

City of Williamsburg, Virginia



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY:

Department of Finance

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

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CITY OF WILLIAMSBURG

Department of Finance

November 7, 2012

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, 2012, is submitted herewith in accordance with Section 15.2-2511 of the Code of Virginia. This report is designed in a manner to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds in conformity with accounting principles generally accepted in the United States of America (GAAP). We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included. This report has been prepared by the Department of Finance in accordance with all governmental accounting and financial reporting standards as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Commonwealth of Virginia's Auditor of Public Accounts (APA).

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

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

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the seventh 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, 2012, 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, 2012, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the City

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

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

The financial reporting entity includes all the funds of the City of Williamsburg. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. 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, public cemetery), economic development, planning and zoning, code compliance, human services, parks and recreation, and general administrative services. In addition, the City provides water and sewer services to approximately 3,600 residential and 900 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

The City provides education jointly by contract with neighboring James City County for both localities through the Williamsburg-James City County Public Schools (W-JCC Schools). This strong partnership between the City and County governments has served the K-12 education needs of the jurisdictions for over 50 years. FY 2012 marked the fifth and final year of a restated contract for operating and capital funding of the joint School system. A new restated contract was signed in April, 2012, for fiscal years 2013 thru 2017. The contract essentially covers board membership, operational and capital funding allocations, use of School surplus funds, and equity interest in School property.

The City also provides library services jointly by contract with James City County through the Williamsburg Regional Library. The joint contract provides for board membership, operational funding, and responsibilities for repair and maintenance of facilities and grounds of the respective library building located in each locality.

The annual budget serves as the foundation for the City's financial planning and control. The budget process incorporates City Council strategic plan "Biennial Goals, Initiatives and Outcomes", and defines, communicates, and funds the City's programs and priorities. The completed budget is City Council's road map, and a primary management tool for the City Manager and Department Heads. The annual Budget Guide is a formal call for all departments of the City, and agencies associated with it, to prepare and submit an estimate of the resources required for the next fiscal year. It includes a set of procedures for building a comprehensive budget for the City Manager to submit to City Council each year. City Council is required to hold public hearings on the proposed budget and tax

rates, and to adopt a final budget resolution no later than June 30th. The appropriated budget is prepared by fund, function (e.g., public works), and department (e.g., streets). Department heads may make transfers of appropriations within a department, with the approval of the City Manager. Budget amendments requiring changes in total fund appropriations require subsequent approval of City Council, and a public hearing if it exceeds one percent of the total expenditures adopted in the current year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the required supplementary information other than management's discussion and analysis under the combining and individual funds tab of the report.

Factors Affecting Financial Condition

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

Economic Condition and Outlook:

The economy of the City of Williamsburg is propelled by tourism and education. Tourism – including major attractions and the hospitality industry – continues to provide the most significant source of tax base for the city government. Within the city limits are 42 hotels/motels with approximately 4,400 rooms, 32 bed and breakfasts, and 109 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 2,600, the Foundation interprets the 18th century history of America in Virginia's colonial capital. Other nearby attractions not located in the city include Jamestown (site of the first permanent English settlement in 1607), Yorktown (site of Washington's victory over Cornwallis in the Revolutionary War), and Busch Gardens and Water Country USA theme parks. These attractions draw a conservatively estimated 4 million ticketed visitors annually. Next to tourism, higher education drives the Williamsburg economy. The College of William and Mary, located within the city, is the nation's second oldest university. The College owns 18.3% of the land area of the city, currently enrolls about 7,900 students, and employs about 3,400 faculty and staff, including graduate assistants as well.

The City has seen an upturn in economic activity for the last two fiscal years. For FY 2012, room tax receipts increased .4%, and meal taxes were up 4.8%, although revenues from \$2/night lodging tax, which are a pass-thru to the Williamsburg Area Destination Marketing Committee, were down 2.7%. In total, these three significant taxes were up \$264,314, or 2.5% over FY 2011. Another significant tax, dedicated to capital improvements within the City, is the 1% State sales tax. These taxes were up 5.0% over FY 2011 to \$4.16 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 FY 2008 respectively. Another encouraging sign is that business license revenues were up \$101,799, or 6.8% over last year. In addition, revenues from the Prince George Parking Garage are up significantly over the past two fiscal years from increased usage. The City has also experienced revenue increases in investment earnings, permits, and recordation taxes compared to last year.

Although real estate values in Williamsburg have not experienced double-digit declines that communities in northern Virginia and other parts of the country have endured over the past several years, values declined 5.0% for Fiscal Year 2012. Close monitoring of limited monthly sales activity throughout the year revealed that residential values, on average, were approximately 106% of sales values, or assessment to sales ratio. Looking at sales since July 1, 2012, the ratio continues to decline, suggesting residential values in the city are rebounding.

On the downside, most State aid for programs has been reduced during the past four 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 continue: "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 to include retail, Class A office space, a 40-bed acute care doctor's hospital operated by Riverside Health System and set to open in April 2013. An adjacent new development, the 100,000 s.f. Quarterpath Shopping Center, is completely occupied and tenants include Wells Fargo Bank, Towne Bank, and anchor Harris Teeter grocery store.
- New businesses opening after renovating existing commercial space between January and October 2012 include the Hertz Corporation, Mantech SRS Technologies, Merf & Mouse LLC, Mine + Body Focus, Positive Energy Massage, the Spice & Tea Exchange, THR & Associates Inc, American Brand Buildings Inc, David Stemmann Architect LLC, Historic Triangle Dist LLC, Ko-Cha Inc, Mindology Wellness LLC, S&S Interconnected Wellness PLLC, Williamsburg Beauty and Barber Academy, DCI Therapy Inc, Inspirit Creative Inc, Solertium Corporation, The Shoe Attic, WF Robins III PC CPA, Wine & Design, A Amsler Designs LLC, Animal Mobile Care of Williamsburg, Capitol Bar and Grill, Colonial Coffees LLC, Helen Henrich LCSW, Peter Chang Café, Windsor Cleaning Services, Goodbuy Vacations LLC, Mykonos Grill, Cynthia Ohare, R&R Barber Shop, Tada Beads and Art, the Elephant's Tale, DoG Street Pub, MAD about Chocolate, Pho Bistro, Healthy Weigh LLC, Integrity Clinical Research Inc, the Beauty Bar, the Pilates Center for Fitness & Therapeutic Conditioning, Christa Marquez, Prime Buffet, Rococo Salon and Styling, Michael Anthony Lorence, and Regulatory Resources.
- New businesses opening in new space between January and October 2012 include Yogurtini, 1-800 FLOWERS, Brickhouse Tavern, Quarterpath Dental Center, High Cotton Ltd, Mooyah, and Subway.
- Second Street Boutiques, a mixed-use redevelopment project at 301 Second Street, is underway and includes 29 condominiums and 13,250 s.f. of retail space.
- In 2011, the William and Mary Real Estate Foundation constructed a 36,761 s.f. mixed use building that provides housing for 54 William and Mary students and leases to four new restaurants in the City.
- In 2012, the newly constructed 6,200 s.f. Cooke Building opened on a redevelopment property at 747 Scotland Street. Brickhouse Tavern restaurant occupies this space.

Besides the two new projects discussed above (High Street and Quarterpath) most future development in the City continues to be infill and redevelopment. With this in mind, the City continues to implement an existing business program, 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. Five redevelopment projects are utilizing this forgivable-loan program. The City also created an incentive district to attract creative economy businesses to a seven block area of Midtown. Six new qualified businesses have located in this district, creating 35 new jobs. Business investment and expansion continues in the City, with a positive impact on the City's real estate property and retail sales taxbases.

Budget Policies

The City's adopted Financial Planning Policies include requirements for balanced budgets and long-range planning. The FY 2012 General Fund operating budget was developed and balanced with a transfer from reserves of \$147,692. As shown in the Management's Discussion and Analysis section of this report, the operating surplus for the year ended June 30, 2012 was \$1.28 Million. Long-range planning is part of the budget process each year, and included (1) Planning Commission review of current and future capital projects; (2) consideration of revenue, expenditure, and service implications of continuing existing programs, or adding new programs; (3) condition assessment of major buildings, roads, sidewalks, bridges, water lines, vehicles, and equipment; (4) maintaining, as a minimum, the City's

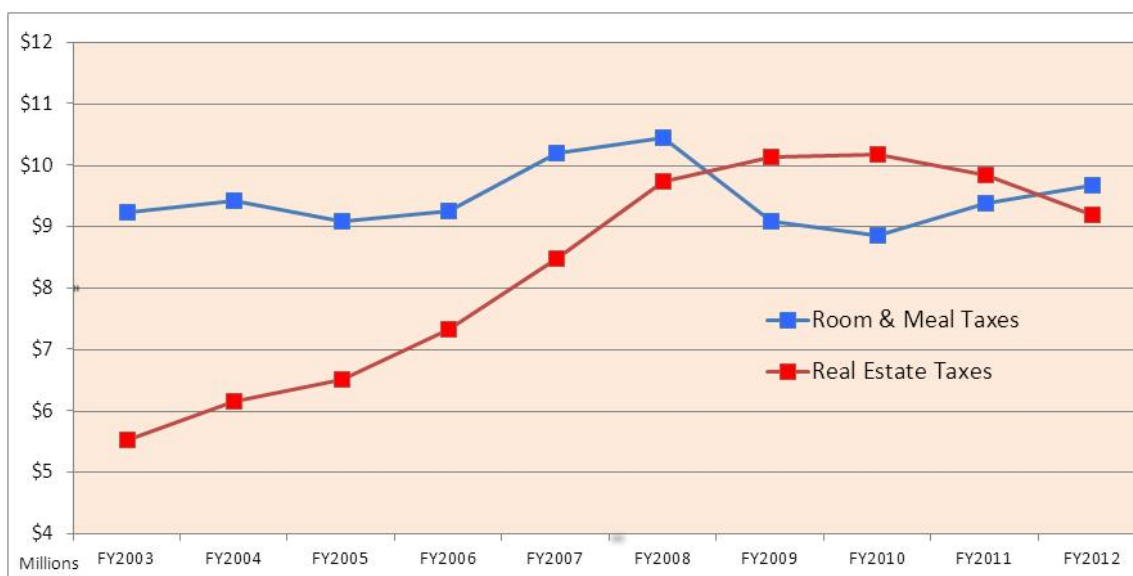
35% of total operating revenues as its unassigned fund balance, which can only be used for emergencies, non-recurring expenditures, or major capital purchases that cannot be acquired on a pay-as-you-go basis.

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

Expenditure Policies which also contributed to the positive operating outcome of FY 2012 include financing all current operating expenditures with current revenues. Budgetary control was enhanced during FY 2012 by integrating the City's performance measurement dashboard system to the live accounting system for key staff, in order to have current line-item budget balances available at their desktops on demand.

Long-Term Financial Planning

Major Operating Revenues - The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 54¢ per \$100 of assessed value remained unchanged from FY 1991 thru FY 2012, and continues to be one of the lowest city tax rates in Virginia. Prior to FY 2009, room and meal taxes provided the largest source of funding for City services since the mid-1980s. Rising property assessments brought revenues that surpassed room and meal taxes during FY 2009 for the first time, when most local governments began to feel the effects of the current recession. Though declining for two years from the highs of FY 2008, room and meal taxes have tracked upward since FY 2010, when room nights sold in the City were at an all-time low. Room and meal taxes surpassed real estate tax receipts during FY 2012. This is attributable more to increased meal rather than room taxes, and from reduced overall real estate property assessments for the second consecutive year. Room and meal taxes accounted for 29.7% of the General Fund operating revenues for FY 2012, compared to 39.7% in FY 2000¹.



Real estate taxes made up for 28.8% of total revenues in FY 2012, compared to 19.9% in FY 2000. This shifting of tax base is more pronounced when comparing actual tax revenues. Room and meal taxes increased from \$9.2 Million to \$9.7 Million, a 5.5% increase. Real estate taxes increased from \$4.5 Million in FY 2000 to \$9.4 Million in FY 2012, an increase of 106% over the same period. The FY 2012 real estate tax base decreased 5.0% from the prior year, with the FY 2013 values declining another 6.6%. Unlike many localities around the country, City assessments, on average,

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

have continued during the past few years to be higher than sales, but as mentioned previously, are currently on the rebound and residential sales, on average, are very close to 100% during the period from July thru October, 2012. The City's total personal property tax collections, including State reimbursement for the Car Tax program, increased .7% from last year. Further analysis of growth trends for personal property taxes is included in Management's Discussion and Analysis.

Other local taxes, such as utility, business license, bank stock, and recordation taxes, increased 5.4% for FY 2012 over the prior year.

Revenue from the Commonwealth increased slightly by .5% for FY 2012. Although much of the increase is from street maintenance payments and VDOT grants, the City has seen deterioration in funding for most State programs over the past several years. This trend may change if, and when, State revenues return to the levels previously experienced during robust economic times.

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.

Major Operating Expenditures - The economy continues to challenge the City's ability to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates. Total approved full-time positions were reduced from 183 in FY 2012 to 182.5 in FY 2013, with the elimination of one full-time position, and shifting one temporary part-time position to a permanent status.

Salaries – In order to attract and retain qualified City staff, the budget process each year looks at need versus ability to adjust compensation. A 2% employee merit pay increase was allocated in July 2011, and based on (1) performance, (2) standing within pay ranges, and (3) known market conditions. Prior to this action, employee salaries and ranges were last adjusted in July 2008.

Employee benefit costs have increased substantially over the past several years. Healthcare benefits are analyzed each year relative to increases in premiums, and adjustments are recommended, if necessary, during the budget process. The City is a member locality of the Virginia Retirement System. Pension costs are compensation-based, with funding rates set by VRS actuaries every two years. Significant increases in pension costs around the country have forced a variety of pension reform initiatives, as liabilities continue to outpace assets backing these long-term benefits. Pension reform by the Virginia General Assembly this past year has impacted localities and school districts by mandating employee contributions and changes in various components of benefit formulas. In addition, the Governmental Accounting Standards Board has adopted Statement No. 68, *Accounting and Financial Reporting for Pensions*, which applies to governments that provide pension benefits to their employees. These new financial reporting standards are required for the year ending June 30, 2015.

Debt Service - In June 2012 the City advance refunded its Series 2005 General Obligation bonds in the amount of \$5,180,000. The City's General Fund will achieve an overall savings of approximately \$266,000 with this refinancing, while repaying the obligation in the same eight-year timeframe as the original issue. The City's credit ratings with Standard & Poor's (AA+) and Moody's (Aa1) were both affirmed during the process. In affirming its AA+ rating, Standard & Poor's based its analysis on:

- Tourism-based local economy and additional access to the diverse Hampton Roads economy,
- Sizable and diverse property tax base with good income,
- Consistently strong finances despite a reliance on tourism-related local taxes, and
- Low debt with moderate additional capital needs.

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 originally achieved with a \$10 Million bank-qualified borrowing and \$2.5 Million from Utility

Fund reserves. In October 2010 the loan was refinanced, lowering the interest rate to approximately 2.75% and will achieve interest cost savings of \$783,000 over the 17 year loan life. Even with this favorable and timely financing arrangement, 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.

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.

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, 2011. This was the 26th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents conforming to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 20 years. In order to qualify for the Distinguished Budget Presentation Award, the City's Budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

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

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

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

Acknowledgements

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jack Tuttle", written in a cursive style.

Jackson C. Tuttle
City Manager

A handwritten signature in black ink, appearing to read "Philip Serra", written in a cursive style.

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, 2011

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.



Linda C. Sandison

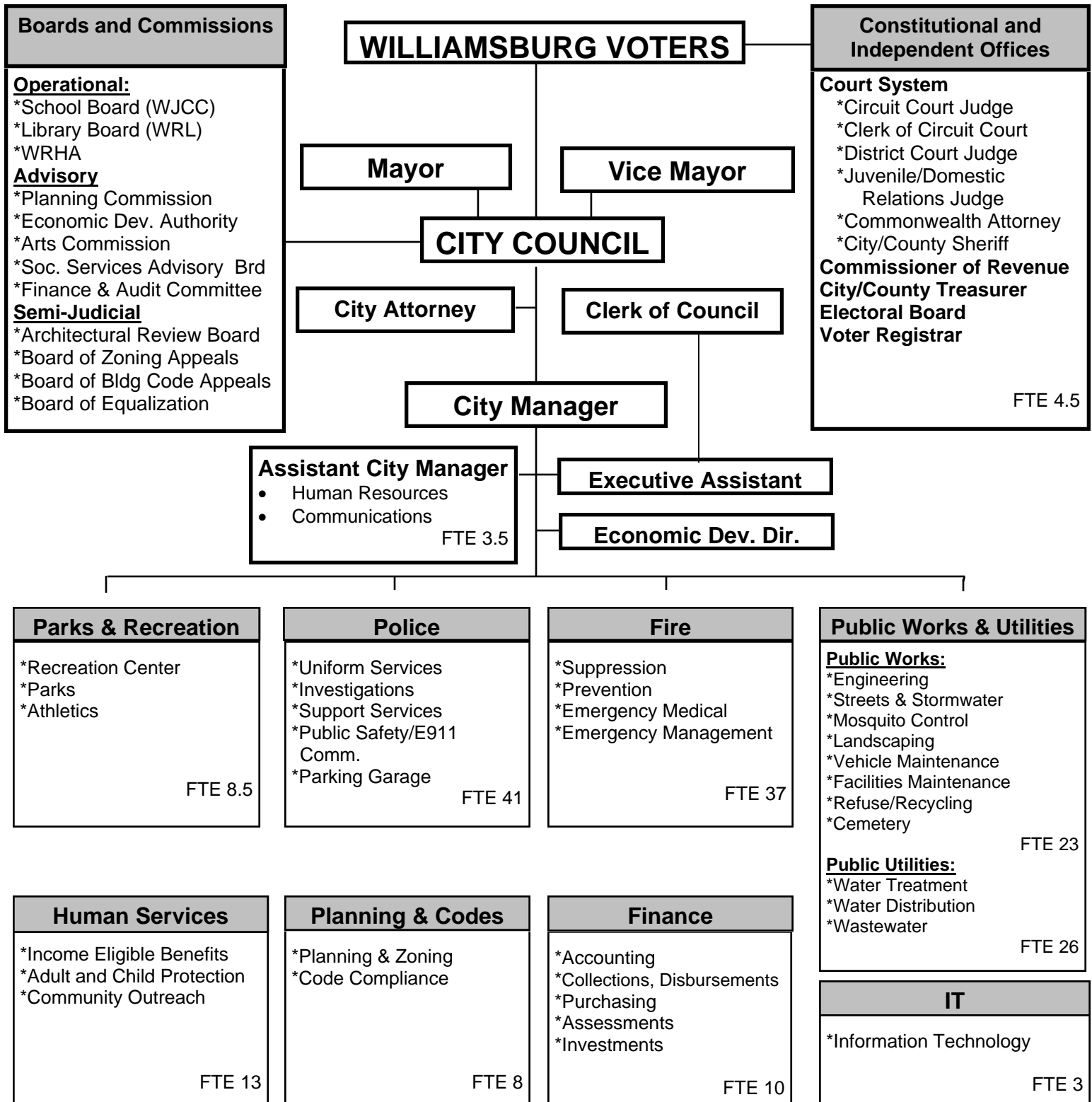
President

Jeffrey R. Evers

Executive Director

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City of Williamsburg Organizational Chart



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CITY OF WILLIAMSBURG, VIRGINIA

Members of the City Council

| | | |
|-----------------|---------------------------|-------------------------------|
| | Clyde A. Haulman, Mayor | |
| | Paul Freiling, Vice-Mayor | |
| Judith Knudson | | Douglas G. Pons |
| D. Scott Foster | | 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 | Christina Shelton |
| Treasurer | M. Ann Davis |
| Commissioner of Revenue | Judy Nightengale Fuqua |
| Clerk of Circuit Court..... | Betsy Woolridge |
| Sheriff..... | Robert Deeds |
| Director of Public Works & Utilities..... | Daniel G. Clayton, III |
| Director of Planning | Reed T. Nester |
| Director of Human Services | Peter P. Walentisch |
| Director of Information Technology..... | Mark A. Barham |
| Director of Recreation | Lori C. Rierson |
| Director of Economic Development | Michele Mixner DeWitt |
| Chief, Fire Department | W. Patrick Dent |
| Chief, Police Department..... | David C. Sloggie |

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2012, 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, 2012, 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 October 29, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 29, 2012

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, 2012. 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, 2012 by \$110.6 Million. Capital assets (net of depreciation and related debt) account for 71% of this amount, with a value of \$78.3 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 \$1.5 Million, of which the governmental activities increased by \$1.4 Million, and business-type activities increased by \$.10 Million.
- The City's governmental funds reported combined ending fund balances of \$28.2 Million, an increase of \$.9 Million from the prior year. Fund balances are further categorized as *Nonspendable* (\$1.2 Million for real property owned by the City and held for resale), *Restricted* (\$.4 Million for the Public Assistance Fund), *Assigned* (\$1.4 Million for carryover capital projects), and *Unassigned* (\$25.3 Million).
- The unassigned fund balance for the General Fund was \$25.3 Million or 77.8% of total General Fund operating revenues for FY 2012, representing an increase of \$2.4 Million from last year. This level of reserves continues to exceed the City's unassigned fund balance policy minimum of 35% of total General Fund revenues.
- Total General Fund (including 1% Sales Tax) revenues were \$36.9 Million for FY 2012, down by \$5,269 from last year. General property tax receipts were \$11.6 Million, down 4.2% from last year. Other local taxes were up 3.40%, mostly from increased sales taxes, business licenses, and recordation taxes. Room taxes increased slightly by .3%, and meal taxes were up 4.8%.
- Total General Fund expenditures, including capital projects, were down 1.3% at \$35.5 Million for FY 2012. Capital projects and debt service payments accounted for \$4.8 Million in spending for the year, reduced from last year's level of \$6.6 Million.
- The City's General Fund debt decreased by \$.6 Million (7.3%) during FY 2012. This is due in part to continued repayment of schedule debt service, and an advance refunding of the City's Series 2005 bonds, taking advantage of reduced interest rates. The City's strong bond ratings from Moody's (Aa1) and Standard & Poor's (AA+) were affirmed during the refinancing of June, 2012.
- The liability 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 was eliminated as of June 30, 2012, with the termination of the retiree healthcare supplement. The City has no future Other Postemployment Benefits (OPEB) liability.
- Business-type activities (Utility Fund) reported net assets at June 30, 2012 of \$21.9 Million. Net assets invested in capital assets (net of depreciation and related debt) account for 79.6% 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 current liabilities of \$1.5 Million, including the current portion of bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The 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, 2012, 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, 2012.

