

City of Williamsburg, Virginia



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

PREPARED BY:

Department of Finance

CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION



CITY OF WILLIAMSBURG

Department of Finance

November 7, 2011

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, 2011, 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. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the fifth 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, 2011, 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, 2011, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

Profile of the City

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

Williamsburg encompasses some nine square miles located between the James and York Rivers on the Virginia Peninsula in Southeastern Virginia. The 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), 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, by agreements with neighboring James City County, operates the Williamsburg Regional Library system and the Williamsburg-James City County Public Schools (W-JCC Schools). This strong partnership between the City and County governments has served the K-12 education needs of the jurisdictions for over 50 years. FY 2011 marked the fourth year of a five-year restated contract for operating and capital funding of the joint School system.

The annual budget serves as the foundation for the City's financial planning and control. The budget process incorporates City Council strategic plan "Biennial Goals, Initiatives and Outcomes", and defines, communicates, and funds the City's programs and priorities. The completed budget is City Council's road map, and a primary management tool for the City Manager and Department Heads. The annual Budget Guide is a formal call for all departments of the City, and agencies associated with it, to prepare and submit an estimate of the resources required for the next fiscal year. It includes a set of procedures for building a comprehensive budget for the City Manager to submit to City Council in March of each year. City Council is required to hold public hearings on the proposed budget and tax rates, and to adopt a final budget resolution no later than June 30th. The appropriated budget is prepared by fund, function (e.g., public works), and department (e.g., streets). Department heads may make transfers of appropriations within a department, with the approval of the City Manager. Budget amendments requiring changes in total fund appropriations require special approval of City Council, and a public hearing if it exceeds one percent of the total expenditures adopted in the current year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the required supplementary information other than management's discussion and analysis under the combining and individual funds tab of the report.

Factors Affecting Financial Condition

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

Economic Condition and Outlook - The economy of the City of Williamsburg is propelled by tourism and education. Tourism – including major attractions and the hospitality industry – continues to provide the most significant source of tax base for the city government. Within the city limits are 49 hotels/motels with approximately 4,400 rooms, 36 bed and breakfasts, and 85 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 2,700, 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 of Williamsburg has recently seen an upturn in economic activity for Fiscal Year 2011. Room tax receipts increased 4.2% for FY 2011. Revenues from \$2/night lodging tax, which are a pass-thru to the Williamsburg Area Destination Marketing Committee, were up 1.7%. Meal tax receipts were up 6.8% from the prior year. In total, these three significant taxes were up \$539,748, or 5.3% from FY 2010. Another significant tax, dedicated to capital improvements within the City, is the 1% State sales tax. These taxes were up 2.0% over FY 2010 to \$3.96 Million. Still, the economy will need to rebound much stronger in order to reach the \$4.9 Million and \$4.6 Million levels of 1% sales tax receipts collected in FY 2007 and FY2008 respectively. In addition, bank stock taxes and revenue from the Prince George Parking Garage are up significantly over 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 recently, values declined 3.2% for Fiscal Year 2011. Looking closely at limited sales data during the past year, residential values, on average, are currently right at the 100% assessment to sales ratio. The City Assessor has the difficult job of determining market values, and will continue to be challenged in this economy, until housing prices and sales activity stabilize.

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

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

- Two large commercial development projects are underway: "High Street Williamsburg," a \$250 million, 50-acre mixed-use retail and apartment project, adjacent to the Richmond Road business corridor; and "Quarterpath at Williamsburg," a 350 acre mixed-use development in the southeast quadrant of the City that is to include retail, a 40-bed acute care doctor's hospital operated by Riverside Health System, and an assisted living facility. One million square feet of commercial office space is approved for the development, and the City is working with Riverside Health Systems to recruit businesses to this location. Ground has broken on the construction of the 40-bed Doctor's Hospital at Quarterpath at Williamsburg. An adjacent new development, Quarterpath Shopping Center has opened with thirteen establishments, including Wells Fargo Bank, Towne Bank, and anchor Harris Teeter grocery store.
- New businesses opening in 2010 after renovating existing space included: Next to New Consignment, Cx Analytics, Dimaano's Pizza, Berkeley Cleaners, Pandora's Box, Always a Happy Hour, Beach Hearing Aid Center, Beez Scooters, Behavioral Arts, Giggie Ball Greetings, Historic Triangle Imaging, Historic Triangle Periodontics, China House, Inflation Nation, Jamestown Pie, Raw Bar & Grill, Terry's Shop, Witchdoctor's Kafe, Watson Mowry PC, CB Seafood, Rio Bravo, Gloria's Coffee and Pastries, C&R Clothing, Cardinal Design and Survey, Medical Imaging, Berrybody Yogurt, and Bangkok Gardens. To date, new businesses opening in 2011 after renovating existing space included: Fiscella Family Dentistry, The Spoon Diner, Drew Global Management, PDK Fundraising, South Garden Antiques, Williamsburg Psychiatry, Angelo's Greek and Italian Restaurant, Artistic Nail Salon, John Ryland and Associates, Londons Inc, Nana's Nook, the Flakey Bakers, the Jazzy Giraffe, Barber and Beauty Shop, Legends Ale House, Sparkle Petite Spa, Aloha Beads, Angela's Accounting Services, Lee Mortgage Company, LFPC, Agencia Hispana, Knucklehead Threads, Kyung Sung Restaurant, Rococo Salon, the Vintage Cut, the Wright Mische Bag, Archive Data Solutions, and Cici's Pizza.
- New businesses that opened in 2009 after constructing new space in the City included: Health Evaluation Center, Five Guys, the Movie Tavern, and SunTrust Bank. New businesses opening in 2010 after constructing new space included: Chipotle, Terra Coffee and Wine, HEA Living, No 1 Chinese Restaurant, Subway, Swans Cleaners, Luxury Nails, and Blinds Galore. To date, new businesses opening in 2011 after constructing new space include: Jon's Salon, the UPS Store, Dancer's Boutique, Quirks of Art, Supercuts, Waypoint Seafood and Grill, Paint on Pottery Too, the Crust, Subway Café, Qdoba Mexican Grill, and Body Fit.

- A mixed-use redevelopment project at 301 Second St 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.

Besides the two new projects discussed above (High Street and Quarterpath) most future development in the City will be infill and redevelopment. With this in mind, the City continues to implement an existing business program, new business recruitment, and promotion of the City as a premier business location. The Economic Development Authority enacted a Demolition Program to encourage redevelopment projects. Five redevelopment projects are utilizing this forgivable-loan program. Business investment and expansion continues in the City, with a positive impact on the City's real estate property and retail sales taxbases.

Financial Strategy

The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 54¢ per \$100 of assessed value has remained unchanged since FY 1991, and continues to be one of the lowest city tax rates in the Commonwealth of Virginia. In the past, room and meal taxes provided the largest source of funding for City services. Real estate tax receipts outpaced room and meal tax collections for the third straight year in FY 2011 by 5.1%. Room and Meal taxes accounted for 29% of the General Fund operating revenues for FY 2011, compared to 39.7% in FY 2000¹. Real estate taxes made up for 30.5% of total revenues in FY 2011, 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 \$9.4 Million, a 2.1% increase. Real estate taxes increased from \$4.5 Million in FY 2000 to \$9.6 Million in FY 2011, an increase of 113% over the same period. The FY 2011 real estate tax base decreased 3.2% from last year, with next year's values possibly declining up to 3%. Unlike many localities around the country, City assessments, on average, have continued over the past few years to be lower than sales, but as mentioned previously, it's currently right at 100%. The longer homes tend to be on the market, the higher the assessment/sales ratio. The big question is "Have real estate values hit bottom?", and unfortunately, only time will tell. Staff continues to analyze market conditions that could adversely affect this major tax base. In any event, double digit growth in real estate values experienced in the past decade are history.

The City's total personal property tax collections increased 2.4% from last year. Further analysis of growth trends for personal property taxes is included in Management's Discussion and Analysis.

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

Key revenues such as room and meal taxes continue to be closely monitored. Departmental discretionary spending, especially in the larger departments, such as Police, Fire, and Public Works, has been cut back during the past two years. The local and national recession continues to put pressure on the City's ability to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates. Total approved full-time positions grew slightly from 182 in FY 2011 to 183 in FY 2012, with the addition of one police officer.

The Williamsburg City Council passed a resolution in June 2011, along with dozens of other Virginia localities, encouraging the Governor to restore Aid to Localities reductions in future budgets, especially in light of two straight years of State operating surpluses. Even with the ongoing shift in State funding cuts and tax bases, the City continues working to build the region's travel and tourism-based economy as its primary fiscal strategy. City Council partners each year with the Colonial Williamsburg Foundation and the Greater Williamsburg Chamber and Tourism Alliance, providing substantial funding for advertising.

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

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

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 remaining 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.

Cash Management

City Council adopted formal and strict guidelines governing investment policy and procedures in 1995. The investment policy was last revised in 2003. The policy's objective, in order of priority is (1) Safety, (2) Liquidity, and (3) Return on Investment. At June 30, 2011 approximately 68% of City surplus funds were invested with the Local Government Investment Pool (LGIP), administered by the State Treasurer's Cash Management & Investments Division. Investment earnings of the LGIP during Fiscal Year 2011 averaged .2% for the year. Another \$3 Million, or approximately 9% of the City's surplus funds, were invested in one-year certificates of deposits in local banks, earning a weighted average of approximately .8% during the year. Additionally, the City's Investment Committee approved transferring \$14 Million from the State LGIP in July, 2011 to an FDIC insured cash sweep account maintained by the Promontory Interfinancial Network, earning higher rates, and still meeting the more important objectives of safety and liquidity of investments.

Risk Management

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

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

The City initiated a retiree health insurance supplement program in 2002. Currently 39 retirees enjoy this benefit. Details of this program are presented in the Notes to the Financial Statements. Governmental Accounting Standards Board Statement 45 requires an actuarial valuation to determine the cost of these post employment benefits. The intention of this Statement is to spread the cost of post-retirement benefits out over the time employees are actually working and earning benefits, as opposed to treating it pay-as-you-go as in the past. More information on this requirement is included in the Notes to the Financial Statements section of this report.

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

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Williamsburg, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the 25th consecutive year that the City has

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 19 years. In order to qualify for the Distinguished Budget Presentation Award, the City's Budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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

Acknowledgements

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

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Jack Tuttle", 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, 2010

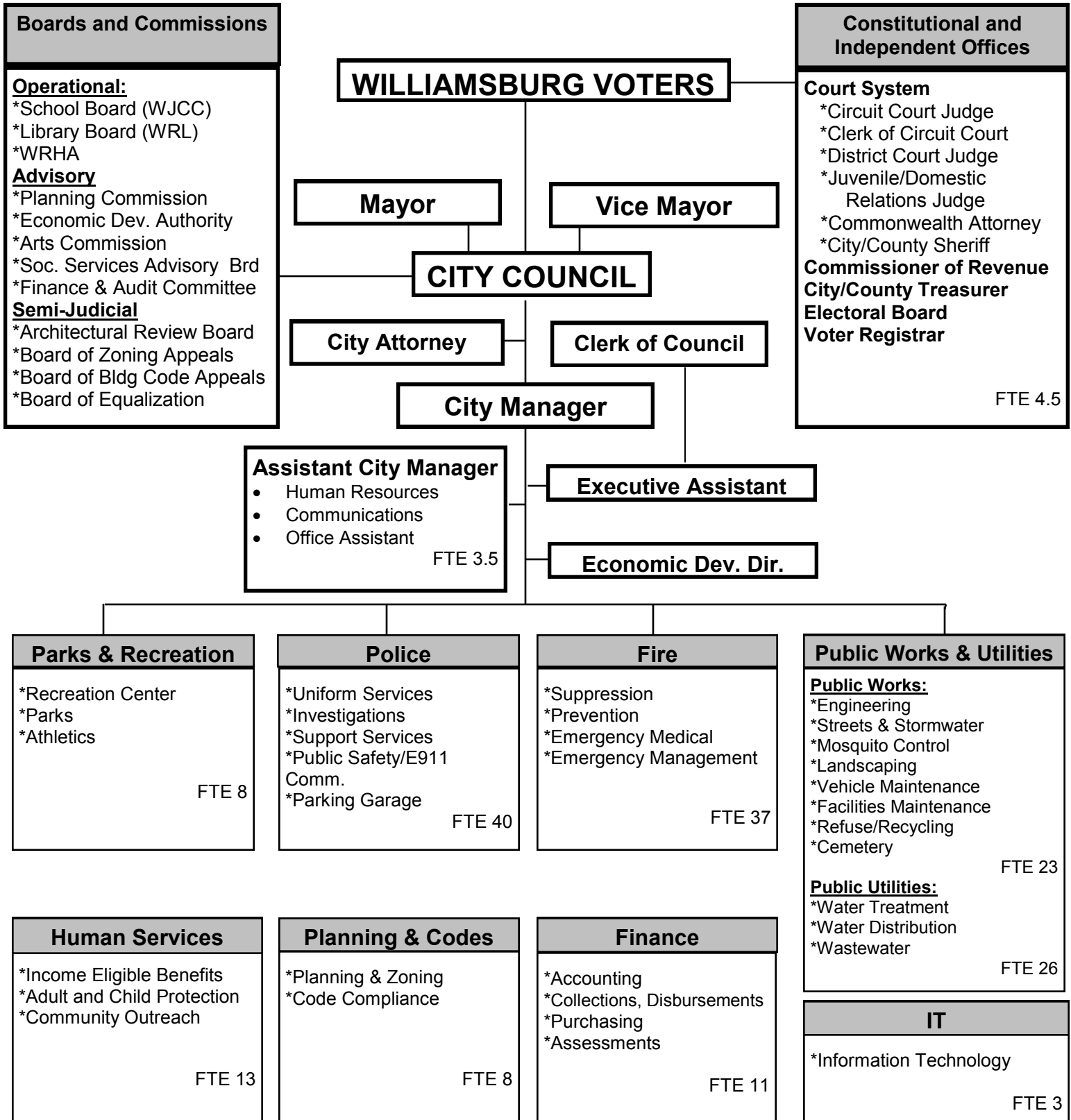
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City of Williamsburg Organizational Chart



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

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2011, 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, 2011, 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.

As described in Note 1 to the financial statements, the City of Williamsburg, Virginia adopted the provisions of *GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, 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 schedules of pension and OPEB 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 schedules 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, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Williamsburg, Virginia. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards 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 express no opinion on them.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 7, 2011

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, 2011. 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, 2011 by \$109.8 Million. Capital assets (net of depreciation and related debt) account for 72% of this amount, with a value of \$78.5 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 \$4.0 Million, of which the governmental activities increased by \$2.4 Million, and business-type activities decreased by \$1.6 Million.
- The City's governmental funds reported combined ending fund balances of \$26.9 Million, an increase of \$.5 Million from the prior year. Of the \$26.9 Million, \$3.6 Million is classified as Assigned Fund Balance, associated with carryover capital projects and accumulated healthcare premiums in excess of claims for the self-insured insurance plan administered by Anthem.
- Unassigned fund balance for the General Fund was \$22.9 Million or 70.8% of total General Fund operating revenues for FY 2011, representing a decrease of \$3.9 Million from last year. This 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 2011, compared to \$36.6 Million last year. General property tax receipts were \$12.1 Million, down 1.8% from last year. Other local taxes were down 1.0%, largely from a State requirement reclassifying communication taxes as State non-categorical instead of local taxes for FY 2011. Room and meal taxes combined were up \$518,261, or 5.8%, for FY 2011.
- Total General Fund expenditures, including capital projects, were down 3.8% at \$35.9 Million for FY 2011. Capital projects and debt service payments accounted for \$6.6 Million in spending for the year, up from last year's level of \$7.6 Million.
- The City's General Fund debt decreased by \$1.1 Million (11.7%) during FY 2011. This is due in part to continued repayment of schedule debt service, and with one \$300K bond being paid off in full during the year. In addition, the City obtained strong bond ratings from Moody's (Aa1) and Standard & Poor's (AA+) and refinanced the principal balances of (1) \$1.4 Million General Fund bond issue from 2002, originally used as partial payment for the Prince George Parking Garage; and (2) \$9.5 Million Utility Fund bond issue from 2009 used for the Newport News Water Agreement.
- 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 increased \$34,702 to \$163,528. This requirement spreads the cost of this benefit out during the years employees are working, rather than treat the cost as a pay-as-you-go supplement to retirees as in the past. In addition, the liability for compensated absences at year end is \$.9 Million, up by 1.2% from last year.
- Business-type activities (Utility Fund) reported net assets at June 30, 2011 of \$21.8 Million. Net assets invested in capital assets (net of depreciation and related debt) account for 76.8% of this amount, with the remaining net assets of \$5.1 Million available without restriction. The Utility Fund reports combined cash and investments at year-end of \$5.3 Million, with total current liabilities of \$1.9 Million, including debt service.

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, 2011, 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, 2011.

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.

