A G E N D A
JAMES CITY COUNTY BOARD OF SUPERVISORS
READING FILE
County Government Center Board Room
101 Mounts Bay Road, Williamsburg, VA 23185
December 12, 2017
5:00 PM

A. FOR YOUR INFORMATION

1. James City County Financial Statements
2. James City Service Authority Financial Statements

ITEM SUMMARY

DATE: 12/12/2017

TO: The Board of Supervisors

FROM: Sharon Day, Assistant Director of Financial and Management Services

SUBJECT: James City County Financial Statements

ATTACHMENTS:

	Description	Type
	JCC CAFRs	Exhibit
	JCC SAS Letter	Exhibit

REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	12/5/2017 - 2:28 PM

– photograph by Toano resident Shannon Schojan, one of the winners in the 2015 Rural Economic Development Photography Contest –

The Comprehensive Annual Financial Report

James City County
Virginia
Jamestown 1607

FOR THE FISCAL YEAR ENDED JUNE 30, 2017
PREPARED BY THE DEPARTMENT OF FINANCIAL AND MANAGEMENT SERVICES

JAMES CITY COUNTY, VIRGINIA

JAMESCITYCOUNTYVA.GOV

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County of James City, Virginia
Comprehensive Annual Financial Report
June 30, 2017

(*With Independent Auditors' Report Thereon*)

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

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County of James City, Virginia
County Officials
Year ended June 30, 2017

Board of Supervisors

Kevin D. Onizuk, Jamestown District, Chairman
Ruth Larson, Berkeley District, Vice Chairman
Michael J. Hipple, Sr., Powhatan District
John J. McGlennon, Roberts District
Sue Sadler, Stonehouse District
Bryan J. Hill, 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
Bryan J. Hill, County Administrator
Adam R. Kinsman, County Attorney

Board of Directors, James City Service Authority

Ruth Larson, Chairman
Sue Sadler, Vice Chairman
Michael J. Hipple, Sr.
Kevin Onizuk
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
Holly A. Taylor, Vice Chairman
James W. Beers
Julie Y. Hummel
Jim Kelly
Lisa L. Ownby
Sandra S. Young

Board Members, Economic Development Authority

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

James City County Organization Chart

Effective 08/01/16

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

jamescitycountyva.gov

November 30, 2017

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, 2017, 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. Dixon Hughes Goodman LLP was selected to perform the required audit. The unmodified report of Dixon Hughes Goodman LLP, the highest possible result of the audit process, accompanies the financial statements in this report.

Responsibility for both the accuracy of the presented data and the fairness of the presentation, including all disclosures, rests with the County. 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 3-9 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 62-66 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 72.

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 3.0% from last year. The majority of the increase was due a growth in real estate and personal property. Revenues are expected to increase 1.4% during fiscal year 2018, due to the slow economic improvement.

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

During fiscal year 2017, the County adopted its Strategic Plan. The 7 goals included in the Strategic Plan are: Sustainable Long-Term Water Supply; Modern Infrastructure, Facilities and Technology Systems; Expanding and Diversifying Local Economy; Protected Community Character and an Enhanced Built Environment; Exceptional Public Services; High Quality Education; and Fiscally Efficient Government. County employees are working with their departments on the operational initiatives that are used to achieve the goals, and the departments will be responsible for reporting their progress on the initiatives.

Economic Development

In FY2017, the Office of Economic Development announced the expansion of Anheuser-Busch and one new major attraction, Billsburg Brewery, a public-private partnership developed in conjunction with the James City County Economic Development Authority. These projects totaled $18.4 million in private investment and 69 new jobs in James City County. Additional announcements included the renovation of an existing hotel to a Holiday Inn Express in McLaws Circle and the conversion of a warehouse to a new multipurpose event space at the Williamsburg Winery.

ChefsGO 1.0, a new workforce development program dedicated to culinary arts, was launched as a collaboration between James City County Economic Development, Thomas Nelson Community College and regional partners. Forward momentum continued with both the Greater Williamsburg Partnership and Launchpad, the regional business incubator.

Capital Improvement Program

Capital outlay expenditures totaled $25,818,138 in fiscal year 2017. The largest capital expenditures this year 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 2017, major projects included the human services building rehabilitation, radio system upgrade and stormwater projects. Transfers to the schools were made to cover the costs of renovations at Jamestown High School, Lafayette High School, and a middle 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 $75,724,000 and focuses on a wide variety of needs. An indication of anticipated impacts are included in the adopted budget and capital improvements program for the fiscal year beginning July 1, 2017.

In fiscal year 2018, funding is included for the following major projects: stormwater projects focusing on the federal and state mandates on improving water quality, the Enterprise Resource Software replacement, the radio system upgrade, fire apparatus replacements, a refurbishment at an elementary school and an auxiliary high school gym. Future planning includes drainage projects, capital building maintenance, software replacements, fire equipment and vehicle replacements, and school refurbishments and projects.

James City Service Authority

The financial statements of the JCSA are included in this report in accordance with GAAP. The JCSA, for legal and management purposes, issues its own 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.

JCSA currently has a groundwater permit for its central water system through 2027 to withdraw up to 8.4 million gallons per day (mgd) to support its residential and commercial customers. The VDEQ has expressed an interest in reducing the withdrawal of groundwater within the Eastern Virginia Groundwater Management Area, of which the Authority is a part. The Authority is currently evaluating options for alternative sources of water should the groundwater withdrawal permit be reduced after the current permit expires in 2027.

Awards of Achievement

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to James City County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. This was the 32nd year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to 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,

Bryan J. Hill
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, 2016

Executive Director/CEO

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Financial Section

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DIXON HUGHES GOODMAN LLP

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, 2017, 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; 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, 2017, 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.

DIXON HUGHES GOODMAN LLP

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, and schedules of changes in net pension liability and related ratios and employer contributions and related notes on pages 3 through 9; 62 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County 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 November 30, 2017, on our consideration of 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 County of James City, Virginia's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 30, 2017

County of James City, Virginia
Management's Discussion and Analysis
June 30, 2017

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, 2017. 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 $22.8 million over the course of this year's operations, which represents a 5.0% increase from fiscal year 2016.
- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflow of resources as of June 30, 2017 by approximately $432.2 million. Of this amount, approximately $322.0 million, or 74.5% is the net investment in capital assets.
- General Fund revenues were $2.9 million or 1.5% higher than budgeted. 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.

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 benefits to its employees. The combining statements for nonmajor governmental funds are presented immediately following the required supplementary information on the General Fund budget and defined benefit pension plans.

Financial Analysis

Condensed Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	$ 119,635,411	$ 119,515,469	$ 45,422,745	$ 40,306,992	$ 165,058,156	$ 159,822,461
Capital assets	338,734,819	328,000,441	158,226,696	161,615,472	496,961,515	489,615,913
Total assets	458,370,230	447,515,910	203,649,441	201,922,464	662,019,671	649,438,374
Deferred outflows of resources	7,816,198	4,669,697	2,509,590	2,157,296	10,325,788	6,826,993
Total assets and deferred outflows	$ 466,186,428	$ 452,185,607	$ 206,159,031	$ 204,079,760	$ 672,345,459	$ 656,265,367
Long-term liabilities	$ 199,059,314	$ 206,825,049	$ 25,863,250	$ 25,853,370	$ 224,922,564	$ 232,678,419
Other liabilities	11,614,527	9,315,956	1,395,092	707,112	13,009,619	10,023,068
Total liabilities	210,673,841	216,141,005	27,258,342	26,560,482	237,932,183	242,701,487
Deferred inflow of resources	2,102,340	3,656,951	82,431	462,686	2,184,771	4,119,637
Total liabilities and deferred inflow	212,776,181	219,797,956	27,340,773	27,023,168	240,116,954	246,821,124
Net investment in capital assets	185,274,286	176,303,250	136,696,744	139,312,785	321,971,030	315,616,035
Restricted net position	4,294,487	3,122,280	677,614	729,605	4,972,101	3,851,885
Unrestricted net position	63,841,474	52,962,121	41,443,900	37,014,202	105,285,374	89,976,323
Total net position	253,410,247	232,387,651	178,818,258	177,056,592	432,228,505	409,444,243
Total liabilities, deferred inflows and net position	$ 466,186,428	$ 452,185,607	$ 206,159,031	$ 204,079,760	$ 672,345,459	$ 656,265,367

The County's net position was $432,228,505 at the close of the most recent fiscal year. The largest portion of the County's net position at June 30, 2017 (74.5%) 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 (1.1%) is restricted for specific purposes. The unrestricted portion of net position (24.4%) 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 5.6% 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	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Program revenues						
Charges for services	$ 18,131,741	$ 18,176,017	$ 19,064,677	$ 16,018,375	$ 37,196,418	$ 34,194,392
Operating grants and contributions	32,903,768	32,181,074	-	-	32,903,768	32,181,074
Capital grants and contributions	196,051	269,439	1,509,214	6,865,346	1,705,265	7,134,785
General revenues:						
Property taxes	128,334,481	120,796,742	-	-	128,334,481	120,796,742
Other taxes	24,555,363	24,027,667	-	-	24,555,363	24,027,667
Interest and investment earnings	402,544	263,745	90,148	519,767	492,692	783,512
Miscellaneous	2,924,978	1,932,580	973,869	832,182	3,898,847	2,764,762
Total revenues	207,448,926	197,647,264	21,637,908	24,235,670	229,086,834	221,882,934
Expenses:						
General government admin.	10,239,900	8,807,519	-	-	10,239,900	8,807,519
Judicial admin.	5,147,078	5,682,096	-	-	5,147,078	5,682,096
Public safety	31,447,710	30,842,789	-	-	31,447,710	30,842,789
Public works	10,344,983	7,986,260	-	-	10,344,983	7,986,260
Health and welfare	4,496,521	7,368,295	-	-	4,496,521	7,368,295
Education	93,728,530	87,508,710	-	-	93,728,530	87,508,710
Parks, rec. and cultural	11,078,382	10,650,141	-	-	11,078,382	10,650,141
Community development	14,556,910	12,787,069	-	-	14,556,910	12,787,069
Interest on long-term debt	5,386,316	5,869,933	-	-	5,386,316	5,869,933
Service Authority	-	-	19,876,242	19,971,937	19,876,242	19,971,937
Total expenses	186,426,330	177,502,812	19,876,242	19,971,937	206,302,572	197,474,749
Change in net position	21,022,596	20,144,452	1,761,666	4,263,733	22,784,262	24,408,185
Net position, beginning of year	232,387,651	212,243,199	177,056,592	172,792,859	409,444,243	385,036,058
Net position, end of year	$ 253,410,247	$ 232,387,651	$ 178,818,258	$ 177,056,592	$ 432,228,505	$ 409,444,243

Governmental Activities

During the fiscal year, net position for governmental activities increased $21,022,596 from last year for an ending balance of $253,410,247.

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, 2017, revenues from governmental activities totaled $207,448,926. Of this amount, $54,559,082, or 26.3%, is received from sources other than local tax revenue.

Real estate tax revenues, the County's largest single revenue source, totaled $96,997,973. The County's assessed real property tax base for fiscal year 2017 was $11,608,801,433, which was an increase of 2.3% from fiscal year 2016.

In fiscal year 2017, the County reported current year collections of $22,091,826 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 44.4% of most taxpayer's payments.

For the fiscal year ended June 30, 2017, expenses for governmental activities totaled $186,426,330, including $93,728,530 for Education expenses for the public school system. Total expenses increased by 5.0% over fiscal year 2016, primarily for an increase in Education expenses for the public school system.

Business-Type Activity

The business-type activity's ending net position was $178,818,258, an increase of $1,761,666 for fiscal year 2017. This was a result of increased in the facility charges as well as an increase in service revenue. Overall, the expenses decreased from last year by 0.5%. The primary source of revenue consists of charges for water and sewer services, which totaled $14,400,361 and increased by 12.7% 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 2017, the General Fund had an overall increase in fund balance of $3,629,535. 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 $28,339,753, which was 12.3% 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 2017, the Capital Projects Fund's fund balance decreased by $7,709,507, 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 $13,270,880 for fiscal year 2017. During the year, capital project expenditures of $26,952,138 included the replacement of a fire station, drainage improvement projects, an upgrade to the emergency communications radio system as well as transfers to the School Division for renovations to Clara Byrd Baker Elementary School, Jamestown High School and James River Elementary School and to build a new middle 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 borrowings during fiscal year 2017.

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 74-76. The non-major governmental funds had an increase in fund balance of $1,122,236 in fiscal year 2017 from 2016.

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 $1,761,666 in net position during the fiscal year primarily as a result of an increase in the water and sewer rate.

General Fund Budgetary Highlights

The final amended revenue budget increased by $50,000 over the original budget. The increase was for additional excess clerk fees. General Fund revenues were 1.5%, or $2,875,872 higher than budgeted and 2.9% (or $5,740,280) from fiscal year 2016.

The largest increase in revenues from fiscal year 2016 to 2017 occurred in real estate tax revenues, by $2,098,137 and is the County's largest revenue source. For fiscal year 2017, total collections were $96,997,973, which exceeded the budget by $997,973. Personal property taxes, another large source of local tax funding, had combined collections from the state and local taxpayers of $31,861,963. State revenues, not including the personal property tax reimbursement, were $351,271 less than budgeted. Although less than budgeted, State revenues, excluding the personal property tax reimbursement, increased $285,913 in fiscal year 2017 from 2016. This increase is primarily due to receiving more in State sales tax for education, which increased $306,667 from fiscal year 2016.

General Fund budgeted expenditures were 3.7% below the final budget, or $5,882,155, which was primarily due to reduced departmental spending. Of this amount, $886,156 is for encumbrances and is included in Assigned Fund Balance.

As a result of revenues above budget and underspending, the fund balance increased to $41,923,103. This was an increase of $3,629,535 or 9.5% from 2016.

Capital Assets

At the end of fiscal year 2017, the County's investment in capital assets for its governmental and business-type activities totaled $496,961,515 (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 2017, the net value of school buildings reflected in the governmental activities of the County equals $200,193,572, and the associated current year's depreciation expense of $5,011,386 is reflected in Education expense in the County's governmental activities in the statement of net position.

Summary of Capital Assets, Net

	6/30/2017			6/30/2016
	Governmental activities	Business-type activity	Total	Total
Land	$ -	$ 1,739,491	$ 1,739,491	$ 1,739,491
Land - utility plant	-	955,995	955,995	962,995
Land and land improvements	28,132,818	13,183	28,146,001	28,146,001
Construction in progress	21,498,917	2,398,338	23,897,255	11,208,116
Intangible assets - easements	8,826,349	4,570	8,830,919	8,650,970
Intangible assets - water rights	-	19,938,650	19,938,650	20,552,147
Water and sewer systems	-	128,248,141	128,248,141	132,477,462
Buildings and improvements	236,267,230	3,500,985	239,768,215	238,777,933
Improvements other than buildings	25,909,839	-	25,909,839	26,686,456
Equipment and vehicles	11,779,640	1,427,343	13,206,983	13,815,830
Infrastructure	6,320,026	-	6,320,026	6,598,512
Total	$ 338,734,819	$ 158,226,696	$ 496,961,515	$ 489,615,913

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

Long-Term Debt

Below is a summary of the County's long-term debt as of June 30, 2017 and 2016, respectively.

Summary of Long-Term Debt

	6/30/2017			6/30/2016
	Governmental activities	Business-type activity	Total	Total
General obligation bonds, net unamortized premium	$ 44,155,482	$ -	$ 44,155,482	$ 49,844,841
Revenue bonds, net unamortized premium	119,855,768	23,269,202	143,124,970	154,569,661
Capital leases	4,195,266	-	4,195,266	728,456
Pension	22,933,112	1,868,655	24,801,767	19,601,071
OPEB	3,046,962	313,509	3,360,471	2,886,471
Compensated absences	3,687,845	411,884	4,099,729	3,878,245
Landfill	1,184,879	-	1,184,879	1,169,674
Total	$ 199,059,314	$ 25,863,250	$ 224,922,564	$ 232,678,419

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 Budgets and Tax Rates

The County has a two-year budget cycle. The first year of a two-year cycle is adopted and appropriated and the second year is adopted for planning purposes. Fiscal year 2017 was the first year of the current two-year cycle. The fiscal year 2017 approved budget for the General Fund was $193,415,000 (Note: for financial reporting purposes, the General Fund budget also includes $255,000 for landfill user fees, for a total of $193,670,000).

Fiscal year 2018 is the second year of the two-year cycle. The fiscal year 2018 approved budget for the General Fund is $196,250,000. This budget was adopted on April 25, 2017, and reflects a $2,835,000, or a 1.5%, increase over the fiscal year 2017 budget. This increase is primarily due to increases in real estate and personal property tax revenues. Real estate tax, the largest source of general fund revenue, is projected to increase 1.6% over last year. Personal property taxes is expected to increase by 5.1% in the number and value of vehicles over last year.

Expenditures include increases for a merit pay raise and health and dental insurance. The County's general fund contribution to the Williamsburg-James City County School Board will be $105,359,805, which is a 2.0% or $2,076,357 increase from fiscal year 2017.

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.

* * * * *

Exhibit 1

County of James City, Virginia
Statement of Net Position
June 30, 2017

	Primary government			Discretely presented component units	
	Governmental activities	Business-type activity	Total	Public schools	Economic Development Authority
Assets					
Cash and cash equivalents (note 2)	$ 46,557,938	$ 540,016	$ 47,097,954	$ 15,944,987	$ 558,473
Investments (note 2)	7,957,559	40,131,327	48,088,886	-	-
Restricted cash, cash equivalents and investments (note 2)	19,976,834	677,614	20,654,448	-	-
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	26,873,594	-	26,873,594	-	-
Accounts	-	2,981,260	2,981,260	94,563	-
Interest	19,766	134,824	154,590	-	-
Loans	3,528,859	-	3,528,859	-	-
Notes	-	497,890	497,890	-	32,298
Miscellaneous (note 3)	4,375,991	-	4,375,991	-	-
Internal balances (note 7)	383,583	(383,583)	-	-	-
Due from primary government, net (note 7)	-	-	-	629,748	20,132
Due from other governments, net (note 5)	9,019,086	-	9,019,086	2,588,431	-
Inventory	332,335	843,397	1,175,732	37,438	-
Other assets	609,866	-	609,866	-	-
Capital assets, net (note 6):					
Non-depreciable	58,458,084	5,111,577	63,569,661	12,125,488	1,048,745
Depreciable	280,276,735	153,115,119	433,391,854	44,623,809	2,090
Net capital assets	338,734,819	158,226,696	496,961,515	56,749,297	1,050,835
Total assets	458,370,230	203,649,441	662,019,671	76,044,464	1,661,738
Deferred Outflows of Resources					
Deferred charge on refundings, net	199,185	1,739,250	1,938,435	-	-
Deferred differences between expected and actual experience on pension actuarial valuation (note 11)	138,611	99,914	238,525	-	-
Deferred pension contributions (note 11)	3,640,677	297,668	3,938,345	19,181,498	-
Deferred pension investment experience (note 11)	3,837,725	372,758	4,210,483	-	
Total deferred outflow of resources	7,816,198	2,509,590	10,325,788	19,181,498	-
Total assets and deferred outflow of resources	$ 466,186,428	$ 206,159,031	$ 672,345,459	$ 95,225,962	$ 1,661,738
Liabilities					
Liabilities:					
Accounts payable	$ 4,322,483	$ 316,668	$ 4,639,151	$ 3,070,479	$ 45,016
Accrued liabilities	903,561	357,990	1,261,551	14,438,301	-
Liabilities payable from restricted assets	1,160,620	-	1,160,620	-	-
Due to component units, net (note 7)	649,880	-	649,880	-	-
Advances for construction (note 16)	-	32,902	32,902	-	-
Amounts held for others	-	190,732	190,732	-	-
Unearned revenue	4,577,983	496,800	5,074,783	73,717	-
Long-term liabilities (notes 9, 10, 11 and 12):					
Due within one year	20,432,246	977,820	21,410,066	586,247	-
Due in more than one year	178,627,068	24,885,430	203,512,498	128,939,182	-
Total liabilities	210,673,841	27,258,342	237,932,183	147,107,926	45,016
Deferred Inflows of Resources					
Deferred differences between expected and actual experience on pension actuarial valuation (note 11)	2,102,340	82,431	2,184,771	-	-
Deferred pension investment experience (note 11)	-	-	-	5,273,099	-
Total deferred inflow of resources	2,102,340	82,431	2,184,771	5,273,099	-
Net Position					
Net position:					
Net investment in capital assets	185,274,286	136,696,744	321,971,030	56,647,755	1,050,835
Restricted net position:					
Debt service	1,226,566	677,614	1,904,180	-	-
Other	3,067,921	-	3,067,921	796,971	-
Unrestricted	63,841,474	41,443,900	105,285,374	(114,599,789)	565,887
Total net position	253,410,247	178,818,258	432,228,505	(57,155,063)	1,616,722
Total liabilities and net position	$ 466,186,428	$ 206,159,031	$ 672,345,459	$ 95,225,962	$ 1,661,738

See accompanying notes to basic financials statements

Exhibit 2

County of James City, Virginia
Statement of Activities
Year ended June 30, 2017

		Program revenues			Net (expenses) revenues and changes in net assets				
					Primary government			Discretely presented component units	
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activity	Total	Public schools	Economic Development Authority
Primary government:									
Governmental activities:									
General government administration	$ 10,239,900	$ 7,797,839	$ 12,083,318	$ 16,800	$ 9,658,057	$ -	$ 9,658,057	$ -	$ -
Judicial administration	5,147,078	2,366,908	1,699,097	103,796	(977,277)	-	(977,277)	-	-
Public safety	31,447,710	3,281,957	2,077,642	75,455	(26,012,656)	-	(26,012,656)	-	-
Public works	10,344,983	655,260	21,519	-	(9,668,204)	-	(9,668,204)	-	-
Health and welfare	4,496,521	-	3,967,227	-	(529,294)	-	(529,294)	-	-
Education (including School system)	93,728,530	-	11,515,631	-	(82,212,899)	-	(82,212,899)	-	-
Parks, recreation and cultural	11,078,382	3,667,720	8,000	-	(7,402,662)	-	(7,402,662)	-	-
Community development	14,556,910	362,057	1,531,334	-	(12,663,519)	-	(12,663,519)	-	-
Interest on long-term debt	5,386,316	-	-	-	(5,386,316)	-	(5,386,316)	-	-
Total governmental activities	186,426,330	18,131,741	32,903,768	196,051	(135,194,770)	-	(135,194,770)	-	-
Business-type activity:									
Service Authority	19,876,242	19,064,677	-	1,509,214	-	697,649	697,649	-	-
Total primary government	$ 206,302,572	$ 37,196,418	$ 32,903,768	$ 1,705,265	$ (135,194,770)	$ 697,649	$ (134,497,121)	$ -	$ -
Component units:									
Economic Development Authority	$ 447,056	$ 28,751	$ 524,038	$ -	$ -	$ -	$ -	$ -	$ 105,733
Public Schools	140,225,705	2,438,211	18,530,500	-	-	-	-	(119,256,994)	-
Total component units	$ 140,672,761	$ 2,466,962	$ 19,054,538	$ -	$ -	$ -	$ -	$ (119,256,994)	$ 105,733
General revenues:									
Property taxes, levied for general purposes					$ 128,334,481	$ -	$ 128,334,481	$ -	$ -
Local sales and use taxes					11,085,090	-	11,085,090	-	-
Franchise license tax					632,694	-	632,694	-	-
Taxes on recordation and wills					1,532,368	-	1,532,368	-	-
Hotel and motel room taxes					3,631,440	-	3,631,440	-	-
Restaurant food taxes					7,202,286	-	7,202,286	-	-
Deeds of conveyance					445,498	-	445,498	-	-
Penalties and interest					25,987	-	25,987	-	-
Grants and contributions not restricted to specific programs					-	-	-	120,453,016	-
Interest and investment earnings					402,544	90,148	492,692	934	6,737
Miscellaneous					2,924,978	973,869	3,898,847	263,111	18,536
Total general revenues					156,217,366	1,064,017	157,281,383	120,717,061	25,273
Change in net position					21,022,596	1,761,666	22,784,262	1,460,067	131,006
Net position, beginning					232,387,651	177,056,592	409,444,243	(58,615,130)	1,485,716
Net position, ending					$ 253,410,247	$ 178,818,258	$ 432,228,505	$ (57,155,063)	$ 1,616,722

See accompanying notes to basic financials statements.

Exhibit 3

County of James City, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	Major Funds			Nonmajor	Total
	General	Capital projects	Debt service	governmental funds	governmental funds
Assets					
Cash and cash equivalents	$ 15,940,913	$ 26,319,057	$ -	$ 4,297,968	$ 46,557,938
Investments	7,957,559	-	-	-	7,957,559
Restricted cash and cash equivalents and investments (note 2)	689,327	16,219,586	-	3,067,921	19,976,834
Receivables, net of allowance:					
Taxes	26,765,977	593	-	107,024	26,873,594
Interest	-	19,766	-	-	19,766
Loans	-	-	-	3,528,859	3,528,859
Miscellaneous (note 3)	4,362,539	13,452	-	-	4,375,991
Due from other funds (note 4)	435,048	1,780,895	-	57,003	2,272,946
Due from blended component unit (note 7)	383,583	-	-	-	383,583
Due from component unit (note 7)	1,917,477	-	-	-	1,917,477
Due from other governments, net (note 5)	7,649,218	-	-	1,369,868	9,019,086
Inventory	332,335	-	-	-	332,335
Total assets	$ 66,433,976	$ 44,353,349	$ -	$ 12,428,643	$ 123,215,968
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 2,401,325	$ 1,555,265	$ -	$ 365,893	$ 4,322,483
Accrued liabilities	243,739	-	-	6,409	250,148
Payables from restricted assets	689,327	398,929	-	72,364	1,160,620
Due to other funds (note 4)	1,837,898	-	-	435,048	2,272,946
Due to component units (note 7)	2,551	2,501,365	-	63,441	2,567,357
Unearned revenue (note 8)	19,336,033	593	-	4,252,069	23,588,695
Total liabilities	24,510,873	4,456,152	-	5,195,224	34,162,249
Fund balances:					
Nonspendable:					
Inventory	332,335	-	-	-	332,335
Committed	-	13,781,490	-	-	13,781,490
Assigned:					
General	7,249,473	26,115,707	-	-	33,365,180
Capital reserve	6,001,542	-	-	-	6,001,542
Other governmental funds	-	-	-	7,233,419	7,233,419
Unassigned	28,339,753	-	-	-	28,339,753
Total fund balances	41,923,103	39,897,197	-	7,233,419	89,053,719
Total liabilities and fund balances	$ 66,433,976	$ 44,353,349	$ -	$ 12,428,643	$ 123,215,968

See accompanying notes to basic financials statements.

Exhibit 3

County of James City, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

Reconciliation of the balance sheet for governmental funds to the government-wide statement of net position:		
Ending fund balance, governmental funds		$ 89,053,719
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.		338,734,819
Land held for resale and future development used in governmental activities are not financial resources and therefore are not reported in the funds.		609,866
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		19,010,712
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	$ 199,185	
Deferred pension actuarial differences	138,611	
Deferred pension investment experience	3,837,725	
Deferred pension contributions	3,640,677	7,816,198
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore is not reported in the funds.		(653,413)
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	(41,020,000)	
Lease revenue bonds	(109,025,000)	
Unamortized bond premiums, net	(13,966,250)	
Capital leases	(4,195,266)	
Net pension liability	(22,933,112)	
Other post-employment benefits	(3,046,962)	
Compensated absences	(3,687,845)	
Landfill postclosure care cost	(1,184,879)	(199,059,314)
Deferred inflows of resources for pension contributions represent an acquisition of net position that is applicable to a future reporting period and therefore, is not reported in the governmental funds.		(2,102,340)
Net position, governmental activities		$ 253,410,247

See accompanying notes to basic financials statements.

Exhibit 4

County of James City, Virginia

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2017

	Major Funds			Nonmajor governmental funds	Total governmental funds
	General	Capital projects	Debt service		
Revenues:					
General property taxes	$ 128,094,252	$ -	$ -	$ -	$ 128,094,252
Other local taxes	23,767,254	-	-	788,109	24,555,363
Permits, privilege fees and regulatory licenses	9,049,208	-	-	-	9,049,208
Fines and forfeitures	270,716	-	-	-	270,716
Use of money and property	204,793	30,658	167,093	-	402,544
Charges for services	6,471,404	-	-	-	6,471,404
Miscellaneous	1,372,795	993,166	237,580	321,437	2,924,978
Intergovernmental:					
Local	-	121,909	-	371,801	493,710
Commonwealth	27,357,729	89,974	-	3,192,679	30,640,382
Federal	7,721	-	-	3,950,986	3,958,707
Total revenues	$ 196,595,872	$ 1,235,707	$ 404,673	$ 8,625,012	$ 206,861,264
Expenditures:					
Current:					
General government administration	$ 9,753,450	$ -	$ -	$ 16,800	$ 9,770,250
Judicial administration	4,381,661	-	-	1,488,908	5,870,569
Public safety	27,820,630	-	-	623,042	28,443,672
Public works	7,818,851	-	-	14,960	7,833,811
Health and welfare	1,963,770	-	-	5,387,126	7,350,896
Education	84,299,207	-	-	-	84,299,207
Parks, recreation and cultural	10,283,862	-	-	9,749	10,293,611
Community development	6,016,220	-	43,950	5,767,430	11,827,600
Debt service:					
Principal	-	1,134,000	15,072,234	-	16,206,234
Interest and other fiscal charges	-	-	6,841,056	-	6,841,056
Capital outlay - governmental activities	-	13,606,240	-	-	13,606,240
Capital outlay - school activities	-	12,211,898	-	-	12,211,898
Total expenditures	152,337,651	26,952,138	21,957,240	13,308,015	214,555,044
Excess (deficiency) of revenues over (under) expenditures	44,258,221	(25,716,431)	(21,552,567)	(4,683,003)	(7,693,780)
Other financing sources (uses):					
Transfers in (note 4)	58,410	13,270,880	21,552,567	5,863,649	40,745,506
Transfers out (note 4)	(40,687,096)	-	-	(58,410)	(40,745,506)
Capital lease	-	4,736,044	-	-	4,736,044
Total other financing sources (uses)	(40,628,686)	18,006,924	21,552,567	5,805,239	4,736,044
Net change in fund balances	3,629,535	(7,709,507)	-	1,122,236	(2,957,736)
Fund balances, beginning of year	38,293,568	47,606,704	-	6,111,183	92,011,455
Fund balances, end of year	$ 41,923,103	$ 39,897,197	$ -	$ 7,233,419	$ 89,053,719

See accompanying notes to basic financials statements.

Exhibit 4

County of James City, Virginia

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2017

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		$ (2,957,736)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:		
Depreciation expense	$ (11,430,475)	
Capital outlay expenditures	22,286,595	
Loss on disposal of capital assets	(121,742)	10,734,378
Because some revenues will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenue increased by this amount this year.		587,662
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	16,206,234	
Capital lease	(4,736,044)	
Amortization on premium	1,348,143	
Amortization on deferred charge on refundings	(84,849)	
OPEB obligation	(438,000)	12,295,484
Some expenses reported in the statement of activates 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	(192,405)	
Landfill	(15,205)	
Interest payable	191,445	
Pension liability and related deferred inflows and outflows	378,973	362,808
Change in net position, governmental activities		$ 21,022,596

See accompanying notes to basic financials statements.

Exhibit 5

County of James City, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2017

	James City Service Authority
Assets	
Current assets:	
Cash and cash equivalents (note 2)	$ 540,016
Investments (note 2)	40,131,327
Restricted investments (note 2)	677,614
Accounts receivable, customers	2,931,810
Accounts receivable, other	49,450
Notes receivable	497,890
Interest receivable	134,824
Inventories	843,397
Total current assets	45,806,328
Noncurrent assets:	
Capital assets (note 6):	
Land	1,739,491
Land - utility plant	955,995
Land improvements	13,183
Construction in progress	2,398,338
Water and sewer systems - utility plant	253,790,928
Buildings and improvements	5,284,909
Office fixtures and equipment	2,049,369
Automotive equipment	2,839,714
Intangibles	25,004,570
Less accumulated depreciation and amortization	(135,849,801)
Net capital assets	158,226,696
Total assets	204,033,024
Deferred Outflows of Resources	
Deferred charge on refunding, net	1,739,250
Deferred pension contributions (note 11)	297,668
Deferred pension investment experience (note 11)	372,758
Deferred pension experience (note 11)	99,914
Total deferred outflows of resources	2,509,590
Total assets and deferred outflows of resources	$ 206,542,614
Liabilities	
Current liabilities:	
Accounts payable	$ 316,668
Accrued salaries	14,320
Compensated absences, current portion (note 9)	308,913
Due to other funds (note 7)	383,583
Deposits	190,732
Unearned revenue	496,800
Interest payable	343,670
Bonds payable, current portion (note 9)	668,907
Total current liabilities	2,723,593
Noncurrent liabilities:	
Advances for construction (note 16)	32,902
Other post-employment benefits (OPEB) (note 12)	313,509
Compensated absences, net of current portion (note 9)	102,971
Bonds payable, net of current portion (note 9)	22,600,295
Net pension liability (note 11)	1,868,655
Total noncurrent liabilities	24,918,332
Total liabilities	27,641,925
Deferred Inflow of Resources	
Deferred pension experience (note 11)	82,431
Net Position	
Net position:	
Net investment in capital assets	136,696,744
Restricted for debt service	677,614
Unrestricted	41,443,900
Total net position	178,818,258
Total liabilities, deferred inflow of resources and net position	$ 206,542,614

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, 2017

	James City Service Authority
Operating revenues:	
Water and sewer services	$ 14,400,361
Water supply proffers	298,054
Rental income	377,880
Other	247,917
Total operating revenues	15,324,212
Operating expenses:	
Salaries	4,384,445
Fringe benefits	1,799,798
Operating supplies	1,045,132
Maintenance	1,639,070
Utilities	899,294
Contractual fees	920,714
Other	215,633
Total operating expenses	10,904,086
Operating income before depreciation and amortization	4,420,126
Depreciation and amortization	8,194,083
Operating loss	(3,773,957)
Nonoperating revenues (expenses):	
Facility charges	4,664,316
Investment income	90,148
Gain on disposal of capital assets	49,018
Insurance recovery	1,000
Interest expense	(778,073)
Total nonoperating revenues, net	4,026,409
Income before capital contributions	252,452
Capital contributions	1,509,214
Change in net position	1,761,666
Net position, beginning of year	177,056,592
Net position, end of year	$ 178,818,258

See accompanying notes to basic financials statements.

