

City of Williamsburg, Virginia



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2017

INTRODUCTORY SECTION

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CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

PREPARED BY:

Department of Finance

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CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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CITY OF WILLIAMSBURG

Department of Finance

November 4, 2017

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, 2017, is submitted herewith in accordance with Section 15.2-2511 of the Code of Virginia. This report is designed in a manner to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds in conformity with accounting principles generally accepted in the United States of America (GAAP). We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included. This report has been prepared by the Department of Finance in accordance with all governmental accounting and financial reporting standards as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Commonwealth of Virginia's Auditor of Public Accounts (APA).

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

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

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the third year of a renewed 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, 2017, 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 unmodified opinion that the City of Williamsburg financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the City

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

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

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

The City provides the full range of municipal services including public safety, (police, fire and emergency medical services, parking garage), public works, (street construction and maintenance, landscaping, stormwater management, engineering, refuse collection, public cemetery), economic development, planning and zoning, code compliance, human and public housing services, parks and recreation, and general administrative services. In addition, the City provides water and sewer services to approximately 3,700 residential and 925 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

The City provides education jointly by contract with neighboring James City County for both localities through the Williamsburg-James City County Public Schools (W-JCC Schools). This strong partnership between the City and County governments has served the K-12 education needs of the jurisdictions for over 50 years. FY 2018 marked the first year of a restated five year contract for operating and capital funding of the joint School system, for fiscal years 2018 thru 2022. The contract essentially covers board membership, operational and capital funding allocations, use of School surplus operating and capital funds, and equity interest in School property.

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

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

Factors Affecting Financial Condition

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

Economic Condition and Outlook:

The economy of the City of Williamsburg is propelled by tourism and education. Tourism – including major attractions and the hospitality industry – continues to provide the most significant source of tax base for the city government. Within the city limits are 35 hotels/motels with approximately 3,300 rooms, 22 operating bed and breakfasts (with 69 rooms), and 89 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 2,700, 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 8,600 students, and employs about 2,800 faculty and staff, including graduate assistants as well.

The City has seen a mix of economic activity over the last three fiscal years. For FY 2017, room tax receipts decreased slightly by \$3K from last year. Meal taxes were up by \$21K, or .3% over last year, and have been on the rise since FY 2009. Revenues from \$2/night lodging tax, which are a pass-thru to the Williamsburg Area Destination Marketing Committee, were down slightly by \$2K from last year. In total, these three significant taxes were up slightly by \$16K, or .2% from FY 2016. Another significant tax, dedicated to capital improvements within the City, is the 1% State sales tax. These taxes were \$4.39 million for FY 2017, up slightly by 2.1% from last year's receipts. Still, the economy will need to rebound much stronger in order to reach the \$4.9 million and \$4.6 million levels of 1% sales tax receipts collected in FY 2007 and FY 2008 respectively. In addition, revenues from the Prince George Parking Garage were up by \$22K, or 6.7% from 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 during the recent recession, values declined about 14% from FY 2010 thru FY 2013. The real estate tax rate was adjusted for FY 2013 from \$.54/100 to \$.57/100 in response to the cumulative decline in the tax base. On a positive note, assessed values were up 8.4% from FY 2014 to FY 2017. City staff continues to monitor the real estate assessment to sales ratio each

month by closely tracking sales activity. The ratio is important in analyzing sales trends in neighborhoods, and is vital to the City Assessor's job of assessing properties at market value each year. As of October 2017 the City's assessment to sales ratio of residential sales since July 1st, 2017, on average, is approximately 99%, which shows current assessments are close to market values. Real estate assessments for FY 2018, *on average*, are up 1.2% from last year, indicating a slight improvement in both residential and commercial values.

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

Commercial development projects are progressing:

- "Quarterpath at Williamsburg," a 350-acre mixed-use development in the southeast quadrant of the City will offer retail, Class-A office space, mixed-residential options, and a 40-bed acute care hospital at buildout. The hospital opened in May 2013 operated as Williamsburg Doctors' Hospital as part of the Riverside system. The \$22 million, 227 unit Aura at Quarterpath apartments opened in 2016. H.H. Hunt is currently constructing townhomes in the project
- As of August 2017, both the undeveloped residential and commercial areas of the High Street development off Richmond Road are under new ownership. The Retail Shops at High Street are owned by Lamar Companies who plans to activate the center with marketing and events and to construct buildings on the remaining three commercial building pads. The residential owner submitted a \$41 million investment plan to build the remaining residential units on the property. Construction is scheduled to begin in 2018.
- A downtown redevelopment project called "Prince George Commons" is the second new vertical mixed-use building in this block of downtown. It provides 2nd floor housing with 1st floor commercial spaces and used the EDA's Forgivable Demolition Loan program. Prince George Commons includes 16,400 s.f. of space, 8,680 s.f. of first floor commercial use and upper floors of residential apartments, which are fully leased. 2,000 s.f. of the first floor retail is occupied by Three Sister Boutique. An additional tenant is completing its build out to open the Amber Ox NanoBrewery and Restaurant this fall. The last retail space in this building is in lease negotiations with a tenant.
- The College of William & Mary is in the midst of capital investment and construction. The College completed Phase 3 of the \$142.8 million Interdisciplinary Science Center project providing modern classroom and laboratory space. Further, the College has received funding to initiate the following capital projects in the coming year; construction of a Wellness Center (\$19.5 million), renovation and expansion of its Fine Arts Facilities (\$118.5 million), West Campus Utilities (\$30.3 million), and significant dormitory renovation (\$19.5 million).
- The Colonial Williamsburg Foundation is addressing capital reinvestment and organizational restructuring to maintain its place as a leader in historic cultural sites and relevance in the conversation of American history. Colonial Williamsburg recently completed capital enhancements to the Williamsburg Inn, the Spa of Colonial Williamsburg, the Gold Course at the Golden Horseshoe Golf Club. Further, Colonial Williamsburg received plan approvals and will be constructing a \$40 million donor funded expansion to the DeWitt-Wallace Museums with construction starting in 2018 and a new \$10 million Archaeology Center to enhance visitor experience.
- Copper Fox Distillery is investing \$1,000,000 in its Phase 3 renovation to open a larger distilling and event area in addition to the existing tasting room, malting building, storage buildings and distilling buildings.
- Discount Tires is under construction on one of the two outparcels at the Aldi development.

- In January, Broad St LLC purchased the 20 acre Williamsburg Shopping Center property at Midtown. Plans to construct a \$100 million vertical mixed use project on the property are moving through the City approval process this fall. Construction will commence in 2018. Broad St LLC has the adjacent Monticello Shopping Center under contract and plans a renovation and recruitment of two anchor tenants.
- New businesses openings after renovating existing commercial space between July 1, 2016 and June 30, 2017 include Mandela Coffee, Seven Eleven, Vitality Health LLC, Work Nimble LLC, All Things New Décor, Snap A Roll Williamsburg LLC, Blink, Ladybug by Petra, Old City Barbeque, The Lazy Daisy Gift Store, Corey's Country Kitchen 2, Mole Hole of Williamsburg LLC, Gizmo's Makers Space and Radio Shack, The Williamsburg Winery Pop Up Retail, French Twist, and Metro Coast Décor.
- New businesses openings in newly constructed space include Orangetheory Fitness Williamsburg and Revolution Golf & Grille.
- The Economic Development Authority approved a new demolition grant program in June 2016. Replacing the previous demolition loan program, the grant covers up to 90% of the cost to demolish an underutilized commercial structure as part of a redevelopment project. City Council appropriated \$250,000 to the program. Using this program, an old motel at 1900 Richmond Road is under demolition for redevelopment into two commercial pads.

Budget Policies

The City's adopted Financial Planning Policies include requirements for balanced budgets and long-range planning. The FY 2017 General Fund balanced operating budget was approved in May, 2016. As discussed in the Management's Discussion and Analysis section of this report, the operating surplus for the year ended June 30, 2017 was \$1.8 million. Long-range planning is part of the budget process each year, and included (1) Planning Commission review of current and future capital projects; (2) consideration of revenue, expenditure, and service implications of continuing existing programs, or adding new programs; (3) condition assessment of major buildings, roads, sidewalks, bridges, water lines, vehicles, and equipment; (4) maintaining, as a minimum, the City's 35% of total operating revenues as its unassigned fund balance, which can only be used for emergencies, non-recurring expenditures, or major capital purchases that cannot be acquired on a pay-as-you-go basis.

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

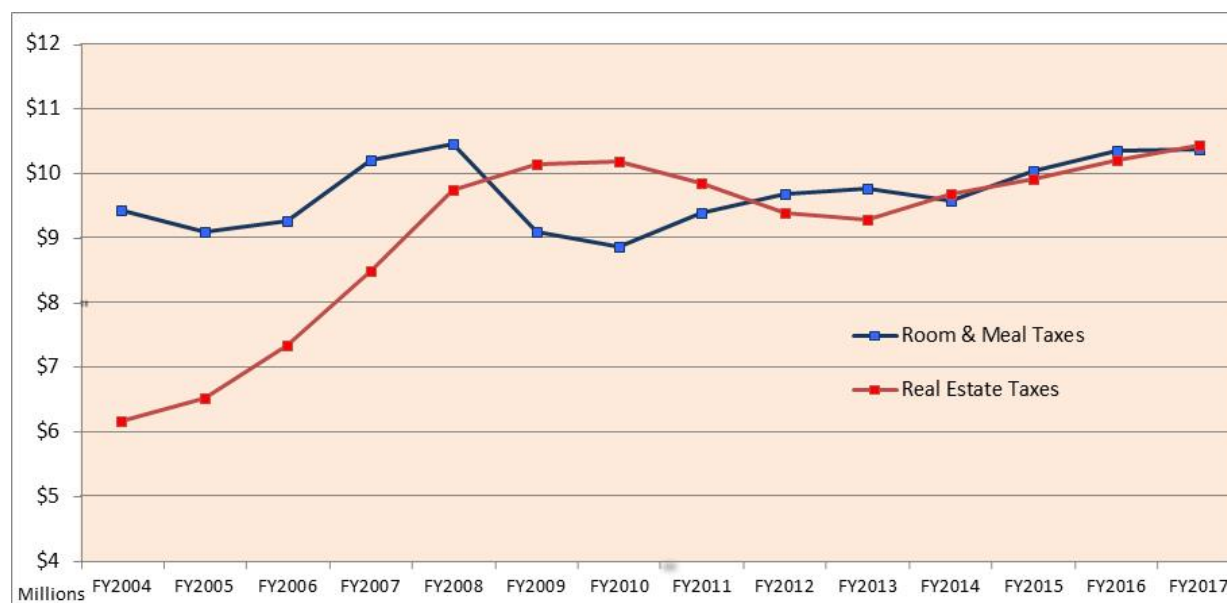
Expenditure policies which also contributed to the positive operating outcome of FY 2017 include financing all current operating expenditures with current revenues. In addition, the City staff began a multi-year financial software conversion from its legacy software to a comprehensive and multi-functional Tyler-Munis platform during June 2017. Budgetary, as well as internal controls have been further enhanced with the new software. The new accounting software is the first system to go live, and will be followed by conversions for payroll, cash receipts, utility and tax billing, and codes compliance. Staff also expanded the City's performance management system with Socrata software, with revisions of monthly departmental operating reports, available on the City's website.

Long-Term Financial Planning

Major Operating Revenues - The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 57¢ per \$100 of assessed value continues to be one of the lowest city tax rates in Virginia. Prior to FY 2009, room and meal taxes provided the largest source of funding for City services since the mid-1980s. Rising property assessments brought revenues that surpassed room and meal taxes during FY 2009 for the first time, when most local governments began to feel the effects of the recent recession. Real estate taxes made up for 28.9% of total revenues in FY 2017, compared to 19.9% in FY 2000. This shifting of tax base is more pronounced when comparing actual tax

revenues. During that 17-year period room and meal taxes increased from \$9.17 million to \$10.36 million, a 13% increase. Real estate taxes increased from \$4.5 million in FY 2000 to \$10.4 million in FY 2017, an increase of 129%. The FY 2017 real estate tax base increased 2.4% from the prior year, with next year's FY 2018 values increasing another 1.6%. The City's total personal property tax collections, including State reimbursement for the Car Tax program, increased 3.8% from last year.

Though declining for two years from the highs of FY 2008, room and meal taxes tracked upward from FY 2010 to FY 2013, and declined about 1.9% during FY 2014. Room and meal taxes received during FY 2014 were about 8% higher than the all-time lows of FY 2010, and briefly surpassed real estate taxes in FY 2012 & FY 2013, more so from meal taxes, and from reduced real estate values from FY 2010 thru FY 2013. The gap between room and meal tax receipts and real estate taxes for FY 2014 was just over \$100K. Room and meal taxes again surpassed real estate taxes during FY15 and FY16, but that trend changed again slightly during FY 2017. Room and meal taxes accounted for 28.7% of the General Fund operating revenues for FY 2017, compared to 39.7% in FY 2000¹.



Revenue trends for other local taxes were up 1.7% compared to last year. The 1% State sales tax receipts were \$4.39 million, up \$90K, or 2.1% from last year. Business license taxes were up by \$44K. Bank stock taxes were down 12%, recordation taxes were \$95K or 49%, and tobacco taxes were down 3.5% from last year. Utility taxes were down almost \$18K, or 5.9%. Total other local taxes collected for FY 2017, including room & meal taxes, were up about \$76K, or .5% over FY 2016.

Total revenue from the Commonwealth decreased overall by 5.9% for FY 2017, largely from a decrease in grant funding for street paving, and a demolition grant. Reimbursement for street maintenance costs increased by \$39K, or 2.3% over last year because of increased state funding per lane mileage and additional lane miles reimbursed for FY 2017. State sales tax for education receipts increased by \$40K, or 3.7% from last year.

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

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

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

Major Operating Expenditures - The economy continues to challenge the City's ability to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates. Total approved full-time positions increased from 192.5 in FY 2016 to 196.5 in FY 2017, with the addition of three firefighter/EMT positions in the Fire Department, and one additional position in the Finance department.

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

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

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

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

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

Independent Audit

The State Code of the Commonwealth of Virginia requires an annual audit of the books of account, financial records, and transactions of the City. This requirement has been complied with and the unmodified 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, 2016. This was the 31st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents conforming to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 25 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, especially Statement No. 68. 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, reading "Marvin E. Collins III". The signature is fluid and cursive, with the last name "Collins" being the most prominent part.

Marvin E. Collins III
City Manager

A handwritten signature in black ink, reading "Philip F. Serra". The signature is cursive and somewhat stylized, with the first name "Philip" being the most prominent part.

Philip F. Serra CPFO
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Williamsburg
Virginia**

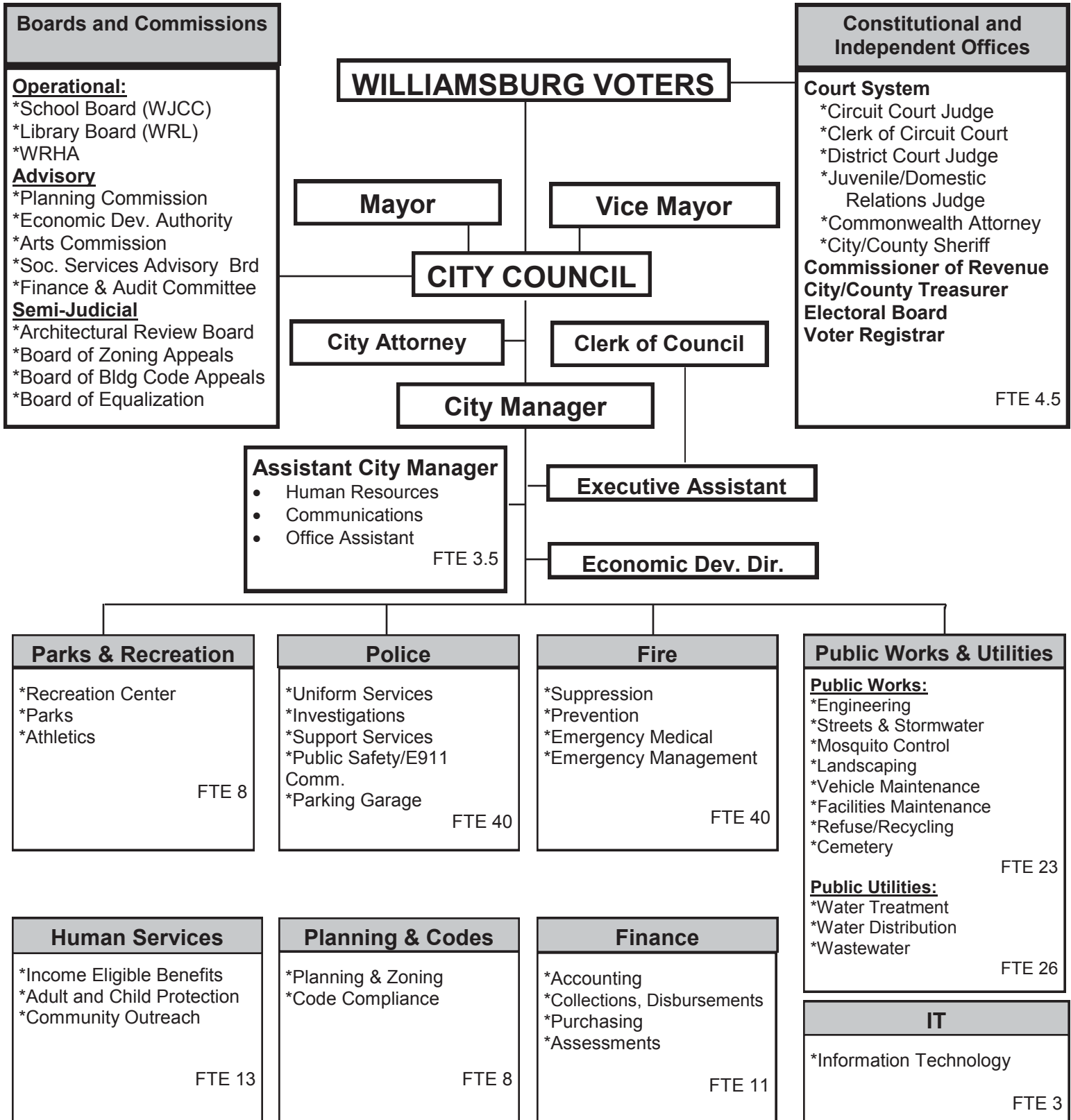
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

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City of Williamsburg Organizational Chart



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CITY OF WILLIAMSBURG, VIRGINIA

Members of the City Council

	Paul Freiling, Mayor	
	D. Scott Foster, Vice-Mayor	
Douglas G. Pons		Barbara L. Ramsey
Benming Zhang		Donna Scott, Clerk of Council

City Officials

City Manager	Marvin E. Collins, III
Director of Finance	Philip F. Serra, Jr.
Assistant City Manager	Andrew O. Trivette
Commonwealth's Attorney	Nate Green
City Attorney	Christina Shelton
Treasurer	Jennifer Otey Tomes
Commissioner of Revenue	Judy Nightengale Fuqua
Clerk of Circuit Court.....	Mona A. Foley
Sheriff.....	Robert Deeds
Director of Public Works & Utilities.....	Daniel G. Clayton, III
Director of Planning	Carolyn Murphy
Director of Human Services	Peter P. Walentisch
Director of Information Technology.....	Mark A. Barham
Director of Recreation	Robbi Hutton
Director of Economic Development	Michele Mixner DeWitt
Chief, Fire Department	W. Patrick Dent
Chief, Police Department.....	Sean Dunn

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FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Williamsburg, Virginia, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding progress on pages 4-17, 76, and 77-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Williamsburg, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017, on our consideration of City of Williamsburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Williamsburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 20, 2017

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The Management's Discussion and Analysis (MD&A) offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2017. 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

Government-wide:

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) at the close of Fiscal Year 2017 by \$108.8 million. The unrestricted portion of net position is \$21 million for the Governmental Activities and \$4.5 million for the Business-type Activities, for a total of \$25.5 million. In the current year, the unrestricted net position decreased \$1.6 million in the Governmental Activities, and increased \$1.0 million in the Business-type Activities.
- The City's total net position decreased by \$.7 million from the prior fiscal year, of which the governmental activities decreased by \$1.7 million, and business-type activities increased by \$1 million. In the governmental activities, total revenues increased \$610K, or 1.8%, while expenses increased \$7.1 million from the prior fiscal year. In the business-type activities, total revenues exceeded expenses by \$1.0 million.

