

CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2010

PREPARED BY:

Department of Finance

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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CITY OF WILLIAMSBURG

Department of Finance

November 12, 2010

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, 2010, 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 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the fourth 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, 2010, 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, 2010, 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.

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 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 2000 U.S. Census showed Williamsburg with a population of 11,998. The latest population figures presented by the Weldon Cooper Center for Public Service at the University of Virginia put the City's current population at 13,410. 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, 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. As such, the City has no component units (legally separate entities for which the City as primary government is financially accountable).

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), 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 3,300 residential and 800 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

The City, by agreements with neighboring James City County, operates the Williamsburg Regional Library system and 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 2010 marked the third year of a five-year restated contract for operating and capital funding of the joint School system.

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 in March of 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 special 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 49 hotels/motels with approximately 4,400 rooms, 36 bed and breakfasts, and 85 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 3,200, 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 7,900 students, and employs about 3,300 faculty and staff, including graduate assistants as well.

The City of Williamsburg has seen a slowdown in economic activity for the past two years. Room tax receipts declined 9.1% for FY 2010. Revenues from \$2/night lodging tax, which are a pass-thru to the Williamsburg Area Destination Marketing Committee, were down 5.2%. Meal tax receipts were up 1.5% from the prior year. In total, these three significant taxes were down \$311,955, or 3.0% from FY 2009. Another significant tax, dedicated to capital improvements within the City, is the 1% State sales tax. Surprisingly, these taxes were up almost 1.1% over FY 2009 to \$3.9 Million. 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 FY2008 respectively.

The value of taxable real property grew by 2.2% for the year, considerably lower than the 12% average annual growth rate of the five prior years. Although the rate of increase in home values during FY 2010 has slowed, the City has not experienced double-digit declines that communities in northern Virginia and other parts of the country have endured recently. A decrease of approximately 3% is expected in FY2011, based on slightly lower sales over the past year. With limited sales data during the past year, especially on the commercial side, it is increasingly difficult for the City Assessor to determine market values, and will be a challenge until housing prices and sales activity stabilize.

The City has also experienced revenue declines in business licenses, investment earnings, recordation taxes, and permits from last year. The Commonwealth of Virginia has seen similar declines in income, sales, and other taxes during the last two fiscal years. State aid to localities has been reduced during the past three years as the Commonwealth continues to experience revenue shortfalls.

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

- Two large commercial development projects are underway: "High Street Williamsburg," a \$250 million, 50-acre mixed-use retail and apartment project, adjacent to the Richmond Road business corridor; and "Quarterpath at Williamsburg," a 350 acre mixed-use development in the southeast quadrant of the City that is planned to include retail, a 40-bed acute care doctor's hospital operated by Riverside Health System, and an assisted living facility. Ground has broken for the installation of infrastructure for Quarterpath at Williamsburg. An adjacent new development, Quarterpath Shopping Center has opened with seven establishments, including Wells Fargo Bank, Towne Bank, and anchor Harris Teeter grocery store.
- The City continues to implement an existing business program, new business recruitment, and promotion of the City as a premier business location. The Economic Development Authority has enacted a Demolition Program to encourage redevelopment projects. Four redevelopment projects are utilizing this forgivable-loan program.
- New businesses that opened in 2009 after renovating existing space in the City included: Scala Pizzeria, Voyager Home Health, Replay Sports, ACE Garden Flags, Collier's Antiques, LaQuinta Inn, C. Ritchie Photography, Wasabi Oriental Buffet, Law Office of Bambi Faivre Walters, WHRO Public Television and Radio, and WSB CPAs. New businesses opening in 2010 after renovating existing space included: Next to New Consignment, Cx Analytics, Dimaano's Pizza, Berkeley Cleaners, Pandora's Box, Always a Happy Hour, Beach Hearing Aid Center, Beez Scooters, Behavioral Arts, Giggle Ball Greetings, Historic Triangle Imaging, Historic Triangle Periodontics, China House, Inflation Nation, Jamestown Pie, Raw Bar & Grill, Terry's Shop, Witchdoctor's Kafe, Watson Mowry PC, and CB Seafood.
- New businesses that opened in 2009 after constructing new space in the City included: Health Evaluation Center, Five Guys, the Movie Tavern, and SunTrust Bank. New businesses opening in 2010 after constructing new space included: Chipotle, Terra Coffee and Wine, HEA Living, No 1 Chinese Restaurant, Subway, Swans Cleaners, and Luxury Nails.
- A mixed-use redevelopment project at 1220 Richmond Road is completed and includes 24 condominiums, two restaurants, and two office spaces.

Besides the two new projects discussed above (High Street and Quarterpath) most future development in the City will be infill and redevelopment. With this in mind, the City continues to implement an existing business program, new business recruitment, and promotion of the City as a premier business location. The Economic Development Authority

enacted a Demolition Program to encourage redevelopment projects. Three redevelopment projects are utilizing this forgivable-loan program.

Business investment and expansion continues in the City, with a positive impact on the City's real estate property and retail sales tax bases.

Financial Strategy

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 54¢ per \$100 of assessed value has remained unchanged since FY 1991, and continues to be one of the lowest city tax rates in the Commonwealth of Virginia. In the past, room and meal taxes provided the largest source of funding for City services. Real estate tax receipts outpaced room and meal tax collections for the second straight year in FY2010 by 14.9%. Room and Meal taxes accounted for 27.5% of the General Fund operating revenues for FY 2010, compared to 39.7% in FY 2000¹. Real estate taxes made up for 31.7% of total revenues in FY 2010, compared to 19.9% in FY 2000. This shifting of tax base is more pronounced when comparing actual tax revenues. Room and meal taxes decreased from \$9.2 Million to \$8.9 Million, a 3% decrease. Real estate taxes increased from \$4.5 Million in FY 2000 to \$10.2 Million in FY 2010, an increase of 127% over the same period. The FY 2010 real estate tax base increased 2.7% from last year, with next year's values estimated to decrease about 3%, mostly from a declining real estate market. Unlike many localities around the country, City assessments, on average, continue to be lower than sales in the past year, but recently may be changing. The longer homes tend to be on the market, the higher the assessment/sales ratio. Staff continues to analyze market conditions monthly that could adversely affect this major tax base. In any event, double digit growth in real estate values experienced in the past decade are a thing of the past.

The City's total personal property tax collections decreased 4.5% from last year. Further analysis of growth trends for personal property taxes is included in Management's Discussion and Analysis.

We believe that 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.

Key revenues such as room and meal taxes were closely watched throughout FY 2010. Departmental discretionary spending, especially in the larger departments, such as Police, Fire, and Public Works, was cut back during the year. In addition, one position was eliminated in each department of Landscaping, Streets, and Codes Compliance. Employees travel was again limited to in-state again for the second year. Nonetheless, the severe national recession in 2010 continues to put pressure on 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 positions went from 185 in FY 2010 to 182 in FY 2011. The Governor's office announced major reductions in aid to Virginia localities in September, 2009 that affect the City, not only during the current year, but possibly many years to come.

Even with the ongoing shift in major tax bases, the City continues working to build the region's travel and tourism-based economy as its primary fiscal strategy. City Council partners each year with the Colonial Williamsburg Foundation and the Greater Williamsburg Chamber and Tourism Alliance, providing substantial funding for advertising. Contributions to these organizations during FY 2010 totaled \$2.2 Million. Room tax receipts during FY 2010 were \$3.25 Million, down 9.1% from FY 2009. Meal tax receipts during the year were \$5.60 Million, up 1.5% from last year. The \$2 per night lodging tax generated \$1.28 Million in the City during the year, and was passed-thru to the Williamsburg Area Destination Marketing Committee for tourism advertising of the Historic Triangle. The City's local retail sales tax receipts for FY 2010 were \$3.88 Million, up 1.1% from last year. Competition of hotels, restaurants, and the retail trade in the entire Williamsburg area is strong, with new businesses opening continually.

The City signed a long term agreement with the City of Newport News in March 2009 to increase the City's future safe yield water capacity. The agreement guarantees up to a 1 million gallons per day additional supply of raw water from Newport News Waterworks for the next 25 years in the event the City needs it, in periods of drought. Funding of the \$12.5 Million agreement was achieved with a \$10 Million bank-qualified borrowing and \$2.5 Million from Utility Fund reserves. Future debt service payments will also require continued water rate increases. Another future, but as yet unknown, cost to the Utility Fund will be full-compliance with the Hampton Roads-wide Consent Order on sanitary sewer overflows.

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

City staff has formulated financing strategies over the past few years with the City's 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.

Cash Management

City Council adopted formal and strict guidelines governing investment policy and procedures in 1995. The investment policy was last revised in 2003. The policy's objective, in order of priority is (1) Safety, (2) Liquidity, and (3) Return on Investment. At June 30, 2010 approximately 31% of City surplus funds were invested with the Local Government Investment Pool (LGIP), administered by the State Treasurer's Cash Management & Investments Division. Investment earnings of the LGIP during Fiscal Year 2010 averaged .3% for the year. Another \$15 Million, or approximately 51% of the City's surplus funds were invested in one-year certificates of deposits in local banks, earning a weighted average of approximately 1.5% during the year.

Risk Management

The City is exposed to various risks of losses related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Virginia Municipal Liability Pool, administered by the Virginia Municipal Self Insurance Association and the Virginia Municipal League. This program provides self-insurance coverage for workers' compensation, general liability, automobile liability, property and fire protection, and public officials' liability and law enforcement liability (except for elected officials).

The City has a self-insurance plan for its employee health insurance coverage. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Details of the health insurance program are provided in the Notes to the Financial Statements.

The City initiated a retiree health insurance supplement program in 2002. Currently 38 retirees enjoy this benefit. Details of this program are presented in the Notes to the Financial Statements. Governmental Accounting Standards Board Statement 45 is effective this year, and required an actuarial valuation to determine the cost of these post employment benefits. The intention of this Statement is to spread the cost of post-retirement benefits out over the time employees are actually working and earning benefits, as opposed to treating it pay-as-you-go as in the past. More information on this requirement is included in the Notes to the Financial Statements section of this report.

The City currently reports all of its risk management activities in the General Fund and Utility Fund.

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, 2009. This was the 24th 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.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 18 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.

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,

A handwritten signature in black ink, appearing to read "Jack Tuttle".

Jackson C. Tuttle
City Manager

A handwritten signature in black ink, appearing to read "Philip F. Serra".

Philip F. Serra CPFO
Director of Finance

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, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

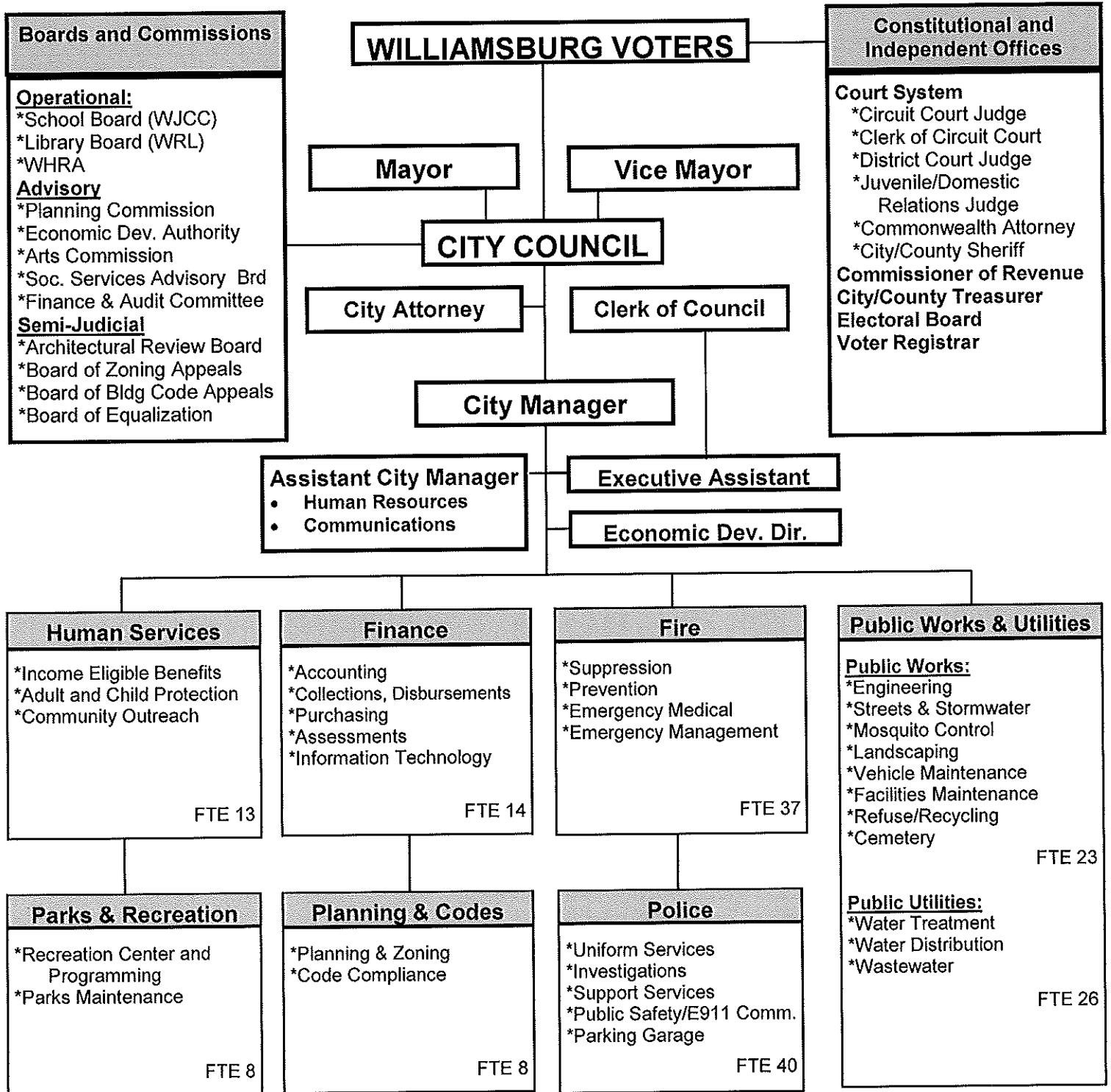


President

Executive Director

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City of Williamsburg Organizational Chart



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CITY OF WILLIAMSBURG, VIRGINIA

Members of the City Council

	Jeanne Zeidler, Mayor	
	Clyde A. Haulman, Vice-Mayor	
Judith Knudson		Paul Freiling
Robert Braxton		Donna Scott, Clerk of 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	Joseph F. Phillips
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 Recreation	Lori C. Rierison
Chief, Fire Department.....	W. Patrick Dent
Chief, Police Department	David C. Sloggie

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Williamsburg, Virginia's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and the Schedules of Pension Funding Progress and Funding Progress for the Retiree Health Plan as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williamsburg, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying 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 of the City of Williamsburg, Virginia. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Robert J. Fox, CPA

Richmond, Virginia
November 12, 2010

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, 2010. 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, 2010 by \$105.8 Million. Capital assets (net of depreciation and related debt) account for 71.4% of this amount, with a value of \$75.6 Million. The remaining net assets may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- The City's total net assets increased by \$2.2 Million, of which the governmental activities increased by \$2.6 Million, and business-type activities decreased by \$.3 Million.
- The City's governmental funds reported combined ending fund balances of \$26.3 Million, a decrease of \$.3 Million from the prior year. Of the \$26.3 Million, \$6.7 Million is classified as Unreserved-Designated for future capital expenditures.
- Undesignated fund balance for the General Fund was \$19.0 Million or 59.2% of total General Fund operating revenues for FY 2010, representing a decrease of \$2.8 Million from last year. This continues to exceed the City's undesignated fund balance policy minimum of 35% of total General Fund revenues.
- Total General Fund (including 1% Sales Tax) revenues were \$37.9 Million for FY 2010, compared to \$37.1 Million last year. General property tax receipts were \$12.4 Million, and adding State reimbursements for the Car Tax relief program during the year of \$773,572, which are reclassified as State aid, brings property tax receipts to \$13.1 Million, down only .5% from last year. Other local taxes were down 1.5%, mostly from a slight reduction in hotel tax receipts from last year.
- Total General Fund expenditures, including capital projects, were down 4.5% at \$37.3 Million for FY 2010. Capital projects and debt service payments accounted for \$7.6 Million in spending for the year, down from last year's level of \$7.1 Million.
- The City's General Fund debt decreased by \$1.04 Million (10.1%) during FY 2010 from continued payoff of principal balances on three long-term obligations. This includes a liability of \$114,088 for Other Post-Employment Benefits (OPEB) required with Statement 45 of the Governmental Accounting Standards Board (GASB) for costs associated with the City's retiree health insurance supplement program. This new requirement spreads the cost of this benefit out during the years employees are working, rather than treat the cost as a pay-as-you-go supplement to retirees as in the past. The liability for compensated absences at year end is \$769,964, down slightly by 1.0% from last year.
- Business-type activities (Utility Fund) reported net assets at June 30, 2010 of \$20.2 Million. Net assets invested in capital assets (net of depreciation and related debt) account for 77.8% of this amount, with the remaining net assets of \$4.5 Million available without restriction. The Utility Fund reports combined cash and investments at year-end of \$4.4 Million, with total short-term liabilities of \$.6 Million.

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 statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net assets 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 assets 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 assets 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, 2009, 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, 2009.

The City has no separately identified component units included in the government-wide financial statements.

