

City of Williamsburg, Virginia



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2014

CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY:

Department of Finance

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CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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CITY OF WILLIAMSBURG

Department of Finance

November 7, 2014

To the Honorable Mayor, Members of City Council, and Citizens of the City of Williamsburg:

The Comprehensive Annual Financial Report (CAFR) of the City of Williamsburg, Virginia for the fiscal year ended June 30, 2014, is submitted herewith in accordance with Section 15.2-2511 of the Code of Virginia. This report is designed in a manner to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds in conformity with accounting principles generally accepted in the United States of America (GAAP). We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included. This report has been prepared by the Department of Finance in accordance with all governmental accounting and financial reporting standards as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Commonwealth of Virginia's Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements. Because the cost of internal controls should not outweigh their benefits, the City'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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects, and presents fairly the financial position and results of operations of the various funds of the City.

This report is intended to provide informative and relevant financial information for the citizens of the City, the City Council, investors, creditors and other concerned readers. All are encouraged to contact the Department of Finance with any comments or questions concerning this report.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the ninth of a multi-year contract for professional auditing services with this firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Williamsburg financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's compliance with the financial and administrative requirements applicable to each of the City's major federal programs. These reports are available 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 City's MD&A can be found immediately following the independent auditor's report.

Profile of the City

The City of Williamsburg was established by the General Assembly of the Commonwealth of Virginia in 1699 and was incorporated by British Royal Charter in 1722. Today, it operates under the Council-Manager form of government substantially as established in the City Charter of 1932, and as an independent city under the Constitution and laws of the Commonwealth of Virginia. Policy-making and legislative authority are vested in a governing City Council consisting of the Mayor and four other members. The City Council members serve four-year staggered terms. The Mayor is chosen from among City Council members every two years. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

Williamsburg encompasses some nine square miles located between the James and York Rivers on the Virginia Peninsula in Southeastern Virginia. The 2010 U.S. Census showed Williamsburg with a population of 14,068, up 17.2% from the 2000 U.S. Census. The City is home to two premier institutions: the College of William & Mary, established in 1693, and the Colonial Williamsburg Foundation recreating the days when Williamsburg was the Capital of Colonial Virginia, from 1699 to 1780.

The financial reporting entity includes all the funds of the City of Williamsburg. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In September, 2012 by ordinance the Williamsburg City Council effectively terminated the existing Williamsburg Redevelopment & Housing Authority (WRHA) Board of Commissioners, and appointed City Council members in their place. In February 2013 a Memorandum of Understanding between the City and the WRHA was signed, integrating services of existing City departments with WRHA. This change was made for operational assistance and administrative convenience, and also as a cost control measure. The WRHA operation is presented as a component unit of the City in the financial statements as of June 30, 2014.

The City provides the full range of municipal services including public safety, (police, fire and emergency medical services, parking garage), public works, (street construction and maintenance, landscaping, stormwater management, engineering, refuse collection, public cemetery), economic development, planning and zoning, code compliance, human services, parks and recreation, and general administrative services. In addition, the City provides water and sewer services to approximately 3,450 residential and 900 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

The City provides education jointly by contract with neighboring James City County for both localities through the Williamsburg-James City County Public Schools (W-JCC Schools). This strong partnership between the City and County governments has served the K-12 education needs of the jurisdictions for over 50 years. FY 2014 marked the second year of a restated contract for operating and capital funding of the joint School system, for fiscal years 2013 thru 2017. The contract essentially covers board membership, operational and capital funding allocations, use of School surplus operating and capital funds, and equity interest in School property.

The City also provides library services jointly by contract with James City County through the Williamsburg Regional Library. The joint contract provides for board membership, operational funding, and responsibilities for repair and maintenance of facilities and grounds of the respective library building located in each locality. In June 2013 City Council approved an amendment to the joint contract to include neighboring York County. The agreement represents another step forward for regionalism in the Historic Triangle to benefit the citizens of all three jurisdictions.

The annual budget serves as the foundation for the City's financial planning and control. The budget process incorporates City Council strategic plan "Biennial Goals, Initiatives and Outcomes," and defines, communicates, and funds the City's programs and priorities. The completed budget is City Council's road map, and a primary management tool for the City Manager and Department Heads. The annual Budget Guide is a formal call for all

departments of the City, and agencies associated with it, to prepare and submit an estimate of the resources required for the next fiscal year. It includes a set of procedures for building a comprehensive budget for the City Manager to submit to City Council each year. City Council is required to hold public hearings on the proposed budget and tax rates, and to adopt a final budget resolution no later than June 30th. The appropriated budget is prepared by fund, function (e.g., public works), and department (e.g., streets). Department heads may make transfers of appropriations within a department, with the approval of the City Manager. Budget amendments requiring changes in total fund appropriations require subsequent approval of City Council, and a public hearing if it exceeds one percent of the total expenditures adopted in the current year. 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 as part of the required supplementary information other than management's discussion and analysis under the combining and individual funds tab of the report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Economic Condition and Outlook:

The economy of the City of Williamsburg is propelled by tourism and education. Tourism – including major attractions and the hospitality industry – continues to provide the most significant source of tax base for the city government. Within the city limits are 38 hotels/motels with approximately 3,900 rooms, 23 operating bed and breakfasts, and 89 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 2,600, the Foundation interprets the 18th century history of America in Virginia's colonial capital. Other nearby attractions not located in the city include Jamestown (site of the first permanent English settlement in 1607), Yorktown (site of Washington's victory over Cornwallis in the Revolutionary War), and Busch Gardens and Water Country USA theme parks. These attractions draw a conservatively estimated 4 million ticketed visitors annually. Next to tourism, higher education drives the Williamsburg economy. The College of William and Mary, located within the City, is the nation's second oldest university. The College owns 18.3% of the land area of the City, currently enrolls about 8,200 students, and employs about 3,250 faculty and staff, including graduate assistants as well.

The City has seen a mix of economic activity over the last three fiscal years. For FY 2014, room tax receipts decreased \$240K, or 7.1% from last year. Meal taxes were up slightly by \$55K, or .9% over last year, and have been on the rise since FY 2009. Revenues from \$2/night lodging tax, which are a pass-thru to the Williamsburg Area Destination Marketing Committee, were down 7.5% from last year. In total, these three significant taxes were down \$277K, or 2.5% from FY 2013. Another significant tax, dedicated to capital improvements within the City, is the 1% State sales tax. These taxes were \$4.2 million for FY 2014, level with last year's receipts after adjusting for a significant one-time payment for delinquent taxes received last year. Still, the economy will need to rebound much stronger in order to reach the \$4.9 million and \$4.6 million levels of 1% sales tax receipts collected in FY 2007 and FY 2008 respectively. In addition, revenues from the Prince George Parking Garage are up over 53% from FY 2009 with increased usage.

Although real estate values in Williamsburg have not experienced double-digit declines that communities in northern Virginia and other parts of the country have endured during the recent recession, values declined about 14% from FY 2009 thru FY 2013. The real estate tax rate was adjusted for FY 2013 from \$.54/100 to \$.57/100 in response to the cumulative decline in the tax base. On a positive note, assessed values for FY 2014 were up 3.6%. City staff monitors the real estate assessment to sales ratio each month by closely tracking sales activity. The ratio is important in analyzing sales trends in neighborhoods, and is vital to the City Assessor's job of assessing properties at market value each year. As of October 2014 the City's assessment to sales ratio of residential sales since July 1st, 2014 continued to be under 93%, indicating, *on average*, continuing recovery of real estate values in the City. Real estate assessments for FY 2015, *on average*, are up 2.6%, indicating continued improvement in both residential and commercial values.

Economic Development Activity – Recent economic development activity in the City includes the following:

- Three commercial development projects are progressing: "Quarterpath at Williamsburg," a 350 acre mixed-use development in the southeast quadrant of the City will offer retail, Class-A office space, and a 40-bed acute care doctor's hospital operated by Riverside Health System, which opened in May 2013. The other two projects include the "Griffin Arms" and "Prince George Commons" mixed-use buildings, adjacent to one another on Prince George Street. Both provide 2nd floor housing with 1st floor commercial spaces and both have made use of the EDA's Forgivable Demolition Loan program. Griffin Arms is complete and has 9,000 s.f. of space, 4,000 s.f. of which is for commercial use. Prince George Commons is currently under construction.
- New businesses opening after renovating existing commercial space between July 1, 2013 and June 30, 2014 include Tervis Tumbler, Fat Tuna Oyster Bar and Grill, Billy Bread, Cakes by Tawanda, La Patisserie, Colonial Folk Art, Artfully Yours, and Red Lobster.
- New businesses opening in newly constructed space at the High Street development on Richmond Road During FY 2014 include Le Yaca French Restaurant, Pendleton Wool Outlet, and Vanity Fair Outlet.
- Second Street Boutiques, a mixed-use expansion project at 301 Second Street now provides 13,250 s.f. of new retail space in the northeast quadrant of the City. Three new businesses and one expanded business will be open there by the end of 2014.

Besides the Quarterpath project discussed above, most future development in the City continues to be infill and redevelopment. With this in mind, the City continues to implement an existing business program that includes a Forgivable Demolition Loan to encourage redevelopment projects. Three redevelopment projects are currently utilizing this loan program. The City has also recently created incentives to attract transformative development projects. City Council approved \$250,000 for FY 2015 for this initiative, and the Williamsburg Economic Development Authority has approved a policy governing the fund's use.

Budget Policies

The City's adopted Financial Planning Policies include requirements for balanced budgets and long-range planning. The FY 2014 General Fund operating budget was initially approved in May, 2013 with a transfer from reserves of \$95,855. As shown in the Management's Discussion and Analysis section of this report, the operating surplus for the year ended June 30, 2014 was \$1.2 million. Long-range planning is part of the budget process each year, and included (1) Planning Commission review of current and future capital projects; (2) consideration of revenue, expenditure, and service implications of continuing existing programs, or adding new programs; (3) condition assessment of major buildings, roads, sidewalks, bridges, water lines, vehicles, and equipment; (4) maintaining, as a minimum, the City's 35% of total operating revenues as its unassigned fund balance, which can only be used for emergencies, non-recurring expenditures, or major capital purchases that cannot be acquired on a pay-as-you-go basis.

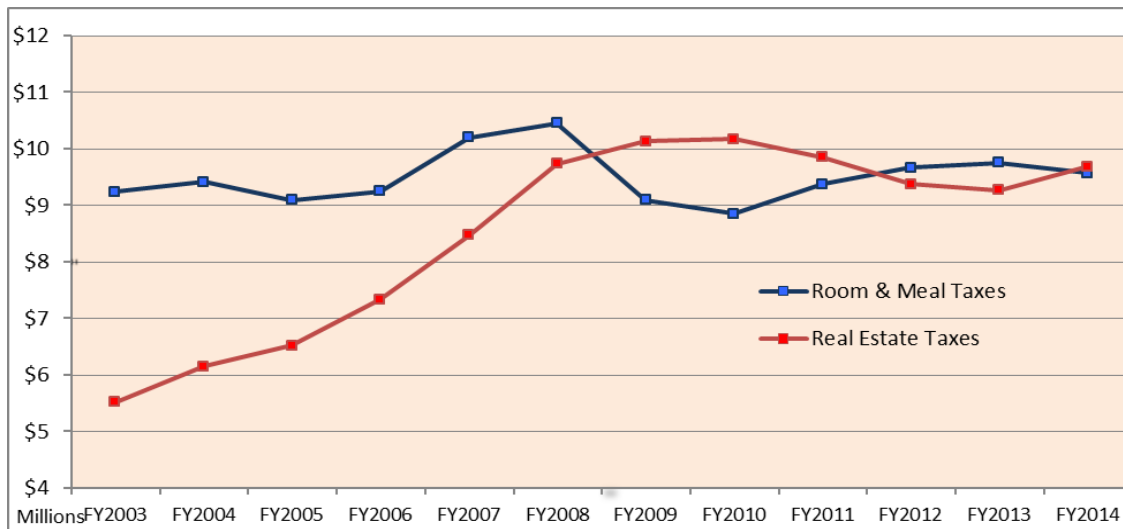
Revenue policies taken into consideration during the budget process included annual review of tax rates, collection rates, and identification of all revenue and grant options available to the City. In addition, user fees and charges were reviewed in order to ensure keeping pace with service delivery. Building permit and inspection fees, as well as all recreation program charges, were also reviewed during the budget process.

Expenditure policies which also contributed to the positive operating outcome of FY 2014 include financing all current operating expenditures with current revenues. Budgetary control was enhanced during FY 2014 by expanding the City's performance measurement dashboard system, linked to the live accounting system, to key staff. Useful and timely line-item budget information is available on demand at department heads' and other key employees' desktops.

Long-Term Financial Planning

Major Operating Revenues - The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 57¢ per \$100 of assessed value continues to be one of the lowest city tax rates in Virginia. Prior to FY 2009, room and meal taxes provided the largest source of funding for City services since the mid-1980s. Rising property assessments brought revenues that surpassed room and meal taxes

during FY 2009 for the first time, when most local governments began to feel the effects of the recent recession. Though declining for two years from the highs of FY 2008, room and meal taxes tracked upward from FY 2010 to FY 2013, and declined about 1.9% during FY 2014. On a positive note room and meal taxes received during FY 2014 are about 8% higher than the all-time lows of FY 2010, and briefly surpassed real estate taxes in FY 2012 & FY 2013. This trend is attributable to increased meal rather than room taxes, and from reduced real estate values from FY 2010 thru FY 2013. The gap between room and meal tax receipts and real estate taxes for FY 2014 is just over \$100K. Room and meal taxes accounted for 28.7% of the General Fund operating revenues for FY 2014, compared to 39.7% in FY 2000¹.



Real estate taxes made up for 28.9% of total revenues in FY 2014, compared to 19.9% in FY 2000. This shifting of tax base is more pronounced when comparing actual tax revenues. During that 14-year period room and meal taxes increased from \$9.2 million to \$9.6 million, a 4% increase. Real estate taxes increased from \$4.5 million in FY 2000 to \$9.5 million in FY 2014, an increase of 108%. The FY 2014 real estate tax base increased 3.6% from the prior year, with next year's FY 2015 values increasing another 2.6%. The City's total personal property tax collections, including State reimbursement for the Car Tax program, increased 6% from last year.

Revenue trends for other local taxes were mixed compared to last year. Business license taxes were level, while utility, bank stock, recordation taxes, and tobacco taxes were down slightly.

Total revenue from the Commonwealth increased overall by 16.1% for FY 2014, skewed by a VDOT construction grant totaling \$431K. Reimbursement for street maintenance costs increased by \$30K, or 2%, over last year because of increased state funding per lane mileage. State sales tax for education receipts increased \$170K, or 21.3% this year.

Business growth and economic development initiatives mentioned above, along with investment by new and existing businesses in the City, will help to strengthen the City's real estate, personal property, and retail sales tax bases in the next few years.

A more detailed analysis of revenue trends is included in Management's Discussion and Analysis.

¹ Not including the \$2/night lodging tax, which is dedicated for tourism promotion.

Major Operating Expenditures - The economy continues to challenge the City's ability to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates. Total approved full-time positions increased from 188 in FY 2013 to 190 in FY 2014, with the addition of one position each in the departments of Human Services and Public Housing.

Personnel Costs – Employee benefit costs have increased substantially over the past several years. Healthcare benefits are analyzed each year relative to increases in premiums, and adjustments are recommended, if necessary, during the budget process. Beginning July 1, 2012, the City ended its self-insured healthcare plan, which was administered by Anthem, and now is offering employee & family coverage through the State's Local Choice healthcare plan. This move was in response (1) to limit exposure by joining a traditional insurance plan, with partial risk absorbed by the overall plan, which is made up of thousands of employees statewide; and (2) to reduce overall healthcare premiums by offering employees two different deductible plans.

The City is a member locality of the Virginia Retirement System (VRS). Pension costs are compensation-based, with funding rates set by VRS actuaries bi-annually. Significant increases in defined-benefit pension costs around the country have forced a variety of pension reform initiatives, as liabilities continue to outpace assets backing these long-term benefits. Pension reform by the Virginia General Assembly in 2011 has impacted localities and school districts by mandating employee contributions and changes in various components of benefit formulas. Note 13 of the financial statements includes extensive information on all VRS pension options, including the new Hybrid pension plan which was effective in January, 2014. In addition, the Governmental Accounting Standards Board has adopted Statement No. 68, *Accounting and Financial Reporting for Pensions*, which applies to governments that provide pension benefits to their employees. These new financial reporting standards are required for the year ending June 30, 2015.

Debt Service - In December, 2013 City Council approved a \$5 million bank-qualified loan with Carter Bank for financing the construction and equipping of a new governmental and community multipurpose facility to be known as the Stryker Center, located at 412 North Boundary Street. The loan is fixed at 2.60% for the 15-year term.

In April 2014 Standard & Poor's rating agency raised its long-term rating of the City's general obligation (GO) bonds from "AA+" to "AAA", its highest level. According to S & P, the rating reflects their view of the City's *"very strong economy, very strong budgetary flexibility, strong budgetary performance, very strong liquidity, very strong management, and very strong debt and contingent liability profile"*.

City staff continues to analyze market conditions, and formulate financing strategies with financial advisors, Davenport and Co., LLC, in order to stay on schedule with major projects. Since 2004 the City's financial policies include maintaining a minimum of 35% of total General Fund operating revenues as its operating fund balance. A detailed analysis of the City's fund balance is presented in the Management's Discussion and Analysis section of this report.

Independent Audit

The State Code of the Commonwealth of Virginia requires an annual audit of the books of account, financial records, and transactions of the City. This requirement has been complied with and the unqualified opinion of Robinson, Farmer, Cox Associates, independent certified public accountants, has been included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Williamsburg, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the 28th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents conforming to program standards. This report satisfied both generally accepted accounting principles 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 the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 22 years. In order to qualify for the Distinguished Budget Presentation Award, the City's Budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Both of these prestigious awards serve to continually improve the City's annual financial reports and budget documents by implementing professional suggestions from GFOA staff and reviewers across the country.

In addition to the above awards, the City of Williamsburg was recently awarded the International City/County Management Association (ICMA) Center for Performance Measurement Certificate of Excellence. The certificate program assesses a local government's performance management program and encourages analysis of results by comparing to peers and gauging performance over time. Performance management aids in cost reduction, program prioritization, and quality improvement. It also encourages accountability and transparency. Criteria for the Certificate of Excellence included:

- Reporting of performance data to the public through budgets, newsletters, and/or information provided to elected officials
- Data verification efforts to ensure reliability
- Use of performance data in strategic planning and operational decision-making
- Sharing of performance measurement knowledge with other local governments through presentations, site visits, and other networking
- Commitment to tracking and reporting to the public
- Surveying of both residents and employees

The City was awarded the first two tiers of the CPM Certificate program, the Certificate of Achievement, and Certificate of Distinction, in early years. This is the third year the top-tier Certificate of Excellence was awarded to the City.

Acknowledgements

The preparation of this report has been accomplished with the efficient and dedicated services of the City Department of Finance. We would like to express our appreciation to all members of the departments who assisted and contributed in its preparation. In addition, the accounting firm of Robinson, Farmer, Cox Associates, is to be congratulated for their substantial contributions, by way of design, counsel, and interpretation of recent guidelines, planning, and implementation of the requirements of all GASB standards. We also wish to express thanks to the Mayor and members of City Council for their unfailing support in planning and conducting the financial operations of the City of Williamsburg in a responsible and progressive manner.