Exhibit 7

County of James City, Virginia
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2017

	James City Service Authority
Cash flows from operating activities:	
Cash receipts from customers	$ 13,935,170
Other cash receipts	910,163
Cash payments to suppliers of goods and services	(5,014,233)
Cash payments for personnel services	(6,133,940)
Facility charges	4,663,226
Net cash provided by operating activities	8,360,386
Cash flows from capital and related financing activities:	
Repayments of debt	(785,000)
Interest paid	(574,961)
Insurance recovery	1,000
Acquisition and construction of capital assets	(3,303,093)
Proceeds from sale of capital assets	56,018
Net cash used in capital and related financing activities	(4,606,036)
Cash flows from investing activities:	
Purchases of investments	(33,976,952)
Proceeds from sales of investments	30,026,488
Interest received	80,562
Net cash used in investing activities	(3,869,902)
Net decrease in cash and cash equivalents	(115,552)
Cash and cash equivalents, beginning of year	655,568
Cash and cash equivalents, end of year	$ 540,016
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (3,773,957)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	8,194,083
Facility charges	4,664,316
Changes in operating assets and liabilities:	
Accounts receivable, customers and others	(491,665)
Notes receivable	(495,346)
Inventories	(34,284)
Accounts payable	(10,146)
Accrued salaries	237
Compensated absences	29,079
Due to other funds	(249,960)
Deposits	10,242
Unearned revenue	496,800
OPEB liability	36,000
Net pension liability and related deferred inflows/outflows of resources	(15,013)
Net cash provided by operating activities	$ 8,360,386
Supplemental schedule – noncash capital and investing activities:	
Capital asset contributions	$ 1,509,214
Unrealized loss from change in fair value of investments	$ (309,410)

See accompanying notes to basic financials statements.

Exhibit 8

County of James City, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Deferred compensation trust fund	Agency funds
Assets		
Cash and investments (note 2)	$ -	$ 4,895,442
Restricted cash and investments (note 2)		
Money market funds	7,589,147	1,047,158
Bond mutual funds	765,788	6,048,442
Debt and equities	10,406,948	-
U.S. stock funds	10,671,842	-
International stock funds	593,533	-
Accounts receivable and due from other governmental units	-	2,359,292
Total assets	$ 30,027,258	$ 14,350,334
Liabilities and Net Position		
Liabilities:		
Accounts payable and accrued liabilities	$ -	$ 2,681,295
Amounts held for others	-	11,669,039
Total liabilities	-	14,350,334
Net position restricted for deferred compensation	30,027,258	-
Total liabilities and net position	$ 30,027,258	$ 14,350,334

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, 2017

	Deferred compensation trust fund
Additions:	
Contributions	$ 1,857,898
Net increase in fair value of investments	3,352,921
Total additions	5,210,819
Deductions:	
Distributions to employees	3,135,656
Administrative expenses	62
Total deductions	3,135,718
Change in net position restricted for pensions	2,075,101
Net position, beginning of year	27,952,157
Net position, end of year	$ 30,027,258

See accompanying notes to basic financials statements.

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, 2017 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, is responsible for educating the school-age population of the City of Williamsburg, Virginia (the City) and the County. Two members of the School Board are appointed by the City Council of the City. Five members of the School Board represent James City County and are elected by the citizens of James City County.

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

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, 2017, the apportionment of the Public Schools' operating costs to the City and County was $8,887,128 (9.46%) and $85,053,475 (90.54%), respectively. For the fiscal year ended June 30, 2017, the contributions for the Public Schools' capital project costs from the City and County were $1,207,425 (9.56%) and $11,426,814 (90.44%), respectively.

The Public Schools' financial statements for the fiscal year ended June 30, 2017 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, 2017, there were 15 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $191.4 million.

The Development Authority's financial statements for the fiscal year ended June 30, 2017 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, 2017, 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.

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, 2017 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, 2017 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.

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.

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 Pension 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.

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 $74,798 in the General Fund at June 30, 2017. Additionally, the County recorded an allowance for uncollectible accounts of $26,649 related to business, professional and occupational license taxes and $187,534 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 offsetting reserve to fund balance which indicates that they do not constitute available spendable resources.

Capital Assets

Capital outlays are recorded as expenditures of the General and Special Revenue Funds and as assets in the accompanying government-wide financial statements to the extent the County's capitalization threshold of $5,000 is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the proprietary funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis.

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 $1,652,000 at June 30, 2017.

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.

1) Summary of Significant Accounting Policies, Continued

Deductibles and coverage limits at June 30, 2017 are as follows:

	Deductibles	Coverage limits
Property insurance	$ 10,000	$ -
Replacement cost	-	115,323,900
Flood (outside 100 year flood plain) and earthquake	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 and law enforcement	100,000	9,000,000
Public officials	100,000	9,000,000
Automobile liability	100,000	9,000,000
Comprehensive	1,000	-
Collision	1,000	-
Crime	250	500,000
Cyber risk	100,000	500,000
Environmental liability	100,000	1,000,000
Workers' compensation and Line of Duty	Statutory limits	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.

Encumbrances

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

1) Summary of Significant Accounting Policies, Continued

Fund Balances

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.

For the fiscal year ended June 30, 2017, the General Fund has the following amounts assigned or unassigned:

	Assigned	Unassigned
Health insurance	$ 4,504,817	$ -
Capital projects	1,558,500	-
Encumbrances	886,156	-
Potential insurance loss	300,000	-
Subtotal	7,249,473	-
Capital reserve	6,001,542	-
Fiscal liquidity	-	28,339,753
Total	$ 13,251,015	$ 28,339,753

At June 30, 2017, the Capital Project Fund's committed fund balance of $13,781,490 was primarily for bond proceeds for school capital projects, and the assigned fund balance of $26,115,707 was for ongoing capital projects. The assigned fund balance of $7,233,419 in the other governmental funds at June 30, 2017 was primarily for ongoing expenditures.

1) Summary of Significant Accounting Policies, Continued

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.

Adoption of New Accounting Statement

Effective for the fiscal year ended June 30, 2017, the County adopted GASB Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The specific information about the County's tax abatements can be found in Note 17.

2) Cash, Cash Equivalents and Investments

Primary Government

The primary government's cash and investments at June 30, 2017, consisted of the following:

Bank deposits	$ 51,295,519
Petty cash	5,905
Investments	64,539,864
Total	$ 115,841,288
Cash and cash equivalents	$ 47,097,954
Investments	48,088,886
Restricted cash, cash equivalents and investments	20,654,448
Total	$ 115,841,288

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, 2017 are detailed as follows:

Fund	Purpose	Amount	Total
Major governmental funds			
General	Subdivision escrow		$ 689,327
Capital projects	Unspent bond proceeds	$ 15,773,364	
	Developer escrow	446,222	16,219,586
Nonmajor governmental funds			
Community development	Community rehabilitation	1,779,755	
Grants and special projects	Grants and special projects	1,288,166	3,067,921
Total			$ 19,976,834
Proprietary - James City Service Authority	Debt service		$ 677,614
Total			$ 20,654,448

2) Cash, Cash Equivalents and Investments, Continued

As of June 30, 2017, the primary government's investments were as follows:

Investment Type	Cost	Fair value	Level 1	Level 2	Level 3
U.S. Treasury securities	$ 20,951,333	$ 20,885,499	$ -	$ 20,885,499	$ -
Federal agency notes and bonds	13,954,268	13,876,975	-	13,876,975	-
Corporate notes and bonds	6,488,861	6,426,569	-	6,426,569	-
Commercial paper	1,411,029	1,414,300	-	1,414,300	-
Certificates of deposit	3,724,130	3,725,050	-	3,725,050	-
Federal agency collateralized mortgage obligation	1,674,281	1,655,484	-	1,655,484	-
Subtotal	48,203,902	47,983,877	-	47,983,877	-
LGIP (amortized cost)	25,256	25,256	N/A	N/A	N/A
Money market	16,530,731	16,530,731	N/A	N/A	N/A
Total	$ 64,759,889	$ 64,539,864	$ -	$ 47,983,877	$ -

		Weighted average maturity (in years)		
	Fair value	Less than 1	1-2	2-7
U.S. Treasury securities	$ 20,885,499	$ 996,680	$ 9,650,981	$ 10,237,838
Federal agency notes and bonds	13,876,975	-	7,151,163	6,725,812
Corporate notes and bonds	6,426,569	882,983	2,795,916	2,747,670
Commercial paper	1,414,300	1,414,300	-	-
Certificates of deposit	3,725,050	2,702,347	772,895	249,808
Federal agency collateralized mortgage obligation	1,655,484	493,388	730,029	432,067
LGIP	25,256	25,256	-	-
Money market	16,530,731	16,530,731	-	-
Total	$ 64,539,864	$ 23,045,685	$ 21,100,984	$ 20,393,195

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

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, 2017 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	$ -	$ -	$ 20,885,499	$ -	$ -	$ -	$ -
Federal agency notes and bonds	-	-	13,876,975	-	-	-	-
Corporate notes and bonds	-	831,554	1,598,044	279,022	3,717,949	-	-
Commercial paper	-	-	-	-	-	-	1,414,300
Certificates of deposit	-	-	-	-	2,324,442	650,477	750,131
Federal agency collateralized mortgage obligation	-	-	1,655,484	-	-	-	-
LGIP	-	25,256	-	-	-	-	-
Money market	1,904,532	14,626,199	-	-	-	-	-
Total	$ 1,904,532	$ 15,483,009	$ 38,016,002	$ 279,022	$ 6,042,391	$ 650,477	$ 2,164,431

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, 2017, 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
Federal Home Loan Banks	20.96%

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.

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, 2017, 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, 2017, consisted of the following:

	Component Unit	
	Public Schools	**EDA**
Bank deposits	$ 16,852,377	$ 51,028
Investments	217,786	507,445
Total cash and cash equivalents	$ 17,070,163	$ 558,473

The Public Schools' total includes Agency Funds of $1,125,176, 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, 2017, are detailed as follows:

General Fund	
Sales tax	$ 2,104,585
Meals tax	854,911
Emergency medical services	437,579
Charges for services	239,532
Business license	186,454
Other	90,331
Recordation tax	145,364
Williamsburg Regional Library	141,143
Middle Peninsula Juvenile Detention Commission member contribution refund	69,649
Deeds of conveyance	48,645
Utility consumption fee	27,186
Fines and forfeitures	17,160
Total	$ 4,362,539
Capital Projects Fund	
Proffers	$ 10,110
Other	3,342
Total	$ 13,452

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, 2017, the balances were as follows:

	Due from other funds			
	General	Capital Projects	Nonmajor governmental funds	Total
Due to other funds:				
General	$ -	$ 1,780,895	$ 57,003	$ 1,837,898
Nonmajor governmental	435,048	-	-	435,048
Total	$ 435,048	$ 1,780,895	$ 57,003	$ 2,272,946

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, 2017, consisted of the following:

	Transfers In	Transfers Out
General	$ 58,410	$ (40,687,096)
Capital projects	13,270,880	-
Debt service	21,552,567	-
Nonmajor governmental	5,863,649	(58,410)
Total	$ 40,745,506	$ (40,745,506)

Transfers from the General Fund of $13,270,880 to the Capital Projects Fund represent the County's budgeted pay-as-you-go funding. Transfers from the General Fund of $21,552,567 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 $5,863,649 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.

Transfers from the Nonmajor governmental funds of $58,410 to the General Fund was to provide funding for a personnel position.

5) Due from Other Governments

Details of amounts due from other governments as of June 30, 2017 are as follows:

Primary Government	General	Nonmajor Governmental	Total
Local:			
City of Williamsburg	$ 37,333	$ -	$ 37,333
Other	24,382	156,971	181,353
Commonwealth of Virginia:			
Communications sales and use tax	264,511	-	264,511
Compensation Board	178,590	-	178,590
Personal property tax relief	4,836,856	-	4,836,856
Comprehensive Services Act	-	108,808	108,808
E911 Wireless Board	17,147		17,147
Office of Emergency Medical Services	-	64,434	64,434
Other	-	5,972	5,972
Recordation tax	137,043	-	137,043
Rolling stock tax	41,743	-	41,743
Sales tax	2,103,346	-	2,103,346
Virginia Dept. of Aviation	-	429,600	429,600
Virginia Dept. of Criminal Justice Services	-	19,894	19,894
Virginia Dept. of Emergency Services	-	30,000	30,000
Virginia Dept. of Social Services	-	138,227	138,227
Virginia Dept. of Transportation	8,267	-	8,267
Federal:			
Dept. of Criminal Justice Services	-	48,802	48,802
Dept. of Homeland Security	-	20,694	20,694
Dept. of Justice	-	51,599	51,599
Dept. of Social Services	-	179,164	179,164
Dept. of Transportation	-	11,417	11,417
FEMA	-	81,886	81,886
Other	-	22,400	22,400
Total	$ 7,649,218	$ 1,369,868	$ 9,019,086

Component Unit - Public Schools	
Federal government	$ 1,157,986
Commonwealth of Virginia	149,633
City of Williamsburg	1,280,812
Total	$ 2,588,431

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

6) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Governmental activities:	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
Capital assets not being depreciated:				
Land and land improvements	$ 28,132,818	$ -	$ -	$ 28,132,818
Construction in progress	9,873,563	22,534,201	10,908,847	21,498,917
Intangible assets - easements	8,646,400	179,949	-	8,826,349
Total capital assets not being depreciated	46,652,781	22,714,150	10,908,847	58,458,084
Capital assets being depreciated:				
Buildings and improvements	328,283,357	7,976,202	10,630	336,248,929
Improvements other than buildings	37,095,123	411,841	10,486	37,496,478
Equipment and vehicles	46,394,519	1,980,433	2,371,087	46,003,865
Infrastructure	10,500,853	112,816	-	10,613,669
Total capital assets being depreciated	422,273,852	10,481,292	2,392,203	430,362,941
Less accumulated depreciation for:				
Buildings and improvements	92,765,323	7,224,703	8,327	99,981,699
Improvements other than buildings	10,408,667	1,183,521	5,549	11,586,639
Equipment and vehicles	33,849,861	2,630,949	2,256,585	34,224,225
Infrastructure	3,902,341	391,302	-	4,293,643
Total accumulated depreciation	140,926,192	11,430,475	2,270,461	150,086,206
Total capital assets being depreciated, net	281,347,660	(949,183)	121,742	280,276,735
Total	$ 328,000,441	$ 21,764,967	$ 11,030,589	$ 338,734,819

Depreciation was charged to governmental functions as follows:

General government administration	$ 844,472
Judicial administration	279,357
Public safety	2,304,986
Public works	1,211,149
Parks, recreation and cultural	1,198,946
Community development	388,482
Education	5,011,386
Health and welfare	191,697
Total	$ 11,430,475

6) Capital Assets, Continued

Business-type activity:	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
Capital assets not being depreciated:				
Land	$ 1,739,491	$ -	$ -	$ 1,739,491
Land - utility plant	962,995	-	7,000	955,995
Land improvements	13,183	-	-	13,183
Construction in progress	1,334,553	3,388,911	2,325,126	2,398,338
Intangible assets - easements	4,570	-	-	4,570
Total capital assets not being depreciated	4,054,792	3,388,911	2,332,126	5,111,577
Capital assets being depreciated:				
Water and sewer systems - utility plant	251,061,253	2,729,675	-	253,790,928
Buildings and improvements	4,892,209	392,700	-	5,284,909
Office fixtures and equipment	1,840,746	230,090	21,467	2,049,369
Automotive equipment	2,629,462	396,057	185,805	2,839,714
Intangible assets - water rights	25,000,000	-	-	25,000,000
Total capital assets being depreciated	285,423,670	3,748,522	207,272	288,964,920
Less accumulated depreciation for:				
Water and sewer systems - utility plant	118,583,791	6,958,996	-	125,542,787
Buildings and improvements	1,632,310	151,614	-	1,783,924
Office fixtures and equipment	1,177,444	148,948	21,467	1,304,925
Automotive equipment	2,021,592	321,028	185,805	2,156,815
Intangible assets - water rights	4,447,853	613,497	-	5,061,350
Total accumulated depreciation	127,862,990	8,194,083	207,272	135,849,801
Total capital assets being depreciated, net	157,560,680	(4,445,561)	-	153,115,119
Total	$ 161,615,472	$ (1,056,650)	$ 2,332,126	$ 158,226,696

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

Water	$ 5,096,640
Sewer	3,097,443
Total	$ 8,194,083

6) Capital Assets, Continued

Component Unit - Public Schools	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
Capital assets not being depreciated:				
Land improvements	$ 8,435,126	$ -	$ -	$ 8,435,126
Construction in progress	4,368,688	5,078,111	5,756,437	3,690,362
Total capital assets not being depreciated	12,803,814	5,078,111	5,756,437	12,125,488
Capital assets being depreciated:				
Buildings and improvements	51,791,069	5,846,264	-	57,637,333
Furniture and equipment	23,927,702	1,754,144	738,789	24,943,057
Total capital assets being depreciated	75,718,771	7,600,408	738,789	82,580,390
Less accumulated depreciation for:				
Buildings and improvements	18,741,949	2,514,991	-	21,256,940
Furniture and equipment	15,663,687	1,737,804	701,850	16,699,641
Total accumulated depreciation	34,405,636	4,252,795	701,850	37,956,581
Total capital assets being depreciated, net	41,313,135	3,347,613	36,939	44,623,809
Total	$ 54,116,949	$ 8,425,724	$ 5,793,376	$ 56,749,297

Depreciation of $4,252,795 was charged to the Public Schools' governmental functions.

The total construction in progress for the Public Schools was $13,256,901. Capital outlay expenditures totaling $9,566,539 are presented in the County's construction in progress balance in order to match the corresponding debt.

Component Unit - EDA	Balances July 1, 2016	Increases	Decreases	Balances June 30, 2017
Capital assets not being depreciated:				
Land	$ 233,106	$ -	$ -	$ 233,106
Construction in progress	166,510	649,129	-	815,639
Total capital assets not being depreciated	399,616	649,129	-	1,048,745
Capital assets being depreciated:				
Leasehold improvements	137,315	-	137,315	-
Furniture and equipment	5,119	-	-	5,119
Intangibles	7,600	-	7,600	-
Total capital assets being depreciated	150,034	-	144,915	5,119
Less accumulated depreciation for:				
Leasehold improvements	31,468	22,886	54,354	-
Furniture and equipment	2,517	512	-	3,029
Intangibles	6,080	760	6,840	-
Total accumulated depreciation	40,065	24,158	61,194	3,029
Total capital assets being depreciated, net	109,969	(24,158)	83,721	2,090
Total	$ 509,585	$ 624,971	$ 83,721	$ 1,050,835

7) Due From and To Component Units

The Authority owed the County $383,583 at June 30, 2017, which primarily represents payroll expenses.

The County funds its construction costs for schools through the Capital Projects Fund for the component unit - Public Schools. At June 30, 2017, the County owed the Public Schools $2,546,725, which primarily represents construction incurred by the Public Schools. The Public Schools owed the County $1,916,977, which represents local schools funds unexpended at year-end that are contractually required to be returned to the County.

The Development Authority owed the County $500, for legal services and the County owed the Development Authority $20,632 for its contribution to the improvements on the marina property.

8) Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Details of unearned revenue as of June 30, 2017 follow:

	General fund	Capital projects	Other governmental funds	Total
Prepaid property taxes and fees	$ 444,815	$ -	$ -	$ 444,815
Medic fees	228,532	-	-	228,532
Unexpended grants	-	-	1,297,088	1,297,088
Grants not collected within availability period	-	-	118,901	118,901
Property taxes not collected within availability period	18,662,686	593	-	18,663,279
Loans	-	-	2,836,080	2,836,080
	$ 19,336,033	$ 593	$ 4,252,069	$ 23,588,695

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, 2017, is presented below:

Governmental activities	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
General obligation bonds	$ 46,390,000	$ -	$ 5,370,000	$ 41,020,000	$ 5,515,000
Lease revenue/refunding bonds	118,592,000	-	9,567,000	109,025,000	9,757,000
Bond premiums, net	15,314,393	-	1,348,143	13,966,250	1,320,944
Capital leases	728,456	4,736,044	1,269,234	4,195,266	1,012,125
Pension liability	18,526,124	4,406,988	-	22,933,112	-
OPEB obligation	2,608,962	438,000	-	3,046,962	-
Compensated absences	3,495,440	3,904,818	3,712,413	3,687,845	2,765,884
Landfill post-closure care	1,169,674	15,205	-	1,184,879	61,293
Total	$206,825,049	$ 13,501,055	$ 21,266,790	$199,059,314	$ 20,432,246

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

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 outstanding balance was $593,222 at June 30, 2017, and $1,008,200 was included in capital assets. Depreciation expense of $100,820 was incurred during fiscal year 2017.

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 is $4,736,044 and this amount was included in construction in progress at June 30, 2017. The outstanding balance of the lease was $3,602,044 at June 30, 2017.

9) Long-Term Liabilities, Continued

Details of long-term bond indebtedness at June 30, 2017 for governmental activities were as follows:

Governmental activities					
General obligation bonds	Sale date	Orginial borrowing	Interest rates	Final maturity	Balance June 30, 2017
Virginia Public School Authority bonds	1997	$ 18,800,000	5.60%	2018	$ 1,525,000
Virginia Public School Authority bonds (Series A)	1999	19,220,000	5.10-5.225%	2020	4,175,000
Virginia Public School Authority bonds (Series B)	1999	1,250,000	6.10%	2020	180,000
Virginia Public School Authority bonds (Series A)	2011	1,000,000	4.25%	2031	750,000
General obligation refunding bonds	2014	21,610,000	2.00-5.00%	2028	20,095,000
General obligation refunding bonds (Series A)	2015	11,280,000	2.50-5.00%	2030	11,220,000
Taxable general obligation refunding bonds (Series B)	2015	3,820,000	1.50-2.00%	2020	3,075,000
Total					$ 41,020,000
Lease revenue/refunding bonds					
Lease revenue bonds - Build America Bonds	2009	14,935,000	4.00-4.60%	2030	$ 10,195,000
Lease revenue bonds	2011	6,672,000	2.18%	2022	3,335,000
Lease revenue bonds	2012	26,380,000	3.00-5.00%	2033	18,735,000
Lease revenue refunding bonds	2014	12,575,000	3.00-4.00%	2026	10,650,000
Lease revenue refunding bonds	2015	49,815,000	4.00-5.00%	2026	40,275,000
Lease revenue bonds	2016	26,750,000	2.00-5.00%	2036	25,835,000
					$ 109,025,000
Capital lease	2010	1,312,522	3.725%	2021	$ 593,222
Capital lease	2017	4,736,044	2.160%	2021	3,602,044
					$ 4,195,266

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

Year ending	General obligation bonds		Lease revenue/refunding bonds	
June 30,	Principal	Interest	Principal	Interest
2018	$ 5,515,000	$ 1,543,646	$ 9,757,000	$ 4,551,935
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	1,062,787	8,907,000	3,329,013
2022	2,790,000	928,038	9,057,000	2,911,373
2023-2027	14,230,000	2,649,662	38,370,000	8,470,146
2028-2032	7,490,000	563,737	16,170,000	2,751,470
2033-2036	-	-	8,105,000	559,913
	$ 41,020,000	$ 9,264,074	$ 109,025,000	$ 30,456,069

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, 2017, there was no rebate liability.

The present value of future minimum capital lease payments of the County as of June 30, 2017, is as follows:

Year ending June 30:	
2018	1,112,027
2019	1,112,027
2020	1,112,027
2021	1,112,027
Total minimum lease payments	4,448,108
Less amount representing interest	(252,842)
Present value of minimum capital lease payments	$ 4,195,266

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, 2017, is presented below:

Business-type activity	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Revenue refunding bonds	$ 22,595,000	$ -	$ 785,000	$ 21,810,000	$ 605,000
Premium, net	1,523,109	-	63,907	1,459,202	63,907
Pension liability	1,074,947	793,708	-	1,868,655	-
OPEB obligation	277,509	36,000	-	313,509	-
Compensated absences	382,805	490,646	461,567	411,884	308,913
Total	$ 25,853,370	$ 1,320,354	$ 1,310,474	$ 25,863,250	$ 977,820

Details of long-term bond indebtedness at June 30, 2017 for business-type activity were as follows:

Business-type activity Revenue refunding bonds	Sale date	Orginial borrowing	Interest rates	Final maturity	Balance June 30, 2017
Water and sewer system revenue refunding bonds	2016	$ 22,595,000	3.00-5.00%	2040	$ 21,810,000

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

Year ending June 30,	Revenue refunding bonds Principal	Revenue refunding bonds Interest
2018	$ 605,000	$ 749,450
2019	630,000	725,250
2020	655,000	700,050
2021	690,000	667,300
2022	720,000	632,800
2023-2027	4,100,000	2,680,900
2028-2032	4,895,000	1,876,350
2033-2037	5,680,000	1,096,650
2038-2040	3,835,000	232,200
	$ 21,810,000	$ 9,360,950

Component Unit - Public Schools

A summary of the Public Schools' long-term liability activity for the fiscal year ended June 30, 2017, is presented below:

Component unit - Public Schools	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within one year
Capital leases	$ 164,243	$ -	$ 62,701	$ 101,542	$ 69,243
Pension liability	110,042,121	12,089,568	-	122,131,689	-
OPEB obligation	5,562,300	878,000	297,000	6,143,300	-
Compensated absences	1,101,233	1,032,809	985,144	1,148,898	517,004
Total	$116,869,897	$ 14,000,377	$ 1,344,845	$129,525,429	$ 586,247

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.

10) Landfill Closure and Postclosure Care Cost, Continued

The $1,184,879 reported as landfill postclosure liability at June 30, 2017, represents the liability estimated to monitor the landfill for an average monitoring period of 25 years plus the cost of a corrective action plan. This amount is based on what it would cost to perform all closure and postclosure care in 2017. The increase of $15,205 from prior year is due to an inflation factor of 1.013, 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

Pensions

The County, Authority, and Public School's non-professional employees participate in an agent multiple-employer defined benefit pension plan administered by the Virginia Retirement System (VRS). The Public School's professional employees (Teacher Retirement Plan) participate in a cost-sharing multiple-employer 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.

Information about the VRS Political Subdivision Retirement Plans is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of that report may be report may be downloaded from the VRS website at http://www.varetire.org/Pdf/publications/2016-annual-report.pdf or by writing to VRS' Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Plan Description

All full-time, salaried regular employees of the County, Authority, and Public School (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 are paying 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.

Plan 1

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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

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.

11) Pension Plan, Continued

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. 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. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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.

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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

Plan 2

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. Employees are eligible for VRS 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.

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. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

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 hazardous duty employees, it is the same as Plan 1.

Normal Retirement Age: Normal Social Security retirement age. For 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 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 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service: Same as Plan 1.

Hybrid Retirement Plan

About the Hybrid Retirement Plan: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") 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.

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.

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 hazardous duty employees.

Defined Contribution Component: Not applicable.

Normal Retirement Age

Defined Benefit Component: Same as Plan 2. This is not applicable to 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 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 members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service. This is not applicable to 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: Eligible 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.
- The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation
- Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component: Not applicable.

11) Pension Plan, Continued

Agent Multiple-Employer Plan

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Governmental Activities	Business-type Activities	Component unit-Public Schools (non-professional)
	Number	Number	Number
Inactive members or their beneficiaries currently receiving benefits	366	43	89
Inactive members:			
Vested	131	11	18
Non-vested	145	12	55
Active elsewhere in VRS	247	30	50
Total inactive members	523	53	123
Active members	784	84	228
Total	1,673	180	440

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 of the 5% member contribution was paid by the County on behalf of its employees. 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, 2017 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 $3,640,677 and $4,190,244, the Authority were $297,668 and $341,874, and the Public Schools were $233,512 and $369,942 for years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

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, 2015, 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, 2016.

- 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*

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: 14% of deaths are assumed to be service related.

Largest 10 - Non-LEOS:
Pre-retirement:
RP-2000 employee mortality table projected with scale AA to 2020 with males set forward 4 years and females set back 2 years.
Post-retirement:
RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.
Post-Disablement:
RP-2000 disability life mortality table with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) - Non-LEOS:
Pre-retirement:
RP-2000 employee mortality table projected with scale AA to 2020 with males set forward 4 years and females set back 2 years.
Post-retirement:
RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.
Post-Disablement:
RP-2000 disability life mortality table with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions - Public Safety Employees

The total pension liability for public safety employees in the retirement plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

- 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*

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: 60% of deaths are assumed to be service related.

Largest 10 - LEOS:
Pre-retirement:
RP-2000 employee mortality table projected with scale AA to 2020 with males set back 2 years and females set back 2 years.
Post-retirement:
RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.
Post-Disablement:
RP-2000 disability life mortality table projected with scale AA to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) - LEOS:
Pre-retirement:
RP-2000 employee mortality table projected with scale AA to 2020 with males set back 2 years and females set back 2 years.
Post-retirement:
RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.
Post-Disablement:
RP-2000 disability life mortality table with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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:

11) Pension Plan, Continued

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, 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, 2018, 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, 2018 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.

11) Pension Plan, Continued

Changes in Net Pension Liability

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net pension (b)**	**Net pension liability (a) - (b)**
Governmental activities			
Balances at June 30, 2015	$ 163,162,224	$ 144,636,100	$ 18,526,124
Changes for the year:			
Service cost	4,398,469	-	4,398,469
Interest	11,164,260	-	11,164,260
Difference between expected and actual experience	(2,733,673)	-	(2,733,673)
Contributions - employer	-	4,133,647	(4,133,647)
Contributions - employee	-	1,870,648	(1,870,648)
Net investment income	-	2,508,354	(2,508,354)
Benefit payments, including refunds of employee contributions	(7,345,595)	(7,345,595)	-
Administrative expenses	-	(89,515)	89,515
Other changes	-	(1,066)	1,066
Net changes	5,483,461	1,076,473	4,406,988
Balances at June 30, 2016	$ 168,645,685	$ 145,712,573	$ 22,933,112
Business-type activity			
Balances at June 30, 2015	$ 15,026,681	$ 13,951,734	$ 1,074,947
Changes for the year:			
Service cost	404,294	-	404,294
Interest	1,032,165	-	1,032,165
Difference between expected and actual experience	128,139	-	128,139
Contributions - employer	-	336,720	(336,720)
Contributions - employee	-	197,261	(197,261)
Net investment income	-	245,617	(245,617)
Benefit payments, including refunds of employee contributions	(562,945)	(562,945)	-
Administrative expenses	-	(8,604)	8,604
Other changes	-	(104)	104
Net changes	1,001,653	207,945	793,708
Balances at June 30, 2016	$ 16,028,334	$ 14,159,679	$ 1,868,655
Component unit - Public Schools (non-professional)			
Balances at June 30, 2015	$ 16,849,299	$ 17,436,178	$ (586,879)
Changes for the year:			
Service cost	540,481	-	540,481
Interest	1,157,021	-	1,157,021
Difference between expected and actual experience	(122,658)	-	(122,658)
Contributions - employer	-	369,942	(369,942)
Contributions - employee	-	256,786	(256,786)
Net investment income	-	309,381	(309,381)
Benefit payments, including refunds of employee contributions	(640,852)	(640,852)	-
Administrative expenses	-	(10,703)	10,703
Other changes	-	(130)	130
Net changes	933,992	284,424	649,568
Balances at June 30, 2016	$ 17,783,291	$ 17,720,602	$ 62,689

11) Pension Plan, Continued

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

The following presents the new 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:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Governmental activities			
Net pension liability	$ 46,378,281	$ 22,933,112	$ 3,525,331
Business-type activity			
Net pension liability	$ 4,071,742	$ 1,868,655	$ 39,904
Component unit - Public Schools (non-professional)			
Net pension liability	$ 2,211,951	$ 62,689	$ (1,747,999)

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

For the year ended June 30, 2017, the County, Authority, and Schools (non-professional) recognized pension expense of $3,205,107, $277,501 and $205,324, respectively. At June 30, 2017, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were reported:

	Deferred outflows of resources	Deferred inflows of resources
Governmental activities		
Differences between expected and actual experience	$ 138,611	$ 2,102,340
Net difference between projected and actual earnings on pension plan investments	3,837,725	-
Employer contributions subsequent to the measurement date	3,640,677	-
Total	$ 7,617,013	$ 2,102,340
Business-type activity		
Differences between expected and actual experience	$ 99,914	$ 82,431
Net difference between projected and actual earnings on pension plan investments	372,758	-
Employer contributions subsequent to the measurement date	297,668	-
Total	$ 770,340	$ 82,431
Component unit - Public Schools (non-professional)		
Differences between expected and actual experience	$ -	$ 96,099
Net difference between projected and actual earnings on pension plan investments	464,077	-
Employer contributions subsequent to the measurement date	233,512	-
Total	$ 697,589	$ 96,099

11) Pension Plan, Continued

The County, Authority, and Schools reported deferred outflows of resources of $3,640,677, $297,668 and $233,512, respectively, related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended	Governmental Activities	Business-type Activity	Component unit - Public Schools (non-professional)
2018	$ (503,144)	$ 4,897	$ (26,566)
2019	(503,146)	4,899	(25,551)
2020	1,575,414	219,265	238,040
2021	1,304,872	161,180	182,054
	$ 1,873,996	$ 390,241	$ 367,977

Cost-Sharing Multiple-Employer Plan

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 of the 5% member contribution was paid by the County on behalf of its employees. 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 Public Schools' contractually required contribution rate for the year ended June 30, 2017 was 14.66% 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 rate for the Teacher Retirement Plan was 16.32%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued lability. Based on the provisions of §51.1-145 of the Code of Virginia, as amended, the contributions were funded at 89.84% of the actuarial rate for the year ended June 30, 2017. Contributions to the pension plan from the school division were $9,829,909 and $9,251,488 for the years ended June 30, 2017 and June 30, 2016, respectively.