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. Personnel services are budgeted by fulltime positions. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget. Major fund budgetary variance statements are included with the basic financial statements. Non-major fund information follows the notes to the financial statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

Proprietary Funds. The City 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.

Other Information

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net 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 \$110.6 Million at June 30, 2012. The following table reflects the condensed Government-Wide Statement of Net Assets:

City of Williamsburg, Virginia - Summary of Net Assets

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Current and Other Assets | \$ 30,378,183 | \$ 29,172,971 | \$ 5,425,961 | \$ 6,436,848 | \$ 35,804,144 | \$ 35,609,819 |
| Capital Assets | <u>67,716,149</u> | <u>69,106,703</u> | <u>26,047,737</u> | <u>26,003,200</u> | <u>93,763,886</u> | <u>95,109,903</u> |
| Total Assets | \$ 98,094,332 | \$ 98,279,674 | \$ 31,473,698 | \$ 32,440,048 | \$ 129,568,030 | \$ 130,719,722 |
| Long-term Liabilities | \$ 7,627,688 | \$ 8,229,321 | \$ 8,784,297 | \$ 9,385,335 | \$ 16,411,985 | \$ 17,614,656 |
| Other Liabilities | <u>1,738,646</u> | <u>2,063,396</u> | <u>812,346</u> | <u>1,216,066</u> | <u>2,550,992</u> | <u>3,279,462</u> |
| Total Liabilities | \$ 9,366,334 | \$ 10,292,717 | \$ 9,596,643 | \$ 10,601,401 | \$ 18,962,977 | \$ 20,894,118 |
| Net Assets: | | | | | | |
| Invested in Capital Assets, net of related debt | \$ 60,919,382 | \$ 61,799,859 | \$ 17,403,766 | \$ 16,771,608 | \$ 78,323,148 | \$ 78,571,467 |
| Unrestricted | <u>27,808,616</u> | <u>26,187,098</u> | <u>4,473,289</u> | <u>5,067,039</u> | <u>32,281,905</u> | <u>31,254,137</u> |
| Total Net Assets | \$ 88,727,998 | \$ 87,986,957 | \$ 21,877,055 | \$ 21,838,647 | \$ 110,605,053 | \$ 109,825,604 |

The City of Williamsburg's total assets were \$129.6 Million as of June 30, 2012. The largest portion, \$78.3 Million (70.7%), 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 \$30.4 Million is accounted for in cash, cash equivalents, and pooled investments, \$2.8 Million in accounts and notes receivable, and amounts due from other governmental units, with the remainder spread among miscellaneous assets.

At June 30, 2012, outstanding liabilities were \$18.9 Million, with \$16.4 Million in general obligation bonds payable and compensated absences. Of the bonds payable, \$1.9 Million is due within one year, with the remainder due at various dates until 2027. Refer to Note 8 in the notes to the financial statements for more information on the City's long term debt obligations. Included in other liabilities above are \$1.8 Million in accounts payable, \$244,565 in accrued liabilities, and \$85,875 in deposits payable to customers.

At June 30, 2012, 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.

The following schedule summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2012 and 2011:

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

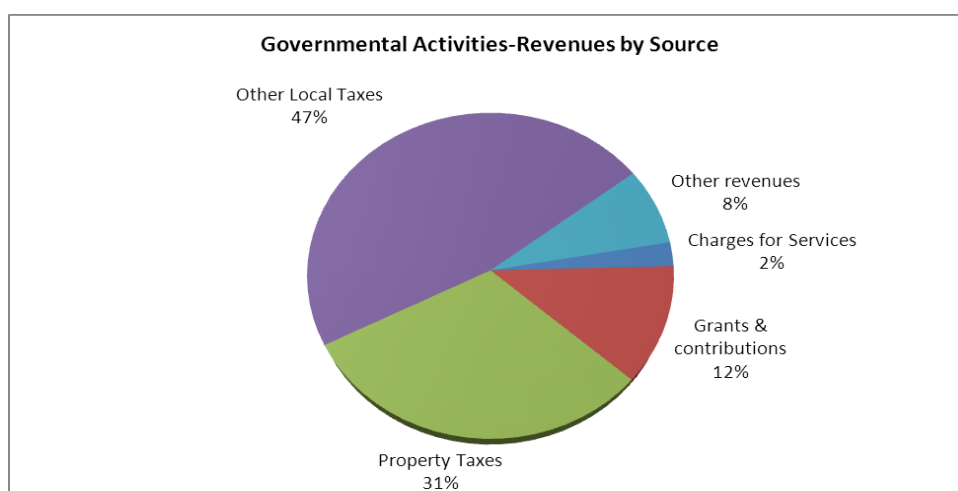
| | Governmental Activities | | Business-Type Activities | | Total | |
|-------------------------------------|------------------------------------|----------------------|-------------------------------------|----------------------|-----------------------|-----------------------|
| | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> | <u>2012</u> | <u>2011</u> |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | \$ 886,913 | \$ 812,056 | \$ 5,783,098 | \$ 7,496,603 | \$ 6,670,011 | \$ 8,308,659 |
| Operating grants and contributions | 4,414,469 | 4,631,169 | - | - | 4,414,469 | 4,631,169 |
| Capital grants and contributions | 21,777 | 84,677 | - | - | 21,777 | 84,677 |
| General Revenues: | | | | | | |
| Property taxes | 11,671,712 | 12,075,293 | - | - | 11,671,712 | 12,075,293 |
| Other local taxes | 17,649,557 | 17,075,557 | - | - | 17,649,557 | 17,075,557 |
| Other | <u>2,860,345</u> | <u>2,754,862</u> | <u>190,980</u> | <u>155,886</u> | <u>3,051,325</u> | <u>2,910,748</u> |
| Total Revenues | <u>\$ 37,504,773</u> | <u>\$ 37,433,614</u> | <u>\$ 5,974,078</u> | <u>\$ 7,652,489</u> | <u>\$ 43,478,851</u> | <u>\$ 45,086,103</u> |
| Expenses: | | | | | | |
| General government | \$ 4,067,673 | \$ 3,563,461 | \$ - | \$ - | \$ 4,067,673 | \$ 3,563,461 |
| Judicial administration | 375,239 | 405,416 | - | - | 375,239 | 405,416 |
| Public safety | 9,638,966 | 9,275,831 | - | - | 9,638,966 | 9,275,831 |
| Public works | 4,505,943 | 4,750,649 | - | - | 4,505,943 | 4,750,649 |
| Health and welfare | 2,414,154 | 2,245,513 | - | - | 2,414,154 | 2,245,513 |
| Education | 7,756,817 | 7,736,481 | - | - | 7,756,817 | 7,736,481 |
| Parks, recreation, & cultural | 2,424,850 | 2,314,517 | - | - | 2,424,850 | 2,314,517 |
| Community Development | 4,418,902 | 4,482,731 | - | - | 4,418,902 | 4,482,731 |
| Interest expense | 472,343 | 284,738 | - | - | 472,343 | 284,738 |
| Water | - | - | <u>5,935,670</u> | <u>6,046,002</u> | <u>5,935,670</u> | <u>6,046,002</u> |
| Total Expenses | <u>\$ 36,074,887</u> | <u>\$ 35,059,337</u> | <u>\$ 5,935,670</u> | <u>\$ 6,046,002</u> | <u>\$ 42,010,557</u> | <u>\$ 41,105,339</u> |
| Increase in net assets | \$ 1,429,886 | \$ 2,374,277 | \$ 38,408 | \$ 1,606,487 | \$ 1,468,294 | \$ 3,980,764 |
| Net assets - beginning, as restated | <u>87,298,112</u> | <u>85,612,680</u> | <u>21,838,647</u> | <u>20,232,160</u> | <u>109,136,759</u> | <u>105,844,840</u> |
| Net assets - ending | <u>\$ 88,727,998</u> | <u>\$ 87,986,957</u> | <u>\$ 21,877,055</u> | <u>\$ 21,838,647</u> | <u>\$ 110,605,053</u> | <u>\$ 109,825,604</u> |

Governmental Activities – Revenues

The City's total revenues from governmental activities were \$37.5 million for FY 2012, an increase of \$.1 million over last year. Components of revenues are as follows:

- Charges for Services – slight increase of \$75K over last year, and attributable to increased EMS transport recovery fees.
- Operating Grants & Contributions – down \$216.7K in total, VDOT street maintenance payments were up slightly, while there were no Federal Stimulus (ARRA) funds received this year.
- Capital Grants & Contributions – down \$63K from last year.

FY 2012 governmental revenues by source as a percentage of total governmental revenues are as follows:



Taxes are the largest City revenue source – property and other local taxes accounted for 78% of General Fund revenues. Real property tax receipts were \$9.4 Million, down 4.8% from last year, and consistent with the decline in FY 2012 property assessments, as the tax rate remained at \$.54/\$100. Personal property tax receipts were up slightly by .7% for the year. The State's 1% sales taxes were up 5% over last year, while consumer utility taxes were down 2.4%. Although room taxes were up slightly by only .3%, meal taxes generated \$6.3 Million, and were up 4.8% over last year. The \$2 lodging taxes, which are passed-thru to the Williamsburg Area Destination Marketing Committee (WADMC), were down 2.7% for the year.

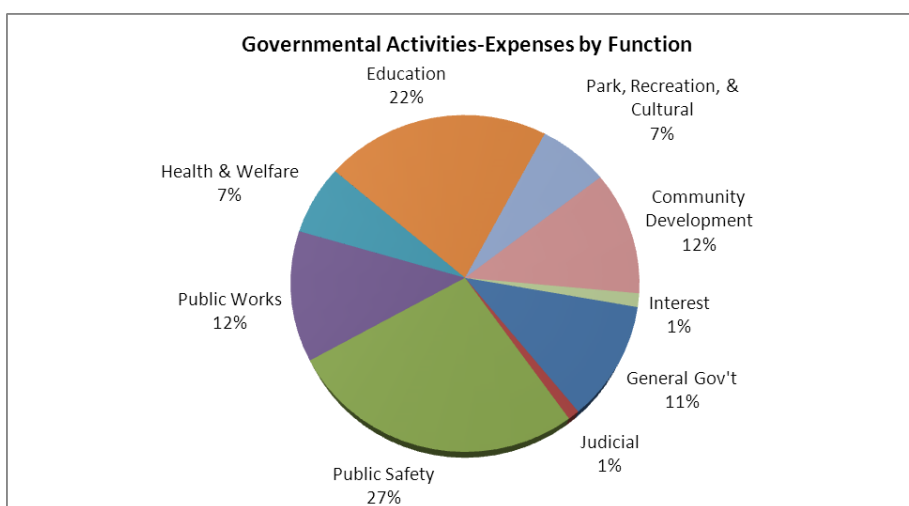
Governmental Activities – Expenses

Highlights of expense activity for governmental funds include:

- Overall expenses increased by slightly over \$1 million from last year.
- General government expenses increased 14.1% to \$4.1 Million, largely by use of contingency funds for final settle-up costs of the former self-insured healthcare plan.
- Public safety expenses increased 3.9%, and attributable to increased personnel costs, and a new ladder truck for the Fire department.

The Summary of Changes in Net Assets shows total expenses for all of the City's governmental activities for FY 2012 were \$36.1 Million, which represents an increase of \$1.0 Million, or 2.9% over last year. The City's FY 2012 budget included merit pay increases, on average, of 2% for employees. As most benefits are based on compensation, such as VRS pension costs, FICA, Medicare, and Workers Compensation, benefit costs were higher this year. In addition, premiums for the City's self-insured healthcare plan, which were administered by Anthem, increased over 16% for FY 2012. This plan was effectively cancelled as of June 30, 2012, requiring a settle-up of claims made under the former healthcare plan totaling \$310K, and were paid from contingency funds.

Public Safety, making up the largest percentage of expenses for the governmental activities, increased from additional spending for Jail, Police, Fire, and Juvenile Detention costs compared to last year. Public Works expenses were lower this year, largely because Federal Stimulus (ARRA) funds were not received or spent for road paving in FY 2012 as they were last year. Education costs, which include capital spending, were fairly level with last year.



Business-type activities - The Utility Fund is the City's only business-type activity. The utility rate structure recovers as much as possible of the operating expenses incurred to meet service demands through user charges. Changes in the fund's net assets result from the difference between revenues and expenses, which for FY 2012 resulted in a slight increase in net assets of \$38,408. Highlights include:

- Operating revenue for the Utility Fund was down \$83,421, or 1.4% for FY 2012. Total water consumption for FY 2012 was 1.02 billion gallons, down from 1.06 billion gallons last year.
- Total operating expenses were also down slightly by \$45,605, or .8%.
- Investment earnings were \$29,772, compared to \$8,536 last year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds Revenues - Analysis

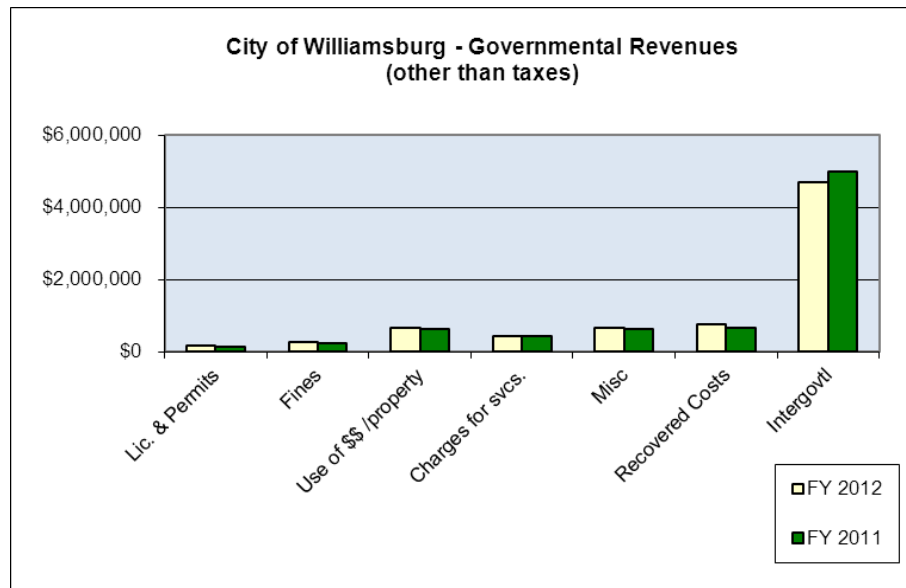
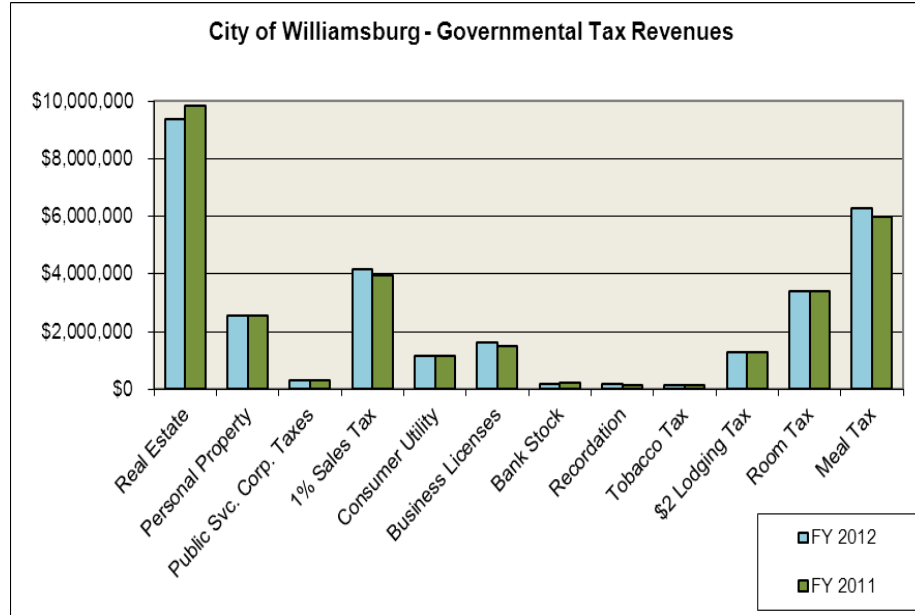
Revenues Classified by Source
Governmental Funds

| Revenues by Source | June 30, 2012 | | June 30, 2011 | | Increase/(Decrease) | |
|---------------------------|----------------------|------------------|----------------------|------------------|---------------------|-------------------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount | Percent of Change |
| General Property Taxes | \$ 11,624,757 | 30.41% | \$ 12,134,827 | 31.79% | \$ (510,070) | -4.20% |
| Other Local Taxes | 17,649,557 | 46.17% | 17,075,557 | 44.74% | 574,000 | 3.36% |
| Licenses and permits | 181,806 | 0.48% | 154,108 | 0.40% | 27,698 | 17.97% |
| Fines & Forfeitures | 259,308 | 0.68% | 221,767 | 0.58% | 37,541 | 16.93% |
| Use of Money and Property | 647,887 | 1.69% | 624,377 | 1.64% | 23,510 | 3.77% |
| Charges for Services | 445,799 | 1.17% | 436,181 | 1.14% | 9,618 | 2.21% |
| Miscellaneous | 720,497 | 1.88% | 617,852 | 1.62% | 102,645 | 16.61% |
| Recovered Costs | 769,199 | 2.01% | 676,639 | 1.77% | 92,560 | 0.00% |
| Intergovernmental | 5,928,207 | 15.51% | 6,228,479 | 16.32% | (300,272) | -4.82% |
| Total Revenues | <u>\$ 38,227,017</u> | <u>100.00%</u> | <u>\$ 38,169,787</u> | <u>100.00%</u> | <u>\$ 57,230</u> | <u>0.15%</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, 2012, total fund balance of the General Fund was approximately \$28 Million. Of that amount, *Nonspendable* fund balance was approximately \$1.2 Million, consisting of prepaid expenditures and current market value of City-owned property for sale. *Assigned* fund balance was \$1.4 Million, representing appropriations carried over for capital projects. The remainder of \$25.3 Million is shown as *Unassigned* fund balance.

The following provides more detailed information about major General Fund operating revenue collections during FY 2012:

- **General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were \$9.4 Million, down 4.8% 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 up slightly by .7% from last year.
- **Other Local Taxes** - Overall these revenues increased 3.4% from last year. Sales taxes were up 5% from last year, while consumer utility taxes were down 2.4%. Room taxes were up slightly by .3% from last year, while meal taxes were up 4.8% for the year.



- **Revenue from the Use of Money and Property** – Interest earnings were \$125,429 for the year, up from last year's \$87,800, mostly from an FDIC insured cash sweep account offered by the Promontory Interfinancial Network. Parking garage receipts were up 6.1% for the year.
- **Charges for Services** – This category consists largely of recreation programs, recreation facility rentals, and cemetery lots and fees. Overall revenues in this category were \$445,799, up by 2.2% 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 \$463,534 received during the year, which were up 13.2% over last year.

- **Intergovernmental** – Overall, intergovernmental revenues were \$5.9 Million, down 4.8% from last year, largely due to less Federal stimulus (ARRA) funding for street improvements this year. Grantor's, rolling stock, and rental car taxes were up 15.7% over last year. State sales tax for education receipts for up 2.2% for the year. State highway maintenance payments were up 3.7% for the year.

Governmental Funds Expenditures - Analysis

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

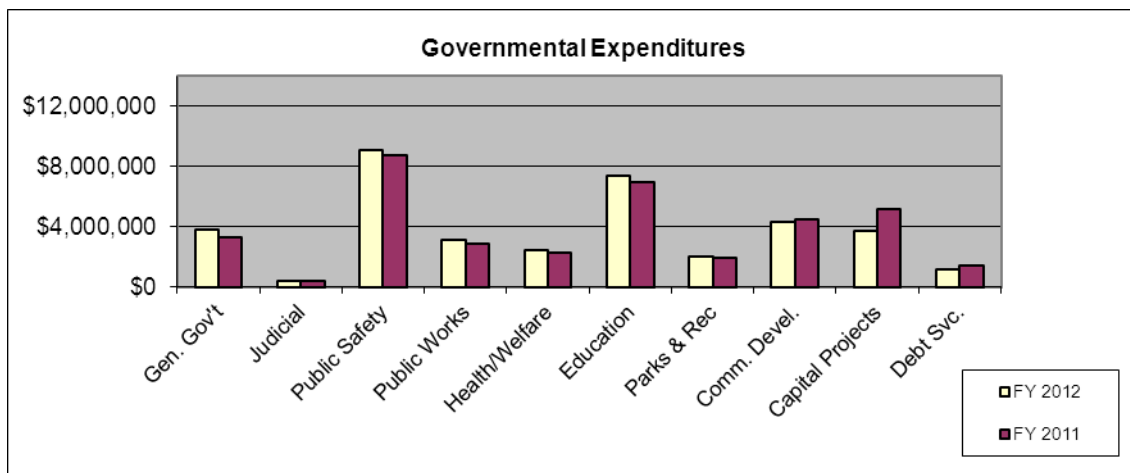
| Expenditures by Function | June 30, 2012 | | June 30, 2011 | | Increase/(Decrease) | |
|---------------------------------|----------------------|----------------|----------------------|----------------|---------------------|---------------|
| | Amount | Percent of | Amount | Percent of | Amount | Percent of |
| | | Total | | Total | | Change |
| General Government | \$ 3,781,205 | 10.10% | \$ 3,341,506 | 8.88% | \$ 439,699 | 13.16% |
| Judicial Administration | 371,366 | 0.99% | 405,416 | 1.08% | (34,050) | -8.40% |
| Public Safety | 9,045,069 | 24.15% | 8,729,107 | 23.19% | 315,962 | 3.62% |
| Public Works | 3,129,845 | 8.36% | 2,877,077 | 7.64% | 252,768 | 8.79% |
| Health and Welfare | 2,416,361 | 6.45% | 2,241,201 | 5.95% | 175,160 | 7.82% |
| Education | 7,337,320 | 19.59% | 6,991,174 | 18.57% | 346,146 | 4.95% |
| Parks, Recreation, and Cultural | 2,012,146 | 5.37% | 1,956,610 | 5.20% | 55,536 | 2.84% |
| Community Development | 4,419,267 | 11.80% | 4,469,891 | 11.87% | (50,624) | -1.13% |
| Capital Projects | 3,701,211 | 9.88% | 5,206,675 | 13.83% | (1,505,464) | -28.91% |
| Principal Retirement | 886,240 | 2.37% | 1,149,694 | 3.05% | (263,454) | -22.92% |
| Interest | 354,583 | 0.95% | 275,348 | 0.73% | 79,235 | 28.78% |
| Total Expenditures | <u>\$ 37,454,613</u> | <u>100.00%</u> | <u>\$ 37,643,699</u> | <u>100.00%</u> | <u>\$ (189,086)</u> | <u>-0.50%</u> |

The City's FY 2012 budget included 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 16.44% of covered payroll for FY 2012 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, premiums for the City's self-insured healthcare plan, which is administered by Anthem, increased over 16% for FY 2012. The General and Utility Funds absorbed the majority of this increase, with the remainder passed on to employees, depending on their chosen healthcare plan.

