A G E N D A
JAMES CITY COUNTY BOARD OF SUPERVISORS
WORK SESSION
County Government Center Board Room
101 Mounts Bay Road, Williamsburg, VA 23185
January 22, 2019
4:00 PM

A. CALL TO ORDER

B. ROLL CALL

C. BOARD DISCUSSIONS

1. Public Hearing - SUP-18-0026. 6096 Centerville Road Detached Accessory Apartment
2. Public Hearing - SUP-18-0029. 7206 Merrimac Trail Rental of Rooms Renewal
3. FY 2018 Financial Audit Presentation
4. Public Hearing - FY2020 Pre Budget
5. Pre-Budget Work Session Discussion
6. Workforce Housing Task Force Update
7. Curbside Recycling Project Agreement

D. BOARD REQUESTS AND DIRECTIVES

E. CLOSED SESSION

F. ADJOURNMENT

1. Adjourn until 10 a.m. on January 31, 2019 for VACo Government Day at the State Capitol

AGENDA ITEM NO. C.1.

ITEM SUMMARY

DATE:	1/22/2019
TO:	The Board of Supervisors
FROM:	Alex Baruch, Senior Planner
SUBJECT:	Public Hearing - SUP-18-0026. 6096 Centerville Road Detached Accessory Apartment

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ATTACHMENTS:

	Description	Type
🗋	Staff Report	Staff Report
🗋	Resolution	Resolution
🗋	Attachment 2	Exhibit
🗋	Attachment 3	Exhibit
🗋	Attachment 4	Exhibit
🗋	Attachment 5	Exhibit
🗋	Attachment 6	Exhibit
🗋	Attachment 7	Exhibit

REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	1/4/2019 - 3:18 PM

SUMMARY FACTS

Applicant:	Mr. Antwyne Anderson, Jr.
Land Owners:	Mr. Antwyne Anderson, Jr. and Mrs. Tara Anderson
Proposal:	The construction of a 374-square-foot detached accessory apartment to be occupied by the landowners' family member.
Location:	6096 Centerville Road
Tax Map/Parcel No.:	3110100027
Project Acreage:	+/- 4.52 acres
Zoning:	A-1, General Agricultural
Comprehensive Plan:	Low-Density Residential
Primary Service Area: (PSA)	Inside
Staff Contact:	Alex Baruch, Senior Planner

PUBLIC HEARING DATES

Planning Commission:	December 5, 2018, 6:00 p.m.
Board of Supervisors:	January 22, 2019, 4:00 p.m.

FACTORS FAVORABLE

1. With the proposed conditions, staff finds the proposal will not impact the surrounding zoning and development.
2. With the proposed conditions, staff finds the proposal consistent with the recommendations of the Comprehensive Plan adopted in 2015, "*Toward 2035: Leading the Way*."

FACTORS UNFAVORABLE

1. With the attached Special Use Permit (SUP) conditions, staff finds no unfavorable factors.

SUMMARY STAFF RECOMMENDATION

Approval, subject to the proposed conditions.

PLANNING COMMISSION RECOMMENDATION

The Planning Commission voted 7-0 to recommend approval of this application to the Board of Supervisors.

PROPOSED CHANGES MADE SINCE THE PLANNING COMMISSION MEETING

None.

PROJECT DESCRIPTION

Mr. and Mrs. Anderson have applied for an SUP to allow a detached accessory apartment to be occupied by their grandmother. The property is currently vacant and building permits have been submitted for this proposal and are under review. The detached accessory structure will be 748 square feet with the proposed apartment taking up 374 square feet (50%) of the total structure. The other half of the structure will be used as a garage.

A-1, General Agricultural, allows accessory apartments as a specially permitted use in accordance with Section 24-32(b) of the James City County Code. Section 24-32(b) states that detached accessory apartments, where approved, shall comply with the following requirements:

1. Only one accessory apartment shall be created per lot.

   Staff Analysis: Only one accessory apartment is proposed with this application.

2. The accessory apartment may not occupy more than 50% of the floor area of the accessory structure and shall meet all setback, yard and height regulations applicable to accessory structures in the zoning district in which it is located.

   Staff Analysis: Attachment No. 4 shows that only 374 square feet of the proposed detached structure will be a part of the accessory apartment which is 50% of the proposed detached structure. Attachment No. 6 shows the lot layout which meets all of the setbacks, yard and height regulations for the A-1 zoning district.

3. The accessory apartment shall not exceed 400 square feet in size and shall meet all setback, yard and height regulations applicable to accessory structures in the zoning district in which it is located.

   Staff Analysis: Attachment No. 4 shows that the proposed accessory apartment will be 374 square feet of the detached structure which is less than 400 square feet. Attachment No. 6 shows the lot layout which meets all of the setbacks, yard and height regulations for the A-1 zoning district.

4. The property owner or an immediate family member as defined in Section 19-17 of the subdivision Ordinance shall reside in either the single-family dwelling or the accessory apartment.

   Staff Analysis: In the applicant's letter (Attachment No. 7) the applicant states that the detached accessory apartment will be occupied by the owners' grandmother and the applicant will be residing in the main structure.

5. Approval from the Health Department shall be required where the property is served by an individual well and/or sewer disposal system.

   Staff Analysis: On November 14, 2018, the Virginia Department of Health approved the proposed septic system for the house and detached accessory structure.

6. The accessory structure shall be so designed such that the size and scale of the structure is compatible with surrounding structures.

   Staff Analysis: Attachment Nos. 4 and 5 show the design of the accessory structure to be compatible with surrounding structures.

7. Off-street parking shall be required in accordance with Section 24-54 of this chapter.

   Staff Analysis: Section 24-59 states that the minimum off-street parking required for a single-family unit with an accessory *apartment is three parking spaces. The house is proposed to have a two-car garage and the detached accessory structure proposes a one-car garage which meets the Ordinance requirement for three parking spaces.*

Staff has reviewed the proposed design and finds that all requirements have been met.

PLANNING AND ZONING HISTORY

- Case No. S-0054-2004. 6096 Centerville Road Subdivision.
- Case No. S-0069-2006. Bernard Bishop Boundary Line Adjustment.
- Case No. S-0039-2011. Bishop Centerville Road Boundary Line Extinguishment.
- Case No. S-0055-2013. Bishop Centerville Road Boundary Line Adjustment.

SURROUNDING ZONING AND DEVELOPMENT

- Located on Centerville Road.

- Surrounding zoning designations include:

  a. A-1, General Agricultural, to the north, south and east; R-2, General Residential across Centerville Road to the west, primarily residential parcels.

COMPREHENSIVE PLAN

- The property is designated Low-Density Residential on the 2035 Comprehensive Plan Land Use Map, as are all of the surrounding parcels. Appropriate primary uses recommended by the Comprehensive Plan include single-family and multifamily units, accessory units and cluster housing. Staff finds the proposal consistent with Low-Density Residential Comprehensive Plan land use designation adopted in 2015, "*Toward 2035: Leading the Way*."

- The Housing Section encourages increasing the availability of affordable housing and providing adequate housing opportunities for special needs populations including persons with all forms of disabilities and senior citizens. This proposal provides affordable housing and assistance for a grandparent of the property owner.

- Surrounding Comprehensive Plan designations include:

  a. Low-Density Residential to the north, south, east and west consisting of mostly residential properties.

PUBLIC IMPACTS

1. Anticipated Impact on Public Facilities and Services:

   a. *Streets*. No turn lanes or warrant analyses are required for this project.

   b. This project passes the Adequate Transportation Facilities Test.

   c. *Schools/Fire/Utilities*. This area of the County is served by Fire Station 4 on Olde Towne Road. This parcel is inside the PSA and is served by public water and private septic system. The closest James City Service Authority (JCSA) sewer line is 1,700 feet from the property. For a residence within the PSA, a connection is required if the nearest sewer main is 300 feet or less away from the corner of the property. The Health Department has reviewed and approved the proposed septic system.

2. Anticipated Impact on Environmental/Cultural/Historical:

   a. *Environmental*: The Stormwater and Resource Protection Division has reviewed the proposal and approved the application. Additional coordination will take place regarding the construction of the dwellings through inspections of the single-family construction.

   b. *Cultural/Historic*: The subject properties are shown as moderately sensitive areas on the Comprehensive Plan's Archaeologically Sensitive Areas Map (CC-1, page 101).

3. Anticipated Impact on Nearby and Surrounding Properties:

   a. None.

PROPOSED CONDITIONS

- Proposed conditions are provided in Attachment No. 2.

STAFF RECOMMENDATION

Approval subject to the proposed conditions.

AB/md
SUP18-26CtrvlDet

Attachments:
1. Resolution
2. Location Map
3. Master Plan
4. Unapproved Minutes of the December 5, 2018 Planning Commission Meeting
5. Proposed Garage/Apartment Layout and Elevation
6. Proposed Single-Family Home Layout and Elevation
7. Building Plot Plan for Structures
8. Applicant Letter

R E S O L U T I O N

CASE NO. SUP-18-0026, 6096 CENTERVILLE ROAD

DETACHED ACCESSORY APARTMENT

WHEREAS, the Board of Supervisors of James City County, Virginia, has adopted by Ordinance specific land uses that shall be subjected to a Special Use Permit (SUP) process; and

WHEREAS, Antwyne Anderson, Jr. (the "Owner") owns property located at 6096 Centerville Road, further identified as James City County Real Estate Tax Map Parcel No. 3110100027 (the "Property"); and

WHEREAS, the Owner has applied for an SUP to allow a detached accessory apartment on the Property as shown on the exhibit titled "6096 Centerville Road Detached Accessory Apartment," dated November 19, 2018; and

WHEREAS, a public hearing was advertised, adjoining property owners notified, and a hearing conducted on Case No. SUP-18-0026; and

WHEREAS, the Planning Commission, following its public hearing on December 5, 2018, recommended approval of the application by a vote of 7-0.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of James City County, Virginia, after consideration of the factors in Section 24-9 of the James City County Code, does hereby approve the issuance of Case No. SUP-18-0026 as described herein with the following conditions:

1. *Master Plan*: This SUP shall be valid for a detached accessory apartment (the "Project") located at 6096 Centerville Road, further identified as James City County Real Estate Tax Map No. 3110100027 (the "Property"). Development of the Project on the Property shall be in accordance with section 24-32(b) of the James City County Code (the "County Code"), as amended, and shall occur generally as shown on the exhibit entitled, "6096 Centerville Road Detached Accessory Apartment," dated November 19, 2018 (the "Master Plan"), with any deviations considered pursuant to Section 24-23(a)(2) of the County Code, as amended.

2. *Dwelling Occupied*: Within 24 months from the issuance of this SUP, a permanent Certificate of Occupancy for the Project shall be issued or the SUP shall become void.

3. *Recordation*: A certified copy of the Board of Supervisors' SUP resolution shall be recorded against the Property in the James City County Williamsburg Circuit Court prior to issuance of any Certificate of Occupancy for the Project. Proof of recordation shall be provided to the Zoning Administrator.

4. *Access*: No new ingress/egress points shall be created to Centerville Road. All ingress and egress to the Property shall be via the private right-of-way shown as Jones Drive on the Master Plan.

5. *Water Conservation Plan:* Water conservation standards shall be enforced on the Property. Water conservation standards shall be submitted to and approved by the James City Service Authority prior to any Certificate of Occupancy for the Project. The standards may include, but shall not be limited to, such water conservation measures as limitations on the installation and use of irrigation systems and irrigation wells, the use of approved landscaping materials including the use of drought-tolerant plants where appropriate, and the use of water-conserving fixtures and appliances to promote water conservation and minimize the use of public water resources.

6. *Severability:* The SUP is not severable. Invalidation of any word, phrase, clause, sentence or paragraph shall invalidate the remainder.

____
James O. Icenhour, Jr.
Chairman, Board of Supervisors

ATTEST:

____
Teresa J. Fellows
Deputy Clerk to the Board

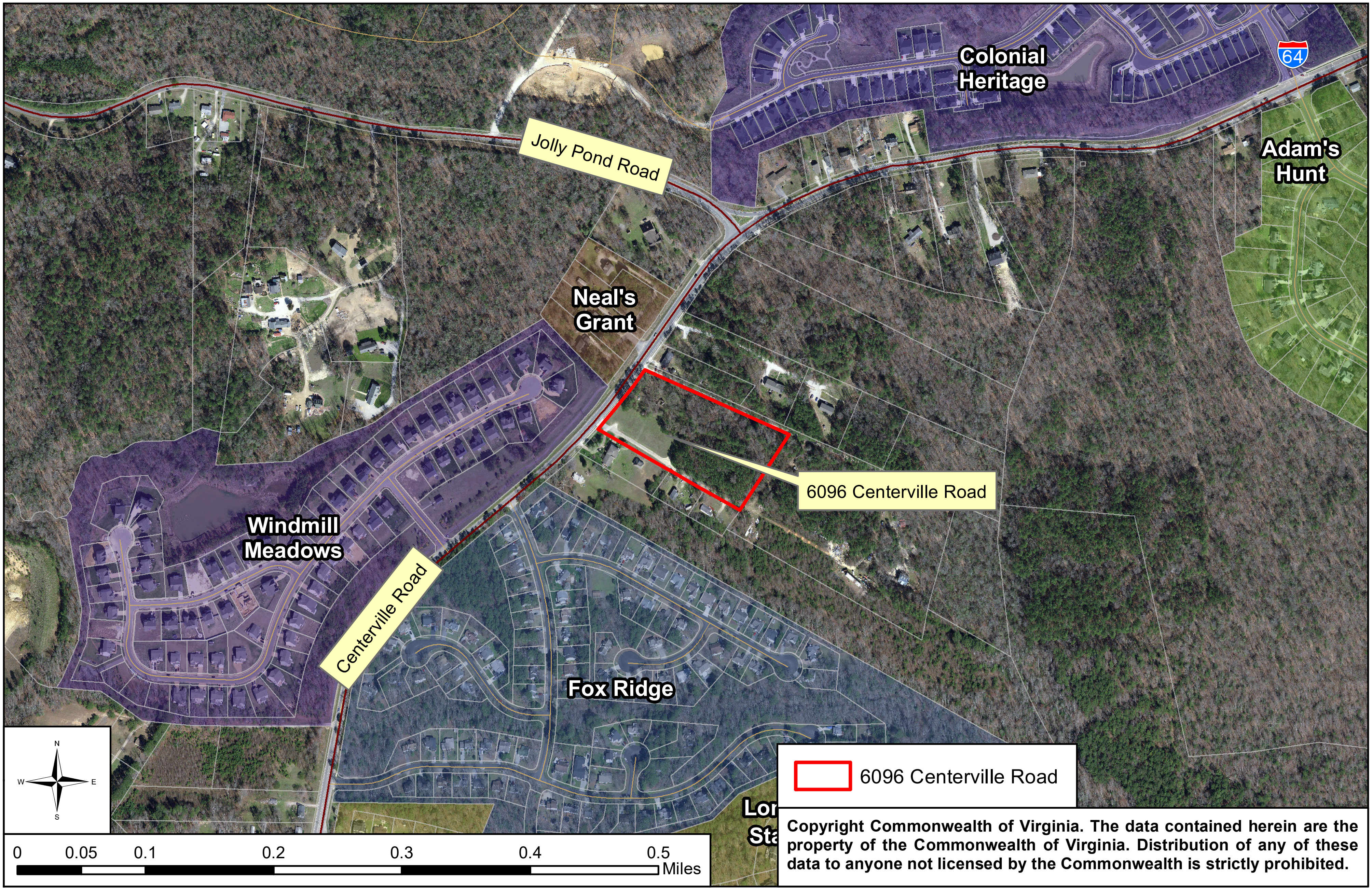
	VOTES AYE	NAY	ABSTAIN
MCGLENNON	____	____	____
LARSON	____	____	____
SADLER	____	____	____
HIPPLE	____	____	____
ICENHOUR	____	____	____

Adopted by the Board of Supervisors of James City County, Virginia, this 22nd day of January, 2019.

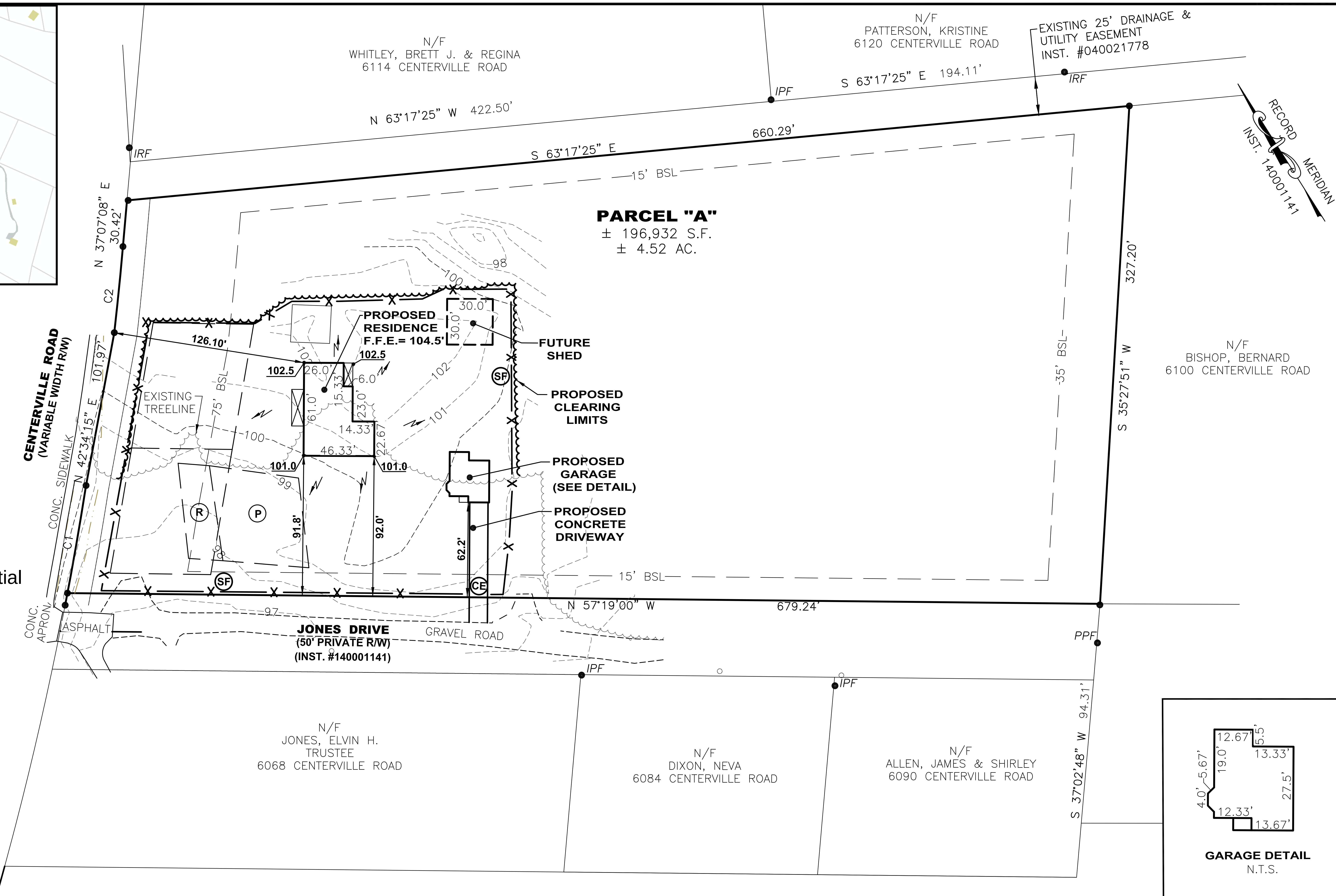
SUP18-26CtrvlDet-res

JCC-SUP-18-0026, 6096 Centerville Road Detached Accessory Apartment

James City County
VIRGINIA
Jamestown 1607



SUP-18-0026, 6096 Centerville Road Detached Accessory Apartment



Property Information:
Address: 6096 Centerville Road
Parcel ID: 3110100027
Zoning District: A-1, General Agricultural
Comprehensive Plan: Low Density Residential
Acreage: +/- 4.52

Notes:
1. Property is not located in a FEMA Flood zone.
2. Site is served by public water and will be served by a septic system.
3. The property does not contain Resource Protection Area.
4. The property will use Jones Drive for ingress/egress and will not create a new ingress/egress point on Centerville Road.
5. A minimum of three parking spots shall be provided (two for the single family home and one for the detached accessory apartment.

50 0 50 100 150
Scale: 1" = 50'

LEGEND
CE = CONSTRUCTION ENTRANCE
R = RESERVE DRAINFIELD
P = PRIMARY DRAINFIELD
IRF = IRON ROD FOUND
PPF = PINCH PIPE FOUND
IPF = IRON PIPE FOUND

CURVE	ARC LENGTH	RADIUS	DELTA ANGLE	CHORD BEARING	CHORD LENGTH
C1	72.05'	2331.83'	1°46'13"	N 43°27'21" E	72.04'
C2	56.77'	2336.83'	1°23'31"	N 37°48'53" E	56.77'

Last Revised: November 19, 2018

Unapproved Minutes of the December 5, 2018
Planning Commission Regular Meeting

SUP-18-0026. 6096 Centerville Road Detached Accessory Apartment

Mr. Alex Baruch, Senior Planner, stated that Mr. Antwyne Anderson, Jr. has applied for a Special Use Permit (SUP) to allow a detached accessory apartment at 6096 Centerville Road along with a single family home. Mr. Baruch noted that the property is zone A-1, General Agricultural and designated Low Density Residential on the 2035 Comprehensive Plan Land Use Map. Mr. Baruch stated that the property is currently vacant and Building Permit applications have been submitted for this application and are currently under review.

Mr. Baruch stated that the detached accessory structure will be 748 square feet with the proposed apartment taking up 374 square feet of the total structure. Mr. Baruch stated that the other half of the structure will be used as a garage.

Mr. Baruch stated that detached accessory apartments are a specially permitted use in the A-1, zoning district and must further comply with the performance standards set forth in section 24-32(b) of the Zoning Ordinance.

Mr. Baruch stated that the staff finds that the proposed accessory apartment conforms to all the requirements of section 24-32(b). Mr. Baruch further stated that staff finds the application to be compatible with the 2035 Comprehensive and the surrounding zoning. Mr. Baruch stated that staff recommends that the Planning Commission recommend approval to the Board of Supervisors subject to the proposed conditions.

Mr. Richardson called for disclosures from the Commission.

There were no disclosures.

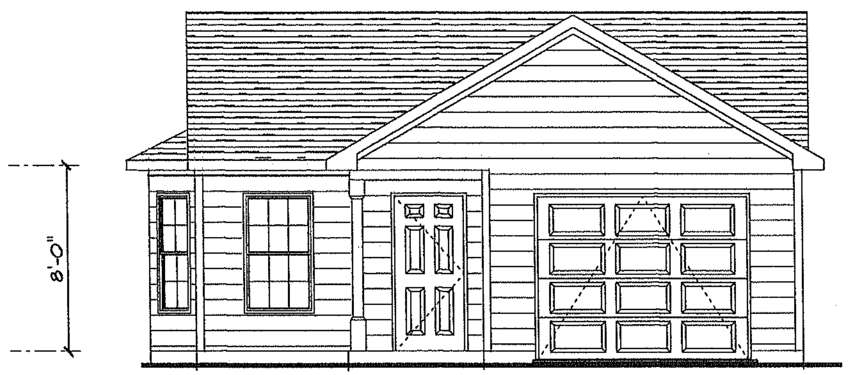
Mr. Richardson opened the Public Hearing.

As no one wished to speak, Mr. Richardson closed the Public Hearing.

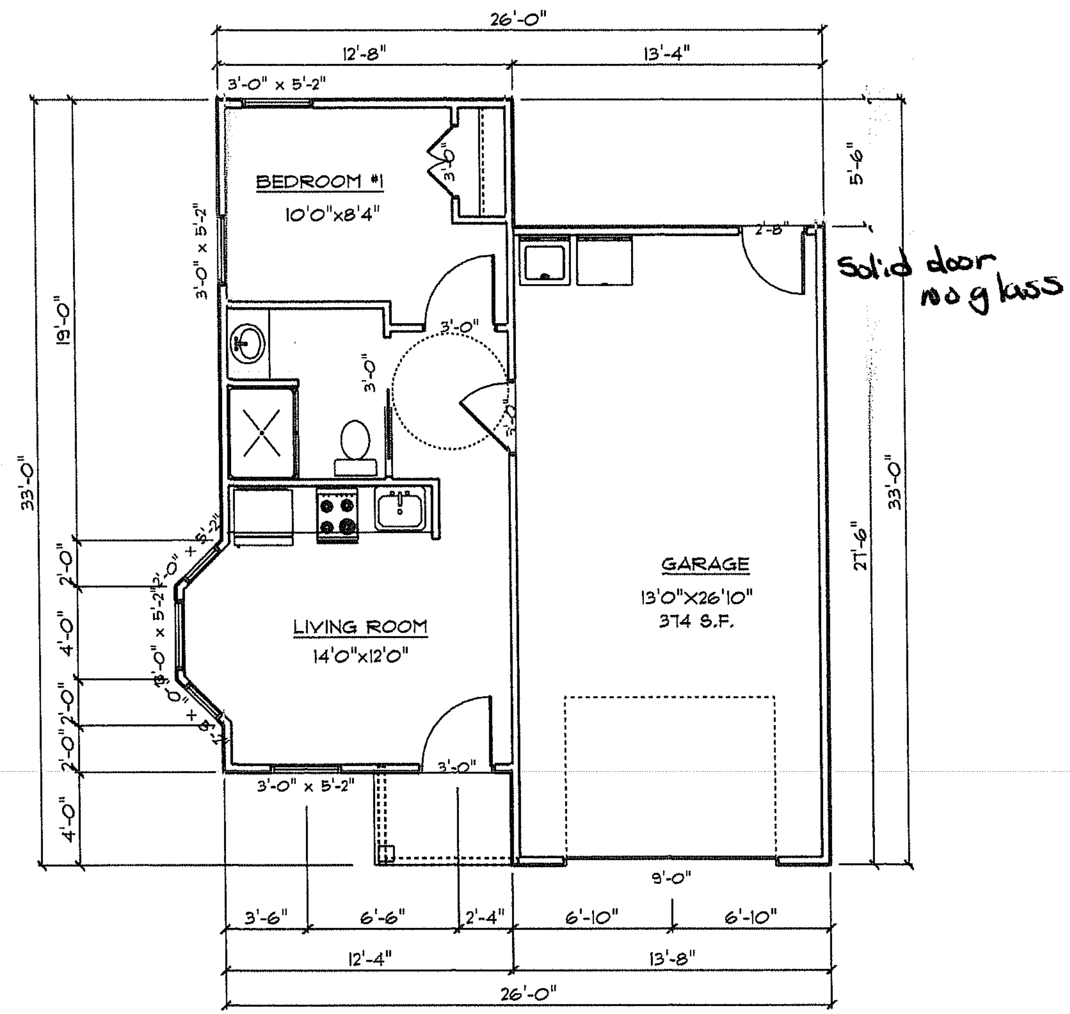
Mr. Haldeman noted that he appreciated what the applicant is doing and wished the applicant Godspeed with the project.

Mr. Krapf made motion to recommend approval of SUP-18-0026 subject to the proposed conditions.

On a roll call vote the Commission voted to recommend approval of SUP-18-0026, 6096 Centerville Road Detached Accessory Apartment (7-0).



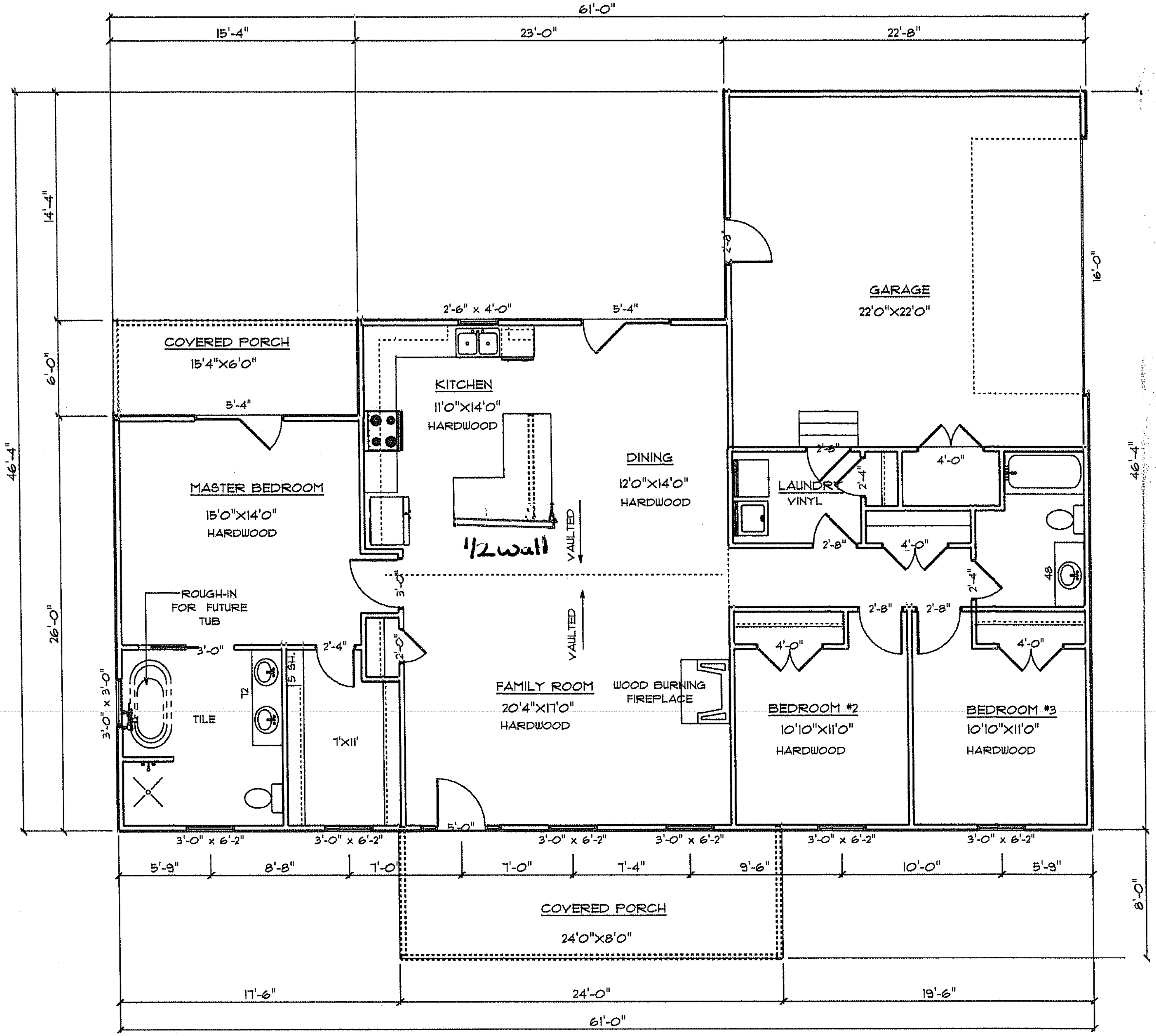
PROPOSED FRONT ELEVATION



PROPOSED GARAGE/APARTMENT
374 S.F. (FINISHED)

Addendum #2

PROPOSED FRONT ELEVATION



PROPOSED FLOOR PLAN
1665 S.F. (FINISHED)

GENERAL NOTES

1. A TITLE REPORT HAS NOT BEEN FURNISHED TO THIS FIRM.
2. ELEVATIONS SHOWN HEREON ARE IN FEET.
3. WETLANDS, IF ANY, WERE NOT RESEARCHED OR LOCATED FOR THIS PLAT.
4. THIS FIRM MADE NO ATTEMPT TO LOCATE UNDERGROUND UTILITIES.
5. PARCEL LIES IN F.I.R.M. ZONE "X", AS SHOWN ON COMMUNITY PANEL #51095C0108D, DATED DECEMBER 16, 2015.
6. LOT SERVED BY PRIVATE WELLS AND SEPTIC SYSTEMS.
7. CONTRACTOR SHALL PROVIDE POSITIVE DRAINAGE AWAY FROM BUILDINGS SHOWN HEREON.
8. ALL TOPOGRAPHIC DATA AS SHOWN IS BASED ON JAMES CITY COUNTY G.I.S. INFORMATION.
9. CONTRACTOR SHALL DETERMINE EXACT FINISH FLOOR ELEVATION AFTER EXCAVATION.
10. ALL DIMENSIONS SHOWN HEREON ARE TO THE FRAME LINE OF THE BUILDING.
11. DRAINFIELD LOCATIONS SHOWN ARE PROPOSED.

EROSION & SEDIMENT CONTROL NOTES

ALL EROSION AND SEDIMENT CONTROL MEASURES SHALL BE INSTALLED AND MAINTAINED IN ACCORDANCE WITH THE "VIRGINIA EROSIONS AND SEDIMENT CONTROL HANDBOOK 1992 THIRD EDITION". THE CONTRACTOR SHALL BE THOROUGHLY FAMILIAR WITH ALL APPLICABLE MEASURES CONTAINED THEREIN WHICH MAY BE PERTINENT TO THIS PROJECT.

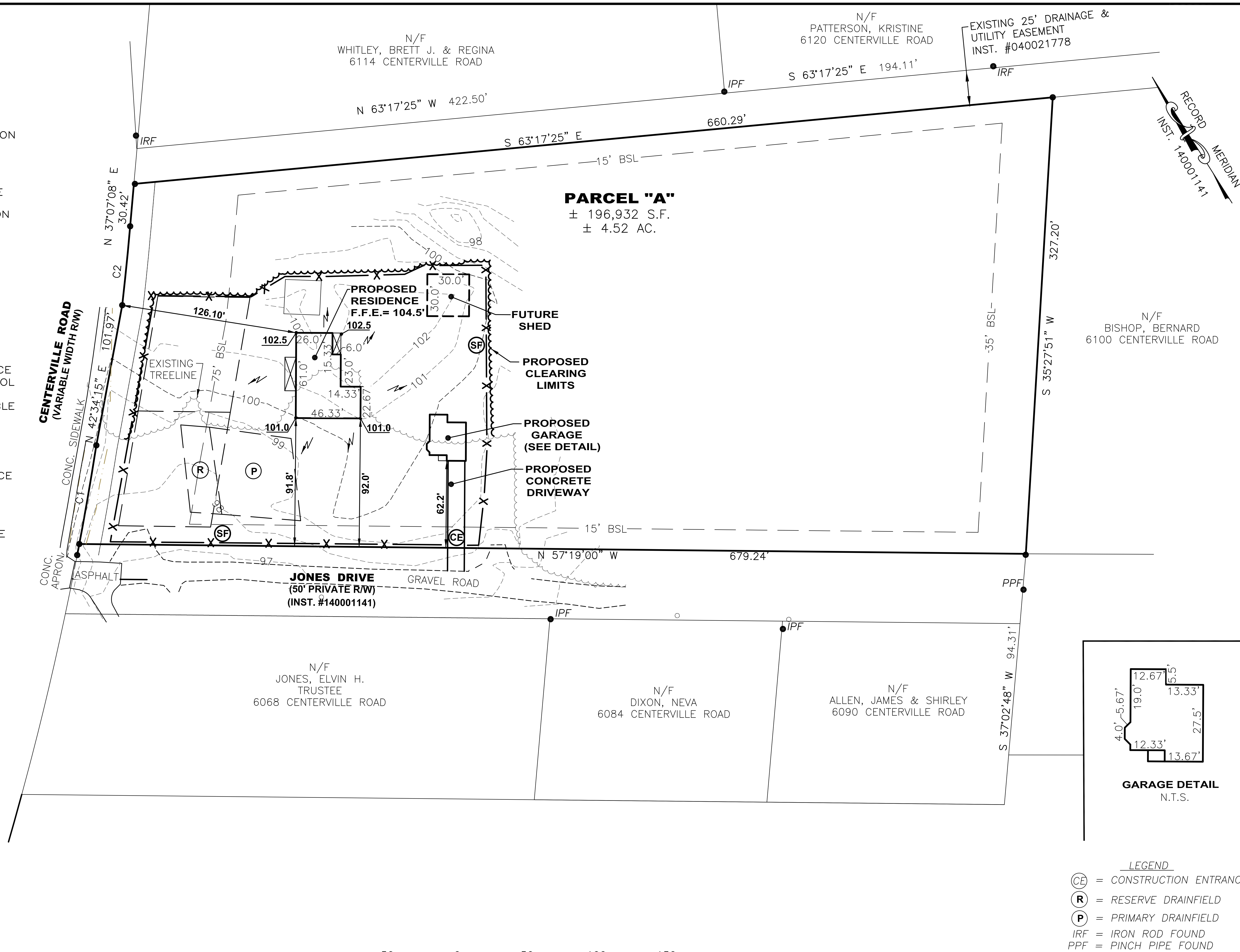
BUILDING INFORMATION

PROPOSED BUILDING IS A 1-STORY FRAME RESIDENCE
PROPOSED GARAGE IS A 1 BAY, SIDE LOADING

SITE INFORMATION
PARCEL "A",
"PLAT OF BOUNDARY LINE ADJUSTMENT BETWEEN THE PROPERTIES OF BERNARD BISHOP, JR. & ELVIN H. JONES".
TOTAL AREA: ± 196,932 S.F. / ± 4.52 AC.
IMPERVIOUS AREA: 6,079 S.F. / 0.139 AC.
DISTURBED AREA: 47,450 S.F. / 1.089 AC.
PARCEL ID: 3110100027
ZONING DISTRICT: A1 (GENERAL AGRICULTURE)
PROPERTY IS NOT LOCATED IN AN RPA OR RMA

BUILDING SETBACK (BSL)
FRONT: 75' BSL
REAR: 35' BSL
SIDE: 15' BSL

EXISTING ADDRESS:
6096 CENTERVILLE ROAD
JAMES CITY COUNTY, VIRGINIA



CURVE	ARC LENGTH	RADIUS	DELTA ANGLE	CHORD BEARING	CHORD LENGTH
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C2	56.77'	2336.83'	1°23'31"	N 37°48'53" E	56.77'

COMMONWEALTH OF VIRGINIA
MATTHEW H. CONNOLLY
Lic. No. 48347
10/22/2018
PROFESSIONAL ENGINEER

DATE: 10/22/2018
DRAWN BY: LRI
PROJECT No. 18-408
FILE NAME: 18-408.DWG
REFERENCES:
INST. #140001141

PLOT PLAN OF
#6096 CENTERVILLE ROAD
FOR
WAYNE HARBIN BUILDER

JAMES CITY COUNTY VIRGINIA

NO.	DATE	REVISION / COMMENT / NOTE
1	10/25/2018	REVISED DRAINFIELD

LRI
LANDTECH RESOURCES, INC.
ENGINEERING · SURVEYING · GPS
3925 Midlands Road Williamsburg, VA 23188
Ph: (757) 565-1677 Fax: (757) 565-0782
web: landtechresources.com

AGENDA ITEM NO. C.2.