Respectfully Submitted,



Jackson C. Tuttle
City Manager



Philip F. Serra CPFO
Director of Finance

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Williamsburg
Virginia**

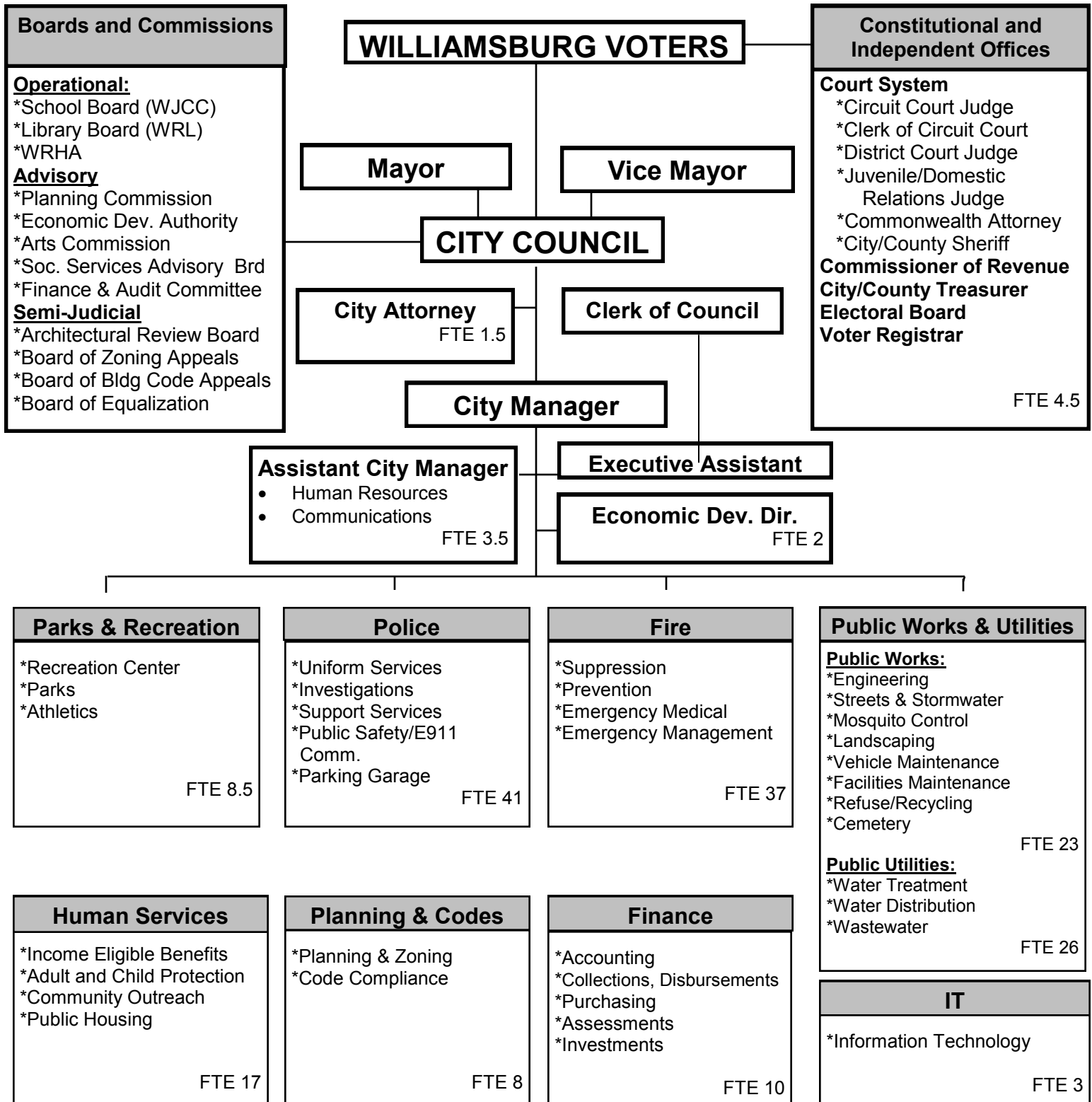
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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City of Williamsburg Organizational Chart



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CITY OF WILLIAMSBURG, VIRGINIA

Members of the City Council

	Clyde A. Haulman, Mayor	
	Paul Freiling, Vice-Mayor	
Judith Knudson		Douglas G. Pons
		Gerry Walton, Deputy Clerk of
D. Scott Foster		Council

City Officials

City Manager	Jackson C. Tuttle, II
Director of Finance.....	Philip F. Serra, Jr.
Assistant City Manager.....	Jodi M. Miller
Commonwealth's Attorney.....	Nate Green
City Attorney	Christina Shelton
Treasurer.....	M. Ann Davis
Commissioner of Revenue.....	Judy Nightengale Fuqua
Clerk of Circuit Court	Betsy Woolridge
Sheriff	Robert Deeds
Director of Public Works & Utilities	Daniel G. Clayton, III
Director of Planning	Reed T. Nester
Director of Human Services.....	Peter P. Walentisch
Director of Information Technology	Mark A. Barham
Director of Recreation	Lori C. Rierson
Director of Economic Development	Michele Mixner DeWitt
Chief, Fire Department.....	W. Patrick Dent
Chief, Police Department	David C. Sloggie

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FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards 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 auditors' 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Williamsburg, 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, budgetary comparison information, and schedule of pension funding progress on pages 4-17, 65, and 66 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Williamsburg, Virginia's basic financial statements. The introductory section, other 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 States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information (continued)

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 October 24, 2014, on our consideration of City of Williamsburg, 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 City of Williamsburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 24, 2014

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The Management's Discussion and Analysis (MD&A) offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

- The assets of the City of Williamsburg exceeded its liabilities at June 30, 2014 by \$115.5 million. Capital assets (net of depreciation and related debt) account for 69% of this amount, with a value of \$79.3 million. The remaining net position may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net position increased by \$850K, of which the governmental activities increased by \$600K, and business-type activities increased by \$250K.
- The City's governmental funds reported combined ending fund balances of \$37.3 million, an increase of \$6.4 million from the prior year. Fund balances are further categorized as *Nonspendable* (\$1.2 million for real property owned by the City and held for resale), *Restricted* (\$4.8 million for the General Fund, and \$300K for the Public Assistance Fund), *Assigned* (\$19.3 million for carryover and future capital projects), and *Unassigned* (\$11.7 million). The unassigned fund balance is equal to the City Council reserve policy of 35% of total General Fund operating revenues for FY 2014, and effectively represents the City's rainy day fund. The Restricted category includes \$4.8 million of borrowed funds for construction of the Stryker Center. The Assigned category includes \$3.5 million of prior year carryover capital projects, and also \$15.8 Million to fund future capital projects included in the City's five-year capital improvement program.
- Total General Fund (including 1% Sales Tax) revenues were \$38.4 million for FY 2014, up by \$1 million from last year. General property tax receipts were \$12.1 million, up 4.8% from last year. Other local taxes were down 3.3%, mostly from decreased sales taxes, business licenses, bank stock taxes, and recordation taxes. Room taxes decreased by \$240K, or 7.1%, while meal taxes were up slightly by \$55K over last year.
- Total General Fund expenditures, including capital projects, were up 6.9% at \$36.3 million for FY 2014. Capital projects and debt service payments accounted for \$4.7 million in spending for the year, up from last year's level of \$3.3 million.
- The City's General Fund debt increased overall by \$4.3 million during FY 2014, with scheduled ongoing debt principal being paid down, while adding a \$5 million bank-qualified loan for construction of the Stryker Center.
- In October 2012 the Williamsburg City Council members were appointed as the Board of Commissioners of the Williamsburg Redevelopment & Housing Authority (WRHA). With the fiscal dependence, by way of City staff involvement in the areas of payroll, accounts payable, and other managerial responsibilities, the WRHA is presented in this report as a Discretely Presented Component Unit of the City. Financial information is included herein for WRHA's latest fiscal year ending September 30, 2013.
- Business-type activities (Utility Fund) reported net position at June 30, 2014 of \$22.3 million. Capital assets (net of depreciation and related debt) account for 80% of this amount, with the remaining net position of \$4.5 million available without restriction. The Utility Fund reports combined cash and investments at year-end of \$4.4 million, with total current liabilities of \$1.5 million, including the current portion of compensated absences and bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, judicial, public safety, public works, health and welfare, education, parks and recreation, cultural, community development, and debt service. The sole business-type activity of the City of Williamsburg is the water utility.

The government-wide financial statements (Exhibits 1 and 2) include not only the City itself (known as the *primary government*), but also a legally separate Housing Authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, this is just one indicator of financial health of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received before June 30, 2014, and earned but unused vacation and sick leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2014.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Williamsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Williamsburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund. (GASB Statement No. 34 defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise: 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate; and, 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund.) The governmental fund financial statements can be found immediately following the government-wide financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by fulltime positions. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget. Major fund budgetary variance statements are included with the basic financial statements. Non-major fund information follows the notes to the financial statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

Proprietary Funds. The City uses an enterprise fund to account for its water utility operations. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. The proprietary fund financial statements provide information for the Water Utility Fund, which is considered to be the only major proprietary fund of the City. There are no reconciling differences from the Proprietary Fund Statement of Net Position to the business-type activity column on the Government-Wide Statement of Net Position.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Williamsburg has one type of fiduciary funds - Agency Funds (which are clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the organizations or government agencies to which they belong). The Statement of Fiduciary Net Assets can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the (1) General Fund revenues, expenditures, and changes in fund balances-budget and actual; and (2) the City's progress in funding its obligations to provide pension benefits to its current and future retirees. This required supplementary information can be found at Exhibit 11 and 12 of this report.

The combining financial statements for nonmajor special revenue funds and fiduciary funds immediately follow the required supplementary information at exhibits 13 through 17 of this report.

This report also contains a statistical section that supplements the basic financials statements by presenting detail trend information to assist the users in assessing the economic condition of the City. We encourage readers to review the statistical section to better understand the City's operations, services, and financial condition.

The last section of this report contains a compliance section, including the City's Schedule of Expenditures of Federal Awards and related notes, and the independent auditors' required reports on compliance and internal control.

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net Position**

As noted earlier, changes in net position may serve over time as a useful indicator of a City's financial position. The City's net position totaled \$115.5 million at June 30, 2014. The following table reflects the condensed Government-Wide Statement of Net Position:

City of Williamsburg, Virginia - Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 38,864,952	\$ 32,392,095	\$ 5,446,811	\$ 5,069,569	\$ 44,311,763	\$ 37,461,664
Capital Assets	66,921,126	68,275,202	25,253,309	25,940,251	92,174,435	94,215,453
Total Assets	\$ 105,786,078	\$ 100,667,297	\$ 30,700,120	\$ 31,009,820	\$ 136,486,198	\$ 131,677,117
Long-term Liabilities	\$ 11,232,664	\$ 6,931,255	\$ 7,600,750	\$ 8,204,569	\$ 18,833,414	\$ 15,135,824
Other Liabilities	1,354,442	1,134,031	755,063	718,601	2,109,505	1,852,632
Total Liabilities	\$ 12,587,106	\$ 8,065,286	\$ 8,355,813	\$ 8,923,170	\$ 20,942,919	\$ 16,988,456
Net Position:						
Net investment in						
capital assets	\$ 61,470,986	\$ 62,277,812	\$ 17,806,425	\$ 17,888,271	\$ 79,277,411	\$ 80,166,083
Unrestricted	31,727,986	30,324,199	4,537,882	4,198,379	36,265,868	34,522,578
Total Net Position	\$ 93,198,972	\$ 92,602,011	\$ 22,344,307	\$ 22,086,650	\$ 115,543,279	\$ 114,688,661

The City of Williamsburg's total assets were \$136.5 million as of June 30, 2014. The largest portion, \$92.2 million (67.5%), reflects its investment in capital assets (e.g., land, building, machinery, and equipment). The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in 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. Of the remaining

City assets, approximately \$38.9 million is accounted for in cash, cash equivalents, and pooled investments, \$2.6 million in accounts and notes receivable, and amounts due from other governmental units, with the remainder spread among miscellaneous assets.

At June 30, 2014, outstanding liabilities were \$20.9 million, with \$18.8 million in general obligation bonds payable and compensated absences. Of the bonds payable, \$2.3 million is due within one year, with the remainder due at various dates until 2028. Additional information on the City's long term debt obligations is included in Note 8 in the notes to the financial statements. Included in other liabilities above are \$1.4 million in accounts payable, \$50K in accrued liabilities, and \$120K in customer deposits payable.

At June 30, 2014, the City had positive balances in all categories of net position, for the government as a whole, and for its separate governmental and business-type activities.

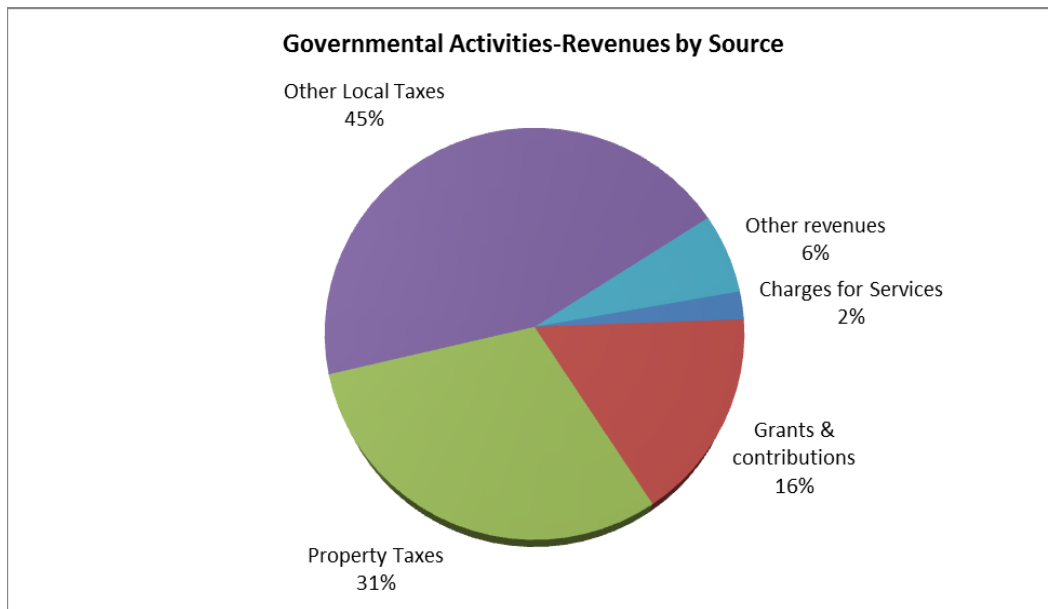
The following schedule summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2014 and 2013:

City of Williamsburg, Virginia - Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 1,320,155	\$ 1,330,476	\$ 6,102,936	\$ 6,024,722	\$ 7,423,091	\$ 7,355,198
Operating grants and contributions	4,888,993	4,062,259	-	-	4,888,993	4,062,259
Capital grants and contributions	-	2,322,693	-	-	-	2,322,693
General Revenues:						
Property taxes	11,940,391	11,591,073	-	-	11,940,391	11,591,073
Other local taxes	17,648,444	18,252,504	-	-	17,648,444	18,252,504
Other	<u>2,697,676</u>	<u>2,532,864</u>	<u>197,649</u>	<u>204,597</u>	<u>2,895,325</u>	<u>2,737,461</u>
Total Revenues	<u>\$ 38,495,659</u>	<u>\$ 40,091,869</u>	<u>\$ 6,300,585</u>	<u>\$ 6,229,319</u>	<u>\$ 44,796,244</u>	<u>\$ 46,321,188</u>
Expenses:						
General government	\$ 4,070,451	\$ 4,252,911	\$ -	\$ -	\$ 4,070,451	\$ 4,252,911
Judicial administration	439,441	501,565	-	-	439,441	501,565
Public safety	10,122,867	9,671,016	-	-	10,122,867	9,671,016
Public works	4,526,929	4,142,471	-	-	4,526,929	4,142,471
Health and welfare	2,309,325	2,251,382	-	-	2,309,325	2,251,382
Education	9,170,571	8,205,970	-	-	9,170,571	8,205,970
Parks, recreation, & cultural	2,399,212	2,430,750	-	-	2,399,212	2,430,750
Community Development	4,684,339	4,512,839	-	-	4,684,339	4,512,839
Interest expense	175,563	122,847	-	-	175,563	122,847
Water	-	-	<u>6,042,928</u>	<u>6,019,724</u>	<u>6,042,928</u>	<u>6,019,724</u>
Total Expenses	<u>\$ 37,898,698</u>	<u>\$ 36,091,751</u>	<u>\$ 6,042,928</u>	<u>\$ 6,019,724</u>	<u>\$ 43,941,626</u>	<u>\$ 42,111,475</u>
Increase in net position	596,961	4,000,118	257,657	209,595	854,618	4,209,713
Net position - beginning	<u>92,602,011</u>	<u>88,601,893</u>	<u>22,086,650</u>	<u>21,877,055</u>	<u>114,688,661</u>	<u>110,478,948</u>
Net position - ending	<u>\$ 93,198,972</u>	<u>\$ 92,602,011</u>	<u>\$ 22,344,307</u>	<u>\$ 22,086,650</u>	<u>\$ 115,543,279</u>	<u>\$ 114,688,661</u>

Governmental Activities – Revenues

The City's total revenues from governmental activities were \$38.5 million for FY 2014, a decrease of \$1.6 million from last year. Percentages of FY 2014 governmental revenues by source are as follows:



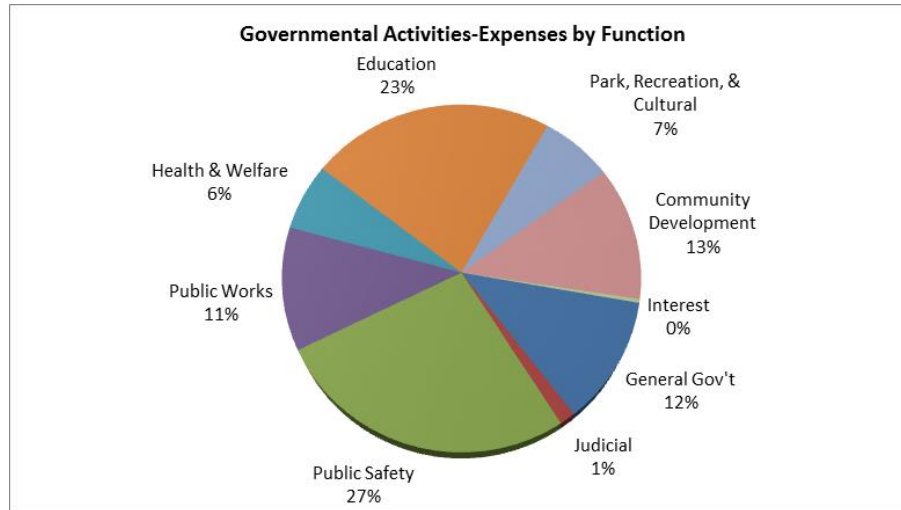
Taxes are the largest City revenue source – property and other local taxes accounted for 76% of General Fund revenues. Real property tax receipts were \$9.7 million, up 4.5% from last year, with property values finally turning positive after a three year decline totaling about 14% during the recession. Personal property tax receipts were up 6% in total, with business personal property representing the majority of the increase over last year. The State's 1% sales taxes were \$4.2 million, down about 5.7%, but skewed by prior years' delinquent taxes collected and remitted by the State during FY 2013. Consumer utility tax receipts were again level this year. Bank stock taxes were down about 3.2% from last year. Room taxes were down about 7.2% for FY 2014, while meal taxes generated \$6.45 million, up .9% over last year. The \$2 lodging taxes, which are passed-thru to the Williamsburg Area Destination Marketing Committee (WADMC), were down 7.5% for the year.

Governmental Activities – Expenses

Highlights of expense activity for governmental funds include:

- Overall expenses increased by \$1.8 million from last year.
- Public Works expenses increased 9.2%, due largely to street and sidewalk construction and other capital improvements projects during the year compared to last year.
- Public Safety overall was up 4.7% due to increased personnel costs
- Parks, Recreation, and Cultural expenses were level with last year.
- Education expenses were up 11.8% due to increased operating and capital projects costs compared to last year.

The Summary of Changes in Net Position shows total expenses for all of the City's governmental activities for FY 2014 were \$37.9 million, up 5% from last year. The City's FY 2014 budget included a 2% overall merit pay increase for all employees. The City's self-insured healthcare plan, which was administered by Anthem, was terminated as of June 30, 2012, and replaced by the Commonwealth of Virginia's Local Choice program, which is also administered by Anthem.



Business-type activities - The Utility Fund is the City's only business-type activity. The utility rate structure recovers as much as possible of the operating expenses incurred to meet service demands through user charges. Change in the fund's net position is the difference between revenues and expenses, which for FY 2014 resulted in a slight increase of \$257K. Highlights include:

- Operating revenue for the Utility Fund was up \$72K, or 1.2% for FY 2014. Total water consumption for FY 2014 was .853 billion gallons, down from .885 billion gallons last year.
- Total operating expenses were up slightly by \$36K, or .6%.
- Investment earnings were approximately \$28K, down slightly from last year because of reduced earnings rates on certificates of deposit.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Williamsburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the City's governmental and proprietary funds.