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

- **General Government Administration** – Up \$439,699, or 13.2% from last year. Departments under this category, as well as all City departments, experienced the above-mentioned merit pay and healthcare increases during the year. Benefits which are based on compensation, such as VRS pension costs, FICA, Medicare, and Workers Compensation, were higher for FY 2012. In addition, the City's self-insured healthcare plan with Anthem was effectively cancelled as of June 30, 2012. This required a settle-up of claims made under the former healthcare plan totaling \$310,477, and were paid from contingency funds.

- **Judicial Administration** – The City funds judicial offices with James City County in the jointly owned Courthouse, according to a population-based formula each year. The City's share of expenditures totaled \$371,366, down 8.4% from last year.
- **Public Safety** – This category is made up of several departments, and was up 3.7% over last year. Police department spending was up 5.3% over last year, mostly from increases in salaries, benefits, and other operational costs. E-911 contracted services were up slightly by 1.9% for the year. Fire department spending was up slightly by 1.2%, while increasing salary and benefit costs were balanced with savings from vacant positions throughout the year. Juvenile detention costs were up 42.4% over last year due to increased number of days City children were in the Merrimac Center, of which the City is part of along with 17 other local governments
- **Public Works** – Engineering was up 4.9% due mostly to personnel costs, while streets were up 2.4%, mostly for salaries, benefits, and electricity. Refuse collection was down 1.8% from last year. Maintenance of building and grounds, and landscaping costs were \$1.2 Million, up 23.4% from last year, due to additional costs associated with Hurricane Irene in August, 2011.
- **Health & Welfare** – Local health department costs were \$203,373, up 4.1% from last year. Contributions to the Colonial Behavioral Health were \$245,860, level with the past three years.
- **Education** – Education costs were \$7.3 Million, up 4.9% from last year. The City's share of the jointly operated Williamsburg-James City County Schools for Fiscal Year 2012 was 8.98%. FY 2012 was the fifth of a five year joint agreement, with operating funding based on the City's share of student population multiplied by a 14% factor for FY 2012. 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 \$419,496, and included new projects and others carried forward from prior years.
- **Parks, Recreation and Cultural** – Parks and recreation costs were up 2.2% due mostly to personnel cost increases, while operating costs remained level. Library expenditures were up 3.8% over last year.
- **Community Development** – Planning expenditures were down 5% from last year, largely from a reduced level of spending for outside professional services. Contributions to outside agencies were \$3.7 Million, including pass-thru funding of the \$2 lodging taxes to the Williamsburg Area Destination Marketing Committee. Arts Commission expenditures were up 1.5% from last year.
- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City projects totaled \$4.4 Million for FY 2012. Capital projects included street resurfacing, sidewalk construction, final costs for the municipal building renovation project, school improvements, and vehicles. More information is provided under the Capital Asset section below.
- **Principal and Interest payments** – Total principal payments during FY 2012 totaled \$886,240, while interest payments on outstanding debt and bond issuance costs totaled \$354,483. 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 operating revenues in the General Fund were over budget by approximately \$259K for FY 2012, while operating expenditures were approximately \$1.0 Million under budget. Although many revenue sources throughout the budget were slightly lower than budgeted, a few, namely meal taxes and business licenses, ended the year significantly higher than budgeted. On the expenditure side, major contributing departments that were underspent for FY 2012 were fire, police, planning, and codes compliance.

Fund Balance

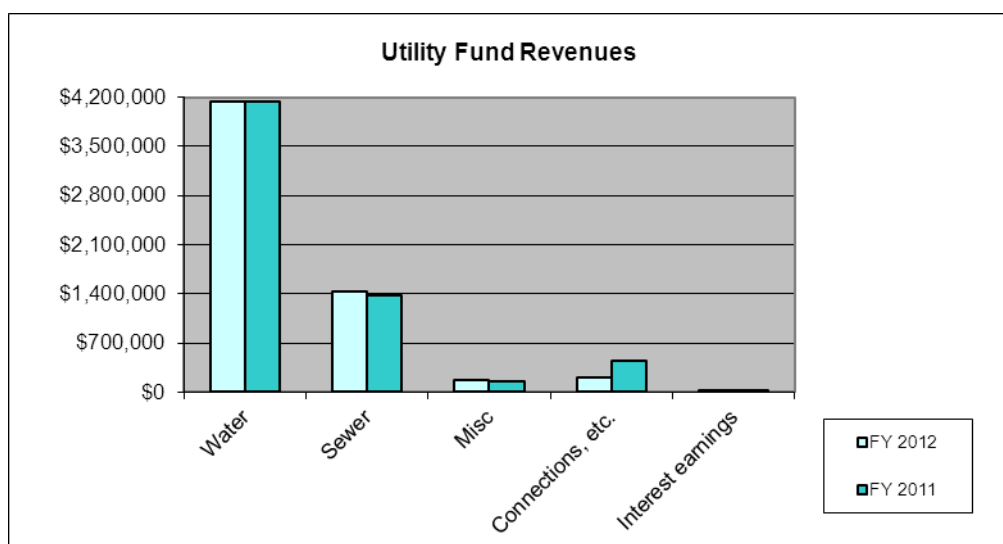
Total Fund Balance for the General Fund increased from \$26.9 Million to \$27.8 Million for the year. Of that, (1) \$1.2 Million is *nonspendable*, and represents prepaid items, and City-owned land held for resale; (2) \$1.4 Million is *assigned* for subsequent years' capital expenditures; (3) and the residual of \$25.3 Million is *unassigned*. Project balances assigned from fund balance include carryover amounts for stormwater management improvements, remaining balance of the Fire Department's new ladder truck, and on-going school capital projects.

General Fund Reserve Policy

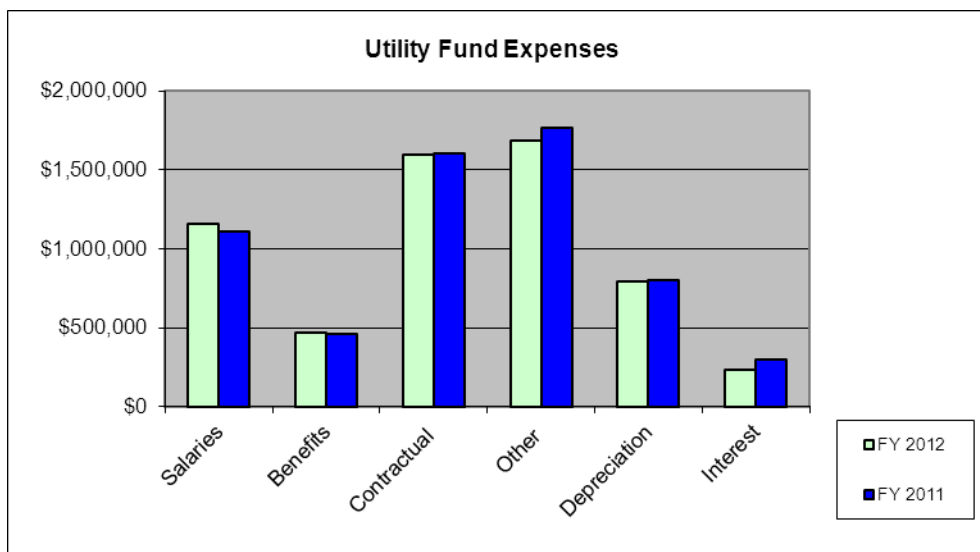
At June 30, 2012 the unassigned portion of fund balance was \$25.3 Million. That level of reserves, as a percentage of operating revenues for the year, is 77.7%, significantly higher than the City's policy of maintaining reserves of at least 35% of operating revenues. Reserve levels will decline next year, based on the amount of capital projects carried over from last year, and new projects planned for FY 2013. 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 \$5.9 Million, down 1.3% from last year. Water rates increased 2.5% in July 2011 from \$4.20 to \$4.30 per 1,000 gallons. Water and sewer revenues were up slightly by \$60,746, about 1.1% over last year. Even with an increase in water rates, revenues were only up slightly, due to lower city-wide water consumption during the year. Total water consumption during the year was 1.015 billion gallons, compared to 1.059 billion gallons in FY 2011, a reduction of 4.1%.



Tap, connection, and availability fees are unpredictable and dependent on development activity, and were down significantly from past years due to a slowdown in development activity. The City received \$153,298 this year from contracts with cell-phone providers using water tanks as a base for telecommunications equipment. Interest earnings were \$29,772, up from last year, due to shifting idle funds to higher-yielding, fully collateralized certificates of deposit in FY 2012, earning higher interest rates than the State investment pool. Utility Fund expenses totaled \$5.7 Million for the year, level with last year. Depreciation charges now include a portion of the 25-year amortization of the total \$12.5 Million cost of the Newport News Water agreement, classified as intangible water rights in the Utility Fund. Operating income for the year was \$241,287, down from \$279,103 reported last year. Total net assets of the Utility Fund increased by the net income for FY 2012 of \$38,408, leaving the fund's ending total net assets at \$21.9 Million.



ORIGINAL AND FINAL AMENDED BUDGETS

By resolution, the General Fund FY 2012 budget was amended in June, 2012, resulting in a net increase of \$283,748 from the original budget. The General Fund's capital improvement budget was increased by \$3,372,285 to carry forward the remaining appropriations for projects that were continued from the prior year, and also by a \$19,000 increase for a Federal grant for fire equipment.

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, 2012, was \$93.8 Million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and recreation and park facilities. Major capital assets of the Utility Fund consist of all assets used to provide water and sewer services to City residents, including the major investment of the Waller Mill Reservoir and all properties adjacent to this watershed, and intangible water rights with the Newport News water agreement.

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

Governmental Funds:

- Various City streets were resurfaced during the year at a cost of \$440,680.

- Sidewalk construction projects on Rt. 199, Richmond Rd., and Nassau, Boundary, and South Henry streets were completed at a cost of \$106,860.
- Final payments for the municipal building project, consisting of renovation, repairs, and construction of additional space, in the amount of \$591,398.
- The Lord Paget Hotel property was purchased by the City in November, 2011 at a total cost of \$714,803, and is currently being marketed for re-use.
- School project costs, including renovations to existing facilities, were paid during the year in the amount of \$419,496.
- Vehicles were replaced citywide under the replacement plan for \$1,274,720, which included a new Pierce ladder truck for the Fire Department.

The budget balances of any appropriated capital projects not completed at year end are carried forward to the next fiscal year, as provided for in the City's financial policies. Carryover funds for capital projects totaled approximately \$1.4 Million at year end.

Utility Fund:

- The water tank at the Riverside hospital project was completed during the year at a cost of \$717,528.
- A new utility vehicle was purchased for \$16,598.
- Condition assessment of the City's sanitary sewer system, which is mandated by the EPA, continued during the year costing \$363,543.

Additional information on the City of Williamsburg's capital assets can be found in the Notes to the Financial Statements section of this report.

Long-Term Debt

At June 30, 2012, the City of Williamsburg's total outstanding bonded debt was \$14.7 Million. Bonds payable for Governmental Activities were \$6.4 Million, while business-type activities owed \$8.3 Million at year end. The full faith and credit of the government backs these instruments.

The City's total bonded debt decreased \$1.4 Million during FY 2012. The City's remaining capacity for debt at June 30, 2012 was approximately \$158 million.

As noted previously in the Letter of Transmittal, in June, 2012 the City advance refunded the General Fund's Series 2005 GO bond. This action was taken to reduce future interest costs of approximately \$266,000 over the remaining eight-year life of the original issue, while keeping the same length of borrowing. During the process Standard & Poor's (AA+), and Moody's (Aa1) both affirmed the City's current bond ratings. City staff continues to work with financial advisors, Davenport and Company, to analyze all aspects of capital project borrowing needs in order to secure the best interest rates if and when future borrowing is necessary. Additional information on the City's long-term debt can be found under *Financial Highlights* on the first page of this Management's Discussion and Analysis, and in Note 8 to the financial statements – Long-Term Obligations, on page 44-46 of this report.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Williamsburg, Virginia
Statement of Net Assets
June 30, 2012

| | Primary Government | | |
|--|----------------------|----------------------|-----------------------|
| | Governmental | Business-type | Total |
| | <u>Activities</u> | <u>Activities</u> | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 24,347,366 | \$ 3,551,872 | \$ 27,899,238 |
| Investments | 1,690,384 | 834,991 | 2,525,375 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 384,126 | - | 384,126 |
| Accounts receivable | 1,293,853 | 1,011,222 | 2,305,075 |
| Interest receivable | 48,447 | 28,288 | 76,735 |
| Internal balances | 412 | (412) | - |
| Due from other governmental units | 1,308,960 | - | 1,308,960 |
| Inventories | 1,167,004 | - | 1,167,004 |
| Prepaid expenses | 11,526 | - | 11,526 |
| Deferred charges | 126,105 | - | 126,105 |
| Capital assets (net of accumulated depreciation): | | | |
| Land and land improvements | 8,762,204 | 6,305,101 | 15,067,305 |
| Buildings and system | 24,049,885 | 5,981,580 | 30,031,465 |
| Improvements other than buildings | 6,229,535 | 1,630,903 | 7,860,438 |
| Machinery and equipment | 2,526,826 | 470,835 | 2,997,661 |
| Intangibles | 155,306 | 11,582,566 | 11,737,872 |
| Infrastructure | 24,928,437 | 76,752 | 25,005,189 |
| Construction in progress | 1,063,956 | - | 1,063,956 |
| Total assets | <u>\$ 98,094,332</u> | <u>\$ 31,473,698</u> | <u>\$ 129,568,030</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 1,273,353 | \$ 561,137 | \$ 1,834,490 |
| Accrued liabilities | 244,565 | - | 244,565 |
| Refundable deposits | 33,707 | 52,168 | 85,875 |
| Accrued interest payable | 11,628 | 41,541 | 53,169 |
| Unearned revenue | 175,393 | 157,500 | 332,893 |
| Long-term liabilities: | | | |
| Due within one year | 1,224,005 | 643,841 | 1,867,846 |
| Due in more than one year | 6,403,683 | 8,140,456 | 14,544,139 |
| Total liabilities | <u>\$ 9,366,334</u> | <u>\$ 9,596,643</u> | <u>\$ 18,962,977</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | \$ 60,919,382 | \$ 17,403,766 | \$ 78,323,148 |
| Unrestricted (deficit) | 27,808,616 | 4,473,289 | 32,281,905 |
| Total net assets | <u>\$ 88,727,998</u> | <u>\$ 21,877,055</u> | <u>\$ 110,605,053</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, 2012

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|--|---------------|-------------------------|-----------------------------|-----------------------------|--|-----------------------------|-----------------|
| | | | Operating | Capital | Primary Government | | |
| Functions/Programs | Expenses | Charges for Services | Grants and Contributions | Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government administration | \$ 4,067,673 | \$ - | \$ 126,495 | \$ - | \$ (3,941,178) | \$ - | \$ (3,941,178) |
| Judicial administration | 375,239 | 259,700 | - | - | (115,539) | - | (115,539) |
| Public safety | 9,638,966 | 183,113 | 492,493 | 21,777 | (8,941,583) | - | (8,941,583) |
| Public works | 4,505,943 | - | 1,691,209 | - | (2,814,734) | - | (2,814,734) |
| Health and welfare | 2,414,154 | - | 1,249,129 | - | (1,165,025) | - | (1,165,025) |
| Education | 7,756,817 | - | 845,143 | - | (6,911,674) | - | (6,911,674) |
| Parks, recreation, and cultural | 2,424,850 | 401,398 | 5,000 | - | (2,018,452) | - | (2,018,452) |
| Community development | 4,418,902 | 42,702 | 5,000 | - | (4,371,200) | - | (4,371,200) |
| Interest on long-term debt | 472,343 | - | - | - | (472,343) | - | (472,343) |
| Total governmental activities | \$ 36,074,887 | \$ 886,913 | \$ 4,414,469 | \$ 21,777 | \$ (30,751,728) | \$ - | \$ (30,751,728) |
| Business-type activities: | | | | | | | |
| Utility Fund | \$ 5,935,670 | \$ 5,783,098 | \$ - | \$ - | \$ - | \$ (152,572) | \$ (152,572) |
| Total business-type activities | \$ 5,935,670 | \$ 5,783,098 | \$ - | \$ - | \$ - | \$ (152,572) | \$ (152,572) |
| Total primary government | \$ 42,010,557 | \$ 6,670,011 | \$ 4,414,469 | \$ 21,777 | \$ (30,751,728) | \$ (152,572) | \$ (30,904,300) |
| General revenues: | | | | | | | |
| General property taxes | | | | | \$ 11,671,712 | \$ - | \$ 11,671,712 |
| Local sales and use taxes | | | | | 4,161,131 | - | 4,161,131 |
| Consumers' utility taxes | | | | | 295,788 | - | 295,788 |
| Restaurant food taxes | | | | | 6,277,434 | - | 6,277,434 |
| Hotel and motel taxes | | | | | 3,396,446 | - | 3,396,446 |
| \$2 lodging taxes | | | | | 1,264,046 | - | 1,264,046 |
| Business license taxes | | | | | 1,598,958 | - | 1,598,958 |
| Other local taxes | | | | | 655,754 | - | 655,754 |
| Unrestricted revenues from use of money and property | | | | | 647,887 | 29,772 | 677,659 |
| Miscellaneous | | | | | 720,497 | 161,208 | 881,705 |
| Grants and contributions not restricted to specific programs | | | | | 1,491,961 | - | 1,491,961 |
| Total general revenues | | | | | \$ 32,181,614 | \$ 190,980 | \$ 32,372,594 |
| Change in net assets | | | | | \$ 1,429,886 | \$ 38,408 | \$ 1,468,294 |
| Net assets - beginning, as adjusted | | | | | 87,298,112 | 21,838,647 | 109,136,759 |
| Net assets - ending | | | | | \$ 88,727,998 | \$ 21,877,055 | \$ 110,605,053 |

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, 2012

| | <u>General</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|----------------------|---|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 24,067,687 | \$ 279,679 | \$ 24,347,366 |
| Investments | 1,690,384 | - | 1,690,384 |
| Receivables (net of allowance for uncollectibles): | | | |
| Taxes receivable | 384,126 | - | 384,126 |
| Accounts receivable | 1,293,853 | - | 1,293,853 |
| Interest receivable | 48,447 | - | 48,447 |
| Due from other funds | 3,322 | - | 3,322 |
| Due from other governmental units | 1,184,364 | 124,596 | 1,308,960 |
| Inventories | 1,167,004 | - | 1,167,004 |
| Prepaid items | 11,526 | - | 11,526 |
| Total assets | <u>\$ 29,850,713</u> | <u>\$ 404,275</u> | <u>\$ 30,254,988</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 1,273,353 | \$ - | \$ 1,273,353 |
| Accrued liabilities | 244,565 | - | 244,565 |
| Refundable deposits | 33,707 | - | 33,707 |
| Due to other funds | - | 2,910 | 2,910 |
| Deferred revenue | 456,743 | 35,521 | 492,264 |
| Total liabilities | <u>\$ 2,008,368</u> | <u>\$ 38,431</u> | <u>\$ 2,046,799</u> |
| Fund balances: | | | |
| Nonspendable | \$ 1,178,530 | \$ - | \$ 1,178,530 |
| Restricted | - | 365,844 | 365,844 |
| Assigned | 1,375,060 | - | 1,375,060 |
| Unassigned | 25,288,755 | - | 25,288,755 |
| Total fund balances | <u>\$ 27,842,345</u> | <u>\$ 365,844</u> | <u>\$ 28,208,189</u> |
| Total liabilities and fund balances | <u>\$ 29,850,713</u> | <u>\$ 404,275</u> | <u>\$ 30,254,988</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, 2012

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

| | |
|--|----------------|
| Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds | \$ 28,208,189 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 67,716,149 |
| 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 | 316,871 |
| Issuance costs are recorded as other assets and amortized over the life of the debt, and, therefore, are not reported in the funds. | |
| Amortizable bonds fees | 126,105 |
| 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 | \$ (6,796,767) |
| Accrued interest payable | (11,628) |
| Compensated absences | (830,921) |
| | (7,639,316) |
| Net assets of governmental activities | \$ 88,727,998 |

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, 2012

| | <u>General</u> | Other Governmental <u>Funds</u> | <u>Total</u> |
|--|----------------|---------------------------------------|---------------|
| REVENUES | | | |
| General property taxes | \$ 11,624,757 | \$ - | \$ 11,624,757 |
| Other local taxes | 17,649,557 | - | 17,649,557 |
| Permits, privilege fees, and regulatory licenses | 181,806 | - | 181,806 |
| Fines and forfeitures | 259,308 | - | 259,308 |
| Revenue from the use of money and property | 647,885 | 2 | 647,887 |
| Charges for services | 445,799 | - | 445,799 |
| Miscellaneous | 678,675 | 41,822 | 720,497 |
| Recovered costs | 769,199 | - | 769,199 |
| Intergovernmental revenues: | | | |
| Commonwealth | 4,536,119 | 508,216 | 5,044,335 |
| Federal | 142,959 | 740,913 | 883,872 |
| Total revenues | \$ 36,936,064 | \$ 1,290,953 | \$ 38,227,017 |
| EXPENDITURES | | | |
| Current: | | | |
| General government administration | \$ 3,781,205 | \$ - | \$ 3,781,205 |
| Judicial administration | 371,366 | - | 371,366 |
| Public safety | 9,041,162 | 3,907 | 9,045,069 |
| Public works | 3,129,845 | - | 3,129,845 |
| Health and welfare | 494,199 | 1,922,162 | 2,416,361 |
| Education | 7,337,320 | - | 7,337,320 |
| Parks, recreation, and cultural | 2,012,146 | - | 2,012,146 |
| Community development | 4,419,267 | - | 4,419,267 |
| Capital projects | 3,701,211 | - | 3,701,211 |
| Debt service: | | | |
| Principal retirement | 886,240 | - | 886,240 |
| Interest and other fiscal charges | 250,284 | - | 250,284 |
| Bond issuance costs | 104,299 | - | 104,299 |
| Total expenditures | \$ 35,528,544 | \$ 1,926,069 | \$ 37,454,613 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 1,407,520 | \$ (635,116) | \$ 772,404 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ - | \$ 601,751 | \$ 601,751 |
| Transfers out | (601,751) | - | (601,751) |
| Issuance of refunding bonds | 5,180,000 | - | 5,180,000 |
| Bond premium issuance | 301,048 | - | 301,048 |
| Payment to refunded bond escrow agent | (5,376,749) | - | (5,376,749) |
| Total other financing sources (uses) | \$ (497,452) | \$ 601,751 | \$ 104,299 |
| Net change in fund balances | \$ 910,068 | \$ (33,365) | \$ 876,703 |
| Fund balances - beginning, as adjusted | 26,932,277 | 399,209 | 27,331,486 |
| Fund balances - ending | \$ 27,842,345 | \$ 365,844 | \$ 28,208,189 |