ITEM SUMMARY

DATE: 1/22/2019

TO: The Board of Supervisors

FROM: Terry Costello, Deputy Zoning Administrator

SUBJECT: Public Hearing - SUP-18-0029. 7206 Merrimac Trail Rental of Rooms Renewal

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ATTACHMENTS:

	Description	Type
🗋	Staff Report	Staff Report
🗋	Resolution	Resolution
🗋	Attachment 2	Exhibit
🗋	Attachment 3	Exhibit
🗋	Attachment 4	Exhibit

REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	1/4/2019 - 3:30 PM

SUMMARY FACTS

Applicants:	Mr. and Mrs. Patrick and Shelby Dillon
Land Owners:	Mr. and Mrs. Patrick and Shelby Dillon
Proposal:	To renew an existing Special Use Permit (SUP) that allows for the rental of up to three rooms in an owner-occupied home.
Location:	7206 Merrimac Trail
Tax Map/Parcel No.:	4140200073
Project Acreage:	+/-1.4 acres
Zoning:	R-2, General Residential
Comprehensive Plan:	Low-Density Residential
Primary Service Area:	Inside
Staff Contact:	Terry Costello, Deputy Zoning Administrator

PUBLIC HEARING DATES

Planning Commission:	December 5, 2018, 6:00 p.m.
Board of Supervisors:	January 22, 2019, 4:00 p.m.

FACTORS FAVORABLE

1. With the proposed conditions, staff finds the proposal compatible with surrounding development and consistent with the Comprehensive Plan.

2. The subject property is located on a major right-of-way which is capable of handling traffic generated by the proposed use.

3. The subject property is a corner lot which fronts on two roadways, effectively isolating it from other residential properties in the James Terrace Subdivision. While the property shares a boundary line with three adjacent residences, that shared frontage is well buffered via existing vegetation.

4. The existing driveway is of significant length, is screened from the road via vegetation and provides appropriate parking capacity.

5. The applicants have held a business license for the duration of the current SUP and all fees and taxes are paid.

FACTORS UNFAVORABLE

1. Staff has been made aware of the existence of a restrictive covenant that applies to the subject property and which may affect the rental of rooms on this property. The County Attorney has advised that because the County is not a party to this restrictive covenant, staff lacks the legal authority to interpret whether or not the covenant prohibits the proposed use. The applicants have affirmed that it does not. Any disagreement about this affirmation and/or the covenant is a private matter outside of the County's purview.

SUMMARY STAFF RECOMMENDATION

Approval, subject to the conditions in the attached resolution.

PLANNING COMMISSION RECOMMENDATION

At its December 5, 2018 meeting, the Planning Commission recommended approval of this application by a vote of 7-0.

PROPOSED CHANGES MADE SINCE THE PLANNING COMMISSION MEETING

None.

PROJECT DESCRIPTION

- The proposal is to permit the continued use of the property for the rental of up to three rooms in a private, owner-occupied home. Unlike the "Tourist Home" use, the "Rental of Rooms" use limits rentals to a maximum of three bedrooms and requires the homeowners to continue residing at the property during the time of rentals. This use prohibits the rental of the house as a whole. While the use permits the rental of a maximum of three rooms, the applicant states that it is their intent to limit rentals to two bedrooms on a regular basis.

- No changes in the size of the house or other buildings.

- The property has an existing driveway and an existing parking area sufficient to accommodate guests.

- The applicants do not intend to serve any meals to guests, therefore this is not considered a traditional Bed and Breakfast, but rather falls into an emerging category of rentals commonly known as "Home-Sharing" or "Short-term Vacation Rentals."

- With this application, a condition to require the applicants to develop water conservation standards as required by James City Service Authority has been included. Also consistent with more recent applications, a condition was added specifying that the owners shall have only one contract for rental for any one given time period.

- The time limit on the SUP was also removed for this renewal. At the time of the original SUP, there were discussions about changing the Zoning Ordinance provisions for short-term rentals. The time limit was to allow those discussions to continue. Since then, there has been no immediate guidance to change the Ordinance.

PLANNING AND ZONING HISTORY

Through an anonymous complaint to the County's Zoning Division, the house was found to be listed illegally on the popular home-sharing site "Airbnb." The applicant subsequently submitted a conceptual plan and later an SUP application. The SUP was approved on March 14, 2017, and will expire March 14, 2019. A condition of the SUP was that should the applicants wish to renew, an application would need to be submitted at least 90 days prior to the date of expiration.

SURROUNDING ZONING AND DEVELOPMENT

- The zoning of surrounding properties generally to the north and east is R-2, General Residential, while properties to the west and south are zoned B-1, General Business.

- The property is a part of James Terrace subdivision.

- The property is generally bounded by the James Terrace subdivision to the north and east, by Adams Road to the South and by Merrimac Trail to the West.

COMPREHENSIVE PLAN

The property is designated Low-Density Residential on the 2035 Comprehensive Plan Land Use Map, as are all of the surrounding parcels. Appropriate primary uses recommended by the Comprehensive Plan include single-family homes, duplexes and cluster housing. Limited commercial uses may also be considered appropriate, should the proposal meet the following standards:

1. Complements the residential character of the area. Staff finds that this use complements the residential character of the area, as this use does not propose any exterior changes and as the current owners would continue to use the home as their primary residence.

2. Have traffic, noise, lighting and other impacts similar to surrounding residential uses. Given the length of the existing driveway, the size of the lots in this subdivision and in conjunction with the attached conditions, staff finds the proposal meets this criterion.

3. Generally be located on collector or arterial roads at intersections. This property is located at the corner of Merrimac Trail and Adams Road and takes access from Merrimac Trail.

4. Provide adequate screening and buffering to protect the character of nearby residential areas. Staff finds that existing vegetation provides adequate screening from the road and adjacent properties. Additionally, staff notes that this use inherently retains the same visual character as nearby residences.

Staff also notes that parcels located to the direct west and south are designated Community Commercial.

PUBLIC IMPACTS

- Anticipated impact on public facilities and services: None.

- Nearby and surrounding properties: No impacts anticipated.

PROPOSED SUP CONDITIONS

- The full text of the proposed conditions is attached.

STAFF RECOMMENDATION

Approval, subject to the conditions in the attached resolution.

TC/md
SUPMrmcTrlRmRnw

Attachments:
1. Resolution
2. Location Map
3. Master Plan
4. Unapproved Minutes of the December 5, 2018 Planning Commission Meeting

<u>R E S O L U T I O N</u>

<u>CASE NO. SUP-18-0029. 7206 MERRIMAC TRAIL RENTAL OF ROOMS RENEWAL</u>

WHEREAS, the Board of Supervisors of James City County, Virginia has adopted, by Ordinance, specific land uses that shall be subjected to a Special Use Permit (SUP) process; and

WHEREAS, Mr. and Mrs. Patrick and Shelby Dillon have applied to amend SUP-0009-2016 to allow for the continued rental of up to three bedrooms in their home located on property consisting of approximately 1.4 acres zoned R-2, General Residential, located at 7206 Merrimac Trail, and further identified as James City County Real Estate Tax Map Parcel No. 4140200073; and

WHEREAS, a public hearing was advertised, adjoining property owners notified and a hearing conducted on Case No. SUP-18-0029; and

WHEREAS, the Planning Commission, following its public hearing on December 5, 2018, recommended approval of Case No. SUP-18-0029 by a vote of 7-0.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of James City County, Virginia, after consideration of the factors in Section 24-9 of the James City County Code, does hereby approve the issuance of SUP-18-0029 as described herein with the following conditions:

1. *Master Plan.* This SUP shall permit the rental of rooms on property located at 7206 Merrimac Trail and further identified as James City County Real Estate Tax Map Parcel No. 4140200073 (the "Property"). The use and layout of the Property shall be generally as shown on the document entitled "JCC SUP-18-0029: 7206 Merrimac Trail Rental of Rooms" and date stamped November 15, 2018 (the "Master Plan"), with any deviations considered per Section 24-23(a)(2) of the Zoning Ordinance, as amended. This condition does not restrict improvements typical of a residential property as determined by the Director of Planning.

2. *Commencement*. If evidence of a current business license for the rental of rooms is not provided to the Director of Planning within 12 months from the issuance of the SUP, the SUP shall become void.

3. *Water Conservation*. Water conservation standards shall be enforced on the Property. Water conservation standards shall be submitted to and approved by the James City Service Authority within six months from the issuance of the SUP.

4. *Number of Rental Rooms Occupants.* There shall be no more than three bedrooms available for rent to visitors and no more than six rental occupants total at any one time.

5. *Signage*. No signage shall be permitted which relates to the use of rental of rooms on the Property.

6. *Lighting*. No additional exterior lighting shall be permitted on the Property, other than lighting typically used at a single-family residence.

7. *Parking.* No more than four vehicles belonging to rental occupants shall be allowed on the Property at one time. No on-street parking shall be allowed for this use. No on-site parking shall be permitted within 100 feet of the driveway entrance to Merrimac Trail. No oversized commercial vehicles belonging to rental occupants, such as, but not limited to, buses, commercial trucks and trailers shall be allowed to park on-site.

8. *Contracts per Rental Period.* There shall be no simultaneous rentals of the Property under separate contracts.

9. *Access.* No access, including curb-cuts or driveways, shall be granted from the Property to Adams Road.

10. *Severance Clause.* This SUP is not severable. Invalidation of any word, phrase, clause, sentence or paragraph shall invalidate the remainder.

____
James O. Icenhour, Jr.
Chairman, Board of Supervisors

ATTEST:

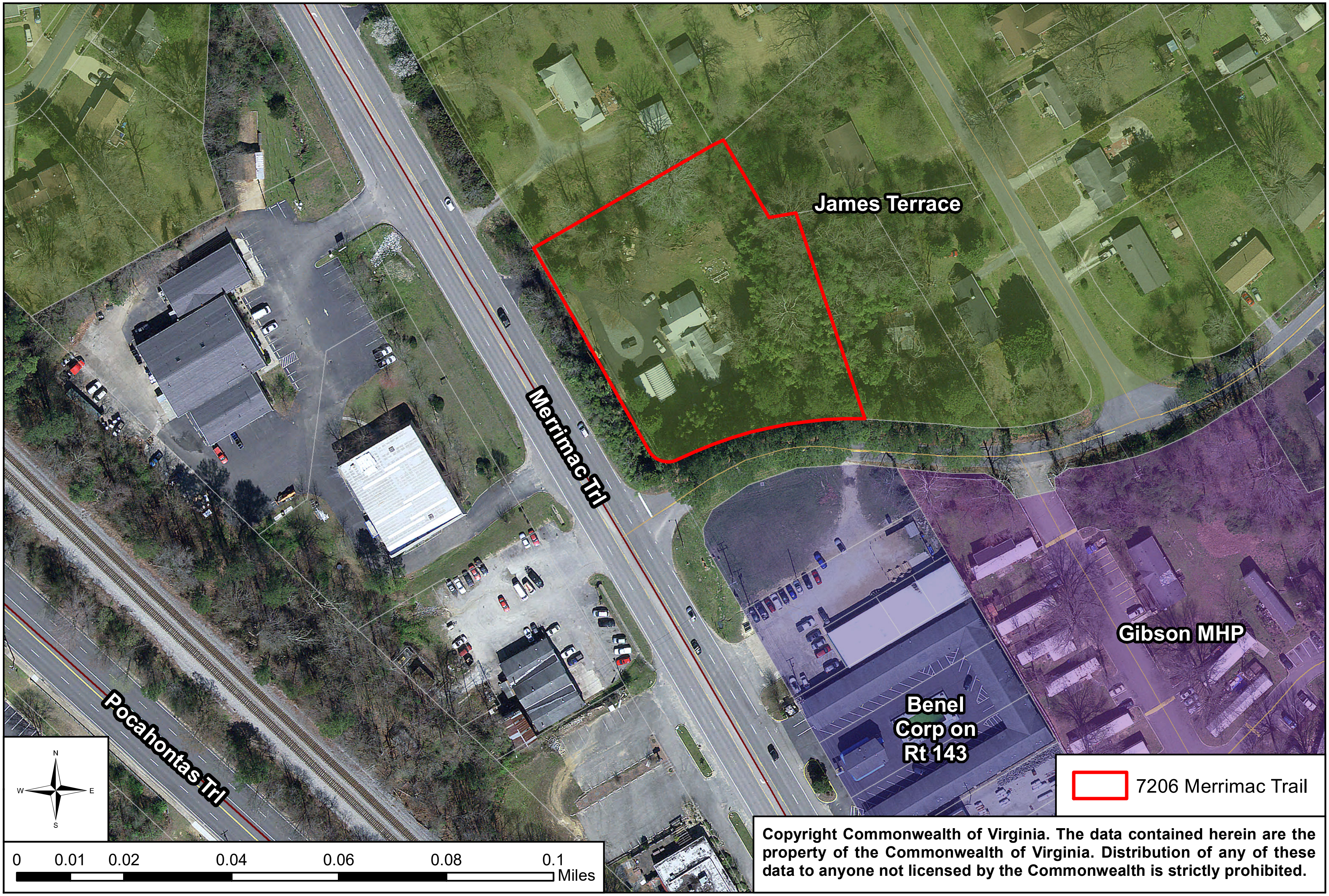
____
Teresa J. Fellows
Deputy Clerk to the Board

	VOTES AYE	NAY	ABSTAIN
MCGLENNON	____	____	____
LARSON	____	____	____
SADLER	____	____	____
HIPPLE	____	____	____
ICENHOUR	____	____	____

Adopted by the Board of Supervisors of James City County, Virginia, this 22nd day of January, 2019.

SUP-MrmcTrlRmRnw-res

JCC SUP-18-0029
7206 Merrimac Trail, Rental of Rooms



SUP-18-0029, 7206 Merrimac Trail, Rental of Rooms

Property Information

4140200073
Patrick A. & Shelby C. Dillon
7206 Merrimac Trail
Williamsburg, VA 23185
Zoning: R2, General Residential
Comp. Plan: Low Density Residential
Acres: ±1.38

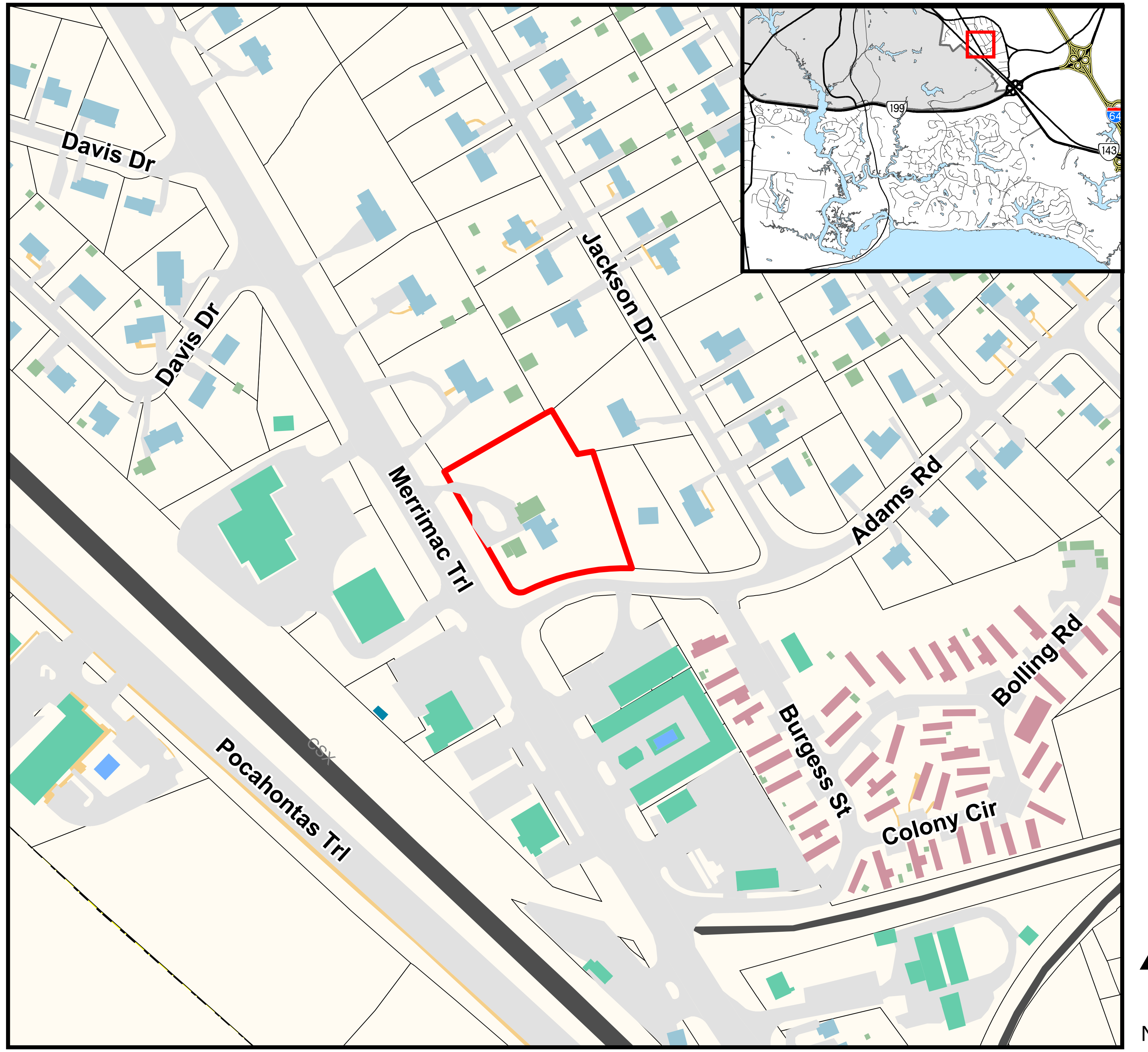
General Notes

1. Site is served by public water and sewer.
2. Property is not located in a FEMA Floodplain zone.
3. Property does not contain Resource Protection Area.
4. Property has an existing driveway.
5. A maximum of four parking spots shall be allowed at one time.

PLANNING DIVISION

November 15 2018

RECEIVED



Maps Not To Scale

Adjacent Properties

4130100012
Grindstaff Virginia Prop
85 Birchwood Lane
Crossville, TN 38555
B1, General Business

4130100012A
Grindstaff Virginia Prop
85 Birchwood Lane
Crossville, TN 38555
B1, General Business

4140100007A
J L H C, LLC
7211 Merrimac Trail
Williamsburg, VA 23185
B1, General Business

4140200062
Ketron, Jimmy D &
Josephine E
910 Jackson Drive
Williamsburg, VA 23185
R2, General Residential

4140200061
Overflow LLC
1149 Duncan Drive
Williamsburg, VA 23185
R2, General Residential

4140200072
Scoggins, Dianne W
7200 Merrimac Trail
Williamsburg, VA 23185
R2, General Residential

4140700001
Johnson, Frederick C
7124 Merrimac Trail
Williamsburg, VA 23185
B1, General Business

4140200074
Southard, Craig S
Catherine A
900 Adams Road
Williamsburg, VA 23185
R2, General Residential

Sheet Index

1. Cover Page
2. Site Photos

JCC SUP-18-0029
7206 Merrimac Trail, Rental of Rooms

James City County
VIRGINIA
Jamestown 1607

SUP-18-0029. 7206 Merrimac Trail Rental of Rooms Renewal

Ms. Terry Costello, Deputy Zoning Administrator, stated that Mr. and Mrs. Shelby and Patrick Dillon have applied to renew their SUP to allow for the rental of up to three rooms in their home. Ms. Costello noted that the property is located inside the primary service area at 7206 Merrimac Trail, is zoned R-2, General Residential, and designated Low Density Residential on the 2035 Comprehensive Plan Land Use Map. Ms. Costello stated that the Rental of Rooms s to a maximum of three rooms is a specially permitted use in the R-2 zoning district.

Ms. Costello noted that while both “tourist home” and “rental of rooms” describe types of short-term vacation rentals, the uses are distinct in two ways: the rental of rooms limits the number of rooms to a maximum of 3 rooms rented, whereas tourist home operators may rent the entire home on a short-term basis. Ms. Costello further stated that the rental of rooms has traditionally required that the operator or owner remain present and continue residing at the property during the time of rental, while the tourist home use does not have any residency requirements. Ms. Costello stated that the proposed use prohibits renting the entire home.

Ms. Costello stated that an SUP was approved on March 14, 2017 with an expiration date of March 14, 2019. Ms. Costello further stated that the time lit has been removed for the renewal.

Ms. Costello stated that staff considered the home’s location, parking provisions, and screening all to be favorable factors in the evaluation of this application. Ms. Costello further stated that the property is a corner lot which fronts on two roadways, effectively isolating it from the James Terrace subdivision-proper, while providing direct access to the property from a main thoroughfare and all property lines a screened by existing mature vegetation. Ms. Costello stated that the home is located at the end of a long driveway and provides adequate parking capacity for the proposed use.

Ms. Costello stated that the proposed SUP conditions were designed to address and minimize potential impacts on adjacent properties by: limiting the total number of allowed guests and number of guest vehicles allowed on site; limiting any exterior changes to the home which may draw attention to this use; ensuring that the applicant has acquired all necessary licenses; and prohibiting any future driveway access to Adams Road.

Ms. Costello stated that staff has been made aware of the existence of a restrictive covenant that applies to the subject property which may affect the rental of rooms on this property. Ms. Costello further stated that the County Attorney has advised that because the County is not a party to this restrictive covenant, staff lacks the legal authority to interpret whether or not the covenant prohibits the proposed use.

Ms. Costello stated that staff finds the proposal to be compatible with the 2035 Comprehensive Plan, the Zoning Ordinance and surrounding development, and recommends that the Planning

Commission Board recommend approval of this application to the Board of Supervisors, subject to the conditions listed in the staff report.

Mr. Richardson opened the Public Hearing.

Ms. Shelby Dillon, Applicant, 7206 Merrimac Trail, addressed the Commission in support of the application and requested that the Commission approve the application.

Ms. Leverenz inquired if there has been any feedback from adjacent property owners.

Ms. Costello stated that the County has not received any feedback on this application.

Mr. Danny Schmidt inquired if there have been any complaints from adjacent property owners over the two years.

Ms. Costello stated that no complaints have been filed.

Mr. Richardson called for disclosures from the Commission.

There were no disclosures.

As no one else wished to speak, Mr. Richardson closed the Public Hearing.

Mr. Schmidt stated that he appreciated the applicant's willingness to abide by the County's regulations and processes.

Mr. Polster made a motion to recommend approval of SUP-18-0029.

On a roll call vote the Commission voted to recommend approval of SUP-18-0029, 7206 Merrimac Trail Rental of Rooms Renewal (7-0).

AGENDA ITEM NO. C.3.

ITEM SUMMARY

DATE:	1/22/2019
TO:	The Board of Supervisors
FROM:	Leslie Roberts, Brown, Edwards & Company, LLP
SUBJECT:	FY 2018 Financial Audit Presentation

ATTACHMENTS:

	Description	Type
🗋	Audit Letter	Exhibit
🗋	Audit Report	Exhibit

REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	1/15/2019 - 8:28 AM

Report to the
Board of
Supervisors

County of James City, Virginia

June 30, 2018

BROWN EDWARDS
certified public accountants

BROWN EDWARDS
certified public accountants

Table of Contents

Contacts 1

Communications with Those Charged with Governance 2

Appendix A - Management Representation Letter

Contacts

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757.316.3220
lroberts@becpas.com

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Senior Manager
Brown, Edwards & Company, L.L.P.
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Newport News, VA 23606
804.425.2655
dnikolaisen@becpas.com

Katie Babb, CPA
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Newport News, VA 23606
757.316.3247
kbabb@becpas.com

BROWNEDWARDS
certified public accountants

Communications with Those Charged with Governance

January 17, 2019

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, 2018, and have issued our report thereon dated January 17, 2019. 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 26, 2018. 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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* during 2018. Our opinion is not modified with respect to this matter. 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 all material audit adjustments related to fund balances and the Williamsburg – James City County Public Schools' reversion were proposed by the County 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 Audit 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.

Other Matters
We noted that the local government financial test mandated by the Virginia Department of Environmental Quality (DEQ) relating to the closure, post-closure care and corrective actions costs of owning and operating a municipal solid waste landfill facility, was not reported to the DEQ in a timely manner. The required deadline to demonstrate compliance with this local government financial test is December 31, 2018.

We applied certain limited procedures to Management's Discussion and Analysis and the other Required Supplementary Information as identified on the Table of Contents, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Supplementary Information as identified in the Table of Contents and the Schedule of Expenditures of Federal Awards and related notes, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Introductory Section or the Statistical Section, which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

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,

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

Newport News, Virginia

BROWNEDWARDS
certified public accountants

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

January 17, 2019

Brown, Edwards & Company, 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, 2018 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 26, 2018, 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. 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.

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 County vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

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

9. We take responsibility for the adjusting journal entries we have proposed and they were posted as audit adjustments. We have reviewed and approved of them and they have been posted to the County's accounts. There are no uncorrected misstatements or omitted disclosures.

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:
    (1) Management.
    (2) Employees who have significant roles in internal control.
    (3) 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 entity's related parties and all the related party relationships and transactions of which we are aware. Further, Bolton Partners, Inc. and Cavanaugh Macdonald Consulting, LLC, who performed our OPEB valuation, are not related to the County.

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, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

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

31. 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.

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

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

34. 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.

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

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

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

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

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

40. 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.

41. 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.

42. 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.

43. With respect to the combining and individual fund statements and schedules – by fund type and 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.

44. We take responsibility for the current year implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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. In regards to the assistance with submission of the data collection form service performed by you, we have:
   a. Assumed all management responsibilities.
   b. Overseen the service, by designating an individual, within senior management, who possess suitable skill, knowledge, or experience.
   c. Evaluated the adequacy and results of the services performed.
   d. Accepted responsibility for the results of the services.
   e. Evaluated and maintained internal controls, including ongoing monitoring activities.

We have evaluated subsequent events through the date of this letter, which is the date the financial statements were available to be issued. All events, including instances of noncompliance, that 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 have been disclosed properly.

Scott Stevens
County Administrator

Suzanne R. Mellen
Director of Financial and Management Services

Sharon Day
Assistant Director of Financial and Management Services

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

The Comprehensive Annual Financial Report

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

JAMES CITY COUNTY, VIRGINIA

JAMESCITYCOUNTYVA.GOV

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County of James City, Virginia

Comprehensive Annual Financial Report

(*With Independent Auditors' Report Thereon*)

For the Fiscal Year Ended
June 30, 2018

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

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Introductory Section

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County of James City, Virginia

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

Board of Supervisors

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

Officials

Michael E. McGinty, Judge of the Circuit Court
B. Elliott Bondurant, Judge of the Circuit Court
Mona Foley, Clerk of the Circuit Court
Nathan R. Green, Commonwealth's Attorney
Richard W. Bradshaw, Commissioner of the Revenue
Jennifer D. Tomes, Treasurer
Colleen K. Killilea, Judge of the General District Court
George C. Fairbanks, IV, Judge of the Juvenile and Domestic Relations Court
Robert J. Deeds, Sheriff
Bradley J. Rinehimer, Chief of Police
Dr. Olwen E. Herron, Superintendent of Schools
William C. Porter, Interim County Administrator
Adam R. Kinsman, County Attorney

Board of Directors, James City Service Authority

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

School Board, Williamsburg-James City County Public Schools

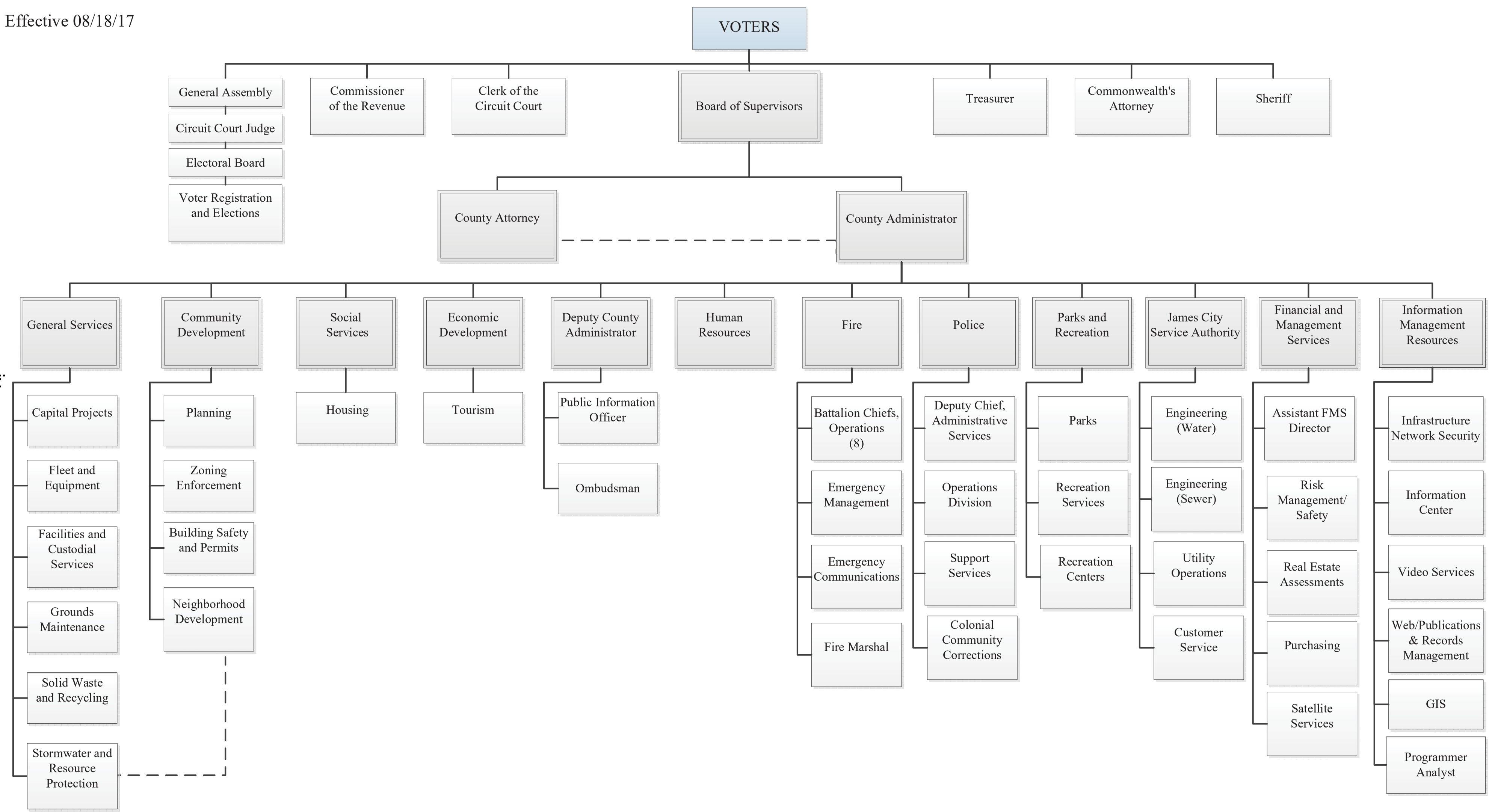
Kyra Cook, Chairman
Lisa L. Ownby, Vice Chairman
James W. Beers
Julie Y. Hummel
Jim Kelly
Holly A. Taylor
Sandra S. Young

Board Members, Economic Development Authority

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

James City County Organization Chart

Effective 08/18/17



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

January 17, 2019

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

We are pleased to submit to you the Comprehensive Annual Financial Report of James City County, Virginia (the County), for the fiscal year ended June 30, 2018, as required by the Code of Virginia. The Department of Financial and Management Services has prepared this report in accordance with accounting principles generally accepted in the United States of America (GAAP) and the standards of financial reporting prescribed by the Governmental Accounting Standards Board (GASB) and specifications of the Auditor of Public Accounts of the Commonwealth of Virginia. Section 15.1-67 of the Code of Virginia (1950, as amended) requires the County to have an annual audit of the books of account, financial records, and the transactions of the County. Brown, Edwards & Company L.L.P. was selected to perform the required audit. The unmodified report of Brown, Edwards & Company L.L.P., the highest possible result of the audit process, accompanies the financial statements in this report.

Responsibility for both the accuracy of the presented data and the fairness of the presentation, including all disclosures, rests with the County. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the County's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance, that the financial statements will be free from material misstatement. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds of the County; and that all disclosures necessary to enable the reader to gain maximum understanding of the County's financial activity have been included.

The County government is required to undergo an annual single audit as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Information related to this single audit, including the schedule of expenditures of federal awards, the schedule of findings and questioned costs, and the auditors' reports on internal control and compliance with applicable laws and regulations, are included in the compliance section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors on pages 4-9 of this report.

Profile of the Government

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

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

The Board of Supervisors is a five-member body; one member from each of the five districts, elected for a four-year staggered term by the voters of the district in which the member resides. The Chairman of the Board is elected annually by its members. This body enacts ordinances, appropriates funds, sets tax rates, and establishes policies for the administration of the County's public services.

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

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

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund and function level. The appropriation for each fund and function can be revised only by the Board of Supervisors; however, the County Administrator may amend the budget within functions. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 100-103 as part of the required supplementary information other than management's discussion and analysis. For governmental funds, other than the general fund, with appropriated budgets, these comparisons are presented in the other supplementary information subsection of this report which starts on page 119.

Economic Condition and Outlook

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

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

Major Initiatives

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

Economic Development

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

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

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

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

Capital Improvement Program

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

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

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

James City Service Authority

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

The Board of Supervisors has authorized water and sewer operations for the JCSA within the Primary Service Area (PSA) in the County. With the approval of the County, the JCSA has extended services beyond the PSA to several public sites in the County, including three public schools, Freedom Park and two major communities, Greensprings West and Governor's Land. The JCSA also provides water and/or sewer service to limited sections of York County and the City of Williamsburg with the concurrence of the appropriate governing bodies.

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

This regional approach to capital construction is estimated to save approximately $1 billion regionally compared to the cost of each locality individually fulfilling its Consent Agreement responsibilities. HRSD will fund the work through a regional HRSD rate. In addition, HRSD will also assume liability for wet weather sewer overflows due to inadequate capacity. 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 thirteen other localities.

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. EPA and DEQ are currently considering this proposal. If approved, HRSD proposes to fund SWIFT before the RWWMP to gain the greatest environmental benefit (reduction of nutrients to the Chesapeake Bay) before addressing SSOs. HRSD will have some funding available to address priority SSOs while SWIFT is under construction. The balance of the RWWMP will be constructed upon completion of SWIFT beyond 2030. In fiscal year 2018, HRSD proposed an amendment to the Consolidation Plan to better accommodate SWIFT's implementation. The amendment would extend the schedule for RWWMP work and assign HRSD the responsibility and liability for all regional wet weather overflows earlier than originally proposed.

Awards of Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to James City County, Virginia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 33rd consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

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

Respectfully submitted,

Scott A. Stevens
County Administrator

Suzanne R. Mellen
Director of Financial and Management Services

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

James City County

Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

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Financial Section

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BROWNEDWARDS
certified public accountants

Independent Auditors' Report

Board of Supervisors
County of James City, Virginia

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

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the business-type activities/proprietary fund, the Economic Development Authority discretely presented component unit, or the agency funds. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the business-type activities/proprietary fund, the Economic Development Authority discretely presented component unit, and the agency funds are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

BROWNEDWARDS
certified public accountants

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of James City, Virginia's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

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

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

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certified public accountants

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 17, 2019, on our consideration of the County of James City, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of James City, Virginia's internal control over financial reporting and compliance.

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

Newport News, Virginia
January 17, 2019

As management of James City County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information in our letter of transmittal at the front of this report and the County's financial statements, which follow this analysis.

Financial Highlights

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the County are divided into three categories:

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

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and by bond covenants.

Other funds are established to control and manage money for particular purposes or to show that the County is properly using certain taxes and grants.

The County has three kinds of funds:

- *Governmental funds:* Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can be readily converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statement or on the subsequent page that explains the relationship (or differences) between them.
- *Proprietary funds:* Services that are intended to recover all or a significant portion of their costs through user fees are generally reported in the proprietary fund. Proprietary funds, like the government-wide statements, provide both long and short-term financing information. The County's enterprise fund (one type of proprietary fund) is the same as its business-type activity, but provides more detail and additional information, such as cash flows.
- *Fiduciary funds:* The County is responsible for assets of various agency funds. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the County's government-wide financial statements because the County cannot use their assets to finance its operations.

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's General Fund budget and the County's obligation to provide pension and other post-employment benefits to its employees. The combining statements for nonmajor governmental funds are presented immediately following the required supplementary information.

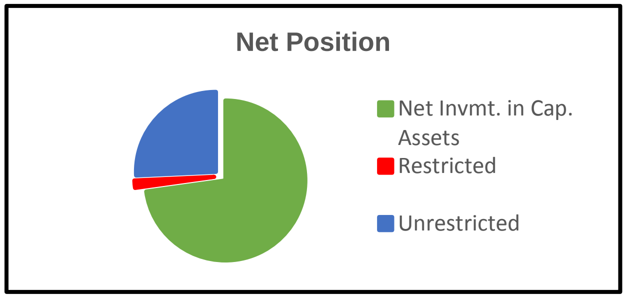
Financial Analysis

Condensed Statement of Net Position

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

The County's net position was $454,943,497 at the close of the most recent fiscal year. The largest portion of the County's net position at June 30, 2018 (72.8%) reflects its investment in capital assets, less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted net position (1.5%) is restricted for specific purposes. The unrestricted portion of net position (25.7%) may be used to meet the County's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the County was able to report positive balances in all three categories of net position, both for the primary government as a whole, as well as for its separate governmental and business-type activities.



