juvenile detention	292,191	292,191	272,044	20,147
Courthouse	534,272	534,272	434,540	99,732
Total courts	3,631,874	3,634,714	3,344,141	290,573
Commonwealth's attorney	940,811	1,004,798	985,701	19,097
Total judicial administration	4,572,685	4,639,512	4,329,842	309,670
Public safety:				
Law enforcement and traffic control:				
Police department	10,299,173	10,322,882	10,024,377	298,505
Emergency communications	3,126,155	3,126,155	2,666,780	459,375
Total law enforcement and traffic control	13,425,328	13,449,037	12,691,157	757,880
Fire and rescue services:				
Fire department and emergency medical services	11,252,368	11,301,500	10,875,771	425,729
Correction and detention:				
Regional jail	2,739,839	2,739,839	2,709,797	30,042
Inspections:				
Building and safety permits	1,312,215	1,351,333	1,269,455	81,878
Other protection:				
Animal control	274,043	281,747	271,234	10,513
Emergency management	280,335	280,994	249,896	31,098
Total other protection	554,378	562,741	521,130	41,611
Total public safety	29,284,128	29,404,450	28,067,310	1,337,140

(Continued)

## County of James City, Virginia

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

## General Fund

Year ended June 30, 2018

<b>Fund, major and minor expenditure source</b>	<b>Original budget</b>	<b>Final budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
Public works:				
Sanitation and waste removal:				
Grounds maintenance	\$ 1,889,420	\$ 2,207,294	\$ 1,856,763	\$ 350,531
Solid waste and recycling	1,403,246	1,406,001	1,378,030	27,971
Total sanitation and waste removal	3,292,666	3,613,295	3,234,793	378,502
Maintenance of general buildings and grounds:				
Facilities management	4,716,956	4,561,074	4,388,569	172,505
Total public works	8,009,622	8,174,369	7,623,362	551,007
Health and welfare:				
Local health department	756,629	756,629	712,109	44,520
Mental health and mental retardation	1,392,400	1,392,400	1,392,400	-
Total health and welfare	2,149,029	2,149,029	2,104,509	44,520
Education:				
School board administration	88,159,805	88,159,805	85,395,004	2,764,801
Parks, recreation and cultural:				
Parks and recreation:				
Administration	4,927,397	5,008,659	4,887,961	120,698
Community centers	252,109	226,604	193,525	33,079
Park operations	460,541	448,950	392,744	56,206
Recreation services	412,923	387,537	338,517	49,020
Total parks and recreation	6,052,970	6,071,750	5,812,747	259,003
Library:				
Regional library	4,500,018	4,500,018	4,505,045	(5,027)
Total parks, recreation and cultural	10,552,988	10,571,768	10,317,792	253,976
Community development:				
Planning and community development:				
Planning	786,828	852,244	717,376	134,868
Community Development	192,122	196,372	196,366	6
Communications	699,380	702,331	596,264	106,067
Zoning enforcement	329,331	329,331	327,291	2,040
Economic development	479,909	491,433	355,567	135,866
Satellite office	218,922	218,922	197,529	21,393
Contributions – other	822,547	822,547	810,457	12,090
Regional transportation	708,761	708,761	708,761	-
Total planning and community development	4,237,800	4,321,941	3,909,611	412,330
Environmental management:				
Engineering and resource protection	960,582	960,582	818,869	141,713
Stormwater management	1,105,465	1,343,735	1,054,721	289,014
Total environmental management	2,066,047	2,304,317	1,873,590	430,727
Total community development	6,303,847	6,626,258	5,783,201	843,057
Nondepartmental:				
Miscellaneous	(21,968)	(66,886)	-	(66,886)
Total expenditures	159,575,311	160,470,445	153,704,827	6,765,618
Excess of revenues over expenditures	36,964,689	36,162,940	44,039,060	7,876,120
Other financing sources (uses):				
Transfers in	60,300	60,300	60,597	297
Transfers out	(37,024,989)	(38,663,724)	(40,244,074)	(1,580,350)
Total other financing sources (uses)	(36,964,689)	(38,603,424)	(40,183,477)	(1,580,053)
Net change in fund balance	-	(2,440,484)	3,855,583	6,296,067
Fund balance at beginning of year	-	2,440,484	41,923,103	39,482,619
Fund balance at end of year	\$ -	\$ -	\$ 45,778,686	\$ 45,778,686

See accompanying notes to the required supplementary information and independent auditors' report.

**County of James City, Virginia**  
Schedule of Changes in the Net Pension Liability and Related Ratios  
Required Supplementary Information (Unaudited)  
Years ended June 30, 2018, 2017, 2016 and 2015\* (1)

	2015			2016			2017			2018		
	County	JCSA	Public Schools' Non-Professional	County	JCSA	Public Schools' Non-Professional	County	JCSA	Public Schools' Non-Professional	County	JCSA	Public Schools' Non-Professional
<b>Total pension liability</b>												
Service cost	\$ 4,376,092	\$ 417,066	\$ 507,972	\$ 4,416,137	\$ 430,269	\$ 526,136	\$ 4,398,469	\$ 404,294	\$ 540,481	\$ 4,344,463	\$ 411,137	\$ 523,460
Interest	9,996,496	913,818	1,021,383	10,586,624	978,647	1,087,945	11,164,260	1,032,165	1,157,021	11,561,915	1,104,652	1,222,200
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	252,227	(146,331)	(13,491)	(2,733,673)	128,139	(122,658)	(554,290)	(213,521)	(318,599)
Changes in assumptions	-	-	-	-	-	-	-	-	-	(1,296,832)	(335,427)	(236,957)
Benefit payments, including refunds of employee contributions	(5,223,843)	(376,365)	(570,189)	(6,660,511)	(433,146)	(586,736)	(7,345,595)	(562,945)	(640,852)	(6,950,943)	(495,181)	(646,577)
<b>Net change in total pension liability</b>	9,148,745	954,519	959,166	8,594,477	829,439	1,013,854	5,483,461	1,001,853	933,992	7,104,313	471,660	543,527
<b>Total pension liability, beginning</b>	<u>145,419,002</u>	<u>13,242,723</u>	<u>14,876,279</u>	<u>154,567,747</u>	<u>14,197,242</u>	<u>15,835,445</u>	<u>163,162,224</u>	<u>15,026,681</u>	<u>16,849,299</u>	<u>168,645,685</u>	<u>16,028,334</u>	<u>17,783,291</u>
<b>Total pension liability, ending (a)</b>	<u>\$ 154,567,747</u>	<u>\$ 14,197,242</u>	<u>\$ 15,835,445</u>	<u>\$ 163,162,224</u>	<u>\$ 15,026,681</u>	<u>\$ 16,849,299</u>	<u>\$ 168,645,685</u>	<u>\$ 16,026,334</u>	<u>\$ 17,783,291</u>	<u>\$ 175,749,998</u>	<u>\$ 16,499,994</u>	<u>\$ 18,326,818</u>
<b>Plan fiduciary net position</b>												
Contributions - employer	4,362,691	308,820	435,519	4,065,806	329,381	372,141	4,133,647	336,720	369,942	3,536,962	288,588	233,501
Contributions - employee	1,909,429	197,188	237,728	1,844,202	193,349	256,454	1,870,648	197,261	256,786	1,934,998	210,624	257,483
Net investment income	18,931,089	1,802,418	2,265,304	6,365,577	612,704	764,646	2,508,354	245,617	309,381	17,721,493	1,734,000	2,158,117
Benefit payments, including refunds of employee contributions	(5,223,843)	(376,365)	(570,189)	(6,660,511)	(433,146)	(586,736)	(7,345,595)	(562,945)	(640,852)	(6,950,943)	(495,181)	(646,577)
Administrative expense	(100,186)	(95)	(12,002)	(86,580)	(8,173)	(10,296)	(89,515)	(8,604)	(10,703)	(101,649)	(9,804)	(12,356)
Other	998	95	120	(1,349)	(130)	(162)	(1,066)	(104)	(130)	(15,816)	(1,552)	(1,926)
<b>Net change in plan fiduciary net position</b>	19,880,178	1,922,645	2,356,480	5,527,145	693,985	796,047	1,076,473	207,945	284,424	16,125,045	1,726,675	1,988,243
<b>Plan fiduciary net position, beginning</b>	<u>119,228,777</u>	<u>11,335,104</u>	<u>14,283,651</u>	<u>139,108,955</u>	<u>13,257,749</u>	<u>16,640,131</u>	<u>144,636,100</u>	<u>13,951,734</u>	<u>17,436,178</u>	<u>145,712,573</u>	<u>14,159,679</u>	<u>17,720,602</u>
<b>Plan fiduciary net position, ending (b)</b>	<u>139,108,955</u>	<u>13,257,749</u>	<u>16,640,131</u>	<u>144,636,100</u>	<u>13,951,734</u>	<u>17,436,178</u>	<u>145,712,573</u>	<u>14,159,679</u>	<u>17,720,602</u>	<u>161,837,618</u>	<u>15,886,354</u>	<u>19,708,845</u>
<b>Net pension liability (asset) (a) - (b)</b>	<u>\$ 15,458,792</u>	<u>\$ 939,493</u>	<u>\$ (804,686)</u>	<u>\$ 18,526,124</u>	<u>\$ 1,074,947</u>	<u>\$ (586,879)</u>	<u>\$ 22,933,112</u>	<u>\$ 1,868,655</u>	<u>\$ 62,689</u>	<u>\$ 13,912,380</u>	<u>\$ 613,640</u>	<u>\$ (1,382,027)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	90.00%	93.38%	105.08%	88.65%	92.85%	103.48%	86.40%	88.34%	99.65%	92.08%	96.28%	107.54%
<b>Covered payroll</b>	\$ 37,347,889	\$ 3,943,666	\$ 4,812,365	\$ 36,788,968	\$ 3,897,762	\$ 5,154,307	\$ 37,681,907	\$ 4,026,779	\$ 5,123,850	\$ 38,853,860	\$ 4,083,082	\$ 5,000,257
<b>Net pension liability (asset) as a percentage of the total covered payroll</b>	41.39%	23.82%	-16.72%	50.36%	27.58%	-11.39%	60.86%	46.41%	1.22%	35.81%	15.03%	-27.64%

(1) This schedule is intended to present 10 years of information. GASB 68 and 71 were implemented in fiscal year 2015, and additional years will be presented as the information becomes available.

\* The amounts presented have a measurement date of the previous fiscal year end.

**County of James City, Virginia**  
Schedule of Employer's Share of Net Pension Liability  
Required Supplementary Information (Unaudited)  
Years ended June 30, 2018, 2017, 2016 and 2015\* (1)

	<b>Public Schools' Professional</b>			
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Employer's proportion of the net pension liability	0.85987%	0.87896%	0.87104%	0.86356%
Employer's proportionate share of the net pension liability	\$ 103,913,000	\$ 110,629,000	\$ 122,069,000	\$ 106,201,000
Employer's covered payroll	\$ 62,882,350	\$ 65,034,559	\$ 65,800,057	\$ 67,052,585
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	165.25%	170.11%	185.52%	158.38%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%	72.92%

(1) This schedule is intended to present 10 years of information. GASB 68 and 71 were implemented in fiscal year 2015, and additional years will be presented as the information becomes available.

\* The amounts presented have a measurement date of the previous fiscal year end.

**County of James City, Virginia**  
Schedule of Employer Pension Contributions  
Required Supplementary Information (Unaudited)  
Years ended June 30, 2018, 2017, 2016 and 2015\* (1)

<b>County</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2015	\$ 4,090,933	\$ 4,091,153	\$ 220	\$ 36,788,968	11.12%
2016	4,190,228	4,190,244	16	37,681,907	11.12%
2017	3,640,607	3,640,677	70	38,853,860	9.37%
2018	3,792,543	3,793,308	765	40,475,381	9.37%

\*Excess contributions are a result of an amount due for retroactive payment for prior fiscal year.

<b>JCSA</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2015	\$ 330,920	\$ 330,920	\$ -	\$ 3,897,762	8.49%
2016	341,874	341,874	-	4,026,779	8.49%
2017	297,668	297,668	-	4,083,082	7.29%
2018	308,672	308,672	-	4,230,543	7.29%

<b>Public Schools' - Non-professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2015	\$ 372,141	\$ 372,141	\$ -	\$ 5,154,307	7.22%
2016	369,942	369,942	-	5,123,850	7.22%
2017	233,512	233,512	-	5,000,257	4.67%
2018	224,276	224,276	-	4,802,484	4.67%

<b>Public Schools' - Professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2015	\$ 9,430,011	\$ 9,430,011	\$ -	\$ 65,034,559	14.50%
2016	9,251,488	9,251,488	-	65,800,057	14.06%
2017	9,829,909	9,829,909	-	67,052,585	14.66%
2018	10,992,169	10,992,169	-	67,353,977	16.32%

(1) This schedule is intended to present 10 years of information. GASB 68 and 71 were implemented in fiscal year 2015, and additional years will be presented as the information becomes available.

\* The amounts presented have a measurement date of the previous fiscal year end.

