

CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007

PREPARED BY:

Department of Finance

CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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CITY OF WILLIAMSBURG, VIRGINIA

Members of the City Council

	Jeanne Zeidler, Mayor	
	Clyde A. Haulman, Vice-Mayor	
Mickey P. Chohany		Paul Freiling
Robert Braxton		Shelia Y. Crist, Clerk of Council

City Officials

City Manager	Jackson C. Tuttle, II
Director of Finance.....	Philip F. Serra, Jr.
Assistant City Manager.....	Jodi M. Miller
Commonwealth's Attorney.....	Cressondra Conyers
City Attorney	Joseph F. Phillips
Treasurer.....	M. Ann Davis
Commissioner of Revenue.....	Judy Nightengale Fuqua
Clerk of Circuit Court	Betsy Woolridge
Sheriff	Robert Deeds
Director of Public Works & Utilities	Daniel G. Clayton, III
Director of Planning	Reed T. Nester
Director of Human Services.....	Peter P. Walentisch
Director of Recreation	R. Paul Hudson
Chief, Fire Department.....	Terrill K. Weiler
Chief, Police Department	James M. Yost



CITY OF WILLIAMSBURG

Department of Finance

November 5, 2007

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, 2007, is submitted herewith in accordance with Section 15.2-2511 of the Code of Virginia. This report was prepared by the City's Department of Finance. 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. 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 meets all governmental accounting and financial reporting requirements of statements, interpretations and technical bulletins issued by the Governmental Accounting Standards Board (GASB). The GASB issues new financial reporting guidelines on a continual basis, covering a wide range of topics for financial statement presentation. This is the sixth report in full compliance with the requirements of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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 government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the second year of a multi-year contract for professional auditing services with this firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Williamsburg financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

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 council consisting of the Mayor and four other members. 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.

The City Council members serve four-year staggered terms. The Mayor is chosen from among City Council members every two years. Williamsburg encompasses some nine square miles located between the James and York Rivers on the Virginia Peninsula in Southeastern Virginia. The 2000 U.S. Census showed Williamsburg with a population of 11,998. The latest population figures presented by the Weldon Cooper Center for Public Service at the University of Virginia put the City's current population at 13,242.

The City is home to two premier institutions: the College of William & Mary, established in 1693, and the Colonial Williamsburg Foundation recreating the days when Williamsburg was the Capital of Colonial Virginia, 1699 to 1780.

The financial reporting entity includes all the funds of the City of Williamsburg. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As such, the City has no component units (legally separate entities for which the City as primary government is financially accountable).

The City provides the full range of municipal services contemplated by Charter on a continuing basis. These services include public safety, (police, fire and emergency medical services, parking garage), public works, (street construction and maintenance, engineering, refuse collection), economic development, planning and zoning, code compliance, human services, library, parks and recreation, and general administrative services. In addition, the City provides water and sewer services to approximately 3,300 residential and 800 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

The City, by agreement with neighboring James City County, operates 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. Fiscal Year 2007 marked the fifth and final year of a contract for operating and capital funding of the joint School system. A new contract between the City and County was signed in April 2007 for the five-year period beginning July 1, 2007.

The annual budget serves as the foundation for the City's financial planning and control. The budget process defines, communicates, and funds the City's programs and priorities. The completed budget is City Council's road map, and a primary management tool for the City Manager and Department Heads. The annual Budget Guide is a formal call for all departments of the City, and agencies associated with it, to prepare and submit an estimate of the resources required for the next fiscal year. It includes a set of procedures for building a comprehensive budget for the City Manager to submit to City Council in March of each year. It also serves as a mid-year review to identify adjustments necessary to the current year budget. City Council is required to hold public hearings on the proposed budget and tax rates, and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public works), and department (e.g., streets). Department heads may make transfers of appropriations within a department, with the approval of the City Manager. Budget amendments requiring changes in total fund appropriations require special approval of City Council, and possibly a public hearing. 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 in the combining and individual funds section.

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.

The Williamsburg Economy - 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 47 hotels/motels with approximately 4,500 rooms, 36 bed and breakfasts, and 85 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 3,000, 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, enrolls 7,795 students, and employs 3,240 faculty and staff.