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, 2012

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 876,703 |
|--|----|---------|

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 | \$ 2,547,530 | | |
| Depreciation expense | <u>(2,797,039)</u> | | (249,509) |

| | | |
|--|--|--------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 46,955 |
|--|--|--------|

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 | \$ 5,987,146 | | |
| Issuance of bond | (5,180,000) | | |
| Premium on issuance | (301,048) | | |
| Issuance costs | 104,299 | | |
| Amortization of issuance costs | <u>1,254</u> | | 611,651 |

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 | \$ (52,011) | | |
| (Increase) decrease in OPEB liability | 143,567 | | |
| (Increase) decrease in interest payable | <u>52,530</u> | | <u>144,086</u> |

| | | |
|---|----|-------------------------|
| Change in net assets of governmental activities | \$ | <u><u>1,429,886</u></u> |
|---|----|-------------------------|

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, 2012

| | <u>Utility Fund</u> |
|---|-------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 3,551,872 |
| Investments | 834,991 |
| Interest receivable | 28,288 |
| Accounts receivable, net of allowances for uncollectibles | 1,011,222 |
| Total current assets | <u>\$ 5,426,373</u> |
| Noncurrent assets: | |
| Capital assets: | |
| Land and land improvements and easement | \$ 6,305,101 |
| Buildings and system | 11,842,633 |
| Improvements other than buildings | 6,601,256 |
| Machinery and equipment | 1,776,199 |
| Intangibles | 12,525,344 |
| Infrastructure | 83,860 |
| Less: accumulated depreciation | (13,086,656) |
| Total capital assets | <u>\$ 26,047,737</u> |
| Total noncurrent assets | <u>\$ 26,047,737</u> |
| Total assets | <u>\$ 31,474,110</u> |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | \$ 561,137 |
| Refundable deposits | 52,168 |
| Accrued interest payable | 41,541 |
| Due to other funds | 412 |
| Compensated absences - current portion | 75,936 |
| Unearned revenue | 157,500 |
| Bonds payable - current portion | 567,905 |
| Total current liabilities | <u>\$ 1,456,599</u> |
| Noncurrent liabilities: | |
| Bonds payable - net of current portion | \$ 8,076,066 |
| Compensated absences - net of current portion | 64,390 |
| Total noncurrent liabilities | <u>\$ 8,140,456</u> |
| Total liabilities | <u>\$ 9,597,055</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | \$ 17,403,766 |
| Unrestricted | 4,473,289 |
| Total net assets | <u>\$ 21,877,055</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, 2012

| | <u>Utility Fund</u> |
|---|-----------------------------|
| OPERATING REVENUES | |
| Charges for services: | |
| Water revenues | \$ 4,139,455 |
| Sewer revenues | 1,440,225 |
| Tap and availability fees | 177,715 |
| Penalty and interest | 23,803 |
| Miscellaneous | 161,208 |
| Total operating revenues | <u>\$ 5,942,406</u> |
| OPERATING EXPENSES | |
| Personnel services | \$ 1,156,103 |
| Fringe benefits | 469,827 |
| Contractual services | 1,591,229 |
| Other charges | 1,687,949 |
| Depreciation | 796,011 |
| Total operating expenses | <u>\$ 5,701,119</u> |
| Operating income (loss) | <u>\$ 241,287</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Investment earnings | \$ 29,772 |
| Interest expense | (234,551) |
| Connection fees | 1,900 |
| Total nonoperating revenues (expenses) | <u>\$ (202,879)</u> |
| Change in net assets | <u>\$ 38,408</u> |
| Total net assets - beginning | 21,838,647 |
| Total net assets - ending | <u><u>\$ 21,877,055</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, 2012

| | <u>Utility Fund</u> |
|--|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 6,059,447 |
| Payments to suppliers | (3,678,668) |
| Payments to and for employees | (1,639,346) |
| Net cash provided (used) by operating activities | <u>\$ 741,433</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | \$ (840,548) |
| Principal payments on bonds | (563,536) |
| Connection fees | 1,900 |
| Interest payments | (260,515) |
| Net cash provided (used) by capital and related financing activities | <u>\$ (1,662,699)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Sale (purchase) of investments | \$ 3,000,000 |
| Net cash provided (used) by investing activities | <u>\$ 3,000,000</u> |
| Net increase (decrease) in cash and cash equivalents | \$ 2,078,734 |
| Cash and cash equivalents - beginning | 1,473,138 |
| Cash and cash equivalents - ending | <u>\$ 3,551,872</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | <u>\$ 241,287</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 796,011 |
| (Increase) decrease in accounts receivable | 46,814 |
| (Increase) decrease in due from other funds | 72,167 |
| Increase (decrease) in compensated absences | 6,545 |
| Increase (decrease) in accounts payable and accrued liabilities | (419,451) |
| Increase (decrease) in deferred revenue | (4,500) |
| Increase (decrease) customer deposits | 2,148 |
| Increase (decrease) in due to other funds | 412 |
| Total adjustments | <u>\$ 500,146</u> |
| Net cash provided (used) by operating activities | <u>\$ 741,433</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, 2012

| | <u>Agency Funds</u> |
|---------------------------------|--------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 1,090,318 |
| Investments, at fair value: | |
| Other investments | 1,415,514 |
| Other assets | 35,825 |
| Total assets | <u>\$ 2,541,657</u> |
| LIABILITIES | |
| Accounts payable | \$ 13,402 |
| Accrued liabilities | 22,475 |
| Due to other governmental units | 264,959 |
| Amounts held for others | 2,240,821 |
| Total liabilities | <u>\$ 2,541,657</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, 2012

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.

Notes to Financial Statements (Continued)
As of June 30, 2012

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, 2012.

Discretely Presented Component Units - the City has no discretely presented component units to be included for the fiscal year ended June 30, 2012.

Notes to Financial Statements (Continued)
As of June 30, 2012

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:

| Fiscal Year | Factor |
|-------------|--------|
| 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, 2012

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

C. Other Related Organizations (Continued)

2. 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, 2012, is as follows:

| | |
|---|----------------------|
| Total assets | <u>\$ 13,114,638</u> |
| Liabilities | 11,672,649 |
| Fund equity and other credits | <u>1,441,989</u> |
| Total liabilities, fund equity, and other credits | <u>\$ 13,114,638</u> |
| Revenues | \$ 110,485,079 |
| Expenditures and other financing uses | <u>110,921,558</u> |
| Excess of expenditures and other financing uses over revenues | \$ (436,479) |
| Fund balance, beginning | <u>1,878,468</u> |
| Fund balance, ending | <u>\$ 1,441,989</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 \$779,744 to the Library's operating budget, or 14.64% 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, 2012

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 and use the economic resources measurement focus and accrual basis of accounting. 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, 2012

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

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

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

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

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

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

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

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

2. Proprietary Funds

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

Notes to Financial Statements (Continued)
As of June 30, 2012

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

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

Enterprise funds distinguish operating revenues and expenses from 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.

3. Fiduciary Funds

Fiduciary Funds (Trust and Agency Funds) account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds Presentation. Agency funds utilize the accrual basis of accounting described in the Proprietary Fund Presentation. Agency funds include the Williamsburg Regional Library, the Williamsburg Tricentennial Fund, 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.

F. Investments

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

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

Notes to Financial Statements (Continued)
As of June 30, 2012

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 \$148,849 at June 30, 2012 and is comprised of property taxes of \$79,391 and water and sewer charges of \$69,458.

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 the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2012 was immaterial.

Notes to Financial Statements (Continued)
As of June 30, 2012

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.

| Assets | Years |
|-----------------------------------|-------|
| 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.

Notes to Financial Statements (Continued)
As of June 30, 2012

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

L. 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.

M. 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.

N. Prepaid Expenses

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

O. Inventory

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

P. Fund Equity

Beginning with fiscal year 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

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

P. Fund Equity (Continued)

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

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

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

| | | Non-Major Special Revenue Funds | | |
|--|----------------------|--|---|----------------------|
| | General Fund | Virginia Public Assistance Fund | Law Enforcement Block Grant Fund | Total |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Prepays | \$ 11,526 | \$ - | \$ - | \$ 11,526 |
| Land held for resale | 1,167,004 | - | - | 1,167,004 |
| Total Nonspendable Fund Balance | \$ 1,178,530 | \$ - | \$ - | \$ 1,178,530 |
| Restricted for: | | | | |
| Social services | \$ - | \$ 360,666 | \$ - | \$ 360,666 |
| Law enforcement | - | - | 5,178 | 5,178 |
| Total Restricted Fund Balance | \$ - | \$ 360,666 | \$ 5,178 | \$ 365,844 |
| Assigned to: | | | | |
| Capital projects carryover | \$ 1,375,060 | \$ - | \$ - | \$ 1,375,060 |
| Total Assigned Fund Balance | \$ 1,375,060 | \$ - | \$ - | \$ 1,375,060 |
| Unassigned Fund Balance | \$ 25,288,755 | \$ - | \$ - | \$ 25,288,755 |
| Total Fund Balances | \$ 27,842,345 | \$ 360,666 | \$ 5,178 | \$ 28,208,189 |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 2—Stewardship, Compliance, and Accounting:

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

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution of budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Adopted budgets may be amended or superseded by action of City Council.
4. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented herein since there is no legal requirement for such presentation.
5. All operating budgets include proposed expenditures and the means of financing them. The City Manager has the authority to transfer amounts within the departments, so long as the total appropriation for a department is not adjusted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2012.
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: | | | |
| City Manager (includes contingency) | \$ 796,772 | \$ 970,509 | \$ 173,737 |
| Juvenile detention commission | 60,000 | 150,714 | 90,714 |
| Regional Jail | 1,267,749 | 1,283,962 | 16,213 |
| Virginia Public Assistance Fund: | | | |
| Public Assistance | 660,542 | 662,253 | 1,711 |
| Law Enforcement Block Grant Fund: | | | |
| Other protection | - | 3,907 | 3,907 |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2012

Note 3—Deposits and Investments:

Deposits

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

At year-end the carrying value of the City's deposits with banks and savings institutions was \$28,974,728 and the bank balance was \$29,566,252. Of the bank balance \$29,566,252 was covered by Federal depository insurance. Of the Bank balance \$14,094,656 was uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2012.

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, 2012 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

| City's Rated Debt Investments' Values | |
|---------------------------------------|-----------------------------|
| <u>Rated Debt Investments</u> | <u>Fair Quality Ratings</u> |
| | <u>AAAm</u> |
| Local Government Investment Pool | <u>\$ 3,940,889</u> |
| Total | <u><u>\$ 3,940,889</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. The dollar weighted average maturity of the LGIP portfolio may not exceed 60 days.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 4—Due from Other Governments:

At June 30, 2012, the City has receivables from other governments as follows:

| | Primary Government |
|----------------------------|-----------------------|
| Other Local Governments: | |
| County of James City | \$ 6,645 |
| Commonwealth of Virginia: | |
| Communications tax | 125,292 |
| Disaster relief | 26,563 |
| CSA pool funds | 16,330 |
| Local sales tax | 744,135 |
| Recordation tax | 17,630 |
| Social services | 44,222 |
| State sales tax | 129,445 |
| Other | 15,997 |
| Federal Government: | |
| Disaster relief | 110,682 |
| Transportation safety | 5,198 |
| DOJ Bulletproof vest grant | 2,777 |
| Social Services | 64,044 |
| Total | <u>\$ 1,308,960</u> |

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2012 are as follows:

| Fund | Interfund Receivables | Interfund Payables |
|----------------------------|--------------------------|-----------------------|
| General | \$ 3,322 | \$ - |
| Virginia Public Assistance | - | 2,910 |
| Proprietary | - | 412 |
| Total | <u>\$ 3,322</u> | <u>\$ 3,322</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, 2012*Note 6—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2012:

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---|-------------------------|--------------|--------------|--------------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 8,762,204 | \$ - | \$ - | \$ 8,762,204 |
| Construction in progress | 5,752,346 | 1,063,956 | 5,752,346 | 1,063,956 |
| Total capital assets not subject to depreciation | \$ 14,514,550 | \$ 1,063,956 | \$ 5,752,346 | \$ 9,826,160 |
| Capital assets subject to depreciation: | | | | |
| Buildings and system | \$ 30,695,924 | \$ 6,343,745 | \$ 10,400 | \$ 37,029,269 |
| Improvements other than buildings | 12,324,928 | 490,366 | - | 12,815,294 |
| Infrastructure | 51,473,689 | 124,734 | - | 51,598,423 |
| Intangible | 217,982 | 5,553 | - | 223,535 |
| Machinery and equipment | 8,050,156 | 271,522 | 95,430 | 8,226,248 |
| Total capital assets subject to depreciation | \$ 102,762,679 | \$ 7,235,920 | \$ 105,830 | \$ 109,892,769 |
| Less accumulated depreciation for: | | | | |
| Buildings and system | \$ 12,244,241 | \$ 745,543 | \$ 10,400 | \$ 12,979,384 |
| Improvements other than buildings | 5,959,565 | 626,194 | - | 6,585,759 |
| Infrastructure | 25,808,799 | 861,187 | - | 26,669,986 |
| Intangible | 46,338 | 21,891 | - | 68,229 |
| Machinery and equipment | 5,252,628 | 542,224 | 95,430 | 5,699,422 |
| Total accumulated depreciation | \$ 49,311,571 | \$ 2,797,039 | \$ 105,830 | \$ 52,002,780 |
| Total capital assets subject to depreciation, net | \$ 53,451,108 | \$ 4,438,881 | \$ - | \$ 57,889,989 |
| Governmental activities capital assets, net | \$ 67,965,658 | \$ 5,502,837 | \$ 5,752,346 | \$ 67,716,149 |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012*Note 6—Capital Assets: (Continued)*

| | Balance July 1, 2011 | Additions | Deletions | Balance June 30, 2012 |
|---|-------------------------|---------------------|---------------------|--------------------------|
| <i>Business-type activities:</i> | | | | |
| Capital assets not subject to depreciation: | | | | |
| Land and land improvements | \$ 5,651,301 | \$ - | \$ - | \$ 5,651,301 |
| Construction in progress | 1,143,840 | - | 1,143,840 | - |
| Open easement | 653,800 | - | - | 653,800 |
| Total capital assets not subject to depreciation | <u>\$ 7,448,941</u> | <u>\$ -</u> | <u>\$ 1,143,840</u> | <u>\$ 6,305,101</u> |
| Capital assets subject to depreciation: | | | | |
| Buildings and system | \$ 9,885,654 | \$ 1,956,979 | \$ - | \$ 11,842,633 |
| Intangibles | 12,525,344 | - | - | 12,525,344 |
| Improvements other than buildings | 6,601,256 | - | - | 6,601,256 |
| Infrastructure | 83,860 | - | - | 83,860 |
| Machinery and equipment | 1,748,790 | 27,409 | - | 1,776,199 |
| Total capital assets subject to depreciation | <u>\$ 30,844,904</u> | <u>\$ 1,984,388</u> | <u>\$ -</u> | <u>\$ 32,829,292</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and system | \$ 5,665,398 | \$ 195,655 | \$ - | \$ 5,861,053 |
| Intangibles | 627,744 | 315,034 | - | 942,778 |
| Improvements other than buildings | 4,835,307 | 135,046 | - | 4,970,353 |
| Infrastructure | 3,962 | 3,146 | - | 7,108 |
| Machinery and equipment | 1,158,234 | 147,130 | - | 1,305,364 |
| Total accumulated depreciation | <u>\$ 12,290,645</u> | <u>\$ 796,011</u> | <u>\$ -</u> | <u>\$ 13,086,656</u> |
| Total capital assets subject to depreciation, net | <u>\$ 18,554,259</u> | <u>\$ 1,188,377</u> | <u>\$ -</u> | <u>\$ 19,742,636</u> |
| Business-type activities capital assets, net | <u>\$ 26,003,200</u> | <u>\$ 1,188,377</u> | <u>\$ 1,143,840</u> | <u>\$ 26,047,737</u> |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

| | | |
|--|----|------------------|
| Governmental activities: | | |
| General government administration | \$ | 899,266 |
| Public safety | | 561,342 |
| Public works | | 963,296 |
| Health and welfare | | 7,039 |
| Parks, recreation and cultural | | 358,376 |
| Community development | | 7,720 |
| | | <u>7,720</u> |
| Total depreciation expense - governmental activities | \$ | <u>2,797,039</u> |
| Business-type activities: | | |
| Water and sewer | \$ | <u>796,011</u> |

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|---------------------------------|---------------------|----------------------|
| General Fund | \$ - | \$ 601,751 |
| Special Revenue Fund: | | |
| Virginia Public Assistance Fund | <u>601,751</u> | <u>-</u> |
| Total | <u>\$ 601,751</u> | <u>\$ 601,751</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, 2012*Note 8—Long-Term Obligations:*

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2012:

| | Balance July 1, 2011 | Increases | Decreases | Balance June 30, 2012 | Amounts Due Within One Year |
|----------------------------------|-------------------------|---------------------|---------------------|--------------------------|-----------------------------------|
| <i>Primary Government:</i> | | | | | |
| Governmental Obligations: | | | | | |
| General obligation bonds | \$ 7,251,134 | \$ 5,180,000 | \$ 5,987,146 | \$ 6,443,988 | \$ 758,762 |
| Compensated absences | 778,910 | 574,808 | 522,797 | 830,921 | 465,243 |
| OPEB liability | 143,567 | - | 143,567 | - | - |
| Adjustment for deferred amounts: | | | | | |
| For issuance premium | 55,710 | 301,048 | 3,979 | 352,779 | - |
| Total Governmental obligations | <u>\$ 8,229,321</u> | <u>\$ 6,055,856</u> | <u>\$ 6,657,489</u> | <u>\$ 7,627,688</u> | <u>\$ 1,224,005</u> |
| <i>Business-Type Activities:</i> | | | | | |
| Enterprise Obligations: | | | | | |
| General obligation bonds | \$ 8,846,213 | \$ - | \$ 563,536 | \$ 8,282,677 | \$ 567,905 |
| Compensated absences | 133,781 | 79,546 | 73,001 | 140,326 | 75,936 |
| OPEB liability | 19,961 | - | 19,961 | - | - |
| Adjustment for deferred amounts: | | | | | |
| For issuance premium | 385,380 | - | 24,086 | 361,294 | - |
| Total Enterprise obligations: | <u>\$ 9,385,335</u> | <u>\$ 79,546</u> | <u>\$ 680,584</u> | <u>\$ 8,784,297</u> | <u>\$ 643,841</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 |
| 2013 | \$ 758,762 | \$ 140,391 | \$ 567,905 | \$ 249,245 |
| 2014 | 683,989 | 152,188 | 581,011 | 237,887 |
| 2015 | 712,147 | 126,003 | 602,853 | 222,772 |
| 2016 | 723,410 | 113,635 | 611,590 | 210,715 |
| 2017 | 741,567 | 92,333 | 633,432 | 192,367 |
| 2018 - 2022 | 2,408,587 | 199,804 | 2,411,412 | 750,508 |
| 2023 - 2027 | 415,526 | 40,335 | 2,874,474 | 279,016 |
| Total | <u>\$ 6,443,988</u> | <u>\$ 864,689</u> | <u>\$ 8,282,677</u> | <u>\$ 2,142,510</u> |

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 8—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows:

| Long-Term Obligations, Governmental Activities: | Total Amount |
|--|-----------------|
| <i>General Obligation Bonds :</i> | |
| 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. | \$ 66,666 |
| The City authorized and issued a \$5,180,000 general obligation refunding bond in June 2012 for the purpose of refunding a Series 2005 general government obligation. The bond is payable in annual principal installments plus semi-annual interest payments at a various coupon rates, 2.00% thru 4.00%. Payments are due the first day October and April. Payments began October 1, 2012 and end April 1, 2020. Carrying value of the debt allocable is \$5,180,000 plus unamortized premium of \$301,048. | 5,481,048 |
| The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.005 thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to general government is \$1,197,322 plus unamortized premium of \$51,731. | 1,249,053 |
| Total general obligation bonds | \$ 6,796,767 |
| Compensated absences (payable from General Fund) | \$ 830,921 |
| Total Long-Term Obligations, Governmental Activities | \$ 7,627,688 |

The City issued the series 2012 Refunding Bond in the amount of \$5,180,000 to refund the Series 2005 General Obligation Bond. The aggregate difference in the debt service between the refunded debt and the refunding debt was \$266,117 and the economic gain on the transaction was \$255,287.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 8—Long-Term Obligations: (Continued)

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

| Long-Term Obligations, Business-Type Activities: | Total Amount |
|---|-----------------|
| <u>General Obligation Bonds :</u> | |
| The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.005 thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to general government is \$8,282,677 plus unamortized premium of \$361,294. | \$ 8,643,971 |
| Total general obligation bonds | \$ 8,643,971 |
| Compensated absences (payable from Enterprise Fund) | \$ 140,326 |
| Total Long-Term Obligations, Business-Type Activities | \$ 8,784,297 |

Note 9—Deferred/Unearned 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 of \$492,264 and unearned revenue of \$157,500 totaling \$649,764 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$316,871 at June 30, 2012.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2012, but paid in advance by the tax payers totaled \$1,491 at June 30, 2012.