## County of James City, Virginia

Schedule of Changes in the Net OPEB - Retiree Healthcare (RH) Liability and Related Ratios  
 Required Supplementary Information (Unaudited)  
 Year ended June 30, 2018\* (1) (2)

	2018		
	County	JCSA	Public Schools' Non-Professional
<b>Total OPEB - RH liability</b>			
Service cost	\$ 264,429	\$ 20,093	\$ 457,670
Interest cost	126,244	11,723	126,557
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	(327,103)	(28,634)	(244,756)
Benefit payments	(393,903)	(15,527)	(127,182)
<b>Net change in total OPEB - RH liability</b>	<b>(330,333)</b>	<b>(12,345)</b>	<b>212,289</b>
<b>Total OPEB - RH liability, beginning</b>	<b>4,626,546</b>	<b>419,087</b>	<b>4,504,186</b>
<b>Total OPEB - RH liability, ending (a)</b>	<b>\$ 4,296,213</b>	<b>\$ 406,742</b>	<b>\$ 4,716,475</b>
<b>Plan fiduciary net position - RH</b>			
Contributions - employer	393,903	15,527	206,794
Net investment income	-	-	-
Benefit payments	(393,903)	(15,527)	(206,794)
Administrative expense	-	-	-
<b>Net change in plan fiduciary net position - RH</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - RH, beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Plan fiduciary net position - RH, ending (b)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net OPEB - RH liability (a) - (b)</b>	<b>\$ 4,296,213</b>	<b>\$ 406,742</b>	<b>\$ 4,716,475</b>
<b>Plan fiduciary net position - RH as a percentage of the total OPEB - RH liability</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Expected average remaining service years of all participants</b>	<b>7</b>	<b>7</b>	<b>7</b>

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

(2) This OPEB plan does not depend on salary information.

\* The amounts presented have a measurement date of the previous fiscal year end.

## County of James City, Virginia

Schedule of Changes in the Net OPEB - Health Insurance Credit (HIC) Liability  
 Required Supplementary Information (Unaudited)  
 Year ended June 30, 2018\* (1)

	2018		
	County	JCSA	Public Schools' Non-Professional
<b>Total OPEB - HIC liability</b>			
Service cost	\$ 29,486	\$ 3,682	\$ 8,750
Interest cost	84,387	10,769	21,536
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	(10,761)	(3,953)	(11,335)
Benefit payments, including refunds of employee contributions	(53,124)	(3,508)	(6,674)
<b>Net change in total OPEB - HIC liability</b>	49,988	6,990	12,277
<b>Total OPEB - HIC liability, beginning</b>	1,232,086	155,602	310,991
<b>Total OPEB - HIC liability, ending (a)</b>	<u>\$ 1,282,074</u>	<u>\$ 162,592</u>	<u>\$ 323,268</u>
<b>Plan fiduciary net position - HIC</b>			
Contributions - employer	65,197	8,166	11,391
Contributions - employee	-	-	-
Net investment income	71,316	10,122	33,666
Benefit payments, including refunds of employee contributions	(53,124)	(3,508)	(6,674)
Administrative expense	(1,170)	(170)	(552)
Other	3,562	494	1,683
<b>Net change in plan fiduciary net position - HIC</b>	85,781	15,104	39,514
<b>Plan fiduciary net position - HIC, beginning</b>	612,679	85,165	288,259
<b>Plan fiduciary net position - HIC, ending (b)</b>	<u>698,460</u>	<u>100,269</u>	<u>327,773</u>
<b>Net OPEB - HIC liability (asset) (a) - (b)</b>	<u>\$ 583,614</u>	<u>\$ 62,323</u>	<u>\$ (4,505)</u>
<b>Plan fiduciary net position - HIC as a percentage of the total OPEB - HIC liability</b>	54.48%	61.67%	101.39%
<b>Covered payroll</b>	\$ 38,853,860	\$ 4,083,082	\$ 5,000,257
<b>Net OPEB - HIC liability as a percentage of the total covered payroll</b>	1.50%	1.53%	-0.09%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

\* The amounts presented have a measurement date of the previous fiscal year end.

**County of James City, Virginia**  
Schedule of Employer's Share of Net OPEB - Group Life Insurance (GLI) Liability  
Required Supplementary Information (Unaudited)  
Year ended June 30, 2018\* (1)

	2018			
	<b>County</b>	<b>JCSA</b>	<b>Public Schools' Professional</b>	<b>Public Schools' Non-Professional</b>
Employer's proportion of the net OPEB - GLI liability	0.21149%	0.02217%	0.37116%	0.02951%
Employer's proportionate share of the net OPEB - GLI liability	\$ 3,183,000	\$ 333,000	\$ 5,585,000	\$ 444,000
Employer's covered payroll	\$ 38,853,860	\$ 4,083,082	\$ 67,052,585	\$ 5,000,257
Employer's proportionate share of the net OPEB - GLI liability as a percentage of its covered payroll	8.19%	8.16%	8.33%	8.88%
Plan fiduciary net position as a % of total OPEB - GLI liability	48.86%	48.86%	48.86%	48.86%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

\* The amounts presented have a measurement date of the previous fiscal year end.

**County of James City, Virginia**  
Schedule of Employer OPEB - Group Life Insurance Contributions  
Required Supplementary Information (Unaudited)  
Year ended June 30, 2018 (1)

<b>County employees</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 210,472	\$ 212,091	\$ (1,619)	\$ 40,475,381	0.52%
<b>James City Service Authority employees</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 21,999	\$ 22,168	\$ (169)	\$ 4,230,543	0.52%
<b>Public Schools' - non-professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 25,165	\$ 25,165	\$ -	\$ 4,802,484	0.52%
<b>Public Schools' - professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 352,935	\$ 352,935	\$ -	\$ 67,353,977	0.52%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

**County of James City, Virginia**  
Schedule of Employer OPEB - Health Insurance Credit Program Contributions  
Required Supplementary Information (Unaudited)  
Year ended June 30, 2018 (1)

<b>County employees</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 76,903	\$ 67,836	\$ 9,067	\$ 40,475,381	0.19%
<b>James City Service Authority employees</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 8,461	\$ 8,467	\$ (6)	\$ 4,230,543	0.20%
<b>Public Schools' - non-professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 11,165	\$ 11,165	\$ -	\$ 4,802,484	0.23%
<b>Public Schools' - professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 851,814	\$ 851,814	\$ -	\$ 67,353,977	1.26%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

**County of James City, Virginia**  
 Schedule of Employer's Share of Net OPEB - Health Insurance Credit Program (HIC) Liability  
 Required Supplementary Information (Unaudited)  
 Year ended June 30, 2018\* (1)

	<b>Public Schools'</b>
	<b>Professional</b>
	<b>2018</b>
Employer's proportion of the net OPEB - HIC liability	0.86281%
Employer's proportionate share of the net OPEB - HIC liability	\$ 10,946,000
Employer's covered payroll	\$ 67,052,585
Employer's proportionate share of the net OPEB - HIC liability as a percentage of its covered payroll	16.32%
Plan fiduciary net position as a % of total OPEB - HIC liability	7.04%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

\* The amounts presented have a measurement date of the previous fiscal year end.

**County of James City, Virginia**  
Schedule of Employer's Share of Net OPEB - Virginia Local Disability Program (VLDP) Liability  
Required Supplementary Information (Unaudited)  
Year ended June 30, 2018\* (1)

	<b>2018</b>	
	<b>Public Schools' Professional</b>	<b>Public Schools' Non-Professional</b>
Employer's proportion of the net OPEB - VLDP liability	3.31886%	0.75284%
Employer's proportionate share of the net OPEB - VLDP liability	\$ 20,000	\$ 4,000
Employer's covered payroll	\$ 67,052,585	\$ 5,000,257
Employer's proportionate share of the net OPEB - VLDP liability as a percentage of its covered payroll	0.03%	0.08%
Plan fiduciary net position as a % of total OPEB - VLDP liability	31.96%	38.40%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

\* The amounts presented have a measurement date of the previous fiscal year end.

**County of James City, Virginia**  
Schedule of Employer OPEB - Virginia Local Disability Program Contributions  
Required Supplementary Information (Unaudited)  
Year ended June 30, 2018 (1)

<b>Public Schools' - non-professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 9,890	\$ 9,890	\$ -	\$ 4,802,484	0.21%

<b>Public Schools' - professional</b>					
<b>Fiscal Year</b>	<b>Contractually required contribution</b>	<b>Contributions in relation to contractually required contribution</b>	<b>Contribution deficiency (excess)</b>	<b>Employer's covered payroll</b>	<b>Contributions as a % of covered payroll</b>
2018	\$ 39,047	\$ 39,047	\$ -	\$ 67,353,977	0.06%

(1) This schedule is intended to present 10 years of information. GASB 75 was implemented in fiscal year 2018, and additional years will be presented as the information becomes available.

**County of James City, Virginia**  
Notes to Required Supplementary Information (Unaudited)  
June 30, 2018

**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; Community Development; and Grants and Special Projects Funds where appropriations remain open and carry over to the succeeding years.

All budgets are adopted on the modified accrual basis of accounting. The budget was increased by \$93,385 in supplemental appropriations during the fiscal year ended June 30, 2018. The increase was for insurance recovery funds and a budget adjustment for the actual transient occupancy tax collected. 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, 2018, as adopted and amended by supplemental appropriations.

**2) Pensions - Changes of Benefit Terms**

There have been no actuarially material changes to the system benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

**3) Pensions, OPEB Group Life Insurance, Health Insurance Credit and VLDP - Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

- Update mortality rates to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

- Update mortality rates to more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 15%

*See accompanying independent auditors' report.*

**County of James City, Virginia**  
Notes to Required Supplementary Information (Unaudited)  
June 30, 2018

**3) Pensions and OPEB Group Life Insurance, Health Insurance Credit, and VLDP - Changes of Assumptions, Continued**

Largest 10 - Hazardous Duty:

- Update mortality rates to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience
- Increased disability rates
- No change in salary scale
- Increase line of duty disability rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

- Update mortality rates to more current mortality table – RP-2014 projected to 2020
- Increased age 50 retirement rates and lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better fit experience
- No change in salary scale
- Decrease line of duty disability rate from 60% to 45%

**4) OPEB Retiree Healthcare - Trust Arrangement and Funding Policy**

The County does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis.

**5) OPEB Retiree Healthcare - Changes of Benefit Terms**

There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

**6) OPEB Retiree Healthcare - Changes of Assumptions**

The following change in actuarial assumptions were made based on the most recent actuarial valuation:

<u>Discount Rate</u>	
June 30, 2017	2.85%
June 30, 2018	3.58%

**7) OPEB Group Life Insurance - Changes of Benefit Terms**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

**8) OPEB Health Insurance Credit - Changes of Benefit Terms**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

**9) OPEB Virginia Local Disability Program – Changes of Benefit Terms**

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

**10) OPEB Virginia Local Disability Program – Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers:

- Update mortality rates to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale

*See accompanying independent auditors' report.*

## **Supplementary Information**

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**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, 2018

	Original Budget	Final Budget	Actual	Variance positive (negative)
Revenues:				
Use of money and property	\$ -	\$ -	\$ 100,976	\$ 100,976
Miscellaneous	174,322	174,322	209,788	35,466
Total revenues	<u>174,322</u>	<u>174,322</u>	<u>310,764</u>	<u>136,442</u>
Expenditures:				
Community development	75,000	75,000	46,546	28,454
Debt service:				
Principal	15,412,271	15,412,271	15,412,271	-
Interest and other fiscal charges	7,037,051	7,037,051	6,117,276	919,775
Total expenditures	<u>22,524,322</u>	<u>22,524,322</u>	<u>21,576,093</u>	<u>948,229</u>
Deficiency of revenues under expenditures	(22,350,000)	(22,350,000)	(21,265,329)	1,084,671
Other financing sources:				
Transfers in	<u>22,350,000</u>	<u>22,350,000</u>	<u>21,265,329</u>	<u>1,084,671</u>
Total other financing sources	<u>22,350,000</u>	<u>22,350,000</u>	<u>21,265,329</u>	<u>1,084,671</u>
Deficiency of revenues and other sources under expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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.

*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, 2018

	<b>Virginia Public Assistance Fund</b>	<b>Colonial Community Corrections Fund</b>	<b>Community Development Fund</b>	<b>Trust Fund</b>	<b>Tourism Investment Fund</b>	<b>Grants and Special Projects Fund</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents and investments	\$ 1,491,818	\$ 277,097	\$ 425,241	\$ 360,163	\$ 2,232,301	\$ -	\$ 4,786,620
Cash and cash equivalents, restricted	-	-	1,661,350	-	-	3,279,262	4,940,612
Taxes receivable	-	-	-	-	92,995	-	92,995
Loans receivable	-	-	3,115,987	-	-	-	3,115,987
Miscellaneous receivables	-	-	3,661	-	-	-	3,661
Due from other funds	4,447	298	-	-	-	-	4,745
Due from other governments	326,521	-	74,467	-	-	545,768	946,756
Total assets	<u>\$ 1,822,786</u>	<u>\$ 277,395</u>	<u>\$ 5,280,706</u>	<u>\$ 360,163</u>	<u>\$ 2,325,296</u>	<u>\$ 3,825,030</u>	<u>\$ 13,891,376</u>
<b>Liabilities</b>							
Liabilities:							
Accounts payable	\$ 9,711	\$ 19,277	\$ 24,066	\$ 60,927	\$ 85,300	\$ 299,965	\$ 499,246
Accrued liabilities	2,466	1,725	1,077	-	-	1,446	6,714
Payables from restricted assets	-	-	14,899	-	-	-	14,899
Due to other funds	-	-	-	462	36,385	-	36,847
Unearned revenue	-	-	2,416,169	-	-	6,000	2,422,169
Total liabilities	<u>12,177</u>	<u>21,002</u>	<u>2,456,211</u>	<u>61,389</u>	<u>121,685</u>	<u>307,411</u>	<u>2,979,875</u>
<b>Deferred Inflow of Resources</b>							
Unavailable revenue - grants	<u>854</u>	<u>-</u>	<u>380</u>	<u>-</u>	<u>-</u>	<u>387,008</u>	<u>388,242</u>
<b>Fund Balances</b>							
Fund balances:							
Assigned	<u>1,809,755</u>	<u>256,393</u>	<u>2,824,115</u>	<u>298,774</u>	<u>2,203,611</u>	<u>3,130,611</u>	<u>10,523,259</u>
Total fund balances	<u>1,809,755</u>	<u>256,393</u>	<u>2,824,115</u>	<u>298,774</u>	<u>2,203,611</u>	<u>3,130,611</u>	<u>10,523,259</u>
Total liabilities and fund balances	<u>\$ 1,822,786</u>	<u>\$ 277,395</u>	<u>\$ 5,280,706</u>	<u>\$ 360,163</u>	<u>\$ 2,325,296</u>	<u>\$ 3,825,030</u>	<u>\$ 13,891,376</u>