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

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 Assets to the business-type activity column on the Government-Wide Statement of Net Assets.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, changes in net assets may serve over time as a useful indicator of a City's financial position. The City's net assets totaled \$105.8 Million at June 30, 2010. The following table reflects the condensed Government-Wide Statement of Net Assets:

City of Williamsburg's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 29,277,590	\$ 28,465,240	\$ 5,372,880	\$ 5,726,066	\$ 34,650,470	\$ 34,191,306
Capital Assets	68,300,859	68,266,455	25,556,986	26,035,309	93,857,845	94,301,764
Total Assets	\$ 97,578,449	\$ 96,731,695	\$ 30,929,866	\$ 31,761,375	\$ 128,508,315	\$ 128,493,070
Long-term Liabilities	\$ 9,316,679	\$ 10,357,668	\$ 9,960,434	\$ 10,575,643	\$ 19,277,113	\$ 20,933,311
Other Liabilities	2,649,090	1,740,578	737,272	623,354	3,386,362	2,363,932
Total Liabilities	\$11,965,769	\$12,098,246	\$10,697,706	\$11,198,997	\$22,663,475	\$23,297,243
Net Assets:						
Invested in Capital Assets, net						
of related debt	\$ 59,868,232	\$ 58,769,012	\$ 15,748,286	\$ 15,601,976	\$ 75,616,518	\$ 74,370,988
Unrestricted	25,744,448	25,864,437	4,483,874	4,960,402	30,228,322	30,824,839
Total Net Assets	\$ 85,612,680	\$ 84,633,449	\$ 20,232,160	\$ 20,562,378	\$ 105,844,840	\$ 105,195,827

The City of Williamsburg's total assets were \$128.5 Million as of June 30, 2010. The largest portion, \$75.6 Million (58.8%), reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire assets that is still outstanding. 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 \$30.8 Million is accounted for in cash, cash equivalents, and pooled investments, \$2.8 Million in accounts and notes receivable, with the remainder spread among miscellaneous assets.

At June 30, 2010, outstanding liabilities were \$22.6 Million, with \$19.3 Million in general obligation bonds payable, compensated absences, and other post employment benefits (OPEB) liability. Of the bonds payable, \$1.7 Million is due within one year, with the remainder due at various dates until 2024. Refer to Note 9 in the notes to the financial statements for more information on the City's long term debt obligations. Included in other liabilities above are \$2.6 Million in accounts payable, \$291,580 in accrued liabilities, and \$92,770 in deposits payable to customers.

At June 30, 2010, the City had positive balances in all categories of net assets, for the government as a whole, and for its separate governmental and business-type activities.

Statement of Activities

The following schedule summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2010 and 2009:

City of Williamsburg - Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 757,290	\$ 806,898	\$ 5,398,525	\$ 5,575,174	\$ 6,155,815	\$ 6,382,072
Operating grants and contributions	4,118,029	4,008,035	-	-	4,118,029	4,008,035
Capital grants and contributions	196,734	133,363	-	-	196,734	133,363
General Revenues:						
Property taxes	12,524,100	12,497,760	-	-	12,524,100	12,497,760
Other local taxes	17,246,848	17,501,794	-	-	17,246,848	17,501,794
Other	<u>3,317,558</u>	<u>2,622,019</u>	<u>296,684</u>	<u>280,049</u>	<u>3,614,242</u>	<u>2,902,068</u>
Total Revenues	\$ 38,160,559	\$ 37,569,869	\$ 5,695,209	\$ 5,855,223	\$ 43,855,768	\$ 43,425,092
Expenses:						
General government	\$ 4,350,670	\$ 4,608,466	\$ -	\$ -	\$ 4,350,670	\$ 4,608,466
Judicial administration	524,247	373,159	-	-	524,247	373,159
Public safety	9,200,629	9,626,052	-	-	9,200,629	9,626,052
Public works	3,314,209	4,091,464	-	-	3,314,209	4,091,464
Health and welfare	2,319,951	2,335,735	-	-	2,319,951	2,335,735
Education	8,439,060	7,913,290	-	-	8,439,060	7,913,290
Parks, recreation, & cultural	2,362,491	2,535,481	-	-	2,362,491	2,535,481
Community Development	4,788,236	5,091,394	-	-	4,788,236	5,091,394
Interest expense	303,123	408,129	-	-	303,123	408,129
Water	-	-	6,025,427	4,862,433	6,025,427	4,862,433
Total Expenses	\$ 35,602,616	\$ 36,983,170	\$ 6,025,427	\$ 4,862,433	\$ 41,628,043	\$ 41,845,603
Increase in net assets	\$ 2,557,943	\$ 586,699	\$ (330,218)	\$ 992,790	\$ 2,227,725	\$ 1,579,489
Net assets - beginning, as restated	<u>83,054,737</u>	<u>84,046,750</u>	<u>20,562,378</u>	<u>19,569,588</u>	<u>103,617,115</u>	<u>103,616,338</u>
Net assets - ending	\$ 85,612,680	\$ 84,633,449	\$ 20,232,160	\$ 20,562,378	\$ 105,844,840	\$ 105,195,827

Governmental activities – Governmental activities increased the City's net assets by \$2.6 Million, for FY 2010. Generally net asset changes result from the difference between revenues and expenses each year. FY 2010 revenues of \$38.5 Million represent an increase of \$.9 Million, or 2.3% over the prior year, while expenses of \$35.9 represent a decrease of \$1.1 Million, or 2.9% compared to the prior year.

Highlights of financial activity for governmental funds include:

- Revenues from all property taxes in the government-wide statements above increased slightly in FY 2010 by .2% - a more comprehensive look at property tax collections is included further in this analysis.
- Other local taxes are down about \$.25 Million – although meal tax collections were stronger than last year, room tax receipts lagged by about \$.32 Million. Most other local taxes collected during FY 2010 were fairly level with receipts from the prior year.

Business-type activities - The Utility Fund is the City's only business-type activity. The fund attempts to recovers as much as possible of the operating expenses incurred to meet service demands through user charges. Changes in the fund's net assets result from the difference between revenues and expenses, which for FY 2010 resulted in a reduction in net assets of \$330,218. Highlights include:

- Charges for services in the Utility Fund were down slightly 3.2% for FY 2010 – details are included further in this management's discussion and analysis.
- Total operating expenses were up by 23.9%, from the additional debt service of the Newport News water agreement signed in 2009.
- Investment earnings were \$26,248 for FY 2010, about one-quarter of the amount earned in the prior year because of all-time low interest rates.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

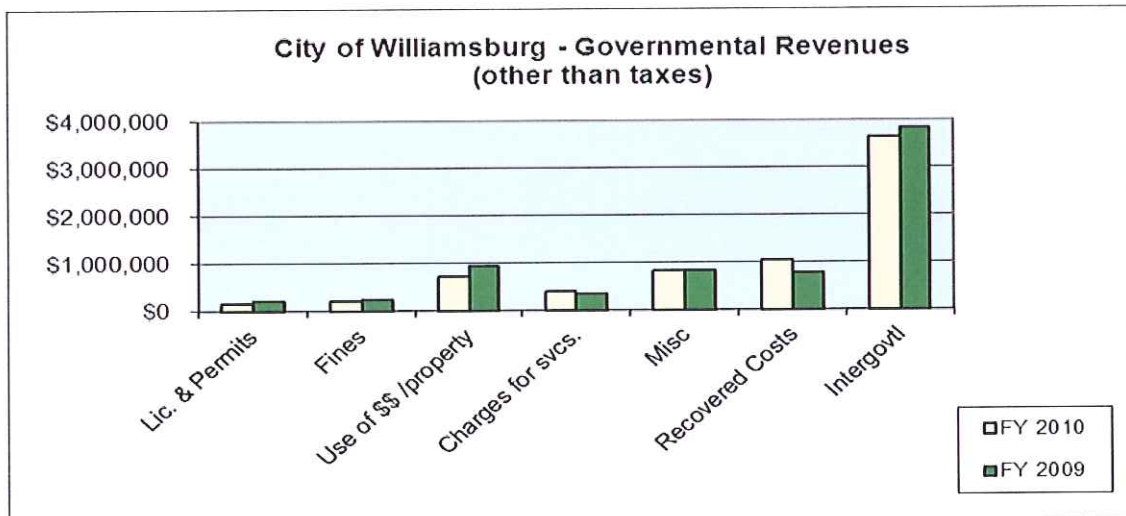
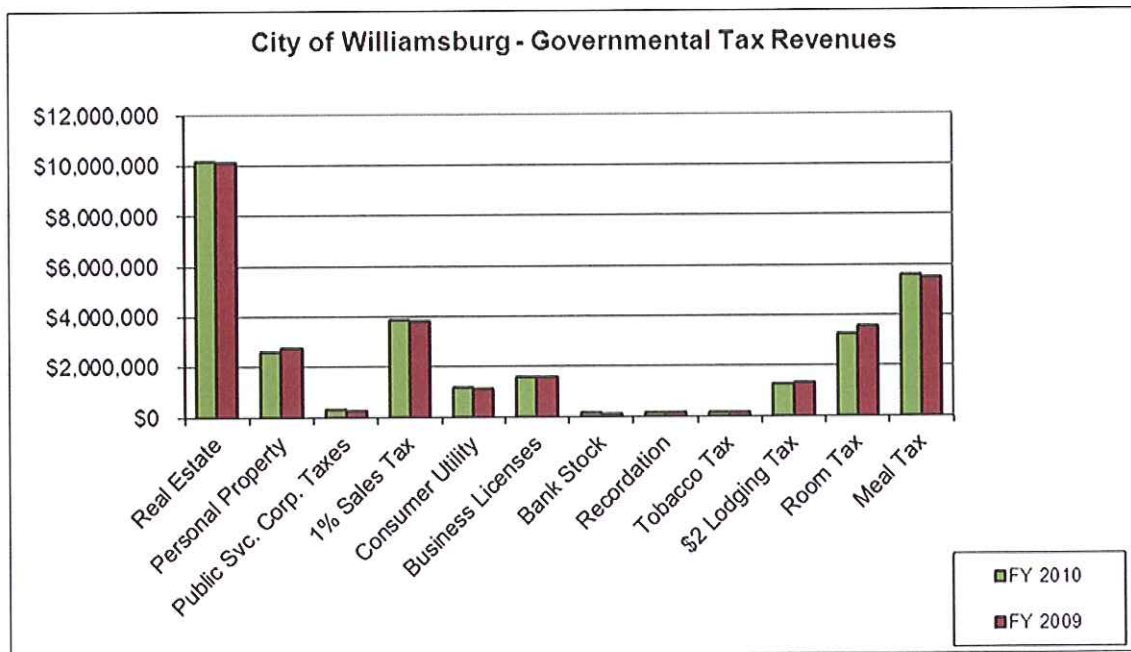
As noted earlier, the City of Williamsburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the City's governmental and proprietary funds.

Governmental Funds Revenue and Expenditure - Analysis

Revenues Classified by Source Governmental Funds

Revenues by Source	June 30, 2010		June 30, 2009		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Property Taxes	\$12,355,338	32.56%	\$12,421,044	32.43%	(\$65,706)	-0.53%
Other Local Taxes	17,246,848	45.45%	17,501,794	45.70%	(254,946)	-1.46%
Licenses and permits	164,699	0.43%	207,637	0.54%	(42,938)	-20.68%
Fines & Forfeitures	202,487	0.53%	233,262	0.61%	(30,775)	-13.19%
Use of Money and Property	730,861	1.93%	930,037	2.43%	(199,176)	-21.42%
Charges for Services	390,104	1.03%	347,740	0.91%	42,364	12.18%
Miscellaneous	886,798	2.34%	893,270	2.33%	(6,472)	-0.72%
Recovered Costs	1,043,070	2.75%	790,266	2.06%	252,804	0.00%
Intergovernmental	4,930,242	12.99%	4,971,107	12.98%	(40,865)	-0.82%
Total Revenues	<u>\$37,950,447</u>	<u>100.00%</u>	<u>\$38,296,157</u>	<u>100.00%</u>	<u>(\$345,710)</u>	<u>-0.90%</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, 2010, unreserved, undesignated fund balance of the General Fund was \$19.0 Million, with total fund balance of \$26.0 Million. The difference is largely the amount of funds designated by management to fund capital projects not completed and carried-forward to FY 2011.



The following provides more detailed information about major General Fund operating revenue collections during FY 2010:

- General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were \$10.2 Million, up .4% from last year. The real estate tax rate has remained at 54¢/\$100 since 1991. Personal property tax receipts for individuals and businesses totaled \$2.6 Million, including reimbursement for the State's Car Tax relief block grant program, and were down about 6.7% from last year from reduced assessments city wide.

- **Other Local Taxes** - Overall these revenues decreased 1.5% from last year.
 - State sales taxes were \$3.9 Million, up about 1.0% from FY 2009;
 - Consumer utility taxes were \$1.2 Million, up 1.8% from last year, and included telecommunications sales taxes administered by the State;
 - Room taxes were \$3.3 Million, down 9.1% from last year;
 - \$2 per night lodging taxes generated \$1.3 Million, down 5.2% from last year. These pass-thru funds are collected and remitted monthly to the Williamsburg Area Destination Marketing Committee for tourism marketing of the Historic Triangle.
 - Meal taxes were \$5.6 Million up 1.5% from last year. The continued economic recession and competition from restaurants in surrounding counties continues to have an impact on meal sales in the City.
 - Cigarette taxes were \$158,460, up 9.6% from last year. Replenishment of retail vendor stamps on cigarette inventories can swing this revenue in either direction each year and is difficult to estimate.
- **Revenue from the Use of Money and Property**
 - **Use of Money** – Short-term interest rates reached historic lows during FY 2010. The City's short-term funds invested with the State's Local Government Investment Pool (LGIP) averaged .3%, compared to 1.7% last year. One-year certificates of deposit in local banks increased earnings with a weighted average return of 1.5% on \$15 Million that matured in July, 2010. Interest earnings were \$236,316, down 48.3% from last year.
 - **Use of Property** - Revenues from the use of property were \$494,526, up 4.6% from last year. Parking garage receipts were \$212,492, up 1.5% from last year. Additional rented spaces and amenities charges for properties adjacent to the City's parking deck, and collections for various tenant contracts account for the remainder of this revenue. The City also sold surplus equipment for \$25,319, much of which was sold publicly on the City's Internet auction site (<https://www.williamsburgva.gov/auction>).
- **Charges for Services** – This category consists largely of recreation programs, recreation facility rentals, and cemetery lots and fees. Overall revenues in this category were \$390,104, up by 12.2% from last year.
- **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. Also included are the EMS recovery fees of \$396,546 received during the year.
- **Intergovernmental** – consisting of State and Federal revenues during FY 2010:
 - Overall, intergovernmental revenues were \$4.9 Million for FY 2010, down slightly from last year.
 - Non-categorical – State distribution of ABC profits and wine taxes has been eliminated since FY 2009. Grantor's, rolling stock, and rental car taxes totaled \$67,219, and were down 16.3% from last year. The State's personal property tax relief reimbursement (CarTax) was \$773,572, and is set at that amount each year by the General Assembly.
 - Shared expenses for Commissioner of the Revenue, Treasurer, Medical Examiner, and Registrar/Electoral Board were down a total of \$11,383, or 7.3% from last year. These shared expenses continue to be targets of State cuts by the General Assembly.
 - State sales tax for education, a dedicated funding source based on the triennial school-aged population census among Virginia localities, was up 14.0% to \$796,087 for FY 2010.
 - State highway maintenance payments of \$1,376,050 were down .5% from last year. These payments, which are based on road lane miles, decreased by \$6.894 during the

year. FY 2010 was the first year this source of revenue was reduced by action of the General Assembly.

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

**Expenditures By Function
Governmental Funds**

Expenditures by Function	June 30, 2010		June 30, 2009		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$3,439,230	8.79%	\$3,648,930	9.32%	(\$209,700)	-5.75%
Judicial Administration	332,736	0.85%	373,159	0.95%	(40,423)	-10.83%
Public Safety	8,570,694	21.90%	9,254,068	23.64%	(683,374)	-7.38%
Public Works	3,095,703	7.91%	3,783,735	9.67%	(688,032)	-18.18%
Health and Welfare	2,312,120	5.91%	2,311,671	5.91%	449	0.02%
Education	6,923,146	17.69%	7,023,314	17.95%	(100,168)	-1.43%
Parks, Recreation, and Cultural	2,113,338	5.40%	2,272,082	5.81%	(158,744)	-6.99%
Community Development	4,766,518	12.18%	5,070,823	12.96%	(304,305)	-6.00%
Capital Projects	6,181,634	15.79%	5,699,783	14.56%	481,851	8.45%
Principal Retirement	1,064,816	2.72%	1,036,704	2.65%	28,112	2.71%
Interest	<u>337,621</u>	0.86%	<u>377,798</u>	0.97%	<u>(40,177)</u>	<u>-10.63%</u>
Total Expenditures	\$39,137,556	100.00%	\$40,852,067	104.38%	(\$1,714,511)	-4.20%

Like most local government jurisdictions around the country, the City's FY 2010 budget did not include merit pay increases for employees. The City's Virginia Retirement System contribution rate, which is set for two-year increments based on the latest actuarial valuation, was 15.49% of covered payroll for FY 2010 for the second year. Increased retirement benefits were made available January 1, 2009 by City Council action for career police officers and firefighters, based on the hazardous nature of work performed. In addition, health care premiums continued to increase for FY 2010, and increased an average of 17% for coverage with the City's self-insured plan, which is administered by Anthem. The City's General and Utility Funds absorbed this increase, with no part being passed on to employees during the year.

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

- **General Government Administration** – Down \$209,700, or 5.8% from last year. Departments under this category, as well as all City departments, experienced on average a 17% increase in health care premiums during FY 2010. No merit raises were given, resulting in fairly level benefit costs for Va Retirement System, FICA, Medicare, and Workers Compensation cost. These benefit costs were at the same percentage as the prior year, and linked to salaries.
- **Judicial Administration** – By contract, 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 \$332,736, down 10.8% from the prior year, due largely to reduced personnel and vehicle costs for the Sheriff, reduced spending for the Clerk of Circuit Court, and courthouse maintenance during the year.