Other Deferred Revenue: Deferred revenue representing uncollected state and federal grants not available for funding of current expenditures totaled \$173,902 at June 30, 2012.

Unearned Utility Revenue: Unearned revenue represents lease agreement paid in advance by Crossroads Community Youth Home totaled \$157,500 at June 30, 2012.

Notes to Financial Statements (Continued)
As of June 30, 2012

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.

Note 11—Litigation:

At June 30, 2012, 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 2012.

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, 2012

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, 2009 | \$ - |
| Incurred claims (including IBNR and changes in estimate) | 1,731,882 |
| Claim payments | <u>(1,731,882)</u> |
| Unpaid claims, June 30, 2010 | \$ - |
| Incurred claims (including IBNR and changes in estimate) | 1,741,528 |
| Claim payments | <u>(1,741,528)</u> |
| Unpaid claims, June 30, 2011 | <u>\$ -</u> |
| Incurred claims (including IBNR and changes in estimate) | 2,193,392 |
| Claim payments | <u>(2,193,392)</u> |
| Unpaid claims, June 30, 2012 | <u><u>\$ -</u></u> |

The City has chosen to switch from a self-insurance health plan to a traditional health insurance plan effective July 1, 2012.

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) |

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

A. Plan Description (Continued)

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least ten years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the members plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation.

Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1, of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. 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.

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2011-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. 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 2012 was 16.44% of annual covered payroll.

C. Annual Pension Cost

For fiscal year ended June 30, 2012, the City's annual pension cost of \$1,466,239 (which includes the portion of the employee share assumed by the employer which was \$445,936) 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, 2010 | \$ 1,365,203 | 100% | \$ - |
| June 30, 2011 | 1,439,993 | 100% | - |
| June 30, 2012 | 1,466,239 | 100% | - |

(1) Employer and employee portions

The fiscal year 2012 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 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 officers, 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, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 13—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 74.50% funded. The actuarial accrued liability for benefits was \$57,921,924, and the actuarial value of assets was \$43,151,301, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,770,623. The covered payroll (annual payroll of active employees covered by the plan) was \$8,886,724, and ratio of the UAAL to the covered payroll was 166.21%.

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

Note 14—Postemployment Benefits Other Than Pensions:

Plan Description

The City elected to provide assistance to certain retirees, who participated in outside non-employer qualified health insurance plans, in the form of a supplemental payment for the cost of health insurance coverage. The payments were 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 were disabled.

Funding Policy

The monthly amount of the supplemental payment was equal to \$4 for each year of service and could not exceed \$120 per month. The supplement stopped 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 and was rescinded by the City Council effective as of July 1, 2012. At June 30, 2012, the City had no future other postemployment benefit liability.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2012

Note 15–Surety Bonds:

Surety bonds covered the following constitutional officers and City employees at June 30, 2012:

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

Note 16–Adjustment to Beginning Net Assets and Fund Balance:

The following adjustments were made to beginning net assets and fund balance at July 1, 2011:

| | Governmental Activities | General Fund |
|---|----------------------------|----------------------|
| Fund balance and net assets as previously reported at June 30, 2011 | \$ 87,986,957 | \$ 26,480,077 |
| Adjustment to delete property held for resale that was previously reported as a capital asset | (1,141,045) | - |
| Adjustment to record property held for resale as Inventory, amount recorded at estimated fair market value | 452,200 | 452,200 |
| Fund balance and net assets as adjusted at July 1, 2011 | \$ <u>87,298,112</u> | \$ <u>26,932,277</u> |

Note 17–Subsequent Events:

On September 13, 2012, the City Council passed an ordinance terminating the terms of the current Board of Commissioners of Williamsburg Redevelopment and Housing Authority (WRHA) effective September 30, 2012 and designating the Williamsburg City Council to serve as the WRHA Commissioners effective October 1, 2012. In management's opinion, the WRHA will be reported as a component unit of the City of Williamsburg, Virginia in subsequent years.

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, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget - Positive <u>(Negative)</u> |
|---|-------------------------|-----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | |
| REVENUES | | | | |
| General property taxes | \$ 11,594,255 | \$ 11,594,255 | \$ 11,624,757 | \$ 30,502 |
| Other local taxes | 17,184,200 | 17,184,200 | 17,649,557 | 465,357 |
| Permits, privilege fees, and regulatory licenses | 151,930 | 151,930 | 181,806 | 29,876 |
| Fines and forfeitures | 206,000 | 206,000 | 259,308 | 53,308 |
| Revenue from the use of money and property | 572,950 | 572,950 | 647,885 | 74,935 |
| Charges for services | 409,900 | 409,900 | 445,799 | 35,899 |
| Miscellaneous | 711,397 | 715,397 | 678,675 | (36,722) |
| Recovered costs | 756,000 | 756,000 | 769,199 | 13,199 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 4,462,466 | 4,520,118 | 4,536,119 | 16,001 |
| Federal | - | 241,096 | 142,959 | (98,137) |
| Total revenues | <u>\$ 36,049,098</u> | <u>\$ 36,351,846</u> | <u>\$ 36,936,064</u> | <u>\$ 584,218</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government administration | \$ 3,864,464 | \$ 3,737,968 | \$ 3,781,205 | \$ (43,237) |
| Judicial administration | 420,000 | 420,000 | 371,366 | 48,634 |
| Public safety | 9,317,174 | 9,426,500 | 9,041,162 | 385,338 |
| Public works | 2,941,041 | 3,224,160 | 3,129,845 | 94,315 |
| Health and welfare | 507,045 | 507,045 | 494,199 | 12,846 |
| Education | 7,338,503 | 7,338,503 | 7,337,320 | 1,183 |
| Parks, recreation, and cultural | 2,109,703 | 2,120,710 | 2,012,146 | 108,564 |
| Community development | 4,736,053 | 4,742,845 | 4,419,267 | 323,578 |
| Capital projects | 3,675,355 | 7,066,640 | 3,701,211 | 3,365,429 |
| Debt service: | | | | |
| Principal retirement | 886,239 | 886,239 | 886,240 | (1) |
| Interest and other fiscal charges | 258,659 | 258,659 | 250,284 | 8,375 |
| Bond issuance costs | - | - | 104,299 | (104,299) |
| Total expenditures | <u>\$ 36,054,236</u> | <u>\$ 39,729,269</u> | <u>\$ 35,528,544</u> | <u>\$ 4,200,725</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (5,138)</u> | <u>\$ (3,377,423)</u> | <u>\$ 1,407,520</u> | <u>\$ 4,784,943</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | \$ (737,707) | \$ (737,707) | \$ (601,751) | \$ 135,956 |
| Issuance of refunding bonds | - | - | 5,180,000 | 5,180,000 |
| Bond premium issuance | - | - | 301,048 | 301,048 |
| Payment to refunded bond escrow agent | - | - | (5,376,749) | (5,376,749) |
| Total other financing sources and uses | <u>\$ (737,707)</u> | <u>\$ (737,707)</u> | <u>\$ (497,452)</u> | <u>\$ 240,255</u> |
| Net change in fund balances | \$ (742,845) | \$ (4,115,130) | \$ 910,068 | \$ 5,025,198 |
| Fund balances - beginning, as adjusted | 742,845 | 4,115,130 | 26,932,277 | 22,817,147 |
| Fund balances - ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,842,345</u> | <u>\$ 27,842,345</u> |

City of Williamsburg, Virginia
Schedule of Pension Funding Progress
As of June 30, 2012

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) |
| 6/30/2011 | \$ 43,151,301 | \$ 57,921,924 | \$ 14,770,623 | 74.50% | \$ 8,886,724 | 166.21% |
| 6/30/2010 | 42,619,156 | 55,617,806 | 12,998,650 | 76.63% | 8,761,550 | 148.36% |
| 6/30/2009 | 43,493,522 | 50,835,802 | 7,342,280 | 85.56% | 9,066,098 | 80.99% |
| 6/30/2008 | 43,045,137 | 47,984,602 | 4,939,465 | 89.71% | 9,370,324 | 52.71% |
| 6/30/2007 | 39,202,937 | 44,112,372 | 4,909,435 | 88.87% | 8,954,857 | 54.82% |
| 6/30/2006 | 34,332,037 | 39,484,872 | 5,152,835 | 86.95% | 8,204,180 | 62.81% |
| 6/30/2005 | 32,348,698 | 39,044,073 | 6,695,375 | 82.85% | 7,722,705 | 86.70% |
| 6/30/2004 | 31,432,030 | 35,779,472 | 4,347,442 | 87.85% | 7,483,762 | 58.09% |
| 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% |

OTHER SUPPLEMENTARY INFORMATION

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City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

| | Virginia Public Assistance <u>Fund</u> | Law Enforcement Block <u>Grant</u> | <u>Total</u> |
|--------------------------------------|---|---|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 274,501 | \$ 5,178 | \$ 279,679 |
| Due from other governmental units | 124,596 | - | 124,596 |
| Total assets | <u>\$ 399,097</u> | <u>\$ 5,178</u> | <u>\$ 404,275</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Due to other funds | \$ 2,910 | \$ - | \$ 2,910 |
| Deferred revenue | 35,521 | - | 35,521 |
| Total liabilities | <u>\$ 38,431</u> | <u>\$ -</u> | <u>\$ 38,431</u> |
| Fund balances: | | | |
| Restricted | \$ 360,666 | \$ 5,178 | \$ 365,844 |
| Total fund balances | <u>\$ 360,666</u> | <u>\$ 5,178</u> | <u>\$ 365,844</u> |
| Total liabilities and fund balances | <u>\$ 399,097</u> | <u>\$ 5,178</u> | <u>\$ 404,275</u> |

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City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

| | 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 | \$ - | \$ 2 | \$ 2 |
| Miscellaneous | 41,822 | - | 41,822 |
| Intergovernmental revenues: | | | |
| Commonwealth | 508,216 | - | 508,216 |
| Federal | 740,913 | - | 740,913 |
| Total revenues | <u>\$ 1,290,951</u> | <u>\$ 2</u> | <u>\$ 1,290,953</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Public safety | \$ - | \$ 3,907 | \$ 3,907 |
| Health and welfare | 1,922,162 | - | 1,922,162 |
| Total expenditures | <u>\$ 1,922,162</u> | <u>\$ 3,907</u> | <u>\$ 1,926,069</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>\$ (631,211)</u> | <u>\$ (3,905)</u> | <u>\$ (635,116)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | \$ 601,751 | \$ - | \$ 601,751 |
| Total other financing sources and uses | <u>\$ 601,751</u> | <u>\$ -</u> | <u>\$ 601,751</u> |
| Net change in fund balances | \$ (29,460) | \$ (3,905) | \$ (33,365) |
| Fund balances - beginning | 390,126 | 9,083 | 399,209 |
| Fund balances - ending | <u><u>\$ 360,666</u></u> | <u><u>\$ 5,178</u></u> | <u><u>\$ 365,844</u></u> |

City of Williamsburg, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2012

| | 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 | 35,000 | 35,000 | 41,822 | 6,822 |
| Intergovernmental revenues: | | | | |
| Commonwealth | 550,270 | 550,270 | 508,216 | (42,054) |
| Federal | 728,792 | 728,792 | 740,913 | 12,121 |
| Total revenues | \$ 1,314,062 | \$ 1,314,062 | \$ 1,290,951 | \$ (23,111) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety | \$ - | \$ - | \$ - | \$ - |
| Health and welfare | 2,051,769 | 2,051,769 | 1,922,162 | 129,607 |
| Total expenditures | \$ 2,051,769 | \$ 2,051,769 | \$ 1,922,162 | \$ 129,607 |
| Excess (deficiency) of revenues over (under) expenditures | \$ (737,707) | \$ (737,707) | \$ (631,211) | \$ 106,496 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | \$ 737,707 | \$ 737,707 | \$ 601,751 | \$ (135,956) |
| Total other financing sources and uses | \$ 737,707 | \$ 737,707 | \$ 601,751 | \$ (135,956) |
| Net change in fund balances | \$ - | \$ - | \$ (29,460) | \$ (29,460) |
| Fund balances - beginning | - | - | 390,126 | 390,126 |
| Fund balances - ending | \$ - | \$ - | \$ 360,666 | \$ 360,666 |

| Law Enforcement Block Grant Fund | | | | | |
|----------------------------------|---|--------------|---|---|---------|
| Budgeted Amounts | | | | Variance with Final Budget Positive (Negative) | |
| <u>Original</u> | | <u>Final</u> | | <u>Actual</u> | |
| \$ | - | \$ | - | \$ | 2 |
| | - | | - | | - |
| | - | | - | | - |
| | - | | - | | - |
| \$ | - | \$ | - | \$ | 2 |
| | | | | | |
| \$ | - | \$ | - | \$ | 3,907 |
| | - | | - | | - |
| \$ | - | \$ | - | \$ | 3,907 |
| | | | | | |
| \$ | - | \$ | - | \$ | (3,905) |
| | | | | | |
| \$ | - | \$ | - | \$ | - |
| \$ | - | \$ | - | \$ | - |
| | | | | | |
| \$ | - | \$ | - | \$ | (3,905) |
| | - | | - | | 9,083 |
| \$ | - | \$ | - | \$ | 5,178 |

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City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

| | Agency Funds | | | | | | |
|---------------------------------|--|--|---------------------------------|---|-----------------------------------|---------------------|--|
| | Williamsburg Regional Library <u>Fund</u> | Williamsburg Tricentennial <u>Fund</u> | Colonial CASA <u>Fund</u> | Economic Development <u>Authority</u> | Farmers' Market <u>Fund</u> | <u>Total</u> | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 890,695 | \$ - | \$ 48,004 | \$ 76,245 | \$ 75,374 | \$ 1,090,318 | |
| Investments, at fair value: | | | | | | | |
| Other investments | 1,171,103 | 6,516 | 62,415 | 118,744 | 56,736 | 1,415,514 | |
| Other assets | 15,241 | - | 20,584 | - | - | 35,825 | |
| Total assets | <u>\$ 2,077,039</u> | <u>\$ 6,516</u> | <u>\$ 131,003</u> | <u>\$ 194,989</u> | <u>\$ 132,110</u> | <u>\$ 2,541,657</u> | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 9,186 | \$ - | \$ 2,045 | \$ - | \$ 2,171 | \$ 13,402 | |
| Accrued liabilities | 10,287 | - | 10,000 | - | 2,188 | 22,475 | |
| Due to other governmental units | 264,959 | - | - | - | - | 264,959 | |
| Amounts held for others | 1,792,607 | 6,516 | 118,958 | 194,989 | 127,751 | 2,240,821 | |
| Total liabilities | <u>\$ 2,077,039</u> | <u>\$ 6,516</u> | <u>\$ 131,003</u> | <u>\$ 194,989</u> | <u>\$ 132,110</u> | <u>\$ 2,541,657</u> | |

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

Exhibit 17
Page 1 of 2

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|--|---------------------------------|---------------------|---------------------|---------------------------|
| <u>Williamsburg Regional Library:</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 645,223 | \$ 5,985,888 | \$ 5,740,416 | \$ 890,695 |
| Investments, at fair value: | | | | |
| Other investments | 1,169,321 | 1,782 | - | 1,171,103 |
| Other assets | 25,384 | 15,241 | 25,384 | 15,241 |
| Total assets | <u>\$ 1,839,928</u> | <u>\$ 6,002,911</u> | <u>\$ 5,765,800</u> | <u>\$ 2,077,039</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 60,600 | \$ 9,186 | \$ 60,600 | \$ 9,186 |
| Accrued liabilities | 40,546 | 10,287 | 40,546 | 10,287 |
| Due to other governmental units | 113,476 | 264,959 | 113,476 | 264,959 |
| Amounts held for others | 1,625,306 | 5,718,479 | 5,551,178 | 1,792,607 |
| Total liabilities | <u>\$ 1,839,928</u> | <u>\$ 6,002,911</u> | <u>\$ 5,765,800</u> | <u>\$ 2,077,039</u> |
| <u>Williamsburg Tricentennial Fund:</u> | | | | |
| ASSETS | | | | |
| Investments, at fair value: | | | | |
| Other investments | \$ 6,505 | \$ 11 | \$ - | \$ 6,516 |
| Total assets | <u>\$ 6,505</u> | <u>\$ 11</u> | <u>\$ -</u> | <u>\$ 6,516</u> |
| LIABILITIES | | | | |
| Amounts held for others | \$ 6,505 | \$ 11 | \$ - | \$ 6,516 |
| Total liabilities | <u>\$ 6,505</u> | <u>\$ 11</u> | <u>\$ -</u> | <u>\$ 6,516</u> |
| <u>Colonial CASA Fund:</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 54,819 | \$ 218,631 | \$ 225,446 | \$ 48,004 |
| Investments, at fair value: | | | | |
| Other investments | 62,304 | 111 | - | 62,415 |
| Other assets | 2,359 | 20,584 | 2,359 | 20,584 |
| Total assets | <u>\$ 119,482</u> | <u>\$ 239,326</u> | <u>\$ 227,805</u> | <u>\$ 131,003</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 6,878 | \$ 2,045 | \$ 6,878 | \$ 2,045 |
| Accrued liabilities | 381 | 10,000 | 381 | 10,000 |
| Amounts held for others | 112,223 | 227,281 | 220,546 | 118,958 |
| Total liabilities | <u>\$ 119,482</u> | <u>\$ 239,326</u> | <u>\$ 227,805</u> | <u>\$ 131,003</u> |

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

Exhibit 17
Page 2 of 2

| | Balance Beginning of Year | Additions | Deductions | Balance End of Year |
|---|---------------------------------|---------------------|---------------------|---------------------------|
| <u>Economic Development Authority:</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 55,585 | \$ 79,034 | \$ 58,374 | \$ 76,245 |
| Investments, at fair value: | | | | |
| Other investments | 118,533 | 211 | - | 118,744 |
| Total assets | <u>\$ 174,118</u> | <u>\$ 79,245</u> | <u>\$ 58,374</u> | <u>\$ 194,989</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 40 | \$ - | \$ 40 | \$ - |
| Amounts held for others | 174,078 | 79,245 | 58,334 | 194,989 |
| Total liabilities | <u>\$ 174,118</u> | <u>\$ 79,245</u> | <u>\$ 58,374</u> | <u>\$ 194,989</u> |
| <u>Farmers' Market:</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 63,512 | \$ 85,939 | \$ 74,077 | \$ 75,374 |
| Investments, at fair value: | | | | |
| Other investments | 56,635 | 101 | - | 56,736 |
| Total assets | <u>\$ 120,147</u> | <u>\$ 86,040</u> | <u>\$ 74,077</u> | <u>\$ 132,110</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 997 | \$ 2,171 | \$ 997 | \$ 2,171 |
| Accrued liabilities | 2,217 | 2,188 | 2,217 | 2,188 |
| Amounts held for others | 116,933 | 81,681 | 70,863 | 127,751 |
| Total liabilities | <u>\$ 120,147</u> | <u>\$ 86,040</u> | <u>\$ 74,077</u> | <u>\$ 132,110</u> |
| <u>Totals - All Agency Funds:</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 819,139 | \$ 6,369,492 | \$ 6,098,313 | \$ 1,090,318 |
| Investments, at fair value: | | | | |
| Other investments | 1,413,298 | 2,216 | - | 1,415,514 |
| Other assets | 27,743 | 35,825 | 27,743 | 35,825 |
| Total assets | <u>\$ 2,260,180</u> | <u>\$ 6,407,533</u> | <u>\$ 6,126,056</u> | <u>\$ 2,541,657</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 68,515 | \$ 13,402 | \$ 68,515 | \$ 13,402 |
| Accrued liabilities | 43,144 | 22,475 | 43,144 | 22,475 |
| Due to other governmental units | 113,476 | 264,959 | 113,476 | 264,959 |
| Amounts held for others | 2,035,045 | 6,106,697 | 5,900,921 | 2,240,821 |
| Total liabilities | <u>\$ 2,260,180</u> | <u>\$ 6,407,533</u> | <u>\$ 6,126,056</u> | <u>\$ 2,541,657</u> |

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SUPPORTING SCHEDULES

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City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <u>Fund, Major and Minor Revenue Source</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: | | | | |
| Revenue from local sources: | | | | |
| General property taxes: | | | | |
| Real property taxes | \$ 9,400,000 | \$ 9,400,000 | \$ 9,379,288 | \$ (20,712) |
| Real and personal public service corporation taxes | 315,550 | 315,550 | 316,061 | 511 |
| Personal property taxes | 537,705 | 537,705 | 530,124 | (7,581) |
| Business property taxes | 1,285,000 | 1,285,000 | 1,304,252 | 19,252 |
| Penalties | 40,000 | 40,000 | 66,082 | 26,082 |
| Interest | 16,000 | 16,000 | 28,950 | 12,950 |
| Total general property taxes | <u>\$ 11,594,255</u> | <u>\$ 11,594,255</u> | <u>\$ 11,624,757</u> | <u>\$ 30,502</u> |
| Other local taxes: | | | | |
| Local sales and use taxes | \$ 4,000,000 | \$ 4,000,000 | \$ 4,161,131 | \$ 161,131 |
| Consumers' utility taxes | 290,000 | 290,000 | 295,788 | 5,788 |
| Business license taxes | 1,517,600 | 1,517,600 | 1,598,958 | 81,358 |
| Utility license taxes | 113,000 | 113,000 | 103,571 | (9,429) |
| Bank stock taxes | 170,000 | 170,000 | 192,536 | 22,536 |
| Taxes on recordation and wills | 110,000 | 110,000 | 185,661 | 75,661 |
| Hotel and motel taxes | 3,400,000 | 3,400,000 | 3,396,446 | (3,554) |
| Restaurant food taxes | 5,900,000 | 5,900,000 | 6,277,434 | 377,434 |
| \$2 lodging taxes | 1,500,000 | 1,500,000 | 1,264,046 | (235,954) |
| Tobacco taxes | 160,000 | 160,000 | 147,870 | (12,130) |
| Penalty and interest on other local taxes | 23,600 | 23,600 | 26,116 | 2,516 |
| Total other local taxes | <u>\$ 17,184,200</u> | <u>\$ 17,184,200</u> | <u>\$ 17,649,557</u> | <u>\$ 465,357</u> |
| Permits, privilege fees, and regulatory licenses: | | | | |
| Animal licenses | \$ 2,000 | \$ 2,000 | \$ 3,056 | \$ 1,056 |
| Land use application fees | 2,000 | 2,000 | 809 | (1,191) |
| Transfer fees | 500 | 500 | 842 | 342 |
| Permits and other licenses | 147,430 | 147,430 | 177,099 | 29,669 |
| Total permits, privilege fees, and regulatory licenses | <u>\$ 151,930</u> | <u>\$ 151,930</u> | <u>\$ 181,806</u> | <u>\$ 29,876</u> |
| Fines and forfeitures: | | | | |
| Court fines and forfeitures | <u>\$ 206,000</u> | <u>\$ 206,000</u> | <u>\$ 259,308</u> | <u>\$ 53,308</u> |
| Revenue from use of money and property: | | | | |
| Revenue from use of money | \$ 75,000 | \$ 75,000 | \$ 125,429 | \$ 50,429 |
| Revenue from use of property | 497,950 | 497,950 | 522,456 | 24,506 |
| Total revenue from use of money and property | <u>\$ 572,950</u> | <u>\$ 572,950</u> | <u>\$ 647,885</u> | <u>\$ 74,935</u> |
| Charges for services: | | | | |
| Charges for law enforcement and traffic control | \$ 1,350 | \$ 1,350 | \$ 1,307 | \$ (43) |
| Charges for Commonwealth's Attorney | 250 | 250 | 392 | 142 |
| Charges for parks and recreation | 371,700 | 371,700 | 401,398 | 29,698 |
| Charges for planning and community development | 36,600 | 36,600 | 42,702 | 6,102 |
| Total charges for services | <u>\$ 409,900</u> | <u>\$ 409,900</u> | <u>\$ 445,799</u> | <u>\$ 35,899</u> |
| Miscellaneous revenue: | | | | |
| Miscellaneous | <u>\$ 711,397</u> | <u>\$ 715,397</u> | <u>\$ 678,675</u> | <u>\$ (36,722)</u> |