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

Condensed Changes in Net Position

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

Governmental Activities

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

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

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

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

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

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

Business-Type Activities

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

Financial Analysis of the County's Governmental and Proprietary Funds

Governmental Funds

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

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

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

Non-major Governmental Funds: The County maintains six non-major governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for all funds, which can be found on pages 100-103. The non-major governmental funds had an increase in fund balance of $3,289,840 in fiscal year 2018.

Proprietary Fund

The County operates one proprietary fund, James City Service Authority (JCSA or the Authority), which provides water and sewer service to County residents. The proprietary funds had an increase of $1,568,551 in net position during the fiscal year primarily as a result of an increase in the water and sewer rates.

General Fund Budgetary Highlights

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

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

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

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

Capital Assets

At the end of fiscal year 2018, the County's investment in capital assets for its governmental and business-type activities totaled $502,580,601 (net of accumulated depreciation). This total includes land and land improvements, construction in progress, intangibles, buildings and improvements, water and sewer systems, infrastructure, equipment, and vehicles. The County does not own its roads, and therefore they are not included in capital assets. In addition, the Public Schools own all school buildings and the related debt is County debt. The value associated with the purchase and/or construction of the Public Schools' buildings is reported as capital assets in the governmental activities of the County to properly match with the associated debt, as allowed by Virginia state law. In fiscal year 2018, the net value of school buildings reflected in the governmental activities of the County equals $211,832,290, and the associated current year's depreciation expense of $5,000,891 is reflected in Education expense in the County's governmental activities in the statement of net position.

Summary of Capital Assets, Net

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

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, 2018 and 2017, respectively.

Summary of Long-Term Debt

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

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

Economic Factors and Next Year's Budget and Tax Rates

The County has a two-year budget cycle. The first year of a two-year cycle is adopted and appropriated and the second year is adopted for planning purposes. Fiscal year 2018 was the second year of the current two-year cycle. The fiscal year 2018 approved budget for the General Fund was $196,250,000 (Note: for financial reporting purposes, the General Fund budget also includes $290,000 for landfill user fees, for a total of $196,540,000).

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

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

Contacting the County's Financial Management

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

* * * * *

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

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

See accompanying notes to basic financials statements

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

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

See accompanying notes to basic financials statements.

Exhibit 3

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

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

See accompanying notes to basic financials statements.

County of James City, Virginia

Balance Sheet

Governmental Funds

June 30, 2018

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

See accompanying notes to basic financials statements.

County of James City, Virginia

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2018

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

See accompanying notes to basic financials statements.

County of James City, Virginia

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2018

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities:		
Net change in fund balances, governmental funds		$ (5,114,396)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:		
Depreciation expense	$ (12,646,419)	
Capital outlay expenditures	23,555,245	
Loss on disposal of capital assets	(617,149)	10,291,677
Loss on land held for resale and future development is not reported in the governmental funds however, is reflected in the statement of activities. Other assets decreased by this amount this year.		(366,462)
Because some revenues will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Unavailable revenue increased by this amount this year.		1,408,860
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and refunding gains/losses, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related accounts. The details of this difference are as follows:		
Principal payments	16,284,125	
Amortization on premium	1,320,943	
Amortization on deferred charge on refundings	(84,849)	17,520,219
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details of this difference is as follows:		
Compensated absences	592	
Landfill	1,009,906	
Interest payable	53,452	
Pension liability and related deferred inflows and outflows	2,265,053	
OPEB liability and related deferred inflows and outflows	226,070	3,555,073
Change in net position, governmental activities		$ 27,294,971

See accompanying notes to basic financials statements.

Exhibit 5

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

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

See accompanying notes to basic financials statements.

Exhibit 6

County of James City, Virginia

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2018

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

See accompanying notes to basic financials statements.

Exhibit 7

County of James City, Virginia

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2018

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

See accompanying notes to basic financials statements.

Exhibit 8

County of James City, Virginia

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2018

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

See accompanying notes to basic financials statements.

Exhibit 9

County of James City, Virginia

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year ended June 30, 2018

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

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, 2018 may be obtained from the Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

Discretely Presented Component Units

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

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

1) Summary of Significant Accounting Policies, Continued

Local costs related to operations of the Public Schools are apportioned between the participating localities in accordance with the agreement, as amended. For the fiscal year ended June 30, 2018, the apportionment of the Public Schools' operating costs to the City and County was $8,981,729 (9.46%) and $86,025,771 (90.54%), respectively. For the fiscal year ended June 30, 2018, the contributions for the Public Schools' capital project costs from the City and County were $2,059,673 (9.49%) and $19,649,982 (90.51%), respectively.

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

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

From time to time, the Development Authority has issued Industrial Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018, there were 15 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately $181.4 million.

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

Other Related Organizations and Joint Ventures

Separate financial statements for the fiscal year ended June 30, 2018, for all other related organizations and joint ventures discussed below except the Colonial Community Corrections Program, Inc., the Virginia Peninsulas Public Service Authority, and the Williamsburg Regional Library, may be obtained from the Assistant Director of Financial and Management Services of James City County, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

<u>Williamsburg Area Medical Assistance Corporation (the Corporation)</u>: 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.

<u>Colonial Community Corrections Program (the Program)</u>: 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, 2018 may be obtained from the Public Service Authority, 475 McLaws Circle, Suite 3B, Williamsburg, Virginia 23185-5676.

Williamsburg Regional Library (the Library): The Library, pursuant to an agreement dated May 26, 1977, as amended, provides library services to the City of Williamsburg, James City County and York County. The Library is operated by a board of trustees. The County appoints 6 trustees, the City of Williamsburg appoints 4 trustees and York County appoints 1 trustee. The Library is a legally separate organization, and the County cannot impose its will on the trustees. The Library is fiscally independent, and there is no financial benefit or burden relationship with the County; therefore, it is not included in the County's financial statements. The Library's financial statements for the fiscal year ended June 30, 2018 may be obtained from the Library, 7770 Croaker Road, Williamsburg, Virginia 23188.

Virginia Peninsula Regional Jail Authority (the Jail Authority): The Jail Authority was organized and exists pursuant to resolutions adopted in 1993 by and between the Cities of Williamsburg and Poquoson and the Counties of James City and York. The Jail Authority is operated by a board. Each member jurisdiction appoints one member and the sheriff from that jurisdiction. The County, as fiscal agent, appoints one additional member. The Jail Authority is a legally separate organization, and the County cannot impose its will on the Jail Authority. The Jail Authority is fiscally independent, and there is no financial benefit or burden relationship with the County. The County is charged user fees based on inmate population in order to cover direct and indirect costs of the Jail Authority. The County is fiscal agent for the Jail Authority, and as such, the Jail Authority's financial transactions are included as an agency fund in the County's financial statements.

Middle Peninsula Juvenile Detention Commission (the Commission): The Commission was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 1993. The member jurisdictions are as follows: Caroline County, Charles City County, Essex County, Gloucester County, Hanover County, James City County, King and Queen County, King William County, Lancaster County, Mathews County, Middlesex County, New Kent County, Northumberland County, City of Poquoson, Richmond County, Westmoreland County, City of Williamsburg and York County. The Commission is operated by a board. Each member jurisdiction appoints one member. The Commission is a legally separate organization, and the County cannot impose its will on the Commission. The Commission is fiscally independent, and there is no financial benefit or burden relationship with the County. The County is charged user fees based on juvenile population in order to cover direct and indirect costs of the Commission. The County is fiscal agent for the Commission, and as such, the Commission's financial statements are included as an agency fund in the County's financial statements.

Williamsburg Area Transit Authority (the Transit Authority): The Transit Authority was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 2008. Members include the County, City of Williamsburg, County of York and the Colonial Williamsburg Foundation. The Transit Authority is governed by a board, consisting of five representatives appointed by the members. The Transit Authority is a legally separate organization, and the County cannot impose its will on the Transit Authority. The Transit Authority is fiscally independent from the County, and there is no financial benefit or burden relationship with the County. The County is fiscal agent for the Transit Authority, and as such, the Transit Authority's financial statements are included as an agency fund in the County's financial statements.

1) Summary of Significant Accounting Policies, Continued

<u>Basis of Presentation</u>

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:

<u>General Fund</u>: 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.

<u>Capital Projects Fund</u>: 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.

<u>Debt Service Fund</u>: 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:

<u>James City Service Authority</u>: 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 Deferred Compensation Trust Fund, which accounts for wages of employees participating in the deferred compensation plan created in accordance with Internal Revenue Code Section 457 and is accounted for in essentially the same manner as proprietary funds. Also included are the Agency Funds, which consist of Special Welfare, Williamsburg Area Medical Assistance Corporation, Regional Jail, Juvenile Detention, and Williamsburg Area Transit Authority.

Basis of Accounting and Measurement Focus

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

The accompanying fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available to finance operations during the year. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the fund liability is incurred. Interest on long-term debt is recorded when due.

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

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

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

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

1) Summary of Significant Accounting Policies, Continued

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

Cash and Cash Equivalents

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

Investments

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

Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance for uncollectible accounts relating solely to property taxes was $78,944 in the General Fund at June 30, 2018. Additionally, the County recorded an allowance for uncollectible accounts of $32,155 related to business, professional and occupational license taxes and $194,681 for the Advance Life Support/Basic Life Support (ALS/BLS) fees.

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

Inventory

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

Capital Assets

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

1) Summary of Significant Accounting Policies, Continued

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Contributed capital assets are valued at their acquisition value on the date donated.

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

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

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

Compensated Absences

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

Unbilled Revenue

The Authority records the amount of earned but unbilled service charges revenue by prorating actual subsequent billings. Amounts accrued but unbilled were approximately $1,636,000 at June 30, 2018.

Property Taxes

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

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

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

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property, liability and line of duty coverages are provided through a group self-insurance risk pool. The County's retention is through deductibles on a per-claim basis.

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

1) Summary of Significant Accounting Policies, Continued

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

	Deductibles	Liability Coverage Limits
Property insurance:		
Building and contents	$ 10,000	Replacement cost
Inland marine	$ 1,000	Functional cost/actual cash value
Flood/earthquake (outside 100 year flood plain)	$ 25,000	$ 50,250,000
Business interruption/extra expense		$ 3,000,000
Property in transit		$ 5,000,000
Increased cost of construction/ordinance/demolition		$ 20,000,000
Back-up of sewers and drains		$ 10,000,000
Debris removal		$ 25,000,000
Pollutant clean-up and removal		$ 500,000
Utility services time element		$ 5,000,000
Newly acquired locations for up to 120 days		$ 25,000,000
Boiler/equipment breakdown	$ 1,000	$ 50,000,000
General liability	$ 100,000	$ 2,000,000
Public officials liability	$ 100,000	$ 9,000,000
Law enforcement liability	$ 100,000	$ 2,000,000
Automobile liability	$ 100,000	$ 2,000,000
Automobile comprehensive/collision	$ 1,000	Actual cash value/repair cost
Crime	$ 250	$ 500,000
Cyber risk	$ 100,000	$ 2,000,000
Environmental liability	$ 100,000	$ 1,000,000
Excess liability		$ 7,000,000
Worker's compensation; Line of duty		Statutory limits

Bond Premiums, Discounts and Issuance Costs

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

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

Interfund Transactions

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

1) Summary of Significant Accounting Policies, Continued

Encumbrances

Encumbrance accounting in which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration. Outstanding encumbrances at year-end are reported in their appropriate fund balance classification in accordance with GASB 54.

Fund Balances

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

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

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

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

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

Unassigned: Includes the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications. Only the general fund can report a positive unassigned fund balance. This includes the County's goal of maintaining a fiscal liquidity balance between 10%-12% of the total general governmental expenditures.

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

1) Summary of Significant Accounting Policies, Continued

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

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

Estimates

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

Reclassification

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

Adoption of New Accounting Statement

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

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

1) Summary of Significant Accounting Policies, Continued

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

2) Cash, Cash Equivalents and Investments

Primary Government

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

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

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

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

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

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

2) Cash, Cash Equivalents and Investments, Continued

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

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

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

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

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

Concentration of Credit Risk

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

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

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

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

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the County's Policy limits the investment of short-term operating funds to an average weighted maturity of no more than 180 days, with a portion of the portfolio continuously invested in readily available funds. The operating fund core portfolio will be invested in permitted investments with a stated maturity of no more than five years from the date of purchase. To control the volatility of the core portfolio, the Treasurer will determine a duration target, not to exceed three years.

2) Cash, Cash Equivalents and Investments, Continued

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

Custodial Credit Risk

The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2018, all of the County's investments are held in a bank's trust department in the name of James City County**.**

Component Units

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

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

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

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

3) Receivables

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

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

4) Interfund Receivables, Payables and Transfers

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

At June 30, 2018, the balances were as follows:

	Due from other funds			
	General	**Capital Projects**	**Nonmajor governmental funds**	**Total**
Due to other funds:				
General	$ -	$ 2,764,853	$ 4,745	$ 2,769,598
Nonmajor governmental	36,847	-	-	36,847
Total	$ 36,847	$ 2,764,853	$ 4,745	$ 2,806,445

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

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

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

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

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

Transfers from the General Fund of $5,909,982 to various nonmajor governmental funds represent the movement of funds collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

5) Due from Other Governments

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

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

Component Unit - Public Schools	
Federal government	$ 1,123,971
Commonwealth of Virginia	5,278
City of Williamsburg	261,951
Fiduciary fund	192,837
Total	$ 1,584,037

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, 2018:

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

Depreciation was charged to governmental functions as follows:

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

6) Capital Assets, Continued

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

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

Water	$ 5,043,640
Sewer	2,948,798
Total	$ 7,992,438

6) Capital Assets, Continued

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

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

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

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

7) Due From and To Component Units

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

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

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

8) Unavailable Revenue and Unearned Revenue

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

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

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

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

9) Long-Term Liabilities

Primary Government

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

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

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

Arbitrage

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

9) Long-Term Liabilities, Continued

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

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

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

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

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

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

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

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

9) Long-Term Liabilities, Continued

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

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

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

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

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

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

Component Unit - Public Schools

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

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

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

11) Pension Plan

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

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

Plan Description

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

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

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.

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

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

11) Pension Plan, Continued

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

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

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

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

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

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

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

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

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

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

11) Pension Plan, Continued

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

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

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

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

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

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

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.

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.

11) Pension Plan, Continued

Creditable Service: Same as Plan 1.

Vesting: Same as Plan 1.

Calculating the Benefit: See definition under Plan 1.

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

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

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

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

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

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

Eligibility: Same as Plan 1.

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

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

Purchase of Prior Service: Same as Plan 1.

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. 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 political subdivisions hazardous duty employees.

Defined Contribution Component: Not applicable.

Normal Retirement Age

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

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

Earliest Unreduced Retirement Eligibility

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

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

Earliest Reduced Retirement Eligibility

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

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

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component: Same as Plan 2.

Defined Contribution Component: Not applicable.

Eligibility: Same as Plan 1 and Plan 2.

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

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

Purchase of Prior Service

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

- Hybrid retirement plan members are ineligible for ported service.

Defined Contribution Component: Not applicable.

11) Pension Plan, Continued

<u>Agent Multiple-Employer Plan</u>

Employees Covered by Benefit Terms

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

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

Contributions

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

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

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

Net Pension Liability

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

Actuarial Assumptions - General Employees

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

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

11) Pension Plan, Continued

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

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related
Pre-retirement:
RP-2014 employee rates to age 80, healthy annuitant rates at ages 81 and older projected with scale of BB to 2020; males 95% of rates; females 105% of rates.
Post-retirement:
RP-2014 employee rates to age 49, healthy annuitant rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement:
RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related
Pre-retirement:
RP-2014 employee rates to age 80, healthy annuitant rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates
Post-retirement:
RP-2014 employee rates to age 49, healthy annuitant rates at age 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.
Post-Disablement:
RP-2014 disability mortality rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

Largest 10 - Non-Hazardous Duty:
- Update mortality rates to a more current mortality table - RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:
- Update mortality rates to a more current mortality table - RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 15%

11) Pension Plan, Continued

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

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

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

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

Mortality rates:

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

Pre-retirement:

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

Post-retirement:

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

Post-Disablement:

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

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

Pre-retirement:

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

Post-retirement:

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

Post-Disablement:

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

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

Largest 10 - Hazardous Duty:

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

11) Pension Plan, Continued

All Others (Non 10 Largest) - Hazardous Duty:

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

Long Term Expected Rate of Return

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

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

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

Discount Rate

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

11) Pension Plan, Continued

Changes in Net Pension Liability

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

11) Pension Plan, Continued

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

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

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

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

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

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

11) Pension Plan, Continued

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

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

Pension Plan Data

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

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

Contributions

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

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

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

11) Pension Plan, Continued

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

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

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

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

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

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

Actuarial Assumptions

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

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

11) Pension Plan, Continued

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

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

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

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

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

Net Pension Liability

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

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

11) Pension Plan, Continued

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

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

11) Pension Plan, Continued

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

Pension Plan Fiduciary Net Position

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

12) Other Post-Employment Benefits (OPEB)

Multiple Employer Agent Plan - Retiree Healthcare

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

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

Plan Description

Participants must be eligible to retire under VRS and must be full-time active employees who retire directly from the County or Authority and are at least 55 years of age with 15 years of service. Each year, retirees participating in the County or Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of five plans offered by Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost and therefore, have no employer obligation. There is no coverage for post-Medicare retirees.

The Public Schools provides a single-employer defined benefit medical plan and a retiree health insurance premium contribution plan that covers retirees until they reach 65 years of age. There is no coverage for retirees or their spouses once they reach the age of 65 and are eligible for Medicare. Both plans were established under the authority of the Williamsburg-James City County School Board and any amendments to the plans must be approved by the School Board. The Public Schools' plan allows retirees under the age of 65 to remain in the same medical and dental plan as active employees if they have at least five years of service and are a covered member under the plan at retirement and for at least 24 months prior to retiring. Retirees pay 100% of the premium, minus the monthly $62.50 contribution, as applicable. The Public Schools' plan allows eligible retirees to receive a $750 annual contribution toward their health insurance premium if they have a minimum of twelve continuous years of service. The Public Schools' current membership is 35.

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

Funding Policy

Retirees contribute towards their health insurance premiums based on a blended rate and therefore, the County and Authority has an implicit obligation. Retirees pay 100% of the published rates for individual and dependent coverage until age 65. The estimated contributions are based on the implicit rate subsidy payments made during the year by the retirees. The County, Authority and Public Schools do not intend to establish a trust to pre-fund their obligations. The anticipated growth in the net OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis. The data has been projected into the future based on the assumption the current active population remains constant.

Employees Covered by Benefit Terms

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

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

Actuarial Methods and Assumptions

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

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

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

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

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

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

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

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

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

Mortality decrements:

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

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

Mortality decrements:

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

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

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

Changes in Assumptions Since Prior Valuation for the Public Schools

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

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

Changes in Net OPEB Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Multiple Employer Cost-Sharing Plan – Group Life Insurance Plan

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

Plan Description

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

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

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

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

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

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

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

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

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

Contributions

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

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

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

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

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

Mortality rates: Teachers

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

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

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

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

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

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

Mortality rates: Largest Ten Locality Employers - General Employees

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

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

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

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

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

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

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

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

Mortality rates: Largest Ten Locality Employers – Hazardous Duty Employees

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

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

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

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

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

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

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

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

Net GLI OPEB Liability

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

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

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

Long-Term Expected Rate of Return

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

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

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

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

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

Discount Rate

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

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

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

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

Group Life Insurance Program Fiduciary Net Position

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

Payables to the VRS Group Life Insurance OPEB Plan

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

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

Multiple Employer Agent Plan - Health Insurance Credit Program

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

Plan Description

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

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

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

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

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

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

Employees Covered by Benefit Terms

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

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

Contributions

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

Net HIC OPEB liability

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

Actuarial Assumptions

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

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

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

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

Mortality rates – Largest Ten Locality Employers - General Employees

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

- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

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

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

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

- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

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

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

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

Mortality rates – Largest Ten Locality Employers – Hazardous Duty Employees

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

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

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

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

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

Changes in Net OPEB - HIC Liability:

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

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

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

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

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

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

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

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

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

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

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

Health Insurance Credit Program Plan Data

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

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

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

Plan Description

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

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

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

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

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

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

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

Contributions

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

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

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

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

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

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

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

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

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

Actuarial Assumptions

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

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

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

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

Mortality rates: Teachers

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

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

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

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

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

Net Teacher Employee HIC OPEB Liability

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

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

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

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

Teacher Employee HIC OPEB Fiduciary Net Position

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

Payables to the Teacher Employee Health Insurance Credit Program OPEB Plan

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

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

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

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

Plan Description

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

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

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

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

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

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

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

Contributions

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

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

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

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

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

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

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

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

Year ended	Component unit - Public Schools (non-professional)
2019	$ (1,000)
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	$ (1,000)

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

Actuarial Assumptions

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

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

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

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

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

- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates

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

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

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

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

- Pre-Retirement: RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with Scale BB to 2020; males 90% of rates; females set forward 1 year.

- Post-Retirement: RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with Scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

- Post-Disablement: RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

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

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

Net Political Subdivision Employee VLDP OPEB Liability

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

	Political Subdivision Employee VLDP OPEB Plan
Total Political Subdivision VLDP OPEB Liability	$ 914
Plan Fiduciary Net Position	351
Political Subdivision net VLDP OPEB Liability (Asset	$ 563
Plan Fiduciary Net Position as a % of the Total Political Subdivision VLDP OPEB Liability	38.40%

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

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

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

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

Political Subdivision Employee VLDP OPEB Fiduciary Net Position

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

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

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

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

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

Plan Description

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

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

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

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

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

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

Contributions

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

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

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

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

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

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

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

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

Year ended	Component unit - Public Schools (professional)
2019	$ 2,000
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	$ 2,000

Actuarial Assumptions

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

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

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

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

Mortality rates – Teachers

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

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

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

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

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

Net Teacher Employee VLDP OPEB Liability

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

		Teacher Employee VLDP OPEB Plan
Total Teacher Employee VLDP OPEB Liability	$	873
Plan Fiduciary Net Position		279
Teacher Employee Net VLDP OPEB Liability (Asset	$	594
Plan Fiduciary Net Position as a % of the Total Teacher Employee VLDP OPEB Liability		31.96%

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

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

Long-Term Expected Rate of Return

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

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

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

Discount Rate

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

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

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

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

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

Teacher Employee VLDP OPEB Fiduciary Net Position

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

Payables to the Teacher Employee Virginia Local Disability Program OPEB Plan

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

13) Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to permanent part-time and full-time County and Authority employees, permits them to defer 25% of their gross income up to the maximum allowable by the IRC ($18,500 in 2018). The deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the participants. The County acts as trustee for the plan with the choice of investment options being made by the participants. The activity of the plan is accounted for in the Deferred Compensation trust fund in the accompanying basic financial statements.

14) Related-Party Transactions

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

In September 2009, the County entered into an agreement with the Schools for maintenance and custodial services. The agreement is in place for one year, which may be renewed or amended by November 1 each year. The County paid the Schools $106,361 for the year ended June 30, 2018 for these services.

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

15) Risk Management

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

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

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

16) Commitments and Contingencies

Primary Government

Construction in Progress

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

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

Advances for Construction

The Authority records advances for construction representing two separate agreement types. Funds can be advanced by developers for the construction of specific facilities. These agreements call for rebates, up to the amount advanced, and have no expiration date. Developers can also construct a facility, dedicate it to the Authority and receive rebates up to the cost of the facility for up to 10 years. The Authority no longer enters into these types of agreements. At June 30, 2018, the Authority had $32,902 outstanding in advances for construction.

16) Commitments and Contingencies, Continued

Operating Leases

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

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

Year ending June 30:	Primary government - governmental activities	Component unit - Public Schools
2019	$ 251,809	$ 267,804
2020	258,607	183,990
2021	265,027	107,225
2022	271,635	46,495
2023	279,013	-
2024-2028	1,060,215	-
2029	46,732	-
Total	$ 2,433,038	$ 605,514

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, 2018, 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	$ 19,787

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

18) Restatement - Net Position

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

Primary Government

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

Component Unit – Public Schools

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

19) Subsequent Event

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

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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, 2018

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

(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, 2018

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

(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, 2018

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

(Continued)

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, 2018

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

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

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

	2015			2016			2017			2018		
	County	**JCSA**	**Public Schools' Non-Professional**	**County**	**JCSA**	**Public Schools' Non-Professional**	**County**	**JCSA**	**Public Schools' Non-Professional**	**County**	**JCSA**	**Public Schools' Non-Professional**
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	$ 4,344,463	$ 411,137	$ 523,460
Interest	9,996,496	913,818	1,021,383	10,586,624	978,647	1,087,945	11,164,260	1,032,165	1,157,021	11,561,915	1,104,652	1,222,200
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	252,227	(146,331)	(13,491)	(2,733,673)	128,139	(122,658)	(554,290)	(213,521)	(318,599)
Changes in assumptions	-	-	-	-	-	-	-	-	-	(1,296,832)	(335,427)	(236,957)
Benefit payments, including refunds of employee contributions	(5,223,843)	(376,365)	(570,189)	(6,660,511)	(433,146)	(586,736)	(7,345,595)	(562,945)	(640,852)	(6,950,943)	(495,181)	(646,577)
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	7,104,313	471,660	543,527
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	168,645,685	16,028,334	17,783,291
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	$ 175,749,998	$ 16,499,994	$ 18,326,818
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	3,536,962	288,588	233,501
Contributions - employee	1,909,429	197,188	237,728	1,844,202	193,349	256,454	1,870,648	197,261	256,786	1,934,998	210,624	257,483
Net investment income	18,931,089	1,802,418	2,265,304	6,365,577	612,704	764,646	2,508,354	245,617	309,381	17,721,493	1,734,000	2,158,117
Benefit payments, including refunds of employee contributions	(5,223,843)	(376,365)	(570,189)	(6,660,511)	(433,146)	(586,736)	(7,345,595)	(562,945)	(640,852)	(6,950,943)	(495,181)	(646,577)
Adminstrative expense	(100,186)	(9,511)	(12,002)	(86,580)	(8,173)	(10,296)	(89,515)	(8,604)	(10,703)	(101,649)	(9,804)	(12,355)
Other	998	95	120	(1,349)	(130)	(162)	(1,066)	(104)	(130)	(15,816)	(1,552)	(1,926)
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	16,125,045	1,726,675	1,988,243
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	145,712,573	14,159,679	17,720,602
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	161,837,618	15,886,354	19,708,845
Net pension liability (asset) (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	$ 13,912,380	$ 613,640	$ (1,382,027)
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%	92.08%	96.28%	107.54%
Covered 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	$ 38,853,860	$ 4,083,082	$ 5,000,257
Net pension liability (asset) as a percentage of the total covered payroll	41.39%	23.82%	-16.72%	50.36%	27.58%	-11.39%	60.86%	46.41%	1.22%	35.81%	15.03%	-27.64%

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

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

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

County of James City, Virginia

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

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

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

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

Exhibit 13

County of James City, Virginia

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

County

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered 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%
2018	3,792,543	3,793,308	765	40,475,381	9.37%

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

JCSA

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered 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%
2018	308,672	308,672	-	4,230,543	7.29%

Public Schools' - Non-professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered 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%
2018	224,276	224,276	-	4,802,484	4.67%

Public Schools' - Professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered 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%
2018	10,992,169	10,992,169	-	67,353,977	16.32%

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

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

Exhibit 14

County of James City, Virginia

Schedule of Changes in the Net OPEB - Retiree Healthcare (RH) Liability and Related Ratios

Required Supplementary Information (Unaudited)

Year ended June 30, 2018* (1) (2)

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

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

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

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

County of James City, Virginia

Schedule of Changes in the Net OPEB - Health Insurance Credit (HIC) Liability

Required Supplementary Information (Unaudited)

Year ended June 30, 2018* (1)

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

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

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

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

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

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

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

County of James City, Virginia

Schedule of Employer OPEB - Group Life Insurance Contributions
Required Supplementary Information (Unaudited)
Year ended June 30, 2018 (1)

County employees

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 210,472	$ 212,091	$ (1,619)	$ 40,475,381	0.52%

James City Service Authority employees

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 21,999	$ 22,168	$ (169)	$ 4,230,543	0.52%

Public Schools' - non-professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 25,165	$ 25,165	$ -	$ 4,802,484	0.52%

Public Schools' - professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 352,935	$ 352,935	$ -	$ 67,353,977	0.52%

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

Exhibit 18

County of James City, Virginia

Schedule of Employer OPEB - Health Insruance Credit Program Contributions
Required Supplementary Information (Unaudited)
Year ended June 30, 2018 (1)

County employees

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 76,903	$ 67,836	$ 9,067	$ 40,475,381	0.19%

James City Service Authority employees

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 8,461	$ 8,467	$ (6)	$ 4,230,543	0.20%

Public Schools' - non-professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 11,165	$ 11,165	$ -	$ 4,802,484	0.23%

Public Schools' - professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 851,814	$ 851,814	$ -	$ 67,353,977	1.26%

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

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

County of James City, Virginia

Schedule of Employer's Share of Net OPEB - Health Insurance Credit Program (HIC) Liability
Required Supplementary Information (Unaudited)
Year ended June 30, 2018* (1)

		Public Schools' Professional 2018
Employer's proportion of the net OPEB - HIC liability		0.86281%
Employer's proportionate share of the net OPEB - HIC liability	$	10,946,000
Employer's covered payroll	$	67,052,585
Employer's proportionate share of the net OPEB - HIC liability as a percentage of its covered payroll		16.32%
Plan fiduciary net position as a % of total OPEB - HIC liability		7.04%

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

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

County of James City, Virginia

Schedule of Employer's Share of Net OPEB - Virginia Local Disability Program (VLDP) Liability
Required Supplementary Information (Unaudited)
Year ended June 30, 2018* (1)

	2018	
	Public Schools' Professional	**Public Schools' Non-Professional**
Employer's proportion of the net OPEB - VLDP liability	3.31886%	0.75284%
Employer's proportionate share of the net OPEB - VLDP liability	$ 20,000	$ 4,000
Employer's covered payroll	$ 67,052,585	$ 5,000,257
Employer's proportionate share of the net OPEB - VLDP liability as a percentage of its covered payroll	0.03%	0.08%
Plan fiduciary net position as a % of total OPEB - VLDP liability	31.96%	38.40%

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

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

Exhibit 21

County of James City, Virginia

Schedule of Employer OPEB - Virginia Local Disability Program Contributions
Required Supplementary Information (Unaudited)
Year ended June 30, 2018 (1)

Public Schools' - non-professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 9,890	$ 9,890	$ -	$ 4,802,484	0.21%

Public Schools' - professional

Fiscal Year	Contractually required contribution	Contributions in relation to contractually required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a % of covered payroll
2018	$ 39,047	$ 39,047	$ -	$ 67,353,977	0.06%

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

1) Budgeting and Budgetary Accounting

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

Prior to April 1, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget include proposed expenditures and the means of financing them. Public hearings are then conducted to obtain citizen comments.

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

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

All budgets are adopted on the modified accrual basis of accounting. The budget was increased by $93,385 in supplemental appropriations during the fiscal year ended June 30, 2018. The increase was for insurance recovery funds and a budget adjustment for the actual transient occupancy tax collected. All appropriations lapse on June 30 for all County funds, except the funds referenced above. All budget data presented in the accompanying basic financial statements represents the appropriated budget as of June 30, 2018, as adopted and amended by supplemental appropriations.

2) Pensions - Changes of Benefit Terms

There have been no actuarially material changes to the system benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

3) Pensions, OPEB Group Life Insurance, Health Insurance Credit and VLDP - Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

<u>Largest 10 - Non-Hazardous Duty</u>:
- Update mortality rates to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 20%

<u>All Others (Non 10 Largest) - Non-Hazardous Duty</u>:
- Update mortality rates to more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages and changed final retirement from 70 to 75
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Lowered disability rates
- No change in salary scale
- Increase line of duty disability rate from 14% to 15%

See accompanying independent auditors' report.

3) Pensions and OPEB Group Life Insurance, Health Insurance Credit, and VLDP - Changes of Assumptions, Continued

Largest 10 - Hazardous Duty:
- Update mortality rates to a more current mortality table – RP-2014 projected to 2020
- Lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience
- Increased disability rates
- No change in salary scale
- Increase line of duty disability rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:
- Update mortality rates to more current mortality table – RP-2014 projected to 2020
- Increased age 50 retirement rates and lowered retirement rates at older ages
- Adjusted withdrawal rates to better fit experience at each year age and service through 9 years of service
- Adjusted disability rates to better fit experience
- No change in salary scale
- Decrease line of duty disability rate from 60% to 45%

4) OPEB Retiree Healthcare - Trust Arrangement and Funding Policy

The County does not intend to establish a trust to pre-fund the obligation. The anticipated growth in the net OPEB liability is based on contributions to the benefit plan on a pay-as-you-go cost basis.

5) OPEB Retiree Healthcare - Changes of Benefit Terms

There have been no actuarially material changes to the benefit provisions since the prior actuarial valuation.

6) OPEB Retiree Healthcare - Changes of Assumptions

The following change in actuarial assumptions were made based on the most recent actuarial valuation:

Discount Rate	
June 30, 2017	2.85%
June 30, 2018	3.58%

7) OPEB Group Life Insurance - Changes of Benefit Terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

8) OPEB Health Insurance Credit - Changes of Benefit Terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

9) OPEB Virginia Local Disability Program – Changes of Benefit Terms

There have been no actuarially material changes to the VRS benefit provisions since the prior actuarial valuation.

10) OPEB Virginia Local Disability Program – Changes of Assumptions

The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

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

See accompanying independent auditors' report.

Supplementary Information

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County of James City, Virginia
Debt Service Fund

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

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, 2018

	Original Budget	Final Budget	Actual	Variance positive (negative)
Revenues:				
Use of money and property	$ -	$ -	$ 100,976	$ 100,976
Miscellaneous	174,322	174,322	209,788	35,466
Total revenues	174,322	174,322	310,764	136,442
Expenditures:				
Community development	75,000	75,000	46,546	28,454
Debt service:				
Principal	15,412,271	15,412,271	15,412,271	-
Interest and other fiscal charges	7,037,051	7,037,051	6,117,276	919,775
Total expenditures	22,524,322	22,524,322	21,576,093	948,229
Deficiency of revenues under expenditures	(22,350,000)	(22,350,000)	(21,265,329)	1,084,671
Other financing sources:				
Transfers in	22,350,000	22,350,000	21,265,329	1,084,671
Total other financing sources	22,350,000	22,350,000	21,265,329	1,084,671
Deficiency of revenues and other sources under expenditures	-	-	-	-
Fund balance, beginning of year	-	-	-	-
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, 2018

	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	$ 1,491,818	$ 277,097	$ 425,241	$ 360,163	$ 2,232,301	$ -	$ 4,786,620
Cash and cash equivalents, restricted	-	-	1,661,350	-	-	3,279,262	4,940,612
Taxes receivable	-	-	-	-	92,995	-	92,995
Loans receivable	-	-	3,115,987	-	-	-	3,115,987
Miscellaneous receivables	-	-	3,661	-	-	-	3,661
Due from other funds	4,447	298	-	-	-	-	4,745
Due from other governments	326,521	-	74,467	-	-	545,768	946,756
Total assets	$ 1,822,786	$ 277,395	$ 5,280,706	$ 360,163	$ 2,325,296	$ 3,825,030	$ 13,891,376
Liabilities							
Liabilities:							
Accounts payable	$ 9,711	$ 19,277	$ 24,066	$ 60,927	$ 85,300	$ 299,965	$ 499,246
Accrued liabilities	2,466	1,725	1,077	-	-	1,446	6,714
Payables from restricted assets	-	-	14,899	-	-	-	14,899
Due to other funds	-	-	-	462	36,385	-	36,847
Unearned revenue	-	-	2,416,169	-	-	6,000	2,422,169
Total liabilities	12,177	21,002	2,456,211	61,389	121,685	307,411	2,979,875
Deferred Inflow of Resources							
Unavailable revenue - grants	854	-	380	-	-	387,008	388,242
Fund Balances							
Fund balances:							
Assigned	1,809,755	256,393	2,824,115	298,774	2,203,611	3,130,611	10,523,259
Total fund balances	1,809,755	256,393	2,824,115	298,774	2,203,611	3,130,611	10,523,259
Total liabilities and fund balances	$ 1,822,786	$ 277,395	$ 5,280,706	$ 360,163	$ 2,325,296	$ 3,825,030	$ 13,891,376

See accompanying independent auditors' report.