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

At June 30, 2017, the Public Schools' reported a liability of $122,069,000 for its proportionate share of the Net Pension Liability of the Teacher Retirement Plan. The Net Pension Liability was measured as of June 30, 2016 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. 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, 2016 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2016, the Public Schools' proportion was 0.87104% as compared to 0.87896% at June 30, 2015.

For the year ended June 30, 2017, the Public Schools' recognized pension expense of $10,598,000. 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.

11) Pension Plan, Continued

At June 30, 2017, 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:

	Deferred outflows of resources	Deferred inflows of resources
Component unit - Public Schools (professional plan)		
Differences between expected and actual experience	$ -	$ 3,956,000
Net difference between projected and actual earnings on pension plan investments	6,973,000	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,681,000	1,221,000
Employer contributions subsequent to the measurement date	9,829,909	-
Total	$ 18,483,909	$ 5,177,000

Deferred outflows of resources report in the amount of $9,829,909 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year ended	Component unit - Public Schools (professional plan)
2018	$ (715,000)
2019	(715,000)
2020	3,254,000
2021	2,000,000
2022	(347,000)
	$ 3,477,000

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

- 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*

*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-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

11) Pension Plan, Continued

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012.

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

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

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:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

11) Pension Plan, Continued

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, 2018, 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, 2018 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:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Component unit - Public Schools (professional plan)			
Net pension liability	$ 174,009,000	$ 122,069,000	$ 79,282,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2016 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: http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf.

12) Other Post-Employment Benefits (OPEB)

The County, Authority and Public Schools provide post-employment health care benefits for qualifying retired employees who are not yet eligible for Medicare through single-employer defined benefit plans. The benefits, benefit levels, employee contributions and employer contributions are governed by the County and Public Schools and can be amended through their personnel manuals.

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

Funding Policy

The County, Authority and Public Schools do not intend to establish a trust to pre-fund this obligation. The anticipated growth in the net OPEB obligation is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption the current active population remains constant. The County and Authority do not contribute towards the retiree's health insurance premiums. Since the retirees pay their full health insurance premiums based on a blended rate, the County and Authority has an implicit obligation.

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

Plan Description

Covered full-time active employees who retire directly from the County or Authority and are at least 50 years of age with 15 years of service are eligible to receive post-employment health care benefits. Each year, retirees participating in the County or Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost and therefore, have no employer obligation. There is no coverage for post-Medicare retirees. There were 551 County and 75 Authority participants at the time of the actuarial study.

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 $62.50 monthly contribution toward their health insurance premium if they have a minimum of twelve continuous years of service. The Public Schools' current membership is 35.

Net OPEB Obligation

The net OPEB obligation as of June 30, 2017 was calculated as follows:

	Governmental activities	Business-type activity	Component unit - Public Schools
Annual required contribution	$ 632,000	$ 61,000	$ 958,000
Interest on net OPEB obligation	105,000	11,000	195,000
Actuarial adjustments	(136,000)	(14,000)	(275,000)
Annual OPEB cost	601,000	58,000	878,000
Contributions made	(163,000)	(22,000)	(297,000)
Increase in net OPEB obligation	438,000	36,000	581,000
Net OPEB obligation, beginning of year	2,608,962	277,509	5,562,300
Net OPEB obligation, end of year	$ 3,046,962	$ 313,509	$ 6,143,300

Annual OPEB Cost

Three-year trend information

Year ended June 30,	Annual OPEB cost	Actual contribution	Percentage of annual OPEB cost contributed	Net OPEB obligation
Governmental activities				
2017	$ 601,000	$ 163,000	27.1%	$ 3,046,962
2016	566,000	151,000	26.7%	2,608,962
2015	490,000	107,000	21.8%	2,193,962
Business-type activity				
2017	$ 58,000	$ 22,000	37.9%	$ 313,509
2016	55,000	21,000	38.2%	277,509
2015	45,000	9,000	20.0%	243,509
Component unit - Public Schools				
2017	$ 878,000	$ 297,000	33.8%	$ 6,143,300
2016	825,000	259,000	31.4%	5,562,300
2015	859,000	303,000	35.3%	4,996,300

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

Actuarial Methods and Assumptions

For the actuarial valuation at July 1, 2016, the projected unit credit method was used. Under this method, benefits provided by the substantive plans (the plans as understood by the employers and the plan members) at the time of the actuarial study are projected and their present value is determined. The present value is divided into equal parts which are earned over the period from date of hire to the full eligibility date.

The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability, rate of inflation of 2.2% and a payroll growth of 3%. Amortization of the initial unfunded actuarial liability is over a closed 22 year period based on a level percent of payroll method. Future increases for medical benefits are assumed to range from an initial rate of 7.5% and decrease gradually with the ultimate rate being 5.04%. It should be noted actuarial calculations reflect a long-term perspective and therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

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

The following Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actual accrual liability for benefits.

Schedule of Funding Progress

Actuarial valuation date July 1,	Actuarial value of assets	Actuarial accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Governmental-type activities						
2016	$ -	$ 7,148,000	$ 7,148,000	0.0%	$ 38,853,860	18.4%
2015	-	6,594,000	6,594,000	0.0%	37,227,884	17.7%
2014	-	4,396,000	4,396,000	0.0%	34,159,831	12.9%
Business-type activity						
2016	$ -	$ 559,000	$ 559,000	0.0%	$ 4,083,082	13.7%
2015	-	528,000	528,000	0.0%	4,026,779	13.1%
2014	-	423,000	423,000	0.0%	3,897,762	10.9%
Component unit - Public Schools						
2016	$ -	$ 7,515,000	$ 7,515,000	0.0%	$ 81,067,981	9.3%
2015	-	6,979,000	6,979,000	0.0%	79,000,900	8.8%
2014	-	7,335,000	7,335,000	0.0%	74,000,962	9.9%

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 ($18,000 in 2016). 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 $768,211 for the year ended June 30, 2017. In addition, the County leases space in Authority's buildings under long-term operating leases. The County paid the Authority $309,920 for the year ended June 30, 2017.

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 $106,391 for the year ended June 30, 2017 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 has an initial term of one year with the option of renewal for four additional one year terms.

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, 2017, 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.

Project	Budget	Expenditures to date	Balance of contract	Budget balance
Governmental activities				
General government admin.	$ 2,669,304	$ 324,565	$ 305,435	$ 2,039,304
Judicial	12,758	-	-	12,758
Public safety	2,164,210	1,542,057	400,972	221,181
Public works	3,971,168	2,250,818	421,473	1,298,877
Community development	6,998,099	2,691,700	676,461	3,629,938
Parks, recreation and cultural	1,689,816	387,193	306,402	996,221
Total	$ 17,505,355	$ 7,196,333	$ 2,110,743	$ 8,198,279
Business-type activity				
Sewer improvements	$ 4,252,075	$ 187,763	$ 101,904	$ 3,962,408
Water supply	17,992,132	2,007,137	1,206,727	14,778,268
Water distribution	382,817	-	-	382,817
Water transmission	500,000	40,567	4,508	454,925
Water storage	185,620	-	-	185,620
Other	1,234,180	162,871	29,037	1,042,272
	$ 24,546,824	$ 2,398,338	$ 1,342,176	$ 20,806,310

16) Commitments and Contingencies, Continued

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, 2017, the Authority had $32,902 outstanding in advances for construction.

Operating Leases

The County leases certain land and office space under noncancelable operating lease agreements. Rental expenditures related to these lease agreements were $239,375 for the year ended June 30, 2017.

The Public Schools lease equipment and buildings under noncancelable operating leases. Total costs for such leases were approximately $279,278 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

Year ending June 30:	Primary government - governmental activities	Component unit - Public Schools
2018	$ 245,577	$ 275,761
2019	251,809	232,943
2020	258,607	167,914
2021	265,027	72,834
2022	271,635	2,774
2023-2027	1,292,692	-
2028-2029	93,269	-
Total	$ 2,678,616	$ 752,226

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:

	Real Estate	Machinery & Tools
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, 2017, the County had 10 tax abatement agreements (all Real Estate taxes) as follows:

Tax Abatement Program	Tax Amount Abated
Enterprise Zone Grant Program - Real Estate	$ 20,622

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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.

Exhibit 10

County of James City, Virginia

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

General Fund

Year ended June 30, 2017

Fund, major and minor revenue source	Original budget	Final budget	Actual	Variance positive (negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 96,000,000	$ 96,000,000	$ 96,997,973	$ 997,973
Real and personal public service corporation property taxes	1,986,400	1,986,400	2,093,504	107,104
Personal property taxes	21,841,000	21,841,000	22,091,826	250,826
Machinery and tools taxes	5,650,000	5,650,000	5,922,084	272,084
Penalties	600,000	600,000	661,879	61,879
Interest	350,000	350,000	326,986	(23,014)
Total general property taxes	126,427,400	126,427,400	128,094,252	1,666,852
Other local taxes:				
Local sales and use taxes	11,300,000	11,300,000	11,085,090	(214,910)
Franchise license taxes	500,000	500,000	632,694	132,694
Taxes on recordation and wills	1,400,000	1,400,000	1,532,368	132,368
Hotel and motel room taxes	2,750,000	2,750,000	2,843,331	93,331
Restaurant food taxes	7,190,000	7,190,000	7,202,286	12,286
Deeds of conveyance	350,000	350,000	445,498	95,498
Penalties	-	-	14,715	14,715
Interest	-	-	11,272	11,272
Total other local taxes	23,490,000	23,490,000	23,767,254	277,254
Permits, privilege fees and regulatory licenses:				
Animal licenses	20,000	20,000	32,735	12,735
Business licenses	7,005,000	7,005,000	7,083,691	78,691
Motor vehicle licenses	160,000	160,000	173,970	13,970
Building permits	1,000,000	1,000,000	1,062,114	62,114
Permits and other licenses	725,000	725,000	696,698	(28,302)
Total permits, privilege fees and regulatory licenses	8,910,000	8,910,000	9,049,208	139,208
Fines and forfeitures	326,000	326,000	270,716	(55,284)
Use of money and property	145,000	145,000	204,793	59,793
Charges for services:				
Excess fees of the clerk	140,000	190,000	245,786	55,786
Charges for Commonwealth's attorney	6,000	6,000	5,752	(248)
Charges for law enforcement and traffic control	132,500	132,500	125,347	(7,153)
Charges for emergency medical services	2,400,000	2,400,000	1,944,507	(455,493)
Charges for parks and recreation	3,461,500	3,461,500	3,667,717	206,217
Landfill user fees	255,000	255,000	301,011	46,011
Other fees	72,000	72,000	181,284	109,284
Total charges for services	6,467,000	6,517,000	6,471,404	(45,596)
Miscellaneous revenue:				
Sale of property	75,000	75,000	137,594	62,594
Miscellaneous	113,100	113,100	1,235,201	1,122,101
Total miscellaneous revenue	188,100	188,100	1,372,795	1,184,695
Total revenue from local sources	165,953,500	166,003,500	169,230,422	3,226,922

(Continued)

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

Exhibit 10

County of James City, Virginia

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

General Fund

Year ended June 30, 2017

Fund, major and minor revenue source	Original budget	Final budget	Actual	Variance positive (negative)
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	$ 30,000	$ 30,000	$ 22,903	$ (7,097)
Tax on deeds	475,000	475,000	496,162	21,162
Railroad rolling stock taxes	60,000	60,000	58,828	(1,172)
Personal property tax relief	9,770,137	9,770,137	9,770,137	-
Communications sales and use tax	1,700,000	1,700,000	1,608,937	(91,063)
Car rental tax	110,000	110,000	118,630	8,630
Total noncategorical aid	12,145,137	12,145,137	12,075,597	(69,540)
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	574,320	574,320	550,004	(24,316)
Sheriff	720,020	720,020	707,526	(12,494)
Commissioner of the revenue	178,757	178,757	175,187	(3,570)
Treasurer	174,150	174,150	158,460	(15,690)
Registrar/electoral board	47,750	47,750	46,977	(773)
Clerk of the circuit court	491,590	491,590	473,727	(17,863)
Total shared expenses	2,186,587	2,186,587	2,111,881	(74,706)
Other categorical aid:				
Wireless Board	210,000	210,000	201,766	(8,234)
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	11,735,541	11,735,541	11,515,631	(219,910)
Other	65,000	65,000	84,850	19,850
Total other categorical aid	13,377,276	13,377,276	13,170,251	(207,025)
Total categorical aid	15,563,863	15,563,863	15,282,132	(281,731)
Total revenue from the Commonwealth	27,709,000	27,709,000	27,357,729	(351,271)
Revenue from the federal government:				
Payments in lieu of taxes	7,500	7,500	7,721	221
Total revenue from the federal government	7,500	7,500	7,721	221
Total revenues	$ 193,670,000	$ 193,720,000	$ 196,595,872	$ 2,875,872

(Continued)

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

Exhibit 10

County of James City, Virginia

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

General Fund

Year ended June 30, 2017

Fund, major and minor expenditure source	Original budget	Final budget	Actual	Variance positive (negative)
General government administration:				
Legislative:				
Board of supervisors	$ 193,872	$ 287,699	$ 280,651	$ 7,048
General and financial administration:				
County administrator	494,138	596,667	595,403	1,264
County attorney	505,460	505,460	390,165	115,295
Human resources	563,507	466,799	374,695	92,104
Legal services	18,000	18,000	23,189	(5,189)
Commissioner of the revenue	805,588	806,364	781,281	25,083
Real estate assessments	805,113	809,513	793,152	16,361
Treasurer	1,083,561	1,083,581	1,044,045	39,536
Financial management	1,160,949	1,260,949	1,216,869	44,080
Accounting	139,896	137,052	94,245	42,807
Publications management	215,271	215,271	196,947	18,324
Purchasing	280,800	280,800	246,695	34,105
Records management	257,841	263,560	246,885	16,675
Information technology	2,138,175	2,233,659	2,082,111	151,548
Fleet maintenance	1,015,449	1,015,449	1,003,497	11,952
Total general and financial administration	9,483,748	9,693,124	9,089,179	603,945
Board of elections:				
Voter registration and elections	416,765	425,041	383,620	41,421
Total general government administration	10,094,385	10,405,864	9,753,450	652,414
Judicial administration:				
Courts:				
Circuit court and judicial services	523,910	524,492	512,518	11,974
General district court	39,170	39,400	29,248	10,152
Juvenile and domestic relations district court	24,263	24,444	12,254	12,190
Clerk of the circuit court	696,930	747,580	724,674	22,906
Sheriff	1,362,098	1,362,205	1,269,881	92,324
9th judicial district	6,225	6,225	7,810	(1,585)
Court services and juvenile detention	331,135	581,135	435,158	145,977
Courthouse	510,304	537,052	477,922	59,130
Total courts	3,494,035	3,822,533	3,469,465	353,068
Commonwealth's attorney	979,371	979,453	912,196	67,257
Total judicial administration	4,473,406	4,801,986	4,381,661	420,325
Public safety:				
Law enforcement and traffic control:				
Police department	10,060,343	10,260,711	9,797,674	463,037
Emergency communications	3,074,130	3,077,130	2,703,969	373,161
Total law enforcement and traffic control	13,134,473	13,337,841	12,501,643	836,198
Fire and rescue services:				
Fire department and emergency medical services	11,355,194	11,451,952	11,072,100	379,852
Correction and detention:				
Regional jail	2,679,252	2,679,252	2,679,252	-
Inspections:				
Building and safety permits	1,203,161	1,203,161	1,141,049	62,112
Other protection:				
Animal control	248,937	248,937	189,032	59,905
Emergency management	268,247	269,086	237,554	31,532
Total other protection	517,184	518,023	426,586	91,437
Total public safety	28,889,264	29,190,229	27,820,630	1,369,599

(Continued)

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

Exhibit 10

County of James City, Virginia

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

General Fund

Year ended June 30, 2017

Fund, major and minor expenditure source	Original budget	Final budget	Actual	Variance positive (negative)
Public works:				
Sanitation and waste removal:				
Grounds maintenance	$ 2,104,128	$ 2,106,578	$ 1,838,408	$ 268,170
Solid waste and recycling	1,411,839	1,419,326	1,362,521	56,805
Total sanitation and waste removal	3,515,967	3,525,904	3,200,929	324,975
Maintenance of general buildings and grounds:				
Facilities management	4,759,449	4,975,080	4,617,922	357,158
Total public works	8,275,416	8,500,984	7,818,851	682,133
Health and welfare:				
Local health department	739,194	739,194	723,770	15,424
Mental health and mental retardation	1,240,000	1,240,000	1,240,000	-
Total health and welfare	1,979,194	1,979,194	1,963,770	15,424
Education:				
School board administration	86,083,448	86,083,448	84,299,207	1,784,241
Parks, recreation and cultural:				
Parks and recreation:				
Administration	4,831,980	4,855,269	4,776,288	78,981
Community centers	279,532	288,147	255,165	32,982
Park operations	495,611	516,179	437,916	78,263
Recreation services	421,089	454,381	383,473	70,908
Total parks and recreation	6,028,212	6,113,976	5,852,842	261,134
Library:				
Regional library	4,431,020	4,431,020	4,431,020	-
Total parks, recreation and cultural	10,459,232	10,544,996	10,283,862	261,134
Community development:				
Planning and community development:				
Planning	986,150	1,053,674	817,450	236,224
Development management	207,810	207,810	58,515	149,295
Communications	705,079	713,815	703,507	10,308
Zoning enforcement	346,057	346,057	300,058	45,999
Economic development	474,216	536,854	383,246	153,608
Satellite office	220,254	220,254	204,165	16,089
Contributions – other	804,214	804,214	792,009	12,205
Regional transportation	643,781	643,781	643,781	-
Total planning and community development	4,387,561	4,526,459	3,902,731	623,728
Environmental management:				
Engineering and resource protection	975,400	975,699	881,569	94,130
Stormwater management	1,176,550	1,555,037	1,231,920	323,117
Total environmental management	2,151,950	2,530,736	2,113,489	417,247
Total community development	6,539,511	7,057,195	6,016,220	1,040,975
Nondepartmental:				
Miscellaneous	63,509	(344,090)	-	(344,090)
Total expenditures	156,857,365	158,219,806	152,337,651	5,882,155
Excess of revenues over expenditures	36,812,635	35,500,194	44,258,221	8,758,027
Other financing sources (uses):				
Transfers in	54,000	54,000	58,410	4,410
Transfers out	(36,866,635)	(39,711,278)	(40,687,096)	(975,818)
Total other financing sources (uses)	(36,812,635)	(39,657,278)	(40,628,686)	(971,408)
Net change in fund balance	-	(4,157,084)	3,629,535	7,786,619
Fund balance at beginning of year	-	4,157,084	38,293,568	34,136,484
Fund balance at end of year	$ -	$ -	$ 41,923,103	$ 41,923,103

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

Exhibit 11

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

	2015*			2016*			2017*		
	County Employees	**JCSA Employees**	**Public Schools' Non-Professional**	**County Employees**	**JCSA Employees**	**Public Schools' Non-Professional**	**County Employees**	**JCSA Employees**	**Public Schools' Non-Professional**
Total pension liability									
Service cost	$ 4,376,092	$ 417,066	$ 507,972	$ 4,416,137	$ 430,269	$ 526,136	$ 4,398,469	$ 404,294	$ 540,481
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
Changes of benefit terms	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	252,227	(146,331)	(13,491)	(2,733,673)	128,139	(122,658)
Changes in assumptions	-	-	-	-	-	-	-	-	-
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)
Net change in total pension liability	9,148,745	954,519	959,166	8,594,477	829,439	1,013,854	5,483,461	1,001,653	933,992
Total pension liability, beginning	145,419,002	13,242,723	14,876,279	154,567,747	14,197,242	15,835,445	163,162,224	15,026,681	16,849,299
Total pension liability, ending (a)	$ 154,567,747	$ 14,197,242	$ 15,835,445	$ 163,162,224	$ 15,026,681	$ 16,849,299	$ 168,645,685	$ 16,028,334	$ 17,783,291
Plan fiduciary net position									
Contributions - employer	4,362,691	308,820	435,519	4,065,806	329,381	372,141	4,133,647	336,720	369,942
Contributions - employee	1,909,429	197,188	237,728	1,844,202	193,349	256,454	1,870,648	197,261	256,786
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
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)
Adminstrative expense	(100,186)	(9,511)	(12,002)	(86,580)	(8,173)	(10,296)	(89,515)	(8,604)	(10,703)
Other	998	95	120	(1,349)	(130)	(162)	(1,066)	(104)	(130)
Net change in plan fiduciary net position	19,880,178	1,922,645	2,356,480	5,527,145	693,985	796,047	1,076,473	207,945	284,424
Plan fiduciary net position, beginning	119,228,777	11,335,104	14,283,651	139,108,955	13,257,749	16,640,131	144,636,100	13,951,734	17,436,178
Plan fiduciary net position, ending (b)	139,108,955	13,257,749	16,640,131	144,636,100	13,951,734	17,436,178	145,712,573	14,159,679	17,720,602
Net pension liability (a) - (b)	$ 15,458,792	$ 939,493	$ (804,686)	$ 18,526,124	$ 1,074,947	$ (586,879)	$ 22,933,112	$ 1,868,655	$ 62,689
Plan fiduciary net position as a percentage of the total pension liability	90.00%	93.38%	105.08%	88.65%	92.85%	103.48%	86.40%	88.34%	99.65%
Covered-employee payroll	$ 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
Net pension liability as a percentage of the total covered-employee payroll	41.39%	23.82%	-16.72%	50.36%	27.58%	-11.39%	60.86%	46.41%	1.22%

(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.

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

Exhibit 12

County of James City, Virginia

Schedule of Employer's Share of Net Pension Liability

Required Supplementary Information (Unaudited)

Years ended June 30, 2017, 2016 and 2015 (1)

	Public Schools' Professional		
	2015*	**2016***	**2017***
Employer's proportion of the net pension liability	0.85987%	0.87896%	0.87104%
Employer's proportionate share of the net pension liability	$ 103,913,000	$ 110,629,000	$ 122,069,000
Employer's covered employee payroll	$ 62,882,350	$ 65,034,559	$ 65,800,057
Employer's proportionate share of the net pension liability as a percentage of its covered employee payroll	165.25%	170.11%	185.52%
Plan fiduciary net position as a percentage of the total pension liability	70.88%	70.68%	68.28%

(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.

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

Exhibit 13

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

County employees

Fiscal Year	Contractually Required Contribution	Contributions in relation to contractually required contribution	Contribution deficiency (Excess)*	Employer's covered employee payroll	Contributions as a % of covered employee payroll
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%

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

James City Service Authority employees

Fiscal Year	Contractually Required Contribution	Contributions in relation to contractually required contribution	Contribution deficiency (Excess)	Employer's covered employee payroll	Contributions as a % of covered employee payroll
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%

Public Schools' - non-professional

Fiscal Year	Contractually Required Contribution	Contributions in relation to contractually required contribution	Contribution deficiency (Excess)	Employer's covered employee payroll	Contributions as a % of covered employee payroll
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%

Public Schools' - professional

Fiscal Year	Contractually Required Contribution	Contributions in relation to contractually required contribution	Contribution deficiency (Excess)	Employer's covered employee payroll	Contributions as a % of covered employee payroll
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%

(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.

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

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 $50,000 in supplemental appropriations during the fiscal year ended June 30, 2017. This increase was to appropriate excess clerk fees. 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, 2017, as adopted and amended by supplemental appropriations.

2) 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, 2016 are not material.

3) Changes of Assumptions

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

<u>Largest 10 - Non-LEOS</u>:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

<u>Largest 10 - LEOs</u>:
- Update mortality table
- Decrease in male rates of disability

<u>All Others (Non 10 Largest) - Non-LEOS</u>:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

<u>All Others (Non 10 Largest) - LEOS</u>:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

See accompanying independent auditors' report.

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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.

Exhibit A

County of James City, Virginia

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

Debt Service Fund

Year ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance positive (negative)
Revenues:				
Use of money and property	$ -	$ -	$ 167,093	$ 167,093
Miscellaneous	182,477	182,477	237,580	55,103
Total revenues	182,477	182,477	404,673	222,196
Expenditures:				
Community development	75,000	75,000	43,950	31,050
Debt service:				
Principal	15,072,234	15,072,234	15,072,234	-
Interest and other fiscal charges	6,798,639	6,798,639	6,841,056	(42,417)
Total expenditures	21,945,873	21,945,873	21,957,240	(11,367)
Deficiency of revenues under expenditures	(21,763,396)	(21,763,396)	(21,552,567)	210,829
Other financing sources:				
Transfers in	22,350,000	22,350,000	21,552,567	797,433
Total other financing sources	22,350,000	22,350,000	21,552,567	797,433
Deficiency of revenues and other sources under expenditures	586,604	586,604	-	(586,604)
Fund balance, beginning of year	(586,604)	(586,604)	-	586,604
Fund balance, end of year	$ -	$ -	$ -	$ -

See accompanying independent auditors' report.

County of James City, Virginia
Nonmajor Governmental Funds

The County reports the following nonmajor governmental funds:

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

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

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

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.

Exhibit B-1

County of James City, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Virginia Public Assistance Fund	Colonial Community Corrections Fund	Community Development Fund	Trust Fund	Tourism Investment Fund	Grants and Special Projects Fund	Total
Assets							
Cash and cash equivalents and investments	$ 1,626,598	$ 239,843	$ 311,725	$ 463,549	$ 1,656,253	$ -	$ 4,297,968
Cash and cash equivalents, restricted	-	-	1,779,755	-	-	1,288,166	3,067,921
Taxes receivable	-	-	-	-	107,024	-	107,024
Loans receivable	-	-	3,528,859	-	-	-	3,528,859
Due from other funds	-	-	-	-	31,503	25,500	57,003
Due from other governments	317,977	-	-	-	-	1,051,891	1,369,868
Total assets	$ 1,944,575	$ 239,843	$ 5,620,339	$ 463,549	$ 1,794,780	$ 2,365,557	$ 12,428,643
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 3,958	$ 11,159	$ 31,259	$ 12,111	$ 172,865	$ 134,541	$ 365,893
Accrued liabilities	2,451	664	302	-	-	2,992	6,409
Payables from restricted assets	-	-	72,364	-	-	-	72,364
Due to other funds	284,446	24,040	126,529	33	-	-	435,048
Due to component unit	-	-	-	-	-	63,441	63,441
Unearned revenue	2,500	-	2,836,080	-	-	1,413,489	4,252,069
Total liabilities	293,355	35,863	3,066,534	12,144	172,865	1,614,463	5,195,224
Fund balances:							
Assigned	1,651,220	203,980	2,553,805	451,405	1,621,915	751,094	7,233,419
Total fund balances	1,651,220	203,980	2,553,805	451,405	1,621,915	751,094	7,233,419
Total liabilities and fund balances	$ 1,944,575	$ 239,843	$ 5,620,339	$ 463,549	$ 1,794,780	$ 2,365,557	$ 12,428,643

See accompanying independent auditors' report.

Exhibit B-2

County of James City, Virginia

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2017

	Virginia Public Assistance Fund	Colonial Community Corrections Fund	Community Development Fund	Trust Fund	Tourism Investment Fund	Grants and Special Projects Fund	Total
Revenues:							
Other local taxes	$ -	$ -	$ -	$ -	$ 788,109	$ -	$ 788,109
Miscellaneous	-	72,806	207,467	35,783	5,381	-	321,437
Intergovernmental:							
Local	-	86,045	-	8,814	-	276,942	371,801
Commonwealth	1,074,631	799,689	767,867	125,501	-	424,991	3,192,679
Federal	2,385,887	-	1,108,329	-	-	456,770	3,950,986
Total revenues	3,460,518	958,540	2,083,663	170,098	793,490	1,158,703	8,625,012
Expenditures:							
Current:							
General government administration	-	-	-	-	-	16,800	16,800
Judicial administration	-	960,429	-	11,167	-	517,312	1,488,908
Public safety	-	-	-	44,955	-	578,087	623,042
Public works	-	-	-	2,255	-	12,705	14,960
Health and welfare	4,634,725	-	-	-	-	752,401	5,387,126
Parks, recreation and cultural	-	-	-	6,749	-	3,000	9,749
Community development	-	-	2,621,351	7,554	2,059,909	1,078,616	5,767,430
Total expenditures	4,634,725	960,429	2,621,351	72,680	2,059,909	2,958,921	13,308,015
Excess (deficiency) of revenues over (under) expenditures	(1,174,207)	(1,889)	(537,688)	97,418	(1,266,419)	(1,800,218)	(4,683,003)
Other financing sources (uses):							
Transfers in	1,528,999	49,192	623,216	-	1,705,998	1,956,244	5,863,649
Transfers out	-	-	-	-	(58,410)	-	(58,410)
Total other financing sources (uses)	1,528,999	49,192	623,216	-	1,647,588	1,956,244	5,805,239
Net change in fund balances	354,792	47,303	85,528	97,418	381,169	156,026	1,122,236
Fund balances, beginning of year	1,296,428	156,677	2,468,277	353,987	1,240,746	595,068	6,111,183
Fund balances, end of year	$ 1,651,220	$ 203,980	$ 2,553,805	$ 451,405	$ 1,621,915	$ 751,094	$ 7,233,419

See accompanying independent auditors' report.

Exhibit B-3

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, 2017

	Budget	Actual	Variance positive (negative)
Revenues:			
Intergovernmental:			
Commonwealth	$ 2,935	$ 1,074,631	$ 1,071,696
Federal	3,917,277	2,385,887	(1,531,390)
Total intergovernmental revenues	3,920,212	3,460,518	(459,694)
Expenditures:			
Current:			
Health and welfare	5,914,876	4,634,725	1,280,151
Deficiency of revenues under expenditures	(1,994,664)	(1,174,207)	820,457
Other financing sources:			
Operating transfers in	1,528,999	1,528,999	-
Deficiency of revenues and other sources under expenditures	(465,665)	354,792	(820,457)
Fund balance, beginning of year	465,665	1,296,428	(830,763)
Fund balance, end of year	$ -	$ 1,651,220	$ (1,651,220)

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.

Exhibit C-1

County of James City, Virginia
Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017

	Special Welfare	WAMAC	Regional Jail	Juvenile Detention	Williamsburg Area Transit Authority	Total
Assets						
Cash and investments	$ 209	$ 143,575	$ 1,705,615	$ 1,812,119	$ 1,233,924	$ 4,895,442
Restricted cash and investments	-	4,287,137	2,808,463	-	-	7,095,600
Accounts receivable and due from other governmental units	-	139,960	861,318	244,382	1,113,632	2,359,292
Total assets	$ 209	$ 4,570,672	$ 5,375,396	$ 2,056,501	$ 2,347,556	$ 14,350,334
Liabilities						
Accounts payable and accrued liabilities	$ 382	$ 287,112	$ 556,844	$ 1,262,215	$ 574,742	$ 2,681,295
Amounts held for others	(173)	4,283,560	4,818,552	794,286	1,772,814	11,669,039
Total liabilities	$ 209	$ 4,570,672	$ 5,375,396	$ 2,056,501	$ 2,347,556	$ 14,350,334

See accompanying independent auditors' report.