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 620,000 | \$ 620,000 | \$ 620,412 | \$ 412 |
| Overtime - police and fire | 76,000 | 76,000 | 88,787 | 12,787 |
| Other recovered costs | 60,000 | 60,000 | 60,000 | - |
| Total recovered costs | <u>\$ 756,000</u> | <u>\$ 756,000</u> | <u>\$ 769,199</u> | <u>\$ 13,199</u> |
| Total revenue from local sources | <u>\$ 31,586,632</u> | <u>\$ 31,590,632</u> | <u>\$ 32,256,986</u> | <u>\$ 666,354</u> |
| Revenue from the Commonwealth: | | | | |
| Noncategorical aid: | | | | |
| Reduction in State Aid to Local Governments | \$ - | \$ - | \$ (48,941) | \$ (48,941) |
| Rolling stock tax | 9,000 | 9,000 | 8,408 | (592) |
| Motor vehicle rental tax | 15,000 | 15,000 | 17,423 | 2,423 |
| Grantors tax | 83,944 | 83,944 | 54,547 | (29,397) |
| Communications tax | 760,000 | 760,000 | 733,624 | (26,376) |
| Personal property tax relief funds | 737,295 | 737,295 | 726,900 | (10,395) |
| Total noncategorical aid | <u>\$ 1,605,239</u> | <u>\$ 1,605,239</u> | <u>\$ 1,491,961</u> | <u>\$ (113,278)</u> |
| Categorical aid: | | | | |
| Shared expenses: | | | | |
| Commissioner of revenue | \$ 69,200 | \$ 69,200 | \$ 69,359 | \$ 159 |
| Treasurer | 16,500 | 16,500 | 16,668 | 168 |
| Medical examiner | 200 | 200 | - | (200) |
| Registrar/electoral board | 36,700 | 36,700 | 40,468 | 3,768 |
| Total shared expenses | <u>\$ 122,600</u> | <u>\$ 122,600</u> | <u>\$ 126,495</u> | <u>\$ 3,895</u> |
| Other categorical aid: | | | | |
| 599 Funds | \$ 373,313 | \$ 373,313 | \$ 373,312 | \$ (1) |
| Streets and sidewalks | 1,426,216 | 1,426,216 | 1,479,180 | 52,964 |
| EMS funds - 4 for life and emergency services | 14,000 | 14,000 | 15,162 | 1,162 |
| Litter control grant | 4,000 | 4,000 | 5,000 | 1,000 |
| VDOT reimbursement | - | - | 101,347 | 101,347 |
| Arts commission grant | 5,000 | 5,000 | 5,000 | - |
| Fire programs | 31,000 | 35,348 | 41,955 | 6,607 |
| FEMA grant | - | 53,304 | 26,564 | (26,740) |
| State sales tax | 856,098 | 856,098 | 845,143 | (10,955) |
| Emergency services grant | 25,000 | 25,000 | 25,000 | - |
| Total other categorical aid | <u>\$ 2,734,627</u> | <u>\$ 2,792,279</u> | <u>\$ 2,917,663</u> | <u>\$ 125,384</u> |
| Total categorical aid | <u>\$ 2,857,227</u> | <u>\$ 2,914,879</u> | <u>\$ 3,044,158</u> | <u>\$ 129,279</u> |
| Total revenue from the Commonwealth | <u>\$ 4,462,466</u> | <u>\$ 4,520,118</u> | <u>\$ 4,536,119</u> | <u>\$ 16,001</u> |

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 the federal government: | | | | |
| Categorical aid: | | | | |
| Firefighters grant | \$ - | \$ 19,000 | \$ 21,777 | \$ 2,777 |
| FEMA grant | - | 222,096 | 110,682 | (111,414) |
| State and community highway safety grant | - | - | 10,500 | 10,500 |
| Total categorical aid | <u>\$ -</u> | <u>\$ 241,096</u> | <u>\$ 142,959</u> | <u>\$ (98,137)</u> |
| Total revenue from the federal government | <u>\$ -</u> | <u>\$ 241,096</u> | <u>\$ 142,959</u> | <u>\$ (98,137)</u> |
| Total General Fund | <u>\$ 36,049,098</u> | <u>\$ 36,351,846</u> | <u>\$ 36,936,064</u> | <u>\$ 584,218</u> |
| Special Revenue Funds: | | | | |
| Virginia Public Assistance Fund: | | | | |
| Revenue from local sources: | | | | |
| Miscellaneous revenue: | | | | |
| Other miscellaneous | \$ - | \$ - | \$ 854 | \$ 854 |
| Summer youth program | 35,000 | 35,000 | 40,968 | 5,968 |
| Total miscellaneous revenue | <u>\$ 35,000</u> | <u>\$ 35,000</u> | <u>\$ 41,822</u> | <u>\$ 6,822</u> |
| Total revenue from local sources | <u>\$ 35,000</u> | <u>\$ 35,000</u> | <u>\$ 41,822</u> | <u>\$ 6,822</u> |
| Revenue from the Commonwealth: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 434,521 | \$ 434,521 | \$ 438,527 | \$ 4,006 |
| Comprehensive services act | 115,749 | 115,749 | 69,689 | (46,060) |
| Total categorical aid | <u>\$ 550,270</u> | <u>\$ 550,270</u> | <u>\$ 508,216</u> | <u>\$ (42,054)</u> |
| Total revenue from the Commonwealth | <u>\$ 550,270</u> | <u>\$ 550,270</u> | <u>\$ 508,216</u> | <u>\$ (42,054)</u> |
| Revenue from the federal government: | | | | |
| Categorical aid: | | | | |
| Public assistance and welfare administration | \$ 728,792 | \$ 728,792 | \$ 731,847 | \$ 3,055 |
| Homeland security grant | - | - | 9,066 | 9,066 |
| Total categorical aid | <u>\$ 728,792</u> | <u>\$ 728,792</u> | <u>\$ 740,913</u> | <u>\$ 12,121</u> |
| Total revenue from the federal government | <u>\$ 728,792</u> | <u>\$ 728,792</u> | <u>\$ 740,913</u> | <u>\$ 12,121</u> |
| Total Virginia Public Assistance Fund | <u>\$ 1,314,062</u> | <u>\$ 1,314,062</u> | <u>\$ 1,290,951</u> | <u>\$ (23,111)</u> |
| Law Enforcement Block Grant Fund: | | | | |
| Revenue from local sources: | | | | |
| Revenue from use of money and property: | | | | |
| Revenue from the use of money | \$ - | \$ - | \$ 2 | \$ 2 |
| Total revenue from use of money and property | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2</u> | <u>\$ 2</u> |
| Total Law Enforcement Block Grant Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2</u> | <u>\$ 2</u> |
| Total Primary Government | <u>\$ 37,363,160</u> | <u>\$ 37,665,908</u> | <u>\$ 38,227,017</u> | <u>\$ 561,109</u> |

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City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 164,638 | \$ 164,638 | \$ 121,214 | \$ 43,424 |
| Clerk of council | 167,886 | 173,702 | 157,738 | 15,964 |
| Total legislative | <u>\$ 332,524</u> | <u>\$ 338,340</u> | <u>\$ 278,952</u> | <u>\$ 59,388</u> |
| General and financial administration: | | | | |
| City manager | \$ 944,776 | \$ 796,772 | \$ 970,509 | \$ (173,737) |
| City attorney | 242,291 | 243,939 | 231,919 | 12,020 |
| Human resources | 157,960 | 161,921 | 157,624 | 4,297 |
| Commissioner of revenue | 197,447 | 198,035 | 197,249 | 786 |
| Assessor | 169,110 | 166,542 | 166,069 | 473 |
| Treasurer | 53,272 | 53,746 | 48,705 | 5,041 |
| Director of finance | 729,821 | 735,695 | 731,435 | 4,260 |
| Information technology | 658,657 | 664,412 | 627,441 | 36,971 |
| Automotive/motor pool | 241,553 | 241,512 | 241,361 | 151 |
| Total general and financial administration | <u>\$ 3,394,887</u> | <u>\$ 3,262,574</u> | <u>\$ 3,372,312</u> | <u>\$ (109,738)</u> |
| Board of elections: | | | | |
| Electoral board and officials | \$ 39,382 | \$ 39,382 | \$ 33,724 | \$ 5,658 |
| Registrar | 97,671 | 97,672 | 96,217 | 1,455 |
| Total board of elections | <u>\$ 137,053</u> | <u>\$ 137,054</u> | <u>\$ 129,941</u> | <u>\$ 7,113</u> |
| Total general government administration | <u>\$ 3,864,464</u> | <u>\$ 3,737,968</u> | <u>\$ 3,781,205</u> | <u>\$ (43,237)</u> |
| Judicial administration: | | | | |
| Courts: | | | | |
| Courthouse activities | <u>\$ 420,000</u> | <u>\$ 420,000</u> | <u>\$ 371,366</u> | <u>\$ 48,634</u> |
| Public safety: | | | | |
| Law enforcement and traffic control: | | | | |
| Police department | \$ 3,469,473 | \$ 3,533,480 | \$ 3,433,617 | \$ 99,863 |
| Prince George parking garage | 120,237 | 132,718 | 123,332 | 9,386 |
| E-911 | 512,750 | 512,750 | 512,750 | - |
| Total law enforcement and traffic control | <u>\$ 4,102,460</u> | <u>\$ 4,178,948</u> | <u>\$ 4,069,699</u> | <u>\$ 109,249</u> |
| Fire and rescue services: | | | | |
| Fire department | <u>\$ 3,419,923</u> | <u>\$ 3,450,760</u> | <u>\$ 3,146,035</u> | <u>\$ 304,725</u> |
| Correction and detention: | | | | |
| Juvenile detention commission | \$ 60,000 | \$ 60,000 | \$ 150,714 | \$ (90,714) |
| Regional jail | 1,267,749 | 1,267,749 | 1,283,962 | (16,213) |
| Group home commission | 79,889 | 79,889 | 79,889 | - |
| Total correction and detention | <u>\$ 1,407,638</u> | <u>\$ 1,407,638</u> | <u>\$ 1,514,565</u> | <u>\$ (106,927)</u> |

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 363,863 | \$ 365,864 | \$ 292,184 | \$ 73,680 |
| Other protection: | | | | |
| Animal control | \$ 19,000 | \$ 19,000 | \$ 18,000 | \$ 1,000 |
| Medical examiner | 400 | 400 | 100 | 300 |
| Emergency services (civil defense) | 3,890 | 3,890 | 579 | 3,311 |
| Total other protection | \$ 23,290 | \$ 23,290 | \$ 18,679 | \$ 4,611 |
| Total public safety | \$ 9,317,174 | \$ 9,426,500 | \$ 9,041,162 | \$ 385,338 |
| Public works: | | | | |
| Maintenance of highways, streets, bridges & sidewalks: | | | | |
| Highways, streets, bridges and sidewalks | \$ 1,031,533 | \$ 1,038,438 | \$ 1,038,177 | \$ 261 |
| Engineering | 254,856 | 259,508 | 256,966 | 2,542 |
| Total maintenance of highways, streets, bridges & sidewalks | \$ 1,286,389 | \$ 1,297,946 | \$ 1,295,143 | \$ 2,803 |
| Sanitation and waste removal: | | | | |
| Refuse collection | \$ 673,250 | \$ 673,250 | \$ 636,125 | \$ 37,125 |
| Maintenance of general buildings and grounds: | | | | |
| Maintenance of general buildings and grounds | \$ 471,047 | \$ 473,378 | \$ 425,875 | \$ 47,503 |
| Landscaping | 510,355 | 779,586 | 772,702 | 6,884 |
| Total maintenance of general buildings and grounds | \$ 981,402 | \$ 1,252,964 | \$ 1,198,577 | \$ 54,387 |
| Total public works | \$ 2,941,041 | \$ 3,224,160 | \$ 3,129,845 | \$ 94,315 |
| Health and welfare: | | | | |
| Health: | | | | |
| Local health department | \$ 215,335 | \$ 215,335 | \$ 203,373 | \$ 11,962 |
| Mosquito control | 6,950 | 6,950 | 6,149 | 801 |
| Total health | \$ 222,285 | \$ 222,285 | \$ 209,522 | \$ 12,763 |
| 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, 2012

| <u>Fund, Function, Activity and Elements</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| General Fund: (Continued) | | | | |
| Health and welfare: (Continued) | | | | |
| Welfare: | | | | |
| Public assistance | \$ 35,000 | \$ 35,000 | \$ 35,000 | \$ - |
| Transportation programs for elderly | 3,900 | 3,900 | 3,817 | 83 |
| Total welfare | <u>\$ 38,900</u> | <u>\$ 38,900</u> | <u>\$ 38,817</u> | <u>\$ 83</u> |
| Total health and welfare | <u>\$ 507,045</u> | <u>\$ 507,045</u> | <u>\$ 494,199</u> | <u>\$ 12,846</u> |
| Education: | | | | |
| Other instructional costs: | | | | |
| Contribution to local school board | <u>\$ 7,338,503</u> | <u>\$ 7,338,503</u> | <u>\$ 7,337,320</u> | <u>\$ 1,183</u> |
| Parks, recreation, and cultural: | | | | |
| Parks and recreation: | | | | |
| Supervision of parks and recreation | \$ 399,679 | \$ 408,896 | \$ 368,827 | \$ 40,069 |
| Waller Mill park facility | 234,493 | 235,070 | 218,885 | 16,185 |
| Recreation facility programs | 631,226 | 631,027 | 584,626 | 46,401 |
| Cemeteries | 62,936 | 64,348 | 60,064 | 4,284 |
| Total parks and recreation | <u>\$ 1,328,334</u> | <u>\$ 1,339,341</u> | <u>\$ 1,232,402</u> | <u>\$ 106,939</u> |
| Library: | | | | |
| Contribution to regional library | <u>\$ 781,369</u> | <u>\$ 781,369</u> | <u>\$ 779,744</u> | <u>\$ 1,625</u> |
| Total parks, recreation, and cultural | <u>\$ 2,109,703</u> | <u>\$ 2,120,710</u> | <u>\$ 2,012,146</u> | <u>\$ 108,564</u> |
| Community development: | | | | |
| Planning and community development: | | | | |
| Planning | \$ 533,548 | \$ 537,725 | \$ 451,486 | \$ 86,239 |
| Community development | 3,952,894 | 3,951,435 | 3,715,480 | 235,955 |
| Economic development | 129,611 | 131,685 | 131,301 | 384 |
| Arts commission | 120,000 | 122,000 | 121,000 | 1,000 |
| Total planning and community development | <u>\$ 4,736,053</u> | <u>\$ 4,742,845</u> | <u>\$ 4,419,267</u> | <u>\$ 323,578</u> |
| Total community development | <u>\$ 4,736,053</u> | <u>\$ 4,742,845</u> | <u>\$ 4,419,267</u> | <u>\$ 323,578</u> |
| Capital projects: | | | | |
| Other capital projects | <u>\$ 3,675,355</u> | <u>\$ 7,066,640</u> | <u>\$ 3,701,211</u> | <u>\$ 3,365,429</u> |
| Debt service: | | | | |
| Principal retirement | \$ 886,239 | \$ 886,239 | \$ 886,240 | \$ (1) |
| Interest and other fiscal charges | 258,659 | 258,659 | 250,284 | 8,375 |
| Bond issuance costs | - | - | 104,299 | (104,299) |
| Total debt service | <u>\$ 1,144,898</u> | <u>\$ 1,144,898</u> | <u>\$ 1,240,823</u> | <u>\$ (95,925)</u> |
| Total General Fund | <u>\$ 36,054,236</u> | <u>\$ 39,729,269</u> | <u>\$ 35,528,544</u> | <u>\$ 4,200,725</u> |

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2012

| <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 | \$ 1,178,727 | \$ 1,178,727 | \$ 1,089,439 | \$ 89,288 |
| Public assistance | 660,542 | 660,542 | 662,253 | (1,711) |
| Comprehensive services | 212,500 | 212,500 | 170,470 | 42,030 |
| Total welfare and social services | <u>\$ 2,051,769</u> | <u>\$ 2,051,769</u> | <u>\$ 1,922,162</u> | <u>\$ 129,607</u> |
| Total health and welfare | <u>\$ 2,051,769</u> | <u>\$ 2,051,769</u> | <u>\$ 1,922,162</u> | <u>\$ 129,607</u> |
| Total Virginia Public Assistance Fund | <u><u>\$ 2,051,769</u></u> | <u><u>\$ 2,051,769</u></u> | <u><u>\$ 1,922,162</u></u> | <u><u>\$ 129,607</u></u> |
| Law Enforcement Block Grant Fund: | | | | |
| Public safety: | | | | |
| Other protection: | | | | |
| Other protection | \$ - | \$ - | \$ 3,907 | \$ (3,907) |
| Total Law Enforcement Block Grant Fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,907</u> | <u>\$ (3,907)</u> |
| Total Primary Government | <u><u>\$ 38,106,005</u></u> | <u><u>\$ 41,781,038</u></u> | <u><u>\$ 37,454,613</u></u> | <u><u>\$ 4,326,425</u></u> |

Statistical Section

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5 - 9

Debt Capacity

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

10 - 12

Demographic and Economic Information

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

13-14

Operating Information

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

15-17

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|--|---------------------|----------------------|----------------------|----------------------|
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$43,829,109 | \$ 48,294,124 | \$ 41,977,081 | \$ 43,724,093 |
| Unrestricted | 22,305,527 | 20,819,991 | 30,578,146 | 32,119,103 |
| 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> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$8,525,848 | \$ 8,755,781 | \$ 9,720,452 | \$ 9,781,412 |
| Unrestricted | 4,916,024 | 5,790,053 | 5,143,153 | 5,454,407 |
| 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> |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$52,354,957 | \$ 57,049,905 | \$ 51,697,533 | \$ 53,505,505 |
| Unrestricted | 27,221,551 | 26,610,044 | 35,721,299 | 37,573,510 |
| 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> |

Table 1

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 49,783,173 | \$ 55,591,451 | \$ 58,769,012 | \$ 59,868,232 | \$ 61,799,859 | \$ 60,919,382 |
| 29,632,342 | 28,455,299 | 25,864,437 | 25,744,448 | 26,187,098 | 27,808,616 |
| <u>\$ 79,415,515</u> | <u>\$ 84,046,750</u> | <u>\$ 84,633,449</u> | <u>\$ 85,612,680</u> | <u>\$ 87,986,957</u> | <u>\$ 88,727,998</u> |
| <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> |
| \$ 12,764,785 | \$ 13,102,740 | \$ 15,601,976 | \$ 15,748,286 | \$ 16,771,608 | \$ 17,403,766 |
| 5,466,158 | 6,466,848 | 4,960,402 | 4,483,874 | 5,067,039 | 4,473,289 |
| <u>\$ 18,230,943</u> | <u>\$ 19,569,588</u> | <u>\$ 20,562,378</u> | <u>\$ 20,232,160</u> | <u>\$ 21,838,647</u> | <u>\$ 21,877,055</u> |
| <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> |
| \$ 62,547,958 | \$ 68,694,191 | \$ 74,370,988 | \$ 75,616,518 | \$ 78,571,467 | \$ 78,323,148 |
| 35,098,500 | 34,922,147 | 30,824,839 | 30,228,322 | 31,254,137 | 32,281,905 |
| <u>\$ 97,646,458</u> | <u>\$ 103,616,338</u> | <u>\$ 105,195,827</u> | <u>\$ 105,844,840</u> | <u>\$ 109,825,604</u> | <u>\$ 110,605,053</u> |
| <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> | <u><u></u></u> |