County of James City, Virginia

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2018

	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	$ -	$ -	$ -	$ -	$ 815,252	$ -	$ 815,252
Miscellaneous	10,000	59,706	213,340	23,933	250	-	307,229
Intergovernmental:							
Local	-	97,373	-	-	-	208,153	305,526
Commonwealth	1,022,942	783,728	346,180	3,902	-	1,680,996	3,837,748
Federal	2,454,422	-	1,052,152	-	-	562,256	4,068,830
Total revenues	3,487,364	940,807	1,611,672	27,835	815,502	2,451,405	9,334,585
Expenditures:							
Current:							
General government administration	-	-	-	2,596	-	-	2,596
Judicial administration	-	944,261	-	8,568	-	573,682	1,526,511
Public safety	-	-	-	94,839	-	566,651	661,490
Public works	-	-	-	-	-	12,389	12,389
Health and welfare	4,800,251	-	-	400	-	679,537	5,480,188
Parks, recreation and cultural	-	-	-	69,203	-	7,100	76,303
Community development	-	-	2,040,424	-	1,933,714	155,925	4,130,063
Total expenditures	4,800,251	944,261	2,040,424	175,606	1,933,714	1,995,284	11,889,540
Excess (deficiency) of revenues over (under) expenditures	(1,312,887)	(3,454)	(428,752)	(147,771)	(1,118,212)	456,121	(2,554,955)
Other financing sources (uses):							
Transfers in	1,471,422	55,867	699,062	-	1,760,235	1,923,396	5,909,982
Transfers out	-	-	-	(4,860)	(60,327)	-	(65,187)
Total other financing sources (uses)	1,471,422	55,867	699,062	(4,860)	1,699,908	1,923,396	5,844,795
Net change in fund balances	158,535	52,413	270,310	(152,631)	581,696	2,379,517	3,289,840
Fund balances, beginning of year	1,651,220	203,980	2,553,805	451,405	1,621,915	751,094	7,233,419
Fund balances, end of year	$ 1,809,755	$ 256,393	$ 2,824,115	$ 298,774	$ 2,203,611	$ 3,130,611	$ 10,523,259

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, 2018

	Original Budget	Revised Budget	Actual	Variance positive (negative)
Revenues:				
Intergovernmental:				
Commonwealth	$ 2,935	$ 2,935	$ 1,022,942	$ 1,020,007
Federal	3,808,254	3,808,254	2,454,422	(1,353,832)
Total intergovernmental revenues	3,811,189	3,811,189	3,477,364	(333,825)
Expenditures:				
Current:				
Health and welfare	5,746,162	5,756,162	4,800,251	955,911
Deficiency of revenues under expenditures	(1,934,973)	(1,944,973)	(1,322,887)	622,086
Other financing sources:				
Miscellaneous	-	10,000	10,000	-
Operating transfers in	1,469,308	1,469,308	1,471,422	2,114
Total other financing sources:	1,469,308	1,479,308	1,481,422	2,114
Deficiency of revenues and other sources under expenditures	(465,665)	(465,665)	158,535	(624,200)
Fund balance, beginning of year	465,665	465,665	1,651,220	(1,185,555)
Fund balance, end of year	$ -	$ -	$ 1,809,755	$ (1,809,755)

See accompanying independent auditors' report.

County of James City, Virginia
Agency Funds

Agency funds account for money received and held by the County in the capacity of fiscal agent for individuals, other governmental agencies and private organizations.

The County reports the following Agency funds:

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

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

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

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

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

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	$ 1,678	$ 27,662	$ 1,833,590	$ 2,008,501	$ 1,474,406	$ 5,345,837
Restricted cash and investments	-	4,400,306	2,767,543	-	-	7,167,849
Accounts receivable and due from other governmental units	-	201,697	3,087,376	98,146	891,745	4,278,964
Total assets	$ 1,678	$ 4,629,665	$ 7,688,509	$ 2,106,647	$ 2,366,151	$ 16,792,650
Liabilities						
Accounts payable and accrued liabilities	$ -	$ 250,697	$ 2,731,241	$ 962,187	$ 478,762	$ 4,422,887
Amounts held for others	1,678	4,378,968	4,957,268	1,144,460	1,887,389	12,369,763
Total liabilities	$ 1,678	$ 4,629,665	$ 7,688,509	$ 2,106,647	$ 2,366,151	$ 16,792,650

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, 2018

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Special Welfare Fund:				
Assets:				
Cash	$ 209	$ 9,950	$ 8,481	$ 1,678
Liabilities:				
Accounts payable	$ 382	$ -	$ 382	-
Amounts held for others	(173)	5,877	4,026	1,678
Total liabilities	$ 209	$ 5,877	$ 4,408	$ 1,678
Williamsburg Area Medical Assistance Corporation Fund:				
Assets:				
Cash	$ 143,575	$ 2,387,515	$ 2,503,428	$ 27,662
Restricted cash	4,287,137	789,018	675,849	4,400,306
Accounts receivable	139,960	551,064	489,327	201,697
Total assets	$ 4,570,672	$ 3,727,597	$ 3,668,604	$ 4,629,665
Liabilities:				
Accounts payable and accrued liabilities	$ 287,112	$ 2,327,666	$ 2,364,081	$ 250,697
Amounts held for others	4,283,560	3,957,700	3,862,292	4,378,968
Total liabilities	$ 4,570,672	$ 6,285,366	$ 6,226,373	$ 4,629,665
Regional Jail Fund:				
Assets:				
Cash and investments	$ 1,705,615	$ 14,833,472	$ 14,705,497	$ 1,833,590
Restricted cash and investments	2,808,463	63,593	104,513	2,767,543
Accounts receivable and due from other governmental units	861,318	12,038,056	9,811,998	3,087,376
Total assets	$ 5,375,396	$ 26,935,121	$ 24,622,008	$ 7,688,509
Liabilities:				
Accounts payable and accrued liabilities	$ 638,121	$ 2,897,608	$ 804,488	$ 2,731,241
Amounts held for others	4,737,275	28,182,730	27,962,737	4,957,268
Total liabilities	$ 5,375,396	$ 31,080,338	$ 28,767,225	$ 7,688,509
Juvenile Detention Fund:				
Assets:				
Cash and investments	$ 1,812,119	$ 4,886,033	$ 4,689,651	$ 2,008,501
Accounts receivable and due from other governmental units	244,382	3,811,445	3,957,681	98,146
Total assets	$ 2,056,501	$ 8,697,478	$ 8,647,332	$ 2,106,647
Liabilities:				
Accounts payable and accrued liabilities	$ 1,262,215	$ 844,295	$ 1,144,323	$ 962,187
Amounts held for others	794,286	5,445,787	5,095,613	1,144,460
Total liabilities	$ 2,056,501	$ 6,290,082	$ 6,239,936	$ 2,106,647
Williamsburg Area Transit Authority Fund:				
Assets:				
Cash and investments	$ 1,233,924	$ 8,582,875	$ 8,342,393	$ 1,474,406
Accounts receivable and due from other governmental units	1,113,632	4,334,732	4,556,619	891,745
Total assets	$ 2,347,556	$ 12,917,607	$ 12,899,012	$ 2,366,151
Liabilities:				
Accounts payable and accrued liabilities	$ 574,742	$ 532,776	$ 628,756	$ 478,762
Amounts held for others	1,772,814	8,156,054	8,041,479	1,887,389
Total liabilities	$ 2,347,556	$ 8,688,830	$ 8,670,235	$ 2,366,151
Total:				
Assets:				
Cash and investments	$ 4,895,442	$ 30,699,845	$ 30,249,450	$ 5,345,837
Restricted cash and investments	7,095,600	852,611	780,362	7,167,849
Accounts receivable and due from other governmental units	2,359,292	20,735,297	18,815,625	4,278,964
Total assets	$ 14,350,334	$ 52,287,753	$ 49,845,437	$ 16,792,650
Liabilities:				
Accounts payable and accrued liabilities	$ 2,762,572	$ 6,602,345	$ 4,942,030	$ 4,422,887
Amounts held for others	11,587,762	45,748,148	44,966,147	12,369,763
Total liabilities	$ 14,350,334	$ 52,350,493	$ 49,908,177	$ 16,792,650

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, 2018

	General	Grants	Schools' food services	Capital projects	Total governmental funds
Assets					
Cash and temporary investments	$ 15,448,315	$ -	$ 1,090,282	$ -	$ 16,538,597
Receivables	163,754	96,111	13,408	-	273,273
Due from other funds	2,907,902	-	-	-	2,907,902
Due from fiduciary funds	192,837	-	-	-	192,837
Due from federal government	-	1,003,306	120,665	-	1,123,971
Due from Commonwealth of Virginia	-	5,278	-	-	5,278
Due from the City of Williamsburg and James City County	63,727	-	-	4,597,433	4,661,160
Inventory	-	-	36,661	-	36,661
Total assets	$ 18,776,535	$ 1,104,695	$ 1,261,016	$ 4,597,433	$ 25,739,679
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,718,624	$ 111,105	$ 38,392	$ 1,554,638	$ 3,422,759
Accrued payroll	6,784,444	277,775	142,109	-	7,204,328
Accrued benefits	7,019,731	266,631	124,126	-	7,410,488
Due to the City of Williamsburg and James City County	3,053,736	-	-	-	3,053,736
Due to other funds	-	314,447	-	2,593,455	2,907,902
Unearned revenue	-	138,108	-	-	138,108
Total liabilities	18,576,535	1,108,066	304,627	4,148,093	24,137,321
Deferred Inflow of Resources					
Unavailable revenue - grants	-	622,031	-	-	622,031
Fund balances:					
Nonspendable - inventory	-	-	36,661	-	36,661
Restricted	-	-	919,728	-	919,728
Committed	-	-	-	449,340	449,340
Unassigned	200,000	(625,402)	-	-	(425,402)
Total fund balances	200,000	(625,402)	956,389	449,340	980,327
Total liabilities and fund balances	$ 18,776,535	$ 1,104,695	$ 1,261,016	$ 4,597,433	

Adjustments for the statement of net position:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		58,909,826
Some receivables are not available to pay for current period expenditures and therefore are unavailable revenue in the funds.		622,031
Long-term liabilities are not reported as liabilities in the governmental funds.		
Compensated absences	$ (1,289,504)	
Equipment capital leases	(32,299)	
Net OPEB asset and liabilities and related deferred inflows and outflows of resources	(21,392,553)	
Net pension asset and liabilities and related deferred inflows and outflows of resources	(104,687,498)	(127,401,854)
Net position of governmental activities		$ (66,889,670)

See accompanying independent auditors' report.

County of James City, Virginia

Statement of Revenues, Expenditures and Changes in Fund Balances
Discretely Presented Component Unit – Public Schools – Governmental Funds
Year ended June 30, 2018

	General	Grants	Schools' food services	Capital projects	Total governmental funds
Revenues:					
Intergovernmental:					
From City of Williamsburg and James City County	$ 95,007,500	$ -	$ -	$ 5,069,746	$ 100,077,246
From Commonwealth of Virginia	33,049,130	1,013,561	57,272	-	34,119,963
From federal government	16,719	3,302,879	2,393,299	-	5,712,897
Total intergovernmental	128,073,349	4,316,440	2,450,571	5,069,746	139,910,106
Charges for services	505,616	-	1,831,859	-	2,337,475
Interest	560	-	248	-	808
Miscellaneous	180,324	682,745	-	-	863,069
Total revenues	128,759,849	4,999,185	4,282,678	5,069,746	143,111,458
Expenditures:					
General and administrative	3,122,087	-	-	-	3,122,087
Instruction	94,548,899	4,434,887	-	-	98,983,786
Attendance and health services	4,205,922	586,076	-	-	4,791,998
Pupil transportation	7,230,229	-	-	-	7,230,229
Operations and maintenance	10,948,073	46,704	-	-	10,994,777
Technology	7,465,437	375,876	-	-	7,841,313
Food services	-	67,966	4,031,202	-	4,099,168
Debt service:					
Principal	69,243	-	-	-	69,243
Interest	7,020	-	-	-	7,020
Capital outlay	1,391,860	235,917	6,657	5,069,746	6,704,180
Total expenditures	128,988,770	5,747,426	4,037,859	5,069,746	143,843,801
Excess (deficiency) of revenues over (under) expenditures	(228,921)	(748,241)	244,819	-	(732,343)
Net change in fund balances	(228,921)	(748,241)	244,819	-	(732,343)
Fund balances, beginning of year	428,921	122,839	711,570	449,340	1,712,670
Fund balances, end of year	$ 200,000	$ (625,402)	$ 956,389	$ 449,340	$ 980,327

See accompanying independent auditors' report.

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, 2018

Net change in fund balances		$ (732,343)
Adjustments for the statement of activities:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which new capital assets exceeded depreciation expense in the current period:		
Capital outlay	$ 6,704,180	
Depreciation expense	(4,501,572)	$ 2,202,608
In the statement of activities, the loss on the sale of equipment is reported, whereas in the governmental funds, only the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of the equipment sold.		(42,079)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		622,031
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.		69,243
Expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in compensated absences liability	(140,606)	
Change in net OPEB liability and related deferred inflows and outflows of resources	38,508	
Change in net pension liability and related deferred inflows and outflows of resources	3,535,792	3,433,694
Change in net position		$ 5,553,154

See accompanying independent auditors' report.

County of James City, Virginia

Schedule of Changes in Assets and Liabilities
Discretely Presented Component Unit – Public Schools – Agency Funds
Year ended June 30, 2018

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
State Operated Educational Program:				
Assets:				
Cash and temporary investments	$ -	$ 2,666,189	$ 2,666,189	$ -
Due from other governmental units	279,355	356,317	351,254	284,418
Total assets	$ 279,355	$ 3,022,506	$ 3,017,443	$ 284,418
Liabilities:				
Accounts payable	$ -	$ 223,267	$ 223,267	$ -
Accrued payroll	57,805	179,807	200,486	37,126
Accrued benefits	24,849	633,684	604,078	54,455
Due to other funds	196,701	192,837	196,701	192,837
Total liabilities	$ 279,355	$ 1,229,595	$ 1,224,532	$ 284,418
School Activity Fund:				
Assets:				
Cash and temporary investments	$ 1,125,176	$ 2,181,125	$ 2,040,111	$ 1,266,190
Liabilities:				
Amounts held for others	$ 1,125,176	$ 2,181,125	$ 2,040,111	$ 1,266,190
Totals – primary government:				
Assets:				
Cash and temporary investments	$ 1,125,176	$ 4,847,314	$ 4,706,300	$ 1,266,190
Due from other governmental units	279,355	356,317	351,254	284,418
Total assets	$ 1,404,531	$ 5,203,631	$ 5,057,554	$ 1,550,608
Liabilities:				
Accounts payable	$ -	$ 223,267	$ 223,267	$ -
Accrued payroll	57,805	179,807	200,486	37,126
Accrued benefits	24,849	633,684	604,078	54,455
Amounts held for others	1,125,176	2,181,125	2,040,111	1,266,190
Due to General Fund	196,701	192,837	196,701	192,837
Total liabilities	$ 1,404,531	$ 3,410,720	$ 3,264,643	$ 1,550,608

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, 2018

Assets		
Current assets:		
Cash and short-term investments (note 2)	$	350,083
Due from James City County		3,544
Bond fee receivable		3,028
Total current assets		356,655
Notes receivable, net allowance		25,000
Capital assets (note 6):		
Nondepreciable		1,238,661
Depreciable, net		695,117
Capital assets, net		1,933,778
Total assets	$	2,315,433
Liabilities and Net Position		
Current liabilities:		
Accounts payable	$	1,730
Net position:		
Net investment in capital assets		1,933,778
Unrestricted		379,925
Total net position		2,313,703
Total liabilities and net position	$	2,315,433

See accompanying independent auditors' report.

Exhibit D-5

County of James City, Virginia

Statement of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit - Economic Development Authority
Year ended June 30, 2018

Operating revenues:	
Intergovernmental - County contribution	$ 111,768
Lease income	64,725
Bond fees	17,712
Total operating revenues	194,205
Operating expenses:	
Community development	213,400
Promotion	55,585
Depreciation	17,435
Professional fees	16,883
Note forgiveness	2,573
Other	553
Total operating expenses	306,429
Operating loss	(112,224)
Nonoperating revenue (expenses):	
Capital contribution	804,845
Interest income	4,360
Total nonoperating revenue (expenses)	809,205
Change in net position	696,981
Net position, beginning of year	1,616,722
Net position, end of year	$ 2,313,703

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, 2018

Cash flows from operating activities:		
Receipts from customers	$	215,063
Payments to suppliers		(332,280)
Net cash used for operating activities		(117,217)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets		(95,533)
Cash flows from investing activities:		
Interest received		4,360
Net decrease in cash and short-term investments		(208,390)
Cash and short-term investments, beginning of year		558,473
Cash and short-term investments, end of year	$	350,083
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$	(112,224)
Adjustments to reconcile operating loss to cash used for operating activities:		
Depreciation		17,435
Note forgiveness		2,573
Changes in assets and liabilities:		
Bond fee receivable		(3,028)
Due from James City County		16,588
Notes receivable		4,725
Accounts payable		(43,286)
Net cash used for operating activities	$	(117,217)
Schedule of non-cash capital and related financing activities		
Capital contributions	$	804,845

See accompanying independent auditors' report.

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Statistical Section (Unaudited)

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County of James City, Virginia
Statistical Section Overview

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

Financial Trends **Tables 1 - 4**
These tables contain trend information to help the reader understand how the County's financial performance and well-being has changed over time.

Revenue Capacity **Tables 5 - 9**
These tables contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.

Debt Capacity **Tables 10 - 12**
These tables present information to help the reader assess the affordability of the County's current levels of outstanding debt and its ability to issue additional debt in the future.

Demographic & Economic Information **Tables 13 - 14**
These tables offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time and with other governments.

Operation Information **Tables 15 - 18**
These tables contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.

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

Table 1

County of James City, Virginia
Net Position by Component
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities:										
Net investment in capital assets	$ 155,643,755	$ 91,045,788	$ 46,961,066	$ 133,812,951	$ 128,851,392	$ 142,867,725	$ 159,469,360	$ 176,303,250	$ 185,274,286	$ 198,539,384
Restricted:										
Capital projects	15,716,245	41,296,767	20,005,183	21,226,338	35,010,428	8,320,449	1,551,387	-	-	-
Debt service	-	-	-	-	-	-	-	1,222,336	1,226,566	1,236,338
Other purposes	394,831	813,685	-	-	-	-	-	1,899,944	3,067,921	4,940,612
Unrestricted	42,816,887	61,999,946	134,831,315	55,343,408	52,396,401	50,095,897	51,222,452	52,962,121	63,841,474	70,378,940
Total governmental activities net position	$ 214,571,718	$ 195,156,186	$ 201,797,564	$ 210,382,697	$ 216,258,221	$ 201,284,071	$ 212,243,199	$ 232,387,651	$ 253,410,247	$ 275,095,274
Business-type activity:										
Net investment in capital assets	$ 134,314,330	$ 135,071,435	$ 135,641,623	$ 135,110,313	$ 139,966,206	$ 137,922,955	$ 137,173,064	$ 139,312,785	$ 136,696,744	$ 132,616,889
Restricted:										
Capital projects	4,674,837	4,610,218	4,740,769	4,876,760	2,620,384	2,601,160	2,716,277	-	-	-
Debt service	-	-	-	-	-	-	-	729,605	677,614	567,011
Unrestricted	36,591,088	36,430,621	34,057,874	34,462,629	30,189,025	29,159,119	32,903,518	37,014,202	41,443,900	46,664,323
Total business-type activity net position	$ 175,580,255	$ 176,112,274	$ 174,440,266	$ 174,449,702	$ 172,775,615	$ 169,683,234	$ 172,792,859	$ 177,056,592	$ 178,818,258	$ 179,848,223
Primary government:										
Net investment in capital assets	$ 289,958,085	$ 226,117,223	$ 182,602,689	$ 268,923,264	$ 268,817,598	$ 280,790,680	$ 296,642,424	$ 315,616,035	$ 321,971,030	$ 331,156,273
Restricted:										
Capital projects	20,391,082	45,906,985	24,745,952	26,103,098	37,630,812	10,921,609	4,267,664	-	-	-
Debt Service	-	-	-	-	-	-	-	1,951,941	1,904,180	1,803,349
Other purposes	394,831	813,685	-	-	-	-	-	1,899,944	3,067,921	4,940,612
Unrestricted	79,407,975	98,430,567	168,889,189	89,806,037	82,585,426	79,255,016	84,125,970	89,976,323	105,285,374	117,043,263
Total primary government net position	$ 390,151,973	$ 371,268,460	$ 376,237,830	$ 384,832,399	$ 389,033,836	$ 370,967,305	$ 385,036,058	$ 409,444,243	$ 432,228,505	$ 454,943,497

Table 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental activities:										
General government administration	$ 21,347,839	$ 23,962,622	$ 23,061,671	$ 17,103,421	$ 14,304,134	$ 9,249,487	$ 19,278,147	$ 8,807,519	$ 11,261,405	$ 8,768,221
Judicial administration	5,515,309	5,321,244	5,394,548	5,513,976	5,505,727	5,216,769	5,598,594	5,682,096	5,147,078	6,053,891
Public safety	23,267,505	22,477,094	15,003,864	23,768,668	27,750,476	25,964,996	23,996,973	30,842,789	30,313,710	32,036,916
Public works	5,925,566	19,240,014	7,332,972	6,119,246	7,963,622	7,244,367	6,985,073	7,986,260	9,161,360	7,258,365
Health and welfare	7,171,131	7,332,607	7,582,994	7,042,619	6,785,380	6,671,151	7,013,325	7,368,295	7,742,508	7,883,242
Education	83,021,945	81,441,066	83,737,593	82,082,568	84,309,615	85,595,145	87,713,464	87,508,710	93,728,530	94,073,287
Parks, recreation, and cultural	10,302,398	8,938,509	8,980,597	8,744,156	8,536,371	10,897,006	9,386,351	10,650,141	11,779,541	12,346,131
Community development	13,575,967	11,472,198	9,467,357	14,832,661	11,139,632	10,676,484	10,692,736	12,787,069	11,905,882	10,627,626
Interest on long-term debt	10,582,404	10,671,318	9,853,465	9,384,810	9,522,081	8,822,326	7,787,361	5,869,933	5,386,316	4,905,534
Total governmental activities expenses	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	183,953,213
Business-type activities:										
Service Authority	18,742,699	20,074,066	20,896,660	21,361,681	21,272,566	21,002,926	19,888,935	19,971,937	19,876,242	19,522,028
Stormwater Utility	1,466,080	-	-	-	-	-	-	-	-	-
Total business-type expenses	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	19,522,028
Total primary government expenses	$ 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	$ 203,475,241
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	$ 7,342,625	$ 6,594,623	$ 6,845,682	$ 7,246,961	$ 7,436,450	$ 7,758,238	$ 8,047,642	$ 7,547,746	$ 7,797,839	$ 7,973,771
Judicial administration	2,013,959	1,753,575	1,864,708	1,816,700	1,828,073	1,839,637	1,832,471	2,464,271	2,366,908	2,407,582
Public safety	2,714,769	2,704,770	2,874,239	3,172,589	3,463,159	3,330,101	3,455,177	3,558,411	3,281,957	2,964,057
Parks, recreation and cultural	2,493,973	2,547,762	2,494,536	2,527,532	2,708,063	2,854,489	3,109,047	3,563,791	3,667,720	3,694,635
Other	736,926	213,976	203,302	216,443	225,520	281,256	270,799	1,041,798	1,017,317	1,015,042
Total charges for services	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	18,055,087
Operating grants and contributions	25,171,862	23,161,669	32,049,993	33,019,242	31,354,415	30,572,383	31,767,861	32,181,074	32,903,768	32,980,663
Capital grants and contributions	804,605	423,581	434,823	2,035,365	1,312,352	1,286,856	346,627	269,439	196,051	828,415
Total governmental activities program revenues	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	51,864,165
Business-type activities:										
Charges for services	14,787,096	15,575,143	16,443,520	14,883,627	15,871,187	16,131,430	16,452,120	16,018,375	19,064,677	19,523,972
Operating grants and contributions	21,978	2,756	-	-	-	-	-	-	-	-
Capital grants and contributions	4,563,025	3,427,510	1,750,073	5,395,362	4,600,645	3,388,700	5,284,379	6,865,346	1,509,214	796,235
Total business-type activities program revenues	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	20,320,207
Total primary government program revenues	$ 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	$ 72,184,372
Net (expense)/revenue:										
Governmental activities	$(139,431,345)	$(153,456,716)	$(123,647,778)	$(124,557,293)	$(127,489,006)	$(122,414,771)	$(129,622,400)	$(126,876,282)	$(135,194,770)	$(132,089,048)
Business-type activities	(836,680)	(1,068,657)	(2,703,067)	(1,082,692)	(800,734)	(1,482,796)	1,847,564	2,911,784	697,649	798,179
Total primary government net expense	$(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)	$(131,290,869)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	$ 106,494,452	$ 109,159,897	$ 109,545,003	$ 111,454,692	$ 110,351,991	$ 111,899,484	$ 113,359,672	$ 120,796,742	$ 128,334,481	$ 131,493,564
Other local taxes	18,869,282	18,355,067	19,100,086	20,006,069	21,208,061	21,435,046	22,771,626	24,027,667	24,555,363	24,442,882
Permits, fees and licenses	7,420,591	6,672,136	-	-	-	-	-	-	-	-
Interest on investment earnings	2,351,497	673,668	442,698	395,001	330,514	339,358	232,388	263,745	402,544	382,080
Gain on sale of capital assets	223,203	-	-	-	-	-	-	-	-	-
Sale of land	4,936,444	-	-	-	-	-	-	-	-	-
Miscellaneous	2,297,380	1,390,966	1,201,369	1,286,664	1,473,964	1,875,485	4,217,842	1,932,580	2,924,978	3,065,493
Total governmental activities	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	159,384,019
Business-type activities:										
Interest on investment earnings	3,669,266	956,056	509,675	351,929	(1,249,111)	267,061	248,207	519,767	90,148	43,940
Gain (loss) on sale of capital assets	74,226	-	-	-	-	-	-	-	-	-
Miscellaneous	522,513	644,620	521,384	740,199	375,758	520,504	1,013,854	832,182	973,869	726,432
Total business-type activities	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	770,372
Total primary government	$ 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	$ 160,154,391
Change in net position:										
Governmental activities	$ 3,161,504	$ (17,204,982)	$ 6,641,378	$ 8,585,133	$ 5,875,524	$ 13,134,602	$ 10,959,128	$ 20,144,452	$ 21,022,596	$ 27,294,971
Business-type activities	3,429,325	532,019	(1,672,008)	9,436	(1,674,087)	(695,231)	3,109,625	4,263,733	1,761,666	1,568,551
Total primary government	$ 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	$ 28,863,522

(1) Reflects expenses from Exhibit 2.

Table 3

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund:										
Nonspendable:										
Inventory	$ 264,969	$ 276,083	$ 298,757	$ 346,545	$ 361,682	$ 370,536	$ 340,709	$ 336,498	$ 332,335	$ 311,882
Prepaid items	-	400,301	-	-	-	-	2,111	-	-	-
Assigned:										
General	437,744	1,161,093	2,678,655	6,089,236	6,595,137	6,544,809	5,991,822	7,860,584	7,249,473	8,384,195
Capital reserve	11,118,329	12,408,971	16,045,435	15,766,115	11,583,529	8,118,950	4,968,111	5,414,938	6,001,542	6,963,412
Unassigned	21,311,672	21,187,263	20,449,054	21,674,594	22,345,746	23,099,410	23,360,679	24,681,548	28,339,753	30,119,197
Total general fund	$ 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	$ 45,778,686
All other government funds:										
Restricted - bond proceeds held in escrow	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,236,338
Committed:										
Grants	-	-	741,113	962,702	128,700	240,900	69	-	-	-
Capital projects/reserve	80,344,173	52,626,696	25,150,586	21,226,338	35,010,428	8,320,449	1,551,387	28,907,491	13,781,490	-
Assigned:										
Capital reserve	-	-	-	-	-	14,466,602	16,178,748	18,699,213	26,115,707	26,401,040
Special revenue	5,336,850	4,454,442	3,372,795	4,132,137	4,993,071	4,505,717	4,957,409	6,111,183	7,233,419	10,523,259
Total all other governmental funds	$ 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	$ 38,160,637

(1) Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which provides fund balance classifications that can be more consistently applied was adopted by the County as of July 1, 2010. Therefore, the fund balances for years 2009 through 2010 have been restated to reflect this standard.

Table 4

County of James City, Virginia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
General property taxes	$ 107,015,723	$ 107,695,813	$ 108,564,306	$ 110,677,787	$ 109,112,196	$ 112,151,342	$ 112,542,078	$ 124,363,595	$ 128,094,252	$ 130,402,106
Other local taxes	18,869,282	18,355,067	19,100,086	20,006,069	21,208,061	21,435,046	22,771,626	24,027,667	24,555,363	24,442,882
Licenses, permits, and fees	7,420,591	6,672,136	7,055,618	7,487,105	7,623,652	8,134,299	8,443,821	8,779,496	9,049,208	8,892,499
Fines and forfeitures	348,846	296,866	334,633	274,198	295,355	293,625	271,615	309,278	270,716	265,561
Use of money and property	2,351,497	673,668	442,698	395,001	330,514	339,358	232,388	263,745	402,544	382,080
Charges for services	5,504,494	4,857,836	4,861,478	5,174,185	5,736,864	5,549,607	5,944,750	6,623,273	6,471,404	6,656,889
Miscellaneous	7,457,027	1,390,966	1,201,370	1,286,664	1,473,964	1,875,484	4,217,842	1,932,580	2,924,978	3,065,493
Intergovernmental	35,425,379	32,245,254	34,515,554	37,099,346	34,672,161	33,945,431	34,169,438	34,635,171	35,092,799	35,731,814
Total revenues	184,392,839	172,187,606	176,075,743	182,400,355	180,452,767	183,724,192	188,593,558	200,934,805	206,861,264	209,839,324
Expenditures:										
Storm costs	-	-	-	2,454,661	-	-	-	-	-	-
General government administration	8,756,912	8,323,563	8,265,513	8,669,692	9,399,885	9,643,858	9,432,889	9,678,060	9,770,250	10,086,403
Judicial administration	5,323,019	5,302,279	5,311,684	5,254,489	5,250,974	5,514,609	5,599,728	5,463,744	5,870,569	5,856,353
Public works	5,878,757	5,650,572	7,241,872	6,493,573	7,606,884	7,353,940	6,976,533	27,878,252	28,443,672	28,728,800
Health and welfare	7,171,131	7,332,607	7,582,994	7,042,619	6,785,380	7,061,327	7,193,841	7,082,202	7,833,811	7,635,751
Education	74,724,304	73,757,904	73,830,796	74,280,245	75,931,599	77,496,482	79,610,865	7,234,052	7,350,896	7,584,697
Parks, recreation, and cultural	10,100,822	9,509,436	9,180,161	9,163,941	9,075,083	9,899,159	9,858,887	79,825,974	84,299,207	85,395,004
Public safety	23,159,401	22,987,019	23,792,805	24,915,821	26,555,114	26,764,383	27,475,307	9,872,451	10,293,611	10,394,095
Community development	14,520,010	11,086,234	10,289,898	9,873,740	10,914,977	10,958,279	10,769,064	10,353,844	11,827,600	9,959,810
Nondepartmental	1,502,034	556,381	(266,150)	1,265,803	966,806	721,744	525,433	1,183,538	-	-
Debt service (2):										
Principal	14,363,935	15,077,900	14,830,524	14,787,955	23,473,305	16,417,326	16,862,695	17,122,377	16,206,234	16,284,125
Interest	10,625,010	10,365,470	9,853,465	9,384,810	9,522,081	8,822,326	7,787,361	6,188,222	6,841,056	6,195,080
Bond issuance costs	-	101,667	20,003	-	253,624	-	112,863	1,173,546	-	-
Capital outlay (1)	25,458,348	43,005,939	30,042,723	15,023,734	12,586,344	18,421,679	13,424,741	12,647,985	25,818,138	26,833,602
Total expenditures	201,583,683	213,056,971	199,976,288	188,611,083	198,322,056	199,075,112	195,630,207	195,704,247	214,555,044	214,953,720
Excess (deficiency) of revenues over (under) expenditures	(17,190,844)	(40,869,365)	(23,900,545)	(6,210,728)	(17,869,289)	(15,350,920)	(7,036,649)	5,230,558	(7,693,780)	(5,114,396)
Other financing sources:										
Transfers in	30,904,124	29,093,987	28,784,026	29,412,515	33,965,148	34,729,940	35,271,660	40,956,217	40,745,506	40,309,261
Transfers out	(30,904,124)	(29,093,987)	(28,784,026)	(29,412,515)	(33,965,148)	(34,729,940)	(35,271,660)	(40,956,217)	(40,745,506)	(40,309,261)
Issuance of debt	-	14,935,000	4,820,000	7,672,000	26,380,000	-	34,185,000	91,665,000	-	-
Premiums on bonds issued	-	12,809	321,834	-	2,309,915	-	3,907,273	10,930,294	-	-
Capital lease	-	-	-	-	-	-	-	-	4,736,044	-
Payment to refunded bond escrow agent	-	-	(5,019,743)	-	-	-	(39,371,952)	(73,165,442)	-	-
Total other financing sources	-	14,947,809	122,091	7,672,000	28,689,915	-	(1,279,679)	29,429,852	4,736,044	-
Net change in fund balances	$ (17,190,844)	$ (25,921,556)	$ (23,778,454)	$ 1,461,272	$ 10,820,626	$ (15,350,920)	$ (8,316,328)	$ 34,660,410	$ (2,957,736)	$ (5,114,396)
Debt service as a percentage of noncapital expenditures	13.92%	13.58%	14.27%	13.65%	17.55%	13.97%	13.35%	12.56%	11.99%	11.74%

(1) Including operating transfers to capital projects.
(2) Noncapital expenditures equals total expenditures less amounts for capitalized assets on the government-wide statement of net position.

Table 5

County of James City, Virginia

Assessed Value and Actual Value of Taxable Property

Last Ten Fiscal Years

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
2009	$ 11,005,655,000	$ 610,316,169	$ 128,696,107	$ 11,641,959	$ 750,654,235	$ 184,750,991	$ 11,941,060,226	$ 4.77
2010	11,155,493,300	598,149,387	132,052,632	10,994,266	741,196,285	196,289,584	12,092,979,169	4.77
2011	11,172,929,700	621,471,862	137,178,668	10,101,067	768,751,597	210,802,200	12,152,483,497	4.77
2012	11,316,807,900	652,561,625	139,945,157	9,719,184	802,225,966	222,670,868	12,341,704,734	4.77
2013	10,921,180,200	687,058,440	141,877,157	9,209,475	838,145,072	232,588,225	11,991,913,497	4.77
2014	11,067,756,400	710,720,870	144,950,305	8,346,659	864,017,834	233,973,337	12,165,747,571	4.77
2015	11,148,405,300	783,249,672	144,694,099	7,901,856	935,845,627	336,370,602	12,420,621,529	4.77
2016	11,352,153,219	770,378,346	145,094,277	7,533,858	923,006,481	236,177,856	12,511,337,556	4.84
2017	11,608,801,433	809,023,687	147,942,350	7,008,284	963,974,321	245,349,999	12,818,125,753	4.84
2018	11,797,419,633	862,391,419	151,313,988	6,377,045	1,020,082,452	247,568,334	13,065,070,419	4.84

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

Table 6

County of James City, Virginia

Tax Rates

Last Ten Fiscal Years

Fiscal year	Real estate tax (1)	Personal property tax (1)	Room tax	Meal tax	Retail sales tax (2)	Total direct tax rate
2009	$ 0.77	$ 4.00	$ 5.00	$ 4.00	$ 1.00	$ 4.77
2010	0.77	4.00	5.00	4.00	1.00	4.77
2011	0.77	4.00	5.00	4.00	1.00	4.77
2012	0.77	4.00	5.00	4.00	1.00	4.77
2013	0.77	4.00	5.00	4.00	1.00	4.77
2014	0.77	4.00	5.00	4.00	1.00	4.77
2015	0.77	4.00	5.00	4.00	1.00	4.77
2016	0.84	4.00	5.00	4.00	1.00	4.84
2017	0.84	4.00	5.00	4.00	1.00	4.84
2018	0.84	4.00	5.00	4.00	1.00	4.84

(1) Per $100 assessed value
(2) Collected by the State and remitted to the County monthly
(3) There are no overlapping taxes in the rates disclosed in this table.

County of James City, Virginia
Principal Tax Payers
Current Year and Nine Years Ago

Principal Property Tax Payers

	2018			2009		
	Property taxes assessed	Rank	Percentage of County total	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	$ 5,191,177	1	3.66%	$ 4,778,811	1	4.27%
Seaworld Parks, LLC	2,163,993	2	1.53%			
Premium Outlets of Williamsburg (1)	1,227,471	3	0.87%			
Wal-Mart, Inc.	1,151,667	4	0.81%	1,141,516	3	1.02%
Virginia Electric & Power Company	1,138,453	5	0.80%	692,230	7	0.62%
Williamsburg Plantation Owners Association	1,095,920	6	0.77%	652,774	8	0.58%
Powhatan Plantation Owners Association	1,015,111	7	0.72%	1,015,971	4	0.91%
Williamsburg Landing, Inc.	874,119	8	0.62%	732,012	6	0.65%
Ball Metal Container	815,963	9	0.58%	637,921	9	0.57%
Manor Club @ Ford's Colony (2)	686,842	10	0.48%	596,756	10	0.53%
Busch Entertainment Corp				1,631,769	2	1.46%
Busch Properties				755,334	5	0.67%
Total	$ 15,360,716		10.84%	$ 12,635,094		11.28%

Source: Commissioner of the Revenue
(1) Premium Outlets includes two related parties, Williamsburg Outlets, LLC and Williamsburg Mazel, LLC. They are combined in this table to show the value of the shopping center.
(2) In 2009, the company was known as Manor Houses Associates.

Principal Personal Property Tax Payers

	2018 (1)		
	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	$ 4,009,477	1	9.88%
Seaworld Parks, LLC	1,591,685	2	3.92%
Ball Metal Container	674,734	3	1.66%
Printpack, Inc.	478,239	4	1.18%
Owens-Brockway Glass Container	454,792	5	1.12%
Wal-Mart, Inc.	311,667	6	0.77%
Cox Communications of Hampton Roads	262,663	7	0.65%
Toyota Lease Trust	255,072	8	0.63%
HVT, Inc.	189,661	9	0.47%
Branscome, Inc.	152,057	10	0.37%
Total	$ 8,380,047		20.65%

Source: Commissioner of the Revenue
(1) Fiscal year 2010 was the first year this information was reported and therefore, information for fiscal year 2009 is not available.

Principal Real Estate Property Tax Payers

	2018 (1)		
	Property taxes assessed	Rank	Percentage of County total
Premium Outlets of Williamsburg (2)	$ 1,227,471	1	1.24%
Anheuser-Busch, Inc.	1,181,700	2	1.19%
Virginia Electric & Power Company	1,129,673	3	1.14%
Williamsburg Plantation Owners Association	1,087,655	4	1.10%
Powhatan Plantation Owners Association	988,420	5	1.00%
Wal-Mart, Inc.	840,000	6	0.85%
Williamsburg Landing, Inc.	776,371	7	0.78%
Manor Club @ Ford's Colony	651,006	8	0.66%
Virginia United Methodist Homes, Inc.	645,755	9	0.65%
Seaworld Parks, LLC	572,308	10	0.58%
Total	$ 9,100,359		9.19%

Source: Commissioner of the Revenue
(1) Fiscal year 2010 was the first year this information was reported and therefore, information for fiscal year 2009 is not available.
(2) Premium Outlets includes two related parties, Williamsburg Outlets, LLC and Williamsburg Mazel, LLC. They are combined in this table to show the value of the shopping center.