Fund Level:

- Total General Fund (including 1% Sales Tax) revenues were \$42 million for FY 2017, up by \$.46 million from last year. General property tax receipts were \$12.9 million, up 2.5% from last year. Other local taxes were up 1.1%, mostly from increased business licenses, meal, and recordation taxes. Room taxes decreased by \$3K with meal taxes up by \$20K (.3%) over last year.
- Total General Fund expenditures, including capital projects, were down 1.6% at \$42.8 million for FY 2017. Capital projects and debt service payments accounted for \$9.5 million in spending for the year, down from last year's level of \$11.2 million.
- The City's General Fund debt decreased overall by \$1 million during FY 2017, with scheduled ongoing debt principal being paid down.
- The City's governmental funds reported combined ending fund balances of \$31.9 million, a decrease of \$1.7 million from the prior year. Fund balances are further categorized as *Nonspendable* (\$3.2 million for real property owned by the City and held for resale), *Restricted* (\$654K for the Public Assistance Fund), *Assigned* (\$15.5 million for carryover and future capital projects), and *Unassigned* (\$12.6 million). The unassigned fund balance is equal to the City Council reserve policy of 35% of total General Fund operating revenues for FY 2017, and effectively represents the City's rainy day fund. The Assigned category includes \$10.4 million of prior year carryover capital projects, and also \$5.1 Million to fund future capital projects included in the City's five-year capital improvement program.
- In October 2012 the Williamsburg City Council members were appointed as the Board of Commissioners of the Williamsburg Redevelopment & Housing Authority (WRHA). With the fiscal dependence, by way of City staff involvement in the areas of payroll, accounts payable, and other managerial responsibilities, the WRHA is presented in this report as a Discretely Presented Component Unit of the City. Financial information is included herein for WRHA's latest fiscal year ending September 30, 2016.
- Business-type activities (Utility Fund) reported net position at June 30, 2017 of \$23.3 million. Capital assets (net of depreciation and related debt) account for 81% of this amount, with the remaining net position of \$4.5 million available without restriction. The Utility Fund reports combined cash and investments at year-end of \$5.9 million, with total current liabilities of \$1.5 million, including the current portion (due within one year) of compensated absences and bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received before June 30, 2017, 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, 2017.

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the (1) General Fund revenues, expenditures, and changes in fund balances-budget and actual; and (2) the City's progress in funding its obligations to provide pension benefits to its current and future retirees. This required supplementary information can be found at Exhibit 11 through 14 of this report.

The combining financial statements for nonmajor special revenue funds and fiduciary funds immediately follow the required supplementary information at exhibits 15 through 19 of this report.

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

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

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

As noted earlier, changes in net position may serve over time as a useful indicator of a City's financial position. The City's net position totaled \$108.8 million at June 30, 2017. The following table reflects the condensed Government-Wide Statement of Net Position:

City of Williamsburg, Virginia - Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 34,057,770	\$ 35,617,650	\$ 6,912,381	\$ 6,570,308	\$ 40,970,151	\$ 42,187,958
Capital Assets	71,675,492	72,883,570	24,362,558	24,268,554	96,038,050	97,152,124
Total Assets	\$ 105,733,262	\$ 108,501,220	\$ 31,274,939	\$ 30,838,862	\$ 137,008,201	\$ 139,340,082
Deferred Outflow of Resources	\$ 2,474,429	\$ 1,485,384	\$ 320,788	\$ 189,798	\$ 2,795,217	\$ 1,675,182
Long-term Liabilities	\$ 20,404,722	\$ 19,620,578	\$ 7,247,891	\$ 7,664,145	\$ 27,652,613	\$ 27,284,723
Other Liabilities	1,870,238	1,718,175	983,852	873,307	2,854,090	2,591,482
Total Liabilities	\$22,274,960	\$21,338,753	\$8,231,743	\$8,537,452	\$30,506,703	\$29,876,205
Deferred Inflow of Resources	\$ 409,883	\$ 1,435,776	\$ 52,617	\$ 204,388	\$ 462,500	\$ 1,640,164
Net Position:						
Net investment in capital assets	64,556,652	64,690,552	18,835,808	18,084,285	83,392,460	82,774,837
Unrestricted	20,966,196	22,521,523	4,475,559	4,202,535	25,441,755	26,724,058
Total Net Position	\$ 85,522,848	\$ 87,212,075	\$ 23,311,367	\$ 22,286,820	\$ 108,834,215	\$ 109,498,895

The City of Williamsburg's total assets were \$137 million as of June 30, 2017. The largest portion, \$83.4 million (60.9%), 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 \$33 million is

City of Williamsburg, Virginia**Management's Discussion and Analysis**

accounted for in cash, cash equivalents, and pooled investments, \$3.2 million in accounts and notes receivable, and amounts due from other governmental units, with the remainder spread among miscellaneous assets.

At June 30, 2017, outstanding liabilities were \$30.5 million, with \$27.7 million in general obligation bonds payable, compensated absences, and net pension liability. Of the bonds payable, \$2.2 million is due within one year, with the remainder due at various dates until 2028. Additional information on the City's long term debt obligations is included in Note 8 in the notes to the financial statements. Included in other liabilities above are \$2 million in accounts payable, \$300K in accrued liabilities, and \$281K in customer deposits payable. In addition, net pension liability totaling \$13.9 million is included in the Statement of Net Position, as required by GASB Statement No. 68.

At June 30, 2017, the City had positive balances in all categories of net position, for the government as a whole, and for its separate governmental and business-type activities.

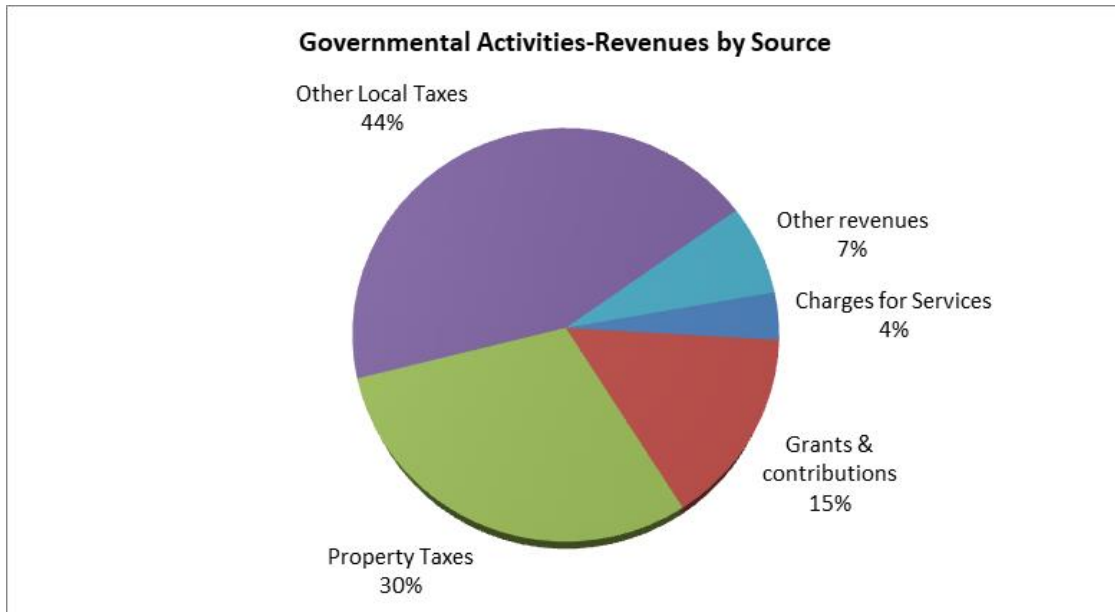
The following schedule summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2017 and 2016:

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program Revenues:						
Charges for services	\$1,591,751	\$1,648,847	\$7,325,679	\$7,061,086	\$8,917,430	\$8,709,933
Operating grants and contributions	6,485,071	4,597,704	-	-	6,485,071	4,597,704
Capital grants and contributions	-	1,357,913	-	-	-	1,357,913
General Revenues:						
Property taxes	12,882,213	12,628,123	-	-	12,882,213	12,628,123
Other local taxes	18,898,134	18,701,839	-	-	18,898,134	18,701,839
Other	3,032,169	2,872,562	219,899	303,757	3,252,068	3,176,319
Total Revenues	<u>42,889,338</u>	<u>41,806,988</u>	<u>7,545,578</u>	<u>7,364,843</u>	<u>50,434,916</u>	<u>49,171,831</u>
Expenses:						
General government	6,828,770	4,072,768	-	-	6,828,770	4,072,768
Judicial administration	412,269	525,421	-	-	412,269	525,421
Public safety	10,805,800	10,290,497	-	-	10,805,800	10,290,497
Public works	5,792,493	3,721,977	-	-	5,792,493	3,721,977
Health and welfare	2,546,971	2,452,903	-	-	2,546,971	2,452,903
Education	10,121,948	8,929,127	-	-	10,121,948	8,929,127
Parks, recreation, & cultural	2,875,228	2,285,504	-	-	2,875,228	2,285,504
Community Development	5,036,866	5,055,084	-	-	5,036,866	5,055,084
Interest expense	158,220	185,452	-	-	158,220	185,452
Water	-	-	6,521,031	6,202,622	6,521,031	6,202,622
Total Expenses	<u>44,578,565</u>	<u>37,518,733</u>	<u>6,521,031</u>	<u>6,202,622</u>	<u>51,099,596</u>	<u>43,721,355</u>
Increase in net position	(1,689,227)	4,288,255	1,024,547	1,162,221	(664,680)	5,450,476
Net position - beginning	<u>\$87,212,075</u>	<u>\$82,923,820</u>	<u>\$22,286,820</u>	<u>\$21,124,599</u>	<u>\$109,498,895</u>	<u>\$104,048,419</u>
Net position - ending	<u>\$85,522,848</u>	<u>\$87,212,075</u>	<u>\$23,311,367</u>	<u>\$22,286,820</u>	<u>\$108,834,215</u>	<u>\$109,498,895</u>

Governmental Activities – Revenues

The City's total revenues from governmental activities were \$42.9 million for FY 2017, an increase of \$1.1 million from last year. Percentages of FY 2017 governmental revenues by source are as follows:



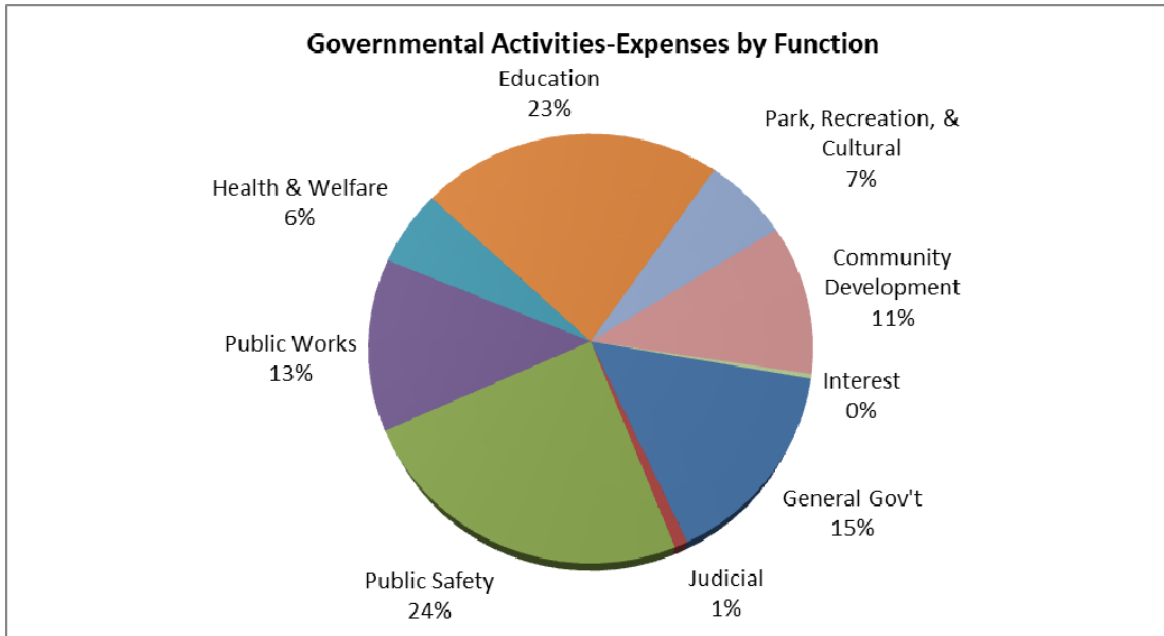
Taxes are the largest City revenue source – property and other local taxes accounted for 74% of the City's governmental activities. General property tax receipts were \$12.9 million, up 2.1% from last year, with property values again turning positive for the fourth consecutive year following a three year decline totaling about 14% during the recession. Other local taxes totaled \$18.9 million during FY 2017, and were up 1.0% from the prior year.

Governmental Activities – Expenses

The Summary of Changes in Net Position shows total expenses for all of the City's governmental activities for FY 2017 were up from last year at \$44.6 million.

Highlights of expense activity for governmental funds include:

- General Government Administration expenses were up by \$2.8 million, largely from purchasing the Super 8 Motel, and the commercial Capitol Landing Road site for economic development purposes.
- Public Safety expenses were up 5% from FY 2016 due to capital spending.
- Public Works expenses increased 56%, due largely to street repaving, sidewalk construction, and other capital improvement projects during the year compared to last year.
- Parks, Recreation, and Cultural expenses were up 26% over last year due to capital spending.
- Education expenses were up 13.3%, with higher capital spending during FY 2017, which included the new Middle School. Operating costs were up by 5.1% from last year.



Business-type activities - The Utility Fund is the City's only business-type activity. The utility rate structure recovers as much as possible of the operating expenses incurred to meet service demands through user charges. Change in the fund's net position is the difference between revenues and expenses, which for FY 2017 resulted in an increase of \$1.0 million. More operating information for the Utility Fund operation is shown below in the Funds section of this discussion.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds Revenues - Analysis

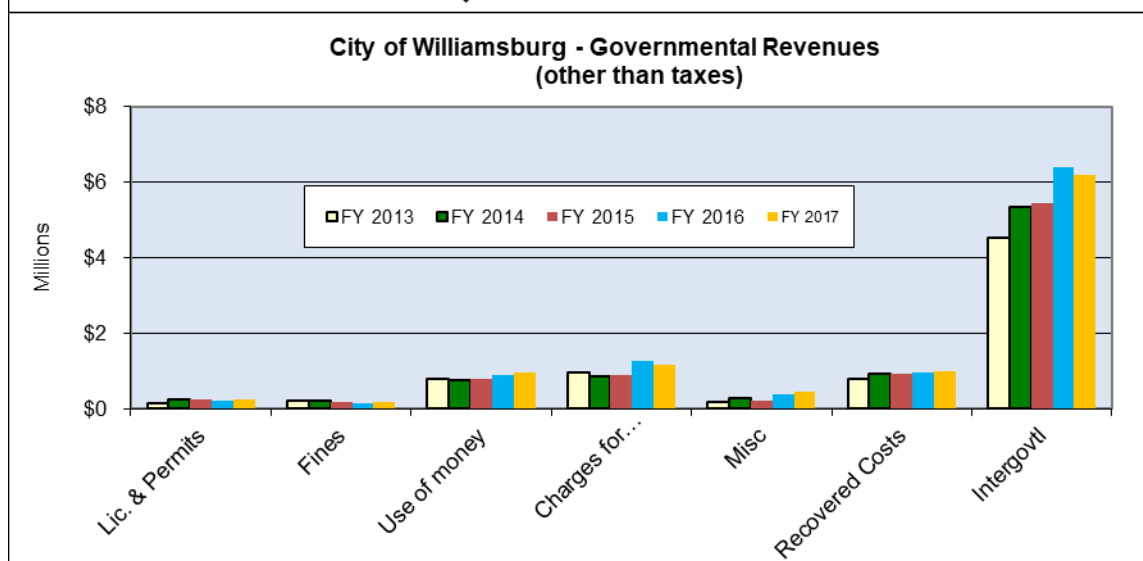
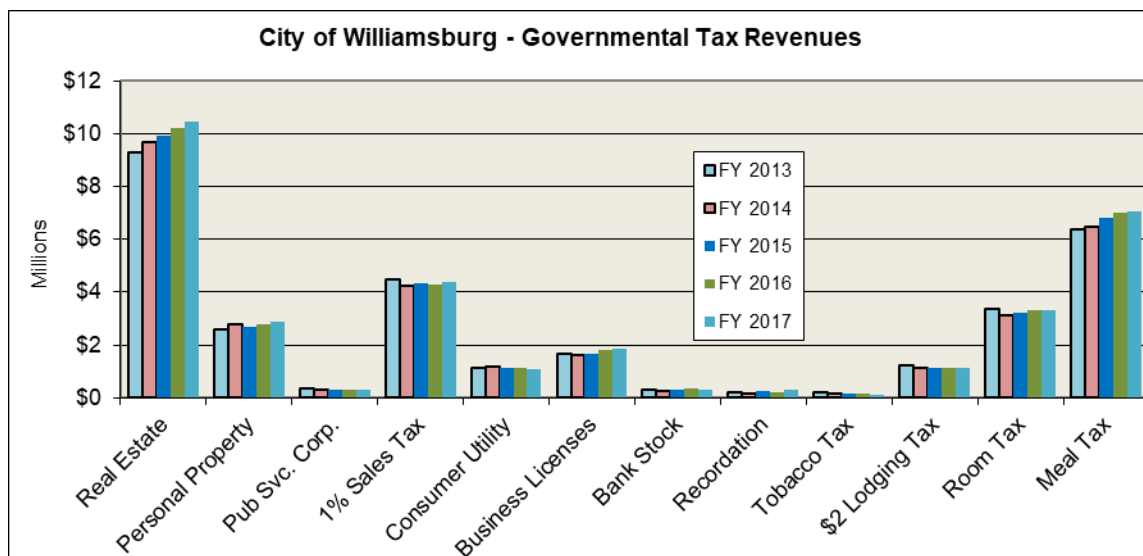
Revenues Classified by Source Governmental Funds						
Revenues by Source	June 30, 2017		June 30, 2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Property Taxes	\$12,917,015	29.91%	\$12,599,297	29.48%	\$317,718	2.52%
Other Local Taxes	18,898,134	43.76%	18,701,839	43.76%	196,295	1.05%
Licenses and permits	249,819	0.58%	229,485	0.54%	20,334	8.86%
Fines & Forfeitures	181,175	0.42%	155,032	0.36%	26,143	16.86%
Use of Money and Property	962,887	2.23%	888,071	2.08%	74,816	8.42%
Charges for Services	1,160,757	2.69%	1,264,330	2.96%	(103,573)	-8.19%
Miscellaneous	503,578	1.17%	417,154	0.98%	86,424	20.72%
Recovered Costs	996,265	2.31%	958,213	2.24%	38,052	3.97%
Intergovernmental	7,317,493	16.94%	7,522,954	17.60%	(205,461)	-2.73%
Total Revenues	<u>\$43,187,123</u>	<u>100.00%</u>	<u>\$42,736,375</u>	<u>100.00%</u>	<u>\$450,748</u>	<u>1.05%</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, 2017, total fund balance

of the General Fund was \$31.3 million. Of that amount, *Nonspendable* fund balance was approximately \$3.2 million, consisting of prepaid expenditures and current market value of five City-owned properties for sale. *Assigned* fund balance is \$15.5 million, representing a combination of appropriations carried over for capital projects of \$5.1 million and future capital projects of \$10.4 million. The remainder of \$12.6 million is shown as *Unassigned* fund balance, representing the City's unassigned fund balance policy of 35% of operating revenues for the year.

The following provides more detailed information about major General Fund operating revenue collections during FY 2017:

- **General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were \$10.4 million, up 2.3% from last year. Personal property tax receipts for individuals and businesses totaled \$2.9 million, including reimbursement for the State's Car Tax relief block grant program, and were up by 3.8% from last year.
- **Other Local Taxes** - Overall these revenues increased 1% from last year. Local 1% share of the State sales tax receipts were up 2.1% from last year. Consumer utility taxes were down 5.8% from last year. Business licenses were up 2.4%. Room taxes were \$3.3 million, down slightly by \$3K. Meal taxes totaling \$7 million were up slightly by .3% for the year. The \$2 lodging taxes, which are passed-thru to the Williamsburg Area Destination Marketing Committee (WADMC), were down slightly by \$2K from last year. Bank stock taxes were \$307K, down 12.5% from last year. Recordation taxes were \$291K for the year, up substantially by 48.4%. Overall, increases in local taxes above suggest positive signs of an improving local economy.