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 \$109.8 Million at June 30, 2011. The following table reflects the condensed Government-Wide Statement of Net Assets:

City of Williamsburg's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 29,172,971	\$ 29,277,590	\$ 6,436,848	\$ 5,372,880	\$ 35,609,819	\$ 34,650,470
Capital Assets	69,106,703	68,300,859	26,003,200	25,556,986	95,109,903	93,857,845
Total Assets	<u>\$ 98,279,674</u>	<u>\$ 97,578,449</u>	<u>\$ 32,440,048</u>	<u>\$ 30,929,866</u>	<u>\$ 130,719,722</u>	<u>\$ 128,508,315</u>
Long-term Liabilities	\$ 8,229,321	\$ 9,316,679	\$ 9,385,335	\$ 9,960,434	\$ 17,614,656	\$ 19,277,113
Other Liabilities	2,063,396	2,649,090	1,216,066	737,272	3,279,462	3,386,362
Total Liabilities	\$10,292,717	\$11,965,769	\$10,601,401	\$10,697,706	\$20,894,118	\$22,663,475
Net Assets:						
Invested in Capital Assets, net						
of related debt	61,799,859	59,868,232	16,771,607	15,748,286	78,571,466	75,616,518
Unrestricted	26,187,098	25,744,448	5,067,040	4,483,874	31,254,138	30,228,322
Total Net Assets	<u>\$ 87,986,957</u>	<u>\$ 85,612,680</u>	<u>\$ 21,838,647</u>	<u>\$ 20,232,160</u>	<u>\$ 109,825,604</u>	<u>\$ 105,844,840</u>

The City of Williamsburg's total assets were \$130.7 Million as of June 30, 2011. The largest portion, \$78.6 Million (71.5%), 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 \$31.8 Million is accounted for in cash, cash equivalents, and pooled investments, \$2.7 Million in accounts and notes receivable, and amounts due from other governmental units, with the remainder spread among miscellaneous assets.

At June 30, 2011, outstanding liabilities were \$20.9 Million, with \$17.6 Million in general obligation bonds payable, compensated absences, and other post employment benefits (OPEB) liability. Of the bonds payable, \$2.1 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 \$2.2 Million in accounts payable, \$537,405 in accrued liabilities, and \$123,027 in deposits payable to customers.

At June 30, 2011, the City had positive balances in all categories of net assets, for the government as a whole, and for its separate governmental and business-type activities.

Statement of Activities

The following schedule summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2011 and 2010:

City of Williamsburg - Summary of Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 812,056	\$ 757,290	\$ 7,496,603	\$ 5,398,525	\$ 8,308,659	\$ 6,155,815
Operating grants and contributions	4,631,169	4,118,029	-	-	4,631,169	4,118,029
Capital grants and contributions	84,677	196,734	-	-	84,677	196,734
General Revenues:						
Property taxes	12,075,293	12,524,100	-	-	12,075,293	12,524,100
Other local taxes	17,075,557	17,246,848	-	-	17,075,557	17,246,848
Other	<u>2,754,862</u>	<u>3,317,558</u>	<u>155,886</u>	<u>296,684</u>	<u>2,910,748</u>	<u>3,614,242</u>
Total Revenues	<u>37,433,614</u>	<u>38,160,559</u>	<u>7,652,489</u>	<u>5,695,209</u>	<u>45,086,103</u>	<u>43,855,768</u>
Expenses:						
General government	3,563,461	4,350,670	-	-	3,563,461	4,350,670
Judicial administration	405,416	524,247	-	-	405,416	524,247
Public safety	9,275,831	9,200,629	-	-	9,275,831	9,200,629
Public works	4,750,649	3,314,209	-	-	4,750,649	3,314,209
Health and welfare	2,245,513	2,319,951	-	-	2,245,513	2,319,951
Education	7,736,481	8,439,060	-	-	7,736,481	8,439,060
Parks, recreation, & cultural	2,314,517	2,362,491	-	-	2,314,517	2,362,491
Community Development	4,482,731	4,788,236	-	-	4,482,731	4,788,236
Interest expense	284,738	303,123	-	-	284,738	303,123
Water	<u>-</u>	<u>-</u>	<u>6,046,002</u>	<u>6,025,427</u>	<u>6,046,002</u>	<u>6,025,427</u>
Total Expenses	<u>35,059,337</u>	<u>35,602,616</u>	<u>6,046,002</u>	<u>6,025,427</u>	<u>41,105,339</u>	<u>41,628,043</u>
Increase in net assets	2,374,277	2,557,943	1,606,487	(330,218)	3,980,764	2,227,725
Net assets - beginning	<u>\$85,612,680</u>	<u>\$83,054,737</u>	<u>20,232,160</u>	<u>20,562,378</u>	<u>105,844,840</u>	<u>103,617,115</u>
Net assets - ending	<u>\$87,986,957</u>	<u>\$85,612,680</u>	<u>\$21,838,647</u>	<u>\$20,232,160</u>	<u>\$109,825,604</u>	<u>\$105,844,840</u>

Governmental activities – Governmental activities increased the City's net assets by \$2.4 Million for FY 2011. Generally net asset changes result from the difference between revenues and expenses each year. FY 2011 revenues of \$37.4 Million represent a decrease of \$.7 Million, or 1.9% from the prior year, while expenses of \$35.1 represent a decrease of \$.5 Million, or 1.5% compared from the prior year.

Highlights of financial activity for governmental funds include:

- Revenues from all property taxes in the government-wide statements above decreased slightly in FY 2011 by 3.6% - a more comprehensive look at property tax collections is included further in this analysis.

- Other local taxes shown in the table are down about \$171K – this is misleading, as communication sales taxes are now required by the Auditor of Public Accounts to be classified as non-categorical State aid. In addition, room and meal taxes combined are up \$518,261, or 5.9% over last year. Most other local taxes collected during FY 2011 were fairly level with receipts from the prior 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 2011 resulted in an increase in net assets of \$1.6 Million. Highlights include:

- Charges for services in the Utility Fund were up 38.9% for FY 2011 – this includes a development proffer for a water tank in the amount of \$1,525,000. Taking the proffer out of the equation more realistically shows an increase for FY 2011 of 10.6% from higher water rates and water consumption during the year.
- Total operating expenses were up slightly by .3% for FY 2011.
- Investment earnings were a mere \$8,536 for FY 2011, because of all-time low interest rates.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

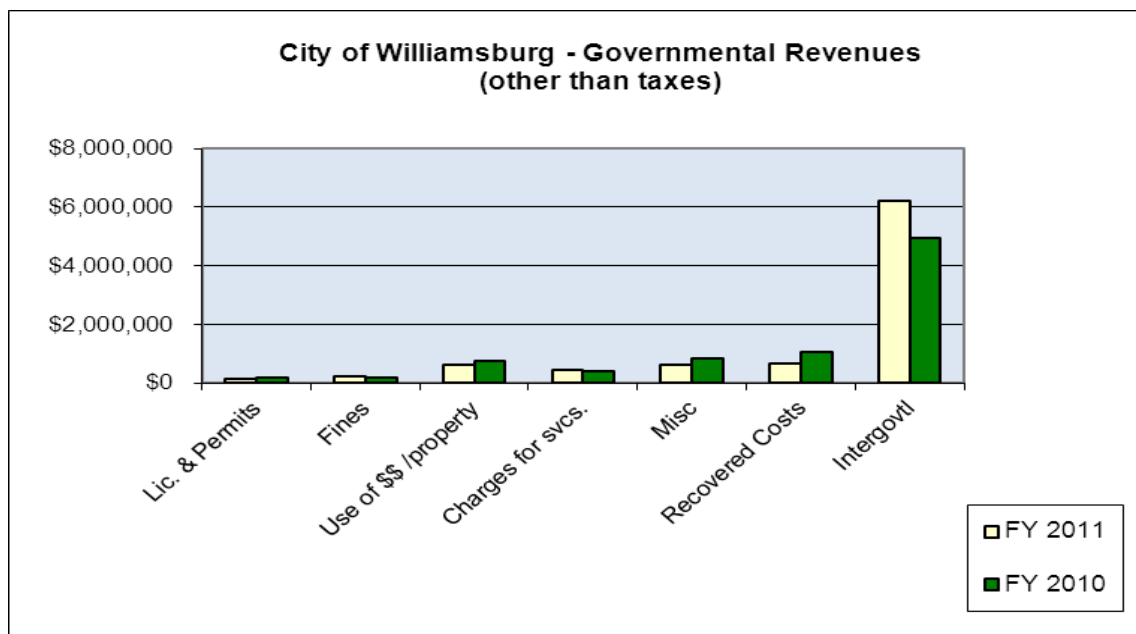
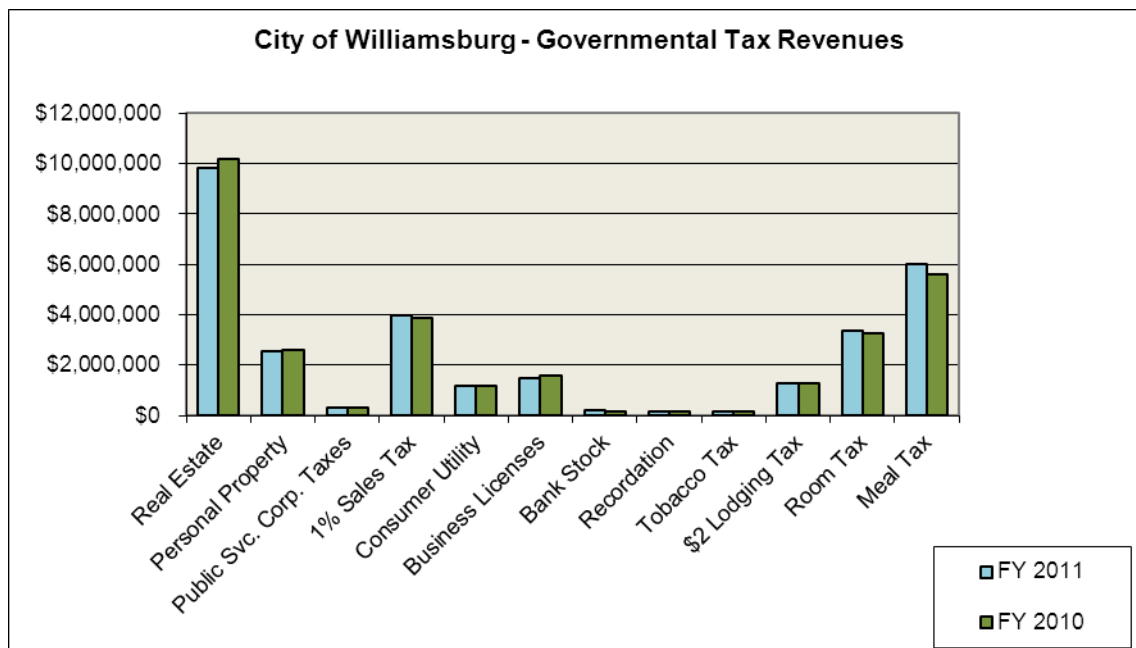
As noted earlier, the City of Williamsburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the City's governmental and proprietary funds.

Governmental Funds Revenue and Expenditure - Analysis

Revenues Classified by Source Governmental Funds

	June 30, 2011		June 30, 2010		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<u>Revenues by Source</u>						
General Property Taxes	\$12,134,827	31.79%	\$12,355,338	32.56%	(\$220,511)	-1.78%
Other Local Taxes	17,075,557	44.74%	17,246,848	45.45%	(171,291)	-0.99%
Licenses and permits	154,108	0.40%	164,699	0.43%	(10,591)	-6.43%
Fines & Forfeitures	221,767	0.58%	202,487	0.53%	19,280	9.52%
Use of Money and Property	624,377	1.64%	730,861	1.93%	(106,484)	-14.57%
Charges for Services	436,181	1.14%	390,104	1.03%	46,077	11.81%
Miscellaneous	617,852	1.62%	886,798	2.34%	(268,946)	-30.33%
Recovered Costs	676,639	1.77%	1,043,070	2.75%	(366,431)	0.00%
Intergovernmental	6,228,479	16.32%	4,930,242	12.99%	1,298,237	26.33%
Total Revenues	<u>\$38,169,787</u>	<u>100.00%</u>	<u>\$37,950,447</u>	<u>100.00%</u>	<u>\$219,340</u>	<u>0.58%</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, 2011, total fund balance of the General Fund was \$26.5 Million. Of that amount, *Assigned* fund balance was \$3.6 Million, representing appropriations carried over for capital projects and the self-insured healthcare plan, about \$13K in prepaid expenditures, shown as *Nonspendable* fund balance, and the remainder of \$22.9 Million shown as *Unassigned* fund balance.



The following provides more detailed information about major General Fund operating revenue collections during FY 2011:

- **General Property Taxes** – This consists of real and personal property tax receipts. Real property tax receipts were \$9.9 Million, down 3.2% from last year. The real estate tax rate has remained at 54¢/\$100 since 1991. Personal property tax receipts for individuals and businesses totaled \$2.5 Million, including reimbursement for the State's Car Tax relief block grant program, and were down about 1.9% from last year from reduced assessments city wide.
- **Other Local Taxes** - Overall these revenues decreased 1.0% from last year.
 - State sales taxes were \$3.9 Million, up 2% from FY 2010;
 - Consumer utility taxes were \$1.2 Million, level with last year, and included telecommunications sales taxes administered by the State;
 - Room taxes were \$3.4 Million, up 4.2% from last year;
 - \$2 per night lodging taxes generated \$1.3 Million, up 1.7% from last year. These pass-thru funds are collected and remitted monthly to the Williamsburg Area Destination Marketing Committee for tourism marketing of the Historic Triangle.
 - Meal taxes were \$6.0 Million, up 6.8% from last year.
 - Cigarette taxes were \$148,032, down slightly from last year. Replenishment of retail vendor stamps on cigarette inventories can swing this revenue in either direction each year and is difficult to estimate.
- **Revenue from the Use of Money and Property**
 - **Use of Money** – Short-term interest rates continued with historic lows during FY 2011. The City's short-term funds invested with the State's Local Government Investment Pool (LGIP) averaged .2%, compared to .3% last year. Certificates of deposit in local banks increased overall earnings slightly. Interest earnings were \$87,800 for the year, compared to \$236,316 in FY 2010.
 - **Use of Property** - Revenues from the use of property were \$536,577, up 8.5% from last year. Parking garage receipts were \$248,370, up 16.9% from last year. Additional rented spaces and amenities charges for properties adjacent to the City's parking deck, and collections for various tenant contracts account for the remainder of this revenue. The City also sold surplus equipment for \$30,825, much of which was sold publicly on the City's Internet auction site (<https://www.williamsburgva.gov/auction>).
- **Charges for Services** – This category consists largely of recreation programs, recreation facility rentals, and cemetery lots and fees. Overall revenues in this category were \$436,181, up by 11.8% from last year. This increase is mostly from a new entrance fee at Waller Mill Park, which generated \$41,211 this 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 \$409,588 received during the year.
- **Intergovernmental** – consisting of State and Federal revenues during FY 2011:
 - Overall, intergovernmental revenues were \$6.2 Million for FY 2011, up about 26% from last year, largely due to
 - Reclassification of communication taxes from local taxes to non-categorical aid from the Commonwealth
 - Federal stimulus (ARRA) funds received for transportation improvements in the amount of \$582,580 during the year.

- Grantor's, rolling stock, and rental car taxes totaled \$69,495 and were level with last year's receipts.
- Shared expenses for Commissioner of the Revenue, Treasurer, Medical Examiner, and Registrar/Electoral Board were down a total of \$19,205, or 13.3% from last year, and down a total of 19.5% from just two years ago. These shared expenses continue to be targets of State cuts by the General Assembly.
- State sales tax for education, a dedicated funding source based on the triennial school-aged population census among Virginia localities, was up 3.9% to \$827,078 for FY 2011.
- State highway maintenance payments of \$1,426,219 were up 3.7% from last year.