Table 8

County of James City, Virginia

Property Tax Levies and Collections

Last Ten Fiscal Years

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
2009	$ 114,856,453	$ 97,895,837	85.23%	$ 16,824,283	$ 114,720,120	99.88%
2010	116,316,624	99,101,581	85.20%	16,968,862	116,070,443	99.79%
2011	117,215,610	100,889,563	86.07%	15,946,267	116,835,830	99.68%
2012	121,312,654	101,482,234	83.65%	19,498,752	120,980,986	99.73%
2013	117,414,914	98,431,581	83.83%	18,747,396	117,178,977	99.80%
2014	118,804,815	100,523,591	84.61%	17,810,298	118,333,889	99.60%
2015	116,313,370	101,071,578	86.90%	13,981,851	115,053,429	98.92%
2016	122,270,532	106,867,113	87.40%	14,476,777	121,343,890	99.24%
2017	125,345,126	109,436,232	87.31%	15,895,512	125,331,744	99.99%
2018	127,947,412	111,268,080	86.96%	-	111,268,080	86.96%

Source: Treasurer, James City County

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

Table 9

County of James City, Virginia
Taxable Sales by Category
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Apparel stores	$ 167,950,739	$ 175,885,946	$ 183,244,309	$ 198,116,199	$ 206,585,825	$ 213,354,143	$ 194,143,321	$ 194,900,831	$ 186,607,800	$ 161,355,210
Automotive dealers, supplies and repair	14,567,840	12,949,521	17,019,548	24,017,913	21,792,904	21,122,470	20,893,120	23,582,443	23,292,016	27,301,606
Building materials, machinery and equipment	31,817,138	42,771,225	16,631,597	20,676,668	19,518,301	18,093,198	18,046,110	20,957,143	19,658,032	18,140,731
Eating and drinking establishments	67,796,606	89,306,904	91,552,799	103,724,814	105,121,625	116,111,215	112,320,430	116,764,293	113,221,696	96,580,559
Food stores	136,126,199	109,487,554	135,172,441	148,451,817	160,043,266	169,193,864	172,591,926	178,533,330	173,053,026	166,510,730
Furniture, home furnishings and household equipment	34,053,707	21,986,380	22,119,421	23,420,749	25,032,485	31,239,589	33,524,596	34,915,814	33,199,279	30,254,081
General merchandise	91,584,624	95,560,600	87,029,287	92,522,324	103,860,834	116,426,211	133,412,703	138,011,583	138,691,794	148,614,533
Lodging	47,796,238	39,984,592	32,414,685	14,172,343	16,041,031	15,276,927	20,352,083	22,528,553	21,630,584	23,009,096
Other outlets	26,130,061	25,930,390	29,255,159	39,511,197	38,200,453	38,297,074	32,410,167	31,055,094	31,872,830	38,055,982
Other retail stores, dealers, trades and services	182,317,205	163,456,030	188,073,849	204,974,337	208,856,679	205,764,580	231,051,462	250,886,839	243,076,757	261,444,986
Total	$ 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	$ 971,267,514

Source: Weldon Cooper Center
Note: Some data is not categorized to protect confidentiality of the business.

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)**
2009	$ 109,974,105	$ 11,170,533	$ 101,595,000	$ 222,739,638	$ 37,386,546	$ 260,126,184	15.68	$ 51,109
2010	101,414,765	10,169,895	110,275,000	221,859,660	35,950,423	257,810,083	16.28	51,538
2011	93,283,624	10,285,522	104,055,000	207,624,146	34,469,298	242,093,444	18.48	54,224
2012	86,134,103	9,235,074	104,472,000	199,841,177	32,938,174	232,779,351	20.21	55,990
2013	80,004,294	1,098,854	123,034,000	204,137,148	25,185,000	229,322,148	20.69	55,550
2014	72,164,244	984,528	114,416,000	187,564,772	24,660,000	212,224,772	23.34	56,960
2015	65,458,589	858,833	103,604,000	169,921,422	24,115,000	194,036,422	26.59	58,504
2016	49,844,842	728,456	130,451,552	181,024,850	24,118,109	205,142,959	26.05	59,632
2017	44,155,482	4,195,266	119,855,768	168,206,516	23,269,202	191,475,718	**	**
2018	38,348,323	3,183,141	109,069,984	150,601,448	22,600,295	173,201,743	**	**

(1) Based on personal income from Table 13
(2) From Table 13, calendar year basis
** Statistics not yet available

Table 11

County of James City, Virginia
Debt Statistics
Last Ten Fiscal Years

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

Fiscal year	Population (1)	Assessed value (2)	Gross bonded debt (3) (4)	Less debt service monies available (5)	Net bonded debt	Ratio of net bonded debt to assessed value	Net bonded debt per capita
2009	63,135	$ 11,941,060,226	$ 109,974,105	$ 1,706,525	$ 108,267,580	0.91	$ 1,715
2010	67,745	12,092,979,169	101,414,765	2,921,044	98,493,721	0.81	1,454
2011	68,500	12,152,483,497	93,283,624	2,921,037	90,362,587	0.74	1,319
2012	69,451	12,341,704,734	86,134,103	2,920,981	83,213,122	0.67	1,198
2013	70,376	11,991,913,497	80,004,294	2,920,538	77,083,756	0.64	1,095
2014	71,254	12,165,747,571	72,164,244	2,920,369	69,243,875	0.57	972
2015	72,682	12,420,621,529	65,458,589	1,219,616	64,238,973	0.52	884
2016	73,767	12,511,337,556	49,844,842	1,221,521	48,623,321	0.39	659
2017	74,795	12,818,125,753	44,155,482	1,222,024	42,933,458	0.33	574
2018	**	13,065,070,419	38,348,323	1,226,463	37,121,860	0.28	**

(1) From Table 13; based on calendar year
(2) From Table 5
(3) Includes all long-term general obligation bonded debt, bond anticipation notes, and literary fund loans
(4) Includes general obligation debt payable from enterprise revenues
(5) Debt Service Reserve Funds held by a trustee
** Statistics not yet available

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

Fiscal year	Principal (1) (5)	Interest (2)	Total debt service (4)	Total general governmental expenditures (3)	Ratio of debt service to general total governmental expenditures	Total general governmental revenues (3)	Ratio of debt service to general total governmental revenues
2009	$ 14,363,935	$ 10,625,010	$ 24,988,945	$ 208,510,363	11.98	$ 216,835,334	11.52
2010	15,077,900	10,147,353	25,225,253	198,552,653	12.70	200,014,429	12.61
2011	14,830,524	9,853,465	24,683,989	198,893,176	12.41	201,684,905	12.24
2012	14,787,955	9,384,810	24,172,765	201,078,316	12.02	206,996,888	11.68
2013	23,473,305	9,522,081	32,995,386	215,304,486	15.32	205,082,111	16.09
2014	16,417,326	8,822,326	25,239,652	211,866,777	11.91	209,633,075	12.04
2015	16,862,695	8,781,971	25,644,666	218,984,810	11.71	213,074,589	12.04
2016	17,122,377	6,188,222	23,310,599	226,845,449	10.28	239,451,445	9.74
2017	16,206,234	6,841,056	23,047,290	231,072,402	9.97	245,652,126	9.38
2018	16,284,125	6,195,080	22,479,205	231,635,241	9.70	248,003,274	9.06

(1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.
(2) Excludes bond issuance and other costs.
(3) Reflects recurring expenditures and revenues included in the General Fund, Debt Service Fund, Special Revenue funds, operating transfers to Capital Projects and the County's percentage of discretely presented Component Unit - Public Schools Operating Fund.
(4) The County has no overlapping debt.
(5) In fiscal year 2013, principal payments increased by $7,380,000 related to the refinancing of a capital lease. Proceeds from the issuance of new debt were used for these principal payments.

Table 12

County of James City, Virginia

Pledged Revenue Coverage

James City Service Authority

Last Ten Fiscal Years

Fiscal year	Gross revenue	(1) Operating expenses	Net revenue available for debt service	(2) Debt service requirements Principal	Interest	Total	Coverage
2009	$ 19,034,715	$ 10,953,522	$ 8,081,193	$ 1,395,000	$ 1,637,050	$ 3,032,050	2.67
2010	17,178,575	10,985,233	6,193,342	1,440,000	1,590,562	3,030,562	2.04
2011	17,474,579	12,091,472	5,383,107	1,490,000	1,537,750	3,027,750	1.78
2012	15,975,755	12,414,605	3,561,150	1,545,000	1,483,100	3,028,100	1.18
2013	14,997,834	12,407,414	2,590,420	525,000	1,119,306	1,644,306	1.58
2014	16,918,995	12,218,405	4,700,590	545,000	1,100,931	1,645,931	2.86
2015	17,714,181	10,982,443	6,731,738	565,000	1,081,856	1,646,856	4.09
2016	17,370,324	10,701,704	6,668,620	785,000	571,161	1,356,161	4.92
2017	20,128,694	10,904,086	9,224,608	605,000	749,450	1,354,450	6.81
2018	20,128,689	10,609,709	9,518,980	630,000	725,250	1,355,250	7.02

(1) Total operating expenses, exclusive of depreciation

(2) The Authority has no debt margin or overlapping debt.

Table 13

County of James City, Virginia

Demographic and Economic Statistics

Last Ten Years

Calendar year	Population (1)	Personal income (2)	Per capita personal income (2)	Unemployment percentage (1)
2009	63,135	$ 4,078,729,000	$ 51,109	5.4%
2010	67,745	4,196,931,000	51,538	6.3%
2011	68,500	4,474,583,000	54,224	6.1%
2012	69,451	4,703,429,000	55,990	5.7%
2013	70,376	4,745,679,000	55,550	5.3%
2014	71,254	4,954,338,000	56,960	4.9%
2015	72,682	5,160,028,000	58,504	4.3%
2016	73,767	5,344,090,000	59,632	4.1%
2017	74,795	**	**	3.8%
2018	**	**	**	**

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

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

** Statistics not yet available

Median Household Income

Calendar year	James City County	Commonwealth of Virginia	United States
2009	$ 72,902	$ 59,372	$ 50,221
2010	74,241	60,665	50,046
2011	73,575	61,877	50,502
2012	78,396	61,782	51,371
2013	75,806	62,745	52,250
2014	75,926	64,923	53,657
2015	77,668	66,263	55,775
2016	80,226	66,149	55,322
2017	**	**	**
2018	**	**	**

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

** Statistics not yet available

Households and Poverty

Fiscal year	Food stamp households	Total households*	Percentage of food stamp households
2009	1,224	27,567	4.4%
2010	1,638	27,003	6.1%
2011	1,840	27,375	6.7%
2012	2,015	27,707	7.3%
2013	2,236	28,090	8.0%
2014	2,211	28,415	7.8%
2015	2,006	28,986	6.9%
2016	1,870	29,390	6.4%
2017	1,773	29,807	5.9%
2018	1,729	30,240	5.7%

Source: Social Services Department and Planning Division

* Reflects the number of occupied housing

(Continued)

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
2009	27,567	62,301	2.26
2010	27,003	66,157	2.45
2011	27,375	67,068	2.45
2012	27,707	67,882	2.45
2013	28,090	68,821	2.45
2014	28,415	69,616	2.45
2015	28,986	71,015	2.45
2016	29,390	72,005	2.45
2017	29,807	73,028	2.45
2018	30,240	74,089	2.45

Source: Planning Division
* Reflects the number of occupied housing
** Reflects total population less group quarter population, such as nursing facilities, Eastern State Hospital (a state mental facility), Middle Peninsula Juvenile Detention Center and the Virginia Peninsula Regional Jail.

Unemployment Rate and Labor Force

Calendar year	Civilian labor force	Number employed	Number unemployed	Unemployment rate
2009	32,172	30,447	1,725	5.4%
2010	32,243	30,205	2,038	6.3%
2011	32,605	30,618	1,987	6.1%
2012	32,988	31,101	1,887	5.7%
2013	33,690	31,891	1,799	5.3%
2014	34,650	32,941	1,709	4.9%
2015	34,250	32,765	1,485	4.3%
2016	34,206	32,883	1,323	3.9%
2017	35,352	34,080	1,271	3.6%
2018	**	**	**	**

Source: Planning Division, supplemented by data from Virginia labor market information
** Statistics not yet available

Table 14

County of James City, Virginia

Principal Employers in James City County

Current Year and Nine Years Ago

	2018			2009		
	Employees	Rank	Percent of total County employment	Employees	Rank	Percent of total County employment
Busch Gardens	1000+	1	**	1000+	1	19.13%
Williamsburg-James City County Public Schools	1000+	2	4.94%	1000+	2	5.74%
Wal-Mart Distribution Center	500-999	3	2.22%	500-999	7	1.76%
James City County	500-999	4	2.04%	500-999	5	2.83%
Kingsmill Resort	500-999	5	1.87%			
Eastern State Hospital	500-999	6	1.86%	1000+	3	3.39%
Anheuser-Busch, Inc.	500-999	7	1.65%	500-999	6	2.36%
Riverside Regional Medical Center	500-999	8	1.51%			
Jamestown-Yorktown Foundation	250-499	9	1.20%	250-499	9	1.63%
Owens & Minor	250-499	10	0.99%			
Williamsburg Landing				250-499	10	1.09%
Busch Properties, Inc.				500-999	4	2.97%
Avid Medical				250-499	8	1.64%
Total			18.28%			42.54%

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

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

Table 15

County of James City, Virginia

Full-time County Government Employees by Function/Program

Last Ten Fiscal Years

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administrative:										
Board of supervisors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	0.5	0.5
County administration	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	4.0
County attorney	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Communications	6.5	6.5	7.5	7.5	7.0	7.0	7.0	8.0	8.0	8.0
Economic development	3.0	3.0	3.0	4.0	4.0	4.0	4.0	3.5	3.5	3.5
Voter registration and elections	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Human resources:										
Human resources	5.0	4.0	4.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Training and Quality Performance	3.0	3.0	3.0	-	-	-	-	-	-	-
Financial administration:										
Accounting	9.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0
Commissioner of the revenue	13.0	12.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Financial and management services	7.0	7.0	7.0	6.0	7.0	7.0	7.0	7.0	8.0	8.0
Purchasing	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Real estate assessments	13.0	11.0	10.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0
Treasurer	13.0	13.0	12.0	11.0	12.0	12.0	13.0	13.0	13.0	13.0
Information resources management	21.0	21.0	20.0	21.0	21.0	21.0	21.0	21.0	21.0	21.0
Satellite services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
General services:										
Facilities maintenance	19.0	18.0	17.0	17.0	18.0	18.0	18.0	18.0	19.0	18.0
Fleet and equipment	8.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
General and capital services	6.5	6.5	5.5	7.0	8.0	8.0	7.0	7.0	7.0	9.5
Grounds maintenance	21.0	20.0	22.0	22.0	24.0	25.0	25.0	25.0	26.0	26.5
Solid waste management	7.0	7.0	6.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0
Stormwater	8.5	6.5	6.5	4.0	4.0	4.0	6.0	8.0	8.0	7.0
Community development:										
Building safety and permits	19.0	15.0	13.0	13.0	13.0	13.0	14.0	14.0	15.0	16.0
Community Development	2.5	2.5	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0
Engineering and resource protection	15.0	14.0	12.0	13.0	12.0	12.0	11.0	11.0	11.0	11.0
Mosquito control	1.0	-	-	-	-	-	-	-	-	-
Planning	19.5	17.5	12.5	10.5	10.0	10.0	10.0	10.0	10.0	9.0
Zoning enforcement	-	-	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Judicial:										
Courts/judicial	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Courthouse	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Clerk of the circuit court	12.0	12.0	12.0	12.0	12.0	12.0	11.0	11.0	11.0	11.0
Commonwealth's attorney	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	10.0	11.0
Sheriff	18.0	18.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	17.0
Public safety:										
Animal control	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Emergency communications	27.0	27.0	26.0	26.0	26.0	26.0	29.0	29.0	29.0	29.0
Emergency management	2.0	2.0	2.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0
Emergency medical services	25.0	25.0	25.0	-	-	-	-	-	-	-
Fire	86.0	86.0	86.0	110.0	110.0	110.0	114.0	115.0	115.0	115.0
Police	97.0	98.0	98.0	98.0	98.0	99.0	100.0	103.0	103.0	105.0
Parks and recreation	54.0	53.0	48.0	49.0	48.0	48.0	47.0	49.0	52.0	52.0
Community services:										
Community services	3.0	3.0	-	-	-	-	-	-	-	-
Cooperative extension service	2.0	2.0	2.0	2.0	-	-	-	-	-	-
Neighborhood connections	4.0	2.0	-	-	-	-	-	-	-	-
Total general fund	584.0	563.0	541.0	541.0	542.0	544.0	552.0	559.0	567.0	573.0
Other services:										
Housing and neighborhood development	9.5	8.5	9.5	9.5	9.0	9.0	8.0	8.0	7.0	8.0
JCSA	90.0	90.0	86.0	89.0	89.0	89.0	89.0	89.0	89.0	91.0
Social services	57.5	52.5	52.5	52.5	52.0	51.0	51.0	51.0	52.0	53.0
Colonial community corrections	11.0	11.0	12.0	12.0	12.0	13.0	13.0	13.0	12.0	12.0
Special projects/grants	6.0	5.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	6.0
Grand total all funds	758.0	730.0	704.0	707.0	707.0	709.0	716.0	723.0	730.0	743.0

Source: Financial and Management Services

Table 16

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

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Calls for service	21,694	21,762	21,129	20,879	19,539	20,175	20,875	22,225	21,829	22,247
Major crimes reported	1,060	1,080	1,071	1,092	999	999	1,182	1,260	1,153	1,133
Major crimes cleared	363	396	325	324	317	247	335	390	335	374
Fire:										
Fire/other responses	2,969	2,922	2,786	3,178	2,822	3,065	3,153	3,302	4,010	3,774
Inspections	1,156	2,037	1,735	1,804	1,910	1,829	1,320	1,255	1,169	1,046
EMS responses	5,276	5,573	5,956	6,147	6,446	6,450	6,666	7,039	7,141	7,330
Refuse collection:										
Refuse collected (tons per day)	8	8	9	10	12	11	10	11	12	12
Recyclables collected (tons per day)	1	1	1	1	1	1	1	1	1	2
Recyclables collected curbside (tons per day)	N/A	N/A	23	22	22	22	23	24	23	23
Parks and recreation:										
Community center admissions	353,862	394,757	463,491	464,358	511,976	444,755	400,367	401,111	434,719	404,919
Park attendance	1,368,462	1,349,550	1,708,976	2,253,617	2,163,533	2,428,894	2,595,974	2,817,348	3,075,306	3,742,009
Participants in programs offered	422,009	384,650	395,789	378,733	371,959	404,023	441,969	463,319	508,776	528,703
Water:										
New connections	263	385	388	351	448	359	388	423	464	407
Water mains breaks	37	40	44	31	25	21	26	21	34	25
Sewer:										
New connections	269	380	375	296	347	261	380	447	470	414

Source: County operating departments
N/A: Information is not available.

Table 17

County of James City, Virginia
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	5	5	5	5	5	5	5	5	5	5
Parks and recreation:										
Acreage	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,582	1,592	1,592
Playgrounds	10	11	11	11	11	11	12	12	10	10
Ball fields maintained	30	58	65	65	65	65	65	65	70	70
Tennis courts maintained	6	5	5	5	5	5	4	4	4	4
Pickleball courts maintained	-	-	-	-	-	-	-	2	2	2
Community centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water lines (miles)	339	344	393	390	393	400	402	407	409	410
Water customers	19,085	19,368	19,719	20,070	20,549	20,858	21,246	21,669	22,133	22,540
Storage tanks (greater than 250,000 gallons)	7	7	7	7	7	7	7	7	7	7
Average ERCs (1)	25,753	20,200	20,866	19,200	18,597	18,937	19,415	18,921	20,025	20,220
Wastewater:										
Sewer lines (miles)	379	382	419	423	425	430	435	439	440	440
Gallons collected (millions)	1,765	1,833	1,598	1,771	1,739	1,862	1,922	1,863	1,971	1,987
Sewer customers	18,702	18,860	21,127	21,488	21,962	22,575	22,955	23,402	23,872	24,286

Source: County operating departments

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

Table 18

County of James City, Virginia
Miscellaneous Statistics
Last Ten Fiscal Years

Fiscal year	Taxable Retail Sales (1) Amount	Taxable Retail Sales (1) Percentage change	Business Licenses Issued (2) Number of licenses	Business Licenses Issued (2) Percentage change
2009	$ 861,852,500	-3.4%	6,446	11.1%
2010	842,195,600	-2.3%	6,109	-5.2%
2011	892,445,000	6.0%	5,931	-2.9%
2012	932,214,200	4.5%	5,831	-1.7%
2013	992,914,200	6.5%	5,881	0.9%
2014	999,911,900	0.7%	5,854	-0.5%
2015	1,053,339,000	5.3%	6,005	2.6%
2016	1,119,348,000	6.3%	6,208	3.4%
2017	1,108,509,000	-1.0%	5,989	-3.5%
2018	1,089,716,700	-1.7%	6,044	0.9%

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

Construction Information

Fiscal year	Commercial/Industrial Number of permits	Commercial/Industrial Value	Residential Number of permits	Residential Value	Total Number of permits	Total Value
2009	183	$ 45,242,077	790	$ 89,989,687	973	$ 135,231,764
2010	128	24,599,420	830	99,077,199	958	123,676,619
2011	144	48,473,968	809	106,315,258	953	154,789,226
2012	172	45,837,716	802	100,812,412	974	146,650,128
2013	139	27,700,522	835	117,237,035	974	144,937,557
2014	166	33,169,762	741	123,841,836	907	157,011,598
2015	147	16,449,776	822	126,526,342	969	142,976,118
2016	227	35,201,616	759	113,133,643	986	148,335,259
2017	196	78,253,358	868	127,815,408	1,064	206,068,766
2018	178	31,474,968	881	115,365,412	1,059	146,840,380

Source: Building and Safety Permits Division

Staffing Analysis

School year	Classroom teachers	Pupils	Pupil-teacher ratio
2008-09	643.00	10,249	15.9
2009-10	668.98	10,503	15.7
2010-11	673.91	10,549	15.7
2011-12	658.59	10,671	16.2
2012-13	648.10	10,795	16.7
2013-14	648.67	10,998	17.0
2014-15	662.84	11,116	16.8
2015-16	662.45	11,303	17.1
2016-17	676.95	11,431	16.9
2017-18	686.00	11,477	16.7

Source: Williamsburg-James City County Public Schools

Projected Enrollment (1)

School year	Projected Enrollment
2019-20	11,470
2020-21	11,454
2021-22	11,496
2022-23	11,505

Source: Williamsburg-James City County Public Schools
(1) Based on low enrollment projections provided by Future Think, October 2018.

Compliance Section

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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, 2018

Federal Grantor/Pass-Through Grantor/Cluster/Program Title	Federal catalog number	Pass-through entity identifying number	Expenditures
Primary Government - Governmental Activities:			
Department of Agriculture:			
Virginia Department of Social Services:			
SNAP Cluster:			
State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	**	$ 518,738
Department of Health and Human Services:			
Virginia Department of Social Services:			
Promoting Safe and Stable Families	93.556	**	1,249
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	**	326,427
Refugee and Entrant Assistance - State Administered Programs	93.566	**	2,513
Low-Income Home Energy Assistance	93.568	**	40,372
Adoption Incentive	93.603	**	6,849
Child Welfare Services	93.645	**	917
Foster Care - Title IV-E	93.658	**	217,939
Adoption Assistance	93.659	**	311,260
Social Services Block Grant	93.667	**	246,945
Chafee Foster Care Independent Living	93.674	**	2,755
State Children's Insurance Program	93.767	**	19,289
Medicaid Cluster:			
Medical Assistance Program	93.778	**	520,948
CCDF Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	**	44,163
Chafee Education and Training Vouchers Program	93.599	**	61
Total Department of Health and Human Services			1,741,687
Department of Interior:			
Bureau of Cash Management Payment in Lieu of Taxes	15.000	N/A	7,882
Department of Homeland Security:			
Virginia Department of Emergency Management:			
Homeland Security Grant Program	97.067	**	24,339
Emergency Management Performance Grants	97.042	**	90,689
Total Department of Homeland Security			115,028
Department of Housing and Community Development:			
Virginia Department of Housing and Community Development:			
Section 8 Housing Choice Vouchers	14.871	**	1,003,072
Housing Counselor Grant	14.169	**	30,680
Total Department of Housing and Community Development			1,033,752
Department of Transportation:			
Highway Safety Cluster:			
National Highway Traffic Safety Administration - Highway Safety Grant (FY16)	20.600	18X9204020VA17	5,763
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9205464VA17	2,617
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9204020VA18	19,939
National Highway Traffic Safety Administration - Highway Safety Grant	20.600	18X9205464VA18	24,682
National Highway Traffic Safety Administration - Highway Safety Grant	20.616	AL-2018-58427-8478	3,288
Total Highway Safety Cluster, Department of Transportation			56,289
Department of Justice:			
Bureau of Justice Administration:			
BJA - Bulletproof Vests Partnership	16.607	N/A	8,832
Office of Justice Programs			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-A6074AD13	3,954
Edward Byrne Memorial Justice Assistance Grant Program	16.738	17-A6075AD-13	4,200
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-B6074AD15	3,293
Total Office of Justice Programs			11,447
Virginia Department of Criminal Justice Services:			
Violence Against Women Formula Grants	16.588	17-U9412VA16	21,335
Violence Against Women Formula Grants	16.588	18-T9412VA17	22,493
Violence Against Women Formula Grants	16.590	2015-WE-AX-0009	124,296
Crime Victim Assistance	16.575	18-X8579VW16	129,776
Total Department of Criminal Justice Services			297,900
Total Department of Justice			318,179
Total federal awards, primary government - governmental activities			3,791,555

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

(Continued)

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, 2018

Federal Grantor/Pass-Through Grantor/Cluster/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	10.555	5180699	$ 250,247
Virginia Department of Education:			
School Breakfast Program	10.553	16161VA307N1099	464,544
National School Lunch Program	10.555	16161VA307N1099	1,532,423
Summer Food Service Program	10.559	16161VA307N1099	1,807
Total Child Nutrition Cluster, Department of Agriculture			2,249,021
Department of Education:			
Impact Aid	84.041	N/A	36,069
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A150046/S010A160046	1,337,646
Title I, Part D, Neglected and Delinquent Children	84.013	S013A150046	134
Vocational Education - Basic Grants to States	84.048	V048A130046	126,591
Title III, Part A, Supporting Effective Instruction State Grants	84.367	S367A150044/S367A160044	182,764
Title III, Part A, English Language Acquisition Grants	84.365	S365A14140046/S365A15140046	71,868
Special Education Cluster:			
Special Education - Grants to States	84.027	11027A150107/11027A160107	2,118,152
Special Education - Preschool Grants	84.173	H173A160112	30,059
Total Special Education Cluster			2,148,211
College of William and Mary - Education for Homeless Children and Youth	84.196	S196A150048	10,790
Total Department of Education			3,914,073
Department of Health and Human Services:			
Head Start Program Cluster:			
Williamsburg-James City County Community Action Agency - Head Start	93.600	**	144,279
Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	51SR7101M3001	43,052
Total federal awards, Component Unit - Public Schools			6,350,425
Total federal awards, reporting entity			$ 10,141,980

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

See accompanying notes to schedule of expenditures of federal awards.

County of James City, Virginia
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2018

1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of the County of James City, Virginia (the County) and its component unit, Williamsburg-James City County Public Schools (Public Schools). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County and Public Schools, it is not intended to and does not present the financial position, changes in net position or cash flows of the County and Public Schools.

1) Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Governmental funds - Primary Government	$	3,791,555
Component Unit - Public Schools		6,350,425
	$	10,141,980

2) Indirect Cost Rate

The County and Public Schools have elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

3) Sub-recipient Payments

There were no awards passed-through to sub-recipients during the fiscal year ended June 30, 2018.

BROWN EDWARDS
certified public accountants

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

Board of Supervisors
County of James City, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of James City, Virginia, (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 17, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. There was one material weakness identified during the separately performed audit of the Williamsburg – James City County Public Schools, which is a discretely presented component unit of James City County. This material weakness is described in Finding 2018-001 in the Schedule of Findings and Questioned Costs and in the Williamsburg-James City County Public Schools' separately issued financial report in the schedule of findings and responses (Finding IC-2018-001).

BROWN EDWARDS
certified public accountants

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

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

Newport News, Virginia
January 17, 2019

BROWN EDWARDS
certified public accountants

Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Supervisors
County of James City, Virginia

Report on Compliance for Each Major Federal Program
We have audited the County of James City, Virginia's (the "County") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

BROWN EDWARDS
certified public accountants

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Newport News, Virginia
January 17, 2019

BROWNEDWARDS
certified public accountants

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

Board of Supervisors
County of James City, Virginia

We have audited the financial statements of the County of James City, Virginia (the "County"), as of and for the year ended June 30, 2018, and have issued our report thereon January 17, 2019.

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

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

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

<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>
- Comprehensive Services Act Funds
- Social Services

BROWNEDWARDS
certified public accountants

The results of our tests disclosed one instance of noncompliance with the provisions referred to in the preceding paragraph. The instance is discussed in the Schedule of Findings and Questioned Costs as Finding 2018-001. With respect to items not tested, nothing came to our attention that caused us to believe that the County had not complied, in all material respects, with those provisions.

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

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

Newport News, Virginia
January 17, 2019

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

(1) Summary of Auditor's Results

Financial Statements

- An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:

- There were no material weaknesses identified as part of the County audit. There was a material weakness identified in the Williamsburg-James City County Public Schools' separately issued financial report in the schedule of findings and responses (Finding IC-2018-001).
- There were no significant deficiencies identified.
- The audit did not disclose any material noncompliance.

Federal Awards

- There were no material weaknesses identified.
- There were no significant deficiencies identified.
- An unmodified opinion was issued on compliance for major programs.
- The audit did not disclose any audit findings required to be reported.
- The dollar threshold used to distinguish between Type A and Type B programs is $750,000.
- The auditee qualified as a low-risk auditee.
- Major programs: Child Nutrition Cluster - Food Commodities Program, School Breakfast Program, National School Lunch Program and Summer Food Service Program (CFDA Numbers 10.555, 10.553 and 10.559).

(2) Findings Relating to the Financial Statements which are Required to be Reported in Accordance with GAGAS

None

(3) Findings and Questioned Costs for Federal Awards

None

(4) State Compliance Findings:

Finding 2018-001

Condition: The Comprehensive Annual Financial Report (CAFR) and Comparative Report Transmittal Forms were not submitted to the Auditor of Public Accounts (APA) by the November 30, 2018 deadline. The County did submit a written statement to the (APA) by November 30, as required. However, the APA does not have authority to grant an extension as the deadline is mandated by the Code of Virginia. The audited financial reports were not presented to the local governing body at a public session by the December 31, 2018 deadline.

Criteria: Section 15.2-2510 of the Code of Virginia requires local governments to submit the Comparative Report Transmittal Forms and their final, audited Annual Financial Reports to the Auditor of Public Accounts no later than November 30 each year. Section 15.2-2511 requires the auditor to present the audited financial report to the local governing body as a public session by December 31.

Effect: The Auditor of Public Accounts will list localities that are delinquent in submitting financial reports and transmittals after November 30 in the Auditor of Public Accounts' Comparative Report footnotes. The Auditor of Public Accounts also reserves the right to exclude those localities that do not meet the November 30 deadline from the Comparative Report.

Cause: There were significant delays in the Williamsburg-James City County Public Schools' ability to provide their Comparative Transmittal Forms and audited Comprehensive Annual Financial Report by the November 30 deadline. The School's year-end financial statements contained a number of errors resulting in material audit adjustments, resulting in a material weakness finding as further described in the separately issued financial report for the Schools (see finding IC-2018-001). As they are a discretely presented component unit of the County, the County was unable to complete their Comparative Transmittal Form and Comprehensive Annual Financial Report in a timely manner, including having the audited financial report presented in a timely manner.

Recommendation: As the County's reports were completed timely with the exception of the Schools' delays, a recommendation was made to the Schools that they should implement monitoring controls by management outside of the finance department to ensure accurate and timely information is available. This monitoring control could help prevent or detect noncompliance from occurring.

Management's response: The County worked with the Schools' Finance department to provide assistance in finalizing the Schools' fiscal year 2018 year-end closing, audit and CAFR preparation, which ultimately resulted in an unmodified audit opinion. Going forward, several measures have been put into place by the Schools' senior management to address the issues encountered during the fiscal year 2018 audit. One of those measures includes bi-monthly meetings/conference calls to provide regular financial updates and establish regular and ongoing communication with the Finance departments of both James City County and the City of Williamsburg. The addition of this measure will help to ensure that potential issues will be identified and addressed in a timely manner. Furthermore, the County is the audit liaison for the Schools' audit and will remain actively engaged in the process.

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

Federal: There were no prior year federal findings.

State: There were no prior year state findings.

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AGENDA ITEM NO. C.4.

ITEM SUMMARY

DATE:	1/22/2019
TO:	The Board of Supervisors
FROM:	Suzanne R. Mellen, Director of Financial and Management Services
SUBJECT:	Public Hearing - FY2020 Pre Budget

ATTACHMENTS:

	Description	Type
🗋	Memorandum	Cover Memo

REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	1/4/2019 - 3:14 PM

M E M O R A N D U M

DATE: January 22, 2019

TO: The Board of Supervisors

FROM: Suzanne R. Mellen, Director of Financial and Management Services

SUBJECT: Pre-Budget Public Hearing - FY 2020 Budget

The purpose of this Public Hearing is to invite comments and suggestions from citizens for the upcoming County Budget. The comments and suggestions made at this pre-budget Public Hearing will help guide staff in preparing a budget proposal for the Board of Supervisors' review in May. No Board action is requested at this time.

SRM/md
PH-2020Bud-mem

AGENDA ITEM NO. C.5.

ITEM SUMMARY

DATE:	1/22/2019
TO:	The Board of Supervisors
FROM:	Suzanne R. Mellen, Director of Financial and Management Services
SUBJECT:	Pre-Budget Work Session Discussion

REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	1/15/2019 - 8:45 AM

AGENDA ITEM NO. C.6.

ITEM SUMMARY

DATE:	1/22/2019
TO:	The Board of Supervisors
FROM:	Rebecca Vinroot, Director of Social Services and Paul Holt, Director of Community Development
SUBJECT:	Workforce Housing Task Force Update

Ms. Jeanne Zeidler and Ms. Christina Hartless, co-chairs of the Workforce Housing Task Force, will provide the Board of Supervisors with an update on the work that has been completed to date.

ATTACHMENTS:

	Description	Type
🗋	Presentation	Presentation
🗋	Draft Report	Exhibit

REVIEWERS:

Department	Reviewer	Action	Date
Development Management	Holt, Paul	Approved	1/4/2019 - 8:41 AM
Publication Management	Daniel, Martha	Approved	1/4/2019 - 8:46 AM
Legal Review	Kinsman, Adam	Approved	1/4/2019 - 11:51 AM
Board Secretary	Fellows, Teresa	Approved	1/4/2019 - 3:38 PM
Board Secretary	Purse, Jason	Approved	1/4/2019 - 4:19 PM
Board Secretary	Fellows, Teresa	Approved	1/4/2019 - 4:33 PM

Workforce Housing Task Force

January 22, 2019

Department of Community Development
Department of Social Services

Workforce Housing Task Force

Conducting Community Outreach

Jan-Mar 2018	• Defining Workforce Housing • Setting Vision and Principles
Apr-Jul 2018	• Assessing Workforce Housing Needs
Aug-Dec 2018	• Reviewing Best Practices • Developing Strategy Recommendations
Jan 2019	• Finalizing Draft Workforce Housing Strategic Plan

January 22, 2019

Department of Community Development
Department of Social Services

What is “Workforce Housing”

For this strategic plan, we are defining “workforce housing” generally as the types of housing that we need here in James City County to ensure that we can attract and retain workers and continue to grow our local economy.

This definition includes all types of housing affordable to households in the workforce, though the emphasis is on working households with incomes between **30 and 100% of area median income** where the needs are the greatest.

Why Workforce Housing

Housing serves as a platform for **individual and family well-being**

Economic self-sufficiency and upward mobility

Student achievement and academic success

Physical and mental health and well-being

Housing is the basis for **inclusive and diverse communities**

Equitable access to opportunities and services, regardless of race and socioeconomic status

Communities in which everyone can prosper

Housing supports sustainable **local economic growth**

Housing opportunities to encourage people to both live and work in the community

Short commutes, easier to attract and retain workers

Communities that are great places to live, work and play

January 22, 2019

Department of Community Development
Department of Social Services

Workforce Housing Task Force

- Adopted **Vision Statement**
  - James City County will be a diverse community offering a high quality of life and quality affordable housing options in safe, well-maintained, and inclusive neighborhoods

Workforce Housing Task Force

- Adopted **Principles**
  - Workers in James City County should be able to afford to live in the County if they choose to do so.
  - James City County should promote strategies that create and sustain mixed-income neighborhoods
  - Creating a range of affordable housing options in James City County requires partnerships among the public, private and non-profit sectors
  - James City County's solutions for workforce housing should be designed to respect the County's unique natural, historic and cultural resources

Summary of Workforce Housing Needs

- There is a need for a more diverse housing stock in James City County in order to provide housing options for a range of working households.
- The biggest needs are for workers earning low- and moderate-wages, particularly those with incomes between 30 and 100% of AMI.
  - Higher-income households (100+% AMI) have more choices than do lower-income households.