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, 2018

	<b>Virginia Public Assistance Fund</b>	<b>Colonial Community Corrections Fund</b>	<b>Community Development Fund</b>	<b>Trust Fund</b>	<b>Tourism Investment Fund</b>	<b>Grants and Special Projects Fund</b>	<b>Total</b>
Revenues:							
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 815,252	\$ -	\$ 815,252
Miscellaneous	10,000	59,706	213,340	23,933	250	-	307,229
Intergovernmental:							
Local	-	97,373	-	-	-	208,153	305,526
Commonwealth	1,022,942	783,728	346,180	3,902	-	1,680,996	3,837,748
Federal	2,454,422	-	1,052,152	-	-	562,256	4,068,830
Total revenues	<u>3,487,364</u>	<u>940,807</u>	<u>1,611,672</u>	<u>27,835</u>	<u>815,502</u>	<u>2,451,405</u>	<u>9,334,585</u>
Expenditures:							
Current:							
General government administration	-	-	-	2,596	-	-	2,596
Judicial administration	-	944,261	-	8,568	-	573,682	1,526,511
Public safety	-	-	-	94,839	-	566,651	661,490
Public works	-	-	-	-	-	12,389	12,389
Health and welfare	4,800,251	-	-	400	-	679,537	5,480,188
Parks, recreation and cultural	-	-	-	69,203	-	7,100	76,303
Community development	-	-	2,040,424	-	1,933,714	155,925	4,130,063
Total expenditures	<u>4,800,251</u>	<u>944,261</u>	<u>2,040,424</u>	<u>175,606</u>	<u>1,933,714</u>	<u>1,995,284</u>	<u>11,889,540</u>
Excess (deficiency) of revenues over (under) expenditures	(1,312,887)	(3,454)	(428,752)	(147,771)	(1,118,212)	456,121	(2,554,955)
Other financing sources (uses):							
Transfers in	1,471,422	55,867	699,062	-	1,760,235	1,923,396	5,909,982
Transfers out	-	-	-	(4,860)	(60,327)	-	(65,187)
Total other financing sources (uses)	<u>1,471,422</u>	<u>55,867</u>	<u>699,062</u>	<u>(4,860)</u>	<u>1,699,908</u>	<u>1,923,396</u>	<u>5,844,795</u>
Net change in fund balances	158,535	52,413	270,310	(152,631)	581,696	2,379,517	3,289,840
Fund balances, beginning of year	1,651,220	203,980	2,553,805	451,405	1,621,915	751,094	7,233,419
Fund balances, end of year	<u>\$ 1,809,755</u>	<u>\$ 256,393</u>	<u>\$ 2,824,115</u>	<u>\$ 298,774</u>	<u>\$ 2,203,611</u>	<u>\$ 3,130,611</u>	<u>\$ 10,523,259</u>

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, 2018

	Original Budget	Revised Budget	Actual	Variance positive (negative)
Revenues:				
Intergovernmental:				
Commonwealth	\$ 2,935	\$ 2,935	\$ 1,022,942	\$ 1,020,007
Federal	3,808,254	3,808,254	2,454,422	(1,353,832)
Total intergovernmental revenues	3,811,189	3,811,189	3,477,364	(333,825)
Expenditures:				
Current:				
Health and welfare	5,746,162	5,756,162	4,800,251	955,911
Deficiency of revenues under expenditures	(1,934,973)	(1,944,973)	(1,322,887)	622,086
Other financing sources:				
Miscellaneous	-	10,000	10,000	-
Operating transfers in	1,469,308	1,469,308	1,471,422	2,114
Total other financing sources:	1,469,308	1,479,308	1,481,422	2,114
Deficiency of revenues and other sources under expenditures	(465,665)	(465,665)	158,535	(624,200)
Fund balance, beginning of year	465,665	465,665	1,651,220	(1,185,555)
Fund balance, end of year	\$ -	\$ -	\$ 1,809,755	\$ (1,809,755)

See accompanying independent auditors' report.

**County of James City, Virginia**  
Agency Funds

Agency funds account for money received and held by the County in the capacity of fiscal agent for individuals, other governmental agencies and private organizations.

The County reports the following 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 Position  
Agency Funds  
June 30, 2017

	<b>Special Welfare</b>	<b>WAMAC</b>	<b>Regional Jail</b>	<b>Juvenile Detention</b>	<b>Williamsburg Area Transit Authority</b>	<b>Total</b>
<b>Assets</b>						
Cash and investments	\$ 1,678	\$ 27,662	\$ 1,833,590	\$ 2,008,501	\$ 1,474,406	\$ 5,345,837
Restricted cash and investments	-	4,400,306	2,767,543	-	-	7,167,849
Accounts receivable and due from other governmental units	-	201,697	3,087,376	98,146	891,745	4,278,964
Total assets	<u>\$ 1,678</u>	<u>\$ 4,629,665</u>	<u>\$ 7,688,509</u>	<u>\$ 2,106,647</u>	<u>\$ 2,366,151</u>	<u>\$ 16,792,650</u>
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$ -	\$ 250,697	\$ 2,731,241	\$ 962,187	\$ 478,762	\$ 4,422,887
Amounts held for others	1,678	4,378,968	4,957,268	1,144,460	1,887,389	12,369,763
Total liabilities	<u>\$ 1,678</u>	<u>\$ 4,629,665</u>	<u>\$ 7,688,509</u>	<u>\$ 2,106,647</u>	<u>\$ 2,366,151</u>	<u>\$ 16,792,650</u>

See accompanying independent auditors' report.

**County of James City, Virginia**  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
Year ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Special Welfare Fund:</b>				
Assets:				
Cash	\$ 209	\$ 9,950	\$ 8,481	\$ 1,678
Liabilities:				
Accounts payable	\$ 382	\$ -	\$ 382	-
Amounts held for others	(173)	5,877	4,026	1,678
Total liabilities	<u>\$ 209</u>	<u>\$ 5,877</u>	<u>\$ 4,408</u>	<u>\$ 1,678</u>
<b>Williamsburg Area Medical Assistance Corporation Fund:</b>				
Assets:				
Cash	\$ 143,575	\$ 2,387,515	\$ 2,503,428	\$ 27,662
Restricted cash	4,287,137	789,018	675,849	4,400,306
Accounts receivable	139,960	551,064	489,327	201,697
Total assets	<u>\$ 4,570,672</u>	<u>\$ 3,727,597</u>	<u>\$ 3,668,604</u>	<u>\$ 4,629,665</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 287,112	\$ 2,327,666	\$ 2,364,081	\$ 250,697
Amounts held for others	4,283,560	3,957,700	3,862,292	4,378,968
Total liabilities	<u>\$ 4,570,672</u>	<u>\$ 6,285,366</u>	<u>\$ 6,226,373</u>	<u>\$ 4,629,665</u>
<b>Regional Jail Fund:</b>				
Assets:				
Cash and investments	\$ 1,705,615	\$ 14,833,472	\$ 14,705,497	\$ 1,833,590
Restricted cash and investments	2,808,463	63,593	104,513	2,767,543
Accounts receivable and due from other governmental units	861,318	12,038,056	9,811,998	3,087,376
Total assets	<u>\$ 5,375,396</u>	<u>\$ 26,935,121</u>	<u>\$ 24,622,008</u>	<u>\$ 7,688,509</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 638,121	\$ 2,897,608	\$ 804,488	\$ 2,731,241
Amounts held for others	4,737,275	28,182,730	27,962,737	4,957,268
Total liabilities	<u>\$ 5,375,396</u>	<u>\$ 31,080,338</u>	<u>\$ 28,767,225</u>	<u>\$ 7,688,509</u>
<b>Juvenile Detention Fund:</b>				
Assets:				
Cash and investments	\$ 1,812,119	\$ 4,886,033	\$ 4,689,651	\$ 2,008,501
Accounts receivable and due from other governmental units	244,382	3,811,445	3,957,681	98,146
Total assets	<u>\$ 2,056,501</u>	<u>\$ 8,697,478</u>	<u>\$ 8,647,332</u>	<u>\$ 2,106,647</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,262,215	\$ 844,295	\$ 1,144,323	\$ 962,187
Amounts held for others	794,286	5,445,787	5,095,613	1,144,460
Total liabilities	<u>\$ 2,056,501</u>	<u>\$ 6,290,082</u>	<u>\$ 6,239,936</u>	<u>\$ 2,106,647</u>
<b>Williamsburg Area Transit Authority Fund:</b>				
Assets:				
Cash and investments	\$ 1,233,924	\$ 8,582,875	\$ 8,342,393	\$ 1,474,406
Accounts receivable and due from other governmental units	1,113,632	4,334,732	4,556,619	891,745
Total assets	<u>\$ 2,347,556</u>	<u>\$ 12,917,607</u>	<u>\$ 12,899,012</u>	<u>\$ 2,366,151</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 574,742	\$ 532,776	\$ 628,756	\$ 478,762
Amounts held for others	1,772,814	8,156,054	8,041,479	1,887,389
Total liabilities	<u>\$ 2,347,556</u>	<u>\$ 8,688,830</u>	<u>\$ 8,670,235</u>	<u>\$ 2,366,151</u>
<b>Total:</b>				
Assets:				
Cash and investments	\$ 4,895,442	\$ 30,699,845	\$ 30,249,450	\$ 5,345,837
Restricted cash and investments	7,095,600	852,611	780,362	7,167,849
Accounts receivable and due from other governmental units	2,359,292	20,735,297	18,815,625	4,278,964
Total assets	<u>\$ 14,350,334</u>	<u>\$ 52,287,753</u>	<u>\$ 49,845,437</u>	<u>\$ 16,792,650</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,762,572	\$ 6,602,345	\$ 4,942,030	\$ 4,422,887
Amounts held for others	11,587,762	45,748,148	44,966,147	12,369,763
Total liabilities	<u>\$ 14,350,334</u>	<u>\$ 52,350,493</u>	<u>\$ 49,908,177</u>	<u>\$ 16,792,650</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* - promote industrial and commercial development in the County.

**County of James City, Virginia**  
**Balance Sheet**  
Discretely Presented Component Unit – Public Schools – Governmental Funds  
June 30, 2018

	General	Grants	Schools' food services	Capital projects	Total governmental funds
<b>Assets</b>					
Cash and temporary investments	\$ 15,448,315	\$ -	\$ 1,090,282	\$ -	\$ 16,538,597
Receivables	163,754	96,111	13,408	-	273,273
Due from other funds	2,907,902	-	-	-	2,907,902
Due from fiduciary funds	192,837	-	-	-	192,837
Due from federal government	-	1,003,306	120,665	-	1,123,971
Due from Commonwealth of Virginia	-	5,278	-	-	5,278
Due from the City of Williamsburg and James City County	63,727	-	-	4,597,433	4,661,160
Inventory	-	-	36,661	-	36,661
Total assets	<u>\$ 18,776,535</u>	<u>\$ 1,104,695</u>	<u>\$ 1,261,016</u>	<u>\$ 4,597,433</u>	<u>\$ 25,739,679</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,718,624	\$ 111,105	\$ 38,392	\$ 1,554,638	\$ 3,422,759
Accrued payroll	6,784,444	277,775	142,109	-	7,204,328
Accrued benefits	7,019,731	266,631	124,126	-	7,410,488
Due to the City of Williamsburg and James City County	3,053,736	-	-	-	3,053,736
Due to other funds	-	314,447	-	2,593,455	2,907,902
Unearned revenue	-	138,108	-	-	138,108
Total liabilities	<u>18,576,535</u>	<u>1,108,066</u>	<u>304,627</u>	<u>4,148,093</u>	<u>24,137,321</u>
<b>Deferred Inflow of Resources</b>					
Unavailable revenue - grants	-	622,031	-	-	622,031
<b>Fund balances:</b>					
Nonspendable - inventory	-	-	36,661	-	36,661
Restricted	-	-	919,728	-	919,728
Committed	-	-	-	449,340	449,340
Unassigned	200,000	(625,402)	-	-	(425,402)
Total fund balances	<u>200,000</u>	<u>(625,402)</u>	<u>956,389</u>	<u>449,340</u>	<u>980,327</u>
Total liabilities and fund balances	<u>\$ 18,776,535</u>	<u>\$ 1,104,695</u>	<u>\$ 1,261,016</u>	<u>\$ 4,597,433</u>	

## Adjustments for the statement of net position:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	58,909,826
Some receivables are not available to pay for current period expenditures and therefore are unavailable revenue in the funds.	622,031
Long-term liabilities are not reported as liabilities in the governmental funds.	
Compensated absences	\$ (1,289,504)
Equipment capital leases	(32,299)
Net OPEB asset and liabilities and related deferred inflows and outflows of resources	(21,392,553)
Net pension asset and liabilities and related deferred inflows and outflows of resources	<u>(104,687,498)</u>
Net position of governmental activities	<u>\$ (66,889,670)</u>