Exhibit C-2

County of James City, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2017

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Special Welfare Fund:				
Assets:				
Cash	$ 480	$ 6,794	$ 7,065	$ 209
Liabilities:				
Accounts payable	$ -	$ 382	$ -	382
Amounts held for others	480	6,794	7,447	(173)
Total liabilities	$ 480	$ 7,176	$ 7,447	$ 209
Williamsburg Area Medical Assistance Corporation Fund:				
Assets:				
Cash	$ 27,960	$ 2,728,499	$ 2,612,884	$ 143,575
Restricted cash	4,278,476	398,165	389,504	4,287,137
Accounts receivable	262,663	1,180,495	1,303,198	139,960
Total assets	$ 4,569,099	$ 4,307,159	$ 4,305,586	$ 4,570,672
Liabilities:				
Accounts payable and accrued liabilities	$ 24,787	$ 2,447,407	$ 2,185,082	$ 287,112
Amounts held for others	4,544,312	2,340,477	2,601,229	4,283,560
Total liabilities	$ 4,569,099	$ 4,787,884	$ 4,786,311	$ 4,570,672
Regional Jail Fund:				
Assets:				
Cash and investments	$ 725,813	$ 16,494,806	$ 15,515,004	$ 1,705,615
Restricted cash and investments	2,815,130	2,064,373	2,071,040	2,808,463
Accounts receivable and due from other governmental units	1,826,568	1,366,905	2,332,155	861,318
Total assets	$ 5,367,511	$ 19,926,084	$ 19,918,199	$ 5,375,396
Liabilities:				
Accounts payable and accrued liabilities	$ 553,806	$ 8,983,317	$ 8,980,279	$ 556,844
Amounts held for others	4,813,705	13,923,551	13,918,704	4,818,552
Total liabilities	$ 5,367,511	$ 22,906,868	$ 22,898,983	$ 5,375,396
Juvenile Detention Fund:				
Assets:				
Cash and investments	$ 1,425,305	$ 5,028,922	$ 4,642,108	$ 1,812,119
Accounts receivable and due from other governmental units	112,061	4,022,248	3,889,927	244,382
Total assets	$ 1,537,366	$ 9,051,170	$ 8,532,035	$ 2,056,501
Liabilities:				
Accounts payable and accrued liabilities	$ 789,141	$ 1,223,750	$ 750,676	$ 1,262,215
Amounts held for others	748,225	4,425,640	4,379,579	794,286
Total liabilities	$ 1,537,366	$ 5,649,390	$ 5,130,255	$ 2,056,501
Williamsburg Area Transit Authority Fund:				
Assets:				
Cash and investments	$ 762,073	$ 8,806,568	$ 8,334,717	$ 1,233,924
Accounts receivable and due from other governmental units	1,022,099	1,117,832	1,026,299	1,113,632
Total assets	$ 1,784,172	$ 9,924,400	$ 9,361,016	$ 2,347,556
Liabilities:				
Accounts payable and accrued liabilities	$ 685,193	$ 3,869,341	$ 3,979,792	$ 574,742
Amounts held for others	1,098,979	9,072,169	8,398,334	1,772,814
Total liabilities	$ 1,784,172	$ 12,941,510	$ 12,378,126	$ 2,347,556
Total:				
Assets:				
Cash and investments	$ 2,941,631	$ 33,065,589	$ 31,111,778	$ 4,895,442
Restricted cash and investments	7,093,606	2,462,538	2,460,544	7,095,600
Accounts receivable and due from other governmental units	3,223,391	7,687,480	8,551,579	2,359,292
Total assets	$ 13,258,628	$ 43,215,607	$ 42,123,901	$ 14,350,334
Liabilities:				
Accounts payable and accrued liabilities	$ 2,052,927	$ 16,524,197	$ 15,895,829	$ 2,681,295
Amounts held for others	11,205,701	29,768,631	29,305,293	11,669,039
Total liabilities	$ 13,258,628	$ 46,292,828	$ 45,201,122	$ 14,350,334

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.

Exhibit D-1

County of James City, Virginia
Balance Sheet
Discretely Presented Component Unit – Public Schools – Governmental Funds
June 30, 2017

	General	Grants	Schools' food services	Capital projects	Total governmental funds
Assets					
Cash and temporary investments	$ 14,935,422	$ -	$ 1,009,565	$ -	$ 15,944,987
Receivables	54,998	31,797	7,768	-	94,563
Due from other funds	1,296,410	-	-	-	1,296,410
Due from federal government	-	1,026,035	131,951	-	1,157,986
Due from Commonwealth of Virginia	120,024	29,609	-	-	149,633
Due from the City of Williamsburg and James City County	943,763	-	-	2,740,758	3,684,521
Inventory	-	-	37,438	-	37,438
Total assets	$ 17,350,617	$ 1,087,441	$ 1,186,722	$ 2,740,758	$ 22,365,538
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,356,351	$ 20,980	$ 185,106	$ 1,508,042	$ 3,070,479
Accrued payroll	7,421,215	370,202	168,824	-	7,960,241
Accrued benefits	6,173,468	183,370	121,222	-	6,478,060
Due to the City of Williamsburg and James City County	1,970,662	-	-	-	1,970,662
Due to other funds	-	316,333	-	783,376	1,099,709
Unearned revenue	-	73,717	-	-	73,717
Total liabilities	16,921,696	964,602	475,152	2,291,418	20,652,868
Fund balances:					
Nonspendable - inventory	-	-	37,438	-	37,438
Restricted	-	122,839	674,132	-	796,971
Committed	-	-	-	449,340	449,340
Assigned	228,921	-	-	-	228,921
Unassigned	200,000	-	-	-	200,000
Total fund balances	428,921	122,839	711,570	449,340	1,712,670
Total liabilities and fund balances	$ 17,350,617	$ 1,087,441	$ 1,186,722	$ 2,740,758	

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.		56,749,297
Long-term liabilities are not reported as liabilities in the governmental funds.		
Compensated absences	$ (1,148,898)	
Equipment capital leases	(101,542)	
Other post employment benefits	(6,143,300)	
Net pension liability	(122,131,689)	(129,525,429)
Deferred outflows and inflows of resources are not current financial resources and therefore are not reported in the governmental funds.		13,908,399
Net position of governmental activities		$ (57,155,063)

See accompanying independent auditors' report.

Exhibit D-2

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, 2017

	General	Grants	Schools' food services	Capital projects	Total governmental funds
Revenues:					
Intergovernmental:					
From City of Williamsburg and James City County	$ 93,940,603	$ -	$ -	$ 4,840,276	$ 98,780,879
From Commonwealth of Virginia	31,770,364	1,033,733	58,013	-	32,862,110
From federal government	93,390	4,096,697	2,406,725	-	6,596,812
Total intergovernmental	125,804,357	5,130,430	2,464,738	4,840,276	138,239,801
Charges for services	565,570	-	1,872,641	-	2,438,211
Interest	646	-	288	-	934
Miscellaneous	263,112	743,713	-	-	1,006,825
Total revenues	126,633,685	5,874,143	4,337,667	4,840,276	141,685,771
Expenditures:					
General and administrative	2,729,936	-	-	-	2,729,936
Instruction	92,095,336	4,595,949	-	-	96,691,285
Attendance and health services	4,327,938	603,895	-	-	4,931,833
Pupil transportation	7,291,549	-	-	-	7,291,549
Operations and maintenance	10,763,530	59,065	-	-	10,822,595
Technology	7,385,045	487,128	-	-	7,872,173
Food services	-	99,462	4,115,520	-	4,214,982
Debt service:					
Principal	62,701	-	-	-	62,701
Interest	13,562	-	-	-	13,562
Capital outlay	1,791,440	44,059	8,472	5,078,111	6,922,082
Total expenditures	126,461,037	5,889,558	4,123,992	5,078,111	141,552,698
Excess (deficiency) of revenues over (under) expenditures	172,648	(15,415)	213,675	(237,835)	133,073
Net change in fund balances	172,648	(15,415)	213,675	(237,835)	133,073
Fund balances, beginning of year	256,273	138,254	497,895	687,175	1,579,597
Fund balances, end of year	$ 428,921	$ 122,839	$ 711,570	$ 449,340	$ 1,712,670

See accompanying independent auditors' report.

Exhibit D-2

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, 2017

Net change in fund balances			$	133,073
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	$	6,922,082		
Depreciation expense		(4,252,795)	$	2,669,287
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.				(36,939)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.		-		62,701
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		(47,665)		
Change in net OPEB obligation		(581,000)		
Change in net pension liability		(739,390)		(1,368,055)
Change in net position			$	1,460,067

See accompanying independent auditors' report.

Exhibit D-3

County of James City, Virginia

Schedule of Changes in Assets and Liabilities

Discretely Presented Component Unit – Public Schools – Agency Funds

Year ended June 30, 2017

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
State Operated Educational Program:				
Assets:				
Cash and temporary investments	$ (187,268)	$ 1,233,338	$ 1,046,070	$ -
Due from other governmental units	271,448	279,355	271,448	279,355
Total assets	$ 84,180	$ 1,512,693	$ 1,317,518	$ 279,355
Liabilities:				
Accounts payable and accrued liabilities	$ 84,180	$ 1,368,191	$ 1,369,717	$ 82,654
Due to other funds	-	196,701	-	196,701
Total liabilities	$ 84,180	$ 1,564,892	$ 1,369,717	$ 279,355
School Activity Fund:				
Assets:				
Cash and temporary investments	$ 1,223,650	$ 2,392,584	$ 2,491,058	$ 1,125,176
Liabilities:				
Amounts held for others	$ 1,223,650	$ 2,392,584	$ 2,491,058	$ 1,125,176
Totals – primary government:				
Assets:				
Cash and temporary investments	$ 1,036,382	$ 3,625,922	$ 3,537,128	$ 1,125,176
Due from other governmental units	271,448	279,355	271,448	279,355
Total assets	$ 1,307,830	$ 3,905,277	$ 3,808,576	$ 1,404,531
Liabilities:				
Accounts payable and accrued liabilities	$ 84,180	$ 1,368,191	$ 1,369,717	$ 82,654
Amounts held for others	1,223,650	2,392,584	2,491,058	1,125,176
Due to other frunds	-	196,701	-	196,701
Total liabilities	$ 1,307,830	$ 3,957,476	$ 3,860,775	$ 1,404,531

See accompanying independent auditors' report.

Exhibit D-4

County of James City, Virginia

Statement of Net Position

Discretely Presented Component Unit – Economic Development Authority

June 30, 2017

Assets	
Current assets:	
Cash and short-term investments (note 2)	$ 558,473
Due from James City County	20,132
Total current assets	578,605
Notes receivable, net of current portion	32,298
Capital assets (note 6):	
Nondepreciable	1,048,745
Depreciable, net	2,090
Capital assets, net	1,050,835
Total assets	$ 1,661,738
Liabilities and Net Position	
Current liabilities:	
Accounts payable	$ 45,016
Net position:	
Net investment in capital assets	1,050,835
Unrestricted	565,887
Total net position	1,616,722
Total liabilities and net position	$ 1,661,738

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, 2017

Operating revenues:		
Lease income	$	14,725
Intergovernmental - County contribution		455,038
Bond fees		18,536
Launchpad member contributions		69,000
Launchpad client revenue		14,026
Total operating revenues		571,325
Operating expenses:		
Community development		200,288
Depreciation and amortization		24,158
Leases		51,101
Note forgiveness		1,011
Other		389
Professional fees		16,826
Promotion		66,111
Telecommunications		1,331
Utilities		2,120
Total operating expenses		363,335
Operating income		207,990
Nonoperating revenue (expenses):		
Interest income		6,737
Loss on disposal of capital assets		(760)
Capital contribution		(82,961)
Total nonoperating revenue (expenses)		(76,984)
Change in net position		131,006
Net position, beginning of year		1,485,716
Net position, end of year	$	1,616,722

See accompanying independent auditors' report.

Exhibit D-6

County of James City, Virginia

Statement of Cash Flows

Discretely Presented Component Unit – Economic Development Authority

Year ended June 30, 2017

Cash flows from operating activities:		
Receipts from customers	$	555,913
Payments to suppliers		(306,983)
Net cash provided by operating activities		248,930
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(649,129)
Cash flows from investing activities:		
Interest received		7,054
Net decrease in cash and short-term investments		(393,145)
Cash and short-term investments, beginning of year		951,618
Cash and short-term investments, end of year	$	558,473
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	207,990
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization		24,158
Note forgiveness		1,011
Changes in assets and liabilities:		
Due from James City County		(20,132)
Notes receivable		4,209
Accounts payable		32,842
Due to James City County		(1,148)
Net cash provided by operating activities	$	248,930
Schedule of non-cash capital and related financing activities		
Capital asset contribution	$	82,961

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

	2008	2009	2010	2011	2012	2013	2014, as restated	2015	2016	2017
Governmental activities:										
Net investment in capital assets	$ 160,168,505	$ 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
Restricted:										
Capital projects	6,498,734	15,716,245	41,296,767	20,005,183	21,226,338	35,010,428	8,320,449	1,551,387	#REF!	#REF!
Debt Service	-	-	-	-	-	-	-	-	1,222,336	1,226,566
Other purposes	433,272	394,831	813,685	-	-	-	-	-	1,899,944	3,067,921
Unrestricted	44,309,703	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
Total governmental activities net position	$ 211,410,214	$ 214,571,718	$ 195,156,186	$ 201,797,564	$ 210,382,697	$ 216,258,221	$ 201,284,071	$ 212,243,199	#REF!	#REF!
Business-type activity:										
Net investment in capital assets	$ 134,569,730	$ 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
Restricted:										
Capital projects	1,305,775	4,674,837	4,610,218	4,740,769	4,876,760	2,620,384	2,601,160	2,716,277	#REF!	#REF!
Debt Service	-	-	-	-	-	-	-	-	729,605	677,614
Unrestricted	36,275,425	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
Total business-type activity net position	$ 172,150,930	$ 175,580,255	$ 176,112,274	$ 174,440,266	$ 174,449,702	$ 172,775,615	$ 169,683,234	$ 172,792,859	#REF!	#REF!
Primary government:										
Net investment in capital assets	$ 294,738,235	$ 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
Restricted:										
Capital projects	7,804,509	20,391,082	45,906,985	24,745,952	26,103,098	37,630,812	10,921,609	4,267,664	#REF!	#REF!
Debt Service	-	-	-	-	-	-	-	-	1,951,941	1,904,180
Other purposes	433,272	394,831	813,685	-	-	-	-	-	1,899,944	3,067,921
Unrestricted	80,585,128	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
Total primary government net position	$ 383,561,144	$ 390,151,973	$ 371,268,460	$ 376,237,830	$ 384,832,399	$ 389,033,836	$ 370,967,305	$ 385,036,058	#REF!	#REF!

Table 2

County of James City, Virginia
Government-Wide Expenses and Program Revenues by Function
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014, as restated	2015	2016	2017
Expenses:										
Governmental activities:										
General government administration	$ 18,873,491	$ 21,347,839	$ 23,962,622	$ 23,061,671	$ 17,103,421	$ 14,304,134	$ 9,249,487	$ 19,278,147	$ 8,807,519	$ 10,239,900
Judicial administration	5,151,971	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
Public safety	24,704,720	23,267,505	22,477,094	15,003,864	23,768,668	27,750,476	25,964,996	23,996,973	30,842,789	31,447,710
Public works	5,990,017	5,925,566	19,240,014	7,332,972	6,119,246	7,963,622	7,244,367	6,985,073	7,986,260	10,344,983
Health and welfare	7,116,193	7,171,131	7,332,607	7,582,994	7,042,619	6,785,380	6,671,151	7,013,325	7,368,295	4,496,521
Education	75,880,133	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
Parks, recreation, and cultural	6,534,492	10,302,398	8,938,509	8,980,597	8,744,156	8,536,371	10,897,006	9,386,351	10,650,141	11,078,382
Community development	16,633,166	13,575,967	11,472,198	9,467,357	14,832,661	11,139,632	10,676,484	10,692,736	12,787,069	14,556,910
Storm costs	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	11,198,606	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
Total governmental activities expenses	172,082,789	180,710,064	190,856,672	170,415,061	174,592,125	175,817,038	170,337,731	178,452,024	177,502,812	186,426,330
Business-type activities:										
Service Authority	16,551,103	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
Stormwater Utility	882,254	1,466,080	-	-	-	-	-	-	-	-
Total business-type expenses	17,433,357	20,208,779	20,074,066	20,896,660	21,361,681	21,272,566	21,002,926	21,002,926	19,971,937	19,876,242
Total primary government expenses	$ 189,516,146	$ 200,918,843	$ 210,930,738	$ 191,311,721	$ 195,953,806	$ 197,089,604	$ 191,340,657	$ 199,454,950	$ 197,474,749	$ 206,302,572
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	$ 7,996,663	$ 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
Judicial administration	2,200,572	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
Public safety	2,950,693	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
Parks, recreation and cultural	2,539,147	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
Other	684,719	736,926	213,976	203,302	216,443	225,520	281,256	270,799	1,041,798	1,017,317
Total charges for services	16,371,794	15,302,252	13,814,706	14,282,467	14,980,225	15,661,265	16,063,721	16,715,136	18,176,017	18,131,741
Operating grants and contributions	24,593,841	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
Capital grants and contributions	3,087,066	804,605	423,581	434,823	2,035,365	1,312,352	1,286,856	346,627	269,439	196,051
Total governmental activities program revenues	44,052,701	41,278,719	37,399,956	46,767,283	50,034,832	48,328,032	47,922,960	48,829,624	50,626,530	51,231,560
Business-type activities:										
Charges for services	16,928,117	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
Operating grants and contributions	-	21,978	2,756	-	-	-	-	-	-	-
Capital grants and contributions	3,154,158	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
Total business-type activities program revenues	20,082,275	19,372,099	19,005,409	18,193,593	20,278,989	20,471,832	19,520,130	21,736,499	22,883,721	20,573,891
Total primary government program revenues	$ 64,134,976	$ 60,650,818	$ 56,405,365	$ 64,960,876	$ 70,313,821	$ 68,799,864	$ 67,443,090	$ 70,566,123	$ 73,510,251	$ 71,805,451
Net (expense)/revenue:										
Governmental activities	$(128,030,088)	$(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)
Business-type activities	2,648,918	(836,680)	(1,068,657)	(2,703,067)	(1,082,692)	(800,734)	(1,482,796)	1,847,564	2,911,784	697,649
Total primary government net expense	$(125,381,170)	$(140,268,025)	$(154,525,373)	$(126,350,845)	$(125,639,985)	$(128,289,740)	$(123,897,567)	$(127,774,836)	$(123,964,498)	$(134,497,121)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	$ 109,559,232	$ 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
Other local taxes	20,486,124	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
Permits, fees and licenses	8,288,580	7,420,591	6,672,136	-	-	-	-	-	-	-
Interest on investment earnings	5,105,721	2,351,497	673,668	442,698	395,001	330,514	339,358	232,388	263,745	402,544
Gain on sale of capital assets	-	223,203	-	-	-	-	-	-	-	-
Sale of land	-	4,936,444	-	-	-	-	-	-	-	-
Miscellaneous	2,962,156	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
Total governmental activities	146,401,813	142,592,849	136,251,734	130,289,156	133,142,426	133,364,530	135,549,373	140,581,528	147,020,734	156,217,366
Business-type activities:										
Interest on investment earnings	2,004,957	3,669,266	956,056	509,675	351,929	(1,249,111)	267,061	248,207	519,767	90,148
Gain (loss) on sale of capital assets	181,615	74,226	-	-	-	-	-	-	-	-
Miscellaneous	1,309,152	522,513	644,620	521,384	740,199	375,758	520,504	1,013,854	832,182	973,869
Total business-type activities	3,495,724	4,266,005	1,600,676	1,031,059	1,092,128	(873,353)	787,565	1,262,061	1,351,949	1,064,017
Total primary government	$ 149,897,537	$ 146,858,854	$ 137,852,410	$ 131,320,215	$ 134,234,554	$ 132,491,177	$ 136,336,938	$ 141,843,589	$ 148,372,683	$ 157,281,383
Change in net position:										
Governmental activities	$ 18,371,725	$ 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
Business-type activities	6,144,642	3,429,325	532,019	(1,672,008)	9,436	(1,674,087)	(695,231)	3,109,625	4,263,733	1,761,666
Total primary government	$ 24,516,367	$ 6,590,829	$ (16,672,963)	$ 4,969,370	$ 8,594,569	$ 4,201,437	$ 12,439,371	$ 14,068,753	$ 24,408,185	$ 22,784,262

(1) Reflects expenses from Exhibit 2.

Table 3

County of James City, Virginia
Fund Balances, Governmental Funds
Last Ten Fiscal Years (1)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund:										
Nonspendable:										
Inventory	$ 288,734	$ 264,969	$ 276,083	$ 298,757	$ 346,545	$ 361,682	$ 370,536	$ 340,709	$ 336,498	$ 332,335
Prepaid items	-	-	400,301	-	-	-	-	2,111	-	-
Assigned:										
General	407,496	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
Capital reserve	13,729,826	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
Unassigned:										
General	22,099,383	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
Total general fund	$ 36,525,439	$ 33,132,714	$ 35,433,711	$ 39,471,901	$ 43,876,490	$ 40,886,094	$ 38,133,705	$ 34,663,432	$ 38,293,568	$ 41,923,103
All other government funds:										
Committed:										
Grants	$ -	$ -	$ -	$ 741,113	$ 962,702	$ 128,700	$ 240,900	$ 69	$ -	$ -
Capital projects	95,085,866	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
Special revenue	4,393,276	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
Total all other governmental funds	$ 99,479,142	$ 85,681,023	$ 57,081,138	$ 29,264,494	$ 26,321,177	$ 40,132,199	$ 27,533,668	$ 22,687,613	$ 53,717,887	$ 47,130,616

(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 2008 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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
General property taxes	$ 105,668,764	$ 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
Other local taxes	20,486,124	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
Licenses, permits, and fees	8,288,580	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
Fines and forfeitures	366,606	348,846	296,866	334,633	274,198	295,355	293,625	271,615	309,278	270,716
Use of money and property	5,105,721	2,351,497	673,668	442,698	395,001	330,514	339,358	232,388	263,745	402,544
Charges for services	5,519,603	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
Miscellaneous	2,962,156	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
Intergovernmental	38,166,492	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
Total revenues	186,564,046	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
Expenditures:										
Storm costs	-	-	-	-	2,454,661	-	-	-	-	-
General government administration	9,564,540	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
Judicial administration	5,267,359	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
Public works	5,885,527	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
Health and welfare	7,116,193	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
Education	74,228,490	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
Parks, recreation, and cultural	10,045,603	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
Public safety	23,382,553	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
Community development	16,332,072	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
Nondepartmental	2,492,546	1,502,034	556,381	(266,150)	1,265,803	966,806	721,744	525,433	1,183,538	#REF!
Debt service (2):										
Principal	14,245,257	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
Interest	11,253,935	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
Bond issuance costs	-	-	101,667	20,003	-	253,624	-	112,863	1,173,546	-
Capital outlay (1)	26,526,776	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
Total expenditures	206,340,851	201,583,683	213,056,971	199,976,288	188,611,083	198,322,056	199,075,112	195,630,207	195,704,247	#REF!
Excess (deficiency) of revenues over (under) expenditures	(19,776,805)	(17,190,844)	(40,869,365)	(23,900,545)	(6,210,728)	(17,869,289)	(15,350,920)	(7,036,649)	5,230,558	#REF!
Other financing sources:										
Transfers in	33,046,784	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
Transfers out	(33,046,784)	(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)
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	$ (19,776,805)	$ (17,190,844)	$ (25,921,556)	$ (23,778,454)	$ 1,461,272	$ 10,820,626	$ (15,350,920)	$ (8,316,328)	$ 34,660,410	#REF!
Debt service as a percentage of noncapital expenditures	14.48%	13.92%	13.58%	14.27%	13.65%	17.55%	13.97%	13.35%	12.56%	#REF!

(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

Fiscal year	Total real property	General personal property	Machinery and tools	Mobile homes	Total Personal property	Public service	Total assessed value	Total direct tax rate
2008	$ 10,672,714,225	$ 623,336,868	$ 125,136,293	$ 12,537,160	$ 761,010,321	$ 176,428,097	$ 11,610,152,643	$ 4.77
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

Source: Real Estate Assessments and Commissioner of the Revenue, James City County.
Note: Tax rate is per $100 of assessed value.

Table 6

County of James City, Virginia
Tax Rates
Last Ten Fiscal Years

Fiscal year	Real estate tax (1)	Personal property tax (1)	Room tax	Meal tax	Retail sales tax (2)	Total direct tax rate
2008	$ 0.77	$ 4.00	$ 5.00	$ 4.00	$ 1.00	$ 4.77
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

(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

	2017			2008		
	Property taxes assessed	**Rank**	**Percentage of County total**	**Property taxes assessed**	**Rank**	**Percentage of County total**
Anheuser-Busch, Inc.	$ 5,163,758	1	3.74%	$ 4,733,102	1	4.19%
Seaworld Parks, LLC	2,144,236	2	1.55%			
Premium Outlets of Williamsburg (1)	1,227,400	3	0.89%			
Wal-Mart, Inc.	1,139,347	4	0.83%	1,210,531	3	1.06%
Virginia Electric & Power Company	1,117,763	5	0.81%	654,213	7	0.57%
Williamsburg Plantation Owners Association	1,093,073	6	0.79%	648,084	8	0.57%
Powhatan Plantation Owners Association	1,014,562	7	0.74%	1,021,336	4	0.90%
Williamsburg Landing, Inc.	834,769	8	0.61%	716,757	6	0.63%
Ball Metal Container	784,704	9	0.57%	633,299	9	0.56%
Manor Club @ Ford's Colony (2)	686,095	10	0.50%	602,214	10	0.53%
Busch Entertainment Corp				1,621,385	2	1.42%
Busch Properties				740,588	5	0.65%
Total	$ 15,205,707		11.03%	$ 12,581,509		11.08%

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 2008, the company was known as Manor Houses Association.

Principal Personal Property Tax Payers

	2017		
	Property taxes assessed	**Rank**	**Percentage of County total**
Anheuser-Busch, Inc.	$ 3,982,058	1	10.39%
Seaworld Parks, LLC	1,571,928	2	4.10%
Ball Metal Container	643,475	3	1.68%
Printpack, Inc.	475,313	4	1.24%
Owens-Brockway Glass Container	458,168	5	1.20%
Wal-Mart, Inc.	299,347	6	0.78%
Cox Communications of Hampton Roads	256,601	7	0.67%
Toyota Lease Trust	250,444	8	0.65%
HVT, Inc.	180,400	9	0.47%
Branscome, Inc.	107,588	10	0.28%
Total	$ 8,225,322		21.46%

Source: Commissioner of the Revenue
(1) Fiscal year 2010 was the first year this information was reported and therefore, information for fiscal year 2008 is not available.

Principal Real Estate Property Tax Payers

	2017		
	Property taxes assessed	**Rank**	**Percentage of County total**
Premium Outlets of Williamsburg (2)	$ 1,227,400	1	1.23%
Anheuser-Busch, Inc.	1,181,700	2	1.19%
Virginia Electric & Power Company	1,117,763	3	1.12%
Williamsburg Plantation Owners Association	1,084,693	4	1.09%
Powhatan Plantation Owners Association	998,420	5	1.00%
Wal-Mart, Inc.	840,000	6	0.84%
Williamsburg Landing, Inc.	758,279	7	0.76%
Manor Club @ Ford's Colony (3)	651,006	8	0.65%
Virginia United Methodist Homes, Inc.	630,216	9	0.63%
Seaworld Parks, LLC	572,308	10	0.57%
Total	$ 9,061,785		9.08%

Source: Commissioner of the Revenue
(1) Fiscal year 2010 was the first year this information was reported and therefore, information for fiscal year 2008 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.
(3) In 2008, the company was known as Manor Houses Association.

Table 8

County of James City, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount (1)	Percentage of levy		Amount	Percentage of levy
2008	$ 114,064,606	$ 96,586,301	84.68%	$ 17,371,259	$ 113,957,560	99.91%
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%	-	109,436,232	87.31%

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Apparel stores	$ 140,648,465	$ 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
Automotive dealers, supplies and repair	10,626,082	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
Building materials, machinery and equipment	48,814,343	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
Eating and drinking establishments	61,733,750	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
Food stores	131,331,534	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
Furniture, home furnishings and household equipment	40,492,354	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
General merchandise	100,039,981	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
Lodging	55,764,241	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
Other outlets	27,416,608	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
Other retail stores, dealers, trades and services	212,079,549	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
Total	$ 828,946,907	$ 800,140,357	$ 777,319,142	$ 802,513,095	$ 869,588,361	$ 905,053,403	$ 944,879,271	$ 968,745,918	$1,012,135,923	$ 984,303,814

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

	Governmental activities				Business-type activity			
Fiscal year	General obligation bonds	Capital leases	Lease revenue bonds	Total	Revenue bonds	Total primary government	Percentage of personal income (1)	Per capita personal income (2)
2008	$ 118,369,735	$ 12,126,298	$ 107,200,000	$ 237,696,033	$ 11,212,670	$ 248,908,703	0.02	$ 53,715
2009	109,974,105	11,170,533	101,595,000	222,739,638	37,386,546	260,126,184	0.02	51,109
2010	101,414,765	10,169,895	110,275,000	221,859,660	35,950,423	257,810,083	0.02	51,538
2011	93,283,624	10,285,522	104,055,000	207,624,146	34,469,298	242,093,444	0.02	54,224
2012	86,134,103	9,235,074	104,472,000	199,841,177	32,938,174	232,779,351	0.02	55,990
2013	80,004,294	1,098,854	123,034,000	204,137,148	25,185,000	229,322,148	0.02	55,550
2014	72,164,244	984,528	114,416,000	187,564,772	24,660,000	212,224,772	0.02	56,960
2015	65,458,589	858,833	103,604,000	169,921,422	24,115,000	194,036,422	0.03	58,504
2016	49,844,842	728,456	130,451,552	181,024,850	24,118,109	205,142,959	**	**
2017	44,155,482	4,195,266	119,855,768	168,206,516	23,269,202	191,475,718	**	**

(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
2008	61,195	$ 11,610,152,643	$ 118,369,735	$ 1,890,734	$ 116,479,001	1.00	$ 1,903
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	74,230	12,818,125,753	44,155,482	1,222,024	42,933,458	0.33	578

(1) Planning Division - population figure is the estimate from the second quarter of the year
(2) From Table 5
(3) Includes all long-term general obligation bonded debt, bond anticipation notes, and literary fund loans
(4) Includes general obligation debt payable from enterprise revenues
(5) Debt Service Reserve Funds held by a trustee

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
2008	$ 14,245,257	$ 11,253,935	$ 25,499,192	$ 212,383,260	12.01	$ 219,920,086	11.59
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

(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	
2008	$ 18,115,871	$ 10,205,599	$ 7,910,272	$ 905,000	$ 479,431	$ 1,384,431	5.71
2009	19,034,715	10,953,522	8,081,193	1,395,000	1,637,050	3,032,050	2.67
2010	17,178,575	10,985,233	6,193,342	1,440,000	1,590,562	3,030,562	2.04
2011	17,474,579	12,091,472	5,383,107	1,490,000	1,537,750	3,027,750	1.78
2012	15,975,755	12,414,605	3,561,150	1,545,000	1,483,100	3,028,100	1.18
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

(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

Calendar year	Population (1)	Personal income (2)	Per capita personal income (2)	Unemployment percentage (1)
2008	61,195	$ 4,175,375	$ 53,715	3.2%
2009	63,135	4,078,729	51,109	5.4%
2010	67,745	4,196,931	51,538	6.3%
2011	68,500	4,474,583	54,224	6.1%
2012	69,451	4,703,429	55,990	5.7%
2013	70,376	4,745,679	55,550	5.3%
2014	71,254	4,954,338	56,960	4.9%
2015	72,682	5,160,028	58,504	4.3%
2016	73,767	**	**	3.9%
2017	**	**	**	**

(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

Median Household Income

Calendar year	James City County	Commonwealth of Virginia	United States
2008	$ 76,705	$ 61,210	$ 52,029
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	**	**	**
2017	**	**	**

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

** Statistics not yet available

Households and Population

Fiscal year	Food stamp households	Total households*	Percentage of food stamp households
2008	965	27,217	3.5%
2009	1,224	27,567	4.4%
2010	1,638	27,003	6.1%
2011	1,840	27,375	6.7%
2012	2,015	27,707	7.3%
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%

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

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

Age	1970		1980		1990		2000		2010	
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

Fiscal year	Number of households*	Total households population**	Persons per household
2008	27,217	61,511	2.26
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

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

Calendar year	Civilian labor force	Number employed	Number unemployed	Unemployment rate
2008	32,414	31,386	1,028	3.2%
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	**	**	**	**

Source: Planning Division, supplemented by data from Virginia Employment Commission
** Statistics not yet available

Table 14

County of James City, Virginia
Principal Employers in James City County
Current Year and Nine Years Ago

	2017			2008		
	Employees	**Rank**	**Percent of total County employment**	**Employees**	**Rank**	**Percent of total County employment**
Busch Gardens	1000+	1	**	1000+	1	20.48%
Williamsburg-James City County Public Schools	1000+	2	4.63%	1000+	2	7.11%
Eastern State Hospital	1000+	3	2.90%	1000+	4	3.39%
James City County	500-999	4	2.17%	1000+	3	4.38%
Anheuser-Busch, Inc.	500-999	5	1.74%	500-999	6	2.83%
Riverside Regional Medical Center	500-999	6	1.59%			
Kingsmill Resort	500-999	7	1.45%			
Wal-Mart Distribution Center	250-499	8	1.44%	500-999	7	2.00%
Owens & Minor	250-499	9	1.16%			
Jamestown-Yorktown Foundation	250-499	10	0.87%	500-999	8	1.67%
Williamsburg Landing				250-499	10	1.04%
Busch Properties, Inc.				500-999	5	3.19%
Avid Medical				250-499	9	1.47%
Total			17.95%			47.56%