Workforce Housing Strategy Recommendations

A. **Housing Preservation:** Strategies to rehabilitate, restore and preserve existing housing in the County.

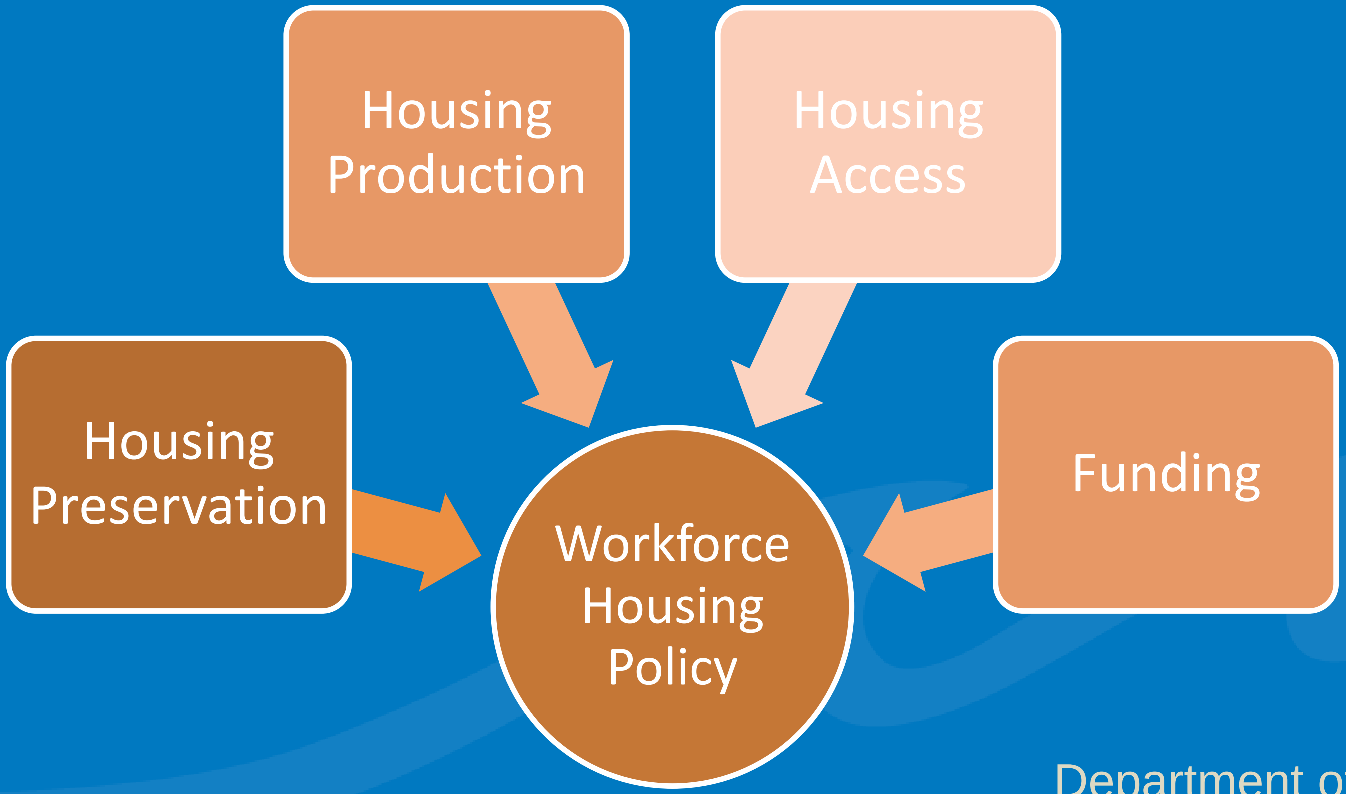
B. **Housing Production:** Strategies to facilitate the private-sector production of new workforce housing in the County.

C. **Housing Access:** Strategies to connect James City County workers with affordable housing in the County.

D. **Funding:** Strategies for expanding funding sources to support the Workforce Housing Strategy Recommendations.

Workforce Housing Strategy Recommendations

A Toolkit of Potential Strategies to Expand Workforce Housing Options



January 22, 2018

Department of Community Development
Department of Social Services

Workforce Housing Strategy Recommendations

A. Housing Preservation

A-1. Housing Rehabilitation

A-2. Preservation and/or Redevelopment of Manufactured Home/Mobile Home Parks

A-3. Redevelopment/Revitalization Areas

January 22, 2018

Department of Community Development
Department of Social Services

Workforce Housing Strategy Recommendations

B. Housing Production

B-1. Mixed-Use, Medium-Density Zoning Districts

B-2. Adaptive Reuse

B-3. Purchase of Development Rights (PDR) Program

B-4. Accessory Apartment Policy

B-5. Expedited Permitting

B-6. Public Land

B-7. Voluntary Inclusionary Zoning

B-8. Property Tax Exemption/Abatement

Workforce Housing Strategy Recommendations

C. Housing Access

C-1. Housing Resource Navigation

C-2. Homebuying Assistance

C-3. Local Housing Voucher

January 22, 2018

Department of Community Development
Department of Social Services

Workforce Housing Strategy Recommendations

D. Funding

D-1. Housing Trust Fund

D-2. Opportunity Zone

Department of Community Development
Department of Social Services

January 22, 2019

Department of Community Development
Department of Social Services

Workforce HOUSING

TASK FORCE FOR JAMES CITY COUNTY

JAMES CITY COUNTY

WORKFORCE HOUSING TASK FORCE: FINDINGS & RECOMMENDATIONS

JANUARY 2019

DRAFT

JAMES CITY COUNTY WORKFORCE HOUSING TASK FORCE: FINDINGS & RECOMMENDATIONS

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EXECUTIVE SUMMARY

The James City County Workforce Housing Task Force Findings & Recommendations report outlines recommendations the County and its partners should consider to expand housing options for working individuals and families. This report is the result of a 13-month, citizen-driven process that brought together representatives from a broad spectrum of the community. We are presenting this report to the County Board of Supervisors to solicit feedback and to take the steps necessary to begin to put the work of the Task Force into action.

The need for workforce housing is on the rise in James City County. Workers in many jobs that are critical to the well-being of the James City County economy and community cannot afford housing in the County. While it the exact magnitude of the need is ever-changing, thousands of James City County workers cannot afford housing in the County and thousands more currently live in the County but pay a disproportionately high share of their income on housing costs. Without a focus on expanding housing options, young workers and families will have a hard time staying in the community, employers will have an increasingly difficult time finding and retaining workers and traffic congestion will get worse.

The Task Force strongly believes the County should balance the needs to support workforce housing options with preserving and maintaining the rural character and cultural resources that make James City County the unique place that we love. Our recommendations are also driven by goals of creating economically integrated neighborhoods and leveraging partnerships with the private and non-profit sectors.

The Task Force was charged specifically with identifying housing solutions for the County. However, addressing housing challenges involves work on transportation and workforce development initiatives, as well as a focus on expanding access to housing in the County. The Task Force encourages the work on these other related efforts that can support the recommendations of the Task Force.

Over the course of our work, the Workforce Housing Task Force has realized that housing issues are complex. There is no one silver bullet for meeting workforce housing demand in the County. As a result, the Task Force has developed a toolbox of initiatives that the County Board of Supervisors and County staff should implement. Some of our recommendations can be acted on immediately, while others will take more time to collect information, identify resources and develop plans.

The Workforce Housing Task Force strategy recommendations are organized into four categories—Housing Preservation, Housing Production, Housing Access and Funding. Within each of these groups there are steps the County can take now to begin to make a difference in addressing workforce housing issues. For example, in our Housing Preservation strategies, we recommend that the County continue the process of selecting deteriorating single-family homes to be rehabilitated with state and local funding and set goals to expand the number of homeowners served. As part of our Housing Production recommendations, we include steps the County can take in the near-term to set the appropriate environment to encourage private-sector production of workforce housing. Steps such as modifying the County's accessory apartment ordinance and developing an inventory of publicly-owned land are examples of recommendations that will help set the stage to promote responsible development of workforce housing. Our recommendations also reflect the reality that the challenge of housing affordability is a regional, and not just a local issue, which means that solutions should include regional approaches. As such, among our Housing Access strategies is a recommendation that the County financially support the regional Hampton Roads Housing Resource Portal to expand local workers' access to information and assistance.

The full report provides details on additional priority and other recommendations. The Workforce Housing Task Force appreciates the guidance and leadership from the Board of Supervisors in moving forward on these recommendations. We also advise that a standing citizen working group be established to support the Board and staff in implementing the recommendations.

INTRODUCTION

The *James City County Workforce Housing Task Force Findings & Recommendations* report describes workforce housing needs in the County and recommends actions the County should take to address these needs. This report is the result of a 13-month, citizen-driven process that brought together James City County residents, employers, builders, advocates and others representing a broad spectrum of interests in the community.

This *James City County Workforce Housing Task Force Findings & Recommendations* report is intended to provide guidance to the members of the County Board of Supervisors for advancing workforce housing policies, programs and funding. Having a sufficient supply of housing affordable to our workforce is essential to the economic sustainability and vitality of James City County because it:

- Assists our workers and residents--including young people just starting out in their careers, working families with children who are looking for stability, and critical employees-- who make James City County a great place to live and visit;
- Improves our community by promoting stability, increasing the quality of homes and neighborhoods, and encouraging sensible growth; and
- Strengthens our local economy by: helping to ensure that employers can hire workers they need for a variety of jobs; providing workers better access to homes near their jobs; maintaining the County as a premier tourism and retirement destination; and allowing households to spend less of their income on housing and therefore more in the local economy.

Workforce Housing Task Force

On November 22, 2016, the County's Board of Supervisors adopted the *2035 Strategic Plan*, which includes the goal of "Expanding and Diversifying the Local Economy." As part of meeting that goal, the *2035 Strategic Plan* calls for "…supporting strategies to facilitate the development of affordable and workforce housing."

The County Board of Supervisors established the Workforce Housing Task Force to develop those strategies. The Task Force is comprised of a group of volunteer citizens representing a broad spectrum of community interests. The Task Force, in collaboration with County staff and a consultant team, worked from December 2017 through February2019 meeting monthly, to better understand workforce housing needs in the County, to conduct public outreach around the Task Force's work, and to develop a set of recommendations designed to expand workforce housing options. Specific guidance was provided by a Technical Advisory Committee (TAC) comprised of County staff from Planning, Neighborhood Development, Social Services and Economic Development. Representatives for the Williamsburg Area Transportation Authority and the Williamsburg-James City County School System also served on the TAC.

The Task Force defined its objective to focus on housing needs of working individuals and families, specifically those holding jobs in James City County. However, Task Force members recognize that there are other important housing concerns in the County. For example, other efforts are underway in James City County to provide support to individuals and families at risk of homelessness. Future County efforts also could and should focus specifically on senior housing needs. The concentration of the Task Force on workforce housing does not mean that housing for others is not important, but rather the

Task Force wanted to define its objective specifically enough to ensure that it could generate actionable strategies that are consistent with the County's *2035 Strategic Plan*.

What is Workforce Housing?

There is no standard definition of "workforce housing" though it is a term used quite often by many communities throughout Virginia and the country. The Task Force has come to a consensus that we want to define workforce housing broadly—as housing that is affordable to any working individual or family.

In this report, we are defining "workforce housing" generally as the types of housing that we need here in James City County to ensure that we can attract and retain the workers needed to sustain our local economy. This definition includes all types of housing affordable to households in the workforce, though the emphasis is on working households with incomes below 100% of area median income where the needs are the greatest.

Vision and Principles

As part of the process of developing this *Workforce Housing Task Force Findings & Recommendations* report, Task Force members reached a consensus on a vision and a set of principles that guided their work over the 13-month period.

Vision

James City County will be a diverse community offering a high quality of life and quality affordable housing options in safe, well-maintained, and inclusive neighborhoods.

Principles

The Workforce Housing Task Force identified several principles designed to support the Vision and to form the framework for the development of strategy recommendations:

1. Workers in James City County should be able to afford to live in the County if they choose to do so. James City County has a strong and diverse workforce, with workers in a range of industries and occupations that pay wages across the spectrum. Not everyone who has a job in James City County will want to live in the County. However, the County should work to create housing options so that any worker who wants to live in the County can find appropriate and affordable housing.

2. James City County should promote strategies that create and sustain mixed-income neighborhoods.
Our community is committed to being an inclusive place where individuals and families from all backgrounds can have access to high-quality amenities, services and opportunity. This goal is not possible if we live in a community segregated by income, race or other factors. As such, County policies and programs should work to support integrated, inclusive neighborhoods and refrain from adopting approaches that segregate lower-income households.

3. Creating a range of attainable housing options in James City County requires partnerships among the public, private and nonprofit sectors.
James City County should work to support and incentivize housing opportunities throughout the County by focusing on working individuals and families that the private market fails to reach. However, the County should not do this work alone. The County should work with a range of businesses and organizations in James City County and throughout the region to promote workforce housing opportunities. The County's approaches to promoting workforce housing options should utilize market-based solutions that incentivize private-sector investments whenever possible.

4. James City County's solutions for workforce housing should be designed to respect the County's unique natural, historic and cultural resources.
Workforce housing is a critical need in James City County. However, the County has many other goals and priorities to ensure that the community thrives. Policies and programs designed to promote workforce housing should be consistent with and complementary to other initiatives that support the breadth of County priorities. In particular, strategies to promote workforce housing options should be designed to preserve open space in the County, maintain its existing rural character, and respect the County's history and cultural heritage.

Why Workforce Housing Matters

High-quality, affordable housing is important to ensuring physical health and safety and supporting individual and family physical and mental health.[1] Housing is also the bedrock for positive educational outcomes—children living in stable and affordable housing do better in school and school districts overall perform better.[2]

In addition, housing availability and affordability is critically important to James City County's economic vitality and prosperity. If there is an insufficient supply of housing affordable to workers at all income levels, individual workers, businesses and the County's economic well-being will all suffer. If the County does not plan for housing that meets the needs of current and future workers, it will become increasingly difficult for James City County to attract and retain a diverse workforce and to continue to grow a strong, sustainable local economy in the future.

[1] Connecting Housing and Health in the Williamsburg Region. 2018. A Housing Virginia Assessment Prepared for the Williamsburg Health Foundation.
[2] Ingrid Gould Ellen and Keren Horn. 2018. Housing and Educational Opportunity. Washington DC: Poverty & Race Research Action Council.

Figure 1. Workforce housing matters for individuals, families, communities and the local economy in James City County

WORKFORCE HOUSING NEEDS IN JAMES CITY COUNTY

Housing affordability is a challenge for many James City County workers because of the prevalence of jobs in the County that pay low wages and because housing costs have risen faster than incomes. While the Task Force believes it is important for the County and its partners to continue education and workforce development efforts to improve incomes, it is equally if not more important to focus on ways to increase the availability of housing in the County that is affordable to working individuals and families. This is the goal of the *James City County Workforce Housing Task Force Findings & Recommendations* report.

Many critical workers in James City County are increasingly feeling the pressures from rising rents and prices, and those housing affordability challenges will only get worse if the County does not plan for sufficient workforce housing. Retail, restaurant and hotel workers, child care workers, nursing assistants and home health aides are among those in the County who feel most acutely the lack of affordable housing. These and other workers may be forced to look for housing further from their jobs, resulting in increased commute times and traffic congestion in James City County and throughout the region. All James City County residents will feel the impact if there is not enough housing for the workforce.

In addition, according to the *2016 James City County Housing Conditions* report, researchers found approximately 1,000 homes in the County that are in poor or deteriorating conditions. Many of these homes are occupied by households—including many working households—that cannot afford to keep up their property or who can only afford substandard housing. Poor housing and neighborhood conditions and unaffordable housing costs are a burden to families and neighborhoods, and a threat to the County's ability to sustain and grow a thriving community.

Good housing options for lower-income workers will help James City County attract new, talented workers. Ensuring that workers who earn low incomes in the long-term can live in the county builds community, ensures that robust services are available in the county and helps alleviate traffic congestion on county streets

Housing Affordability

In 2018, the average home price in James City County was $316,500.[3] An individual or family would need an income of $79,000 or more to buy the typical home in the County. In 2016, the median rent was $1,236;[4] an individual or family would need an income of $49,440 or more to afford the typical rent. However, the incomes of many James City County workers—even when workers are advanced in their occupations or live doubled up—are insufficient to afford to buy or even rent a home in the County.

Figure 2 shows the top ten occupations in James City County by the number of workers. For each occupation, the Figure shows the median hourly wage and three affordable monthly housing cost scenarios: as a single-earner household earning at the median; as a two-earner household, each earning at the median; and as a single-earner household earning in the 90th percentile. Cells shaded in dark orange indicate that the household cannot afford the median rent or median owner costs. Those shaded in yellow indicate that the household can afford the median rent, but not median owner costs. Those shaded in grey can afford the median rent or the median owner costs.

Figure 2. Housing Affordability by Occupation

Top 10 Occupations in James City County by Number of Employees

Occupation	Resident Workers*	Median Hourly Wage	Affordable Monthly Housing Cost	
			Single-earner at the median	Two earners at the median
Military occupations	1,524	$15.62	$812	$1,625
Retail Salespersons	1,488	$10.08	$524	$1,048
Cashiers	1,275	$9.19	$478	$956
Waiters and Waitresses	1,258	$10.83	$563	$1,126
Combined Food Preparation and Serving Workers, Including Fast Food	1,238	$8.94	$465	$930
Office Clerks, General	875	$14.23	$740	$1,480
Janitors and Cleaners	675	$12.01	$624	$1,249
Postsecondary Teachers**	647	$26.35	$1,370	$2,740
Cooks, Restaurant	586	$10.87	$565	$1,131
Registered Nurses	561	$30.86	$1,605	$3,209

*EMSI data was used for this analysis, which includes data from James City County, the City of Williamsburg, and upper York County. Resident workers both live and work in the region, and do not include residents who commute out of region to work or workers who live outside of the region.

**Primary and secondary teachers are included in separate categories that are included outside of the top ten occupations by employee count.

[3]James City County Department of Financial and Management Services

[4]U.S. Census Bureau, 2016 American Community Survey 1-year file, estimate of median gross rent (rent plus utilities)

As is indicated in Figure 2, half of James City County's top 10 occupations do not pay enough to make living in the County affordable. Only three of James City County's top 10 occupations (Military, Office Clerks, and Janitors and Cleaners) pay enough to afford the median rent (rent plus utilities of $1,236 in 2016), but only when employees are earning in the 90th percentile or when they are earning at the median and double up with another person earning a similar wage. Only two of the top 10 occupations (Registered Nurses and Postsecondary Teachers) pay enough for a single earner to afford the median rent. These are also the only two occupations that allow employees to afford median owner costs, $1,700 in 2016, but only when those employees are earning in the 90th percentile or doubled up.

Housing Cost-Burdened James City Residents

The primary measure of housing affordability in a community is the number of households that are "housing cost burdened," that is, spending more than 30% of their income for housing. Families that spend a disproportionately high share of their incomes on housing often have too little left over to afford other necessities, such as food, clothing, transportation and medical care.

The challenge of housing affordability is not limited to poor households or to individuals and families who do not work. In fact, most households in James City County—almost 70%—include at least one worker. The vast majority of households in the County with no workers are likely to have householders who are retired.

In James City County, the proportion of households experiencing housing cost burdens is increasing both among renters and among owners who own their homes free-and-clear (i.e., without a mortgage). More than 8,000 households were cost burdened in 2017, accounting for 30% of all households in James City County.

As is shown in Figure 3, more than one-third of the cost-burdened households in the County have incomes less than 50% of the Area Median Income (AMI).

- An estimated 1,294 cost burdened households in James City County have incomes below 30% of area median income (AMI). These include single-earner households earning low wages in occupations such as childcare, housekeeping, home health-care, bus driver, substitute teaching, and amusement/recreation attendants. A full-time worker earning $8.77 per hour would earn about $18,000 or about 30% of AMI for a single-person household.

- An estimated 1,537 households with incomes between 30% and 50% of AMI are cost burdened. Sixty-six James City County occupations pay less than $25,550 annually at the median and more than 14,000 workers are employed in these occupations. These could be construction laborers, bakers, artists, security guards, legal secretaries, court clerks, tax preparers, and dental assistants to name a few. Households in this income range also include working households with two full-time workers earning about $18,000 per year each.

Figure 3. James City County Cost-Burdened Households by HUD Area Median Income (AMI)

Household Income Level **2018 Upper Income Limits for 1 and 4-person Family**	**% of Cost-Burdened Households***	**Estimated Number of Cost-Burdened Households in 2017†**
Less than or equal to 30% of AMI 1 person: $15, 750, 4 person: $25,100	16	1,294
Greater than 30% but less than or equal to 50% of AMI 1 person: $26,250, 4 person: 37,500	19	1,537
Greater than 50% but less than or equal to 80% of AMI 1 person: $42,000, 4 person: $60,000	26	2,102
Greater than 80% but less than or equal to 100% of AMI 1 person: $52,500, 4 person: $75,000	12	970
Greater than 100% of AMI	27	2,183
Estimated Total Cost Burdened Households	**100**	**8,086**

Source: Virginia Center for Housing Research tabulation of 2010-2014 CHAS and 2017 ACS estimates
*Proportions from 2010-2014 Consolidate Housing Affordability Strategy (CHAS) data
† 2010-2014 proportions applied to the 2017 estimate of cost-burdened households from the American Community Survey to estimate 2017 cost-burdened households by income group.

Just over one-quarter of the housing cost burdened households in James City County have incomes greater than 50% but less than 80% of AMI. These households could have employees who are lab technicians, electricians, and middle school teachers earning at the median. A married couple – including a childcare worker and a bank teller, each working full time and earning in the 90th percentile – with two children would also be included in this category. Some of these low-income workers will earn more with experience and additional training, but will need lower-cost housing when they are just starting out.

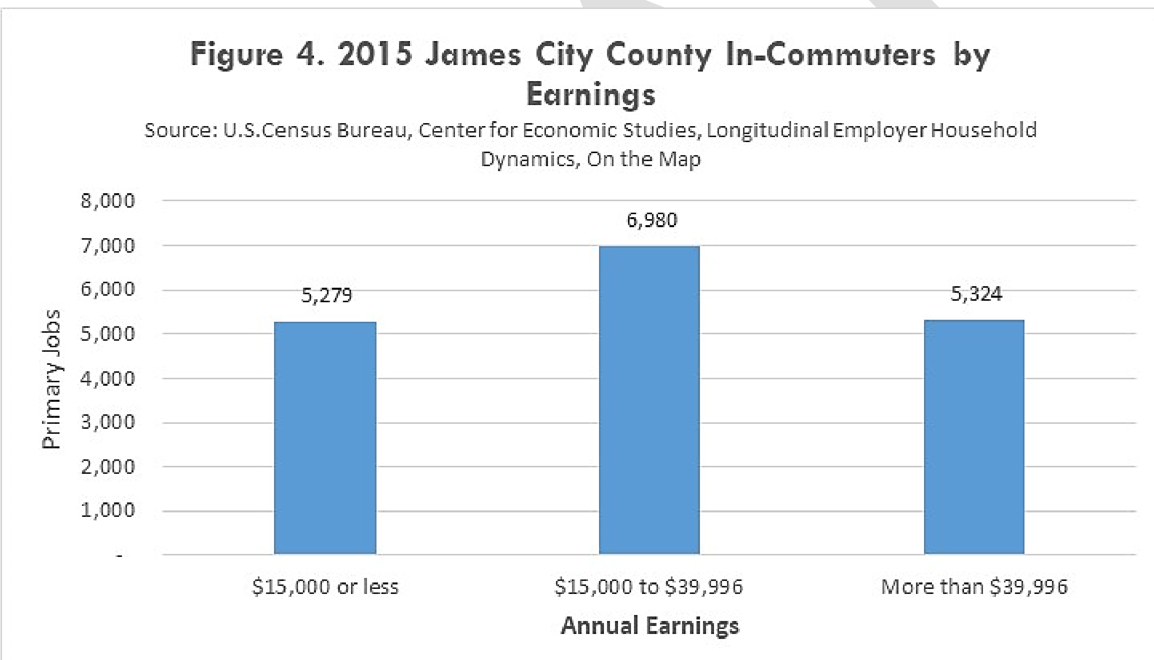
With the typical home in the County requiring an income of $79,000 to buy, higher-income working households also face housing challenges in James City County. Households earning between 80% and 100% of AMI may be surgical technicians, food service managers, loan officers, elementary school teachers, and RNs as single earners earning at the median. An estimated 970 of these households are cost burdened, accounting for 12% of the total.

Workers Commuting to James City County

In addition to working households living in the County, more than 17,500 workers commute into James City County each day from other places in the region and the state. Of these, about 17% commute from areas in the immediate vicinity (e.g., City of Williamsburg or York County). We do not have specific data on in-commuters' housing preferences, but it is likely that some workers live outside the County by choice while others reside elsewhere because they cannot find appropriate, affordable housing in the County.

Figure 4 shows the number of in-commuters in different wage categories. Data on incomes of in-commuters is limited and is reported for individuals, rather than for households. Therefore, the income ranges shown in Figure 4 below correspond to earnings in an individual's primary job[5] rather than household incomes. As such, it is not possible to make a direct comparison with the household-level cost burden analysis of County residents.

The data in Figure 4 show that the income profile of commuters to James City County is quite similar to that of its resident workers: 30 percent of these commuters have individual incomes that are less than or equal to 30% of the area AMI. Another 40% have individual incomes that equate to roughly 50% or a little more of the area AMI. If these wage earners wanted to live in James City County to be closer to their jobs, the majority of them would not be able to find affordable housing in the County.



[5]The U.S. Census Bureau defines a primary job is the highest paying job for an individual worker for the year. The count of primary jobs, therefore, is the same as the count of workers.

Availability of Workforce Housing in James City County

Figure 5 compares affordable rents and home prices for workers in three income ranges to the stock of available housing in James City County that may be affordable and available to these workers. Both the number of residents and the number of commuters in each income category are shown to provide a perspective on housing market pressures, both for commuters who might want to move to the County and for residents who would like to move up to higher quality housing. While the data in Figure 5 correspond to earnings in an individual's primary job rather than household incomes, it is nevertheless clear that the earnings provided by the majority of James City County's jobs are not sufficient to provide working families with abundant housing options in the County.

Figure 5. Availability of Affordable Housing in James City County

Workers by Earnings	Availability of Affordable Housing Units
Workers earning $15,000 or less – Residents: 2,153 workers – Commuters: 5,279 workers	0 affordable rental units ($375 per month or less)
Workers earning $15,000 - $39,996 • Residents: 2,948 workers • Commuters: 6,980 workers	2,000 affordable rental units ($400-$1,000 per month) of which approximately 100 available ($600-$900/mo) 3,200 affordable homeownership units (under $175,000) of which very few available for sale
Workers earning $39,996 or more • Residents: 2,915 workers • Commuters: 5,324 workers	4,300 affordable rental units ($1,000+ per month) 18,000 affordable homeownership units ($175,000+)

Source: Virginia Center for Housing Research

Extremely low-income residents and in-commuters face the same housing hardship: James City County has virtually no available units that are affordable to those earning less than 30% of AMI, $15,750 for a 1-person household and $25,100 for a 4-person household. A household with an annual income of $15,000 can afford no more than $375 per month for housing. In order to obtain housing, households in this income category must have access to below-market-cost units, accept substandard housing, or accept housing cost-burdens.

Likewise, there is not enough housing stock in James City County or the region[6] to serve households with income less than 50% of AMI ($26,250 for a 1-person household and $37,500 for a 4-person household), so both County residents and in-commuters face a very tight, highly competitive market in which those with lower incomes will likely have to accept cost-burdens or otherwise inappropriate housing. Based on analysis of Census data, it is estimated that more than 1,500 residents in this income category are living in housing that is not affordable.

A household earning $40,000 a year can afford no more than $1,000 per month for housing. About 2,000 units in the County have rents between $400 and $1000, and there may be some (around 100) units available (vacant and for-rent) with rents $600-$900. A household in this income range can expect

[6] For this analysis, the region is defined as the Virginia portion of the Virginia Beach–Norfolk–Newport News, VA–NC Metropolitan Statistical Area (MSA) and includes Gloucester County, Isle of Wight County, James City County, Mathews County, York County and the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg.

to afford to buy a home with a price up to $168,000. There about 3,200 owner-occupied units in the County valued below $175,000, but only a handful are likely to be for sale. Any of the nearly 7,000 in-commuters that can afford housing in this income range would have to compete for scarce rental units, since they are unlikely to find homeownership opportunities.

Households with low incomes also face a competitive market. We estimate that more than 2,000 households with incomes greater than 50% of AMI, but less than 80% of AMI are cost-burdened (income of $42,000 for a 1-person household and $60,000 for a 4-person household). Although there is more rental stock in the County that is affordable to households in this income range, it is not enough to meet demand.

Even households with moderate income can find it difficult to access homeownership opportunities or find an appropriate, affordable rental unit. Households with incomes of $40,000 a year or more can afford rents more than $1,000, which includes about 4,300 rental units in the County. These households could afford to buy a home priced over $168,000, but the majority of owner-occupied units -- more than 18,000 -- are valued at or above $175,000. We estimate that more than 3,000 resident households with incomes greater 80% of AMI struggle to afford their housing and may have to sacrifice other needs to keep their home. These households, like those with lower incomes, may forgo food, medical care, education, home maintenance, savings and other important investments to survive day-to-day.

To address these gaps in housing options for working households, James City County needs a more diverse housing stock. The biggest needs are for workers earning low- and moderate-wages, though even working households with incomes up to the County's median household income face limited housing options. While there are cost burden households with incomes above the median (e.g. between 100 and 120% of AMI), the data are clear that this group of households has more choices than do lower-income households and that the workforce housing needs are greatest among those with incomes below the median. The recommendations developed by the Workforce Housing Task Force (see below) include approaches to preserve and produce housing affordable at various income levels, but focus on strategies that serve low- and moderate-income workers with incomes between 30 and 100% of AMI.

WORKFORCE HOUSING RECOMMENDATIONS

The Workforce Housing Task Force has developed a set of recommendations that are designed to address current and future workforce housing needs in the community and be consistent with the Task Force Vision and Principles. There is no one, single initiative or policy that can solve the workforce housing challenge. Rather, the County should adopt a range of approaches—and make available the necessary resources—to have a comprehensive workforce housing strategy.

In addition to initiatives undertaken by the County, the Task Force recommends that James City County partner and lead on regional efforts to expand housing options, recognizing that the lack of workforce housing is not an issue unique to James City County nor is it a challenge that can be solved by one community. Furthermore, the Task Force recommends that a standing citizen commission be established to be involved in moving these recommendations forward through the County's Comprehensive Plan Update process and beyond.

The Workforce Housing Strategy Recommendations are organized into four categories:

A. **Housing Preservation:** Strategies to rehabilitate, restore and preserve existing housing in the County.
B. **Housing Production:** Strategies to facilitate the private-sector production of new workforce housing in the County.
C. **Housing Access:** Strategies to connect James City County workers with affordable housing in the County.
D. **Funding**: Strategies for expanding funding sources to support the Workforce Housing Strategy Recommendations.

Specific recommendations may relate to multiple goals (e.g., both preservation and production) and many recommendations will be most effective when they are put into place in tandem (e.g., rehabilitation programs and local housing Trust Fund).

In additions to these workforce housing recommendations, the Workforce Housing Task Force strongly supports County efforts to expand transportation and transit options and to invest in workforce development initiatives.

The recommendations include specific **Priority Recommendations** and **Additional Recommendations.** Priority recommendations are those that the Task Force is recommending be adopted in the near-term because they build off of existing programs or policies, address an urgent need and/or require no immediate major public investment. Several recommendations below are intended to be considered as part of the County's Comprehensive Plan Update process which is set to begin in 2019.

The Workforce Housing Task Force was not charged with determining the level of staff resources to implement the recommendations below. We strongly encourage the Board of Supervisors to allocate the funding needed to ensure there are sufficient staff personnel and other resources to implement workforce housing recommendations.

A. Housing Preservation

A-1. Housing Rehabilitation

The County should enhance the resources it dedicates to the rehabilitation of single-family homes, with a priority given to homes identified in the Housing Conditions Study. James City County has identified approximately 1,000 homes within the County that are in serious disrepair. Rehabilitating this housing will help existing residents remain in their homes and maintain and improve existing single-family neighborhoods.

Priority Recommendations:

- Continue to refine the process for selecting deteriorating single-family homes that will be rehabilitated with state and local funding. Set a goal of rehabbing 10 single-family homes annually. With additional resources and staffing, rehabbing up to 25 single-family homes annually should be the ultimate goal.
- Establish and maintain a resource list of reliable, vetted contractors with experience in specific services (e.g.,. historic homes, home modification, home accessibility, home upgrade, etc.) This list will not only be a resource for homeowners directly, but will also assist County-initiated rehabilitation efforts. This resource could be part of the Housing Resource Navigation tool (see C-1 below.)
- Plan a "Rehab Blitz" day modeled after Habitat's Blitz day and in partnership with Habitat and other local/area nonprofits to target rehab activities in a particular neighborhood.

Additional Recommendations:

- Offer property tax abatement/exemption for owners of single-family homes that make improvements and either continue to live in the home or enter into agreement with the County to rent that home to a low- or moderate-income working individual or family.
- Develop a pattern book to guide housing development, upgrade, maintenance and rehabilitation that could include sections on home accessibility modification and aging in place, as well as accessory apartments.

A-2. Preservation and/or Redevelopment of Manufactured Home/Mobile Home Parks

The County should establish and implement a policy for manufactured housing that is aimed at preventing further deterioration of the existing stock and protecting the current residents of mobile home parks. Manufactured housing is an important source of affordable housing for working households in James City County. There are twelve mobile home parks in the County, include those located along Centerville Road and clustered in and around the Grove area of the County. In many cases, mobile home parks are suffering from disinvestment and many of the manufactured homes in the parks are in serious need of repair and rehabilitation. Moreover, zoning designations among the parks vary considerably, with some parks having industrial or business zoning that provide little protection for the residents. While opportunities for investment in existing mobile home parks differ depending on condition of the park, ownership of the park and current zoning, the County can take steps to establish a policy that prevents further deterioration and recognizes the potential of manufactured housing to be a source of affordable workforce housing.

Priority Recommendations:

- Assess the opportunities for improving current mobile home parks.
    - Review and evaluate the current condition, ownership and zoning of existing mobile home parks in the County.
    - Based on the results of the review, establish goals for each park and engage owners in discussion about the future of mobile home parks.
    - Develop guidelines for negotiations with park owners that include discussion of five options based on opportunities at each park: reinvestment and stewardship; transfer ownership; co-op ownership; County acquisition; and redevelopment.
- Look for opportunities that either attempt to head off loss of mobile homes and/or promote responsible redevelopment of the mobile home parks to protect current residents.

Additional Recommendations:

- Explore the option of the County buying out enough parks to gain County control over 250 units over ten years, winding down the agreement with the current owners by 2030. After 2030, the County could sell the land upon an approved plan for moderate-density workforce housing.
- Explore adding cottage homes to the housing stock in the mobile home parks, including identifying zoning and other regulatory changes that would be needed. (Cottage homes are defined as small homes—typically between 800 and 1,000 square feet—that are clustered with shared access.) Sponsor a pilot or competition in collaboration with a state university planning/real estate/engineering program.
- Proactively advocate for a state-supported mobile home replacement program.
- Coordinate a County mobile-home replacement program, engaging utilities, manufactured home retailers, and the Virginia Manufactured and Modular Housing Association for support.
- Ensure that the County has (or develops) a mobile home decommissioning and recycling plan.

A-3. Redevelopment/Revitalization Areas

The County should define specific redevelopment/revitalization areas as a means to rehabilitate existing homes and subsidize new workforce housing. Defining redevelopment/revitalization areas can open up additional federal and state funding sources that supplement CDBG and local resources and can be used to rehabilitate existing single-family homes and to subsidize the development of new multifamily and single-family housing.

Priority Recommendations:

- County staff should review the Housing Conditions study, CDBG funding areas and other recent plans to define specific redevelopment/revitalization areas and consult with key stakeholders during the Comprehensive Plan review process regarding the establishment of these areas.
- Once the redevelopment/revitalization areas are established, build partnerships with developers that focus primarily on workforce housing products (e.g., single-family detached homes on small lots priced for specific income ranges, small multi-family buildings with rent subsidies).

Additional Recommendations:

- Review County goals, strategies and actions as well as land use designations and development standards as part of the Comprehensive Plan update process to ensure that workforce housing, mixed-income housing and mixed-use development is supported by land use and zoning policies in the defined revitalization areas.
- Apply for grant funding from VHDA's mixed-income/mixed-use program that supports projects in defined revitalization areas.

B. Housing Production

B-1. Mixed-Use, Moderate-density Zoning Districts

The County should amend the Zoning Ordinance to facilitate generation of a wider range of housing types, sizes, and forms (single-family, townhomes, multi-family) that increases the supply of workforce housing.

Several of the residential zones in James City County are tailored for single-family homes on relatively large lots (R-1 R-2, R-6). While there are zones that allow for other residential building types, such as townhomes and apartments (R-3, R-4, PUD-R, MU), these districts, to varying degrees, contain provisions that may make them less conducive to the development of townhomes and/or multifamily housing. The County's R-5 zoning district does allow for moderate-density development, typically up to 12 units per acre.

Making more areas along transportation and transit corridors more readily available for moderate-density zoning can enable greater unit diversity in the housing stock while maintaining community character and creating attractive multi-use neighborhoods

Priority Recommendations:

- Support land use changes within the Primary Service Area (PSA) that would promote more moderate-density and mixed-use areas. Review recent projects in the County to define their density in the context of the Comprehensive Plan land use designation and zoning district. This information will inform staff as they identify areas of the County where medium-density zoning would be appropriate.
- Review the use lists for existing zoning districts and delete, add and/or modify uses as appropriate to reflect the current types of establishments and uses in the County and to ensure that diverse housing types are specifically included in use lists in zoning districts where housing is permitted.

Additional Recommendations:

- Review and update zoning districts following the County's Comprehensive Plan review process. The process, which includes significant citizen engagement, is the avenue through which future zoning ordinance changes may be identified. Potential changes to consider include:
    - Reduce site area minimums for development projects to help make redevelopment viable for smaller, nonprofit developers focused on workforce housing.
    - Examine options for allowing for by-right development of workforce housing.
    - Increase the maximum number of units per acre in both single-family and multi-family zones for projects that provide workforce housing.