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, 2018

	General	Grants	Schools' food services	Capital projects	Total governmental funds
Revenues:					
Intergovernmental:					
From City of Williamsburg and James City County	\$ 95,007,500	\$ -	\$ -	\$ 5,069,746	\$ 100,077,246
From Commonwealth of Virginia	33,049,130	1,013,561	57,272	-	34,119,963
From federal government	16,719	3,302,879	2,393,299	-	5,712,897
Total intergovernmental	128,073,349	4,316,440	2,450,571	5,069,746	139,910,106
Charges for services	505,616	-	1,831,859	-	2,337,475
Interest	560	-	248	-	808
Miscellaneous	180,324	682,745	-	-	863,069
Total revenues	128,759,849	4,999,185	4,282,678	5,069,746	143,111,458
Expenditures:					
General and administrative	3,122,087	-	-	-	3,122,087
Instruction	94,548,899	4,434,887	-	-	98,983,786
Attendance and health services	4,205,922	586,076	-	-	4,791,998
Pupil transportation	7,230,229	-	-	-	7,230,229
Operations and maintenance	10,948,073	46,704	-	-	10,994,777
Technology	7,465,437	375,876	-	-	7,841,313
Food services	-	67,966	4,031,202	-	4,099,168
Debt service:					
Principal	69,243	-	-	-	69,243
Interest	7,020	-	-	-	7,020
Capital outlay	1,391,860	235,917	6,657	5,069,746	6,704,180
Total expenditures	128,988,770	5,747,426	4,037,859	5,069,746	143,843,801
Excess (deficiency) of revenues over (under) expenditures	(228,921)	(748,241)	244,819	-	(732,343)
Net change in fund balances	(228,921)	(748,241)	244,819	-	(732,343)
Fund balances, beginning of year	428,921	122,839	711,570	449,340	1,712,670
Fund balances, end of year	\$ 200,000	\$ (625,402)	\$ 956,389	\$ 449,340	\$ 980,327

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, 2018**

Net change in fund balances		\$ (732,343)
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	\$ 6,704,180	
Depreciation expense	<u>(4,501,572)</u>	\$ 2,202,608
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.		(42,079)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		622,031
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.		69,243
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	(140,606)	
Change in net OPEB liability and related deferred inflows and outflows of resources	38,508	
Change in net pension liability and related deferred inflows and outflows of resources	<u>3,535,792</u>	3,433,694
Change in net position		<u><u>\$ 5,553,154</u></u>

**County of James City, Virginia**  
Schedule of Changes in Assets and Liabilities  
Discretely Presented Component Unit – Public Schools – Agency Funds  
Year ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>
State Operated Educational Program:				
Assets:				
Cash and temporary investments	\$ -	\$ 2,666,189	\$ 2,666,189	\$ -
Due from other governmental units	279,355	356,317	351,254	284,418
Total assets	<u>\$ 279,355</u>	<u>\$ 3,022,506</u>	<u>\$ 3,017,443</u>	<u>\$ 284,418</u>
Liabilities:				
Accounts payable	\$ -	\$ 223,267	\$ 223,267	\$ -
Accrued payroll	57,805	179,807	200,486	37,126
Accrued benefits	24,849	633,684	604,078	54,455
Due to other funds	196,701	192,837	196,701	192,837
Total liabilities	<u>\$ 279,355</u>	<u>\$ 1,229,595</u>	<u>\$ 1,224,532</u>	<u>\$ 284,418</u>
School Activity Fund:				
Assets:				
Cash and temporary investments	<u>\$ 1,125,176</u>	<u>\$ 2,181,125</u>	<u>\$ 2,040,111</u>	<u>\$ 1,266,190</u>
Liabilities:				
Amounts held for others	<u>\$ 1,125,176</u>	<u>\$ 2,181,125</u>	<u>\$ 2,040,111</u>	<u>\$ 1,266,190</u>
Totals – primary government:				
Assets:				
Cash and temporary investments	\$ 1,125,176	\$ 4,847,314	\$ 4,706,300	\$ 1,266,190
Due from other governmental units	279,355	356,317	351,254	284,418
Total assets	<u>\$ 1,404,531</u>	<u>\$ 5,203,631</u>	<u>\$ 5,057,554</u>	<u>\$ 1,550,608</u>
Liabilities:				
Accounts payable	\$ -	\$ 223,267	\$ 223,267	\$ -
Accrued payroll	57,805	179,807	200,486	37,126
Accrued benefits	24,849	633,684	604,078	54,455
Amounts held for others	1,125,176	2,181,125	2,040,111	1,266,190
Due to General Fund	196,701	192,837	196,701	192,837
Total liabilities	<u>\$ 1,404,531</u>	<u>\$ 3,410,720</u>	<u>\$ 3,264,643</u>	<u>\$ 1,550,608</u>

See accompanying independent auditors' report.

**County of James City, Virginia**  
**Statement of Net Position**  
Discretely Presented Component Unit - Economic Development Authority  
June 30, 2018

**Assets**

Current assets:	
Cash and short-term investments (note 2)	\$ 350,083
Due from James City County	3,544
Bond fee receivable	3,028
Total current assets	<u>356,655</u>
Notes receivable, net allowance	<u>25,000</u>
Capital assets (note 6):	
Nondepreciable	1,238,661
Depreciable, net	695,117
Capital assets, net	<u>1,933,778</u>
Total assets	<u><u>\$ 2,315,433</u></u>

**Liabilities and Net Position**

Current liabilities:	
Accounts payable	<u>\$ 1,730</u>
Net position:	
Net investment in capital assets	1,933,778
Unrestricted	379,925
Total net position	<u>2,313,703</u>
Total liabilities and net position	<u><u>\$ 2,315,433</u></u>

See accompanying independent auditors' report.

**Exhibit D-5****County of James City, Virginia**

Statement of Revenues, Expenses and Changes in Fund Net Position  
Discretely Presented Component Unit - Economic Development Authority  
Year ended June 30, 2018

Operating revenues:	
Intergovernmental - County contribution	\$ 111,768
Lease income	64,725
Bond fees	17,712
Total operating revenues	<u>194,205</u>
Operating expenses:	
Community development	213,400
Promotion	55,585
Depreciation	17,435
Professional fees	16,883
Note forgiveness	2,573
Other	553
Total operating expenses	<u>306,429</u>
Operating loss	<u>(112,224)</u>
Nonoperating revenue (expenses):	
Capital contribution	804,845
Interest income	4,360
Total nonoperating revenue (expenses)	<u>809,205</u>
Change in net position	696,981
Net position, beginning of year	<u>1,616,722</u>
Net position, end of year	<u><u>\$ 2,313,703</u></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, 2018

Cash flows from operating activities:	
Receipts from customers	\$ 215,063
Payments to suppliers	(332,280)
Net cash used for operating activities	<u>(117,217)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	<u>(95,533)</u>
Cash flows from investing activities:	
Interest received	4,360
Net decrease in cash and short-term investments	(208,390)
Cash and short-term investments, beginning of year	558,473
Cash and short-term investments, end of year	<u><u>\$ 350,083</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (112,224)
Adjustments to reconcile operating loss to cash used for operating activities:	
Depreciation	17,435
Note forgiveness	2,573
Changes in assets and liabilities:	
Bond fee receivable	(3,028)
Due from James City County	16,588
Notes receivable	4,725
Accounts payable	(43,286)
Net cash used for operating activities	<u><u>\$ (117,217)</u></u>
Schedule of non-cash capital and related financing activities	
Capital contributions	<u><u>\$ 804,845</u></u>

See accompanying independent auditors' report.

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## **Statistical Section (Unaudited)**

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**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.

**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 Position by Component  
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	\$ 155,643,755	\$ 91,045,788	\$ 46,961,066	\$ 133,812,951	\$ 128,851,392	\$ 142,867,725	\$ 159,469,360	\$ 176,303,250	\$ 185,274,286	\$ 198,539,384
Restricted:										
Capital projects	15,716,245	41,296,767	20,005,183	21,226,338	35,010,428	8,320,449	1,551,387	-	-	-
Debt service	-	-	-	-	-	-	-	1,222,336	1,226,566	1,236,338
Other purposes	394,831	813,685	-	-	-	-	-	1,899,944	3,067,921	4,940,612
Unrestricted	42,816,887	61,999,946	134,831,315	55,343,408	52,396,401	50,095,897	51,222,452	52,962,121	63,841,474	70,378,940
Total governmental activities net position	<u>\$ 214,571,718</u>	<u>\$ 195,156,186</u>	<u>\$ 201,797,564</u>	<u>\$ 210,382,697</u>	<u>\$ 216,258,221</u>	<u>\$ 201,284,071</u>	<u>\$ 212,243,199</u>	<u>\$ 232,387,651</u>	<u>\$ 253,410,247</u>	<u>\$ 275,095,274</u>
Business-type activity:										
Net investment in capital assets	\$ 134,314,330	\$ 135,071,435	\$ 135,641,623	\$ 135,110,313	\$ 139,966,206	\$ 137,922,955	\$ 137,173,064	\$ 139,312,785	\$ 136,696,744	\$ 132,616,889
Restricted:										
Capital projects	4,674,837	4,610,218	4,740,769	4,876,760	2,620,384	2,601,160	2,716,277	-	-	-
Debt service	-	-	-	-	-	-	-	729,605	677,614	567,011
Unrestricted	36,591,088	36,430,621	34,057,874	34,462,629	30,189,025	29,159,119	32,903,518	37,014,202	41,443,900	46,664,323
Total business-type activity net position	<u>\$ 175,580,255</u>	<u>\$ 176,112,274</u>	<u>\$ 174,440,266</u>	<u>\$ 174,449,702</u>	<u>\$ 172,775,615</u>	<u>\$ 169,683,234</u>	<u>\$ 172,792,859</u>	<u>\$ 177,056,592</u>	<u>\$ 178,818,258</u>	<u>\$ 179,848,223</u>
Primary government:										
Net investment in capital assets	\$ 289,958,085	\$ 226,117,223	\$ 182,602,689	\$ 268,923,264	\$ 268,817,598	\$ 280,790,680	\$ 296,642,424	\$ 315,616,035	\$ 321,971,030	\$ 331,156,273
Restricted:										
Capital projects	20,391,082	45,906,985	24,745,952	26,103,098	37,630,812	10,921,609	4,267,664	-	-	-
Debt Service	-	-	-	-	-	-	-	1,951,941	1,904,180	1,803,349
Other purposes	394,831	813,685	-	-	-	-	-	1,899,944	3,067,921	4,940,612
Unrestricted	79,407,975	98,430,567	168,889,189	89,806,037	82,585,426	79,255,016	84,125,970	89,976,323	105,285,374	117,043,263
Total primary government net position	<u>\$ 390,151,973</u>	<u>\$ 371,268,460</u>	<u>\$ 376,237,830</u>	<u>\$ 384,832,399</u>	<u>\$ 389,033,836</u>	<u>\$ 370,967,305</u>	<u>\$ 385,036,058</u>	<u>\$ 409,444,243</u>	<u>\$ 432,228,505</u>	<u>\$ 454,943,497</u>

