



VISION

WE ARE A HISTORIC PLACE



WE VALUE HEALTHY MINDS
AND HEALTHY BODIES



WE HAVE
A SPECIAL
CHARACTER



**THE
COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

WE ARE A
COMMUNITY
OF CHOICE

**FOR THE
FISCAL YEAR ENDED
JUNE 30, 2014**



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



WE HAVE FIRST-CLASS
GOVERNMENT

jamescitycountyva.gov

COUNTY OF JAMES CITY, VIRGINIA

Comprehensive Annual Financial Report

June 30, 2014

(With Independent Auditors' Report Thereon)

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

COUNTY OF JAMES CITY, VIRGINIA

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COUNTY OF JAMES CITY, VIRGINIA

Comprehensive Annual Financial Report

County Officials

Year ended June 30, 2014

Board of Supervisors

Mary K. Jones, Berkeley District	Chair
Michael J. Hipple, Sr., Powhatan District	Vice Chair
James G. Kennedy, Stonehouse District	
John J. McGlennon, Roberts District	
Kevin D. Onizuk, Jamestown District	
M. Douglas Powell	Clerk

Officials

Michael E. McGinty	Judge of the Circuit Court
Thomas B. Hoover	Judge of the Circuit Court
Betsy B. Woolridge	Clerk of the Circuit Court
Nathan R. Green	Commonwealth's Attorney
Richard W. Bradshaw	Commissioner of the Revenue
M. Ann Davis	Treasurer
Colleen K. Killilea	Judge of the General District Court
George C. Fairbanks, IV	Judge of the Juvenile and Domestic Relations Court
Robert J. Deeds	Sheriff
Bradley J. Rinehimer	Chief of Police
Dr. Steven M. Constantino	Superintendent of Schools
Bryan J. Hill	County Administrator
Leo P. Rogers	County Attorney

COUNTY OF JAMES CITY, VIRGINIA

Comprehensive Annual Financial Report

County Officials

Year ended June 30, 2014

Board of Directors, James City Service Authority

James G. Kennedy Chair

Kevin D. Onizuk Vice Chair

Michael J. Hipple, Sr.

Mary K. Jones

John J. McGlennon

M. Douglas Powell General Manager

Stephanie A. Luton Treasurer

School Board, Williamsburg-James City County Public Schools

Ruth Larson Chair

James Kelly Vice Chair

Heather Cordasco

Elise Emanuel

Joe Fuentes

James Nickols

Dr. Oscar Prater

Board Members, Economic Development Authority

Marshall Warner Chair

Robin Carson Vice Chair

Leanne DuBois

Paul Gerhardt

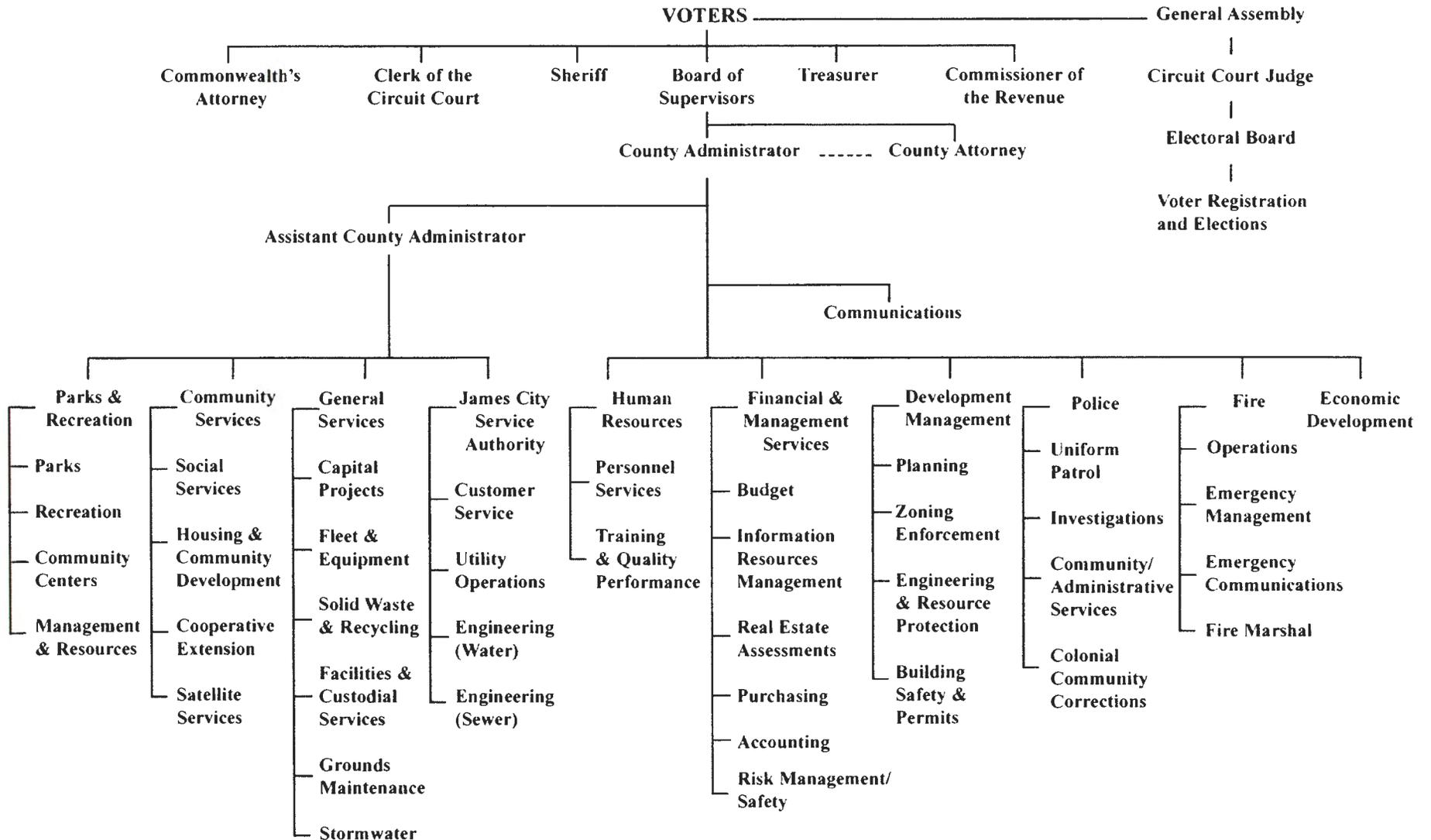
Tim Harris

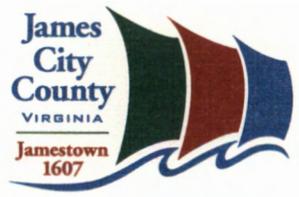
Stephen Montgomery

Thomas Tingle

James City County Organization Chart

Effective 10/16/12





November 18, 2014

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, 2014, as required by the Code of Virginia. The Department of Financial and Management Services has prepared this report in accordance with accounting principles generally accepted in the United States of America (GAAP) and the standards of financial reporting prescribed by the Governmental Accounting Standards Board and specifications of the Auditor of Public Accounts of the Commonwealth of Virginia. Section 15.1-67 of the Code of Virginia (1950, as amended) requires the County to have an annual audit of the books of account, financial records, and the transactions of the County. Dixon Hughes Goodman LLP was selected to perform the required audit. The unmodified report of Dixon Hughes Goodman LLP, the highest possible result of the audit process, accompanies the financial statements in this report.

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

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

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

Profile of the Government

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

The County is organized under the County Administrator form of government (as defined under Virginia Law). Under this form of government, the Board of Supervisors appoints a County Administrator to serve as the Chief Executive Officer of the County. The Administrator serves at the pleasure of the Board of Supervisors, implements its policies, appoints 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(a) in the notes to the basic financial statements.

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

Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. The Appropriations Resolution places legal restrictions on expenditures at the fund and function level. The appropriation for each fund and function can be revised only by the Board of Supervisors; however, the County Administrator may amend the budget within functions. Budget to actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 81-86 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 90.

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 2.2% from last year. Real estate revenue increased as a result of new development. Revenues are expected to increase 2.2% during fiscal year 2015. The real estate tax revenue is expected to increase next fiscal year, which is attributed to a combination of new development, increases in the commercial reassessment and increases in collections offset by reductions in residential real estate. The real estate tax rate remains unchanged.

In May 2014, Standard & Poor's Rating 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

The County adopts a Comprehensive Plan, which is a document that guides infrastructure, development, policies and public services over the next ten to twenty years. In February 2014, the Board of Supervisors approved the methodology and timeline for the update of the Comprehensive Plan, "Toward 2035: Leading the Way". The focus of this update is to be limited in scope, with a focus on land use, transportation and economic development. As part of this process, a citizen phone survey was completed and organizations were invited to participate in a Community Participation Team (CPT) Forum. The 2035 Comprehensive Plan is expected to be completed by the Summer of 2015.

During fiscal year 2014, two park improvement projects were completed. First, renovations at Mid County Park were completed in August 2013, which addressed several critical issues including aging playground equipment, safety and parking. Second, a major segment of the County's greenway system was completed in May 2014 at Freedom Park. An existing multipurpose trail, approximately one mile long, was paved providing better patron accessibility.

In August 2013, the County began offering a new media streaming format that is optimized for viewing on mobile devices, as well as desktop computers. This allows citizens the opportunity to access live and previous board meetings on demand, which is only offered by a handful of localities worldwide.

Economic Development

The Economic Development office partnered with Thomas Nelson Community College and County entrepreneurs to develop the Triangle Entrepreneur Exchange, which is a seminar series for small business owners and those considering opening their own business. Six seminars were offered during the current fiscal year. The Enterprise Zone was amended to add new commercial and industrial areas, including retail centers.

Capital Improvement Program

Capital expenditures totaled \$18,438,608 (including transfers) in fiscal year 2014. The largest capital expenditures this year were related to the purchase of conservation easements and land, and renovation of a fire station and construction costs associated with the replacement of one fire station. There were transfers to the schools for costs associated with renovations at James River Elementary School, Toano Middle School and Lafayette High School.

James City County will continue to face challenges over the next several years. Several years of population growth have produced demands for public services and facilities. The five-year Capital Improvement Program totals \$57,820,000 and focuses on a wide variety of needs. An indication of anticipated impacts can be seen in the adopted budget and capital improvements program for the fiscal year beginning July 1, 2014.

In fiscal year 2015, funding is included for the courthouse roof replacement, fire apparatus replacement, school classroom expansion and stormwater projects focusing on the maintenance and improvement of publicly-owned facilities. Future planning includes school classroom expansion, fire pumper replacements, squad truck replacement, human services building rehabilitation, and drainage improvement projects.

James City Service Authority

The financial statements of the JCSA are included in this report in accordance with GAAP. The JCSA, for legal and management purposes, issues its own 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, two major planned communities, Greensprings West and Governor's Land. The JCSA also provides water and/or sewer service to limited sections of York County and the City of Williamsburg with the concurrence of the appropriate governing bodies.

The JCSA's water system includes the central water system with 10 water production facilities, and 7 independent water production facilities that are located outside the PSA. There are approximately 400 miles of water transmission and distribution lines throughout the entire system. The water system facilities supply approximately 4.7 million gallons of water per day to 20,858 water customers.

The JCSA's sewer system includes 76 pump stations with approximately 430 miles of sewer collection lines. The sewer system facilities collect and move approximately 5.1 million gallons of sewage per day for 22,575 sewer customers. The JCSA has no sewage treatment facilities. Sewage treatment for areas served by the JCSA, as well as for other Hampton Roads communities, is provided by the Hampton Roads Sanitation District.

During fiscal year 2014, a major waterline replacement was completed in Williamsburg Landing and the majority of rehabilitation work was completed on the sewer interceptor improvement project in the Lift Station 1-5 basin (upper reaches of Powhatan Creek) along Chisel Run to Olde Towne Road near Route 60. Work began on the multi-year water meter replacement project to increase accuracy and efficiency in meter reading and leak repair using radio read meters.

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

Under this Plan, HRSD is responsible for major rehabilitation projects to repair deteriorated infrastructure and projects to increase the capacity of HRSD and locality pump stations and pipelines. Projects will be designed on a regional basis. Work will be performed where it is most needed rather than in each individual sewer basin within a locality that did not meet Consent Agreement standards. 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 on an ongoing basis (“find and fix”).

Awards of Achievement

The Government Finance Officers’ Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to James City County for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-ninth year that the County has received this prestigious award.

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

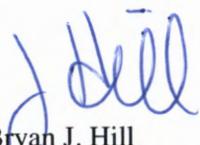
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

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

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

Respectfully submitted,



Bryan J. Hill
County Administrator



John E. McDonald
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, 2013

Executive Director/CEO

FINANCIAL SECTION



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, 2014, and the related notes to the financial statements, which collectively comprise the *County of James City, Virginia's* basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of James City, Virginia*, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund; and schedules of funding progress - VRS on pages 3 through 13; 81 through 86; and 87, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *County of James City, Virginia's* basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, on our consideration of *County of James City, Virginia's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *County of James City, Virginia's* internal control over financial reporting and compliance.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 18, 2014

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal at the front of this report and the County's financial statements, which follow this analysis.

Financial Highlights

- The County's total net position increased by approximately \$7.8 million over the course of this year's operations, which represents a 2.0% increase from fiscal year 2013.
- The assets of the County exceeded its liabilities as of June 30, 2014 by approximately \$394.4 million. Of this amount, approximately \$280.8 million, or 71.2%, is the net investment in capital assets.
- The County's total long-term liabilities for governmental activities at June 30, 2014 decreased by \$15,580,702 to \$193,990,851. The decrease was primarily principal payments on outstanding bonds.
- Actual General Fund revenues received were 0.8%, or \$1,292,576 more than what had been budgeted and increased 2.2% or \$3,661,122 from fiscal year 2013. There was an increase in real estate tax revenue due to new development. There was also an increase in the personal property tax revenue as a result of an increased collections, number, and the value of vehicles.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The two government-wide financial statements report the County's net position and how they have changed. Net position – the difference between the County's assets and liabilities – is one way to measure the County's financial health, or position.

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

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

- *Business-type activities* – Activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services are included here.
- *Component units* – The County includes two other entities in its report – The Public Schools and the Economic Development Authority. Although legally separate, these “component units” are important because of the County’s financial accountability for them.

Fund Financial Statements

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

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

Notes to the Basic Financial Statements

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

Other Information

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

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The County's assets exceeded liabilities by \$394,393,638 at the close of the most recent fiscal year. This represents a 2.0% increase from last year.

Condensed Summary of Net Position

June 30, 2014

	<u>Governmental activities</u>	<u>Business-type activity</u>	<u>Total</u>	<u>Component unit – public schools</u>
Assets:				
Current and other assets	\$ 95,946,019	35,158,731	131,104,750	20,312,607
Capital assets	<u>330,432,497</u>	<u>162,582,955</u>	<u>493,015,452</u>	<u>52,447,242</u>
Total assets	<u>\$ 426,378,516</u>	<u>197,741,686</u>	<u>624,120,202</u>	<u>72,759,849</u>
Liabilities:				
Long-term liabilities	\$ 193,990,851	25,241,422	219,232,273	5,575,896
Other liabilities	<u>9,276,060</u>	<u>1,218,231</u>	<u>10,494,291</u>	<u>15,592,080</u>
Total liabilities	<u>\$ 203,266,911</u>	<u>26,459,653</u>	<u>229,726,564</u>	<u>21,167,976</u>
Net position:				
Net investment in capital assets	\$ 142,867,725	137,922,955	280,790,680	52,273,671
Restricted net position:				
Capital projects	8,320,449	2,601,160	10,921,609	—
Other	—	—	—	581,430
Unrestricted net position	<u>71,923,431</u>	<u>30,757,918</u>	<u>102,681,349</u>	<u>(1,263,228)</u>
Total net position	<u>\$ 223,111,605</u>	<u>171,282,033</u>	<u>394,393,638</u>	<u>51,591,873</u>

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Condensed Summary of Net Position

June 30, 2013

	<u>Governmental activities, as restated</u>	<u>Business-type activity, as restated</u>	<u>Total, as restated</u>	<u>Component unit – public schools</u>
Assets:				
Current and other assets	\$ 113,377,255	34,405,838	147,783,093	18,671,435
Capital assets	<u>324,179,246</u>	<u>165,151,206</u>	<u>489,330,452</u>	<u>49,897,556</u>
Total assets	<u>\$ 437,556,501</u>	<u>199,557,044</u>	<u>637,113,545</u>	<u>68,568,991</u>
Liabilities:				
Long-term liabilities	\$ 209,571,553	25,274,755	234,846,308	4,813,106
Other liabilities	<u>13,645,254</u>	<u>1,996,205</u>	<u>15,641,459</u>	<u>14,632,092</u>
Total liabilities	<u>\$ 223,216,807</u>	<u>27,270,960</u>	<u>250,487,767</u>	<u>19,445,198</u>
Net position:				
Net investment in capital assets	\$ 128,851,392	139,966,206	268,817,598	49,897,556
Restricted net position:				
Capital projects	35,010,428	2,620,384	37,630,812	—
Unrestricted net position	<u>50,477,874</u>	<u>29,699,494</u>	<u>80,177,368</u>	<u>(773,763)</u>
Total net position	<u>\$ 214,339,694</u>	<u>172,286,084</u>	<u>386,625,778</u>	<u>49,123,793</u>

The largest portion of the County's net position at June 30, 2014 (71.2%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted portion of net position (26.0%) may be used to meet the County's ongoing obligations to citizens and creditors. The remaining portion of net position (2.8%) is restricted for specific purposes.

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

The Public Schools' net position increased 5.0% to approximately \$51.6 million. Of the balance, a deficit of \$1,263,228 for unrestricted net position exists at June 30, 2014 from the recognition of unfunded liabilities related to other post employment benefits (OPEB) and \$52.3 million is invested in capital assets. The increase in net position is primarily attributable to the capitalization of ongoing and completed capital projects.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Summary of Changes in Net Position

Year ended June 30, 2014

	<u>Governmental activities</u>	<u>Business-type activity</u>	<u>Total</u>	<u>Component unit – public schools</u>
Revenues:				
Program revenues:				
Charges for services	\$ 16,063,721	16,131,430	32,195,151	2,537,194
Operating grants and contributions	30,572,383	—	30,572,383	16,091,244
Capital grants and contributions	1,286,856	3,388,700	4,675,556	—
General revenues:				
Property taxes	111,899,484	—	111,899,484	—
Other taxes	21,435,046	—	21,435,046	—
Grants and contributions not restricted to specific programs	—	—	—	109,960,252
Interest and investment earnings	339,358	267,061	606,419	4,087
Miscellaneous	1,875,485	520,504	2,395,989	224,400
Total revenues	<u>183,472,333</u>	<u>20,307,695</u>	<u>203,780,028</u>	<u>128,817,177</u>
Expenses:				
General government administration	9,847,977	—	9,847,977	—
Judicial administration	5,768,152	—	5,768,152	—
Public safety	27,483,149	—	27,483,149	—
Public works	7,474,088	—	7,474,088	—
Health and welfare	7,061,327	—	7,061,327	—
Education	85,595,145	—	85,595,145	126,349,097
Parks, recreation and cultural	11,451,751	—	11,451,751	—
Community development	11,196,507	—	11,196,507	—
Interest on long-term debt	8,822,326	—	8,822,326	—
Service Authority	—	21,311,746	21,311,746	—
Total expenses	<u>174,700,422</u>	<u>21,311,746</u>	<u>196,012,168</u>	<u>126,349,097</u>
Change in net position	8,771,911	(1,004,051)	7,767,860	2,468,080
Net position at beginning of year	<u>214,339,694</u>	<u>172,286,084</u>	<u>386,625,778</u>	<u>49,123,793</u>
Net position at end of year	<u>\$ 223,111,605</u>	<u>171,282,033</u>	<u>394,393,638</u>	<u>51,591,873</u>

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Summary of Changes in Net Position

Year ended June 30, 2013

	Governmental activities, as restated	Business-type activity, as restated	Total, as restated	Component unit – public schools
Revenues:				
Program revenues:				
Charges for services	\$ 15,661,265	15,871,187	31,532,452	2,530,375
Operating grants and contributions	31,354,415	—	31,354,415	16,006,571
Capital grants and contributions	1,312,352	4,600,645	5,912,997	—
General revenues:				
Property taxes	110,351,991	—	110,351,991	—
Other taxes	21,208,061	—	21,208,061	—
Grants and contributions not restricted to specific programs	—	—	—	106,692,704
Interest and investment earnings	330,514	(1,249,111)	(918,597)	2,568
Miscellaneous	1,473,964	375,758	1,849,722	201,167
Total revenues	181,692,562	19,598,479	201,291,041	125,433,385
Expenses:				
General government administration	14,304,134	—	14,304,134	—
Judicial administration	5,505,727	—	5,505,727	—
Public safety	27,750,476	—	27,750,476	—
Public works	7,963,622	—	7,963,622	—
Health and welfare	6,785,380	—	6,785,380	—
Education	84,309,615	—	84,309,615	123,064,717
Parks, recreation and cultural	8,536,371	—	8,536,371	—
Community development	11,139,632	—	11,139,632	—
Interest on long-term debt	9,522,081	—	9,522,081	—
Service Authority	—	21,272,566	21,272,566	—
Total expenses	175,817,038	21,272,566	197,089,604	123,064,717
Change in net position	5,875,524	(1,674,087)	4,201,437	2,368,668
Net position at beginning of year	208,464,170	173,960,171	382,424,341	46,755,125
Net position at end of year	\$ 214,339,694	172,286,084	386,625,778	49,123,793

Governmental Activities

For the fiscal year ended June 30, 2014, revenues from governmental activities totaled \$183,472,333. Of this amount, \$50,137,803, or 27.3%, is received from sources other than local tax revenue. Real estate tax revenues, the County's largest single revenue source, totaled \$84,909,394. The County's assessed real property tax base for fiscal year 2014 was \$11,067,756,400, which was an increase of 1.3% from fiscal year 2013. Overall, the net position increased by \$7,576,436 from last year.

In fiscal year 2014, the County reported current year collections of \$18,779,187 in personal property taxes, and received reimbursement from the Commonwealth of Virginia of \$9,770,137. Under the provisions of the

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Personal Property Tax Relief Act (PPTRA), the state's share of local personal property tax was approximately 51% of most taxpayer's payments.

For the fiscal year ended June 30, 2014, expenses for governmental activities totaled \$174,700,422, including payments of \$87,097,065 to Public Schools. Expenses decreased by \$1,116,616 over fiscal year 2013. This was primarily due to a reduction in the landfill postclosure liability.

Business-Type Activity

The business-type activity had a decrease in net position of \$1,004,051 during fiscal year 2014. This decrease is primarily a result of a decrease in the water and sewer system dedications from 2013. Overall, the expenses increased from last year by 1.0%. The primary source of revenue consists of charges for water and sewer services, which totaled \$11,825,702 and decreased by 1.5% from last year. This decrease was primarily due to a decline in water demands.

Component Unit – Public Schools

The Schools received \$87,097,065 from the County during fiscal year 2014. This money supported the operating and capital activities for the Schools. Expenses increased by 2.7% from fiscal year 2013, which is primarily a result of an increase in costs for retirement benefit and utilization of health insurance. Revenues increased by 2.7% from the previous fiscal year. This is primarily due to an increase in local funding for operating and capital.

Financial Analysis of the County's Funds

The County's General Fund experienced an overall decrease in fund balance of \$2,752,389. This was mostly due to one-time transfers to the Capital Projects Fund for capital expenditures and a planned draw on capital reserves for debt funding. The portion of the unassigned fund balance for fiscal liquidity totaled \$23,099,410, which was 11.4% of the total general governmental expenditures (from table 11A on page 114), including the County's share of the Public Schools' operating expenditures, and within the goal of 8% to 12%.

General Fund Budgetary Highlights

The overall difference between the original budget and the final amended budget for revenues increased by \$37,377. There were supplemental appropriations for insurance recovery funds for damaged equipment and vehicles. Actual General Fund revenues received were 0.8%, or \$1,292,576 more than what had been projected in the amended budget and showed a 2.2% increase, or \$3,661,122 from fiscal year 2013.

The largest increase in revenues from fiscal year 2013 to fiscal year 2014 occurred in personal property tax revenues totaling \$1,880,144. Real estate tax revenues, both current and delinquent, are the County's largest revenue source and for fiscal year 2014 totaled \$84,909,394 and was \$809,394 more than the amended budget. Personal property taxes, another large source of local tax funding, had combined collections from the state and local taxpayers of \$28,549,324. State revenues, not including the personal property tax reimbursement, were \$380,560 less than budgeted. State revenues, not including the personal property tax reimbursement, increased \$271,762 in fiscal year 2014 from fiscal year 2013 levels. This increase is primarily due to receiving more in state sales tax for education, which increased \$195,513 from fiscal year 2013.