- Use a form-based zoning in select areas, which will preserve neighborhood character through maintaining building forms, but could also provide more flexibility on the types of housing options within those building forms.
- Increase the maximum number of units permitted in multi-family structures in select zones (e.g., R-5 zone currently capped at 10 units per structure) to promote smaller unit-sizes at lower price-points within the same building envelope (e.g., 2 separate units in 1 townhome style structure, or more studio/1 bed-room units in apartment buildings).
- Decrease minimum lot-size requirements and/or explore adding a maximum lot size regulation in select zones to facilitate smaller home types (both single-family and townhomes) when projects include workforce housing.

B-2. Adaptive Reuse

The County should adopt guidelines and incentives to repurpose old, vacant, and/or underutilized commercial buildings as workforce housing, specifically old motels and outdated shopping areas. Bringing new life to a deteriorating building can be consistent with and even enhance the character of the community. The primary benefit of repurposing an old building is that it provides housing without using previously undeveloped land. It may also have less impact on the environment than would new construction because fewer materials are needed, and the embodied energy within the structure is maintained.

Within James City County, there are some older motels and outdated shopping centers in commercial areas that could potentially be converted into housing. These buildings are in close proximity to many of the County's service-industry and tourism jobs and could provide affordable housing for these workers with proper investment and adaptive reuse.

Priority Recommendations:

- Create an inventory of potential adaptive reuse and conversion sites within the County. This inventory should include locations, conditions, ownership, zoning and other information about the properties. This inventory will provide staff and developers critical information for establishing priorities, processes and guidelines for adaptive reuse projects in the County.
- Identify Virginia-based builders/developers with experience in adaptive reuse and convene a public meeting to discuss and better understand the challenges and opportunities with adaptive reuse.
- Review the use lists for all zones in the County. Focus efforts on deterring additional traditional in-line commercial and encouraging residential/mixed-use developments along specific corridors. The use-list changes should be guided by a goal of facilitating adaptive reuse opportunities for residential units in existing commercial areas.

- Investigate resources that could support adaptive reuse such as the Low Income Housing Tax Credit, the historic tax credit, or programs to support housing for residents experiencing homelessness.
- Engage owners of properties that are good candidates for redevelopment or adaptive reuse. Facilitate connections among property owners and developers, and identify resources that could be employed.

Additional Recommendations:

- Develop a new zoning designation that would allow motel to apartment conversions through an application process, modeled after a similar policy in the City of Williamsburg.
- Undertake corridor planning studies for areas with underutilized commercial properties. The first study could focus on the Route 60 corridor and specifically the outdated commercial areas and hotel properties along that highway. This corridor sub-area could be incorporated within the scope of the upcoming Comprehensive Plan review effort.
- Explore the feasibility of establishing an administrative permitting path for commercial-to-residential conversions that include workforce housing.
- Create a fund to assist private owners of obsolete commercial buildings with the cost of demolishing and redeveloping their structures.

B-3. Purchase of Development Rights (PDR) Program

The County should restart its PDR program to achieve the joint goals of open space preservation and workforce housing production. The County's PDR program was intended to preserve open space within the County. Between 2001 and 2017, approximately 802 acres of PDR easements were recorded, exclusive of the County's Greenspace program. There has been a total program investment to date of more than $4.4 million, although some program costs have been reimbursed to James City County.

Priority Recommendations:

- The County should identify land that can be purchased for open space to preserve existing rural areas and buffers when increasing development in parts of the PSA to allow for workforce housing.

Additional Recommendations:

- Review earlier report on Transfer of Development Rights (TDR) to understand if the issues identified are still in place today. Explore the possibility of designing a prototype TDR trading bank within the County that identifies density sending and receiving districts and includes a formula for allocating density bonuses in exchange for the provision of workforce housing.

B-4. Accessory Apartment Policy

The County should modify its Accessory Apartments ordinance to facilitate the development of more accessory units. Accessory units can be a source of income for homeowners allowing them to remain in their homes over time. Accessory apartments can also be a source of housing for caregivers and family members, and for lower income workers living in James City County.

The County's current ordinance allows attached accessory units in most zoning districts. Attached units can be within an existing unit or be an addition. Attached accessory units cannot be more than 35% of the home and must look substantially similar. Detached units are permissible but require a special use permit reviewed by the Planning Commission. Detached units are restricted in size to the smaller of 400 square feet or 50% of the primary structure.

Priority Recommendations:

- Develop a pattern book, training sessions and other technical assistance documentation to help home owners construct accessory units.
- Revise ordinances related to accessory apartments to increase the maximum size of detached accessory units. Accessory apartments should be large enough to accommodate a one-bedroom unit.
- Revise ordinances related to accessory apartments to modify set-back, parking and/or other requirements, and reduce Special Use Permit fees.

Additional Recommendations:

- Offer incentives for accessory apartments, such as waived fees for Special Use Permit applications or utility hook-ups, when apartments are rented to people holding jobs in James City County, or for other targeted populations (e.g., elderly relatives). Owners of accessory apartments would have to register with the County and document tenant eligibility.
- Develop a loan program that helps lower-income households build accessory apartments.
- Promote the fact that zoning now allows accessory apartments in all residential zones. Encourage HOAs to revise covenants that prohibit such units.

B-5. Expedited Permitting

The County should establish an expedited land entitlement process for projects that include workforce housing. Development site plan review and code permitting are critical steps in the land entitlement process. It is during these phases that development proposals are thoroughly vetted against adopted codes, plans, and policies. Expedited review and permitting can help promote the development of housing affordable to low- moderate-income households by reducing development costs.

James City County already has an expedited review process for projects that support its economic development goals. This could provide guidance for a process targeting projects that promote the development of workforce housing. Any intensification or expediting of the County's current development review and approval processes would necessitate increased staff capacity.

Priority Recommendations:

- Establish the income threshold necessary for a project to qualify for an expedited review. The following are recommended: 1) rental housing affordable to households with incomes between 30 and 60% of AMI and 2) homeownership housing affordable to households between 60 and 100% of AMI.

Additional Recommendations:

- Explore establishing an internal process for fast-tracked reviews that could include staff specifically assigned to the program.

B-6. Public Land

The County should establish a formal policy related to the use of publicly-owned land for housing development. Some County-owned land could be appropriate to set aside for the development of workforce housing by the private sector. Other sites may not be appropriate for housing development, but should they be surplused, the proceeds could be used to fund housing programs through a local Housing Trust Fund.

Priority Recommendations:

- Develop a comprehensive inventory of publicly-owned sites, including an assessment of whether sites are vacant or whether there is underutilized development capacity.
- Identify which public land sites would be suitable for workforce housing. As part of the process, develop criteria for evaluating sites' appropriateness, prioritizing characteristics such as proximity to transit infrastructure and employment areas.
- Explore options for creating a housing land trust or land bank for public land that is vacant and/or underutilized and located near jobs and transit infrastructure. A land trust or land bank would be a mechanism for acquiring, holding and, ultimately, deploying public land specifically for workforce housing.

Additional Recommendations:

- Once the priority public sites have been identified, the County could then seek to establish a public/private partnership and apply for VHDA funding to build housing for the households with incomes up to 50% of AMI. The County could issue an RFP for a pilot project on one publicly-owned site to see what types of partners and projects could be supported with a public land policy. The County could specify the characteristics of a project it would like to see on the site (e.g. workforce housing, mixed-income, mixed housing types) and the contribution from the County (e.g. just the land, land and some infrastructure). If multi-family units are determined to be viable on the site, part of this process would likely include a rezoning of the public land to R-5. Developers and developer teams would submit proposals based on the RFP.
- Amend the County's Capital Improvement Process (CIP), which allocates resources for building or redeveloping public facilities, to ensure that opportunities for creating housing options are considered during the process.

- Identify land or parcels that would be suitable for purchase by the County and made available for the development or redevelopment of workforce housing. Land could either be made available immediately upon purchase to a qualified nonprofit developer or could be held by the County until an appropriate project is proposed. Funding for land purchases could come from an expanded local housing Trust Fund.

B-7. Voluntary Inclusionary Zoning

The County should establish a stand-alone voluntary, incentive-based inclusionary zoning program (often referred to as an Affordable Dwelling Unit (ADU) program in Virginia) that offers bonus density for affordable and workforce housing. The design of this program would draw on the County's current and post policies that tie density bonuses to the provision of affordable and workforce housing.

In 2012, the James City County Board of Supervisors adopted the Housing Opportunity Policy (HOP) which provided a mechanism for the generation of affordable and workforce housing units within market-rate development projects that seek a rezoning. The HOP used a sliding scale of reduced cash proffers paid by developers to the County. The proffer reduction ranged from 100% for units reserved for residents making 30% to 60% of AMI, to 30% for so-called workforce housing units (80% to 120% AMI). Due to a new proffer law passed by the Virginia General Assembly in 2016, the HOP was rescinded for new development.

The County also has a bonus density option in the Zoning Ordinance built into many of the zones. The provision includes a menu of options developers can provide in exchange for additional density. One of the options in the bonus density menu is providing affordable and workforce housing. However, the wide range of options in the bonus density table -- from achieving green building certification, to stream restorations, to building playgrounds -- reduces the likelihood that a developer would opt for the affordable unit set-aside option to achieve a higher density.

Despite the new proffer law, localities in Virginia are still able to create ADU programs under code §15.2-2305. The statute requires an ADU program to be incentive-based, in that developers must be granted a density bonus if they provide affordable housing units. The law caps the set-aside unit proportion a County can seek at 17%, and caps the density bonus a developer can receive at 30%. Localities are free to set ADU program requirements within these ranges.

Priority Recommendations:

- Bring together community stakeholders and staff to make recommendations for a new incentive-based, voluntary inclusionary housing policy in the County. This group should include representatives from all stakeholders involved in residential development in the County, including but not limited to for-profit and nonprofit developers, financial institutions, land use attorneys, and County staff. Tasks to consider as part of this process include the following:

    - County staff and community stakeholders should develop a specific, detailed methodology that represents best practice and industry standards for calculating affordable price points based on AMI updates.

- Once the price-points are established, evaluate use of a sliding density bonus scale based on both the quantity of units and the depth of affordability provided. The Housing Conditions Study for the County recommends adopting an ordinance similar to Fairfax County's ADU program that provides a sliding density bonus scale that caps at 20%.
- Continue to have an in-lieu fee option that developers could pay to the County in exchange for additional density. This option provides greater flexibility to the County to either construct affordable and workforce units in specific priority areas, or purchase existing units in the market, which can often be less expensive than new construction. The County would need to continue to use the Housing Trust Fund if an in-lieu fee option is utilized more regularly.

- Review the County's existing density bonus system in the zoning ordinance to determine if the provision of affordable/workforce housing can be prioritized or if it should be a requirement for any developments proposed over the current baseline density (i.e., one-dwelling unit/acre).

Additional Recommendations:

- Advocate with the state to have James City County added as a local jurisdiction permitted to adopt a mandatory inclusionary zoning program.

B-8. Property Tax Exemption/Abatement

The County should promote existing and adopt new property tax abatement programs. A property tax exemption or abatement can make it easier for nonprofit developers to build housing using Low Income Housing Tax Credits or other state and/or federal resources. The property tax relief can serve to close some of the gap between the cost of building housing and the income generated by rents affordable to lower-income households. Property tax abatement can also be used as an incentive to rehabilitate deteriorating rental properties when property owners agree to maintain rents at affordable levels.

Priority Recommendations:

- The County should promote the state program that provides state tax credits to landlords who offer rental property at reduced rates to elderly or handicapped individuals.

Additional Recommendations:

- Adopt a property tax exemption and/or abatement for residential properties that guarantee units will be affordable to and leased to individuals and families with incomes at or below 60% of AMI.
- Offer property tax abatement/exemption for owners of single-family homes that make improvements and either continue to live in the home or enter into an agreement with the County to rent that home to a low- or moderate-income working individual or family.

C. Housing Access

C-1. Housing Resource Navigation

James City County should support the Hampton Roads Housing Resource portal, an existing regional homeownership and rental resource center, through financial support and coordination of resources and marketing. By promoting the existing assistance available to households in the County and the region, more broadly, there will be increased opportunities for working households in James City County to find appropriate and affordable housing in the community.

Priority Recommendations:

- Financially support the Hampton Roads Housing Resource Portal.
- Explore how to link County resources to the regional portal.

Additional Recommendations:

- None

C-2. Homebuying Assistance

The County currently offers assistance to homebuyers through its First-Time Homebuyer Program. The Employer-Assisted Homeownership Program assists County employees who do not own a home in James City County by providing up to $3,000 to match savings for down payment and closing costs. Homebuyer education and counseling is also offered through VHDA Homebuyer Education classes.

Promoting responsible homeownership is a goal for the community. The County should expand support provided to first-time homebuyers who work in James City County.

Priority Recommendations:

- None

Additional Recommendations:

- Expand down payment and closing cost assistance to provide assistance to 50 first-time homebuyers who work in James City County and want to purchase a home in the County.
- Dedicate staff to building and coordinating local and regional partnerships to support affordable homeownerships and complement HUD Homebuyer Counseling services that the County already provides. Partnerships should be formalized with clear responsibilities and goals. Partners should include Realtors, banks and other financial institutions, organizations with additional resources (informational or financial), assessors, inspectors, etc. The goal would be to create a type of "one-stop-shop" for James City County workers and residents looking to buy a home in the County.

C-3. Local Housing Voucher

The County should establish a local housing voucher program. Like the federal Housing Choice Voucher program, a local housing voucher program would provide assistance to households to enable them to rent housing in the private market. A local housing voucher program using local resources could offer priority to individuals who hold jobs in the County.

Priority Recommendations:

- Conduct education and outreach with potentially eligible households and landlords.
- Research the experiences of other localities in Virginia that have such a program.
- Establish a local housing voucher/rental subsidy program funded by dedicated housing Trust Fund resources. Define program rules and priorities. Set as a goal to serve 25 families annually through a local rental housing subsidy.

Additional Recommendations:

- None

D. Funding

D-1. Housing Trust Fund

James City County should create a local housing Trust Fund with a dedicated source of funding to support workforce housing initiatives. Local funds can be used to leverage state and federal resources and can provide flexibility in how the County supports the development and preservation of housing for working households in the County.

Priority Recommendations:

- Identify priorities for the housing Trust Fund going forward. Priorities and policies for the local housing Trust Fund should be clearly stated in a policy document so that all stakeholders understand the goals and process for funding allocations.
- In the current year, dedicate funding for the rehabilitation of single-family homes identified as dilapidated in the Housing Conditions survey. Local funding, added to the anticipated $350,000 from the state, would allow for the rehabilitation of homes above the number that have been rehabbed in recent years.

Additional Recommendations:

- Explore potential mechanisms to fund the Trust Fund over the long-term. Funding sources could include both the diversion or expansion of existing taxes and fees, as well as new sources of revenue. Potential sources of funding are described in the Appendix.

D-2. Opportunity Zone

Ensure that the Grove area is well positioned to take advantage of its Opportunity Zone designation. Created in the 2017 Tax Cuts and Jobs Act, Opportunity Zones are designed to drive long-term capital into low-income communities across the nation, by using tax incentives to encourage private investment into designated census tracts through privately- or publicly-managed investment funds. While not an automatic source of funding, the Opportunity Zone program does provide the possibility for the County to leverage new resources.

The Grove area of the County has been designated as the one Opportunity Zone in James City County. Proposed federal regulations for Opportunity Zones have recently been released and will need to go through a public process before they are final. In the meantime, the County could take steps to position the Grove area in such a way that if and when funding does become available, the area is competitive for that funding.

Priority Recommendations:

- Review current planning efforts in the Grove area and along Merrimac Trail, including Economic Development Authority efforts underway and planned transportation investments, to ensure that existing plans are consistent with promoting workforce housing and ensuring no displacement of current residents in the area.
- Plan and carry out an "Opportunity Zone" day modeled after the recent program held in the City of Norfolk. The event should bring together developers, financial institutions, economic development agencies and other stakeholders to increase understanding of opportunities and

to build relationships among partners that will be critical to leveraging the new Opportunity Zone program.

Additional Recommendations:

- Explore purchasing property within the Opportunity Zone that would be rezoned for affordable/workforce housing, and facilitate a public/private partnership for housing development. This approach could also include a mixed-use component for a grocery store or other retail, which is also needed in this area of the County.
- Explore pre-packaging a set of incentives that would be offered in addition to the incentives that will be provided through the Opportunity Zone program. These incentives could include County tax-abatements, expedited permitting, and additional density, among others, that would only be available if workforce housing is included within these Opportunity Zone development proposals.
- Invest in needed infrastructure improvements in this area of the County to facilitate revitalization and private investment. Develop a program that would include public investment of either providing infrastructure or land-cost buy downs as a way to promote or incentivize new mixed-income projects.

APPENDIX

Local Housing Trust Fund

The Workforce Housing Task Force has recommended a dedicated source of local funding to support the preservation and production of and access to workforce housing. The County Board of Supervisors will determine the best mechanism for allocating resources for workforce housing initiatives. However, as part of the Task Force's discussion, several potential funding sources were discussed:

Existing Revenue Sources:

- For the short-term funding, reallocate a portion of the revenue from Deeds of Conveyance and/or Recordation Taxes. Current estimates of revenue from these sources for FY2018 are as follows: Deeds of Conveyance $375,000; Recordation Taxes $1,425,000; for a total of $1,800,000. Therefore, half could be reallocated to the Trust Fund in the short-term. This could remain a source of funding for the Trust Fund over the long-term.
- Allocate some portion of revenue collected through the Historic Triangle regional sales tax to support the preservation, production and/or access to housing for workers in the County's tourism industry (e.g., restaurant and hotel workers). Current estimates are that the County's 1.0% local sales tax will generate $11,000,000 in revenue in FY 2018. Thus, the 1.7% regional tax would generate an estimate $18,700,000 in the County. Allocating 10% of the revenue from the regional sales tax could generate $1,870,000 in revenue annually for the local housing Trust Fund.
- Increase the residential property tax rate by 1 cent (I.e., from 0.84 to 0.85 per $100 of assessed value) and direct that additional revenue to the local housing Trust Fund. The amount would be an estimated $965,000 in FY2018. Alternatively, set aside $900,000 (<1%) from existing real estate property tax revenue (estimated $96,500,000 in FY2018).
- Increase fees on new market-rate housing development (i.e. new housing that does not include homes affordable to households with incomes below 100% of area median income) and use that increased revenue for the Trust Fund.

New Revenue Sources:

- Analyze the housing demand generated by new commercial development/jobs in the County, and analyze the viability of a workforce housing impact fee to support housing production.
- Adopt a short-term rental/AirBnB tax. Applying a Transient Occupancy tax on these property owners could general revenue that could be used to fund a local housing Trust Fund.
- Develop partnerships with Foundations that could support the Trust Fund.

AGENDA ITEM NO. C.7.

ITEM SUMMARY

DATE: 1/22/2019

TO: The Board of Supervisors

FROM: Grace A. Boone, Director of General Services

SUBJECT: Curbside Recycling Project Agreement Between VPPSA and James City County

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ATTACHMENTS:

	Description	Type
🗋	Memorandum	Cover Memo
🗋	Resolution	Resolution
🗋	Curbside Recycling Project Agreement	Backup Material
🗋	Agreement for Curbside Recycling Services	Exhibit

REVIEWERS:

Department	Reviewer	Action	Date
General Services	Boone, Grace	Approved	1/4/2019 - 4:03 PM
Publication Management	Daniel, Martha	Approved	1/4/2019 - 4:09 PM
Legal Review	Kinsman, Adam	Approved	1/8/2019 - 10:24 AM
Board Secretary	Fellows, Teresa	Approved	1/8/2019 - 10:25 AM
Board Secretary	Stevens, Scott	Approved	1/15/2019 - 11:20 AM
Board Secretary	Fellows, Teresa	Approved	1/15/2019 - 1:53 PM

M E M O R A N D U M

DATE: January 22, 2019

TO: The Board of Supervisors

FROM: Grace A. Boone, Director of General Services

SUBJECT: Virginia Peninsulas Public Service Authority (VPPSA) Curbside Recycling Program - Project Agreement

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Curbside Recycling in James City County has been provided since 1991 through a regional program contracted through the Virginia Peninsulas Public Service Authority (VPPSA). The current contract with the private vendor expires on June 30, 2019, and VPPSA has solicited proposals for a new contract. The Request for Proposals (RFP) asked for a number of options and pricing for different types of service serving James City County, the City of Williamsburg, York County and the City of Poquoson. After considerable discussion among the jurisdictions and VPPSA staff, a specific proposal has been recommended for approval to the VPPSA Board of Directors. The General Services Director acts as the County representative on that Board. This recommendation was made after detailed discussions with the proposed vendor and verification of qualifications for collection, processing and customer service.

Services by VPPSA are provided to member jurisdictions through service agreements between VPPSA and the jurisdiction. The current curbside service is provided under such an agreement. Attached is a project agreement to cover services under the new curbside recycling program. Staff recommends approval of the attached project agreement.

GAB/md
VPPSA-CurbRecy19-mem

Attachment

R E S O L U T I O N

VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY (VPPSA)

CURBSIDE RECYCLING PROGRAM - PROJECT AGREEMENT

WHEREAS, the Virginia Peninsulas Public Service Authority (VPPSA) provides services to James City County for curbside collection of recycling materials; and

WHEREAS, VPPSA has solicited proposals and is ready to award a contract for curbside recycling services in James City County; and

WHEREAS, VPPSA provides these services through a project agreement with the County; and

WHEREAS, it is necessary to approve a project agreement to allow access to this service in James City County.

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of James City County, Virginia, hereby authorizes the County Administrator to sign the curbside recycling project agreement between the County and VPPSA.

____
James O. Icenhour, Jr.
Chairman, Board of Supervisors

ATTEST:

____
Teresa J. Fellows
Deputy Clerk to the Board

	VOTES		
	AYE	NAY	ABSTAIN
MCGLENNON	____	____	____
SADLER	____	____	____
HIPPLE	____	____	____
LARSON	____	____	____
ICENHOUR	____	____	____

Adopted by the Board of Supervisors of James City County, Virginia, this 22nd day of January, 2019.

VPPSA-CurbRecy19-res

Special Project Agreement

Curbside Recycling Project

THIS AGREEMENT dated the ____ day of __________, 2019, is made by and between the Virginia Peninsulas Public Service Authority (hereinafter designated "VPPSA"), an authority created under the Virginia Water and Waste Authorities Act, section 15.2-5100 et seq. of the Code of Virginia, 1950, as amended (the "Act"), and the County of James City, Virginia, a political subdivision of the Commonwealth of Virginia (the "Community").

The obligation of the parties under this Agreement is subject to participation by other member jurisdictions (hereafter designated as "local jurisdiction") listed below. Should the withdrawal of any local jurisdiction, or reduction in any service to any jurisdiction designated for participation in the curbside recycling project (the Project) result in a change in prices proposed by the Contractor (as such is defined below), the Community shall have the option of continuing its participation at the renegotiated cost or withdrawing from the Project. Local jurisdictions included in the Project are:

the County of James City,
the City of Poquoson, the
City of Williamsburg, and
York County (together, the "local jurisdictions")

Article I- Purpose:

This Agreement is entered into pursuant to the authorization of the Act and in accordance with the VPPSA Articles of Incorporation (the Articles), as adopted by its member jurisdictions. Its purpose is to establish a special project pursuant to paragraph (e) of the Articles.

VPPSA intends, subject to the execution of Special Project Agreements by the local jurisdictions, to enter into a Contract entitled "Agreement for Curbside Recycling Services between the Virginia Peninsulas Public Service Authority and Tidewater Fibre Corp" (hereinafter designed as "Proposed Contract"), a copy of which is attached to this Agreement, to implement a regional curbside recycling service (the "Project").

The parties agree that VPPSA will implement the Project through the Proposed Contract with Tidewater Fibre Corp ("Contractor") and the Community agrees to be bound by the provisions of the Proposed Contract applicable to the Community.

Article II- Obligations of the Community:

The Community agrees to participate in the Project according to the terms and conditions of this Agreement and the Proposed Contract including, but not limited to, performance of the following duties:

1. Designation of households to receive curbside recycling service and development of list of addresses of households for preparation of route sheets by the Contractor.
2. Designation of representative responsible for Community supervision of the Project.
3. Receiving service requests, such as missed collections, new service, issuance of carts and notifying Contractor of such.
4. Advising citizens on reasons for and correction of contamination problems.
5. Receipt of requests for and verification of households to be provided front porch collection.
6. Approval of expansion of the Project.

Article III- Term of Agreement:

This Agreement shall become effective and operations hereunder shall commence on the effective date of the Proposed Contract. This Agreement shall continue for a term of five years beginning July 1, 2019 and ending on June 30, 2024. This Proposed Contract may be extended for one five-year renewal or five one-year renewals or other combinations of renewals, not to exceed five years, as the parties mutually agree in writing.

Article IV- Delivery Conditions:

The Community agrees to cooperate with the Contractor in implementing the Project. At VPPSA's request, the Community will take those actions that the Community deems lawful and reasonable to assist in the successful implementation of the Project. Such actions may include designation of collection service areas, and subject to legal authority, prevention of scavenging of recyclable materials set out for collection.

Article V- Recyclable Material Collection, Processing and Marketing Service:

VPPSA shall, through the Contractor and in accordance with the Proposed Contract, collect Recyclable Materials, (as defined in the Proposed Contract), and process and market it for reuse pursuant to recycling mandates promulgated by the Commonwealth of Virginia, and shall require proper disposal of Residue, (as defined in the Proposed Contract), by the Contractor in a permitted solid waste disposal facility.

Any local jurisdiction, including the Community, may request the inclusion of new residential areas in the Project in accordance with the Proposed Contract, and VPPSA shall honor such requests provided:

1. the local jurisdiction agrees to pay all additional charges associated with the provision of contract service to the additional areas; and
2. the Contractor is capable of serving such additional areas according to the terms of the Proposed Contract, without any degradation of service to the other local jurisdictions; and
3. there is no increase in cost to the other local jurisdictions participating in the program.

Any local jurisdiction desiring to change its participation in this Agreement shall provide VPPSA with ninety (90) days advance written notice.

Article VI- Service Fees:

The Community shall pay VPPSA, for services provided to it pursuant to this Agreement and the Proposed Contract. The Community agrees to pay any vendor cost adjustment stated in the Proposed Contract, to be applied to all local jurisdictions participating in the Agreement. VPPSA shall use such payments to pay the Contractor under the Proposed Contract.

The Community shall pay to VPPSA any administrative fee established by the VPPSA Board of Directors.

The Community will pay for services monthly pursuant to this Agreement. VPPSA shall issue invoices approximately 20 days after the end of the month with payments due 25 days after receipt of an invoice. The monthly invoice may include any of the following:

- Costs for collection, processing and marketing, as presented in the Contractor's invoice, based on the total number of Carts (as such is defined in the Proposed Contract) in the Community, total quantity of

Recyclable Materials collected for the month, and prevailing unit costs in the Proposed Contract, and

- Additional collection costs approved by the Community; and
- Community's share of costs incurred by VPPSA for advertising, postage and printing in accordance with the project budget approved by the VPPSA Board of Directors; and
- Other costs related to the Project and approved in writing by the Community.

Nothing in this Article shall require the Community to pay service fees for collection of Recyclable Materials by anyone other than the Contractor pursuant to the Proposed Contract.

Payments by the Community of service fees hereunder are payments for services rendered and the obligation to make such payments does not constitute a debt of the Community for constitutional, statutory or charter limitations.

Article VII- Title to Recyclable Materials:

The Community hereby assigns and transfers to the Contractor all of its right, title, and interest, if any, in and to all Recyclable Materials collected and collectable under this Agreement.

Article VIII- No Partnership:

Nothing herein shall be construed to constitute a joint venture between VPPSA and the Community or other local jurisdictions or the formation of a partnership.

Article IX- Force Majeure:

"Force Majeure" shall mean any cause beyond the reasonable control of the party whose performance is affected, including but not limited to acts of God, war, riot, fire, explosion, wind storm, flood, strikes, labor disputes or action by governments not party to this Agreement. Force Majeure shall not include equipment failure.

Failure of any party to perform under this Agreement or the Proposed Contract by reason of Force Majeure shall not constitute default or be cause for termination of this Agreement. However, the party so failing to perform shall immediately notify VPPSA and the other participating local governments in writing of the failure, including reasons therefor, and shall make reasonable efforts to correct such failure and to continue performance at the earliest possible date.

Should VPPSA be unable to complete performance under this Agreement due to the Contractor's failure to perform by reason of Force Majeure, it shall, where practicable, take all reasonable steps to secure another vendor to perform the work as described in the Proposed Contract according to the already established schedule of rates, fees and charges. Should VPPSA be unable to secure a vendor to perform according to the established schedule of rates, fees and charges, the parties may agree to a new schedule by written amendment attached to this Agreement. If the parties are unable to agree on a new schedule, this Agreement shall terminate.

The Community shall have the right, but not the obligation, to collect or cause to be collected Recyclable Materials from designated participating Curbside (as such is defined in the Proposed Contract) recycling areas within its jurisdiction by means other than a VPPSA selected vendor at any time during which Force Majeure is in effect in the Community. For the period when Force Majeure is in effect in the Community, VPPSA shall not impose any rate, fee, or charge for Recyclable Material collection, processing and marketing and Residue disposal by or within the Community. Any additional costs incurred by Community as a result of using another recyclable collection method (by reason of Force Majeure) other than the vendor under contract to VPPSA shall be borne by the Community.

Article X-Termination:

1. In the event the Community lawfully fails to appropriate funds to pay for its services received or to be received under this Agreement, this Agreement shall terminate.
2. The Community shall endeavor to give VPPSA (30) days advance written notice of its intent to terminate its participation in the program under paragraph 1 above.
3. In the event that VPPSA or its contractor is unable to perform under the conditions of the Proposed Contract or remedy the default under Section 27 of the Proposed Contract, this Agreement shall terminate.

Article XI- Audit Provisions:

VPPSA's records, which shall include but not be limited to accounting records, policies and procedures, subcontract files (including proposals of successful and unsuccessful bidders), payroll records, original estimates, estimating worksheets, correspondence, change order files (including documentation covering negotiated settlements), and any other supporting evidence necessary to substantiate charges related to this Agreement (all the foregoing hereinafter referred to as "records") shall be open to inspection by the Community and subject to audit and/or reproduction, during normal working hours or at such other times as are mutually agreed upon by the parties, to the extent necessary to adequately permit evaluation and verification of any invoices, payments or claims submitted by VPPSA or any of its agents or vendors pursuant to this Agreement.

For the purpose of such audits, inspections, examinations and evaluations, the Community's agent or authorized representative shall have access to records from the effective date of this Agreement, for the duration of the Agreement, and until five (5) years after the date of final payment by the Community to VPPSA pursuant to this Agreement.

The Community's agent or authorized representative shall have reasonable access to VPPSA's facilities, shall have reasonable access to all necessary records, and shall be provided reasonable access to adequate and appropriate work space, in order to conduct audits in compliance with this Article. The Community's agent or authorized representative shall give VPPSA reasonable advance notice of intended audits.

Article XII- Licenses, Permits and Certificates:

VPPSA shall be responsible for requiring that all licenses, permits and certificates required in connection with any and all parts of the Project are secured by the Contractor.

Article XIII- Governing Law:

This Agreement shall be governed by the laws of the Commonwealth of Virginia and venue shall be the Circuit Court for the City of Williamsburg and the County of James City.

Article XIV- Extent of Agreement:

This Agreement represents the entire agreement for the Project between VPPSA and the Community and supersedes all prior negotiation, representations or agreements, either written or oral. This Agreement may only be amended by written document signed by both the Community and VPPSA.

Article XV- Dispute Resolution:

The parties hereto agree to undertake to resolve any disputes hereunder by good faith negotiation prior to instituting any legal proceedings related to such dispute.

Article XVI- Severability and Waiver:

In the event any provision of this Agreement shall be held to be invalid and unenforceable, the remaining provisions shall be binding upon the parties. One or more waivers by either party of any provision, term, condition, or covenant shall not be construed by the other party as a waiver of a subsequent breach of the same by the other party.

Article XVII- Notices:

All notices required or contemplated by this Agreement shall be personally served or mailed by U.S. Mail, postage prepaid - return receipt requested, addressed to the parties as follows:

To VPPSA:	Virginia Peninsulas Public Service Authority Executive Director 475 McLaws Circle, Suite 3B Williamsburg, Virginia 23185
To the Community:	James City County Attention: County Administrator P.O. Box 8784 Williamsburg, Virginia 23187

IN WITNESS WHEREOF, VPPSA and the Community have caused this Agreement to be executed on their behalf, as of the day and year first above written.

VIRGINIA PENINSULAS
PUBLIC SERVICE AUTHORITY

By______________________________
Executive Director

COUNTY OF JAMES CITY

By______________________________
County Administrator

AGREEMENT FOR CURBSIDE RECYCLING SERVICES
between the
VIRGINIA PENINSULAS PUBLIC SERVICE AUTHORITY
and
TIDEWATER FIBRE CORP

This Agreement for Curbside Recycling Services is made as of December 28, 2018 between the Virginia Peninsulas Public Service Authority (hereinafter referred to as the "Authority") and Tidewater Fibre Corp dba “TFC Recycling”; and

WHEREAS, the Authority operates a voluntary curbside recycling program; and

WHEREAS, the Authority received and evaluated proposals from offerors in response to Request for Proposals (RFP) 1901; and,

WHEREAS, TFC Recycling, among others, submitted a proposal in response to RFP 1901; and

WHEREAS, the Authority desires to contract with TFC Recycling to provide Curbside Recycling Services as defined herein; and

WHEREAS, TFC Recycling desires to provide Curbside Recycling Services as defined herein;

NOW THEREFORE, the Authority and TFC Recycling do hereby agree as follows:

Section 1 Definitions

For purposes of this Agreement, the following terms shall apply:

Authority-Designated Personnel: Shall mean designated members and alternates of the Authority Board of Directors, Authority employees or agents, and elected or appointed officials or employees of the member local governments of the Authority or such other public officials as the Authority may designate under this Agreement.

Cart: Receptacle with a capacity of 35, 65, or 95 gallons, having a hinged, tight-fitting lid. Cart shall also have wheels and be able to be emptied by a lifting/tipping unit as part of the collection operation.

Curbside: That portion of the right of way within approximately 3 feet of the paved or traveled roadway.

Curbside Recycling Services: Collection of Recyclable Materials from Households designated by the Authority, processing, and marketing of the Recyclable Materials for the term of the Agreement.

Household: Single-family home, condominium, apartment, townhouse, manufactured home and an individual unit in a duplex residential unit. Individual small businesses and other locations may be added as the parties mutually agree in writing.

Processing Facility: Facility licensed, permitted, or otherwise approved by all governmental bodies and agencies having jurisdiction, as required, that is operated for the purpose of accepting, sorting, and/or preparing Recyclable Materials for sale.

Recyclable Materials: Corrugated cardboard, newspapers, mixed paper, glass bottles and jars, metal cans, aluminum foil products, HDPE (#2 plastic) and PET (#1 plastic) bottles and jugs, aseptic containers, and other materials as the parties mutually agree in writing. Mixed paper shall include bond paper, computer paper, magazines, catalogs, bulk mailings, telephone and other directories, carrier stock, and chipboard. Mixed paper shall not include wax paper, carbon paper, chemically treated or coated paper that renders paper non-recyclable, envelopes with plastic windows, or any paper that does not tear. Glass shall include clear, brown, and green bottles and jars. Metal cans shall include aluminum, steel, bimetal, and tin cans, excluding paint and pressurized containers. HDPE plastic bottles shall exclude, but not be limited to, automotive product containers and pesticide containers. Plastic bottles and jugs shall be defined as having a narrower neck, and a pour spout. Recyclable Material shall be substantially clean, dry, and free from contamination. All Recyclable Materials shall be placed in a Cart for collection in a single stream.

Residue: Shall mean the post-processing fraction, consisting of materials collected pursuant to this Agreement that are not targeted for recycling by the Authority or have been rendered unmarketable during collection and processing at the Processing Facility.

Section 2 Term of Agreement

The term of this Agreement shall commence on July 1, 2019, and end on June 30, 2024. This Agreement may be extended for one five-year renewal, five one-year renewals or other combinations of renewals, not to exceed five years, as the parties mutually agree in writing.

Section 3 Service Area

The Service Area shall be the Households identified by Authority-Designated Personnel within the jurisdictions of James City County, Poquoson, Williamsburg, and York County. The approximate number of Households receiving service as of December 2018 are as follows:

Jurisdiction	Households
Poquoson	4,200
Williamsburg	2,900
James City County	25,100
York County	18,000

Starting July 1, 2019, Curbside Recycling Services will continue to be available to Households in the jurisdictions as follows:

Poquoson - Curbside Recycling Services will continue to be available and participation will continue to be voluntary. All Households pay a solid waste and recycling fee.

Williamsburg - Curbside Recycling Services will continue to be available and participation will continue to be voluntary. The cost of Curbside Recycling Services is paid for through the general fund.

James City County - Curbside Recycling Services will continue to be available and participation will continue to be voluntary. The County will institute a curbside recycling fee to be paid by all participating Households.

York County - Curbside Recycling Services will continue to be available and participation will continue to be voluntary. All participating Households pay a solid waste and recycling fee.

Section 4 Scope of Services

TFC Recycling shall perform Curbside Recycling Services in the Service Area as follows:

4.1 General

TFC Recycling shall employ and assign qualified personnel to perform all the services set forth herein and shall be responsible for ensuring that its employees comply with all applicable laws and regulations and meet all federal, state, and local requirements related to their employment and position.

Households shall be required to place their Cart at the Curbside no later than 7:00 a.m. on their collection day. TFC Recycling shall collect and remove all Recyclable Materials that are placed in the Carts at the curbside or from some other specifically defined location as designated by both parties. Collection services shall be provided for each Household in the Service Area every other week as designated by the Authority. After servicing, all Carts shall be returned upright with the lid closed (as practical) to the same location that they were placed for collection.

4.2 Hours of Collection

Collection shall be made between the hours of 7:00 a.m. and 6:00 p.m. Monday to Friday on a schedule approved by the Authority. Collection activities may take place after 6:00 p.m. under unusual circumstances after TFC Recycling notifies the Authority. Collections may be made on Saturday during holiday weeks or, in the event of cancellation of service, as described in Section 4.14.