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

**Expenditures By Function
Governmental Funds**

Expenditures by Function	June 30, 2011		June 30, 2010		Increase/(Decrease)	
	Percent of		Percent of		Percent of	
	Amount	Total	Amount	Total	Amount	Change
General Government	\$3,341,506	8.88%	\$3,439,230	8.79%	(\$97,724)	-2.84%
Judicial Administration	405,416	1.08%	332,736	0.85%	72,680	21.84%
Public Safety	8,729,107	23.19%	8,570,694	21.90%	158,413	1.85%
Public Works	2,877,077	7.64%	3,095,703	7.91%	(218,626)	-7.06%
Health and Welfare	2,241,201	5.95%	2,318,563	5.92%	(77,362)	-3.34%
Education	6,991,174	18.57%	6,923,146	17.69%	68,028	0.98%
Parks, Recreation, and Cultural	1,956,610	5.20%	2,113,338	5.40%	(156,728)	-7.42%
Community Development	4,469,891	11.87%	4,760,075	12.16%	(290,184)	-6.10%
Capital Projects	5,206,675	13.83%	6,181,634	15.79%	(974,959)	-15.77%
Principal Retirement	1,149,694	3.05%	1,064,816	2.72%	84,878	7.97%
Interest	275,348	0.73%	337,621	0.86%	(62,273)	-18.44%
Total Expenditures	<u>\$37,643,699</u>	<u>100.00%</u>	<u>\$39,137,556</u>	<u>100.00%</u>	<u>(\$1,493,857)</u>	<u>-3.82%</u>

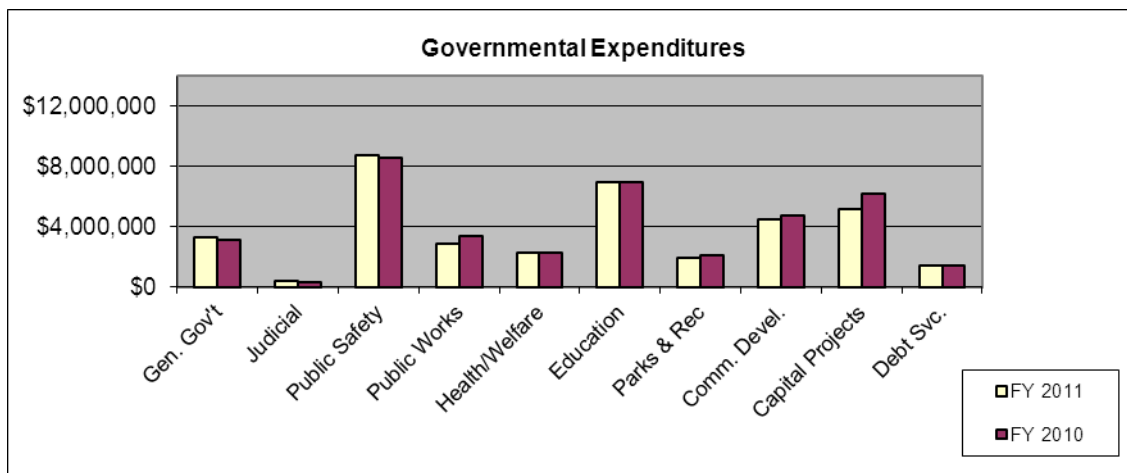
Like most local government jurisdictions around the country, the City's FY 2011 budget did not include merit pay increases for employees. The City's Virginia Retirement System contribution rate, which is set for two-year increments based on the latest actuarial valuation, was 16.44% of covered payroll for FY 2011 for the first 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 15% for FY 2011. 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** – Down \$98K, or 2.9% from last year. Departments under this category, as well as all City departments, experienced the above-mentioned healthcare increases during the year. No merit raises were given during FY 2011, resulting in fairly level benefit costs for the Va Retirement System, FICA, Medicare, and Workers Compensation.

- **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 \$405,416, up 21.8% from last year. A large part of the increase is due to repayment to James City County this year for prior year unbilled technology enhancements.
- **Public Safety** – This category is made up of several departments:
 - Law Enforcement & Traffic Control – Expenditures for the Police Department were \$3.2 Million, down slightly from last year. Training, service contracts, and other operating categories had reduced spending for the year.
 - E-911 – This operation has been contracted to neighboring York County since July, 2009. Overall costs were \$502,796, down 4.8% from FY 2010.
 - Prince George Parking Garage – Total cost this year was \$114,344, up by 5.1%, mostly from higher electricity and operating supply costs. The facility generated \$248,370 in revenue for FY 2011, up 16.9% over the prior year.
 - Fire and Rescue Services – Total costs were up by 4.2% to \$3.1 Million. Utilities, gas & oil, and full staffing throughout the year contributed to the increase over last year. In addition, equipment expenditures totaling \$61,310 were included in the Fire department expenditures during the year.
 - Correction and Detention –
 - Williamsburg is a member locality of the Virginia Peninsula Regional Jail, along with James City County, Poquoson, and York County. The City's share, based on days incarceration, totaled \$1.2 Million during the year, up 3.7% from last year. Member jail costs are billed on a 5-year average usage rate to all localities in order to level out incarceration costs for crimes committed within each locality.
 - Juvenile detention is handled by the 18-member locality Middle Peninsula Juvenile Detention Commission, which operates the 48-bed Merrimac Center. Costs during the year were \$105,814, up 125% from last year, due to an increase in per diem rates, and a significant increase in the number of days children from Williamsburg were in secure detention at the Merrimac Center. Total days for juvenile incarceration in FY 2011 were 731, compared to 273 last year. Like the Regional Jail, incarceration of juveniles at the Merrimac Center is based on crimes committed within the member localities, and very difficult to predict and budget for each year.
 - Group Home Commission costs were \$76,256, level with last year.
 - Codes compliance spent \$327,291 during the year, down 5.2% from last year. One building inspector position was eliminated in mid- FY 2010 due to reduced building activity in the City. Most of the savings for FY 2011 was from the full-year impact of the staffing reduction.
- **Public Works** – Various activities make up this category:
 - Engineering – Expenditures during the year were \$244,778, down by 1.3% due to decreased training and professional services costs.
 - Streets – Overall costs were \$1,013,697 down 13.8% from last year. Cost savings occurred largely from service contracts and delayed street resurfacing.
 - Refuse Collection – Expenditures for the year were \$647,535, down 1.5% for the year. Savings occurred mostly from reduced landfill disposal fees paid during FY 2011.
 - Maintenance-Buildings, grounds, and landscaping costs were \$971,067, down 4.3% from last year, largely from reduced utility and maintenance costs for buildings, and one eliminated Landscaping position this year. Major costs for building repairs are budgeted in the City's capital improvements program and not included here.
- **Health & Welfare** – Local health department costs were \$195,245, down 7.9% from last year. Contributions to the Colonial Services Board, recently renamed Colonial Behavioral Health, were \$245,860, level with the past two years. The Public Assistance Fund (PAF) accounts for all the services provided by the Human Services Department.

- Education** – Education costs were just under \$7 Million, up 1% from last year. The City's share of the jointly operated Williamsburg-James City County Schools for Fiscal Year 2011 was 8.64%. FY 2011 was the fourth 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 2011. 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 \$745,307, and included new projects and others carried forward from prior years.
- Parks, Recreation and Cultural**
 - Parks and recreation costs were \$1.2 Million, down 5.3% from last year. Savings came from reduced spending for building maintenance, pool maintenance and supplies, dental reimbursements, and other operational costs.
 - The City's share of the Williamsburg Regional Library for the year was \$750,959, down 10.7% from last year's operating support. The contract percentage for FY 2011 was 15.46% according to the agreement with James City County, which is based on circulation by residency each year. The Library reduced its funding requirement of both localities for the second straight year, as it worked to reduce operational costs in this tight economy.
- Community Development**
 - Planning – Total expenditures were \$475,287 for FY 2011, up 1.0% from last year.
 - Community and Economic Development – Contributions to outside agencies were \$3.8 Million during the year, including the \$2 per night lodging tax receipts for the year, totaling \$1.3 Million. Those funds were collected and submitted to the Williamsburg Area Destination Marketing Committee monthly for tourism promotion of the Historic Triangle. Economic development costs were \$123,306. Contributions to the Williamsburg Area Arts commission totaled \$119,143, down 2.3% from last year.
- Capital Projects** – Capital project spending varies each year depending on the 5-year program. City projects totaled \$6.3 Million for FY 2011. Major projects included construction costs for street resurfacing, sidewalk construction, capital contribution for York County's regional E-911 center, municipal building renovations and addition, vehicle replacement program, and various school improvements. More information is provided under the Capital Asset section below.
- Principal and Interest payments** – Total principal payments during FY 2011 totaled \$1.1 Million. Interest payments on outstanding debt totaled \$275,348. Details of long term debt obligations are included in the notes to the financial statements.



Budget Variances

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

Actual revenues in the General Fund were over budget by approximately \$1.0 Million for Fiscal Year 2011, while operating expenditures were approximately \$1.4 Million under budget. Personal property, room, and meal taxes were higher for FY 2011 than budgeted, and were the major revenue sources contributing to the operating surplus. On the expenditure side, major contributing departments that were underspent for FY 2011 were police, fire, recreation, a combination of the various public works departments, and the operating contingency account.

Fund Balance

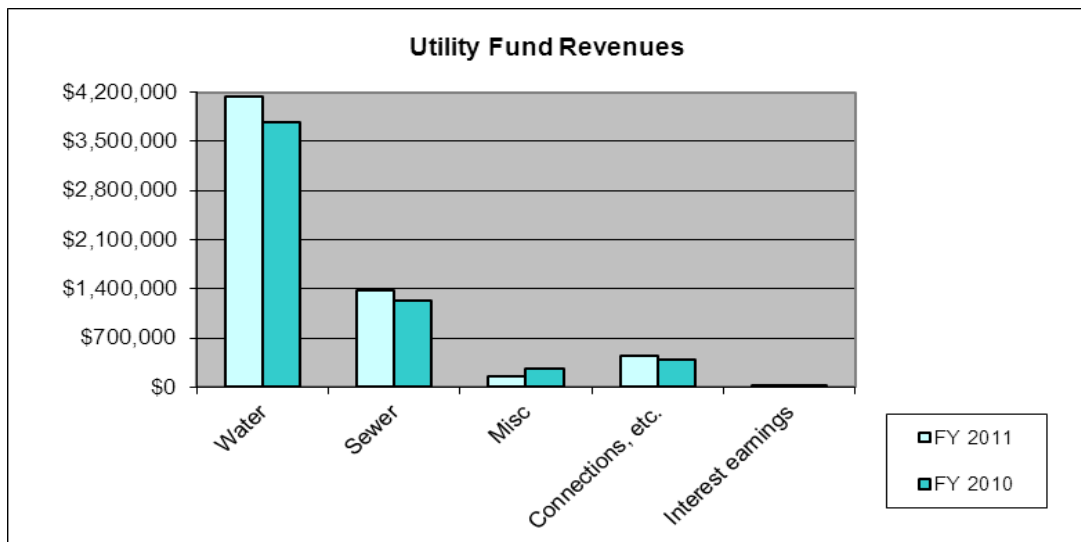
Total Fund Balance for the General Fund increased from \$26.0 Million to \$26.5 Million for the year. Of that, \$3.4 Million is assigned for subsequent years' capital expenditures, \$218,923 for future health care costs, and the residual of \$22.9 Million is unassigned. Project balances assigned from fund balance include remaining costs for the municipal building addition, school capital projects, and for purchase of property.

General Fund Reserve Policy

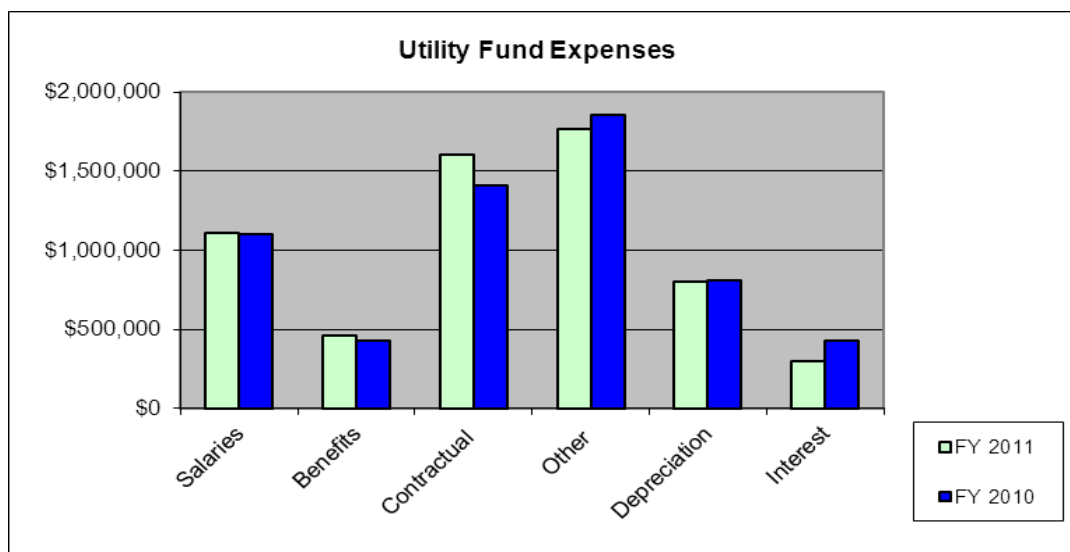
At June 30, 2011 the unassigned portion of fund balance was \$22.9 Million. That reserve level, as a percentage of operating revenues for the year, is 70.8%, significantly higher than the City's policy of maintaining reserves of at least 35% of operating revenues. Reserve levels will decline next year, based on the amount of capital projects carried over from last year, and new projects planned for FY 2012. 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 \$6.0 Million, up 6.4% from last year. Water rates increased 5% in July 2010 from \$4.00 to \$4.20 per 1,000 gallons. Water and sewer revenues were up \$506,385, about 10.1% over last year. Tap, connection, and availability fees are unpredictable and dependent on development activity, and were down significantly from past years due to a slowdown in development activity. The City again received \$140,340 this year from contracts with cell-phone providers using water tanks as a base for telecommunications equipment. Interest earnings were \$8,536, down significantly from last year, due to all-time low short-term interest rates received during the past year.



Utility Fund expenses totaled \$5.7 Million for the year, compared to \$5.6 Million 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 \$279,103, up from \$61,149 reported last year. This is largely from the increase in water rates and water use by citizens, combined with fairly level expenses compared to last year.



ORIGINAL AND FINAL AMENDED BUDGETS

General Fund budget amendments resulted in a net increase of \$712,432 between the originally-adopted fiscal year 2011 budget and the final budget. The General Fund's capital improvement budget was increased by \$6,732,517 to carry forward the remaining appropriations for projects that were continued from the prior year. The Utility Fund budget included a supplemental appropriation of \$1,650,000 for construction of the new water tank associated at the Riverside Hospital development, which was proffered by Riverside. The Law Enforcement Block Grant Fund budget, included as a governmental fund, was increased by \$7,368 to appropriate state and federal grant funds received during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Williamsburg's total investment in capital assets, including construction in progress, for its governmental and business type activities as of June 30, 2011, was \$95.1 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 \$767,596, of which \$582,580 in direct ARRA (Federal stimulus) funds were received.
- Sidewalk construction projects on Rt. 199 and South Henry Street, and the traffic island at Jamestown & Richmond Roads were completed at a cost of \$169,674.

- The municipal building project, consisting of renovation, repairs, and construction of additional space in the amount of \$2.7 Million.
- School project costs, including renovations to existing facilities, were paid during the year in the amount of \$745,307.
- Vehicles were replaced citywide under the replacement plan for \$650,922, which includes a new Pierce pumper 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 \$3.4 Million at year end.

Utility Fund:

- The water tank at the Riverside hospital project was well under construction at the end of FY 2011, at a cost of \$1.2 Million.
- Costs, including the City's first bond rating, associated with refinancing the remaining \$9.5 Million principle balance of the 2009 borrowing for the Newport News Water Agreement were \$154,181.
- Condition assessment of the City's sanitary sewer system, which is mandated by the EPA, at a cost of \$259,438.

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, 2011, the City of Williamsburg's total bonded debt outstanding was \$17.6 Million. Bonds payable for Governmental Activities were \$8.2 Million, while business-type activities owed \$9.4 Million at year end. The full faith and credit of the government backs these instruments.

The City's total bonded debt decreased \$2.1 Million during FY 2011. The City's remaining capacity for debt at June 30, 2011 was approximately \$166 million.