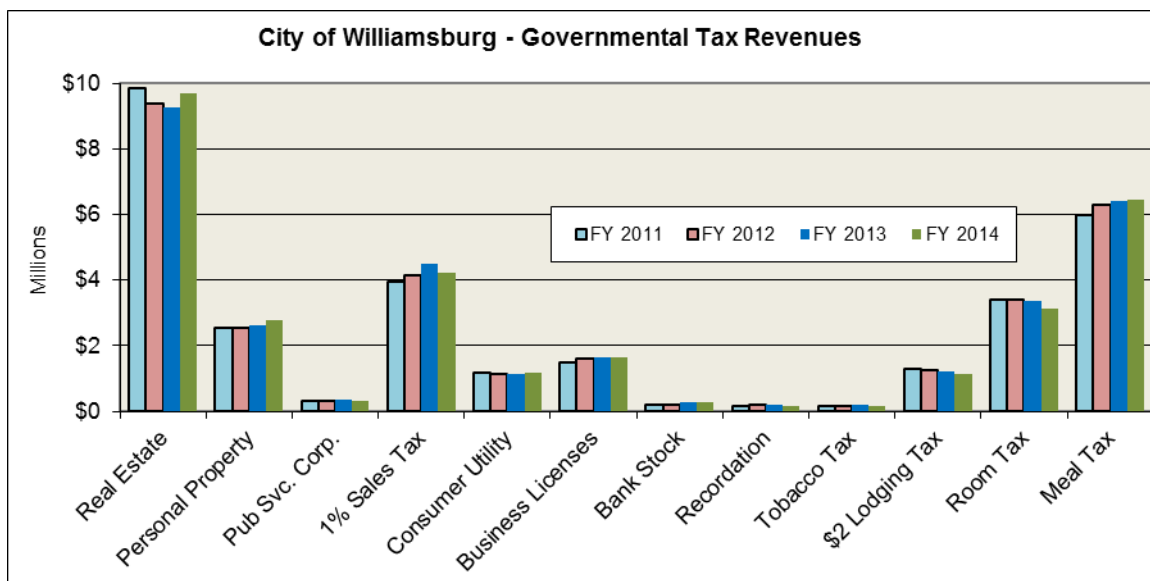
Governmental Funds Revenues - Analysis

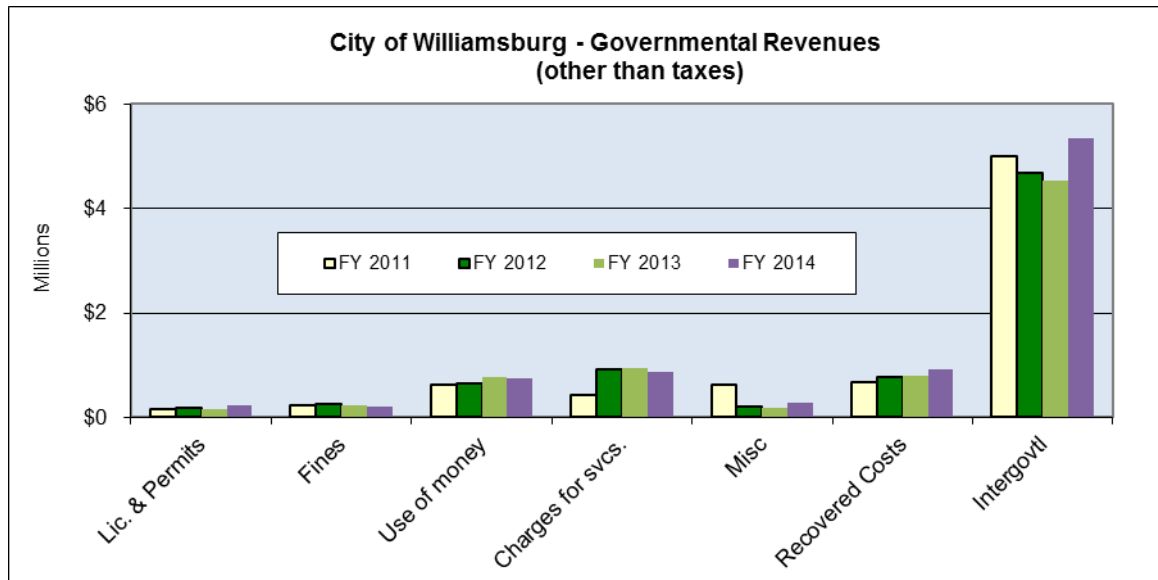
Revenues by Source	June 30, 2014		June 30, 2013		Increase/(Decrease)	
	Percent of		Percent of		Percent of	
	Amount	Total	Amount	Total	Amount	Change
General Property Taxes	\$12,088,049	30.55%	\$11,534,307	29.95%	\$553,742	4.80%
Other Local Taxes	17,648,444	44.60%	18,252,504	47.40%	(604,060)	-3.31%
Licenses and permits	240,017	0.61%	151,637	0.39%	88,380	58.28%
Fines & Forfeitures	214,373	0.54%	228,172	0.59%	(13,799)	-6.05%
Use of Money and Property	756,800	1.91%	775,353	2.01%	(18,553)	-2.39%
Charges for Services	865,765	2.19%	950,667	2.47%	(84,902)	-8.93%
Miscellaneous	352,950	0.89%	216,622	0.56%	136,328	62.93%
Recovered Costs	926,794	2.34%	798,613	2.07%	128,181	0.00%
Intergovernmental	6,476,919	16.37%	5,603,148	14.55%	873,771	15.59%
Total Revenues	<u>\$39,570,111</u>	<u>100.00%</u>	<u>\$38,511,023</u>	<u>100.00%</u>	<u>\$1,059,088</u>	<u>2.75%</u>

The Governmental Funds consist of the General Fund, Public Assistance Fund, and the Law Enforcement Block Grant Fund. The general governmental functions are contained in the General Fund, the City's chief operating fund. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. On June 30, 2014, total fund balance of the General Fund was approximately \$37 million. Of that amount, *Nonspendable* fund balance was approximately \$1.2 million, consisting of prepaid expenditures and current market value of City-owned property for sale. *Restricted* fund balance was \$4.8 million, representing remaining borrowed funds held in escrow for construction of the Stryker Center. *Assigned* fund balance was \$19.3 million, representing a combination of appropriations carried over for capital projects of \$3.1 million and future capital projects of \$16.2 million. The remainder of \$11.7 million is shown as *Unassigned* fund balance.

The following provides more detailed information about major General Fund operating revenue collections during FY 2014:

- **General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were \$9.7 million, up 4.4% from last year. Personal property tax receipts for individuals and businesses totaled \$2.8 million, including reimbursement for the State's Car Tax relief block grant program, and were up by 6.0% from last year.
- **Other Local Taxes** - Overall these revenues decreased 3.3% from last year. Sales taxes were down 5.7% from last year, skewed from a significant collection of delinquent taxes last year. Consumer utility taxes were level with last year. Room taxes were down by 7.1% from last year, while meal taxes were up slightly by .9% for the year.





- **Revenue from the Use of Money and Property** – Interest earnings were \$113K for the year, up from last year's \$108K. Interest rates on certificate of deposits declined slightly during the year, and the average yield on deposits and investments was level with last year at approximately .50%. Prince George Parking Garage receipts were \$321K, up 13% from last year.
- **Charges for Services** – This category consists largely of EMS medical transport fees, recreation programs and facility rentals, and cemetery lots and fees. Overall revenues in this category were \$865K, down by 8.9% from last year, mostly from courthouse maintenance activities being lower this year compared to last.
- **Miscellaneous/Recovered Costs** – These include reimbursements for Utility Fund overhead charges, public safety overtime, stormwater management fees, and James City County's reimbursed portion of annual Arts Commission grants under miscellaneous receipts.
- **Intergovernmental** – Overall, intergovernmental revenues were \$6.5 million, up 15.6% from last year, largely due to grants received for specific projects, and increases in sales tax for education, rolling stock, grantor's, rolling stock, sales tax for education, and rental car taxes were down slightly from last year. State highway maintenance payments were \$1.58 Million, up 2% for the year.

Governmental Funds Expenditures - Analysis

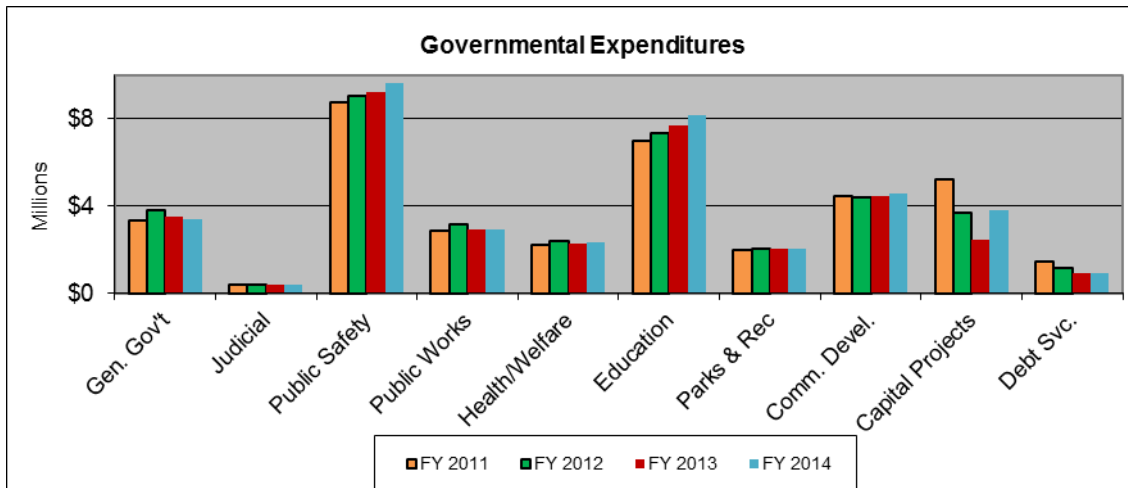
The following table represents Governmental expenditures by function, including capital projects, compared to prior year amounts.

Expenditures by Function	June 30, 2014		June 30, 2013		Increase/(Decrease)	
	Amount	Percent of	Amount	Percent of	Amount	Percent of
		Total		Total		Change
General Government	\$3,403,525	8.92%	\$3,292,205	9.20%	\$111,320	3.38%
Judicial Administration	411,806	1.08%	398,300	1.11%	13,506	3.39%
Public Safety	9,615,798	25.20%	9,189,398	25.67%	426,400	4.64%
Public Works	2,914,416	7.64%	2,922,135	8.16%	(7,719)	-0.26%
Health and Welfare	2,306,790	6.04%	2,256,347	6.30%	50,443	2.24%
Education	8,181,450	21.44%	7,673,329	21.43%	508,121	6.62%
Parks, Recreation, and Cultural	2,022,325	5.30%	2,040,440	5.70%	(18,115)	-0.89%
Community Development	4,591,577	12.03%	4,695,787	13.12%	(104,210)	-2.22%
Capital Projects	3,820,162	10.01%	2,432,992	6.80%	1,387,170	57.01%
Principal Retirement	683,990	1.79%	758,761	2.12%	(74,771)	-9.85%
Interest	213,216	0.56%	140,392	0.39%	72,824	51.87%
Total Expenditures	\$38,165,055	100.00%	\$35,800,086	100.00%	\$2,364,969	6.61%

The City's FY 2014 budget included an overall average 2% pay increase for all employees. The employer contribution rate during FY 2014 for all full-time employees covered by the Virginia Retirement System was 16.29% of salary, level with last year's rate.

The following analysis provides additional information on the City's expenditures by function that changed significantly over the prior year.

- **General Government Administration** – Up \$111K, or 3.4% from last year, mostly from added costs associated with the 2% overall merit pay increase, including VRS pension costs, workers compensation insurance, and FICA match.
- **Judicial Administration** – The City funds judicial offices with James City County in the jointly owned Courthouse, according to a population-based formula each year. The City's share of expenditures totaled \$412K, up 3.4% from last year from increased operating costs.
- **Public Safety** – This category includes several departments, and overall increased 4.6% over last year. Police department spending was up 5.8% over last year, mostly from increases in salaries, benefits, and other operational costs. E-911 contracted services were up slightly by 2% for the year, consistent with the national consumer price index, which the contract with neighboring York County is based on each year. Fire department spending was up 5.5%, mostly from higher personnel costs compared to the prior year because of lower turnover during FY 2014. Juvenile detention services are provided by the Middle Peninsula Juvenile Detention Commission, which operates the 48-bed Merrimac Center. Days used by City kids during FY 2014 totaled 464 compared to 354 last year. Juvenile detention costs, which are based on per diems, were \$105K compared to \$73K last year.
- **Public Works** – Overall costs were level with last year. Streets and engineering expenditures were \$1.3 million, down 4.5% from last year, mostly from savings associated with staff turnover and vacancies during FY 2014. Refuse collection was up 2%, while maintenance of building and grounds was up 4.5%. Landscaping costs were \$527K, up 3.8% from last year.
- **Health & Welfare** – Local health department costs were \$183K, level with last year. Contributions to the Colonial Behavioral Health were \$250K, up 1.9% from the prior year.
- **Education** – Education costs were \$8.2 million, up 6.6% from last year. The City's share of the jointly operated Williamsburg-James City County Schools for Fiscal Year 2014 was 9.54%. FY 2014 was the second of a five year renegotiated joint agreement, with operating funding based on the City's share of student population multiplied by a 14% factor, then averaged over the past three years. The City also funds approved capital projects at that same rate. The City's share of school capital costs paid during the year was \$989K, and included new projects and others carried forward from prior years.
- **Parks, Recreation and Cultural** – Parks and recreation costs of \$1.2 million were slightly below last year's spending level. Library expenditures of \$820K were up by only \$630 over last year.
- **Community Development** – Planning expenditures were down 3.1% from last year, due to lower comprehensive plan and advertising costs. Contributions to outside agencies were \$2.5 million, not including pass-thru funding of the \$2 lodging taxes to the Williamsburg Area Destination Marketing Committee, up 2% over last year. Arts Commission expenditures of \$119K were up 2.3% from last year.
- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City project spending totaled \$3.8 million for FY 2014. Capital projects included street resurfacing, sidewalk construction, stormwater management projects, school improvements, and vehicles. More information is provided under the Capital Asset section below.
- **Principal and Interest payments** – Total principal payments during FY 2014 totaled \$684K, while interest payments on outstanding debt totaled \$213K. Details of long term debt obligations are included in the notes to the financial statements.



Budget Variances

Included in the Final Budget column of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - are carryover funds for Capital Projects. Since all planned projects rarely are completed by fiscal year end, this carryover is required in order to complete planned and previously approved projects.

General Fund operating revenues were over budget by approximately \$129K for FY 2014, while operating expenditures were about \$1.1 million under budget. Although many revenue sources were slightly lower than budgeted, many sources, including all property taxes, business licenses, meal taxes, bank stock taxes, and permits ended the year higher than budgeted. On the expenditure side, major contributing departments that were underspent for FY 2014 were police, fire, streets, and the subsidy for public assistance.

Fund Balance

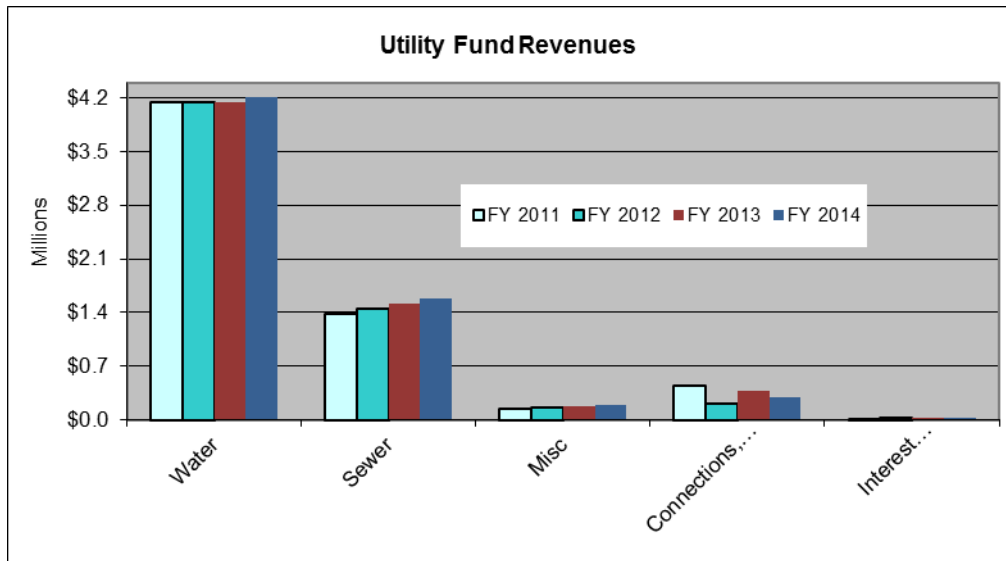
Total Fund Balance for the General Fund increased from \$30.6 million to \$37.0 million for the year. Of that, (1) \$1.2 million is *nonspendable*, and represents prepaid items and City-owned land held for resale; (2) \$4.8 million is *restricted*, as it is the remainder of funds specifically borrowed for construction of the Stryker Center; (3) \$19.3 million is *assigned* for subsequent years' carryover capital expenditures. This category includes \$3.6 million of prior year carryover capital projects for sidewalk construction projects, stormwater management improvements, Prince George Street reconstruction, underground wiring, and school capital projects. The remaining \$15.7 million of assigned fund balance will fund future capital projects included in the City's five-year capital improvement program; (3) and \$11.7 million is *unassigned*.

General Fund Reserve Policy

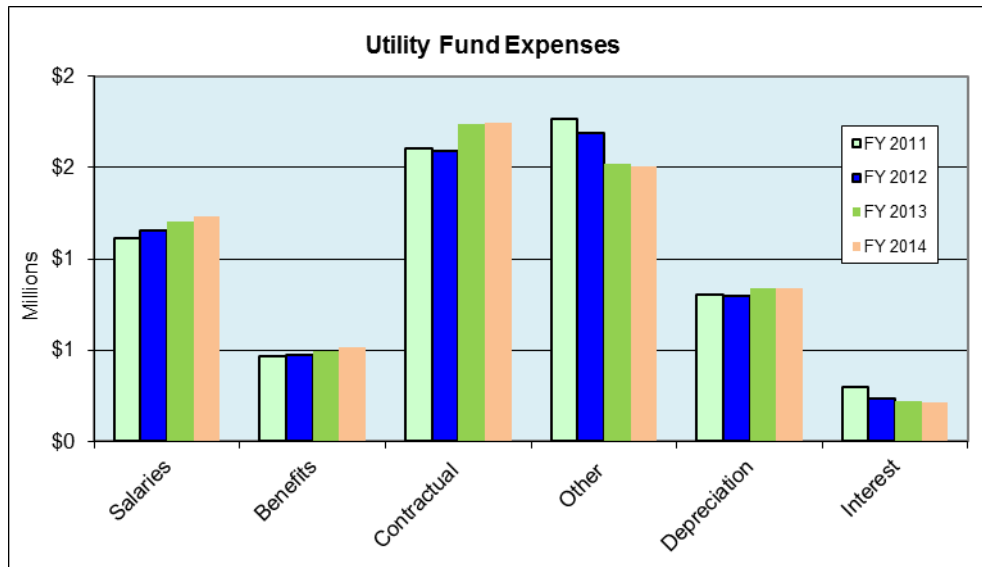
At June 30, 2014 the *unassigned* fund balance of \$11.7 million is 35% of FY 2014 operating revenues, consistent with the City's fund balance reserve policy.

Enterprise Funds Revenue/Expense Analysis

The business-type activity (water and sewer services of the Utility Fund) revenues for the year were \$6.3 million, up 1.2% from last year. Water rates increased 5.5% in July 2013 from \$4.55 to \$4.80 per 1,000 gallons. Water revenues were up slightly by \$58K, about 1.4% over last year. Even with an increase in water rates, revenues were only up slightly, due to lower city-wide water consumption during the year. Total water consumption during the year was .853 billion gallons, compared to .885 billion gallons in the prior year, a reduction of 3.7%.



Tap, connection, and availability fees are unpredictable and dependent on development activity, and were down significantly from past years due to a slowdown in development activity. The City received \$162K this year from contracts with cell-phone providers using water tanks as a base for telecommunications equipment. Interest earnings were \$28K, and level from last year. Utility Fund expenses totaled \$5.8 million for the year, level with last year. Depreciation charges now include a portion of the 25-year amortization of the total \$12.5 million cost of the Newport News Water agreement, classified as intangible water rights in the Utility Fund. Operating income for the year was \$433K, up from \$397K reported last year. Total net position of the Utility Fund increased by the net income for FY 2014 of \$257K, leaving the fund's ending total net position at \$22.3 million.



ORIGINAL AND FINAL AMENDED BUDGETS

By separate resolution, the General Fund FY 2014 budget was amended in June, 2014, resulting in a net increase of \$47,376 from the original budget. The General Fund's capital improvement budget was increased by \$4,249,673 to carry forward the remaining appropriations for projects that were continued from the prior year, and also by an increase of \$75,673 for fire equipment purchased with a grant, and additional interest costs associated with the December 2013 bank qualified borrowing for the Stryker Center.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The City of Williamsburg's total investment in capital assets, including construction in progress, for its governmental and business type activities as of June 30, 2014, was \$92.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and recreation and park facilities. Major capital assets of the Utility Fund consist of all assets used to provide water and sewer services to City residents, including the major investment of the Waller Mill Reservoir and all properties adjacent to this watershed, and intangible water rights with the Newport News water agreement.

Major capital project fund activities during the current fiscal year included the following:

Governmental Funds:

- Various City streets were resurfaced during the year at a cost of \$473K.
- Sidewalk construction projects totaled \$199K.
- Information technology upgrades, pc replacement program, and network enhancements were completed at a cost of \$87K.
- The roof was replaced on the Recreation Center at a cost of \$50K.
- School project costs, including renovations to existing facilities, were paid during the year in the amount of \$989K.
- Vehicles were replaced citywide under the replacement plan for \$330K.

The budget balances of any appropriated capital projects not completed at year end are carried forward to the next fiscal year, as provided for in the City's financial policies. Carryover funds for capital projects totaled approximately \$8.4 million, including \$5.2 million for the Stryker Center, at year end.

Utility Fund:

- Capital equipment repairs/replacement at the City's water treatment plant totaled about \$74K during FY 2014
- Water line improvements citywide during the year totaled about \$27K.
- Evaluation and inspection of City water tanks in preparation for painting began during FY 2014 at a cost of about \$30K.
- Condition assessment of the City's sanitary sewer system, which is mandated by the EPA, continued during the year costing \$166K.

Additional information on the City of Williamsburg's capital assets can be found in the Note 6-Capital Assets, on pages 44 – 46 of the Notes to the Financial Statements section of this report.

Long-Term Debt

At June 30, 2014, the City of Williamsburg's total outstanding bonded debt was \$17.1 million. Bonds payable for Governmental Activities were \$10.0 million, while business-type activities owed \$7.1 million at year end. The full faith and credit of the government backs these instruments. The City's total bonded

debt decreased \$1.3 million, while adding \$5 million in a bank qualified borrowing in December, 2013 for the Stryker Center renovation. The City's remaining capacity for debt at June 30, 2014 is approximately \$151 million.