General Fund budgeted expenditures were 2.4% below the final budget, or \$3,511,013, which was primarily due to reduced departmental spending. Of this amount, \$701,534 is for encumbrances and is assigned in the fund balance.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

As a result of an increase in transfers to other funds, the fund balance decreased to \$38,133,705. This was a decrease of \$2,752,389 or 6.7% from 2013.

Other Governmental Funds

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for all funds, which can be found on pages 92-93. The other governmental funds had a decrease in fund balance of \$375,154 in fiscal year 2014 from 2013.

Proprietary Fund

The County operates one proprietary fund, James City Service Authority (JCSA or the Authority), which provides water and sewer service to County residents. The proprietary funds had a decrease of \$1,004,051 in net position during the fiscal year primarily due to a decrease in water and sewer dedications during the current year. There was also a decrease in water demands.

Capital Assets and Debt Administration

At the end of fiscal year 2014, the County's investment in capital assets for its governmental and business-type activities totaled \$493,015,452 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, water and sewer systems, infrastructure, equipment, and vehicles. The County does not own its roads and they are therefore not included in the capital assets. In addition, the Public Schools own all school buildings and the related debt is County debt. The value associated with the purchase and/or construction of the Public Schools' buildings is reported as capital assets in the governmental activities of the County to properly match with the associated debt, as allowed by Virginia state law. In fiscal year 2014, the net value of school buildings reflected in the governmental activities of the County equals \$200,535,537, and the associated current year's depreciation expense of \$5,008,700 is reflected in the educational expense line of the County's governmental activities in the statement of net position.

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Capital Assets, Net of Depreciation and Amortization

June 30, 2014 and 2013

	2014			2013 Total
	Governmental activities	Business-type activity	Total	
Land	\$ —	1,750,391	1,750,391	1,750,391
Land and land rights – utility plant	—	962,995	962,995	962,695
Land and land improvements	28,086,819	13,183	28,100,002	25,850,002
Construction in progress	12,675,404	1,748,620	14,424,024	5,997,237
Water and sewer systems	—	131,631,413	131,631,413	134,616,963
Buildings and improvements	245,497,826	3,506,509	249,004,335	255,729,578
Improvements other than buildings	17,895,537	—	17,895,537	18,520,678
Equipment and vehicles	13,132,016	1,186,133	14,318,149	13,894,699
Infrastructure	5,075,718	—	5,075,718	5,352,811
Intangible assets – easements	8,069,177	4,570	8,073,747	4,262,760
Intangible assets – water rights	—	21,779,141	21,779,141	22,392,638
Total	\$ 330,432,497	162,582,955	493,015,452	489,330,452

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

Capital Projects Fund

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

For fiscal year 2014, \$5,152,000 was transferred to the Capital Projects Fund from the General Fund. During the year, capital project expenditures of \$18,438,608 (including transfer) included the following:

- Transfers to schools for renovation of Lafayette High School
- Transfers to schools for renovation of Toano Middle School
- Transfers to schools for renovation of James River Elementary School
- Costs associated with renovation of a fire station
- Construction costs associated with replacement of a fire station
- Costs associated with purchase of new revenue billing software
- Purchase of a conservation easement and land on Greensprings Road
- Purchase of a conservation easement on Neck-O-Land Road

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Long-Term Debt

At June 30, 2014 and 2013, the County had total outstanding debt of \$212,224,772 and \$229,989,746, respectively. Compensated absences, OPEB obligation and landfill postclosure care costs of \$7,007,501 and \$7,932,218 at June 30, 2014 and 2013, respectively, are not included in these amounts.

Summary of Long-Term Debt

June 30, 2014 and 2013

	2014			2013
	Governmental activities	Business-type activity	Total	Total
General obligation bonds	\$ 72,164,244	—	72,164,244	80,671,892
Revenue bonds	114,416,000	24,660,000	139,076,000	148,219,000
Other capital leases	984,528	—	984,528	1,098,854
Total	<u>\$ 187,564,772</u>	<u>24,660,000</u>	<u>212,224,772</u>	<u>229,989,746</u>

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

COUNTY OF JAMES CITY, VIRGINIA

Management's Discussion and Analysis

June 30, 2014

Economic Factors and Next Year's Budgets and Tax Rates

The County has a two-year budget cycle. The first year of a two-year cycle is adopted and appropriated and the second year is adopted for planning purposes. Fiscal year 2015 is the first year of the next two-year cycle. The fiscal year 2015 approved budget for the General Fund is \$175,250,000.

This budget was adopted on May 13, 2014, and reflects a \$3,742,293, or a 2.2%, increase over the amended fiscal year 2014 budget. This increase is primarily due to increases in real estate, personal property and local sales, meals and lodging tax revenues.

During fiscal year 2015, real estate revenues, the largest source of general fund revenue, are projected to increase 0.7% over last year due to a combination of new development, increases in the commercial reassessment and increases in collections offset by reductions in residential real estate of 1.71 percent. Personal property tax revenue is expected to increase by 3.0% over last year. This increase is primarily due to an increase in valuations and an increase in the number of vehicles. State revenues increase by 1.3%, primarily from an increase in sales tax for education. This increase is mostly due to increased estimates of statewide sales tax. Revenues derived for sales, meals and lodging taxes are anticipated to increase 5.0% due to increases in retail establishments and increase in the rentals of time share units.

Expenditures include increased costs for a salary increase and health insurance and funding to begin the five-year update to the Comprehensive Planning process. The County's general fund contribution to the Williamsburg-James City County School Board will be \$80,801,664, which is a 1.8% or \$1,447,065 increase from fiscal year 2014.

Contacting the County's Financial Management

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

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BASIC FINANCIAL STATEMENTS

COUNTY OF JAMES CITY, VIRGINIA

Statement of Net Position

June 30, 2014

Assets	Primary government			Discretely presented component units	
	Governmental activities	Business-type activity	Total	Public schools	Economic Development Authority
Cash and cash equivalents (note 2)	\$ 15,524,794	586,970	16,111,764	19,188,446	1,358,901
Investments (note 2)	21,350,324	28,955,675	50,305,999	—	—
Cash and cash equivalents and investments - restricted (notes 2 and 3)	10,405,446	2,601,160	13,006,606	—	—
Receivables, net of allowance for uncollectibles:					
Taxes, including penalties	28,309,496	—	28,309,496	—	—
Accounts	—	2,421,307	2,421,307	108,447	—
Interest	23,822	81,297	105,119	—	845
Loans	3,473,806	—	3,473,806	—	—
Notes	—	60,994	60,994	—	16,981
Miscellaneous	4,920,899	86,623	5,007,522	—	—
Internal balances (note 5)	455,495	(455,495)	—	—	—
Due from component unit	1,145,050	—	1,145,050	—	—
Due from primary government (note 8)	—	—	—	—	217,937
Due from other governments, net (note 6)	8,482,641	—	8,482,641	963,620	—
Inventory	370,536	820,200	1,190,736	52,094	—
Other assets	1,483,710	—	1,483,710	—	—
Capital assets (note 7):					
Land and land improvements	28,086,819	2,726,569	30,813,388	8,435,126	233,106
Construction in progress (note 17)	12,675,404	1,748,620	14,424,024	6,054,125	166,510
Buildings, improvements and equipment	401,791,014	245,957,582	647,748,596	65,260,543	12,719
Intangible assets	8,069,177	25,004,570	33,073,747	—	—
Less accumulated depreciation and amortization	(120,189,917)	(112,854,386)	(233,044,303)	(27,302,552)	(4,533)
Net capital assets	330,432,497	162,582,955	493,015,452	52,447,242	407,802
Total assets	\$ 426,378,516	197,741,686	624,120,202	72,759,849	2,002,466
Liabilities and Net Position					
Liabilities:					
Accounts payable (note 4)	\$ 3,241,343	468,429	3,709,772	2,166,695	240,013
Accrued liabilities (note 4)	1,659,469	532,494	2,191,963	12,093,116	—
Liabilities payable from restricted assets	794,788	—	794,788	—	—
Due to component units (note 8)	217,937	—	217,937	—	—
Due to primary government (note 8)	—	—	—	1,145,050	—
Advances for construction (note 17)	—	32,902	32,902	—	—
Amounts held for others	—	184,406	184,406	—	—
Unearned revenue (note 9)	3,362,523	—	3,362,523	187,219	—
Long-term liabilities (notes 10, 11 and 13):					
Due within one year	19,490,047	825,435	20,315,482	468,281	—
Due in more than one year	174,500,804	24,415,987	198,916,791	5,107,615	—
Total liabilities	203,266,911	26,459,653	229,726,564	21,167,976	240,013
Net position:					
Net investment in capital assets	142,867,725	137,922,955	280,790,680	52,273,671	407,802
Restricted net position:					
Capital projects	8,320,449	2,601,160	10,921,609	—	—
Other	—	—	—	581,430	—
Unrestricted net position	71,923,431	30,757,918	102,681,349	(1,263,228)	1,354,651
Total net position	223,111,605	171,282,033	394,393,638	51,591,873	1,762,453
Total liabilities and net position	\$ 426,378,516	197,741,686	624,120,202	72,759,849	2,002,466

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Activities

Year ended June 30, 2014

Functions/programs	Expenses	Program revenues		
		Charges for services	Operating grants and contributions	Capital grants and contributions
Primary government:				
Governmental activities:				
General government administration	\$ 9,847,977	7,758,238	22,089,740	463,420
Judicial administration	5,768,152	1,839,637	1,197,647	—
Public safety	27,483,149	3,330,101	1,679,454	286,410
Public works	7,474,088	281,256	—	—
Health and welfare	7,061,327	—	3,601,753	—
Education (including payments to school system)	85,595,145	—	—	—
Parks, recreation and cultural	11,451,751	2,854,489	10,649	515,448
Community development	11,196,507	—	1,993,140	21,578
Interest on long-term debt	8,822,326	—	—	—
Total governmental activities	174,700,422	16,063,721	30,572,383	1,286,856
Business-type activity - Service Authority	21,311,746	16,131,430	—	3,388,700
Total primary government	\$ 196,012,168	32,195,151	30,572,383	4,675,556
Component units:				
Economic Development Authority	\$ 344,479	14,725	152,297	—
Public Schools	126,349,097	2,537,194	16,091,244	—
Total component units	\$ 126,693,576	2,551,919	16,243,541	—
General revenues:				
Taxes:				
Property taxes, levied for general purposes				
Local sales and use taxes				
Franchise license tax				
Taxes on recordation and wills				
Hotel and motel room taxes				
Restaurant food taxes				
Deeds of conveyance				
Penalties and interest				
Grants and contributions not restricted to specific programs				
Interest and investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position – beginning, restated				
Net position – ending				

See accompanying notes to basic financial statements.

Exhibit 2

Net (expenses) revenues and changes in net assets				
Primary government			Discretely presented component units	
Governmental activities	Business-type activity	Total	Public schools	Economic Development Authority
20,463,421	—	20,463,421	—	—
(2,730,868)	—	(2,730,868)	—	—
(22,187,184)	—	(22,187,184)	—	—
(7,192,832)	—	(7,192,832)	—	—
(3,459,574)	—	(3,459,574)	—	—
(85,595,145)	—	(85,595,145)	—	—
(8,071,165)	—	(8,071,165)	—	—
(9,181,789)	—	(9,181,789)	—	—
(8,822,326)	—	(8,822,326)	—	—
(126,777,462)	—	(126,777,462)	—	—
—	(1,791,616)	(1,791,616)	—	—
<u>(126,777,462)</u>	<u>(1,791,616)</u>	<u>(128,569,078)</u>	<u>—</u>	<u>—</u>
—	—	—	—	(177,457)
—	—	—	(107,720,659)	—
—	—	—	<u>(107,720,659)</u>	<u>(177,457)</u>
\$ 111,899,484	—	111,899,484	—	—
9,999,119	—	9,999,119	—	—
471,818	—	471,818	—	—
1,186,361	—	1,186,361	—	—
3,151,178	—	3,151,178	—	—
6,258,862	—	6,258,862	—	—
344,752	—	344,752	—	—
22,956	—	22,956	—	—
—	—	—	109,960,252	—
339,358	267,061	606,419	4,087	15,385
<u>1,875,485</u>	<u>520,504</u>	<u>2,395,989</u>	<u>224,400</u>	<u>(2,215,575)</u>
<u>135,549,373</u>	<u>787,565</u>	<u>136,336,938</u>	<u>110,188,739</u>	<u>(2,200,190)</u>
8,771,911	(1,004,051)	7,767,860	2,468,080	(2,377,647)
214,339,694	172,286,084	386,625,778	49,123,793	4,140,100
<u>\$ 223,111,605</u>	<u>171,282,033</u>	<u>394,393,638</u>	<u>51,591,873</u>	<u>1,762,453</u>

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Governmental Funds

June 30, 2014

Assets	Major Funds			Nonmajor governmental funds	Total governmental funds
	General	Capital projects	Debt service		
Cash and cash equivalents and investments	\$ 12,240,433	—	—	3,284,361	15,524,794
Investments	6,148,765	15,201,559	—	—	21,350,324
Cash and cash equivalents and investments – restricted (note 3)	732,248	8,659,729	—	1,013,469	10,405,446
Receivables, net of allowance for uncollectibles:					
Taxes	28,226,854	760	—	81,882	28,309,496
Interest	—	23,822	—	—	23,822
Loans	—	—	—	3,473,806	3,473,806
Miscellaneous (note 4)	4,890,478	4,907	—	25,514	4,920,899
Due from other funds (note 5)	630,444	—	—	—	630,444
Due from blended component unit (note 8)	455,495	—	—	—	455,495
Due from component unit (note 8)	1,952,632	—	—	—	1,952,632
Due from other governments, net (note 6)	7,366,703	—	—	1,115,938	8,482,641
Inventory	370,536	—	—	—	370,536
Total assets	\$ 63,014,588	23,890,777	—	8,994,970	95,900,335
Liabilities and Fund Balances					
Liabilities:					
Accounts payable (note 4)	\$ 2,666,665	323,658	—	251,020	3,241,343
Accrued liabilities (note 4)	276,513	—	—	8,835	285,348
Liabilities payable from restricted assets	732,248	—	—	62,540	794,788
Due to other funds (note 5)	—	—	—	630,444	630,444
Due to component units (note 8)	237,419	779,308	—	8,792	1,025,519
Unearned revenue (note 9)	20,968,038	760	—	3,286,722	24,255,520
Total liabilities	24,880,883	1,103,726	—	4,248,353	30,232,962
Fund balances:					
Nonspendable:					
Loans	—	—	—	601,707	601,707
Inventory	370,536	—	—	—	370,536
Committed	—	8,320,449	—	240,900	8,561,349
Assigned:					
General	6,544,809	14,466,602	—	—	21,011,411
Capital reserve	8,118,950	—	—	—	8,118,950
Other governmental funds	—	—	—	3,904,010	3,904,010
Unassigned:					
General	23,099,410	—	—	—	23,099,410
Total fund balances	38,133,705	22,787,051	—	4,746,617	65,667,373
Total liabilities and fund balances	\$ 63,014,588	23,890,777	—	8,994,970	95,900,335

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet
 Governmental Funds
 June 30, 2014

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

Ending fund balance – governmental funds	\$ 65,667,373
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.	330,432,497
Land held for resale and future development used in governmental activities are not financial resources and therefore are not reported in the funds.	1,483,710
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	20,892,997
Obligation for OPEB is not due and payable in the current period and is not recorded as a liability in the governmental funds.	(1,810,962)
Unmatured interest payable reported in governmental activities will not be paid with current financial resources and therefore is not reported in the funds.	(1,374,121)
Long-term liabilities, including notes and bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds, net	\$ (72,164,244)
Capital leases	(984,528)
Lease revenue bonds	(114,416,000)
Compensated absences	(3,449,442)
Landfill postclosure care cost	(1,165,675)
	<u>(192,179,889)</u>
Net assets of governmental activities	<u>\$ 223,111,605</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2014

	Major Funds			Nonmajor governmental funds	Total governmental funds
	General	Capital projects	Debt service		
Revenues:					
General property taxes	\$ 112,151,342	—	—	—	112,151,342
Other local taxes	20,680,269	—	—	754,777	21,435,046
Permits, privilege fees and regulatory licenses	8,134,299	—	—	—	8,134,299
Fines and forfeitures	293,625	—	—	—	293,625
Revenue from use of money and property	194,575	129,935	14,836	12	339,358
Charges for services	5,549,607	—	—	—	5,549,607
Miscellaneous	191,693	434,876	238,792	975,123	1,840,484
Intergovernmental:					
Local	—	—	—	179,025	179,025
Commonwealth	25,862,040	463,420	—	2,828,448	29,153,908
Federal	7,503	—	—	4,604,995	4,612,498
Total revenues	<u>173,064,953</u>	<u>1,028,231</u>	<u>253,628</u>	<u>9,342,380</u>	<u>183,689,192</u>
Expenditures:					
Current:					
General government administration	9,522,285	—	—	121,573	9,643,858
Judicial administration	4,144,098	—	—	1,370,511	5,514,609
Public safety	25,958,784	—	—	805,599	26,764,383
Public works	7,340,787	—	—	13,153	7,353,940
Health and welfare	1,744,547	—	—	5,316,780	7,061,327
Education	77,496,482	—	—	—	77,496,482
Parks, recreation and cultural	9,378,061	—	—	521,098	9,899,159
Community development	5,266,389	—	44,724	5,647,166	10,958,279
Nondepartmental	721,744	—	—	—	721,744
Debt service:					
Principal retirement	—	—	16,417,326	—	16,417,326
Interest, other fiscal charges and early retirement	—	—	8,822,326	—	8,822,326
Capital outlay – governmental activities	—	8,790,288	—	—	8,790,288
Capital outlay – school activities	—	9,631,391	—	—	9,631,391
Total expenditures	<u>141,573,177</u>	<u>18,421,679</u>	<u>25,284,376</u>	<u>13,795,880</u>	<u>199,075,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,491,776</u>	<u>(17,393,448)</u>	<u>(25,030,748)</u>	<u>(4,453,500)</u>	<u>(15,385,920)</u>
Other financing sources (uses):					
Sale of land	—	35,000	—	—	35,000
Transfers in (note 5)	—	5,152,000	25,030,748	4,547,192	34,729,940
Transfers out (note 5)	(34,244,165)	(16,929)	—	(468,846)	(34,729,940)
Total other financing sources (uses)	<u>(34,244,165)</u>	<u>5,170,071</u>	<u>25,030,748</u>	<u>4,078,346</u>	<u>35,000</u>
Net change in fund balances	<u>(2,752,389)</u>	<u>(12,223,377)</u>	<u>—</u>	<u>(375,154)</u>	<u>(15,350,920)</u>
Fund balances at beginning of year	40,886,094	35,010,428	—	5,121,771	81,018,293
Fund balances at end of year	<u>\$ 38,133,705</u>	<u>22,787,051</u>	<u>—</u>	<u>4,746,617</u>	<u>65,667,373</u>

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2014

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

Net change in fund balances – total governmental funds \$ (15,350,920)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between depreciation expense and capital outlay expenditures. The details of this difference are as follows:

Depreciation expense	\$ (11,828,744)	
Capital outlay expenditures	18,344,083	
Cost of assets sold	<u>(258,588)</u>	
		6,256,751

Because some revenues will not be collected for several months after the County’s fiscal year end, they are not considered “available” revenues and are deferred in the governmental funds. Deferred revenue decreased by this amount this year. (251,858)

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

Principal payments	16,417,326	
Deferred costs	822,648	
OPEB obligation	<u>(364,000)</u>	
		16,875,974

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This difference includes the decrease in vested compensated absences of \$95,378, decrease in landfill postclosure care cost of \$1,195,475 and increase in accrued interest of \$48,889.

	<u>1,241,964</u>	
Change in net assets of governmental activities		<u>\$ 8,771,911</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Proprietary Fund

June 30, 2014

Assets	James City Service Authority
Current assets:	
Cash and cash equivalents	\$ 586,970
Investments	28,955,675
Receivables, net of allowance for uncollectibles:	
Accounts	2,421,307
Interest	81,297
Notes	60,994
Miscellaneous	86,623
Inventory	820,200
Total current assets	<u>33,013,066</u>
Noncurrent assets:	
Capital assets (notes 7, 10 and 17):	
Land	1,750,391
Land – utility plant	962,995
Land improvements	13,183
Construction in progress	1,748,620
Water and sewer systems – utility plant	237,026,604
Buildings and improvements	4,884,119
Office fixtures and equipment	1,696,932
Automotive equipment	2,349,927
Intangible assets	25,004,570
Less accumulated depreciation and amortization	<u>(112,854,386)</u>
Net capital assets	<u>162,582,955</u>
Investments restricted for future use (note 2)	<u>2,601,160</u>
Total noncurrent assets	<u>165,184,115</u>
Total assets	<u>\$ 198,197,181</u>
Liabilities and Net Position	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 468,429
Accrued salaries	27,647
Compensated absences, current portion	280,435
Due to other funds (note 5)	455,495
Deposits	184,406
Interest payable	504,847
Current portion of bonds payable (note 10)	<u>545,000</u>
Total current liabilities	<u>2,466,259</u>
Noncurrent liabilities:	
Advances for construction (note 17)	32,902
OPEB liability	207,509
Bonds payable, net of current portion (note 10)	24,115,000
Compensated absences, net of current portion	<u>93,478</u>
Total noncurrent liabilities	<u>24,448,889</u>
Total liabilities	<u>26,915,148</u>
Net position:	
Net investment in capital assets	137,922,955
Restricted for capital projects	2,601,160
Unrestricted net position	<u>30,757,918</u>
Total net position	<u>171,282,033</u>
Total liabilities and net position	<u>\$ 198,197,181</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Fund

Year ended June 30, 2014

	James City Service Authority
	<u> </u>
Operating revenues:	
Water and sewer services	\$ 11,825,702
Water supply proffers	57,446
Rental income	160,914
Miscellaneous	286,792
	<u> </u>
Total operating revenues	12,330,854
	<u> </u>
Operating expenses:	
Salaries	4,288,721
Fringe benefits	1,646,148
Operating supplies	882,253
Maintenance of buildings and equipment	3,501,598
Utilities	875,020
Contractual fees	836,634
Depreciation and amortization	7,670,391
Other	496,851
	<u> </u>
Total operating expenses	20,197,616
	<u> </u>
Operating loss	(7,866,762)
	<u> </u>
Nonoperating revenues (expenses):	
Facility charges	4,305,728
Investment income	267,061
Gain on disposal of capital assets	15,352
Interest expense, net	(1,114,130)
	<u> </u>
Total nonoperating revenues, net	3,474,011
	<u> </u>
Loss before contributions	(4,392,751)
	<u> </u>
Capital contributions	3,388,700
	<u> </u>
Increase in net position	(1,004,051)
	<u> </u>
Net position at beginning of year, restated	172,286,084
	<u> </u>
Net position at end of year	\$ 171,282,033
	<u> </u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2014

	James City Service Authority
Cash flows from operating activities:	
Cash receipts from customers	\$ 11,958,854
Other operating cash receipts	533,060
Cash payments to suppliers of goods and services	(7,549,761)
Cash payments to employees for services	(5,918,344)
Facility charges	4,305,728
Net cash provided by operating activities	<u>3,329,537</u>
Cash flows from capital and related financing activities:	
Payment of debt	(525,000)
Interest paid	(1,122,556)
Acquisition and construction of capital assets	(5,113,340)
Proceeds from sale of capital assets	26,552
Net cash used in capital and related financing activities	<u>(6,734,344)</u>
Cash flows from investing activities:	
Purchases of investments	(28,479,458)
Sales of investments	28,139,431
Interest received	276,981
Net cash provided by investing activities	<u>(63,046)</u>
Net decrease in cash and cash equivalents	(3,467,853)
Cash and cash equivalents at beginning of year	<u>666,123</u>
Cash and cash equivalents at end of year	<u>\$ (2,801,730)</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (7,866,762)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	7,670,391
Facility charges	4,305,728
Changes in assets and liabilities:	
Accounts receivable	109,510
Accounts receivable, miscellaneous	2,317
Notes receivable	25,591
Inventory	(16,244)
Accounts payable	(318,048)
Accrued salaries	(19,475)
Due to other funds	(623,113)
Deposits	23,642
OPEB liability	36,000
Net cash provided by operating activities	<u>\$ 3,329,537</u>
Supplemental schedule – noncash capital and investing activities:	
Capital asset contributions	<u>\$ 3,388,700</u>
Unrealized loss from change in fair value of investments	<u>\$ (169,609)</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2014

Assets	Pension trust fund	Agency funds
Cash and cash equivalents (note 2)	\$ —	2,066,815
Restricted cash and cash equivalents and investments with fiscal agent/trustee (notes 2 and 12):		
Money market funds	6,505,736	7,559,886
Bond mutual funds	710,079	—
Debt and equities	9,283,596	—
U.S. stock funds	10,278,596	—
International stock funds	726,728	—
Accounts receivable	—	2,714,361
Total assets	<u>\$ 27,504,735</u>	<u>12,341,062</u>
Liabilities and Net Position		
Liabilities:		
Accounts payable and accrued liabilities	\$ —	1,219,856
Amounts held for others	—	11,121,206
Total liabilities	—	12,341,062
Net position:		
Held in trust for employees' retirement	<u>27,504,735</u>	—
Total liabilities and net position	<u>\$ 27,504,735</u>	<u>12,341,062</u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA
 Statement of Changes in Fiduciary Net Assets
 Fiduciary Funds
 Year ended June 30, 2014

	<u>Pension trust fund</u>
Additions:	
Revenue from use of money and property	\$ 3,697,397
Contributions	<u>2,096,727</u>
Total additions	5,794,124
Deductions:	
Distributions to employees	<u>1,687,699</u>
Change in net position held in trust for employees' retirement	4,106,425
Net position at beginning of year	<u>23,398,310</u>
Net position at end of year	<u><u>\$ 27,504,735</u></u>

See accompanying notes to basic financial statements.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

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

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

(a) *The Financial Reporting Entity*

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

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

Blended Component Unit

1. James City Service Authority

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

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

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

The Authority's financial statements for the fiscal year ended June 30, 2014 may be obtained from the Department of Financial and Management Services, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Discretely Presented Component Units

1. Williamsburg-James City County Public Schools

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

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

Local costs related to operations of the Public Schools are apportioned between the participating localities in accordance with the agreement, as amended. For the fiscal year ended June 30, 2014, the apportionment of the Public Schools' operating costs to the City and County was \$8,169,608 and 9.54% and \$77,465,674 and 90.46%, respectively. For the fiscal year ended June 30, 2014, the contributions for the Public Schools' capital project costs from the City and County were \$989,120 and 9.23% and \$9,631,391 and 90.77%, respectively.