- **Revenue from the Use of Money and Property** – Interest earnings were \$167K for the year, up slightly from last year's \$141K. The average yield on deposits and investments for FY 2017 was .66%. Prince George Parking Garage receipts were \$351K, up 6.7% from last year, and vehicle counts up almost 5.3%
- **Charges for Services** – This category consists largely of EMS medical transport fees, recreation programs and facility rentals, and cemetery lots and fees. Overall revenues in this category were \$1.16 million, down by 8.2% from last year. The reduction is skewed because of last year's courthouse roof repairs which were transferred from the Courthouse Maintenance fund totaling \$160K.
- **Miscellaneous/Recovered Costs** – These include reimbursements for Utility Fund overhead charges, public safety overtime, stormwater management fees, and James City County's reimbursed portion of annual Arts Commission grants under miscellaneous receipts.
- **Intergovernmental** – Overall, intergovernmental revenues were \$7.3 million, down 2.7% from last year, largely due to less VDOT state construction grant funding for various repaving projects in FY 2017. State highway maintenance payments were \$1.76 million, up 2.3% for the year based on a slight increase in lane miles maintained by the City.

Governmental Funds Expenditures - Analysis

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

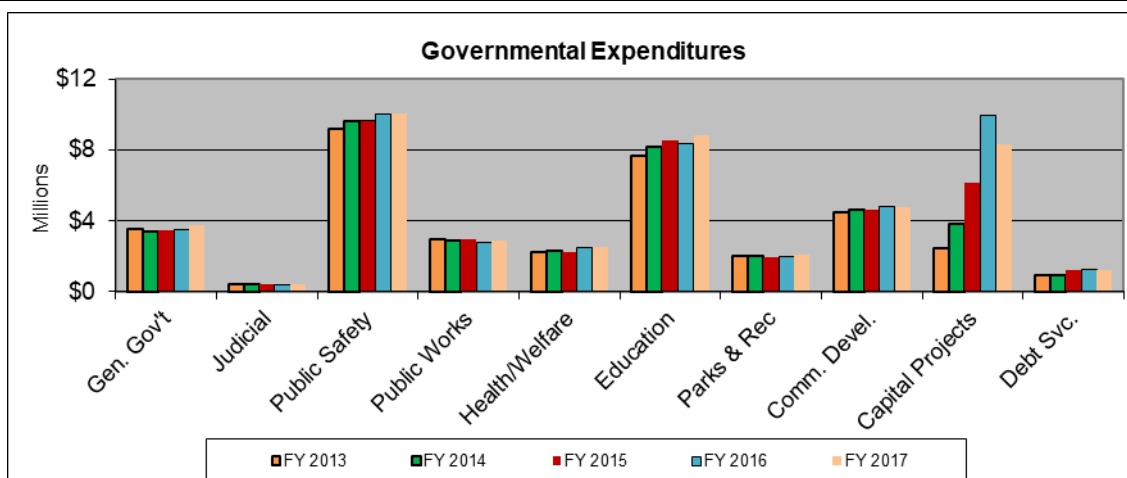
Expenditures By Function Governmental Funds						
Expenditures by Function	June 30, 2017		June 30, 2016		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$3,786,601	8.44%	\$3,475,742	7.64%	\$310,859	8.94%
Judicial Administration	401,237	0.89%	365,281	0.80%	35,956	9.84%
Public Safety	10,034,562	22.36%	10,043,370	22.07%	(8,808)	-0.09%
Public Works	2,890,124	6.44%	2,786,405	6.12%	103,719	3.72%
Health and Welfare	2,552,959	5.69%	2,499,978	5.49%	52,981	2.12%
Education	8,817,150	19.65%	8,388,204	18.44%	428,946	5.11%
Parks, Recreation, and Cultural	2,060,645	4.59%	1,962,964	4.31%	97,681	4.98%
Community Development	4,799,435	10.70%	4,776,918	10.50%	22,517	0.47%
Capital Projects	8,289,153	18.47%	9,958,807	21.89%	(1,669,654)	-16.77%
Principal Retirement	1,032,568	2.30%	1,006,410	2.21%	26,158	2.60%
Interest	204,016	0.45%	232,780	0.51%	(28,764)	-12.36%
Total Expenditures	\$44,868,450	100.00%	\$45,496,859	100.00%	(\$628,409)	-1.38%

The City's FY 2017 budget included a 2% allowance for employee merit pay increases. The employer contribution rate during FY 2017 for all full-time employees covered by the Virginia Retirement System was 14.09% of salary, with covered employees contributing their 5% share above the employer rate. Healthcare premiums for the City's plan with the Anthem's Local Choice program administered by the State increased 6.4% for FY 2017.

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

- **General Government Administration** – Up by 8.9% - mostly from increased costs compared to last year in various departments, including General Fund Contingency, Finance, Information Technology and City Shop.
- **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 \$401K, up \$36K from last year.

- **Public Safety** – This category includes several departments, and decreased slightly by \$9K, or .09% over last year. Police department spending was up slightly by .8% from last year, mostly from increased part-time salaries, special events, and fuel costs. There were savings in operations compared to last year, mostly from attrition (turnover savings), along with associated fringe benefits. E-911 contracted services were level with last year at \$555K, as the national consumer price index, which the contract with neighboring York County is based on each year, was flat for calendar year 2015. Fire department spending was down slightly by \$7K, largely from employee turnover. Juvenile detention services are provided by the Middle Peninsula Juvenile Detention Commission, which operates the 48-bed Merrimac Center. Days used by City kids during FY 2017 totaled 116 compared to 400 last year. Juvenile detention costs, which were based on per diems, were \$19K compared to \$78K last year.
- **Public Works** – Overall costs were up 3.7% over last year. Streets department was up 7.6% due to full staffing during the year, and increased electricity (street lighting) costs. Engineering expenditures were level with last year, while refuse collection was up slightly by 1%. Maintenance of building and grounds costs were up \$17K, and landscaping expenditures were up \$6K from last year.
- **Health & Welfare** – Local health department costs were \$186K, up slightly from last year. Contributions to Colonial Behavioral Health were \$255K, level with last year.
- **Education** – Education costs were \$8.8 million, up 5.1% from last year. The W-JCC Schools returned \$186K to the City as year-end surplus for FY 2017. The City's share of the jointly operated Williamsburg-James City County Schools for Fiscal Year 2017 was 9.46%. FY 2017 was the last year of a five year renegotiated joint agreement, with operating funding based on the City's share of student population multiplied by a 14% factor, then averaged over the past three years. The City also funds approved capital projects at that same rate. The City's share of school capital costs paid during the year was \$1.3 million, and included new projects, the new Middle School, and others carried forward from prior years.
- **Parks, Recreation and Cultural** – Parks and recreation costs of \$1.2 million were \$98K higher than last year. Administration staffing changes included hourly wage increases for part-time workers, and increased part-time staffing, including the Stryker Center. Waller Mill Park expenditures also included increased hourly wages for part timers. Library expenditures of \$842K were level with last year, and based on a joint contract with the counties of James City and York.
- **Community Development** – Planning expenditures were down \$144K from last year due to staff turnover. Contributions to outside agencies were \$2.7 million, not including pass-thru funding of the \$2 lodging taxes to the Williamsburg Area Destination Marketing Committee, up about \$83K from last year. Most of the increase was from an additional \$50K funding to the Greater Williamsburg Area Chamber & Tourism Alliance, along with an increase of \$31K to the Williamsburg Area Transport. Arts Commission expenditures of \$160K were up about \$30K from last year.
- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City project spending totaled \$8.3 million for FY 2017. Capital projects included property purchases for economic development purposes, an expanded street resurfacing program, sidewalk construction, underground wiring, school improvements, and vehicles, including a new pumper truck for the Fire Department. More information is provided under the Capital Asset section of this analysis.
- **Principal and Interest payments** – Total principal payments during FY 2017 totaled slightly over \$1 million, while interest payments on outstanding debt totaled \$204K. Details of long term debt obligations are included in the notes to the financial statements.



Budget Variances

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

General Fund operating revenues were over budget by approximately \$674K for FY 2017, while operating expenditures were approximately \$1.17 million under budget, for an operating surplus of \$1.84 Million. Although many revenue sources were slightly lower than budgeted, many sources, including all property taxes, business licenses, meal taxes, EMS recovery fees, and electrical, plumbing, and mechanical permits ended the year higher than budgeted. On the expenditure side, major contributing departments that were underspent for FY 2017 included human resources, fire, police, planning, and recreation. In addition, the W-JCC Schools returned the City's share of its operating surplus for FY 2017 in the amount of \$186K.

Fund Balance

Total Fund Balance for the General Fund decreased from \$33.1 million to \$31.3 million for the year. Of that, (1) \$3.2 Million is *nonspendable*, and represents prepaid items and City-owned land held for resale; (2) \$15.5 Million is *assigned* for subsequent years' carryover capital expenditures. This category includes \$10.4 million of prior year carryover capital projects for street resurfacing, road intersection projects, multi-use trail, underground wiring, vehicles, recreation projects, professional studies, and school capital projects. The remaining \$5.1 million of assigned fund balance will fund future capital projects included in the City's five-year capital improvement program; (3) and \$12.6 million is *unassigned*.

General Fund Reserve Policy

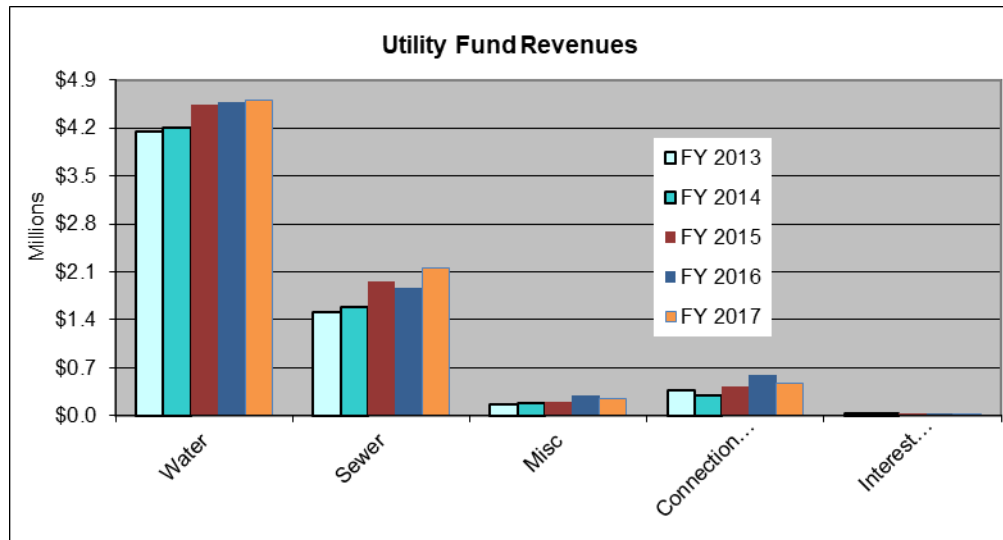
At June 30, 2017 the *unassigned* fund balance of approximately \$12.6 million is 35% of FY 2017 operating revenues, consistent with the City's fund balance reserve policy.

Enterprise Funds Revenue/Expense Analysis

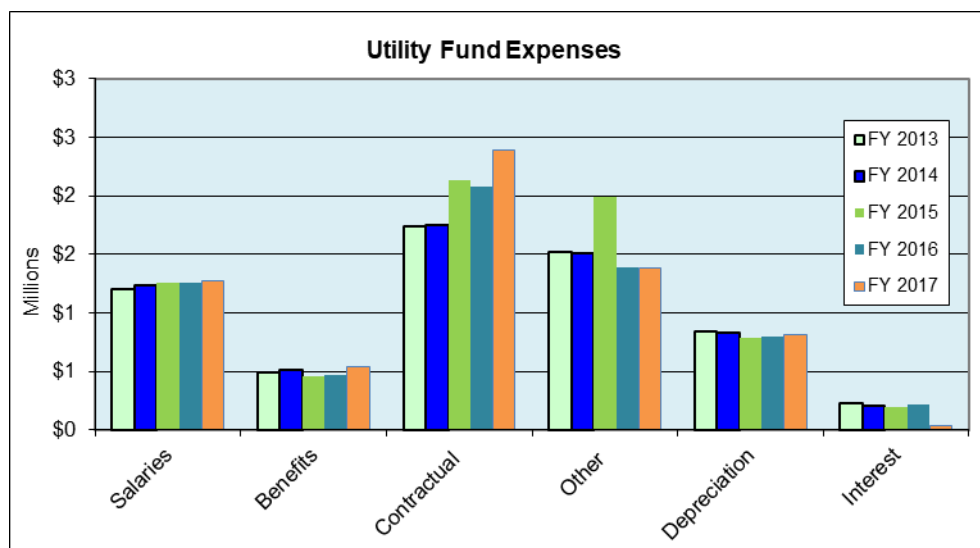
The business-type activity (water and sewer services of the Utility Fund) operating revenues for the year were \$7.5 million, up 2.4% from last year. Water rates increased 3.5% in July 2016 from \$5.12 to \$5.30 per 1,000 gallons. Highlights include:

- Total billed water consumption for FY 2017 was 818 million gallons, down about 2.5% from 839 million gallons last year.
- Water revenues were \$4.6 million, up slightly by .7% from last year.
- Sewer revenues were \$2.2 million, up 15.7% from last year, due to a 9% increase in Hampton Roads Sanitation District (HRSD) sewer charges (pass-thru), and increased sewer consumption billed for FY 2017.
- Tap and availability fees were \$519K, down from last year's \$590K.

- Total operating expenses were up \$404K, or 6.8%, and attributed to increased healthcare premiums, and contractual services (pass-thru payments to HRSD for sewage treatment).
- Investment earnings were approximately \$34K, up 13.8% from last year.



Tap and availability fees are unpredictable and dependent on development activity, and were \$519K, down from last year's \$590K. The City received \$175K this year from contracts with cell-phone providers using water tanks as a base for telecommunications equipment. Utility Fund operating expenses totaled \$6.4 million for the year, up 6.8% from last year, largely due to the increased sewer rates collected and remitted to HRSD. Depreciation charges 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 \$1.1 million, down from \$1.4 million reported last year. Total net position of the Utility Fund increased by the total net income for FY 2017 of \$1 million, leaving the fund's ending total net position at \$23.3 million.



ORIGINAL AND FINAL AMENDED BUDGETS

By resolution, the General Fund's FY 2017 capital budget was amended in July, 2016 by \$3 million for purchase and demolition costs of the Super 8 Motel property, purchased for economic development purposes. In October 2016 City Council appropriated \$252,700 from funds returned to the City from the W-JCC Public School's operating surplus from FY 2016. The appropriation was for the School Board's spending plan, which included high school band uniforms, additional costs for Lafayette Auxiliary Gym, including value engineering, and 8 replacement school buses. In June, 2017, supplemental appropriations were approved by City Council for grants totaling \$39,282. In addition, the General Fund's capital improvement budget was increased by \$770,000 from reserves for the purchase of property located at 942-952 Capitol Landing Road for economic development purposes.

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, 2017, was \$96 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:

- Property purchase and demolition costs of the Super 8 Motel and also the property located at 942-952 Capitol Landing Road totaled \$3.5 million.
- The City's annual street resurfacing program continued during the year at a cost of \$1 million.
- South Henry Street underground wiring was completed at a cost of \$674K.
- Ironbound Rd/Longhill Rd intersection right-of-way work was initiated with costs totaling \$228K in FY 2017.
- Information technology upgrades, pc replacement program, and network enhancements were completed at a cost of \$194K.
- First year costs of the Tyler/Munis ERP financial system software totaled \$274K.
- Improvements to the HVAC system at Quarterpath Recreation Center totaled \$175K.
- The parking lot at Waller Mill Park was completed for \$80K.
- School project costs, including renovations to existing facilities, were paid during the year in the amount of \$1.3 million.
- Vehicles were replaced citywide under the replacement plan for \$527K.

The budget balances of any appropriated capital projects not completed at year end are carried forward to the next fiscal year, as provided for in the City's financial policies. Carryover funds for capital projects totaled approximately \$10.4 million, including \$1.9 million for underground wiring, \$1.5 million for Ironbound Rd/Longhill Rd intersection improvements, and \$1.3 million for the Monticello Avenue Shared-Use path.

Utility Fund:

- Capital equipment repairs/replacement at the City's water treatment plant totaled about \$47K during FY 2016.
- Water tank roof replacement at the Filter Plant cost \$757K during FY 2017, with carryover funding to FY 2018 totaling \$294K.
- Sewer line rehabilitation totaling \$90K.
- Water line/system improvements totaled \$73K during FY 2017.

Additional information on the City of Williamsburg's capital assets can be found in the Note 6-Capital Assets, on pages 47 – 49 of the Notes to the Financial Statements section of this report.

Long-Term Debt

At June 30, 2017, the City of Williamsburg's total outstanding bonded debt was \$12.3 million. Bonds payable for Governmental Activities were \$7 million, while business-type activities owed \$5.3 million at year end. The full faith and credit of the government backs these instruments. The City's total bonded debt decreased \$1.6 million. The City's remaining capacity for debt at June 30, 2017 is approximately \$170 million.