As noted previously, in September 2010 the City of Williamsburg was rated for the first time, and assigned strong bond ratings from Standard & Poor's (AA+), and Moody's (Aa1). 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.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,821,466	\$ 1,473,138	\$ 10,294,604
Investments	17,687,380	3,833,507	21,520,887
Receivables (net of allowance for uncollectibles):			
Taxes receivable	345,470	-	345,470
Accounts receivable	1,254,353	1,058,036	2,312,389
Interest receivable	29,918	-	29,918
Internal balances	(72,167)	72,167	-
Due from other governmental units	1,068,694	-	1,068,694
Prepaid expenses	13,326	-	13,326
Deferred charges	24,531	-	24,531
Capital assets (net of accumulated depreciation):			
Land and land improvements	9,903,249	6,305,101	16,208,350
Buildings and system	18,451,683	4,220,256	22,671,939
Improvements other than buildings	7,920,955	1,765,949	9,686,904
Machinery and equipment	2,797,528	590,556	3,388,084
Intangibles	70,845	11,897,600	11,968,445
Infrastructure	24,210,097	79,898	24,289,995
Construction in progress	5,752,346	1,143,840	6,896,186
Total assets	<u>\$ 98,279,674</u>	<u>\$ 32,440,048</u>	<u>\$ 130,719,722</u>
LIABILITIES			
Accounts payable	\$ 1,275,225	\$ 922,695	\$ 2,197,920
Accrued liabilities	499,473	37,932	537,405
Refundable deposits	73,007	50,020	123,027
Accrued interest payable	64,158	43,419	107,577
Unearned revenue	151,533	162,000	313,533
Long-term liabilities:			
Due within one year	1,441,820	652,217	2,094,037
Due in more than one year	6,787,501	8,733,118	15,520,619
Total liabilities	<u>\$ 10,292,717</u>	<u>\$ 10,601,401</u>	<u>\$ 20,894,118</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 61,799,859	\$ 16,771,607	\$ 78,571,466
Unrestricted (deficit)	26,187,098	5,067,040	31,254,138
Total net assets	<u>\$ 87,986,957</u>	<u>\$ 21,838,647</u>	<u>\$ 109,825,604</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, 2011

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
			Operating	Capital	Primary Government			
Functions/Programs	Expenses	Charges for	Grants and	Grants and	Governmental	Business-type	Total	
		Services	Contributions	Contributions	Activities	Activities		
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 3,563,461	\$ -	\$ 125,596	\$ -	\$ (3,437,865)	\$ -	\$ (3,437,865)	
Judicial administration	405,416	222,572	-	-	(182,844)	-	(182,844)	
Public safety	9,275,831	155,522	491,573	59,677	(8,569,059)	-	(8,569,059)	
Public works	4,750,649	-	2,008,799	-	(2,741,850)	-	(2,741,850)	
Health and welfare	2,245,513	-	1,173,123	-	(1,072,390)	-	(1,072,390)	
Education	7,736,481	-	827,078	-	(6,909,403)	-	(6,909,403)	
Parks, recreation, and cultural	2,314,517	390,220	5,000	-	(1,919,297)	-	(1,919,297)	
Community development	4,482,731	43,742	-	25,000	(4,413,989)	-	(4,413,989)	
Interest on long-term debt	284,738	-	-	-	(284,738)	-	(284,738)	
Total governmental activities	\$ 35,059,337	\$ 812,056	\$ 4,631,169	\$ 84,677	\$ (29,531,435)	\$ -	\$ (29,531,435)	
Business-type activities:								
Utility Fund	\$ 6,046,002	\$ 7,496,603	\$ -	\$ -	\$ -	\$ 1,450,601	\$ 1,450,601	
Total business-type activities	\$ 6,046,002	\$ 7,496,603	\$ -	\$ -	\$ -	\$ 1,450,601	\$ 1,450,601	
Total primary government	\$ 41,105,339	\$ 8,308,659	\$ 4,631,169	\$ 84,677			\$ (28,080,834)	
General revenues:								
General property taxes					\$ 12,075,293	\$ -	\$ 12,075,293	
Local sales and use taxes					3,963,454	-	3,963,454	
Consumers' utility taxes					300,969	-	300,969	
Restaurant food taxes					5,989,446	-	5,989,446	
Hotel and motel taxes					3,384,922	-	3,384,922	
\$2 lodging taxes					1,299,244	-	1,299,244	
Business license taxes					1,497,159	-	1,497,159	
Other local taxes					640,363	-	640,363	
Unrestricted revenues from use of money and property					624,386	8,536	632,922	
Miscellaneous					666,543	147,350	813,893	
Grants and contributions not restricted to specific programs					1,463,933	-	1,463,933	
Total general revenues					\$ 31,905,712	\$ 155,886	\$ 32,061,598	
Change in net assets					\$ 2,374,277	\$ 1,606,487	\$ 3,980,764	
Net assets - beginning					85,612,680	20,232,160	105,844,840	
Net assets - ending					\$ 87,986,957	\$ 21,838,647	\$ 109,825,604	

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

FUND FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,443,108	\$ 378,358	\$ 8,821,466
Investments	17,687,380	-	17,687,380
Receivables (net of allowance for uncollectibles):			
Taxes receivable	345,470	-	345,470
Accounts receivable	1,254,353	-	1,254,353
Interest receivable	29,918	-	29,918
Due from other governmental units	975,579	93,115	1,068,694
Prepaid items	13,326	-	13,326
Total assets	<u>\$ 28,749,134</u>	<u>\$ 471,473</u>	<u>\$ 29,220,607</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,275,225	\$ -	\$ 1,275,225
Accrued liabilities	499,473	-	499,473
Refundable deposits	73,007	-	73,007
Due to other funds	41,391	30,776	72,167
Deferred revenue	379,961	41,488	421,449
Total liabilities	<u>\$ 2,269,057</u>	<u>\$ 72,264</u>	<u>\$ 2,341,321</u>
Fund balances:			
Nonspendable	\$ 13,326	\$ -	\$ 13,326
Restricted	-	399,209	399,209
Assigned	3,591,208	-	3,591,208
Unassigned	22,875,543	-	22,875,543
Total fund balances	<u>\$ 26,480,077</u>	<u>\$ 399,209</u>	<u>\$ 26,879,286</u>
Total liabilities and fund balances	<u>\$ 28,749,134</u>	<u>\$ 471,473</u>	<u>\$ 29,220,607</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, 2011

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 26,879,286
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,106,703
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The following is a summary of items supporting this adjustment:

Deferred property taxes	\$ 269,916	
Amortizable bonds fees	24,531	294,447

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	\$ (7,306,844)	
OPEB liability	(143,567)	
Accrued interest payable	(64,158)	
Compensated absences	(778,910)	(8,293,479)

Net assets of governmental activities	\$ 87,986,957
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The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 12,134,827	\$ -	\$ 12,134,827
Other local taxes	17,075,557	-	17,075,557
Permits, privilege fees, and regulatory licenses	154,108	-	154,108
Fines and forfeitures	221,767	-	221,767
Revenue from the use of money and property	624,377	9	624,386
Charges for services	436,181	-	436,181
Miscellaneous	617,852	48,691	666,543
Recovered costs	676,639	-	676,639
Intergovernmental revenues:			
Commonwealth	4,315,768	457,332	4,773,100
Federal	684,257	722,422	1,406,679
Total revenues	<u>\$ 36,941,333</u>	<u>\$ 1,228,454</u>	<u>\$ 38,169,787</u>
EXPENDITURES			
Current:			
General government administration	\$ 3,341,506	\$ -	\$ 3,341,506
Judicial administration	405,416	-	405,416
Public safety	8,716,155	12,952	8,729,107
Public works	2,877,077	-	2,877,077
Health and welfare	485,564	1,755,637	2,241,201
Education	6,991,174	-	6,991,174
Parks, recreation, and cultural	1,956,610	-	1,956,610
Community development	4,469,891	-	4,469,891
Capital projects	5,206,675	-	5,206,675
Debt service:			
Principal retirement	1,149,694	-	1,149,694
Interest and other fiscal charges	275,348	-	275,348
Total expenditures	<u>\$ 35,875,110</u>	<u>\$ 1,768,589</u>	<u>\$ 37,643,699</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,066,223</u>	<u>\$ (540,135)</u>	<u>\$ 526,088</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 601,751	\$ 601,751
Transfers out	(601,751)	-	(601,751)
Refunding bonds issued	1,343,201	-	1,343,201
Bond premium issuance	55,710	-	55,710
Redemption of refunded bonds	(1,375,000)	-	(1,375,000)
Total other financing sources (uses)	<u>\$ (577,840)</u>	<u>\$ 601,751</u>	<u>\$ 23,911</u>
Net change in fund balances	\$ 488,383	\$ 61,616	\$ 549,999
Fund balances - beginning	25,991,694	337,593	26,329,287
Fund balances - ending	<u>\$ 26,480,077</u>	<u>\$ 399,209</u>	<u>\$ 26,879,286</u>

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

City of Williamsburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	549,999
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 3,659,183		
Depreciation expense	<u>(2,834,930)</u>		824,253

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		(18,409)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(59,534)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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	\$ 2,524,694		
Issuance of long-term debt	(1,398,911)		
Amortization of bond fees	<u>(2,725)</u>		1,123,058

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	\$ (8,946)		
(Increase) decrease in OPEB liability	(29,479)		
(Increase) decrease in interest payable	<u>(6,665)</u>		<u>(45,090)</u>

Change in net assets of governmental activities	\$	<u><u>2,374,277</u></u>
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The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,473,138
Investments	3,833,507
Accounts receivable, net of allowances for uncollectibles	1,058,036
Due from other funds	72,167
Total current assets	<u>\$ 6,436,848</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 6,305,101
Construction in progress	1,143,840
Buildings and system	9,885,654
Improvements other than buildings	6,601,256
Machinery and equipment	1,748,790
Intangibles	12,525,344
Infrastructure	83,860
Less: accumulated depreciation	(12,290,645)
Total capital assets	<u>\$ 26,003,200</u>
Total noncurrent assets	<u>\$ 26,003,200</u>
Total assets	<u>\$ 32,440,048</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 922,695
Accrued liabilities	37,932
Refundable deposits	50,020
Accrued interest payable	43,419
Compensated absences	88,681
Deferred revenue	162,000
Bonds payable - current portion	563,536
Total current liabilities	<u>\$ 1,868,283</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 8,668,057
Compensated absences	45,100
OPEB liability	19,961
Total noncurrent liabilities	<u>\$ 8,733,118</u>
Total liabilities	<u>\$ 10,601,401</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 16,771,607
Unrestricted	5,067,040
Total net assets	<u>\$ 21,838,647</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, 2011

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 4,140,893
Sewer revenues	1,378,041
Tap and availability fees	331,500
Penalty and interest	28,043
Miscellaneous	147,350
Total operating revenues	<u>\$ 6,025,827</u>
OPERATING EXPENSES	
Personnel services	\$ 1,109,783
Fringe benefits	464,661
Contractual services	1,603,151
Other charges	1,767,875
Depreciation	801,254
Total operating expenses	<u>\$ 5,746,724</u>
Operating income (loss)	<u>\$ 279,103</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 8,536
Water storage tank proffer	1,525,000
Interest expense	(299,278)
Connection fees	93,126
Total nonoperating revenues (expenses)	<u>\$ 1,327,384</u>
Income before contributions and transfers	<u>\$ 1,606,487</u>
 Total net assets - beginning	 <u>20,232,160</u>
Total net assets - ending	<u><u>\$ 21,838,647</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, 2011

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 5,974,026
Payments to suppliers	(2,957,076)
Payments to and for employees	(1,572,436)
Net cash provided (used) by operating activities	<u>\$ 1,444,514</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	\$ (1,247,468)
Principal payments on bonds	(745,587)
Water storage tank proffer received	1,525,000
Connection fees	93,126
Net proceeds from refunding debt	168,479
Interest payments	(319,250)
Net cash provided (used) by capital and related financing activities	<u>\$ (525,700)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	(2,007,500)
Interest and dividends received	27,550
Net cash provided (used) by investing activities	<u>\$ (1,979,950)</u>
Net increase (decrease) in cash and cash equivalents	\$ (1,061,136)
Cash and cash equivalents - beginning	2,534,274
Cash and cash equivalents - ending	<u><u>\$ 1,473,138</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 279,103</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	801,254
(Increase) decrease in accounts receivable	(51,478)
(Increase) decrease in due from other funds	(72,167)
Increase (decrease) in compensated absences	(3,215)
Increase (decrease) in accounts payable and accrued liabilities	504,313
Increase (decrease) in deferred revenue	(4,500)
Increase (decrease) customer deposits	4,177
Increase (decrease) in due to other funds	(12,973)
Total adjustments	<u>\$ 1,165,411</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,444,514</u></u>

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

City of Williamsburg, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 819,139
Investments, at fair value:	
Other investments	1,413,298
Other assets	27,743
Total assets	<u>\$ 2,260,180</u>
LIABILITIES	
Accounts payable	\$ 68,515
Accrued liabilities	43,144
Due to other governmental units	113,476
Amounts held for others	2,035,045
Total liabilities	<u>\$ 2,260,180</u>

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2011

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, 2011

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, 2011.

Discretely Presented Component Units - the City has no discretely presented component units to be included for the fiscal year ended June 30, 2011.

Notes to Financial Statements (Continued)
As of June 30, 2011

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, 2011

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

C. Other Related Organizations (Continued)

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

Summary financial information on the school operations (General Fund) as of June 30, 2011, is as follows:

Total assets	\$ -
Liabilities	-
Fund equity and other credits	-
Total liabilities, fund equity, and other credits	\$ -
Revenues	\$ 111,389,908
Expenditures and other financing uses	-
Excess of expenditures and other financing uses over revenues	\$ 111,389,908
Fund balance, beginning	5,298,590
Fund balance, ending	\$ 116,688,498

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.

- 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 \$750,959 to the Library's operating budget, or 12.9% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.
- 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, 2011

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, 2011

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.

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

Enterprise Funds - Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's Major Enterprise Fund consists of the Utility Fund.

Notes to Financial Statements (Continued)
As of June 30, 2011

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

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

Special Revenue Funds - Special Revenue Funds account for 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.

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

E. Cash and Cash Equivalents

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

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

F. Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

Notes to Financial Statements (Continued)
As of June 30, 2011

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 \$204,847 at June 30, 2011 and is comprised of property taxes of \$157,310 and water and sewer charges of \$47,537.

Real and Personal Property Tax Data:

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

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

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2011 was immaterial.

Notes to Financial Statements (Continued)
As of June 30, 2011

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, 2011

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).

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, 2011

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	\$ 13,326	\$ -	\$ -	\$ 13,326
Total Nonspendable Fund Balance	\$ 13,326	\$ -	\$ -	\$ 13,326
Restricted for:				
Social services	\$ -	\$ 390,126	\$ -	\$ 390,126
Law enforcement	-	-	9,083	9,083
Total Restricted Fund Balance	\$ -	\$ 390,126	\$ 9,083	\$ 399,209
Assigned to:				
Capital projects carryover	\$ 3,372,285	\$ -	\$ -	\$ 3,372,285
Healthcare reserve	218,923	-	-	218,923
Total Assigned Fund Balance	\$ 3,591,208	\$ -	\$ -	\$ 3,591,208
Unassigned Fund Balance	\$ 22,875,543	\$ -	\$ -	\$ 22,875,543
Total Fund Balances	\$ 26,480,077	\$ 390,126	\$ 9,083	\$ 26,879,286

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2011

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, 2011.
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:			
Juvenile detention commission	\$ 70,500	\$ 105,814	\$ 35,314
Regional Jail	1,093,804	1,202,575	108,771
Law Enforcement Block Grant Fund:			
Other protection	7,368	12,952	5,584

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2011

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.

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, 2011 were rated by Standard and Poor's and the ratings are presented below using the Standard and Poor's rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	<u>AAAm</u>
Local Government Investment Pool	\$ 22,934,183
Total	<u>\$ 22,934,183</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, 2011

Note 4—Due from Other Governments:

At June 30, 2011, the City has receivables from other governments as follows:

	Primary Government
Other Local Governments:	
County of James City	\$ 5,821
Commonwealth of Virginia:	
Communications tax	114,036
Local sales tax	689,063
Recordation tax	13,085
Social services	35,261
State sales tax	141,260
Other	9,813
Federal Government:	
CDBG planning grant	2,500
Social Services	57,855
Total	<u>\$ 1,068,694</u>

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2011 are as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$ -	\$ 41,391
Virginia Public Assistance	-	30,776
Proprietary	72,167	-
Total	<u>\$ 72,167</u>	<u>\$ 72,167</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, 2011

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2011:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 9,903,249	\$ -	\$ -	\$ 9,903,249
Construction in progress	3,074,281	2,678,065	-	5,752,346
Total capital assets not subject to depreciation	\$ 12,977,530	\$ 2,678,065	\$ -	\$ 15,655,595
Capital assets subject to depreciation:				
Buildings and system	\$ 30,682,728	\$ 13,196	\$ -	\$ 30,695,924
Improvements other than buildings	14,031,929	17,711	-	14,049,640
Infrastructure	49,719,041	169,674	-	49,888,715
Intangible	69,349	8,895	-	78,244
Machinery and equipment	7,632,505	771,642	353,991	8,050,156
Total capital assets subject to depreciation	\$ 102,135,552	\$ 981,118	\$ 353,991	\$ 102,762,679
Less accumulated depreciation for:				
Buildings and system	\$ 11,498,511	\$ 745,730	\$ -	\$ 12,244,241
Improvements other than buildings	5,503,616	625,069	-	6,128,685
Infrastructure	24,802,960	875,658	-	25,678,618
Intangible	167	7,232	-	7,399
Machinery and equipment	5,006,969	581,241	335,582	5,252,628
Total accumulated depreciation	\$ 46,812,223	\$ 2,834,930	\$ 335,582	\$ 49,311,571
Total capital assets subject to depreciation, net	\$ 55,323,329	\$ (1,853,812)	\$ 18,409	\$ 53,451,108
Governmental activities capital assets, net	\$ 68,300,859	\$ 824,253	\$ 18,409	\$ 69,106,703

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 6—Capital Assets: (Continued)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<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>\$ 6,305,101</u>	<u>\$ 1,143,840</u>	<u>\$ -</u>	<u>\$ 7,448,941</u>
Capital assets subject to depreciation:				
Buildings and system	\$ 9,885,654	\$ -	\$ -	\$ 9,885,654
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	1,645,162	103,628	-	1,748,790
Total capital assets subject to depreciation	<u>\$ 30,741,276</u>	<u>\$ 103,628</u>	<u>\$ -</u>	<u>\$ 30,844,904</u>
Less accumulated depreciation for:				
Buildings and system	\$ 5,469,743	\$ 195,655	\$ -	\$ 5,665,398
Intangibles	312,710	315,034	-	627,744
Improvements other than buildings	4,700,261	135,046	-	4,835,307
Infrastructure	816	3,146	-	3,962
Machinery and equipment	1,005,861	152,373	-	1,158,234
Total accumulated depreciation	<u>\$ 11,489,391</u>	<u>\$ 801,254</u>	<u>\$ -</u>	<u>\$ 12,290,645</u>
Total capital assets subject to depreciation, net	<u>\$ 19,251,885</u>	<u>\$ (697,626)</u>	<u>\$ -</u>	<u>\$ 18,554,259</u>
Business-type activities capital assets, net	<u>\$ 25,556,986</u>	<u>\$ 446,214</u>	<u>\$ -</u>	<u>\$ 26,003,200</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 6—Capital Assets: (Continued)