- **Public Safety** – This category is made up of several departments:
 - Law Enforcement & Traffic Control – Expenditures for the Police Department were \$3.2 Million, down 4.8% from last year. Two positions were eliminated during FY 2010, resulting in additional savings in benefit costs. Training, service contracts, and other operating categories had reduced spending for the year.
 - E-911 – This operation was contracted to neighboring York County in July, 2009. Overall costs for this category were \$527,933, down about 25.6% from FY 2009.
 - Prince George Parking Garage – Total cost this year was \$108,796, down by 7.5%, mostly from lower utility and operating supply costs. The facility generated \$212,492 in revenue for FY 2010.
 - Fire and Rescue Services – Total costs were down by 9.4% to \$3.0 Million. Savings was accomplished with vacant positions, reduced overtime, utility costs, uniforms programs, and equipment costs.
 - Correction and Detention –
 - Williamsburg is a member locality of the Virginia Peninsula Regional Jail, along with James City County, Poquoson, and York County. The City's share, based on days incarceration, totaled \$1.2 Million during the year, up 8.4% from last year. Member jail costs are billed on a 5-year average usage rate to all localities in order to level out incarceration costs for crimes committed within each locality.
 - Juvenile detention costs during the year were \$47,111, up 3.6% from last year, due to an increase in per diem rates. Total days for juvenile incarceration in FY 2010 were 273, compared to 293 last year. Like the Regional Jail, incarceration of juveniles at the Merrimac Center is based on crimes committed within the member localities, and very difficult to predict and budget for each year.
 - Group Home Commission costs were \$76,256, level with last year.
 - Codes compliance spent \$345,055 during the year, down 26.6% from last year. One building inspector position was eliminated during FY 2010 due to reduced building activity in the City. Most of the savings were in personnel costs.
- **Public Works** – Various activities make up this category:
 - Engineering – Expenditures during the year were \$248,082, up slightly by 2.2% due to increased health care premiums and professional services.
 - Streets – Overall costs were \$1,176,119 down 26.3% from last year. The street resurfacing program was delayed until FY 2011, resulting in significant savings for the year.
 - Refuse Collection – Expenditures for the year were \$657,049, down 27.5% for the year. For FY 2010 residential pickup was reduced from twice to once a week pickup for future cost-savings.
 - Maintenance-Buildings, grounds, and landscaping costs were \$1,014,452, down 2.3% from last year, largely from reduced utility and maintenance costs for buildings. Major costs for building repairs are budgeted in the City's capital improvements program and not included here.
- **Health & Welfare** – Local health department costs were \$212,063, down 9.3% from last year. Contributions to the Colonial Services Board, recently renamed Colonial Behavioral Health, were \$245,860, level with last year. The Public Assistance Fund (PAF) accounts for all the services provided by the Human Services Department. PAF expenditures for FY 2010 were \$1.8 Million, up 1.9% from last year.
- **Education** – Education costs were \$6.9 Million, down 1.4% from last year. The City's share of the joint Williamsburg-James City County Public School system for Fiscal Year 20 was 8.57%. FY 2010 was the third of a five year joint agreement, with operating funding based on the City's share of student population times a factor. The factor for FY 2010 was 1.15. Also under that agreement the City funds the same proportion of approved capital projects, except for new school

construction, which is at 3.25%. The City's share of school capital costs paid during the year was \$1.7 Million, and included new projects and those carried forward from prior years.

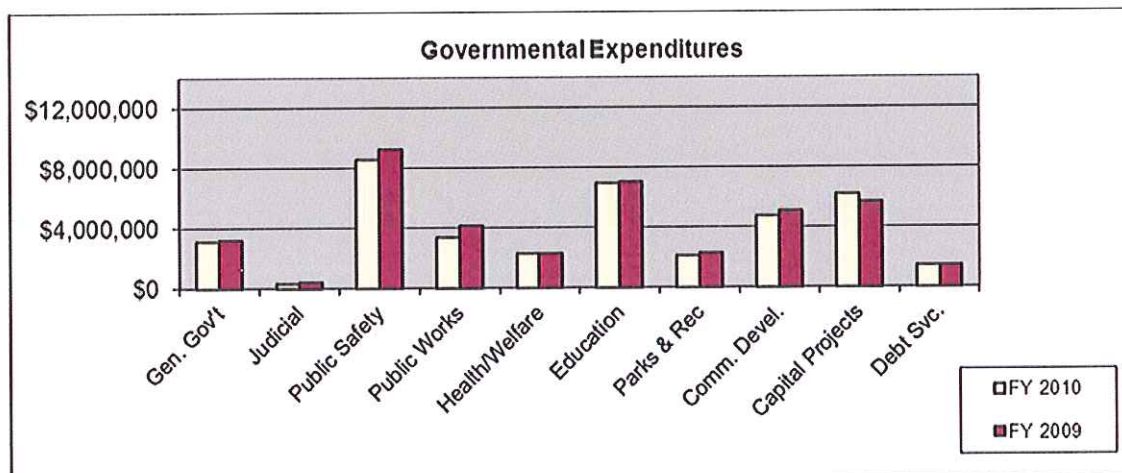
- **Parks, Recreation and Cultural**

- Parks and recreation costs were \$1.2 Million, down 8.8% from last year. Savings was accomplished with a combination of staffing changes and reduced spending for utilities, equipment, and other operational costs.
- The City's share of the Williamsburg Regional Library for the year was \$840,707, down 5% from last year's operating support. The contract percentage for FY 2010 was 15.86% according to the agreement with James City County, which is based on circulation by residency each year. The Library reduced its funding requirement of both localities during the year, as it worked to reduce operational costs in this tight economy.

- **Community Development**

- Planning – Total expenditures were \$470,993 for FY 2010, almost level with last year.
- Community and Economic Development – Contributions to outside agencies were \$4.0 Million during the year, including the \$2 per night lodging tax receipts for the year, totaling \$1.3 Million. Those funds were collected and submitted to the Williamsburg Area Destination Marketing Committee monthly for tourism promotion of the Historic Triangle. Economic development costs were \$122,535. Contributions to the Williamsburg Area Arts commission totaled \$130,780, down 8.0% from last year.

- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City projects totaled \$7,584,071 for FY 2010. Major projects included construction costs for the stormwater management, capital contribution for York County's regional E-911 center, municipal building renovations and addition, vehicle replacement program, and various school improvements. More information is provided under the Capital Asset section below.
- **Principal and Interest payments** – Total principal payments during FY 2010 was \$1.0 Million. Interest payments on outstanding debt totaled \$337,621. 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. Actual revenues in the General Fund were under budget by approximately \$25,000 for Fiscal Year 2010, while operating expenditures were approximately \$1.8 Million under budget. Although general property tax receipts were in excess of budgeted estimates, the decline in economic activity significantly affected lodging taxes during the year. In addition, the ability to reach the levels of interest earnings experienced in prior years was impossible with historically low interest rates.

Total governmental fund expenditures, including capital projects, totaled \$37.3 Million, and were \$9.4 Million under budget for FY 2010, largely due to operating efficiencies achieved in various departments, and also from carried-over capital projects still in progress at year end. 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 \$6.7 Million at year end.

Fund Balance

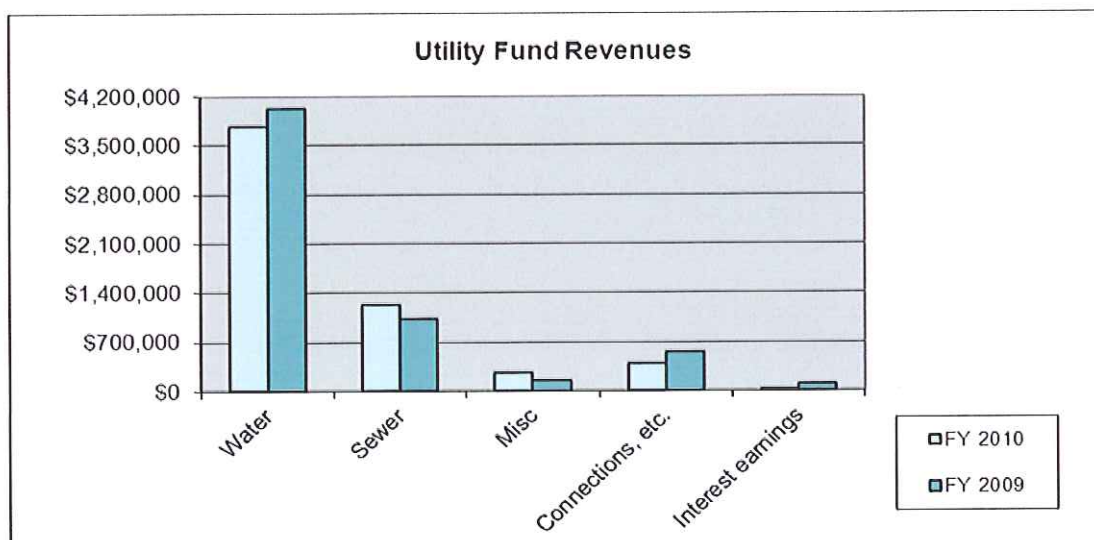
Total Fund Balance for the General Fund decreased from \$26.4 Million to \$26.0 Million for the year. Of that, \$6.7 Million is designated for subsequent years' capital expenditures, and \$227,085 for future health care costs. Projects designated include remaining costs for the municipal building addition, sidewalk construction, and school capital projects.

General Fund Reserve Policy

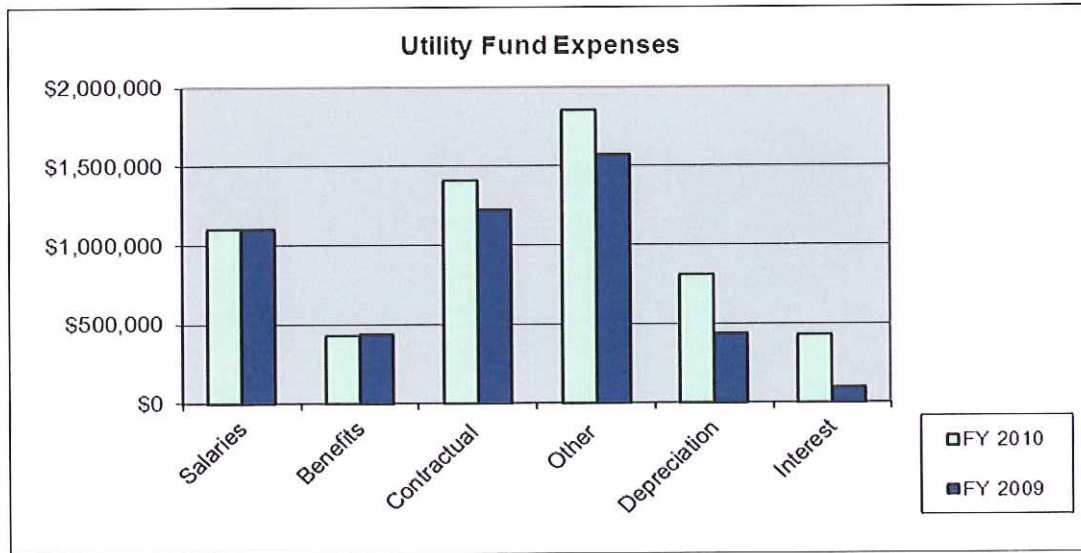
At June 30, 2010 the unreserved, undesignated portion of fund balance was \$19.0 Million. That reserve level, as a percentage of operating revenues for the year, is 59.2%, significantly higher than the City's policy of maintaining reserves of at least 35% of operating revenues. Reserve levels will decline next year, based on the amount of capital projects carried over from last year, and new projects planned for FY 2011. For the foreseeable future the City's reserves should remain substantially higher than the City's policy level.

Enterprise Funds Revenue/Expense Analysis

The business-type activity (water and sewer services of the Utility Fund) revenues for the year were \$5.7 Million, down 1.0% from last year. Water rates increased 5% in July 2009 from \$3.80 to \$4.00 per 1,000 gallons. Water and sewer revenues were down \$39,702, or less than 1% from last year. 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 again received \$137,040 this year from contracts with four cell-phone providers using water tanks as a base for telecommunications equipment. Interest earnings were \$26,248, down over 73% from last year, due to lower short-term interest rates during the past year.



Utility Fund expenses totaled \$5.6 Million for the year, compared to \$4.8 Million last year. This is due largely to the increased debt service costs of the \$10 Million borrowed for the water agreement with Newport News in 2009. Depreciation charges now include a portion of the 25-year amortization of the total \$12.5 Million cost of the agreement, classified as intangible water rights in the Utility Fund. Operating income for FY 2010 was \$61,149 for the year.



ORIGINAL AND FINAL AMENDED BUDGETS

General Fund budget amendments resulted in a net increase of \$38,668 between the originally-adopted fiscal year 2010 budget and the final budget. The General Fund's capital improvement budget was increased by \$3,997,764 to carry forward the remaining appropriations for projects that were continued from the prior year. The Utility Fund budget was increased by \$1,824 to appropriate funding for a safety grant received from the Virginia Municipal League. The Law Enforcement Block Grant Fund budget, included as a governmental fund, was increased by \$49,399 to appropriate state and federal grant funds received during the year.

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, 2010, was \$93.9 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:

- Drainage improvements, including emergency restoration work on Merrimac Trail to stabilize the roadway, using budgeted and contingency funds in the amount of \$594,814.
- Completion of the Emergency Operations Center in September 2009, costing \$109,667.

- The municipal building project, consisting of renovation, repairs, and construction of additional space in the amount of \$2.7 Million. This project will be complete by mid-2011.
- Boiler replacement at the Williamsburg Regional Library at a cost of \$68,000.
- Underground wiring on Ironbound Road for the VDOT roadway improvement project in the amount of \$71,343.
- Final costs of the Kiwanis Park Ballfield improvements totaling \$102,950.
- School project costs, including renovations to existing facilities, and the City's share of remaining construction costs of two new schools were paid during the year in the amount of \$1,515,913.
- Vehicles were replaced citywide under the replacement plan for \$343,399.

Utility Fund:

- Professional water quality services for the well at Waller Mill Park totaling \$24,990.
- Additional utility repairs for the Merrimac Trail restoration work in the amount of \$100,033.
- Condition assessment of the City's sanitary sewer system, which is mandated by the EPA, at a cost of \$344,497.

Additional information on the City of Williamsburg's capital assets can be found in the Notes to the Financial Statements section of this report, (note 7, pages 40-42).

Long-Term Debt

At June 30, 2010, the City of Williamsburg's total bonded debt outstanding was \$18.3 Million. Bonds payable for Governmental Activities were \$8.5 Million, while business-type activities owed \$9.8 Million at year end. The full faith and credit of the government backs these instruments.

The City's total bonded debt decreased \$1.7 Million during FY 2010. The City's remaining capacity for debt at June 30, 2010 was approximately \$173 million.

As highlighted in Note 17 of the Notes to the Financial Statements, the City recently was rated for the first time, and assigned strong bond ratings from Standard & Poor's (AA+), and Moody's (Aa1). All prior borrowings have been bank-qualified private placements with regional banking institutions and private individuals. City staff will continue 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 of Williamsburg's long-term debt can be found in Note 9-Long-Term Obligations, in the Notes to Financial Statements section of this report. For more information, see Note 17, Subsequent Events, which highlights the 2010 refunding of General and Utility Fund bonds in October, 2010.

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 Assets
June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 18,763,775	\$ 2,534,274	\$ 21,298,049
Investments	7,652,964	1,826,007	9,478,971
Receivables (net of allowance for uncollectibles):			
Taxes receivable	399,875	-	399,875
Accounts receivable	1,165,407	1,006,558	2,171,965
Interest receivable	191,333	19,014	210,347
Internal balances	12,973	(12,973)	-
Due from other governmental units	1,055,720	-	1,055,720
Prepaid expenses	8,287	-	8,287
Deferred charges	27,256	-	27,256
Capital assets (net of accumulated depreciation):			
Land and land improvements	9,903,249	6,305,101	16,208,350
Buildings and system	19,184,217	4,415,911	23,600,128
Improvements other than buildings	8,528,313	1,900,995	10,429,308
Machinery and equipment	2,625,536	639,301	3,264,837
Intangibles	69,182	12,212,634	12,281,816
Infrastructure	24,916,081	83,044	24,999,125
Construction in progress	3,074,281	-	3,074,281
Total assets	<u>\$ 97,578,449</u>	<u>\$ 30,929,866</u>	<u>\$ 128,508,315</u>
LIABILITIES			
Accounts payable	\$ 2,211,670	\$ 428,715	\$ 2,640,385
Accrued liabilities	258,757	32,823	291,580
Refundable deposits	46,927	45,843	92,770
Accrued interest payable	86,578	63,391	149,969
Unearned revenue	45,158	166,500	211,658
Long-term liabilities:			
Due within one year	1,534,793	719,786	2,254,579
Due in more than one year	7,781,886	9,240,648	17,022,534
Total liabilities	<u>\$ 11,965,769</u>	<u>\$ 10,697,706</u>	<u>\$ 22,663,475</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 59,868,232	\$ 15,748,286	\$ 75,616,518
Unrestricted (deficit)	25,744,448	4,483,874	30,228,322
Total net assets	<u>\$ 85,612,680</u>	<u>\$ 20,232,160</u>	<u>\$ 105,844,840</u>

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, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 4,350,670	\$ -	\$ 144,802	\$ -	\$ (4,205,868)	\$ -	\$ (4,205,868)
Judicial administration	524,247	108,161	-	-	(416,086)	-	(416,086)
Public safety	9,200,629	260,751	542,130	-	(8,397,748)	-	(8,397,748)
Public works	3,314,209	-	1,376,050	196,734	(1,741,425)	-	(1,741,425)
Health and welfare	2,319,951	-	1,242,392	-	(1,077,559)	-	(1,077,559)
Education	8,439,060	-	796,087	-	(7,642,973)	-	(7,642,973)
Parks, recreation, and cultural	2,362,491	350,497	5,000	-	(2,006,994)	-	(2,006,994)
Community development	4,788,236	37,881	11,568	-	(4,738,787)	-	(4,738,787)
Interest on long-term debt	303,123	-	-	-	(303,123)	-	(303,123)
Total governmental activities	\$ 35,602,616	\$ 757,290	\$ 4,118,029	\$ 196,734	\$ (30,530,563)	\$ -	\$ (30,530,563)
Business-type activities:							
Utility Fund	\$ 6,025,427	\$ 5,398,525	\$ -	\$ -	\$ -	\$ (626,902)	\$ (626,902)
Total business-type activities	\$ 6,025,427	\$ 5,398,525	\$ -	\$ -	\$ -	\$ (626,902)	\$ (626,902)
Total primary government	\$ 41,628,043	\$ 6,155,815	\$ 4,118,029	\$ 196,734			\$ (31,157,465)
General revenues:							
General property taxes					\$ 12,524,100	\$ -	\$ 12,524,100
Local sales and use taxes					3,885,065	-	3,885,065
Consumers' utility taxes					1,047,378	-	1,047,378
Restaurant food taxes					5,607,318	-	5,607,318
Hotel and motel taxes					3,248,789	-	3,248,789
\$2 lodging taxes					1,277,760	-	1,277,760
Business license taxes					1,571,483	-	1,571,483
Other local taxes					609,055	-	609,055
Unrestricted revenues from use of money and property					730,861	26,248	757,109
Miscellaneous					886,798	270,436	1,157,234
Grants and contributions not restricted to specific programs					812,215	-	812,215
Gain on sale of capital assets					887,684	-	887,684
Total general revenues					\$ 33,088,506	\$ 296,684	\$ 33,385,190
Change in net assets					\$ 2,557,943	\$ (330,218)	\$ 2,227,725
Net assets - beginning, as restated					83,054,737	20,562,378	103,617,115
Net assets - ending					\$ 85,612,680	\$ 20,232,160	\$ 105,844,840