Table 2

**County of James City, Virginia**  
**Government-Wide Expenses and Program Revenues by Function**  
**Last Ten Fiscal Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses:</b>										
Governmental activities:										
General government administration	\$ 21,347,839	\$ 23,962,622	\$ 23,061,671	\$ 17,103,421	\$ 14,304,134	\$ 9,249,487	\$ 19,278,147	\$ 8,807,519	\$ 11,261,405	\$ 8,768,221
Judicial administration	5,515,309	5,321,244	5,394,548	5,513,976	5,505,727	5,216,769	5,598,594	5,682,096	5,147,078	6,053,891
Public safety	23,267,505	22,477,094	15,003,864	23,768,668	27,750,476	25,964,996	23,996,973	30,842,789	30,313,710	32,036,916
Public works	5,925,566	19,240,014	7,332,972	6,119,246	7,963,622	7,244,367	6,985,073	7,986,260	9,161,360	7,258,365
Health and welfare	7,171,131	7,332,607	7,582,994	7,042,619	6,785,380	6,671,151	7,013,325	7,368,295	7,742,508	7,883,242
Education	83,021,945	81,441,066	83,737,593	82,082,568	84,309,615	85,595,145	87,713,464	87,508,710	93,728,530	94,073,287
Parks, recreation, and cultural	10,302,398	8,938,509	8,980,597	8,744,156	8,536,371	10,897,006	9,386,351	10,650,141	11,779,541	12,346,131
Community development	13,575,967	11,472,198	9,467,357	14,832,661	11,139,632	10,676,484	10,692,736	12,787,069	11,905,882	10,627,626
Interest on long-term debt	10,582,404	10,671,318	9,853,465	9,384,810	9,522,081	8,822,326	7,787,361	5,869,933	5,386,316	4,905,534
Total governmental activities expenses	<u>180,710,064</u>	<u>190,856,672</u>	<u>170,415,061</u>	<u>174,592,125</u>	<u>175,817,038</u>	<u>170,337,731</u>	<u>178,452,024</u>	<u>177,502,812</u>	<u>186,426,330</u>	<u>183,953,213</u>
Business-type activities:										
Service Authority	18,742,699	20,074,066	20,896,660	21,361,681	21,272,566	21,002,926	19,888,935	19,971,937	19,876,242	19,522,028
Stormwater Utility	1,466,080	-	-	-	-	-	-	-	-	-
Total business-type expenses	<u>20,208,779</u>	<u>20,074,066</u>	<u>20,896,660</u>	<u>21,361,681</u>	<u>21,272,566</u>	<u>21,002,926</u>	<u>21,002,926</u>	<u>19,971,937</u>	<u>19,876,242</u>	<u>19,522,028</u>
Total primary government expenses	<u>\$ 200,918,843</u>	<u>\$ 210,930,738</u>	<u>\$ 191,311,721</u>	<u>\$ 195,953,806</u>	<u>\$ 197,089,604</u>	<u>\$ 191,340,657</u>	<u>\$ 199,454,950</u>	<u>\$ 197,474,749</u>	<u>\$ 206,302,572</u>	<u>\$ 203,475,241</u>
<b>Program revenues:</b>										
Governmental activities:										
Charges for services:										
General government administration	\$ 7,342,625	\$ 6,594,623	\$ 6,845,682	\$ 7,246,961	\$ 7,436,450	\$ 7,758,238	\$ 8,047,642	\$ 7,547,746	\$ 7,797,839	\$ 7,973,771
Judicial administration	2,013,959	1,753,575	1,864,708	1,816,700	1,828,073	1,839,637	1,832,471	2,464,271	2,366,908	2,407,582
Public safety	2,714,769	2,704,770	2,874,239	3,172,589	3,463,159	3,330,101	3,455,177	3,558,411	3,281,957	2,964,057
Parks, recreation and cultural	2,493,973	2,547,762	2,494,536	2,527,532	2,708,063	2,854,489	3,109,047	3,563,791	3,667,720	3,694,635
Other	736,926	213,976	203,302	216,443	225,520	281,256	270,799	1,041,798	1,017,317	1,015,042
Total charges for services	<u>15,302,252</u>	<u>13,814,706</u>	<u>14,282,467</u>	<u>14,980,225</u>	<u>15,661,265</u>	<u>16,063,721</u>	<u>16,715,136</u>	<u>18,176,017</u>	<u>18,131,741</u>	<u>18,055,087</u>
Operating grants and contributions	25,171,862	23,161,669	32,049,993	33,019,242	31,354,415	30,572,383	31,767,861	32,181,074	32,903,768	32,980,663
Capital grants and contributions	804,605	423,581	434,823	2,035,365	1,312,352	1,286,856	346,627	269,439	196,051	828,415
Total governmental activities program revenues	<u>41,278,719</u>	<u>37,399,956</u>	<u>46,767,283</u>	<u>50,034,832</u>	<u>48,328,032</u>	<u>47,922,960</u>	<u>48,829,624</u>	<u>50,626,530</u>	<u>51,231,560</u>	<u>51,864,165</u>
Business-type activities:										
Charges for services	14,787,096	15,575,143	16,443,520	14,883,627	15,871,187	16,131,430	16,452,120	16,018,375	19,064,677	19,523,972
Operating grants and contributions	21,978	2,756	-	-	-	-	-	-	-	-
Capital grants and contributions	4,563,025	3,427,510	1,750,073	5,395,362	4,600,645	3,388,700	5,284,379	6,865,346	1,509,214	796,235
Total business-type activities program revenues	<u>19,372,099</u>	<u>19,005,409</u>	<u>18,193,593</u>	<u>20,278,989</u>	<u>20,471,832</u>	<u>19,520,130</u>	<u>21,736,499</u>	<u>22,883,721</u>	<u>20,573,891</u>	<u>20,320,207</u>
Total primary government program revenues	<u>\$ 60,650,818</u>	<u>\$ 56,405,365</u>	<u>\$ 64,960,876</u>	<u>\$ 70,313,821</u>	<u>\$ 68,799,864</u>	<u>\$ 67,443,090</u>	<u>\$ 70,566,123</u>	<u>\$ 73,510,251</u>	<u>\$ 71,805,451</u>	<u>\$ 72,184,372</u>
<b>Net (expense)/revenue:</b>										
Governmental activities	\$(139,431,345)	\$(153,456,716)	\$(123,647,778)	\$(124,557,293)	\$(127,489,006)	\$(122,414,771)	\$(129,622,400)	\$(126,876,282)	\$(135,194,770)	\$(132,089,048)
Business-type activities	(836,680)	(1,068,657)	(2,703,067)	(1,082,692)	(800,734)	(1,482,796)	1,847,564	2,911,784	697,649	798,179
Total primary government net expense	<u>\$(140,268,025)</u>	<u>\$(154,525,373)</u>	<u>\$(126,350,845)</u>	<u>\$(125,639,985)</u>	<u>\$(128,289,740)</u>	<u>\$(123,897,567)</u>	<u>\$(127,774,836)</u>	<u>\$(123,964,498)</u>	<u>\$(134,497,121)</u>	<u>\$(131,290,869)</u>
<b>General revenues and other changes in net position:</b>										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 106,494,452	\$ 109,159,897	\$ 109,545,003	\$ 111,454,692	\$ 110,351,991	\$ 111,899,484	\$ 113,359,672	\$ 120,796,742	\$ 128,334,481	\$ 131,493,564
Other local taxes	18,869,282	18,355,067	19,100,086	20,006,069	21,208,061	21,435,046	22,771,626	24,027,667	24,555,363	24,442,882
Permits, fees and licenses	7,420,591	6,672,136	-	-	-	-	-	-	-	-
Interest on investment earnings	2,351,497	673,668	442,698	395,001	330,514	339,358	232,388	263,745	402,544	382,080
Gain on sale of capital assets	223,203	-	-	-	-	-	-	-	-	-
Sale of land	4,936,444	-	-	-	-	-	-	-	-	-
Miscellaneous	2,297,380	1,390,966	1,201,369	1,286,664	1,473,964	1,875,485	4,217,842	1,932,580	2,924,978	3,065,493
Total governmental activities	<u>142,592,849</u>	<u>136,251,734</u>	<u>130,289,156</u>	<u>133,142,426</u>	<u>133,364,530</u>	<u>135,549,373</u>	<u>140,581,528</u>	<u>147,020,734</u>	<u>156,217,366</u>	<u>159,384,019</u>
Business-type activities:										
Interest on investment earnings	3,669,266	956,056	509,675	351,929	(1,249,111)	267,061	248,207	519,767	90,148	43,940
Gain (loss) on sale of capital assets	74,226	-	-	-	-	-	-	-	-	-
Miscellaneous	522,513	644,620	521,384	740,199	375,758	520,504	1,013,854	832,182	973,869	726,432
Total business-type activities	<u>4,266,005</u>	<u>1,600,676</u>	<u>1,031,059</u>	<u>1,092,128</u>	<u>(873,353)</u>	<u>787,565</u>	<u>1,262,061</u>	<u>1,351,949</u>	<u>1,064,017</u>	<u>770,372</u>
Total primary government	<u>\$ 146,858,854</u>	<u>\$ 137,852,410</u>	<u>\$ 131,320,215</u>	<u>\$ 134,234,554</u>	<u>\$ 132,491,177</u>	<u>\$ 136,336,938</u>	<u>\$ 141,843,589</u>	<u>\$ 148,372,683</u>	<u>\$ 157,281,383</u>	<u>\$ 160,154,391</u>
<b>Change in net position:</b>										
Governmental activities	\$ 3,161,504	\$ (17,204,982)	\$ 6,641,378	\$ 8,585,133	\$ 5,875,524	\$ 13,134,602	\$ 10,959,128	\$ 20,144,452	\$ 21,022,596	\$ 27,294,971
Business-type activities	3,429,325	532,019	(1,672,008)	9,436	(1,674,087)	(695,231)	3,109,625	4,263,733	1,761,666	1,568,551
Total primary government	<u>\$ 6,590,829</u>	<u>\$ (16,672,963)</u>	<u>\$ 4,969,370</u>	<u>\$ 8,594,569</u>	<u>\$ 4,201,437</u>	<u>\$ 12,439,371</u>	<u>\$ 14,068,753</u>	<u>\$ 24,408,185</u>	<u>\$ 22,784,262</u>	<u>\$ 28,863,522</u>

(1) Reflects expenses from Exhibit 2.

Table 3

**County of James City, Virginia**  
**Fund Balances, Governmental Funds**  
**Last Ten Fiscal Years (1)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund:										
Nonspendable:										
Inventory	\$ 264,969	\$ 276,083	\$ 298,757	\$ 346,545	\$ 361,682	\$ 370,536	\$ 340,709	\$ 336,498	\$ 332,335	\$ 311,882
Prepaid items	-	400,301	-	-	-	-	2,111	-	-	-
Assigned:										
General	437,744	1,161,093	2,678,655	6,089,236	6,595,137	6,544,809	5,991,822	7,860,584	7,249,473	8,384,195
Capital reserve	11,118,329	12,408,971	16,045,435	15,766,115	11,583,529	8,118,950	4,968,111	5,414,938	6,001,542	6,963,412
Unassigned	21,311,672	21,187,263	20,449,054	21,674,594	22,345,746	23,099,410	23,360,679	24,681,548	28,339,753	30,119,197
Total general fund	<u>\$ 33,132,714</u>	<u>\$ 35,433,711</u>	<u>\$ 39,471,901</u>	<u>\$ 43,876,490</u>	<u>\$ 40,886,094</u>	<u>\$ 38,133,705</u>	<u>\$ 34,663,432</u>	<u>\$ 38,293,568</u>	<u>\$ 41,923,103</u>	<u>\$ 45,778,686</u>
All other government funds:										
Restricted - bond proceeds held in escrow	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,236,338
Committed:										
Grants	-	-	741,113	962,702	128,700	240,900	69	-	-	-
Capital projects/reserve	80,344,173	52,626,696	25,150,586	21,226,338	35,010,428	8,320,449	1,551,387	28,907,491	13,781,490	-
Assigned:										
Capital reserve	-	-	-	-	-	14,466,602	16,178,748	18,699,213	26,115,707	26,401,040
Special revenue	5,336,850	4,454,442	3,372,795	4,132,137	4,993,071	4,505,717	4,957,409	6,111,183	7,233,419	10,523,259
Total all other governmental funds	<u>\$ 85,681,023</u>	<u>\$ 57,081,138</u>	<u>\$ 29,264,494</u>	<u>\$ 26,321,177</u>	<u>\$ 40,132,199</u>	<u>\$ 27,533,668</u>	<u>\$ 22,687,613</u>	<u>\$ 53,717,887</u>	<u>\$ 47,130,616</u>	<u>\$ 38,160,637</u>

(1) Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which provides 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 2009 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**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
General property taxes	\$ 107,015,723	\$ 107,695,813	\$ 108,564,306	\$ 110,677,787	\$ 109,112,196	\$ 112,151,342	\$ 112,542,078	\$ 124,363,595	\$ 128,094,252	\$ 130,402,106
Other local taxes	18,869,282	18,355,067	19,100,086	20,006,069	21,208,061	21,435,046	22,771,626	24,027,667	24,555,363	24,442,882
Licenses, permits, and fees	7,420,591	6,672,136	7,055,618	7,487,105	7,623,652	8,134,299	8,443,821	8,779,496	9,049,208	8,892,499
Fines and forfeitures	348,846	296,866	334,633	274,198	295,355	293,625	271,615	309,278	270,716	265,561
Use of money and property	2,351,497	673,668	442,698	395,001	330,514	339,358	232,388	263,745	402,544	382,080
Charges for services	5,504,494	4,857,836	4,861,478	5,174,185	5,736,864	5,549,607	5,944,750	6,623,273	6,471,404	6,656,889
Miscellaneous	7,457,027	1,390,966	1,201,370	1,286,664	1,473,964	1,875,484	4,217,842	1,932,580	2,924,978	3,065,493
Intergovernmental	35,425,379	32,245,254	34,515,554	37,099,346	34,672,161	33,945,431	34,169,438	34,635,171	35,092,799	35,731,814
Total revenues	184,392,839	172,187,606	176,075,743	182,400,355	180,452,767	183,724,192	188,593,558	200,934,805	206,861,264	209,839,324
<b>Expenditures:</b>										
Storm costs	-	-	-	2,454,661	-	-	-	-	-	-
General government administration	8,756,912	8,323,563	8,265,513	8,669,692	9,399,885	9,643,858	9,432,889	9,678,060	9,770,250	10,086,403
Judicial administration	5,323,019	5,302,279	5,311,684	5,254,489	5,250,974	5,514,609	5,599,728	5,463,744	5,870,569	5,856,353
Public works	5,878,757	5,650,572	7,241,872	6,493,573	7,606,884	7,353,940	6,976,533	27,878,252	28,443,672	28,728,800
Health and welfare	7,171,131	7,332,607	7,582,994	7,042,619	6,785,380	7,061,327	7,193,841	7,082,202	7,833,811	7,635,751
Education	74,724,304	73,757,904	73,830,796	74,280,245	75,931,599	77,496,482	79,610,865	7,234,052	7,350,896	7,584,697
Parks, recreation, and cultural	10,100,822	9,509,436	9,180,161	9,163,941	9,075,083	9,899,159	9,858,887	79,825,974	84,299,207	85,395,004
Public safety	23,159,401	22,987,019	23,792,805	24,915,821	26,555,114	26,764,383	27,475,307	9,872,451	10,293,611	10,394,095
Community development	14,520,010	11,086,234	10,289,898	9,873,740	10,914,977	10,958,279	10,769,064	10,353,844	11,827,600	9,959,810
Nondepartmental	1,502,034	556,381	(266,150)	1,265,803	966,806	721,744	525,433	1,183,538	-	-
Debt service (2):										
Principal	14,363,935	15,077,900	14,830,524	14,787,955	23,473,305	16,417,326	16,862,695	17,122,377	16,206,234	16,284,125
Interest	10,625,010	10,365,470	9,853,465	9,384,810	9,522,081	8,822,326	7,787,361	6,188,222	6,841,056	6,195,080
Bond issuance costs	-	101,667	20,003	-	253,624	-	112,863	1,173,546	-	-
Capital outlay (1)	25,458,348	43,005,939	30,042,723	15,023,734	12,586,344	18,421,679	13,424,741	12,647,985	25,818,138	26,833,602
Total expenditures	201,583,683	213,056,971	199,976,288	188,611,083	198,322,056	199,075,112	195,630,207	195,704,247	214,555,044	214,953,720
Excess (deficiency) of revenues over (under) expenditures	(17,190,844)	(40,869,365)	(23,900,545)	(6,210,728)	(17,869,289)	(15,350,920)	(7,036,649)	5,230,558	(7,693,780)	(5,114,396)
<b>Other financing sources:</b>										
Transfers in	30,904,124	29,093,987	28,784,026	29,412,515	33,965,148	34,729,940	35,271,660	40,956,217	40,745,506	40,309,261
Transfers out	(30,904,124)	(29,093,987)	(28,784,026)	(29,412,515)	(33,965,148)	(34,729,940)	(35,271,660)	(40,956,217)	(40,745,506)	(40,309,261)
Issuance of debt	-	14,935,000	4,820,000	7,672,000	26,380,000	-	34,185,000	91,665,000	-	-
Premiums on bonds issued	-	12,809	321,834	-	2,309,915	-	3,907,273	10,930,294	-	-
Capital lease	-	-	-	-	-	-	-	-	4,736,044	-
Payment to refunded bond escrow agent	-	-	(5,019,743)	-	-	-	(39,371,952)	(73,165,442)	-	-
Total other financing sources	-	14,947,809	122,091	7,672,000	28,689,915	-	(1,279,679)	29,429,852	4,736,044	-
Net change in fund balances	<u>\$ (17,190,844)</u>	<u>\$ (25,921,556)</u>	<u>\$ (23,778,454)</u>	<u>\$ 1,461,272</u>	<u>\$ 10,820,626</u>	<u>\$ (15,350,920)</u>	<u>\$ (8,316,328)</u>	<u>\$ 34,660,410</u>	<u>\$ (2,957,736)</u>	<u>\$ (5,114,396)</u>
Debt service as a percentage of noncapital expenditures	13.92%	13.58%	14.27%	13.65%	17.55%	13.97%	13.35%	12.56%	11.99%	11.74%

(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 position.