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

Governmental activities:		
General government	\$	905,586
Public safety		568,510
Public works		983,562
Health and welfare		7,039
Parks, recreation and cultural		359,335
Community development		<u>10,898</u>
Total depreciation expense - governmental activities	\$	<u><u>2,834,930</u></u>
Business-type activities:		
Water and sewer	\$	<u><u>801,254</u></u>

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, 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><u>\$ 601,751</u></u>	<u><u>\$ 601,751</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 8—Long-Term Obligations:

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2011:

	Amounts Payable at July 1, 2010	Increases	Decreases	Amounts Payable at June 30, 2011	Amounts Due Within One Year
<i>Primary Government:</i>					
Governmental Obligations:					
General obligation bonds	\$ 8,432,627	\$ 1,343,201	\$ 2,524,694	\$ 7,251,134	\$ 886,237
Compensated absences	769,964	455,129	446,183	778,910	555,583
OPEB liability	114,088	73,582	44,103	143,567	-
Adjustment for deferred amounts:					
For issuance premium	-	55,710	-	55,710	-
Total Governmental obligations	<u>\$ 9,316,679</u>	<u>\$ 1,927,622</u>	<u>\$ 3,014,980</u>	<u>\$ 8,229,321</u>	<u>\$ 1,441,820</u>
<i>Business-Type Activities:</i>					
Enterprise Obligations:					
General obligation bonds	\$ 9,808,700	\$ 9,291,800	\$ 10,254,287	\$ 8,846,213	\$ 563,536
Compensated absences	136,996	63,438	66,653	133,781	88,681
OPEB liability	14,738	10,920	5,697	19,961	-
Adjustment for deferred amounts:					
For issuance premium	-	385,380	-	385,380	-
Total Enterprise obligations:	<u>\$ 9,960,434</u>	<u>\$ 9,751,538</u>	<u>\$ 10,326,637</u>	<u>\$ 9,385,335</u>	<u>\$ 652,217</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
2012	\$ 886,237	\$ 239,570	\$ 563,536	\$ 260,515
2013	707,103	217,327	567,905	249,245
2014	663,326	194,297	581,011	237,887
2015	688,266	169,920	602,853	222,772
2016	712,131	145,150	611,590	210,715
2017 - 2021	3,104,658	305,737	2,533,731	751,622
2022 - 2026	401,003	39,444	2,773,997	272,856
2027 - 2031	<u>88,410</u>	<u>2,652</u>	<u>611,590</u>	<u>18,348</u>
Total	<u>\$ 7,251,134</u>	<u>\$ 1,314,097</u>	<u>\$ 8,846,213</u>	<u>\$ 2,223,960</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

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.	\$ 333,334
The City authorized and issued a \$8,500,000 general obligation bond in April 2005 for the purpose of prepayment on \$4,500,000 note pertaining to the Prince George Parking Garage and to finance the construction of a new high school. The bond is payable in annual principal installments plus semi-annual interest payments at a fixed rate of 3.76%. Payments are due the first day of April. Payments began October 1, 2005 and end April 2020.	5,639,015
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 a 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 \$1,278,785 plus unamortized premium of \$55,710.	1,334,495
Total general obligation bonds	\$ 7,306,844
Compensated absences (payable from General Fund)	\$ 778,910
OPEB liability (payable from General Fund)	\$ 143,567
Total Long-Term Obligations, Governmental Activities	\$ 8,229,321

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 8—Long-Term Obligations: (Continued)

Long-Term Obligations, Business-Type Activities:	Total Amount
<u>General Obligation Bonds :</u>	
The City authorized and issued a \$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 a 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 \$8,846,213 plus unamortized premium of \$385,380.	\$ 9,231,593
Total general obligation bonds	\$ 9,231,593
Compensated absences (payable from Enterprise Fund)	\$ 133,781
OPEB liability (payable from Enterprise Fund)	\$ 19,961
Total Long-Term Obligations, Business-Type Activities	\$ 9,385,335

Note 9—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$421,449 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$269,916 at June 30, 2011.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2011, but paid in advance by the tax payers totaled \$18,336 at June 30, 2011.

Other Deferred Revenue: Deferred revenue representing uncollected state and federal grants not available for funding of current expenditures totaled \$133,197 at June 30, 2011.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2011

Note 10—Commitments and Contingencies:

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

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

A summary of construction commitments is as follows:

	Project	Contractor	Amount of Contract	Contract Outstanding at 6/30/2011
General Fund	Williamsburg Municipal Building	David A. Nice Builders	\$ 4,803,390	\$ 407,773
General Fund	Riverside Elevated Water Tank	CB&I - Steel Plate Structures	1,783,276	768,581
General Fund	Sidewalk improvements	David A. Nice Builders	187,043	82,100

Note 11—Litigation:

At June 30, 2011, 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 2011.

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, 2011

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

Note 13—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

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

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, 2011

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 10 years of service credit or age 50 with at least five 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 that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS Website at: <http://varetire.org/Pdf/Publications/2010-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, 2011

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 2011 was 16.44% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2011, the City's annual pension cost of \$1,439,993 (which includes the portion of the employee share assumed by the employer which was \$437,954) 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, 2009	\$ 1,445,017	100%	\$ -
June 30, 2010	1,365,203	100%	-
June 30, 2011	1,439,993	100%	-

(1) Employer and employee portions

The fiscal year 2011 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, 2011

Note 13—Defined Benefit Pension Plan: (Continued)

D. Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 76.63% funded. The actuarial accrued liability for benefits was \$55,617,866, and the actuarial value of assets was \$42,619,156, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,998,650. The covered payroll (annual payroll of active employees covered by the plan) was \$8,761,550, and ratio of the UAAL to the covered payroll was 148.36%.

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

Note 14—Postemployment Benefits Other Than Pensions:

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

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

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution	\$	84,702
Interest on net OPEB obligation		5,100
Adjustment to annual required contribution		(5,300)
Annual OPEB cost (expense)	\$	84,502
Estimated Contributions made		(49,800)
Increase in net OPEB obligation		34,702
Net OPEB obligation-beginning of year		128,826
Net OPEB obligation-end of year	\$	163,528

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 164,447	44.34%	\$ 91,531
6/30/2010	83,223	55.19%	\$ 128,826
6/30/2011	84,502	58.93%	\$ 163,528

Funded Status and Funding Progress

As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$1,225,273, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,066,098, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.51 percent.

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

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

Actuarial Methods and Assumptions

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

The following simplifying assumptions were made:

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

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

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

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

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

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. Under this method, benefits are projected for life and then present value is determined. The present value is divided into equal parts, which are earned over the period from date of hire to the full eligibility date. Based on the historical and expected returns of the City's short-term investment portfolio, a discount of 4.0% was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 was thirty years.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2011

Note 15-Surety Bonds:

The following Surety bonds are maintained by the City:

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

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.*

City of Williamsburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 11,895,648	\$ 11,895,648	\$ 12,134,827	\$ 239,179
Other local taxes	16,216,400	16,216,400	17,075,557	859,157
Permits, privilege fees, and regulatory licenses	158,180	158,180	154,108	(4,072)
Fines and forfeitures	232,000	232,000	221,767	(10,233)
Revenue from the use of money and property	627,054	627,054	624,377	(2,677)
Charges for services	458,328	462,328	436,181	(26,147)
Miscellaneous	545,622	547,297	617,852	70,555
Recovered costs	729,000	729,000	676,639	(52,361)
Intergovernmental revenues:				
Commonwealth	4,289,663	4,314,663	4,315,768	1,105
Federal	-	681,757	684,257	2,500
Total revenues	\$ 35,151,895	\$ 35,864,327	\$ 36,941,333	\$ 1,077,006
EXPENDITURES				
Current:				
General government administration	\$ 3,762,695	\$ 3,741,895	\$ 3,341,506	\$ 400,389
Judicial administration	420,000	420,000	405,416	14,584
Public safety	9,078,047	9,127,647	8,716,155	411,492
Public works	2,972,042	2,986,917	2,877,077	109,840
Health and welfare	486,955	486,955	485,564	1,391
Education	6,992,357	6,992,357	6,991,174	1,183
Parks, recreation, and cultural	2,067,765	2,071,765	1,956,610	115,155
Community development	4,677,762	4,700,262	4,469,891	230,371
Capital projects	2,437,995	9,812,769	5,206,675	4,606,094
Debt service:				
Principal retirement	1,088,610	1,388,610	1,149,694	238,916
Interest and other fiscal charges	326,357	326,357	275,348	51,009
Total expenditures	\$ 34,310,585	\$ 42,055,534	\$ 35,875,110	\$ 6,180,424
Excess (deficiency) of revenues over (under) expenditures	\$ 841,310	\$ (6,191,207)	\$ 1,066,223	\$ 7,257,430
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (724,272)	\$ (724,272)	\$ (601,751)	\$ 122,521
Refunding bonds issued	-	-	1,343,201	1,343,201
Bond premium issuance	-	-	55,710	55,710
Redemption of refunded bonds	-	-	(1,375,000)	(1,375,000)
Total other financing sources and uses	\$ (724,272)	\$ (724,272)	\$ (577,840)	\$ 146,432
Net change in fund balances	\$ 117,038	\$ (6,915,479)	\$ 488,383	\$ 7,403,862
Fund balances - beginning	-	6,915,479	25,991,694	19,076,215
Fund balances - ending	\$ 117,038	\$ -	\$ 26,480,077	\$ 26,480,077

City of Williamsburg, Virginia
Schedule of Pension Funding Progress
As of June 30, 2011

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)
6/30/2010	\$ 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%
6/30/2001	29,626,026	28,096,800	(1,529,226)	105.44%	6,439,813	-23.75%

City of Williamsburg, Virginia
Schedule of Funding Progress for the Retiree Health Insurance Supplement Plan
As of June 30, 2011

Primary Government:

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

* Obtained from City's records.

OTHER SUPPLEMENTARY INFORMATION

City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011

	Virginia Public Assistance <u>Fund</u>	Law Enforcement Block <u>Grant</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 369,275	\$ 9,083	\$ 378,358
Due from other governmental units	93,115	-	93,115
Total assets	<u>\$ 462,390</u>	<u>\$ 9,083</u>	<u>\$ 471,473</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	\$ 30,776	\$ -	\$ 30,776
Deferred revenue	41,488	-	41,488
Total liabilities	<u>\$ 72,264</u>	<u>\$ -</u>	<u>\$ 72,264</u>
Fund balances:			
Restricted	\$ 390,126	\$ 9,083	\$ 399,209
Total fund balances	<u>\$ 390,126</u>	<u>\$ 9,083</u>	<u>\$ 399,209</u>
Total liabilities and fund balances	<u>\$ 462,390</u>	<u>\$ 9,083</u>	<u>\$ 471,473</u>

City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2011

	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	\$ -	\$ 9	\$ 9
Miscellaneous	47,954	737	48,691
Intergovernmental revenues:			
Commonwealth	457,332	-	457,332
Federal	715,791	6,631	722,422
Total revenues	<u>\$ 1,221,077</u>	<u>\$ 7,377</u>	<u>\$ 1,228,454</u>
EXPENDITURES			
Current:			
Public safety	\$ -	\$ 12,952	\$ 12,952
Health and welfare	1,755,637	-	1,755,637
Total expenditures	<u>\$ 1,755,637</u>	<u>\$ 12,952</u>	<u>\$ 1,768,589</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (534,560)</u>	<u>\$ (5,575)</u>	<u>\$ (540,135)</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	\$ 67,191	\$ (5,575)	\$ 61,616
Fund balances - beginning	322,935	14,658	337,593
Fund balances - ending	<u><u>\$ 390,126</u></u>	<u><u>\$ 9,083</u></u>	<u><u>\$ 399,209</u></u>

City of Williamsburg, Virginia

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

Nonmajor Special Revenue Funds

For the Year Ended June 30, 2011

	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	-	-	47,954	47,954
Intergovernmental revenues:				
Commonwealth	620,391	620,391	457,332	(163,059)
Federal	737,854	737,854	715,791	(22,063)
Total revenues	\$ 1,358,245	\$ 1,358,245	\$ 1,221,077	\$ (137,168)
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Health and welfare	2,117,517	2,117,517	1,755,637	361,880
Total expenditures	\$ 2,117,517	\$ 2,117,517	\$ 1,755,637	\$ 361,880
Excess (deficiency) of revenues over (under) expenditures	\$ (759,272)	\$ (759,272)	\$ (534,560)	\$ 224,712
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 759,272	\$ 759,272	\$ 601,751	\$ (157,521)
Total other financing sources and uses	\$ 759,272	\$ 759,272	\$ 601,751	\$ (157,521)
Net change in fund balances	\$ -	\$ -	\$ 67,191	\$ 67,191
Fund balances - beginning	-	-	322,935	322,935
Fund balances - ending	\$ -	\$ -	\$ 390,126	\$ 390,126

Law Enforcement Block Grant Fund							
Budgeted Amounts					Variance with Final Budget Positive (Negative)		
<u>Original</u>		<u>Final</u>		<u>Actual</u>	<u>(Negative)</u>		
\$	-	\$	-	\$	9	\$	9
	-		737		737		-
	-		-		-		-
	-		6,631		6,631		-
\$	-	\$	7,368	\$	7,377	\$	9
\$	-	\$	7,368	\$	12,952	\$	(5,584)
	-		-		-		-
\$	-	\$	7,368	\$	12,952	\$	(5,584)
\$	-	\$	-	\$	(5,575)	\$	(5,575)
\$	-	\$	-	\$	-	\$	-
\$	-	\$	-	\$	-	\$	-
\$	-	\$	-	\$	(5,575)	\$	(5,575)
	-		-		14,658		14,658
\$	-	\$	-	\$	9,083	\$	9,083

City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	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	\$ 645,223	\$ -	\$ 54,819	\$ 55,585	\$ 63,512	\$ 819,139	
Investments, at fair value:							
Other investments	1,169,321	6,505	62,304	118,533	56,635	1,413,298	
Other assets	25,384	-	2,359	-	-	27,743	
Total assets	<u>\$ 1,839,928</u>	<u>\$ 6,505</u>	<u>\$ 119,482</u>	<u>\$ 174,118</u>	<u>\$ 120,147</u>	<u>\$ 2,260,180</u>	
LIABILITIES							
Accounts payable	\$ 60,600	\$ -	\$ 6,878	\$ 40	\$ 997	\$ 68,515	
Accrued liabilities	40,546	-	381	-	2,217	43,144	
Due to other governmental units	113,476	-	-	-	-	113,476	
Amounts held for others	1,625,306	6,505	112,223	174,078	116,933	2,035,045	
Total liabilities	<u>\$ 1,839,928</u>	<u>\$ 6,505</u>	<u>\$ 119,482</u>	<u>\$ 174,118</u>	<u>\$ 120,147</u>	<u>\$ 2,260,180</u>	

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

Exhibit 18
Page 1 of 2

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Williamsburg Regional Library:</u>				
ASSETS				
Cash and cash equivalents	\$ 463,827	\$ 6,044,445	\$ 5,863,049	\$ 645,223
Investments, at fair value:				
Other investments	1,166,899	2,422	-	1,169,321
Other assets	14,498	25,384	14,498	25,384
Total assets	<u>\$ 1,645,224</u>	<u>\$ 6,072,251</u>	<u>\$ 5,877,547</u>	<u>\$ 1,839,928</u>
LIABILITIES				
Accounts payable	\$ 257,538	\$ 60,600	\$ 257,538	\$ 60,600
Accrued liabilities	-	40,546	-	40,546
Due to other governmental units	-	113,476	-	113,476
Amounts held for others	1,387,686	5,857,629	5,620,009	1,625,306
Total liabilities	<u>\$ 1,645,224</u>	<u>\$ 6,072,251</u>	<u>\$ 5,877,547</u>	<u>\$ 1,839,928</u>
<u>Williamsburg Tricentennial Fund:</u>				
ASSETS				
Investments, at fair value:				
Other investments	\$ 6,492	\$ 13	\$ -	\$ 6,505
Total assets	<u>\$ 6,492</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 6,505</u>
LIABILITIES				
Amounts held for others	\$ 6,492	\$ 13	\$ -	\$ 6,505
Total liabilities	<u>\$ 6,492</u>	<u>\$ 13</u>	<u>\$ -</u>	<u>\$ 6,505</u>
<u>Colonial CASA Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 49,234	\$ 218,507	\$ 212,922	\$ 54,819
Investments, at fair value:				
Other investments	62,182	122	-	62,304
Other assets	2,084	2,359	2,084	2,359
Total assets	<u>\$ 113,500</u>	<u>\$ 220,988</u>	<u>\$ 215,006</u>	<u>\$ 119,482</u>
LIABILITIES				
Accounts payable	\$ 786	\$ 6,878	\$ 786	\$ 6,878
Accrued liabilities	2,060	381	2,060	381
Amounts held for others	110,654	213,729	212,160	112,223
Total liabilities	<u>\$ 113,500</u>	<u>\$ 220,988</u>	<u>\$ 215,006</u>	<u>\$ 119,482</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