The Public Schools' financial statements for the fiscal year ended June 30, 2014 may be obtained from the Finance Department, 117 Ironbound Road, Williamsburg, Virginia 23185.

2. James City County Economic Development Authority

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

From time to time, the Development Authority has issued Industrial Revenue Bonds (the Bonds) to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the Bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the Bonds. Accordingly, the Bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2014, there were 15 series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$201 million.

The Development Authority's financial statements for the fiscal year ended June 30, 2014 may be obtained from the Director of Economic Development, 101-D Mounts Bay Road, Williamsburg, Virginia 23185.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Other Related Organizations and Joint Ventures

Separate financial statements for the fiscal year ended June 30, 2014, for all other related organizations and joint ventures discussed below except the Colonial Community Corrections Program, Inc., the Virginia Peninsulas Public Service Authority, and the Williamsburg Regional Library, may be obtained from the Accounting Division Director of James City County, 101-F Mounts Bay Road, P.O. Box 8784, Williamsburg, Virginia 23187-8784.

1. Williamsburg Area Medical Assistance Corporation

The Williamsburg Area Medical Assistance Corporation (the Corporation) was incorporated on February 19, 1993. The Corporation provides a primary medical care clinic to economically disadvantaged persons in the Counties of James City and York and the City of Williamsburg. The County appoints 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.

2. Colonial Community Corrections Program

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

3. Virginia Peninsulas Public Service Authority

The Virginia Peninsulas Public Service Authority (the Public Service Authority), was created pursuant to the *Code of Virginia*, 1950, as amended, between the Cities of Hampton, Newport News, Poquoson and Williamsburg, and the Counties of Essex, Gloucester, James City, King and Queen, King William, Mathews, Middlesex and York. The Public Service Authority's financial statements for the fiscal year ended June 30, 2014 may be obtained from the Public Service Authority, 475 McLaws Circle, Suite 3B, Williamsburg, Virginia 23185-5676.

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

4. Williamsburg Regional Library

Pursuant to an agreement dated May 26, 1977, as amended, the Williamsburg Regional Library (the Library) provides library services to the City of Williamsburg, James City County and York County. The Library is operated by a board of trustees. The County appoints 6

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

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, 2014 may be obtained from the Library, 7770 Croaker Road, Williamsburg, Virginia 23188.

5. Virginia Peninsula Regional Jail Authority

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

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

6. Middle Peninsula Juvenile Detention Commission

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

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

7. Williamsburg Area Transit Authority

The Williamsburg Area Transit Authority (the Transit Authority) was created as a political subdivision of the Commonwealth of Virginia by resolutions adopted in 2008. Members include the County, City of Williamsburg, County of York and the Colonial Williamsburg Foundation. The Transit Authority is governed by a board, consisting of five representatives appointed by the members. The Transit Authority is a legally separate organization, and the

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

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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.

(b) *The Financial Reporting Model*

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

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

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

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

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

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

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

COUNTY OF JAMES CITY, VIRGINIA

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

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

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

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

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

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The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary fund:

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

Additionally, the County reports the following fund types:

Nonmajor Governmental Funds – Nonmajor Governmental Funds include special revenue funds which account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities of the County. These funds consist of Virginia Public Assistance, Colonial Community Corrections, Community Development, Revolving Loan, 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 Fiduciary Funds of the County are the Pension Trust Fund, which is the Deferred Compensation Plan and is accounted for in essentially the same manner as proprietary funds. Also included are the Agency Funds, which consist of Special Welfare, Williamsburg Area Medical Assistance Corporation, Regional Jail, Juvenile Detention, and Williamsburg Area Transit Authority.

(d) Basis of Accounting and Measurement Focus

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

The accompanying fund financial statements of the governmental funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus.

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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 assets.

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.

COUNTY OF JAMES CITY, VIRGINIA

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(e) Cash and Cash Equivalents

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

(f) Allowance for Uncollectible Accounts

The County calculates its allowance for uncollectible accounts using historical collection data and specific account analysis. The allowance for uncollectible accounts relating solely to property taxes was \$74,073 in the General Fund at June 30, 2014. Additionally, the County recorded an allowance for uncollectible accounts of \$17,827 related to business, professional and occupational license taxes and \$1,909,225 for the Advance Life Support/Basic Life Support (ALS/BLS) fees.

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

(g) Investments

All investments of the County are stated at fair value as of June 30, 2014, in accordance with the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

(h) Inventory

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

(i) Capital Assets

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

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

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capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

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

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

(j) *Compensated Absences*

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

(k) *Unbilled Revenue*

The Authority records the amount of earned but unbilled service charges revenue by prorating actual subsequent billings. Amounts accrued but unbilled were approximately \$1,072,000 at June 30, 2014.

(l) *Property Taxes*

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

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

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

(m) *Risk Management*

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property and liability coverages are provided through a group self insurance risk pool. The County's retention is through deductibles on a per-claim basis. Deductibles and coverage limits at June 30, 2014 are as follows:

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

	<u>Coverage limits</u>	
Property insurance:		
Valuation at functional replacement	\$	86,032,992
Flood (outside 100 year flood plain)		86,032,992
Business interruption/extra expense		3,000,000
Property in transit		5,000,000
Increased cost of construction/ordinance demolition		20,000,000
Back-up of sewers and drains		1,000,000
Debris removal		20,000,000
Pollutant clean-up and removal		500,000
Off premises power failure		2,000,000
Media reproduction		100,000
Newly acquired locations for up to 120 days		20,000,000
General liability and law enforcement		9,000,000
Automobile liability		9,000,000
Public officials		9,000,000
Crime		500,000
Workers' compensation		Statutory limits

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

Effective July 1, 2011, the County participates in the group self insurance risk pool with Virginia Association of Counties to provide Line of Duty Act benefits to eligible participants. During fiscal year 2014, the County made a payment of \$127,967 for these premiums.

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(n) 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.

(o) Interfund Transactions

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

(p) Encumbrances

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

(q) Fund Balances

Fund balances are reported according to the following categories:

- *Nonspendable* – Amounts that cannot be spent because they are 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 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.
- *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.

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Notes to Basic Financial Statements

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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.

- *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 8%-12% of the total general governmental expenditures.

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

The Board of Supervisors establishes, modifies or rescinds fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by the Director of Financial and Management Services, who has been given the delegated authority by the Board of Supervisors, to assign amounts for a specific purpose.

For the fiscal year ended June 30, 2014, the General Fund has the following amounts assigned or unassigned:

	<u>Assigned</u>	<u>Unassigned</u>
Capital projects	\$ 3,183,000	—
Health insurance	2,360,275	
Potential insurance loss	300,000	—
Capital reserve fund	8,118,950	—
Encumbrances	701,534	—
Fiscal liquidity	—	23,099,410
	<u>\$ 14,663,759</u>	<u>23,099,410</u>

(r) Estimates

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

(s) New Accounting Principles

Effective with the financial statements for the fiscal year ended June 30, 2014, the County has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). This statement amends prior reporting requirements by (i) reclassifying certain items previously

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Notes to Basic Financial Statements

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reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and (ii) recognizing certain items previously reported as assets and liabilities as expenses or revenues based on the definitions of those elements in GASB Concepts Statement No.4, *Elements of Financial Statements*. This statement also limits the use of the term *deferred* in financial statement presentations. The County replaced the term *deferred revenue* with *unearned revenue* in its balance sheets and statements of net assets for the fiscal year ended June 30, 2014 with the adoption of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 65 was implemented retroactively, and as a result of implementation, the County has restated the beginning net position, effectively decreasing net position as of July 1, 2013 by \$1,918,527. The decrease results from no longer deferring and amortizing bond issuance cost.

(i) Subsequent Events

In preparing these financial statements, the County has evaluated events and transactions for potential recognition or disclosure through November 18, 2014, the date the financial statements were available to be issued.

(2) Cash and Cash Equivalents and Investments

Primary Government

(a) Deposits

At year end, the carrying value of the deposits with banks and savings and loans was \$17,857,482 and the bank balance was \$19,571,212. The difference between the carrying value of bank deposits and the bank balance is primarily due to outstanding checks and deposits in transit. The entire bank balance was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act).

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

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

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(b) Investments

As of June 30, 2014, the primary government had the following investments and maturities:

	Fair value	Original investment maturity (in years)		
		Less than 1	1-2	2-7
Commonwealth of Virginia				
LGIP	\$ 15,014,166	15,014,166	—	—
Money market funds	12,074,327	12,074,327	—	—
Certificates of deposit	5,295,158	1,776,657	2,823,840	694,661
Federal agency bonds/notes	4,081,126	—	659,488	3,421,638
Corporate notes	5,117,723	—	—	5,117,723
Municipal bonds	300,048	—	—	300,048
U.S. Treasury notes	19,684,339	—	6,003,745	13,680,594
	<u>\$ 61,566,887</u>	<u>28,865,150</u>	<u>9,487,073</u>	<u>23,214,664</u>

(c) Summary of Deposits

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

Deposits	\$ 17,857,482
Investments	<u>61,566,887</u>
	<u>\$ 79,424,369</u>
Cash and cash equivalents	\$ 16,113,490
Investments	50,305,999
Cash and cash equivalents and investments - restricted	<u>13,004,880</u>
	<u>\$ 79,424,369</u>

(d) Investment Policy

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

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

Registered money market mutual funds	100% maximum
Commonwealth of Virginia LGIP	100% maximum
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

(e) Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following; Moody's Investors Service, Standard & Poor's, Fitch Investor's Service, and Duff and Phelps. Corporate notes must have a minimum of "Aa" long-term debt rating by Moody's Investors Service and a minimum of "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, 2014 were rated by Standard & Poor's, Moody's and Fitch and/or an equivalent national rating organization and the ratings are presented on the following page:

	Investment ratings				
	AAA/AA+	AA	AA-	A-1+	A-1
Money market funds	\$ —	—	—	—	924,339
Certificate of deposit	—	—	974,758	2,223,454	1,477,057
Corporate notes	1,713,079	1,618,421	1,786,223	—	—
Federal agency bonds/notes	4,081,127	—	—	—	—
Municipal bonds	300,048	—	—	—	—
Total	\$ 6,094,254	1,618,421	2,760,981	2,223,454	2,401,396

COUNTY OF JAMES CITY, VIRGINIA

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Commonwealth of Virginia LGIP, U.S. Treasury Notes, a portion of money market funds and a portion of certificate of deposit, totaling \$46,468,381 at June 30, 2014, are unrated; therefore, they are not included in the information presented above.

(f) Concentration of Credit Risk

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

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

As of June 30, 2014, the portions of the County's portfolio (excluding the blended component units), excluding U.S. Treasury notes, that exceed 5% of the total portfolio are as follows:

<u>Issuer</u>	<u>% of portfolio</u>
Federal Home Loan Mortgage Corporation	11.9%
Federal National Mortgage Association	8.3

(g) Interest Rate Risk

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

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

(h) Custodial Credit Risk

The Policy requires that all investment securities purchased by the County or held as collateral on deposits or investments shall be held by the County or by a third-party custodial agent who may not otherwise be a counterparty to the investment transaction. As of June 30, 2014, all of the County's investments are held in a bank's trust department in the name of James City County.

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Notes to Basic Financial Statements

June 30, 2014

(i) Component Unit – Public Schools

Cash and cash equivalents:	
Bank deposits (including school agency funds)	\$ 20,012,800
Certificates of deposit	29,169
Investment in LGIP	<u>206,371</u>
	<u>\$ 20,248,340</u>

At year end, the carrying value of the Public Schools’ deposits with banks and savings institutions in the General Fund and the Agency Fund was \$19,188,446 (excluding \$1,059,894 of the School Activity Funds) and the bank balance was \$22,083,181. The difference between the carrying value of bank deposits and the bank balance is primarily due to outstanding checks and deposits in transit. The bank balance is fully covered by federal depository insurance or collateralized in accordance with the Act.

(j) Component Unit – Economic Development Authority – Deposits

Cash and cash equivalents:	
Bank deposits	\$ 60,758
Investment in LGIP	242
Certificates of deposit	<u>1,297,901</u>
	<u>\$ 1,358,901</u>

At year end, the carrying value of the Development Authority’s deposits with banks and savings institutions was \$60,758 and the bank balance was \$260,796. The bank balance, which may differ from the carrying value of deposits primarily due to outstanding checks and deposits in transit, is fully covered by federal depository insurance (FDIC) or collateralized in accordance with the Act.

(3) Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments of the County’s governmental activities at June 30, 2014, are detailed as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Capital projects	Lease bonds	\$ 8,659,729
General	Subdivision escrow	730,522
Grants and special projects	Grants and special projects	667,123
Community development	Community rehabilitation	<u>346,346</u>
		<u>\$ 10,403,720</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(4) Receivables and Payables

Amounts due from miscellaneous sources in the General Fund at June 30, 2014, are detailed as follows:

Sales tax	\$ 1,746,256
Emergency medical services	1,423,743
Meals tax	649,016
Williamsburg Regional Library	287,313
Other	275,019
Business license	176,843
Charges for services	141,857
Recordation tax	110,009
Fines and forfeitures	20,191
Deeds of conveyance	35,267
Utility consumption fee	24,964
	<u>4,890,478</u>
	<u>\$ 4,890,478</u>

Accounts payable and accrued liabilities at June 30, 2014, are comprised of the following:

	<u>Accounts payable</u>	<u>Accrued liabilities</u>	<u>Total</u>
General	\$ 2,666,665	276,513	2,943,178
Capital projects	323,658	—	323,658
Other governmental funds	251,020	8,835	259,855
Governmental funds	3,241,343	285,348	3,526,691
Accrued interest	—	1,374,121	1,374,121
Governmental activities	\$ 3,241,343	1,659,469	4,900,812

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(5) Interfund Receivables, Payables and Transfers

Interfund receivable and payable balances are considered short-term in nature. All other balances resulted from the time-lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2014, the balances are as follows:

	<u>Due from other funds</u>	
	<u>General</u>	
Due to other funds:		
Nonmajor		
governmental funds	\$	630,444
Service Authority		<u>455,495</u>
Total	\$	<u><u>1,085,939</u></u>
	<u>Interfund</u>	<u>Interfund</u>
	<u>Receivable</u>	<u>Payable</u>
General fund	\$ 630,444	—
Nonmajor		
governmental funds:		
Virginia public assistance	—	284,756
Colonial community corrections	—	2,180
Community development	—	328
Trust fund	—	9,559
Grants/special projects	—	<u>333,621</u>
Total	\$ <u>630,444</u>	<u>630,444</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Interfund transfers for the year ended June 30, 2014, consisted of the following:

	Transfers to other Funds	Transfers from other Funds
	<u> </u>	<u> </u>
General fund	\$ 34,244,165	—
Capital projects	16,929	5,152,000
Debt service	—	25,030,748
Nonmajor governmental funds	<u>468,846</u>	<u>4,547,192</u>
Total	<u>\$ 34,729,940</u>	<u>34,729,940</u>

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

	Transfers in	Transfers out	Net transfers
	<u> </u>	<u> </u>	<u> </u>
Governmental funds:			
General fund	\$ —	(34,244,165)	(34,244,165)
Capital projects	5,152,000	(16,929)	5,135,071
Debt service	25,030,748	—	25,030,748
Nonmajor governmental funds	<u>4,547,192</u>	<u>(468,846)</u>	<u>4,078,346</u>
Total	<u>\$ 34,729,940</u>	<u>(34,729,940)</u>	<u>—</u>

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

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

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

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(6) Due from Other Governments

Details of amounts due from other governments as of June 30, 2014 are as follows:

Governmental activities:

General Fund:

Local Governments:	
City of Williamsburg	\$ 33,325
Other	18,931
Commonwealth of Virginia:	
Recordation tax	124,603
Rolling stock tax	57,312
Communications sales and use tax	288,954
State sales tax	1,796,976
Personal property tax relief	4,836,856
Compensation Board	172,232
Other	<u>37,514</u>
Total General Fund	<u>7,366,703</u>

Nonmajor Governmental Funds:

Local Governments:	
City of Williamsburg	7,882
Commonwealth of Virginia:	
Virginia Department of Fire Programs	201,248
Virginia Department of Social Services	154,616
Virginia Department of Housing and Community Development	9,026
Virginia Department of Emergency Management	13,820
Other	220,330
Federal Government:	
Department of Homeland Security	75,390
Department of Social Services	168,477
Federal Highway Administration	69,123
Department of Transportation	138,148
Other	<u>57,878</u>
Total Nonmajor Governmental Funds	<u>1,115,938</u>
Total Governmental Activities	<u>\$ 8,482,641</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Component Unit – Public Schools:

Federal government	\$ 801,237
Commonwealth of Virginia	<u>162,383</u>
Total	<u><u>\$ 963,620</u></u>

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

(7) Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

Governmental Activities

	<u>Balances</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 25,836,819	2,250,000	—	28,086,819
Construction in progress	5,486,639	10,160,778	2,972,013	12,675,404
Intangible assets - easements	<u>4,258,190</u>	<u>3,810,987</u>	—	<u>8,069,177</u>
Total capital assets not being depreciated	<u>35,581,648</u>	<u>16,221,765</u>	<u>2,972,013</u>	<u>48,831,400</u>
Other capital assets:				
Buildings and improvements	323,912,959	493,341	210,191	324,196,109
Improvements other than buildings	25,734,769	597,829	349,736	25,982,862
Equipment and vehicles	40,607,500	3,966,151	1,204,010	43,369,641
Infrastructure	<u>8,208,893</u>	<u>33,509</u>	—	<u>8,242,402</u>
Total other capital assets	<u>398,464,121</u>	<u>5,090,830</u>	<u>1,763,937</u>	<u>401,791,014</u>
Less accumulated depreciation for:				
Buildings and improvements	71,808,662	6,991,804	102,183	78,698,283
Improvements other than buildings	7,214,091	1,111,077	237,843	8,087,325
Equipment and vehicles	27,987,688	3,415,261	1,165,324	30,237,625
Infrastructure	<u>2,856,082</u>	<u>310,602</u>	—	<u>3,166,684</u>
Total accumulated depreciation	<u>109,866,523</u>	<u>11,828,744</u>	<u>1,505,350</u>	<u>120,189,917</u>
Other capital assets, net	<u>288,597,598</u>	<u>(6,737,914)</u>	<u>258,587</u>	<u>281,601,097</u>
	<u><u>\$ 324,179,246</u></u>	<u><u>9,483,851</u></u>	<u><u>3,230,600</u></u>	<u><u>330,432,497</u></u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Depreciation was charged to governmental functions as follows:

General government administration	\$	738,607
Judicial administration		253,543
Public safety		2,424,809
Public works		233,707
Parks, recreation and cultural		1,718,516
Community development		395,631
Education		5,008,700
Nondepartmental		<u>1,055,231</u>
Total depreciation expense – governmental activities	\$	<u><u>11,828,744</u></u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Business-Type Activity

	<u>Balances</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 1,750,391	—	—	1,750,391
Land – utility plant	962,695	300	—	962,995
Land improvements	13,183	—	—	13,183
Construction in progress	510,598	3,769,171	2,531,149	1,748,620
Intangible assets - easements	4,570	—	—	4,570
	<u>3,241,437</u>	<u>3,769,471</u>	<u>2,531,149</u>	<u>4,479,759</u>
Total capital assets not being depreciated				
Other capital assets:				
Water and sewer systems – utility plant	233,407,744	3,618,860	—	237,026,604
Buildings and improvements	4,860,309	23,810	—	4,884,119
Office fixtures and equipment	1,669,073	84,562	56,703	1,696,932
Automotive equipment	2,411,512	147,787	209,372	2,349,927
Intangible assets – water rights	25,000,000	—	—	25,000,000
	<u>267,348,638</u>	<u>3,875,019</u>	<u>266,075</u>	<u>270,957,582</u>
Total other capital assets				
Less accumulated depreciation and amortization for:				
Water and sewer systems – utility plant	98,790,781	6,604,410	—	105,395,191
Buildings and improvements	1,235,028	142,582	—	1,377,610
Office fixtures and equipment	944,232	112,475	56,371	1,000,336
Automotive equipment	1,861,466	197,427	198,503	1,860,390
Intangible assets – water rights	2,607,362	613,497	—	3,220,859
	<u>105,438,869</u>	<u>7,670,391</u>	<u>254,874</u>	<u>112,854,386</u>
Total accumulated depreciation and amortization				
Other capital assets, net	<u>161,909,769</u>	<u>(3,795,372)</u>	<u>11,201</u>	<u>158,103,196</u>
	<u>\$ 165,151,206</u>	<u>(25,901)</u>	<u>2,542,350</u>	<u>162,582,955</u>

Depreciation and amortization of \$7,670,391 was charged to water and sewer operations as follows:

Water	\$ 4,821,801
Sewer	<u>2,848,590</u>
	<u>\$ 7,670,391</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Component Unit – Public Schools

	<u>Balances</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land improvements	\$ 8,435,126	—	—	8,435,126
Construction in progress	<u>3,089,822</u>	<u>4,547,360</u>	<u>1,583,057</u>	<u>6,054,125</u>
Total capital assets not being depreciated	<u>11,524,948</u>	<u>4,547,360</u>	<u>1,583,057</u>	<u>14,489,251</u>
Other capital assets:				
Buildings and improvements	43,015,325	1,116,834	36,144	44,096,015
Furniture and equipment	<u>19,451,737</u>	<u>2,107,859</u>	<u>395,068</u>	<u>21,164,528</u>
Total other capital assets	<u>62,467,062</u>	<u>3,224,693</u>	<u>431,212</u>	<u>65,260,543</u>
Less accumulated depreciation for:				
Buildings and improvements	12,028,704	2,119,375	13,052	14,135,027
Furniture and equipment	<u>12,065,750</u>	<u>1,459,131</u>	<u>357,356</u>	<u>13,167,525</u>
Total accumulated depreciation	<u>24,094,454</u>	<u>3,578,506</u>	<u>370,408</u>	<u>27,302,552</u>
Other capital assets, net	<u>38,372,608</u>	<u>(353,813)</u>	<u>60,804</u>	<u>37,957,991</u>
	<u>\$ 49,897,556</u>	<u>4,193,547</u>	<u>1,643,861</u>	<u>52,447,242</u>

Depreciation of \$3,578,506 was charged to the Public Schools' governmental functions.

The total construction in progress for the Public Schools is \$14,555,887. Capital outlay expenditures totaling \$8,501,762 are presented in the County's construction in progress balance in order to match the corresponding debt.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Component Unit – Economic Development Authority

	<u>Balances</u> <u>July 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u> <u>June 30, 2014</u>
Capital assets not being depreciated:				
Land	\$ 2,483,106	—	2,250,000	233,106
Construction in progress	166,510	—	—	166,510
Total capital assets not being depreciated	<u>2,649,616</u>	<u>—</u>	<u>2,250,000</u>	<u>399,616</u>
Other capital assets:				
Furniture and equipment	5,119	—	—	5,119
Intangible assets	7,600	—	—	7,600
Total other capital assets	<u>12,719</u>	<u>—</u>	<u>—</u>	<u>12,719</u>
Less accumulated depreciation for:				
Furniture and equipment	938	555	—	1,493
Intangible assets	1,520	1,520	—	3,040
Total accumulated depreciation	<u>2,458</u>	<u>2,075</u>	<u>—</u>	<u>4,533</u>
Other capital assets, net	<u>10,261</u>	<u>(2,075)</u>	<u>—</u>	<u>8,186</u>
	<u>\$ 2,659,877</u>	<u>(2,075)</u>	<u>2,250,000</u>	<u>407,802</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(8) Amounts Due From and To Component Units

The Service Authority owes the County \$455,495 at June 30, 2014, which primarily represents payroll expenses.