City staff continues to work with financial advisors, Davenport and Company, to analyze all aspects of capital project borrowing needs in order to secure the best interest rates if and when future borrowing is necessary. Additional information on the City's long-term debt can be found under *Financial Highlights* on the first page of this Management's Discussion and Analysis, and in Note 8 to the financial statements—Long-Term Obligations, on pages 48–50 of this report

Requests for Information

This financial report is designed to provide a general overview of the City of Williamsburg's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Williamsburg, 401 Lafayette St., Williamsburg, VA 23185.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Williamsburg, Virginia
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
ASSETS				
Cash and cash equivalents	\$ 32,836,712	\$ 3,545,526	\$ 36,382,238	\$ 257,199
Investments	1,694,881	837,212	2,532,093	149,295
Receivables (net of allowance for uncollectibles):				
Taxes receivable	335,569	-	335,569	-
Accounts receivable	1,175,268	1,040,290	2,215,558	41,218
Interest receivable	47,009	43,095	90,104	-
Internal balances	19,312	(19,312)	-	-
Due from other governmental units	1,577,721	-	1,577,721	-
Inventories	1,167,004	-	1,167,004	39,858
Prepaid items	11,476	-	11,476	4,196
Capital assets (net of accumulated depreciation):				
Land and land improvement and open easement	8,765,413	6,434,330	15,199,743	1,587,071
Buildings and system	22,247,055	5,492,422	27,739,477	2,169,776
Improvements other than buildings	5,231,527	1,873,124	7,104,651	968,256
Machinery and equipment	3,736,140	430,477	4,166,617	76,730
Intangibles	186,237	10,952,497	11,138,734	-
Infrastructure	25,673,063	70,459	25,743,522	-
Construction in progress	1,081,691	-	1,081,691	47,472
Total assets	\$ 105,786,078	\$ 30,700,120	\$ 136,486,198	\$ 5,341,071
LIABILITIES				
Accounts payable	\$ 847,559	\$ 515,786	\$ 1,363,345	\$ 18,404
Accrued liabilities	45,109	4,956	50,065	2,521
Refundable deposits	70,173	49,499	119,672	31,769
Accrued interest payable	39,651	36,322	75,973	-
Unearned revenue	351,950	148,500	500,450	17,823
Long-term liabilities:				
Due within one year	1,596,456	683,067	2,279,523	-
Due in more than one year	9,636,208	6,917,683	16,553,891	114,000
Total liabilities	\$ 12,587,106	\$ 8,355,813	\$ 20,942,919	\$ 184,517
NET POSITION				
Net Investment in capital assets	\$ 61,470,986	\$ 17,806,425	\$ 79,277,411	\$ 4,735,305
Unrestricted	31,727,986	4,537,882	36,265,868	421,249
Total net position	\$ 93,198,972	\$ 22,344,307	\$ 115,543,279	\$ 5,156,554

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Activities
For the Year Ended June 30, 2014

		Program Revenues		
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 4,070,451	\$ -	\$ 127,130	\$ -
Judicial administration	439,441	242,359	-	-
Public safety	10,122,867	673,805	478,044	-
Public works	4,526,929	3,500	1,731,369	448,714
Health and welfare	2,309,325	-	1,125,148	-
Education	9,170,571	-	972,222	-
Parks, recreation, and cultural	2,399,212	361,824	-	-
Community development	4,684,339	38,667	6,366	-
Interest on long-term debt	175,563	-	-	-
Total governmental activities	\$ 37,898,698	\$ 1,320,155	\$ 4,440,279	\$ 448,714
Business-type activities:				
Utility Fund	\$ 6,042,928	\$ 6,102,936	\$ -	\$ -
Total business-type activities	\$ 6,042,928	\$ 6,102,936	\$ -	\$ -
Total primary government	\$ 43,941,626	\$ 7,423,091	\$ 4,440,279	\$ 448,714
COMPONENT UNIT:				
WRHA	\$ 824,413	\$ 548,449	\$ 190,377	\$ 37,402
Total component unit	\$ 824,413	\$ 548,449	\$ 190,377	\$ 37,402

General revenues:

- General property taxes
- Local sales and use taxes
- Consumers' utility taxes
- Restaurant food taxes
- Hotel and motel taxes
- \$2 lodging taxes
- Business license taxes
- Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority	
\$ (3,943,321)	\$ -	\$ (3,943,321)	\$	-
(197,082)	-	(197,082)		-
(8,971,018)	-	(8,971,018)		-
(2,343,346)	-	(2,343,346)		-
(1,184,177)	-	(1,184,177)		-
(8,198,349)	-	(8,198,349)		-
(2,037,388)	-	(2,037,388)		-
(4,639,306)	-	(4,639,306)		-
(175,563)	-	(175,563)		-
\$ (31,689,550)	\$ -	\$ (31,689,550)	\$	-
\$ -	\$ 60,008	\$ 60,008	\$	-
\$ -	\$ 60,008	\$ 60,008	\$	-
\$ (31,689,550)	\$ 60,008	\$ (31,629,542)	\$	-
			\$	(48,185)
			\$	(48,185)
\$ 11,940,391	\$ -	\$ 11,940,391	\$	-
4,239,957	-	4,239,957		-
309,602	-	309,602		-
6,446,505	-	6,446,505		-
3,129,262	-	3,129,262		-
1,130,804	-	1,130,804		-
1,630,018	-	1,630,018		-
762,296	-	762,296		-
756,800	28,330	785,130		408
352,950	169,319	522,269		-
1,587,926	-	1,587,926		-
\$ 32,286,511	\$ 197,649	\$ 32,484,160	\$	408
\$ 596,961	\$ 257,657	\$ 854,618	\$	(47,777)
92,602,011	22,086,650	114,688,661		5,204,331
\$ 93,198,972	\$ 22,344,307	\$ 115,543,279	\$	5,156,554

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FUND FINANCIAL STATEMENTS

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City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 32,572,562	\$ 264,150	\$ 32,836,712
Investments	1,694,881	-	1,694,881
Receivables (net of allowance for uncollectibles):			
Taxes receivable	335,569	-	335,569
Accounts receivable	1,175,268	-	1,175,268
Interest receivable	47,009	-	47,009
Due from other funds	27,198	-	27,198
Due from other governmental units	1,477,085	100,636	1,577,721
Inventories	1,167,004	-	1,167,004
Prepaid items	11,476	-	11,476
Total assets	<u>\$ 38,508,052</u>	<u>\$ 364,786</u>	<u>\$ 38,872,838</u>
LIABILITIES			
Accounts payable	\$ 847,504	\$ 55	\$ 847,559
Accrued liabilities	45,109	-	45,109
Refundable deposits	70,173	-	70,173
Due to other funds	-	7,886	7,886
Unearned revenue	295,816	56,134	351,950
Total liabilities	<u>\$ 1,258,602</u>	<u>\$ 64,075</u>	<u>\$ 1,322,677</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 225,979	\$ -	\$ 225,979
Total deferred inflows of resources	<u>\$ 225,979</u>	<u>\$ -</u>	<u>\$ 225,979</u>
FUND BALANCES			
Nonspendable	\$ 1,178,480	\$ -	\$ 1,178,480
Restricted	4,820,655	300,711	5,121,366
Assigned	19,317,000	-	19,317,000
Unassigned	11,707,336	-	11,707,336
Total fund balances	<u>\$ 37,023,471</u>	<u>\$ 300,711</u>	<u>\$ 37,324,182</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 38,508,052</u>	<u>\$ 364,786</u>	<u>\$ 38,872,838</u>

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2014

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 37,324,182
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	66,921,126
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds. The following is a summary of items supporting this adjustment:	
Unavailable revenue - property taxes	225,979
Premiums related to the issuance of long-term debt are reported when the debt is first issued in the governmental funds, whereas these amounts are deferred and amortized in the statement of net position.	
Deferred issuance premium	(269,558)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:	
General obligation bonds	\$ (10,001,237)
Accrued interest payable	(39,651)
Compensated absences	(961,869) (11,002,757)
Net position of governmental activities	<u>\$ 93,198,972</u>

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 12,088,049	\$ -	\$ 12,088,049
Other local taxes	17,648,444	-	17,648,444
Permits, privilege fees, and regulatory licenses	240,017	-	240,017
Fines and forfeitures	214,373	-	214,373
Revenue from the use of money and property	756,797	3	756,800
Charges for services	865,765	-	865,765
Miscellaneous	279,238	73,712	352,950
Recovered costs	926,794	-	926,794
Intergovernmental:			
Commonwealth	5,205,962	444,254	5,650,216
Federal	141,388	685,315	826,703
Total revenues	\$ 38,366,827	\$ 1,203,284	\$ 39,570,111
EXPENDITURES			
Current:			
General government administration	\$ 3,403,525	\$ -	\$ 3,403,525
Judicial administration	411,806	-	411,806
Public safety	9,613,472	2,326	9,615,798
Public works	2,914,416	-	2,914,416
Health and welfare	478,963	1,827,827	2,306,790
Education	8,181,450	-	8,181,450
Parks, recreation, and cultural	2,022,325	-	2,022,325
Community development	4,591,577	-	4,591,577
Capital projects	3,820,162	-	3,820,162
Debt service:			
Principal retirement	683,990	-	683,990
Interest and other fiscal charges	213,216	-	213,216
Total expenditures	\$ 36,334,902	\$ 1,830,153	\$ 38,165,055
Excess (deficiency) of revenues over (under) expenditures	\$ 2,031,925	\$ (626,869)	\$ 1,405,056
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 651,751	\$ 651,751
Transfers out	(651,751)	-	(651,751)
Issuance of bonds	5,000,000	-	5,000,000
Total other financing sources (uses)	\$ 4,348,249	\$ 651,751	\$ 5,000,000
Net change in fund balances	\$ 6,380,174	\$ 24,882	\$ 6,405,056
Fund balances - beginning	30,643,297	275,829	30,919,126
Fund balances - ending	\$ 37,023,471	\$ 300,711	\$ 37,324,182

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 6,405,056
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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 is the amount by which depreciation expense exceeded the capital outlays in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 1,925,472	
Depreciation expense	<u>(3,279,548)</u>	(1,354,076)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(147,658)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, 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 items. The following is a summary of items supporting this adjustment:

Principal retirement on general obligation bonds	\$ 683,990	
Issuance of bond	(5,000,000)	
Amortization of premium	<u>42,605</u>	(4,273,405)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

The following is a summary of items supporting this adjustment:

(Increase) decrease in compensated absences	\$ (28,004)	
(Increase) decrease in accrued interest payable	<u>(4,952)</u>	<u>(32,956)</u>

Change in net position of governmental activities	<u>\$ 596,961</u>
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The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,545,526
Investments	837,212
Interest receivable	43,095
Accounts receivable (net of allowances for uncollectibles)	1,040,290
Total current assets	<u>\$ 5,466,123</u>
Noncurrent assets:	
Capital assets:	
Land and land improvement and open easement	\$ 6,434,330
Buildings and system	11,842,633
Improvements other than buildings	7,140,488
Machinery and equipment	1,950,875
Intangibles	12,525,344
Infrastructure	83,860
Accumulated depreciation	(14,724,221)
Total net capital assets	<u>\$ 25,253,309</u>
Total noncurrent assets	<u>\$ 25,253,309</u>
Total assets	<u>\$ 30,719,432</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 515,786
Accrued liabilities	4,956
Refundable deposits	49,499
Accrued interest payable	36,322
Due to other funds	19,312
Compensated absences - current portion	80,214
Unearned revenue	148,500
General obligation bonds - current portion	602,853
Total current liabilities	<u>\$ 1,457,442</u>
Noncurrent liabilities:	
General obligation bonds - net of current portion	\$ 6,844,031
Compensated absences - net of current portion	73,652
Total noncurrent liabilities	<u>\$ 6,917,683</u>
Total liabilities	<u>\$ 8,375,125</u>
NET POSITION	
Net investment in capital assets	\$ 17,806,425
Unrestricted	4,537,882
Total net position	<u><u>\$ 22,344,307</u></u>

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 4,203,056
Sewer revenues	1,582,863
Tap and availability fees	294,915
Penalty and interest	16,102
Miscellaneous	169,319
Total operating revenues	<u>\$ 6,266,255</u>
OPERATING EXPENSES	
Personnel services	\$ 1,233,178
Fringe benefits	514,117
Contractual services	1,745,211
Other charges	1,504,796
Depreciation	835,152
Total operating expenses	<u>\$ 5,832,454</u>
Operating income (loss)	<u>\$ 433,801</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 28,330
Interest expense	(210,474)
Connection fees	6,000
Total nonoperating revenues (expenses)	<u>\$ (176,144)</u>
Change in net position	<u>\$ 257,657</u>
Total net position - beginning	22,086,650
Total net position - ending	<u><u>\$ 22,344,307</u></u>

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 6,187,355
Payments to suppliers	(3,211,035)
Payments to and for employees	(1,741,062)
Net cash provided (used for) operating activities	<u>\$ 1,235,258</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 6,000
Net cash provided (used for) noncapital financing activities	<u>\$ 6,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	\$ (148,210)
Principal payments on bonds	(581,010)
Interest expense	(237,886)
Net cash provided (used for) capital and related financing activities	<u>\$ (967,106)</u>
Net increase (decrease) in cash and cash equivalents	\$ 274,152
Cash and cash equivalents - beginning	3,271,374
Cash and cash equivalents - ending	<u><u>\$ 3,545,526</u></u>
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	<u>\$ 433,801</u>
Adjustments to reconcile operating income to net cash provided (used for) operating activities:	
Depreciation	835,152
(Increase) decrease in accounts receivable	(69,198)
Increase (decrease) in compensated absences	1,277
Increase (decrease) in accounts payable	38,972
Increase (decrease) in accrued liabilities	4,956
Increase (decrease) in unearned revenue	(4,500)
Increase (decrease) refundable deposits	360
Increase (decrease) in due to other funds	(5,562)
Total adjustments	<u>\$ 801,457</u>
Net cash provided (used for) operating activities	<u><u>\$ 1,235,258</u></u>

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,091,606
Investments, at fair value:	
Other investments	1,356,698
Other assets	18,174
Total assets	<u>\$ 2,466,478</u>
LIABILITIES	
Accounts payable	\$ 103,368
Accrued liabilities	18,220
Due to other governmental units	287,312
Amounts held for others	2,057,578
Total liabilities	<u>\$ 2,466,478</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2014

Note 1—Summary of Significant Accounting Policies:

The City of Williamsburg, Virginia (the "City") was established by the General Assembly of the Commonwealth of Virginia in 1699 and was incorporated by British Royal Charter in 1722. The City is a municipal corporation governed by an elected mayor and four-member council. The accompanying financial statements present the government and the entities for which the government is considered to be financially accountable.

Financial Statement Presentation

Management's Discussion and Analysis - GASB Statement No. 34 requires the 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).

Government-wide and Fund Financial Statements

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 but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

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).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Williamsburg (the primary government) and its component unit. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit - The City has no blended component units to be included for the fiscal year ended June 30, 2014.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units - The Williamsburg Redevelopment and Housing Authority (WRHA) is responsible for operating a low income housing program in the City which provides housing for eligible families, for operating redevelopment and conservation programs and for delivering of services to citizens of low income housing and urban renewal areas through the encouragement and development of social and economic opportunities. The Commissioners of the Authority are the members of City Council. The Authority is fiscally dependent on the City. The City is involved in the day-to-day operations of the WRHA, including the processing of their payroll, accounts payable and other managerial functions and therefore, the WRHA is included in the City's financial statements as a discrete presentation for the year ended June 30, 2014. WRHA's fiscal year of October 1 to September 30 differs from the City's fiscal year of July 1 to June 30. A copy of the separately issued financial statements may be obtained for the WRHA by writing to Williamsburg Redevelopment and Housing Authority, 401 Lafayette Street, P.O. Box 411, Williamsburg, VA 23185 or by calling (757) 220-3477.

C. Other Related Organizations

Not included in the City's financial statements are certain entities created as separate governments under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by the City Council. Specific information on the nature of the individual agencies and description of their financial transactions affecting the City are provided in the following paragraphs:

1. The City of Williamsburg - County of James City, Virginia Joint Public Schools - Under the terms of an agreement dated January 14, 1954, and subsequently revised, between the governing bodies and the school boards of the City of Williamsburg, Virginia and the County of James City, Virginia, effective July 1, 1955, the two localities consolidated the operations of their schools. The latest agreement was amended April 24, 2012 for Fiscal Years 2013 through 2017. That agreement provides that the City's share of operational costs will be equivalent to the percentage of City students each year, times an add-on factor, then averaged over the two past fiscal year funding shares. The add-on factor for Fiscal Years 2014 through 2017 is as follows:

Fiscal Year	Factor
2014	1.14
2015	1.14
2016	1.14
2017	1.14

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations (Continued)

1. The City of Williamsburg - County of James City, Virginia Joint Public Schools (Continued)

Summary financial information on the school operations (General Fund) as of June 30, 2014, is as follows:

Total assets	<u>\$ 17,974,030</u>
Liabilities	14,936,711
Fund equity and other credits	<u>3,037,319</u>
Total liabilities, fund equity, and other credits	<u>\$ 17,974,030</u>
Revenues	\$ 115,652,385
Expenditures and other financing uses	<u>114,445,079</u>
Excess of expenditures and other financing uses over revenues	\$ 1,207,306
Fund balance, beginning	<u>1,830,013</u>
Fund balance, ending	<u>\$ 3,037,319</u>

General long-term obligations of the joint school operations consists of liabilities for early retirement, compensated absences, and obligations under capital leases. Each participating government is responsible for its own debt related to school properties.

2. Williamsburg Regional Library - The Library is a joint operation of the City of Williamsburg and the Counties of James City and York, Virginia, operating under a contract dated September 26, 2013. It receives funding from the Commonwealth of Virginia, the federal government, and some private sources. The Library's board is split between City and County appointees. The Library's management is independent from City and County control. During the current fiscal year, the City contributed \$820,156 to the Library's operating budget, or 14.44% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.
3. Other Agencies - Certain agencies and commissions service both the City of Williamsburg and surrounding localities. Board membership is allocated among the localities and their governing bodies make appointments. These agencies include: Hampton Roads Planning District Commission (HRPDC), Peninsula Alliance for Economic Development (PAED), Colonial Behavioral Health, Virginia Peninsula Regional Jail, Group Home Commission, Middle Peninsula Juvenile Detention Commission, Peninsula Agency on Aging, Community Action Agency, Crossroads, Hampton Roads Partnership, Virginia Peninsula Public Service Authority, and the Williamsburg Area Arts Commission.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) 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 (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. 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 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary funds are presented in the fund financial statements by type and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the City.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the City 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.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditure for specified purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following non-major funds: Virginia Public Assistance Fund and Law Enforcement Block Grant Fund. The Virginia Public Assistance Fund accounts for the Social Services programs of the City and is funded primarily through intergovernmental revenues.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Enterprise funds distinguish 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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's major Enterprise Fund consists of the Utility Fund.

3. Fiduciary Funds

Fiduciary Funds (Trust and Agency Funds) account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds Presentation. Agency funds utilize the accrual basis of accounting described in the Proprietary Fund Presentation. Agency funds include the Williamsburg Regional Library, the Williamsburg Tricentennial Fund, Economic Development Authority, and the Farmer's Market Fund. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements with maturities of three months or less from the date of acquisition are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$897,298 at June 30, 2014 and is comprised of property taxes of \$69,380 water and sewer charges of \$92,362, and ambulance recovery fees of \$735,556.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	January 1
Due Date	December 1 / June 1	December 1
Lien Date	July 1	January 1

The City bills and collects its own property taxes. The City follows the practice of reassessing real estate annually and personal property annually.

H. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure, and intangibles are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, infrastructure, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation. Intangible assets lack physical substance and have a nonfinancial nature and initial useful life extending beyond a single reporting period.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2014 was immaterial.

Notes to Financial Statements (Continued)

As of June 30, 2014

*Note 1—Summary of Significant Accounting Policies: (Continued)*H. Capital Assets (Continued)

Property, plant and equipment, infrastructure, and intangibles of the primary government are depreciated (including amortization of intangible assets) using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	40
Improvements other than buildings	20
Infrastructure	
Roads	30
Bridges and culverts	50
Water/sewer system	40
Machinery and equipment	3-10
Intangibles	40

I. Compensated Absences

Vested or accumulated vacation leave is recognized as an expenditure and liability of the governmental fund that will pay it when it is matured. Thus, the only portion of a compensated absences liability that is reported in the governmental funds would be the amount of reimbursable unused vacation leave or sick leave payable to employees who had terminated their employment as of June 30th. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The City's policy is to fund pension cost as it accrues.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

M. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reported a deferred inflows of resources for property taxes unavailable at June 30, 2014.

O. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

P. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 1—Summary of Significant Accounting Policies: (Continued)

Q. Inventory

Inventory is valued at cost using the weighted average method. Inventory consists of expendable supplies held for consumption and is recorded as expenditures when used (consumption method). Inventory in the General Fund includes land purchased by the City and held for resale. These amounts are valued at their estimated fair market value.

R. Fund Equity

The City Council reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the City Manager to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Manager, who has been given the delegated authority by the City Council to assign amounts for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

*Note 1—Summary of Significant Accounting Policies: (Continued)***R. Fund Equity (Continued)**

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies equal to a minimum of 35% of General Fund operating revenue as shown in the City's most recent comprehensive annual financial report.