Economic Development Activity – Two large commercial development projects continue in the City. High Street Williamsburg, a \$200 million, 55-acre mixed-use project, adjacent to the Richmond Road business corridor, is under construction as a lifestyle retail center. The developer, Roseland Property Company, plans to open retail stores in the Fall of 2008, with a combination of residential townhouses, condominiums, and apartments available in the next phase.

Jack L. Massie Contractors, a local construction company, was contracted within the requirements of Virginia's Public-Private Transportation Act (PPEA), for the extension of Treyburn Drive. This public road was completed in January 2007, and supports the development of the High Street property and redevelopment along Richmond Road.

Riverside Health System continues its plans for Quarterpath at Williamsburg, a 350 acre mixed-use development in the southeast quadrant of the City. Riverside continues to seek state approvals for the state-of-the-art acute care Doctor's Hospital as a major component of this project. Site plans also include an assisted living facility.

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

Other economic activity within the City this year includes:

- Colonial Williamsburg re-opened the Williamsburg Lodge after an extensive two-year building, remodeling, and refurbishing project, now comprising eight buildings. In addition, the 20,000 square foot Spa at Colonial Williamsburg was opened in June 2007, offering an array of comprehensive spa services to guests.
- The Food Lion grocery store, located in the Williamsburg Shopping Center, is undertaking renovations to upgrade to a Blooms grocery store.
- The Governor Spottswood Motel, an older establishment on Richmond Road adjacent to High Street, was recently demolished to encourage redevelopment of its five acre site.
- Spring Arbor of Williamsburg opened an assisted living facility on Capitol Landing Road.
- Second Street Restaurant remodeled and reopened as an upscale bistro on Second Street.
- The Villages at Quarterpath began construction on Quarterpath Road, to include 36 townhouse units, and 41 single-family homes, replacing a site of previous substandard housing.
- The widening of Richmond Road was completed, including intersection improvements at Monticello Avenue, along with the opening of the new Walgreen's store on the northeast corner.
- Chesapeake Bank finished construction of its new offices on Lafayette Street.
- Bluegreen continues its construction of a timeshare project on York Street.

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

Financial Strategy

The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 54¢ per \$100 of assessed value has been in effect since FY 1991, and remains one of the lowest city tax rates in the Commonwealth of Virginia. The City still relies heavily on room and meal taxes to provide the largest source of funding for its services, although the City has been experiencing a growing reliance on real estate property taxes over the past several years. Room and Meal taxes accounted for 33.1% of the General Fund operating revenues for FY 2007, compared to 39.7% in FY 2000¹. Real estate taxes made up for 19.9% of total revenues in FY 2000, compared to 27.5% in FY 2007. This shifting of tax base is more pronounced when comparing actual tax revenues. Room and meal taxes increased from \$9.2 Million to \$10.2 Million, a 10.9% increase. Real estate taxes increased from \$4.5 Million in FY 2000 to \$8.5 Million in FY 2007, an 89% increase over the same period. The FY 2007 real estate tax base increased 15.6% from last year. Strong residential sales and an increase in commercial land values account for the majority of the increase for FY 2007. Not surprising, the real estate market has slowed locally and nationwide, and double-digit assessment value increases are a thing of the past. There continues to be strong interest in Virginia to limit property tax growth, and new legislation affecting either the rate of real estate assessment increases and/or homestead exemptions are anticipated soon. Changes and pressures on real estate taxation will present a major fiscal challenge for all Virginia localities in the next few years.

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

The City's total personal property tax collections increased 2.1% over last year. Further analysis of growth trends for personal property taxes is included in Management's Discussion and Analysis.

We believe that business growth and economic development initiatives mentioned above, along with investment by new and existing businesses in the City, will help to strengthen the City's real estate, personal property, and retail sales tax bases in the next few years. In the meantime the City will continue to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates.