Exhibit 18
Page 2 of 2

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Economic Development Authority:</u>				
ASSETS				
Cash and cash equivalents	\$ 42,807	\$ 88,040	\$ 75,262	\$ 55,585
Investments, at fair value:				
Other investments	128,286	247	10,000	118,533
Total assets	<u>\$ 171,093</u>	<u>\$ 88,287</u>	<u>\$ 85,262</u>	<u>\$ 174,118</u>
LIABILITIES				
Accounts payable	\$ -	\$ 40	\$ -	\$ 40
Amounts held for others	171,093	88,247	85,262	174,078
Total liabilities	<u>\$ 171,093</u>	<u>\$ 88,287</u>	<u>\$ 85,262</u>	<u>\$ 174,118</u>
<u>Farmers' Market:</u>				
ASSETS				
Cash and cash equivalents	\$ 42,527	\$ 88,298	\$ 67,313	\$ 63,512
Investments, at fair value:				
Other investments	56,525	110	-	56,635
Total assets	<u>\$ 99,052</u>	<u>\$ 88,408</u>	<u>\$ 67,313</u>	<u>\$ 120,147</u>
LIABILITIES				
Accounts payable	\$ 791	\$ 997	\$ 791	\$ 997
Accrued liabilities	2,310	2,217	2,310	2,217
Amounts held for others	95,951	85,194	64,212	116,933
Total liabilities	<u>\$ 99,052</u>	<u>\$ 88,408</u>	<u>\$ 67,313</u>	<u>\$ 120,147</u>
<u>Totals - All Agency Funds:</u>				
ASSETS				
Cash and cash equivalents	\$ 598,395	\$ 6,439,290	\$ 6,218,546	\$ 819,139
Investments, at fair value:				
Other investments	1,420,384	2,914	10,000	1,413,298
Other assets	16,582	27,743	16,582	27,743
Total assets	<u>\$ 2,035,361</u>	<u>\$ 6,469,947</u>	<u>\$ 6,245,128</u>	<u>\$ 2,260,180</u>
LIABILITIES				
Accounts payable	\$ 259,115	\$ 68,515	\$ 259,115	\$ 68,515
Accrued liabilities	4,370	43,144	4,370	43,144
Due to other governmental units	-	113,476	-	113,476
Amounts held for others	1,771,876	6,244,812	5,981,643	2,035,045
Total liabilities	<u>\$ 2,035,361</u>	<u>\$ 6,469,947</u>	<u>\$ 6,245,128</u>	<u>\$ 2,260,180</u>

SUPPORTING SCHEDULES

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 9,850,000	\$ 9,850,000	\$ 9,850,627	\$ 627
Real and personal public service corporation taxes	306,220	306,220	318,294	12,074
Personal property taxes	456,505	456,505	530,839	74,334
Business property taxes	1,224,923	1,224,923	1,330,793	105,870
Penalties	40,000	40,000	73,693	33,693
Interest	18,000	18,000	30,581	12,581
Total general property taxes	<u>\$ 11,895,648</u>	<u>\$ 11,895,648</u>	<u>\$ 12,134,827</u>	<u>\$ 239,179</u>
Other local taxes:				
Local sales and use taxes	\$ 3,800,000	\$ 3,800,000	\$ 3,963,454	\$ 163,454
Consumers' utility taxes	285,000	285,000	300,969	15,969
Business license taxes	1,492,600	1,492,600	1,497,159	4,559
Utility license taxes	103,000	103,000	111,021	8,021
Bank stock taxes	130,000	130,000	202,189	72,189
Taxes on recordation and wills	120,000	120,000	141,452	21,452
Hotel and motel taxes	3,200,000	3,200,000	3,384,922	184,922
Restaurant food taxes	5,400,000	5,400,000	5,989,446	589,446
\$2 lodging taxes	1,500,000	1,500,000	1,299,244	(200,756)
Tobacco taxes	160,000	160,000	148,032	(11,968)
Penalty and interest on other local taxes	25,800	25,800	37,669	11,869
Total other local taxes	<u>\$ 16,216,400</u>	<u>\$ 16,216,400</u>	<u>\$ 17,075,557</u>	<u>\$ 859,157</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 2,257	\$ 257
Land use application fees	2,000	2,000	2,766	766
Transfer fees	500	500	856	356
Permits and other licenses	153,680	153,680	148,229	(5,451)
Total permits, privilege fees, and regulatory licenses	<u>\$ 158,180</u>	<u>\$ 158,180</u>	<u>\$ 154,108</u>	<u>\$ (4,072)</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 232,000</u>	<u>\$ 232,000</u>	<u>\$ 221,767</u>	<u>\$ (10,233)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 170,000	\$ 170,000	\$ 87,800	\$ (82,200)
Revenue from use of property	457,054	457,054	536,577	79,523
Total revenue from use of money and property	<u>\$ 627,054</u>	<u>\$ 627,054</u>	<u>\$ 624,377</u>	<u>\$ (2,677)</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 1,378	\$ 1,378	\$ 1,414	\$ 36
Charges for Commonwealth's Attorney	250	250	805	555
Charges for parks and recreation	420,500	424,500	390,220	(34,280)
Charges for planning and community development	36,200	36,200	43,742	7,542
Total charges for services	<u>\$ 458,328</u>	<u>\$ 462,328</u>	<u>\$ 436,181</u>	<u>\$ (26,147)</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 545,622</u>	<u>\$ 547,297</u>	<u>\$ 617,852</u>	<u>\$ 70,555</u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 547,833	\$ (72,167)
Overtime - police and fire	45,000	45,000	66,806	21,806
Storm water management	-	-	2,000	2,000
Other recovered costs	64,000	64,000	60,000	(4,000)
Total recovered costs	<u>\$ 729,000</u>	<u>\$ 729,000</u>	<u>\$ 676,639</u>	<u>\$ (52,361)</u>
Total revenue from local sources	<u>\$ 30,862,232</u>	<u>\$ 30,867,907</u>	<u>\$ 31,941,308</u>	<u>\$ 1,073,401</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Reduction in State Aid to Local Governments	\$ -	\$ -	\$ (36,265)	\$ (36,265)
Rolling stock tax	9,000	9,000	9,046	46
Motor vehicle rental tax	8,000	8,000	10,604	2,604
Grantors tax	38,000	38,000	49,845	11,845
Communications tax	750,000	750,000	748,840	(1,160)
Personal property tax relief funds	773,572	773,572	681,863	(91,709)
Total noncategorical aid	<u>\$ 1,578,572</u>	<u>\$ 1,578,572</u>	<u>\$ 1,463,933</u>	<u>\$ (114,639)</u>
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 72,290	\$ 72,290	\$ 69,878	\$ (2,412)
Treasurer	12,684	12,684	17,333	4,649
Medical examiner	200	200	-	(200)
Registrar/electoral board	40,000	40,000	38,385	(1,615)
Total shared expenses	<u>\$ 125,174</u>	<u>\$ 125,174</u>	<u>\$ 125,596</u>	<u>\$ 422</u>
Other categorical aid:				
599 Funds	\$ 386,867	\$ 386,867	\$ 386,896	\$ 29
Streets and sidewalks	1,376,050	1,376,050	1,426,219	50,169
EMS funds - 4 for life and emergency services	11,000	11,000	15,493	4,493
Litter control grant	4,000	4,000	5,910	1,910
Arts commission grant	5,000	5,000	5,000	-
Fire programs	30,000	30,000	34,643	4,643
State sales tax	773,000	773,000	827,078	54,078
Emergency services grant	-	25,000	25,000	-
Total other categorical aid	<u>\$ 2,585,917</u>	<u>\$ 2,610,917</u>	<u>\$ 2,726,239</u>	<u>\$ 115,322</u>
Total categorical aid	<u>\$ 2,711,091</u>	<u>\$ 2,736,091</u>	<u>\$ 2,851,835</u>	<u>\$ 115,744</u>
Total revenue from the Commonwealth	<u>\$ 4,289,663</u>	<u>\$ 4,314,663</u>	<u>\$ 4,315,768</u>	<u>\$ 1,105</u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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:				
Community development block grant	\$ -	\$ 22,500	\$ 25,000	\$ 2,500
Firefighters grant	-	59,677	59,677	-
Department of Transportation	-	582,580	582,580	-
Homeland security police grant	-	17,000	17,000	-
Total categorical aid	<u>\$ -</u>	<u>\$ 681,757</u>	<u>\$ 684,257</u>	<u>\$ 2,500</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 681,757</u>	<u>\$ 684,257</u>	<u>\$ 2,500</u>
Total General Fund	<u><u>\$ 35,151,895</u></u>	<u><u>\$ 35,864,327</u></u>	<u><u>\$ 36,941,333</u></u>	<u><u>\$ 1,077,006</u></u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 9,651	\$ 9,651
Summer youth program	-	-	38,303	38,303
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,954</u>	<u>\$ 47,954</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,954</u>	<u>\$ 47,954</u>
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 504,642	\$ 504,642	\$ 376,272	\$ (128,370)
Comprehensive services act	115,749	115,749	81,060	(34,689)
Total categorical aid	<u>\$ 620,391</u>	<u>\$ 620,391</u>	<u>\$ 457,332</u>	<u>\$ (163,059)</u>
Total revenue from the Commonwealth	<u>\$ 620,391</u>	<u>\$ 620,391</u>	<u>\$ 457,332</u>	<u>\$ (163,059)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 737,854	\$ 737,854	\$ 695,320	\$ (42,534)
Homeland security grant	-	-	20,471	20,471
Total categorical aid	<u>\$ 737,854</u>	<u>\$ 737,854</u>	<u>\$ 715,791</u>	<u>\$ (22,063)</u>
Total revenue from the federal government	<u>\$ 737,854</u>	<u>\$ 737,854</u>	<u>\$ 715,791</u>	<u>\$ (22,063)</u>
Total Virginia Public Assistance Fund	<u><u>\$ 1,358,245</u></u>	<u><u>\$ 1,358,245</u></u>	<u><u>\$ 1,221,077</u></u>	<u><u>\$ (137,168)</u></u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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>
Law Enforcement Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 9	\$ 9
Total revenue from use of money and property	\$ -	\$ -	\$ 9	\$ 9
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ 737	\$ 737	\$ -
Total revenue from local sources	\$ -	\$ 737	\$ 746	\$ 9
Revenue from the federal government:				
Categorical aid:				
Byrne justice assistance grant	\$ -	\$ 6,631	\$ 6,631	\$ -
Total categorical aid	\$ -	\$ 6,631	\$ 6,631	\$ -
Total revenue from the federal government	\$ -	\$ 6,631	\$ 6,631	\$ -
Total Law Enforcement Block Grant Fund	\$ -	\$ 7,368	\$ 7,377	\$ 9
Total Primary Government	\$ 36,510,140	\$ 37,229,940	\$ 38,169,787	\$ 939,847

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 143,738	\$ 143,738	\$ 129,428	\$ 14,310
Clerk of council	163,929	163,929	153,838	10,091
Total legislative	<u>\$ 307,667</u>	<u>\$ 307,667</u>	<u>\$ 283,266</u>	<u>\$ 24,401</u>
General and financial administration:				
City manager	\$ 995,121	\$ 966,521	\$ 692,793	\$ 273,728
City attorney	242,198	242,198	227,529	14,669
Human resources	162,211	162,211	130,818	31,393
Commissioner of revenue	195,297	196,397	196,190	207
Assessor	163,982	163,982	158,876	5,106
Treasurer	54,161	56,661	47,262	9,399
Director of finance	992,181	724,191	712,814	11,377
Information technology	290,100	560,790	546,228	14,562
Automotive/motor pool	238,004	239,504	239,218	286
Total general and financial administration	<u>\$ 3,333,255</u>	<u>\$ 3,312,455</u>	<u>\$ 2,951,728</u>	<u>\$ 360,727</u>
Board of elections:				
Electoral board and officials	\$ 27,162	\$ 27,162	\$ 17,946	\$ 9,216
Registrar	94,611	94,611	88,566	6,045
Total board of elections	<u>\$ 121,773</u>	<u>\$ 121,773</u>	<u>\$ 106,512</u>	<u>\$ 15,261</u>
Total general government administration	<u>\$ 3,762,695</u>	<u>\$ 3,741,895</u>	<u>\$ 3,341,506</u>	<u>\$ 400,389</u>
Judicial administration:				
Courts:				
Courthouse activities	\$ 420,000	\$ 420,000	\$ 405,416	\$ 14,584
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,474,619	\$ 3,491,619	\$ 3,259,356	\$ 232,263
Prince George parking garage	120,416	120,416	114,344	6,072
E-911	533,000	533,000	502,796	30,204
Total law enforcement and traffic control	<u>\$ 4,128,035</u>	<u>\$ 4,145,035</u>	<u>\$ 3,876,496</u>	<u>\$ 268,539</u>
Fire and rescue services:				
Fire department	<u>\$ 3,320,670</u>	<u>\$ 3,353,270</u>	<u>\$ 3,108,601</u>	<u>\$ 244,669</u>
Correction and detention:				
Juvenile detention commission	\$ 70,500	\$ 70,500	\$ 105,814	\$ (35,314)
Regional jail	1,093,804	1,093,804	1,202,575	(108,771)
Group home commission	76,256	76,256	76,256	-
Total correction and detention	<u>\$ 1,240,560</u>	<u>\$ 1,240,560</u>	<u>\$ 1,384,645</u>	<u>\$ (144,085)</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 365,392	\$ 365,392	\$ 327,291	\$ 38,101
Other protection:				
Animal control	\$ 18,500	\$ 18,500	\$ 18,000	\$ 500
Medical examiner	400	400	140	260
Emergency services (civil defense)	4,490	4,490	982	3,508
Total other protection	\$ 23,390	\$ 23,390	\$ 19,122	\$ 4,268
Total public safety	\$ 9,078,047	\$ 9,127,647	\$ 8,716,155	\$ 411,492
Public works:				
Maintenance of highways, streets, bridges & sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,051,972	\$ 1,065,648	\$ 1,013,697	\$ 51,951
Engineering	255,311	255,310	244,778	10,532
Total maintenance of highways, streets, bridges & sidewalks	\$ 1,307,283	\$ 1,320,958	\$ 1,258,475	\$ 62,483
Sanitation and waste removal:				
Refuse collection	\$ 674,500	\$ 674,500	\$ 647,535	\$ 26,965
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 485,781	\$ 486,981	\$ 478,944	\$ 8,037
Landscaping	504,478	504,478	492,123	12,355
Total maintenance of general buildings and grounds	\$ 990,259	\$ 991,459	\$ 971,067	\$ 20,392
Total public works	\$ 2,972,042	\$ 2,986,917	\$ 2,877,077	\$ 109,840
Health and welfare:				
Health:				
Local health department	\$ 195,245	\$ 195,245	\$ 195,245	\$ -
Mosquito control	6,950	6,950	5,912	1,038
Total health	\$ 202,195	\$ 202,195	\$ 201,157	\$ 1,038
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, 2011

<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	3,547	353
Total welfare	<u>\$ 38,900</u>	<u>\$ 38,900</u>	<u>\$ 38,547</u>	<u>\$ 353</u>
Total health and welfare	<u>\$ 486,955</u>	<u>\$ 486,955</u>	<u>\$ 485,564</u>	<u>\$ 1,391</u>
Education:				
Other instructional costs:				
Contribution to local school board	<u>\$ 6,992,357</u>	<u>\$ 6,992,357</u>	<u>\$ 6,991,174</u>	<u>\$ 1,183</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 405,282	\$ 405,282	\$ 350,369	\$ 54,913
Maintenance of parks and recreation	231,350	235,350	219,430	15,920
Recreation facility	617,270	617,270	580,318	36,952
Cemeteries	61,572	61,572	55,534	6,038
Total parks and recreation	<u>\$ 1,315,474</u>	<u>\$ 1,319,474</u>	<u>\$ 1,205,651</u>	<u>\$ 113,823</u>
Library:				
Contribution to regional library	<u>\$ 752,291</u>	<u>\$ 752,291</u>	<u>\$ 750,959</u>	<u>\$ 1,332</u>
Total parks, recreation, and cultural	<u>\$ 2,067,765</u>	<u>\$ 2,071,765</u>	<u>\$ 1,956,610</u>	<u>\$ 115,155</u>
Community development:				
Planning and community development:				
Planning	\$ 479,967	\$ 502,467	\$ 475,287	\$ 27,180
Community development	3,952,907	3,952,907	3,752,155	200,752
Economic development	124,888	124,888	123,306	1,582
Arts commission	120,000	120,000	119,143	857
Total planning and community development	<u>\$ 4,677,762</u>	<u>\$ 4,700,262</u>	<u>\$ 4,469,891</u>	<u>\$ 230,371</u>
Total community development	<u>\$ 4,677,762</u>	<u>\$ 4,700,262</u>	<u>\$ 4,469,891</u>	<u>\$ 230,371</u>
Capital projects:				
Other capital projects	<u>\$ 2,437,995</u>	<u>\$ 9,812,769</u>	<u>\$ 5,206,675</u>	<u>\$ 4,606,094</u>
Debt service:				
Principal retirement	\$ 1,088,610	\$ 1,388,610	\$ 1,149,694	\$ 238,916
Interest and other fiscal charges	326,357	326,357	275,348	51,009
Total debt service	<u>\$ 1,414,967</u>	<u>\$ 1,714,967</u>	<u>\$ 1,425,042</u>	<u>\$ 289,925</u>
Total General Fund	<u>\$ 34,310,585</u>	<u>\$ 42,055,534</u>	<u>\$ 35,875,110</u>	<u>\$ 6,180,424</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2011

<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	\$ 1,105,317	\$ 1,105,317	\$ 859,036	\$ 246,281
Public assistance	799,700	799,700	692,123	107,577
Comprehensive services	212,500	212,500	204,478	8,022
Total welfare and social services	<u>\$ 2,117,517</u>	<u>\$ 2,117,517</u>	<u>\$ 1,755,637</u>	<u>\$ 361,880</u>
Total health and welfare	<u>\$ 2,117,517</u>	<u>\$ 2,117,517</u>	<u>\$ 1,755,637</u>	<u>\$ 361,880</u>
Total Virginia Public Assistance Fund	<u><u>\$ 2,117,517</u></u>	<u><u>\$ 2,117,517</u></u>	<u><u>\$ 1,755,637</u></u>	<u><u>\$ 361,880</u></u>
Law Enforcement Block Grant Fund:				
Public safety:				
Other protection:				
Other protection	\$ -	\$ 7,368	\$ 12,952	\$ (5,584)
Total Law Enforcement Block Grant Fund	<u>\$ -</u>	<u>\$ 7,368</u>	<u>\$ 12,952</u>	<u>\$ (5,584)</u>
Total Primary Government	<u><u>\$ 36,428,102</u></u>	<u><u>\$ 44,180,419</u></u>	<u><u>\$ 37,643,699</u></u>	<u><u>\$ 6,536,720</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.