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

		Nonmajor Special Revenue Funds		
	General Fund	Virginia Public Assistance Fund	Law Enforcement Block Grant Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid Items	\$ 11,476	\$ -	\$ -	\$ 11,476
Inventory of land held for resale	1,167,004	-	-	1,167,004
Total Nonspendable Fund Balance	\$ 1,178,480	\$ -	\$ -	\$ 1,178,480
Restricted:				
Social services	\$ -	\$ 293,222	\$ -	\$ 293,222
Law enforcement	-	-	7,489	7,489
Stryker Center renovation	4,820,655	-	-	4,820,655
Total Restricted Fund Balance	\$ 4,820,655	\$ 293,222	\$ 7,489	\$ 5,121,366
Assigned:				
Current year capital projects carryover	\$ 3,540,518	\$ -	\$ -	\$ 3,540,518
Future capital projects	15,776,482	-	-	15,776,482
Total Assigned Fund Balance	\$ 19,317,000	\$ -	\$ -	\$ 19,317,000
Unassigned	\$ 11,707,336	\$ -	\$ -	\$ 11,707,336
Total Fund Balances	\$ 37,023,471	\$ 293,222	\$ 7,489	\$ 37,324,182

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 2—Stewardship, Compliance, and Accounting:

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

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution of budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Adopted budgets may be amended or superseded by action of City Council.
4. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented herein since there is no legal requirement for such presentation.
5. All operating budgets include proposed expenditures and the means of financing them. The City Manager has the authority to transfer amounts within the departments, so long as the total appropriation for a department is not adjusted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2014.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and committed fund balances outstanding at year end are re-appropriated in the succeeding year.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. The City utilizes a Finance and Audit Committee to assist City Council in carrying out its oversight responsibilities as they relate to financial reporting, internal controls and compliance with laws and regulations.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 2—Stewardship, Compliance, and Accounting: (Continued)

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments:

<u>Department</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over exceed Amount</u>
General Fund:			
Juvenile detention commission	\$ 59,533	\$ 105,638	\$ 46,105
Regional Jail	1,191,240	1,191,655	415
Maintenance of general buildings and	448,755	466,810	18,055
Transportation programs for elderly	3,900	4,624	724

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and saving institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits of the Williamsburg Redevelopment and Housing Authority, a discretely presented component unit, are considered fully collateralized.

At year-end the carrying value of the City's deposits with banks and savings institutions was \$37,458,816 and the bank balance was \$38,356,962. Of the bank balance \$38,356,962 was covered by Federal Depository Insurance Corporation. Of the Bank balance \$19,089,099 was uncollateralized in banks or savings and loans not qualifying under the Virginia Security for Public Deposits Act at June 30, 2014.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2014

Note 3—Deposits and Investments: (Continued)

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2014 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

City's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 3,888,791
Total	\$ 3,888,791

External Investment Pools

The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7. The dollar weighted average maturity of the LGIP portfolio may not exceed 60 days.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 4—Due from Other Governments:

At June 30, 2014, the City has receivables from other governments as follows:

	Governmental Activities
Other Local Governments:	
County of James City	\$ 7,158
Williamsburg-James City County Public Schools	199,206
Williamsburg Redevelopment and Housing Authority	114,000
Commonwealth of Virginia:	
Communications tax	121,839
VDOT	12,531
CSA pool funds	20,077
Local sales tax	797,905
Recordation tax	20,150
Shared expenses	8,326
Social services	24,744
State sales tax	186,990
Other	9,216
Federal Government:	
Local law enforcement block grant	2,121
Social Services	53,458
Total	<u>\$ 1,577,721</u>

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2014 are as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$ 27,198	\$ -
Virginia Public Assistance	-	7,886
Proprietary	-	19,312
Total	<u>\$ 27,198</u>	<u>\$ 27,198</u>

The outstanding balances between funds result mainly 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.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 6—Capital Assets:

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 8,765,413	\$ -	\$ -	\$ 8,765,413
Construction in progress	40,981	1,186,121	145,411	1,081,691
Total capital assets not subject to depreciation	\$ 8,806,394	\$ 1,186,121	\$ 145,411	\$ 9,847,104
Capital assets subject to depreciation:				
Buildings and system	\$ 37,029,269	\$ -	\$ -	\$ 37,029,269
Improvements other than buildings	12,907,805	206,370	-	13,114,175
Infrastructure	53,971,776	163,018	-	54,134,794
Intangible	223,535	83,017	-	306,552
Machinery and equipment	10,062,806	432,357	287,901	10,207,262
Total capital assets subject to depreciation	\$ 114,195,191	\$ 884,762	\$ 287,901	\$ 114,792,052
Accumulated depreciation:				
Buildings and system	\$ 13,880,799	\$ 901,415	\$ -	\$ 14,782,214
Improvements other than buildings	7,232,915	649,733	-	7,882,648
Infrastructure	27,515,817	945,914	-	28,461,731
Intangible	90,582	29,733	-	120,315
Machinery and equipment	6,006,270	752,753	287,901	6,471,122
Total accumulated depreciation	\$ 54,726,383	\$ 3,279,548	\$ 287,901	\$ 57,718,030
Total capital assets subject to depreciation, net	\$ 59,468,808	\$ (2,394,786)	\$ -	\$ 57,074,022
Governmental activities capital assets, net	\$ 68,275,202	\$ (1,208,665)	\$ 145,411	\$ 66,921,126

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014*Note 6—Capital Assets: (Continued)*

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

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 5,780,530	\$ -	\$ -	\$ 5,780,530
Open easement	653,800	-	-	653,800
Total capital assets not subject to depreciation	\$ 6,434,330	\$ -	\$ -	\$ 6,434,330
Capital assets subject to depreciation:				
Buildings and system	\$ 11,842,633	\$ -	\$ -	\$ 11,842,633
Intangibles	12,525,344	-	-	12,525,344
Improvements other than buildings	7,100,252	40,236	-	7,140,488
Infrastructure	83,860	-	-	83,860
Machinery and equipment	1,842,901	107,974	-	1,950,875
Total capital assets subject to depreciation	\$ 33,394,990	\$ 148,210	\$ -	\$ 33,543,200
Accumulated depreciation:				
Buildings and system	\$ 6,105,632	\$ 244,579	\$ -	\$ 6,350,211
Intangibles	1,257,812	315,035	-	1,572,847
Improvements other than buildings	5,112,842	154,522	-	5,267,364
Infrastructure	10,255	3,146	-	13,401
Machinery and equipment	1,402,528	117,870	-	1,520,398
Total accumulated depreciation	\$ 13,889,069	\$ 835,152	\$ -	\$ 14,724,221
Total capital assets subject to depreciation, net	\$ 19,505,921	\$ (686,942)	\$ -	\$ 18,818,979
Business-type activities capital assets, net	\$ 25,940,251	\$ (686,942)	\$ -	\$ 25,253,309

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government administration	\$	1,086,727
Public safety		744,622
Public works		1,059,570
Health and welfare		4,408
Parks, recreation and cultural		<u>384,221</u>
Total depreciation expense - governmental activities	\$	<u><u>3,279,548</u></u>
Business-type activities:		
Utility Fund	\$	<u><u>835,152</u></u>

Note 7— Interfund Transfers:

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

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 651,751
Special Revenue Fund:		
Virginia Public Assistance Fund	<u>651,751</u>	<u>-</u>
Total	<u><u>\$ 651,751</u></u>	<u><u>\$ 651,751</u></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 and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014*Note 8—Long-Term Obligations:*

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2014:

Primary Government:

	Balance July 1, 2013	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities:					
General obligation bond	\$ 5,685,227	\$ 5,000,000	\$ 683,990	\$ 10,001,237	\$ 988,147
Compensated absences	933,865	647,114	619,110	961,869	608,309
Adjustment for deferred amounts:					
For issuance premium	312,163	-	42,605	269,558	-
Total Governmental activities	<u>\$ 6,931,255</u>	<u>\$ 5,647,114</u>	<u>\$ 1,345,705</u>	<u>\$ 11,232,664</u>	<u>\$ 1,596,456</u>
Business-type activities:					
General obligation bonds	\$ 7,714,772	\$ -	\$ 581,010	\$ 7,133,762	\$ 602,853
Compensated absences	152,589	78,100	76,822	153,867	80,214
Adjustment for deferred amounts:					
For issuance premium	337,208	-	24,086	313,122	-
Total Business-type activities	<u>\$ 8,204,569</u>	<u>\$ 78,100</u>	<u>\$ 681,918</u>	<u>\$ 7,600,751</u>	<u>\$ 683,067</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 988,147	\$ 252,415	\$ 602,853	\$ 222,772
2016	1,006,410	232,780	611,590	210,715
2017	1,032,567	204,016	633,433	192,367
2018	1,029,676	181,515	454,324	179,698
2019	1,063,570	146,480	467,430	166,069
2020 - 2024	2,736,216	451,795	2,581,784	574,458
2025 - 2029	2,144,651	140,977	1,782,348	109,300
Total	<u>\$ 10,001,237</u>	<u>\$ 1,609,978</u>	<u>\$ 7,133,762</u>	<u>\$ 1,655,379</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 8—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations, Business-type Activities:

Total
Amount

General Obligation Bond :

The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.00% thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to the business-type activities is \$7,132,762 plus unamortized premium of \$313,122.

\$ 7,446,884

Total general obligation bond

\$ 7,446,884

Compensated absences (payable from Enterprise Fund)

\$ 153,867

Total Long-Term Obligations, Business-type Activities

\$ 7,600,751

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 8—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows (Continued):

Long-Term Obligations, Governmental Activities:	Total Amount
<u>General Obligation Bonds :</u>	
The City authorized and issued a \$5,180,000 general obligation refunding bond in June 2012 for the purpose of refunding a Series 2005 general government obligation. The bond is payable in annual principal installments plus semi-annual interest payments at a various coupon rates, 2.00% thru 4.00%. Payments are due the first day October and April. Payments began October 1, 2012 and end April 1, 2020. Carrying value of debt allocable is \$3,970,000 plus amortized premium of \$225,786.	\$ 4,195,786
The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.00 thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to general government is \$1,031,237 plus unamortized premium of \$43,772.	1,075,009
The City authorized and issued a \$5,00,000 general obligation bond in December 2013 for the purpose of renovating the Stryker Center. The bond is payable in semi-annual principal and interest payments at 2.60% per annum. Payments are due on June 1 and December 1. Payments began June 1, 2014 and end December 1, 2028.	5,000,000
Total general obligation bonds	\$ 10,270,795
Compensated absences (payable from General Fund)	\$ 961,869
Total Long-Term Obligations, Governmental Activities	\$ 11,232,664

Note 9—Unearned and Unavailable Revenue:

Unearned and unavailable 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. Unavailable revenue of \$225,979 and unearned revenue of \$500,450 totaling \$726,429 is comprised of the following:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$225,979 at June 30, 2014.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 9—Unearned and Unavailable Revenue: (Continued)

Unearned Revenue: Property taxes due subsequent to June 30, 2014, but paid in advance by the tax payers totaled \$3,095 at June 30, 2014. Additional unearned revenue representing state personal property tax relief and courthouse maintenance funds not available for funding of current expenditures totaled \$292,721 at June 30, 2014. The Special Revenue Funds report \$56,134 in unearned revenue related to summer youth program funds received but not expended at June 30, 2014.

The Utility Fund reports unearned revenue representing a lease agreement paid in advance by Crossroads Community Youth Home totaling \$148,500 at June 30, 2014.

Note 10—Commitments and Contingencies:

Federal programs in which the City participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

The City was committed on the following construction contracts at June 30, 2014:

	Project	Contractor	Amount of Contract	Contract Outstanding at 6/30/2014
General Fund	City Wide sidewalk improvements	Messer Contracting LLC	\$ 1,372,215	\$ 463,355
General Fund	Stryker Building replacement	Daniel & Company, Inc.	1,110,900	859,300

Note 11—Litigation:

At June 30, 2014, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 12—Risk Management:

The City 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. The City joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays annual premiums to the pool for its property, theft, auto liability, and general liability coverage. Settled claims for the City resulting from these risks have not exceeded insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2014.

The City is also a participating member in the Virginia Municipal Group Self Insurance Association. This non-profit entity provides workers' compensation coverage in compliance with the Virginia Workers' Compensation Code. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The City pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid.

In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion, which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. In addition, the City provides various surety bond coverage as required under regulations and at industry recommended levels. Settlements have not exceeded commercial insurance coverage in any of the three past years.

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Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13—Pension Plan:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. 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.

Within the VRS Plan, the System 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

1. **Plan Overview** - 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, 2014.
2. **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, 2014.
3. **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.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

4. **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.
5. **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.
6. **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.

7. **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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **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% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

- 11. 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 50 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.

- 12. 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.

- 13. 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%.

- 14. 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.

- 15. 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, 2014.
- 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.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 1 (CONTINUED)

16. **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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

17. **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.

VRS – PLAN 2

1. **Plan Overview** - 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.
2. **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.
3. **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.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

4. **Retirement Contributions** - Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 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.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **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.
12. **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.
13. **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%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

VRS – PLAN 2 (CONTINUED)

16. **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.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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

17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

HYBRID RETIREMENT PLAN

1. **Plan Overview** - 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.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
- State employees*
 - School division employees
 - Political subdivision employees*
 - Judges appointed or elected to an original term on or after January 1, 2014
 - 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
3. ***Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
 - Members of the Virginia Law Officers' Retirement System (VaLORS)
 - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **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.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service

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

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

6. 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 Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

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.

8. Average Final Compensation - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. 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.

10. Normal Retirement Age

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

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

11. 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.

12. 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.

Note 13—Pension Plan: (Continued)

A. Plan Description (Continued)

HYBRID RETIREMENT PLAN (Continued)

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

14. Eligibility - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates - Same as VRS Plan 1 and VRS Plan 2—Refer Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (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.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

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.

17. Purchase of Prior Service

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

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 most recent 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.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13—Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate (including member contribution) for the fiscal year ended 2014 was 21.29% of annual covered payroll.

C. Annual Pension Cost

For fiscal year ended June 30, 2014, the City's annual pension cost of \$1,558,520 was equal to the City's required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 1,466,239	100%	\$ -
June 30, 2013	1,503,579	100%	-
June 30, 2014	1,558,520	100%	-

(1) Employer portion

The fiscal year 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's 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 five-year period. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

Notes to Financial Statements (Continued)
As of June 30, 2014

Note 13—Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the City's plan was 71.59% funded. The actuarial accrued liability for benefits was \$60,748,163, and the actuarial value of assets was \$43,489,414, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,258,749. The covered payroll (annual payroll of active employees covered by the plan) was \$9,311,316, and ratio of the UAAL to the covered payroll was 185.35%.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Note 14—Surety Bonds:

Surety bonds covered the following constitutional officers and City employees at June 30, 2014:

	<u>Amount</u>
<u>Travelers Casualty and Surety Company of America</u>	
Philip F. Serra, Director of Finance	\$ 500,000
Judy Nightingale Fuqua, Commissioner of the Revenue	3,000
Betsy Woolridge, Clerk of Circuit Court	103,000
Robert Deeds, Sheriff	30,000
Employees of Constitutional officers - blanket bond	1,000,000
Police Department - blanket bond	100,000
All City of Williamsburg employees except Constitutional Officers and their subordinates and the Police Department	100,000

Note 15—Upcoming Pronouncements:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statement No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The City has not determined the impact of this pronouncement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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City of Williamsburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 11,855,548	\$ 11,855,548	\$ 12,088,049	\$ 232,501
Other local taxes	17,694,600	17,694,600	17,648,444	(46,156)
Permits, privilege fees, and regulatory licenses	134,630	134,630	240,017	105,387
Fines and forfeitures	220,500	220,500	214,373	(6,127)
Revenue from the use of money and property	727,325	727,325	756,797	29,472
Charges for services	1,103,850	1,103,850	865,765	(238,085)
Miscellaneous	154,663	156,663	279,238	122,575
Recovered costs	1,025,000	1,028,530	926,794	(101,736)
Intergovernmental:				
Commonwealth	5,202,459	5,217,104	5,205,962	(11,142)
Federal	-	12,756	141,388	128,632
Total revenues	\$ 38,118,575	\$ 38,151,506	\$ 38,366,827	\$ 215,321
EXPENDITURES				
Current:				
General government administration	\$ 3,505,847	\$ 3,505,847	\$ 3,403,525	\$ 102,322
Judicial administration	420,000	420,000	411,806	8,194
Public safety	9,806,252	9,851,628	9,613,472	238,156
Public works	2,987,403	2,989,403	2,914,416	74,987
Health and welfare	480,426	480,426	478,963	1,463
Education	8,380,656	8,380,656	8,181,450	199,206
Parks, recreation, and cultural	2,131,926	2,131,926	2,022,325	109,601
Community development	4,796,169	4,796,169	4,591,577	204,592
Capital projects	8,082,129	12,346,447	3,820,162	8,526,285
Debt service:				
Principal retirement	683,990	683,990	683,990	-
Interest and other fiscal charges	152,188	213,216	213,216	-
Total expenditures	\$ 41,426,986	\$ 45,799,708	\$ 36,334,902	\$ 9,464,806
Excess (deficiency) of revenues over (under) expenditures	\$ (3,308,411)	\$ (7,648,202)	\$ 2,031,925	\$ 9,680,127
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (763,751)	\$ (763,751)	\$ (651,751)	\$ 112,000
Issuance of bonds	5,500,000	5,500,000	5,000,000	(500,000)
Total other financing sources (uses)	\$ 4,736,249	\$ 4,736,249	\$ 4,348,249	\$ (388,000)
Net change in fund balances	\$ 1,427,838	\$ (2,911,953)	\$ 6,380,174	\$ 9,292,127
Fund balances - beginning	95,855	2,911,953	30,643,297	27,731,344
Fund balances - ending	\$ 1,523,693	\$ -	\$ 37,023,471	\$ 37,023,471

City of Williamsburg, Virginia
Schedule of Pension Funding Progress
As of June 30, 2014

Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (3) - (2)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as a percentage of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 43,489,414	\$ 60,748,163	\$ 17,258,749	71.59%	\$ 9,311,316	185.35%
6/30/2012	42,461,720	59,788,018	17,326,298	71.02%	8,824,465	196.34%
6/30/2011	43,151,301	57,921,924	14,770,623	74.50%	8,886,724	166.21%
6/30/2010	42,619,156	55,617,806	12,998,650	76.63%	8,761,550	148.36%
6/30/2009	43,493,522	50,835,802	7,342,280	85.56%	9,066,098	80.99%
6/30/2008	43,045,137	47,984,602	4,939,465	89.71%	9,370,324	52.71%
6/30/2007	39,202,937	44,112,372	4,909,435	88.87%	8,954,857	54.82%
6/30/2006	34,332,037	39,484,872	5,152,835	86.95%	8,204,180	62.81%
6/30/2005	32,348,698	39,044,073	6,695,375	82.85%	7,722,705	86.70%
6/30/2004	31,432,030	35,779,472	4,347,442	87.85%	7,483,762	58.09%

OTHER SUPPLEMENTARY INFORMATION

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City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2014

	Virginia Public Assistance <u>Fund</u>	Law Enforcement Block Grant <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 258,963	\$ 5,187	\$ 264,150
Due from other governmental units	98,279	2,357	100,636
Total assets	<u>\$ 357,242</u>	<u>\$ 7,544</u>	<u>\$ 364,786</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 55	\$ 55
Due to other funds	7,886	-	7,886
Unearned revenue	56,134	-	56,134
Total liabilities	<u>\$ 64,020</u>	<u>\$ 55</u>	<u>\$ 64,075</u>
Fund balances:			
Restricted	\$ 293,222	\$ 7,489	\$ 300,711
Total fund balances	<u>\$ 293,222</u>	<u>\$ 7,489</u>	<u>\$ 300,711</u>
Total liabilities and fund balances	<u>\$ 357,242</u>	<u>\$ 7,544</u>	<u>\$ 364,786</u>

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City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	Virginia Public Assistance <u>Fund</u>	Law Enforcement Block Grant <u>Fund</u>	<u>Total</u>
REVENUES			
Revenue from the use of money and property	\$ -	\$ 3	\$ 3
Miscellaneous	73,476	236	73,712
Intergovernmental:			
Commonwealth	444,254	-	444,254
Federal	680,894	4,421	685,315
Total revenues	<u>\$ 1,198,624</u>	<u>\$ 4,660</u>	<u>\$ 1,203,284</u>
EXPENDITURES			
Current:			
Public safety	\$ -	\$ 2,326	\$ 2,326
Health and welfare	1,827,827	-	1,827,827
Total expenditures	<u>\$ 1,827,827</u>	<u>\$ 2,326</u>	<u>\$ 1,830,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (629,203)</u>	<u>\$ 2,334</u>	<u>\$ (626,869)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 651,751	\$ -	\$ 651,751
Total other financing sources (uses)	<u>\$ 651,751</u>	<u>\$ -</u>	<u>\$ 651,751</u>
Net change in fund balances	\$ 22,548	\$ 2,334	\$ 24,882
Fund balances - beginning	270,674	5,155	275,829
Fund balances - ending	<u><u>\$ 293,222</u></u>	<u><u>\$ 7,489</u></u>	<u><u>\$ 300,711</u></u>

City of Williamsburg, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2014

	Virginia Public Assistance Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	73,476	73,476
Intergovernmental:				
Commonwealth	602,813	602,813	444,254	(158,559)
Federal	621,382	621,382	680,894	59,512
Total revenues	\$ 1,224,195	\$ 1,224,195	\$ 1,198,624	\$ (25,571)
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Health and welfare	2,072,160	2,072,160	1,827,827	244,333
Total expenditures	\$ 2,072,160	\$ 2,072,160	\$ 1,827,827	\$ 244,333
Excess (deficiency) of revenues over (under) expenditures	\$ (847,965)	\$ (847,965)	\$ (629,203)	\$ 218,762
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 847,965	\$ 847,965	\$ 651,751	\$ (196,214)
Total other financing sources (uses)	\$ 847,965	\$ 847,965	\$ 651,751	\$ (196,214)
Net change in fund balances	\$ -	\$ -	\$ 22,548	\$ 22,548
Fund balances - beginning	-	-	270,674	270,674
Fund balances - ending	\$ -	\$ -	\$ 293,222	\$ 293,222