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

FUND FINANCIAL STATEMENTS

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City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2010

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 18,427,903	\$ 335,872	\$ 18,763,775
Investments	7,652,964	-	7,652,964
Receivables (net of allowance for uncollectibles):			
Taxes receivable	399,875	-	399,875
Accounts receivable	1,165,407	-	1,165,407
Interest receivable	191,333	-	191,333
Due from other funds	42,591	-	42,591
Due from other governmental units	979,587	76,133	1,055,720
Prepaid items	8,287	-	8,287
Total assets	<u>\$ 28,867,947</u>	<u>\$ 412,005</u>	<u>\$ 29,279,952</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,211,670	\$ -	\$ 2,211,670
Accrued liabilities	258,757	-	258,757
Refundable deposits	46,927	-	46,927
Accrued interest payable	29,085	-	29,085
Due to other funds	-	29,618	29,618
Deferred revenue	329,814	44,794	374,608
Total liabilities	<u>\$ 2,876,253</u>	<u>\$ 74,412</u>	<u>\$ 2,950,665</u>
Fund balances:			
Reserved for:			
Prepaid items	\$ 8,287	\$ -	\$ 8,287
Unreserved, reported in:			
General fund	19,023,805	-	19,023,805
Special revenue funds	-	337,593	337,593
Designated for:			
General fund - subsequent years:			
Capital expenditures	6,732,517	-	6,732,517
Health care costs	227,085	-	227,085
Total fund balances	<u>\$ 25,991,694</u>	<u>\$ 337,593</u>	<u>\$ 26,329,287</u>
Total liabilities and fund balances	<u>\$ 28,867,947</u>	<u>\$ 412,005</u>	<u>\$ 29,279,952</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 Assets
 June 30, 2010

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 26,329,287
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	68,300,859
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The following is a summary of items supporting this adjustment:

Deferred property taxes	\$ 329,450	
Amortizable bonds fees	27,256	356,706

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	\$ (8,432,627)	
OPEB liability	(114,088)	
Accrued interest payable	(57,493)	
Compensated absences	(769,964)	(9,374,172)

Net assets of governmental activities	\$ 85,612,680
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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, 2010

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 12,355,338	\$ -	\$ 12,355,338
Other local taxes	17,246,848	-	17,246,848
Permits, privilege fees, and regulatory licenses	164,699	-	164,699
Fines and forfeitures	202,487	-	202,487
Revenue from the use of money and property	730,842	19	730,861
Charges for services	390,104	-	390,104
Miscellaneous	840,739	46,059	886,798
Recovered costs	1,043,070	-	1,043,070
Intergovernmental revenues:			
Commonwealth	3,632,966	444,259	4,077,225
Federal	6,443	846,574	853,017
Total revenues	<u>\$ 36,613,536</u>	<u>\$ 1,336,911</u>	<u>\$ 37,950,447</u>
EXPENDITURES			
Current:			
General government administration	\$ 3,439,230	\$ -	\$ 3,439,230
Judicial administration	332,736	-	332,736
Public safety	8,548,295	22,399	8,570,694
Public works	3,095,703	-	3,095,703
Health and welfare	504,262	1,807,858	2,312,120
Education	6,923,146	-	6,923,146
Parks, recreation, and cultural	2,113,338	-	2,113,338
Community development	4,766,518	-	4,766,518
Capital projects	6,181,634	-	6,181,634
Debt service:			
Principal retirement	1,064,816	-	1,064,816
Interest and other fiscal charges	337,621	-	337,621
Total expenditures	<u>\$ 37,307,299</u>	<u>\$ 1,830,257</u>	<u>\$ 39,137,556</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (693,763)</u>	<u>\$ (493,346)</u>	<u>\$ (1,187,109)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 580,000	\$ 580,000
Transfers out	(580,000)	-	(580,000)
Sale of land	887,684	-	887,684
Total other financing sources (uses)	<u>\$ 307,684</u>	<u>\$ 580,000</u>	<u>\$ 887,684</u>
Net change in fund balances	\$ (386,079)	\$ 86,654	\$ (299,425)
Fund balances - beginning	26,377,773	250,939	26,628,712
Fund balances - ending	<u>\$ 25,991,694</u>	<u>\$ 337,593</u>	<u>\$ 26,329,287</u>

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, 2010

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

Net change in fund balances - total governmental funds \$ (299,425)

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 the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 4,175,162	
Depreciation expense	<u>(2,758,780)</u>	1,416,382

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. 196,734

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 168,762

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 assets. Also, governmental funds report the effect of issuance costs, 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	\$ 1,064,816	
Amortization of bond fees	<u>(2,725)</u>	1,062,091

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 accrued leave	\$ 7,588	
(Increase) decrease in OPEB liability	(31,415)	
(Increase) decrease in interest payable	<u>37,226</u>	13,399

Change in net assets of governmental activities \$ 2,557,943

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

City of Williamsburg, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Utility Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,534,274
Investments	1,826,007
Interest receivable	19,014
Accounts receivable, net of allowances for uncollectibles	1,006,558
Total current assets	<u>\$ 5,385,853</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 6,305,101
Buildings and system	9,885,654
Improvements other than buildings	6,601,256
Machinery and equipment	1,645,162
Intangibles	12,525,344
Infrastructure	83,860
Less: accumulated depreciation	(11,489,391)
Total capital assets	<u>\$ 25,556,986</u>
Total noncurrent assets	<u>\$ 25,556,986</u>
Total assets	<u>\$ 30,942,839</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 428,715
Accrued liabilities	32,823
Refundable deposits	45,843
Accrued interest payable	63,391
Due to other funds	12,973
Compensated absences	66,653
Deferred revenue	166,500
Bonds payable - current portion	653,133
Total current liabilities	<u>\$ 1,470,031</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 9,155,567
Compensated absences	70,343
OPEB liability	14,738
Total noncurrent liabilities	<u>\$ 9,240,648</u>
Total liabilities	<u>\$ 10,710,679</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 15,748,286
Unrestricted	4,483,874
Total net assets	<u>\$ 20,232,160</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 Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,780,549
Sewer revenues	1,232,000
Tap and availability fees	360,030
Penalty and interest	18,746
Miscellaneous	270,436
Total operating revenues	<u>\$ 5,661,761</u>
OPERATING EXPENSES	
Personnel services	\$ 1,102,581
Fringe benefits	429,744
Contractual services	1,405,314
Other charges	1,856,266
Depreciation	806,707
Total operating expenses	<u>\$ 5,600,612</u>
Operating income (loss)	<u>\$ 61,149</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 26,248
Interest expense	(424,815)
Connection fees	7,200
Total nonoperating revenues (expenses)	<u>\$ (391,367)</u>
Income before contributions and transfers	<u>\$ (330,218)</u>
Total net assets - beginning	20,562,378
Total net assets - ending	<u><u>\$ 20,232,160</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, 2010

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,652,589
Payments to suppliers	(3,155,306)
Payments to and for employees	(1,522,901)
Net cash provided (used) by operating activities	<u>\$ 974,382</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	\$ (328,384)
Principal payments on bonds	(624,633)
Connection fees	7,200
Interest payments	(428,092)
Net cash provided (used) by capital and related financing activities	<u>\$ (1,373,909)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	892,767
Interest and dividends received	7,234
Net cash provided (used) by investing activities	<u>\$ 900,001</u>
Net increase (decrease) in cash and cash equivalents	\$ 500,474
Cash and cash equivalents - beginning	2,033,800
Cash and cash equivalents - ending	<u><u>\$ 2,534,274</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 61,149</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	806,707
(Increase) decrease in accounts receivable	(4,927)
Increase (decrease) in compensated absences	3,544
Increase (decrease) in accounts payable	127,319
Increase (decrease) in deferred revenue	(4,500)
Increase (decrease) customer deposits	255
Increase (decrease) in due to other funds	(15,165)
Total adjustments	<u>\$ 913,233</u>
Net cash provided (used) by operating activities	<u><u>\$ 974,382</u></u>

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

City of Williamsburg, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 598,395
Investments, at fair value:	
Other investments	1,420,384
Other assets	16,582
Total assets	<u>\$ 2,035,361</u>
LIABILITIES	
Accounts payable	\$ 259,115
Accrued liabilities	4,370
Amounts held for others	1,771,876
Total liabilities	<u>\$ 2,035,361</u>

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2010

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.

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2010

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).

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, 2010.

Discretely Presented Component Units - the City has no discretely presented component units to be included for the fiscal year ended June 30, 2010.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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

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. Williamsburg Redevelopment & Housing Authority - The Authority is a public corporation that administers urban development projects and operates all public housing in the City. City Council selects the members of the Authority's board; however, the board designates its own management and has the responsibility for budget adoption and revision. The Authority's operating and capital expenditures, including debt service, are financed principally with federal funds and rentals. Separate financial statements are prepared and are available, which reflect the details of its operations.
2. 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. By agreement, the City's share of operational costs will be equivalent to the percentage of City students each year beginning July 1, 2002, times an add-on factor that varies by year as follows - the last five of which are a result of the latest agreement amended April 12, 2010 for Fiscal Years 2010 through 2012:

<u>Fiscal Year</u>	<u>Factor</u>
2008	1.15
2009	1.15
2010	1.15
2011	1.14
2012	1.14

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2010

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

C. Other Related Organizations (Continued)

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, 2010, is as follows:

Total assets	<u>\$ 17,615,055</u>
Liabilities	12,316,465
Fund equity and other credits	<u>5,298,590</u>
Total liabilities, fund equity, and other credits	<u>\$ 17,615,055</u>
Revenues	\$ 111,389,908
Expenditures and other financing uses	<u>110,834,149</u>
Excess of expenditures and other financing uses over revenues	\$ 555,759
Fund balance, beginning	<u>4,742,831</u>
Fund balance, ending	<u>\$ 5,298,590</u>

General long-term debt 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.

3. Williamsburg Regional Library - The Library is a joint operation of the City of Williamsburg and the County of James City, Virginia, operating under a contract dated January 14, 1999. It receives funding from the State of Virginia, the federal government, York County, 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 \$840,727 to the Library's operating budget, or 13.9% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.
4. 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, 2010

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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 45 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. 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, 2010

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 all financial transactions and resources except those required to be accounted for 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.

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.

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating 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.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

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

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

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than major 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.

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, Colonial CASA 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.

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

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 are reported in the accompanying financial statements as cash and cash equivalents.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2010

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 \$121,500 at June 30, 2010 and is comprised of property taxes of \$73,544 and water and sewer charges of \$47,956.

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, 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 assets lives 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, 2010 was immaterial.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2010

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

H. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	20
Infrastructure	
Roads	30
Bridges and culverts	50
Water/sewer system	40
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 Assets. 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.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

M. Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets.

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Prepaid Items

Prepaid expenditures in governmental funds are offset by reservation of fund balance.

P. 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). In the Governmental Funds, inventory is equally offset by a fund balance reserve which indicates that it does not constitute "currently expendable financial resources".

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.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

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

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, 2010.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and reserved 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.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments:

Department	Final Budget	Actual	Overexceed Amount
General Fund:			
Regional Jail	\$ 1,078,305	\$ 1,159,542	\$ 81,237
Transportation programs for the elderly	2,600	5,699	3,099

Note 3—Deposits and Investments:

Deposits

All cash of the primary government is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. Seq. of the Code of Virginia or covered by federal depository insurance.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2010

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, 2010 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.

Locality's Rated Debt Investments' Values

<u>Rated Debt Investments</u>	<u>Fair Quality Ratings</u>
	<u>AAAm</u>
Local Government Investment Pool	<u>\$ 10,899,355</u>
Total	<u><u>\$ 10,899,355</u></u>

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.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 4—Due from Other Governments:

At June 30, 2010, the City has receivables from other governments as follows:

	Primary Government
Other Local Governments:	
County of James City	\$ 5,618
Commonwealth of Virginia:	
Communications tax	127,028
Local sales tax	693,103
Recordation tax	10,324
Social services	28,938
State sales tax	139,926
Other	3,588
Federal Government:	
Social Services	47,195
Total	<u>\$ 1,055,720</u>

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2010 are as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$ 42,591	\$ -
Virginia Public Assistance	-	29,618
Proprietary	-	12,973
Total	<u>\$ 42,591</u>	<u>\$ 42,591</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, 2010*Note 6—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 9,903,249	\$ -	\$ -	\$ 9,903,249
Construction in progress	3,973,989	2,716,320	3,616,028	3,074,281
Total capital assets not subject to depreciation	\$ 13,877,238	\$ 2,716,320	\$ 3,616,028	\$ 12,977,530
Capital assets subject to depreciation:				
Buildings and system	\$ 28,695,604	\$ 1,987,124	\$ -	\$ 30,682,728
Improvements other than buildings	12,190,408	1,841,521	-	14,031,929
Infrastructure	48,938,019	781,022	-	49,719,041
Intangible	-	69,349	-	69,349
Machinery and equipment	7,659,510	592,588	619,593	7,632,505
Total capital assets subject to depreciation	\$ 97,483,541	\$ 5,271,604	\$ 619,593	\$ 102,135,552
Less accumulated depreciation for:				
Buildings and system	\$ 10,807,835	\$ 690,676	\$ -	\$ 11,498,511
Improvements other than buildings	4,926,901	576,715	-	5,503,616
Infrastructure	23,916,738	886,222	-	24,802,960
Intangible	-	167	-	167
Machinery and equipment	5,021,562	605,000	619,593	5,006,969
Total accumulated depreciation	\$ 44,673,036	\$ 2,758,780	\$ 619,593	\$ 46,812,223
Total capital assets subject to depreciation, net	\$ 52,810,505	\$ 2,512,824	\$ -	\$ 55,323,329
Governmental activities capital assets, net	\$ 66,687,743	\$ 5,229,144	\$ 3,616,028	\$ 68,300,859

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010*Note 6—Capital Assets: (Continued)*

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 5,651,301	\$ -	\$ -	\$ 5,651,301
Open easement	653,800	-	-	653,800
Total capital assets not subject to depreciation	\$ 6,305,101	\$ -	\$ -	\$ 6,305,101
Capital assets subject to depreciation:				
Buildings and system	\$ 9,885,654	\$ -	\$ -	\$ 9,885,654
Intangibles	12,500,000	25,344	-	12,525,344
Improvements other than buildings	6,553,577	47,679	-	6,601,256
Infrastructure	-	83,860	-	83,860
Machinery and equipment	1,473,661	171,501	-	1,645,162
Total capital assets subject to depreciation	\$ 30,412,892	\$ 328,384	\$ -	\$ 30,741,276
Less accumulated depreciation for:				
Buildings and system	\$ 5,274,088	\$ 195,655	\$ -	\$ 5,469,743
Intangibles	-	312,710	-	312,710
Improvements other than buildings	4,548,072	152,189	-	4,700,261
Infrastructure	-	816	-	816
Machinery and equipment	860,524	145,337	-	1,005,861
Total accumulated depreciation	\$ 10,682,684	\$ 806,707	\$ -	\$ 11,489,391
Total capital assets subject to depreciation, net	\$ 19,730,208	\$ (478,323)	\$ -	\$ 19,251,885
Business-type activities capital assets, net	\$ 26,035,309	\$ (478,323)	\$ -	\$ 25,556,986

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs/funds as follows:

Governmental activities:	
General government	\$ 933,296
Public safety	492,442
Public works	1,047,058
Health and welfare	7,039
Parks, recreation and cultural	266,290
Community development	<u>12,655</u>
Total depreciation expense - governmental activities	<u>\$ 2,758,780</u>
Business-type activities:	
Water and sewer	<u>\$ 806,707</u>

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ -	\$ 580,000
Special Revenue Fund:		
Virginia Public Assistance Fund	<u>580,000</u>	<u>-</u>
Total	<u>\$ 580,000</u>	<u>\$ 580,000</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, 2010

Note 8—Long-Term Obligations:

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2010:

	Amounts Payable at July 1, 2009	Increases	Decreases	Amounts Payable at June 30, 2010	Amounts Due Within One Year
<i>Primary Government:</i>					
<i>Governmental Obligations:</i>					
General obligation bonds	\$ 9,497,443	\$ -	\$ 1,064,816	\$ 8,432,627	\$ 1,088,610
Compensated absences	777,552	514,426	522,014	769,964	446,183
OPEB liability	82,673	72,089	40,674	114,088	-
Total Governmental obligations	<u>\$ 10,357,668</u>	<u>\$ 586,515</u>	<u>\$ 1,627,504</u>	<u>\$ 9,316,679</u>	<u>\$ 1,534,793</u>
<i>Business-Type Activities:</i>					
<i>Enterprise Obligations:</i>					
General obligation bonds	\$ 10,433,333	\$ -	\$ 624,633	\$ 9,808,700	\$ 653,133
Compensated absences	133,452	68,195	64,651	136,996	66,653
OPEB liability	8,858	11,134	5,254	14,738	-
Total Enterprise obligations:	<u>\$ 10,575,643</u>	<u>\$ 79,329</u>	<u>\$ 694,538</u>	<u>\$ 9,960,434</u>	<u>\$ 719,786</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
2011	\$ 1,088,610	\$ 326,357	\$ 653,133	\$ 392,311
2012	1,118,109	280,313	673,933	364,042
2013	843,344	239,140	595,634	339,932
2014	774,336	209,020	584,700	315,440
2015	806,119	178,365	608,100	292,052
2016 - 2020	3,802,109	418,830	3,425,500	1,075,348
2021 - 2025	-	-	3,267,700	333,176
Total	<u>\$ 8,432,627</u>	<u>\$ 1,652,025</u>	<u>\$ 9,808,700</u>	<u>\$ 3,112,301</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 8—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations, Governmental Activities:

Total
Amount

General Obligation Bonds :

The City authorized and issued a \$2,500,000 general obligation bond for the purpose of financing the construction of a parking garage. The bond bears interest at 4.55%. Interest is payable semi-annually and principal is to be repaid in annual installments and matures January 15, 2017.