The County funds its construction costs for new schools through the Capital Projects Fund for the component unit – Public Schools. At June 30, 2014, the County owed the Public Schools \$807,582, which primarily represents construction incurred by the Public Schools. The Public Schools owed the County \$1,952,632, which represents local schools funds unexpended at year end that are contractually required to be returned to the County. Additionally, the County owed the Development Authority \$217,937, which primarily represents payments for Development Authority grants.

(9) Unearned Revenue

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Details of unearned revenue as of June 30, 2014 follow:

	<u>General fund</u>	<u>Capital projects</u>	<u>Other governmental funds</u>	<u>Total</u>
Prepaid property taxes	\$ 75,801	—	—	75,801
Unexpended grants	—	—	3,286,722	3,286,722
Governmental activities	75,801	—	3,286,722	3,362,523
Property taxes not collected within 45 days	<u>20,892,237</u>	<u>760</u>	—	<u>20,892,997</u>
Governmental funds	<u>\$ 20,968,038</u>	<u>760</u>	<u>3,286,722</u>	<u>24,255,520</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(10) 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, 2014, is presented below:

	Amounts payable at July 1, 2013, as restated	Additions	Retirements and reductions	Amounts payable at June 30, 2014	Amounts due within one year
Governmental activities:					
General obligation bonds	\$ 71,195,000	—	7,685,000	63,510,000	7,985,000
Deferred amounts:					
Add bond premium	9,476,892	—	822,648	8,654,244	—
Total general obligation bonds	<u>80,671,892</u>	<u>—</u>	<u>8,507,648</u>	<u>72,164,244</u>	<u>7,985,000</u>
Other capital lease	1,098,854	—	114,326	984,528	125,695
Lease revenue bonds	123,034,000	—	8,618,000	114,416,000	8,727,000
OPEB obligation	1,446,962	364,000	—	1,810,962	—
Compensated absences	3,544,820	3,553,377	3,648,755	3,449,442	2,587,082
Landfill postclosure care cost	2,361,150	—	1,195,475	1,165,675	65,270
Total other long-term liabilities	<u>131,485,786</u>	<u>3,917,377</u>	<u>13,576,556</u>	<u>121,826,607</u>	<u>11,505,047</u>
Governmental activities long- term liabilities	<u>\$ 212,157,678</u>	<u>3,917,377</u>	<u>22,084,204</u>	<u>193,990,851</u>	<u>19,490,047</u>

The General Fund or the Special Revenue Fund where the employees' salaries are charged generally liquidates compensated absences and other postemployment benefit obligation.

In November 2010, the County executed a regional lease purchase agreement with York County totaling \$1,312,522 to purchase enhanced 911 equipment to service each respective jurisdiction's Dispatch Center and to be compatible with current technology and telephone systems. At June 30, 2014, \$1,008,700 was included in capital assets, and \$100,820 depreciation expense was incurred during fiscal year 2014.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

The present value of future minimum capital lease payments of the County as of June 30, 2014, is as follows:

Fiscal year ending June 30:		
2015	\$	162,369
2016		162,369
2017		162,369
2018		162,369
2019		162,369
2020-2021		<u>324,738</u>
Total minimum lease payments		1,136,583
Less amount representing interest		<u>(152,055)</u>
Present value of minimum capital lease payments	\$	<u><u>984,528</u></u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(a) *Governmental Activities*

Details of long-term bonded indebtedness:

\$18,800,000 School Bonds, issued May 1, 1997, maturing in various annual installments through January 15, 2018, with interest payable semiannually at 5.60%	\$	5,600,000
\$19,220,000 School Bonds, Series 1999A, issued May 13, 1999, maturing in various annual installments through July 15, 2019, with interest payable semiannually at 4.725%		7,755,000
\$1,250,000 School Bonds, Series 1999B, issued August 17, 1999, maturing in various annual installments through July 15, 2019, with interest payable semiannually at 5.975%		360,000
\$21,510,000 General Obligation Public Improvement Refunding Bond, Series 2003, issued June 26, 2003, maturing in various installments through December 15, 2014, with interest payable semiannually at 5.00%		2,615,000
\$39,820,000 General Obligation School Bonds, Series 2005, issued June 8, 2005, maturing in various installments through December 15, 2029, with interest payable semiannually at 4.00%		30,345,000
\$21,000,000 General Obligation Bonds, Series 2006, issued December 28, 2006, maturing in annual installments of \$1,050,000 through June 15, 2026, with interest payable semiannually at 4.00%		12,600,000
\$4,820,000 General Obligation Public Improvement Refunding Bonds, Series, 2010, issued on October 20, 2010, maturing in various annual installments through December 15, 2015, with interest payable semiannually at 3.00%		3,335,000
\$1,000,000 General Obligation School Bond, Series 2011A, issued December 15, 2011, maturing in various installments through December 1, 2030, with interest payable semiannually at 4.25%		<u>900,000</u>
		63,510,000
Add premiums		<u>8,654,244</u>
Total general obligation bonds		<u>72,164,244</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Capital lease obligation:

\$1,312,522 entered into on November 10, 2010, due in various annual installments through December 1, 2020, with interest paid semiannually at 3.725%	984,528
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Lease revenue bonds:

\$22,570,000 issued August 24, 2005, due in various installments through July 25, 2025, with interest paid semiannually at 4.00%	15,670,000
\$95,775,000 issued December 28, 2006, due in various installments through June 15, 2026, with interest paid semiannually at 5.00%	57,455,000
\$14,935,000 issued September 23, 2009, due in various installments through January 15, 2030, with interest paid semiannually at 2.25%	12,025,000
\$6,672,000 issued September 30, 2011, due in various installments through July 15, 2021, with interest paid semiannually at 2.18%	5,336,000
\$26,380,000 issued September 11, 2012, due in various installments through June 30, 2033, with interest paid semiannually at 4.00%	23,930,000

OPEB obligation	1,810,962
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Compensated absences	3,449,442
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Landfill postclosure care costs	1,165,675
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Total other long-term liabilities	<u>121,826,607</u>
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Total governmental activities	<u>\$ 193,990,851</u>
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(b) Business-Type Activity

A summary of the County's long-term liability activity for the business-type activity for the fiscal year ended June 30, 2014, is presented below:

	<u>Amounts payable at July 1, 2013</u>	<u>Additions</u>	<u>Retirements and reductions</u>	<u>Amounts payable at June 30, 2014</u>	<u>Amounts due within one year</u>
Business-type activity:					
Revenue bonds	\$ 25,185,000	—	525,000	24,660,000	545,000
OPEB obligation	171,509	36,000	—	207,509	—
Compensated absences	407,777	450,179	484,043	373,913	280,435
Total	<u>\$ 25,764,286</u>	<u>486,179</u>	<u>1,009,043</u>	<u>25,241,422</u>	<u>825,435</u>

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Details of long-term bonded indebtedness:

\$27,120,000 Revenue Bonds, Series 2008 issued August, 2008,
maturing in various annual installments through 2040
with interest payable semiannually at 3.50%

\$ 24,660,000

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

Governmental activities:

	General obligation bonds		Lease revenue bonds	
	Principal	Interest	Principal	Interest
Fiscal year ending				
June 30:				
2015	\$ 7,985,000	2,840,438	8,727,000	5,209,451
2016	7,940,000	2,500,629	8,852,000	4,825,366
2017	5,275,000	2,200,726	8,982,000	4,427,807
2018	5,495,000	1,923,134	9,142,000	4,002,391
2019	4,115,000	1,688,425	9,312,000	3,566,566
2020-2024	16,075,000	6,009,716	40,981,000	11,728,493
2025-2029	13,875,000	2,370,094	22,495,000	3,117,720
2030-2033	2,750,000	121,500	5,925,000	458,443
	<u>\$ 63,510,000</u>	<u>19,654,662</u>	<u>114,416,000</u>	<u>37,336,237</u>

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

COUNTY OF JAMES CITY, VIRGINIA

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Business-type activity:

Fiscal year ending June 30:	Revenue bonds	
	Principal	Interest
2015	\$ 545,000	1,100,931
2016	565,000	1,081,856
2017	585,000	1,062,081
2018	605,000	1,041,606
2019	630,000	1,017,406
2020-2024	3,545,000	4,683,469
2025-2029	4,365,000	3,861,738
2030-2034	3,110,000	2,983,038
2035-2039	9,145,000	2,563,188
2040	1,565,000	78,250
	<u>\$ 24,660,000</u>	<u>19,473,563</u>

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

(c) Component Unit – Public Schools

	Amounts payable at July 1, 2013	Additions	Retirements and reductions	Amounts payable at June 30, 2014	Amounts due within one year
OPEB obligation	\$ 3,878,300	804,000	242,000	4,440,300	—
Equipment capital leases	—	200,483	26,912	173,571	35,370
Compensated absences	934,806	915,563	888,344	962,025	432,911
Component Unit – Public Schools long-term liabilities	<u>\$ 4,813,106</u>	<u>1,920,046</u>	<u>1,157,256</u>	<u>5,575,896</u>	<u>468,281</u>

(11) Landfill Closure and Postclosure Care Cost

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

State and federal laws and regulations require the County to perform certain maintenance and monitoring functions at the site for 10 to 30 years after closure. The \$1,165,675 reported as landfill postclosure liability at June 30, 2014, represents the liability estimated to monitor the landfill for an average monitoring period of 25 years plus the cost of a corrective action plan. This amount is based on what it would cost to perform all closure and postclosure care in 2014. Actual costs may be higher due to inflation, technology changes, or regulation changes. The County intends to fund these costs

COUNTY OF JAMES CITY, VIRGINIA

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

(12) Pension Plan

(a) *Plan Description*

All full-time, salaried regular employees of participating employers are automatically covered by Virginia Retirement System (VRS) upon employment. The VRS plan is a single-employer defined benefit plan and is administered by the County. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers three different benefit plans for local government employees – Plan 1, Plan 2 and Hybrid. Each plan has different eligibility and benefit structures as set out below.

VRS PLAN 1:

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

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

Hybrid Opt-In Election

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

Retirement Contributions

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment. Beginning July 1, 2012, the County opted for employees to pay the entire 5% member contribution.

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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 1.7%. 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 1.7% as elected by the employer.

Normal Retirement Age

Age 65.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 55 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

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Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

Cost-of-Living Adjustment (COLA) in Retirement

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

Eligibility:

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

Exceptions to COLA Effective Dates:

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

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

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

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

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VRS PLAN 2:

About VRS Plan 2

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

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

Hybrid Opt-In Election

VRS 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 VRS 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 VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

Retirement Contributions

Same as VRS Plan 1.

Creditable Service

Same as VRS Plan 1.

Vesting

Same as VRS Plan 1.

Calculating the Benefit

See definition under VRS Plan 1.

Average Final Compensation

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

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

Normal Retirement Age

Normal Social Security retirement age.

COUNTY OF JAMES CITY, VIRGINIA

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Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Hazardous duty members are eligible for an unreduced retirement benefit at 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

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

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (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 VRS Plan 1

Exceptions to COLA Effective Dates:

Same as VRS Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Same as VRS Plan 1.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members") The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving

distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

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Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes members in VRS Plan 1 or VRS 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 members of the State Police Officers' Retirement System (SPORS), the Virginia Law Officers' Retirement System (VaLORS), or political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

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.

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. VRS Plan 1 or VRS 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

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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 VRS 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 VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

The retirement multiplier is 1.0%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

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

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

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Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Not applicable.

Eligibility:

Same as VRS Plan 1 and VRS Plan 2.

Exceptions to COLA Effective Dates:

Same as VRS Plan 1 and VRS Plan 2.

Disability Coverage

Eligible political subdivision and school division (including VRS Plan 1 and VRS 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 VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

Purchase of Prior Service

Defined Benefit Component:

Same as VRS Plan 1.

Defined Contribution Component:

Not applicable.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/pdf/publications/2013-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

(b) *Funding Policy*

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. Effective July 1, 2012, Plan 1 members were required to make the 5% member contribution. Effective July 1, 2011, Plan 2 members were required to make their 5% contribution. Prior to these dates, the County assumed this contribution for employees. In addition, the County, the Authority and the Public Schools are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the statute and approved by the VRS board of trustees. The employer contribution rates for the fiscal year ended June 30, 2014 were 16.70%, 7.83% and 9.05% of annual covered payroll for the County, the Authority and the Public Schools, respectively.

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(c) Annual Pension Cost

For the fiscal year ended June 30, 2014, the annual pension cost of \$6,242,338, \$506,097, and \$541,526 for the County, Authority, Public Schools (non-professional), respectively, was equal to the annual required and actual contributions. The required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry-age-normal-actuarial-cost method amortizing the unfunded actuarial accrued liability over 20 years using the level percent, open method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases between 3.50% and 5.35%, and (c) cost-of-living adjustment of 2.50% for Plan 1 members and 2.25% for Plan 2 members. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the respective entities' assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a 5 year period. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 for the unfunded actuarial accrued liability (UAAL) was 30 years.

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

Governmental activities:

<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
June 30, 2014	\$ 6,242,338	100%	None
June 30, 2013	6,037,423	100	None
June 30, 2012	4,466,056	100	None

Business-type activity:

<u>Three-year trend information</u>			
<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
June 30, 2014	\$ 506,097	100%	None
June 30, 2013	506,157	100	None
June 30, 2012	382,768	100	None

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Notes to Basic Financial Statements

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Component Unit – Public Schools (non-professional):

Three-year trend information			
Fiscal year ending	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
June 30, 2014	\$ 541,526	100%	None
June 30, 2013	554,483	100	None
June 30, 2012	566,011	100	None

(d) *Funded Status and Funding Progress*

The most recent actuarial valuation as of June 30, 2013 indicated the following with respect to the plan's funded status and funding progress:

Governmental activities:

Actuarial value of assets	\$	113,360,491
Actuarial accrued liability (AAL)		145,419,002
Unfunded actuarial accrued liability (UAAL)		32,058,511
Funded ratio		77.95%
Covered payroll	\$	36,276,613
UAAL as a percentage of covered payroll		88.37%

Business-type activity:

Actuarial value of assets	\$	10,777,205
Actuarial accrued liability (AAL)		13,242,723
Unfunded actuarial accrued liability (UAAL)		2,465,518
Funded ratio		81.38%
Covered payroll	\$	3,893,323
UAAL as a percentage of covered payroll		63.33%

Component Unit – Public Schools (non-professional):

Actuarial value of assets	\$	13,580,628
Actuarial accrued liability (AAL)		14,876,279
Unfunded actuarial accrued liability (UAAL)		1,295,651
Funded ratio		91.29%
Covered payroll	\$	4,462,824
UAAL as a percentage of covered payroll		29.03%

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Notes to Basic Financial Statements

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

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

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

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

(a) Plan Provisions

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

(b) Funding Policy

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

(c) Plan Description

Currently, covered full-time active employees who retire directly from the County or Authority and are at least 50 years of age with 15 years of service are eligible to receive postretirement health care benefits. Each year, retirees participating in the County or Authority's sponsored plans will be given the opportunity to change plans or drop coverage during an open enrollment period. The pre-Medicare retirees have a choice of three plans: Optima, Healthkeepers and KeyCare. The majority of the participants are in Healthkeepers. Dental plans are available at the retiree's cost, and therefore, have no GASB 45 liability. There is no coverage for post-Medicare retirees. There were 556 County and 76 Authority participants at the time of the actuarial study. The County and Authority do not contribute towards the retiree's health insurance premiums. Therefore, since the retirees pay their health insurance premiums based on a blended rate, the County and Authority has an implicit liability.

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The Public Schools provides a single-employer defined benefit medical plan and a retiree health insurance premium contribution plan that covers retirees until they reach 65 years of age. There is no coverage for retirees or their spouses once they reach the age of 65 and are eligible for Medicare. Both plans were established under the authority of the Williamsburg-James City County School Board and any amendments to the plans must be approved by the School Board. The Public Schools' plan allows retirees under the age of 65 to remain in the same medical and dental plan as active employees if they have at least five years of service and are a covered member under the plan at retirement and for at least 24 months prior to retiring. Retirees pay 100% of the premium, minus any applicable \$62.50 monthly contribution. The Public Schools' plan allows eligible retirees to receive a \$62.50 monthly contribution toward their health insurance premium if they have a minimum of twelve continuous years of service. The Public Schools' current membership is 49.

(d) Annual OPEB Costs and Net OPEB Obligation

The net OPEB obligation as of June 30, 2014 was calculated as follows:

Governmental activities:

Annual required contribution	\$	467,000
Interest on net OPEB obligation		58,000
Actuarial adjustments		<u>(68,000)</u>
Annual OPEB cost		457,000
Contributions made		<u>(93,000)</u>
Increase in net OPEB obligation		364,000
Net OPEB obligation, beginning of year		<u>1,446,962</u>
Net OPEB obligation, end of year	\$	<u><u>1,810,962</u></u>

Business-type activity:

Annual required contribution	\$	44,000
Interest on net OPEB obligation		7,000
Actuarial adjustments		<u>(8,000)</u>
Annual OPEB cost		43,000
Contributions made		<u>(7,000)</u>
Increase in net OPEB obligation		36,000
Net OPEB obligation, beginning of year		<u>171,509</u>
Net OPEB obligation, end of year	\$	<u><u>207,509</u></u>

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Component Unit – Public Schools:

Annual required contribution	\$ 810,000
Interest on net OPEB obligation	155,000
Actuarial adjustments	<u>(161,000)</u>
Annual OPEB cost	804,000
Contributions made	<u>(242,000)</u>
Increase in net OPEB obligation	562,000
Net OPEB obligation, beginning of year	<u>3,878,300</u>
Net OPEB obligation, end of year	<u><u>\$ 4,440,300</u></u>

The trend information for the OPEB plans is as follows:

Governmental activities:

Three-year trend information			
Fiscal year ended June 30,	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
2014	\$ 364,000	20.4%	\$ 1,810,962
2013	322,000	22.7	1,446,962
2012	305,000	21.6	1,197,962

Business-type activity:

Three-year trend information			
Fiscal year ended June 30,	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
2014	\$ 36,000	19.4%	\$ 207,509
2013	34,000	38.2	171,509
2012	32,000	34.4	150,509

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Notes to Basic Financial Statements

June 30, 2014

Component Unit – Public Schools:

Three-year trend information			
Fiscal year ended June 30,	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
2014	\$ 804,000	30.1%	\$ 4,440,300
2013	815,000	29.3	3,878,300
2012	748,000	27.0	3,302,300

(e) Actuarial Methods and Assumptions

Valuation Methods

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

Employees Included in the Calculations

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

Actuarial Assumptions

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included calculations based on a discount rate of 4% for the unfunded liability, rate of inflation of 2.5%, payroll growth of 3%, healthcare cost trend rate of 9% and amortization of the initial unfunded actuarial liability over a closed 25 year period based on a level percent of payroll method. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial accrued liability was \$4,050,000, \$389,000 and \$6,782,000 for the County, Authority and Public Schools, respectively. Future increases for medical benefits are assumed to range from an initial rate of 7.50% and gradually decrease to 5.04% thereafter. It should be noted that actuarial valuations for the OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, actuarial calculations reflect a long-term

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

perspective and, therefore, actuarially determined amounts are subject to revision as results are compared to past expectations and new estimates are made about the future.

(f) Schedule of Funding Progress

Governmental activities:

Actuarial valuation date July 1,	Actuarial value of assets	Actuarial accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funding ratio	Covered payroll	UAAL as a percentage of covered payroll
2011	\$ —	2,767,000	2,767,000	—	\$ 32,497,922	8.5%
2012	—	2,997,000	2,997,000	—	33,716,939	8.9
2013	—	4,050,000	4,050,000	—	34,545,065	11.7

Business-type activity:

Actuarial valuation date July 1,	Actuarial value of assets	Actuarial accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funding ratio	Covered payroll	UAAL as a percentage of covered payroll
2011	\$ —	322,000	322,000	—	\$ 4,144,696	7.8%
2012	—	343,000	343,000	—	4,306,155	8.0
2013	—	389,000	389,000	—	4,288,721	9.1

Component Unit – Public Schools:

Actuarial valuation date July 1,	Actuarial value of assets	accrued liability (AAL) project unit credit	Unfunded actuarial accrued liability (UAAL)	Funding ratio	Covered payroll	UAAL as a percentage of covered payroll
2011	\$ —	5,803,000	5,803,000	—	\$ 71,381,094	8.1%
2012	—	6,349,000	6,349,000	—	70,133,265	9.1
2013	—	6,782,000	6,782,000	—	71,291,388	9.5

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(14) Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to permanent part-time and full-time County and Authority employees, permits them to defer 25% of their gross income up to the maximum allowable by the IRC (\$17,500 in 2014). The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

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

(15) Related-Party Transactions

Certain financial management, accounting, legal and other services are provided to the Authority by the County. The charge for these services amounted to \$857,564 for the year ended June 30, 2014. In addition, the County rents space in the Authority administration building under a lease agreement. This is a 25-year noncancelable operating lease agreement, which was extended through June 2014. The yearly rate was \$105,195 for 2014. The rental charge includes the following: utilities, insurance, maintenance, housekeeping supplies and custodial services.

In September 2009, the County entered into an agreement with the Schools for maintenance and custodial services. The agreement is in place for one year, which may be renewed or amended by November 1 each year. The County paid the Schools \$120,913 for the year ended June 30, 2014 for these services.

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

(16) Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. Property, liability and worker's compensation coverage are provided through the Virginia Association of Counties Group Self Insurance Risk Pool. The County reports all of its risk management expenditures in the General Fund.

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

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(17) Commitments and Contingencies

Primary Government

Construction in Progress – Governmental Activities

At June 30, 2014, the County had several major projects under construction which are presented in the accompanying financial statements as construction in progress. Presented below is a list of major projects, by budget, expenditures to date, balance of contract and budget balance.

<u>Project</u>	<u>Budget</u>	<u>Expenditures to date</u>	<u>Balance of contract</u>	<u>Budget balance</u>
Public safety	\$ 10,809,799	1,830,904	2,589,887	6,389,008
General governmental	5,966,451	2,257,440	725,696	2,983,315
Education	11,056,264	8,501,762	1,869,000	685,502
Parks and recreation	2,835,787	85,298	293,832	2,456,657
	<u>\$ 30,668,301</u>	<u>12,675,404</u>	<u>5,478,415</u>	<u>12,514,482</u>

Construction in Progress – Business-Type Activity

At June 30, 2014, the Authority had several major projects under construction which are presented in the accompanying financial statements as construction in progress. Presented on the following page is a list of major projects, by budget, expenditures to date, balance of contract and budget balance.

<u>Project</u>	<u>Budget</u>	<u>Expenditures to date</u>	<u>Balance of contract</u>	<u>Budget balance</u>
Sewer improvements	\$ 5,028,354	1,183,031	575,857	3,269,466
Water supply	8,684,574	479,088	103,551	8,101,935
Water distribution	331,971	—	—	331,971
Water transmission	69,122	—	54,417	14,705
Water storage	685,620	—	—	685,620
Other	1,031,684	86,501	177,501	767,682
	<u>\$ 15,831,325</u>	<u>1,748,620</u>	<u>911,326</u>	<u>13,171,379</u>

Advances for Construction

The Authority records advances for construction representing two separate agreement types. The first one represents funds advanced by developers for the construction of specific facilities. These agreements call for rebates, up to the amount advanced, and have no expiration date. Secondly, developers can also construct a facility, dedicate it to the Authority and receive rebates, up to the cost of the facility, for up to 10 years. The Authority no longer enters into these types of agreements. At June 30, 2014, the Authority had \$32,902 outstanding in advances for construction.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

Operating Leases

Primary Government

The County leases certain land and office space under noncancelable operating lease agreements. A summary of future minimum lease payments as of June 30, 2014 are as follows:

	<u>Lease payments due</u>
Year ending June 30:	
2015	\$ 397,204
2016	193,168
2017	43,312
2018	43,865
2019	44,050
2020-2024	224,385
2025-2029	231,116
	<u>\$ 1,177,100</u>

Rental expenditures related to these lease agreements were \$392,409 for the year ended June 30, 2014.