Law Enforcement Block Grant Fund					
Budgeted Amounts				Variance with Final Budget Positive (Negative)	
<u>Original</u>		<u>Final</u>		<u>Actual</u>	
\$	-	\$	-	\$	3
	-		236		236
	-		-		-
	-		4,421		4,421
\$	-	\$	4,657	\$	4,660
	-			\$	3
\$	-	\$	4,657	\$	2,326
	-		-		-
\$	-	\$	4,657	\$	2,326
	-			\$	2,331
\$	-	\$	-	\$	2,334
	-				
\$	-	\$	-	\$	-
\$	-	\$	-	\$	-
\$	-	\$	-	\$	2,334
	-		-		5,155
\$	-	\$	-	\$	7,489
	-				

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City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Agency Funds				
	Williamsburg Regional Library <u>Fund</u>	Williamsburg Tricentennial <u>Fund</u>	Economic Development <u>Authority</u>	Farmers' Market <u>Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 826,842	\$ -	\$ 157,925	\$ 106,839	\$ 1,091,606
Investments, at fair value:					
Other investments	1,174,217	6,534	119,060	56,887	1,356,698
Other assets	18,174	-	-	-	18,174
Total assets	<u>\$ 2,019,233</u>	<u>\$ 6,534</u>	<u>\$ 276,985</u>	<u>\$ 163,726</u>	<u>\$ 2,466,478</u>
LIABILITIES					
Accounts payable	\$ 100,198	\$ -	\$ 989	\$ 2,181	\$ 103,368
Accrued liabilities	18,220	-	-	-	18,220
Due to other governmental units	287,312	-	-	-	287,312
Amounts held for others	1,613,503	6,534	275,996	161,545	2,057,578
Total liabilities	<u>\$ 2,019,233</u>	<u>\$ 6,534</u>	<u>\$ 276,985</u>	<u>\$ 163,726</u>	<u>\$ 2,466,478</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

Exhibit 17
Page 1 of 2

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>Williamsburg Regional Library Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 1,006,119	\$ 6,285,128	\$ 6,464,405	\$ 826,842
Investments, at fair value:				
Other investments	1,173,012	1,205	-	1,174,217
Other assets	14,844	18,174	14,844	18,174
Total assets	<u>\$ 2,193,975</u>	<u>\$ 6,304,507</u>	<u>\$ 6,479,249</u>	<u>\$ 2,019,233</u>
LIABILITIES				
Accounts payable	\$ 9,377	\$ 100,198	\$ 9,377	\$ 100,198
Accrued liabilities	7,824	18,220	7,824	18,220
Due to other governmental units	452,808	287,312	452,808	287,312
Amounts held for others	1,723,966	5,898,777	6,009,240	1,613,503
Total liabilities	<u>\$ 2,193,975</u>	<u>\$ 6,304,507</u>	<u>\$ 6,479,249</u>	<u>\$ 2,019,233</u>
<u>Williamsburg Tricentennial Fund:</u>				
ASSETS				
Investments, at fair value:				
Other investments	\$ 6,527	\$ 7	\$ -	\$ 6,534
Total assets	<u>\$ 6,527</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 6,534</u>
LIABILITIES				
Amounts held for others	\$ 6,527	\$ 7	\$ -	\$ 6,534
Total liabilities	<u>\$ 6,527</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 6,534</u>
<u>Colonial CASA Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 42,761	\$ -	\$ 42,761	\$ -
Investments, at fair value:				
Other investments	62,514	-	62,514	-
Other assets	8,660	-	8,660	-
Total assets	<u>\$ 113,935</u>	<u>\$ -</u>	<u>\$ 113,935</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 1,219	\$ -	\$ 1,219	\$ -
Amounts held for others	112,716	-	112,716	-
Total liabilities	<u>\$ 113,935</u>	<u>\$ -</u>	<u>\$ 113,935</u>	<u>\$ -</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

Exhibit 17
Page 2 of 2

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>Economic Development Authority:</u>				
ASSETS				
Cash and cash equivalents	\$ 153,509	\$ 98,854	\$ 94,438	\$ 157,925
Investments, at fair value:				
Other investments	118,937	123	-	119,060
Total assets	<u>\$ 272,446</u>	<u>\$ 98,977</u>	<u>\$ 94,438</u>	<u>\$ 276,985</u>
LIABILITIES				
Accounts payable	\$ 323	\$ 989	\$ 323	\$ 989
Amounts held for others	272,123	97,988	94,115	275,996
Total liabilities	<u>\$ 272,446</u>	<u>\$ 98,977</u>	<u>\$ 94,438</u>	<u>\$ 276,985</u>
<u>Farmers' Market Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 85,362	\$ 142,830	\$ 121,353	\$ 106,839
Investments, at fair value:				
Other investments	56,829	58	-	56,887
Total assets	<u>\$ 142,191</u>	<u>\$ 142,888</u>	<u>\$ 121,353</u>	<u>\$ 163,726</u>
LIABILITIES				
Accounts payable	\$ 3,796	\$ 2,181	\$ 3,796	\$ 2,181
Accrued liabilities	2,920	-	2,920	-
Amounts held for others	135,475	140,707	114,637	161,545
Total liabilities	<u>\$ 142,191</u>	<u>\$ 142,888</u>	<u>\$ 121,353</u>	<u>\$ 163,726</u>
<u>Totals - All Agency Funds:</u>				
ASSETS				
Cash and cash equivalents	\$ 1,287,751	\$ 6,526,812	\$ 6,722,957	\$ 1,091,606
Investments, at fair value:				
Other investments	1,417,819	1,393	62,514	1,356,698
Other assets	23,504	18,174	23,504	18,174
Total assets	<u>\$ 2,729,074</u>	<u>\$ 6,546,379</u>	<u>\$ 6,808,975</u>	<u>\$ 2,466,478</u>
LIABILITIES				
Accounts payable	\$ 14,715	\$ 103,368	\$ 14,715	\$ 103,368
Accrued liabilities	10,744	18,220	10,744	18,220
Due to other governmental units	452,808	287,312	452,808	287,312
Amounts held for others	2,250,807	6,137,479	6,330,708	2,057,578
Total liabilities	<u>\$ 2,729,074</u>	<u>\$ 6,546,379</u>	<u>\$ 6,808,975</u>	<u>\$ 2,466,478</u>

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SUPPORTING SCHEDULES

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City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 9,600,000	\$ 9,600,000	\$ 9,684,971	\$ 84,971
Real and personal public service corporation taxes	342,120	342,120	309,742	(32,378)
Personal property taxes	609,945	609,945	660,398	50,453
Business property taxes	1,236,483	1,236,483	1,326,998	90,515
Penalties	47,000	47,000	66,547	19,547
Interest	20,000	20,000	39,393	19,393
Total general property taxes	<u>\$ 11,855,548</u>	<u>\$ 11,855,548</u>	<u>\$ 12,088,049</u>	<u>\$ 232,501</u>
Other local taxes:				
Local sales and use taxes	\$ 4,200,000	\$ 4,200,000	\$ 4,239,957	\$ 39,957
Consumers' utility taxes	290,000	290,000	309,602	19,602
Business license taxes	1,550,000	1,550,000	1,630,018	80,018
Utility license taxes	129,000	129,000	129,792	792
Bank stock taxes	190,000	190,000	272,642	82,642
Taxes on recordation and wills	160,000	160,000	166,048	6,048
Hotel and motel taxes	3,300,000	3,300,000	3,129,262	(170,738)
Restaurant food taxes	6,372,000	6,372,000	6,446,505	74,505
\$2 lodging taxes	1,300,000	1,300,000	1,130,804	(169,196)
Tobacco taxes	180,000	180,000	148,320	(31,680)
Penalty and interest on other local taxes	23,600	23,600	45,494	21,894
Total other local taxes	<u>\$ 17,694,600</u>	<u>\$ 17,694,600</u>	<u>\$ 17,648,444</u>	<u>\$ (46,156)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 2,578	\$ 578
Land use application fees	1,200	1,200	950	(250)
Transfer fees	500	500	759	259
Permits and other licenses	130,930	130,930	235,730	104,800
Total permits, privilege fees, and regulatory licenses	<u>\$ 134,630</u>	<u>\$ 134,630</u>	<u>\$ 240,017</u>	<u>\$ 105,387</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 220,500</u>	<u>\$ 220,500</u>	<u>\$ 214,373</u>	<u>\$ (6,127)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 100,000	\$ 100,000	\$ 112,846	\$ 12,846
Revenue from use of property	627,325	627,325	643,951	16,626
Total revenue from use of money and property	<u>\$ 727,325</u>	<u>\$ 727,325</u>	<u>\$ 756,797</u>	<u>\$ 29,472</u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 1,350	\$ 1,350	\$ 1,366	\$ 16
Charges for courthouse maintenance	150,000	150,000	27,635	(122,365)
Charges for emergency medical services	530,000	530,000	432,422	(97,578)
Charges for stormwater management	-	-	3,500	3,500
Charges for Commonwealth's Attorney	250	250	351	101
Charges for planning and community development	36,600	36,600	38,667	2,067
Charges for parks and recreation	385,650	385,650	361,824	(23,826)
Total charges for services	<u>\$ 1,103,850</u>	<u>\$ 1,103,850</u>	<u>\$ 865,765</u>	<u>\$ (238,085)</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 154,663</u>	<u>\$ 156,663</u>	<u>\$ 279,238</u>	<u>\$ 122,575</u>
Recovered costs:				
Enterprise fund	\$ 620,000	\$ 620,000	\$ 639,312	\$ 19,312
Overtime - police and fire	90,000	93,530	102,482	8,952
Emergency services agreement	250,000	250,000	120,000	(130,000)
Other recovered costs	65,000	65,000	65,000	-
Total recovered costs	<u>\$ 1,025,000</u>	<u>\$ 1,028,530</u>	<u>\$ 926,794</u>	<u>\$ (101,736)</u>
Total revenue from local sources	<u>\$ 32,916,116</u>	<u>\$ 32,921,646</u>	<u>\$ 33,019,477</u>	<u>\$ 97,831</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 9,000	\$ 9,000	\$ 10,267	\$ 1,267
Motor vehicle rental tax	12,000	12,000	25,111	13,111
Grantors tax	50,000	50,000	55,925	5,925
Communications tax	740,000	740,000	723,051	(16,949)
Personal property tax relief funds	773,572	773,572	773,572	-
Total noncategorical aid	<u>\$ 1,584,572</u>	<u>\$ 1,584,572</u>	<u>\$ 1,587,926</u>	<u>\$ 3,354</u>
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 69,200	\$ 69,200	\$ 72,389	\$ 3,189
Treasurer	16,500	16,500	18,101	1,601
Medical examiner	200	200	-	(200)
Registrar/electoral board	36,700	36,700	36,640	(60)
Total shared expenses	<u>\$ 122,600</u>	<u>\$ 122,600</u>	<u>\$ 127,130</u>	<u>\$ 4,530</u>
Other categorical aid:				
599 Funds	\$ 373,313	\$ 373,313	\$ 373,312	\$ (1)
Streets and sidewalks	1,565,000	1,565,000	1,580,437	15,437
EMS funds - 4 for life and emergency services	14,000	14,000	18,416	4,416
Litter control grant	5,000	5,000	6,366	1,366
VDOT construction grant	492,000	492,000	431,514	(60,486)

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire programs	\$ 35,000	\$ 35,000	\$ 42,250	\$ 7,250
FEMA grant	-	-	26,744	26,744
State sales tax	985,974	985,974	972,222	(13,752)
RSAF grant	-	14,645	14,645	-
Emergency services grant	25,000	25,000	25,000	-
Total other categorical aid	\$ 3,495,287	\$ 3,509,932	\$ 3,490,906	\$ (19,026)
Total categorical aid	\$ 3,617,887	\$ 3,632,532	\$ 3,618,036	\$ (14,496)
Total revenue from the Commonwealth	\$ 5,202,459	\$ 5,217,104	\$ 5,205,962	\$ (11,142)
Revenue from the Federal government:				
Categorical aid:				
Transportation safety grant	\$ -	\$ 12,756	\$ 12,756	\$ -
FEMA grant	-	-	111,432	111,432
VDOT ARRA grant	-	-	17,200	17,200
Total categorical aid	\$ -	\$ 12,756	\$ 141,388	\$ 128,632
Total revenue from the federal government	\$ -	\$ 12,756	\$ 141,388	\$ 128,632
Total General Fund	\$ 38,118,575	\$ 38,151,506	\$ 38,366,827	\$ 215,321
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 59,482	\$ 59,482
Summer youth program	-	-	13,994	13,994
Total miscellaneous revenue	\$ -	\$ -	\$ 73,476	\$ 73,476
Total revenue from local sources	\$ -	\$ -	\$ 73,476	\$ 73,476
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 487,064	\$ 487,064	\$ 347,507	\$ (139,557)
Comprehensive services act	115,749	115,749	96,747	(19,002)
Total categorical aid	\$ 602,813	\$ 602,813	\$ 444,254	\$ (158,559)
Total revenue from the Commonwealth	\$ 602,813	\$ 602,813	\$ 444,254	\$ (158,559)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 591,382	\$ 591,382	\$ 668,169	\$ 76,787
Homeland security grant	30,000	30,000	12,725	(17,275)
Total categorical aid	\$ 621,382	\$ 621,382	\$ 680,894	\$ 59,512
Total revenue from the federal government	\$ 621,382	\$ 621,382	\$ 680,894	\$ 59,512
Total Virginia Public Assistance Fund	\$ 1,224,195	\$ 1,224,195	\$ 1,198,624	\$ (25,571)

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Law Enforcement Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3	\$ 3
Total revenue from use of money and property	\$ -	\$ -	\$ 3	\$ 3
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 236	\$ 236	\$ -
Total miscellaneous revenue	\$ -	\$ 236	\$ 236	\$ -
Total revenue from local sources	\$ -	\$ 236	\$ 239	\$ 3
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Bulletproof vest grant	\$ -	\$ 2,300	\$ 2,300	\$ -
Local law enforcement block grant	-	2,121	2,121	-
Total categorical aid	\$ -	\$ 4,421	\$ 4,421	\$ -
Total revenue from the federal government	\$ -	\$ 4,421	\$ 4,421	\$ -
Total Law Enforcement Block Grant Fund	\$ -	\$ 4,657	\$ 4,660	\$ 3
Total Primary Government	\$ 39,342,770	\$ 39,380,358	\$ 39,570,111	\$ 189,753

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City council	\$ 136,269	\$ 136,269	\$ 126,961	\$ 9,308
Clerk of council	184,680	184,680	183,178	1,502
Total legislative	<u>\$ 320,949</u>	<u>\$ 320,949</u>	<u>\$ 310,139</u>	<u>\$ 10,810</u>
General and financial administration:				
City manager	\$ 639,320	\$ 639,320	\$ 577,831	\$ 61,489
City attorney	269,388	269,388	267,493	1,895
Human resources	101,666	101,666	101,351	315
Commissioner of revenue	205,422	205,422	205,146	276
Assessor	170,610	170,610	168,576	2,034
Treasurer	57,924	57,924	54,974	2,950
Director of finance	724,636	724,636	720,483	4,153
Information technology	659,110	659,110	642,601	16,509
Automotive/motor pool	238,986	238,986	238,451	535
Total general and financial administration	<u>\$ 3,067,062</u>	<u>\$ 3,067,062</u>	<u>\$ 2,976,906</u>	<u>\$ 90,156</u>
Board of elections:				
Electoral board and officials	\$ 23,039	\$ 23,039	\$ 22,185	\$ 854
Registrar	94,797	94,797	94,295	502
Total board of elections	<u>\$ 117,836</u>	<u>\$ 117,836</u>	<u>\$ 116,480</u>	<u>\$ 1,356</u>
Total general government administration	<u>\$ 3,505,847</u>	<u>\$ 3,505,847</u>	<u>\$ 3,403,525</u>	<u>\$ 102,322</u>
Judicial administration:				
Courts:				
Courthouse activities	<u>\$ 420,000</u>	<u>\$ 420,000</u>	<u>\$ 411,806</u>	<u>\$ 8,194</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,793,769	\$ 3,806,525	\$ 3,744,716	\$ 61,809
Prince George parking garage	136,115	136,115	135,191	924
E-911	537,592	537,592	537,135	457
Total law enforcement and traffic control	<u>\$ 4,467,476</u>	<u>\$ 4,480,232</u>	<u>\$ 4,417,042</u>	<u>\$ 63,190</u>
Fire and rescue services:				
Fire department	<u>\$ 3,655,523</u>	<u>\$ 3,688,143</u>	<u>\$ 3,479,594</u>	<u>\$ 208,549</u>
Correction and detention:				
Juvenile detention commission	\$ 59,533	\$ 59,533	\$ 105,638	\$ (46,105)
Regional jail	1,191,240	1,191,240	1,191,655	(415)
Group home commission	79,889	79,889	79,889	-
Total correction and detention	<u>\$ 1,330,662</u>	<u>\$ 1,330,662</u>	<u>\$ 1,377,182</u>	<u>\$ (46,520)</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 333,591	\$ 333,591	\$ 320,654	\$ 12,937
Other protection:				
Animal control	\$ 18,900	\$ 18,900	\$ 18,900	\$ -
Medical examiner	100	100	100	-
Total other protection	\$ 19,000	\$ 19,000	\$ 19,000	\$ -
Total public safety	\$ 9,806,252	\$ 9,851,628	\$ 9,613,472	\$ 238,156
Public works:				
Maintenance of highways, streets, bridges & sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,087,980	\$ 1,087,980	\$ 1,017,481	\$ 70,499
Engineering	250,787	250,787	249,582	1,205
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,338,767	\$ 1,338,767	\$ 1,267,063	\$ 71,704
Sanitation and waste removal:				
Refuse collection	\$ 673,250	\$ 673,250	\$ 653,010	\$ 20,240
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 448,755	\$ 448,755	\$ 466,810	\$ (18,055)
Landscaping	526,631	528,631	527,533	1,098
Total maintenance of general buildings and grounds	\$ 975,386	\$ 977,386	\$ 994,343	\$ (16,957)
Total public works	\$ 2,987,403	\$ 2,989,403	\$ 2,914,416	\$ 74,987
Health and welfare:				
Health:				
Local health department	\$ 184,171	\$ 184,171	\$ 183,345	\$ 826
Mosquito control	6,950	6,950	5,589	1,361
Total health	\$ 191,121	\$ 191,121	\$ 188,934	\$ 2,187
Mental health and mental retardation:				
Administration - mental health and retardation	\$ 250,405	\$ 250,405	\$ 250,405	\$ -

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Transportation programs for elderly	3,900	3,900	4,624	(724)
Total welfare	<u>\$ 38,900</u>	<u>\$ 38,900</u>	<u>\$ 39,624</u>	<u>\$ (724)</u>
Total health and welfare	<u>\$ 480,426</u>	<u>\$ 480,426</u>	<u>\$ 478,963</u>	<u>\$ 1,463</u>
Education:				
Other instructional costs:				
Contribution to local school board	<u>\$ 8,380,656</u>	<u>\$ 8,380,656</u>	<u>\$ 8,181,450</u>	<u>\$ 199,206</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 424,756	\$ 424,756	\$ 408,703	\$ 16,053
Waller Mill park facility	229,066	229,066	198,956	30,110
Recreation facility programs	593,239	593,239	530,790	62,449
Cemeteries	64,359	64,359	63,720	639
Total parks and recreation	<u>\$ 1,311,420</u>	<u>\$ 1,311,420</u>	<u>\$ 1,202,169</u>	<u>\$ 109,251</u>
Library:				
Contribution to regional library	<u>\$ 820,506</u>	<u>\$ 820,506</u>	<u>\$ 820,156</u>	<u>\$ 350</u>
Total parks, recreation, and cultural	<u>\$ 2,131,926</u>	<u>\$ 2,131,926</u>	<u>\$ 2,022,325</u>	<u>\$ 109,601</u>
Community development:				
Planning and community development:				
Planning	\$ 491,451	\$ 491,451	\$ 469,806	\$ 21,645
Community development	3,891,671	3,891,671	3,716,775	174,896
Triangle building management	47,680	47,680	43,579	4,101
Economic development	321,176	321,176	317,226	3,950
Other community development	44,191	44,191	44,191	-
Total planning and community development	<u>\$ 4,796,169</u>	<u>\$ 4,796,169</u>	<u>\$ 4,591,577</u>	<u>\$ 204,592</u>
Total community development	<u>\$ 4,796,169</u>	<u>\$ 4,796,169</u>	<u>\$ 4,591,577</u>	<u>\$ 204,592</u>
Capital projects:				
Other capital projects	<u>\$ 8,082,129</u>	<u>\$ 12,346,447</u>	<u>\$ 3,820,162</u>	<u>\$ 8,526,285</u>
Debt service:				
Principal retirement	\$ 683,990	\$ 683,990	\$ 683,990	\$ -
Interest and other fiscal charges	152,188	213,216	213,216	-
Total debt service	<u>\$ 836,178</u>	<u>\$ 897,206</u>	<u>\$ 897,206</u>	<u>\$ -</u>
Total General Fund	<u>\$ 41,426,986</u>	<u>\$ 45,799,708</u>	<u>\$ 36,334,902</u>	<u>\$ 9,464,806</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014