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Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The 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 Nine 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>
\$ 49,783,173	\$ 55,591,451	\$ 58,769,012	\$ 59,868,232	\$ 61,799,859
29,632,342	28,455,299	25,864,437	25,744,448	26,187,098
<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>
\$ 12,764,785	\$ 13,102,740	\$ 15,601,976	\$ 15,748,286	\$ 16,771,608
5,466,158	6,466,848	4,960,402	4,483,874	5,067,039
<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>
\$ 62,547,958	\$ 68,694,191	\$ 74,370,988	\$ 75,616,518	\$ 78,571,467
35,098,500	34,922,147	30,824,839	30,228,322	31,254,137
<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>

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

Table 2
Page 1 of 2

	<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>
Expenses									
Governmental activities:									
General government administration	\$ 2,758,568	\$ 2,950,481	\$ 3,196,039	\$ 3,989,006	\$ 3,556,882	\$ 3,925,496	\$ 4,206,889	\$ 4,350,670	\$ 3,563,461
Judicial administration	273,154	293,222	308,361	356,257	379,945	369,459	373,159	524,247	405,416
Public safety	6,563,142	6,933,837	7,475,819	8,011,476	8,840,146	9,410,409	9,626,052	9,200,629	9,275,831
Public works	3,765,655	4,959,412	4,110,492	3,007,234	7,196,599	4,504,611	4,493,041	3,314,209	4,750,649
Health and welfare	1,809,216	1,991,478	2,065,153	2,180,922	2,176,382	2,415,272	2,335,735	2,319,951	2,245,513
Education	6,583,596	6,822,656	6,267,967	6,437,154	7,044,990	8,446,319	7,913,290	8,439,060	7,736,481
Parks, recreation and cultural	2,071,236	2,094,830	2,179,626	2,138,010	2,170,492	2,275,707	2,535,481	2,362,491	2,314,517
Community development	3,135,821	3,259,276	4,853,168	9,168,959	5,328,651	5,694,235	5,091,394	4,788,236	4,482,731
Nondepartmental	46,163	127,858	17,349	-	-	-	-	-	-
Interest expense	361,125	352,333	396,211	592,688	551,307	467,896	408,129	303,123	284,738
Total governmental activities expenses	\$ 27,367,676	\$ 29,785,383	\$ 30,870,185	\$ 35,881,706	\$ 37,245,394	\$ 37,509,404	\$ 36,983,170	\$ 35,602,616	\$ 35,059,337
Business-type activities									
Water and sewer services	\$ 4,098,596	\$ 3,838,917	\$ 3,983,571	\$ 4,230,185	\$ 4,569,446	\$ 4,769,797	\$ 4,862,433	\$ 6,025,427	\$ 6,046,002
Total business-type activities expenses	4,098,596	3,838,917	3,983,571	4,230,185	4,569,446	4,769,797	4,862,433	6,025,427	6,046,002
Total primary government expenses	\$ 31,466,272	\$ 33,624,300	\$ 34,853,756	\$ 40,111,891	\$ 41,814,840	\$ 42,279,201	\$ 41,845,603	\$ 41,628,043	\$ 41,105,339
Program Revenues (see Schedule 3)									
Governmental activities:									
Charges for services:									
General government administration*	\$ 862,919	\$ 1,027,386	\$ 1,228,597	\$ -	\$ -	\$ -	\$ 4,760	\$ -	\$ -
Judicial administration	-	-	-	142,321	155,924	140,559	147,160	108,161	222,572
Public safety	508,864	559,545	582,729	364,959	328,194	479,255	295,207	260,751	155,522
Public works	12,071	50,199	11,403	-	-	-	-	-	-
Parks, recreation and cultural	297,674	270,705	316,991	302,835	338,754	298,453	317,573	350,497	390,220
Community development	51,694	59,418	58,428	56,566	36,073	43,750	42,198	97,881	43,742
Operating grants and contributions	3,307,596	4,808,926	3,718,194	5,224,480	4,161,505	3,999,026	4,008,035	4,314,763	4,631,169
Capital grants and contributions	102,974	102,924	102,922	176,937	266,087	464,435	133,363	-	84,677
Total governmental activities program revenues	\$ 5,143,792	\$ 6,879,103	\$ 6,019,264	\$ 6,268,098	\$ 5,286,537	\$ 5,425,478	\$ 4,948,296	\$ 5,132,053	\$ 5,527,902
Business-type activities:									
Charges for services:									
Water and sewer	\$ 4,721,388	\$ 4,890,679	\$ 4,195,671	\$ 4,379,515	\$ 4,493,958	\$ 5,751,177	\$ 5,575,174	\$ 5,398,525	\$ 7,496,603
Total business-type activities program revenues	4,721,388	4,890,679	4,195,671	4,379,515	4,493,958	5,751,177	5,575,174	5,398,525	7,496,603
Total primary government program revenues	\$ 9,865,180	\$ 11,769,782	\$ 10,214,935	\$ 10,647,613	\$ 9,780,495	\$ 11,176,655	\$ 10,523,470	\$ 10,530,578	\$ 13,024,505

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

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

Table 2
Page 2 of 2

	Fiscal Year								
	<u>2002</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>
Net (Expense)/Revenue									
Governmental activities	\$ (22,223,884)	\$ (22,906,280)	\$ (24,850,921)	\$ (29,613,608)	\$ (31,958,857)	\$ (32,083,926)	\$ (32,034,874)	\$ (30,470,563)	\$ (29,531,435)
Business-type activities	622,792	1,051,762	212,100	149,330	(75,488)	981,380	712,741	(626,902)	1,450,601
Total primary government net expense	\$ (21,601,092)	\$ (21,854,518)	\$ (24,638,821)	\$ (29,464,278)	\$ (32,034,345)	\$ (31,102,546)	\$ (31,322,133)	\$ (31,097,465)	\$ (28,080,834)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
General property taxes	\$ 6,295,230	\$ 7,574,245	\$ 7,944,010	\$ 8,250,312	\$ 9,281,349	\$ 10,576,818	\$ 11,190,551	\$ 11,247,772	\$ 10,745,485
Sales taxes	4,468,174	4,240,721	4,219,603	4,303,203	4,867,792	4,562,028	3,844,275	3,885,065	3,963,454
Business property taxes	1,246,548	1,254,363	1,259,291	1,143,727	1,130,964	1,210,744	1,307,209	1,276,328	1,329,808
Consumer utility taxes	589,089	684,702	1,062,031	451,524	700,691	1,107,790	1,040,510	1,047,378	300,969
Business license taxes	1,634,995	1,639,065	1,757,085	1,789,386	1,593,478	1,754,093	1,595,535	1,571,483	1,497,159
Hotel and room taxes	4,114,010	3,996,782	3,695,937	3,787,611	4,350,871	4,447,662	3,574,810	3,248,789	3,384,922
\$2 lodging taxes	-	-	1,582,047	1,595,664	1,672,720	1,625,774	1,347,470	1,277,760	1,299,244
Meals taxes	5,338,967	5,420,516	5,394,509	5,600,162	5,851,680	6,005,227	5,522,541	5,607,318	5,989,446
Other local taxes	611,790	110,107	910,932	1,457,982	1,096,618	800,542	576,653	609,055	640,363
Use of Money & Property	832,461	965,258	465,369	1,382,832	2,156,025	1,765,800	930,037	730,861	624,386
Gain on sale of capital assets	337,264	-	1,220	1,082,095	1,348,618	-	-	887,684	-
Grants and contributions not restricted to specific programs	-	-	-	929,240	879,936	899,609	820,341	812,215	1,463,933
Miscellaneous	-	-	-	660,148	600,434	1,959,074	871,641	886,798	666,543
Transfers	50,000	-	-	-	-	-	-	-	-
Total governmental activities	\$ 25,518,528	\$ 25,885,759	\$ 28,292,034	\$ 32,433,886	\$ 35,531,176	\$ 36,715,161	\$ 32,621,573	\$ 33,088,506	\$ 31,905,712
Business-type activities:									
Investment earnings	\$ 123,220	\$ 52,200	\$ 105,671	\$ 202,622	\$ 253,915	\$ 209,655	\$ 97,165	\$ 26,248	\$ 8,536
Gain on sale of capital assets	-	-	-	-	2,677,383	-	-	-	-
Miscellaneous	-	-	-	35,517	139,314	147,610	182,884	270,436	147,350
Total business-type activities	\$ 123,220	\$ 52,200	\$ 105,671	\$ 238,139	\$ 3,070,612	\$ 357,265	\$ 280,049	\$ 296,684	\$ 155,886
Total primary government	\$ 25,641,748	\$ 25,937,959	\$ 28,397,705	\$ 32,672,025	\$ 38,601,788	\$ 37,072,426	\$ 32,901,622	\$ 33,385,190	\$ 32,061,598
Change in Net Assets									
Governmental activities	\$ 3,294,644	\$ 2,979,479	\$ 3,441,113	\$ 2,820,278	\$ 3,572,319	\$ 4,631,235	\$ 586,699	\$ 2,557,943	\$ 2,374,277
Business-type activities	\$ 746,012	\$ 1,103,962	\$ 317,771	\$ 387,469	\$ 2,995,124	\$ 1,338,645	\$ 992,790	\$ (330,218)	\$ 1,606,487
Total primary government	\$ 4,040,656	\$ 4,083,441	\$ 3,758,884	\$ 3,207,747	\$ 6,567,443	\$ 5,969,880	\$ 1,579,489	\$ 2,227,725	\$ 3,980,764

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 543,605
Unreserved	25,927,029	22,360,336	20,886,657	30,616,683	31,982,623
Nonspendable	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total general fund	<u>\$ 25,927,029</u>	<u>\$ 22,360,336</u>	<u>\$ 20,886,657</u>	<u>\$ 30,616,683</u>	<u>\$ 32,526,228</u>
All Other Governmental Funds					
Unreserved (Special Revenue funds)	\$ 225,323	\$ 162,486	\$ 141,922	\$ 131,239	\$ 210,575
Assigned (Special Revenue funds)	-	-	-	-	-
Total all other governmental funds	<u>\$ 225,323</u>	<u>\$ 162,486</u>	<u>\$ 141,922</u>	<u>\$ 131,239</u>	<u>\$ 210,575</u>

(a) City Council adopted GASB Statement 54 in June 2011, which changed fund balance classifications.

Table 3

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (a)</u>
\$ 548,702	\$ 553,490	\$ 124,011	\$ 8,287	\$ -
29,509,734	28,448,307	26,253,762	25,983,407	-
-	-	-	-	13,326
-	-	-	-	3,372,285
-	-	-	-	23,094,466
<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>
\$ 207,354	\$ 182,825	\$ 250,939	\$ 337,593	-
-	-	-	-	399,209
<u>\$ 207,354</u>	<u>\$ 182,825</u>	<u>\$ 250,939</u>	<u>\$ 337,593</u>	<u>\$ 399,209</u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Taxes	\$ 24,083,697	\$ 23,993,013	\$ 25,624,343	\$ 27,748,415	\$ 28,194,199	\$ 30,590,846	\$ 32,147,392	\$ 29,922,838	\$ 29,602,186	\$ 29,210,384
Licenses, fees, and permits	173,985	212,618	305,762	256,662	275,741	200,897	376,974	207,637	164,699	154,108
Fines and penalties	282,664	273,584	254,706	234,157	229,779	281,612	241,302	233,262	202,487	221,767
Use of money and property	878,055	509,733	440,882	465,369	931,554	1,600,647	1,765,800	930,037	730,861	624,377
Charges for services	341,113	345,348	317,845	365,026	361,161	376,435	343,741	347,740	390,104	436,181
Intergovernmental	3,206,182	3,403,461	4,820,935	3,864,318	6,330,657	5,288,477	6,759,594	4,971,107	4,930,242	6,179,779
Other revenues	1,175,895	1,048,562	905,907	1,376,131	1,817,889	3,590,840	1,322,551	1,683,536	1,929,868	1,343,191
Total revenues	\$ 30,141,591	\$ 29,786,319	\$ 32,670,380	\$ 34,310,078	\$ 38,140,980	\$ 41,929,754	\$ 42,957,354	\$ 38,296,157	\$ 37,950,447	\$ 38,169,787
Expenditures										
General government	\$ 1,952,376	\$ 2,040,718	\$ 2,172,065	\$ 2,290,766	\$ 2,636,419	\$ 2,615,827	\$ 2,956,796	\$ 3,247,353	\$ 3,130,496	\$ 3,341,506
Judicial	293,703	273,154	293,222	308,361	356,257	379,945	369,459	373,159	332,736	405,416
Police	2,850,557	2,861,260	3,072,285	3,499,854	3,541,289	4,034,064	4,246,050	4,273,913	3,916,856	3,876,496
Fire	2,150,348	2,216,034	2,335,061	2,531,801	2,741,472	3,064,526	3,257,746	3,293,365	2,983,054	3,108,601
Other public safety	1,032,165	1,139,383	1,186,842	1,274,946	1,537,857	1,617,564	1,561,167	1,686,790	1,670,784	1,744,010
Public works	3,078,356	2,853,272	4,454,010	3,628,476	3,636,448	3,847,395	3,579,302	4,185,312	3,404,437	2,877,077
Health and welfare	1,600,018	1,804,729	1,985,415	2,055,514	2,169,163	2,169,108	2,391,062	2,311,671	2,318,563	2,241,201
Education	6,763,889	6,518,691	6,734,071	6,267,967	6,437,154	6,493,421	7,135,650	7,023,314	6,923,146	6,991,174
Parks and recreation	1,069,304	1,137,105	1,169,003	1,254,125	1,242,389	1,284,977	1,392,614	1,387,111	1,272,611	1,205,651
Library	739,744	758,674	752,197	771,595	796,580	861,030	884,955	884,971	840,727	750,959
Community Development - Note a	2,898,086	2,932,800	2,989,506	4,852,663	4,908,287	5,348,425	5,662,525	5,070,823	4,760,075	4,469,891
Non-departmental	97,680	68,644	137,351	33,349	-	-	-	-	-	-
Capital projects	3,192,642	7,582,378	5,818,262	3,030,777	5,774,358	12,492,119	7,809,941	5,699,783	6,181,634	5,206,675
Debt Service										
Principal	788,000	908,000	5,413,000	918,000	5,872,179	992,425	2,314,249	1,036,704	1,064,816	1,149,694
Interest	290,907	361,125	352,333	437,444	505,332	554,257	477,006	377,798	337,621	275,348
Total expenditures	\$ 28,797,775	\$ 33,455,967	\$ 38,864,623	\$ 33,155,638	\$ 42,155,184	\$ 45,755,083	\$ 44,038,522	\$ 40,852,067	\$ 39,137,556	\$ 37,643,699
Excess of revenues over (under) expenditures	\$ 1,343,816	\$ (3,669,648)	\$ (6,194,243)	\$ 1,154,440	\$ (4,014,204)	\$ (3,825,329)	\$ (1,081,168)	\$ (2,555,910)	\$ (1,187,109)	\$ 526,088