Component Unit – Public Schools

The Public Schools lease equipment and buildings under noncancelable operating leases. Total costs for such leases were approximately \$237,317 for the year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

	<u>Lease payments due</u>
Year ending June 30:	
2015	\$ 241,837
2016	154,507
2017	61,770
2018	33,985
	<u>\$ 492,099</u>

Other

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

COUNTY OF JAMES CITY, VIRGINIA

Notes to Basic Financial Statements

June 30, 2014

(18) Restatement

The County adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the effect on fiscal year 2013 is as follows:

	2013		2013
	Previously		2013
	Presented	Restatement	Restated
	<u> </u>	<u> </u>	<u> </u>
<i>Governmental activities:</i>			
Other assets	\$ 2,731,139	(1,250,929)	1,480,210
Long term liabilities-due in more than one year	192,348,869	(667,598)	191,681,271
Unrestricted net position	52,396,401	(1,918,527)	50,477,874
Net position	216,258,221	(1,918,527)	214,339,694
<i>Business-type activity:</i>			
Other assets	\$ 489,531	(489,531)	—
Unrestricted net position	30,189,025	(489,531)	29,699,494
Net position	172,775,615	(489,531)	172,286,084

(19) Subsequent Event

On August 5, 2014, the County issued General Obligation Refunding Bonds, Series 2014, in the amount of \$21,610,000 at 2.129%. This refunded the 2005 General Obligation Bonds outstanding. This was issued with savings of approximately \$3.7 million of debt service over the life of the loan or approximately \$265,000 annually. This equates to about 14.3% net present value savings.

On August 7, 2014, the County issued Lease Revenue Refunding Bonds, Series 2014, in the amount of \$12,575,000 at 2.222%. This refunded the 2005 Lease Revenue Bonds outstanding. This was issued with savings of approximately \$2.8 million of debt service over the life of the loan or approximately \$265,000 annually beginning in fiscal year 2016. A portion of this budgetary savings is due to the debt service reserve fund being released on the 2005 Lease Revenue Bonds. This equates to about 7.01% net present value savings.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

COUNTY OF JAMES CITY, VIRGINIA

General Fund

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

COUNTY OF JAMES CITY, VIRGINIA

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

General Fund

Year ended June 30, 2014

Fund, major and minor revenue source	Original budget	Final budget	Actual	Variance positive (negative)
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 84,100,000	84,100,000	84,909,394	809,394
Real and personal public service corporation property taxes	1,800,000	1,800,000	1,799,207	(793)
Personal property taxes	18,147,500	18,147,500	18,779,187	631,687
Machinery and tools taxes	5,650,000	5,650,000	5,764,949	114,949
Penalties	500,000	500,000	603,001	103,001
Interest	225,000	225,000	295,604	70,604
Total general property taxes	<u>110,422,500</u>	<u>110,422,500</u>	<u>112,151,342</u>	<u>1,728,842</u>
Other local taxes:				
Local sales and use taxes	10,000,000	10,000,000	9,999,119	(881)
Franchise license taxes	575,000	575,000	471,818	(103,182)
Taxes on recordation and wills	1,350,000	1,350,000	1,186,361	(163,639)
Hotel and motel room taxes	2,165,000	2,165,000	2,396,401	231,401
Restaurant food taxes	6,440,000	6,440,000	6,258,862	(181,138)
Deeds of conveyance	330,000	330,000	344,752	14,752
Penalties	—	—	16,199	16,199
Interest	—	—	6,757	6,757
Total other local taxes	<u>20,860,000</u>	<u>20,860,000</u>	<u>20,680,269</u>	<u>(179,731)</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	20,000	20,000	14,540	(5,460)
Business licenses	6,355,000	6,355,000	6,352,843	(2,157)
Motor vehicle licenses	135,000	135,000	159,190	24,190
Building permits	855,000	855,000	1,000,453	145,453
Permits and other licenses	585,000	585,000	607,273	22,273
Total permits, privilege fees and regulatory licenses	<u>7,950,000</u>	<u>7,950,000</u>	<u>8,134,299</u>	<u>184,299</u>
Fines and forfeitures	300,000	300,000	293,625	(6,375)
Revenue from use of property	185,000	185,000	194,575	9,575
Charges for services:				
Excess fees of the clerk	175,000	175,000	129,806	(45,194)
Charges for Commonwealth's attorney	6,000	6,000	5,347	(653)
Charges for law enforcement and traffic control	140,000	140,000	130,004	(9,996)
Charges for emergency medical services	2,376,000	2,376,000	2,023,446	(352,554)
Charges for parks and recreation	2,631,100	2,631,100	2,854,489	223,389
Landfill user fees	235,000	235,000	281,256	46,256
Other fees	50,500	50,500	125,259	74,759
Total charges for services	<u>5,613,600</u>	<u>5,613,600</u>	<u>5,549,607</u>	<u>(63,993)</u>
Miscellaneous revenue:				
Sale of property	75,000	75,000	65,612	(9,388)
Miscellaneous	83,300	116,677	126,081	9,404
Total miscellaneous revenue	<u>158,300</u>	<u>191,677</u>	<u>191,693</u>	<u>16</u>
Total revenue from local sources	<u>145,489,400</u>	<u>145,522,777</u>	<u>147,195,410</u>	<u>1,672,633</u>

COUNTY OF JAMES CITY, VIRGINIA

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

General Fund

Year ended June 30, 2014

Fund, major and minor revenue source	Original budget	Final budget	Actual	Variance positive (negative)
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling taxes	\$ 30,000	30,000	30,753	753
Tax on deeds	500,000	500,000	490,390	(9,610)
Railroad rolling stock taxes	51,000	51,000	57,312	6,312
Personal property tax relief	9,770,137	9,770,137	9,770,137	—
Communications sales and use tax	1,850,000	1,850,000	1,714,785	(135,215)
Car rental tax	90,000	90,000	113,959	23,959
Total noncategorical aid	<u>12,291,137</u>	<u>12,291,137</u>	<u>12,177,336</u>	<u>(113,801)</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	511,135	511,135	535,858	24,723
Sheriff	696,403	696,403	703,367	6,964
Commissioner of the revenue	162,225	162,225	167,866	5,641
Treasurer	155,891	155,891	165,292	9,401
Registrar/electoral board	47,000	47,000	46,080	(920)
Clerk of the circuit court	477,082	477,082	467,727	(9,355)
Total shared expenses	<u>2,049,736</u>	<u>2,049,736</u>	<u>2,086,190</u>	<u>36,454</u>
Other categorical aid:				
Wireless Board	184,684	184,684	178,001	(6,683)
Commission of the arts	5,000	5,000	5,000	—
HB 599 payments	1,320,500	1,320,500	1,320,488	(12)
Share of state sales tax	10,337,543	10,337,543	10,029,831	(307,712)
Other	50,000	54,000	65,194	11,194
Total other categorical aid	<u>11,897,727</u>	<u>11,901,727</u>	<u>11,598,514</u>	<u>(303,213)</u>
Total categorical aid	<u>13,947,463</u>	<u>13,951,463</u>	<u>13,684,704</u>	<u>(266,759)</u>
Total revenue from the Commonwealth	<u>26,238,600</u>	<u>26,242,600</u>	<u>25,862,040</u>	<u>(380,560)</u>
Revenue from the federal government:				
Payments in lieu of taxes	7,000	7,000	7,503	503
Total revenue from the federal government	<u>7,000</u>	<u>7,000</u>	<u>7,503</u>	<u>503</u>
Total revenues	<u>171,735,000</u>	<u>171,772,377</u>	<u>173,064,953</u>	<u>1,292,576</u>

COUNTY OF JAMES CITY, VIRGINIA

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

General Fund

Year ended June 30, 2014

Fund, major and minor expenditure source	Original budget	Final budget	Actual	Variance positive (negative)
General government administration:				
Legislative:				
Board of supervisors	\$ 196,129	224,859	212,021	12,838
General and financial administration:				
County administrator	481,224	541,859	537,716	4,143
County attorney	491,361	469,918	468,113	1,805
Human resources	709,383	748,034	634,535	113,499
Legal services	11,100	107,100	106,707	393
Commissioner of the revenue	746,247	746,247	729,151	17,096
Real estate assessments	768,870	773,630	756,477	17,153
Treasurer	1,273,741	1,273,741	1,268,382	5,359
Financial management	929,097	922,963	908,553	14,410
Accounting	151,134	162,134	143,399	18,735
Publications management	202,590	202,590	199,989	2,601
Purchasing	295,676	295,676	276,193	19,483
Records management	263,921	273,750	242,634	31,116
Telecommunications	213,485	213,485	211,079	2,406
Information technology	1,651,349	1,678,751	1,540,135	138,616
Fleet maintenance	916,812	980,417	948,711	31,706
Total general and financial administration	9,105,990	9,390,295	8,971,774	418,521
Board of elections:				
Voter registration and elections	346,324	356,226	338,490	17,736
Total general government administration	9,648,443	9,971,380	9,522,285	449,095
Judicial administration:				
Courts:				
Circuit court and judicial services	513,253	513,253	506,921	6,332
General district court	41,453	41,453	32,285	9,168
Juvenile and domestic relations district court	23,415	23,495	18,880	4,615
Clerk of the circuit court	746,140	744,419	681,308	63,111
Sheriff	1,301,173	1,301,733	1,301,729	4
9th judicial district	9,845	10,303	9,482	821
Court services and juvenile detention	478,500	495,763	430,181	65,582
Courthouse	448,606	443,786	399,706	44,080
Total courts	3,562,385	3,574,205	3,380,492	193,713
Commonwealth's attorney	760,366	763,637	763,606	31
Total judicial administration	4,322,751	4,337,842	4,144,098	193,744
Public safety:				
Law enforcement and traffic control:				
Police department	9,321,890	9,413,885	9,084,889	328,996
Emergency communications	2,798,387	2,750,110	2,658,319	91,791
Total law enforcement and traffic control	12,120,277	12,163,995	11,743,208	420,787
Fire and rescue services:				
Fire department and emergency medical services	10,224,229	10,439,804	10,333,036	106,768

COUNTY OF JAMES CITY, VIRGINIA

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

General Fund

Year ended June 30, 2014

Fund, major and minor expenditure source	Original budget	Final budget	Actual	Variance positive (negative)
Correction and detention:				
Regional jail	\$ 2,363,161	2,367,861	2,367,825	36
Inspections:				
Building and safety permits	1,098,436	1,099,773	1,020,336	79,437
Other protection:				
Animal control	205,645	205,645	190,407	15,238
Emergency management	331,140	331,140	303,972	27,168
Total other protection	536,785	536,785	494,379	42,406
Total public safety	26,342,888	26,608,218	25,958,784	649,434
Public works:				
Sanitation and waste removal:				
Grounds maintenance	1,563,148	1,572,854	1,480,452	92,402
Solid waste and recycling	1,637,733	1,673,013	1,672,964	49
Total sanitation and waste removal	3,200,881	3,245,867	3,153,416	92,451
Maintenance of general buildings and grounds:				
Facilities management	4,324,642	4,353,913	4,187,371	166,542
Total public works	7,525,523	7,599,780	7,340,787	258,993
Health and welfare:				
Local health department	727,994	731,510	717,552	13,958
Mental health and mental retardation	1,026,995	1,026,995	1,026,995	—
Total health and welfare	1,754,989	1,758,505	1,744,547	13,958
Education:				
School board administration	79,385,409	79,385,409	77,496,482	1,888,927
Parks, recreation and cultural:				
Parks and recreation:				
Administration	4,546,758	4,546,398	4,380,058	166,340
Community centers	189,300	189,300	158,253	31,047
Park operations	222,800	226,302	224,132	2,170
Recreation services	369,400	370,500	294,612	75,888
Total parks and recreation	5,328,258	5,332,500	5,057,055	275,445
Library:				
Regional library	4,321,006	4,321,006	4,321,006	—
Total parks, recreation and cultural	9,649,264	9,653,506	9,378,061	275,445
Community development:				
Planning and community development:				
Planning	991,920	999,919	891,884	108,035
Development management	212,214	212,214	201,945	10,269
Communications	584,558	586,123	540,103	46,020
Zoning enforcement	330,897	330,897	321,655	9,242
Economic development	409,129	408,066	391,877	16,189
Satellite office	219,576	219,576	212,310	7,266
Contributions – other	732,272	733,072	731,971	1,101
Regional transportation	573,420	573,420	573,420	—
Total planning and community development	4,053,986	4,063,287	3,865,165	198,122

COUNTY OF JAMES CITY, VIRGINIA

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

General Fund

Year ended June 30, 2014

<u>Fund, major and minor expenditure source</u>	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Environmental management:				
Engineering and resource protection	\$ 1,035,664	1,039,764	850,267	189,497
Stormwater management	520,497	691,576	527,283	164,293
Total environmental management	<u>1,556,161</u>	<u>1,731,340</u>	<u>1,377,550</u>	<u>353,790</u>
Cooperative extension program:				
Community development	49,800	49,800	23,674	26,126
Total community development	<u>5,659,947</u>	<u>5,844,427</u>	<u>5,266,389</u>	<u>578,038</u>
Nondepartmental:				
Miscellaneous	417,025	(74,877)	721,744	(796,621)
Total expenditures	<u>144,706,239</u>	<u>145,084,190</u>	<u>141,573,177</u>	<u>3,511,013</u>
Excess of revenues over expenditures	27,028,761	26,688,187	31,491,776	4,803,589
Other financing uses:				
Operating transfers out	(29,878,661)	(30,009,661)	(34,244,165)	(4,234,504)
Excess (deficiency) of revenues over expenditures and other uses	(2,849,900)	(3,321,474)	(2,752,389)	569,085
Fund balance at beginning of year	2,849,900	3,321,474	40,886,094	37,564,620
Fund balance at end of year	\$ <u>—</u>	<u>—</u>	<u>38,133,705</u>	<u>38,133,705</u>

Unaudited - see accompanying independent auditors' report.

See accompanying note to required supplementary information.

COUNTY OF JAMES CITY, VIRGINIA

Schedules of Funding Progress - VRS

Required Supplementary Information (Unaudited)

June 30, 2014

County employees:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded actuarial accrued liability (UAAL)	Funded ratio (%)	Covered payroll	UAAL as a percentage of covered payroll (%)
June 30, 2009	\$ 98,175,234	112,735,283	14,560,049	87.08%	\$ 36,393,488	40.01%
June 30, 2010	101,235,996	127,031,132	25,795,136	79.69	35,200,976	73.28
June 30, 2011	105,068,952	134,838,075	29,769,123	77.92	34,570,101	86.11
June 30, 2012	107,015,111	141,541,906	34,526,795	75.61	34,025,561	101.47
June 30, 2013	113,360,491	145,419,002	32,058,511	77.95	36,276,613	88.37

James City Service Authority employees:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded actuarial accrued liability / (funding excess) (UAAL)	Funded ratio (%)	Covered payroll	UAAL / excess funding as a percentage of covered payroll (%)
June 30, 2009	\$ 9,259,271	9,773,570	514,299	94.74%	\$ 3,995,122	12.87%
June 30, 2010	9,379,722	11,139,934	1,760,212	84.20	3,762,294	46.79
June 30, 2011	9,884,534	11,714,335	1,829,801	84.38	3,789,456	48.29
June 30, 2012	10,146,323	12,443,789	2,297,466	81.54	3,779,338	60.79
June 30, 2013	10,777,205	13,242,723	2,465,518	81.38	3,893,323	63.33

Public Schools' – non-professional:

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL)	Unfunded actuarial accrued liability / (UAAL)	Funded ratio (%)	Covered payroll	UAAL as a percentage of covered payroll (%)
June 30, 2009	\$ 11,767,848	12,381,835	613,987	95.04%	\$ 4,819,099	12.74%
June 30, 2010	12,134,124	14,053,571	1,919,447	86.34	4,839,145	39.67
June 30, 2011	12,608,672	14,672,694	2,064,022	85.93	4,796,556	43.03
June 30, 2012	12,876,349	15,103,163	2,226,814	85.26	4,730,105	47.08
June 30, 2013	13,580,628	14,876,279	1,295,651	91.29	4,462,824	29.03

Unaudited - see accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Note to Required Supplementary Information (Unaudited)

June 30, 2014

(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; Revolving Loan 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 \$37,377, excluding encumbrances carried forward of \$471,473, in supplemental appropriations during the fiscal year ended June 30, 2014. This increase was primarily to appropriate insurance recovery funds to replace damaged equipment and vehicles. 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, 2014, as adopted and amended by supplemental appropriations.

Unaudited – see accompanying independent auditors' report.

**SUPPLEMENTARY INFORMATION –
COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES – BY FUND TYPE**

COUNTY OF JAMES CITY, VIRGINIA

Debt Service Fund

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

COUNTY OF JAMES CITY, VIRGINIA

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

Debt Service Fund

Year ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues:				
Revenue from use of money and property	\$ 20,000	20,000	14,836	(5,164)
Miscellaneous	218,018	218,018	238,792	20,774
Total revenues	<u>238,018</u>	<u>238,018</u>	<u>253,628</u>	<u>15,610</u>
Expenditures:				
Community development	—	—	44,724	(44,724)
Principal retirement	16,417,326	16,417,326	16,417,326	—
Interest, other fiscal charges and early retirement	8,799,328	8,799,328	8,822,326	(22,998)
Total expenditures	<u>25,216,654</u>	<u>25,216,654</u>	<u>25,284,376</u>	<u>(67,722)</u>
Excess (deficiency) of revenues over (under) expenditures	(24,978.636)	(24,978.636)	(25,030,748)	(52,112)
Other financing sources (uses):				
Operating transfers in	20,500,000	20,500,000	25,030,748	(4,530,748)
Excess (deficiency) of revenues and other sources over (under) expenditures	(4,478.636)	(4,478.636)	—	4,478.636
Fund balance at beginning of year	4,478.636	4,478.636	—	(4,478,636)
Fund balance at end of year	<u>\$ —</u>	<u>—</u>	<u>—</u>	<u>—</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Nonmajor Governmental Funds

The County reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

COUNTY OF JAMES CITY, VIRGINIA

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

Assets	Virginia Public Assistance Fund	Colonial Community Corrections Fund	Community Development Fund	Revolving Loan Fund	Trust Fund	Tourism Investment Fund	Grants and Special Projects Fund	Total
Cash and cash equivalents and investments	\$ 1,382,656	97,340	952,366	—	468,338	383,661	—	3,284,361
Cash and cash equivalents, restricted	—	—	346,346	—	—	—	667,123	1,013,469
Taxes receivable	—	—	—	—	—	81,882	—	81,882
Accounts receivable	—	23,271	2,243	—	—	—	—	25,514
Loans receivable	—	—	3,473,806	—	—	—	—	3,473,806
Due from other governments	323,093	8,522	9,025	—	—	—	775,298	1,115,938
Total assets	\$ 1,705,749	129,133	4,783,786	—	468,338	465,543	1,442,421	8,994,970
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 14,940	16,671	3,622	—	1,470	79,799	134,518	251,020
Accrued liabilities	2,076	1,804	—	—	—	—	4,955	8,835
Liabilities payable from restricted assets	—	—	62,540	—	—	—	—	62,540
Due to other funds	284,756	2,180	328	—	9,559	—	333,621	630,444
Due to component unit	—	—	—	—	—	—	8,792	8,792
Unearned revenue	—	14,250	2,872,099	—	—	—	400,373	3,286,722
Total liabilities	301,772	34,905	2,938,589	—	11,029	79,799	882,259	4,248,353
Fund balances:								
Nonspendable - Loans	—	—	601,707	—	—	—	—	601,707
Committed - Grants	—	—	220,607	—	—	—	20,293	240,900
Assigned - Special revenue	1,403,977	94,228	1,022,883	—	457,309	385,744	539,869	3,904,010
Total fund balances	1,403,977	94,228	1,845,197	—	457,309	385,744	560,162	4,746,617
Total liabilities and fund balances	\$ 1,705,749	129,133	4,783,786	—	468,338	465,543	1,442,421	8,994,970

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, 2014

	Virginia Public Assistance Fund	Colonial Community Corrections Fund	Community Development Fund	Revolving Loan Fund	Trust Fund	Tourism Investment Fund	Grants and Special Projects Fund	Total
Revenues:								
Other local taxes	\$ —	—	—	—	—	754,777	—	754,777
Revenue from use of money and property	—	—	—	—	12	—	—	12
Miscellaneous	—	90,363	764,430	83,685	36,645	—	—	975,123
Intergovernmental:								
Local	—	76,264	—	—	—	—	102,761	179,025
Commonwealth	1,258,493	810,490	355,327	—	3,529	—	400,609	2,828,448
Federal	2,116,824	98,887	1,224,412	—	13,531	—	1,151,341	4,604,995
Total revenues	<u>3,375,317</u>	<u>1,076,004</u>	<u>2,344,169</u>	<u>83,685</u>	<u>53,717</u>	<u>754,777</u>	<u>1,654,711</u>	<u>9,342,380</u>
Expenditures:								
Current:								
General government administration	—	—	—	—	—	—	121,573	121,573
Judicial administration	—	1,109,359	—	—	24,199	—	236,953	1,370,511
Public safety	—	—	—	—	130,593	—	675,006	805,599
Public works	—	—	—	—	138	—	13,015	13,153
Health and welfare	4,908,930	—	—	—	2,734	—	405,116	5,316,780
Parks, recreation and cultural	—	—	—	—	—	—	521,098	521,098
Community development	—	—	3,019,712	34,647	—	1,864,823	727,984	5,647,166
Total expenditures	<u>4,908,930</u>	<u>1,109,359</u>	<u>3,019,712</u>	<u>34,647</u>	<u>157,664</u>	<u>1,864,823</u>	<u>2,700,745</u>	<u>13,795,880</u>
Excess (deficiency) of revenues over (under) expenditures	(1,533,613)	(33,355)	(675,543)	49,038	(103,947)	(1,110,046)	(1,046,034)	(4,453,500)
Other financing sources (uses):								
Transfers in	1,534,173	42,898	1,054,510	—	—	1,299,000	616,611	4,547,192
Transfers out	—	—	—	(468,846)	—	—	—	(468,846)
Total other financing sources (uses)	<u>1,534,173</u>	<u>42,898</u>	<u>1,054,510</u>	<u>(468,846)</u>	<u>—</u>	<u>1,299,000</u>	<u>616,611</u>	<u>4,078,346</u>
Net change in fund balances	560	9,543	378,967	(419,808)	(103,947)	188,954	(429,423)	(375,154)
Fund balances at beginning of year	1,403,417	84,685	1,466,230	419,808	561,256	196,790	989,585	5,121,771
Fund balances at end of year	<u>\$ 1,403,977</u>	<u>94,228</u>	<u>1,845,197</u>	<u>—</u>	<u>457,309</u>	<u>385,744</u>	<u>560,162</u>	<u>4,746,617</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Virginia Public Assistance Fund
 Year ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
Revenues:			
Intergovernmental:			
Commonwealth	\$ 2,935	1,258,493	1,255,558
Federal	3,667,658	2,116,824	(1,550,834)
Total intergovernmental revenues	<u>3,670,593</u>	<u>3,375,317</u>	<u>(295,276)</u>
Expenditures:			
Current:			
Health and welfare	<u>5,590,634</u>	<u>4,908,930</u>	<u>681,704</u>
Excess (deficiency) of revenues over (under) expenditures	(1,920,041)	(1,533,613)	386,428
Other financing sources:			
Operating transfers in	<u>1,534,173</u>	<u>1,534,173</u>	<u>—</u>
Excess (deficiency) of revenues and other sources over (under) expenditures	(385,868)	560	(386,428)
Fund balance at beginning of year	<u>385,868</u>	<u>1,403,417</u>	<u>(1,017,549)</u>
Fund balance at end of year	<u>\$ —</u>	<u>1,403,977</u>	<u>(1,403,977)</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Agency Funds

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

Pension Trust Fund

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

Agency Funds

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

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

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

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

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

COUNTY OF JAMES CITY, VIRGINIA
 Combining Statement of Fiduciary Net Assets
 Agency Funds
 June 30, 2014