\$ 1,375,000

The City authorized and issued a \$4,000,000 general obligation bond for the purpose of financing several public improvement projects payable in principal installments of \$66,666 plus interest at a variable rate equal to the London Interbank Offered Rate (LIBOR) minus 1.40%. Payments are due the first day of each March, June, September, and December through June 2012.

600,001

The City authorized and issued a \$2,000,000 general obligation bond in August 1997 for capital improvements. The bond is payable in quarterly principal installments of \$33,333 plus interest at a fixed rate of 4.94%. Payments are due the first day of each March, June, September, and December through September 2012.

300,000

The City authorized and issued a \$8,500,000 general obligation bond in April 2005 for the purpose of prepayment on \$4,500,000 note pertaining to the Prince George Parking Garage and to finance the construction of a new high school. The bond is payable in annual principal installments plus semi-annual interest payments at a fixed rate of 3.76%. Payments are due the first day of April. Payments began October 1, 2005 and end April 2020.

6,157,626

Total general obligation bonds

\$ 8,432,627

Compensated absences (payable from General Fund)

\$ 769,964

OPEB liability

\$ 114,088

Total Long-Term Obligations, Governmental Activities

\$ 9,316,679

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 8—Long-Term Obligations: (Continued)

Long-Term Obligations, Business-Type Activities:	Total Amount
<u>General Obligation Bonds:</u>	
The City authorized and issued a \$2,000,000 general obligation bond in August 1997 for the purpose of improvements to the City's water filtration plant. The bond is payable in quarterly principal installments of \$33,333 plus interest at a fixed rate of 4.94%. Payments are due the first day of each March, June, September, and December through September 2012.	\$ 300,000
The City authorized and issued a \$10,000,000 general obligation bond in April 2009 to purchase long-term water rights from the City of Newport News. The bond is payable in scheduled annual principal payments each May 1 through 2024. Interest is payable semi-annually at a fixed rate of 4.00%.	9,508,700
Total general obligation bonds	\$ 9,808,700
Compensated absences (payable from Enterprise Fund)	\$ 136,996
OPEB liability	\$ 14,738
Total Long-Term Obligations, Business-Type Activities	\$ 9,960,434

Note 9—Deferred Revenue:

Deferred 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. Deferred revenue totaling \$374,608 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$329,450 at June 30, 2010.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2010, but paid in advance by the tax payers totaled \$364 at June 30, 2010.

Other Deferred Revenue: Deferred revenue representing uncollected state and federal grants not available for funding of current expenditures totaled \$44,794 at June 30, 2010.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2010

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.

A summary of construction commitments is as follows:

	Project	Contractor	Amount of Contract	Contract Outstanding at 6/30/2010
Sales Tax Fund	Williamsburg Municipal Building	David A. Nice Builders	\$ 4,803,390	\$ 2,459,871

Note 11—Litigation:

At June 30, 2010, 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.

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 2010.

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.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 12—Risk Management: (Continued)

The City has chosen to retain the risk associated with the employee's health insurance plan. Risk is retained at 100% up to an individual stop loss of \$60,000 for individual claims paid during the contract year. Premiums are paid for all eligible full time employees to a claims administrator who processes all claims. Any excess above the amount of the incurred but not reported (IBNR) claims at the end of the year are returned to the City. The annual liability for claims costs, including IBNR claims, is estimated during the annual renewal process each contract year (July 1 through June 30). The estimated claims cost is based on the prior year's experience as well as industry trends.

A summary of claims liability for the past three years follows:

Unpaid claims, June 30, 2007	\$ -
Incurred claims (including IBNR and changes in estimate)	1,301,672
Claim payments	<u>(1,301,672)</u>
Unpaid claims, June 30, 2008	\$ -
Incurred claims (including IBNR and changes in estimate)	1,608,999
Claim payments	<u>(1,608,999)</u>
Unpaid claims, June 30, 2009	\$ -
Incurred claims (including IBNR and changes in estimate)	1,731,882
Claim payments	<u>(1,731,882)</u>
Unpaid claims, June 30, 2010	<u><u>\$ -</u></u>

Note 13—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

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

The City contributes to the Virginia Retirement System (VRS). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70 percent of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA), beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 13—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. This 5.00% member contribution has been assumed by the employer. 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 2010 was 15.49% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2010, the City's annual pension cost of \$1,365,203 was equal to the City's required and actual contributions.

Three-Year Trend Information for City

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 1,515,973	100%	\$ -
June 30, 2009	1,445,017	100%	-
June 30, 2010	1,365,203	100%	-

(1) Employer and employee portions

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officer, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. 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, 2007 was 20 years.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 13—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 85.56% funded. The actuarial accrued liability for benefits was \$50,835,802 and the actuarial value of assets was \$43,493,522, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,342,280. The covered payroll (annual payroll of active employees covered by the plan) was \$9,066,098, and ratio of the UAAL to the covered payroll was 80.99%.

The schedule of funding progress, presented as Required Supplementary information 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—Postemployment Benefits Other Than Pensions:

Plan Description

The City provides assistance to certain retirees, who participate in outside non-employer qualified health insurance plans, in the form of a supplemental payment for the cost of health insurance coverage. The payments are made to retirees who participated in the City's health insurance plan for at least ten consecutive years and who had either a minimum of 15 years of service or are disabled.

Funding Policy

The monthly amount of the supplemental payment is equal to \$4 for each year of service and cannot exceed \$120 per month. The supplement stops upon the death of the retiree or upon termination of the outside health insurance coverage. The retiree health insurance supplement program was adopted by City Council effective as of January 1, 2002.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The City has elected to calculate the ARC and related information using the projected unit credit actuarial cost method permitted by GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 14—Postemployment Benefits Other Than Pensions (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	88,041
Interest on net OPEB obligation		3,474
Adjustment to annual required contribution		(8,292)
Annual OPEB cost (expense)	\$	83,223
Estimated Contributions made		(45,928)
Increase in net OPEB obligation		37,295
Net OPEB obligation—beginning of year		91,531
Net OPEB obligation—end of year	\$	128,826

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 164,447	44.34%	\$ 91,531
6/30/2010	83,223	55.19%	128,826

The City implemented GASB Statement No.45 for the fiscal year ended June 30, 2009 and only two years information is available. This will be expanded in future years when more information becomes available.

Funded Status and Funding Progress

As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$1,225,273, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,066,098, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and level of health insurance supplement reimbursed for retirees.. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Notes to Financial Statements (Continued)

As of June 30, 2010

Note 14—Postemployment Benefits Other Than Pensions (Continued):

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees-Retirement age was estimated based on tables used for the VRS pension valuation based on gender, age, and years of service.

Marital status-Not applicable because the City's credit does not apply to the spouse of a retiree.

Mortality-Life expectancies were based on mortality tables from the Group Annuity Mortality Tables. The 1994 Mortality Tables for Males and for Females were used.

Turnover-Non-group-specific age-based turnover data from the VRS State Employees Pension Valuation were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing and expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid. Assumptions included that 80% of the current actives will be eligible for the medical credit when they retire and all disabled employees will be eligible for the credit.

Payroll growth rate-The expected long-term payroll growth rate was assumed to be 2.50% based on a zero population growth assumption.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, benefits are projected for life and then present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date. Based on the historical and expected returns of the City's short-term investment portfolio, a discount of 4.0% was used. The 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, 2010 was thirty years.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2010

Note 15-Surety Bonds:

The following Surety bonds are maintained by the City:

	<u>Amount</u>
<u>Fidelity and Deposit Company of Maryland</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 16-Adjustment to Beginning Net Assets:

The following adjustment was made to beginning net assets at July 1, 2009:

	<u>Governmental Activities</u>
Fund balance and net assets as previously reported at June 30, 2009	\$ 84,633,449
Adjustment to record down payment on a capital asset not recorded in the prior year	20,000
Adjustment to delete infrastructure capital assets to exclude underground wiring not owned by the City	<u>(1,598,712)</u>
Fund balance and net assets as adjusted at July 1, 2009	\$ <u><u>83,054,737</u></u>

Note 17-Subsequent Events:

The City obtained inaugural bond ratings from Standard & Poor's (AA+) and Moody's (Aa1) in September 2010. Through a negotiated public sale, the City issued general obligation refunding bonds on October 20, 2010 in the amount of \$10,635,000, and refinanced outstanding 2002 General Fund and 2009 Utility Fund bonds. This refunding achieved interest rate savings of approximately \$783,000 over the 17 year life of the refunding bonds.

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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final	Amounts	
REVENUES				
General property taxes	\$ 12,182,410	\$ 12,182,410	\$ 12,355,338	\$ 172,928
Other local taxes	17,484,400	17,484,400	17,246,848	(237,552)
Permits, privilege fees, and regulatory licenses	182,280	182,280	164,699	(17,581)
Fines and forfeitures	232,000	232,000	202,487	(29,513)
Revenue from the use of money and property	908,900	908,900	730,842	(178,058)
Charges for services	305,328	310,328	390,104	79,776
Miscellaneous	445,495	649,922	840,739	190,817
Recovered costs	750,390	700,390	1,043,070	342,680
Intergovernmental revenues:				
Commonwealth	4,724,310	4,753,551	3,632,966	(1,120,585)
Federal	-	6,443	6,443	-
Total revenues	\$ 37,215,513	\$ 37,410,624	\$ 36,613,536	\$ (797,088)
EXPENDITURES				
Current:				
General government administration	\$ 3,827,242	\$ 3,886,798	\$ 3,439,230	\$ 447,568
Judicial administration	400,000	400,000	332,736	67,264
Public safety	9,093,106	9,125,987	8,548,295	577,692
Public works	3,340,869	3,340,869	3,095,703	245,166
Health and welfare	505,327	505,327	504,262	1,065
Education	6,986,257	6,923,736	6,923,146	590
Parks, recreation, and cultural	2,248,089	2,206,841	2,113,338	93,503
Community development	5,015,311	5,021,754	4,766,518	255,236
Capital projects	9,698,313	13,896,077	6,181,634	7,714,443
Debt service:				
Principal retirement	1,064,816	1,064,816	1,064,816	-
Interest and other fiscal charges	370,670	370,670	337,621	33,049
Total expenditures	\$ 42,550,000	\$ 46,742,875	\$ 37,307,299	\$ 9,435,576
Excess (deficiency) of revenues over (under) expenditures	\$ (5,334,487)	\$ (9,332,251)	\$ (693,763)	\$ 8,638,488
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (724,312)	\$ (724,312)	\$ (580,000)	\$ 144,312
Sale of land	-	-	887,684	887,684
Total other financing sources and uses	\$ (724,312)	\$ (724,312)	\$ 307,684	\$ 1,031,996
Net change in fund balances	\$ (6,058,799)	\$ (10,056,563)	\$ (386,079)	\$ 9,670,484
Fund balances - beginning	6,058,799	10,056,563	26,377,773	16,321,210
Fund balances - ending	\$ -	\$ -	\$ 25,991,694	\$ 25,991,694

City of Williamsburg, Virginia
Schedule of Pension Funding Progress
As of June 30, 2010

Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
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%
6/30/2003	30,940,656	32,977,544	2,036,888	93.82%	7,149,147	28.49%
6/30/2002	30,740,960	30,564,554	(176,406)	100.58%	6,841,914	-2.58%
6/30/2001	29,626,026	28,096,800	(1,529,226)	105.44%	6,439,813	-23.75%
6/30/2000	26,798,629	26,219,796	(578,833)	102.21%	6,241,551	-9.27%

OTHER SUPPLEMENTARY INFORMATION

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City of Williamsburg, Virginia
 Schedule of Funding Progress for the Retiree Health Insurance Supplement Plan
 As of June 30, 2010

Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
7/1/2007	\$ -	\$ 1,189,074	\$ 1,189,074	0.00%	\$ 9,370,324 *	12.69%
7/1/2009	-	1,225,273	1,225,273	0.00%	9,066,098	13.51%

* Obtained from City's records.

City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2010

	Virginia Public Assistance <u>Fund</u>	Law Enforcement Block <u>Grant</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 321,214	\$ 14,658	\$ 335,872
Due from other governmental units	76,133	-	76,133
Total assets	<u>\$ 397,347</u>	<u>\$ 14,658</u>	<u>\$ 412,005</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 29,618	\$ -	\$ 29,618
Deferred revenue	44,794	-	44,794
Total liabilities	<u>\$ 74,412</u>	<u>\$ -</u>	<u>\$ 74,412</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ 322,935	\$ 14,658	\$ 337,593
Total fund balances	<u>\$ 322,935</u>	<u>\$ 14,658</u>	<u>\$ 337,593</u>
Total liabilities and fund balances	<u>\$ 397,347</u>	<u>\$ 14,658</u>	<u>\$ 412,005</u>

City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2010

	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	\$ -	\$ 19	\$ 19
Miscellaneous	35,874	10,185	46,059
Intergovernmental revenues:			
Commonwealth	442,592	1,667	444,259
Federal	826,027	20,547	846,574
Total revenues	<u>\$ 1,304,493</u>	<u>\$ 32,418</u>	<u>\$ 1,336,911</u>
EXPENDITURES			
Current:			
Public safety	\$ -	\$ 22,399	\$ 22,399
Health and welfare	1,807,858	-	1,807,858
Total expenditures	<u>\$ 1,807,858</u>	<u>\$ 22,399</u>	<u>\$ 1,830,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (503,365)</u>	<u>\$ 10,019</u>	<u>\$ (493,346)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 580,000	\$ -	\$ 580,000
Total other financing sources and uses	<u>\$ 580,000</u>	<u>\$ -</u>	<u>\$ 580,000</u>
Net change in fund balances	\$ 76,635	\$ 10,019	\$ 86,654
Fund balances - beginning	246,300	4,639	250,939
Fund balances - ending	<u>\$ 322,935</u>	<u>\$ 14,658</u>	<u>\$ 337,593</u>

City of Williamsburg, Virginia

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2010

	Virginia Public Assistance Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	35,874	35,874
Intergovernmental revenues:				
Commonwealth	609,348	609,348	442,592	(166,756)
Federal	772,134	772,134	826,027	53,893
Total revenues	\$ 1,381,482	\$ 1,381,482	\$ 1,304,493	\$ (76,989)
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Health and welfare	2,140,794	2,140,794	1,807,858	332,936
Total expenditures	\$ 2,140,794	\$ 2,140,794	\$ 1,807,858	\$ 332,936
Excess (deficiency) of revenues over (under) expenditures	\$ (759,312)	\$ (759,312)	\$ (503,365)	\$ 255,947
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 759,312	\$ 759,312	\$ 580,000	\$ (179,312)
Total other financing sources and uses	\$ 759,312	\$ 759,312	\$ 580,000	\$ (179,312)
Net change in fund balances	\$ -	\$ -	\$ 76,635	\$ 76,635
Fund balances - beginning	-	-	246,300	246,300
Fund balances - ending	\$ -	\$ -	\$ 322,935	\$ 322,935

Law Enforcement Block Grant Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ -	\$ -	\$ 19	\$	19
10,185	10,185	10,185		-
18,667	18,667	1,667		(17,000)
20,547	20,547	20,547		-
\$ 49,399	\$ 49,399	\$ 32,418	\$	(16,981)
\$ 49,399	\$ 49,399	\$ 22,399	\$	27,000
-	-	-		-
\$ 49,399	\$ 49,399	\$ 22,399	\$	27,000
\$ -	\$ -	\$ 10,019	\$	10,019
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ 10,019	\$	10,019
-	-	4,639		4,639
\$ -	\$ -	\$ 14,658	\$	14,658

City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds						
	Williamsburg Regional Library Fund	Williamsburg Tricentennial Fund	Colonial CASA Fund	Economic Development Authority	Farmers' Market Fund		Total
ASSETS							
Cash and cash equivalents	\$ 463,827	\$ -	\$ 49,234	\$ 42,807	\$ 42,527	\$	598,395
Investments, at fair value:							
Other investments	1,166,899	6,492	62,182	128,286	56,525		1,420,384
Other assets	14,498	-	2,084	-	-		16,582
Total assets	<u>\$ 1,645,224</u>	<u>\$ 6,492</u>	<u>\$ 113,500</u>	<u>\$ 171,093</u>	<u>\$ 99,052</u>	<u>\$</u>	<u>2,035,361</u>
LIABILITIES							
Accounts payable	\$ 257,538	\$ -	\$ 786	\$ -	\$ 791	\$	259,115
Accrued liabilities	-	-	2,060	-	2,310		4,370
Amounts held for others	1,387,686	6,492	110,654	171,093	95,951		1,771,876
Total liabilities	<u>\$ 1,645,224</u>	<u>\$ 6,492</u>	<u>\$ 113,500</u>	<u>\$ 171,093</u>	<u>\$ 99,052</u>	<u>\$</u>	<u>2,035,361</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

Exhibit 18
Page 1 of 2

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Williamsburg Regional Library:</u>				
ASSETS				
Cash and cash equivalents	\$ 164,433	\$ 6,164,796	\$ 5,865,402	\$ 463,827
Investments, at fair value:				
Other investments	1,163,400	3,499	-	1,166,899
Other assets	7,082	14,498	7,082	14,498
Total assets	<u>\$ 1,334,915</u>	<u>\$ 6,182,793</u>	<u>\$ 5,872,484</u>	<u>\$ 1,645,224</u>
LIABILITIES				
Accounts payable	\$ 21,128	\$ 257,538	\$ 21,128	\$ 257,538
Amounts held for others	1,313,787	5,925,255	5,851,356	1,387,686
Total liabilities	<u>\$ 1,334,915</u>	<u>\$ 6,182,793</u>	<u>\$ 5,872,484</u>	<u>\$ 1,645,224</u>
<u>Williamsburg Tricentennial Fund:</u>				
ASSETS				
Investments, at fair value:				
Other investments	\$ 6,470	\$ 22	\$ -	\$ 6,492
Total assets	<u>\$ 6,470</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 6,492</u>
LIABILITIES				
Amounts held for others	\$ 6,470	\$ 22	\$ -	\$ 6,492
Total liabilities	<u>\$ 6,470</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ 6,492</u>
<u>Colonial CASA Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 20,169	\$ 242,051	\$ 212,986	\$ 49,234
Investments, at fair value:				
Other investments	61,974	208	-	62,182
Other assets	3,109	2,084	3,109	2,084
Total assets	<u>\$ 85,252</u>	<u>\$ 244,343</u>	<u>\$ 216,095</u>	<u>\$ 113,500</u>
LIABILITIES				
Accounts payable	\$ 7,482	\$ 786	\$ 7,482	\$ 786
Accrued liabilities	-	2,060	-	2,060
Amounts held for others	77,770	241,497	208,613	110,654
Total liabilities	<u>\$ 85,252</u>	<u>\$ 244,343</u>	<u>\$ 216,095</u>	<u>\$ 113,500</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