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| Expenses | | | |
| Governmental activities: | | | |
| General government administration | \$ 2,758,568 | \$ 2,950,481 | \$ 3,196,039 |
| Judicial administration | 273,154 | 293,222 | 308,361 |
| Public safety | 6,563,142 | 6,933,837 | 7,475,819 |
| Public works | 3,765,655 | 4,959,412 | 4,110,492 |
| Health and welfare | 1,809,216 | 1,991,478 | 2,065,153 |
| Education | 6,583,596 | 6,822,656 | 6,267,967 |
| Parks, recreation and cultural | 2,071,236 | 2,094,830 | 2,179,626 |
| Community development | 3,135,821 | 3,259,276 | 4,853,168 |
| Nondepartmental | 46,163 | 127,858 | 17,349 |
| Interest expense | 361,125 | 352,333 | 396,211 |
| Total governmental activities expenses | <u>\$ 27,367,676</u> | <u>\$ 29,785,383</u> | <u>\$ 30,870,185</u> |
| Business-type activities | | | |
| Water and sewer services | \$ 4,098,596 | \$ 3,838,917 | \$ 3,983,571 |
| Total business-type activities expenses | <u>\$ 4,098,596</u> | <u>\$ 3,838,917</u> | <u>\$ 3,983,571</u> |
| Total primary government expenses | <u><u>\$ 31,466,272</u></u> | <u><u>\$ 33,624,300</u></u> | <u><u>\$ 34,853,756</u></u> |
| Program Revenues (see Schedule 3) | | | |
| Governmental activities: | | | |
| Charges for services: | | | |
| General government administration* | \$ 862,919 | \$ 1,027,386 | \$ 1,228,597 |
| Judicial administration | - | - | - |
| Public safety | 508,864 | 559,545 | 582,729 |
| Public works | 12,071 | 50,199 | 11,403 |
| Parks, recreation and cultural | 297,674 | 270,705 | 316,991 |
| Community development | 51,694 | 59,418 | 58,428 |
| Operating grants and contributions | 3,307,596 | 4,808,926 | 3,718,194 |
| Capital grants and contributions | 102,974 | 102,924 | 102,922 |
| Total governmental activities program revenues | <u><u>\$ 5,143,792</u></u> | <u><u>\$ 6,879,103</u></u> | <u><u>\$ 6,019,264</u></u> |
| Business-type activities: | | | |
| Charges for services: | | | |
| Water and sewer | \$ 4,721,388 | \$ 4,890,679 | \$ 4,195,671 |
| Total business-type activities program revenues | <u><u>\$ 4,721,388</u></u> | <u><u>\$ 4,890,679</u></u> | <u><u>\$ 4,195,671</u></u> |
| Total primary government program revenues | <u><u>\$ 9,865,180</u></u> | <u><u>\$ 11,769,782</u></u> | <u><u>\$ 10,214,935</u></u> |

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

| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 3,989,006 | \$ 3,556,882 | \$ 3,925,496 | \$ 4,206,889 | \$ 4,350,670 | \$ 3,563,461 | \$ 4,067,673 |
| 356,257 | 379,945 | 369,459 | 373,159 | 524,247 | 405,416 | 375,239 |
| 8,011,476 | 8,840,146 | 9,410,409 | 9,626,052 | 9,200,629 | 9,275,831 | 9,638,966 |
| 3,007,234 | 7,196,599 | 4,504,611 | 4,493,041 | 3,314,209 | 4,750,649 | 4,505,943 |
| 2,180,922 | 2,176,382 | 2,415,272 | 2,335,735 | 2,319,951 | 2,245,513 | 2,414,154 |
| 6,437,154 | 7,044,990 | 8,446,319 | 7,913,290 | 8,439,060 | 7,736,481 | 7,756,817 |
| 2,138,010 | 2,170,492 | 2,275,707 | 2,535,481 | 2,362,491 | 2,314,517 | 2,424,850 |
| 9,168,959 | 5,328,651 | 5,694,235 | 5,091,394 | 4,788,236 | 4,482,731 | 4,418,902 |
| - | - | - | - | - | - | - |
| 592,688 | 551,307 | 467,896 | 408,129 | 303,123 | 284,738 | 472,343 |
| <u>\$ 35,881,706</u> | <u>\$ 37,245,394</u> | <u>\$ 37,509,404</u> | <u>\$ 36,983,170</u> | <u>\$ 35,602,616</u> | <u>\$ 35,059,337</u> | <u>\$ 36,074,887</u> |
| <u>\$ 4,230,185</u> | <u>\$ 4,569,446</u> | <u>\$ 4,769,797</u> | <u>\$ 4,862,433</u> | <u>\$ 6,025,427</u> | <u>\$ 6,046,002</u> | <u>\$ 5,935,670</u> |
| <u>\$ 4,230,185</u> | <u>\$ 4,569,446</u> | <u>\$ 4,769,797</u> | <u>\$ 4,862,433</u> | <u>\$ 6,025,427</u> | <u>\$ 6,046,002</u> | <u>\$ 5,935,670</u> |
| <u>\$ 40,111,891</u> | <u>\$ 41,814,840</u> | <u>\$ 42,279,201</u> | <u>\$ 41,845,603</u> | <u>\$ 41,628,043</u> | <u>\$ 41,105,339</u> | <u>\$ 42,010,557</u> |
| \$ - | \$ - | \$ - | \$ 4,760 | \$ - | \$ - | \$ - |
| 142,321 | 155,924 | 140,559 | 147,160 | 108,161 | 222,572 | 259,700 |
| 364,959 | 328,194 | 479,255 | 295,207 | 260,751 | 155,522 | 183,113 |
| - | - | - | - | - | - | - |
| 302,835 | 338,754 | 298,453 | 317,573 | 350,497 | 390,220 | 401,398 |
| 56,566 | 36,073 | 43,750 | 42,198 | 97,881 | 43,742 | 42,702 |
| 5,224,480 | 4,161,505 | 3,999,026 | 4,008,035 | 4,314,763 | 4,715,846 | 4,414,469 |
| 176,937 | 266,087 | 464,435 | 133,363 | - | - | 21,777 |
| <u>\$ 6,268,098</u> | <u>\$ 5,286,537</u> | <u>\$ 5,425,478</u> | <u>\$ 4,948,296</u> | <u>\$ 5,132,053</u> | <u>\$ 5,527,902</u> | <u>\$ 5,323,159</u> |
| <u>\$ 4,379,515</u> | <u>\$ 4,493,958</u> | <u>\$ 5,751,177</u> | <u>\$ 5,575,174</u> | <u>\$ 5,398,525</u> | <u>\$ 7,496,603</u> | <u>\$ 5,783,098</u> |
| <u>\$ 4,379,515</u> | <u>\$ 4,493,958</u> | <u>\$ 5,751,177</u> | <u>\$ 5,575,174</u> | <u>\$ 5,398,525</u> | <u>\$ 7,496,603</u> | <u>\$ 5,783,098</u> |
| <u>\$ 10,647,613</u> | <u>\$ 9,780,495</u> | <u>\$ 11,176,655</u> | <u>\$ 10,523,470</u> | <u>\$ 10,530,578</u> | <u>\$ 13,024,505</u> | <u>\$ 11,106,257</u> |

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> |
|--------------------------------------|------------------------|------------------------|------------------------|
| Net (Expense)/Revenue | | | |
| Governmental activities | \$ (22,223,884) | \$ (22,906,280) | \$ (24,850,921) |
| Business-type activities | 622,792 | 1,051,762 | 212,100 |
| Total primary government net expense | <u>\$ (21,601,092)</u> | <u>\$ (21,854,518)</u> | <u>\$ (24,638,821)</u> |

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes

| | | | |
|-------------------------|--------------|--------------|--------------|
| General property taxes | \$ 6,295,230 | \$ 7,574,245 | \$ 7,944,010 |
| Sales taxes | 4,468,174 | 4,240,721 | 4,219,603 |
| Business property taxes | 1,246,548 | 1,254,363 | 1,259,291 |
| Consumer utility taxes | 589,089 | 684,702 | 1,062,031 |
| Business license taxes | 1,634,995 | 1,639,065 | 1,757,085 |
| Hotel and room taxes | 4,114,010 | 3,996,782 | 3,695,937 |
| \$2 lodging taxes | - | - | 1,582,047 |
| Meals taxes | 5,338,967 | 5,420,516 | 5,394,509 |
| Other local taxes | 611,790 | 110,107 | 910,932 |

Use of Money & Property

Gain on sale of capital assets

Grants and contributions not restricted to specific programs

Miscellaneous

Transfers

| | | | |
|--|---------|---------|---------|
| Use of Money & Property | 832,461 | 965,258 | 465,369 |
| Gain on sale of capital assets | 337,264 | - | 1,220 |
| Grants and contributions not restricted to specific programs | - | - | - |
| Miscellaneous | - | - | - |
| Transfers | 50,000 | - | - |

| | | | |
|-------------------------------|----------------------|----------------------|----------------------|
| Total governmental activities | <u>\$ 25,518,528</u> | <u>\$ 25,885,759</u> | <u>\$ 28,292,034</u> |
|-------------------------------|----------------------|----------------------|----------------------|

Business-type activities:

Investment earnings

Gain on sale of capital assets

Miscellaneous

| | | | |
|--------------------------------|------------|-----------|------------|
| Investment earnings | \$ 123,220 | \$ 52,200 | \$ 105,671 |
| Gain on sale of capital assets | - | - | - |
| Miscellaneous | - | - | - |

| | | | |
|--------------------------------|-------------------|------------------|-------------------|
| Total business-type activities | <u>\$ 123,220</u> | <u>\$ 52,200</u> | <u>\$ 105,671</u> |
|--------------------------------|-------------------|------------------|-------------------|

| | | | |
|--------------------------|----------------------|----------------------|----------------------|
| Total primary government | <u>\$ 25,641,748</u> | <u>\$ 25,937,959</u> | <u>\$ 28,397,705</u> |
|--------------------------|----------------------|----------------------|----------------------|

Change in Net Assets

| | | | |
|--------------------------|---------------------|---------------------|---------------------|
| Governmental activities | \$ 3,294,644 | \$ 2,979,479 | \$ 3,441,113 |
| Business-type activities | 746,012 | 1,103,962 | 317,771 |
| Total primary government | <u>\$ 4,040,656</u> | <u>\$ 4,083,441</u> | <u>\$ 3,758,884</u> |

| <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ (29,613,608) | \$ (31,958,857) | \$ (32,083,926) | \$ (32,034,874) | \$ (30,470,563) | \$ (29,531,435) | \$ (30,751,728) |
| 149,330 | (75,488) | 981,380 | 712,741 | (626,902) | 1,450,601 | (152,572) |
| \$ (29,464,278) | \$ (32,034,345) | \$ (31,102,546) | \$ (31,322,133) | \$ (31,097,465) | \$ (28,080,834) | \$ (30,904,300) |
| | | | | | | |
| \$ 8,250,312 | \$ 9,281,349 | \$ 10,576,818 | \$ 11,190,551 | \$ 11,247,772 | \$ 10,745,485 | \$ 10,367,460 |
| 4,303,203 | 4,867,792 | 4,562,028 | 3,844,275 | 3,885,065 | 3,963,454 | 4,161,131 |
| 1,143,727 | 1,130,964 | 1,210,744 | 1,307,209 | 1,276,328 | 1,329,808 | 1,304,252 |
| 451,524 | 700,691 | 1,107,790 | 1,040,510 | 1,047,378 | 300,969 | 295,788 |
| 1,789,386 | 1,593,478 | 1,754,093 | 1,595,535 | 1,571,483 | 1,497,159 | 1,598,958 |
| 3,787,611 | 4,350,871 | 4,447,662 | 3,574,810 | 3,248,789 | 3,384,922 | 3,396,446 |
| 1,595,664 | 1,672,720 | 1,625,774 | 1,347,470 | 1,277,760 | 1,299,244 | 1,264,046 |
| 5,600,162 | 5,851,680 | 6,005,227 | 5,522,541 | 5,607,318 | 5,989,446 | 6,277,434 |
| 1,457,982 | 1,096,618 | 800,542 | 576,653 | 609,055 | 640,363 | 655,754 |
| 1,382,832 | 2,156,025 | 1,765,800 | 930,037 | 730,861 | 624,386 | 647,887 |
| 1,082,095 | 1,348,618 | - | - | 887,684 | - | - |
| 929,240 | 879,936 | 899,609 | 820,341 | 812,215 | 1,463,933 | 1,491,961 |
| 660,148 | 600,434 | 1,959,074 | 871,641 | 886,798 | 666,543 | 720,497 |
| - | - | - | - | - | - | - |
| \$ 32,433,886 | \$ 35,531,176 | \$ 36,715,161 | \$ 32,621,573 | \$ 33,088,506 | \$ 31,905,712 | \$ 32,181,614 |
| | | | | | | |
| \$ 202,622 | \$ 253,915 | \$ 209,655 | \$ 97,165 | \$ 26,248 | \$ 8,536 | \$ 29,772 |
| - | 2,677,383 | - | - | - | - | - |
| 35,517 | 139,314 | 147,610 | 182,884 | 270,436 | 147,350 | 161,208 |
| \$ 238,139 | \$ 3,070,612 | \$ 357,265 | \$ 280,049 | \$ 296,684 | \$ 155,886 | \$ 190,980 |
| \$ 32,672,025 | \$ 38,601,788 | \$ 37,072,426 | \$ 32,901,622 | \$ 33,385,190 | \$ 32,061,598 | \$ 32,372,594 |
| | | | | | | |
| \$ 2,820,278 | \$ 3,572,319 | \$ 4,631,235 | \$ 586,699 | \$ 2,557,943 | \$ 2,374,277 | \$ 1,429,886 |
| 387,469 | 2,995,124 | 1,338,645 | 992,790 | (330,218) | 1,606,487 | 38,408 |
| \$ 3,207,747 | \$ 6,567,443 | \$ 5,969,880 | \$ 1,579,489 | \$ 2,227,725 | \$ 3,980,764 | \$ 1,468,294 |

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | |
| Reserved | \$ - | \$ - | \$ - | \$ 543,605 |
| Unreserved | 22,360,336 | 20,886,657 | 30,616,683 | 31,982,623 |
| Nonspendable | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Total general fund | <u>\$ 22,360,336</u> | <u>\$ 20,886,657</u> | <u>\$ 30,616,683</u> | <u>\$ 32,526,228</u> |
| All Other Governmental Funds | | | | |
| Unreserved (Special Revenue funds) | \$ 162,486 | \$ 141,922 | \$ 131,239 | \$ 210,575 |
| Restricted (Special Revenue funds) | - | - | - | - |
| Total all other governmental funds | <u>\$ 162,486</u> | <u>\$ 141,922</u> | <u>\$ 131,239</u> | <u>\$ 210,575</u> |

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

Table 3

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011 *</u> | <u>2012</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 548,702 | \$ 553,490 | \$ 124,011 | \$ 8,287 | \$ - | \$ - |
| 29,509,734 | 28,448,307 | 26,253,762 | 25,983,407 | - | - |
| - | - | - | - | 13,326 | 1,178,530 |
| - | - | - | - | 3,591,208 | 1,375,060 |
| - | - | - | - | 22,875,543 | 25,288,755 |
| <u>\$ 30,058,436</u> | <u>\$ 29,001,797</u> | <u>\$ 26,377,773</u> | <u>\$ 25,991,694</u> | <u>\$ 26,480,077</u> | <u>\$ 27,842,345</u> |
| | | | | | |
| \$ 207,354 | \$ 182,825 | \$ 250,939 | \$ 337,593 | \$ - | \$ - |
| - | - | - | - | 399,209 | 365,844 |
| <u>\$ 207,354</u> | <u>\$ 182,825</u> | <u>\$ 250,939</u> | <u>\$ 337,593</u> | <u>\$ 399,209</u> | <u>\$ 365,844</u> |

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|---|----------------|----------------|---------------|---------------|----------------|
| Revenues | | | | | |
| Taxes | \$ 23,993,013 | \$ 25,624,343 | \$ 27,748,415 | \$ 28,194,199 | \$ 30,590,846 |
| Licenses, fees, and permits | 212,618 | 305,762 | 256,662 | 275,741 | 200,897 |
| Fines and penalties | 273,584 | 254,706 | 234,157 | 229,779 | 281,612 |
| Use of money and property | 509,733 | 440,882 | 465,369 | 931,554 | 1,600,647 |
| Charges for services | 345,348 | 317,845 | 365,026 | 361,161 | 376,435 |
| Intergovernmental | 3,403,461 | 4,820,935 | 3,864,318 | 6,330,657 | 5,288,477 |
| Other revenues | 1,048,562 | 905,907 | 1,376,131 | 1,817,889 | 3,590,840 |
| Total revenues | \$ 29,786,319 | \$ 32,670,380 | \$ 34,310,078 | \$ 38,140,980 | \$ 41,929,754 |
| Expenditures | | | | | |
| General government administration | \$ 2,040,718 | \$ 2,172,065 | \$ 2,290,766 | \$ 2,636,419 | \$ 2,615,827 |
| Judicial administration | 273,154 | 293,222 | 308,361 | 356,257 | 379,945 |
| Police | 2,861,260 | 3,072,285 | 3,499,854 | 3,541,289 | 4,034,064 |
| Fire | 2,216,034 | 2,335,061 | 2,531,801 | 2,741,472 | 3,064,526 |
| Other public safety | 1,139,383 | 1,186,842 | 1,274,946 | 1,537,857 | 1,617,564 |
| Public works | 2,853,272 | 4,454,010 | 3,628,476 | 3,636,448 | 3,847,395 |
| Health and welfare | 1,804,729 | 1,985,415 | 2,055,514 | 2,169,163 | 2,169,108 |
| Education | 6,518,691 | 6,734,071 | 6,267,967 | 6,437,154 | 6,493,421 |
| Parks and recreation | 1,137,105 | 1,169,003 | 1,254,125 | 1,242,389 | 1,284,977 |
| Library | 758,674 | 752,197 | 771,595 | 796,580 | 861,030 |
| Community Development - <i>Note a</i> | 2,932,800 | 2,989,506 | 4,852,663 | 4,908,287 | 5,348,425 |
| Non-departmental | 68,644 | 137,351 | 33,349 | - | - |
| Capital projects | 7,582,378 | 5,818,262 | 3,030,777 | 5,774,358 | 12,492,119 |
| Debt Service | | | | | |
| Principal | 908,000 | 5,413,000 | 918,000 | 5,872,179 | 992,425 |
| Interest | 361,125 | 352,333 | 437,444 | 505,332 | 554,257 |
| Total expenditures | \$ 33,455,967 | \$ 38,864,623 | \$ 33,155,638 | \$ 42,155,184 | \$ 45,755,083 |
| Excess of revenues | | | | | |
| Other Financing Sources (Uses) | | | | | |
| Issuance of bonds | \$ - | \$ - | \$ 8,500,000 | \$ - | \$ - |
| Issuance of refunding bonds | - | 4,500,000 | - | - | - |
| Payment to refunded bond escrow agent | - | - | - | - | - |
| Sale of capital assets | 123,329 | 200,000 | 12,975 | 5,068,073 | 1,354,316 |
| Capital leases | - | - | 51,928 | - | - |
| Transfers in | 328,808 | 392,080 | 645,835 | 543,284 | 555,000 |
| Transfers out | (328,808) | (392,080) | (645,835) | (543,284) | (555,000) |
| Total other financing sources (uses) | \$ 123,329 | \$ 4,700,000 | \$ 8,564,903 | \$ 5,068,073 | \$ 1,354,316 |
| Net changes in fund balances | \$ (3,546,319) | \$ (1,494,243) | \$ 9,719,343 | \$ 1,053,869 | \$ (2,471,013) |
| Debt service as a percentage of noncapital expenditures | | | | | |
| | 4.91% | 17.45% | 4.50% | 17.80% | 4.00% |

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 4

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------|----------------|---------------|---------------|---------------|
| \$ 32,147,392 | \$ 29,922,838 | \$ 29,602,186 | \$ 29,210,384 | \$ 29,274,314 |
| 376,974 | 207,637 | 164,699 | 154,108 | 181,806 |
| 241,302 | 233,262 | 202,487 | 221,767 | 259,308 |
| 1,765,800 | 930,037 | 730,861 | 624,377 | 647,887 |
| 343,741 | 347,740 | 390,104 | 436,181 | 445,799 |
| 6,759,594 | 4,971,107 | 4,930,242 | 6,179,779 | 5,928,207 |
| 1,322,551 | 1,683,536 | 1,929,868 | 1,343,191 | 1,489,696 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 42,957,354 | \$ 38,296,157 | \$ 37,950,447 | \$ 38,169,787 | \$ 38,227,017 |
| | | | | |
| \$ 2,956,796 | \$ 3,247,353 | \$ 3,130,496 | \$ 3,341,506 | \$ 3,781,205 |
| 369,459 | 373,159 | 332,736 | 405,416 | 371,366 |
| 4,246,050 | 4,273,913 | 3,916,856 | 3,876,496 | 4,069,699 |
| 3,257,746 | 3,293,365 | 2,983,054 | 3,108,601 | 3,146,035 |
| 1,561,167 | 1,686,790 | 1,670,784 | 1,744,010 | 1,829,335 |
| 3,579,302 | 4,185,312 | 3,404,437 | 2,877,077 | 3,129,845 |
| 2,391,062 | 2,311,671 | 2,318,563 | 2,241,201 | 2,416,361 |
| 7,135,650 | 7,023,314 | 6,923,146 | 6,991,174 | 7,337,320 |
| 1,392,614 | 1,387,111 | 1,272,611 | 1,205,651 | 1,232,402 |
| 884,955 | 884,971 | 840,727 | 750,959 | 779,744 |
| 5,662,525 | 5,070,823 | 4,760,075 | 4,469,891 | 4,419,267 |
| - | - | - | - | - |
| 7,809,941 | 5,699,783 | 6,181,634 | 5,206,675 | 3,701,211 |
| | | | | |
| 2,314,249 | 1,036,704 | 1,064,816 | 1,149,694 | 886,240 |
| 477,006 | 377,798 | 337,621 | 275,348 | 354,583 |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ 44,038,522 | \$ 40,852,067 | \$ 39,137,556 | \$ 37,643,699 | \$ 37,454,613 |
| | | | | |
| \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 1,398,911 | 5,481,048 |
| - | - | - | (1,375,000) | (5,376,749) |
| - | - | 887,684 | - | - |
| - | - | - | - | - |
| 558,600 | 640,000 | 580,000 | 601,751 | 601,751 |
| (558,600) | (640,000) | (580,000) | (601,751) | (601,751) |
| <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| \$ - | \$ - | \$ 887,684 | \$ 23,911 | \$ 104,299 |
| | | | | |
| \$ (1,081,168) | \$ (2,555,910) | \$ (299,425) | \$ 549,999 | \$ 876,703 |
| | | | | |
| 7.34% | 3.92% | 4.08% | 4.19% | 3.55% |

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 |
|-------------|-----------------------|----------------|----------------------------------|---------------------|------------------------|
| 2003 | \$ 8,210,667 | \$ 3,781,232 | \$ 868,340 | \$ 1,641,721 | \$ 202,360 |
| 2004 | 8,869,569 | 4,210,450 | 910,418 | 1,628,458 | 225,716 |
| 2005 | 9,241,737 | 4,219,603 | 1,297,227 | 1,749,413 | 235,196 |
| 2006 | 10,039,498 | 4,303,203 | 1,137,150 | 1,789,386 | 250,762 |
| 2007 | 11,233,048 | 4,867,792 | 1,074,296 | 1,593,478 | 171,746 |
| 2008 | 12,617,849 | 4,562,028 | 1,107,790 | 1,754,093 | 102,833 |
| 2009 | 13,194,616 | 3,844,275 | 1,040,510 | 1,595,535 | 108,020 |
| 2010 | 13,128,910 | 3,885,065 | 1,047,378 | 1,571,483 | 121,248 |
| 2011 | 12,908,398 | 3,963,454 | 1,049,808 | 1,497,160 | 111,020 |
| 2012 | 12,351,657 | 4,161,131 | 1,029,412 | 1,598,958 | 103,571 |

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

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

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

Table 5

| Tobacco | Hotel & Motel | \$2 Lodging | Restaurant | Other | Total |
|---------|------------------|-------------|--------------|------------|---------------|
| \$ - | \$ 3,974,894 | \$ - | \$ 5,244,106 | \$ 272,053 | \$ 24,195,373 |
| 305,729 | 3,996,782 | - | 5,393,776 | 309,161 | 25,850,059 |
| 209,340 | 3,695,937 | 1,582,047 | 5,367,745 | 385,366 | 27,983,611 |
| 184,080 | 3,787,611 | 1,595,664 | 5,600,162 | 640,764 | 29,328,280 |
| 172,872 | 4,350,871 | 1,672,720 | 5,851,680 | 550,141 | 31,538,644 |
| 180,701 | 4,447,662 | 1,625,774 | 6,005,227 | 517,007 | 32,920,964 |
| 144,534 | 3,574,810 | 1,347,470 | 5,522,541 | 324,099 | 30,696,410 |
| 158,460 | 3,248,789 | 1,277,760 | 5,607,318 | 329,347 | 30,375,758 |
| 148,032 | 3,384,922 | 1,299,244 | 5,989,446 | 381,311 | 30,732,795 |
| 147,870 | 3,396,446 | 1,264,046 | 6,277,434 | 404,313 | 30,734,838 |

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

Table 6

| Fiscal Year | Real Property | | Personal Property | | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate* |
|-------------|----------------------|----------------------------------|-----------------------------|---------------|--------------------------------|------------------------------|------------------------|
| | Residential Property | Commercial Property ¹ | Motor Vehicles ² | Other | | | |
| 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 |
| 2011 | 1,166,641,800 | 1,335,437,900 | 35,652,620 | 39,303,636 | 674,570,500 | 1,902,465,456 | 4.04 |
| 2012 | 1,134,906,200 | 1,373,260,600 | 36,082,270 | 39,746,802 | 772,009,200 | 1,811,986,672 | 4.04 |

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

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

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.