Assets	<u>Special Welfare</u>	<u>WAMAC</u>	<u>Regional Jail</u>	<u>Juvenile Detention</u>	<u>Williamsburg Area Transit Authority</u>	<u>Total</u>
Cash and cash equivalents	\$ 206	117,692	851,664	327,972	769,281	2,066,815
Restricted cash and cash equivalents and investments with fiscal agent/trustee	—	4,106,651	3,453,235	—	—	7,559,886
Accounts receivable	—	97,822	149,437	389,417	7,978	644,654
Due from other governmental units	—	—	1,134,515	—	935,192	2,069,707
Total assets	<u>\$ 206</u>	<u>4,322,165</u>	<u>5,588,851</u>	<u>717,389</u>	<u>1,712,451</u>	<u>12,341,062</u>
Liabilities						
Accounts payable and accrued liabilities	\$ —	28,853	304,601	154,007	732,395	1,219,856
Amounts held for others	206	4,293,312	5,284,250	563,382	980,056	11,121,206
Total liabilities	<u>\$ 206</u>	<u>4,322,165</u>	<u>5,588,851</u>	<u>717,389</u>	<u>1,712,451</u>	<u>12,341,062</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	<u>Balances beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances end of year</u>
Special Welfare Fund:				
Assets:				
Cash	\$ 8,793	13,161	21,748	206
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,527	80	1,607	—
Amounts held for others	7,266	16,198	23,258	206
Total liabilities	<u>\$ 8,793</u>	<u>16,278</u>	<u>24,865</u>	<u>206</u>
WAMAC Fund:				
Assets:				
Cash	\$ 1,818,478	733,651	2,434,437	117,692
Restricted cash	2,250,000	1,856,651	—	4,106,651
Accounts receivable	81,892	161,856	145,926	97,822
Total assets	<u>\$ 4,150,370</u>	<u>2,752,158</u>	<u>2,580,363</u>	<u>4,322,165</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 47,921	2,108,422	2,127,490	28,853
Amounts held for others	4,102,449	2,690,759	2,499,896	4,293,312
Total liabilities	<u>\$ 4,150,370</u>	<u>4,799,181</u>	<u>4,627,386</u>	<u>4,322,165</u>
Regional Jail Fund:				
Assets:				
Cash and cash equivalents	\$ 547,556	12,871,046	12,566,938	851,664
Restricted cash and cash equivalents and investments with fiscal agent/trustee	5,426,972	1,874,816	3,848,553	3,453,235
Accounts receivable	157,385	425,997	433,945	149,437
Due from other governmental units	1,142,794	1,134,515	1,142,794	1,134,515
Total assets	<u>\$ 7,274,707</u>	<u>16,306,374</u>	<u>17,992,230</u>	<u>5,588,851</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 749,080	8,118,114	8,562,593	304,601
Amounts held for others	6,525,627	15,308,107	16,549,484	5,284,250
Total liabilities	<u>\$ 7,274,707</u>	<u>23,426,221</u>	<u>25,112,077</u>	<u>5,588,851</u>
Juvenile Detention Fund:				
Assets:				
Cash and cash equivalents and investments	\$ 534,145	3,289,517	3,495,690	327,972
Accounts receivable	155,394	389,417	155,394	389,417
Total assets	<u>\$ 689,539</u>	<u>3,678,934</u>	<u>3,651,084</u>	<u>717,389</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 215,479	3,279,557	3,341,029	154,007
Amounts held for others	474,060	4,521,837	4,432,515	563,382
Total liabilities	<u>\$ 689,539</u>	<u>7,801,394</u>	<u>7,773,544</u>	<u>717,389</u>

COUNTY OF JAMES CITY, VIRGINIA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	Balances beginning of year	Additions	Reductions	Balances end of year
Williamsburg Area Transit Authority Fund:				
Assets:				
Cash and cash equivalents	\$ 602,976	6,197,925	6,031,620	769,281
Accounts receivable	17,749	7,978	17,749	7,978
Due from other governmental units	725,194	935,192	725,194	935,192
Total assets	<u>\$ 1,345,919</u>	<u>7,141,095</u>	<u>6,774,563</u>	<u>1,712,451</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 417,585	3,599,783	3,284,973	732,395
Amounts held for others	928,334	15,122,904	15,071,182	980,056
Total liabilities	<u>\$ 1,345,919</u>	<u>18,722,687</u>	<u>18,356,155</u>	<u>1,712,451</u>
Total:				
Assets:				
Cash and cash equivalents and investments	\$ 3,511,948	23,105,300	24,550,433	2,066,815
Restricted cash and cash equivalents and investments with fiscal agent/trustee	7,676,972	3,731,467	3,848,553	7,559,886
Accounts receivable	412,420	985,248	753,014	644,654
Due from other governmental units	1,867,988	2,069,707	1,867,988	2,069,707
Total assets	<u>\$ 13,469,328</u>	<u>29,891,722</u>	<u>31,019,988</u>	<u>12,341,062</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,431,592	17,105,956	17,317,692	1,219,856
Amounts held for others	12,037,736	37,659,805	38,576,335	11,121,206
Total liabilities	<u>\$ 13,469,328</u>	<u>54,765,761</u>	<u>55,894,027</u>	<u>12,341,062</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Discretely Presented Component Units

The County reports the following discretely presented component units:

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

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

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Discretely Presented Component Unit – Public Schools – Governmental Funds

June 30, 2014

Assets	General	Grants	Schools' food services	Capital projects	Total governmental funds
Cash and temporary investments	\$ 17,704,723	11,105	726,864	745,754	19,188,446
Receivables	73,268	28,551	6,628	—	108,447
Due from federal government	—	673,078	128,159	—	801,237
Due from Commonwealth of Virginia	136,504	25,879	—	—	162,383
Due from the City of Williamsburg and James City County	59,535	—	—	849,662	909,197
Inventory	—	—	52,094	—	52,094
Total assets	<u>\$ 17,974,030</u>	<u>738,613</u>	<u>913,745</u>	<u>1,595,416</u>	<u>21,221,804</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,463,907	80,191	42,981	545,732	2,132,811
Accrued payroll	6,257,867	271,910	126,381	—	6,656,158
Accrued benefits	5,126,806	199,293	110,859	—	5,436,958
Due to the City of Williamsburg and James City County	2,088,131	—	—	—	2,088,131
Total liabilities	<u>14,936,711</u>	<u>551,394</u>	<u>280,221</u>	<u>545,732</u>	<u>16,314,058</u>
Fund balances:					
Nonspendable -					
Inventory	—	—	52,094	—	52,094
Restricted	—	187,219	581,430	—	768,649
Committed	—	—	—	1,049,684	1,049,684
Assigned	2,537,319	—	—	—	2,537,319
Unassigned	500,000	—	—	—	500,000
Total fund balances	<u>3,037,319</u>	<u>187,219</u>	<u>633,524</u>	<u>1,049,684</u>	<u>4,907,746</u>
Total liabilities and fund balances	<u>\$ 17,974,030</u>	<u>738,613</u>	<u>913,745</u>	<u>1,595,416</u>	
Adjustments for the statement of net position:					
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.					52,447,242
Advance receipt of grant funding is not reported as a liability in the governmental funds.					(187,219)
Long-term liabilities are not reported as liabilities in the governmental funds.					
Compensated absences		(962,025)			
Equipment capital leases		(173,571)			
Other post employment benefits		<u>(4,440,300)</u>			<u>(5,575,896)</u>
Net position of governmental activities					<u>\$ 51,591,873</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Revenues, Expenditures and Changes in Fund Balances

Discretely Presented Component Unit – Public Schools – Governmental Funds

Year ended June 30, 2014

	<u>General</u>	<u>Grants</u>	<u>Schools' food services</u>	<u>Capital projects</u>	<u>Total governmental funds</u>
Revenues:					
Intergovernmental:					
From City of Williamsburg and James City County	\$ 85,635,282	—	—	4,079,084	89,714,366
From Commonwealth of Virginia	28,765,707	838,927	57,024	57,680	29,719,338
From federal government	92,639	3,711,829	2,117,740	—	5,922,208
Total intergovernmental	114,493,628	4,550,756	2,174,764	4,136,764	125,355,912
Charges for services	730,275	19,933	1,786,986	—	2,537,194
Interest	3,599	—	488	—	4,087
Miscellaneous	224,400	691,958	—	—	916,358
Total revenues	115,451,902	5,262,647	3,962,238	4,136,764	128,813,551
Expenditures:					
General and administrative	2,441,253	—	—	—	2,441,253
Instruction	82,981,442	4,263,600	—	—	87,245,042
Attendance and health services	3,784,896	422,493	—	—	4,207,389
Pupil transportation	7,178,735	—	—	—	7,178,735
Operations and maintenance	10,739,976	23,741	—	—	10,763,717
Technology	5,998,644	204,799	—	—	6,203,443
Food services	—	79,799	3,979,334	—	4,059,133
Debt service:					
Principal	26,912	—	—	—	26,912
Interest	15,635	—	—	—	15,635
Capital outlay	1,277,586	271,841	98,430	4,547,360	6,195,217
Total expenditures	114,445,079	5,266,273	4,077,764	4,547,360	128,336,476
Excess (deficiency) of revenues over (under) expenditures	1,006,823	(3,626)	(115,526)	(410,596)	477,075
Other financing sources:					
Proceeds from capital lease obligations	200,483	—	—	—	200,483
Total other financing sources	200,483	—	—	—	200,483
Net change in fund balances	1,207,306	(3,626)	(115,526)	(410,596)	677,558
Fund balances at beginning of year	1,830,013	190,845	749,050	1,460,280	4,230,188
Fund balances at end of year	\$ 3,037,319	187,219	633,524	1,049,684	4,907,746

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, 2014

Net change in fund balances	\$ 677,558
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	6,195,217
Depreciation expense	<u>(3,578,506)</u>
	2,616,711
 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.	 (67,025)
Repayment of debt principal is an expenditure in the governmental funds, but does not affect the statement of activities.	26,912
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	(27,219)
Change in net OPEB obligation	<u>(562,000)</u>
	(589,219)
 Proceeds from the issuance of long-term debt are reported as other financing sources in the governmental funds, increasing fund balance. In the government-wide statements, new debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This represents principal amounts of new capital leases.	 (200,483)
Governmental funds recognize revenues when they are both measurable and available, that is collected during the period or within two months after year end. However, they are recognized in full for the period they are earned in the statement of activities.	 <u>3,626</u>
Change in net position	<u>\$ 2,468,080</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Changes in Assets and Liabilities

Discretely Presented Component Unit – Public Schools – Agency Funds

Year ended June 30, 2014

	<u>Balances beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balances end of year</u>
State Operated Educational Program:				
Assets:				
Cash and temporary investments	\$ (202,450)	1,047,448	1,022,951	(177,953)
Due from other governmental units	268,889	261,756	268,890	261,755
Total assets	<u>\$ 66,439</u>	<u>1,309,204</u>	<u>1,291,841</u>	<u>83,802</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>\$ 66,439</u>	<u>1,879,850</u>	<u>1,862,487</u>	<u>83,802</u>
School Activity Fund:				
Assets:				
Cash and temporary investments	<u>\$ 1,306,023</u>	<u>2,119,178</u>	<u>2,187,353</u>	<u>1,237,848</u>
Liabilities:				
Amounts held for others	<u>\$ 1,306,023</u>	<u>2,119,178</u>	<u>2,187,353</u>	<u>1,237,848</u>
Totals – primary government:				
Assets:				
Cash and temporary investments	\$ 1,103,573	3,166,626	3,210,304	1,059,895
Due from other governmental units	268,889	261,756	268,890	261,755
Total assets	<u>\$ 1,372,462</u>	<u>3,428,382</u>	<u>3,479,194</u>	<u>1,321,650</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 66,439	1,879,850	1,862,487	83,802
Amounts held for others	1,306,023	2,119,178	2,187,353	1,237,848
Total liabilities	<u>\$ 1,372,462</u>	<u>3,999,028</u>	<u>4,049,840</u>	<u>1,321,650</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Balance Sheet

Discretely Presented Component Unit – Economic Development Authority

June 30, 2014

Assets

Assets:	
Cash and short-term investments (note 2)	\$ 1,358,901
Due from James City County	218,108
Interest receivable	845
Notes receivable	16,981
Capital assets (note 7 and 18):	
Land	233,106
Furniture and equipment	5,119
Intangible assets	7,600
Construction in progress	166,510
Accumulated depreciation	<u>(4,533)</u>
Total capital assets	<u>407,802</u>
Total assets	<u><u>\$ 2,002,637</u></u>

Liabilities and Net Position

Liabilities:	
Current liabilities:	
Accounts payable	\$ 240,013
Due to James City County	<u>171</u>
Total current liabilities	<u>240,184</u>
Net position:	
Net investment in capital assets	407,802
Unrestricted	<u>1,354,651</u>
Total net position	<u>1,762,453</u>
Total liabilities and net position	<u><u>\$ 2,002,637</u></u>

See accompanying independent auditors' report.

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, 2014

Operating revenues:	
County contribution	\$ 83,297
Bond fees	19,050
Lease income	14,725
Incubator revenue	15,375
Incubator member contributions	69,000
Total operating revenues	<u>201,447</u>
Operating expenses:	
Community development	215,133
Promotion	59,908
Professional fees	16,038
Note forgiveness	1,882
Performance based agreements	41,994
Other	7,449
Total operating expenses	<u>342,404</u>
Operating loss before depreciation	<u>(140,957)</u>
Depreciation	<u>2,075</u>
Operating loss	<u>(143,032)</u>
Nonoperating revenue (expense):	
Loss on transfer of property	(2,250,000)
Interest income	15,385
Net nonoperating expense	<u>(2,234,615)</u>
Change in net position	<u>(2,377,647)</u>
Net position at beginning of year	<u>4,140,100</u>
Net position at end of year	<u>\$ 1,762,453</u>

See accompanying independent auditors' report.

COUNTY OF JAMES CITY, VIRGINIA

Statement of Cash Flows

Discretely Presented Component Unit – Economic Development Authority

Year ended June 30, 2014

Cash flows from operating activities:	
Receipts from customers	\$ 177,015
Payments to suppliers	(448,682)
	<u>(271,667)</u>
Net cash used by operating activities	
Cash flows from investing activities -	
Interest received	15,385
	<u>(256,282)</u>
Net decrease in cash and short-term investments	
Cash and short-term investments at beginning of year	<u>1,615,183</u>
Cash and short-term investments at end of year	<u>\$ 1,358,901</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (143,032)
Adjustments to reconcile operating loss to cash used by operating activities:	
Depreciation	2,075
Note forgiveness	1,882
Changes in assets and liabilities:	
Due from James City County	(31,306)
Interest receivable	(8)
Notes receivable	5,000
Accounts payable	30,254
Due to James City County	(102,032)
Unearned revenue	(34,500)
	<u>(271,667)</u>
Net cash used by operating activities	<u>\$ (271,667)</u>
Cash and short term investments at June 30, 2014 are comprised of the following amounts:	
Cash and short-term investments	<u>\$ 1,358,901</u>

See accompanying independent auditors' report.

STATISTICAL SECTION (UNAUDITED)

COUNTY OF JAMES CITY, VIRGINIA

Statistical Section Overview

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

CONTENTS

Financial Trends **Tables 1 - 4**

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

Revenue Capacity **Tables 5 - 9**

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

Debt Capacity **Tables 10 - 12**

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

Demographic & Economic Information **Tables 13 - 14**

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

Operation Information **Tables 15 - 18**

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

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

Table 1

COUNTY OF JAMES CITY, VIRGINIA

Net Position by Component

Last Ten Fiscal Years

	Fiscal year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013, as restated	2014
Governmental activities:										
Net investment in capital assets	\$ 47,458,012	57,943,767	25,413,961	160,168,505	155,643,755	91,045,788	46,961,066	133,812,951	128,851,392	142,867,725
Reserved:										
Capital projects	43,794,137	41,541,322	124,329,355	6,498,734	15,716,245	41,296,767	20,005,183	21,226,338	35,010,428	8,320,449
Debt service	85,774	—	—	—	—	—	—	—	—	—
Other purposes	1,741,595	14,148,422	6,214,172	433,272	394,831	813,685	—	—	—	—
Unrestricted	55,102,486	47,114,240	37,081,001	44,309,703	42,816,887	61,999,946	134,831,315	55,343,408	52,396,401	71,923,431
Total governmental activities net position	\$ 148,182,004	160,747,751	193,038,489	211,410,214	214,571,718	195,156,186	201,797,564	210,382,697	216,258,221	223,111,605
Business-type activity:										
Net investment in capital assets	\$ 112,013,177	123,710,597	132,145,149	134,569,730	134,314,330	135,071,435	135,641,623	135,110,313	139,966,206	137,922,955
Reserved:										
Capital projects	696,483	703,494	709,584	1,305,775	4,674,837	4,610,218	4,740,769	4,876,760	2,620,384	2,481,272
Unrestricted	27,135,809	29,627,748	33,151,555	36,275,425	36,591,088	36,430,621	34,057,874	34,462,629	30,189,025	30,877,806
Total business-type activity net position	\$ 139,845,469	154,041,839	166,006,288	172,150,930	175,580,255	176,112,274	174,440,266	174,449,702	172,775,615	171,282,033
Primary government:										
Net investment in capital assets	\$ 159,471,189	181,654,364	157,559,110	294,738,235	289,958,085	226,117,223	182,602,689	268,923,264	268,817,598	280,790,680
Reserved:										
Capital projects	44,490,620	42,244,816	125,038,939	7,804,509	20,391,082	45,906,985	24,745,952	26,103,098	37,630,812	10,801,721
Debt service	85,774	—	—	—	—	—	—	—	—	—
Other purposes	1,741,595	14,148,422	6,214,172	433,272	394,831	813,685	—	—	—	—
Unrestricted	82,238,295	76,741,988	70,232,556	80,585,128	79,407,975	98,430,567	168,889,189	89,806,037	82,585,426	102,801,237
Total primary government net position	\$ 288,027,473	314,789,590	359,044,777	383,561,144	390,151,973	371,268,460	376,237,830	384,832,399	389,033,836	394,393,638

Table 2

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

	Fiscal year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013, as restated	2014
Expenses:										
Governmental activities:										
General government administration	\$ 7,715,060	5,790,007	16,835,827	18,873,491	21,347,839	23,962,622	23,061,671	17,103,421	14,304,134	9,847,977
Judicial administration	4,212,935	4,374,852	5,053,351	5,151,971	5,515,309	5,321,244	5,394,548	5,513,976	5,505,727	5,768,152
Public safety	16,742,887	13,599,920	23,500,193	24,704,720	23,267,505	22,477,094	15,003,864	23,768,668	27,750,476	27,483,149
Public works	4,390,347	2,674,311	3,361,025	5,990,017	5,925,566	19,240,014	7,332,972	6,119,246	7,963,622	7,474,088
Health and welfare	6,555,435	7,043,503	6,762,204	7,116,193	7,171,131	7,332,607	7,582,994	7,042,619	6,785,380	7,061,327
Education	58,841,825	77,265,247	63,874,870	75,880,133	83,021,945	81,441,066	83,737,593	82,082,568	84,309,615	85,595,145
Parks, recreation, and cultural	8,893,143	8,720,218	2,131,929	6,534,492	10,302,398	8,938,509	8,980,597	8,744,156	8,536,371	11,451,751
Community development	11,835,533	12,662,469	17,214,104	16,633,166	13,575,967	11,472,198	9,467,357	14,832,661	11,139,632	11,196,507
Storm costs	30,124	—	166,546	—	—	—	—	—	—	—
Interest on long-term debt	4,328,942	5,962,561	9,857,524	11,198,606	10,582,404	10,671,318	9,853,465	9,384,810	9,522,081	8,822,326
Non-departmental	1,975,709	5,161,844	—	—	—	—	—	—	—	—
Total governmental activities expenses	<u>125,521,940</u>	<u>143,254,932</u>	<u>148,757,573</u>	<u>172,082,789</u>	<u>180,710,064</u>	<u>190,856,672</u>	<u>170,415,061</u>	<u>174,592,125</u>	<u>175,817,038</u>	<u>174,700,422</u>
Business-type activities:										
Service Authority	12,804,913	14,149,218	17,688,528	16,551,103	18,742,699	20,074,066	20,896,660	21,361,681	21,272,566	21,311,746
Stormwater Utility	—	—	—	882,254	1,466,080	—	—	—	—	—
Total business-type expenses	<u>12,804,913</u>	<u>14,149,218</u>	<u>17,688,528</u>	<u>17,433,357</u>	<u>20,208,779</u>	<u>20,074,066</u>	<u>20,896,660</u>	<u>21,361,681</u>	<u>21,272,566</u>	<u>21,311,746</u>
Total primary government expenses	<u>\$ 138,326,853</u>	<u>157,404,150</u>	<u>166,446,101</u>	<u>189,516,146</u>	<u>200,918,843</u>	<u>210,930,738</u>	<u>191,311,721</u>	<u>195,953,806</u>	<u>197,089,604</u>	<u>196,012,168</u>
Program revenues:										
Governmental activities:										
Charges for services:										
General government administration	\$ 5,607,216	6,569,599	8,362,971	7,996,663	7,342,625	6,594,623	6,845,682	7,246,961	7,436,450	7,758,238
Judicial administration	1,926,242	2,098,886	2,269,336	2,200,572	2,013,959	1,753,575	1,864,708	1,816,700	1,828,073	1,839,637
Public safety	1,626,293	1,555,099	1,879,979	2,950,693	2,714,769	2,704,770	2,874,239	3,172,589	3,463,159	3,330,101
Parks, recreation and cultural	2,530,099	2,638,777	2,565,177	2,539,147	2,493,973	2,547,762	2,494,536	2,527,532	2,708,063	2,854,489
Other	2,129,972	2,473,163	691,062	684,719	736,926	213,976	203,302	216,443	225,520	281,256
Total charges for services	<u>13,819,822</u>	<u>15,335,524</u>	<u>15,768,525</u>	<u>16,371,794</u>	<u>15,302,252</u>	<u>13,814,706</u>	<u>14,282,467</u>	<u>14,980,225</u>	<u>15,661,265</u>	<u>16,063,721</u>
Operating grants and contributions	18,964,343	18,790,084	22,448,104	24,593,841	25,171,862	23,161,669	32,049,993	33,019,242	31,354,415	30,572,383
Capital grants and contributions	3,057,457	785,786	5,039,467	3,087,066	804,605	423,581	434,823	2,035,365	1,312,352	1,286,856
Total governmental activities program revenues	<u>35,841,622</u>	<u>34,911,394</u>	<u>43,256,096</u>	<u>44,052,701</u>	<u>41,278,719</u>	<u>37,399,956</u>	<u>46,767,283</u>	<u>50,034,832</u>	<u>48,328,032</u>	<u>47,922,960</u>
Business-type activities:										
Charges for services	15,149,124	16,805,640	17,899,853	16,928,117	14,787,096	15,575,143	16,443,520	14,883,627	15,871,187	16,131,430
Operating grants and contributions	—	—	—	—	21,978	2,756	—	—	—	—
Capital grants and contributions	4,983,390	10,077,376	7,926,456	3,154,158	4,563,025	3,427,510	1,750,073	5,395,362	4,600,645	3,388,700
Total business-type activities program revenues	<u>20,132,514</u>	<u>26,883,016</u>	<u>25,826,309</u>	<u>20,082,275</u>	<u>19,372,099</u>	<u>19,005,409</u>	<u>18,193,593</u>	<u>20,278,989</u>	<u>20,471,832</u>	<u>19,520,130</u>
Total primary government program revenues	<u>\$ 55,974,136</u>	<u>61,794,410</u>	<u>69,082,405</u>	<u>64,134,976</u>	<u>60,650,818</u>	<u>56,405,365</u>	<u>64,960,876</u>	<u>70,313,821</u>	<u>68,799,864</u>	<u>67,443,090</u>
Net (expense)/revenue:										
Governmental activities	\$ (89,680,318)	(108,343,538)	(105,501,477)	(128,030,088)	(139,431,345)	(153,456,716)	(123,647,778)	(124,557,293)	(127,489,006)	(126,777,462)
Business-type activities	7,327,601	12,733,798	8,137,781	2,648,918	(836,680)	(1,068,657)	(2,703,067)	(1,082,692)	(800,734)	(1,791,616)
Total primary government net expense	<u>\$ (82,352,717)</u>	<u>(95,609,740)</u>	<u>(97,363,696)</u>	<u>(125,381,170)</u>	<u>(140,268,025)</u>	<u>(154,525,373)</u>	<u>(126,350,845)</u>	<u>(125,639,985)</u>	<u>(128,289,740)</u>	<u>(128,569,078)</u>

Table 2

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

	Fiscal year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013, as restated	2014
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
Property taxes, levied for general purposes	\$ 74,480,869	86,204,347	94,855,055	109,559,232	106,494,452	109,159,897	109,545,003	111,454,692	110,351,991	111,899,484
Other local taxes	17,955,400	20,366,681	21,273,019	20,486,124	18,869,282	18,355,067	19,100,086	20,006,069	21,208,061	21,435,046
Permits, fees and licenses	7,746,142	8,877,130	9,255,185	8,288,580	7,420,591	6,672,136	—	—	—	—
Interest on investment earnings	849,860	3,407,722	7,306,357	5,105,721	2,351,497	673,668	442,698	395,001	330,514	339,358
Grants and contributions not restricted to specific programs	2,520,331	—	—	—	—	—	—	—	—	—
Gain (loss) on sale of capital assets	(53,727)	—	—	—	223,203	—	—	—	—	—
Sale of land	—	—	—	—	4,936,444	—	—	—	—	—
Miscellaneous	1,074,518	2,053,405	5,102,599	2,962,156	2,297,380	1,390,966	1,201,369	1,286,664	1,473,964	1,875,485
Total governmental activities	<u>104,573,393</u>	<u>120,909,285</u>	<u>137,792,215</u>	<u>146,401,813</u>	<u>142,592,849</u>	<u>136,251,734</u>	<u>130,289,156</u>	<u>133,142,426</u>	<u>133,364,530</u>	<u>135,549,373</u>
Business-type activities:										
Interest on investment earnings	506,939	935,971	1,503,939	2,004,957	3,669,266	956,056	509,675	351,929	(1,249,111)	267,061
Gain (loss) on sale of capital assets	24,124	—	—	181,615	74,226	—	—	—	—	—
Miscellaneous	627,532	526,601	1,378,725	1,309,152	522,513	644,620	521,384	740,199	375,758	520,504
Total business-type activities	<u>1,158,595</u>	<u>1,462,572</u>	<u>2,882,664</u>	<u>3,495,724</u>	<u>4,266,005</u>	<u>1,600,676</u>	<u>1,031,059</u>	<u>1,092,128</u>	<u>(873,353)</u>	<u>787,565</u>
Total primary government	<u>\$ 105,731,988</u>	<u>122,371,857</u>	<u>140,674,879</u>	<u>149,897,537</u>	<u>146,858,854</u>	<u>137,852,410</u>	<u>131,320,215</u>	<u>134,234,554</u>	<u>132,491,177</u>	<u>136,336,938</u>
Change in net position:										
Governmental activities	\$ 14,893,075	12,565,747	32,290,738	18,371,725	3,161,504	(17,204,982)	6,641,378	8,585,133	5,875,524	8,771,911
Business-type activities	8,486,196	14,196,370	11,020,445	6,144,642	3,429,325	532,019	(1,672,008)	9,436	(1,674,087)	(1,004,051)
Total primary government	<u>\$ 23,379,271</u>	<u>26,762,117</u>	<u>43,311,183</u>	<u>24,516,367</u>	<u>6,590,829</u>	<u>(16,672,963)</u>	<u>4,969,370</u>	<u>8,594,569</u>	<u>4,201,437</u>	<u>7,767,860</u>

(1) Reflects expenses from Exhibit 2.