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administrative:										
Board of supervisors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5
County administration	2.5	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0
Satellite services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
County attorney	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Communications	7.5	6.5	6.5	7.5	7.5	7.0	7.0	7.0	8.0	8.0
Economic development	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	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	5.0	4.0	4.0	7.0	7.0	7.0	7.0	7.0	7.0
Training and Quality Performance	3.0	3.0	3.0	3.0	-	-	-	-	-	-
Financial administration:										
Accounting	9.0	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0
Commissioner of the revenue	13.0	13.0	12.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Financial and management services	7.0	7.0	7.0	7.0	6.0	7.0	7.0	7.0	7.0	8.0
Purchasing	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0
Real estate assessments	13.0	13.0	11.0	10.0	9.0	10.0	10.0	10.0	10.0	10.0
Treasurer	13.0	13.0	13.0	12.0	11.0	12.0	12.0	13.0	13.0	13.0
Information resources management	21.0	21.0	21.0	20.0	21.0	21.0	21.0	21.0	21.0	21.0
General services:										
Facilities maintenance	19.0	19.0	18.0	17.0	17.0	18.0	18.0	18.0	18.0	19.0
Fleet and equipment	8.0	8.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
General and capital services	6.5	6.5	6.5	5.5	7.0	8.0	8.0	7.0	7.0	7.0
Grounds maintenance	21.0	21.0	20.0	22.0	22.0	24.0	25.0	25.0	25.0	26.0
Solid waste management	7.0	7.0	7.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0
Stormwater	9.0	8.5	6.5	6.5	4.0	4.0	4.0	6.0	8.0	8.0
Development management:										
Building safety and permits	21.0	19.0	15.0	13.0	13.0	13.0	13.0	14.0	14.0	15.0
Community Development	4.5	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0	2.0
Engineering and resource protection	15.0	15.0	14.0	12.0	13.0	12.0	12.0	11.0	11.0	11.0
Mosquito control	1.0	1.0	-	-	-	-	-	-	-	-
Planning	19.5	19.5	17.5	12.5	10.5	10.0	10.0	10.0	10.0	10.0
Zoning enforcement	-	-	-	3.0	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	12.0	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	9.0	10.0
Sheriff	18.0	18.0	18.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Public safety:										
Animal control	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Emergency communications	27.0	27.0	27.0	26.0	26.0	26.0	26.0	29.0	29.0	29.0
Emergency management	2.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	2.0	2.0
Emergency medical services	25.0	25.0	25.0	25.0	-	-	-	-	-	-
Fire	83.0	86.0	86.0	86.0	110.0	110.0	110.0	114.0	115.0	115.0
Police	94.0	97.0	98.0	98.0	98.0	98.0	99.0	100.0	103.0	103.0
Parks and recreation	56.0	54.0	53.0	48.0	49.0	48.0	48.0	47.0	49.0	52.0
Community services:										
Community services	4.0	3.0	3.0	-	-	-	-	-	-	-
Cooperative extension service	2.0	2.0	2.0	2.0	2.0	-	-	-	-	-
Neighborhood connections	4.0	4.0	2.0	-	-	-	-	-	-	-
Total general fund	586.5	584.0	563.0	541.0	541.0	542.0	544.0	552.0	559.0	567.0
Other services:										
Community development	9.5	9.5	8.5	9.5	9.5	9.0	9.0	8.0	8.0	7.0
JCSA	88.0	90.0	90.0	86.0	89.0	89.0	89.0	89.0	89.0	89.0
Social services	57.5	57.5	52.5	52.5	52.5	52.0	51.0	51.0	51.0	52.0
Colonial community corrections	13.0	11.0	11.0	12.0	12.0	12.0	13.0	13.0	13.0	12.0
Special projects/grants	5.0	6.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Grand total all funds	759.5	758.0	730.0	704.0	707.0	707.0	709.0	716.0	723.0	730.0

Source: Financial and Management Services

Table 16

County of James City, Virginia
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Calls for service	21,320	21,694	21,762	21,129	20,879	19,539	20,175	20,875	22,225	21,829
Major crimes reported	1,007	1,060	1,080	1,071	1,092	999	999	1,182	1,260	1,153
Major crimes cleared	343	363	396	325	324	317	247	335	390	335
Fire:										
Fire/other responses	3,575	2,969	2,922	2,786	3,178	2,822	3,065	3,153	3,302	4,010
Inspections	2,334	1,156	2,037	1,735	1,804	1,910	1,829	1,320	1,255	1,169
EMS responses	4,851	5,276	5,573	5,956	6,147	6,446	6,450	6,666	7,039	7,141
Refuse collection:										
Refuse collected (tons per day)	9	8	8	9	10	12	11	10	11	12
Recyclables collected (tons per day)	1	1	1	1	1	1	1	1	1	1
Recyclables collected curbside (tons per day)	N/A	N/A	N/A	23	22	22	22	23	24	23
Parks and recreation:										
Community center admissions	409,706	353,862	394,757	463,491	464,358	511,976	444,755	400,367	401,111	434,719
Park attendance	1,236,968	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
Participants in programs offered	408,905	422,009	384,650	395,789	378,733	371,959	402,634	441,969	463,319	505,418
Water:										
New connections	351	263	385	388	351	448	359	388	423	464
Water mains breaks	57	37	40	44	31	25	21	26	21	34
Sewer:										
New connections	389	269	380	375	296	347	261	380	447	470

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

Function/program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police stations	1	1	1	1	1	1	1	1	1	1	1
Fire stations	5	5	5	5	5	5	5	5	5	5	5
Parks and recreation:											
Acreage	1,709	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,592
Playgrounds	8	10	10	11	11	11	11	11	12	12	10
Ball fields maintained	23	30	30	58	65	65	65	65	65	65	70
Tennis courts maintained	6	6	6	5	5	5	5	5	4	4	4
Pickleball courts maintained	-	-	-	-	-	-	-	-	-	2	2
Community centers	2	2	2	2	2	2	2	2	2	2	2
Water:											
Water lines (miles)	329	332	339	344	393	390	393	400	402	407	409
Water customers	18,283	18,770	19,085	19,368	19,719	20,070	20,549	20,858	21,246	21,669	22,133
Storage tanks (greater than 250,000 gallons)	6	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	19,600	20,400	25,753	20,200	20,866	19,200	18,597	18,937	19,415	18,921	20,025
Wastewater:											
Sewer lines (miles)	370	375	379	382	419	423	425	430	435	439	440
Gallons collected (millions)	1,680	1,727	1,765	1,833	1,598	1,771	1,739	1,862	1,922	1,863	1,971
Sewer customers	18,426	18,590	18,702	18,860	21,127	21,488	21,962	22,575	22,955	23,402	23,872

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) Amount	Taxable Retail Sales (1) Percentage change	Business Licenses Issued (2) Number of licenses	Business Licenses Issued (2) Percentage change
2008	$ 892,444,900	1.1%	5,800	-3.1%
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%

(1) Source: Treasurer, James City County
(2) Source: Commissioner of Revenue, James City County

Construction Information

Fiscal year	Commercial/Industrial Number of permits	Commercial/Industrial Value	Residential Number of permits	Residential Value	Total Number of permits	Total Value
2008	225	$ 63,187,911	973	$ 130,064,874	1,198	$ 193,252,785
2009	183	45,242,077	790	89,989,687	973	135,231,764
2010	128	24,599,420	830	99,077,199	958	123,676,619
2011	144	48,473,968	809	106,315,258	953	154,789,226
2012	172	45,837,716	802	100,812,412	974	146,650,128
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

Source: Building and Safety Permits Division

Staffing Analysis

School year	Classroom teachers	Pupils	Pupil-teacher ratio
2007-08	625.00	10,137	16.2
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	11,459	16.9

Source: Williamsburg-James City County Public Schools

Projected Enrollment (1)

School year	Projected Enrollment
2018-19	11,492
2019-20	11,506
2020-21	11,467
2021-22	11,541

Source: Williamsburg-James City County Public Schools
(1) Based on low enrollment projections provided by Future Think, October 2017.

Compliance Section

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Exhibit E-1

County of James City, Virginia
Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit - Public Schools
Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal catalog number	Pass-through entity identifying number	Expenditures
Primary Government - Governmental Activities:			
Department of Agriculture:			
Virginia Department of Social Services:			
State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	**	$ 536,688
Department of Health and Human Services:			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	**	510
Temporary Assistance for Needy Families	93.558	**	352,564
Refugee and Entrant Assistance - State Administered Programs	93.566	**	1,082
Low-Income Home Energy Assistance	93.568	**	40,785
Adoption Incentive	93.603	**	2,127
Child Welfare Services	93.645	**	427
Foster Care - Title IV-E	93.658	**	242,424
Adoption Assistance	93.659	**	335,639
Social Services Block Grant	93.667	**	237,332
Chafee Foster Care Independent Living	93.674	**	1,882
State Children's Insurance Program	93.767	**	20,086
Medical Assistance Program	93.778	**	664,800
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	**	54,113
Total Department of Health and Human Services			1,953,771
Department of Interior:			
Bureau of Cash Management Payment in Lieu of Taxes	15.000	N/A	7,721
Department of Homeland Security:			
Virginia Department of Emergency Management:			
Homeland Security Grant Program	97.067	15VA-HSGP-0587	15,079
Homeland Security Grant Program	97.067	15VA-HSGP-05888	22,500
Homeland Security Grant Program	97.067	**	5,019
Emergency Management Performance Grants	97.042	7080	40,000
Emergency Management Performance Grants	97.042	**	39,978
Port Security Grant Program	97.056	EMW-2014-PU-00433-S01	5,062
Total Department of Homeland Security			127,638
Department of Housing and Community Development:			
Virginia Department of Housing and Community Development:			
Section 8 Housing Choice Vouchers	14.871	**	1,117,831
Housing Counselor Grant	14.169	**	27,300
Total Department of Housing and Community Development			1,145,131
Department of Transportation:			
National Highway Traffic Safety Administration - Highway Safety Grant (FY16)	20.600	N/A	3,833
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9204020VA17	16,797
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9205464VA17	18,821
Highway Planning and Construction Cluster:			
Virginia Department of Transportation:			
Transportation Enhancement Programs Funds	20.205	**	13,440
Total Department of Transportation			52,891
Department of Justice:			
Bureau of Justice Administration:			
BJA - Bulletproof Vests Partnership	16.607	N/A	2,562
Office of Justice Programs			
National Crime Victim's Rights Week Community Awareness Program	16.582	2015-VF-GX-K002	2,831
Virginia Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	16-T9412VA15	7,363
Violence Against Women Formula Grants	16.588	17-U9412VA16	21,834
Crime Victim Assistance	16.575	16-A3389VW15	11,935
Crime Victim Assistance	16.575	17-W8579VW15	91,105
Total Department of Criminal Justice Services			132,237
Total Department of Justice			137,630
Total federal awards, primary government - governmental activities			3,961,470

N/A Not applicable; direct funding
** Information is not available.

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

Exhibit E-1

County of James City, Virginia
Schedule of Expenditures of Federal Awards - Primary Government and
Discretely Presented Component Unit - Public Schools
Year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal catalog number	Pass-through entity identifying number	Expenditures
Component Unit - Public Schools:			
Department of Agriculture:			
Child Nutrition Cluster:			
Virginia Department of Agriculture and Consumer Services:			
Food Commodities	10.569	5180699	$ 287,830
Virginia Department of Education:			
School Breakfast Program	10.553	16161VA307N1099	455,690
National School Lunch Program	10.555	16161VA307N1099	1,521,692
Discretionary Grants	10.579	16161VA307N1099	7,349
Total Child Nutrition Cluster, Department of Agriculture			2,272,561
Department of Education:			
Impact Aid	84.041	N/A	117,913
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A150046/S010A160046	1,439,067
Title I, Part D, Neglected and Delinquent Children	84.013	S013A150046	2,533
Vocational Education - Basic Grants to States	84.048	V048A130046	133,835
Supporting Effective Instruction State Grants	84.367	S367A150044/S367A160044	233,570
Title III, Part A, English Language Acquisition Grants	84.365	S365A14140046/S365A15140046	39,286
Special Education Cluster:			
Virginia Department of Education:			
Special Education - Grants to States	84.027	11027A150107/11027A160107	2,155,655
Special Education - Preschool Grants	84.173	H173A160112	19,723
Total Special Education Cluster			2,175,378
College of William and Mary - Project HOPE	84.196	S196A150048	17,522
Total Department of Education			4,159,104
Department of Health and Human Services:			
Head Start Program Cluster:			
Williamsburg-James City County Community Action Agency - Head Start	93.600	**	134,165
Department of Transportation - Highway Planning and Construction	20.205	51SR7101M3001	41,367
Total federal awards, Component Unit - Public Schools			6,607,197
Total federal awards, reporting entity			$ 10,568,667

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, 2017

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	$	3,961,470
Component Unit - Public Schools		6,607,197
	$	10,568,667

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, 2017.

DIXON HUGHES GOODMAN LLP

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 unit, each major fund, and the aggregate remaining fund information of the County of James City, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County of James City, Virginia's basic financial statements and have issued our report thereon dated November 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered James City 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 James City County's internal control. Accordingly, we do not express an opinion on the effectiveness of James City 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.

DIXON HUGHES GOODMAN LLP

Compliance and Other Matters

As part of obtaining reasonable assurance about whether James City 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.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 30, 2017

DIXON HUGHES GOODMAN LLP

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 County of James City, Virginia's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of County of James City, Virginia's major federal programs for the year ended June 30, 2017. The County of James City, Virginia'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 County of James City, Virginia'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 County of James City, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of County of James City, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, County of James City, Virginia 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, 2017.

DIXON HUGHES GOODMAN LLP

Report on Internal Control over Compliance

Management of County of James City, Virginia 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 County of James City, Virginia'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 County of James City, Virginia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 30, 2017

DIXON HUGHES GOODMAN LLP

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, as of and for the year ended June 30, 2017, and have issued our report thereon November 30, 2017.

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

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

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

<u>Code of Virginia</u>

- Budget and Appropriation Laws
- Cash and Investments
- Conflicts of Interest
- Debt Provisions
- Retirement Systems
- Procurement
- Unclaimed Property

<u>State Agency Requirements</u>

- Education
- Comprehensive Services Act Funds
- Social Services

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the County of James City, Virginia had not complied, in all material respects, with those provisions.

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

Dixon Hughes Goodman LLP

Newport News, Virginia
November 30, 2017

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Findings and Responses

Year ended June 30, 2017

(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.
- 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: Special Education Cluster (CFDA Numbers 84.027 and 84.173) and Title 1 Grants to Local Educational Agencies (CFDA Number 84.010).

(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:

None

(5) Summary Schedule of Prior Federal and State Audit Findings:

Federal: There were no prior year federal findings.

State: There was one finding in the prior year related to three statements of economic interest forms not filed timely. As noted in section 4 above, there was no issue with statement of economic form filings noted during the current year's audit.

Report to the Board of Supervisors

County of James City, Virginia

June 30, 2017

DIXON HUGHES GOODMAN LLP

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Contacts 1

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Appendix A - Management Representation Letter

Contacts

Leslie F. Roberts, CPA
Partner
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757.316.3220
leslie.roberts@dhgllp.com

Danielle Nikolaisen, CPA
Manager
Dixon Hughes Goodman LLP
3700 Festival Park Plaza
Chester, VA 23831
804.425.2655
danielle.nikolaisen@dhgllp.com

DIXON HUGHES GOODMAN LLP

Communications with Those Charged with Governance

November 30, 2017

Board of Supervisors
County of James City, Virginia

We have audited the financial statements of the County of James City, Virginia (the "County") for the year ended June 30, 2017, and have issued our report thereon dated November 30, 2017. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 7, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by County of James City, Virginia are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the County adopted GASB Statement No. 77, *Tax Abatement Disclosures,* in 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimates of the Other Post-Employment Benefits (OPEB) and pension plan liabilities and related deferred balances are based on the valuations received from the independent actuaries. We evaluated the key factors and assumptions used to develop the OPEB and pension plan liabilities and related deferred balances in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the allowance for uncollectible accounts is based on County policy. We evaluated the key factors and assumptions used in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the landfill closure and post-closure care cost liability is based on the valuations received from the Department of Environmental Quality. We evaluated the key factors and assumptions used in determining the landfill closure and post-closure care cost liability in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciable lives is based on County policy. We evaluated the key factors and assumptions used in determining asset lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The most significant disclosures in the financial statements were:

Note 6 – Capital Assets

Note 9 – Long-Term Liabilities

Note 16 – Commitments and Contingencies

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We are pleased to report that there were no audit adjustments posted and there were no uncorrected misstatements or omitted disclosures.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter included in Appendix A.

Management Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Significant Upcoming GASB implementation – GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

This statement replaces the requirements of GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB, Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, establishing new accounting and financial reporting requirements for OPEB plans. This Standard establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Note disclosure and supplementary information requirements about defined benefits OPEB also are addressed.

This information is intended solely for the use of the Board of Supervisors and management of the County of James City, Virginia, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

Newport News, Virginia

Appendix A

Management Representation Letter

James City County
VIRGINIA
Jamestown 1607

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

jamescitycountyva.gov

November 30, 2017

Dixon Hughes Goodman, L.L.P.
701 Town Center Drive, Suite 700
Newport News, VA 23606-4295

This representation letter is provided in connection with your audit of the financial statements of the County of James City, Virginia (the "County"), which comprises 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 as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 7, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in accordance with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Related-party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

6. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the County vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

7. Significant assumptions we used in making accounting estimates, including estimates of fair value, are reasonable.

8. There were no uncorrected misstatements or omitted disclosures.

9. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

10. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.

11. We have disclosed to you all known actual or possible litigation and claims and they have been accounted for and disclosed in accordance with U.S. GAAP. The County is currently involved in certain legal matters of which the outcome is uncertain. Management does not feel that a material unfavorable outcome related to any legal matter under current evaluation is probable at this time.

Information Provided

12. We have provided you with:
    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
    b. Additional information that you have requested from us for the purpose of the audit.
    c. Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
    d. Minutes of the meetings of the County or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.

14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15. We have no knowledge of any fraud or suspected fraud affecting the County involving:
    a. Management.
    b. Employees who have significant roles in internal control.
    c. Others where the fraud could have a material effect on the financial statements.

16. We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements received in communications from employees, former employees, regulators, or others.

17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18. We have no knowledge of instances of noncompliance or suspected noncompliance with laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing the financial statements.

19. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements

20. We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

22. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

24. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

25. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.

27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

28. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29. The County has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

30. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

31. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .

32. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

33. Components of net position (net investment in capital assets; restricted; and unrestricted) and fund balance amounts are properly classified and, if applicable, approved.

34. Provision for uncollectible receivables have been properly identified and recorded.

35. Expenses have been appropriately classified in or allocated to functions and programs in the statements of activities, and allocations have been made on a reasonable basis.

36. Revenues are appropriately classified in the statement of activities with program revenues or general revenues.

37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

38. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

40. The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.

41. We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

42. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

43. We acknowledge our responsibility for presenting the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

44. With respect to the discretely presented component units supplementary information:
    a. We acknowledge our responsibility for presenting the discretely presented component units in accordance with accounting principles generally accepted in the United States of America, and we believe the discretely presented component units, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the discretely presented component units have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

45. With respect to federal award programs:
    a. We are responsible for understanding and complying with and have complied 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), including requirements relating to preparation of the schedule of expenditures of federal awards.
    b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
    c. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures

made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

d. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
e. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
f. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
g. We have received no requests from a federal agency to audit one or more specific programs as a major program.
h. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the OMB Compliance Supplement, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards, if any.
i. We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
j. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E) and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, if applicable.
l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
m. We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
o. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
r. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
s. We have charged costs to federal awards in accordance with applicable cost principles.
t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you

with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

u. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.

v. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

w. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

46. We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Bryan Hill
County Administrator

Suzanne R. Mellen
Director of Financial and Management Services

Sharon Day
Assistant Director of Financial and Management Services

ITEM SUMMARY

DATE: 12/12/2017

TO: The Board of Supervisors

FROM: Sharon Day, Assistant Director of Financial and Management Services

SUBJECT: James City Service Authority Financial Statements

ATTACHMENTS:

	Description	Type
1	JCSA CAFRs	Exhibit
2	JCSA SAS Letter	Exhibit

REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	12/5/2017 - 2:25 PM

– photograph by Toano resident Shannon Schojan, one of the winners in the 2015 Rural Economic Development Photography Contest –

The Comprehensive Annual Financial Report

James City Service Authority

FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016
PREPARED BY THE DEPARTMENT OF FINANCIAL AND MANAGEMENT SERVICES

JAMES CITY COUNTY, VIRGINIA

JAMESCITYCOUNTYVA.GOV/JCSA

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JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Comprehensive Annual Financial Report
(*With Independent Auditors' Report Thereon*)

June 30, 2017 and 2016

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

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INTRODUCTORY SECTION

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Authority Officials
June 30, 2017

Board of Directors

Ruth Larson, Chair

Sue Sadler, Vice-Chair

Michael J. Hipple

Kevin Onizuk

John J. McGlennon

Officials

M. Douglas Powell
General Manager

Stephanie A. Luton
Assistant Manager/Treasurer

James City Service Authority Organization Chart

James City Service Authority

Operations Center
119 Tewning Road
Williamsburg, VA 23188-2639
P: 757-229-7421
F: 757-229-2463
jcsa@jamescitycountyva.gov

November 3, 2017

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

The Comprehensive Annual Financial Report of the James City Service Authority, a component unit of the County of James City, Virginia, for the fiscal years ending June 30, 2017 and 2016, is hereby submitted. This report presents the financial position of all fund types of the James City Service Authority (JCSA) and the results of operations for the years then ended.

The JCSA financial records have been audited by Dixon Hughes Goodman LLP. Their opinion and management's accompanying statements comprise the Financial Section of this report. This report was prepared by the JCSA, and responsibility for both the accuracy of the information presented and the completeness and fairness of the presentation, including all disclosures, rests with the JCSA. We believe the information as presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the JCSA as measured by the financial activity of its various legal funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the JCSA's financial activity have been included. The funds included in our Comprehensive Annual Financial Report are controlled solely by the JCSA.

Generally accepted accounting principles require 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. JCSA's MD&A can be found on pages 3-7, immediately following the independent auditors' report.

The Reporting Entity and Its Service

The James City Service Authority is a public body politic and corporate of the Commonwealth of Virginia. The JCSA was created in 1969 by the James City County Board of Supervisors pursuant to the Virginia Water and Sewer Authorities Act (Code of Virginia, 1950, as amended). The JCSA was created to acquire, construct, operate and maintain, to the extent determined by the JCSA to be financially feasible, an integrated water system and an integrated sewer collection system in James City County (County). The Board of Directors is appointed by the Board of Supervisors. Since 1976, the Board of Supervisors has appointed its members as Directors of the JCSA to more fully coordinate JCSA activities with those of the County in the planning and development of utility systems.

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 planned 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.

The JCSA's water system includes the central water system and Five Forks Water Treatment Facility with 10 water production facilities, and 8 independent water production facilities that are located outside the PSA. There are approximately 409 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 5.0 million gallons of water per day to 22,133 water customers.

The JCSA's sewer system includes 76 pump stations with approximately 440 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.4 million gallons of sewage per day for 23,872 sewer customers. The JCSA has no sewage treatment facilities. Sewage treatment for areas served by the JCSA, as well as for other Hampton Roads communities, is provided by the Hampton Roads Sanitation District (HRSD).
As of June 30, 2017, the JCSA had 89 full-time and 2 part-time employees with the responsibility to operate and maintain its utility facilities and lines. The JCSA's operating funds are self-supporting and the JCSA receives no share of any local or property tax levies. The Board of Directors has the sole power to set water and sewer utility rates and related fees. The Board of Directors adopted an inverted-block or inclining rate structure in 1996 for residential customers which incorporates a unit charge that increases with increasing consumption. The primary objective of the inverted-block rate structure is to promote water conservation, particularly from large-volume residential customers.

Economic Condition and Outlook

The County has a strong, diverse, and growing economic base. The County is located near the Cities of Hampton, Newport News and Williamsburg, and York County. Major employers within commuting distance include Busch Gardens, Anheuser-Busch, Owens-Illinois, Ball Metal, Newport News Shipbuilding, Langley Air Force Base, Fort Eustis, the Colonial Williamsburg Foundation, and the National Aeronautics and Space Administration. The County's population grew 9.9% from 2010 to 2016 while the Commonwealth of Virginia's population increased 5.1% during the same time period. A historically fast-growing population and expanding commercial base enhances the long-term economic outlook for the Authority.

Major Initiatives

Rate Structure - As a result of a comprehensive water and sewer rate study in fiscal year 2015, the Board of Directors adopted a new rate structure in fiscal year 2016 that included a fixed charge for water and sewer service and proposed incremental service rate increases in subsequent fiscal years to ensure the long-term financial stability of the Authority. The goals of this initiative are to reduce revenue variability and adequately provide for both current water and wastewater operating needs and future capital infrastructure repairs, upgrades and expansion required by asset age and regulations. Fixed charges and service rates increased in fiscal year 2017 in accordance with the plan.

The rationale behind the fixed charge is JCSA incurs significant costs to maintain infrastructure regardless of usage and JCSA should not be completely reliant on variable revenue to cover these fixed costs. The water and sewer fixed charges are based on meter size. For a typical residential customer in fiscal year 2017, the quarterly water fixed charge was $8.19 and the quarterly sewer fixed charge was $5.77.

The first tier (0-15,000 gallons per quarter) water service rate for a typical single family residential customer increased from $2.47 per 1,000 gallons to $2.80. The second tier (15,001-30,000 gallons per quarter) rate increased from $4.93 per 1,000 gallons to $5.60, and the third tier (30,000+ gallons per quarter) rate increased from $11.59 to $13.15. The water service rate for non-residential and multi-family residential customers increased from $3.65 per 1,000 gallons to $4.14. The sewer service rate increased from $2.93 to $2.99 per 1,000 gallons of water consumed. The rate changes increased a typical 5,000 gallons per month residential customer's bill by $2.30 per month from $31.30 to $33.60.

Capital Projects - Major multi-year projects continuing into 2017 are upgrading the existing Supervisory Control and Data Acquisition (SCADA) communication and control system for 107 remote sites, asset management program development, water meter replacement, future water source evaluations, preparation of the Joint Permit Application for the Chickahominy River surface water withdrawal, and replacement of a deep production well at the Five Forks Water Treatment Facility. Replacement of the reverse osmosis membranes at the Five Forks Water Treatment Facility was completed in fiscal year 2017. Wastewater projects completed in fiscal year 2017 include rehabilitation of three pump station concrete wet wells by lining the interior with an epoxy coating, manhole raising and rehabilitation, extensive easement inspection and clearing, closed circuit television (CCTV) pipeline inspections, and repairs to pipe defects identified during the CCTV inspections.

Water - The Authority currently has a groundwater permit for its central water system through 2027 to withdraw up to 8.4 million gallons per day (mgd) to support its residential and commercial customers. The permit is based on a tiered system with varying tiers starting at 6 mgd and increasing to 8.4 mgd based on residential and commercial growth. Facilities currently provide ample resources and treatment capacity through at least 2027. The Virginia

Department of Environmental Quality (DEQ) has expressed an interest in reducing the withdrawal of groundwater within the Eastern Virginia Groundwater Management Area, of which the Authority is a part. The Authority is currently evaluating options for alternative sources of water should the groundwater withdrawal permit be reduced after the current permit expires in 2027.

Wastewater - In 2007, the Board of Directors authorized the JCSA to enter into a Consent Agreement with the Virginia DEQ 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. JCSA 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 JCSA and the 13 other localities. The RWWMP is on schedule to be officially submitted to the Environmental Protection Agency (EPA) and the Virginia DEQ by November 2017.

HRSD has introduced a new initiative known as SWIFT (Sustainable Water Initiative for Tomorrow) which may significantly delay the RRWMP 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. The 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.

Accounting System and Budgetary Control

The JCSA's accounting records are maintained on a full accrual basis incorporating the principles of enterprise fund accounting. Basically, this approach presents the statements on a profit and loss basis, including a provision for depreciation, which is comparable to private industry.

In developing and evaluating the JCSA's accounting system, consideration is given to the adequacy of internal accounting controls. The controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and, (2) the reliability of financial records for preparing the financial statements.

All internal control evaluations occur within the above framework using the concept of reasonable assurance and recognizing: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

We believe the JCSA's internal accounting controls adequately safeguard assets and provide reasonable assurance of the proper recording of financial transactions.

Budgetary controls are maintained to ensure compliance with the budget adopted by the Board of Directors. Encumbrances are used to reserve a portion of the applicable appropriation for purchase orders, contracts and commitments of the JCSA.

Awards of Achievement

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to James City Service Authority for its component unit financial report for the fiscal year ended June 30, 2016. This was the 32nd consecutive year that the JCSA has received this prestigious award.

In order to be awarded a Certificate of Achievement, the JCSA must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

We wish to express our appreciation to the staff of the James City County Department of Financial and Management Services who participated in the preparation of the report. Also, we would like to thank the members of the Board of Directors for their continued support in the planning and implementation of the financial affairs and setting policy for water and sewer development of the JCSA.

Sincerely,

M. Douglas Powell
General Manager

Stephanie A. Luton
Assistant General Manager/Treasurer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

James City Service Authority
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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FINANCIAL SECTION

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
James City Service Authority
Williamsburg, Virginia

We have audited the accompanying financial statements of the business-type activities of the James City Service Authority (the "Authority"), a component unit of the County of James City, Virginia, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority'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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Authorities, Boards and Commissions* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audits 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the James City Service Authority as of June 30, 2017 and 2016, and the changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of changes in net pension liability and related ratios and schedule of employer contributions, and related notes on pages 3-7 and 37-39 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 an opinion on the financial statements that collectively comprise the James City Service Authority's basic financial statements. The schedule of net position – by activity, schedule of revenues, expenses, and changes in net position - by activity, and schedule of operating revenues and expenses - budget and actual - by activity on pages 40-42 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 November 3, 2017, on our consideration of the James City Service Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering James City Service Authority's internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 3, 2017

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Management's Discussion and Analysis
June 30, 2017 and 2016

This section of the James City Service Authority's (the Authority or JCSA) comprehensive annual financial report presents management's discussion and analysis of the Authority's financial performance during fiscal years ended June 30, 2017 and 2016. The information presented in this section should be read in conjunction with the letter of transmittal, which begins on page v.

Financial Highlights for Fiscal Years 2017 and 2016

- The Authority's total net position was $178,818,258 and $177,056,592 at June 30, 2017 and 2016, respectively.

- Capital assets decreased by 2.1% in 2017 from 2016, primarily attributable to the decrease in water and sewer dedications as well as current year depreciation expense. For fiscal year 2017, there was formal acceptance of 5 new water system dedications and 4 new sewer system dedications.

  Capital assets remained relatively consistent in 2016 from 2015 primarily attributable to the netting effect of current year additions and current year depreciation expense. For fiscal year 2016, there was formal acceptance of 11 new water system dedications and 10 new sewer system dedications.

- The Authority's total operating expenses before depreciation and amortization increased by 1.9% in 2017 from 2016. The increase was primarily attributable to higher fringe benefits expenses.

  Total operating expenses before depreciation and amortization decreased by 2.6% in 2016 from 2015. The slight decrease was primarily attributable to less maintenance expense.

- The Authority's total operating revenues increased by 12.7% in 2017 from 2016. The increase was primarily attributable to an increase in water and sewer rates.

  The Authority's total operating revenues remained relatively flat in 2016 from 2015. Gains from the new rate structure including the introduction of a fixed water and sewer charge offset a reduction in proffers.

Overview of the Financial Statements

The Comprehensive Annual Financial Report consists of three sections: introductory, financial and statistical. The financial section includes the basic financial statements, which are comprised of the statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

Transactions are accounted for under the economic resources measurement focus and the accrual basis of accounting utilizing an enterprise fund. Accordingly, revenues are recognized in the period earned and expenses are recognized when they are incurred. Enterprise funds are used to account for activities that are financed and operated similar to those often found in the private sector.

The *statements of net position* present information on the Authority's (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources as of June 30, 2017 and 2016, with the difference between the two reported as net position.

The *statements of revenues, expenses, and changes in net position* present information showing how the Authority's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows.

The *statements of cash flows* supplement the above two statements by presenting the changes in cash position as a result of the Authority's activities over the last two years.

Notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the financial statements. The notes to the financial statements begin on page 11.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Authority's progress in funding its obligation to provide pension benefits to its employees. The required supplementary information begins on page 37.

Net position is a financial measure that compares an entity's assets and deferred outflows of resources to its liabilities and deferred inflows of resources. Over time, increases and decreases in net position are one indicator of whether the Authority's financial health is improving or deteriorating. However, it is also important to consider other nonfinancial factors, such as changes in economic conditions, industry trends, population and service area growth, and new or changed legislation.

Financial Analysis

Condensed Statements of Net Position

	6/30/2017	6/30/2016	6/30/2015
Current and other assets	$ 45,806,329	$ 40,940,536	$ 40,111,499
Capital assets	158,226,696	161,615,472	161,288,064
Total assets	204,033,025	202,556,008	201,399,563
Deferred charge on refunding, net	1,739,250	1,815,422	-
Deferred pension outflows	770,340	341,874	330,920
Total assets and deferred outflows	$ 206,542,615	$ 204,713,304	$ 201,730,483
Current liabilities	$ 2,723,594	$ 2,443,765	$ 3,278,575
Noncurrent liabilities	24,918,332	24,750,261	24,855,247
Total liabilities	27,641,926	27,194,026	28,133,822
Deferred pension inflows	82,431	462,686	803,802
Net position:			
Net investment in capital assets	136,696,744	139,312,785	137,173,064
Restricted for debt service	677,614	729,605	2,716,277
Unrestricted	41,443,900	37,014,202	32,903,518
Total net position	178,818,258	177,056,592	172,792,859
Total liabilities, deferred inflows and net position	$ 206,542,615	$ 204,713,304	$ 201,730,483

The largest portion of the Authority's net position at June 30, 2017 (76.4%), reflects its investment in capital assets, less related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The unrestricted portion of net position at June 30, 2017 (23.2%) may be used to meet the Authority's ongoing obligations.

The change in net position can also be determined by reviewing the following condensed statements of revenues, expenses, and changes in net position information.