Table 5

**County of James City, Virginia**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

<b>Fiscal year</b>	<b>Total real property</b>	<b>General personal property</b>	<b>Machinery and tools</b>	<b>Mobile homes</b>	<b>Total Personal property</b>	<b>Public service</b>	<b>Total assessed value</b>	<b>Total direct tax rate</b>
2009	\$ 11,005,655,000	\$ 610,316,169	\$ 128,696,107	\$ 11,641,959	\$ 750,654,235	\$ 184,750,991	\$ 11,941,060,226	\$ 4.77
2010	11,155,493,300	598,149,387	132,052,632	10,994,266	741,196,285	196,289,584	12,092,979,169	4.77
2011	11,172,929,700	621,471,862	137,178,668	10,101,067	768,751,597	210,802,200	12,152,483,497	4.77
2012	11,316,807,900	652,561,625	139,945,157	9,719,184	802,225,966	222,670,868	12,341,704,734	4.77
2013	10,921,180,200	687,058,440	141,877,157	9,209,475	838,145,072	232,588,225	11,991,913,497	4.77
2014	11,067,756,400	710,720,870	144,950,305	8,346,659	864,017,834	233,973,337	12,165,747,571	4.77
2015	11,148,405,300	783,249,672	144,694,099	7,901,856	935,845,627	336,370,602	12,420,621,529	4.77
2016	11,352,153,219	770,378,346	145,094,277	7,533,858	923,006,481	236,177,856	12,511,337,556	4.84
2017	11,608,801,433	809,023,687	147,942,350	7,008,284	963,974,321	245,349,999	12,818,125,753	4.84
2018	11,797,419,633	862,391,419	151,313,988	6,377,045	1,020,082,452	247,568,334	13,065,070,419	4.84

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**

<b>Fiscal year</b>	<b>Real estate tax (1)</b>	<b>Personal property tax (1)</b>	<b>Room tax</b>	<b>Meal tax</b>	<b>Retail sales tax (2)</b>	<b>Total direct tax rate</b>
2009	\$ 0.77	\$ 4.00	\$ 5.00	\$ 4.00	\$ 1.00	\$ 4.77
2010	0.77	4.00	5.00	4.00	1.00	4.77
2011	0.77	4.00	5.00	4.00	1.00	4.77
2012	0.77	4.00	5.00	4.00	1.00	4.77
2013	0.77	4.00	5.00	4.00	1.00	4.77
2014	0.77	4.00	5.00	4.00	1.00	4.77
2015	0.77	4.00	5.00	4.00	1.00	4.77
2016	0.84	4.00	5.00	4.00	1.00	4.84
2017	0.84	4.00	5.00	4.00	1.00	4.84
2018	0.84	4.00	5.00	4.00	1.00	4.84

(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 Tax Payers  
Current Year and Nine Years Ago

**Principal Property Tax Payers**

	2018			2009		
	Property taxes assessed	Rank	Percentage of County total	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	\$ 5,191,177	1	3.66%	\$ 4,778,811	1	4.27%
Seaworld Parks, LLC	2,163,993	2	1.53%			
Premium Outlets of Williamsburg (1)	1,227,471	3	0.87%			
Wal-Mart, Inc.	1,151,667	4	0.81%	1,141,516	3	1.02%
Virginia Electric & Power Company	1,138,453	5	0.80%	692,230	7	0.62%
Williamsburg Plantation Owners Association	1,095,920	6	0.77%	652,774	8	0.58%
Powhatan Plantation Owners Association	1,015,111	7	0.72%	1,015,971	4	0.91%
Williamsburg Landing, Inc.	874,119	8	0.62%	732,012	6	0.65%
Ball Metal Container	815,963	9	0.58%	637,921	9	0.57%
Manor Club @ Ford's Colony (2)	686,842	10	0.48%	596,756	10	0.53%
Busch Entertainment Corp				1,631,769	2	1.46%
Busch Properties				755,334	5	0.67%
Total	<u>\$ 15,360,716</u>		<u>10.84%</u>	<u>\$ 12,635,094</u>		<u>11.28%</u>

Source: Commissioner of the Revenue

(1) Premium Outlets includes two related parties, Williamsburg Outlets, LLC and Williamsburg Mazel, LLC. They are combined in this table to show the value of the shopping center.

(2) In 2009, the company was known as Manor Houses Associates.

**Principal Personal Property Tax Payers**

	2018 (1)		
	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	\$ 4,009,477	1	9.88%
Seaworld Parks, LLC	1,591,685	2	3.92%
Ball Metal Container	674,734	3	1.66%
Printpack, Inc.	478,239	4	1.18%
Owens-Brockway Glass Container	454,792	5	1.12%
Wal-Mart, Inc.	311,667	6	0.77%
Cox Communications of Hampton Roads	262,663	7	0.65%
Toyota Lease Trust	255,072	8	0.63%
HVT, Inc.	189,661	9	0.47%
Branscome, Inc.	152,057	10	0.37%
Total	<u>\$ 8,380,047</u>		<u>20.65%</u>

Source: Commissioner of the Revenue

(1) Fiscal year 2010 was the first year this information was reported and therefore, information for fiscal year 2009 is not available.

**Principal Real Estate Property Tax Payers**

	2018 (1)		
	Property taxes assessed	Rank	Percentage of County total
Premium Outlets of Williamsburg (2)	\$ 1,227,471	1	1.24%
Anheuser-Busch, Inc.	1,181,700	2	1.19%
Virginia Electric & Power Company	1,129,673	3	1.14%
Williamsburg Plantation Owners Association	1,087,655	4	1.10%
Powhatan Plantation Owners Association	988,420	5	1.00%
Wal-Mart, Inc.	840,000	6	0.85%
Williamsburg Landing, Inc.	776,371	7	0.78%
Manor Club @ Ford's Colony	651,006	8	0.66%
Virginia United Methodist Homes, Inc.	645,755	9	0.65%
Seaworld Parks, LLC	572,308	10	0.58%
Total	<u>\$ 9,100,359</u>		<u>9.19%</u>

Source: Commissioner of the Revenue

(1) Fiscal year 2010 was the first year this information was reported and therefore, information for fiscal year 2009 is not available.

(2) Premium Outlets includes two related parties, Williamsburg Outlets, LLC and Williamsburg Mazel, LLC. They are combined in this table to show the value of the shopping center.

Table 8

**County of James City, Virginia**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

<b>Fiscal year</b>	<b>Taxes levied for the fiscal year</b>	<b>Collected within the fiscal year of the levy</b>		<b>Collections in subsequent years</b>	<b>Total collections to date</b>	
		<b>Amount (1)</b>	<b>Percentage of levy</b>		<b>Amount</b>	<b>Percentage of levy</b>
2009	\$ 114,856,453	\$ 97,895,837	85.23%	\$ 16,824,283	\$ 114,720,120	99.88%
2010	116,316,624	99,101,581	85.20%	16,968,862	116,070,443	99.79%
2011	117,215,610	100,889,563	86.07%	15,946,267	116,835,830	99.68%
2012	121,312,654	101,482,234	83.65%	19,498,752	120,980,986	99.73%
2013	117,414,914	98,431,581	83.83%	18,747,396	117,178,977	99.80%
2014	118,804,815	100,523,591	84.61%	17,810,298	118,333,889	99.60%
2015	116,313,370	101,071,578	86.90%	13,981,851	115,053,429	98.92%
2016	122,270,532	106,867,113	87.40%	14,476,777	121,343,890	99.24%
2017	125,345,126	109,436,232	87.31%	15,895,512	125,331,744	99.99%
2018	127,947,412	111,268,080	86.96%	-	111,268,080	86.96%

Source: Treasurer, James City County

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

Table 9

**County of James City, Virginia**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Apparel stores	\$ 167,950,739	\$ 175,885,946	\$ 183,244,309	\$ 198,116,199	\$ 206,585,825	\$ 213,354,143	\$ 194,143,321	\$ 194,900,831	\$ 186,607,800	\$ 161,355,210
Automotive dealers, supplies and repair	14,567,840	12,949,521	17,019,548	24,017,913	21,792,904	21,122,470	20,893,120	23,582,443	23,292,016	27,301,606
Building materials, machinery and equipment	31,817,138	42,771,225	16,631,597	20,676,668	19,518,301	18,093,198	18,046,110	20,957,143	19,658,032	18,140,731
Eating and drinking establishments	67,796,606	89,306,904	91,552,799	103,724,814	105,121,625	116,111,215	112,320,430	116,764,293	113,221,696	96,580,559
Food stores	136,126,199	109,487,554	135,172,441	148,451,817	160,043,266	169,193,864	172,591,926	178,533,330	173,053,026	166,510,730
Furniture, home furnishings and household equipment	34,053,707	21,986,380	22,119,421	23,420,749	25,032,485	31,239,589	33,524,596	34,915,814	33,199,279	30,254,081
General merchandise	91,584,624	95,560,600	87,029,287	92,522,324	103,860,834	116,426,211	133,412,703	138,011,583	138,691,794	148,614,533
Lodging	47,796,238	39,984,592	32,414,685	14,172,343	16,041,031	15,276,927	20,352,083	22,528,553	21,630,584	23,009,096
Other outlets	26,130,061	25,930,390	29,255,159	39,511,197	38,200,453	38,297,074	32,410,167	31,055,094	31,872,830	38,055,982
Other retail stores, dealers, trades and services	182,317,205	163,456,030	188,073,849	204,974,337	208,856,679	205,764,580	231,051,462	250,886,839	243,076,757	261,444,986
<b>Total</b>	<b>\$ 800,140,357</b>	<b>\$ 777,319,142</b>	<b>\$ 802,513,095</b>	<b>\$ 869,588,361</b>	<b>\$ 905,053,403</b>	<b>\$ 944,879,271</b>	<b>\$ 968,745,918</b>	<b>\$ 1,012,135,923</b>	<b>\$ 984,303,814</b>	<b>\$ 971,267,514</b>

Source: Weldon Cooper Center

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

Table 10

**County of James City, Virginia**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

<b>Fiscal year</b>	<b>Governmental activities</b>				<b>Business-type activity</b>	<b>Total primary government</b>	<b>Percentage of personal income (1)</b>	<b>Per capita personal income (2)</b>
	<b>General obligation bonds</b>	<b>Capital leases</b>	<b>Lease revenue bonds</b>	<b>Total</b>	<b>Revenue bonds</b>			
2009	\$ 109,974,105	\$ 11,170,533	\$ 101,595,000	\$ 222,739,638	\$ 37,386,546	\$ 260,126,184	15.68	\$ 51,109
2010	101,414,765	10,169,895	110,275,000	221,859,660	35,950,423	257,810,083	16.28	51,538
2011	93,283,624	10,285,522	104,055,000	207,624,146	34,469,298	242,093,444	18.48	54,224
2012	86,134,103	9,235,074	104,472,000	199,841,177	32,938,174	232,779,351	20.21	55,990
2013	80,004,294	1,098,854	123,034,000	204,137,148	25,185,000	229,322,148	20.69	55,550
2014	72,164,244	984,528	114,416,000	187,564,772	24,660,000	212,224,772	23.34	56,960
2015	65,458,589	858,833	103,604,000	169,921,422	24,115,000	194,036,422	26.59	58,504
2016	49,844,842	728,456	130,451,552	181,024,850	24,118,109	205,142,959	26.05	59,632
2017	44,155,482	4,195,266	119,855,768	168,206,516	23,269,202	191,475,718	**	**
2018	38,348,323	3,183,141	109,069,984	150,601,448	22,600,295	173,201,743	**	**

(1) Based on personal income from Table 13

(2) From Table 13, calendar year basis

\*\* Statistics not yet available

Table 11

**County of James City, Virginia**  
Debt Statistics  
Last Ten Fiscal Years

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

Fiscal year	Population (1)	Assessed value (2)	Gross bonded debt (3) (4)	Less debt service monies available (5)	Net bonded debt	Ratio of net bonded debt to assessed value	Net bonded debt per capita
2009	63,135	\$ 11,941,060,226	\$ 109,974,105	\$ 1,706,525	\$ 108,267,580	0.91	\$ 1,715
2010	67,745	12,092,979,169	101,414,765	2,921,044	98,493,721	0.81	1,454
2011	68,500	12,152,483,497	93,283,624	2,921,037	90,362,587	0.74	1,319
2012	69,451	12,341,704,734	86,134,103	2,920,981	83,213,122	0.67	1,198
2013	70,376	11,991,913,497	80,004,294	2,920,538	77,083,756	0.64	1,095
2014	71,254	12,165,747,571	72,164,244	2,920,369	69,243,875	0.57	972
2015	72,682	12,420,621,529	65,458,589	1,219,616	64,238,973	0.52	884
2016	73,767	12,511,337,556	49,844,842	1,221,521	48,623,321	0.39	659
2017	74,795	12,818,125,753	44,155,482	1,222,024	42,933,458	0.33	574
2018	**	13,065,070,419	38,348,323	1,226,463	37,121,860	0.28	**

(1) From Table 13; based on calendar 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

\*\* Statistics not yet available

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

Fiscal year	Principal (1) (5)	Interest (2)	Total debt service (4)	Total general governmental expenditures (3)	Ratio of debt service to general total governmental expenditures	Total general governmental revenues (3)	Ratio of debt service to general total governmental revenues
2009	\$ 14,363,935	\$ 10,625,010	\$ 24,988,945	\$ 208,510,363	11.98	\$ 216,835,334	11.52
2010	15,077,900	10,147,353	25,225,253	198,552,653	12.70	200,014,429	12.61
2011	14,830,524	9,853,465	24,683,989	198,893,176	12.41	201,684,905	12.24
2012	14,787,955	9,384,810	24,172,765	201,078,316	12.02	206,996,888	11.68
2013	23,473,305	9,522,081	32,995,386	215,304,486	15.32	205,082,111	16.09
2014	16,417,326	8,822,326	25,239,652	211,866,777	11.91	209,633,075	12.04
2015	16,862,695	8,781,971	25,644,666	218,984,810	11.71	213,074,589	12.04
2016	17,122,377	6,188,222	23,310,599	226,845,449	10.28	239,451,445	9.74
2017	16,206,234	6,841,056	23,047,290	231,072,402	9.97	245,652,126	9.38
2018	16,284,125	6,195,080	22,479,205	231,635,241	9.70	248,003,274	9.06

(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 and revenues included in the General Fund, Debt Service Fund, 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.