City staff continues to work with financial advisors, Davenport and Company, to analyze all aspects of capital project borrowing needs in order to secure the best interest rates if and when future borrowing is necessary. Additional information on the City's long-term debt can be in Note 8 to the financial statements— Long-Term Obligations, on pages 50 – 52 of this report

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
ASSETS				
Cash and cash equivalents	\$ 22,472,451	\$ 1,995,365	\$ 24,467,816	\$ 598,830
Investments	4,725,721	3,861,842	8,587,563	245,358
Receivables (net of allowance for uncollectibles):				
Taxes receivable	315,923	-	315,923	-
Accounts receivable	1,291,053	1,055,174	2,346,227	2,580
Notes receivable	560,593	-	560,593	-
Due from other governmental units	1,490,106	-	1,490,106	-
Inventories	3,186,974	-	3,186,974	7,341
Prepaid items	14,949	-	14,949	22,004
Capital assets (net of accumulated depreciation):				
Land and land improvements	8,797,413	6,434,330	15,231,743	1,587,071
Works of art	28,400	-	28,400	-
Buildings and system	25,775,386	4,785,509	30,560,895	2,440,248
Improvements other than buildings	4,991,657	2,699,927	7,691,584	-
Machinery and equipment	3,660,889	374,639	4,035,528	20,479
Intangibles	376,418	10,007,395	10,383,813	-
Infrastructure	28,045,329	60,758	28,106,087	-
Total assets	\$ 105,733,262	\$ 31,274,939	\$ 137,008,201	\$ 4,923,911
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	\$ 1,247,968	\$ 159,413	\$ 1,407,381	\$ -
Item related to measurement of net pension liability	1,226,461	161,375	1,387,836	-
Total deferred outflows of resources	\$ 2,474,429	\$ 320,788	\$ 2,795,217	\$ -
LIABILITIES				
Accounts payable	\$ 1,270,678	\$ 722,926	\$ 1,993,604	\$ 27,340
Accrued liabilities	260,734	25,876	286,610	6,234
Refundable deposits	220,874	60,089	280,963	35,288
Accrued interest payable	26,202	29,299	55,501	-
Unearned revenue	91,750	135,000	226,750	89
Long-term liabilities:				
Due within one year	1,668,061	535,738	2,203,799	-
Due in more than one year	6,431,178	5,141,058	11,572,236	114,000
Net pension liability, due in more than one year	12,305,483	1,581,757	13,887,240	-
Total liabilities	\$ 22,274,960	\$ 8,231,743	\$ 30,506,703	\$ 182,951

City of Williamsburg, Virginia
Statement of Net Position
June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
DEFERRED INFLOWS OF RESOURCES				
Items related to measurement of net pension liability	\$ 409,883	\$ 52,617	\$ 462,500	\$ -
Total deferred inflows of resources	\$ 409,883	\$ 52,617	\$ 462,500	\$ -
NET POSITION				
Net Investment in capital assets	\$ 64,556,652	\$ 18,835,808	\$ 83,392,460	\$ 3,933,798
Unrestricted	20,966,196	4,475,559	25,441,755	807,162
Total net position	\$ 85,522,848	\$ 23,311,367	\$ 108,834,215	\$ 4,740,960

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, 2017

		Program Revenues		
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 6,828,770	\$ -	\$ 141,853	\$ -
Judicial administration	412,269	192,412	47,154	-
Public safety	10,805,800	950,334	558,718	-
Public works	5,792,493	-	3,308,062	-
Health and welfare	2,546,971	-	1,115,554	-
Education	10,121,948	-	1,134,338	-
Parks, recreation, and cultural	2,875,228	398,700	-	-
Community development	5,036,866	50,305	179,392	-
Interest on long-term debt	158,220	-	-	-
Total governmental activities	\$ 44,578,565	\$ 1,591,751	\$ 6,485,071	\$ -
Business-type activities:				
Utility Fund	\$ 6,521,031	\$ 7,325,679	\$ -	\$ -
Total business-type activities	\$ 6,521,031	\$ 7,325,679	\$ -	\$ -
Total primary government	\$ 51,099,596	\$ 8,917,430	\$ 6,485,071	\$ -
COMPONENT UNIT:				
WRHA	\$ 882,664	\$ 481,416	\$ 146,794	\$ 189,562
Total component unit	\$ 882,664	\$ 481,416	\$ 146,794	\$ 189,562

General revenues:

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

Total general revenues

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Unit	
Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority	
\$ (6,686,917)	\$ -	\$ (6,686,917)	\$ -	
(172,703)	-	(172,703)	-	
(9,296,748)	-	(9,296,748)	-	
(2,484,431)	-	(2,484,431)	-	
(1,431,417)	-	(1,431,417)	-	
(8,987,610)	-	(8,987,610)	-	
(2,476,528)	-	(2,476,528)	-	
(4,807,169)	-	(4,807,169)	-	
(158,220)	-	(158,220)	-	
\$ (36,501,743)	\$ -	\$ (36,501,743)	\$ -	
\$ -	\$ 804,648	\$ 804,648	\$ -	
\$ -	\$ 804,648	\$ 804,648	\$ -	
\$ (36,501,743)	\$ 804,648	\$ (35,697,095)	\$ -	
			\$ (64,892)	
			\$ (64,892)	
\$ 12,882,213	\$ -	\$ 12,882,213	\$ -	
4,388,596	-	4,388,596	-	
290,524	-	290,524	-	
7,043,184	-	7,043,184	-	
3,316,634	-	3,316,634	-	
1,128,430	-	1,128,430	-	
1,833,991	-	1,833,991	-	
896,775	-	896,775	-	
962,887	33,650	996,537	993	
503,578	186,249	689,827	-	
1,565,704	-	1,565,704	-	
\$ 34,812,516	\$ 219,899	\$ 35,032,415	\$ 993	
\$ (1,689,227)	\$ 1,024,547	\$ (664,680)	\$ (63,899)	
87,212,075	22,286,820	109,498,895	4,804,859	
\$ 85,522,848	\$ 23,311,367	\$ 108,834,215	\$ 4,740,960	

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FUND FINANCIAL STATEMENTS

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City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 21,839,218	\$ 633,233	\$ 22,472,451
Investments	4,725,721	-	4,725,721
Receivables (net of allowance for uncollectibles):			
Taxes receivable	315,923	-	315,923
Accounts receivable	1,291,053	-	1,291,053
Notes receivable	560,593	-	560,593
Due from other funds	29,690	-	29,690
Due from other governmental units	1,371,625	118,481	1,490,106
Inventories	3,186,974	-	3,186,974
Prepaid items	14,949	-	14,949
Total assets	<u>\$ 33,335,746</u>	<u>\$ 751,714</u>	<u>\$ 34,087,460</u>
LIABILITIES			
Accounts payable	\$ 1,269,373	\$ 1,305	\$ 1,270,678
Accrued liabilities	260,734	-	260,734
Refundable deposits	220,874	-	220,874
Due to other funds	-	29,690	29,690
Unearned revenue	24,970	66,780	91,750
Total liabilities	<u>\$ 1,775,951</u>	<u>\$ 97,775</u>	<u>\$ 1,873,726</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 249,707	\$ -	\$ 249,707
Total deferred inflows of resources	<u>\$ 249,707</u>	<u>\$ -</u>	<u>\$ 249,707</u>
FUND BALANCES			
Nonspendable	\$ 3,201,923	\$ -	\$ 3,201,923
Restricted	-	653,939	653,939
Assigned	15,458,283	-	15,458,283
Unassigned	12,649,882	-	12,649,882
Total fund balances	<u>\$ 31,310,088</u>	<u>\$ 653,939</u>	<u>\$ 31,964,027</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 33,335,746</u>	<u>\$ 751,714</u>	<u>\$ 34,087,460</u>

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

City of Williamsburg, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2017

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		\$ 31,964,027
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		71,675,492
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds. The following is a summary of items supporting this adjustment:		
Unavailable revenue - property taxes	\$ 249,707	
Deferred inflows related to measurement of net pension liability	<u>(409,883)</u>	(160,176)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore are not reported in the funds.		1,247,968
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
General obligation bonds	\$ (6,974,112)	
Deferred issuance premium	(144,728)	
Deferred outflows related to measurement of net pension liability	1,226,461	
Net pension liability	(12,305,483)	
Accrued interest payable	(26,202)	
Compensated absences	<u>(980,399)</u>	(19,204,463)
Net position of governmental activities		<u>\$ 85,522,848</u>

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

City of Williamsburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General <u>Fund</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 12,917,015	\$ -	\$ 12,917,015
Other local taxes	18,898,134	-	18,898,134
Permits, privilege fees, and regulatory licenses	249,819	-	249,819
Fines and forfeitures	181,175	-	181,175
Revenue from the use of money and property	962,876	11	962,887
Charges for services	1,160,757	-	1,160,757
Miscellaneous	466,978	36,600	503,578
Recovered costs	996,265	-	996,265
Intergovernmental:			
Commonwealth	5,994,517	451,601	6,446,118
Federal	186,170	685,205	871,375
Total revenues	<u>\$ 42,013,706</u>	<u>\$ 1,173,417</u>	<u>\$ 43,187,123</u>
EXPENDITURES			
Current:			
General government administration	\$ 3,786,601	\$ -	\$ 3,786,601
Judicial administration	401,237	-	401,237
Public safety	10,014,659	19,903	10,034,562
Public works	2,890,124	-	2,890,124
Health and welfare	478,550	2,074,409	2,552,959
Education	8,817,150	-	8,817,150
Parks, recreation, and cultural	2,060,645	-	2,060,645
Community development	4,799,435	-	4,799,435
Capital projects	8,289,153	-	8,289,153
Debt service:			
Principal retirement	1,032,568	-	1,032,568
Interest and other fiscal charges	204,016	-	204,016
Total expenditures	<u>\$ 42,774,138</u>	<u>\$ 2,094,312</u>	<u>\$ 44,868,450</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (760,432)</u>	<u>\$ (920,895)</u>	<u>\$ (1,681,327)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 1,050,533	\$ 1,050,533
Transfers out	(1,050,533)	-	(1,050,533)
Total other financing sources (uses)	<u>\$ (1,050,533)</u>	<u>\$ 1,050,533</u>	<u>\$ -</u>
Net change in fund balances	\$ (1,810,965)	\$ 129,638	\$ (1,681,327)
Fund balances - beginning	33,121,053	524,301	33,645,354
Fund balances - ending	<u>\$ 31,310,088</u>	<u>\$ 653,939</u>	<u>\$ 31,964,027</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, 2017

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

Net change in fund balances - total governmental funds	\$	(1,681,327)
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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 the depreciation expense in the current period. The following is a summary of items supporting this adjustment:

Capital outlay	\$ 2,495,147	
Depreciation expense	<u>(3,703,225)</u>	(1,208,078)

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

Property taxes	\$ (34,802)	
Changes in deferred inflows related to the measurement of the net pension liability	<u>1,025,893</u>	991,091

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:

Principal retirement on general obligation bonds	\$ 1,032,568	
Amortization of premium	<u>41,610</u>	1,074,178

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:

Change in compensated absences	\$ (27,275)	
Change in net pension liability	(1,831,047)	
Change in deferred outflows related to pension payments subsequent to the measurement date	(237,416)	
Change in deferred outflows related to measurement of net pension liability	1,226,461	
Change in accrued interest payable	<u>4,186</u>	(865,091)

Change in net position of governmental activities	\$	<u>(1,689,227)</u>
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The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,995,365
Investments	3,861,842
Accounts receivable (net of allowances for uncollectibles)	1,055,174
Total current assets	<u>\$ 6,912,381</u>
Noncurrent assets:	
Capital assets:	
Land and land improvement and open easement	\$ 6,434,330
Buildings and system	11,842,633
Improvements other than buildings	8,337,611
Machinery and equipment	2,232,652
Intangibles	12,525,344
Infrastructure	83,860
Accumulated depreciation	(17,093,872)
Total net capital assets	<u>\$ 24,362,558</u>
Total noncurrent assets	<u>\$ 24,362,558</u>
Total assets	<u>\$ 31,274,939</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions subsequent to measurement date	\$ 159,413
Item related to measurement of net pension liability	161,375
Total deferred outflows of resources	<u>\$ 320,788</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 722,926
Accrued liabilities	25,876
Refundable deposits	60,089
Accrued interest payable	29,299
Compensated absences - current portion	81,414
Unearned revenue	135,000
General obligation bonds - current portion	454,324
Total current liabilities	<u>\$ 1,508,928</u>
Noncurrent liabilities:	
General obligation bonds - net of current portion	\$ 5,072,426
Net pension liability	1,581,757
Compensated absences - net of current portion	68,632
Total noncurrent liabilities	<u>\$ 6,722,815</u>
Total liabilities	<u>\$ 8,231,743</u>
DEFERRED INFLOWS OF RESOURCES	
Items related to measurement of net pension liability	<u>\$ 52,617</u>
NET POSITION	
Net investment in capital assets	\$ 18,835,808
Unrestricted	4,475,559
Total net position	<u><u>\$ 23,311,367</u></u>

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

City of Williamsburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 4,609,133
Sewer revenues	2,160,249
Tap and availability fees	519,115
Penalty and interest	25,982
Miscellaneous	186,249
Total operating revenues	<u>\$ 7,500,728</u>
OPERATING EXPENSES	
Personnel services	\$ 1,272,473
Fringe benefits	536,524
Contractual services	2,386,835
Other charges	1,382,148
Depreciation	811,191
Total operating expenses	<u>\$ 6,389,171</u>
Operating income (loss)	<u>\$ 1,111,557</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 33,650
Interest expense	(131,860)
Connection fees	11,200
Total nonoperating revenues (expenses)	<u>\$ (87,010)</u>
Change in net position	<u>\$ 1,024,547</u>
Total net position - beginning	22,286,820
Total net position - ending	<u><u>\$ 23,311,367</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, 2017

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 7,555,517
Payments to suppliers	(3,623,709)
Payments to and for employees	(1,850,493)
Net cash provided by (used for) operating activities	<u>\$ 2,081,315</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 11,200
Net cash provided by (used for) noncapital financing activities	<u>\$ 11,200</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	\$ (905,195)
Principal payments on bonds	(633,433)
Interest expense	(192,367)
Net cash provided by (used for) capital and related financing activities	<u>\$ (1,730,995)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (2,945,458)
Net cash provided by (used for) investing activities	<u>\$ (2,945,458)</u>
Net increase (decrease) in cash and cash equivalents	\$ (2,583,938)
Cash and cash equivalents - beginning	4,579,303
Cash and cash equivalents - ending	<u><u>\$ 1,995,365</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 1,111,557</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	811,191
(Increase) decrease in accounts receivable	54,409
(Increase) decrease in deferred outflows of resources	(130,990)
Increase (decrease) in compensated absences	8,563
Increase (decrease) in accounts payable	129,392
Increase (decrease) in accrued liabilities	6,532
Increase (decrease) in unearned revenue	(4,500)
Increase (decrease) refundable deposits	4,880
Increase (decrease) in net pension liability	243,364
Increase (decrease) in deferred inflows of resources	(151,771)
Increase (decrease) in due to other funds	(1,312)
Total adjustments	<u>\$ 969,758</u>
Net cash provided by (used for) operating activities	<u><u>\$ 2,081,315</u></u>

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

City of Williamsburg, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,907,063
Investments, at fair value:	
Other investments	1,473,849
Other assets	32,193
Total assets	<u>\$ 3,413,105</u>
LIABILITIES	
Accounts payable	\$ 80,880
Accrued liabilities	183,133
Amounts held for others	3,149,092
Total liabilities	<u>\$ 3,413,105</u>

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2017

Note 1—Summary of Significant Accounting Policies:

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

Financial Statement Presentation

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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

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

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Notes to Financial Statements (Continued)
As of June 30, 2017

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit - The City has no blended component units to be included for the fiscal year ended June 30, 2017.

Notes to Financial Statements (Continued)
As of June 30, 2017

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

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units - The Williamsburg Redevelopment and Housing Authority (WRHA) is responsible for operating a low income housing program in the City which provides housing for eligible families, for operating redevelopment and conservation programs and for delivering of services to citizens of low income housing and urban renewal areas through the encouragement and development of social and economic opportunities. The Commissioners of the Authority are the members of City Council. The Authority is fiscally dependent on the City. The City is involved in the day-to-day operations of the WRHA, including the processing of their payroll, accounts payable and other managerial functions and therefore, the WRHA is included in the City's financial statements as a discrete presentation for the year ended June 30, 2017. WRHA's fiscal year of October 1 to September 30 differs from the City's fiscal year of July 1 to June 30. A copy of the separately issued financial statements may be obtained for the WRHA by writing to Williamsburg Redevelopment and Housing Authority, 401 Lafayette Street, P.O. Box 411, Williamsburg, VA 23185 or by calling (757) 220-3477.

C. Other Related Organizations

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

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

Fiscal Year	Factor
2017	1.14

Notes to Financial Statements (Continued)
As of June 30, 2017

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

C. Other Related Organizations (Continued)

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

Summary financial information on the school operations (General Fund) as of June 30, 2017, is as follows:

Total assets	\$ 17,350,617
Liabilities	16,921,696
Fund equity and other credits	428,921
Total liabilities, fund equity, and other credits	\$ 17,350,617
Revenues	\$ 126,633,685
Expenditures and other financing uses	126,461,037
Excess of expenditures and other financing uses over revenues	\$ 172,648
Fund balance, beginning	256,273
Fund balance, ending	\$ 428,921

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

2. Williamsburg Regional Library - The Library is a joint operation of the City of Williamsburg and the Counties of James City and York, Virginia, operating under a contract dated September 26, 2013. It receives funding from the Commonwealth of Virginia, the federal government, and some private sources. The Library's board is split between City and County appointees. The Library's management is independent from City and County control. During the current fiscal year, the City contributed \$841,810 to the Library's operating budget, or 14.37% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.
3. Other Agencies - Certain agencies and commissions service both the City of Williamsburg and surrounding localities. Board membership is allocated among the localities and their governing bodies make appointments. These agencies include: Hampton Roads Planning District Commission (HRPDC), Colonial Behavioral Health, Virginia Peninsula Regional Jail, Colonial Group Home Commission, Middle Peninsula Juvenile Detention Commission, Peninsula Agency on Aging, Community Action Agency, Virginia Peninsula Public Service Authority, Greater Williamsburg Partnership, and the Williamsburg Area Arts Commission.

Notes to Financial Statements (Continued)
As of June 30, 2017

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

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

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

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

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

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 unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the City.

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

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

1. Governmental Funds

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

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

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

2. Proprietary Funds

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

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

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

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

3. Fiduciary Funds

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

E. Cash and Cash Equivalents

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

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

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

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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 \$331,222 at June 30, 2017 and is comprised of property taxes of \$61,209 water and sewer charges of \$104,181, and ambulance recovery fees of \$165,832.

Real and Personal Property Tax Data:

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

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

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2017 was immaterial.

Notes to Financial Statements (Continued)
As of June 30, 2017

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

H. Capital Assets (Continued)

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

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

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resource is reported as an expenditure and liability of the governmental fund that will pay it when it is matured. Compensated absences are reported in governmental funds only if they have matured to include unused reimbursable leave still outstanding following an employee's resignation or retirement. Thus, the only portion of a compensated absences liability that is reported in the governmental funds would be the amount of reimbursable unused vacation leave or sick leave payable to employees who had terminated their employment as of June 30th. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive 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. 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.

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is comprised of certain items relating to the measurement of the net pension liability. These include the differences between expected and actual earnings on pension plan investments. It is also comprised of contributions to the pension plan made during the current year and subsequent to the net pension liability measurement date, which will be recognized as a reduction of the net pension liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

L. Net Position

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

M. Net Position Flow Assumption

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

Notes to Financial Statements (Continued)
As of June 30, 2017

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

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plan and the additions to/deductions from the City's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Long-term Obligations

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

P. Prepaid Items

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

Q. Inventory

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

R. Fund Equity

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

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

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

R. Fund Equity (Continued)

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the City Manager to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives).

Assigned fund balance is established by the City Manager, who has been given the delegated authority by the City Council to assign amounts for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

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.

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017*Note 1—Summary of Significant Accounting Policies: (Continued)***R. Fund Equity (Continued)**

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

		Nonmajor Special Revenue Funds		
	General Fund	Virginia Public Assistance Fund	Law Enforcement Block Grant Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid Items	\$ 14,949	\$ -	\$ -	\$ 14,949
Inventory of land held for resale	3,186,974	-	-	3,186,974
Total Nonspendable	\$ 3,201,923	\$ -	\$ -	\$ 3,201,923
Restricted:				
Social services	\$ -	\$ 641,475	\$ -	\$ 641,475
Law enforcement	-	-	12,464	12,464
Total Restricted	\$ -	\$ 641,475	\$ 12,464	\$ 653,939
Assigned:				
Future capital projects	\$ 15,458,283	\$ -	\$ -	\$ 15,458,283
Total Assigned	\$ 15,458,283	\$ -	\$ -	\$ 15,458,283
Unassigned	\$ 12,649,882	\$ -	\$ -	\$ 12,649,882
Total Fund Balances	\$ 31,310,088	\$ 641,475	\$ 12,464	\$ 31,964,027

Note 2—Stewardship, Compliance, and Accounting:

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

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution of budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Adopted budgets may be amended or superseded by action of City Council.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2017

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

4. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented herein since there is no legal requirement for such presentation.
5. All operating budgets include proposed expenditures and the means of financing them. The City Manager has the authority to transfer amounts within the departments, so long as the total appropriation for a department is not adjusted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2017.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and committed fund balances outstanding at year end are re-appropriated in the succeeding year.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. The City utilizes a Finance and Audit Committee to assist City Council in carrying out its oversight responsibilities as they relate to financial reporting, internal controls and compliance with laws and regulations.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments:

Department	Final Budget	Actual	Over exceed Amount
General Fund:			
Electoral board and officials	\$ 24,133	\$ 28,412	\$ (4,279)
Regional Jail	1,191,527	1,191,843	(316)
Stormwater operations	203,314	206,228	(2,914)
Local health department	183,399	186,135	(2,736)
Waller Mill Park facility	249,575	274,720	(25,145)
Triangle building management	42,000	52,304	(10,304)
Other general and financial administration	225,106	237,759	(12,653)

Note 3—Deposits and Investments:

Deposits

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 3—Deposits and Investments: (Continued)

Deposits (Continued)

At year-end the carrying value of the City's deposits with banks and savings institutions was \$26,359,861 and the bank balance was \$26,697,457. Of the bank balance, \$26,697,457 was covered by Federal Depository Insurance Corporation. Of the Bank balance, \$14,562,254 was uncollateralized in banks or savings and loans not qualifying under the Virginia Security for Public Deposits Act at June 30, 2017.

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, 2017 were rated by *Standard and Poor's* and the ratings are presented below using the *Standard and Poor's* rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

City's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 10,061,412
Total	\$ 10,061,412

Interest Rate Risk

According to the City's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than one year.

Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Local Government Investment Pool	\$ 10,061,412	\$ 10,061,412	\$ -
Total	\$ 10,061,412	\$ 10,061,412	\$ -

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The value of the positions in the Local Government Investment Pool is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 4—Due from Other Governments:

At June 30, 2017, the City has receivables from other governments as follows:

	<u>Governmental Activities</u>
Other Local Governments:	
Williamsburg-James City County Public Schools	\$ 191,472
Williamsburg Redevelopment and Housing Authority	119,834
Commonwealth of Virginia:	
Communications tax	111,533
EMS funds - 4 for life and emergency services	18,296
CSA pool funds	27,271
Local sales tax	698,050
Recordation tax	11,759
Shared expenses	8,240
Social services	33,604
State sales tax	204,860
Other	9,654
Federal Government:	
Social Services	<u>55,533</u>
Total	<u><u>\$ 1,490,106</u></u>

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ 29,690	\$ -
Virginia Public Assistance	-	29,690
Total	<u>\$ 29,690</u>	<u>\$ 29,690</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.

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017*Note 6—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 8,797,413	\$ -	\$ -	\$ 8,797,413
Works of art	-	28,400	-	28,400
Construction in progress	673,294	-	673,294	-
Total capital assets not subject to depreciation	\$ 9,470,707	\$ 28,400	\$ 673,294	\$ 8,825,813
Capital assets subject to depreciation:				
Buildings and system	\$ 43,590,797	\$ -	\$ -	\$ 43,590,797
Improvements other than buildings	14,089,341	491,629	-	14,580,970
Infrastructure	58,673,297	1,268,292	675,289	59,266,300
Intangible	306,552	291,048	-	597,600
Machinery and equipment	10,707,100	1,306,131	455,167	11,558,064
Total capital assets subject to depreciation	\$ 127,367,087	\$ 3,357,100	\$ 1,130,456	\$ 129,593,731
Accumulated depreciation:				
Buildings and system	\$ 16,587,107	\$ 1,228,304	\$ -	\$ 17,815,411
Improvements other than buildings	9,109,602	479,711	-	9,589,313
Infrastructure	30,470,618	1,208,583	458,230	31,220,971
Intangible	184,813	36,369	-	221,182
Machinery and equipment	7,602,084	750,258	455,167	7,897,175
Total accumulated depreciation	\$ 63,954,224	\$ 3,703,225	\$ 913,397	\$ 66,744,052
Total capital assets subject to depreciation, net	\$ 63,412,863	\$ (346,125)	\$ 217,059	\$ 62,849,679
Governmental activities capital assets, net	\$ 72,883,570	\$ (317,725)	\$ 890,353	\$ 71,675,492

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017*Note 6—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 5,780,530	\$ -	\$ -	\$ 5,780,530
Open easement	653,800	-	-	653,800
Total capital assets not subject to depreciation	6,434,330	-	\$ -	\$ 6,434,330
Capital assets subject to depreciation:				
Buildings and system	\$ 11,842,633	\$ -	\$ -	\$ 11,842,633
Intangibles	12,525,344	-	-	12,525,344
Improvements other than buildings	7,476,060	861,551	-	8,337,611
Infrastructure	83,860	-	-	83,860
Machinery and equipment	2,210,025	43,644	21,017	2,232,652
Total capital assets subject to depreciation	\$ 34,137,922	\$ 905,195	\$ 21,017	\$ 35,022,100
Accumulated depreciation:				
Buildings and system	\$ 6,828,947	\$ 228,177	\$ -	\$ 7,057,124
Intangibles	2,202,915	315,034	-	2,517,949
Improvements other than buildings	5,501,255	136,429	-	5,637,684
Infrastructure	19,694	3,408	-	23,102
Machinery and equipment	1,750,887	128,143	21,017	1,858,013
Total accumulated depreciation	\$ 16,303,698	\$ 811,191	\$ 21,017	\$ 17,093,872
Total capital assets subject to depreciation, net	\$ 17,834,224	\$ 94,004	\$ -	\$ 17,928,228
Business-type activities capital assets, net	\$ 24,268,554	\$ 94,004	\$ -	\$ 24,362,558

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 1,454,840
Public safety	655,873
Public works	1,170,033
Health and welfare	12,424
Parks, recreation and cultural	400,955
Community development	9,100
	<u> </u>
Total depreciation expense - governmental activities	<u><u>\$ 3,703,225</u></u>
Business-type activities:	
Utility Fund	<u><u>\$ 811,911</u></u>

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2017, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,050,533
Special Revenue Fund:		
Virginia Public Assistance Fund	<u>1,050,533</u>	<u>-</u>
Total	<u><u>\$ 1,050,533</u></u>	<u><u>\$ 1,050,533</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, 2017*Note 8—Long-Term Obligations:*

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2017:

Primary Government:

	Balance July 1, 2016	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2017	Amounts Due Within One Year
Governmental activities:					
General obligation bond	\$ 8,006,680	\$ -	\$ 1,032,568	\$ 6,974,112	\$ 1,029,676
Compensated absences	953,124	701,272	673,997	980,399	638,385
Net pension liability	10,474,436	5,049,645	3,218,598	12,305,483	-
Adjustment for deferred amounts:					
For issuance premium	186,338	-	41,610	144,728	-
Total Governmental activities	<u>\$ 19,620,578</u>	<u>\$ 5,750,917</u>	<u>\$ 4,966,773</u>	<u>\$ 20,404,722</u>	<u>\$ 1,668,061</u>
Business-type activities:					
General obligation bonds	\$ 5,919,319	\$ -	\$ 633,433	\$ 5,285,886	\$ 454,324
Compensated absences	141,483	86,039	77,476	150,046	81,414
Net pension liability	1,338,393	656,173	412,809	1,581,757	-
Adjustment for deferred amounts:					
For issuance premium	264,950	-	24,086	240,864	-
Total Business-type activities	<u>\$ 7,664,145</u>	<u>\$ 742,212</u>	<u>\$ 1,147,804</u>	<u>\$ 7,258,553</u>	<u>\$ 535,738</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
2018	\$ 1,029,676	\$ 181,515	\$ 454,324	\$ 179,698
2019	1,063,570	146,480	467,430	166,069
2020	1,089,465	123,382	480,535	151,106
2021	394,991	99,193	498,009	134,288
2022	404,885	88,532	511,114	119,347
2023 - 2027	2,207,525	261,152	2,874,474	279,016
2028 - 2032	784,000	20,514	-	-
Total	<u>\$ 6,974,112</u>	<u>\$ 920,768</u>	<u>\$ 5,285,886</u>	<u>\$ 1,029,524</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

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 \$5,180,000 general obligation refunding bond in June 2012 for the purpose of refunding a Series 2005 general government obligation. The bond is payable in annual principal installments plus semi-annual interest payments at a various coupon rates, 2.00% thru 4.00%. Payments are due the first day October and April. Payments began October 1, 2012 and end April 1, 2020. Carrying value of debt allocable is \$2,060,000 plus amortized premium of \$112,893.	\$ 2,172,893
The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.005% thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to general government is \$764,112 plus unamortized premium of \$31,835.	795,947
The City authorized and issued a \$5,000,000 general obligation bond in December 2013 for the purpose of renovating the Stryker Center. The bond is payable in semi-annual principal and interest payments at 2.60% per annum. Payments are due on June 1 and December 1. Payments began June 1, 2014 and end December 1, 2029.	4,150,000
Total general obligation bonds	\$ 7,118,840
Compensated absences (payable from General Fund)	\$ 980,399
Net pension liability (payable from General Fund)	\$ 12,305,483
Total Long-Term Obligations, Governmental Activities	\$ 20,404,722

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 8—Long-Term Obligations: (Continued)

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

Long-Term Obligations, Business-type Activities:	Total Amount
<u>General Obligation Bond:</u>	
The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.00% thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to the business-type activities is \$5,285,886 plus unamortized premium of \$240,864.	\$ 5,526,750
Total general obligation bond	\$ 5,526,750
Compensated absences (payable from Enterprise Fund)	\$ 150,046
Net pension liability (payable from Enterprise Fund)	\$ 1,581,757
Total Long-Term Obligations, Business-type Activities	\$ 7,258,553

Note 9—Unearned and Unavailable Revenue:

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue of \$249,707 and unearned revenue of \$226,750 totaling \$561,718 is comprised of the following:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$249,707 at June 30, 2017.

Unearned Revenue: Unearned revenue representing state personal property tax relief, courthouse maintenance funds, and other amounts not available for funding of current expenditures totaled \$24,970 at June 30, 2017 and were reported in the general fund. The Special Revenue Funds reports \$66,780 in unearned revenue related to summer youth program funds received but not expended at June 30, 2017.

The Utility Fund reports unearned revenue representing a lease agreement paid in advance by Crossroads Community Youth Home totaling \$135,000 at June 30, 2017.

Note 10—Commitments and Contingencies:

Federal programs in which the City participates were audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the provisions of the Uniform Guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

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

Note 11—Litigation:

At June 30, 2017, 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 2017.

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

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

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Note 13—Pension Plan:**Plan Description**

All full-time, salaried permanent employees of the City are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Continued)	About Plan 2 (Continued)	About the Hybrid Retirement Plan (Continued) <ul style="list-style-type: none"> • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. <p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees are paying the full 5% as of July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions.

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u></p> <ul style="list-style-type: none"> • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. 	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u> Same as Plan 1 and Plan 2.</p>
<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p>	<p>Disability Coverage Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p>

Note 13—Pension Plan: (Continued)**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage (Cont.) VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive Annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2016-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Note 13—Pension Plan: (Continued)**Employees Covered by Benefit Terms**

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>205</u>
Inactive members:	
Vested inactive members	39
Non-vested inactive members	26
Inactive members active elsewhere in VRS	<u>99</u>
Total inactive members	<u>164</u>
Active members	<u>179</u>
Total covered employees	<u><u>548</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2017 was 14.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from them were \$1,407,381 and \$1,675,182 for the years ended June 30, 2017 and June 30, 2016, respectively.

Note 13—Pension Plan: (Continued)

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Note 13—Pension Plan: (Continued)**Actuarial Assumptions - Public Safety Employees**

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

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Note 13—Pension Plan: (Continued)**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017**Note 13—Pension Plan: (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 65,589,517	\$ 53,776,688	\$ 11,812,829
Changes for the year:			
Service cost	\$ 1,192,219	\$ -	\$ 1,192,219
Interest	4,472,336	-	4,472,336
Differences between expected and actual experience	(554,448)	-	(554,448)
Contributions - employer	-	1,666,704	(1,666,704)
Contributions - employee	-	487,862	(487,862)
Net investment income	-	915,305	(915,305)
Benefit payments, including refunds			
Refunds of employee contributions	(3,398,006)	(3,398,006)	-
Administrative expenses	-	(33,783)	33,783
Other changes	-	(392)	392
Net changes	\$ 1,712,101	\$ (362,310)	\$ 2,074,411
Balances at June 30, 2016	\$ 67,301,618	\$ 53,414,378	\$ 13,887,240

Note 13—Pension Plan: (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the City using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City Net Pension Liability	\$ 22,006,333	\$ 13,887,240	\$ 7,087,369

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$1,175,615. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 462,500
Net difference between projected and actual earnings on pension plan investments	1,387,836	-
Employer contributions subsequent to the measurement date	1,407,381	-
Total	\$ 2,795,217	\$ 462,500

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2017

Note 13—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$1,407,381 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2018	\$ (289,783)
2019	(155,266)
2020	809,515
2021	560,870
2022	-
Thereafter	-

Note 14—Surety Bonds:

Surety bonds covered the following constitutional officers and City employees at June 30, 2017:

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

Note 15—Upcoming Pronouncements:

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 86, *Certain Debt Extinguishment Issues*, improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

Note 15—Upcoming Pronouncements: (Continued)

Statement No. 87, Leases, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Williamsburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
General property taxes	\$ 12,753,135	\$ 12,753,135	\$ 12,917,015	\$ 163,880
Other local taxes	18,643,200	18,643,200	18,898,134	254,934
Permits, privilege fees, and regulatory licenses	173,740	173,740	249,819	76,079
Fines and forfeitures	207,200	207,200	181,175	(26,025)
Revenue from the use of money and property	857,956	857,956	962,876	104,920
Charges for services	1,045,150	1,045,150	1,160,757	115,607
Miscellaneous	435,531	444,080	466,978	22,898
Recovered costs	986,666	986,666	996,265	9,599
Intergovernmental:				
Commonwealth	6,652,308	6,702,650	5,994,517	(708,133)
Federal	-	12,970	186,170	173,200
Total revenues	<u>\$ 41,754,886</u>	<u>\$ 41,826,747</u>	<u>\$ 42,013,706</u>	<u>\$ 186,959</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,874,356	\$ 3,903,103	\$ 3,786,601	\$ 116,502
Judicial administration	440,000	440,000	401,237	38,763
Public safety	10,574,598	10,530,666	10,014,659	516,007
Public works	2,889,635	2,917,375	2,890,124	27,251
Health and welfare	476,099	476,099	478,550	(2,451)
Education	9,002,983	9,002,983	8,817,150	185,833
Parks, recreation, and cultural	2,209,371	2,218,355	2,060,645	157,710
Community development	4,917,645	4,928,685	4,799,435	129,250
Capital projects	10,824,981	22,313,838	8,289,153	14,024,685
Debt service:				
Principal retirement	1,032,568	1,032,568	1,032,568	-
Interest and other fiscal charges	204,016	204,016	204,016	-
Total expenditures	<u>\$ 46,446,252</u>	<u>\$ 57,967,688</u>	<u>\$ 42,774,138</u>	<u>\$ 15,193,550</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (4,691,366)</u>	<u>\$ (16,140,941)</u>	<u>\$ (760,432)</u>	<u>\$ 15,380,509</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (1,050,533)	\$ (1,050,533)	\$ (1,050,533)	\$ -
Total other financing sources (uses)	<u>\$ (1,050,533)</u>	<u>\$ (1,050,533)</u>	<u>\$ (1,050,533)</u>	<u>\$ -</u>
Net change in fund balances	\$ (5,741,899)	\$ (17,191,474)	\$ (1,810,965)	\$ 15,380,509
Fund balances - beginning	5,741,899	17,191,474	33,121,053	15,929,579
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,310,088</u>	<u>\$ 31,310,088</u>

Schedule of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2017

	2016	2015	2014
Total pension liability			
Service cost	\$ 1,192,219	\$ 1,178,813	\$ 1,182,529
Interest	4,472,336	4,331,841	4,155,774
Difference between expected and actual experience	(554,448)	(361,478)	-
Benefit payments, including refunds of employee contributions	(3,398,006)	(2,886,192)	(2,759,933)
Net change in total pension liability	\$ 1,712,101	\$ 2,262,984	\$ 2,578,370
Total pension liability - beginning	65,589,517	63,326,533	60,748,163
Total pension liability - ending (a)	<u>\$ 67,301,618</u>	<u>\$ 65,589,517</u>	<u>\$ 63,326,533</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,666,704	\$ 1,649,556	\$ 1,558,890
Contributions - employee	487,862	506,966	478,336
Net investment income	915,305	2,381,156	7,179,163
Benefit payments, including refunds of employee contributions	(3,398,006)	(2,886,192)	(2,759,933)
Administrative expense	(33,783)	(32,867)	(38,979)
Other	(392)	(500)	379
Net change in plan fiduciary net position	\$ (362,310)	\$ 1,618,119	\$ 6,417,856
Plan fiduciary net position - beginning	53,776,688	52,158,569	45,740,713
Plan fiduciary net position - ending (b)	<u>\$ 53,414,378</u>	<u>\$ 53,776,688</u>	<u>\$ 52,158,569</u>
City's net pension liability - ending (a) - (b)	\$ 13,887,240	\$ 11,812,829	\$ 11,167,964
Plan fiduciary net position as a percentage of the total pension liability	79.37%	81.99%	82.36%
Covered payroll	\$ 9,830,879	\$ 9,695,347	\$ 9,570,924
City's net pension liability as a percentage of covered payroll	141.26%	121.84%	116.69%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions

For the Years Ended June 30, 2008 through June 30, 2017

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	\$ 1,407,381	\$ 1,407,381	\$ -	9,988,509	14.09%
2016	1,675,182	1,675,182	-	9,830,879	17.04%
2015	1,652,087	1,652,087	-	9,695,347	17.04%
2014	1,559,104	1,559,104	-	9,570,924	16.29%
2013	1,503,579	1,503,579	-	9,230,075	16.29%
2012	1,020,021	1,020,021	-	8,916,264	11.44%
2011	1,002,249	1,002,249	-	8,760,922	11.44%
2010	923,738	923,738	-	8,805,887	10.49%
2009	1,010,919	1,010,919	-	9,636,974	10.49%
2008	1,048,420	1,048,420	-	9,302,753	11.27%

Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

OTHER SUPPLEMENTARY INFORMATION

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City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Virginia Public Assistance <u>Fund</u>	Law Enforcement Block Grant <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 621,537	\$ 11,696	\$ 633,233
Due from other governmental units	116,408	2,073	118,481
Total assets	<u>\$ 737,945</u>	<u>\$ 13,769</u>	<u>\$ 751,714</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 1,305	\$ 1,305
Due to other funds	29,690	-	29,690
Unearned revenue	66,780	-	66,780
Total liabilities	<u>\$ 96,470</u>	<u>\$ 1,305</u>	<u>\$ 97,775</u>
Fund balances:			
Restricted	\$ 641,475	\$ 12,464	\$ 653,939
Total fund balances	<u>\$ 641,475</u>	<u>\$ 12,464</u>	<u>\$ 653,939</u>
Total liabilities and fund balances	<u>\$ 737,945</u>	<u>\$ 13,769</u>	<u>\$ 751,714</u>

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City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	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	\$ -	\$ 11	\$ 11
Miscellaneous	35,643	957	36,600
Intergovernmental:			
Commonwealth	449,351	2,250	451,601
Federal	666,203	19,002	685,205
Total revenues	<u>\$ 1,151,197</u>	<u>\$ 22,220</u>	<u>\$ 1,173,417</u>
EXPENDITURES			
Current:			
Public safety	\$ -	\$ 19,903	\$ 19,903
Health and welfare	2,074,409	-	2,074,409
Total expenditures	<u>\$ 2,074,409</u>	<u>\$ 19,903</u>	<u>\$ 2,094,312</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (923,212)</u>	<u>\$ 2,317</u>	<u>\$ (920,895)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,050,533	\$ -	\$ 1,050,533
Total other financing sources (uses)	<u>\$ 1,050,533</u>	<u>\$ -</u>	<u>\$ 1,050,533</u>
Net change in fund balances	\$ 127,321	\$ 2,317	\$ 129,638
Fund balances - beginning	514,154	10,147	524,301
Fund balances - ending	<u>\$ 641,475</u>	<u>\$ 12,464</u>	<u>\$ 653,939</u>

City of Williamsburg, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2017

	Virginia Public Assistance Fund			
	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	39,539	39,539	35,643	(3,896)
Intergovernmental:				
Commonwealth	573,903	573,903	449,351	(124,552)
Federal	592,006	592,006	666,203	74,197
Total revenues	<u>\$ 1,205,448</u>	<u>\$ 1,205,448</u>	<u>\$ 1,151,197</u>	<u>\$ (54,251)</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Health and welfare	2,324,580	2,324,580	2,074,409	250,171
Total expenditures	<u>\$ 2,324,580</u>	<u>\$ 2,324,580</u>	<u>\$ 2,074,409</u>	<u>\$ 250,171</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,119,132)</u>	<u>\$ (1,119,132)</u>	<u>\$ (923,212)</u>	<u>\$ 195,920</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,119,132	\$ 1,119,132	\$ 1,050,533	\$ 1,155,518
Total other financing sources (uses)	<u>\$ 1,119,132</u>	<u>\$ 1,119,132</u>	<u>\$ 1,050,533</u>	<u>\$ 1,155,518</u>
Net change in fund balances	\$ -	\$ -	\$ 127,321	\$ 1,351,438
Fund balances - beginning	-	-	514,154	514,154
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 641,475</u>	<u>\$ 1,865,592</u>

Law Enforcement Block Grant Fund					
Budgeted Amounts				Variance with Final Budget Positive (Negative)	
<u>Original</u>		<u>Final</u>		<u>Actual</u>	
\$	-	\$	-	\$	11
	-		957		957
	-		2,250		2,250
	-		16,566		19,002
\$	-	\$	19,773	\$	22,220
	-				
\$	-	\$	20,023	\$	19,903
	-		-		-
\$	-	\$	20,023	\$	19,903
	-				
\$	-	\$	(250)	\$	2,317
	-				
\$	-	\$	-	\$	-
\$	-	\$	-	\$	-
	-				
\$	-	\$	(250)	\$	2,317
	-		250		10,147
\$	-	\$	-	\$	12,464