4.3 Carts

TFC Recycling shall procure, assemble, store, and deliver Carts to Households in the Service Area as requested. The Carts provided by TFC Recycling shall be Rehrig Roll-out Carts (Universal / Euro / Nestable) which meet ANSI Safety Standard Z245.30 and ANSI Compatibility Standard Z245.60, or equal approved by the Authority. Substitution may be made only with prior approval by the Authority, which approval will not be unreasonably withheld. The Authority will determine the color and graphics of all Carts provided by the TFC Recycling. All Carts provided by the TFC Recycling shall have RFID (Radio Frequency Identification) tags.

Prior to July 1, 2019, TFC Recycling will deliver Carts to Households in the Cities of Poquoson and Williamsburg, James City County and Households in York County without County-owned Carts as directed by the Authority or Authority-Designated Personnel. Carts will be provided by TFC Recycling at no cost to the Authority.

Throughout the term of this Agreement, at any time that a smaller (35 gallon or 65 gallon) or larger (65 gallon or 95 gallon) Cart is desired, residents may request a one-time change in the size of the Cart. The Authority or Authority-Designated Personnel will notify TFC Recycling of any change in Cart size.

TFC Recycling shall repair and maintain all Carts delivered to Households by TFC

Recycling.

It shall be the responsibility of TFC Recycling to replace any Cart if TFC Recycling has caused the Cart to be damaged so that it is no longer serviceable. The determination of serviceability or cause of non-serviceability shall be made by the Authority or Authority-Designated Personnel in its sole discretion.

TFC Recycling shall include educational / promotional materials provided by the Authority with the delivery of all Carts.

TFC Recycling shall maintain a sufficient inventory so that Carts are always available when needed for delivery.

TFC Recycling shall maintain ownership of all Carts delivered by TFC Recycling.

The Authority agrees that TFC Recycling may purchase Carts at Households in the Service owned by the current contractor rather than deliver new Carts as specified herein. This purchase does not relieve TFC Recycling of the responsibility to repair and maintain Carts.

4.4 Vehicles

TFC Recycling shall secure and maintain an adequate number of vehicles to support the regularly scheduled collections as described herein. All vehicles, whether for collection or transportation of collected materials, shall be maintained in good repair, in a clean and presentable condition, and must ensure that no materials are allowed to fall or blow off the vehicle at any time.

Collection equipment shall be maintained and operated to prevent accidental discharge of materials, water, engine or hydraulic fluids, or any other contaminants.

All vehicles shall be equipped with necessary equipment and spill kits and any accidental discharge shall be immediately cleaned up by TFC Recycling or its agent.

Collection vehicles shall be equipped with communication equipment to allow immediate communication with office and field supervisory personnel.

The intent of the Authority to promote recycling shall not be discouraged by equipment that is maintained or operated in an unattractive condition.

4.5 Office Contact

TFC Recycling shall maintain an office for the purpose of providing a contact point for the Authority and Authority-Designated Personnel. TFC Recycling shall provide adequate office staffing to answer questions and to receive and respond to service requests. The office staff shall be able to immediately contact each of the collection vehicles and field supervisory personnel for resolving complaints or answering questions.

4.6 Supervision

TFC Recycling shall assign qualified persons to supervise the services described herein. TFC Recycling shall assign sufficient supervisory personnel who shall be available to monitor collections, receive and respond to complaints, answer inquiries, and resolve disputes with respect to the services provided pursuant to this Agreement.

TFC Recycling shall designate an adequate number of responsible field supervisors with vehicles who shall be present when collection operations are in progress.

It is the intent of this Agreement that the field supervisors or a designated customer service representative be available during normal collection hours to receive customer inquiries and complaints, to respond quickly, to resolve problems, and to present the recycling program and recycling philosophy positively.

To maintain consistency in the communication of recycling collection guidelines and procedures, only designated supervisors shall interact with the public. All supervisors and drivers shall be dressed in official uniforms.

The Authority shall have the right to review with TFC Recycling the performance of the supervisory personnel or customer service representatives and to request changes in personnel if in the opinion of the Authority the customer service and relations of TFC Recycling are not appropriate. Such a request will be made in writing and responded to by TFC Recycling in writing.

4.7 Service Requests

Unless otherwise directed, all service requests from Households will be made directly to the city or county in which the service is performed and then forwarded to TFC Recycling. Each service request shall be given prompt and courteous attention by TFC Recycling upon being notified. Service requests will include, but not be limited to:

- Missed collections
- Requests for delivery of Carts
- Requests for collection of large quantities of corrugated cardboard
- Additions to the front porch collection list
- Reports of property damage

In the case of requests received on Friday or before a holiday, TFC Recycling shall make an effort to address the request on the day received. For the purpose of this section, “address” shall mean to determine the action to be taken and the time to complete the action, at a minimum. All service requests for missed collections will be resolved in less than 24 hours from receipt of the service request regardless of the day that the request is received.

All service requests for delivery of Carts, collection of large quantities of corrugated cardboard and additions to the front porch collection list shall be completed within one week after receipt of the request.

TFC Recycling shall maintain a web-based system that will be used to receive and document all service requests and responses to the requests. It is the intent of the Authority, Authority Designated Personnel and TFC Recycling that all service requests will be communicated to TFC Recycling through the web based system and not through email or others means of communication. Except as noted herein, only service requests communicated to TFC Recycling through the web based system will be considered for imposition of Administrative Assessments.

In the event that the web-based system is not properly functioning, service requests and responses to service requests will be made by email.

4.8 Handling Contaminated / Non-targeted Material

TFC Recycling shall not be obligated to collect non-targeted materials or Recyclable Materials that are substantially contaminated or Carts that are improperly set out. At the time that contaminated or non-targeted materials are set out or the Cart is improperly set out for collection, TFC Recycling will collect the non-contaminated targeted Recyclable Materials and leave the contaminated or non-targeted materials in the Cart. If a Cart is substantially contaminated, TFC Recycling may leave the entire contents of the Cart. On every occasion, that some of the contents of a Cart are left uncollected TFC Recycling will issue a notice to the Household, which contains the reason that the material was not collected, and instructions for the proper preparation and placement of the Cart. If a Household receives two such notices within a period of thirty (30) days, TFC Recycling shall notify the Authority immediately. The Authority will take appropriate actions to educate the Household on correctly participating in the Curbside Recycling Service. If the matter cannot be resolved by the Authority, the Authority may elect to discontinue service to the Household. TFC Recycling will not discontinue service to any Household without specific direction from the Authority. TFC Recycling and the Authority agree that placement of all Recyclable Materials in the Cart in a single stream shall not be construed as contamination.

4.9 Litter

If a Cart is placed standing Curbside but it is knocked over due to unforeseen causes (weather, wind, etc.), it is the responsibility of TFC Recycling to stand the Cart upright for collection. If litter is created as a result of these unforeseen causes, TFC Recycling is encouraged but not required to pick-up the Recyclable Materials outside of the Cart. Any materials remaining inside the Cart shall be serviced accordingly.

4.10 Front Porch Collection

TFC Recycling agrees to provide "front porch" collection service to Households that have residents who, due to medical reasons or advanced age, are unable to deliver the Cart to the Curbside, for up to two percent (2%) of the Households for each jurisdiction in the Service Area. Requests for "front porch" service shall be directed to Authority-Designated Personnel who will direct TFC Recycling to provide such service. Authority-Designated personnel will be responsible to verify that residents who receive this service qualify for the service based on the requirements set forth in this section. TFC Recycling shall provide the Authority a list of the "front porch" collections by address and jurisdiction and this list shall be kept current on a monthly basis.

The recipient Household addresses will be maintained on a list provided to collection crews on each route in the service area. Failure by TFC Recycling to provide "front porch" collection service to designated Households will only be excused by the Authority where any of the following apply:

- Access to the front porch is impeded by gates, which are inoperative, locked, or tied
- A dog is loose, tied near, or blocks free access to the front porch where the cart has been placed
- The Household refuses initial delivery of the Cart; or
- The criteria specified in Section 4.8 hereof (Handling Contaminated/ Non-targeted Material) are met.

In the event that the Authority receives more applications for "front-porch" pick-up than the allowed number provided for under this Agreement, the Authority shall determine which

Households qualify for "front-porch" collection. TFC Recycling agrees to provide additional "front porch" collections above the 2% allocation if directed by the Authority. Additional front porch collections above the allocation of 2% shall be invoiced at the rate of an additional $1.00 per Household per month.

4.11 Long Lane Service

TFC Recycling agrees to provide long lane service to Households that request and are approved for the service by Authority-Designated Personnel. Requests for long lane service shall be directed to Authority-Designated Personnel who will direct TFC Recycling to provide such service. TFC Recycling shall provide the Authority a list of the long lane collections by address and jurisdiction and this list shall be kept current on a monthly basis.

Long lane service will be provided only after the Household executes an indemnification agreement approved for the jurisdiction by TFC Recycling and the appropriate Authority-Designated Personnel.

Failure of the Household to execute the indemnification agreement relieves TFC Recycling of the requirement to provide the service.

4.12 Large Quantities of Corrugated Cardboard

TFC Recycling shall provide for the collection of large quantities of corrugated cardboard generated from special circumstances from Households receiving the Curbside Recycling Service (for example, from recent occupants of households, or other situations in which large quantities of cardboard are generated). All corrugated cardboard will be flattened by the generator except for boxes that are filled with flattened corrugated cardboard or packing paper.

4.13 Infill Within Service Area

During the term of this Agreement, TFC Recycling agrees to provide Curbside Recycling Services to newly-constructed and occupied Households located in the Service Area after notification by the Authority. Upon receipt of notification TFC Recycling shall provide the Cart and program promotional material to initiate collection service delivery to the Households. TFC Recycling may adjust the monthly billing to reflect the additional number of Households included in the program resulting from infill development within the Service Area.

4.14 Holidays

TFC Recycling may observe the following holidays:

New Years Day
Memorial Day
Independence Day
Labor Day
Thanksgiving Day
Christmas Day

TFC Recycling may choose to observe any or all of these holidays by suspending service; however, TFC Recycling shall still provide once-a-week collection service during the same week. Make-up service for the holiday shall be on the following day and service for all subsequent days shall be provided on the following day ending with all routes normally collected on Friday collected on Saturday.

4.15 Cancellation of Service

TFC Recycling may temporarily cancel service, at its sole discretion, to any or all portions of the Service Area due to inclement weather or other unforeseen circumstances. If service is cancelled, TFC Recycling will notify the Authority immediately so that notification can be made regarding cancellation of service and make-up of the service, if it is to be provided.

If the service is not made up, TFC Recycling will not receive compensation for the day.

In the event that TFC Recycling has provided service to more than 75% of the Households in the service area and service is cancelled due to inclement weather or other unforeseen circumstances, TFC Recycling will receive full compensation for the day.

4.16 Route Sheets

TFC Recycling will develop and maintain complete and accurate route sheets throughout the term of the Agreement. All route sheets will list all Households, with addresses, in the order that collection services are normally provided. Route sheets will include special collection instructions such as front porch collections.

The Authority agrees to provide to TFC Recycling electronic lists of the Households in each jurisdiction as they are available.

TFC Recycling agrees to provide all route sheets to the Authority upon request for the purpose of verifying Household counts or for other purposes.

4.17 Verification of Household Count

TFC Recycling and the Authority will agree on the Household count as of July 1, 2019, in each jurisdiction based on the route sheets developed by TFC Recycling.

If at any time during the term of the Agreement, the Authority or TFC Recycling demonstrates that the Household count is inaccurate, appropriate adjustments will be made and future invoices will reflect the adjustments. Retroactive billing adjustments will not be made.

4.18 Additional Recyclable Materials

The items identified as Recyclable Materials reflect the materials to be collected for processing and marketing upon start-up of the Curbside Recycling Service by TFC Recycling. TFC Recycling agrees to actively pursue markets so that additional materials can be included as Recyclable Materials. When TFC Recycling and the Authority agree a viable market exists to beneficially reuse additional items TFC Recycling agrees to collect such materials and the Authority agrees to actively promote the inclusion of those items as Recyclable Materials.

Section 5 Performance Standards

TFC Recycling agrees that all collection activities will meet all of the following performance standards at a minimum:

- Maximum number of reported misses per month

- James City 31
- Poquoson 10
- Williamsburg 6
- York 28

- No more than two reported incidents per month of missed streets or sections of streets
- 95% of all reported missed collections resolved in accordance with the time frame in Section 4.7
- No more than a total of four reported front porch misses per month
- Rejection notice issued on every occasion that any material is left uncollected
- No more than one reported repeat miss at same address in two month period
- Provide Hot List for following day and end of every day

The Authority and TFC Recycling agree that while TFC Recycling may occasionally exceed the maximum number of reported misses and TFC Recycling agrees to consistently meet this performance standard over any six month period.

Section 6 Program Reports

Reports shall be prepared by TFC Recycling to provide data upon which to evaluate the Curbside Recycling Service, as well as to assist the Authority in measuring progress toward achievement of the State-mandated recycling levels. Collection of data for these reports is necessary for the optimum development of the program. Data provided shall be factual and accurate to the best ability of TFC Recycling. The following are the minimum required reports, with additional reports to be prepared at the option of the TFC Recycling:

24 Hour Reports:

The Authority shall be notified in writing by TFC Recycling within 24 hours of the occurrence of a significant event such as but not limited to missed collection of more than five percent (5%) of any neighborhood area, any occurrence of private property damage with an estimated cost of $200 or more, or any personal injury to a member of the general public (not including collection crews) resulting from the activities of TFC Recycling while providing Curbside Recycling Services.

Daily Reports:

TFC Recycling will receive service requests from participating communities and/or the Authority on a daily basis. TFC Recycling shall respond to these requests immediately and provide a written response to the community through the web-based service request system.

Monthly Reports:

Household Count: The monthly report shall include a summary of Household count by route and jurisdiction including:

- Household count at beginning of period
- Households (with addresses) added during the period
- Households (with addresses) subtracted during the period
- Total Households at end of period

Cart Count: The monthly report shall include a summary of the Cart count by jurisdiction including:

- Carts issued for damage or loss during period and to date
- Carts issued for request for second cart during the period and to date

- Carts replaced as a result of defect or damage by TFC Recycling during the period and to date; and
- Total Carts issued at end of period

Weights of Materials Collected: Weights of material collected by routes and community. Weighing of recyclables collected by route shall be performed daily.
Marketing Report: To verify existence and reliability of markets, each month TFC Recycling shall report sales of secondary materials by type, quantity, and range of sales prices.
Participation Report: TFC Recycling shall track and report monthly setout rates for each route in each community along with weights collected per route. The information will be used to generate a performance report for the participating jurisdictions.
Service Requests/Rejection/Delivery Logs: TFC Recycling shall develop logs listing all service requests received during the month.

Section 7 Property Damage

TFC Recycling shall provide verbal notification within four working hours and written notification within 24 hours to the Authority of any property damage resulting from the activities of TFC Recycling while providing Curbside Recycling Services. TFC Recycling shall also contact any and all affected Households on the same day that the damage occurs. The damage shall be corrected by TFC Recycling within five (5) business days. If damage cannot be repaired within five days, TFC Recycling will provide a written explanation to the Authority and a schedule for completion of the repair work. TFC Recycling will submit, in writing, a summary of the incident within one week of the incident (including cause, resolution, and remedy to prevent repeat damage).

Section 8 Expansion of Program

At such time as the Authority desires to expand the Curbside Recycling Service into other areas within the Service Area as defined herein, the Authority will provide to TFC Recycling a written notice for such expansion. The notice shall include a description of the expansion area, the number of Households to be added to the program, and the required date for initiation of services. The Authority will provide such notice at least 60 days prior to the required initiation date. TFC Recycling will deliver Carts to all Households in the expansion area one week before the initiation of services in the expansion area, on the collection day for the expansion area.

In the event that an expansion results in unbalanced routes, TFC Recycling shall notify the Authority and changes may be made to the routes, as necessary for TFC Recycling to most efficiently use its collection equipment, with written approval of the Authority, which will not be unreasonably withheld.

Section 9 Processing Facility

TFC Recycling shall maintain and deliver all Recyclable Materials collected to a Processing Facility. TFC Recycling shall be responsible for ensuring the neat and orderly operation and appearance of the Processing Facility, to include the property upon which the Processing Facility is located.

TFC Recycling shall notify the Authority, in writing, not less than thirty (30) days before any relocation of the Processing Facility.

TFC Recycling shall maintain all Processing Facilities in good repair at all times. TFC Recycling shall notify the Authority, in writing, if at any time the Processing Facility is in a condition in which processing capabilities or normal operations are expected to be interrupted for more than one week.

TFC Recycling shall be responsible for managing all Residue resulting from processing of the Recyclable Materials. TFC Recycling shall bear all costs and full responsibility for the transport and disposal of Residue to a permitted solid waste disposal facility.

Section 10 Marketing of Materials

TFC Recycling agrees that all Recyclable Materials, with the exception of Residue, that are collected pursuant to this Agreement will be recycled. TFC Recycling shall have complete responsibility for the sale of such Recyclable Materials. Any Recyclable Materials disposed of in any manner other than as secondary materials shall require prior approval of the Authority. The Authority shall not unreasonably withhold such approval when TFC Recycling demonstrates that viable markets for a material do not exist.

TFC Recycling shall be entitled to the revenue from the sale of Recyclable Materials collected, processed, and marketed. The parties further agree that in exchange for realizing the benefit of upturns in the Recyclable Materials commodity markets, Contractor shall bear the risk of downturns in the market which reduce the value of the Recyclable Materials collected. Except as otherwise noted herein, TFC Recycling shall not be entitled to any adjustment in compensation through fees agreed to resulting from any decline in Recyclable Material component markets either prior to or during the term of this Agreement.

Section 11 Labor and Other Costs

TFC Recycling shall, at its sole cost and expense, except as otherwise provided herein, furnish all labor, materials, and equipment required to perform Curbside Recycling Services pursuant to this Agreement.

TFC Recycling shall be responsible to perform the services described in this Agreement and services that are customarily and reasonably considered to be a part of Curbside Recycling Services.

Section 12 Compensation for Services

TFC Recycling shall submit invoices monthly by the 10th day of the month for service rendered by TFC Recycling under this Agreement for the previous month.

The Authority agrees to make monthly payments to TFC Recycling within thirty (30) days of receipt of a complete billing invoice.

If the Authority fails to make payment of any undisputed portion of an invoice within sixty (60) days, TFC Recycling may suspend Curbside Recycling Services.

Payment for Curbside Recycling Services shall be based on the total number of Carts in each jurisdiction, total quantity of Recyclable Materials collected and the unit prices in effect at the time of service.

The unit price as of July 1, 2019 shall be as follows:

- Collection fee of $3.75 per cart per month
- Processing fee of $95 per ton of Recyclable Materials collected

  TFC Recycling will receive payment for the following additional services:
- Front Load Service – One eight cubic yard container collected once per week - $57.73 per month
- Front Load Service – One eight cubic yard container collected twice per week - $115.45 per month
- Collection from designated long lanes (not including front porch collection) - $13.46 per month

TFC Recycling's billing invoice will not be considered by the Authority to be complete and payable if it fails to provide the required reports specified in Section 6 of this Agreement. Failure by TFC Recycling to include specified reports and appropriate documentation shall be deemed by the Authority as cause to withhold payment for the previous month of Recycling Collection Service provided by TFC Recycling until such time as the required reports and documentation are received by the Authority.

In the event that the actual household count for any jurisdiction falls below 40% of the household count set forth in Section 3, TFC Recycling shall be entitled to renegotiate the terms of this Agreement. In the event TFC Recycling and the Authority are unable to reach agreement on new terms, this Agreement shall terminate.

Section 13 Annual Adjustment

TFC Recycling may petition the Authority for an annual adjustment to the unit price for curbside collection services, effective July 1, to reflect the general increase in the cost of operations, that shall not exceed 3%, based on the percentage increase of the “Garbage and Trash Collection” category, series CUUR0000SEHG02, of the Consumer Price Index of the United States Bureau of Labor Statistics for the latest twelve months for which statistics are available.

Any annual adjustment shall apply to only to collection costs including front load service and long lane service. Any annual adjustment shall not apply to the processing fee.

Section 14 Changes to Recycling Markets

If recycling market rates experience substantial improvements compared to rates at the time of execution of this Agreement, the Authority may petition TFC Recycling to adjust the processing fee as set forth in Section 12. TFC agrees to consider such petition in good faith, but is not obligated to make any adjustments.

If recycling market rates experience substantial decline compared to rates at the time of execution of this Agreement, TFC Recycling Authority may petition the Authority TFC to adjust the processing fee as set forth in Section 12. The Authority agrees to consider such petition in good faith, but is not obligated to make any adjustments.

Section 15 Administrative Assessments

The Authority or Authority-Designated Personnel will notify TFC Recycling of each service request reported to the Authority or the member jurisdiction. It shall be the responsibility of TFC Recycling to take whatever steps are necessary to address the service request. Failure to address the service request in accordance with the Agreement may result in an administrative charge against TFC Recycling. In assessing administrative charges, consideration will be given to inclement weather conditions. It is hereby agreed that the Authority may deduct from any monies due or which may become due TFC Recycling, as administrative charges in the following amounts:

Failure to address all service requests for missed collections by the end of the current work day when TFC Recycling has been notified by the Authority by noon OR by noon of the following work day when TFC Recycling has been notified by the Authority after noon.	$10 per Household for service requests not addressed as required. $25 per Household for each subsequent day.
Failure to leave rejection tag when some or all of the material in the Cart was left uncollected.	$25 per incident
Any reported consecutive repeat miss.	$25 per incident
Failure to clean up spillage caused by TFC Recycling after notification.	$100 per incident
Failure to assign and make available, in a timely manner, a qualified field supervisor as required by this Agreement.	$100 per work day
Failure to provide notification to the Authority of non-compliance with the hours of operation specified by this Agreement.	$100 per incident per day.
Changing routes or route order, as defined below, without proper notification to the Authority.	$100 per incident.
Failure to deliver Recyclable Materials to an appropriate Processing Facility.	$1,000 per incident.

For the purposes of this Section, "Changing routes or route order without proper notification to the Authority" shall mean changing the day of collection and shall not mean changing the route path in which a route is collected or the number of drivers that start or finish a route.

The Authority shall notify TFC Recycling of its intention to assess any Administrative Assessments within 30 days of the month in which an assessment is due. Retroactive Administrative Assessments shall not be allowed.

TFC Recycling shall receive a monthly incentive payment of $1,000 when all of the following contract criteria have been satisfied in the previous month:

- No administrative assessments,
- No unresolved service requests,
- No collections occurring prior to 7:00 a.m. or after 6:00 p.m., unless circumstances beyond TFC Recycling’s control forced such collections (e.g. road closures, inclement weather),
- One hundred percent compliance with Performance Standards,
- One hundred percent on-time delivery of Carts,
- No front porch service list misses,
- No repeat misses,
- No reports of litter or automotive fluid spills from vehicles,
- No reports of property damage,
- Invoicing and reports complete and on time,
- No instances of drivers out of uniform,
- No instances of equipment not conforming to standards for appearance.

If awarded, TFC Recycling agrees to distribute 100% of the incentive payment of $1,000 drivers, field supervisors, and local office personnel responsible for providing service to the Authority.

Section 16 Non-Appropriation

The Curbside Recycling Services governed by this Agreement are funded solely through funds appropriated to the Authority by the participating local jurisdictions. Failure of any jurisdiction to appropriate or pay to the Authority the funds necessary to cover the cost of that jurisdiction's portion of the Service Area shall terminate TFC Recycling's obligation to provide service under this Agreement in that jurisdiction and if such failure to appropriate or to pay results in fewer participating households at any time after the dates indicated thereon, TFC Recycling shall be entitled to renegotiate the terms of this Agreement. In the event TFC Recycling and the Authority are unable to reach agreement on new terms, this Agreement shall terminate. Furthermore, should the Authority fail to appropriate funds for this Agreement, this Agreement shall be terminated when existing funding is exhausted. Failure by one or more jurisdictions to appropriate or pay funds to the Authority shall not be a breach or default under this Agreement and TFC Recycling's sole remedy shall be the right to terminate the Agreement.

In the event of non-appropriation by one of the participating local jurisdictions, the Authority shall not contract for similar services for that jurisdiction with another vendor from the date of non-appropriation until June 30, 2024.

Section 17 Protection of Recyclable Materials

TFC Recycling shall take title to the Recyclable Materials and contents of the Cart upon placement in a collection vehicle operated by TFC Recycling. The Authority agrees to take such steps as may be reasonably necessary to protect TFC Recycling's claim to the Recyclable Materials set out for collection and shall encourage local governments to enforce any anti-scavenging or other ordinance as may be deemed necessary and which may be developed and adopted for the purpose of this section subject to legal authority.

Section 18 Permits and Licenses

TFC Recycling, at its sole cost and expense, shall maintain throughout the term of this Agreement all permits, licenses and approvals necessary or required for TFC Recycling to perform the work and services described herein, including but not limited to the operation of the Processing Facility.

Section 19 Compliance with Laws & Regulations

TFC Recycling agrees that, in its operation of Recycling Collection Services and the Processing Facility and the performance of other work and services required of it under this Agreement, TFC Recycling will qualify under and comply with any and all federal, state and local laws, regulations, and permits now in effect, or hereafter enacted during the term of this Agreement, which are applicable to TFC Recycling, its employees, agents, or subcontractors, if any, with respect to the work and services described herein. In the event changes in laws or regulations increase TFC Recycling’s cost of providing the services, including but not limited to a redeemable deposit on any recyclable material or waste, TFC Recycling shall be entitled to renegotiate its rates with the Authority. If TFC Recycling and the Authority are unable to successfully renegotiate the rates, this Agreement shall terminate.

Section 20 Law to Govern

This Agreement is entered into and is to be performed in the Commonwealth of Virginia. The Authority and TFC Recycling agree that the laws of the Commonwealth of Virginia shall govern the rights, obligations, duties, and liabilities of the parties to this Agreement and shall govern the interpretations of this Agreement.

Section 21 Independent Contractor

TFC Recycling shall perform all work and services described herein as an independent contractor and not as an officer, agent, servant, or employee of the Authority. Except as otherwise provided under this Agreement, TFC Recycling shall have exclusive control of and the exclusive right to control the details of the services and work performed hereunder and all persons performing the same and nothing herein shall be construed as creating a partnership or joint venture between the Authority and TFC Recycling. No person performing any of the work or services described hereunder shall be considered an officer, agent, servant, or employee of the Authority, and no such person shall be entitled to any benefits available or granted to employees of the Authority or its member jurisdictions.

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Section 22 Subcontractors

TFC Recycling agrees that any subcontractor shall meet all Authority requirements imposed on TFC Recycling. The Authority agrees that approval of the use of a subcontractor will not be unreasonably withheld.

Section 23 Non-Assignment

Neither TFC Recycling nor the Authority shall assign, transfer, convey, or otherwise hypothecate this Agreement or their rights, duties, or obligations hereunder or any part thereof without the prior written consent of the other, which shall not be unreasonably withheld.

Section 24 Insurance

TFC Recycling shall obtain and maintain throughout the term of this Agreement, at TFC Recycling 's sole cost and expense, not less than the insurance coverage set forth below:

Workers Compensation & Employer's Liability

Coverage A - Statutory Requirements
Coverage B - $100,000/$100,000/$500,000
Coverage C - $100,000/$100,000 Accident and/or Disease
All States Endorsement

Commercial Automobile Liability, Including Owned, Non-Owned, & Hired Car Coverage

Limits of Liability = $1,000,000 each occurrence

Commercial General Liability

Limits of Liability = $1,000,000 each occurrence

Including: A. Completed operations/products
B. Contractual liability for specified Agreements

Excess Liability over Employer's Liability, Commercial Automobile Liability and Commercial General Liability

Bodily Injury
OR - $10,000,000 each occurrence
Property Damage

TFC Recycling shall deliver to the Authority, prior to the execution date of this Agreement, Certificates of Insurance from carriers licensed in the Commonwealth of Virginia acceptable to the Authority for the limits specified above. The Commercial General Liability policy shall name the Authority and the member jurisdictions of the Authority as additional insureds on a primary basis, not contributing with and not excess of coverage, which the

Authority or member jurisdictions may carry. In addition, the insurer shall agree to give the Authority thirty (30) days written notice of its decision to cancel, change, or fail to renew coverage.

Section 25 Performance Bond

TFC Recycling shall furnish to the Authority a performance bond on June 1, 2019, for the faithful performance of this Agreement and all obligations arising hereunder for the period of July 1, 2019, to June 30, 2020, in the amount of $1,000,000. The bond shall be executed by a surety company licensed to do business in the Commonwealth of Virginia in a form acceptable to the Authority. A certificate from the surety company showing that the bond premiums are paid in full shall accompany the bond. The bond shall be extended annually thereafter thirty (30) days in advance of the anniversary date in the same amount.

Section 26 Indemnification

It is understood and agreed that TFC Recycling hereby assumes the entire responsibility and liability for any and all damages to persons or property caused by or resulting from or arising out of any act or omission on the part of TFC Recycling, its subcontractors, agents or employees, whether directly or indirectly employed, or anyone for whose acts TFC Recycling or any of its subcontractors may be liable under or in connection with this Agreement or the performance or failure to perform any work required by this Agreement. TFC Recycling shall save harmless and indemnify the Authority, its member jurisdictions and its agents, servants, employees, and officers from and against any and all claims, losses or expenses of any kind whatsoever, including but not limited to attorney’s fees, which any of them may suffer, pay, or incur as the result of claims or suits due to, arising out of or in connection with any and all such damage, real or alleged, including damage attributable to bodily injury, sickness, disease, or death, or to injury to or destruction of tangible property, including the loss of use therefrom, unless such claim, suit, or damage results solely from the negligence, misconduct, violation of law or breach of this Agreement by the Authority, its member jurisdictions, its agents, servants, employees, or officers. TFC Recycling shall upon written demand by the Authority assume and defend at TFC Recycling’s sole expense any and all such suits or defense of claims for which TFC Recycling is liable to indemnify the Authority or its member jurisdictions.

Section 27 Default

In the event TFC Recycling defaults in the performance of any of the material covenants or agreements to be kept, done, or performed by it under the terms of this Agreement, the Authority shall notify TFC Recycling in writing of the nature of such default. Within fifteen (15) days following such notice:

TFC Recycling shall correct the default; or in the event of a default not capable of being corrected within fifteen (15) days, TFC Recycling shall commence correcting the default within fifteen (15) days of the Authority's notification. The Authority will grant an extension providing that, in the Authority's reasonable judgment, TFC Recycling is diligently pursuing a correction.

If TFC Recycling fails to correct the default as provided above, the Authority, without further notice, shall have all of the following rights which the Authority may exercise singly or in combination, in addition to any other right or remedy allowed by law:

The right to declare that this Agreement together with all rights granted TFC Recycling hereunder are terminated, effective upon such date as the Authority shall designate; and

The right to contract with others to perform the services otherwise to be performed by TFC Recycling or to perform such services itself; and

The right to pursue all legal and equitable remedies against TFC Recycling or on its bond or letter of credit posted under Section 21 hereof to recover the costs, expenses, and losses caused by such default.

Section 28 Notices

All notices required or contemplated by this Agreement shall be personally served or mailed by U.S. Mail, postage prepaid - return receipt requested, addressed to the parties as follows:

To the Authority:	Virginia Peninsulas Public Service Authority Executive Director 475 McLaws Circle, Suite 3B Williamsburg, Virginia 23185
With a copy to:	Vernon M. Geddy, III Geddy, Harris, Franck & Hickman P.O. Box 379 Williamsburg VA 23187
To TFC Recycling :	TFC Recycling Michael P. Benedetto President / Owner 1958 Diamond Hill Road Chesapeake, Virginia 23323

Section 29 TFC Recycling Records

TFC Recycling shall maintain its books and records related to the performance of this Agreement in accordance with the following minimum requirements.

TFC Recycling shall maintain any and all ledgers, books of account, invoices, vouchers, and cancelled checks, as well as all other records or documents evidencing or relating to charges for services, expenditures, or disbursements borne by the Authority for a minimum period of five (5) years, or for any longer period required by law, from the date of final payment to TFC Recycling pursuant to this Agreement.

TFC Recycling shall maintain all documents and records which demonstrate performance under this Agreement for a minimum period of five (5) years, or for any longer period required by law, from the date of termination or completion of this Agreement.

Any records or documents required to be maintained pursuant to this Agreement shall be made available for inspection or audit, at any time, during regular business hours, upon written request by the Authority Designated Personnel. The records shall be available to the Authority Designated Personnel at TFC Recycling's address indicated for receipt of notices in this Agreement or at such other location as designated in writing by TFC Recycling.

Section 30 Inspections

TFC Recycling agrees to permit Authority-Designated Personnel to inspect its routes, processing, and hauling facilities, Recyclable Materials, equipment, complaint logs, or procedures to the extent such facilities, equipment, etc. apply to the performance of this Agreement.

Section 31 Waiver

A waiver of any breach of any provision of this Agreement shall not constitute or operate as a waiver of any other breach of such provision or of any other provisions, nor shall any failure to enforce any provision hereof operate as a waiver of such provision or of any other provision.

Section 32 Force Majeure

Force Majeure shall mean any cause beyond the reasonable control of the party whose performance under this Agreement is affected, including but not limited to acts of God, war, riot, fire, explosion, wind storm, snow, flood, strikes, labor disputes, or action by governments not party to this Agreement.

It is mutually understood and agreed by the parties that TFC Recycling shall be relieved of its obligation under this Agreement during any period or periods of time when Force Majeure, render impossible its performance under this Agreement. Upon the occurrence of an event of Force Majeure, TFC Recycling shall promptly give the Authority notice of its best, good faith estimate of the period of time it expects Force Majeure to render impossible its performance hereunder.

Should TFC Recycling be unable to render performance under this Agreement by reason of Force Majeure, the Authority shall have the right to secure another vendor to perform any or all portions of the service provided by TFC Recycling under this Agreement for the period of expected Force Majeure set forth in the notice from TFC Recycling described herein. The Authority and the participating local jurisdictions supporting the Authority in this Agreement shall have the right to negotiate for alternative service to be provided by any other vendor during Force Majeure. In the event the period of Force Majeure should end prior to the expiration of this alternative service Agreement, the Authority, in its sole discretion, shall have the right to continue service during the notice period with any alternate vendor procured during the notice period or instruct TFC Recycling to resume services notwithstanding anything herein to the contrary. The Authority shall resume service with TFC Recycling according to the terms of this Agreement after expiration of the notice period.

At any time that Force Majeure is in effect, it is understood by the parties to this Agreement that the Authority shall not be obligated to pay service fees to TFC Recycling for any or all service interrupted by reason of Force Majeure other than for work already completed.

Section 33 Employment Discrimination by TFC Recycling Prohibited

During the performance of this Agreement, TFC Recycling agrees as follows:

TFC Recycling shall not discriminate against any employee or applicant for employment because of race, religion, color, sex, national origin, age, disability or other basis prohibited by state law relating to employment, except where there is a bona fide occupational qualification reasonably necessary to the normal operation of TFC Recycling. TFC Recycling agrees to post in conspicuous places, available to employees and applicants for employment, notices setting forth the provisions of this non-discrimination clause.

TFC Recycling, in all solicitations or advertisements for employees placed by or on behalf of TFC Recycling, will state that TFC Recycling is an equal opportunity employer.

Notices, advertisements, and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting the requirements of this section.

TFC Recycling will include the provisions of the foregoing paragraphs of this section in every subcontract or purchase order of over $10,000 so that the provisions will be binding upon each subcontractor or vendor.

Section 34 Drug Free Workplace

During the performance of this Agreement, TFC Recycling agrees to (i) provide a drug-free workplace for TFC Recycling’s employees; (ii) post in conspicuous places, available to employees and applicants for employment, a statement notifying employees that the unlawful manufacture, sale, distribution, dispensation, possession, or use of a controlled substance or marijuana is prohibited in TFC Recycling’s workplace and specifying the actions that will be taken against employees for violations of such prohibition; (iii) state in all solicitations or advertisements for employees placed by or on behalf of TFC Recycling that TFC Recycling maintains a drug-free workplace; and (iv) include the provisions of the foregoing clauses in every subcontract or purchase order of over $10,000 so that the provisions will be binding upon each subcontractor or vendor.

For the purpose of this section, “drug-free workplace” means a site for the performance of work done in connection with this contract awarded to TFC Recycling in accordance with this section, the employees of whom are prohibited from engaging in unlawful manufacture, sale, distribution, dispensation possession or use of any controlled substance or marijuana during the performance of the Agreement.

Section 35 Immigration

TFC Recycling does not, and shall not during the performance of the Agreement for goods and services in the Commonwealth, knowingly employ an unauthorized alien as defined in the federal Immigration Reform and Control Act of 1986.

Section 36 Titles of Sections

Section headings inserted herein are for convenience only, and are not intended to be used as aids to interpretation and are not binding on the parties.

Section 37 Amendment

This Agreement may be modified or amended only by a written agreement duly executed by the parties hereto or their representatives.

Section 38 Severability

The invalidity of one or more of the phrases, sentences, clauses, or sections contained in this Agreement shall not affect the validity of the remaining portion of the Agreement so long as the material purposes of this Agreement can be determined and effectuated.

Section 39 Successors and Assigns

This Agreement shall be binding upon the parties hereto, their successors, and assigns.

Section 40 Entirety

This Agreement and any Exhibits attached hereto contain the entire Agreement between the parties as to the matters contained herein. Any oral representations or modifications concerning this Agreement shall be of no force and effect.

The signatories to this Agreement have been lawfully authorized by their principals to execute this Agreement.

VIRGINIA PENINSULAS
PUBLIC SERVICE AUTHORITY

By:____________________________

Stephen B. Geissler
Executive Director

TIDEWATER FIBRE CORP

By:____________________________

Michael P. Benedetto
President / Owner

AGENDA ITEM NO. F.1.

ITEM SUMMARY

DATE:	1/22/2019
TO:	The Board of Supervisors
FROM:	Teresa J. Fellows, Deputy Clerk
SUBJECT:	Adjourn until 10 a.m. on January 31, 2019 for VACo Government Day at the State Capitol

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REVIEWERS:

Department	Reviewer	Action	Date
Board Secretary	Fellows, Teresa	Approved	1/10/2019 - 8:38 AM