(5) In fiscal year 2013, principal payments increased by \$7,380,000 related to the refinancing of a capital lease. Proceeds from the issuance of new debt were used for these principal payments.

Table 12

## 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	
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
2013	14,997,834	12,407,414	2,590,420	525,000	1,119,306	1,644,306	1.58
2014	16,918,995	12,218,405	4,700,590	545,000	1,100,931	1,645,931	2.86
2015	17,714,181	10,982,443	6,731,738	565,000	1,081,856	1,646,856	4.09
2016	17,370,324	10,701,704	6,668,620	785,000	571,161	1,356,161	4.92
2017	20,128,694	10,904,086	9,224,608	605,000	749,450	1,354,450	6.81
2018	20,128,689	10,609,709	9,518,980	630,000	725,250	1,355,250	7.02

(1) Total operating expenses, exclusive of depreciation

(2) The Authority has no debt margin or overlapping debt.

Table 13

**County of James City, Virginia**  
Demographic and Economic Statistics  
Last Ten Years

<b>Calendar year</b>	<b>Population (1)</b>	<b>Personal income (2)</b>	<b>Per capita personal income (2)</b>	<b>Unemployment percentage (1)</b>
2009	63,135	\$ 4,078,729,000	\$ 51,109	5.4%
2010	67,745	4,196,931,000	51,538	6.3%
2011	68,500	4,474,583,000	54,224	6.1%
2012	69,451	4,703,429,000	55,990	5.7%
2013	70,376	4,745,679,000	55,550	5.3%
2014	71,254	4,954,338,000	56,960	4.9%
2015	72,682	5,160,028,000	58,504	4.3%
2016	73,767	5,344,090,000	59,632	4.1%
2017	74,795	**	**	3.8%
2018	**	**	**	**

(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

<b>Median Household Income</b>
--------------------------------

<b>Calendar year</b>	<b>James City County</b>	<b>Commonwealth of Virginia</b>	<b>United States</b>
2009	\$ 72,902	\$ 59,372	\$ 50,221
2010	74,241	60,665	50,046
2011	73,575	61,877	50,502
2012	78,396	61,782	51,371
2013	75,806	62,745	52,250
2014	75,926	64,923	53,657
2015	77,668	66,263	55,775
2016	80,226	66,149	55,322
2017	**	**	**
2018	**	**	**

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

\*\* Statistics not yet available

<b>Households and Poverty</b>
-------------------------------

<b>Fiscal year</b>	<b>Food stamp households</b>	<b>Total households*</b>	<b>Percentage of food stamp households</b>
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%
2013	2,236	28,090	8.0%
2014	2,211	28,415	7.8%
2015	2,006	28,986	6.9%
2016	1,870	29,390	6.4%
2017	1,773	29,807	5.9%
2018	1,729	30,240	5.7%

Source: Social Services Department and Planning Division

\* Reflects the number of occupied housing

(Continued)

Table 13 (Continued)

**County of James City, Virginia**  
Demographic and Economic Statistics  
Last Ten Years

**Population and Age Distribution**

<b>Year</b>	<b>Population</b>	<b>Percentage Increase</b>								
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%								
<b>Age</b>	<b>1970</b>		<b>1980</b>		<b>1990</b>		<b>2000</b>		<b>2010</b>	
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	6.1%
20-29	2,915	16.3%	3,870	17.0%	5,330	15.3%	-	0.0%	-	0.0%
20-34	*	*	*	*	*	*	7,484	15.6%	9,741	14.5%
30-44	3,172	17.8%	4,780	21.0%	8,901	25.5%	-	0.0%	-	0.0%
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%
	17,853	100%	22,763	100%	34,859	100%	48,102	100%	67,009	100%

Source: U.S. Census Bureau

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

**Households and Population**

<b>Fiscal year</b>	<b>Number of households*</b>	<b>Total households population**</b>	<b>Persons per household</b>
2009	27,567	62,301	2.26
2010	27,003	66,157	2.45
2011	27,375	67,068	2.45
2012	27,707	67,882	2.45
2013	28,090	68,821	2.45
2014	28,415	69,616	2.45
2015	28,986	71,015	2.45
2016	29,390	72,005	2.45
2017	29,807	73,028	2.45
2018	30,240	74,089	2.45

Source: Planning Division

\* Reflects the number of occupied housing

\*\* Reflects 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**

<b>Calendar year</b>	<b>Civilian labor force</b>	<b>Number employed</b>	<b>Number unemployed</b>	<b>Unemployment rate</b>
2009	32,172	30,447	1,725	5.4%
2010	32,243	30,205	2,038	6.3%
2011	32,605	30,618	1,987	6.1%
2012	32,988	31,101	1,887	5.7%
2013	33,690	31,891	1,799	5.3%
2014	34,650	32,941	1,709	4.9%
2015	34,250	32,765	1,485	4.3%
2016	34,206	32,883	1,323	3.9%
2017	35,352	34,080	1,271	3.6%
2018	**	**	**	**

Source: Planning Division, supplemented by data from Virginia labor market information

\*\* Statistics not yet available

Table 14

**County of James City, Virginia**  
Principal Employers in James City County  
Current Year and Nine Years Ago

	2018			2009		
	Employees	Rank	Percent of total County employment	Employees	Rank	Percent of total County employment
Busch Gardens	1000+	1	**	1000+	1	19.13%
Williamsburg-James City County Public Schools	1000+	2	4.94%	1000+	2	5.74%
Wal-Mart Distribution Center	500-999	3	2.22%	500-999	7	1.76%
James City County	500-999	4	2.04%	500-999	5	2.83%
Kingsmill Resort	500-999	5	1.87%			
Eastern State Hospital	500-999	6	1.86%	1000+	3	3.39%
Anheuser-Busch, Inc.	500-999	7	1.65%	500-999	6	2.36%
Riverside Regional Medical Center	500-999	8	1.51%			
Jamestown-Yorktown Foundation	250-499	9	1.20%	250-499	9	1.63%
Owens & Minor	250-499	10	0.99%			
Williamsburg Landing				250-499	10	1.09%
Busch Properties, Inc.				500-999	4	2.97%
Avid Medical				250-499	8	1.64%
Total			<u>18.28%</u>			<u>42.54%</u>

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

\*\* Busch Gardens became publicly traded during fiscal year 2013, and information is not available.

Table 15

**County of James City, Virginia**  
**Full-time County Government Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administrative:										
Board of supervisors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5	0.5
County administration	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	4.0
County attorney	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Communications	6.5	6.5	7.5	7.5	7.0	7.0	7.0	8.0	8.0	8.0
Economic development	3.0	3.0	3.0	4.0	4.0	4.0	4.0	3.5	3.5	3.5
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	4.0	4.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Training and Quality Performance	3.0	3.0	3.0	-	-	-	-	-	-	-
Financial administration:										
Accounting	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0
Commissioner of the revenue	13.0	12.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Financial and management services	7.0	7.0	7.0	6.0	7.0	7.0	7.0	7.0	8.0	8.0
Purchasing	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Real estate assessments	13.0	11.0	10.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0
Treasurer	13.0	13.0	12.0	11.0	12.0	12.0	13.0	13.0	13.0	13.0
Information resources management	21.0	21.0	20.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0
Satellite services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
General services:										
Facilities maintenance	19.0	18.0	17.0	17.0	18.0	18.0	18.0	18.0	19.0	18.0
Fleet and equipment	8.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
General and capital services	6.5	6.5	5.5	7.0	8.0	8.0	7.0	7.0	7.0	9.5
Grounds maintenance	21.0	20.0	22.0	22.0	24.0	25.0	25.0	25.0	26.0	26.5
Solid waste management	7.0	7.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Stormwater	8.5	6.5	6.5	4.0	4.0	4.0	6.0	8.0	8.0	7.0
Community development:										
Building safety and permits	19.0	15.0	13.0	13.0	13.0	13.0	14.0	14.0	15.0	16.0
Community Development	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0
Engineering and resource protection	15.0	14.0	12.0	13.0	12.0	12.0	11.0	11.0	11.0	11.0
Mosquito control	1.0	-	-	-	-	-	-	-	-	-
Planning	19.5	17.5	12.5	10.5	10.0	10.0	10.0	10.0	10.0	9.0
Zoning enforcement	-	-	3.0	4.0	4.0	4.0	4.0	4.0	4.0	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	11.0	11.0	11.0	11.0
Commonwealth's attorney	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	11.0
Sheriff	18.0	18.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	17.0
Public safety:										
Animal control	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Emergency communications	27.0	27.0	26.0	26.0	26.0	26.0	29.0	29.0	29.0	29.0
Emergency management	2.0	2.0	2.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0
Emergency medical services	25.0	25.0	25.0	-	-	-	-	-	-	-
Fire	86.0	86.0	86.0	110.0	110.0	110.0	114.0	115.0	115.0	115.0
Police	97.0	98.0	98.0	98.0	98.0	99.0	100.0	103.0	103.0	105.0
Parks and recreation	54.0	53.0	48.0	49.0	48.0	48.0	47.0	49.0	52.0	52.0
Community services:										
Community services	3.0	3.0	-	-	-	-	-	-	-	-
Cooperative extension service	2.0	2.0	2.0	2.0	-	-	-	-	-	-
Neighborhood connections	4.0	2.0	-	-	-	-	-	-	-	-
Total general fund	584.0	563.0	541.0	541.0	542.0	544.0	552.0	559.0	567.0	573.0
Other services:										
Housing and neighborhood development	9.5	8.5	9.5	9.5	9.0	9.0	8.0	8.0	7.0	8.0
JCSA	90.0	90.0	86.0	89.0	89.0	89.0	89.0	89.0	89.0	91.0
Social services	57.5	52.5	52.5	52.5	52.0	51.0	51.0	51.0	52.0	53.0
Colonial community corrections	11.0	11.0	12.0	12.0	12.0	13.0	13.0	13.0	12.0	12.0
Special projects/grants	6.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	6.0
Grand total all funds	758.0	730.0	704.0	707.0	707.0	709.0	716.0	723.0	730.0	743.0

Source: Financial and Management Services

Table 16

**County of James City, Virginia**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Calls for service	21,694	21,762	21,129	20,879	19,539	20,175	20,875	22,225	21,829	22,247
Major crimes reported	1,060	1,080	1,071	1,092	999	999	1,182	1,260	1,153	1,133
Major crimes cleared	363	396	325	324	317	247	335	390	335	374
Fire:										
Fire/other responses	2,969	2,922	2,786	3,178	2,822	3,065	3,153	3,302	4,010	3,774
Inspections	1,156	2,037	1,735	1,804	1,910	1,829	1,320	1,255	1,169	1,046
EMS responses	5,276	5,573	5,956	6,147	6,446	6,450	6,666	7,039	7,141	7,330
Refuse collection:										
Refuse collected (tons per day)	8	8	9	10	12	11	10	11	12	12
Recyclables collected (tons per day)	1	1	1	1	1	1	1	1	1	2
Recyclables collected curbside (tons per day)	N/A	N/A	23	22	22	22	23	24	23	23
Parks and recreation:										
Community center admissions	353,862	394,757	463,491	464,358	511,976	444,755	400,367	401,111	434,719	404,919
Park attendance	1,368,462	1,349,550	1,708,976	2,253,617	2,163,533	2,428,894	2,595,974	2,817,348	3,075,306	3,742,009
Participants in programs offered	422,009	384,650	395,789	378,733	371,959	404,023	441,969	463,319	508,776	528,703
Water:										
New connections	263	385	388	351	448	359	388	423	464	407
Water mains breaks	37	40	44	31	25	21	26	21	34	25
Sewer:										
New connections	269	380	375	296	347	261	380	447	470	414

Source: County operating departments

N/A: Information is not available.