City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	Agency Funds				
	Williamsburg Regional Library <u>Fund</u>	Williamsburg Tricentennial <u>Fund</u>	Economic Development <u>Authority</u>	Farmers Market <u>Fund</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 1,482,009	\$ -	\$ 397,793	\$ 27,261	\$ 1,907,063
Investments, at fair value:					
Other investments	1,188,237	6,610	120,446	158,556	1,473,849
Other assets	32,193	-	-	-	32,193
Total assets	<u>\$ 2,702,439</u>	<u>\$ 6,610</u>	<u>\$ 518,239</u>	<u>\$ 185,817</u>	<u>\$ 3,413,105</u>
LIABILITIES					
Accounts payable	\$ 71,429	\$ -	\$ 1,783	\$ 7,668	\$ 80,880
Accrued liabilities	183,133	-	-	-	183,133
Amounts held for others	2,447,877	6,610	516,456	178,149	3,149,092
Total liabilities	<u>\$ 2,702,439</u>	<u>\$ 6,610</u>	<u>\$ 518,239</u>	<u>\$ 185,817</u>	<u>\$ 3,413,105</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

Exhibit 19
Page 1 of 2

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>Williamsburg Regional Library Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 1,139,138	\$ 6,692,481	\$ 6,349,610	\$ 1,482,009
Investments, at fair value:				
Other investments	1,179,331	8,906	-	1,188,237
Other assets	28,902	32,193	28,902	32,193
Total assets	<u>\$ 2,347,371</u>	<u>\$ 6,733,580</u>	<u>\$ 6,378,512</u>	<u>\$ 2,702,439</u>
LIABILITIES				
Accounts payable	\$ 63,657	\$ 71,429	\$ 63,657	\$ 71,429
Accrued liabilities	57,797	183,133	57,797	183,133
Amounts held for others	2,225,917	6,479,018	6,257,058	2,447,877
Total liabilities	<u>\$ 2,347,371</u>	<u>\$ 6,733,580</u>	<u>\$ 6,378,512</u>	<u>\$ 2,702,439</u>
<u>Williamsburg Tricentennial Fund:</u>				
ASSETS				
Investments, at fair value:				
Other investments	\$ 6,561	\$ 49	\$ -	\$ 6,610
Total assets	<u>\$ 6,561</u>	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ 6,610</u>
LIABILITIES				
Amounts held for others	\$ 6,561	\$ 49	\$ -	\$ 6,610
Total liabilities	<u>\$ 6,561</u>	<u>\$ 49</u>	<u>\$ -</u>	<u>\$ 6,610</u>
<u>Quarterpath CDA Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 453,048	\$ 453,048	\$ -
Total assets	<u>\$ -</u>	<u>\$ 453,048</u>	<u>\$ 453,048</u>	<u>\$ -</u>
LIABILITIES				
Amounts held for others	\$ -	453,048	453,048	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 453,048</u>	<u>\$ 453,048</u>	<u>\$ -</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

Exhibit 19
Page 2 of 2

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<u>Economic Development Authority:</u>				
ASSETS				
Cash and cash equivalents	\$ 151,233	\$ 426,751	\$ 180,191	\$ 397,793
Investments, at fair value:				
Other investments	119,562	884	-	120,446
Other assets	900	-	900	-
Total assets	<u>\$ 271,695</u>	<u>\$ 427,635</u>	<u>\$ 181,091</u>	<u>\$ 518,239</u>
LIABILITIES				
Accounts payable	\$ 17,812	\$ 1,783	\$ 17,812	\$ 1,783
Amounts held for others	253,883	425,852	163,279	516,456
Total liabilities	<u>\$ 271,695</u>	<u>\$ 427,635</u>	<u>\$ 181,091</u>	<u>\$ 518,239</u>
<u>Farmers Market Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 36,640	\$ 196,220	\$ 205,599	\$ 27,261
Investments, at fair value:				
Other investments	157,393	1,163	-	158,556
Total assets	<u>\$ 194,033</u>	<u>\$ 197,383</u>	<u>\$ 205,599</u>	<u>\$ 185,817</u>
LIABILITIES				
Accounts payable	\$ 1,292	\$ 7,668	\$ 1,292	\$ 7,668
Amounts held for others	192,741	189,715	204,307	178,149
Total liabilities	<u>\$ 194,033</u>	<u>\$ 197,383</u>	<u>\$ 205,599</u>	<u>\$ 185,817</u>
<u>Totals - All Agency Funds:</u>				
ASSETS				
Cash and cash equivalents	\$ 1,327,011	\$ 7,768,500	\$ 7,188,448	\$ 1,907,063
Investments, at fair value:				
Other investments	1,462,847	11,002	-	1,473,849
Other assets	29,802	32,193	29,802	32,193
Total assets	<u>\$ 2,819,660</u>	<u>\$ 7,811,695</u>	<u>\$ 7,218,250</u>	<u>\$ 3,413,105</u>
LIABILITIES				
Accounts payable	\$ 82,761	\$ 80,880	\$ 82,761	\$ 80,880
Accrued liabilities	57,797	183,133	57,797	183,133
Due to other governmental units	-	-	-	-
Amounts held for others	2,679,102	7,547,682	7,077,692	3,149,092
Total liabilities	<u>\$ 2,819,660</u>	<u>\$ 7,811,695</u>	<u>\$ 7,218,250</u>	<u>\$ 3,413,105</u>

SUPPORTING SCHEDULES

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City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2017

Schedule 1
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,370,000	\$ 10,370,000	\$ 10,429,845	\$ 59,845
Real and personal public service corporation taxes	310,707	310,707	307,406	(3,301)
Personal property taxes	711,428	711,428	735,079	23,651
Business property taxes	1,280,000	1,280,000	1,370,354	90,354
Penalties	51,000	51,000	53,504	2,504
Interest	30,000	30,000	20,827	(9,173)
Total general property taxes	<u>\$ 12,753,135</u>	<u>\$ 12,753,135</u>	<u>\$ 12,917,015</u>	<u>\$ 163,880</u>
Other local taxes:				
Local sales and use taxes	\$ 4,400,000	\$ 4,400,000	\$ 4,388,596	\$ (11,404)
Consumers' utility taxes	307,000	307,000	290,524	(16,476)
Business license taxes	1,708,000	1,708,000	1,833,991	125,991
Franchise license taxes	124,000	124,000	119,948	(4,052)
Bank stock taxes	290,000	290,000	307,396	17,396
Taxes on recordation and wills	200,000	200,000	291,551	91,551
Hotel and motel taxes	3,340,000	3,340,000	3,316,634	(23,366)
Restaurant food taxes	6,960,000	6,960,000	7,043,184	83,184
\$2 lodging taxes	1,130,000	1,130,000	1,128,430	(1,570)
Tobacco taxes	150,000	150,000	130,032	(19,968)
Penalty and interest on other local taxes	34,200	34,200	47,848	13,648
Total other local taxes	<u>\$ 18,643,200</u>	<u>\$ 18,643,200</u>	<u>\$ 18,898,134</u>	<u>\$ 254,934</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 2,047	\$ 47
Land use application fees	1,200	1,200	5,143	3,943
Transfer fees	500	500	2,408	1,908
Permits and other licenses	170,040	170,040	240,221	70,181
Total permits, privilege fees, and regulatory licenses	<u>\$ 173,740</u>	<u>\$ 173,740</u>	<u>\$ 249,819</u>	<u>\$ 76,079</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 207,200</u>	<u>\$ 207,200</u>	<u>\$ 181,175</u>	<u>\$ (26,025)</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 150,000	\$ 150,000	\$ 167,086	\$ 17,086
Revenue from use of property	707,956	707,956	795,790	87,834
Total revenue from use of money and property	<u>\$ 857,956</u>	<u>\$ 857,956</u>	<u>\$ 962,876</u>	<u>\$ 104,920</u>

City of Williamsburg, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 1,350	\$ 1,350	\$ 1,366	\$ 16
Charges for courthouse maintenance	40,000	40,000	11,032	(28,968)
Charges for emergency medical services	595,000	595,000	699,149	104,149
Charges for Commonwealth's Attorney	250	250	205	(45)
Charges for planning and community development	36,600	36,600	50,305	13,705
Charges for parks and recreation	371,950	371,950	398,700	26,750
Total charges for services	<u>\$ 1,045,150</u>	<u>\$ 1,045,150</u>	<u>\$ 1,160,757</u>	<u>\$ 115,607</u>
Miscellaneous:				
Miscellaneous	\$ 175,531	\$ 184,080	\$ 206,978	\$ 22,898
Williamsburg Health Foundation Grant	260,000	260,000	260,000	-
Total miscellaneous	<u>\$ 435,531</u>	<u>\$ 444,080</u>	<u>\$ 466,978</u>	<u>\$ 22,898</u>
Recovered costs:				
Enterprise fund	\$ 650,000	\$ 650,000	\$ 659,713	\$ 9,713
Overtime - police and fire	100,000	100,000	99,885	(115)
Stryker Building recovered cost	166,666	166,666	166,667	1
Other recovered costs	70,000	70,000	70,000	-
Total recovered costs	<u>\$ 986,666</u>	<u>\$ 986,666</u>	<u>\$ 996,265</u>	<u>\$ 9,599</u>
Total revenue from local sources	<u>\$ 35,102,578</u>	<u>\$ 35,111,127</u>	<u>\$ 35,833,019</u>	<u>\$ 721,892</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 9,000	\$ 9,000	\$ 9,104	\$ 104
Motor vehicle rental tax	30,000	30,000	36,159	6,159
Grantors tax	40,000	40,000	68,450	28,450
Communications tax	720,000	720,000	678,419	(41,581)
Personal property tax relief funds	773,572	773,572	773,572	-
Total noncategorical aid	<u>\$ 1,572,572</u>	<u>\$ 1,572,572</u>	<u>\$ 1,565,704</u>	<u>\$ (6,868)</u>
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 74,000	\$ 74,000	\$ 73,943	\$ (57)
Treasurer	18,500	18,500	17,910	(590)
Registrar/electoral board	36,000	36,000	37,029	1,029
Total shared expenses	<u>\$ 128,500</u>	<u>\$ 128,500</u>	<u>\$ 128,882</u>	<u>\$ 382</u>
Other categorical aid:				
599 Funds	\$ 385,333	\$ 385,333	\$ 385,332	\$ (1)
Streets and sidewalks	1,760,000	1,760,000	1,758,306	(1,694)
EMS funds - 4 for life and emergency services	14,000	14,000	18,296	4,296
Litter control grant	5,000	5,000	6,192	1,192
Rescue squad assistance grant	-	39,282	39,282	-

City of Williamsburg, Virginia
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire programs	\$ 40,000	\$ 40,000	\$ 45,652	\$ 5,652
Asset forfeiture	-	10,125	10,125	-
Miscellaneous grant	-	935	5,934	4,999
State sales tax	1,158,903	1,158,903	1,134,338	(24,565)
VDOT street construction	1,563,000	1,563,000	816,474	(746,526)
VRA demolition grant	-	-	50,000	50,000
Emergency services grant	25,000	25,000	30,000	5,000
Total other categorical aid	\$ 4,951,236	\$ 5,001,578	\$ 4,299,931	\$ (701,647)
Total categorical aid	\$ 5,079,736	\$ 5,130,078	\$ 4,428,813	\$ (701,265)
Total revenue from the Commonwealth	\$ 6,652,308	\$ 6,702,650	\$ 5,994,517	\$ (708,133)
Revenue from the Federal government:				
Categorical aid:				
Transportation safety grant	\$ -	\$ 12,970	\$ 12,970	\$ -
VDOT grant	-	-	173,200	173,200
Total categorical aid	\$ -	\$ 12,970	\$ 186,170	\$ 173,200
Total revenue from the federal government	\$ -	\$ 12,970	\$ 186,170	\$ 173,200
Total General Fund	\$ 41,754,886	\$ 41,826,747	\$ 42,013,706	\$ 186,959
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	\$ 39,539	\$ 39,539	\$ 1,855	\$ (37,684)
Summer youth program	-	-	33,788	33,788
Total miscellaneous	\$ 39,539	\$ 39,539	\$ 35,643	\$ (3,896)
Total revenue from local sources	\$ 39,539	\$ 39,539	\$ 35,643	\$ (3,896)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 447,648	\$ 447,648	\$ 350,552	\$ (97,096)
Comprehensive services act	126,255	126,255	98,799	(27,456)
Total categorical aid	\$ 573,903	\$ 573,903	\$ 449,351	\$ (124,552)
Total revenue from the Commonwealth	\$ 573,903	\$ 573,903	\$ 449,351	\$ (124,552)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 592,006	\$ 592,006	\$ 666,203	\$ 74,197
Total categorical aid	\$ 592,006	\$ 592,006	\$ 666,203	\$ 74,197
Total revenue from the federal government	\$ 592,006	\$ 592,006	\$ 666,203	\$ 74,197
Total Virginia Public Assistance Fund	\$ 1,205,448	\$ 1,205,448	\$ 1,151,197	\$ (54,251)

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
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<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Law Enforcement Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 11	\$ 11
Total revenue from use of money and property	\$ -	\$ -	\$ 11	\$ 11
Miscellaneous:				
Other miscellaneous	\$ -	\$ 957	\$ 957	\$ -
Total miscellaneous	\$ -	\$ 957	\$ 957	\$ -
Total revenue from local sources	\$ -	\$ 957	\$ 968	\$ 11
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ -	\$ 2,250	\$ 2,250	\$ -
Total categorical aid	\$ -	\$ 2,250	\$ 2,250	\$ -
Total revenue from the Commonwealth	\$ -	\$ 2,250	\$ 2,250	\$ -
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Bulletproof vest grant	\$ -	\$ -	\$ 2,435	\$ 2,435
Transportation safety grant	-	5,200	5,200	-
Local law enforcement block grant	-	11,366	11,367	1
Total categorical aid	\$ -	\$ 16,566	\$ 19,002	\$ 2,436
Total revenue from the federal government	\$ -	\$ 16,566	\$ 19,002	\$ 2,436
Total Law Enforcement Block Grant Fund	\$ -	\$ 19,773	\$ 22,220	\$ 2,447
Total Primary Government	\$ 42,960,334	\$ 43,051,968	\$ 43,187,123	\$ 135,155

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City council	\$ 141,098	\$ 141,098	\$ 132,173	\$ 8,925
Clerk of council	149,989	149,989	123,588	26,401
Total legislative	<u>\$ 291,087</u>	<u>\$ 291,087</u>	<u>\$ 255,761</u>	<u>\$ 35,326</u>
General and financial administration:				
City manager	\$ 526,662	\$ 526,662	\$ 520,431	\$ 6,231
City attorney	283,420	285,520	282,282	3,238
Human resources	112,828	112,828	79,820	33,008
Commissioner of revenue	214,954	214,954	214,846	108
Assessor	182,559	182,559	182,311	248
Treasurer	60,325	60,325	60,019	306
Director of finance	788,747	807,207	805,919	1,288
Information technology	758,944	774,944	747,614	27,330
Automotive/motor pool	249,403	249,403	228,798	20,605
Other general and financial administration	239,919	225,106	237,759	(12,653)
Total general and financial administration	<u>\$ 3,417,761</u>	<u>\$ 3,439,508</u>	<u>\$ 3,359,799</u>	<u>\$ 79,709</u>
Board of elections:				
Electoral board and officials	\$ 24,133	\$ 24,133	\$ 28,412	\$ (4,279)
Registrar	141,375	148,375	142,629	5,746
Total board of elections	<u>\$ 165,508</u>	<u>\$ 172,508</u>	<u>\$ 171,041</u>	<u>\$ 1,467</u>
Total general government administration	<u>\$ 3,874,356</u>	<u>\$ 3,903,103</u>	<u>\$ 3,786,601</u>	<u>\$ 116,502</u>
Judicial administration:				
Courts:				
Courthouse activities	\$ 440,000	\$ 440,000	\$ 401,237	\$ 38,763
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,960,371	\$ 3,926,466	\$ 3,866,689	\$ 59,777
Prince George parking garage	139,595	139,595	124,972	14,623
E-911	555,008	555,008	555,008	-
Total law enforcement and traffic control	<u>\$ 4,654,974</u>	<u>\$ 4,621,069</u>	<u>\$ 4,546,669</u>	<u>\$ 74,400</u>
Fire and rescue services:				
Fire department	<u>\$ 4,087,257</u>	<u>\$ 4,078,317</u>	<u>\$ 3,727,221</u>	<u>\$ 351,096</u>
Correction and detention:				
Juvenile detention commission	\$ 100,000	\$ 100,000	\$ 18,765	\$ 81,235
Regional jail	1,191,527	1,191,527	1,191,843	(316)
Group home commission	91,571	88,384	88,384	-
Total correction and detention	<u>\$ 1,383,098</u>	<u>\$ 1,379,911</u>	<u>\$ 1,298,992</u>	<u>\$ 80,919</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 430,369	\$ 432,469	\$ 422,877	\$ 9,592
Other protection:				
Animal control	\$ 18,900	\$ 18,900	\$ 18,900	\$ -
Total other protection	\$ 18,900	\$ 18,900	\$ 18,900	\$ -
Total public safety	\$ 10,574,598	\$ 10,530,666	\$ 10,014,659	\$ 516,007
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 869,195	\$ 892,635	\$ 886,013	\$ 6,622
Engineering	271,209	275,009	269,114	5,895
Stormwater operations	203,314	203,314	206,228	(2,914)
Total maintenance of highways, streets, bridges and sidewalks	\$ 1,343,718	\$ 1,370,958	\$ 1,361,355	\$ 9,603
Sanitation and waste removal:				
Refuse collection	\$ 476,500	\$ 476,500	\$ 463,162	\$ 13,338
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 482,463	\$ 482,463	\$ 478,293	\$ 4,170
Landscaping	586,954	587,454	587,314	140
Total maintenance of general buildings and grounds	\$ 1,069,417	\$ 1,069,917	\$ 1,065,607	\$ 4,310
Total public works	\$ 2,889,635	\$ 2,917,375	\$ 2,890,124	\$ 27,251
Health and welfare:				
Health:				
Local health department	\$ 183,399	\$ 183,399	\$ 186,135	\$ (2,736)
Mental health and mental retardation:				
Administration - mental health and retardation	\$ 255,000	\$ 255,000	\$ 255,000	\$ -