Even with the ongoing shift in major tax bases, the City continues working to build the region's travel and tourism-based economy as its primary fiscal strategy. City Council partners each year with the Colonial Williamsburg Foundation and the Greater Williamsburg Chamber and Tourism Alliance, providing substantial funding for advertising. Contributions to these organizations during FY 2007 totaled \$2.66 Million. Room tax receipts during FY 2007 were \$3.79 Million, up 14.8% from FY 2006. Meal tax receipts during the year were \$5.85 Million, up 4.5% from last year. The \$2 per night lodging tax generated \$1.67 Million in the City during the year, and was remitted monthly to the Williamsburg Area Destination Marketing Committee for tourism marketing of the Historic Triangle. The City's local retail sales tax receipts for FY 2007 were \$4.86 Million, up 13.1% from last year. Competition of hotels, restaurants, and the retail trade in the Williamsburg area is strong, with new businesses opening continually. Room, meal, and retail sales taxes were, not surprising, positively impacted this year by the Jamestown 2007 celebration. The actual increase of sustainable tourism tax revenues is not known at this time, but we are hopeful the nation's 400th anniversary celebration has brought a renewed interest in this unique Historic Triangle of Virginia.

The City is working on a long term agreement with the City of Newport News to increase the City's future safe yield water capacity with the King William Reservoir project. The project involves construction of a new 12 billion gallon off-stream reservoir and pumping station in King William County as a long-term solution to increasing water demands on the Virginia Peninsula. The City may wish to reserve up to 10% of the capacity of the King William Reservoir, which could cost as much as \$2 Million annually. Funding this project will require debt financing and continued water rate increases in order to meet water needs for generations to come. Another future but as yet unknown cost to the Utility Fund will be compliance with the Hampton Roads-wide Consent Order on sanitary sewer overflows.

City staff has formulated financing strategies over the past few years with the City's financial advisors, Davenport and Co., LLC., in order to stay on schedule with major projects. In FY 2004 City Council formally amended the City's financial policies, which included maintaining a minimum of 35% of total General Fund operating revenues as its fund balance. A detailed analysis of the City's fund balance is presented in the Management's Discussion and Analysis section of this report.

Cash Management

City Council adopted formal and strict guidelines governing investment policy and procedures in 1995. The investment policy was last revised in December, 2003 to take advantage of opportunities in the marketplace to achieve more favorable yields without risking safety or liquidity. Cash temporarily idle during the year was invested by advisors Evergreen Investments, a subsidiary of Wachovia Bank, and the Local Government Investment Pool (LGIP) administered by the State Treasurer's office. The policy's objective, in order of priority is (1) Safety, (2) Liquidity, and (3) Return on Investment. Allowable investments and quality approved for use by the City are:

1. U.S. Treasury Bills, Notes, Bonds and other obligations of the U.S. Government
2. Fixed rate obligations of Agencies of the Federal Government
3. Obligations of states and local governments with AAA or equivalent bond ratings
4. Repurchase Agreements executed through Federal Reserve Member Banks or Primary Dealers in U.S. Government Securities, and meeting certain minimum collateralization guidelines
5. Certificates of deposit of national banks located within the Commonwealth
6. Various types of other notes (commercial paper, corporate notes and bonds, asset-backed securities, etc.) meeting certain minimum quality standards of investment rating companies

The estimated investment return on the longer-term portfolio is 4.22% for the year, while the LGIP, being that the dollar weighted average maturity of the portfolio may not exceed 90 days, averaged 5.28% for the year.

Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Virginia Municipal Liability Pool,

administered by the Virginia Municipal Self Insurance Association and the Virginia Municipal League. This program provides self-insurance coverage for workers' compensation, general liability, automobile liability, property and fire protection, and public officials' liability and law enforcement liability (except for elected officials).

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

The City initiated a retiree health insurance supplement program effective January 1, 2002. Currently 31 retirees enjoy this benefit. Details of this program are presented in the Notes to the Financial Statements.

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

Independent Audit

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Williamsburg, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the 21st 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, whose contents conform to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 14 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.