Schedule 2
Page 4 of 4

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 1,276,661	\$ 1,276,661	\$ 1,209,243	\$ 67,418
Public assistance	582,999	582,999	419,389	163,610
Comprehensive services	212,500	212,500	199,195	13,305
Total welfare and social services	<u>\$ 2,072,160</u>	<u>\$ 2,072,160</u>	<u>\$ 1,827,827</u>	<u>\$ 244,333</u>
Total health and welfare	<u>\$ 2,072,160</u>	<u>\$ 2,072,160</u>	<u>\$ 1,827,827</u>	<u>\$ 244,333</u>
Total Virginia Public Assistance Fund	<u>\$ 2,072,160</u>	<u>\$ 2,072,160</u>	<u>\$ 1,827,827</u>	<u>\$ 244,333</u>
Law Enforcement Block Grant Fund:				
Public safety:				
Other protection:				
Other protection	\$ -	\$ 4,657	\$ 2,326	\$ 2,331
Total Law Enforcement Block Grant Fund	<u>\$ -</u>	<u>\$ 4,657</u>	<u>\$ 2,326</u>	<u>\$ 2,331</u>
Total Primary Government	<u>\$ 43,499,146</u>	<u>\$ 47,876,525</u>	<u>\$ 38,165,055</u>	<u>\$ 9,711,470</u>

Statistical Section

Contents

Tables

Financial Trends

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

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Revenue Capacity

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

5 - 9

Debt Capacity

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

10 - 12

Demographic and Economic Information

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

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Operating Information

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

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

City of Williamsburg, Virginia
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities				
Net investment in capital assets	\$ 41,977,081	\$ 43,724,093	\$ 49,783,173	\$ 55,591,451
Unrestricted	30,578,146	32,119,103	29,632,342	28,455,299
Total governmental activities net assets	<u>\$ 72,555,227</u>	<u>\$ 75,843,196</u>	<u>\$ 79,415,515</u>	<u>\$ 84,046,750</u>
Business-type activities				
Net investment in capital assets	\$ 9,720,452	\$ 9,781,412	\$ 12,764,785	\$ 13,102,740
Unrestricted	5,143,153	5,454,407	5,466,158	6,466,848
Total business-type activities net assets	<u>\$ 14,863,605</u>	<u>\$ 15,235,819</u>	<u>\$ 18,230,943</u>	<u>\$ 19,569,588</u>
Primary government				
Net investment in capital assets	\$ 51,697,533	\$ 53,505,505	\$ 62,547,958	\$ 68,694,191
Unrestricted	35,721,299	37,573,510	35,098,500	34,922,147
Total primary government net assets	<u>\$ 87,418,832</u>	<u>\$ 91,079,015</u>	<u>\$ 97,646,458</u>	<u>\$ 103,616,338</u>

Table 1

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 58,769,012	\$ 59,868,232	\$ 61,799,859	\$ 60,919,382	\$ 62,277,812	\$ 61,470,986
25,864,437	25,744,448	26,187,098	27,808,616	30,324,199	31,727,986
<u>\$ 84,633,449</u>	<u>\$ 85,612,680</u>	<u>\$ 87,986,957</u>	<u>\$ 88,727,998</u>	<u>\$ 92,602,011</u>	<u>\$ 93,198,972</u>
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
\$ 15,601,976	\$ 15,748,286	\$ 16,771,608	\$ 17,403,766	\$ 17,888,271	\$ 17,806,425
4,960,402	4,483,874	5,067,039	4,473,289	4,198,379	4,537,882
<u>\$ 20,562,378</u>	<u>\$ 20,232,160</u>	<u>\$ 21,838,647</u>	<u>\$ 21,877,055</u>	<u>\$ 22,086,650</u>	<u>\$ 22,344,307</u>
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
\$ 74,370,988	\$ 75,616,518	\$ 78,571,467	\$ 78,323,148	\$ 80,166,083	\$ 79,277,411
30,824,839	30,228,322	31,254,137	32,281,905	34,522,578	36,265,868
<u>\$ 105,195,827</u>	<u>\$ 105,844,840</u>	<u>\$ 109,825,604</u>	<u>\$ 110,605,053</u>	<u>\$ 114,688,661</u>	<u>\$ 115,543,279</u>
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

City of Williamsburg, Virginia
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses			
Governmental activities:			
General government administration	\$ 3,196,039	\$ 3,989,006	\$ 3,556,882
Judicial administration	308,361	356,257	379,945
Public safety	7,475,819	8,011,476	8,840,146
Public works	4,110,492	3,007,234	7,196,599
Health and welfare	2,065,153	2,180,922	2,176,382
Education	6,267,967	6,437,154	7,044,990
Parks, recreation and cultural	2,179,626	2,138,010	2,170,492
Community development	4,853,168	9,168,959	5,328,651
Nondepartmental	17,349	-	-
Interest expense	396,211	592,688	551,307
Total governmental activities expenses	<u>\$ 30,870,185</u>	<u>\$ 35,881,706</u>	<u>\$ 37,245,394</u>
Business-type activities			
Water and sewer services	<u>\$ 3,983,571</u>	<u>\$ 4,230,185</u>	<u>\$ 4,569,446</u>
Total business-type activities expenses	<u>3,983,571</u>	<u>4,230,185</u>	<u>4,569,446</u>
Total primary government expenses	<u><u>\$ 34,853,756</u></u>	<u><u>\$ 40,111,891</u></u>	<u><u>\$ 41,814,840</u></u>
Program Revenues (see Schedule 3)			
Governmental activities:			
Charges for services:			
General government administration*	\$ 1,228,597	\$ -	\$ -
Judicial administration	-	142,321	155,924
Public safety	582,729	364,959	328,194
Public works	11,403	-	-
Parks, recreation and cultural	316,991	302,835	338,754
Community development	58,428	56,566	36,073
Operating grants and contributions	3,718,194	5,224,480	4,161,505
Capital grants and contributions	102,922	176,937	266,087
Total governmental activities program revenues	<u><u>\$ 6,019,264</u></u>	<u><u>\$ 6,268,098</u></u>	<u><u>\$ 5,286,537</u></u>
Business-type activities:			
Charges for services:			
Water and sewer	<u>\$ 4,195,671</u>	<u>\$ 4,379,515</u>	<u>\$ 4,493,958</u>
Total business-type activities program revenues	<u>4,195,671</u>	<u>4,379,515</u>	<u>4,493,958</u>
Total primary government program revenues	<u><u>\$ 10,214,935</u></u>	<u><u>\$ 10,647,613</u></u>	<u><u>\$ 9,780,495</u></u>

* Beginning in FY 2006 use of property and miscellaneous income are not reported under the program revenues of General government administration.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 3,925,496	\$ 4,206,889	\$ 4,350,670	\$ 3,563,461	\$ 4,067,673	\$ 4,252,911	\$ 4,070,451
369,459	373,159	524,247	405,416	375,239	501,565	439,441
9,410,409	9,626,052	9,200,629	9,275,831	9,638,966	9,671,016	10,122,867
4,504,611	4,493,041	3,314,209	4,750,649	4,505,943	4,142,471	4,526,929
2,415,272	2,335,735	2,319,951	2,245,513	2,414,154	2,251,382	2,309,325
8,446,319	7,913,290	8,439,060	7,736,481	7,756,817	8,205,970	9,170,571
2,275,707	2,535,481	2,362,491	2,314,517	2,424,850	2,430,750	2,399,212
5,694,235	5,091,394	4,788,236	4,482,731	4,418,902	4,512,839	4,684,339
-	-	-	-	-	-	-
467,896	408,129	303,123	284,738	472,343	122,847	175,563
<u>\$ 37,509,404</u>	<u>\$ 36,983,170</u>	<u>\$ 35,602,616</u>	<u>\$ 35,059,337</u>	<u>\$ 36,074,887</u>	<u>\$ 36,091,751</u>	<u>\$ 37,898,698</u>
\$ 4,769,797	\$ 4,862,433	\$ 6,025,427	\$ 6,046,002	\$ 5,935,670	\$ 6,019,724	\$ 6,042,928
4,769,797	4,862,433	6,025,427	6,046,002	5,935,670	6,019,724	6,042,928
<u>\$ 42,279,201</u>	<u>\$ 41,845,603</u>	<u>\$ 41,628,043</u>	<u>\$ 41,105,339</u>	<u>\$ 42,010,557</u>	<u>\$ 42,111,475</u>	<u>\$ 43,941,626</u>
\$ -	\$ 4,760	\$ -	\$ -	\$ -	\$ -	\$ -
140,559	147,160	108,161	222,572	259,700	331,835	242,359
479,255	295,207	260,751	155,522	183,113	578,682	673,805
-	-	-	-	-	-	3,500
298,453	317,573	350,497	390,220	401,398	419,959	361,824
43,750	42,198	97,881	43,742	42,702	-	38,667
3,999,026	4,008,035	4,314,763	4,715,846	4,414,469	4,062,259	4,440,279
464,435	133,363	-	-	21,777	2,322,693	448,714
<u>\$ 5,425,478</u>	<u>\$ 4,948,296</u>	<u>\$ 5,132,053</u>	<u>\$ 5,527,902</u>	<u>\$ 5,323,159</u>	<u>\$ 7,715,428</u>	<u>\$ 6,209,148</u>
\$ 5,751,177	\$ 5,575,174	\$ 5,398,525	\$ 7,496,603	\$ 5,783,098	\$ 6,024,722	\$ 6,102,936
5,751,177	5,575,174	5,398,525	7,496,603	5,783,098	6,024,722	6,102,936
<u>\$ 11,176,655</u>	<u>\$ 10,523,470</u>	<u>\$ 10,530,578</u>	<u>\$ 13,024,505</u>	<u>\$ 11,106,257</u>	<u>\$ 13,740,150</u>	<u>\$ 12,312,084</u>

City of Williamsburg, Virginia
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue			
Governmental activities	\$ (24,850,921)	\$ (29,613,608)	\$ (31,958,857)
Business-type activities	212,100	149,330	(75,488)
Total primary government net expense	\$ (24,638,821)	\$ (29,464,278)	\$ (32,034,345)

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes

General property taxes	\$ 7,944,010	\$ 8,250,312	\$ 9,281,349
Sales taxes	4,219,603	4,303,203	4,867,792
Business property taxes	1,259,291	1,143,727	1,130,964
Consumer utility taxes	1,062,031	451,524	700,691
Business license taxes	1,757,085	1,789,386	1,593,478
Hotel and room taxes	3,695,937	3,787,611	4,350,871
\$2 lodging taxes	1,582,047	1,595,664	1,672,720
Meals taxes	5,394,509	5,600,162	5,851,680
Other local taxes	910,932	1,457,982	1,096,618

Use of Money & Property	465,369	1,382,832	2,156,025
Gain on sale of capital assets	1,220	1,082,095	1,348,618
Grants and contributions not restricted to specific programs	-	929,240	879,936
Miscellaneous	-	660,148	600,434

Total governmental activities	\$ 28,292,034	\$ 32,433,886	\$ 35,531,176
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Business-type activities:

Investment earnings	\$ 105,671	\$ 202,622	\$ 253,915
Gain on sale of capital assets	-	-	2,677,383
Miscellaneous	-	35,517	139,314

Total business-type activities	\$ 105,671	\$ 238,139	\$ 3,070,612
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Total primary government	\$ 28,397,705	\$ 32,672,025	\$ 38,601,788
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Change in Net Assets

Governmental activities	\$ 3,441,113	\$ 2,820,278	\$ 3,572,319
Business-type activities	317,771	387,469	2,995,124
Total primary government	\$ 3,758,884	\$ 3,207,747	\$ 6,567,443

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (32,083,926)	\$ (32,034,874)	\$ (30,470,563)	\$ (29,531,435)	\$ (30,751,728)	\$ (28,376,323)	\$ (31,689,550)
981,380	712,741	(626,902)	1,450,601	(152,572)	4,998	60,008
<u>\$ (31,102,546)</u>	<u>\$ (31,322,133)</u>	<u>\$ (31,097,465)</u>	<u>\$ (28,080,834)</u>	<u>\$ (30,904,300)</u>	<u>\$ (28,371,325)</u>	<u>\$ (31,629,542)</u>
\$ 10,576,818	\$ 11,190,551	\$ 11,247,772	\$ 10,745,485	\$ 10,367,460	\$ 10,494,240	\$ 10,613,393
4,562,028	3,844,275	3,885,065	3,963,454	4,161,131	4,494,328	4,239,957
1,210,744	1,307,209	1,276,328	1,329,808	1,304,252	1,096,833	1,326,998
1,107,790	1,040,510	1,047,378	300,969	295,788	306,596	309,602
1,754,093	1,595,535	1,571,483	1,497,159	1,598,958	1,646,691	1,630,018
4,447,662	3,574,810	3,248,789	3,384,922	3,396,446	3,369,785	3,129,262
1,625,774	1,347,470	1,277,760	1,299,244	1,264,046	1,222,448	1,130,804
6,005,227	5,522,541	5,607,318	5,989,446	6,277,434	6,391,022	6,446,505
800,542	576,653	609,055	640,363	655,754	821,634	762,296
1,765,800	930,037	730,861	624,386	647,887	775,355	756,800
-	-	887,684	-	-	-	-
899,609	820,341	812,215	1,463,933	1,491,961	1,540,889	1,587,926
1,959,074	871,641	886,798	666,543	720,497	216,620	352,950
<u>\$ 36,715,161</u>	<u>\$ 32,621,573</u>	<u>\$ 33,088,506</u>	<u>\$ 31,905,712</u>	<u>\$ 32,181,614</u>	<u>\$ 32,376,441</u>	<u>\$ 32,286,511</u>
\$ 209,655	\$ 97,165	\$ 26,248	\$ 8,536	\$ 29,772	\$ 29,914	\$ 28,330
-	-	-	-	-	-	-
147,610	182,884	270,436	147,350	161,208	174,683	169,319
<u>\$ 357,265</u>	<u>\$ 280,049</u>	<u>\$ 296,684</u>	<u>\$ 155,886</u>	<u>\$ 190,980</u>	<u>\$ 204,597</u>	<u>\$ 197,649</u>
<u>\$ 37,072,426</u>	<u>\$ 32,901,622</u>	<u>\$ 33,385,190</u>	<u>\$ 32,061,598</u>	<u>\$ 32,372,594</u>	<u>\$ 32,581,038</u>	<u>\$ 32,484,160</u>
\$ 4,631,235	\$ 586,699	\$ 2,557,943	\$ 2,374,277	\$ 1,429,886	\$ 4,000,118	\$ 596,961
1,338,645	992,790	(330,218)	1,606,487	38,408	209,595	257,657
<u>\$ 5,969,880</u>	<u>\$ 1,579,489</u>	<u>\$ 2,227,725</u>	<u>\$ 3,980,764</u>	<u>\$ 1,468,294</u>	<u>\$ 4,209,713</u>	<u>\$ 854,618</u>

City of Williamsburg, Virginia
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund					
Reserved	\$ -	\$ 543,605	\$ 548,702	\$ 553,490	\$ 124,011
Unreserved	30,616,683	31,982,623	29,509,734	28,448,307	26,253,762
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 30,616,683</u>	<u>\$ 32,526,228</u>	<u>\$ 30,058,436</u>	<u>\$ 29,001,797</u>	<u>\$ 26,377,773</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved (Special Revenue funds)	131,239	210,575	207,354	182,825	250,939
Assigned (Special Revenue funds)	-	-	-	-	-
Total all other governmental funds	<u>\$ 131,239</u>	<u>\$ 210,575</u>	<u>\$ 207,354</u>	<u>\$ 182,825</u>	<u>\$ 250,939</u>

* City Council adopted GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in June 2011, which changed fund balance classifications.

Table 3

<u>2010</u>	<u>2011 *</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 8,287	\$ -	\$ -	\$ -	\$ -
25,983,407	-	-	-	-
-	13,326	1,178,530	1,179,522	1,178,480
-	-	-	-	4,820,655
-	3,591,208	1,375,060	18,037,302	19,317,000
-	22,875,543	25,288,755	11,426,473	11,707,336
<u>\$ 25,991,694</u>	<u>\$ 26,480,077</u>	<u>\$ 27,842,345</u>	<u>\$ 30,643,297</u>	<u>\$ 37,023,471</u>
\$ -	\$ -	\$ -	\$ -	\$ -
337,593	-	-	-	-
-	399,209	365,844	275,829	300,711
<u>\$ 337,593</u>	<u>\$ 399,209</u>	<u>\$ 365,844</u>	<u>\$ 275,829</u>	<u>\$ 300,711</u>

City of Williamsburg, Virginia
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues				
Taxes	\$ 27,748,415	\$ 28,194,199	\$ 30,590,846	\$ 32,147,392
Licenses, fees, and permits	256,662	275,741	200,897	376,974
Fines and penalties	234,157	229,779	281,612	241,302
Use of money and property	465,369	931,554	1,600,647	1,765,800
Charges for services	365,026	361,161	376,435	343,741
Intergovernmental	3,864,318	6,330,657	5,288,477	6,759,594
Other revenues	1,376,131	1,817,889	3,590,840	1,322,551
Total revenues	<u>\$ 34,310,078</u>	<u>\$ 38,140,980</u>	<u>\$ 41,929,754</u>	<u>\$ 42,957,354</u>
Expenditures				
General government	\$ 2,290,766	\$ 2,636,419	\$ 2,615,827	\$ 2,956,796
Judicial	308,361	356,257	379,945	369,459
Police	3,499,854	3,541,289	4,034,064	4,246,050
Fire	2,531,801	2,741,472	3,064,526	3,257,746
Other public safety	1,274,946	1,537,857	1,617,564	1,561,167
Public works	3,628,476	3,636,448	3,847,395	3,579,302
Health and welfare	2,055,514	2,169,163	2,169,108	2,391,062
Education	6,267,967	6,437,154	6,493,421	7,135,650
Parks and recreation	1,254,125	1,242,389	1,284,977	1,392,614
Library	771,595	796,580	861,030	884,955
Community Development	4,852,663	4,908,287	5,348,425	5,662,525
Non-departmental	33,349	-	-	-
Capital projects	3,030,777	5,774,358	12,492,119	7,809,941
Debt Service				
Principal	918,000	5,872,179	992,425	2,314,249
Interest	437,444	505,332	554,257	477,006
Total expenditures	<u>\$ 33,155,638</u>	<u>\$ 42,155,184</u>	<u>\$ 45,755,083</u>	<u>\$ 44,038,522</u>
Excess of revenues over (under) expenditures	\$ 1,154,440	\$ (4,014,204)	\$ (3,825,329)	\$ (1,081,168)
Other Financing Sources (Uses)				
Bonds issued	\$ 8,500,000	\$ -	\$ -	\$ -
Refunding bonds issued	-	-	-	-
Redemption of refunded bonds	-	-	-	-
Sale of capital assets	12,975	5,068,073	1,354,316	-
Capital leases	51,928	-	-	-
Total other financing sources (uses)	<u>\$ 8,564,903</u>	<u>\$ 5,068,073</u>	<u>\$ 1,354,316</u>	<u>\$ -</u>
Net change in fund balances	\$ 9,719,343	\$ 1,053,869	\$ (2,471,013)	\$ (1,081,168)
Debt service as a percentage of noncapital expenditures	4.50%	17.80%	4.00%	7.34%

Table 4

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 29,922,838	\$ 29,602,186	\$ 29,210,384	\$ 29,274,314	\$ 29,786,811	\$ 29,736,493
207,637	164,699	154,108	181,806	151,637	240,017
233,262	202,487	221,767	259,308	228,172	214,373
930,037	730,861	624,377	647,887	775,355	756,797
347,740	390,104	436,181	445,799	950,667	865,765
4,971,107	4,930,242	6,179,779	5,928,207	5,603,148	6,476,919
1,683,536	1,929,868	1,343,191	1,489,696	1,015,233	1,279,747
<u>\$ 38,296,157</u>	<u>\$ 37,950,447</u>	<u>\$ 38,169,787</u>	<u>\$ 38,227,017</u>	<u>\$ 38,511,023</u>	<u>\$ 39,570,111</u>
\$ 3,247,353	\$ 3,130,496	\$ 3,341,506	\$ 3,781,205	\$ 3,509,833	\$ 3,403,525
373,159	332,736	405,416	371,366	398,300	411,806
4,273,913	3,916,856	3,876,496	4,069,699	4,197,314	4,417,042
3,293,365	2,983,054	3,108,601	3,146,035	3,297,878	3,479,594
1,686,790	1,670,784	1,744,010	1,829,335	1,694,206	1,719,162
4,185,312	3,404,437	2,877,077	3,129,845	2,922,135	2,914,416
2,311,671	2,318,563	2,241,201	2,416,361	2,256,347	2,306,790
7,023,314	6,923,146	6,991,174	7,337,320	7,673,329	8,181,450
1,387,111	1,272,611	1,205,651	1,232,402	1,220,914	1,202,169
884,971	840,727	750,959	779,744	819,526	820,156
5,070,823	4,760,075	4,469,891	4,419,267	4,478,159	4,591,577
-	-	-	-	-	-
5,699,783	6,181,634	5,206,675	3,701,211	2,432,992	3,820,162
1,036,704	1,064,816	1,149,694	886,240	758,761	683,990
377,798	337,621	275,348	354,583	140,392	213,216
<u>\$ 40,852,067</u>	<u>\$ 39,137,556</u>	<u>\$ 37,643,699</u>	<u>\$ 37,454,613</u>	<u>\$ 35,800,086</u>	<u>\$ 38,165,055</u>
\$ (2,555,910)	\$ (1,187,109)	\$ 526,088	\$ 772,404	\$ 2,710,937	\$ 1,405,056
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000
-	-	1,398,911	5,481,048	-	-
- -	-	(1,375,000)	(5,376,749)	-	-
-	887,684	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 887,684</u>	<u>\$ 23,911</u>	<u>\$ 104,299</u>	<u>\$ -</u>	<u>\$ 5,000,000</u>
\$ (2,555,910)	\$ (299,425)	\$ 549,999	\$ 876,703	\$ 2,710,937	\$ 6,405,056
3.92%	4.01%	4.19%	3.55%	2.82%	2.48%

City of Williamsburg, Virginia
Tax Revenues by Source, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property ²	1% Sales & Use	Consumer Utility ¹	Business License	Franchise ³
2005	\$ 9,241,737	\$ 4,219,603	\$ 1,297,227	\$ 1,749,413	\$ 235,196
2006	10,039,498	4,303,203	1,137,150	1,789,386	250,762
2007	11,233,048	4,867,792	1,074,296	1,593,478	171,746
2008	12,617,849	4,562,028	1,107,790	1,754,093	102,833
2009	13,194,616	3,844,275	1,040,510	1,595,535	108,020
2010	13,128,910	3,885,065	1,047,378	1,571,483	121,248
2011	12,908,398	3,963,454	1,049,808	1,497,160	111,020
2012	12,351,657	4,161,131	1,029,412	1,598,958	103,571
2013	12,307,879	4,494,328	1,042,165	1,646,691	104,682
2014	12,861,621	4,239,957	1,032,653	1,630,018	129,792

¹ Wireless telecommunication taxes were initiated in FY 2004 - Significant delinquent telecommunications taxes were received in FY 2005 due to issues relating to problematic jurisdiction identification by telephone companies.