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Transportation programs for elderly	2,700	2,700	2,415	285
Total welfare	<u>\$ 37,700</u>	<u>\$ 37,700</u>	<u>\$ 37,415</u>	<u>\$ 285</u>
Total health and welfare	<u>\$ 476,099</u>	<u>\$ 476,099</u>	<u>\$ 478,550</u>	<u>\$ (2,451)</u>
Education:				
Other instructional costs:				
Contribution to local school board	<u>\$ 9,002,983</u>	<u>\$ 9,002,983</u>	<u>\$ 8,817,150</u>	<u>\$ 185,833</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 486,387	\$ 486,387	\$ 374,718	\$ 111,669
Waller Mill park facility	248,640	249,575	274,720	(25,145)
Recreation facility programs	562,737	570,786	500,179	70,607
Cemeteries	69,447	69,447	69,218	229
Total parks and recreation	<u>\$ 1,367,211</u>	<u>\$ 1,376,195</u>	<u>\$ 1,218,835</u>	<u>\$ 157,360</u>
Library:				
Contribution to regional library	<u>\$ 842,160</u>	<u>\$ 842,160</u>	<u>\$ 841,810</u>	<u>\$ 350</u>
Total parks, recreation, and cultural	<u>\$ 2,209,371</u>	<u>\$ 2,218,355</u>	<u>\$ 2,060,645</u>	<u>\$ 157,710</u>
Community development:				
Planning and community development:				
Planning	\$ 512,300	\$ 512,300	\$ 374,506	\$ 137,794
Community development	3,974,445	3,974,445	3,972,904	1,541
Triangle building management	42,000	42,000	52,304	(10,304)
Economic development	358,558	369,598	369,379	219
Other community development	30,342	30,342	30,342	-
Total planning and community development	<u>\$ 4,917,645</u>	<u>\$ 4,928,685</u>	<u>\$ 4,799,435</u>	<u>\$ 129,250</u>
Total community development	<u>\$ 4,917,645</u>	<u>\$ 4,928,685</u>	<u>\$ 4,799,435</u>	<u>\$ 129,250</u>
Capital projects:				
Other capital projects	<u>\$ 10,824,981</u>	<u>\$ 22,313,838</u>	<u>\$ 8,289,153</u>	<u>\$ 14,024,685</u>
Debt service:				
Principal retirement	\$ 1,032,568	\$ 1,032,568	\$ 1,032,568	\$ -
Interest and other fiscal charges	204,016	204,016	204,016	-
Total debt service	<u>\$ 1,236,584</u>	<u>\$ 1,236,584</u>	<u>\$ 1,236,584</u>	<u>\$ -</u>
Total General Fund	<u><u>\$ 46,446,252</u></u>	<u><u>\$ 57,967,688</u></u>	<u><u>\$ 42,774,138</u></u>	<u><u>\$ 15,193,550</u></u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 355,804	\$ 355,804	\$ 315,668	\$ 40,136
Public assistance	1,736,987	1,736,987	1,581,978	155,009
Comprehensive services	231,789	231,789	176,763	55,026
Total welfare and social services	<u>\$ 2,324,580</u>	<u>\$ 2,324,580</u>	<u>\$ 2,074,409</u>	<u>\$ 250,171</u>
Total health and welfare	<u>\$ 2,324,580</u>	<u>\$ 2,324,580</u>	<u>\$ 2,074,409</u>	<u>\$ 250,171</u>
Total Virginia Public Assistance Fund	<u>\$ 2,324,580</u>	<u>\$ 2,324,580</u>	<u>\$ 2,074,409</u>	<u>\$ 250,171</u>
Law Enforcement Block Grant Fund:				
Public safety:				
Other protection:				
Other protection	\$ -	\$ 20,023	\$ 19,903	\$ 120
Total Law Enforcement Block Grant Fund	<u>\$ -</u>	<u>\$ 20,023</u>	<u>\$ 19,903</u>	<u>\$ 120</u>
Total Primary Government	<u>\$ 48,770,832</u>	<u>\$ 60,312,291</u>	<u>\$ 44,868,450</u>	<u>\$ 15,443,841</u>

STATISTICAL SECTION

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Statistical Section

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Tables

Financial Trends

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

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Revenue Capacity

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

5 - 9

Debt Capacity

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

10 - 12

Demographic and Economic Information

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

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Operating Information

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

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

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net investment in capital assets	\$ 55,591,451	\$ 58,769,012	\$ 59,868,232	\$ 61,799,859
Unrestricted	28,455,299	25,864,437	25,744,448	26,187,098
Total governmental activities net position	<u>\$ 84,046,750</u>	<u>\$ 84,633,449</u>	<u>\$ 85,612,680</u>	<u>\$ 87,986,957</u>
Business-type activities				
Net investment in capital assets	\$ 13,102,740	\$ 15,601,976	\$ 15,748,286	\$ 16,771,608
Unrestricted	6,466,848	4,960,402	4,483,874	5,067,039
Total business-type activities net position	<u>\$ 19,569,588</u>	<u>\$ 20,562,378</u>	<u>\$ 20,232,160</u>	<u>\$ 21,838,647</u>
Primary government				
Net investment in capital assets	\$ 68,694,191	\$ 74,370,988	\$ 75,616,518	\$ 78,571,467
Unrestricted	34,922,147	30,824,839	30,228,322	31,254,137
Total primary government net position	<u>\$ 103,616,338</u>	<u>\$ 105,195,827</u>	<u>\$ 105,844,840</u>	<u>\$ 109,825,604</u>

Table 1

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 60,919,382	\$ 62,277,812	\$ 61,470,986	\$ 58,427,633	\$ 64,690,552	\$ 64,556,652
27,808,616	30,324,199	31,727,986	24,496,187	22,521,523	20,966,196
<u>\$ 88,727,998</u>	<u>\$ 92,602,011</u>	<u>\$ 93,198,972</u>	<u>\$ 82,923,820</u>	<u>\$ 87,212,075</u>	<u>\$ 85,522,848</u>
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
\$ 17,403,766	\$ 17,888,271	\$ 17,806,425	\$ 17,981,499	\$ 18,084,285	\$ 18,835,808
4,473,289	4,198,379	4,537,882	3,143,100	4,202,535	4,475,559
<u>\$ 21,877,055</u>	<u>\$ 22,086,650</u>	<u>\$ 22,344,307</u>	<u>\$ 21,124,599</u>	<u>\$ 22,286,820</u>	<u>\$ 23,311,367</u>
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>
\$ 78,323,148	\$ 80,166,083	\$ 79,277,411	\$ 76,409,132	\$ 82,774,837	\$ 83,392,460
32,281,905	34,522,578	36,265,868	27,639,287	26,724,058	25,441,755
<u>\$ 110,605,053</u>	<u>\$ 114,688,661</u>	<u>\$ 115,543,279</u>	<u>\$ 104,048,419</u>	<u>\$ 109,498,895</u>	<u>\$ 108,834,215</u>
<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses				
Governmental activities:				
General government administration	\$ 3,925,496	\$ 4,206,889	\$ 4,350,670	\$ 3,563,461
Judicial administration	369,459	373,159	524,247	405,416
Public safety	9,410,409	9,626,052	9,200,629	9,275,831
Public works	4,504,611	4,493,041	3,314,209	4,750,649
Health and welfare	2,415,272	2,335,735	2,319,951	2,245,513
Education	8,446,319	7,913,290	8,439,060	7,736,481
Parks, recreation and cultural	2,275,707	2,535,481	2,362,491	2,314,517
Community development	5,694,235	5,091,394	4,788,236	4,482,731
Interest expense	467,896	408,129	303,123	284,738
Total governmental activities expenses	<u>\$ 37,509,404</u>	<u>\$ 36,983,170</u>	<u>\$ 35,602,616</u>	<u>\$ 35,059,337</u>
Business-type activities				
Water and sewer services	\$ 4,769,797	\$ 4,862,433	\$ 6,025,427	\$ 6,046,002
Total business-type activities expenses	<u>\$ 4,769,797</u>	<u>\$ 4,862,433</u>	<u>\$ 6,025,427</u>	<u>\$ 6,046,002</u>
Total primary government expenses	<u>\$ 42,279,201</u>	<u>\$ 41,845,603</u>	<u>\$ 41,628,043</u>	<u>\$ 41,105,339</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ -	\$ 4,760	\$ -	\$ -
Judicial administration	140,559	147,160	108,161	222,572
Public safety	479,255	295,207	260,751	155,522
Public works	-	-	-	-
Parks, recreation and cultural	298,453	317,573	350,497	390,220
Community development	43,750	42,198	37,881	43,742
Operating grants and contributions	3,999,026	4,008,035	4,314,763	4,715,846
Capital grants and contributions	464,435	133,363	-	-
Total governmental activities program revenues	<u>\$ 5,425,478</u>	<u>\$ 4,948,296</u>	<u>\$ 5,072,053</u>	<u>\$ 5,527,902</u>
Business-type activities:				
Charges for services:				
Water and sewer	\$ 5,751,177	\$ 5,575,174	\$ 5,398,525	\$ 7,496,603
Total business-type activities program revenues	<u>\$ 5,751,177</u>	<u>\$ 5,575,174</u>	<u>\$ 5,398,525</u>	<u>\$ 7,496,603</u>
Total primary government program revenues	<u>\$ 11,176,655</u>	<u>\$ 10,523,470</u>	<u>\$ 10,470,578</u>	<u>\$ 13,024,505</u>

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 4,067,673	\$ 4,252,911	\$ 4,070,451	\$ 3,998,879	\$ 4,072,768	\$ 6,828,770
375,239	501,565	439,441	459,778	525,421	412,269
9,638,966	9,671,016	10,122,867	9,777,938	10,290,497	10,805,800
4,505,943	4,142,471	4,526,929	5,056,076	3,721,977	5,792,493
2,414,154	2,251,382	2,309,325	2,208,356	2,452,903	2,546,971
7,756,817	8,205,970	9,170,571	9,132,615	8,929,127	10,121,948
2,424,850	2,430,750	2,399,212	2,455,296	2,285,504	2,875,228
4,418,902	4,512,839	4,684,339	4,666,769	5,055,084	5,036,866
472,343	122,847	175,563	207,260	185,452	158,220
<u>\$ 36,074,887</u>	<u>\$ 36,091,751</u>	<u>\$ 37,898,698</u>	<u>\$ 37,962,967</u>	<u>\$ 37,518,733</u>	<u>\$ 44,578,565</u>

\$ 5,935,670	\$ 6,019,724	\$ 6,042,928	\$ 6,827,214	\$ 6,202,622	\$ 6,521,031
<u>\$ 5,935,670</u>	<u>\$ 6,019,724</u>	<u>\$ 6,042,928</u>	<u>\$ 6,827,214</u>	<u>\$ 6,202,622</u>	<u>\$ 6,521,031</u>
<u>\$ 42,010,557</u>	<u>\$ 42,111,475</u>	<u>\$ 43,941,626</u>	<u>\$ 44,790,181</u>	<u>\$ 43,721,355</u>	<u>\$ 51,099,596</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
259,700	331,835	242,359	256,600	315,991	192,412
183,113	578,682	673,805	695,048	936,509	950,334
-	-	3,500	14,960	-	-
401,398	419,959	361,824	341,745	342,613	398,700
42,702	-	38,667	43,300	53,734	50,305
4,414,469	4,062,259	4,888,993	4,934,029	4,597,704	6,485,071
21,777	2,322,693	-	-	1,357,913	-
<u>\$ 5,323,159</u>	<u>\$ 7,715,428</u>	<u>\$ 6,209,148</u>	<u>\$ 6,285,682</u>	<u>\$ 7,604,464</u>	<u>\$ 8,076,822</u>

\$ 5,783,098	\$ 6,024,722	\$ 6,102,936	\$ 6,932,559	\$ 7,061,086	\$ 7,325,679
<u>\$ 5,783,098</u>	<u>\$ 6,024,722</u>	<u>\$ 6,102,936</u>	<u>\$ 6,932,559</u>	<u>\$ 7,061,086</u>	<u>\$ 7,325,679</u>
<u>\$ 11,106,257</u>	<u>\$ 13,740,150</u>	<u>\$ 12,312,084</u>	<u>\$ 13,218,241</u>	<u>\$ 14,665,550</u>	<u>\$ 15,402,501</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue				
Governmental activities	\$ (32,083,926)	\$ (32,034,874)	\$ (30,530,563)	\$ (29,531,435)
Business-type activities	981,380	712,741	(626,902)	1,450,601
Total primary government net expense	\$ (31,102,546)	\$ (31,322,133)	\$ (31,157,465)	\$ (28,080,834)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	\$ 10,576,818	\$ 11,190,551	\$ 11,247,772	\$ 10,745,485
Sales taxes	4,562,028	3,844,275	3,885,065	3,963,454
Business property taxes	1,210,744	1,307,209	1,276,328	1,329,808
Consumer utility taxes	1,107,790	1,040,510	1,047,378	300,969
Business license taxes	1,754,093	1,595,535	1,571,483	1,497,159
Hotel and room taxes	4,447,662	3,574,810	3,248,789	3,384,922
\$2 lodging taxes	1,625,774	1,347,470	1,277,760	1,299,244
Meals taxes	6,005,227	5,522,541	5,607,318	5,989,446
Other local taxes	800,542	576,653	609,055	640,363
Use of Money & Property	1,765,800	930,037	730,861	624,386
Gain on sale of capital assets	-	-	887,684	-
Grants and contributions not restricted to specific programs	899,609	820,341	812,215	1,463,933
Miscellaneous	1,959,074	871,641	886,798	666,543
Total governmental activities	\$ 36,715,161	\$ 32,621,573	\$ 33,088,506	\$ 31,905,712
Business-type activities:				
Investment earnings	\$ 209,655	\$ 97,165	\$ 26,248	\$ 8,536
Miscellaneous	147,610	182,884	270,436	147,350
Total business-type activities	\$ 357,265	\$ 280,049	\$ 296,684	\$ 155,886
Total primary government	\$ 37,072,426	\$ 32,901,622	\$ 33,385,190	\$ 32,061,598
Change in Net Position				
Governmental activities	\$ 4,631,235	\$ 586,699	\$ 2,557,943	\$ 2,374,277
Business-type activities	1,338,645	992,790	(330,218)	1,606,487
Total primary government	\$ 5,969,880	\$ 1,579,489	\$ 2,227,725	\$ 3,980,764

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ (30,751,728)	\$ (28,376,323)	\$ (31,689,550)	\$ (31,677,285)	\$ (29,914,269)	\$ (36,501,743)
(152,572)	4,998	60,008	105,345	858,464	804,648
\$ (30,904,300)	\$ (28,371,325)	\$ (31,629,542)	\$ (31,571,940)	\$ (29,055,805)	\$ (35,697,095)
\$ 10,367,460	\$ 10,494,240	\$ 10,613,393	\$ 11,050,728	\$ 11,370,789	\$ 11,511,859
4,161,131	4,494,328	4,239,957	4,352,601	4,298,743	4,388,596
1,304,252	1,096,833	1,326,998	1,213,731	1,257,334	1,370,354
295,788	306,596	309,602	308,027	308,493	290,524
1,598,958	1,646,691	1,630,018	1,685,718	1,790,395	1,833,991
3,396,446	3,369,785	3,129,262	3,220,638	3,319,625	3,316,634
1,264,046	1,222,448	1,130,804	1,122,632	1,130,176	1,128,430
6,277,434	6,391,022	6,446,505	6,819,384	7,022,994	7,043,184
655,754	821,634	762,296	884,244	831,413	896,775
647,887	775,355	756,800	794,410	888,071	962,887
-	-	-	-	-	-
1,491,961	1,540,889	1,587,926	1,605,883	1,567,337	1,565,704
720,497	216,620	352,950	246,268	417,154	503,578
\$ 32,181,614	\$ 32,376,441	\$ 32,286,511	\$ 33,304,264	\$ 34,202,524	\$ 34,812,516
\$ 29,772	\$ 29,914	\$ 28,330	\$ 28,353	\$ 29,570	\$ 33,650
161,208	174,683	169,319	193,023	274,187	186,249
\$ 190,980	\$ 204,597	\$ 197,649	\$ 221,376	\$ 303,757	\$ 219,899
\$ 32,372,594	\$ 32,581,038	\$ 32,484,160	\$ 33,525,640	\$ 34,506,281	\$ 35,032,415
\$ 1,429,886	\$ 4,000,118	\$ 596,961	\$ 1,626,979	\$ 4,288,255	\$ (1,689,227)
38,408	209,595	257,657	326,721	1,162,221	1,024,547
\$ 1,468,294	\$ 4,209,713	\$ 854,618	\$ 1,953,700	\$ 5,450,476	\$ (664,680)

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 *</u>
General Fund				
Reserved	\$ 553,490	\$ 124,011	\$ 8,287	\$ -
Unreserved	28,448,307	26,253,762	25,983,407	-
Nonspendable	-	-	-	13,326
Restricted	-	-	-	-
Assigned	-	-	-	3,591,208
Unassigned	-	-	-	22,875,543
Total general fund	<u>\$ 29,001,797</u>	<u>\$ 26,377,773</u>	<u>\$ 25,991,694</u>	<u>\$ 26,480,077</u>
All Other Governmental Funds				
Unreserved (Special Revenue funds)	\$ 182,825	\$ 250,939	\$ 337,593	\$ -
Assigned (Special Revenue funds)	-	-	-	399,209
Total all other governmental funds	<u>\$ 182,825</u>	<u>\$ 250,939</u>	<u>\$ 337,593</u>	<u>\$ 399,209</u>

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

Table 3

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,178,530	1,179,522	1,178,480	1,918,709	1,919,711	3,201,923
-	-	4,820,655	1,748,630	-	-
1,375,060	18,037,302	19,317,000	20,318,269	18,818,825	15,458,283
25,288,755	11,426,473	11,707,336	11,991,519	12,382,517	12,649,882
<u>\$ 27,842,345</u>	<u>\$ 30,643,297</u>	<u>\$ 37,023,471</u>	<u>\$ 35,977,127</u>	<u>\$ 33,121,053</u>	<u>\$ 31,310,088</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
365,844	275,829	300,711	428,711	524,301	653,939
<u>\$ 365,844</u>	<u>\$ 275,829</u>	<u>\$ 300,711</u>	<u>\$ 428,711</u>	<u>\$ 524,301</u>	<u>\$ 653,939</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues						
Taxes	\$ 32,147,392	\$ 29,922,838	\$ 29,602,186	\$ 29,210,384	\$ 29,274,314	\$ 29,786,811
Licenses, fees, and permits	376,974	207,637	164,699	154,108	181,806	151,637
Fines and penalties	241,302	233,262	202,487	221,767	259,308	228,172
Use of money and property	1,765,800	930,037	730,861	624,377	647,887	775,355
Charges for services	343,741	347,740	390,104	436,181	445,799	950,667
Intergovernmental	6,759,594	4,971,107	4,930,242	6,179,779	5,928,207	5,603,148
Other revenues	1,322,551	1,683,536	1,929,868	1,343,191	1,489,696	1,015,233
Total revenues	\$ 42,957,354	\$ 38,296,157	\$ 37,950,447	\$ 38,169,787	\$ 38,227,017	\$ 38,511,023
Expenditures						
General government	\$ 2,956,796	\$ 3,247,353	\$ 3,130,496	\$ 3,341,506	\$ 3,781,205	\$ 3,509,833
Judicial	369,459	373,159	332,736	405,416	371,366	398,300
Police	4,246,050	4,273,913	3,916,856	3,876,496	4,069,699	4,197,314
Fire	3,257,746	3,293,365	2,983,054	3,108,601	3,146,035	3,297,878
Other public safety	1,561,167	1,686,790	1,670,784	1,744,010	1,829,335	1,694,206
Public works	3,579,302	4,185,312	3,404,437	2,877,077	3,129,845	2,922,135
Health and welfare	2,391,062	2,311,671	2,318,563	2,241,201	2,416,361	2,256,347
Education	7,135,650	7,023,314	6,923,146	6,991,174	7,337,320	7,673,329
Parks and recreation	1,392,614	1,387,111	1,272,611	1,205,651	1,232,402	1,220,914
Library	884,955	884,971	840,727	750,959	779,744	819,526
Community Development	5,662,525	5,070,823	4,760,075	4,469,891	4,419,267	4,478,159
Non-departmental	-	-	-	-	-	-
Capital projects	7,809,941	5,699,783	6,181,634	5,206,675	3,701,211	2,432,992
Debt Service						
Principal	2,314,249	1,036,704	1,064,816	1,149,694	886,240	758,761
Interest	477,006	377,798	337,621	275,348	354,583	140,392
Total expenditures	\$ 44,038,522	\$ 40,852,067	\$ 39,137,556	\$ 37,643,699	\$ 37,454,613	\$ 35,800,086
Excess of revenues over (under) expenditures	\$ (1,081,168)	\$ (2,555,910)	\$ (1,187,109)	\$ 526,088	\$ 772,404	\$ 2,710,937
Other Financing Sources (Uses)						
Issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding bonds issued	-	-	-	1,398,911	5,481,048	-
Redemption of refunded bonds	-	-	-	(1,375,000)	(5,376,749)	-
Disposal of capital asset	-	-	-	-	-	-
Sale of capital assets	-	-	887,684	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ 887,684	\$ 23,911	\$ 104,299	\$ -
Net change in fund balances	\$ (1,081,168)	\$ (2,555,910)	\$ (299,425)	\$ 549,999	\$ 876,703	\$ 2,710,937
Debt service as a percentage of noncapital expenditures	7.34%	3.92%	4.01%	4.19%	3.55%	2.82%