Table 3

COUNTY OF JAMES CITY, VIRGINIA

Fund Balances, Governmental Funds

Last Ten Fiscal Years (1)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund:										
Nonspendable:										
Inventory	\$ 253,111	245,959	291,364	288,734	264,969	276,083	298,757	346,545	361,682	370,536
Prepaid items	—	—	—	—	—	400,301	—	—	—	—
Assigned:										
General	465,203	457,287	452,420	407,496	437,744	1,161,093	2,678,655	6,089,236	6,595,137	6,544,809
Capital projects	11,438,811	14,056,476	14,668,476	13,729,826	11,118,329	12,408,971	16,045,435	15,766,115	11,583,529	8,118,950
Unassigned:										
General	18,822,560	21,406,435	23,904,427	22,099,383	21,311,672	21,187,263	20,449,054	21,674,594	22,345,746	23,099,410
Total general fund	\$ 30,979,685	36,166,157	39,316,687	36,525,439	33,132,714	35,433,711	39,471,901	43,876,490	40,886,094	38,133,705
All other government funds:										
Nonspendable -										
Loans	\$ 158,438	147,168	170,886	144,538	129,862	137,301	155,940	167,249	173,501	601,707
Committed:										
Grants	—	—	—	—	—	—	741,113	962,702	128,700	240,900
Capital projects	54,962,288	51,808,002	113,413,284	95,085,866	80,344,173	52,626,696	25,150,586	21,226,338	35,010,428	8,320,449
Assigned:										
Debt service	6,134	—	—	—	—	—	—	—	—	—
Capital projects	—	—	—	—	—	—	—	—	—	14,466,602
Special revenue	4,319,239	3,662,370	2,880,529	4,248,738	5,206,988	4,317,141	3,216,855	3,964,888	4,819,570	3,904,010
Total all other governmental funds	\$ 59,446,099	55,617,540	116,464,699	99,479,142	85,681,023	57,081,138	29,264,494	26,321,177	40,132,199	27,533,668

- (1) Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which provides clearer fund balance classifications that can be more consistently applied was adopted by the County as of July 1, 2010. Therefore, the fund balances for years 2004 through 2010 have been restated to reflect this standard.

Table 4

COUNTY OF JAMES CITY, VIRGINIA
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	Fiscal year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
General property taxes	\$ 73,733,187	85,280,660	97,049,153	105,668,764	107,015,723	107,695,813	108,564,306	110,677,787	109,112,196	112,151,342
Other local taxes	17,955,400	20,366,681	21,273,019	20,486,124	18,869,282	18,355,067	19,100,086	20,006,069	21,208,061	21,435,046
Licenses, permits, and fees	7,746,142	8,877,130	9,255,185	8,288,580	7,420,591	6,672,136	7,055,618	7,487,105	7,623,652	8,134,299
Fines and forfeitures	301,204	290,714	321,443	366,606	348,846	296,866	334,633	274,198	295,355	293,625
Use of money and property	849,860	3,407,723	7,306,357	5,105,721	2,351,497	673,668	442,698	395,001	330,514	339,358
Charges for services	4,007,722	4,335,505	4,124,072	5,519,603	5,504,494	4,857,836	4,861,478	5,174,185	5,736,864	5,549,607
Intergovernmental	31,833,900	30,285,175	38,810,581	38,166,492	35,425,379	32,245,254	34,515,554	37,099,346	34,672,161	33,945,431
Miscellaneous	3,293,645	2,053,402	5,102,599	2,962,156	7,457,027	1,390,966	1,201,370	1,286,664	1,473,964	1,875,484
Total revenues	139,721,060	154,896,990	183,242,409	186,564,046	184,392,839	172,187,606	176,075,743	182,400,355	180,452,767	183,724,192
Expenditures										
Storm costs	30,124	—	166,546	—	—	—	—	2,454,661	—	—
General government	7,101,022	7,681,371	10,363,474	9,564,540	8,756,912	8,323,563	8,265,513	8,669,692	9,399,885	9,643,858
Judicial administration	3,923,755	4,188,180	4,837,033	5,267,359	5,323,019	5,302,279	5,311,684	5,254,489	5,250,974	5,514,609
Public works	4,218,631	4,494,973	5,181,021	5,885,527	5,878,757	5,650,572	7,241,872	6,493,573	7,606,884	7,353,940
Health and welfare	6,314,548	6,840,336	6,762,204	7,116,193	7,171,131	7,332,607	7,582,994	7,042,619	6,785,380	7,061,327
Education	55,459,098	60,797,314	64,498,554	74,228,490	74,724,304	73,757,904	73,830,796	74,280,245	75,931,599	77,496,482
Parks, recreation, and cultural	8,338,914	9,010,847	9,825,513	10,045,603	10,100,822	9,509,436	9,180,161	9,163,941	9,075,083	9,899,159
Public safety	17,526,762	18,791,965	22,416,276	23,382,553	23,159,401	22,987,019	23,792,805	24,915,821	26,555,114	26,764,383
Community development	14,770,525	13,048,650	17,191,954	16,332,072	14,520,010	11,086,234	10,289,898	9,873,740	10,914,977	10,958,279
Nondepartmental	997,581	1,267,388	1,473,817	2,492,546	1,502,034	556,381	(266,150)	1,265,803	966,806	721,744
Debt service (2)										
Principal	6,411,051	7,215,460	14,488,702	14,245,257	14,363,935	15,077,900	14,830,524	14,787,955	23,473,305	16,417,326
Interest	4,275,082	5,962,561	9,857,524	11,253,935	10,625,010	10,365,470	9,853,465	9,384,810	9,522,081	8,822,326
Underwriters discount	139,659	125,640	192,900	—	—	101,667	—	—	—	—
Capital outlay (1)	12,611,144	37,898,518	76,594,343	26,526,776	25,458,348	43,005,939	30,042,723	15,023,734	12,586,344	18,421,679
Total expenditures	142,117,896	177,323,203	243,849,861	206,340,851	201,583,683	213,056,971	199,956,285	188,611,083	198,068,432	199,075,112
Deficiency of revenues under expenditures	(2,396,836)	(22,426,213)	(60,607,452)	(19,776,805)	(17,190,844)	(40,869,365)	(23,880,542)	(6,210,728)	(17,615,665)	(15,350,920)
Other financing sources										
Transfers in	15,338,857	23,559,107	32,695,840	33,046,784	30,904,124	29,093,987	28,784,026	29,412,515	33,965,148	34,729,940
Issuance of debt	39,820,000	23,492,454	116,775,000	—	—	14,935,000	4,820,000	7,672,000	26,380,000	—
Proceeds from capital lease	—	—	—	—	—	—	—	—	—	—
Underwriter's discount	—	—	—	—	—	—	(20,003)	—	(253,624)	—
Payment to refunded bond escrow agent	—	—	—	—	—	—	(5,019,743)	—	—	—
Premiums on bonds issued	1,920,780	291,672	7,830,141	—	—	12,809	321,834	—	2,309,915	—
Transfers out	(15,338,857)	(23,559,107)	(32,695,840)	(33,046,784)	(30,904,124)	(29,093,987)	(28,784,026)	(29,412,515)	(33,965,148)	(34,729,940)
Total other financing sources	41,740,780	23,784,126	124,605,141	—	—	14,947,809	102,088	7,672,000	28,436,291	—
Net change in fund balances	\$ 39,343,944	1,357,913	63,997,689	(19,776,805)	(17,190,844)	(25,921,556)	(23,778,454)	1,461,272	10,820,626	(15,350,920)
Debt service as a percentage of noncapital expenditures	8.43%	9.33%	15.62%	14.48%	13.92%	13.58%	14.27%	13.65%	17.57%	13.97%

(1) Including operating transfers to capital projects

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

Table 5

COUNTY OF JAMES CITY, VIRGINIA
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal year	Total real property	General personal property	Machinery and tools	Mobile homes	Total Personal property	Public service	Total assessed value	Total direct tax rate
2005	\$ 6,695,142,900	502,326,785	124,695,633	12,354,517	639,376,935	154,833,875	7,489,353,710	4.825
2006	8,189,928,900	558,027,641	123,471,704	12,350,825	693,850,170	165,476,326	9,049,255,396	4.785
2007	9,821,638,100	595,277,728	122,197,566	12,675,461	730,150,755	152,475,702	10,704,264,557	4.770
2008	10,672,714,225	623,336,868	125,136,293	12,537,160	761,010,321	176,428,097	11,610,152,643	4.770
2009	11,005,655,000	610,316,169	128,696,107	11,641,959	750,654,235	184,750,991	11,941,060,226	4.770
2010	11,155,493,300	598,149,387	132,052,632	10,994,266	741,196,285	196,289,584	12,092,979,169	4.770
2011	11,172,929,700	621,471,862	137,178,668	10,101,067	768,751,597	210,802,200	12,152,483,497	4.770
2012	11,316,807,900	652,561,625	139,945,157	9,719,184	802,225,966	222,670,868	12,341,704,734	4.770
2013	10,921,180,200	687,058,440	141,877,157	9,209,475	838,145,072	232,588,225	11,991,913,497	4.770
2014	11,067,756,400	710,720,870	144,950,305	8,346,659	864,017,834	233,973,337	12,165,747,571	4.770

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

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

Table 6

COUNTY OF JAMES CITY, VIRGINIA

Tax Rates

Last Ten Fiscal Years

Fiscal year		Real estate tax (1)	Personal property tax (1)	Room tax		Meal tax	Retail sales tax (2)		Total direct tax rate
2005	\$	0.825	4.00	5.00%	\$	4.00	1.00%	\$	4.825
2006		0.785	4.00	5.00		4.00	1.00		4.785
2007		0.770	4.00	5.00		4.00	1.00		4.770
2008		0.770	4.00	5.00		4.00	1.00		4.770
2009		0.770	4.00	5.00		4.00	1.00		4.770
2010		0.770	4.00	5.00		4.00	1.00		4.770
2011		0.770	4.00	5.00		4.00	1.00		4.770
2012		0.770	4.00	5.00		4.00	1.00		4.770
2013		0.770	4.00	5.00		4.00	1.00		4.770
2014		0.770	4.00	5.00		4.00	1.00		4.770

(1) Per \$100 assessed value

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

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

Table 7

COUNTY OF JAMES CITY, VIRGINIA

Principal Property Tax Payers

Current Year and Nine Years Ago

	2014			2005		
	Property taxes assessed	Rank	Percentage of County total	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	\$ 4,946,277	1	4.10%	\$ 4,738,877	1	5.72%
Seaworld Parks, LLC	1,970,748	2	1.63	1,293,499	2	1.56
Wal-Mart, Inc.	1,165,877	3	0.97	733,672	4	0.89
Powhatan Plantation Owners Association	981,527	4	0.81	683,241	5	0.83
Virginia Electric & Power Company	935,319	5	0.78	590,997	7	0.71
Premium Outlets of Williamsburg (1)	836,124	6	0.69	517,505	8	0.62
Williamsburg Landing, Inc.	743,311	7	0.62	471,723	9	0.57
Ball Metal Container	693,391	8	0.57	602,190	6	0.73
Owens-Brockway	671,123	9	0.56	460,738	10	0.56
Williamsburg Plantation Owners Association	657,301	10	0.55	—		—
Busch Properties	—		—	736,357	3	0.89
Total	\$ 13,600,998		11.28%	\$ 10,828,799		13.08%

Source: Commissioner of the Revenue

(1) Premium Outlets includes two related parties, Williamsburg Outlets, LLC and Williamsburg Mazel, LLC. They are combined in this table to show the value of the shopping center.

Table 7A

COUNTY OF JAMES CITY, VIRGINIA

Principal Personal Property Tax Payers

Current Year and Nine Years Ago

	2014			2005 (1)		
	Property taxes assessed	Rank	Percentage of County total	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	\$ 3,863,022	1	11.27%	\$ **		**
Seaworld Parks, LLC	1,449,064	2	4.23	**		**
Owens-Brockway Glass Container	598,873	3	1.75	**		**
Ball Metal Container	588,304	4	1.72	**		**
Printpack, Inc.	475,100	5	1.39	**		**
Wal-Mart, Inc.	343,298	6	1.00	**		**
Cox Communications of Hampton Roads	253,341	7	0.74	**		**
HVT, Inc.	152,877	8	0.45	**		**
Branscome, Inc.	148,453	9	0.43	**		**
Xanterra Kingsmill, LLC	99,714	10	0.29	**		**
Total	\$ 7,972,046		23.27%	\$ —		—%

Source: Commissioner of the Revenue

(1) The first year this was reported was fiscal year 2010. Therefore, information for fiscal year 2005 is not available.

Table 7B

COUNTY OF JAMES CITY, VIRGINIA

Principal Real Estate Tax Payers

Current Year and Nine Years Ago

	2014			2005 (1)		
	Property taxes assessed	Rank	Percentage of County total	Property taxes assessed	Rank	Percentage of County total
Anheuser-Busch, Inc.	\$ 1,083,225	1	1.26%	\$ **		**
Powhatan Plantation Owners Association	966,499	2	1.12	**		**
Virginia Electric & Power Company	932,033	3	1.08	**		**
Premium Outlets of Williamsburg (2)	829,840	4	0.96	**		**
Wal-Mart, Inc.	822,579	5	0.95	**		**
Williamsburg Landing, Inc.	675,738	6	0.78	**		**
Williamsburg Plantation Owners Association	650,029	7	0.75	**		**
Manor Houses Associates	596,756	8	0.69	**		**
Virginia United Methodist Homes, Inc.	577,698	9	0.67	**		**
Seaworld Parks, LLC	521,684	10	0.60	**		**
Total	\$ 7,656,081		8.86%	\$ —		—%

Source: Commissioner of the Revenue

(1) The first year this was reported was fiscal year 2010. Therefore, information for fiscal year 2005 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 Nine Fiscal Years (2)

Fiscal year	Taxes levied for the fiscal year	Collected within the fiscal year of the levy		Collections in subsequent years	Total collections to date	
		Amount (1)	Percentage of levy (%)		Amount	Percentage of levy (%)
2006	\$ 95,574,858	78,647,494	82.29%	\$ 16,850,677	95,498,171	99.92%
2007	105,811,945	88,752,007	83.88	16,977,379	105,729,386	99.92
2008	114,071,066	96,586,301	84.67	17,364,741	113,951,042	99.89
2009	114,860,437	97,895,837	85.23	16,806,828	114,702,665	99.86
2010	116,355,119	99,101,581	85.17	16,888,741	115,990,322	99.69
2011	117,175,876	100,889,563	86.10	15,840,347	116,729,910	99.62
2012	121,294,208	101,482,234	83.67	19,297,459	120,779,693	99.58
2013	117,394,409	98,431,581	83.85	18,076,974	116,508,555	99.25
2014	117,988,651	100,523,591	85.20	—	100,523,591	85.20

Source: Treasurer, James City County

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

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

Table 9

COUNTY OF JAMES CITY, VIRGINIA

Taxable Sales by Category

Last Ten Fiscal Years

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Apparel stores	\$ 97,321,446	106,280,148	129,014,904	140,648,465	167,950,739	175,885,946	183,244,309	198,116,199	206,585,825	213,354,143
Automotive dealers, supplies and repair	9,728,269	9,532,774	9,958,680	10,626,082	14,567,840	12,949,521	17,019,548	24,017,913	21,792,904	21,122,470
Building materials, machinery and equipment	95,792,695	80,881,233	70,536,701	48,814,343	31,817,138	42,771,225	16,631,597	20,676,668	19,518,301	18,093,198
Eating and drinking establishments	116,938,094	50,262,980	64,500,250	61,733,750	67,796,606	89,306,904	91,552,799	103,724,814	105,121,625	116,111,215
Food stores	106,657,961	93,670,198	121,052,401	131,331,534	136,126,199	109,487,554	135,172,441	148,451,817	160,043,266	169,193,864
Furniture, home furnishings and household equipment	25,363,301	38,502,745	39,426,034	40,492,354	34,053,707	21,986,380	22,119,421	23,420,749	25,032,485	31,239,589
General merchandise	18,483,634	55,149,333	89,788,633	100,039,981	91,584,624	95,560,600	87,029,287	92,522,324	103,860,834	116,426,211
Lodging	41,654,420	51,474,891	58,643,553	55,764,241	47,796,238	39,984,592	32,414,685	14,172,343	16,041,031	15,276,927
Other outlets	68,466,514	42,378,637	23,256,354	27,416,608	26,130,061	25,930,390	29,255,159	39,511,197	38,200,453	38,297,074
Other retail stores, dealers, trades and services	137,539,091	175,126,243	205,937,385	212,079,549	182,317,205	163,456,030	188,073,849	204,974,337	208,856,679	205,764,580
Total	\$ <u>717,945,425</u>	<u>703,259,182</u>	<u>812,114,895</u>	<u>828,946,907</u>	<u>800,140,357</u>	<u>777,319,142</u>	<u>802,513,095</u>	<u>869,588,361</u>	<u>905,053,403</u>	<u>944,879,271</u>

Source: Weldon Cooper Center

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

Table 10

COUNTY OF JAMES CITY, VIRGINIA

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Governmental activities							
Fiscal year	General obligation bonds	Virginia literary fund loan	Capital lease – radio system	Other capital lease	Loan payable Virginia Department of Transportation	Lease revenue bonds	Total
2005	\$ 109,814,071	57,900	13,816,000	—	375,000	—	124,062,971
2006	106,062,319	28,950	13,100,000	808,307	250,000	22,570,000	142,819,576
2007	126,590,560	—	12,350,000	688,190	125,000	112,780,000	252,533,750
2008	118,369,735	—	11,564,000	562,298	—	107,200,000	237,696,033
2009	109,974,105	—	10,740,000	430,533	—	101,595,000	222,739,638
2010	101,414,765	—	9,877,000	292,895	—	110,275,000	221,859,660
2011	93,283,624	—	8,973,000	1,312,522	—	104,055,000	207,624,146
2012	86,134,103	—	8,026,000	1,209,074	—	104,472,000	199,841,177
2013	80,004,294	—	—	1,098,854	—	123,034,000	204,137,148
2014	72,164,244	—	—	984,528	—	114,416,000	187,564,772

Fiscal year	Business-type activity Revenue bonds	Total primary government	Percentage of personal income (1)	Per capita personal income (2)
2005	\$ 13,961,041	\$ 138,024,012	21.39	\$ 41,692
2006	13,034,918	155,854,494	21.10	44,480
2007	12,133,794	264,667,544	13.76	47,825
2008	11,212,670	248,908,703	16.01	51,274
2009	37,386,546	260,126,184	14.77	48,129
2010	35,950,423	257,810,083	15.66	49,563
2011	34,469,298	242,093,444	18.21	53,364
2012	32,938,174	232,779,351	19.81	54,796
2013	25,185,000	229,322,148	**	**
2014	24,660,000	212,224,772	**	**

Notes: (1) Based on personal income from Table 13
(2) From Table 13, calendar year basis
** Population and income statistics not yet available

Table 11

COUNTY OF JAMES CITY, VIRGINIA

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal year	(1) Population	(2) Assessed value	(3) (4) Gross bonded debt	(5) Less debt service monies available	Net bonded debt	Ratio of net general obligation debt to assessed value	Net bonded debt per capita
2005	56,463	\$ 7,489,353,710	109,465,708	—	109,465,708	1.46	\$ 1,939
2006	58,893	9,049,255,396	106,091,269	1,749,709	104,341,560	1.15	1,772
2007	60,867	10,704,264,557	126,590,560	1,832,039	124,758,521	1.17	2,050
2008	61,195	11,610,152,643	118,369,735	1,890,734	116,479,001	1.00	1,903
2009	63,135	11,941,060,226	109,974,105	1,706,525	108,267,580	0.91	1,715
2010	67,745	12,092,979,169	101,414,765	2,921,044	98,493,721	0.81	1,454
2011	68,500	12,152,483,497	93,283,624	2,921,037	90,362,587	0.74	1,319
2012	69,451	12,341,704,734	86,134,103	2,920,981	83,213,122	0.67	1,198
2013	69,945	11,991,913,497	80,004,294	2,920,538	77,083,756	0.64	1,102
2014	70,711	12,165,747,571	72,164,244	2,920,369	69,243,875	0.57	979

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

COUNTY OF JAMES CITY, VIRGINIA

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

Last Ten Fiscal Years

Fiscal year	(1) Principal	(2) Interest	(4) Total debt service	(3) Total general governmental expenditures	Ratio of debt service to general total governmental expenditures
2005	\$ 6,411,051	4,275,082	10,686,133	154,634,945	6.91
2006	7,215,460	5,962,561	13,178,021	171,917,860	7.67
2007	14,488,702	9,857,524	24,346,226	199,622,475	12.20
2008	14,245,257	11,253,935	25,499,192	212,383,260	12.01
2009	14,363,935	10,625,010	24,988,945	208,510,363	11.98
2010	15,077,900	10,147,353	25,225,253	198,552,653	12.70
2011	14,830,524	9,853,465	24,683,989	198,893,176	12.41
2012	14,787,955	9,384,810	24,172,765	201,078,316	12.02
2013 (5)	23,473,305	9,522,081	32,995,386	215,304,486	15.32
2014	16,417,326	8,822,326	25,239,652	211,866,777	11.91

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

COUNTY OF JAMES CITY, VIRGINIA

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

Last Ten Fiscal Years

Fiscal year	(1) Principal	(2) Interest	(4) Total debt service	(3) Total general governmental revenues	Ratio of debt service to general total governmental revenues
2005	\$ 6,411,051	4,275,082	10,686,133	159,351,967	6.71
2006	7,215,460	5,962,561	13,178,021	177,521,975	7.42
2007	14,488,702	9,857,524	24,346,226	204,284,050	11.92
2008	14,245,257	11,253,935	25,499,192	219,920,086	11.59
2009	14,363,935	10,625,010	24,988,945	216,835,334	11.52
2010	15,077,900	10,147,353	25,225,253	200,014,429	12.61
2011	14,830,524	9,853,465	24,683,989	201,684,905	12.24
2012	14,787,955	9,384,810	24,172,765	206,996,888	11.68
2013 (5)	23,473,305	9,522,081	32,995,386	205,082,111	16.09
2014	16,417,326	8,822,326	25,239,652	209,633,075	12.04

- (1) General obligation bonds reported in the enterprise funds and special assessment debt with government commitment have been excluded.
- (2) Excludes bond issuance and other costs.
- (3) Reflects recurring revenues included in the General Fund, Debt Service Fund, all Special Revenue funds, and the County's percentage of discretely presented Component Unit – Public Schools Operating Fund.
- (4) The County has no overlapping debt.
- (5) In fiscal year 2013, principal payments increased by \$7,380,000 related to the refinancing of a capital lease. Proceeds from the issuance of new debt were used for these principal payments.