Condensed Statements of Revenues, Expenses and Changes in Net Position for the Year Ended

	6/30/2017	6/30/2016	6/30/2015
Water and sewer services	$ 14,400,361	$ 12,774,840	$ 12,588,470
Other	923,851	817,963	990,357
Total operating revenues	15,324,212	13,592,803	13,578,827
Operating expenses	10,904,086	10,701,704	10,982,443
Depreciation and amortization	8,194,083	7,930,632	7,810,808
Total expenses	19,098,169	18,632,336	18,793,251
Facility charges	4,664,316	3,243,535	3,863,650
Other non-operating revenue (expenses), net	(637,907)	(805,615)	(823,980)
Total nonoperating revenues, net	4,026,409	2,437,920	3,039,670
Income (loss) before capital contributions	252,452	(2,601,613)	(2,174,754)
Capital contributions	1,509,214	6,865,346	5,284,379
Change in net position	1,761,666	4,263,733	3,109,625
Net position, beginning of year	177,056,592	172,792,859	169,683,234
Net position, end of year	$ 178,818,258	$ 177,056,592	$ 172,792,859

In fiscal year 2017, water and sewer service revenue increased by 12.7% over 2016, primarily a result of the water and sewer rate increase. The Authority received $298,054 in proffers from developers to fund capital improvements, which was $79,067 more than the amount received in 2016. There was also an increase in the facility charges collected during 2017, primarily due to a large master metered multi-use project and three assisted living facilities.

In fiscal year 2016, water and sewer service revenue increased by 1.5% over 2015, primarily a result of the introduction of a new rate structure. The Authority received $218,987 in proffers from developers to fund capital improvements, which was $231,275 less than the amount received in 2015. There was a decrease in the facility charges collected during 2016. This was primarily due to the lack of independent water system connection fees. The 2015 facility charges included independent water system connection fees, which are collected sporadically.

The Authority's net position increased by $1,761,666 in 2017 from 2016. This was primarily a result of increases in service revenue and facility charges.

The Authority's net position increased by $4,263,733 in 2016 from 2015. This was primarily a result of an increase in the number and value of water and sewer system dedications.

Summary of New Water and Sewer Connections

Capital Assets

The following table summarizes the Authority's capital assets at June 30, 2017, 2016 and 2015:

Summary of Capital Assets, Net

	6/30/2017	6/30/2016	6/30/2015
Utility plant	$ 254,746,923	$ 252,024,248	$ 244,982,711
Nonutility plant	11,926,666	11,115,091	10,937,511
Intangible assets	25,004,570	25,004,570	25,004,570
Construction in progress	2,398,338	1,334,553	705,860
Less accum. depreciation and amortization	135,849,801	127,862,990	120,342,588
Net capital assets	$ 158,226,696	$ 161,615,472	$ 161,288,064

At the end of fiscal year 2017, the Authority had invested $158,226,696 (net of accumulated depreciation) in a broad range of capital assets. This was a decrease of $3,388,776 from 2016, which was primarily the result of decreased water and sewer system dedications during fiscal year 2017 as well as current year depreciation expense.

At the end of fiscal year 2016, the Authority had invested $161,615,472 (net of accumulated depreciation) in capital assets. This amount remained relatively consistent with 2015 (increase of $327,408), which was primarily the result of increased water and sewer system dedications, offset by the current year depreciation expense.

Further information related to the Authority's capital assets can be found in Note 4 to these financial statements.

Water and Sewer Lines

Debt Administration

At the close of the fiscal years 2017 and 2016, the Authority's total outstanding bonded debt was $21,810,000 (before premiums) and $22,595,000, respectively. In August 2008, the Authority issued revenue bonds totaling $27,120,000 to finance the purchase from the City of Newport News, Virginia of a "safe yield share" of treated water capacity from the King William Reservoir Project or an alternate water supply source. In April 2016, the Authority issued revenue refunding bonds totaling $22,595,000 to advance refund the outstanding 2008 revenue bonds. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. Consequently, the 2008 revenue bonds are considered defeased and the liability for those bonds was removed from the statement of net position. In April 2016, Standard & Poor's upgraded its rating of AA+ to AAA, and Moody's Investors Service upgraded its rating of Aa2 to Aa1 for the Authority's outstanding bonded debt.

Further information on the Authority's outstanding debt can be found in Note 6 to these financial statements.

Economic Factors and Next Year Budgets and Rates

During the current fiscal year, the unrestricted net position increased by $4,429,698 from 2016, to approximately $41.4 million. The Authority appropriated $2 million of this for spending as part of the fiscal year 2018 capital budget.

The JCSA's budget consists of five separate funds: Administration, Water, Sewer, Capital Improvements Program and Debt Service. The Administration fund is allocated 50% to the Water Fund and 50% to the Sewer Fund. For financial reporting purposes, the Capital Improvements Program and Debt Service funds are allocated between the Water and Sewer funds as applicable.

In August 2016, the Board of Directors adopted a Financial Policy to protect JCSA's financial resources through sound financial management, balanced consideration of both short-term and long-term priorities and concerns and maintenance of its credit ratings. The fiscal year 2018 budget contains several new initiatives to comply with the Financial Policy. Twenty percent of the annual debt service payment will be made from Water Fund operating revenues to reduce reliance on facility charge revenue. Two reserve funds, Alternative Water Supply and Repair and Replacement, have been created in the Capital Improvements Program to build dedicated funding for future water sources, and infrastructure asset management.

These new initiatives contribute to an increase of 15.7% in the fiscal year 2018 operating budget consisting of the Administration, Water and Sewer Funds. Contributions to the Capital Improvements Program from the Water and Sewer Funds increase in fiscal year 2018 to $1,928,449 from $325,765 in fiscal year 2017 in order to further reduce reliance on facility charge revenue. Direct expenses and capital equipment outlay increase by 1.5%.

The fiscal year 2018 Capital Improvements Program budget increases to $7,584,449 from $3,972,765 in fiscal year 2017.

The fiscal year 2018 budget contains increases in the water and sewer fixed charges and service rates that reflect the multi-year plan from the 2015 comprehensive rate study. Incremental increases are required to successfully manage aging infrastructure, fixed costs and debt service coverage and prepare for substantial future water permitting and water sourcing challenges. The total monthly water and sewer bill for a typical 5,000 gallons per month residential user will increase by $2.61 per month from $33.60 to $36.21.

The philosophy of the fixed charge is that the Authority incurs significant costs to maintain infrastructure regardless of usage and the Authority should not be completely reliant on variable revenue to cover these fixed costs. The water and sewer fixed charges are based on meter size. For a typical residential customer, the quarterly fixed charge for water increases to $9.30 from $8.19 and for sewer increases to $5.89 from $5.77.

The fiscal year 2018 budget contains new water and sewer service rates. In the Water Fund, the first tier (0-15,000 gallons per quarter) service rate for a typical single family residential customer increases from $2.80 per 1,000 gallons to $3.18. The second tier (15,001 – 30,000 gallons per quarter) rate increases from $5.60 per 1,000 gallons to $6.36, and the third tier (30,000+ gallons per quarter) rate increases from $13.15 to $14.93. The water service rate for non-residential and multi-family residential customers increases from $4.14 per 1,000 gallons to $4.70. The sewer service rate increases from $2.99 per 1,000 gallons to $3.05.

Contacting the Authority's Financial Management

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

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BASIC FINANCIAL STATEMENTS

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Exhibit 1

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	$ 540,016	$ 655,568
Investments (Note 2)	40,131,327	36,128,873
Restricted investments (Note 2)	677,614	729,605
Accounts receivable, customers	2,931,810	2,456,377
Accounts receivable, other	49,450	33,218
Note receivable (Note 3)	497,890	2,544
Interest receivable	134,824	125,238
Inventories	843,397	809,113
Total current assets	45,806,328	40,940,536
Noncurrent assets:		
Capital assets (Note 4):		
Utility plant:		
Land	955,995	962,995
Water and sewer systems	253,790,928	251,061,253
Total utility plant	254,746,923	252,024,248
Nonutility property:		
Land	1,739,491	1,739,491
Central shop	5,284,909	4,892,209
Office fixtures and equipment	2,049,369	1,840,746
Land improvements	13,183	13,183
Automotive equipment	2,839,714	2,629,462
Total nonutility property	11,926,666	11,115,091
Intangible assets:		
Easements	4,570	4,570
Water rights	25,000,000	25,000,000
Total intangible assets	25,004,570	25,004,570
Construction in progress (Note 11)	2,398,338	1,334,553
Less accumulated depreciation and amortization	135,849,801	127,862,990
Net capital assets	158,226,696	161,615,472
Total assets	204,033,024	202,556,008
Deferred Outflow of Resources		
Deferred charge on refunding, net (Note 6)	1,739,250	1,815,422
Deferred pension contributions (Note 7)	297,668	341,874
Deferred pension investment experience (Note 7)	372,758	-
Deferred pension experience (Note 7)	99,914	-
Total deferred outflows	2,509,590	2,157,296
Total assets and deferred outflows	$ 206,542,614	$ 204,713,304
Liabilities		
Current liabilities:		
Accounts payable, trade	$ 316,668	$ 326,814
Accrued salaries	14,320	14,083
Compensated absences, current portion (Note 6)	308,913	287,104
Due to James City County (Note 10)	383,583	633,544
Deposits	190,732	180,490
Unearned revenue	496,800	-
Interest payable	343,670	152,823
Bonds payable, current portion (Note 6)	668,907	848,907
Total current liabilities	2,723,593	2,443,765
Noncurrent liabilities:		
Advances for construction (Note 5)	32,902	32,902
Other post-employment benefits (OPEB) (Note 8)	313,509	277,509
Compensated absences, net of current portion (Note 6)	102,971	95,701
Bonds payable, net of current portion (Note 6)	22,600,295	23,269,202
Net pension liability (Note 7)	1,868,655	1,074,947
Total noncurrent liabilities	24,918,332	24,750,261
Total liabilities	27,641,925	27,194,026
Deferred Inflow of Resources		
Deferred pension experience (Note 7)	82,431	114,381
Deferred pension investment experience (Note 7)	-	348,305
Total deferred inflows	82,431	462,686
Net position		
Net position:		
Net investment in capital assets	136,696,744	139,312,785
Restricted for debt service	677,614	729,605
Unrestricted	41,443,900	37,014,202
Total net position	178,818,258	177,056,592
Total liabilities, deferred inflows and net position	$ 206,542,614	$ 204,713,304

See accompanying notes to basic financial statements.

Exhibit 2

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Water and sewer services	$ 14,400,361	$ 12,774,840
Water supply proffers	298,054	218,987
Rental income (Note 10)	377,880	326,377
Other	247,917	272,599
Total operating revenues	15,324,212	13,592,803
Operating expenses:		
Salaries (Note 6)	4,384,445	4,347,283
Fringe benefits (Note 6)	1,799,798	1,583,480
Operating supplies	1,045,132	1,094,002
Maintenance	1,639,070	1,670,023
Utilities	899,294	870,220
Contractual fees (Note 10)	920,714	903,463
Other	215,633	233,233
Total operating expenses	10,904,086	10,701,704
Operating income before depreciation and amortization	4,420,126	2,891,099
Depreciation and amortization	8,194,083	7,930,632
Operating loss	(3,773,957)	(5,039,533)
Nonoperating revenues (expenses):		
Facility charges	4,664,316	3,243,535
Investment income	90,148	519,767
Gain (loss) on disposal of capital assets	49,018	(193,113)
Insurance recovery	1,000	14,219
Bond issuance costs	-	(402,364)
Interest expense	(778,073)	(744,124)
Net nonoperating revenues	4,026,409	2,437,920
Income (loss) before capital contributions	252,452	(2,601,612)
Capital asset contributions	1,509,214	6,865,346
Changes in net position	1,761,666	4,263,733
Net position, beginning of year	177,056,592	172,792,859
Net position, end of year	$ 178,818,258	$ 177,056,592

See accompanying notes to basic financial statements.

Exhibit 3

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from customers	$ 13,935,170	$ 12,876,543
Other cash receipts	910,163	852,252
Cash payments to suppliers for goods and services	(5,014,233)	(5,533,320)
Cash payments for personnel services	(6,133,940)	(6,095,449)
Facility charges	4,663,226	3,243,535
Net cash provided by operating activities	8,360,386	5,343,561
Cash flows from capital and related financing activities:		
Repayments of debt	(785,000)	(1,814,357)
Interest paid	(574,961)	(1,085,357)
Bond issuance costs	-	(402,364)
Insurance recovery	1,000	14,219
Acquisition and construction of capital assets	(3,303,093)	(1,615,979)
Proceeds from sale of capital assets	56,018	30,172
Net cash used in capital and related financing activities	(4,606,036)	(4,873,666)
Cash flows from investing activities:		
Purchases of investments	(33,976,952)	(60,367,516)
Proceeds from sale of investments	30,026,488	59,232,798
Interest received	80,562	482,641
Net cash used in investing activities	(3,869,902)	(652,077)
Decrease in cash and cash equivalents	(115,552)	(182,182)
Cash and cash equivalents, beginning of year	655,568	837,750
Cash and cash equivalents, end of year	$ 540,016	$ 655,568
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (3,773,957)	$ (5,039,533)
Adjustments to reconcile operating loss to cash provided by operating activities:		
Depreciation and amortization	8,194,083	7,930,632
Facility charges	4,664,316	3,243,535
Change in operating assets and liabilities:		
Accounts receivable, customers and others	(491,665)	123,319
Notes receivable	(495,346)	28,987
Inventories	(34,284)	8,319
Accounts payable, trade	(10,146)	(58,238)
Accrued salaries	237	(7,522)
Compensated absences	29,079	25,452
Due to James City County	(249,960)	(712,460)
Deposits	10,242	(16,314)
Unearned revenue	496,800	-
OPEB liability	36,000	34,000
Net pension liability and related deferred inflow/outflows of resources	(15,013)	(216,616)
Total adjustments	12,134,343	10,383,094
Net cash provided by operating activities	$ 8,360,386	$ 5,343,561
Supplemental schedules:		
Noncash capital activities:		
Capital asset contributions	$ 1,509,214	$ 6,865,346
Noncash investing activity:		
Unrealized gain (loss) from change in fair value of investments	$ (309,410)	$ 99,188

See accompanying notes to basic financial statements.

1) Organization and Summary of Significant Accounting Policies

The James City Service Authority (the Authority) was established on June 30, 1969, by resolution of the Board of Supervisors of James City County, Virginia (the County, or Primary Government), 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 Enabling Act authorizes the Authority, among other things, to: a) acquire, construct, improve, extend, operate, and maintain any water, sewer, sewage disposal, or garbage/refuse collection and disposal system; b) issue revenue bonds of the Authority, payable solely from revenues, to pay all or any part of the cost of such systems; c) fix, revise, charge, and collect rates, fees, and charges for the use of and for the services furnished or to be furnished by any system operated by the Authority; and d) enter into contracts with the Commonwealth of Virginia, or with any municipality, county, corporation, individual, or any public authority or unit thereof, relating to the services and facilities of any such system of the Authority. Further, the Enabling Act provides that the Authority is subject in all respects to the jurisdiction of the Department of Environmental Quality – Water Division (DEQ), formerly the State Water Control Board of the Commonwealth of Virginia, under the provision of the State Water Control Law.

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

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

Basis of Accounting and Presentation

The Authority prepares its financial statements in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority uses the economic resources management focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated with current assets. The Authority generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Authority may defer the use of restricted assets based on a review of the specific transaction.

Since the Authority is only engaged in business-type activities, it is required to present only the financial statements required for enterprise funds. The basic financial statements consist of Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows and Notes to the Financial Statements.

Cash Equivalents

For purposes of the statements 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 Authority considers investments with original maturities of three months or less to be cash equivalents.

1) Organization and Summary of Significant Accounting Policies, Continued

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.

Inventories

Inventories are valued at cost and are charged against operations on an average cost basis. They consist of water meters, pipes, and parts required to repair the utility systems.

Capital Assets

All direct costs of water and sewer transmission facilities constructed are capitalized. In addition, interest expense where applicable, are capitalized during the period of construction. Interest expense is reduced to the extent of any interest income earned on investment of bond proceeds. Nonutility property is capitalized at cost.

The Authority's policy is to capitalize capital assets with a cost or acquisition value at the date of donation of $5,000 or greater. The cost of major improvements is capitalized, while the cost of maintenance and repairs, which does not improve or extend the life of an asset, is expensed. The Authority provides for depreciation of capital assets using the straight-line method over their estimated useful lives, as follows:

Sewer systems	40 years
Water systems	30 years
Equipment and other	3-40 years

The Authority has easements and water rights that are considered intangible assets. The water rights are related to an agreement the Authority has with the City of Newport News to purchase and treat water to meet long-term water supply needs. These water rights are amortized using the straight-line method over the life of the agreement.

When capital assets are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the accompanying statements of revenues, expenses, and changes in net position.

Unbilled Revenue

The Authority records the amount of accrued but unbilled revenue by prorating actual subsequent billings. Amounts accrued but unbilled were approximately $1,652,000 and $1,106,000 at June 30, 2017 and 2016, respectively, and are included in Accounts receivable, customers on the statement of net position.

Allowance for Uncollectible Accounts

The Authority has few uncollectible receivables and does not use an allowance account. 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.

Budgetary Policy

Although a budget is not legally required to be adopted, a fiscal year budget is prepared on a modified accrual basis for management and fiscal planning purposes. Any changes to the adopted budget require Board approval. Appropriations lapse at the end of the fiscal year with the exception of capital projects which continue until completed. For the years ended June 30, 2017 and 2016, there were $4,500 and $44,600, respectively, in supplemental appropriations for various grants.

1) Organization and Summary of Significant Accounting Policies, Continued

Risk Management

The Authority 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 worker's compensation coverages are provided through a self-insurance pool. The Authority's retention is through deductibles. Deductibles and coverage limits at June 30, 2017 were as follows:

	Deductibles	Liability Coverage Limits
Property insurance:	$ 10,000	
Valuation at functional replacement		$ 56,698,184
Flood (outside 100 year flood plain)		56,698,184
Business interruption/extra expense		3,000,000
Property in transit		5,000,000
Increased cost of construction/ordinance demolition		20,000,000
Back-up of sewers and drains		1,000,000
Debris removal		20,000,000
Pollutant clean-up and removal		500,000
Off premises power failure		2,000,000
Media reproduction		100,000
Newly acquired locations for up to 120 days		20,000,000
Inland marine, computers/electronic data processing and bolier & machinery	1,000	Replacement cost/actual cash value
General liability	-	2,000,000
Public officials liability	-	9,000,000
Automobile liability	-	2,000,000
Automobile comprehensive/collision	1,000	872,988 replacement cost
Crime	250	500,000
Environmental liability	25,000	1,000,000
Cyber risk	-	500,000
Worker's compensation	-	Statutory limits

The Authority entered into a separate insurance policy on November 1, 2016 and consequently, there was no deductible for general liability and automobile liability insurance and the general liability and automobile liability coverage was reduced from $9,000,000 in the prior year to $2,000,000 for fiscal year 2017. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Bond Premiums and Discounts

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.

1) Organization and Summary of Significant Accounting Policies, Continued

Operating and Nonoperating Revenue and Expenses Recognition

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing water and sewer services. Revenues and expenses not meeting the operating definition are reported as nonoperating. These consist mainly of water and sewer facility charges, investment income, interest expense, and gain or loss on disposal of capital assets.

Estimates

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

Reclassification

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation.

Adoption of New Accounting Statement

The Authority adopted GASB Statement No. 72, Fair Value Measurement and Application effective for the fiscal year ended June 30, 2016. 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.

2) Cash and Investments

The Authority's cash and investments at June 30, 2017 and 2016, consisted of the following:

	6/30/2017	6/30/2016
Bank deposits	$ 539,411	$ 654,963
Petty cash	605	605
Investments	40,808,941	36,858,478
Total	$ 41,348,957	$ 37,514,046
Reconcilation to Statement of Net Position:		
Cash and cash equivalents	$ 540,016	$ 655,568
Investments	40,131,327	36,128,873
Restricted investments	677,614	729,605
Total	$ 41,348,957	$ 37,514,046

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.

Restricted investments reflects funds held by a trustee in escrow for future debt service payments.

2) Cash and Investments, Continued

The Authority's investments at June 30, 2017 and 2016 were as follows:

Investment Type	Cost	Fair Value	Level 1	Level 2	Level 3
6/30/2017:					
Investments:					
Money market	$ 68,053	$ 68,053	N/A	N/A	N/A
U.S. Treasury securities	16,983,898	16,925,723	-	16,925,723	-
Federal agency notes and bonds	12,287,088	12,214,418	-	12,214,418	-
Corporate notes and bonds	5,837,933	5,775,711	-	5,775,711	-
Commercial paper	766,263	766,827	-	766,827	-
Certificates of deposit	2,724,034	2,725,111	-	2,725,111	-
Fed. agency coll. mortgage ob.	1,674,281	1,655,484	-	1,655,484	-
Total	$ 40,341,550	$ 40,131,327	$ -	$ 40,063,274	$ -
Restricted Investments:					
Money market	$ 677,614	$ 677,614	N/A	N/A	N/A
6/30/2016:					
Investments:					
U.S. Treasury securities	$ 16,198,777	$ 16,328,592	$ 16,328,592	$ -	$ -
Federal agency notes and bonds	6,243,569	6,218,850	-	6,218,850	-
Corporate notes and bonds	6,326,762	6,314,987	-	6,314,987	-
Commercial paper	2,084,038	2,089,218	-	2,089,218	-
Certificates of deposit	3,224,034	3,227,691	-	3,227,691	-
Fed. agency coll. mortgage ob.	1,952,505	1,949,535	-	1,949,535	-
Total	$ 36,029,685	$ 36,128,873	$ 16,328,592	$ 19,800,281	$ -
Restricted Investments:					
Money market	$ 729,605	$ 729,605	N/A	N/A	N/A

		Weighted average maturity (in years)		
Investment Type	**Amount**	**Less than 1**	**1-2**	**2-7**
6/30/2017:				
Money market funds	$ 745,667	$ 745,667	$ -	$ -
U.S. Treasury securities	16,925,723	-	7,479,526	9,446,197
Federal agency notes and bonds	12,214,418	-	5,881,742	6,332,676
Corporate notes and bonds	5,775,711	882,983	2,545,081	2,347,647
Commercial paper	766,827	766,827	-	-
Certificate of deposit	2,725,111	1,952,216	772,895	-
Fed. agency coll. mortgage ob.	1,655,484	493,388	730,029	432,067
Total	$ 40,808,941	$ 4,841,081	$ 17,409,273	$ 18,558,587
6/30/2016:				
Money market funds	$ 729,605	$ 729,605	$ -	$ -
U.S. Treasury securities	16,328,592	310,630	3,834,076	12,183,886
Federal agency notes and bonds	6,218,850	50,356	4,392,166	1,776,328
Corporate notes and bonds	6,314,987	1,767,158	2,380,701	2,167,128
Commercial paper	2,089,218	2,089,218	-	-
Certificate of deposit	3,227,691	700,086	2,527,605	-
Fed. agency coll. mortgage ob.	1,949,535	-	226,823	1,722,712
Total	$ 36,858,478	$ 5,647,053	$ 13,361,371	$ 17,850,054

2) Cash and Investments, Continued

Investment Policy

The JCSA Board of Directors adopted an updated Investment Policy on August 9, 2016. In accordance with the Code of Virginia and other applicable laws, including regulations, the Authority's Investment Policy (the Policy) permits investments in U.S. government obligations, federal agency obligations, municipal obligations, prime quality commercial paper, bankers' acceptances, corporate notes, negotiable certificates of deposits and bank deposit notes, money market mutual funds, repurchase agreements and the 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 combined amount of bankers' acceptances, commercial paper, and corporate notes shall not exceed fifty percent (50%) of the total book value of the portfolio at the date of acquisition. 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
Money market mutal funds	50% maximum
LGIP	50% maximum
Repurchase agreements	50% maximum
Bankers' acceptances	35% maximum
Commercial paper	35% maximum
Collateralized bank deposits	35% maximum
Negotiable certificates of deposit/bank deposit notes	25% maximum
Corporate notes	25% maximum
Municipal obligations	20% maximum
Federal agency mortgage-backed securities	10% maximum

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 Nationally Recognized Statistical Rating Organizations (NRSROs). Corporate notes must have a minimum rating of Aa by Moody's Investors Service and AA by Standard & Poor's. Negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a minimum rating of A-1 by Standard & Poor's and P-1 by Moody's Investors Service, and if maturing in over one year, the minimum ration must be 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 Authority has established stringent credit standards for these investments to minimize portfolio risk.

2) Cash and Investments, Continued

As of June 30, 2017 and 2016, the Authority's investments rated by Standard & Poor's were as follows:

	Unrated	AAA	AA+	AA	AA-	A-1+	A-1
6/30/2017:							
Money market funds	$ 677,614	$ 68,053	$ -	$ -	$ -	$ -	$ -
U.S. Treasury securities	-	-	16,925,723	-	-	-	-
Federal agency notes and bonds	-	-	12,214,418	-	-	-	-
Corporate notes and bonds	-	831,554	1,347,587	254,112	3,342,458	-	-
Commercial paper	-	-	-	-	-	-	766,827
Certificate of deposit	-	-	-	-	2,074,634	650,477	-
Fed. agency coll. mortgage ob.	-	-	1,655,484	-	-	-	-
Total	$ 677,614	$ 899,607	$ 32,143,212	$ 254,112	$ 5,417,092	$ 650,477	$ 766,827
6/30/2016:							
Money market funds	$ 729,605	$ -	$ -	$ -	$ -	$ -	$ -
U.S. Treasury securities	-	-	16,328,592	-	-	-	-
Federal agency notes and bonds	-	-	6,218,850	-	-	-	-
Corporate notes and bonds	-	1,047,539	1,836,052	591,805	2,839,591	-	-
Commercial paper	-	-	-	-	-	-	2,089,218
Certificate of deposit	-	-	-	-	1,301,967	1,225,638	700,086
Fed. agency coll. mortgage ob.	-	-	1,949,535	-	-	-	-
Total	$ 729,605	$ 1,047,539	$ 26,333,029	$ 591,805	$ 4,141,558	$ 1,225,638	$ 2,789,304

Concentration of Credit Risk

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

U.S. Treasury obligations	100% maximum
Money market mutual funds	50% maximum
LGIP	50% maximum
Federal agency obligations	35% maximum
Collateralized bank deposits	35% maximum
Repurchase agreements	25% maximum
Federal agency mortgage-backed securities	10% maximum

At June 30, 2017 and 2016, the portions of the Authority's portfolio (excluding restricted investments) that exceeded 5% of the total were:

	% of Portfolio	
Issuer	**6/30/2017**	**6/30/2016**
U.S. Treasury	42.2%	45.2%
Federal Home Loan Banks	16.1%	7.2%
Fannie Mae	10.3%	-
Freddie Mac	8.2%	-
Federal Home Loan Mortgage Corporation	-	6.9%

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the 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.

2) Cash and Investments, Continued

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 Authority will determine a duration target, not to exceed three years.

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

Custodial Credit Risk

The Policy requires that all investment securities purchased by the Authority or held as collateral on deposits or investments shall be held by the Authority or by a third-party custodial agent who may not otherwise be a counter party to the investment transaction. As of June 30, 2017 and 2016, all of the Authority's investments were held in a bank's trust department in the name of James City Service Authority.

3) Note Receivable

In September 2009, the Authority executed a promissory note for $170,000 at 6% interest with Anderson-Hughes, LLC pursuant to the Sewer Modification Contract dated September 20, 2007 for the installation of grinder pumps. The monthly payments were $2,508 through August 2016. At June 30, 2017 and 2016, the note receivable balance was $0 and $2,544, respectively.

In June 2017, the Authority entered into a deferred payment agreement with Franciscus at Promenade, LLC. During 2017, Franciscus made an initial payment of $478,315 towards estimated system charges and fees and will pay the balance prior to applying for the building permit for the 91st residential unit. At June 30, 2017, the note receivable balance was $497,890.

4) Capital Assets

The following is a summary of changes in capital assets for the fiscal years ended June 30, 2017 and 2016:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Utility plant:				
Land	$ 962,995	$ -	$ 7,000	$ 955,995
Nonutility plant:				
Land	1,739,491	-	-	1,739,491
Land improvements	13,183	-	-	13,183
Construction in progress	1,334,553	3,388,911	2,325,126	2,398,338
Intangibles - easements	4,570	-	-	4,570
Total capital assets not being depreciated	4,054,792	3,388,911	2,332,126	5,111,577
Capital assets being depreciated:				
Utility plant:				
Water and sewer systems	251,061,253	2,729,675	-	253,790,928
Nonutility plant:				
Central shop	4,892,209	392,700	-	5,284,909
Office fixtures and equipment	1,840,746	230,090	21,467	2,049,369
Automotive equipment	2,629,462	396,057	185,805	2,839,714
Intangible - water rights	25,000,000	-	-	25,000,000
Total capital assets being depreciated	285,423,670	3,748,522	207,272	288,964,920
Less accumulated depreciation/amortization:				
Water and sewer systems	118,583,791	6,958,996	-	125,542,787
Central shop	1,632,310	151,614	-	1,783,924
Office fixtures and equipment	1,177,444	148,948	21,467	1,304,925
Automotive equipment	2,021,592	321,028	185,805	2,156,815
Intangibles - water rights	4,447,853	613,497	-	5,061,350
Total accumulated depreciation/amortization	127,862,990	8,194,083	207,272	135,849,801
Total capital assets being depr./amort, net	157,560,680	(4,445,561)	-	153,115,119
Total capital assets, net	$ 161,615,472	$ (1,056,650)	$ 2,332,126	$ 158,226,696

4) Capital Assets, Continued

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated:				
Utility plant:				
Land	$ 962,995	$ -	$ -	$ 962,995
Nonutility plant:				
Land	1,739,491	-	-	1,739,491
Land improvements	13,183	-	-	13,183
Construction in progress	705,860	1,505,763	877,070	1,334,553
Intangibles - easements	4,570	-	-	4,570
Total capital assets not being depreciated	3,426,099	1,505,763	877,070	4,054,792
Capital assets being depreciated:				
Utility plant:				
Water and sewer systems	244,019,716	7,472,448	430,911	251,061,253
Nonutility plant:				
Central shop	4,892,209	-	-	4,892,209
Office fixtures and equipment	1,809,839	98,578	67,671	1,840,746
Automotive equipment	2,482,789	281,607	134,934	2,629,462
Intangible - water rights	25,000,000	-	-	25,000,000
Total capital assets being depreciated	278,204,553	7,852,633	633,516	285,423,670
Less accumulated depreciation/amortization:				
Water and sewer systems	112,007,794	6,784,156	208,159	118,583,791
Central shop	1,488,065	144,245	-	1,632,310
Office fixtures and equipment	1,109,095	135,485	67,136	1,177,444
Automotive equipment	1,903,277	253,249	134,934	2,021,592
Intangibles - water rights	3,834,356	613,497	-	4,447,853
Total accumulated depreciation/amortization	120,342,588	7,930,632	410,229	127,862,990
Total capital assets being depr./amort, net	157,861,967	(77,999)	223,287	157,560,680
Total capital assets, net	$ 161,288,064	$ 1,427,764	$ 1,100,357	$ 161,615,472

5) Advances for Construction

Advances for construction consist of 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. As of June 30, 2017 and 2016, advances for construction consisted of:

Funds advanced	$ 27,020
Facilities constructed	5,882
Total	$ 32,902

6) Long-Term Debt

The Authority's long-term debt activity for the fiscal years ended June 30, 2017 and 2016 was as follows:

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017	Due within one year
Refunding revenue bonds	$ 22,595,000	$ -	$ 785,000	$ 21,810,000	$ 605,000
Premium, refunding revenue bonds	1,523,109	-	63,907	1,459,202	63,907
Compensated absences	382,805	490,646	461,567	411,884	308,913
Total	$ 24,500,914	$ 490,646	$ 1,310,474	$ 23,681,086	$ 977,820

	Balance 7/1/2015	Increases	Decreases	Balance 6/30/2016	Due within one year
Revenue bonds	$ 24,115,000	$ -	$ 24,115,000	$ -	$ -
Refunding revenue bonds	-	22,595,000	-	22,595,000	785,000
Premium, refunding revenue bonds	-	1,533,760	10,651	1,523,109	63,907
Compensated absences	357,353	448,474	423,022	382,805	287,104
Total	$ 24,472,353	$ 24,577,234	$ 24,548,673	$ 24,500,914	$ 1,136,011

Revenue Bonds and Refunding Revenue Bonds (including Premium)

In August 2008, the Authority issued revenue bonds totaling $27,120,000 to finance the purchase from the City of Newport News, Virginia of a "safe yield share" of treated water capacity from the King William Reservoir Project or an alternate water supply source. In April 2016, the Authority issued revenue refunding bonds totaling $22,595,000 to advance refund the outstanding 2008 revenue bonds. There was a $1,533,760 premium issued on the new bonds. The interest rate on the bonds range from 3% - 5% and the net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. Consequently, the 2008 revenue bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The reacquisition price exceeded the carrying value of the old debt by $1,828,117 ("deferred charge on refunding"), and this amount is being amortized over the life of the new debt. The deferred charge on refunding net of accumulated amortization, was $1,739,250 and $1,815,422 at June 30, 2017 and 2016, respectively. The advance refunding reduced its total debt service payments over 24 years by $6,956,051 and to obtain an economic gain of $3,548,748. The refunding revenue bonds mature in various installments through 2040 with interest payable semiannually.