Table 17

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

<b>Function/program</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
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	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,592	1,592
Playgrounds	10	11	11	11	11	11	12	12	10	10
Ball fields maintained	30	58	65	65	65	65	65	65	70	70
Tennis courts maintained	6	5	5	5	5	5	4	4	4	4
Pickleball courts maintained	-	-	-	-	-	-	-	2	2	2
Community centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water lines (miles)	339	344	393	390	393	400	402	407	409	410
Water customers	19,085	19,368	19,719	20,070	20,549	20,858	21,246	21,669	22,133	22,540
Storage tanks (greater than 250,000 gallons)	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	25,753	20,200	20,866	19,200	18,597	18,937	19,415	18,921	20,025	20,220
Wastewater:										
Sewer lines (miles)	379	382	419	423	425	430	435	439	440	440
Gallons collected (millions)	1,765	1,833	1,598	1,771	1,739	1,862	1,922	1,863	1,971	1,987
Sewer customers	18,702	18,860	21,127	21,488	21,962	22,575	22,955	23,402	23,872	24,286

Source: County operating departments

(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.

Table 18

## County of James City, Virginia

Miscellaneous Statistics

Last Ten Fiscal Years

Fiscal year	Taxable Retail Sales (1)		Business Licenses Issued (2)	
	Amount	Percentage change	Number of licenses	Percentage change
2009	\$ 861,852,500	-3.4%	6,446	11.1%
2010	842,195,600	-2.3%	6,109	-5.2%
2011	892,445,000	6.0%	5,931	-2.9%
2012	932,214,200	4.5%	5,831	-1.7%
2013	992,914,200	6.5%	5,881	0.9%
2014	999,911,900	0.7%	5,854	-0.5%
2015	1,053,339,000	5.3%	6,005	2.6%
2016	1,119,348,000	6.3%	6,208	3.4%
2017	1,108,509,000	-1.0%	5,989	-3.5%
2018	1,089,716,700	-1.7%	6,044	0.9%

(1) Source: Treasurer, James City County

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

## Construction Information

Fiscal year	Commercial/Industrial		Residential		Total	
	Number of permits	Value	Number of permits	Value	Number of permits	Value
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
2013	139	27,700,522	835	117,237,035	974	144,937,557
2014	166	33,169,762	741	123,841,836	907	157,011,598
2015	147	16,449,776	822	126,526,342	969	142,976,118
2016	227	35,201,616	759	113,133,643	986	148,335,259
2017	196	78,253,358	868	127,815,408	1,064	206,068,766
2018	178	31,474,968	881	115,365,412	1,059	146,840,380

Source: Building and Safety Permits Division

## Staffing Analysis

School year	Classroom teachers	Pupils	Pupil-teacher ratio
2008-09	643.00	10,249	15.9
2009-10	668.98	10,503	15.7
2010-11	673.91	10,549	15.7
2011-12	658.59	10,671	16.2
2012-13	648.10	10,795	16.7
2013-14	648.67	10,998	17.0
2014-15	662.84	11,116	16.8
2015-16	662.45	11,303	17.1
2016-17	676.95	11,431	16.9
2017-18	686.00	11,477	16.7

Source: Williamsburg-James City County Public Schools

## Projected Enrollment (1)

School year	Projected Enrollment
2019-20	11,470
2020-21	11,454
2021-22	11,496
2022-23	11,505

Source: Williamsburg-James City County Public Schools

(1) Based on low enrollment projections provided by Future Think, October 2018.

## **Compliance Section**

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**County of James City, Virginia**  
Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit - Public Schools  
Year ended June 30, 2018

<b>Federal Grantor/Pass-Through Grantor/Cluster/Program Title</b>	<b>Federal catalog number</b>	<b>Pass-through entity identifying number</b>	<b>Expenditures</b>
Primary Government - Governmental Activities:			
Department of Agriculture:			
Virginia Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	**	\$ 518,738
Department of Health and Human Services:			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	**	1,249
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	**	326,427
Refugee and Entrant Assistance - State Administered Programs	93.566	**	2,513
Low-Income Home Energy Assistance	93.568	**	40,372
Adoption Incentive	93.603	**	6,849
Child Welfare Services	93.645	**	917
Foster Care - Title IV-E	93.658	**	217,939
Adoption Assistance	93.659	**	311,260
Social Services Block Grant	93.667	**	246,945
Chafee Foster Care Independent Living	93.674	**	2,755
State Children's Insurance Program	93.767	**	19,289
Medicaid Cluster:			
Medical Assistance Program	93.778	**	520,948
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	**	44,163
Chafee Education and Training Vouchers Program	93.599	**	61
Total Department of Health and Human Services			1,741,687
Department of Interior:			
Bureau of Cash Management Payment in Lieu of Taxes	15.000	N/A	7,882
Department of Homeland Security:			
Virginia Department of Emergency Management:			
Homeland Security Grant Program	97.067	**	24,339
Emergency Management Performance Grants	97.042	**	90,689
Total Department of Homeland Security			115,028
Department of Housing and Community Development:			
Virginia Department of Housing and Community Development:			
Section 8 Housing Choice Vouchers	14.871	**	1,003,072
Housing Counselor Grant	14.169	**	30,680
Total Department of Housing and Community Development			1,033,752
Department of Transportation:			
Highway Safety Cluster:			
National Highway Traffic Safety Administration - Highway Safety Grant (FY16)	20.600	18X9204020VA17	5,763
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9205464VA17	2,617
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9204020VA18	19,939
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9205464VA18	24,682
National Highway Traffic Safety Administration - Highway Safety Grant	20.616	AL-2018-58427-8478	3,288
Total Highway Safety Cluster, Department of Transportation			56,289
Department of Justice:			
Bureau of Justice Administration:			
BJA - Bulletproof Vests Partnership	16.607	N/A	8,832
Office of Justice Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-A6074AD13	3,954
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-A6075AD-13	4,200
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-B6074AD15	3,293
Total Office of Justice Programs			11,447
Virginia Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	17-U9412VA16	21,335
Violence Against Women Formula Grants	16.588	18-T9412VA17	22,493
Violence Against Women Formula Grants	16.590	2015-WE-AX-0009	124,296
Crime Victim Assistance	16.575	18-X8579VW16	129,776
Total Department of Criminal Justice Services			297,900
Total Department of Justice			318,179
Total federal awards, primary government - governmental activities			3,791,555

N/A Not applicable; direct funding

\*\* Information is not available.

(Continued)

**County of James City, Virginia**  
Schedule of Expenditures of Federal Awards - Primary Government and  
Discretely Presented Component Unit - Public Schools  
Year ended June 30, 2018

<b>Federal Grantor/Pass-Through Grantor/Cluster/Program Title</b>	<b>Federal catalog number</b>	<b>Pass-through entity identifying number</b>	<b>Expenditures</b>
Component Unit - Public Schools:			
Department of Agriculture:			
Child Nutrition Cluster:			
Virginia Department of Agriculture and Consumer Services:			
Food Commodities	10.555	5180699	\$ 250,247
Virginia Department of Education:			
School Breakfast Program	10.553	16161VA307N1099	464,544
National School Lunch Program	10.555	16161VA307N1099	1,532,423
Summer Food Service Program	10.559	16161VA307N1099	1,807
Total Child Nutrition Cluster, Department of Agriculture			<u>2,249,021</u>
Department of Education:			
Impact Aid	84.041	N/A	36,069
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A150046/S010A160046	1,337,646
Title I, Part D, Neglected and Delinquent Children	84.013	S013A150046	134
Vocational Education - Basic Grants to States	84.048	V048A130046	126,591
Title III, Part A, Supporting Effective Instruction State Grants	84.367	S367A150044/S367A160044	182,764
Title III, Part A, English Language Acquisition Grants	84.365	S365A14140046/S365A15140046	71,868
Special Education Cluster:			
Special Education - Grants to States	84.027	11027A150107/11027A160107	2,118,152
Special Education - Preschool Grants	84.173	H173A160112	30,059
Total Special Education Cluster			<u>2,148,211</u>
College of William and Mary - Education for Homeless Children and Youth	84.196	S196A150048	10,790
Total Department of Education			<u>3,914,073</u>
Department of Health and Human Services:			
Head Start Program Cluster:			
Williamsburg-James City County Community Action Agency - Head Start	93.600	**	144,279
Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	51SR7101M3001	43,052
Total federal awards, Component Unit - Public Schools			<u>6,350,425</u>
Total federal awards, reporting entity			<u>\$ 10,141,980</u>
N/A	Not applicable; direct funding		
**	Information is not available.		

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, 2018

**1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the County of James City, Virginia (the County) and its component unit, Williamsburg-James City County Public Schools (Public Schools). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County and Public Schools, it is not intended to and does not present the financial position, changes in net position or cash flows of the County and Public Schools.

**1) Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Governmental funds - Primary Government	\$	3,791,555
Component Unit - Public Schools		6,350,425
	\$	<u>10,141,980</u>

**2) Indirect Cost Rate**

The County and Public Schools have elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**3) Sub-recipient Payments**

There were no awards passed-through to sub-recipients during the fiscal year ended June 30, 2018.

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

Board of Supervisors  
County of James City, Virginia

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of James City, Virginia, (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 17, 2019.

### ***Internal Control over Financial Reporting***

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. There was one material weakness identified during the separately performed audit of the Williamsburg – James City County Public Schools, which is a discretely presented component unit of James City County. This material weakness is described in Finding 2018-001 in the Schedule of Findings and Questioned Costs and in the Williamsburg-James City County Public Schools' separately issued financial report in the schedule of findings and responses (Finding IC-2018-001).

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County'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*.

***Purpose of this Report***

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

*Brown, Edwards & Company, L.L.P.*

**Newport News, Virginia  
January 17, 2019**

## **Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Supervisors  
County of James City, Virginia

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

We have audited the County of James City, Virginia's (the "County") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

***Report on Internal Control over Compliance***

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

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

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

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



**Newport News, Virginia  
January 17, 2019**

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

Board of Supervisors  
County of James City, Virginia

We have audited the financial statements of the County of James City, Virginia (the "County"), as of and for the year ended June 30, 2018, and have issued our report thereon January 17, 2019.

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, is the responsibility of the County's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County'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

- 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. The instance is discussed in the Schedule of Findings and Questioned Costs as Finding 2018-001. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the County'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.

*Brown, Edwards & Company, L.L.P.*

**Newport News, Virginia  
January 17, 2019**

**COUNTY OF JAMES CITY, VIRGINIA**  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2018

**(1) Summary of Auditor's Results****Financial Statements**

- An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- There were no material weaknesses identified as part of the County audit. There was a material weakness identified in the Williamsburg-James City County Public Schools' separately issued financial report in the schedule of findings and responses (Finding IC-2018-001).
- There were no significant deficiencies identified.
- The audit did not disclose any material noncompliance.

**Federal Awards**

- There were no material weaknesses identified.
- There were no significant deficiencies identified.
- An unmodified opinion was issued on compliance for major programs.
- The audit did not disclose any audit findings required to be reported.
- The dollar threshold used to distinguish between Type A and Type B programs is \$750,000.
- The auditee qualified as a low-risk auditee.
- Major programs: Child Nutrition Cluster - Food Commodities Program, School Breakfast Program, National School Lunch Program and Summer Food Service Program (CFDA Numbers 10.555, 10.553 and 10.559).

**(2) Findings Relating to the Financial Statements which are Required to be Reported in Accordance with GAGAS**

None

**(3) Findings and Questioned Costs for Federal Awards**

None

**(4) State Compliance Findings:**Finding 2018-001

**Condition:** The Comprehensive Annual Financial Report (CAFR) and Comparative Report Transmittal Forms were not submitted to the Auditor of Public Accounts (APA) by the November 30, 2018 deadline. The County did submit a written statement to the (APA) by November 30, as required. However, the APA does not have authority to grant an extension as the deadline is mandated by the Code of Virginia. The audited financial reports were not presented to the local governing body at a public session by the December 31, 2018 deadline.

**Criteria:** Section 15.2-2510 of the Code of Virginia requires local governments to submit the Comparative Report Transmittal Forms and their final, audited Annual Financial Reports to the Auditor of Public Accounts no later than November 30 each year. Section 15.2-2511 requires the auditor to present the audited financial report to the local governing body as a public session by December 31.

**COUNTY OF JAMES CITY, VIRGINIA**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2018

**Effect:** The Auditor of Public Accounts will list localities that are delinquent in submitting financial reports and transmittals after November 30 in the Auditor of Public Accounts' Comparative Report footnotes. The Auditor of Public Accounts also reserves the right to exclude those localities that do not meet the November 30 deadline from the Comparative Report.

**Cause:** There were significant delays in the Williamsburg-James City County Public Schools' ability to provide their Comparative Transmittal Forms and audited Comprehensive Annual Financial Report by the November 30 deadline. The School's year-end financial statements contained a number of errors resulting in material audit adjustments, resulting in a material weakness finding as further described in the separately issued financial report for the Schools (see finding IC-2018-001). As they are a discretely presented component unit of the County, the County was unable to complete their Comparative Transmittal Form and Comprehensive Annual Financial Report in a timely manner, including having the audited financial report presented in a timely manner.

**Recommendation:** As the County's reports were completed timely with the exception of the Schools' delays, a recommendation was made to the Schools that they should implement monitoring controls by management outside of the finance department to ensure accurate and timely information is available. This monitoring control could help prevent or detect noncompliance from occurring.

**Management's response:** The County worked with the Schools' Finance department to provide assistance in finalizing the Schools' fiscal year 2018 year-end closing, audit and CAFR preparation, which ultimately resulted in an unmodified audit opinion. Going forward, several measures have been put into place by the Schools' senior management to address the issues encountered during the fiscal year 2018 audit. One of those measures includes bi-monthly meetings/conference calls to provide regular financial updates and establish regular and ongoing communication with the Finance departments of both James City County and the City of Williamsburg. The addition of this measure will help to ensure that potential issues will be identified and addressed in a timely manner. Furthermore, the County is the audit liaison for the Schools' audit and will remain actively engaged in the process.

**(5) Summary Schedule of Prior Federal and State Audit Findings:**

**Federal:** There were no prior year federal findings.

**State:** There were no prior year state findings.

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