Table 12

COUNTY OF JAMES CITY, VIRGINIA

Pledged Revenue Coverage

James City Service Authority

Last Ten Fiscal Years

Fiscal year	Gross revenue	(1) Operating expenses	Net revenue available for debt service	(2) Debt service requirements			Coverage
				Principal	Interest	Total	
2005	\$ 16,307,719	7,743,365	8,564,354	840,000	541,881	1,381,881	6.20
2006	18,268,212	8,283,711	9,984,501	860,000	522,981	1,382,981	7.22
2007	20,782,517	9,420,318	11,362,199	880,000	503,631	1,383,631	8.21
2008	18,115,871	10,205,599	7,910,272	905,000	479,431	1,384,431	5.71
2009	19,034,715	10,953,522	8,081,193	1,395,000	1,637,050	3,032,050	2.67
2010	17,178,575	10,985,233	6,193,342	1,440,000	1,590,562	3,030,562	2.04
2011	17,474,579	12,091,472	5,383,107	1,490,000	1,537,750	3,027,750	1.78
2012	15,975,755	12,414,605	3,561,150	1,545,000	1,483,100	3,028,100	1.18
2013	14,997,834	12,424,220	2,573,614	525,000	1,119,306	1,644,306	1.57
2014	16,918,995	12,527,225	4,391,770	545,000	1,100,931	1,645,931	2.67

(1) Total operating expenses exclusive of depreciation.

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

Table 13

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Last Ten Calendar Years

<u>Calendar year</u>	<u>Population (1)</u>	<u>Personal income (2)</u>	<u>Per capita personal income (2)</u>	<u>Unemployment percentage (1)</u>
2005	56,463	\$ 2,952,937,000	41,692	3.1%
2006	58,893	3,289,020,000	44,480	2.6
2007	60,867	3,641,841,000	47,825	2.5
2008	61,195	3,985,612,000	51,274	3.2
2009	63,135	3,840,912,000	48,129	5.5
2010	67,745	4,037,513,000	49,563	5.5
2011	68,500	4,408,223,000	53,364	5.3
2012	69,451	4,610,247,000	54,796	5.1
2013	70,376	**	**	4.6
2014	70,711	**	**	**

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

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

** Statistics not yet available

Table 13

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Households and Population

(Sources: Social Services Department and Planning Division)

Year:	<u>Food stamp households</u>	<u>Total households *</u>	<u>Percentage of food stamp households</u>
2005	881	24,624	3.6%
2006	974	25,659	3.8
2007	927	26,507	3.5
2008	965	27,217	3.5
2009	1,224	27,567	4.4
2010	1,638	27,003	6.1
2011	1,840	27,375	6.7
2012	2,015	27,707	7.3
2013	2,236	28,090	8.0
2014	2,211	28,415	7.8

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

Population

(Source: U.S. Census)

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

Age Distribution

(Source: U.S. Census)

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

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

Table 13

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Households and Population

(Source: Planning Division)

Year:	<u>Number of households *</u>	<u>Total households population **</u>	<u>Persons per household</u>
2005	24,624	56,463	2.29
2006	25,659	57,991	2.26
2007	26,507	59,905	2.26
2008	27,217	61,511	2.26
2009	27,567	62,301	2.47
2010	27,003	66,157	2.45
2011	27,375	67,068	2.45
2012	27,707	67,882	2.45
2013	28,090	68,821	2.45
2014	28,415	69,616	2.45

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

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

Unemployment Rate and Labor Force

Last 10 Calendar Years

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

Year:	<u>Civilian labor force</u>	<u>Number Employed</u>	<u>Number Unemployed</u>	<u>Unemployment rate (%)</u>
2004	27,761	26,842	919	3.3
2005	28,974	28,072	902	3.1
2006	30,368	29,568	800	2.6
2007	31,437	30,664	773	2.5
2008	32,294	31,262	1,032	3.2
2009	32,648	30,867	1,781	5.5
2010	34,888	32,986	1,902	5.5
2011	35,170	33,319	1,851	5.3
2012	35,884	34,063	1,821	5.1
2013	35,780	34,141	1,639	4.6

Table 13

COUNTY OF JAMES CITY, VIRGINIA

Demographic and Economic Statistics

Last Ten Calendar Years

Median Household Income

Calendar year		James City County	Commonwealth of Virginia	United States
2005	\$	65,681	54,207	46,242
2006		67,054	56,297	48,451
2007		70,487	59,575	50,740
2008		76,705	61,210	52,029
2009		72,902	59,372	50,221
2010		74,241	60,665	50,046
2011		73,575	61,877	50,502
2012		78,396	61,782	51,371
2013		**	**	**
2014		**	**	**

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

** Statistics not yet available

Table 14

COUNTY OF JAMES CITY, VIRGINIA

Principal Employers in James City County

Current Year and Nine Years Ago

	2014			2005 (2)		
	Employees	Rank	Percentage of total County employment	Employees	Rank	Percentage of total County employment
Employment:						
Principal Public/Private Employers:						
Busch Gardens (1)	**	1	**	1000+	**	**
Williamsburg-James City County						
Public Schools	1000+	2	5.13%	1000+	**	**
Eastern State Hospital	500-999	3	2.56	1000+	**	**
James City County	500-999	4	2.07	500-999	**	**
Wal-Mart Distribution Center	500-999	5	1.79	250-499	**	**
Anheuser-Busch, Inc.	500-999	6	1.68	—	**	**
Kingsmill Resort	500-999	7	1.46	1000+	**	**
Avid Medical	250-499	8	1.46	—	**	**
Busch Properties, Inc.	—		—	500-999	**	**
Jamestown-Yorktown Foundation	250-499	9	0.88	250-499	**	**
Williamsburg Landing	250-499	10	0.88	250-499	**	**
Williamsburg Plantation, Inc.	—		—	250-499	**	**
Total	—		17.91%	—		—

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

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

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

Table 15

COUNTY OF JAMES CITY, VIRGINIA
 Full-time County Government Employees by Function/Program
 Last Ten Fiscal Years

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administrative:										
Board of supervisors	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
County administration	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	3.0	3.0
Satellite services	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
County attorney	4.5	4.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Communications	5.0	6.0	7.5	7.5	6.5	6.5	7.5	7.5	7.0	7.0
Economic development	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
Voter registration and elections	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Human resources:										
Human resources	5.0	5.0	5.0	5.0	5.0	4.0	4.0	7.0	7.0	7.0
Training and Quality Performance	2.0	3.0	3.0	3.0	3.0	3.0	3.0	—	—	-
Financial administration:										
Accounting	8.0	8.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	8.0
Commissioner of the revenue	11.0	11.0	13.0	13.0	13.0	12.0	11.0	11.0	11.0	11.0
Financial and management services	7.0	7.0	7.0	7.0	7.0	7.0	7.0	6.0	7.0	7.0
Purchasing	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
Real estate assessments	11.0	11.0	12.0	13.0	13.0	11.0	10.0	9.0	10.0	10.0
Treasurer	13.0	13.0	13.0	13.0	13.0	13.0	12.0	11.0	12.0	12.0
Information resources management	19.0	20.0	20.0	21.0	21.0	21.0	20.0	21.0	21.0	21.0
General services:										
Facilities maintenance	20.0	19.0	18.0	19.0	19.0	18.0	17.0	17.0	18.0	18.0
Fleet and equipment	6.0	8.0	8.0	8.0	8.0	7.0	8.0	8.0	8.0	8.0
General and capital services	2.5	3.5	6.5	6.5	6.5	6.5	5.5	7.0	8.0	8.0
Grounds maintenance	15.0	13.0	16.0	21.0	21.0	20.0	22.0	22.0	24.0	25.0
Solid waste management	6.0	6.0	7.0	7.0	7.0	7.0	6.0	6.0	5.0	5.0
Stormwater	-	—	—	9.0	8.5	6.5	6.5	4.0	4.0	4.0
Development management:										
Building safety and permits	17.0	18.0	20.0	21.0	19.0	15.0	13.0	13.0	13.0	13.0
Development management	4.5	4.5	3.5	4.5	2.5	2.5	2.5	2.5	2.0	2.0
Engineering and resource protection	11.0	12.0	15.0	15.0	15.0	14.0	12.0	13.0	12.0	12.0
Mosquito control	1.0	1.0	1.0	1.0	1.0	—	—	—	—	—
Planning	16.5	18.5	17.5	19.5	19.5	17.5	12.5	10.5	10.0	10.0
Zoning enforcement	—	—	—	—	—	—	3.0	4.0	4.0	4.0
Judicial:										
Courts/judicial	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Courthouse	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Clerk of the circuit court	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Commonwealth's attorney	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Sheriff	18.0	18.0	18.0	18.0	18.0	18.0	16.0	16.0	16.0	16.0
Public safety:										
Animal control	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Emergency communications	25.0	26.0	27.0	27.0	27.0	27.0	26.0	26.0	26.0	26.0
Emergency management	1.0	1.0	1.0	2.0	2.0	2.0	2.0	3.0	3.0	3.0
Emergency medical services	18.0	24.0	24.0	25.0	25.0	25.0	25.0	—	—	—
Fire	77.0	77.0	80.0	83.0	86.0	86.0	86.0	110.0	110.0	110.0
Police	74.0	78.0	87.0	94.0	97.0	98.0	98.0	98.0	98.0	99.0

Table 15

COUNTY OF JAMES CITY, VIRGINIA
 Full-time County Government Employees by Function/Program
 Last Ten Fiscal Years

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Parks and recreation	43.0	45.0	52.0	56.0	54.0	53.0	48.0	49.0	48.0	48.0
Community services:										
Community services	5.0	5.0	4.0	4.0	3.0	3.0	—	—		
Cooperative extension service	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	—	
Neighborhood connections	3.0	3.0	4.0	4.0	4.0	2.0	—	—	—	
Total general fund	492.5	512.5	548.5	586.5	584.0	563.0	541.0	541.0	542.0	544.0
Other services:										
Community development	8.5	8.5	9.5	9.5	9.5	8.5	9.5	9.5	9.0	9.0
JCSA	81.0	85.0	87.0	88.0	91.0	90.0	86.0	89.0	89.0	89.0
Social services	52.5	53.5	53.5	57.5	57.5	52.5	52.5	52.5	52.0	51.0
Colonial community corrections	13.0	13.0	13.0	13.0	11.0	11.0	12.0	12.0	12.0	13.0
Special projects/grants	3.0	3.0	4.0	5.0	6.0	5.0	3.0	3.0	3.0	3.0
Grand total all funds	650.5	675.5	715.5	759.5	759.0	730.0	704.0	707.0	707.0	709.0

Source: Financial and Management Services

Table 16

COUNTY OF JAMES CITY, VIRGINIA
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police:										
Calls for service	18,574	20,641	21,897	21,320	21,694	21,762	21,129	20,879	19,539	20,175
Major crimes reported	889	1,049	971	1,007	1,060	1,080	1,071	1,092	999	999
Major crimes cleared (1)	306	301	351	343	363	396	325	324	317	247
Fire:										
Fire/other responses	2,411	2,822	3,064	3,575	2,969	2,922	2,786	3,178	2,822	3,065
Inspections	1,574	1,798	1,486	2,334	1,156	2,037	1,735	1,804	1,910	1,829
EMS responses	4,688	4,869	5,219	4,851	5,276	5,573	5,956	6,147	6,446	6,450
Refuse collection:										
Refuse collected (tons per day)	8.95	10.76	11.83	9.25	7.68	8.06	8.51	10.39	11.85	10.59
Recyclables collected (tons per day)	1.11	1.08	1.43	1.25	1.12	1.08	1.10	1.01	1.04	0.97
Recyclables collected curbside (tons per da	N/A	N/A	N/A	N/A	N/A	N/A	22.51	22.25	22.37	22.21
Parks and recreation:										
Community center admissions	349,107	333,299	315,480	409,706	353,862	394,757	463,491	464,358	511,976	444,755
Park attendance	1,021,620	1,100,051	1,151,574	1,236,968	1,368,462	1,349,550	1,708,976	2,253,617	2,163,533	2,428,894
Participants in programs offered	N/A	228,504	250,042	408,905	422,009	384,650	395,789	378,733	371,959	402,634
Water:										
New connections	1,068	880	694	351	263	385	388	351	448	359
Water mains breaks	59	51	42	57	37	40	44	31	25	21
Wastewater:										
New connections	930	884	693	389	269	380	375	296	347	261

Source: County operating departments

(1) Major crimes cleared includes administrative and pending warrant clearances.
 N/A : This information is not available.

Table 17

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

Function/program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	333	1,547	1,749	1,622	1,622	1,622	1,622	1,622	1,622	1,622
Playgrounds	6	7	8	10	10	11	11	11	11	11
Ball fields maintained	58	17	23	30	30	58	65	65	65	65
Tennis courts maintained	19	3	6	6	6	5	5	5	5	5
Community centers	2	2	2	2	2	2	2	2	2	2
Water:										
Water lines (miles)	305	319	329	332	339	344	393	390	393	400
Water customers	16,531	17,552	18,283	18,770	19,085	19,368	19,719	20,070	20,549	20,858
Storage tanks (greater than 250,000 gallons)	6	6	6	7	7	7	7	7	7	7
Average ERCs (1)	18,800	19,200	19,600	20,400	25,753	20,200	20,866	19,200	18,597	18,937
Wastewater:										
Sewer lines (miles)	352	360	370	375	379	382	419	423	425	430
Gallons collected (millions)	1,469	1,606	1,680	1,727	1,765	1,833	1,598	1,771	1,739	1,862
Sewer customers	17,357	17,982	18,426	18,590	18,702	18,860	21,127	21,488	21,962	22,575

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

Retail Sales

Last 10 Years

(Source: Treasurer, James City County)

	<u>Taxable retail sales</u>	<u>Percentage change</u>
Year:		
2005	763,697,400	12.4
2006	832,202,000	9.0
2007	882,593,500	6.1
2008	892,444,900	1.1
2009	861,852,500	(3.4)
2010	842,195,600	(2.3)
2011	892,445,000	6.0
2012	932,214,200	4.5
2013	992,914,200	6.5
2014	999,911,900	0.7

Business Licenses Issued

Last 10 Years

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

	<u>Business licenses issued</u>	<u>Percentage change</u>
Year:		
2005	4,967	5.8
2006	5,088	2.4
2007	5,983	17.6
2008	5,800	(3.1)
2009	6,446	11.1
2010	6,109	(5.2)
2011	5,931	(2.9)
2012	5,831	(1.7)
2013	5,881	0.9
2014	5,854	(0.5)

Table 18

COUNTY OF JAMES CITY, VIRGINIA

Miscellaneous Statistics

Construction Information

Last Ten Fiscal Years

(Source: Building and Safety Permits Division)

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

Table 18

COUNTY OF JAMES CITY, VIRGINIA

Miscellaneous Statistics

Williamsburg-James City County Public Schools

Staffing Analysis

School year:	<u>Classroom teachers</u>	<u>Pupils</u>	<u>Pupil-teacher ratio</u>
2013-14	648.67	10,998	17.0
2012-13	648.10	10,795	16.7
2011-12	658.59	10,671	16.2
2010-11	673.91	10,549	15.7
2009-10	668.98	10,503	15.7
2008-09	643.00	10,249	15.9
2007-08	625.00	10,137	16.2
2006-07	612.00	10,107	16.5
2005-06	596.68	9,820	16.5
2004-05	574.68	9,402	16.4

Source: Williamsburg-James City County Public Schools

Projected Enrollment (1)

2015-16	11,304
2016-17	11,481
2017-18	11,580

(1) Based on low enrollment projections provided by Future Think, November 2013.

COMPLIANCE SECTION

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Expenditures of Federal Awards – Primary Government and

Discretely Presented Component Unit – Public Schools

Year ended June 30, 2014

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
Primary Government:		
Governmental Activities:		
Department of Agriculture:		
Virginia Department of Social Services:		
State Administrative Matching Grants - Supplemental Nutrition Assistance Program	10.561	\$ 488,703
National Fish and Wildlife Foundation - Chesapeake Bay Stewardship Grant	10.683	<u>27,913</u>
Total Department of Agriculture		<u>516,616</u>
Department of Health and Human Services:		
Virginia Department of Social Services:		
Promoting Safe and Stable Families	93.556	1,639
Temporary Assistance for Needy Families	93.558	346,532
Refugee and Entrant Assistance – State Administered Programs	93.566	3,156
Low-Income Home Energy Assistance	93.568	33,170
Chafee Education and Training Vouchers Program	93.599	504
Child Welfare Services	93.645	2,327
Foster Care – Title IV-E	93.658	186,340
Adoption Assistance	93.659	342,703
Social Services Block Grant	93.667	226,578
Chafee Foster Care Independent Living	93.674	2,608
State Children’s Insurance Program	93.767	14,088
Medical Assistance Program	93.778	420,856
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	<u>49,807</u>
Total Department of Health and Human Services		<u>1,630,308</u>
Environmental Protection Agency - Office of Air and Radiation - Climate Showcase Communities Grant Program	66.041	<u>37,683</u>
Total Environmental Protection Agency		<u>37,683</u>
Department of Interior:		
Direct Payment - Bureau of Cash Management Payment in lieu of taxes	15.000	7,503
Land and Water Conservation	15.916	<u>143,864</u>
Total Department of Interior		<u>151,367</u>

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Expenditures of Federal Awards – Primary Government and

Discretely Presented Component Unit – Public Schools

Year ended June 30, 2014

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
Primary Government, continued:		
Department of Homeland Security:		
Virginia Department of Emergency Management:		
State Homeland Security Program	97.073	\$ 10,284
Hazard Mitigation Grant Program	97.039	10,225
Homeland Security Grant Program	97.067	25,478
Emergency Management Performance Grants	97.042	85,789
Port Security Grant Program	97.056	<u>35,973</u>
Total Department of Homeland Security		<u>167,749</u>
Department of Housing and Community Development:		
Virginia Department of Housing and Community Development:		
Section 8 Housing Choice Vouchers	14.871	1,088,717
Forest Heights Grant	14.228	28,651
Housing Counselor Grant	14.169	<u>20,506</u>
Total Department of Housing and Community Development		<u>1,137,874</u>
Department of Transportation:		
National Highway Traffic Safety Administration -		
Highway Safety Grant	20.600	46,401
Highway Planning and Construction Cluster:		
Virginia Department of Conservation and Recreation:		
Recreation Trails Program	20.219	371,584
Virginia Department of Transportation:		
Transportation Enhancement Programs Funds	20.205	<u>299,936</u>
Total Highway Planning and Construction Center Cluster		<u>671,520</u>
Total Department of Transportation		<u>717,921</u>
Department of Justice:		
Bureau of Justice Administration -		
BJA - Bulletproof Vests Partnership	16.607	390
Office of Justice Programs -		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>100</u>
Total Department of Justice		<u>490</u>
Department of Criminal Justice Services:		
Virginia Department of Criminal Justice Services:		
Joint Law Enforcement Operations - Equitable Sharing Program	16.922	306
Violence Against Women Formula Grants	16.588	29,047
Crime Victim Assistance	16.575	<u>51,498</u>
Total Department of Criminal Justice Services		<u>80,851</u>
Total federal awards, primary government		<u>4,440,859</u>

COUNTY OF JAMES CITY, VIRGINIA
 Schedule of Expenditures of Federal Awards – Primary Government and
 Discretely Presented Component Unit – Public Schools
 Year ended June 30, 2014

<u>Federal Grantor/State Pass-Through Grantor/Program Title</u>	<u>Federal catalog number</u>	<u>Expenditures</u>
Component Unit – Public Schools:		
Department of Agriculture:		
Child Nutrition Cluster:		
Virginia Department of Agriculture and Consumer Services - Food Commodities	10.555	\$ 224,256
Virginia Department of Education:		
School Breakfast Program	10.553	383,628
National School Lunch Program	10.555	1,398,364
Total Child Nutrition Cluster		<u>2,006,248</u>
Virginia Department of Education:		
School Snack Program	10.554	6,882
Total Department of Agriculture		<u>2,013,130</u>
Department of Education:		
Virginia Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,138,998
Title I, Part D, Neglected and Delinquent Children	84.013	26,897
Vocational Education – Basic Grants to States	84.048	126,834
Title II, Part A, Improving Teacher Quality State Grants	84.367	296,833
Impact Aid	84.041	109,509
Title III, Part A, English Language Acquisition Grants	84.365	28,316
Carol White Physical Education Grant	84.215	178,429
Special Education Cluster:		
Virginia Department of Education:		
Special Education – Grants to States	84.027	1,825,856
Special Education – Regional Flow Through	84.027	2,078
Special Education – Preschool Grants	84.173	21,896
Total Special Education Cluster		<u>1,849,830</u>
College of William and Mary -		
Project HOPE	84.387	18,600
City of Newport News -		
Adult Education – State Grant Program	84.002	45,419
Total Department of Education		<u>3,819,665</u>
Department of Health and Human Services -		
Head Start Program Cluster:		
Williamsburg-James City County Community Action Agency -		
Head Start	93.600	104,610
Total Department of Health and Human Services		<u>104,610</u>
Department of Transportation -		
Safe Routes to Schools	20.205	23,341
Total federal awards, Component Unit – Public Schools		<u>5,960,746</u>
Total federal awards, reporting entity		<u>\$ 10,401,605</u>

See accompanying notes to schedule of expenditures of federal awards.

COUNTY OF JAMES CITY, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

(1) General

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

(2) Relationship to Basic Financial Statements

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

General Fund	\$	7,503
Special Revenue Funds		4,433,356
Component Unit - Public Schools		<u>5,960,746</u>
	\$	<u>10,401,605</u>



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the ***County of James City, Virginia***, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the ***County of James City, Virginia's*** basic financial statements and have issued our report thereon dated November 18, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ***James City County's*** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ***James City County's*** internal control. Accordingly, we do not express an opinion on the effectiveness of ***James City County's*** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 18, 2014



DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

***Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133***

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

Compliance

We have audited *County of James City, Virginia's* compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of *County of James City, Virginia's* major federal programs for the year ended June 30, 2014. The *County of James City, Virginia's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of *County of James City, Virginia's* major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the *County of James City, Virginia's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the *County of James City, Virginia* complied, in all material respects, with the requirements referred to above that referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the ***County of James City, Virginia*** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the ***County of James City, Virginia's*** internal control over compliance with the types of requirements that could have a direct and material effect on a 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 OMB Circular A-133, 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 of James City, Virginia's*** internal control over compliance.

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

Our consideration of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dixon Hughes Goodman LLP

Newport News, Virginia
November 18, 2014



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

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

We have audited the financial statements of the ***County of James City, Virginia***, as of and for the year ended June 30, 2014, and have issued our report thereon November 18, 2014.

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

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

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

Code of Virginia

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

State Agency Requirements

- Education
- Comprehensive Services Act Funds
- Social Services

The results of our tests disclosed two instances of noncompliance with the provisions referred to in the preceding paragraph. These instances are discussed in the Schedule of Findings and Questioned Costs as Findings 14-1 and 14-2. With respect to items not tested, nothing came to our attention that caused us to believe that the *County of James City, Virginia* had not complied, in all material respects, with those provisions.

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

Dixon Hughes Goodman LLP

Newport News, Virginia
November 18, 2014

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: **unmodified opinion**
 - (b) Significant deficiencies in internal control disclosed by the audit of the financial statements: **none noted**
Material weaknesses: **none noted**
 - (c) Noncompliance which is material to the financial statements: **no**
 - (d) Significant deficiencies in internal control over major programs: **no**
 - (e) The type of report issued on compliance for major programs: **unmodified opinion**
 - (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **no**
 - (g) Major programs:
Medical Assistance Program (CFDA Number 93.778), Adoption Assistance (CFDA Number 93.659), Section 8 Housing Choice Vouchers (CFDA Number 14.871), Highway Planning and Construction Cluster (CFDA Numbers 20.219 and 20.205), and Child Nutrition Cluster (CFDA Numbers 10.553 and 10.555).
 - (h) Dollar threshold used to determine Type A programs: **\$312,048**
 - (i) Auditee qualified as low-risk auditee under Section 530 of OMB Circular A-133: **yes**
- (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: none noted**
- (3) Findings and Questioned Costs Relating to Federal Awards: none noted**
- (4) State Compliance Findings:**

Finding 14-1

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

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

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

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

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

COUNTY OF JAMES CITY, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Finding 14-2

Condition: In Section 15.2-1615 of the Code of Virginia requires the daily deposit of all collections into the sheriff's official bank account intact, if receipts total \$200 or more. If receipts total less than \$200 in a day, accumulate daily receipts until they total \$200 but always deposit no less frequently than weekly. Someone other than the employee preparing the receipts should make the deposit for the sheriff's offices with one employee other than the sheriff, that employee may perform these functions; however, it is imperative that the sheriff reviews their work.

Criteria: One receipt of cash in excess of \$200 was not deposited within one business day after receipt.

Effect: The County was not in compliance with the Code of Virginia.

Recommendation: The sheriff's office should take steps to ensure that receipts are deposited in the bank timely.

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

(5) **Summary Schedule of Prior Federal Audit Findings:**

Federal: There were no prior year federal findings.

State: There were two findings in the prior year related to one financial disclosure statement not filed timely and the sheriff's office was unable to locate one receipt of cash.