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Other Financing Sources (Uses)										
Bonds issued	\$ 7,000,000	\$ -	\$ -	\$ 8,500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding bonds issued	-	-	4,500,000	-	-	-	-	-	-	1,398,911
Redemption of refunded bonds	-	-	-	-	-	-	-	-	-	(1,375,000)
Disposal of capital asset	-	-	-	12,975	-	-	-	-	-	-
Sale of capital assets	304,335	123,329	200,000	-	5,068,073	1,354,316	-	-	887,684	-
Capital leases	-	-	-	51,928	-	-	-	-	-	-
Transfers in	296,000	328,808	392,080	645,835	543,284	555,000	558,600	640,000	580,000	601,751
Transfers out	(296,000)	(328,808)	(392,080)	(645,835)	(543,284)	(555,000)	(558,600)	(640,000)	(580,000)	(601,751)
Total other financing sources (uses)	\$ 7,304,335	\$ 123,329	\$ 4,700,000	\$ 8,564,903	\$ 5,068,073	\$ 1,354,316	\$ -	\$ -	\$ 887,684	\$ 23,911
Net change in fund balances	\$ 8,648,151	\$ (3,546,319)	\$ (1,494,243)	\$ 9,719,343	\$ 1,053,869	\$ (2,471,013)	\$ (1,081,168)	\$ (2,555,910)	\$ (299,425)	\$ 549,999
Debt service as a percentage of noncapital expenditures	4.21%	4.91%	17.45%	4.50%	17.80%	4.00%	7.34%	3.92%	4.08%	3.79%

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

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
2002	\$ 7,577,391	\$ 4,368,379	\$ 783,722	\$ 1,622,735	\$ 194,633
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	1,497,159	111,021

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
-	\$ 4,114,010	-	\$ 5,318,886	\$ 298,574	\$ 24,278,330
-	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

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			
2002	\$ 493,696,625	\$ 803,185,980	\$ 29,397,420	\$ 37,446,864	\$ 388,880,280	\$ 974,846,609	4.04
2003	543,061,000	854,851,000	30,756,020	37,476,509	402,276,700	1,063,867,829	4.04
2004	670,963,900	897,611,400	31,817,660	36,817,378	451,149,200	1,186,061,138	4.04
2005	736,951,300	918,939,700	30,793,980	36,827,600	453,198,400	1,270,314,180	4.04
2006	872,835,500	960,854,400	35,607,452	38,600,378	494,984,900	1,412,912,830	4.04
2007	1,021,043,000	1,020,298,800	36,612,408	34,390,362	493,690,200	1,618,654,370	4.04
2008	1,139,635,400	1,196,545,300	35,958,080	36,179,761	532,941,500	1,875,377,041	4.04
2009	1,215,949,800	1,226,781,800	35,034,560	38,278,637	547,275,600	1,968,769,197	4.04
2010	1,202,447,900	1,246,006,000	35,605,695	39,204,545	555,882,100	1,967,382,040	4.04
2011	1,166,641,800	1,335,437,900	35,652,620	39,303,636	674,570,500	1,902,465,456	4.04

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

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

¹ Includes tax-exempt property.

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

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

* 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
2002	\$0.54	\$3.50	5%	5%	1%
2003	\$0.54	\$3.50	5%	5%	1%
2004	\$0.54	\$3.50	5%	5%	1%
2005	\$0.54	\$3.50	5%	5%	1%
2006	\$0.54	\$3.50	5%	5%	1%
2007	\$0.54	\$3.50	5%	5%	1%
2008	\$0.54	\$3.50	5%	5%	1%
2009	\$0.54	\$3.50	5%	5%	1%
2010	\$0.54	\$3.50	5%	5%	1%
2011	\$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>	2002			2011		
	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	\$ 178,749,200	1	19.69%	\$ 257,865,300	1	14.11%
Williamsburg Improvements, LLC	15,740,700	2	1.73%	17,806,900	5	0.97%
Art Williamsburg	13,802,300	3	1.52%			
Williamsburg Hotel, LLC	11,138,800	4	1.23%			
JIN, Inc.	8,784,600	5	0.97%	10,471,900	8	0.57%
Williamsburg Motor Court, LLC	7,905,000	6	0.87%			
Woodshire, LTD	6,776,800	7	0.75%			
LTD Associates One, LLC	6,767,400	8	0.75%			
LTD Associates Two, LLC	6,083,700	9	0.67%			
Patrick Henry Inn	6,011,200	10	0.66%			
Bluegreen Vacations, Unlimited				24,955,300	2	1.37%
Riverside Healthcare Associates				24,857,600	3	1.36%
Westgate Resorts, LTD				19,829,000	4	1.09%
Sunrise Investment Group, LLC				14,502,800	6	0.79%
Oam Shree Corporation				11,494,400	7	0.63%
Woodshire, LTC				9,710,100	9	0.53%
GMRI, Inc				9,066,800	10	0.50%

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
2002	\$ 7,272,047	\$ 7,057,210	97.05%	\$ 170,107	\$ 7,227,317	99.38%
2003	7,801,901	7,592,851	97.37%	166,884	7,759,729	99.46%
2004	8,506,917	8,347,049	98.12%	142,600	8,489,651	99.80%
2005	8,864,042	8,700,344	98.14%	148,857	8,849,201	99.83%
2006	9,734,314	9,573,842	98.54%	145,793	9,719,406	99.85%
2007	10,953,045	10,733,140	97.99%	209,747	10,942,887	99.91%
2008	12,253,120	12,041,834	98.28%	189,133	12,230,967	99.82%
2009	12,812,428	12,635,773	98.62%	135,467	12,771,240	99.68%
2010	12,839,578	12,644,248	98.48%	159,990	12,750,872	99.31%
2011	12,481,426	12,266,609	98.28%	n/a	12,266,609	98.28%

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			Business-type Activities	Total Primary Government	Debt Per Capita	Debt as Percentage of Personal Income
	General Obligation Bonds	Notes Payable	General Obligation Bonds			
2002	\$ 12,652,000	\$ -	\$ 7,700,360	\$ 20,352,360	\$ 1,615	0.9%
2003	11,744,000	-	7,525,173	19,269,173	1,460	0.8%
2004	10,831,000	1,300,000	7,237,154	18,068,154	1,445	0.6%
2005	18,413,000	1,300,000	6,938,851	25,351,851	1,989	0.9%
2006	12,540,821	1,300,000	6,665,050	19,205,871	1,530	0.6%
2007	11,548,396	1,300,000	700,000	12,248,396	1,023	0.3%
2008	10,534,146	-	566,666	11,100,812	838	0.3%
2009	9,497,443	-	10,433,333	19,930,776	1,492	0.5%
2010	8,432,627	-	9,808,700	18,241,327	1,360	0.5%
2011	7,306,844	-	9,231,593	16,538,437	1,176	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
2002	\$ 20,352,360	2.09%	\$ 1,615
2003	19,269,173	1.81%	1,460
2004	19,368,154	1.63%	1,445
2005	26,651,851	2.10%	1,989
2006	20,505,871	1.45%	1,530
2007	13,548,394	0.84%	1,011
2008	11,100,812	0.59%	838
2009	19,930,775	1.01%	1,492
2010	18,241,327	0.93%	1,360
2011	16,538,437	0.87%	1,176

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$90,863,133	\$99,563,530	\$111,742,610	\$120,269,260
Total net debt applicable to limit	20,352,360	19,269,173	19,368,154	26,651,851
Legal debt margin	\$ 70,510,773	\$ 80,294,357	\$ 92,374,456	\$ 93,617,409
Total net debt applicable to the limit as a percentage of debt limit	22.40%	19.35%	17.33%	22.16%

Legal Debt Margin Calculation for Fiscal Year 2011:

Assessed Value	\$1,827,509,200
Debt Limit (10% of assessed value)	182,750,920
Debt applicable to limit:	
General obligation bonds	16,538,437
Legal debt margin	<u>\$166,212,483</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$133,870,500	\$154,722,020	\$180,323,920	\$189,545,600	\$189,257,180	\$182,750,920
20,505,871	13,548,395	11,100,812	19,930,775	18,241,325	16,538,437
<hr/>					
\$ 113,364,629	\$ 141,173,625	\$ 169,223,108	\$ 169,614,825	\$ 171,015,855	\$ 166,212,483
15.32%	8.76%	6.16%	10.52%	9.64%	9.05%

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
2002	12,600	62,957	\$ 2,393,678	\$ 38,021	8,407	7.2%
2003	13,200	64,659	2,515,632	38,906	8,553	8.0%
2004	13,400	66,932	2,793,123	41,731	8,959	7.5%
2005	13,400	69,135	2,952,937	42,713	9,402	7.1%
2006	13,400	71,847	3,289,020	45,778	9,820	5.9%
2007	13,242	73,674	3,641,841	49,432	10,105	5.6%
2008	13,273	74,847	3,819,502	51,031	10,137	8.6%
2009	13,354	76,464	3,788,855	49,551	10,248	15.1%
2010	14,068	81,077	**	**	10,503	15.2%
2011	**	**	**	**	10,587	**

* 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>	2002			2011		
	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
College of William & Mary	1,000+	1	14.46%	1,000+	1	18.78%
Colonial Williamsburg Foundation	1,000+	2	11.97%	1,000+	2	8.74%
Colonial Williamsburg Company	1,000+	3	9.23%	1,000+	3	5.97%
Williamsburg Community Hospital ²	500 to 999	4	4.34%			
W-JCC Schools				250 to 499	4	1.73%
Aramark	250 to 499	5	1.39%	250 to 499	5	1.50%
City of Williamsburg	100 to 249	6	1.11%	250 to 499	6	1.44%
Williamsburg Hospitality House	100 to 249	7	0.56%			
Red Lobster & The Olive Garden	100 to 249	8	0.56%	100 to 249	7	0.56%
Walsingham Academy				100 to 249	8	0.56%
Patrick Henry Inn	100 to 249	9	0.56%			
National Center for State Courts	100 to 249	10	0.56%	100 to 249	9	0.56%
Outback Steakhouse				50 to 99	10	0.28%

¹ includes part-time and seasonal employees

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

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

Table 15

	Full-time-Equivalent Employees as of June 30:									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
City Manager	4.5	4.0	4.5	4.5	5.5	5.5	5.5	6.5	5.5	5.5
Clerk of Council	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0
City Attorney	0.0	0.0	0.0	0.0	0.0	0.0	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	2.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Assessor	1.0	1.0	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	9.0	8.0	8.0	8.0	8.0	9.0	9.0	9.0	9.0
Police										
Officers	34.0	34.0	34.0	34.0	34.0	35.0	36.0	36.0	34.0	34.0
Civilians	13.5	13.5	15.5	16.0	16.0	18.0	18.0	18.0	5.0	5.0
Fire										
Firefighters & officers	31.0	31.0	31.0	31.0	34.0	35.0	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	10.0	9.0
Landscape	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	7.0
Shop	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Building Maintenance	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Planning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Compliance	4.0	4.0	6.0	6.0	6.0	7.0	7.0	7.0	5.0	4.0
Recreation	9.5	9.5	9.5	9.5	9.0	9.0	9.0	9.0	9.0	9.0
Human Services	11.0	11.0	11.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Public Utilities	<u>23.0</u>	<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>
Total	<u>179.5</u>	<u>180.0</u>	<u>184.5</u>	<u>185.5</u>	<u>191.0</u>	<u>196.0</u>	<u>200.0</u>	<u>202.0</u>	<u>185.0</u>	<u>182.0</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Real estate parcels appraised	3,828	3,978	4,000	4,204	4,374	4,223	4,139	4,135	4,202	4,220
Real estate property transfers	428	339	527	486	441	381	342	242	277	330
Police										
Calls for service	36,256	30,285	32,618	29,990	30,727	32,532	30,147	31,711	28,758	37,844
Moving violations	3,238	2,924	2,128	1,672	1,867	1,989	2,053	2,118	1,377	1,586
Crimes investigated	376	391	372	380	403	398	371	340	354	403
Fire										
Emergency fire responses	629	649	650	625	694	693	1,581	1,338	1,778	1,738
Emergency EMS responses	1,655	1,702	1,739	1,692	1,744	1,861	2,151	2,200	2,294	2,164
Public Works										
Street miles maintained	54	54	54	54	54	54	54	54	65	65
Work orders issued	239	282	163	246	327	227	185	218	274	159
Tons of res. solid waste collected	2,922	2,698	3,416	2,371	3,477	3,624	3,607	4,061	2,182	2,114
Planning										
Subdivision lots approved	2	0	4	4	60	90	0	0	0	4
Site plans processed	10	10	13	11	20	14	7	10	8	9
Code Compliance										
Total permits issued	1,112	1,126	2,498	1,244	1,337	1,050	1,845	1,475	1,792	1,725
Total inspections performed	6,889	6,998	10,821	10,326	7,887	6,535	7,228	6,706	7,169	6,824
Recreation										
Program participants	34,292	36,645	31,504	32,126	29,518	27,914	24,536	18,680	17,449	17,698
Waller Mill Park attendance*	198,480	185,388	96,110	116,261	160,175	209,760	199,050	249,226	261,144	86,413
Human Services (avg. monthly)										
Total benefit program cases	617	705	864	724	729	612	600	693	942	1,125
Total service cases	179	163	164	206	184	186	179	174	193	1,074
Public Utilities										
Water treated (million gallons)	1,275	1,212	1,190	1,146	1,216	1,201	1,192	1,172	1,071	1,036
Water lines/hydrants repaired	208	201	80	79	62	71	48	49	40	32
Sewer lines cleaned/repaired	208	207	113	130	127	100	94	72	80	65
Emergency repair responses	545	529	270	325	403	387	412	446	493	550

Source: City operating departments

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

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

Table 17

Function/Program	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Government										
Number of buildings	27	28	28	28	28	28	28	28	28	28
Number of parking structures	1	1	2	2	2	2	2	2	2	2
Total number of active vehicles in vehicle replacement plan	72	75	74	80	77	80	81	77	77	77
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Lane miles of streets maintained	54	54	54	54	54	54	54	54	65	65
Number of traffic signals	14	14	14	14	14	14	14	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	7	8	8	9	9
Grades: 6 - 8	3	3	3	3	3	3	3	4	4	3
Grades: 9 -12	2	2	2	2	2	2	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	5
Number of pump stations	11	12	13	14	14	14	14	14	14	14

Source: City departments.

COMPLIANCE SECTION

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, 2011, which collectively comprise the City of Williamsburg, Virginia's basic financial statements and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 7, 2011

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, 2011. 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, 2011.

Internal Control Over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 7, 2011

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>Department of Health and Human Services:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 534
Temporary Assistance for Needy Families (TANF)	93.558	0400109/0400110	154,109
Refugee and Entrant Assistance - State Administered Programs	93.566	0500109/0500110	203
Low-Income Home Energy Assistance	93.568	0600409/0600410	6,174
Child Care and Development Cluster:			
Child Care and Development Block Grant	93.575	0770109/0770110	72,436
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	46,734
ARRA - Child Care and Development Block Grant	93.713	074109	3,766
Child Welfare Services - State Grants	93.645	0900109/0900110	362
Foster Care Cluster:			
Foster Care - Title IV-E	93.658	1100109/1100110	81,858
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	2,479
Adoption Assistance Cluster:			
Adoption Assistance	93.659	1120109/1120110	37,120
ARRA - Adoption Assistance	93.659	1120109/1120110	2,404
Social Services Block Grant	93.667	1000109/1000110	67,857
Chafee Foster Care Independence Program	93.674	9150108-9150110	715
Children's Health Insurance Program	93.767	0540109/0540110	2,861
Medical Assistance Program	93.778	1200109/1200110	80,299
Total Department of Health and Human Services			<u>\$ 559,911</u>
<i>Department of Agriculture:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
SNAP Cluster:			
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	\$ 131,678
ARRA - State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	0040109/0040110 0010109/0010110	3,731
Total Department of Agriculture			<u>\$ 135,409</u>
<i>Department of Justice:</i>			
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-11208LOT0	<u>\$ 6,631</u>

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

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>			
Direct payments:			
ARRA - Highway Planning and Construction	20.205	N/A	\$ 582,580
<i>U.S. Department of Housing and Urban Development:</i>			
Pass Through Payments:			
<i>Department of Housing and Community Development:</i>			
Community development block grant	14.228	5330500-50794/50796	\$ 25,000
<i>Department of Homeland Security:</i>			
Direct payments:			
Assistance to firefighters grant	97.044	N/A	\$ 59,677
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
State homeland security program	97.073	77500100-52707	\$ 37,471
Total Department of Homeland Security			\$ 97,148
Total expenditures of federal awards			\$ 1,406,679

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, 2011

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, 2011. 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	\$ 684,257
Virginia public assistance fund	715,791
Law enforcement block grant fund	<u>6,631</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,406,679</u></u>
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City of Williamsburg, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2011

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)
20.205

Name of Federal Program or Cluster
ARRA - Highway Planning and Construction

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, 2011

There were no prior year findings or questioned costs.