Future maturities of principal and interest payments are as follows:

Year Ended June 30	Principal	Interest
2018	$ 605,000	$ 749,450
2019	630,000	725,250
2020	655,000	700,050
2021	690,000	667,300
2022	720,000	632,800
2023-2027	4,100,000	2,680,900
2028-2032	4,895,000	1,876,350
2033-2037	5,680,000	1,096,650
2038-2040	3,835,000	232,200
	$ 21,810,000	$ 9,360,950

6) Long-Term Debt, Continued

Compensated Absences

Compensated absences consists of earned but unused vacation, sick leave and paid time off. The costs attributable to Authority personnel are paid by the County and reimbursed by the Authority. Upon termination and only after a minimum of 2 years of employment with the Authority, employees are entitled to receive cash payments for sick leave at 25% of accumulated values up to a maximum of $5,000. At June 30, 2017 and 2016, compensated absences consisted of the following:

	6/30/2017	6/30/2016
Vacation	$ 311,861	$ 291,932
Sick	81,128	78,319
Paid-time off	18,895	12,554
Total	$ 411,884	$ 382,805

7) Pension Plan

Pensions

The Virginia Retirement System (VRS) Political Subdivision Retirement Plan is a multi-employer, agent plan. 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 Authority's retirement plan and the additions to/deductions from the Authority'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.

Information about the VRS Political Subdivision Retirement Plan is available in the separately issued VRS 2016 comprehensive annual financial report (CAFR). A copy of the CAFR may be downloaded from the VRS website at http://www.varetire.org/pdf/publications/2016-annual-report.pdf or by writing to VRS at P.O. Box 2500, Richmond, VA, 23218-2500.

Plan Description

All full-time, salaried permanent employees of the Authority 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 are paying 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.

PLAN 1

About VRS 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. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

7) Pension Plan, Continued

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.

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 VRS Plan 1 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 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. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. 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%.

Normal Retirement Age: Age 65.

Earliest Unreduced Retirement Eligibility (non-hazardous duty): Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

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

7) 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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

PLAN 2

About VRS Plan 2: VRS 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. Employees are eligible for 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.

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.

7) Pension Plan, Continued

Retirement Contributions: Employees contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.

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.

Normal Retirement Age: Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility (non-hazardous duty): Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Earliest Reduced Retirement Eligibility non-hazardous duty): Age 60 with at least five years (60 months) of creditable service.

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. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service: Same as Plan 1.

Hybrid Retirement Plan

About the Hybrid Retirement Plan: The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members"). 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.

7) 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 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 may also 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.

7) Pension Plan, Continued

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.

Service Retirement Multiplier: The retirement multiplier for the defined benefit component is 1.0%. 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.

Normal Retirement Age:

Defined Benefit Component: Same as Plan 2.

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.

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

Earliest Reduced Retirement Eligibility:

Defined Benefit Component:
Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

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: Eligible political subdivisions (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 VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

7) Pension Plan, Continued

Purchase of Prior Service:

Defined Benefit Component: Same as Plan 1 with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service; the cost for purchasing refunded service is the higher of 4% of credible compensation or average final compensation; plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one year period, the rate for most categories of service will change to actuarial cost.

Defined Contribution Component: Not applicable.

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	43
Inactive members:	
Vested	11
Non-vested	12
Active elsewhere in VRS	30
Total inactive members	53
Active members	84
Total	180

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 Authority's contractually required contribution rate for the year ended June 30, 2017 and 2016 was 7.29% and 8.49%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and 2013, respectively. This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were $297,668 and $341,874 for the years ended June 30, 2017 and June 30, 2016, respectively.

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

7) Pension Plan, Continued

Actuarial Assumptions

The total pension liability for general employees in the Authority's retirement plan was based on an actuarial valuation as of June 30, 2015, 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, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7%, 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: 14% of deaths are assumed to be service related

Largest 10 -– Non-LEOS:

Pre-Retirement:
RP-2000 employee mortality table projected with scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:
RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.

Post-Disablement:
RP-2000 disability life mortality table projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:
RP-2000 employee mortality table projected with scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:
RP-2000 combined mortality table projected with scale AA to 2020 with males set forward 1 year.

Post-Disablement:
RP-2000 disability life mortality table projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

7) Pension Plan, Continued

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Long-Term Expected Rate of Return

The long-term expected rate of return on pension 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

*Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

7) Pension Plan, Continued

Discount Rate

The discount rate used to measure the total pension liability was 7%. 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, 2018, 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, 2018 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.

Changes in Net Pension Liability

	Total pension liability (a)	Plan fiduciary net pension (b)	Net pension liability (a) - (b)
6/30/2017:			
Balances at June 30, 2015	$ 15,026,681	$ 13,951,734	$ 1,074,947
Changes for the year:			
Service cost	404,294	-	404,294
Interest	1,032,165	-	1,032,165
Difference between expected and actual experience	128,139	-	128,139
Contributions - employer	-	336,720	(336,720)
Contributions - employee	-	197,261	(197,261)
Net investment income	-	245,617	(245,617)
Benefit payments, including refunds of employee contributions	(562,945)	(562,945)	-
Administrative expense	-	(8,604)	8,604
Other changes	-	(104)	104
Net changes	1,001,653	207,945	793,708
Balances at June 30, 2016	$ 16,028,334	$ 14,159,679	$ 1,868,655
6/30/2016:			
Balances at June 30, 2014	$ 14,197,242	$ 13,257,749	$ 939,493
Changes for the year:			
Service cost	430,269	-	430,269
Interest	978,647	-	978,647
Difference between expected and actual experience	(146,331)	-	(146,331)
Contributions - employer	-	329,381	(329,381)
Contributions - employee	-	193,349	(193,349)
Net investment income	-	612,704	(612,704)
Benefit payments, including refunds of employee contributions	(433,146)	(433,146)	-
Administrative expense	-	(8,173)	8,173
Other changes	-	(130)	130
Net changes	829,439	693,985	135,454
Balances at June 30, 2015	$ 15,026,681	$ 13,951,734	$ 1,074,947

7) Pension Plan, Continued

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

The following represents the net pension liability using the stated discount rate of 7%, as well as what the net position liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
Net pension liability	$ 4,071,742	$ 1,868,655	$ 39,904

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

For the years ending June 30, 2017 and 2016, the Authority recognized pension expense of $277,501 and $123,719, respectively. The Authority reported deferred outflows and deferred inflow of resources related to pensions as follows:

	6/30/2017		6/30/2016	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 99,914	$ 82,431	$ -	$ 114,381
Net difference between projected and actual earnings on plan investments	372,758	-	-	348,305
Employer contributions subsequent to the measurement date	297,668	-	341,874	-
Total	$ 770,340	$ 82,431	$ 341,874	$ 462,686

At June 30, 2017, the $297,668 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

Year Ended June 30:	
2018	$ 4,897
2019	4,899
2020	219,265
2021	161,180
	$ 390,241

8) Other Post-Employment Benefits (OPEB)

The Authority provides other post-employment health care benefits for qualifying retired employees who are not yet eligible for Medicare through a single-employer defined benefit plan that is administered by the County. Detailed disclosures regarding the plan and the actuarial information can be found in the County's annual financial statements. The benefits, benefit levels, employee contributions and employer contributions are governed by the Authority and can be amended by the Authority through its personnel manual.

8) Other Post-Employment Benefits (OPEB), Continued

Funding Policy

The Authority does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net OPEB obligation is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption the current active population remains constant. Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the Authority has an implicit rate obligation. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees.

Plan Description

Covered full-time active employees who retire directly from the Authority and are at least 50 years of age with 15 years of service are eligible to receive post-employment health care benefits. Each year, retirees participating in the Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. There is no coverage for post-Medicare retirees. There were 75 active employee participants at the time of the actuarial study.

Net OPEB Obligation

The net pension obligation was calculated as follows:

	6/30/2017	6/30/2016
Annual required contribution	$ 61,000	$ 57,000
Amortization of net OPEB obligation	(14,000)	(12,000)
Interest on net OPEB obligation	11,000	10,000
Annual OPEB cost	58,000	55,000
Contribtutions made	(22,000)	(21,000)
Increase in net OPEB obligation	36,000	34,000
Net OPEB obligation, beginning of year	277,509	243,509
Net OPEB obligation, end of year	$ 313,509	$ 277,509

Annual OPEB Cost

Year Ended June 30,	Annual OPEB cost	Actual contribution	Percentage of annual OPEB cost contributed	Net OPEB obligation
2017	$ 58,000	$ 22,000	37.9%	$ 313,509
2016	55,000	21,000	38.2%	277,509
2015	45,000	9,000	20.0%	243,509

Actuarial Methods and Assumptions

For the actuarial valuation at July 1, 2016, the projected unit credit method was used. Under this method, benefits provided by the substantive plan (the plan as understood by the Authority and the plan members) at the time of the actuarial study are projected and their present value is determined. The present value is divided into equal parts which are earned over the period from date of hire to the full eligibility date.

The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability, rate of inflation of 2.2%, and a payroll growth of 3%. Amortization of the initial unfunded actuarial liability is over a closed 22 year period based on a level percent of payroll method. Future increases for medical benefits are assumed to range from an initial rate of 7.5% and decrease gradually with the ultimate rate being 5.04%.

8) Other Post-Employment Benefits (OPEB), Continued

It should be noted actuarial calculations reflect a long-term perspective and therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

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

Schedule of Funding Progress

Actuarial valuation date July 1,	Actuarial value of assets	Actuarial accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2016	$ -	$ 559,000	$ 559,000	0.0%	$ 4,083,082	13.7%
2015	-	528,000	528,000	0.0%	4,026,779	13.1%
2014	-	423,000	423,000	0.0%	3,897,762	10.9%

9) Deferred Compensation Plan

The Authority offers its employees a deferred-compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to regular part-time and full-time Authority employees, permits them to defer 25% of their gross income up to a maximum of $18,000 per year. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

As required by Internal Revenue Code Section 457, 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.

10) Transactions with Related Parties

Certain financial management, accounting, and other services are provided to the Authority by the County. The charges for these services amounted to $768,211 and $770,378 for the years ended June 30, 2017 and 2016, respectively, and are included in the expenses under contractual fees. The Authority also owed the County $383,584 and $633,544 at June 30, 2017 and 2016, respectively, which primarily represents payroll expenses incurred by the Authority.

In addition, the County leases space in Authority buildings under long-term leases. Rent revenue was $309,920 and $299,338 for years ended June 30, 2017 and 2016, respectively; and is included in rental income.

11) Commitments and Contingencies

Construction in Progress

At June 30, 2017, the Authority had several major projects under construction which are presented in the accompanying financial statements as construction in progress.

11) Commitments and Contingencies, Continued

Below are the details for each project:

Project	Budget	Expenditures to date	Balance of contract	Budget balance
Sewer improvements	$ 4,252,075	$ 187,763	$ 101,904	$ 3,962,408
Water supply	17,992,132	2,007,137	1,206,727	14,778,268
Water distribution	382,817	-	-	382,817
Water transmission	500,000	40,567	4,508	454,925
Water storage	185,620	-	-	185,620
Other	1,234,180	162,871	29,037	1,042,272
	$ 24,546,824	$ 2,398,338	$ 1,342,176	$ 20,806,310

Project Development Agreement – Long Term Water Supply

The Authority entered into a project development agreement with the City of Newport News on March 25, 2008 for long-term water supply. The initial term of this agreement ends on January 1, 2050, at which time this agreement shall be automatically renewed for additional terms of 25 years. The Authority paid the City of Newport News $25 million on December 31, 2008, which was the first installment of this agreement. The second payment of $25 million is due by June 30, 2019. Both installment payments are considered to be for the purchase of an intangible asset (rights to water supply) and, as such, these costs will be capitalized and amortized over the remaining life of the agreement (initial term). See note 4 for more information on the intangible asset.

In addition to the installment payments, the Authority agreed to pay variable and fixed operating and maintenance costs to the City of Newport News payable by September 1 each year, based on its safe yield share of 20%.

The Authority did not receive any water from the City of Newport News for the years ended June 30, 2017 and 2016. Therefore, the Authority did not make a payment to the City of Newport News for the years ended June 30, 2017 and 2016, for these costs. Further, the Authority agreed that if it receives water from the City of Newport News through this agreement, to pay for the treatment of such water at a cost of $1.26 and $1.23 per 1,000 gallons for fiscal years ended June 30, 2017 and 2016, respectively. For the years ended June 30, 2017 and 2016, the Authority did not receive water from the City of Newport News under this agreement, and, as such, did not incur or pay for water treatment these fiscal years.

Grinder Pump Maintenance

The Authority entered into a contract with Final Phase Installations, Inc. where they will provide grinder pump maintenance. The term of the contract is October 26, 2016 through October 25, 2017, with the option to renew for up to 4 additional years. The contract allows for an increase based on the Consumer Price Index. For the years ended June 30, 2017 and 2016, the Authority paid $220,228 and $223,783, respectively, for grinder pump maintenance.

Water Storage Tank Maintenance

The Authority entered into a contract with Superior Industrial Maintenance Company where they will provide water storage tank maintenance. The term of the contract is July 13, 2017 through July 12, 2018, with the option to renew for up to 5 additional years. For the years ended June 30, 2017 and 2016, the Authority paid $133,573 and $127,353, respectively, towards this contract.

11) Commitments and Contingencies, Continued

Regional Hybrid Consolidation Plan

In February 2014, the Authority, HRSD and fourteen Hampton Roads localities entered into a Regional Hybrid Consolidation Plan for meeting Consent Agreement requirements to reduce sewer overflows. Under this plan, HRSD is responsible for major rehabilitation projects to repair deteriorated infrastructure and projects to increase the capacity of HRSD and locality pump stations and pipelines. HRSD will fund the work through a regional HRSD rate. The Authority 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 on an ongoing basis.

Other

The Authority is not currently involved in any litigation in which management deems would have a material impact to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A (Unaudited)

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Exhibit 4

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Changes in the Net Pension Liability and Related Ratios
Required Supplementary Information (Unaudited)
Years Ended June 30, 2017 and 2016 (1)

	2014	2015	2016
Total pension liability			
Service cost	$ 417,066	$ 430,269	$ 404,294
Interest	913,818	978,647	1,032,165
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(146,331)	128,139
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(376,365)	(433,146)	(562,945)
Net change in total pension liability	954,519	829,439	1,001,653
Total pension liability, beginning	13,242,723	14,197,242	15,026,681
Total pension liability, ending	$ 14,197,242	$ 15,026,681	$ 16,028,334
Plan fiduciary net position			
Contributions - employer	$ 308,820	$ 329,381	$ 336,720
Contributions - employee	197,188	193,349	197,261
Net investment income	1,802,418	612,704	245,617
Benefit payments, including refunds of employee contributions	(376,365)	(433,146)	(562,945)
Administrative expense	(9,511)	(8,173)	(8,604)
Other	95	(130)	(104)
Net change in plan fiduciary net position	1,922,645	693,985	207,945
Plan fiduciary net position, beginning	11,335,104	13,257,749	13,951,734
Plan fiduciary net position, ending	$ 13,257,749	$ 13,951,734	$ 14,159,679
Net pension liability	$ 939,493	$ 1,074,947	$ 1,868,655
Plan fiduciary net position as a percentage of the total pension liability	93.38%	92.85%	88.34%
Covered-employee payroll	$ 3,943,666	$ 3,897,762	$ 4,026,779
Net pension liability as a percentage of the total covered-employee payroll	23.82%	27.58%	46.41%

(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.

Exhibit 5

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Employer Contributions
Required Supplementary Information (Unaudited)
Years Ended June 30, 2017 and 2016 (1)

Fiscal year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered employee payroll	Contributions as a % of covered employee payroll
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%

(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.

See accompanying notes and independent auditors' report.

1) 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 the 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 is 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, 2016 is not material.

2) Changes of assumptions

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

Largest 10 – Non-LEOs:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 largest) – Non-LEOs:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

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SUPPLEMENTARY INFORMATION

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Exhibit A

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedules of Net Position – by Activity
June 30, 2017
(with comparative totals for 2016)

	Water operations	Sewer operations	Totals 2017	Totals 2016
Assets				
Current assets:				
Cash and cash equivalents	$ 270,310	$ 269,706	$ 540,016	$ 655,568
Investments	15,758,695	24,372,632	40,131,327	36,128,873
Restricted investments	677,614	-	677,614	729,605
Accounts receivable, customers	1,482,837	1,448,973	2,931,810	2,456,377
Accounts receivable, other	49,450	-	49,450	33,218
Note receivable	259,426	238,464	497,890	2,544
Interest receivable	67,412	67,412	134,824	125,238
Inventories	791,237	52,160	843,397	809,113
Total current assets	19,356,981	26,449,347	45,806,328	40,940,536
Noncurrent assets:				
Capital assets:				
Utility plant:				
Land	-	955,995	955,995	962,995
Water and sewer systems	129,358,983	124,431,945	253,790,928	251,061,253
Total utility plant	129,358,983	125,387,940	254,746,923	252,024,248
Nonutility property:				
Land	1,739,491	-	1,739,491	1,739,491
Central shop	4,857,636	427,273	5,284,909	4,892,209
Office fixtures and equipment	1,530,944	518,425	2,049,369	1,840,746
Land improvements	13,183	-	13,183	13,183
Automotive equipment	2,267,127	572,587	2,839,714	2,629,462
Total nonutility property	10,408,381	1,518,285	11,926,666	11,115,091
Intangible assets:				
Easements	4,570	-	4,570	4,570
Water rights	25,000,000	-	25,000,000	25,000,000
Total intangible assets	25,004,570	-	25,004,570	25,004,570
Construction in progress	2,210,575	187,763	2,398,338	1,334,553
Less accumulated depreciation and amortization	73,139,117	62,710,684	135,849,801	127,862,990
Net capital assets	93,843,392	64,383,304	158,226,696	161,615,472
Total assets	113,200,373	90,832,651	204,033,024	202,556,008
Deferred Outflows of Resources				
Deferred charge on refunding, net	1,739,250	-	1,739,250	1,815,422
Deferred pension contributions	148,834	148,834	297,668	341,874
Deferred pension investment experience	186,379	186,379	372,758	-
Deferred pension experience	49,957	49,957	99,914	-
Total deferred outflows	2,124,420	385,170	2,509,590	2,157,296
Total assets and deferred outflows	$ 115,324,793	$ 91,217,821	$ 206,542,614	$ 204,713,304
Liabilities				
Current liabilities:				
Accounts payable, trade	$ 280,805	$ 35,863	$ 316,668	$ 326,814
Accrued salaries	13,331	989	14,320	14,083
Compensated absences, current portion	308,913	-	308,913	287,104
Due to James City County	341,748	41,835	383,583	633,544
Deposits	190,732	-	190,732	180,490
Unearned revenue	258,336	238,464	496,800	-
Interest payable	343,670	-	343,670	152,823
Bond payable, current portion	668,907	-	668,907	848,907
Total current liabilities	2,406,442	317,151	2,723,593	2,443,765
Noncurrent liabilities:				
Advances for construction	5,882	27,020	32,902	32,902
Other post-employment benefits (OPEB)	156,755	156,754	313,509	277,509
Compensated absences, net of current portion	102,971	-	102,971	95,701
Bonds payable, net of current portion	22,600,295	-	22,600,295	23,269,202
Net pension liability	934,327	934,328	1,868,655	1,074,947
Total noncurrent liabilities	23,800,230	1,118,102	24,918,332	24,750,261
Total liabilities	26,206,672	1,435,253	27,641,925	27,194,026
Deferred Inflow of Resources				
Deferred pension experience	41,216	41,215	82,431	114,381
Deferred pension investment experience	-	-	-	348,305
Total deferred inflows	41,216	41,215	82,431	462,686
Net Position				
Net position:				
Net investment in capital assets	72,313,440	64,383,304	136,696,744	139,312,785
Restricted for debt service	677,614	-	677,614	729,605
Unrestricted	16,085,851	25,358,049	41,443,900	37,014,202
Total net position	89,076,905	89,741,353	178,818,258	177,056,592
Total liabilities, deferred inflows and net position	$ 115,324,793	$ 91,217,821	$ 206,542,614	$ 204,713,304

See accompanying independent auditors' report.

Exhibit B

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Schedules of Revenues, Expenses, and Changes in Net Position – by Activity

Year ended June 30, 2017

(with comparative totals for year ended June 30, 2016)

	Water operations	Sewer operations	Totals 2017	Totals 2016
Operating revenues:				
Water and sewer services	$ 8,083,285	$ 6,317,076	$ 14,400,361	$ 12,774,840
Other	773,467	150,384	923,851	817,963
Total operating revenues	8,856,752	6,467,460	15,324,212	13,592,803
Operating expenses:				
Salaries	2,324,175	2,060,270	4,384,445	4,347,283
Fringe benefits	977,945	821,853	1,799,798	1,583,480
Operating supplies	745,205	299,927	1,045,132	1,094,002
Maintenance	582,985	1,056,085	1,639,070	1,670,023
Utilities	661,647	237,647	899,294	870,220
Contractual fees	509,035	411,679	920,714	903,463
Other	122,560	93,073	215,633	233,233
Total operating expenses	5,923,552	4,980,534	10,904,086	10,701,704
Operating income before depreciation and amortization	2,933,200	1,486,926	4,420,126	2,891,099
Depreciation and amortization	5,096,640	3,097,443	8,194,083	7,930,632
Operating loss	(2,163,440)	(1,610,517)	(3,773,957)	(5,039,533)
Nonoperating revenues (expenses):				
Facility charges	2,690,404	1,973,912	4,664,316	3,243,535
Investment income	45,308	44,840	90,148	519,767
Gain (loss) on disposal of capital assets	56,018	(7,000)	49,018	(193,113)
Insurance recovery	1,000	-	1,000	14,219
Bond issuance costs	-	-	-	(402,364)
Interest expense	(778,073)	-	(778,073)	(744,124)
Net nonoperating revenues	2,014,657	2,011,752	4,026,409	2,437,920
Income (loss) before capital contributions	(148,783)	401,235	252,452	(2,601,613)
Capital asset contributions	1,000,200	509,014	1,509,214	6,865,346
Changes in net position	851,417	910,249	1,761,666	4,263,733
Net position, beginning of year	88,225,488	88,831,104	177,056,592	172,792,859
Net position, end of year	$ 89,076,905	$ 89,741,353	$ 178,818,258	$ 177,056,592

See accompanying independent auditors' report.

Exhibit C

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Schedule of Operating Revenues and Expenses – Budget and Actual – by Activity
Year ended June 30, 2017

	Water operations		Variance favorable	Sewer operations		Variance favorable
	Actual	Budget	(unfavorable)	Actual	Budget	(unfavorable)
Operating revenues:						
Water and sewer services	$ 8,083,285	$ 6,863,000	$ 1,220,285	$ 6,317,076	$ 5,748,000	$ 569,076
Other	773,467	348,964	424,503	150,384	147,963	2,421
Total operating revenues	$ 8,856,752	$ 7,211,964	$ 1,644,788	$ 6,467,460	$ 5,895,963	$ 571,497
Operating expenses:						
Salaries	$ 2,324,175	$ 2,463,616	$ 139,441	$ 2,060,270	$ 2,225,314	$ 165,044
Fringe benefits	977,945	1,025,467	47,522	821,853	882,367	60,514
Operating supplies	745,205	1,155,376	410,171	299,927	536,204	236,277
Maintenance *	582,985	802,688	219,703	1,056,085	1,613,092	557,007
Utilities	661,647	726,892	65,245	237,647	293,376	55,729
Contractual fees	509,035	614,991	105,956	411,679	488,882	77,203
Other	122,560	185,903	63,343	93,073	145,216	52,143
Total operating expenses	$ 5,923,552	$ 6,974,933	$ 1,051,381	$ 4,980,534	$ 6,184,451	$ 1,203,917

*Includes budget from Capital Improvements Program for expenses related to the Department of Environmental Quality consent order.

See accompanying independent auditors' report.

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STATISTICAL SECTION

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JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Statistical Section Overview

This part of the James City Service Authority'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 Authority's overall financial health.

Contents

Financial Trends **Tables 1-2**

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

Revenue Capacity **Tables 3-4**

These tables contain information to help the reader assess the factors affecting the Authority's ability to generate its operating revenues.

Debt Capacity **Tables 5-7**

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

Demographic & Economic Information **Tables 8-9**

These tables offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operation Information **Tables 10-16**

These tables contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

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

Table 1

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Net Position
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net Position										
Net investment in capital assets	$ 134,316,001	$ 134,314,330	$ 135,071,435	$ 135,641,623	$ 134,872,139	$ 139,966,206	$ 137,922,955	$ 137,173,064	$ 139,312,785	$ 136,696,744
Restricted for debt service	-	-	-	-	-	-	-	-	729,605	677,614
Restricted for capital projects	705,775	4,674,837	4,610,218	4,740,769	4,876,760	2,620,384	2,601,160	2,716,277	-	-
Unrestricted	35,703,438	36,591,088	36,430,621	34,057,874	34,106,903	29,699,494	29,159,119	32,903,518	37,014,202	41,443,900
Total net position	$ 170,725,214	$ 175,580,255	$ 176,112,274	$ 174,440,266	$ 173,855,802	$ 172,286,084	$ 169,683,234	$ 172,792,859	$ 177,056,592	$ 178,818,258

Table 2

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Changes in Revenues, Expenses and Net Position
Last Ten Fiscal Years

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Operating revenues:										
Water and sewer services	$ 11,211,578	$ 12,279,796	$ 12,314,268	$ 12,603,818	$ 11,718,297	$ 12,002,533	$ 11,825,702	$ 12,588,470	$ 12,774,840	$ 14,400,361
Water supply proffers	502,217	138,170	52,908	125,192	26,967	13,362	57,446	450,262	218,987	298,054
Rental income	181,256	135,234	144,441	171,401	144,381	164,875	160,914	325,991	326,377	377,880
Other	615,883	241,569	450,027	190,467	198,025	242,028	285,892	214,104	272,599	247,917
Storm cost reimbursement	-	-	-	-	349,541	-	900	-	-	-
Total operating revenues	12,510,934	12,794,769	12,961,644	13,090,878	12,437,211	12,422,798	12,330,854	13,578,827	13,592,803	15,324,212
Operating expenses:										
Salaries	4,066,458	4,360,920	4,133,261	4,040,543	4,144,696	4,306,155	4,288,721	4,257,924	4,347,283	4,384,445
Fringe benefits	1,529,173	1,612,176	1,570,514	1,585,037	1,584,707	1,636,038	1,337,328	1,546,525	1,583,480	1,799,798
Operating supplies	775,892	1,014,351	866,624	888,559	899,095	822,882	882,253	836,288	1,094,002	1,045,132
Maintenance	1,715,131	1,687,340	1,969,116	3,193,116	3,065,512	3,364,910	3,501,598	2,067,464	1,670,023	1,639,070
Utilities	893,503	1,008,602	771,544	813,478	917,498	862,665	875,020	861,074	870,220	899,294
Contractual fees	640,618	735,132	889,869	873,110	882,505	910,491	836,634	915,365	903,463	920,714
Other	584,824	535,001	784,305	697,629	560,671	504,573	496,851	497,803	233,233	215,633
Storm costs	-	-	-	-	359,921	-	-	-	-	-
Total operating expenses	10,205,599	10,953,522	10,985,233	12,091,472	12,414,605	12,407,714	12,218,405	10,982,443	10,701,704	10,904,086
Operating income before depreciation and amortization	2,305,335	1,841,247	1,976,411	999,406	22,606	15,084	112,449	2,596,384	2,891,099	4,420,126
Depreciation and amortization	5,864,920	6,410,118	7,087,224	7,273,473	7,469,016	7,619,431	7,670,391	7,810,808	7,930,632	8,194,083
Operating loss	(3,559,585)	(4,568,871)	(5,110,813)	(6,274,067)	(7,446,410)	(7,604,347)	(7,557,942)	(5,214,424)	(5,039,533)	(3,773,957)
Nonoperating revenues (expenses):										
Facility charges	3,428,121	2,507,300	3,260,875	3,839,702	3,165,330	3,868,654	4,305,728	3,863,650	3,243,535	4,664,316
Investment income (loss)	1,995,201	3,658,420	956,056	509,675	351,929	(1,249,111)	267,061	248,207	519,767	90,148
Gain (loss) on disposal of capital assets	181,615	74,226	(251,710)	34,324	21,285	(44,507)	15,352	23,497	(193,113)	49,018
Insurance recovery	-	-	-	-	-	-	-	-	14,219	1,000
Bond issuance costs	-	-	-	-	-	-	-	-	(402,364)	-
Interest expense	(480,584)	(1,379,059)	(1,749,899)	(1,531,715)	(1,478,060)	(1,141,052)	(1,114,130)	(1,095,684)	(744,124)	(778,073)
Net nonoperating revenues	5,124,353	4,860,887	2,215,322	2,851,986	2,060,484	1,433,984	3,474,011	3,039,670	2,437,920	4,026,409
Income (loss) before contributions	1,564,768	292,016	(2,895,491)	(3,422,081)	(5,385,926)	(6,170,363)	(4,083,931)	(2,174,754)	(2,601,613)	252,452
Capital asset contributions	3,154,158	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
Changes in net position	$ 4,718,926	$ 4,855,041	$ 532,019	$ (1,672,008)	$ 9,436	$ (1,569,718)	$ (695,231)	$ 3,109,625	$ 4,263,733	$ 1,761,666

Table 3

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)
Water and Sewer Rates
Last Ten Fiscal Years

Quarterly Continuing Service Charges for Residential Water Service

Fiscal Year	Basic Charge	Rate per 1,000 gallons (1)	Quarterly Total (2)	% Change
2008	$ -	$2.50 - $3.00 - $8.50	$ 55.50	0.0%
2009	-	2.85 - 3.45 - 9.80	63.45	14.3%
2010	-	2.85 - 3.45 - 9.80	63.45	0.0%
2011	-	2.85 - 3.45 - 9.80	63.45	0.0%
2012	-	2.85 - 3.45 - 9.80	63.45	0.0%
2013	-	2.85 - 3.45 - 9.80	63.45	0.0%
2014	-	2.85 - 3.45 - 9.80	63.45	0.0%
2015	-	2.85 - 3.45 - 9.80	63.45	0.0%
2016	7.22	2.47 - 4.93 - 11.59	73.85	16.4%
2017	8.19	2.80 - 5.60 - 13.15	83.79	13.5%

Quarterly Continuing Service Charges for Residential Sewer Service (1)

Fiscal Year	Basic Charge	Rate per 1,000 gallons	Quarterly Total (2)	% Change
2008	$ -	$ 2.80	$ 58.80	0.0%
2009	-	2.80	58.80	0.0%
2010	-	2.80	58.80	0.0%
2011	-	2.80	58.80	0.0%
2012	-	2.80	58.80	0.0%
2013	-	3.22	67.62	15.0%
2014	-	3.22	67.62	0.0%
2015	-	3.22	67.62	0.0%
2016	5.66	2.93	67.19	-0.6%
2017	5.77	2.99	68.56	2.0%

(1) Inverted Block Rate Structure:

1st Block based on 0 to 15,000 gallons used per quarter.

2nd Block based on 15,000 to 25,000 gallons used per quarter, which changed to 15,000 to 30,000 gallons used per quarter.

3rd Block based on over 25,000 gallons used per quarter, which changed to 30,000 gallons used per quarter.

(2) Assumes 21,000 gallons average quarterly use.

Source: James City Service Authority Schedule of Rates and Fees

Table 4

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Largest Utility Customers
Current Year and Nine Years Ago

	2017			2008		
	Gallons Billed	Service Charges	Rank	Gallons Billed	Service Charges	Rank
Owens-Illinois *	18,913,121	$ 96,154	1	19,158,550	$ 57,476	2
Williamsburg-James City County Public Schools *	16,627,195	107,376	2	15,983,860	47,952	4
Country Village Mobile Home Park (sewer only)	15,355,692	45,868	3	13,500,652	40,502	5
Eastern State Hospital *	14,597,936	102,402	4	33,000,000	99,000	1
Patriots Colony	13,970,561	98,844	5	17,365,180	52,096	3
Greystone *	13,621,019	90,334	6	N/A	N/A	N/A
Double Tree by Hilton (sewer only)	12,023,352	35,900	7	N/A	N/A	N/A
Virginia Peninsula Regional Jail*	10,836,970	28,388	8	N/A	N/A	N/A
Brookdale	9,577,154	66,761	9	N/A	N/A	N/A
Platinum Management	9,398,545	66,575	10	10,496,000	31,488	7
Windy Hill Trailer (sewer only)	-	-		12,232,792	36,698	6
Oxford-James	-	-		10,400,750	31,202	8
Rolling Meadows	-	-		9,526,100	28,578	9
Williamsburg-Oxford	-	-		8,093,500	24,281	10
Total	134,921,545	$ 738,602		149,757,384	$ 449,273	

* Subject to wastewater sub-meter adjustments

Source: James City Service Authority, Administration Department

Table 5

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Ratio of Outstanding Debt

Last Ten Fiscal Years

Fiscal year	Revenue bonds	Number of water connections	Debt per water connection
2008	$ 11,212,670	18,770	$ 597.4
2009	37,386,546	19,085	1,958.9
2010	35,950,422	19,368	1,856.2
2011	34,469,299	19,719	1,748.0
2012	32,938,175	20,070	1,641.2
2013	25,185,000	20,549	1,225.6
2014	24,660,000	20,858	1,182.3
2015	24,115,000	21,246	1,135.0
2016	22,595,000	21,669	1,042.7
2017	21,810,000	22,133	985.4

Note: The James City Service Authority has no legal debt margin nor overlapping debt.

Source: James City Service Authority, Administration Department

Table 6

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Revenue Bond Coverage

Last Ten Fiscal Years

Fiscal year	Gross revenue	Direct operating expenses	Net revenue available for debt service	Principal	Interest	Total	Coverage
2008	$ 18,115,871	$ 10,205,599	$ 7,910,272	$ 905,000	$ 479,431	$ 1,384,431	5.71
2009	19,034,715	10,953,522	8,081,193	1,395,000	1,637,050	3,032,050	2.67
2010	17,178,575	10,985,233	6,193,342	1,440,000	1,590,562	3,030,562	2.04
2011	17,474,579	12,091,472	5,383,107	1,490,000	1,537,750	3,027,750	1.78
2012	15,975,755	12,414,605	3,561,150	1,545,000	1,483,100	3,028,100	1.18
2013	14,997,834	12,407,714	2,590,120	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

Note: The James City Service Authority has no legal debt margin nor overlapping debt.