Acknowledgements

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

Respectfully Submitted,



Jackson C. Tuttle
City Manager



Philip F. Serra
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Williamsburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

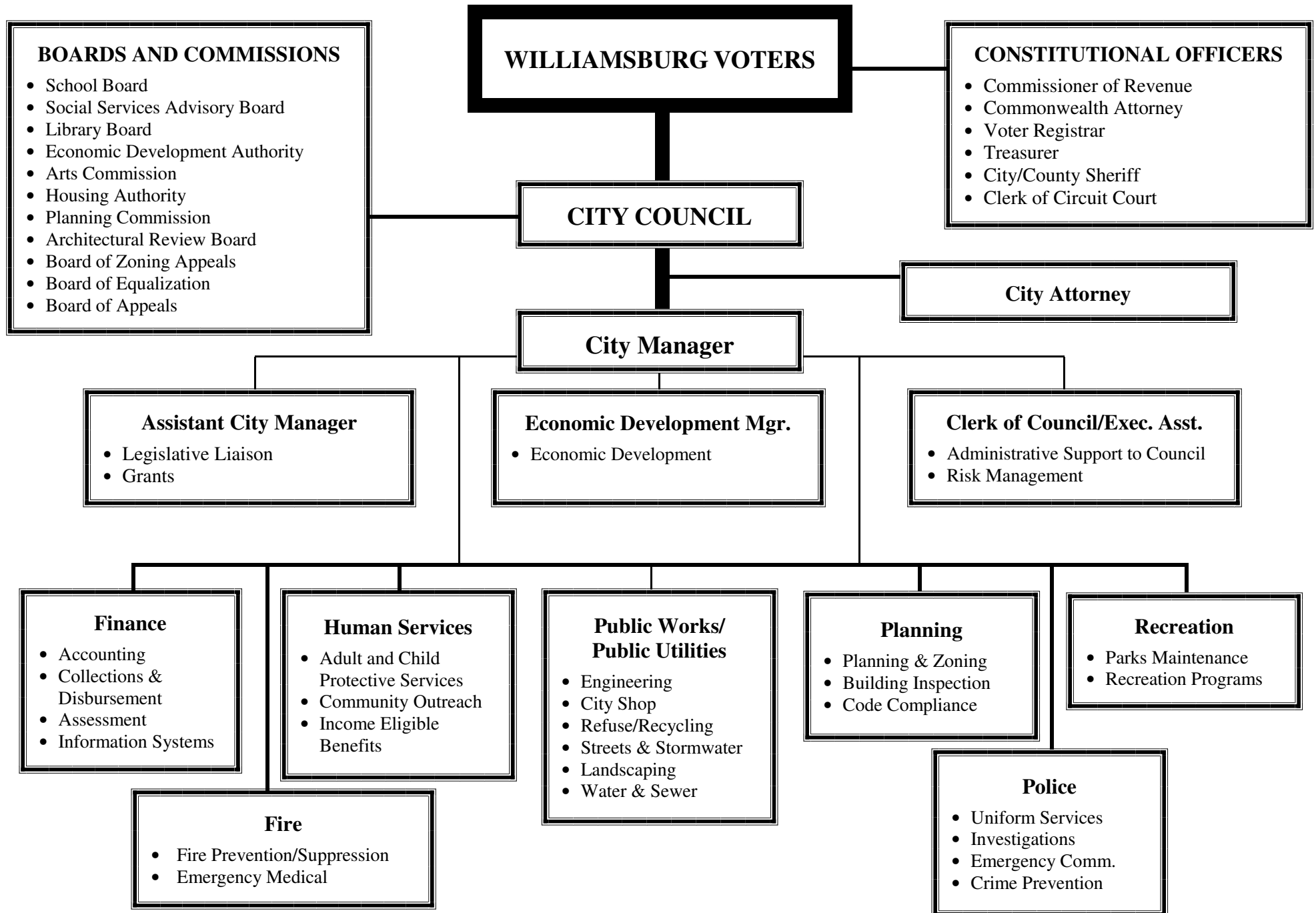
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITY OF WILLIAMSBURG - ORGANIZATION



ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Williamsburg, Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2007, on our consideration of the City of Williamsburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Williamsburg, Virginia's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Williamsburg, Virginia. The other supplementary information including the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Richmond, Virginia
October 9, 2007