Table 4

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 29,736,493	\$ 30,628,000	\$ 31,301,136	\$ 31,815,149
240,017	255,915	229,485	249,819
214,373	197,117	155,032	181,175
756,797	794,407	888,063	962,887
865,765	898,621	1,264,330	1,160,757
6,476,919	6,539,912	7,522,954	7,317,493
1,279,747	1,181,005	1,375,375	1,499,843
<u>\$ 39,570,111</u>	<u>\$ 40,494,977</u>	<u>\$ 42,736,375</u>	<u>\$ 43,187,123</u>
\$ 3,403,525	\$ 3,493,522	\$ 3,475,742	\$ 3,786,601
411,806	400,605	365,281	401,237
4,417,042	4,368,153	4,515,626	4,566,572
3,479,594	3,556,562	3,734,705	3,727,221
1,719,162	1,718,468	1,793,039	1,740,769
2,914,416	2,936,678	2,786,405	2,890,124
2,306,790	2,255,020	2,499,978	2,552,959
8,181,450	8,540,794	8,388,204	8,817,150
1,202,169	1,138,321	1,120,804	1,218,835
820,156	827,166	842,160	841,810
4,591,577	4,599,954	4,776,918	4,799,435
-	-	-	-
3,820,162	6,180,712	9,958,807	8,289,153
683,990	988,147	1,006,410	1,032,568
213,216	252,415	232,780	204,016
<u>\$ 38,165,055</u>	<u>\$ 41,256,517</u>	<u>\$ 45,496,859</u>	<u>\$ 44,868,450</u>
\$ 1,405,056	\$ (761,540)	\$ (2,760,484)	\$ (1,681,327)
\$ 5,000,000	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	(156,804)	-	-
-	-	-	-
<u>\$ 5,000,000</u>	<u>\$ (156,804)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 6,405,056	\$ (918,344)	\$ (2,760,484)	\$ (1,681,327)
2.48%	3.34%	3.36%	2.92%

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

Fiscal Year	Property	1% Sales & Use	Consumer Utility	Business License	Franchise	Tobacco
2008	\$ 12,617,849	\$ 4,562,028	\$ 1,107,790	\$ 1,754,093	\$ 102,833	\$ 180,701
2009	13,194,616	3,844,275	1,040,510	1,595,535	108,020	144,534
2010	13,128,910	3,885,065	1,047,378	1,571,483	121,248	158,460
2011	12,908,398	3,963,454	1,049,808	1,497,160	111,020	148,032
2012	12,351,657	4,161,131	1,029,412	1,598,958	103,571	147,870
2013	12,307,879	4,494,328	1,042,165	1,646,691	104,682	183,155
2014	12,861,621	4,239,957	1,032,653	1,630,018	129,792	148,320
2015	13,008,328	4,352,601	1,024,760	1,685,718	123,048	156,911
2016	13,372,869	4,298,743	1,004,008	1,790,395	114,402	134,640
2017	13,690,588	4,388,595	968,943	1,833,991	119,948	130,032

Table 5

Hotel & Motel	\$2 Lodging	Restaurant	Other	Total
\$ 4,447,662	\$ 1,625,774	\$ 6,005,227	\$ 517,007	\$ 32,920,964
3,574,810	1,347,470	5,522,541	324,099	30,696,410
3,248,789	1,277,760	5,607,318	329,347	30,375,758
3,384,922	1,299,244	5,989,446	381,311	30,732,795
3,396,446	1,264,046	6,277,434	404,313	30,734,838
3,369,785	1,222,448	6,391,022	533,798	31,295,953
3,129,262	1,130,804	6,446,505	484,184	31,233,116
3,220,638	1,122,632	6,819,384	604,285	32,118,305
3,319,625	1,130,176	7,022,994	582,371	32,770,223
3,316,633	1,128,430	7,043,184	646,796	33,267,140

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			
2008	\$ 1,139,635,400	\$ 1,196,545,300	\$ 35,958,080	\$ 36,179,761	\$ 532,941,500	\$ 1,875,377,041	\$ 4.04
2009	1,215,949,800	1,226,781,800	35,034,560	38,278,637	547,275,600	1,968,769,197	4.04
2010	1,202,447,900	1,246,006,000	35,605,695	39,204,545	555,882,100	1,967,382,040	4.04
2011	1,166,641,800	1,335,437,900	35,652,620	39,303,636	674,570,500	1,902,465,456	4.04
2012	1,134,906,200	1,373,260,600	36,082,270	39,746,802	772,009,200	1,811,986,672	4.04
2013	1,064,590,700	1,408,826,400	39,582,570	37,495,959	845,513,900	1,704,981,729	4.07
2014	1,083,446,200	1,522,534,200	40,845,200	38,241,433	918,768,400	1,766,298,633	4.07
2015	1,108,726,200	1,571,532,200	42,220,440	36,393,827	943,646,700	1,815,225,967	4.07
2016	1,168,895,100	1,581,516,100	43,377,030	37,405,286	964,234,400	1,866,959,116	4.07
2017	1,190,581,300	1,610,013,500	44,053,770	39,765,792	971,263,000	1,913,151,362	4.07

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

¹ Includes tax-exempt property.

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

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

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

Table 7

Fiscal Year Ended June 30	Real Estate Tax ¹	Personal Property Tax ¹	Room Tax	Meal Tax	Retail Sales Tax ²	Total Direct Tax Rate
2008	\$0.54	\$3.50	5%	5%	1%	\$4.04
2009	\$0.54	\$3.50	5%	5%	1%	\$4.04
2010	\$0.54	\$3.50	5%	5%	1%	\$4.04
2011	\$0.54	\$3.50	5%	5%	1%	\$4.04
2012	\$0.54	\$3.50	5%	5%	1%	\$4.04
2013	\$0.57	\$3.50	5%	5%	1%	\$4.07
2014	\$0.57	\$3.50	5%	5%	1%	\$4.07
2015	\$0.57	\$3.50	5%	5%	1%	\$4.07
2016	\$0.57	\$3.50	5%	5%	1%	\$4.07
2017	\$0.57	\$3.50	5%	5%	1%	\$4.07

¹ per \$100 assessed value

² Collected by State, remitted monthly to City

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

Table 8

<u>Taxpayers</u>	2008			2017		
	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	\$ 272,787,400	1	15.08%	\$ 255,667,200	1	13.98%
Westgate Resorts, LTD	26,140,300	2	1.44%			
Riverside Healthcare Associates	22,181,700	3	1.23%	31,977,600	3	1.75%
King James Group LLC	18,382,800	4	1.02%			
Bluegreen Vacations, Unlimited	17,348,500	5	0.96%	16,327,700	7	0.89%
Virginia Landmark Hotels LLC	15,465,400	6	0.85%			
Jin, Inc.	13,119,100	7	0.73%			
Oam Shree Corporation	12,898,800	8	0.71%			
Medalist Properties 5 LLC	10,654,900	9	0.59%			
Woodshire, LTD	9,710,100	10	0.54%			
Quarterpath Williamsburg LLC				43,914,700	2	2.40%
BRG Quarterpath LLC				25,677,000	4	1.40%
High Street Retail Phase I LLC				21,220,400	5	1.16%
Sterling Manor Apartments LLC				21,095,400	6	1.15%
Westgate Resorts, LTD				15,281,100	8	0.84%
SLN Quarterpath Associates LLC				14,804,700	9	0.81%
160 Merrimac Associates LLC				12,508,600	10	0.68%

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
2008	\$ 12,253,143	\$ 12,041,834	98.28%	\$ 197,954	\$ 12,239,788	99.89%
2009	12,809,891	12,635,773	98.64%	169,195	12,804,968	99.96%
2010	12,829,250	12,554,463	97.86%	269,900	12,824,363	99.96%
2011	12,471,576	12,218,215	97.97%	241,895	12,460,110	99.91%
2012	11,970,235	11,725,636	97.96%	227,721	11,953,357	99.86%
2013	11,948,865	11,687,094	97.81%	211,678	11,898,772	99.58%
2014	12,350,178	12,122,381	98.16%	168,555	12,290,936	99.52%
2015	12,634,887	12,409,075	98.21%	171,661	12,580,736	99.57%
2016	13,010,693	12,796,868	98.36%	112,462	12,796,868	98.36%
2017	13,321,942	13,079,983	98.18%	n/a	13,079,983	98.18%

Source: City of Williamsburg Assessor's Office

Notes: Property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201 requires that annual assessments of real estate shall be made at 100 percent fair market value. Estimated actual taxable value is calculated by dividing taxable assessed value by 100%. The set amount of receipts from the State's Personal Property Tax Relief Act may skew the collection rate, depending on the relief rate set by the City each year.

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

Table 10

Fiscal Year	Governmental Activities	Business-type Activities	Total Primary Government	Debt Per Capita	Debt as Percentage of Personal Income
	General Obligation Bonds	General Obligation Bonds			
2008	\$ 10,534,146	\$ 566,666	\$ 11,100,812	836	0.3%
2009	9,497,443	10,433,333	19,930,776	1,492	0.5%
2010	8,432,627	9,808,700	18,241,327	1,297	0.5%
2011	7,306,844	9,231,593	16,538,437	1,160	0.4%
2012	6,796,767	8,643,971	15,440,738	1,080	0.3%
2013	5,997,390	8,051,980	14,049,370	969	0.3%
2014	10,270,795	7,446,884	17,717,679	1,190	0.4%
2015	9,241,038	6,819,945	16,060,983	1,066	0.4%
2016	8,193,018	6,184,269	14,377,287	968	0.3%
2017	7,118,840	5,526,750	12,645,590	820	0.3%

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
2008	\$ 11,100,812	0.59%	\$ 836
2009	19,930,775	1.01%	1,492
2010	18,241,327	0.96%	1,297
2011	16,538,437	0.87%	1,160
2012	15,440,738	0.85%	1,083
2013	14,049,370	0.82%	969
2014	17,717,679	1.00%	1,190
2015	16,060,983	0.88%	1,066
2016	14,377,287	0.77%	968
2017	12,645,590	0.66%	820

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$180,323,920	\$189,545,600	\$189,257,180	\$182,750,920
Total net debt applicable to limit	11,100,812	19,930,775	18,241,325	16,538,737
Legal debt margin	169,223,108	169,614,825	171,015,855	166,212,183
Total net debt applicable to the limit as a percentage of debt limit	6.16%	10.52%	9.64%	9.05%

Legal Debt Margin Calculation for Fiscal Year 2017:

Assessed Value	\$1,829,331,800
Debt Limit (10% of assessed value)	182,933,180
Debt applicable to limit:	
General obligation bonds	12,645,590
Legal debt margin	<u><u>\$170,287,590</u></u>

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

Table 12

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$173,615,760	\$162,790,320	\$168,721,200	\$173,661,170	\$178,617,680	\$182,933,180
15,440,738	14,049,370	17,717,679	16,060,983	14,377,287	12,645,590
158,175,022	148,740,950	151,003,521	157,600,187	164,240,393	170,287,590
8.89%	8.63%	10.50%	9.25%	8.05%	6.91%

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

Table 13

Fiscal Year	City Population *	Area Population *	Personal Income (thousands of dollars) ²	Per Capita Personal Income ²	Public School Enrollment ³	Unemployment Rate ¹
2008	13,273	77,732	\$4,175,375	\$53,715	10,137	8.6%
2009	13,354	79,805	\$4,078,729	\$51,109	10,248	14.8%
2010	14,068	81,440	\$4,196,931	\$51,538	10,503	10.1%
2011	14,256	82,591	\$4,474,583	\$54,224	10,549	9.0%
2012	14,503	84,149	\$4,703,429	\$55,990	10,671	8.3%
2013	14,893	85,709	\$4,745,679	\$55,550	10,748	7.7%
2014	15,064	87,274	\$4,954,338	\$56,960	10,998	7.3%
2015	14,860	88,199	\$5,160,028	\$58,504	11,116	6.3%
2016	15,429	89,044	**	**	11,303	5.6%
2017	**	**	**	**	11,431	**

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

** not available

¹ Virginia Employment Commission (*calendar year figures*)

² Source - U.S. Bureau of Census, Bureau of Economic Analysis (BEA)
population and per capita personal figures are only available for the City of Williamsburg and neighboring James City County combined

³ Source - Williamsburg-James City County Public Schools

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

Table 14

<u>Employer</u>	2008			2017		
	<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	20.50%	1,000+	1	19.81%
Colonial Williamsburg Foundation	1,000+	2	11.56%	1,000+	2	10.68%
Colonial Williamsburg Company	1,000+	3	8.34%	500 to 999	3	6.81%
City of Williamsburg	250 to 499	4	1.22%	250 to 499	5	1.77%
Williamsburg Hospitality House	100 to 249	5	0.93%			
Marriott Educational Svcs. Inc.	100 to 249	6	0.93%			
National Center for State Courts	100 to 249	7	0.93%	100 to 249	9	0.71%
Red Lobster & The Olive Garden	100 to 249	8	0.93%	100 to 249	10	0.71%
Yankee Candle	100 to 249	9	0.93%			
Bluegreen	100 to 249	10	0.93%			
W-JCC Schools				250 to 499	4	2.54%
Sodexo				250 to 499	6	1.05%
Riverside Doctors' Hospital				100 to 249	7	0.71%
Walsingham Academy				100 to 249	8	0.71%

¹ includes part-time and seasonal employees

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

Table 15

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
City Manager	5.5	5.5	5.5	5.5	5.5	6.5	6.5	6.5	6.5	6.5
Clerk of Council	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Attorney	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Commissioner of Revenue	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Treasurer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Registrar	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0
Assessor	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information Technology	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	9.0	9.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	9.0
Police										
Officers	36.0	36.0	33.0	34.0	35.0	35.0	35.0	35.0	36.0	36.0
Civilians	18.0	18.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fire										
Firefighters & officers	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	39.0
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	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Landscape	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Shop	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Building Maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Planning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Compliance	7.0	7.0	5.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
Recreation	9.0	9.0	9.0	8.0	8.0	8.5	8.5	8.5	8.5	8.5
Human Services/Public Housing	13.0	13.0	13.0	13.0	13.0	17.0	19.0	19.0	19.0	19.0
Public Utilities	<u>25.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>	<u>26.0</u>
Total	<u>201.0</u>	<u>202.0</u>	<u>185.5</u>	<u>182.5</u>	<u>183.5</u>	<u>188.0</u>	<u>190.0</u>	<u>191.0</u>	<u>192.5</u>	<u>196.5</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
Real estate parcels appraised	4,139	4,135	4,202	4,220	4,220	4,214	4,216	4,299	4,313	4,318
Real estate property transfers	342	242	277	330	337	285	302	415	370	421
Police										
Calls for service	30,147	31,711	28,758	37,844	37,283	36,956	37,774	36,168	34,837	34,033
Moving violations	2,053	2,118	1,377	1,586	1,800	1,457	1,107	1,147	1,238	1,364
Offenses	371	340	354	403	389	376	307	314	301	333
Fire										
Emergency fire responses	1,581	1,338	1,778	1,738	1,834	1,884	1,988	2,226	2,792	2,522
Emergency EMS responses	2,151	2,200	2,294	2,164	2,443	2,455	2,435	2,523	2,788	3,113
Public Works										
Street miles maintained	54	54	65	65	65	65	65	65	65	65
Work orders issued-streets	185	218	274	159	122	135	343	452	382	454
Tons of res. solid waste collected	3,607	4,061	2,182	2,108	2,250	2,094	1,966	1,814	1,925	2,063
Planning										
Subdivision lots approved	0	0	0	4	0	2	0	0	0	0
Site plans processed	7	10	8	9	1	5	1	1	2	0
Code Compliance										
Total permits issued	1,845	1,475	1,792	1,725	1,436	1,336	1,555	1,344	1,538	1,920
Total inspections performed	7,228	6,706	7,169	6,824	5,171	5,491	5,178	6,966	7,284	7,082
Recreation										
Program participants	18,899	20,902	21,376	22,010	26,135	25,886	25,487	21,684	23,135	23,706
Waller Mill Park attendance	199,050	249,226	261,144	86,413	81,254	90,066	109,144	112,854	95,312	107,036
Human Services (avg. monthly)										
Total benefit program cases	600	693	942	1,125	1,182	1,228	1,248	1,365	1,320	1,338
Total service cases	179	174	193	236	230	202	224	209	193	191
Public Utilities										
Water consumed (million gallons)	1,192	1,172	1,008	1,059	1,015	937	931	997	959	953
Water leaks repaired	48	49	40	32	36	45	31	32	31	26
Sewer backups	94	72	80	65	53	53	31	35	47	22
Work orders issued	412	446	493	550	468	456	450	449	395	308

Source: City operating departments

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

Table 17

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
Number of buildings	28	28	28	28	28	28	28	28	28	28
Number of parking structures	2	2	2	2	2	2	2	2	2	2
Total number of active vehicles in vehicle replacement plan	81	77	77	80	83	84	82	83	84	85
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	65	65	65	65	65	65	65	65
Number of traffic signals	14	15	15	15	15	15	15	15	15	15
Bridges	4	4	4	4	4	4	4	4	4	4
Education-Regional Schools										
Grades: K - 5	8	8	9	9	9	9	9	9	9	9
Grades: 6 - 8	3	4	4	3	3	3	3	3	3	3
Grades: 9 -12	3	3	3	3	3	3	3	3	3	3
Parks & Recreation										
Number of parks	4	4	4	4	4	4	4	4	4	4
Number of ball fields	6	6	6	6	6	6	6	6	6	6
Number of tennis courts	10	10	10	10	10	10	10	10	10	10
Number of total acres	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036
Culture										
Number of public libraries (regional)	2	2	2	2	2	2	2	2	2	2
Public Utilities										
Miles of water distribution	48	48	48	48	48	48	48	48	48	48
Number of water tanks	5	5	5	5	6	6	6	6	6	6
Number of pump stations	14	14	14	14	14	14	15	15	15	15

Source: City departments.

COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Williamsburg, Virginia's basic financial statements, and have issued our report thereon dated October 20, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 20, 2017

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Williamsburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Williamsburg, Virginia's major federal programs for the year ended June 30, 2017. The City of Williamsburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Williamsburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Williamsburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Williamsburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of City of Williamsburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Williamsburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Williamsburg, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farner, Cox Associate

Richmond, Virginia
October 20, 2017

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>Department of Health and Human Services:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 1,481
Temporary Assistance for Needy Families (TANF)	93.558	0400111/0400112	94,398
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111/0500112	252
Low-Income Home Energy Assistance	93.568	0600411/0600412	9,648
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111/0760112	12,864
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111/0900112	94
Foster Care - Title IV-E	93.658	1100111/1100112	68,948
Adoption Assistance	93.659	1120111/1120112	80,697
Social Services Block Grant	93.667	1000111/1000112	67,940
Chafee Foster Care Independence Program	93.674	9150111/9150112	649
Children's Health Insurance Program	93.767	0540111/0540112	4,850
Medical Assistance Program	93.778	1200111/1200112	176,231
Total Department of Health and Human Services			<u>\$ 518,052</u>
<i>Department of Agriculture:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111/0010112 0040111/0040112	\$ 148,152
Total Department of Agriculture			<u>\$ 148,152</u>
<i>Department of Justice:</i>			
Direct payments:			
Bulletproof Vest Partnership Program	16.607	N/A	<u>\$ 2,435</u>
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-J1208LO11 13-K1208LO12	\$ 11,366
Total Department of Justice			<u>\$ 13,801</u>
<i>Department of Transportation:</i>			
Pass Through Payments:			
<i>Department of Transportation</i>			
Highway Planning and Construction	20.205	N/A	<u>\$ 173,200</u>
<i>Department of Motor Vehicles</i>			
State and Community Highway Safety	20.600	K81252285	<u>\$ 18,170</u>
Total Department of Transportation			<u>\$ 191,370</u>
Total Expenditures of Federal Awards			<u><u>\$ 871,375</u></u>

See accompanying notes to schedule of expenditures of federal awards.

City of Williamsburg, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents on a selected portion of the operations of the City of Williamsburg, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the City of Williamsburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, 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 - Food Donation

The value of federal awards expended in the form of noncash assistance for food commodities is reported in the schedule.

Note 4 - 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	\$ 186,170
Virginia public assistance fund	666,203
Law enforcement block grant fund	19,002

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u>\$ 871,375</u>
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

The City did not elect to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 7 - Loan Balances

The City has no loans or loan guarantees which are subject to reporting requirements for the current year.

City of Williamsburg, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified that are
not considered to be material weakness(es)? _____ yes ✓ none reported

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ no

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

Any findings disclosed that are required to be
reported in accordance with 2 CFR section
200.516 (a)? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.778

Medical Assistance Program

Dollar threshold used to distinguish between type A
and type B programs: \$750,000

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
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2017

There were no prior audit findings.