Table 7

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Outstanding Debt for James City County

Last Ten Fiscal Years

Fiscal year	General obligation bonds	Capital leases	Lease revenue bonds	Total
2008	$ 118,369,735	$ 12,126,298	$ 107,200,000	$ 237,696,033
2009	109,974,105	11,170,533	101,595,000	222,739,638
2010	101,414,765	10,169,895	110,275,000	221,859,660
2011	93,283,624	10,285,522	104,055,000	207,624,146
2012	86,134,103	9,235,074	104,472,000	199,841,177
2013	80,004,294	1,098,854	123,034,000	204,137,148
2014	72,164,244	984,528	114,416,000	187,564,772
2015	65,458,589	858,833	103,604,000	169,921,422
2016	49,844,842	728,456	130,451,552	181,024,850
2017	44,155,482	4,195,266	119,855,768	168,206,516

Table 8

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

County Demographic and Economic Statistics

Last Ten Calendar Years

Calendar year	Population (1)	Personal income (2)	Per capita personal income (2)	Unemployment percentage (1)
2008	61,195	$ 4,175,375,000	$ 53,715	3.2%
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	**	**	3.9%
2017	**	**	**	**

Source:

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

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

** Statistics not yet available

Table 9

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Principal Employers in James City County
Current Year and Nine Years Ago

	2017			2008		
	Employees	**Rank**	**Percentage of total County employment**	**Employees**	**Rank**	**Percentage of total County employment**
Busch Gardens	1000+	1	**	1000+	1	20.48%
Williamsburg-James City County Public Schools	1000+	2	4.63%	1000+	2	7.11%
Eastern State Hospital	1000+	3	2.90%	1000+	4	3.39%
James City County	500-999	4	2.17%	1000+	3	4.38%
Anheuser-Busch, Inc.	500-999	5	1.74%	500-999	6	2.83%
Riverside Regional Medical Center	500-999	6	1.59%	-		-
Kingsmill Resort	500-999	7	1.45%	-		-
Wal-Mart Distribution Center	250-499	8	1.44%	500-999	7	2.00%
Owens and Minor	250-499	9	1.16%	-		-
Jamestown-Yorktown Foundation	250-499	10	0.87%	500-999	8	1.67%
Williamsburg Landing	-		-	250-499	10	1.04%
Busch Properties, Inc.	-		-	500-999	5	3.19%
Avid Medical	-		-	250-499	9	1.47%
Total			17.95%			47.56%

** Busch Gardens became publicly traded during fiscal year 2013, and information is not available.

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

Table 10

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Schedule of Insurance in Force

June 30, 2017

Insurer	Type of coverage	Policy number	Policy period from	Policy period to	Annual Premium
Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP)	General liability Property Automobile Crime Public officials' liability	VA-JA-131-17	07/01/16	10/31/16	$ 31,469
Virginia Association of Counties Group Self-Insurance Risk Pool (VACoRP)	General liability Property Automobile Crime Public officials' liability	VA-JA-131D-17	11/01/16	07/01/17	$ 59,076
Virginia Association of Counties Group Self-Insurance Association (VACoGSIA)	Workers' compensation	VA-JA-131D-17	07/01/16	07/01/17	$ 64,855

Table 11

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Full-time Employees by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration	63	65	65	60	63	63	63	63	63	63
Water	14	15	15	15	15	15	15	15	15	15
Sewer	11	11	11	11	11	11	11	11	11	11
Total	**88**	**91**	**91**	**86**	**89**	**89**	**89**	**89**	**89**	**89**

Source: James City County, Fiscal Year Adopted Budgets

Table 12

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Operating Indicators by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water:										
New connections	351	263	385	388	351	448	359	388	423	464
Water main breaks	57	37	40	44	31	25	21	26	21	34
Sewer:										
New connections	389	269	380	375	296	347	261	380	447	470

Source: James City Service Authority, Administration Department

Table 13

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water:										
Water lines (miles)	332	339	344	393	390	393	400	402	407	409
Water customers	18,770	19,085	19,368	19,719	20,070	20,549	20,858	21,246	21,669	22,133
Storage tanks (greater than 250,000 gallons)	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	20,400	25,753	20,200	20,866	19,200	18,597	18,937	19,415	18,921	20,025
Sewer:										
Sewer lines (miles)	375	379	382	419	423	425	430	435	439	440
Gallons collected (millions)	1,727	1,765	1,833	1,598	1,771	1,739	1,862	1,897	1,863	1,971
Sewer customers	18,590	18,702	18,860	21,127	21,488	21,962	22,575	22,955	23,402	23,872

(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.

Source: James City Service Authority, Administration Department

Table 14

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Summary of Historical Flows (MGD)
Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Water:										
Average Day	4.9	4.8	5.0	5.1	4.8	4.7	4.7	4.7	4.7	5.0
Average Day in Month of Maximum Flow	6.3	7.1	6.8	7.4	6.4	6.1	5.9	6.1	5.9	6.4
Month of Maximum Flow	July	August	June	July	July	July	June	July	August	August
Sewer:										
Average Day	4.7	5.4	4.5	4.4	5.0	5.0	5.1	5.1	5.1	5.4

Source: James City Service Authority, Administration Department

Table 15

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Miscellaneous Statistics

Comparison of Area Water Bills
Annual Consumption 60,000 Gallons as of June 2017

Virginia Jurisdiction	Water Service
City of Williamsburg	$ 318.00
City of Norfolk	450.00
City of Newport News	444.60
City of Virginia Beach	353.52
James City Service Authority	200.76

Source: James City Service Authority

Comparison of Area Sewer Bills
Annual Consumption 60,000 Gallons as of June 2017

Virginia Jurisdiction	Sewer Service *
City of Hampton	$ 171.60
City of Newport News	318.36
City of Virginia Beach	369.72
City of Norfolk	318.48
York County	312.00
James City Service Authority	202.44

* Rates charged by the municipality. Residents of these municipalities pay a separate wastewater treatment fee to Hampton Roads Sanitation District of $6.03 per 1,000 gallons.

Source: James City Service Authority

Availability Charges for a Typical Residential Connection (1)
Last Ten Fiscal Years

Fiscal Year	Water	Sewer	Total
2008	$ 4,200	$ 2,520	$ 6,720
2009	4,200	3,360	7,560
2010	4,200	3,360	7,560
2011	4,200	3,360	7,560
2012	4,200	3,360	7,560
2013	4,200	3,360	7,560
2014	4,200	3,360	7,560
2015	4,200	3,360	7,560
2016	4,200	3,360	7,560
2017	4,200	3,360	7,560

(1) A system facilities charge for water service is assessed for each new separate service connection. The purpose of the charge is to defray in part the cost of providing major supply, transmission main, booster pumping and distribution facilities. A similar system facilities charge for sewer service is assessed for each new separate service connection. The current charge for a residential 5/8 inch meter is $500 per bathroom fixture and has been in effect since 2008. The sewer service connection is also based on the size of the water meter and is $400 per bathroom fixture and has been in effect since 2009.

Source: James City Service Authority

Table 16

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

Wastewater Charges

(a) System Facilities Charge

A system facilities charge for wastewater collection service to be furnished through each new separate service connection which is to be made to a public sewer, regardless of who may have paid for the installation of the public sewer to which the connection is to be made, shall be paid by each applicant for service prior to the installation of service, as follows:

Metered Water Service

Commercial, industrial, institutional, multi-family residential and single-family residential:

Meter Size (inches)	Charge
5/8" Residential	$400 per bathroom fixture
5/8" Nonresidential	2,500
3/4"	3,500
1"	4,000
1 1/2"	7,500
2"	12,000
3"	24,000
4"	37,500
5"	75,000

Nonmetered Water Service

Where water is provided by an unmetered source, the following estimated charges shall be assessed:

Activity, use	Unit	Charge
Single-family residences	Each	$300 per bathroom fixture
Singe-family mobile homes	Each	1,000
Mobile homes in parks	Each lot	1,000
Two family, apartments and townhouses	Each	300 per bathroom fixture
Schools (with showers)	Student	80
Schools (without showers)	Student	50
Motels and hotels	Room	650 or minimum 2,500
Manufacturing	Msf	300 or minimum 1,200
Warehouses	Msf	100 or minimum 1,200
Service stations	Each	1,200
Camping facilities	Each space	500 or minimum 1,200
Restaurants	Seat	20 or minimum 1,200
Commercial	Msf	minimum 1,500

Activity, use	Unit	Charge
First	30,000 sq. ft.	$ 500
Next	10,000 sq. ft.	450
Next	10,000 sq. ft.	400
Over	50,000 sq. ft.	350

The purpose of this charge is to defray, in part, the cost of providing force mains, pump stations, transmission mains, booster pumps, and other system facilities.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

Wastewater Charges

(b) Local Facilities Charge

A local facilities charge of $1,050 for each separate connection to public sewer shall be paid by each applicant who desires to secure wastewater service therefrom, which charge shall be paid prior to the approval of the application for service; provided, however, in any instance where satisfactory evidence shows that an applicant has paid the cost of installation of the local facility to which the connection is to be made, either by installing the local facility at his expense and then conveying the same to the Authority (or its predecessors) or by reimbursing the Authority (or its predecessors) for the cost of such local facilities, the local facilities charge shall be waived. Additionally, when the Authority does not install or have a rebate agreement, the local facilities charge shall also be waived. In situations where a new wastewater system has been installed by the Authority and whereas any applicant adjacent to this new system that has an existing septic system desires to receive wastewater service therefrom, the local facilities charge shall be waived for a period of 12 months from the completion date of the new wastewater system installation.

The purpose of this charge is to defray in part the cost of installing collection mains which are necessary to provide wastewater collection service to abutting properties and which have been provided at the expense of the Authority or persons, firms, or corporations other than the applicant. The charge shall be paid prior to issuance of a plumbing permit from Building Safety and Permits.

(c) Grinder Pump Installation and Maintenance Charge

Any applicant for a sewer connection requiring a residential grinder pump may purchase the grinder pump (that meets Authority standards and specifications) plus ancillary parts from the Authority at cost if the grinder pump is necessary to replace an existing septic system. In addition, if the connection to the public sewer system is replacing a septic system, the applicant is eligible for the deferred-payment plan discussed in Paragraph G, Section 2 of the James City Service Authority Regulations Governing Utility Service.

An annual grinder pump maintenance charge of $260 shall be paid for each separate connection to a grinder pump when the operation and maintenance of said residential grinder pump is the responsibility of the Authority. The payment for this charge will be prorated in equal amounts in the customers' utility service charge billing. The Authority shall not maintain nonresidential grinder pumps or other commercial pump stations unless such utility maintenance is deemed by the Authority to be in the interest of the public health or is necessary to protect the integrity of the system, or such facility is located within a designated Reservoir Protection Zone.

(d) Services Connection Charge

A service connection charge shall be paid by each applicant for each new service connection prior to the approval of the application as follows:

Service Installed by	Charge
Developer, applicant	$10 per connection inspection fee
Utility	Actual cost x 1.25, including overhead

The purpose of this charge is to defray the cost of installation or inspection of a service connection from the public sewer main in the street to the curb or property line. The service connection charge shall be waived provided the applicant has paid a local facilities charge and the sewer service line is not greater than six inches in diameter for a gravity main or two inches in diameter for a force main. In the event that the service connection charge is not waived, the local facilities charge will be applied against the service connection charge. waived provided the applicant has paid a local facilities charge and the sewer service line is not greater than six inches in diameter for a gravity main or two inches in diameter for a force main. In the event that the service connection charge is not waived, the local facilities charge will be applied against the service connection charge.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

(e) Retail Service Rates

The wastewater service charge shall be based on usage from a metered water source where available. For wastewater service on an unmetered water source, a meter sized equivalent shall be used, based upon an estimated charge.

Metered Water Source

Metered water usage shall be reduced by a metered reading from a landscaping meter or similar device if the landscaping meter or device is approved and utilized under operating regulations adopted by Hampton Roads Sanitation District (HRSD).

A copy of the deduction meter reading provided to HRSD must be received by the Authority within 20 days prior to the end of each billing period. In the event a meter reading is not received within this time, the Authority shall bill based on total water consumption and no refund or billing adjustment shall be made.

Each customer bill shall include a Fixed Charge based upon the size of the meter serving the customer. The Fixed Charge for each billing cycle shall be calculated based on the quarterly fixed charge chart below. This Fixed Charge is for expenses associated with operating and maintaining the wastewater collection system.

Meter Size	Quarterly Fixed Charge
5/8”	$ 5.77
3/4”	8.66
1”	14.43
1 1/2”	28.85
2”	46.16
3”	92.32
4”	144.25
6”	288.50
8”	461.60
10”	663.55

Charge for all collection and treatment of wastewater:

Volume	Collection
Per 1,000 gallons of water consumed	$ 2.99
Per 100 cubic feet of water consumed	2.24

Nonmetered Water Source

Where no meter exists or where meter readings are not made available by the water supplier to the Authority, the estimated charges below shall be assessed.

Activity, Use	Unit	Charge
Single-family residences	Each	$ 42.00
Singe-family mobile homes	Each	42.00
Mobile homes in parks	Each lot	37.25
Duplex, apartments and townhouses	Each	37.25
Schools (with showers)	Student	4.25
Schools (without showers)	Student	2.65
Motels and hotels	Room	18.55 or minimum 186.70
Manufacturing	Msf	11.00 or minimum 35.85
Warehouses	Msf	7.45 or minimum 46.50
Service stations	Each	49.95
Camping facilities	Each space	16.22 or minimum 64.25
Restaurants	Seat	4.95 or minimum 55.85
Commercial	Msf	18.55 or minimum 55.85
Churches	Each	40.65
Swimming pools	Sfe	40.65
Laundromats	Sfe	40.65

Commercial condensate discharge shall be billed annually at the current wastewater collection metered retail service rate. The bill shall be based on a condensate volume estimate prepared by the customer or customer's designated representative and approved by JCSA Engineering.

Others to be established when needed

The purpose of the retail service charge is to defray all other costs of providing wastewater collection, and in certain cases, treatment for domestic, commercial, and industrial uses including replacement, renewals, extensions, and repayment of moneys borrowed to acquire or construct the wastewater collection transmission system.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

Water Charges

(a) System Facilities Charge

A system facilities charge for water service to be furnished through each new separate service connection which is to be made to a public water main, regardless of who may have paid for the installation of the public water main to which the connection is to be made, shall be paid by each applicant for service prior to the installation of the water service connection, as follows.

Commercial, industrial, institutional, multi-family residential and single-family residential:

Meter Size	Charge
5/8" Residential	$500 per bathroom fixture
5/8" Nonresidential	2,500
3/4"	3,500
1"	4,000
1 1/2"	7,500
2"	12,000
3"	24,000
4"	37,000
6"	75,000

The purpose of this charge is to defray in part the cost of providing major supply, transmission main, booster pumping, and distribution storage facilities. The charge shall be paid prior to the issuance of a plumbing permit from Building Safety and Permits.

(b) Local Facilities Charge

A local facilities charge of $1,300 for each separate connection to an existing water main shall be paid by each applicant who desires to secure water service therefrom, which charge shall be paid prior to the approval of the application for service; provided, however, in any instance where satisfactory evidence shows that an applicant for a connection has paid the cost of installation of the local facility to which the connection is to be made, whether by installing the local facility at his expense and then conveying the same to the Authority (or its predecessors) or by reimbursing the Authority (or its predecessors) for the cost of such local facility, the local facilities charge shall be waived.

The purpose of this charge is to defray, in part, the cost of installing mains, valves, and fire hydrants which are necessary to provide water service to abutting properties and which have been provided at the expense of the Authority or persons, firms, or corporations other than the applicant. The charge shall be paid prior to the issuance of a plumbing permit from Building Safety and Permits.

(c) Service Connection Charge

A service connection charge shall be paid by each applicant for each new service connection and meter installation prior to the approval of the application, as follows:

Installation of Connection by	Collection
Developer	$10 per meter inspection fee
Utility	Actual cost x 1.25, including overhead

The purpose of this charge is to defray the cost of installation or inspection of a service connection from the water main in the street to the curb or property line and the installation of a meter either at the curb or property line or within the premise.

(d) Retail Service Charge

Each customer bill shall include a Fixed Charge based upon the size of the meter serving the customer. The Fixed Charge for each billing cycle shall be calculated based on the quarterly fixed charge chart below. This Fixed Charge is for expenses associated with operating and maintaining the water distribution system.

Meter Size	Quarterly Fixed Charge
5/8"	$ 8.19
3/4"	12.29
1"	20.48
1 1/2"	40.95
2"	65.52
3"	131.04
4"	204.75
6"	409.50
8"	655.20
10"	941.85

Water service shall be based upon a commodity charge for all consumption, as follows:

Single Family Residential	Quarterly Use		
Meter Size	Tier 1	Tier 2	Tier 3
5/8"	0-15,000	15,001-30,000	30,000+
3/4"	0-22,500	22,501-45,000	45,000+
1"	0-37,500	37,501-75,000	75,000+
1 1/2"	0-75,000	75,001-150,000	150,000+
2"	0-120,000	120,001-240,000	240,000+
3"	0-240,000	240,001-480,000	480,000+
4"	0-375,000	375,001-750,000	750,000+
6"	0-750,000	750,001-1,500,000	1,500,000+
8"	0-1,200,000	1,200,001-2,400,000	2,400,000+
10"	0-1,725,000	1,725,001-3,450,000	3,450,000+
Rate Per 1,000 Gallons	$ 2.80	$ 5.60	$ 13.15

Multi-Family Residential and Non-Residential All Meter Sizes	All Use
Rate per 1,000 Gallons	$ 4.14

The purpose of the retail service charge is to defray all costs of providing water service for domestic, commercial, and industrial uses and for firefighting purposes, including repayment of moneys borrowed to acquire or construct the water system; operation and maintenance; and renewals, replacements and extensions.

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

Exceptions to Local System Facilities Charges

The provisions of Regulations Governing Utility Service, Section 29 above, shall be observed when there is a conflict between Section 29 and the provisions of Sections 32(b) and 32(c) above.

Billing and Account Charges

The below charges shall be assessed for any customer billed by the Authority.

(a) Account Charges

An account charge of $10 ($20 if the meter is read) shall be paid for each applicant for continuing service, whether for a new account or for a transfer of account, for water and/or wastewater service. The purpose of this charge is to defray the cost incurred in clerical and bookkeeping activities, the turning on of services, and/or meter reading required for each new account or transfer of account.

(b) Transaction Charge for Late Payment

A transaction charge for late payment of 1.5% will be assessed on the balance due once the bill is delinquent and then every 30 days thereafter. The late charge will be added to a bill in the event the bill is not paid within 30 days following the date thereof.

(c) Interest Charge for Late Payment with a Lien

An interest charge for late payment of 8% simple interest on the principal (delinquent amount) due, shall be added to any account when a lien has been placed upon real estate. Such lien on any real estate may be discharged by the payment to the Authority of the total lien amount, penalty, and the interest which has accrued to the date of the payment.

(d) Restoration of Service Charge

Where service has been terminated on account of the nonpayment of any bill, a restoration of service charge of $30 ($100 for a single service wastewater customer not on metered water service) shall be paid before service is restored, except as defined in Section 17(A)(2).

The purpose of this charge is to defray the expenses of terminating and restoring services, including clerical and bookkeeping activities.

(e) Meter Test Deposit

A test of a water meter shall be done at the request of a water customer upon payment of a meter test deposit as defined in Regulations Governing Utility Service Section I (1). If the meter is found to be 3% or more fast, then the deposit shall be refunded. If inoperable or 25% or more slow, the deposit shall be credited against a revised billing. The deposit shall be determined by meter size, as set out in the following:

Meter Size	Deposit
5/8" to 1"	$ 75.00
Greater than 1"	100.00

(f) Fire Hydrant Charge

For customer-requested hydrants installed under the provisions of Regulations Governing Utility Service Section 21, there shall be an installation cost of actual cost plus an allowance of 25% for overhead. The applicant shall deposit with the Authority an estimated fee prepared by the Authority, subsequently adjusted at the completion of the installation with costs exceeding the estimate billed or, in case the estimate exceeds the cost, refunded to the applicant.

The purpose of this charge is to assess to the user the cost of installing fire hydrants for the benefit of the applicant.

(g) Temporary Water Service Charge

Under the provisions of Section 22, an applicant for temporary service shall pay, upon application, for the estimated costs of installing, replacing, and removing the facilities which are required to furnish such services plus an allowance of 25% for overhead. The applicant shall receive a refund if the estimate exceeds the actual. The applicant shall also pay service charges and all charges caused by a late payment or nonpayment. The applicant may also be required to post a deposit as described in Regulations Governing Utility Service Section 6.

(h) Fire Connection Detector Check Meter Charge

Fire connection detector check meters shall be read and billed at least annually or on a more frequent basis, as determined by the Authority. Rates governing normal water usage shall be assessed. Fire connection detector check meters monitor nonfire flow usage from a fire connection and there should be little or no water activity.

Table 16, continued

JAMES CITY SERVICE AUTHORITY
(A Component Unit of the County of James City, Virginia)
Rates and Fees

Multiple Charges Bills

All charges and fees above are in addition to charges and fees assessed and owed to Newport News Waterworks, HRSD, or any other private or municipal utility.

No Free Service

There shall be no utility service provided to any customer without the assessment of service charges.

Plan Review Fee

The following are the charges that shall be assessed for the appropriate plan. The purpose of this charge is to defray cost incurred for time used to provide engineer technical review.

Document	Collection
Rezonings:	
5 acres or less	$ 100
Greater than 5; but less than 10 acres	150
Greater than 10 acres	200
Special use permits:	
General	200
Family subdivision	50
Wireless communication facilities	50
Other	50
Site plans:	
Administrative review:	
Residential structure (multi-family)	300 plus $5 per unit
Nonresidential structure	300
Mixed use structure	200 plue $5 per residential unit
Utility easement plat service	300
Planning commission review:	
Residential structure (multi-family)	300 plus $5 per unit
Nonresidential structure	300
Mixed use structure	300 plue $5 per residential unit
Utility easement plat service	300
Amendment to an approved plan:	
Residential structure (multi-family)	150 plus $2 per unit
Nonresidential structure	150
Mixed use structure	150 plus $2 per residential unit
Utility easement plat service	150
Each additional review after second resubmission	150
Master plan review:	
Initial review	600
Revision of plan	600
Conceptual plan for water and sewer:	
General	100
Master utility plans and modeling	300
Each additional review after second resubmission	150
Subdivision plan review:	
No public improvements required	75
Public improvements required	300 per plan plus $5 per lot
Wastewater pumping station	2,000
Well facility	3,000
Each additional review after second resubmission	150

Table 16, continued

JAMES CITY SERVICE AUTHORITY

(A Component Unit of the County of James City, Virginia)

Rates and Fees

Inspection

There shall be an inspection fee of $25 for the third and subsequent inspections for water and sewer service connections. These will include, but are not limited to, water meter box installations, water and sewer service line connections, and grinder pump installations. This charge will be paid prior to the third/or subsequent inspections. The purpose of this fee is to defray the expense of making multiple on-site inspections to correct previously identified deficiencies.

Inspection Fee for Water and Sewer Lines

There shall be a fee for the inspection of public water and sewer installations. Such fee shall be $2.87 per foot for every foot of water main and sewer main constructed and shall be submitted at the time of filing an application for a land disturbance permit.

Sub-Meter Account Charge

An account charge of $18 shall be paid annually by each customer who has established a sub-meter account. The payment for this charge will be prorated in equal amounts in the customer utility service charge billing.

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COMPLIANCE SECTION

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DIXON HUGHES GOODMAN LLP

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 Directors
James City Service Authority
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of James City Service Authority as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise James City Service Authority's basic financial statements, and have issued our report thereon dated November 3, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered James City Service Authority'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 James City Service Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of James City Service Authority'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether James City Service Authority'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.*

DIXON HUGHES GOODMAN LLP

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.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 3, 2017

DIXON HUGHES GOODMAN LLP

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

Board of Directors
James City Service Authority
Williamsburg, Virginia

We have audited the financial statements of the James City Service Authority, as of and for the year ended June 30, 2017, and have issued our report thereon November 3, 2017.

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 Boards, Commissions and Authorities*, 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 James City Service Authority, is the responsibility of the James City Service Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the James City Service Authority'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

- Cash and Investments
- Conflicts of Interest
- Retirement Systems
- Procurement
- Unclaimed Property

The results of our tests disclosed no instances of noncompliance with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the James City Service Authority had not complied, in all material respects, with those provisions.

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

Dixon Hughes Goodman LLP

Newport News, Virginia
November 3, 2017

James City Service Authority
(A Component Unit of the County of James City, Virginia

Schedule of Findings and Responses
June 30, 2017

1. Summary of Auditors' Results

a. An unmodified opinion was issued on the financial statements.

b. There were no deficiencies noted in internal control to disclose.

c. The audit disclosed no items of noncompliance material to the financial statements.

2. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards

None

3. State Compliance Findings

None

4. Status of Prior Year State Compliance Findings

Finding 16-1

Narrative: The State and Local Government Conflict of Interests Act contained in Chapter 31 of Title 2.2 of the Code of Virginia required certain local government officials to file certain disclosure forms with the clerk of the governing body by December 15, 2015 and June 15, 2016. Three statements of economic interest forms were not filed timely. As a result, the Authority was not in compliance with the State and Local Government Conflict of Interest Act.

Status: All required forms were filed timely for 2017.

Finding 16-2

Narrative: Chapter 14 of Title 30 of the Code of Virginia requires audited entities to publish in a newspaper of general circulation in the locality of the entity, a summary statement of financial condition. This statement should include, at a minimum, total assets, liabilities and fund balances; total revenues, expenses, and other sources or uses; and the resulting net change in fund balances. Financial statement summaries were not being published in a local newspaper. As a result, the Authority was not in compliance with the Code of Virginia, Chapter 14 of Title 30.

Status: Financial statement summaries are now being published.

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Report to the
Board of Directors

James City Service Authority

June 30, 2017

DIXON HUGHES GOODMAN LLP

DIXON HUGHES GOODMAN LLP

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Appendix A - Management Representation Letter

Appendix B - Summary of Uncorrected Misstatements

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DIXON HUGHES GOODMAN LLP

Communications with Those Charged with Governance

November 3, 2017

Board of Directors
James City Service Authority

We have audited the financial statements of James City Service Authority (the "Authority") for the year ended June 30, 2017, and have issued our report thereon dated November 3, 2017. Professional standards require that we provide you with information about our responsibilities in accordance with auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 7, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by James City Service Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management, and are based on management's knowledge and experience about past and current events, and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was were:

> Management's estimates of the pension plan liability are based on the valuation received from the independent actuary. We evaluated the key factors and assumptions used to develop the pension plan liability in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the depreciable lives is based on the James City County policy. We evaluated the key factors and assumptions in determining asset lives in determining that it is reasonable in relation to the financial statement taken as a whole.

The most significant disclosures in the financial statements were:

> Note 6 – Long-Term Debt
>
> Note 11 - Commitments and Contingencies

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

DIXON HUGHES GOODMAN LLP

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We are pleased to report that there were no audit adjustments posted. The schedule in Appendix B summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter included in Appendix A.

Management Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Matters, Findings, or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of James City Service Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Dixon Hughes Goodman LLP

Newport News, Virginia

Appendix A

Management Representation Letter

James City Service Authority

Operations Center
119 Tewning Road
Williamsburg, VA 23188-2639
P. 757-229-7421
F. 757-229-2463
jcsa@jamescitycountyva.gov

November 3, 2017

Dixon Hughes Goodman LLP
Fountain Plaza One
701 Town Center Drive, Suite 700
Newport News, VA 23606

This representation letter is provided in connection with your audits of the financial statements of James City Service Authority (the "Authority"), which comprise the *statements of net position* as of June 30, 2017 and 2016 and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated February 7, 2017 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for 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.

4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, including estimates of fair value, are reasonable.

6. The following have been properly accounted for and disclosed in the financial statements:

a) Related-party relationships and transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties;
b) Guarantees, whether written or oral, under which the Authority is contingently liable;
c) Other liabilities or gain or loss contingencies.

7. Significant estimates that may be subject to a material change in the near term have been properly disclosed in the financial statements. We understand that "near term" means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Authority vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

8. There were no audit adjustments posted. Also, we believe that the effects of the uncorrected misstatement in the financial statements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Further, there were no omitted disclosures.

9. We represent to you the following for the Authority's fair value measurements and disclosures:
   a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
   b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
   c) The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
   d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

10. The effects of all known actual or possible litigation and claims, if any, have been accounted for and disclosed in accordance with U.S. GAAP.

11. There are no component units or joint ventures that should be included or disclosed in the financial statements.

12. The financial statements properly classify all funds and activities.

13. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been properly reduced to their estimated net realizable value. No provision for uncollectible receivables is considered necessary.

14. Operating expenses have been appropriately classified in the statement of revenues, expenses, and changes in net position.

15. Operating revenues are appropriately classified in the statement of revenues, expenses, and changes in net position.

16. Inter-fund, internal, and intra-entity activity balances have been appropriately classified and reported.

17. Arrangements, if any, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed in the financial statements.

18. We review long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate the carrying amount of such might not be recoverable and record an appropriate adjustment.

19. Net position components (net investment in capital assets; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.

20. All transactions have been recorded in the accounting records and are reflected in the financial statements.

21. We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
b) Additional information that you have requested from us for the purpose of the audit.
c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

22. We have no knowledge of any fraud or suspected fraud affecting the Authority involving:
    a) Management.
    b) Employees who have significant roles in internal control.
    c) Others where the fraud could have a material effect on the financial statements.

23. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements received in communications from employees, former employees, analysts, regulators, short sellers, or others.

24. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

25. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

26. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

27. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

28. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements, and we have not contacted an attorney concerning such matters.

29. The Authority has satisfactory title to all owned assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

30. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

31. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

Government—specific

32. We have made available to you all financial records and related data.

33. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

34. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

35. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the

financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions.

36. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

37. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

38. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

39. We acknowledge our responsibility for the required supplementary information (RSI). The RSI (Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions and Related Notes) is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

40. With respect to the Schedules of Net Position – by Activity, Schedules of Revenues, Expenses, Changes in Net Position – by Activity, and Schedule of Operating Revenues and Expenses – Budget to Actual – by Activity (Supplementary Information).

    a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

M. Douglas Powell, General Manager

Suzanne R. Mellen, Director of FMS, James City County

Appendix B

Summary of Uncorrected Misstatements

SUMMARY OF UNCORRECTED MISSTATEMENTS

DHG version 09.12

Instructions: This form should be used to accumulate uncorrected misstatements (**including those communicated by component auditors, if applicable**). The auditor should review the guidance beginning at paragraph 1812.32 (RIA Checkpoint's Audits of Nonpublic Companies Editorial Materials) before concluding whether to reflect the effect of prior-year uncorrected misstatements in evaluating audit differences in the current period. At the end of the audit, the auditor should evaluate all uncorrected misstatements, individually and in the aggregate, in relation to individual amounts, subtotals, or totals in the financial statements and conclude on whether they materially misstate the financial statements taken as a whole. See Section 1812. The notes following the table provide a listing of qualitative considerations in evaluating materiality. Omitted disclosures, other than those that are clearly trivial, should also be accumulated and evaluated individually and in the aggregate to determine if they materially misstate the financial statements taken as a whole. Use tab 'Omitted Disclosures' to accumulate and evaluate those disclosures.

There were no uncorrected misstatements or omitted disclosures in the PY therefore, a PY summary of uncorrected misstatements is not included in the engagement binder at w/p 1221.

Effective Tax Rate N/A

Materiality

Enter as Debit (Credit) necessary to correct the financial statements.

DESCRIPTION	Cause	REF	TAXABLE Y/N	ASSETS / Deferred Outflows	LIABILITIES / Deferred Inflows	BEGINNING EQUITY	P&L	ENDING EQUITY	TAX EFFECT B/S	TAX EFFECT P&L
Factual								-	-	-
None Noted								-	-	-
								-	-	-
								-	-	-
								-	-	-
								-	-	-
Judgmental								-	-	-
Accounts receivable / Customer deposits may be double counted on the balance sheet - one as an offset to AR and the other as a liability	Unknown - FMS is investigating	5360/5361	N	252,369	(252,369)	-		-	-	-
								-	-	-
								-	-	-
								-	-	-
								-	-	-
Projected								-	-	-
None noted								-	-	-
								-	-	-
								-	-	-
								-	-	-
								-	-	-
C/Y PRETAX UNCORRECTED MISSTATEMENTS				252,369	(252,369)	-	-	-	-	-
TAX EFFECT OF UNCORRECTED MISSTATEMENTS					-		-	-		
C/Y NET EFFECT OF UNCORRECTED MISSTATEMENTS				**252,369**	**(252,369)**	**-**	**-**	**-**		
EFFECT OF P/Y UNCORRECTED MISSTATEMENTS						-	-			
TOTAL UNCORRECTED MISSTATEMENTS				252,369	(252,369)	-	-	-		
FINANCIAL STATEMENT CAPTION TOTALS				206,542,614	(27,724,356)		(1,761,666)	(178,818,258)	-	Check
NET UNCORRECTED MISSTATEMENTS AS % OF F/S CAPTIONS				0%	1%		0%	0%		