Exhibit 18
Page 2 of 2

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Economic Development Authority:</u>				
ASSETS				
Cash and cash equivalents	\$ 16,017	\$ 55,821	\$ 29,031	\$ 42,807
Investments, at fair value:				
Other investments	127,856	430	-	128,286
Total assets	<u>\$ 143,873</u>	<u>\$ 56,251</u>	<u>\$ 29,031</u>	<u>\$ 171,093</u>
LIABILITIES				
Accounts payable	\$ 60	\$ -	\$ 60	\$ -
Amounts held for others	143,813	56,251	28,971	171,093
Total liabilities	<u>\$ 143,873</u>	<u>\$ 56,251</u>	<u>\$ 29,031</u>	<u>\$ 171,093</u>
<u>Farmers' Market:</u>				
ASSETS				
Cash and cash equivalents	\$ 19,176	\$ 84,945	\$ 61,594	\$ 42,527
Investments, at fair value:				
Other investments	56,335	190	-	56,525
Total assets	<u>\$ 75,511</u>	<u>\$ 85,135</u>	<u>\$ 61,594</u>	<u>\$ 99,052</u>
LIABILITIES				
Accounts payable	\$ 691	\$ 791	\$ 691	\$ 791
Accrued liabilities	-	2,310	-	2,310
Amounts held for others	74,820	82,034	60,903	95,951
Total liabilities	<u>\$ 75,511</u>	<u>\$ 85,135</u>	<u>\$ 61,594</u>	<u>\$ 99,052</u>
<u>Totals - All Agency Funds:</u>				
ASSETS				
Cash and cash equivalents	\$ 219,795	\$ 6,547,613	\$ 6,169,013	\$ 598,395
Investments, at fair value:				
Other investments	1,416,035	4,349	-	1,420,384
Other assets	10,191	16,582	10,191	16,582
Total assets	<u>\$ 1,646,021</u>	<u>\$ 6,568,544</u>	<u>\$ 6,179,204</u>	<u>\$ 2,035,361</u>
LIABILITIES				
Accounts payable	\$ 29,361	\$ 259,115	\$ 29,361	\$ 259,115
Accrued liabilities	-	4,370	-	4,370
Amounts held for others	1,616,660	6,305,059	6,149,843	1,771,876
Total liabilities	<u>\$ 1,646,021</u>	<u>\$ 6,568,544</u>	<u>\$ 6,179,204</u>	<u>\$ 2,035,361</u>

SUPPORTING SCHEDULES

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City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 1 of 3

<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	\$ 10,100,000	\$ 10,100,000	\$ 10,178,109	\$ 78,109
Real and personal public service corporation taxes	280,520	280,520	308,589	28,069
Personal property taxes	518,890	518,890	541,621	22,731
Business property taxes	1,225,000	1,225,000	1,276,328	51,328
Penalties	40,000	40,000	34,866	(5,134)
Interest	18,000	18,000	15,825	(2,175)
Total general property taxes	<u>\$ 12,182,410</u>	<u>\$ 12,182,410</u>	<u>\$ 12,355,338</u>	<u>\$ 172,928</u>
Other local taxes:				
Local sales and use taxes	\$ 3,800,000	\$ 3,800,000	\$ 3,885,065	\$ 85,065
Consumers' utility taxes	1,095,000	1,095,000	1,047,378	(47,622)
Business license taxes	1,482,600	1,482,600	1,571,483	88,883
Utility license taxes	91,000	91,000	121,248	30,248
Bank stock taxes	170,000	170,000	167,652	(2,348)
Taxes on recordation and wills	150,000	150,000	136,891	(13,109)
Hotel and motel taxes	3,500,000	3,500,000	3,248,789	(251,211)
Restaurant food taxes	5,500,000	5,500,000	5,607,318	107,318
\$2 lodging taxes	1,500,000	1,500,000	1,277,760	(222,240)
Tobacco taxes	170,000	170,000	158,460	(11,540)
Penalty and interest on other local taxes	25,800	25,800	24,804	(996)
Total other local taxes	<u>\$ 17,484,400</u>	<u>\$ 17,484,400</u>	<u>\$ 17,246,848</u>	<u>\$ (237,552)</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 2,556	\$ 556
Land use application fees	2,000	2,000	-	(2,000)
Transfer fees	500	500	679	179
Permits and other licenses	177,780	177,780	161,464	(16,316)
Total permits, privilege fees, and regulatory licenses	<u>\$ 182,280</u>	<u>\$ 182,280</u>	<u>\$ 164,699</u>	<u>\$ (17,581)</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 232,000</u>	<u>\$ 232,000</u>	<u>\$ 202,487</u>	<u>\$ (29,513)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 425,000	\$ 425,000	\$ 236,316	\$ (188,684)
Revenue from use of property	483,900	483,900	494,526	10,626
Total revenue from use of money and property	<u>\$ 908,900</u>	<u>\$ 908,900</u>	<u>\$ 730,842</u>	<u>\$ (178,058)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 1,378	\$ 1,378	\$ 1,460	\$ 82
Charges for Commonwealth's Attorney	250	250	266	16
Charges for parks and recreation	266,700	271,700	350,497	78,797
Charges for planning and community development	37,000	37,000	37,881	881
Total charges for services	<u>\$ 305,328</u>	<u>\$ 310,328</u>	<u>\$ 390,104</u>	<u>\$ 79,776</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 445,495</u>	<u>\$ 649,922</u>	<u>\$ 840,739</u>	<u>\$ 190,817</u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 2 of 3

<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)				
Recovered costs:				
Enterprise fund	\$ 590,000	\$ 590,000	\$ 610,637	\$ 20,637
Overtime - police and fire	45,000	45,000	51,380	6,380
Storm water management	-	-	15,500	15,500
Other recovered costs	115,390	65,390	365,553	300,163
Total recovered costs	<u>\$ 750,390</u>	<u>\$ 700,390</u>	<u>\$ 1,043,070</u>	<u>\$ 342,680</u>
Total revenue from local sources	<u>\$ 32,491,203</u>	<u>\$ 32,650,630</u>	<u>\$ 32,974,127</u>	<u>\$ 323,497</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Reduction in State Aid to Local Governments	\$ -	\$ -	\$ (28,576)	\$ (28,576)
Rolling stock tax	6,000	6,000	2,900	(3,100)
Motor vehicle rental tax	8,000	8,000	16,154	8,154
Grantors tax	40,000	40,000	48,165	8,165
Personal property tax relief funds	741,110	741,110	773,572	32,462
Total noncategorical aid	<u>\$ 795,110</u>	<u>\$ 795,110</u>	<u>\$ 812,215</u>	<u>\$ 17,105</u>
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 75,000	\$ 75,000	\$ 83,733	\$ 8,733
Treasurer	20,000	20,000	18,024	(1,976)
Medical examiner	200	200	-	(200)
Registrar/electoral board	44,000	44,000	43,044	(956)
Total shared expenses	<u>\$ 139,200</u>	<u>\$ 139,200</u>	<u>\$ 144,801</u>	<u>\$ 5,601</u>
Other categorical aid:				
599 Funds	\$ 427,000	\$ 427,000	\$ 391,496	\$ (35,504)
Streets and sidewalks	1,382,000	1,382,000	1,376,050	(5,950)
EMS funds - 4 for life and emergency services	11,000	36,000	38,915	2,915
Litter control grant	5,000	5,000	5,125	125
Arts commission grant	5,000	5,000	5,000	-
Fire programs	20,000	24,241	37,342	13,101
Wireless E-911	10,000	10,000	25,331	15,331
State sales tax	680,000	680,000	796,087	116,087
Other categorical aid	1,250,000	1,250,000	604	(1,249,396)
Total other categorical aid	<u>\$ 3,790,000</u>	<u>\$ 3,819,241</u>	<u>\$ 2,675,950</u>	<u>\$ (1,143,291)</u>
Total categorical aid	<u>\$ 3,929,200</u>	<u>\$ 3,958,441</u>	<u>\$ 2,820,751</u>	<u>\$ (1,137,690)</u>
Total revenue from the Commonwealth	<u>\$ 4,724,310</u>	<u>\$ 4,753,551</u>	<u>\$ 3,632,966</u>	<u>\$ (1,120,585)</u>
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ 6,443	\$ 6,443	\$ -
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 6,443</u>	<u>\$ 6,443</u>	<u>\$ -</u>
Total General Fund	<u>\$ 37,215,513</u>	<u>\$ 37,410,624</u>	<u>\$ 36,613,536</u>	<u>\$ (797,088)</u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 1
Page 3 of 3

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 653	\$ 653
Summer youth program	-	-	35,221	35,221
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,874</u>	<u>\$ 35,874</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,874</u>	<u>\$ 35,874</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 504,597	\$ 504,597	\$ 386,073	\$ (118,524)
Comprehensive services act	104,751	104,751	56,519	(48,232)
Total categorical aid	<u>\$ 609,348</u>	<u>\$ 609,348</u>	<u>\$ 442,592</u>	<u>\$ (166,756)</u>
Total revenue from the Commonwealth	<u>\$ 609,348</u>	<u>\$ 609,348</u>	<u>\$ 442,592</u>	<u>\$ (166,756)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 772,134	\$ 772,134	\$ 809,800	\$ 37,666
Homeland security grant	-	-	16,227	16,227
Total categorical aid	<u>\$ 772,134</u>	<u>\$ 772,134</u>	<u>\$ 826,027</u>	<u>\$ 53,893</u>
Total revenue from the federal government	<u>\$ 772,134</u>	<u>\$ 772,134</u>	<u>\$ 826,027</u>	<u>\$ 53,893</u>
Total Virginia Public Assistance Fund	<u>\$ 1,381,482</u>	<u>\$ 1,381,482</u>	<u>\$ 1,304,493</u>	<u>\$ (76,989)</u>
Law Enforcement Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 19	\$ 19
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19</u>	<u>\$ 19</u>
Miscellaneous revenue:				
Other miscellaneous	\$ 10,185	\$ 10,185	\$ 10,185	\$ -
Total revenue from local sources	<u>\$ 10,185</u>	<u>\$ 10,185</u>	<u>\$ 10,204</u>	<u>\$ 19</u>
Revenue from the Commonwealth:				
Categorical aid:				
Law enforcement block grant	\$ 18,667	\$ 18,667	\$ 1,667	\$ (17,000)
Total categorical aid	<u>\$ 18,667</u>	<u>\$ 18,667</u>	<u>\$ 1,667</u>	<u>\$ (17,000)</u>
Total revenue from the Commonwealth	<u>\$ 18,667</u>	<u>\$ 18,667</u>	<u>\$ 1,667</u>	<u>\$ (17,000)</u>
Revenue from the federal government:				
Categorical aid:				
Homeland security and law enforcement grants	\$ 20,547	\$ 20,547	\$ 20,547	\$ -
Total categorical aid	<u>\$ 20,547</u>	<u>\$ 20,547</u>	<u>\$ 20,547</u>	<u>\$ -</u>
Total revenue from the federal government	<u>\$ 20,547</u>	<u>\$ 20,547</u>	<u>\$ 20,547</u>	<u>\$ -</u>
Total Law Enforcement Block Grant Fund	<u>\$ 49,399</u>	<u>\$ 49,399</u>	<u>\$ 32,418</u>	<u>\$ (16,981)</u>
Total Primary Government	<u>\$ 38,646,394</u>	<u>\$ 38,841,505</u>	<u>\$ 37,950,447</u>	<u>\$ (891,058)</u>

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City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 1 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>
General Fund:				
General government administration:				
Legislative:				
City council	\$ 157,688	\$ 152,138	\$ 127,568	\$ 24,570
Clerk of council	162,722	162,722	157,291	5,431
Total legislative	<u>\$ 320,410</u>	<u>\$ 314,860</u>	<u>\$ 284,859</u>	<u>\$ 30,001</u>
General and financial administration:				
City manager	\$ 969,103	\$ 1,032,209	\$ 748,382	\$ 283,827
City attorney	288,970	288,970	248,517	40,453
Human resources	156,969	158,969	133,914	25,055
Commissioner of revenue	192,781	192,781	192,525	256
Assessor	164,099	164,099	160,031	4,068
Treasurer	54,505	54,505	45,722	8,783
Director of finance	983,833	983,833	965,057	18,776
Information technology	340,000	340,000	308,734	31,266
Automotive/motor pool	238,132	238,132	234,145	3,987
Total general and financial administration	<u>\$ 3,388,392</u>	<u>\$ 3,453,498</u>	<u>\$ 3,037,027</u>	<u>\$ 416,471</u>
Board of elections:				
Electoral board and officials	\$ 26,712	\$ 26,712	\$ 26,152	\$ 560
Registrar	91,728	91,728	91,192	536
Total board of elections	<u>\$ 118,440</u>	<u>\$ 118,440</u>	<u>\$ 117,344</u>	<u>\$ 1,096</u>
Total general government administration	<u>\$ 3,827,242</u>	<u>\$ 3,886,798</u>	<u>\$ 3,439,230</u>	<u>\$ 447,568</u>
Judicial administration:				
Courts:				
Courthouse activities	\$ 400,000	\$ 400,000	\$ 332,736	\$ 67,264
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,417,081	\$ 3,419,081	\$ 3,280,127	\$ 138,954
Prince George parking garage	122,924	122,924	108,796	14,128
E-911	625,000	625,000	527,933	97,067
Total law enforcement and traffic control	<u>\$ 4,165,005</u>	<u>\$ 4,167,005</u>	<u>\$ 3,916,856</u>	<u>\$ 250,149</u>
Fire and rescue services:				
Fire department	\$ 3,264,147	\$ 3,295,815	\$ 2,983,054	\$ 312,761
Correction and detention:				
Juvenile detention commission	\$ 80,000	\$ 80,000	\$ 47,111	\$ 32,889
Regional jail	1,078,305	1,078,305	1,159,542	(81,237)
Group home commission	82,642	76,256	76,256	-
Total correction and detention	<u>\$ 1,240,947</u>	<u>\$ 1,234,561</u>	<u>\$ 1,282,909</u>	<u>\$ (48,348)</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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)				
Public safety: (Continued)				
Inspections:				
Building	\$ 395,617	\$ 401,216	\$ 345,055	\$ 56,161
Other protection:				
Animal control	\$ 22,500	\$ 22,500	\$ 18,000	\$ 4,500
Medical examiner	400	400	100	300
Emergency services (civil defense)	4,490	4,490	2,321	2,169
Total other protection	\$ 27,390	\$ 27,390	\$ 20,421	\$ 6,969
Total public safety	\$ 9,093,106	\$ 9,125,987	\$ 8,548,295	\$ 577,692
Public works:				
Maintenance of highways, streets, bridges & sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,333,714	\$ 1,333,714	\$ 1,176,119	\$ 157,595
Engineering	255,902	255,902	248,083	7,819
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,589,616	\$ 1,589,616	\$ 1,424,202	\$ 165,414
Sanitation and waste removal:				
Refuse collection	\$ 709,500	\$ 709,500	\$ 657,049	\$ 52,451
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 482,531	\$ 482,531	\$ 456,203	\$ 26,328
Landscaping	559,222	559,222	558,249	973
Total maintenance of general buildings and grounds	\$ 1,041,753	\$ 1,041,753	\$ 1,014,452	\$ 27,301
Total public works	\$ 3,340,869	\$ 3,340,869	\$ 3,095,703	\$ 245,166
Health and welfare:				
Health:				
Local health department	\$ 214,917	\$ 214,917	\$ 212,063	\$ 2,854
Mosquito control	6,950	6,950	5,640	1,310
Total health	\$ 221,867	\$ 221,867	\$ 217,703	\$ 4,164
Mental health and mental retardation:				
Administration - mental health and retardation	\$ 245,860	\$ 245,860	\$ 245,860	\$ -

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

Schedule 2
Page 3 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>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Transportation programs for elderly	2,600	2,600	5,699	(3,099)
Total welfare	<u>\$ 37,600</u>	<u>\$ 37,600</u>	<u>\$ 40,699</u>	<u>\$ (3,099)</u>
Total health and welfare	<u>\$ 505,327</u>	<u>\$ 505,327</u>	<u>\$ 504,262</u>	<u>\$ 1,065</u>
Education:				
Other instructional costs:				
Contribution to local school board	<u>\$ 6,986,257</u>	<u>\$ 6,923,736</u>	<u>\$ 6,923,146</u>	<u>\$ 590</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 368,384	\$ 366,384	\$ 322,290	\$ 44,094
Maintenance of parks and recreation	300,080	305,080	282,104	22,976
Recreation facility	631,018	631,018	612,235	18,783
Cemeteries	61,652	61,652	55,982	5,670
Total parks and recreation	<u>\$ 1,361,134</u>	<u>\$ 1,364,134</u>	<u>\$ 1,272,611</u>	<u>\$ 91,523</u>
Library:				
Contribution to regional library	<u>\$ 886,955</u>	<u>\$ 842,707</u>	<u>\$ 840,727</u>	<u>\$ 1,980</u>
Total parks, recreation, and cultural	<u>\$ 2,248,089</u>	<u>\$ 2,206,841</u>	<u>\$ 2,113,338</u>	<u>\$ 93,503</u>
Community development:				
Planning and community development:				
Planning	\$ 486,395	\$ 486,395	\$ 470,993	\$ 15,402
Community development	4,273,215	4,288,559	4,051,110	237,449
Economic development	124,921	124,920	122,535	2,385
Arts commission	130,780	121,880	121,880	-
Total planning and community development	<u>\$ 5,015,311</u>	<u>\$ 5,021,754</u>	<u>\$ 4,766,518</u>	<u>\$ 255,236</u>
Total community development	<u>\$ 5,015,311</u>	<u>\$ 5,021,754</u>	<u>\$ 4,766,518</u>	<u>\$ 255,236</u>
Capital projects:				
Other capital projects	<u>\$ 9,698,313</u>	<u>\$ 13,896,077</u>	<u>\$ 6,181,634</u>	<u>\$ 7,714,443</u>
Debt service:				
Principal retirement	\$ 1,064,816	\$ 1,064,816	\$ 1,064,816	\$ -
Interest and other fiscal charges	370,670	370,670	337,621	33,049
Total debt service	<u>\$ 1,435,486</u>	<u>\$ 1,435,486</u>	<u>\$ 1,402,437</u>	<u>\$ 33,049</u>
Total General Fund	<u>\$ 42,550,000</u>	<u>\$ 46,742,875</u>	<u>\$ 37,307,299</u>	<u>\$ 9,435,576</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2010

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	\$ 1,196,609	\$ 1,196,609	\$ 1,178,082	\$ 18,527
Public assistance	775,685	775,685	492,659	283,026
Comprehensive services	168,500	168,500	137,117	31,383
Total welfare and social services	<u>\$ 2,140,794</u>	<u>\$ 2,140,794</u>	<u>\$ 1,807,858</u>	<u>\$ 332,936</u>
Total health and welfare	<u>\$ 2,140,794</u>	<u>\$ 2,140,794</u>	<u>\$ 1,807,858</u>	<u>\$ 332,936</u>
Total Virginia Public Assistance Fund	<u>\$ 2,140,794</u>	<u>\$ 2,140,794</u>	<u>\$ 1,807,858</u>	<u>\$ 332,936</u>
Law Enforcement Block Grant Fund:				
Public safety:				
Other protection:				
Other protection	<u>\$ 49,399</u>	<u>\$ 49,399</u>	<u>\$ 22,399</u>	<u>\$ 27,000</u>
Total Law Enforcement Block Grant Fund	<u>\$ 49,399</u>	<u>\$ 49,399</u>	<u>\$ 22,399</u>	<u>\$ 27,000</u>
Total Primary Government	<u>\$ 44,740,193</u>	<u>\$ 48,933,068</u>	<u>\$ 39,137,556</u>	<u>\$ 9,795,512</u>

Statistical Section

Contents

Tables

Financial Trends

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

1-4

Revenue Capacity

These tables contain information to help the reader assess the factors affecting the County'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 County's current levels of outstanding debt and the County'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 County's financial activities take place and to help make comparisons over time and with other governments.