² For comparison with prior years, property tax revenues FY 2006 and beyond include Personal Property Tax Relief Act receipts reclassified beginning in FY 2006 as State funds.

³ Effective January 1, 2007 Cable Franchise fees included in Consumer Utility taxes.

Table 5

Tobacco	Hotel & Motel	\$2 Lodging	Restaurant	Other	Total
\$ 209,340	\$ 3,695,937	\$ 1,582,047	\$ 5,367,745	\$ 385,366	\$ 27,983,611
184,080	3,787,611	1,595,664	5,600,162	640,764	29,328,280
172,872	4,350,871	1,672,720	5,851,680	550,141	31,538,644
180,701	4,447,662	1,625,774	6,005,227	517,007	32,920,964
144,534	3,574,810	1,347,470	5,522,541	324,099	30,696,410
158,460	3,248,789	1,277,760	5,607,318	329,347	30,375,758
148,032	3,384,922	1,299,244	5,989,446	381,311	30,732,795
147,870	3,396,446	1,264,046	6,277,434	404,313	30,734,838
183,155	3,369,785	1,222,448	6,391,022	533,798	31,295,953
148,320	3,129,262	1,130,804	6,446,505	484,184	31,233,116

City of Williamsburg, Virginia
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property ¹	Motor Vehicles ²	Other			
2005	\$ 736,951,300	\$ 918,939,700	\$ 30,793,980	\$ 36,827,600	\$ 453,198,400	\$ 1,270,314,180	4.04
2006	872,835,500	960,854,400	35,607,452	38,600,378	494,984,900	1,412,912,830	4.04
2007	1,021,043,000	1,020,298,800	36,612,408	34,390,362	493,690,200	1,618,654,370	4.04
2008	1,139,635,400	1,196,545,300	35,958,080	36,179,761	532,941,500	1,875,377,041	4.04
2009	1,215,949,800	1,226,781,800	35,034,560	38,278,637	547,275,600	1,968,769,197	4.04
2010	1,202,447,900	1,246,006,000	35,605,695	39,204,545	555,882,100	1,967,382,040	4.04
2011	1,166,641,800	1,335,437,900	35,652,620	39,303,636	674,570,500	1,902,465,456	4.04
2012	1,134,906,200	1,373,260,600	36,082,270	39,746,802	772,009,200	1,811,986,672	4.04
2013	1,064,590,700	1,408,826,400	39,582,570	37,495,959	845,513,900	1,704,981,729	4.07
2014	1,083,446,200	1,522,534,200	40,845,200	38,241,433	918,768,400	1,766,298,633	4.07

Source: City of Williamsburg Assessor's Office, Commissioner of the Revenue

¹ Includes tax-exempt property.

² Motor vehicles are assessed at NADA average loan value as of January 1st each year

Note: Real property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201 requires that annual assessments of real estate shall be made at 100 percent fair market value.

City of Williamsburg, Virginia
Direct Tax Rates
Last Ten Fiscal Years

Table 7

Fiscal Year Ended June 30,	Real Estate Tax ¹	Personal Property Tax ¹	Room Tax	Meal Tax	Retail Sales Tax ²	Total Direct Tax Rate
2005	\$0.54	\$3.50	5%	5%	1%	\$4.04
2006	\$0.54	\$3.50	5%	5%	1%	\$4.04
2007	\$0.54	\$3.50	5%	5%	1%	\$4.04
2008	\$0.54	\$3.50	5%	5%	1%	\$4.04
2009	\$0.54	\$3.50	5%	5%	1%	\$4.04
2010	\$0.54	\$3.50	5%	5%	1%	\$4.04
2011	\$0.54	\$3.50	5%	5%	1%	\$4.04
2012	\$0.54	\$3.50	5%	5%	1%	\$4.04
2013	\$0.57	\$3.50	5%	5%	1%	\$4.07
2014	\$0.57	\$3.50	5%	5%	1%	\$4.07

¹ per \$100 assessed value

² Collected by State, remitted monthly to City

The City of Williamsburg has no overlapping taxes.

City of Williamsburg, Virginia
Principal Real Estate Property Taxpayers
Current Year and Nine Years Ago

Table 8

<u>Taxpayers</u>	2005			2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Colonial Williamsburg Foundation	\$ 196,480,300	1	16.13%	\$ 259,314,700	1	15.31%
Art Williamsburg	15,252,100	2	1.25%			
Williamsburg Improvements, LLC	14,032,100	3	1.15%	13,734,200	7	0.81%
JIN, Inc.	9,922,900	4	0.81%			
Chelsea GCA Realty Partnership	8,870,500	5	0.73%			
351 York Street LLC	8,467,700	6	0.70%			
Woodshire, LTD	8,247,600	7	0.68%			
Westgate Resorts, LTD	7,389,700	8	0.61%	14,279,000	6	0.84%
LTD Associates Two, LLC	7,268,600	9	0.60%			
LTD Associates One, LLC	7,172,200	10	0.59%			
Bluegreen Vacations, Unlimited				20,526,200	5	1.21%
Riverside Healthcare Associates				61,463,600	2	3.63%
High Street Retail Phase I LLC				21,098,100	3	1.25%
Sterling Manor Apartments LLC				21,035,600	4	1.24%
SNL Quarterpath Associates LLC				12,187,300	8	0.72%
160 Merrimac Associates LLC				11,870,600	9	0.70%
Ludwell Apartments LLC				10,549,800	10	0.62%

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

Table 9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 8,864,042	\$ 8,700,344	98.14%	\$ 148,893	\$ 8,849,237	99.83%
2006	9,734,314	9,573,842	98.54%	146,211	9,720,053	99.85%
2007	10,953,045	10,733,140	97.99%	212,519	10,945,659	99.93%
2008	12,253,120	12,041,834	98.28%	197,487	12,239,321	99.89%
2009	12,813,745	12,635,773	98.61%	147,299	12,783,072	99.76%
2010	12,829,463	12,542,371	97.76%	225,895	12,768,266	99.52%
2011	12,472,411	12,266,609	98.35%	184,569	12,451,178	99.83%
2012	11,970,621	11,773,538	98.35%	186,036	11,959,574	99.91%
2013	11,950,952	11,687,094	97.79%	164,878	11,851,972	99.17%
2014	12,331,304	12,122,381	98.31%	n/a	12,122,381	98.31%

Source: City of Williamsburg Assessor's Office

Notes: Property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201

requires that annual assessments of real estate shall be made at 100 percent fair market value.

Estimated actual taxable value is calculated by dividing taxable assessed value by 100%

The set amount of receipts from the State's Personal Property Tax Relief Act may skew the collection rate, depending on the relief rate set by the City each year, as shown above for 2010.

City of Williamsburg, Virginia
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Table 10

Fiscal Year	Governmental Activities		Business-type Activities	Total Primary Government	Debt Per Capita	Debt as Percentage of Personal Income
	General Obligation Bonds	Notes Payable	General Obligation Bonds			
2005	\$ 18,413,000	\$ 1,300,000	\$ 6,938,851	\$ 25,351,851	\$ 1,892	0.9%
2006	12,540,821	1,300,000	6,665,050	19,205,871	1,433	0.6%
2007	11,548,396	1,300,000	700,000	12,248,396	925	0.3%
2008	10,534,146	-	566,666	11,100,812	836	0.3%
2009	9,497,443	-	10,433,333	19,930,776	1,492	0.5%
2010	8,432,627	-	9,808,700	18,241,327	1,297	0.5%
2011	7,306,844	-	9,231,593	16,538,437	1,160	0.4%
2012	6,796,767	-	8,643,971	15,440,738	1,080	0.4%
2013	5,997,390	-	8,051,980	14,049,370	969	0.3%
2014	10,270,795	-	7,446,884	17,717,679	1,190	0.4%

City of Williamsburg, Virginia
Ratios of General Bonded Debt Outstanding,
Last Ten Fiscal Years

Table 11

Fiscal Year	Total General Obligation Bonds	Percentage of Actual Taxable Value of Property ¹	Per Capita ²
2005	\$ 26,651,851	2.10%	1,989
2006	20,505,871	1.45%	1,530
2007	13,548,394	0.84%	1,023
2008	11,100,812	0.59%	836
2009	19,930,775	1.01%	1,492
2010	18,241,327	0.96%	1,297
2011	16,538,437	0.87%	1,160
2012	15,440,738	0.85%	1,083
2013	14,049,370	0.82%	969
2014	17,717,679	1.00%	1,190

¹ See Table 6 for property value data.

² Population data can be found in Table 13

City of Williamsburg, Virginia
Legal Debt Margin Information
Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 120,269,260	\$ 133,870,500	\$ 154,722,020	\$ 180,323,920
Total net debt applicable to limit	26,651,851	20,505,871	13,548,395	11,100,812
Legal debt margin	\$ 93,617,409	\$ 113,364,629	\$ 141,173,625	\$ 169,223,108
Total net debt applicable to the limit as a percentage of debt limit	22.16%	15.32%	8.76%	6.16%

Legal Debt Margin Calculation for Fiscal Year 2014:

Assessed Value	\$ 1,687,212,000
Debt Limit (10% of assessed value)	168,721,200
Debt applicable to limit:	
General obligation bonds	17,717,679
Legal debt margin	<u>\$ 151,003,521</u>

Note: Virginia statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value
The above calculation includes all debt secured by the full faith and credit of the City.

Table 12

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 189,545,600	\$ 189,257,180	\$ 182,750,920	\$ 173,615,760	\$ 162,790,320	\$ 168,721,200
19,930,775	18,241,325	16,538,737	15,440,738	14,049,370	17,718,177
\$ 169,614,825	\$ 171,015,855	\$ 166,212,183	\$ 158,175,022	\$ 148,740,950	\$ 151,003,023
10.52%	9.64%	9.05%	8.89%	8.63%	10.50%

3.

City of Williamsburg, Virginia
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 13

Fiscal Year	City Population *	Area Population *	Personal Income (thousands of dollars) ²	Per Capita Personal Income ²	Public School Enrollment ³	Unemployment Rate ¹
2005	13,400	70,828	\$ 3,026,524	\$ 42,731	9,402	7.1%
2006	13,400	73,943	3,353,728	45,356	9,820	5.9%
2007	13,242	76,149	3,669,903	48,194	10,105	5.6%
2008	13,273	77,732	3,916,926	50,390	10,137	8.6%
2009	13,354	79,805	3,852,139	48,269	10,248	15.3%
2010	14,068	81,456	4,028,062	49,451	10,503	10.2%
2011	14,256	82,607	4,408,223	53,364	10,549	9.8%
2012	14,503	84,448	4,610,247	54,796	10,671	8.9%
2013	14,893	85,124	**	**	10,748	8.3%
2014	**	**	**	**	10,998	**

* Population figures supplied by Weldon Cooper Center for Public Service (University of VA) & U.S. Bureau of Census

** not available

¹ Virginia Employment Commission (*calendar year figures*)

² Source - U.S. Bureau of Census, Bureau of Economic Analysis (BEA)

population and per capita personal figures are only available for the City of Williamsburg and neighboring James City County combined

³ Source - Williamsburg-James City County Public Schools

City of Williamsburg, Virginia
Principal Employers
Current Year and Nine Years Ago

Table 14

<u>Employer</u>	2005			2014		
	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
College of William & Mary	1,000+	1	16.25%	1,000+	1	22.99%
Colonial Williamsburg Foundation	1,000+	2	12.58%	1,000+	2	11.38%
Colonial Williamsburg Company	1,000+	3	6.63%	1,000+	3	7.62%
Williamsburg Community Hospital ²	500 to 999	4	4.88%			
W-JCC Schools				250 to 499	4	2.21%
Aramark				250 to 499	5	1.91%
City of Williamsburg	100 to 249	5	1.25%	250 to 499	6	1.84%
Williamsburg Hospitality House	100 to 249	6	0.63%			
Marriott Educational Svcs. Inc.	100 to 249	7	0.63%			
Riverside Doctors' Hospital				100 to 249	7	0.71%
Walsingham Academy				100 to 249	8	0.71%
Patrick Henry Inn	100 to 249	8	0.63%			
National Center for State Courts	100 to 249	9	0.63%	100 to 249	9	0.71%
Red Lobster & The Olive Garden	100 to 249	10	0.63%	100 to 249	10	0.71%

¹ Includes part-time and seasonal employees

² Now Sentara Healthcare-relocated to neighboring York County in August 2006

City of Williamsburg, Virginia
Full-time-Equivalent City Employees by Function/Program
Last Ten Fiscal Years

Table 15

	Full-time-Equivalent Employees as of June 30:									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
City Manager	4.5	5.5	5.5	5.5	6.5	5.5	5.5	5.5	6.5	6.5
Clerk of Council	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
City Attorney	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5
Commissioner of Revenue	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Registrar	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Assessor	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information Technology	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	8.0	8.0	8.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0
Police										
Officers	34.0	34.0	35.0	36.0	36.0	34.0	35.0	36.0	36.0	36.0
Civilians	16.0	16.0	18.0	18.0	18.0	5.0	5.0	5.0	5.0	5.0
Fire										
Firefighters & officers	31.0	34.0	35.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Works										
Engineering	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Streets	10.0	10.0	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0
Landscape	8.0	8.0	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0
Shop	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Building Maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Planning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Compliance	6.0	6.0	7.0	7.0	7.0	5.0	4.0	4.0	4.0	4.0
Recreation	9.5	9.0	9.0	9.0	9.0	9.0	8.0	8.0	8.5	8.5
Human Services/Public Housing	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	17.0	19.0
Public Utilities	23.0	25.0	25.0	25.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	184.5	191.0	196.0	200.0	202.0	185.0	182.0	183.0	188.0	190.0

Source: City Finance Department

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

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

Table 16

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Government										
Real estate parcels appraised	4,204	4,374	4,223	4,139	4,135	4,202	4,220	4,220	4,214	4,216
Real estate property transfers	486	441	381	342	242	277	330	337	285	302
Police										
Calls for service	29,990	30,727	32,532	30,147	31,711	28,758	37,844	37,283	36,956	37,774
Moving violations	1,672	1,867	1,989	2,053	2,118	1,377	1,586	1,800	1,457	1,107
Offenses	380	403	398	371	340	354	403	389	376	307
Fire										
Emergency fire responses	625	694	693	1,581	1,338	1,778	1,738	1,834	1,884	1,988
Emergency EMS responses	1,692	1,744	1,861	2,151	2,200	2,294	2,164	2,443	2,465	2,465
Public Works										
Street miles maintained	54	54	54	54	54	65	65	65	65	65
Work orders issued	246	327	227	185	218	274	159	122	135	343
Tons of res. solid waste collected	2,371	3,477	3,624	3,607	4,061	2,182	2,108	2,250	2,094	2,042
Planning										
Subdivision lots approved	4	60	90	0	0	0	4	0	2	0
Site plans processed	11	20	14	7	10	8	9	1	5	1
Code Compliance										
Total permits issued	1,244	1,337	1,050	1,845	1,475	1,792	1,725	1,436	1,336	1,555
Total inspections performed	10,326	7,887	6,535	7,228	6,706	7,169	6,824	5,171	5,491	5,178
Recreation										
Program participants	32,126	29,518	27,914	24,536	18,680	17,449	18,184	19,521	25,886	25,487
Waller Mill Park attendance*	116,261	160,175	209,760	199,050	249,226	261,144	86,413	81,254	90,066	109,144
Human Services (avg. monthly)										
Total benefit program cases	724	729	612	600	693	942	1,125	1,182	1,228	1,248
Total service cases	206	184	186	179	174	193	236	230	202	224
Public Utilities										
Water consumed (million gallons)	1,146	1,216	1,201	1,192	1,172	1,008	1,059	1,015	937	931
Water leaks repaired	79	62	71	48	49	40	32	36	45	31
Sewer backups	130	127	100	94	72	80	65	53	53	311
Work orders issued	325	403	387	412	446	493	550	468	456	450

Source: City operating departments

* Waller Mill Park suffered extensive damage from Hurricane Isabel in Sept., 2003; Park entrance fees began in FY 2011

City of Williamsburg, Virginia
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Table 17

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function/Program										
General Government										
Number of buildings	28	28	28	28	28	28	28	28	28	28
Number of parking structures	2	2	2	2	2	2	2	2	2	2
Total number of active vehicles in vehicle replacement plan	80	77	80	81	77	77	80	83	84	82
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Lane miles of streets maintained	54	54	54	54	54	65	65	65	65	65
Number of traffic signals	14	14	14	14	15	15	15	15	15	15
Bridges	4	4	4	4	4	4	4	4	4	4
Education-Regional Schools										
Grades: K - 5	7	7	7	8	8	9	9	9	9	9
Grades: 6 - 8	3	3	3	3	4	4	3	3	3	3
Grades: 9 -12	2	2	2	3	3	3	3	3	3	3
Parks & Recreation										
Number of parks	4	4	4	4	4	4	4	4	4	4
Number of ball fields	6	6	6	6	6	6	6	6	6	6
Number of tennis courts	10	10	10	10	10	10	10	10	10	10
Number of total acres	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036
Culture										
Number of public libraries (regional)	2	2	2	2	2	2	2	2	2	2
Public Utilities										
Miles of water distribution	48	48	48	48	48	48	48	48	48	48
Number of water tanks	5	5	5	5	5	5	5	6	6	6
Number of pump stations	14	14	14	14	14	14	14	14	14	15

Source: City departments.

COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Williamsburg, Virginia's basic financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Williamsburg Virginia'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 City of Williamsburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Williamsburg, Virginia'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 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 City of Williamsburg, Virginia's financial statements are free from 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 purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 24, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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 the City Council
City of Williamsburg
Williamsburg, Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Williamsburg, 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 City of Williamsburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of City of Williamsburg, 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 City of Williamsburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 City of Williamsburg, 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.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 24, 2014

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>Department of Health and Human Services:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 492
Temporary Assistance for Needy Families (TANF)	93.558	0400111/0400112	145,619
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111/0500112	733
Low-Income Home Energy Assistance	93.568	0600411/0600412	8,655
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111/0760112	12,158
Stephanie Tubbs Child Welfare Services Program	93.645	0900111/0900112	623
Foster Care - Title IV-E	93.658	1100111/1100112	96,644
Adoption Assistance	93.659	1120111/1120112	62,874
Social Services Block Grant	93.667	1000111/1000112	66,659
Chafee Foster Care Independence Program	93.674	9150111/9150112	1,091
Children's Health Insurance Program	93.767	0540111/0540112	3,507
Medical Assistance Program	93.778	1200111/1200112	121,663
Total Department of Health and Human Services			<u>\$ 520,718</u>
<i>Department of Agriculture:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111/0010112 0040111/0040112	\$ 147,451
Total Department of Agriculture			<u>\$ 147,451</u>
<i>Department of Justice:</i>			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 2,300
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-J1208LO11 13-K1208LO12	\$ 2,121
Total Department of Justice			<u>\$ 4,421</u>
<i>Department of Transportation:</i>			
Pass Through Payments:			
<i>Department of Motor Vehicles</i>			
Highway Planning and Construction	20.205	60,302	\$ 17,200
State and Community Highway Safety	20.600	K81252285	12,756
Total Department of Transportation			<u>\$ 29,956</u>
<i>Department of Homeland Security:</i>			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	7760200-155	\$ 111,432
Homeland Security Grant Program	97.067	7750100-52703	793
State Homeland Security Program	97.073	77500100-52708-52709	11,932
Total Department of Homeland Security			<u>\$ 124,157</u>
Total Expenditures of Federal Awards			<u><u>\$ 826,703</u></u>

See accompanying notes to schedule of expenditures of federal awards.

City of Williamsburg, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Williamsburg, Virginia under programs of the federal government for the year ended June 30, 2014. 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*. Because the Schedule presents on a selected portion of the operations of the City of Williamsburg, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the City of Williamsburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$ 141,388
Virginia public assistance fund	680,894
Law enforcement block grant fund	<u>4,421</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 826,703</u></u>
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City of Williamsburg, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

Section I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	<u>✓</u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	<u>✓</u> none reported

Noncompliance material to financial statements noted?

_____ yes	<u>✓</u> no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	<u>✓</u> no
Significant deficiency(ies) identified?	_____ yes	<u>✓</u> no

Type of auditors' report issued on compliance for major programs: unmodified

Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes	<u>✓</u> no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ✓ yes _____ no

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

**City of Williamsburg, Virginia
Schedule of Prior Year Findings
For the year ended June 30, 2014**

There were no prior year findings.