* 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 |
|-------------------------------|------------------------------|---------------------------------------|----------|----------|----------------------------------|
| 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% |
| 2011 | \$0.54 | \$3.50 | 5% | 5% | 1% |
| 2012 | \$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.

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

Table 8

| <u>Taxpayers</u> | 2003 | | | 2012 | | |
|----------------------------------|------------------------------|------|---|------------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| Colonial Williamsburg Foundation | \$ 198,833,700 | 1 | 19.56% | \$ 256,906,000 | 1 | 14.71% |
| Williamsburg Improvements, LLC | 15,733,900 | 2 | 1.55% | 13,703,900 | 7 | 0.78% |
| Art Williamsburg | 13,802,300 | 3 | 1.36% | | | |
| JIN, Inc. | 9,124,000 | 4 | 0.90% | | | |
| Woodshire, LTD | 6,776,800 | 5 | 0.67% | | | |
| LTD Associates One, LLC | 6,767,400 | 6 | 0.67% | | | |
| LTD Associates Two, LLC | 6,083,700 | 7 | 0.60% | | | |
| Patrick Henry Inn | 6,011,200 | 8 | 0.59% | | | |
| PVR Associates, LLC | 5,610,700 | 9 | 0.55% | | | |
| Philip Richardson Co. | 5,601,900 | 10 | 0.55% | | | |
| Bluegreen Vacations, Unlimited | | | | 22,851,400 | 3 | 1.31% |
| Riverside Healthcare Associates | | | | 24,760,700 | 2 | 1.42% |
| High Street Retail Phase I LLC | | | | 22,419,500 | 4 | 1.28% |
| Sterling Manor Apartments LLC | | | | 20,533,300 | 5 | 1.18% |
| Westgate Resorts, LTD | | | | 17,948,700 | 6 | 1.03% |
| SNL Quarterpath Associates LLC | | | | 11,148,400 | 8 | 0.64% |
| Virginia Landmark Hotels LLC | | | | 9,851,600 | 9 | 0.56% |
| Woodshire, LTC | | | | 9,416,600 | 10 | 0.54% |

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

Table 9

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected Within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|----------------------------------|-------------------------------------|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2003 | \$ 7,801,901 | \$ 7,592,851 | 97.35% | \$ 166,884 | \$ 7,759,735 | 99.46% |
| 2004 | 8,506,917 | 8,347,049 | 98.12% | 142,600 | 8,489,649 | 99.80% |
| 2005 | 8,864,042 | 8,700,344 | 98.15% | 148,857 | 8,849,201 | 99.83% |
| 2006 | 9,734,314 | 9,573,842 | 98.35% | 145,793 | 9,719,635 | 99.85% |
| 2007 | 10,953,045 | 10,733,140 | 97.99% | 211,387 | 10,944,527 | 99.92% |
| 2008 | 12,253,120 | 12,041,834 | 98.28% | 194,258 | 12,236,092 | 99.86% |
| 2009 | 12,813,745 | 12,635,773 | 98.61% | 133,201 | 12,768,974 | 99.65% |
| 2010 | 12,839,578 | 12,644,248 | 98.48% | 159,990 | 12,804,238 | 99.72% |
| 2011 | 12,472,411 | 12,266,609 | 98.35% | 150,344 | 12,416,953 | 99.56% |
| 2012 | 11,959,364 | 11,773,538 | 98.45% | n/a | 11,773,538 | 98.45% |

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 | | Debt Per Capita | Debt as Percentage of Personal Income |
|----------------|--------------------------------|------------------|-----------------------------|-----------------------------|--------------------|--|
| | General Obligation Bonds | Notes Payable | General Obligation Bonds | Total Primary Government | | |
| 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 | 1,348 | 0.6% |
| 2005 | 18,413,000 | 1,300,000 | 6,938,851 | 25,351,851 | 1,892 | 0.9% |
| 2006 | 12,540,821 | 1,300,000 | 6,665,050 | 19,205,871 | 1,433 | 0.6% |
| 2007 | 11,548,396 | 1,300,000 | 700,000 | 12,248,396 | 925 | 0.3% |
| 2008 | 10,534,146 | - | 566,666 | 11,100,812 | 836 | 0.3% |
| 2009 | 9,497,443 | - | 10,433,333 | 19,930,776 | 1,492 | 0.5% |
| 2010 | 8,432,627 | - | 9,808,700 | 18,241,327 | 1,297 | 0.5% |
| 2011 | 7,306,844 | - | 9,231,593 | 16,538,437 | 1,160 | 0.4% |
| 2012 | 6,796,767 | - | 8,643,971 | 15,440,738 | 1,083 | 0.4% |

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

Table 11

| Fiscal Year | Total General Obligation Bonds | Percentage of Actual Taxable Value of Property ¹ | Per Capita ² |
|-------------|-----------------------------------|--|-------------------------|
| 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% | 1,023 |
| 2008 | 11,100,812 | 0.59% | 836 |
| 2009 | 19,930,775 | 1.01% | 1,492 |
| 2010 | 18,241,327 | 0.96% | 1,297 |
| 2011 | 16,538,437 | 0.87% | 1,160 |
| 2012 | 15,440,738 | 0.85% | 1,083 |

¹ See Table 6 for property value data.

² Population data can be found in Table 13

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

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|---------------|---------------|---------------|----------------|
| Debt Limit | \$99,563,530 | \$111,742,610 | \$120,269,260 | \$133,870,500 |
| Total net debt applicable to limit | 19,269,173 | 19,368,154 | 26,651,851 | 20,505,871 |
| Legal debt margin | \$ 80,294,357 | \$ 92,374,456 | \$ 93,617,409 | \$ 113,364,629 |
| Total net debt applicable to the limit as a percentage of debt limit | 19.35% | 17.33% | 22.16% | 15.32% |

Legal Debt Margin Calculation for Fiscal Year 2012:

| | |
|------------------------------------|-----------------------------|
| Assessed Value | \$1,736,157,600 |
| Debt Limit (10% of assessed value) | 173,615,760 |
| Debt applicable to limit: | |
| General obligation bonds | 15,398,820 |
| Legal debt margin | <u><u>\$158,216,940</u></u> |

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

Table 12

| <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$154,722,020 | \$180,323,920 | \$189,545,600 | \$189,257,180 | \$182,750,920 | \$173,615,760 |
| 13,548,395 | 11,100,812 | 19,930,775 | 18,241,325 | 16,538,737 | 15,398,820 |
| \$ 141,173,625 | \$ 169,223,108 | \$ 169,614,825 | \$ 171,015,855 | \$ 166,212,183 | \$ 158,216,940 |
| 8.76% | 6.16% | 10.52% | 9.64% | 9.05% | 8.87% |

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 |
|-------------|-------------------|------------------------------|---|---|---------------------------------------|--------------------------------|
| 2003 | 13,200 | 65,530 | 2,515,632 | 38,389 | 8,553 | 8.0% |
| 2004 | 13,400 | 68,168 | 2,793,123 | 40,974 | 8,959 | 7.5% |
| 2005 | 13,400 | 70,828 | 2,952,937 | 41,692 | 9,402 | 7.1% |
| 2006 | 13,400 | 73,943 | 3,289,020 | 44,480 | 9,820 | 5.9% |
| 2007 | 13,242 | 76,149 | 3,641,841 | 47,825 | 10,105 | 5.6% |
| 2008 | 13,273 | 77,732 | 3,985,612 | 51,274 | 10,137 | 8.6% |
| 2009 | 13,354 | 79,805 | 3,840,913 | 48,129 | 10,248 | 15.1% |
| 2010 | 14,068 | 81,463 | 4,037,513 | 49,563 | 10,503 | 14.3% |
| 2011 | 14,256 | 83,130 | ** | ** | 10,549 | 14.0% |
| 2012 | ** | ** | ** | ** | 10,671 | ** |

* 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> | 2003 | | | 2012 | | |
|--|------------------------------|-------------|--|------------------------------|-------------|--|
| | <u>Employees¹</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | <u>Employees¹</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| College of William & Mary | 1,000+ | 1 | 16.25% | 1,000+ | 1 | 22.56% |
| Colonial Williamsburg Foundation | 1,000+ | 2 | 12.58% | 1,000+ | 2 | 9.70% |
| Colonial Williamsburg Company | 1,000+ | 3 | 6.63% | 1,000+ | 3 | 6.56% |
| Williamsburg Community Hospital ² | 500 to 999 | 4 | 4.88% | | | |
| W-JCC Schools | | | | 250 to 499 | 4 | 1.93% |
| Aramark | 250 to 499 | 5 | 1.56% | 250 to 499 | 5 | 1.67% |
| City of Williamsburg | 100 to 249 | 6 | 1.25% | 250 to 499 | 6 | 1.61% |
| Williamsburg Hospitality House | 100 to 249 | 7 | 0.63% | | | |
| Red Lobster & The Olive Garden | 100 to 249 | 8 | 0.63% | 100 to 249 | 7 | 0.62% |
| Walsingham Academy | | | | 100 to 249 | 8 | 0.62% |
| Patrick Henry Inn | 100 to 249 | 9 | 0.63% | | | |
| National Center for State Courts | 100 to 249 | 10 | 0.63% | 100 to 249 | 9 | 0.62% |
| Outback Steakhouse | | | | 50 to 99 | 10 | 0.31% |

¹ includes part-time and seasonal employees

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

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

Table 15

| | Full-time-Equivalent Employees as of June 30: | | | | | | | | | |
|---------------------------|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| General Government | | | | | | | | | | |
| City Manager | 4.0 | 4.5 | 4.5 | 5.5 | 5.5 | 5.5 | 6.5 | 5.5 | 5.5 | 5.5 |
| Clerk of Council | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 |
| City Attorney | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 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 | 2.0 | 2.0 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Assessor | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Information Technology | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Finance | 9.0 | 8.0 | 8.0 | 8.0 | 8.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 |
| Police | | | | | | | | | | |
| Officers | 34.0 | 34.0 | 34.0 | 34.0 | 35.0 | 36.0 | 36.0 | 34.0 | 35.0 | 36.0 |
| Civilians | 13.5 | 15.5 | 16.0 | 16.0 | 18.0 | 18.0 | 18.0 | 5.0 | 5.0 | 5.0 |
| Fire | | | | | | | | | | |
| Firefighters & officers | 31.0 | 31.0 | 31.0 | 34.0 | 35.0 | 36.0 | 36.0 | 36.0 | 36.0 | 36.0 |
| Civilians | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Public Works | | | | | | | | | | |
| Engineering | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Streets | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 9.0 | 9.0 |
| Landscape | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 7.0 | 7.0 |
| Shop | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Building Maintenance | 3.0 | 3.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Planning | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Code Compliance | 4.0 | 6.0 | 6.0 | 6.0 | 7.0 | 7.0 | 7.0 | 5.0 | 4.0 | 4.0 |
| Recreation | 9.5 | 9.5 | 9.5 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 8.0 | 8.0 |
| Human Services | 11.0 | 11.0 | 12.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| Public Utilities | <u>23.0</u> | <u>23.0</u> | <u>23.0</u> | <u>25.0</u> | <u>25.0</u> | <u>25.0</u> | <u>26.0</u> | <u>26.0</u> | <u>26.0</u> | <u>26.0</u> |
| Total | <u>180.0</u> | <u>184.5</u> | <u>184.5</u> | <u>191.0</u> | <u>196.0</u> | <u>200.0</u> | <u>202.0</u> | <u>185.0</u> | <u>182.0</u> | <u>183.0</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

Table 16

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Real estate parcels appraised | 3,978 | 4,000 | 4,204 | 4,374 | 4,223 | 4,139 | 4,135 | 4,202 | 4,220 | 4,220 |
| Real estate property transfers | 339 | 527 | 486 | 441 | 381 | 342 | 242 | 277 | 330 | 337 |
| Police | | | | | | | | | | |
| Calls for service | 30,285 | 32,618 | 29,990 | 30,727 | 32,532 | 30,147 | 31,711 | 28,758 | 37,844 | 37,283 |
| Moving violations | 2,924 | 2,128 | 1,672 | 1,867 | 1,989 | 2,053 | 2,118 | 1,377 | 1,586 | 1,800 |
| Offenses | 391 | 372 | 380 | 403 | 398 | 371 | 340 | 354 | 403 | 389 |
| Fire | | | | | | | | | | |
| Emergency fire responses | 649 | 650 | 625 | 694 | 693 | 1,581 | 1,338 | 1,778 | 1,738 | 1,834 |
| Emergency EMS responses | 1,702 | 1,739 | 1,692 | 1,744 | 1,861 | 2,151 | 2,200 | 2,294 | 2,164 | 2,443 |
| Public Works | | | | | | | | | | |
| Street miles maintained | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 65 | 65 | 65 |
| Work orders issued | 282 | 163 | 246 | 327 | 227 | 185 | 218 | 274 | 159 | 122 |
| Tons of res. solid waste collected | 2,698 | 3,416 | 2,371 | 3,477 | 3,624 | 3,607 | 4,061 | 2,182 | 2,108 | 2,443 |
| Planning | | | | | | | | | | |
| Subdivision lots approved | 0 | 4 | 4 | 60 | 90 | 0 | 0 | 0 | 4 | 0 |
| Site plans processed | 10 | 13 | 11 | 20 | 14 | 7 | 10 | 8 | 9 | 1 |
| Code Compliance | | | | | | | | | | |
| Total permits issued | 1,126 | 2,498 | 1,244 | 1,337 | 1,050 | 1,845 | 1,475 | 1,792 | 1,725 | 1,436 |
| Total inspections performed | 6,998 | 10,821 | 10,326 | 7,887 | 6,535 | 7,228 | 6,706 | 7,169 | 6,824 | 5,171 |
| Recreation | | | | | | | | | | |
| Program participants | 36,645 | 31,504 | 32,126 | 29,518 | 27,914 | 24,536 | 18,680 | 17,449 | 18,184 | 19,521 |
| Waller Mill Park attendance* | 185,388 | 96,110 | 116,261 | 160,175 | 209,760 | 199,050 | 249,226 | 261,144 | 86,413 | 81,254 |
| Human Services (avg. monthly) | | | | | | | | | | |
| Total benefit program cases | 705 | 864 | 724 | 729 | 612 | 600 | 693 | 942 | 1,125 | 1,182 |
| Total service cases | 163 | 164 | 206 | 184 | 186 | 179 | 174 | 193 | 1,074 | 1,094 |
| Public Utilities | | | | | | | | | | |
| Water treated (million gallons) | 1,212 | 1,190 | 1,146 | 1,216 | 1,201 | 1,192 | 1,172 | 1,071 | 1,086 | 1,039 |
| Water lines/hydrants repaired | 201 | 80 | 79 | 62 | 71 | 48 | 49 | 40 | 32 | 36 |
| Sewer lines cleaned/repared | 207 | 113 | 130 | 127 | 100 | 94 | 72 | 80 | 65 | 53 |
| Emergency repair responses | 529 | 270 | 325 | 403 | 387 | 412 | 446 | 493 | 550 | 468 |

Source: City operating departments

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

| Function/Program | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government | | | | | | | | | | |
| Number of buildings | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Number of parking structures | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Total number of active vehicles in vehicle replacement plan | 75 | 74 | 80 | 77 | 80 | 81 | 77 | 77 | 80 | 83 |
| Public Safety | | | | | | | | | | |
| Number of police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Number of fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Works | | | | | | | | | | |
| Lane miles of streets maintained | 54 | 54 | 54 | 54 | 54 | 54 | 54 | 65 | 65 | 65 |
| Number of traffic signals | 14 | 14 | 14 | 14 | 14 | 14 | 15 | 15 | 15 | 15 |
| Bridges | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Education-Regional Schools | | | | | | | | | | |
| Grades: K - 5 | 7 | 7 | 7 | 7 | 7 | 8 | 8 | 9 | 9 | 9 |
| Grades: 6 - 8 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 3 | 3 |
| Grades: 9 -12 | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Parks & Recreation | | | | | | | | | | |
| Number of parks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Number of ball fields | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Number of tennis courts | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Number of total acres | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 | 2,036 |
| Culture | | | | | | | | | | |
| Number of public libraries (regional) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Public Utilities | | | | | | | | | | |
| Miles of water distribution | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 |
| Number of water tanks | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 6 |
| Number of pump stations | 12 | 13 | 14 | 14 | 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, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City of Williamsburg, Virginia's basic financial statements and have issued our report thereon dated October 29, 2012. 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

Management of City of Williamsburg, Virginia is responsible for establishing and maintaining effective 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 or significant deficiencies, 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, Farmer, Cox Associates

Richmond, Virginia
October 29, 2012

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' 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 the City of Williamsburg, Virginia's major federal programs for the year ended June 30, 2012. 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, 2012.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of management, 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, Farmer, Cox Associates

Richmond, Virginia
October 29, 2012

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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> | | | |
| Temporary Assistance for Needy Families (TANF) | 93.558 | 0400111/0400112 | \$ 168,794 |
| Refugee and Entrant Assistance - State Administered Programs | 93.566 | 0500111/0500112 | 209 |
| Low-Income Home Energy Assistance | 93.568 | 0600411/0600412 | 7,434 |
| Child Care and Development Cluster: | | | |
| Child Care and Development Block Grant | 93.575 | 0770110/0770111 | 53,075 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 93.596 | 0760111/0760112 | 41,431 |
| Stephanie Tubbs Child Welfare Services - State Grants | 93.645 | 0900111/0900112 | 261 |
| Foster Care - Title IV-E | 93.658 | 1100111/1100112 | 103,220 |
| Adoption Assistance | 93.659 | 1120111/1120112 | 62,479 |
| Social Services Block Grant | 93.667 | 1000111/1000112 | 71,837 |
| Chafee Foster Care Independence Program | 93.674 | 9150111/9150112 | 714 |
| Children's Health Insurance Program | 93.767 | 0540111/0540112 | 2,940 |
| Medical Assistance Program | 93.778 | 1200111/1200112 | 81,880 |
| Total Department of Health and Human Services | | | <u>\$ 594,274</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 | 0010111/0010112 0040111/0040112 | \$ 137,573 |
| Total Department of Agriculture | | | <u>\$ 137,573</u> |
| <i>Department of Justice:</i> | | | |
| Pass Through Payments: | | | |
| <i>Department of Criminal Justice Services:</i> | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | <u>\$ 2,777</u> |

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Page 2 of 2

| Federal Grantor/State Pass - Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|---|-------------------------|
| <i>Department of Transportation:</i> | | | |
| Pass Through Payments: | | | |
| <i>Department of Motor Vehicles</i> | | | |
| State and Community Highway Safety | 20.600 | K81252285 | \$ 10,500 |
| <i>Department of Homeland Security:</i> | | | |
| Direct Payments: | | | |
| Assistance to Firefighters Grant | 97.044 | N/A | \$ 19,000 |
| Pass Through Payments: | | | |
| <i>Department of Emergency Services:</i> | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 7760200-155 | \$ 110,682 |
| State homeland security program | 97.073 | 77500100-52708-52709 | 9,066 |
| Total Department of Homeland Security | | | \$ 138,748 |
| Total expenditures of federal awards | | | \$ 883,872 |

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, 2012

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, 2012. 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 | \$ 142,959 |
| Virginia public assistance fund | <u>740,913</u> |

| | |
|---|--------------------------|
| Total federal expenditures per the Schedule of Expenditures of Federal Awards | <u><u>\$ 883,872</u></u> |
|---|--------------------------|

City of Williamsburg, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

| | | |
|--------------------------------------|-----------|-------------|
| Material weaknesses identified? | _____ yes | <u>✓</u> no |
| Significant deficiencies identified? | _____ 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> |
|-----------------------|--|
| 10.561 | State Administrative Matching Grants for Supplemental Nutrition Assistance Program |
| 93.558 | Temporary Assistance for Needy Families (TANF) |

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

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

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None

City of Williamsburg, Virginia
Schedule of Prior Year Findings and Questioned Costs
For the year ended June 30, 2012

There were no prior year findings or questioned costs.

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