13-14

Operating Information

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

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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. The County implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities								
Invested in capital assets, net of related debt	\$43,829,109	\$48,294,124	\$41,977,081	\$43,724,093	\$49,783,173	\$55,591,451	\$58,769,012	\$59,868,232
Unrestricted	22,305,527	20,819,991	30,578,146	32,119,103	29,632,342	28,455,299	25,864,437	25,744,448
Total governmental activities net assets	<u>\$66,134,636</u>	<u>\$69,114,115</u>	<u>\$72,555,227</u>	<u>\$75,843,196</u>	<u>\$79,415,515</u>	<u>\$84,046,750</u>	<u>\$84,633,449</u>	<u>\$85,612,680</u>
Business-type activities								
Invested in capital assets, net of related debt	\$8,525,848	\$8,755,781	\$9,720,452	\$9,781,412	\$12,764,785	\$13,102,740	\$15,601,976	\$15,748,286
Unrestricted	4,916,024	5,790,053	5,143,153	5,454,407	5,466,158	6,466,848	4,960,402	4,483,874
Total business-type activities net assets	<u>\$13,441,872</u>	<u>\$14,545,834</u>	<u>\$14,863,605</u>	<u>\$15,235,819</u>	<u>\$18,230,943</u>	<u>\$19,569,588</u>	<u>\$20,562,378</u>	<u>\$20,232,160</u>
Primary government								
Invested in capital assets, net of related debt	\$52,354,957	\$57,049,905	\$51,697,533	\$53,505,505	\$62,547,958	\$68,694,191	\$74,370,988	\$75,616,518
Unrestricted	27,221,551	26,610,044	35,721,299	37,573,510	35,098,500	34,922,147	30,824,839	30,228,372
Total primary government net assets	<u>\$79,576,508</u>	<u>\$83,659,949</u>	<u>\$87,418,832</u>	<u>\$91,079,015</u>	<u>\$97,646,458</u>	<u>\$103,616,338</u>	<u>\$105,195,827</u>	<u>\$105,844,840</u>

	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government administration	\$ 2,758,568	\$ 2,950,481	\$ 3,196,039	\$ 3,989,006	\$ 3,556,882	\$ 3,925,496	\$ 4,206,889	\$ 4,350,670
Judicial administration	273,154	293,222	308,361	356,257	379,945	369,459	373,159	524,247
Public safety	6,563,142	6,933,837	7,475,819	8,011,476	8,840,146	9,410,409	9,626,052	9,200,629
Public works	3,765,655	4,959,412	4,110,492	3,007,234	7,196,599	4,504,611	4,493,041	3,314,209
Health and welfare	1,809,216	1,991,478	2,065,153	2,180,922	2,176,382	2,415,272	2,335,735	2,319,951
Education	6,583,596	6,822,656	6,267,967	6,437,154	7,044,990	8,446,319	7,913,290	8,439,060
Parks, recreation and cultural	2,071,236	2,094,830	2,179,626	2,138,010	2,170,492	2,275,707	2,535,481	2,362,491
Community development	3,135,821	3,259,276	4,853,168	9,168,959	5,328,651	5,694,235	5,091,394	4,788,236
Nondepartmental	46,163	127,858	17,349	-	-	-	-	-
Interest expense	361,125	352,333	396,211	592,688	551,307	467,896	408,129	303,123
Total governmental activities expenses	\$ 27,367,676	\$ 29,785,383	\$ 30,870,185	\$ 35,881,706	\$ 37,245,394	\$ 37,509,404	\$ 36,983,170	\$ 35,602,616
Business-type activities								
Water and sewer services								
Total business-type activities expenses	\$ 4,098,596	\$ 3,838,917	\$ 3,983,571	\$ 4,230,185	\$ 4,569,446	\$ 4,769,797	\$ 4,862,433	\$ 6,025,427
Total primary government expenses	\$ 31,466,272	\$ 33,624,300	\$ 34,853,756	\$ 40,111,891	\$ 41,814,840	\$ 42,279,201	\$ 41,845,603	\$ 41,628,043
Program Revenues (see Schedule 3)								
Governmental activities:								
Charges for services:								
General government administration*	\$ 862,919	\$ 1,027,386	\$ 1,228,597	\$ -	\$ -	\$ -	\$ 4,760	\$ -
Judicial administration	-	-	-	142,321	155,924	140,559	147,160	108,161
Public safety	508,864	559,545	582,729	364,959	328,194	479,255	295,207	260,751
Public works	12,071	50,199	11,403	-	-	-	-	-
Parks, recreation and cultural	297,674	270,705	316,991	302,835	338,754	298,453	317,573	350,497
Community development	51,694	59,418	58,428	56,566	36,073	43,750	42,198	37,881
Operating grants and contributions	3,307,596	4,808,926	3,718,194	5,224,480	4,161,505	3,999,026	4,008,035	4,118,029
Capital grants and contributions	102,974	102,924	102,922	176,937	266,087	464,435	133,363	196,734
Total governmental activities program revenues	\$ 5,143,792	\$ 6,879,103	\$ 6,019,264	\$ 6,268,098	\$ 5,286,537	\$ 5,425,478	\$ 4,948,296	\$ 5,072,053
Business-type activities:								
Charges for services:								
Water and sewer	\$ 4,721,388	\$ 4,890,679	\$ 4,195,671	\$ 4,379,515	\$ 4,493,958	\$ 5,751,177	\$ 5,575,174	\$ 5,398,525
Total business-type activities program revenues	\$ 4,721,388	\$ 4,890,679	\$ 4,195,671	\$ 4,379,515	\$ 4,493,958	\$ 5,751,177	\$ 5,575,174	\$ 5,398,525
Total primary government program revenues	\$ 9,865,180	\$ 11,769,782	\$ 10,214,935	\$ 10,647,613	\$ 9,780,495	\$ 11,176,655	\$ 10,523,470	\$ 10,470,578

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

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

Table 2
Page 2 of 2

	Fiscal Year							
	2002	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue								
Governmental activities	(\$22,223,884)	(\$22,906,280)	(\$24,850,921)	(\$29,613,608)	(\$31,958,857)	(\$32,083,926)	(\$32,034,874)	(\$30,530,563)
Business-type activities	622,792	1,051,762	212,100	149,330	(75,488)	981,380	712,741	(626,902)
Total primary government net expense	(\$21,601,092)	(\$21,854,518)	(\$24,638,821)	(\$29,464,278)	(\$32,034,345)	(\$31,102,546)	(\$31,322,133)	(\$31,157,465)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
General property taxes	\$6,295,230	\$7,574,245	\$7,944,010	\$8,250,312	\$9,281,349	\$10,576,818	\$11,190,551	\$11,247,772
Sales taxes	4,468,174	4,240,721	4,219,603	4,303,203	4,867,792	4,562,028	3,844,275	3,885,065
Business property taxes	1,246,548	1,254,363	1,259,291	1,143,727	1,130,964	1,210,744	1,307,209	1,276,328
Consumer utility taxes	589,089	684,702	1,062,031	451,524	700,691	1,107,790	1,040,510	1,047,378
Business license taxes	1,634,995	1,639,065	1,757,085	1,789,386	1,593,478	1,754,093	1,595,535	1,571,483
Hotel and room taxes	4,114,010	3,996,782	3,695,937	3,787,611	4,350,871	4,447,662	3,574,810	3,248,789
\$2 lodging taxes	-	-	1,582,047	1,595,664	1,672,720	1,625,774	1,347,470	1,277,760
Meals taxes	5,338,967	5,420,516	5,394,509	5,600,162	5,851,680	6,005,227	5,522,541	5,607,318
Other local taxes	611,790	110,107	910,932	1,457,982	1,096,618	800,542	576,653	609,055
Use of Money & Property	832,461	965,258	465,369	1,382,832	2,156,025	1,765,800	930,037	730,861
Gain on sale of capital assets	337,264	-	1,220	1,082,095	1,348,618	-	-	887,684
Grants and contributions not restricted to specific programs	-	-	-	929,240	879,936	899,609	820,341	812,215
Miscellaneous	-	-	-	660,148	600,434	1,959,074	871,641	886,798
Transfers	50,000	-	-	-	-	-	-	-
Total governmental activities	\$ 25,518,528	\$ 25,885,759	\$ 28,297,034	\$ 32,433,886	\$ 35,531,176	\$ 36,715,161	\$ 32,621,573	\$ 33,088,506
Business-type activities:								
Investment earnings	\$ 123,220	\$ 52,200	\$ 105,671	\$ 202,622	\$ 253,915	\$ 209,655	\$ 97,165	\$ 26,248
Gain on sale of capital assets	-	-	-	-	2,677,383	-	-	-
Miscellaneous	-	-	-	35,517	139,314	147,610	182,884	270,436
Total business-type activities	\$ 123,220	\$ 52,200	\$ 105,671	\$ 238,139	\$ 3,070,612	\$ 357,265	\$ 280,049	\$ 296,684
Total primary government	\$ 25,641,748	\$ 25,937,959	\$ 28,397,705	\$ 32,672,025	\$ 38,601,788	\$ 37,072,426	\$ 32,901,622	\$ 33,385,190
Change in Net Assets								
Governmental activities	\$ 3,294,644	\$ 2,979,479	\$ 3,441,113	\$ 2,820,278	\$ 3,572,319	\$ 4,631,235	\$ 586,699	\$ 2,557,943
Business-type activities	746,012	1,103,962	317,771	387,469	2,995,124	1,338,645	992,790	(330,218)
Total primary government	\$ 4,040,656	\$ 4,083,441	\$ 3,758,884	\$ 3,207,747	\$ 6,567,443	\$ 5,969,880	\$ 1,579,489	\$ 2,227,725

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543,605	\$ 548,702	\$ 553,490	\$ 124,011	\$ 8,498
Unreserved	<u>17,303,413</u>	<u>25,927,029</u>	<u>22,360,336</u>	<u>20,886,657</u>	<u>30,616,683</u>	<u>31,982,623</u>	<u>29,509,734</u>	<u>28,448,307</u>	<u>26,253,762</u>	<u>25,983,196</u>
Total general fund	<u>\$ 17,303,413</u>	<u>\$ 25,927,029</u>	<u>\$ 22,360,336</u>	<u>\$ 20,886,657</u>	<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>	<u>\$ 25,991,694</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	<u>117,577</u>	<u>225,323</u>	<u>162,486</u>	<u>141,922</u>	<u>131,239</u>	<u>210,575</u>	<u>207,354</u>	<u>182,825</u>	<u>250,939</u>	<u>337,593</u>
Total all other governmental funds	<u>\$ 117,577</u>	<u>\$ 225,323</u>	<u>\$ 162,486</u>	<u>\$ 141,922</u>	<u>\$ 131,239</u>	<u>\$ 210,575</u>	<u>\$ 207,354</u>	<u>\$ 182,825</u>	<u>\$ 250,939</u>	<u>\$ 337,593</u>

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenues										
Taxes	\$ 22,529,334	\$ 24,083,697	\$ 23,993,013	\$ 25,624,343	\$ 27,748,415	\$ 28,194,199	\$ 30,590,846	\$ 32,147,392	\$ 29,922,838	\$ 29,602,186
Licenses, fees, and permits	267,047	173,985	212,618	305,762	256,662	275,741	200,897	376,974	207,637	164,699
Fines and penalties	253,578	282,664	273,584	254,706	234,157	229,779	281,612	241,302	233,262	202,487
Use of money and property	987,515	878,055	509,733	440,882	465,369	931,554	1,600,647	1,765,800	930,037	730,861
Charges for services	319,808	341,113	345,348	317,845	365,026	361,161	376,435	343,741	347,740	390,104
Intergovernmental	3,041,557	3,206,182	3,403,461	4,820,935	3,864,318	6,330,657	5,288,477	6,759,594	4,971,107	4,930,242
Other revenues	1,142,653	1,175,895	1,048,562	905,907	1,376,131	1,817,889	3,590,840	1,322,551	1,683,536	1,929,868
Total revenues	\$ 28,541,492	\$ 30,141,591	\$ 29,786,319	\$ 32,670,380	\$ 34,310,078	\$ 38,140,980	\$ 41,929,754	\$ 42,957,354	\$ 38,296,157	\$ 37,950,447
Expenditures										
General government	\$ 1,932,875	\$ 1,952,376	\$ 2,040,718	\$ 2,172,065	\$ 2,290,766	\$ 2,636,419	\$ 2,615,827	\$ 2,956,796	\$ 3,247,353	\$ 3,439,230
Judicial	275,310	293,703	273,154	293,222	308,361	356,257	379,945	369,459	373,159	332,736
Police	2,733,728	2,850,557	2,861,260	3,072,285	3,499,854	3,541,289	4,034,064	4,246,050	4,273,913	3,916,856
Fire	2,114,910	2,150,348	2,216,034	2,335,061	2,531,801	2,741,472	3,064,526	3,257,746	3,293,365	2,983,054
Other public safety	859,323	1,032,165	1,139,383	1,186,842	1,274,946	1,537,857	1,617,564	1,561,167	1,686,790	1,670,784
Public works	2,902,339	3,078,356	2,853,272	4,454,010	3,628,476	3,636,448	3,847,395	3,579,302	4,185,312	3,095,703
Health and welfare	1,489,707	1,600,018	1,804,729	1,985,415	2,055,514	2,169,163	2,169,108	2,391,062	2,311,671	2,312,120
Education	6,496,149	6,763,889	6,518,691	6,734,071	6,267,967	6,437,154	6,493,421	7,135,650	7,023,314	6,923,146
Parks and recreation	1,012,865	1,069,304	1,137,105	1,169,003	1,254,125	1,242,389	1,284,977	1,392,614	1,387,111	1,272,611
Library	616,281	739,744	758,674	752,197	771,595	796,580	861,030	884,955	884,971	840,727
Community Development - Note a	2,846,352	2,898,086	2,932,800	2,989,506	4,852,663	4,908,287	5,348,425	5,662,525	5,070,823	4,766,518
Non-departmental	6,210	97,680	68,644	137,351	33,349	-	-	-	-	-
Capital projects	2,288,580	3,192,642	7,582,378	5,818,262	3,030,777	5,774,358	12,492,119	7,809,941	5,699,783	6,181,634
Debt Service										
Principal	788,000	788,000	908,000	5,413,000	918,000	5,872,179	992,425	2,314,249	1,036,704	1,064,816
Interest	323,094	290,907	361,125	352,333	437,444	505,332	554,257	477,006	377,798	337,621
Total expenditures	\$ 26,685,723	\$ 28,797,775	\$ 33,455,967	\$ 38,864,623	\$ 33,155,638	\$ 42,155,184	\$ 45,755,083	\$ 44,038,522	\$ 40,852,067	\$ 39,137,556
Excess of revenues over (under) expenditures	\$ 1,855,769	\$ 1,343,816	\$ (3,669,648)	\$ (6,194,243)	\$ 1,154,440	\$ (4,014,204)	\$ (3,825,329)	\$ (1,081,168)	\$ (2,555,910)	\$ (1,187,109)

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

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Other Financing Sources (Uses)										
Bonds issued	\$ -	\$ 7,000,000	\$ -	\$ -	\$ 8,500,000	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding bonds issued	-	-	-	4,500,000	-	-	-	-	-	-
Disposal of capital asset	-	-	-	-	12,975	-	-	-	-	-
Sale of capital assets	503,109	304,335	123,329	200,000	-	5,068,073	1,354,316	-	-	887,684
Capital leases	-	-	-	-	51,928	-	-	-	-	-
Transfers in	338,473	296,000	328,808	392,080	645,835	543,284	555,000	558,600	640,000	580,000
Transfers out	(338,473)	(296,000)	(328,808)	(392,080)	(645,835)	(543,284)	(555,000)	(558,600)	(640,000)	(580,000)
Total other financing sources (uses)	\$ 503,109	\$ 7,304,335	\$ 123,329	\$ 4,700,000	\$ 8,564,903	\$ 5,068,073	\$ 1,354,316	\$ -	\$ -	\$ 887,684
Net change in fund balances	\$ 2,358,878	\$ 8,648,151	\$ (3,546,319)	\$ (1,494,243)	\$ 9,719,343	\$ 1,053,869	\$ (2,471,013)	\$ (1,081,168)	\$ (2,555,910)	\$ (299,425)
Debt service as a percentage of noncapital expenditures	4.55%	4.21%	4.91%	17.45%	4.50%	17.80%	4.00%	7.34%	3.92%	4.08%

Note a: Beginning in FY 2004 the \$2 per night lodging tax (all passed thru to the Williamsburg Area Destination Marketing Committee) was initiated.

Table 5

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	Tobacco	Hotel & Motel	\$2 Lodging	Restaurant	Other	Total
2001	\$ 7,140,860	\$ 3,720,937	\$ 722,294	\$ 1,592,792	\$ 216,307	\$ -	\$ 3,895,420	\$ -	\$ 5,114,515	\$ 342,516	\$ 22,745,641
2002	7,577,391	4,368,379	783,722	1,622,735	194,633	-	4,114,010	-	5,318,886	298,574	24,278,330
2003	8,210,667	3,781,232	868,340	1,641,721	202,360	-	3,974,894	-	5,244,106	272,053	24,195,373
2004	8,869,569	4,210,450	910,418	1,628,458	225,716	305,729	3,996,782	-	5,393,776	309,161	25,850,059
2005	9,241,737	4,219,603	1,297,227	1,749,413	235,196	209,340	3,695,937	1,582,047	5,367,745	385,366	27,983,611
2006	10,039,498	4,303,203	1,137,150	1,789,386	250,762	184,080	3,787,611	1,595,664	5,600,162	640,764	29,328,280
2007	11,233,048	4,867,792	1,074,296	1,593,478	171,746	172,872	4,350,871	1,672,720	5,851,680	550,141	31,538,644
2008	12,617,849	4,562,028	1,107,790	1,754,093	102,833	180,701	4,447,662	1,625,774	6,005,227	517,007	32,920,964
2009	13,194,616	3,844,275	1,040,510	1,595,535	108,020	144,534	3,574,810	1,347,470	5,522,541	324,099	30,696,410
2010	13,128,910	3,885,065	1,047,378	1,571,483	121,248	158,460	3,248,789	1,277,760	5,607,318	329,347	30,375,758

¹ Wireless telecommunication taxes were initiated in FY 2004 - Significant delinquent telecommunications taxes were received in FY 2005 due to issues relating to 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 6

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

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							
2001	\$ 465,605,100	\$ 775,000,400	\$ 28,216,550	\$ 35,481,423	\$ 377,238,400	\$ 927,065,073	4.04				
2002	493,696,625	803,185,980	29,397,420	37,446,864	388,880,280	974,846,609	4.04				
2003	543,061,000	854,851,000	30,756,020	37,476,509	402,276,700	1,063,867,829	4.04				
2004	670,963,900	897,611,400	31,817,660	36,817,378	451,149,200	1,186,061,138	4.04				
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				

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

*Real Estate tax rate was \$.54/\$100, and personal property tax rate was \$3.50/\$100 since 1991.

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. A significant time delay (up to 2 years) is inherent in the annual appraisal process due to continuous sales of like-properties in the City. Recent periods of high-volume sales and rising property values can widen the gap between City assessed values and market values; therefore the estimated actual value of real property in the City is not known.

* Per Table 7 - Real and personal property tax rates have not changed since 1991

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
2001	\$0.54	\$3.50	5%	5%	1%
2002	\$0.54	\$3.50	5%	5%	1%
2003	\$0.54	\$3.50	5%	5%	1%
2004	\$0.54	\$3.50	5%	5%	1%
2005	\$0.54	\$3.50	5%	5%	1%
2006	\$0.54	\$3.50	5%	5%	1%
2007	\$0.54	\$3.50	5%	5%	1%
2008	\$0.54	\$3.50	5%	5%	1%
2009	\$0.54	\$3.50	5%	5%	1%
2010	\$0.54	\$3.50	5%	5%	1%

¹ per \$100 assessed value

² Collected by State, remitted monthly to City

The City of Williamsburg has no overlapping taxes.

Table 8

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

	2001			2010		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
<u>Taxpayers</u>						
Colonial Williamsburg Foundation	\$ 178,785,200	1	20.33%	\$ 266,638,100	1	13.91%
Art Williamsburg	13,802,300	2	1.57%			
Federal Realty Investment Trust	10,174,300	3	1.16%			
JIN, Inc.	8,282,300	4	0.94%	10,740,300	10	0.56%
Woodshire, LTD	6,776,800	5	0.77%			
LTD Associates One, LLC	6,767,400	6	0.77%			
LTD Associates Two, LLC	6,083,700	7	0.69%			
Patrick Henry Inn	6,011,200	8	0.68%			
PVR Associates LLC	5,610,700	9	0.64%			
Philip Richardson Co	5,601,900	10	0.64%			
Bluegreen Vacations, Unlimited				25,126,200	2	1.31%
Riverside Healthcare Associates				24,999,800	3	1.30%
Westgate Resorts, LTD				21,812,600	4	1.14%
Sterling Manor Apts., LLC				19,474,300	5	1.02%
High Street Retail Phase I LLC				19,240,600	6	1.00%
Virginia Landmark Hotels LLC				18,060,200	7	0.94%
Williamsburg Improvements, LLC				17,819,300	8	0.93%
The Townehomes At Treyburn				11,264,900	9	0.59%

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			Total Collections to Date	
		Fiscal Year of the Levy		Collections in Subsequent Years	Amount	Percentage of Levy
		Amount	Percentage of Levy			
2001	\$ 6,918,899	\$ 6,683,837	96.60%	\$ 199,749	\$ 6,883,586	99.49%
2002	7,272,047	7,057,210	97.05%	170,107	7,227,317	99.38%
2003	7,801,901	7,592,851	97.37%	166,884	7,759,729	99.46%
2004	8,506,917	8,347,049	98.12%	142,600	8,489,651	99.80%
2005	8,864,042	8,700,344	98.14%	148,857	8,849,201	99.83%
2006	9,734,314	9,573,842	98.54%	144,810	9,718,652	99.84%
2007	10,953,045	10,733,140	97.99%	207,129	10,940,269	99.88%
2008	12,253,120	12,041,834	98.28%	180,339	12,222,173	99.75%
2009	12,812,428	12,635,773	98.62%	104,332	12,740,105	99.44%
2010	12,839,578	12,644,248	98.48%	n/a	12,644,248	98.48%

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%

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				
2001	\$ 6,440,000	\$ -	\$ 7,933,800		\$ 14,373,800	\$ 1,159	0.6%
2002	12,652,000	-	7,700,360		20,352,360	1,615	0.9%
2003	11,744,000	-	7,525,173		19,269,173	1,460	0.8%
2004	10,831,000	1,300,000	7,237,154		18,068,154	1,445	0.6%
2005	18,413,000	1,300,000	6,938,851		25,351,851	1,989	0.9%
2006	12,540,821	1,300,000	6,665,050		19,205,871	1,530	0.6%
2007	11,548,396	1,300,000	700,000		12,248,396	1,023	0.3%
2008	10,534,146	-	566,666		11,100,812	838	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	1,360	0.5%

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

Table 11

<u>Fiscal Year</u>	<u>Total General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value¹ of Property</u>	<u>Per Capita²</u>
2001	\$ 14,373,800	1.55%	\$ 1,159
2002	20,352,360	2.09%	1,615
2003	19,269,173	1.81%	1,460
2004	19,368,154	1.63%	1,445
2005	26,651,851	2.10%	1,989
2006	20,505,871	1.45%	1,530
2007	13,548,394	0.84%	1,011
2008	11,100,812	0.59%	838
2009	19,930,775	1.01%	1,492
2010	18,241,327	0.92%	1,360

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

Table 12

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	\$86,396,127	\$90,863,133	\$99,563,530	\$111,742,610	\$120,269,260	\$133,870,500	\$154,772,020	\$180,323,920	\$189,545,600	\$191,629,790
Total net debt applicable to limit	14,373,800	20,352,360	19,269,173	19,368,154	26,651,851	20,505,871	13,548,395	11,100,812	19,930,775	18,241,325
Legal debt margin	72,022,327	70,510,773	80,294,357	92,374,456	93,617,409	113,364,629	141,173,625	169,223,108	169,614,825	173,388,465
Total net debt applicable to the limit as a percentage of debt limit	16.64%	22.40%	19.35%	17.33%	22.16%	15.32%	8.76%	6.16%	10.52%	9.52%

Legal Debt Margin Calculation for Fiscal Year 2010:

Assessed Value	\$1,916,297,900
Debt Limit (10% of assessed value)	191,629,790
Debt applicable to limit:	
General obligation bonds	<u>18,241,325</u>
Legal debt margin	<u>\$173,388,465</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.

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

Table 13

Fiscal Year	City Population *	Area Population ²	Personal Income (thousands of dollars) ²	Per Capita Personal Income ²	Public School Enrollment ³	Unemployment Rate ¹
2001	12,400	61,488	\$ 2,289,963	\$ 37,242	8,191	5.7%
2002	12,600	62,957	2,393,678	38,021	8,407	7.2%
2003	13,200	64,659	2,515,632	38,906	8,553	8.0%
2004	13,400	66,932	2,793,123	41,731	8,959	7.5%
2005	13,400	69,135	2,952,937	42,713	9,402	7.1%
2006	13,400	71,847	3,289,020	45,778	9,820	5.8%
2007	13,242	73,674	3,546,329	48,135	10,105	5.5%
2008	13,273	74,847	3,706,388	49,520	10,137	8.6%
2009	13,354	75,591	**	**	10,248	14.8%
2010	13,410	76,041	**	**	10,503	**

* City population figures supplied by Weldon Cooper Center for Public Service (University of VA)

** not available

¹ Virginia Employment Commission (*calendar year figures*)

² Source - U.S. Bureau of Census

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>	2001			2010		
	<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	14.46%	1,000+	1	18.31%
Colonial Williamsburg Foundation	1,000+	2	11.97%	1,000+	2	9.23%
Colonial Williamsburg Company	1,000+	3	9.23%	500 to 999	3	5.90%
Williamsburg Community Hospital ²	500 to 999	4	4.34%			
Aramark	250 to 499	5	1.39%	250 to 499	4	1.39%
City of Williamsburg	100 to 249	6	1.11%	250 to 499	5	1.03%
Williamsburg Hospitality House	100 to 249	7	0.56%			
Red Lobster & The Olive Garden	100 to 249	8	0.56%	100 to 249	6	0.56%
Walsingham Academy				100 to 249	7	0.56%
Patrick Henry Inn	100 to 249	9	0.56%			
National Center for State Courts	100 to 249	10	0.56%	100 to 249	8	0.56%
Outback Steakhouse				50 to 99	9	0.28%
Yankee Candle				50 to 99	10	0.28%

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

	Full-time-Equivalent Employees as of June 30:									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
City Manager	5.0	4.5	4.0	4.5	4.5	5.5	5.5	5.5	6.5	5.5
Clerk of Council	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
City Attorney	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0
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	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5
Assessor	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Finance	12.0	12.0	12.0	11.0	11.0	11.0	11.0	12.0	12.0	12.0
Police										
Officers	34.0	34.0	34.0	34.0	34.0	34.0	35.0	36.0	36.0	34.0
Civilians	13.5	13.5	13.5	15.5	16.0	16.0	18.0	18.0	18.0	5.0
Fire										
Firefighters & officers	31.0	31.0	31.0	31.0	31.0	34.0	35.0	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	10.0	10.0	10.0	10.0
Landscape	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
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	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Planning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Compliance	4.0	4.0	4.0	6.0	6.0	6.0	7.0	7.0	7.0	5.0
Recreation	9.5	9.5	9.5	9.5	9.5	9.0	9.0	9.0	9.0	9.0
Human Services	11.0	11.0	11.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0
Public Utilities	23.0	23.0	23.0	23.0	23.0	25.0	25.0	25.0	26.0	26.0
Total	<u>179.5</u>	<u>179.5</u>	<u>180.0</u>	<u>184.5</u>	<u>185.5</u>	<u>191.0</u>	<u>196.0</u>	<u>200.0</u>	<u>202.0</u>	<u>185.0</u>

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

	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
Real estate parcels appraised	3,701	3,828	3,978	4,000	4,204	4,374	4,223	4,139	4,135	4,202
Real estate property transfers	367	428	339	527	486	441	381	342	242	277
Police										
Calls for service	31,295	36,256	30,285	32,618	29,990	30,727	32,532	30,147	31,711	28,758
Moving violations	3,191	3,238	2,924	2,128	1,672	1,867	1,989	2,053	2,118	1,377
Crimes investigated	390	376	391	372	380	403	398	371	340	354
Fire										
Emergency fire responses	757	629	649	650	625	694	693	1,581	1,338	1,778
Emergency EMS responses	1,613	1,655	1,702	1,739	1,692	1,744	1,861	2,151	2,200	2,294
Public Works										
Street miles maintained	54	54	54	54	54	54	54	54	54	65
Work orders issued	214	239	282	163	246	327	227	185	218	205
Tons of res. solid waste collected	3,127	2,922	2,698	3,416	2,371	3,477	3,624	3,607	4,061	2,182
Planning										
Subdivision lots approved	137	2	0	4	4	60	90	0	0	0
Site plans processed	10	10	10	13	11	20	14	7	10	7
Code Compliance										
Total permits issued	1,348	1,112	1,126	2,498	1,244	1,337	1,050	1,845	1,475	1,792
Total inspections performed	5,911	6,889	6,998	10,821	10,326	7,887	6,535	7,228	6,706	7,169
Recreation										
Program participants	32,235	34,292	36,645	31,504	32,126	29,518	27,914	24,536	18,680	15,911
Waller Mill Park attendance*	156,887	198,480	185,388	96,110	116,261	160,175	209,760	199,050	249,226	261,144
Human Services (avg. monthly)										
Total benefit program cases	588	617	705	864	724	729	612	600	693	908
Total service cases	190	179	163	164	206	184	186	179	174	193
Public Utilities										
Water treated (million gallons)	1,398	1,271	1,260	1,254	1,217	1,290	1,223	1,201	1,213	1,068
Water lines/hydrants repaired	159	208	201	80	79	62	71	48	49	40
Sewer lines cleaned/repaired	246	208	207	113	130	127	100	94	72	80
Emergency repair responses	545	545	529	270	325	403	387	412	446	493

Source: City operating departments

* Waller Mill Park suffered extensive damage from Hurricane Isabel in Sept., 2003

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

Table 17

Function/Program	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Government										
Number of buildings	26	27	28	28	28	28	28	28	28	28
Number of parking structures	1	1	1	2	2	2	2	2	2	2
Total number of active vehicles in vehicle replacement plan	71	72	75	74	80	77	80	81	77	77
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	45	48	48	48	48	49	50	50	50	50
Number of traffic signals	14	14	14	14	14	14	14	14	15	15
Bridges	4	4	4	4	4	4	4	4	4	4
Education-Regional Schools										
Grades: K - 5	7	7	7	7	7	7	7	8	8	8
Grades: 6 - 8	3	3	3	3	3	3	3	3	3	3
Grades: 9 -12	2	2	2	2	2	2	2	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	40	48	48	48	48	48	48	48	48	48
Number of water tanks	5	5	5	5	5	5	5	5	5	5
Number of pump stations	11	11	12	13	14	14	14	14	14	14

Source: City departments.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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 the financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the City of Williamsburg, Virginia's basic financial statements and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Williamsburg, Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Williamsburg, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the City of Williamsburg, Virginia's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, the City Council, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robinson, Fann, Cox Ass'ts

Richmond, Virginia
November 12, 2010

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of Williamsburg, Virginia's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City of Williamsburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Williamsburg, Virginia's management. Our responsibility is to express an opinion on the City of Williamsburg, Virginia's compliance based on our audit.

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. Our audit does not provide a legal determination of the City of Williamsburg, Virginia's compliance with those requirements.

In our opinion, the City of Williamsburg, Virginia, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Williamsburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Williamsburg, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 control 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robert J. Fann, Cox Assite

Richmond, Virginia
November 12, 2010

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Page 1 of 2

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	\$ 1,128
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	132,167
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	318
Low-Income Home Energy Assistance	93.568	0600409/0600410	5,104
Child Care and Development Block Grant	93.575	0770109/0770110	70,436
Child Care Mandatory and Matching Funds of the Child Care and Development Fun	93.596	0760109/0760110	31,216
Child Welfare Services - State Grants	93.645	0900109/0900110	355
Foster Care - Title IV-E	93.658	1100109/1100110	77,482
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	3,534
Adoption Assistance	93.659	1120109/1120110	35,769
ARRA - Adoption Assistance	93.659	1120109/1120110	3,818
Social Services Block Grant	93.667	1000109/1000110	52,063
Chafee Foster Care Independence Program	93.674	9150108-9150110	788
ARRA - Child Care and Development Block Grant	93.713	074109	10,609
Children's Health Insurance Program	93.767	0540109/0540110	5,473
Medical Assistance Program	93.778	1200109/1200110	82,542
Total Department of Health and Human Services			<u>\$ 512,802</u>
<i>Department of Agriculture:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	\$ 135,056
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	4,999
Total Department of Agriculture			<u>\$ 140,055</u>
<i>Department of Justice:</i>			
Direct payments:			
ARRA - Edward Byrne memorial Justice Assistance Grant Program	16.804	N/A	<u>\$ 20,547</u>
<i>Department of Labor:</i>			
Pass Through Payments:			
Peninsula Council for Workforce Development:			
ARRA - WIA Youth Activities	17.259	09-SYEP-WDHS	<u>156,943</u>

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>U.S. Department of Housing and Urban Development:</i>			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community development block grant	14.228	5330500-50794/50796	\$ 6,443
<i>Department of Homeland Security:</i>			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
State homeland security program	97.073	77500100-52707	\$ 16,227
Total expenditures of federal awards			<u>\$ 853,017</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, 2010

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, 2010. 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 assets, 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	\$ 6,443
Virginia public assistance fund	826,027
Law enforcement block grant fund	<u>20,547</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 853,017</u></u>
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City of Williamsburg, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2010

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> yes	<u> ✓ </u> no
Significant deficiencies identified?	<u> </u> yes	<u> ✓ </u> no

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

Material weaknesses identified?	<u> </u> yes	<u> ✓ </u> no
Significant deficiencies identified?	<u> </u> yes	<u> ✓ </u> no

Type of auditor's report issued on compliance
for major programs: unqualified

Any findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? yes ✓ no

Identification of major programs:

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

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 and Questioned Costs
For the year ended June 30, 2010

There were no prior year findings or questioned costs.

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