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, 2007. 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). This Comprehensive Annual Financial Report marks the sixth year the City has complied with the financial reporting requirements of GASB Statement No. 34 (*Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*). New sections include this Management's Discussion and Analysis, the Government-wide Statement of Net Assets, the Government-wide Statement of Activities, the concept of major fund reporting, and the reporting of infrastructure capital assets and long term debt liabilities in the governmental activities. These concepts are explained throughout this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The assets of the City of Williamsburg exceeded its liabilities at June 30, 2007 by \$97.6 Million. Net assets invested in capital assets (net of depreciation and related debt) account for 64% of this amount, with a value of \$62.5 Million. The remaining net assets may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- Total General Fund (including 1% Sales Tax) revenues were \$40.7 Million for FY 2007, compared to \$36.8 Million last year. General property tax receipts were \$10.5 Million, and adding State reimbursements for the Car Tax relief program during the year of \$776,052, which are reclassified as State aid, brings property tax receipts to \$11.2 Million, up 12.3% from last year. Other local taxes were up 6.0%, largely from increases in room, meal, and 1% retail sales taxes.
- Total General Fund expenditures were up 8.6% at \$43.9 Million for FY 2007, of which \$12.5 Million was spent on capital projects for the year.
- As of June 30, 2007, the City's governmental activities reported a total fund balance of \$30.2 Million. The *unreserved-designated* portion consists of \$6.5 Million in carryover funds for capital projects, \$496K for healthcare costs, and \$207K remaining in the Public Assistance Fund. The \$22.5 Million balance of unreserved fund balance is available for spending at the government's discretion. More details of the City's reserve policy are presented later in this report.
- Business-type activities (Utility Fund) reported net assets at June 30, 2007 of \$18.2 Million. Net assets invested in capital assets (net of depreciation and related debt) account for 70.0% of this amount, with the remaining net assets of \$5.5 Million available without restriction. The Utility Fund reports combined cash and investments at year-end of \$5.2 Million, with total short-term liabilities of \$676K. The short-term \$5.8 Million bond refinanced last year for the Royals Property was repaid with proceeds from the sale of the property in June, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Williamsburg's basic financial statements. The basic financial statements comprise 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 themselves.

Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The

governmental activities include general government, judicial, public safety, public works, health and welfare, education, parks and recreation, cultural, community development, and debt service. The sole business-type activity of the City of Williamsburg is the water utility.

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in June 30, 2007, 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, 2007.

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's net assets total \$97.6 Million at June 30, 2007. The following table reflects the condensed Government-Wide Statement of Net Assets:

City of Williamsburg's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and Other Assets	\$ 32,776,690	\$ 34,450,823	\$ 6,027,102	\$ 5,918,516	\$ 38,803,792	\$ 40,369,339
Capital Assets	<u>62,631,569</u>	<u>57,564,914</u>	<u>13,464,785</u>	<u>16,446,461</u>	<u>76,096,354</u>	<u>74,011,375</u>
Total Assets	\$ 95,408,259	\$ 92,015,737	\$ 19,491,887	\$ 22,364,977	\$ 114,900,146	\$ 114,380,714
Long-term Liabilities	\$ 13,579,012	\$ 13,658,118	\$ 819,584	\$ 754,840	\$ 14,398,596	\$ 14,412,958
Other Liabilities	<u>2,413,732</u>	<u>2,514,423</u>	<u>441,360</u>	<u>6,374,318</u>	<u>2,855,092</u>	<u>8,888,741</u>
Total Liabilities	\$15,992,744	\$16,172,541	\$1,260,944	\$7,129,158	\$17,253,688	\$23,301,699
Net Assets:						
Invested in Capital Assets, net						
of related debt	49,783,173	43,724,093	12,764,785	9,781,412	62,547,958	53,505,505
Unrestricted	<u>29,632,342</u>	<u>32,119,103</u>	<u>5,466,158</u>	<u>5,454,407</u>	<u>35,098,500</u>	<u>37,573,510</u>
Total Net Assets	\$ 79,415,515	\$ 75,843,196	\$ 18,230,943	\$ 15,235,819	\$ 97,646,458	\$ 91,079,015

The City of Williamsburg's total assets were over \$114.9 Million as of June 30, 2007. Of this amount, \$62.5 Million (54.4 percent) 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 \$33.9 Million is accounted for in cash, cash equivalents, and pooled investments, \$3.5 Million in accounts and notes receivable, with the remainder spread among miscellaneous assets.

At June 30, 2007, outstanding liabilities were \$17.3 Million, with \$14.4 Million in bonds and notes payable. Of the bonds and notes payable, \$2.9 Million was due within one year, with the remainder due at various dates until 2020. Refer to the notes to the financial statements for more information on the City's long term debt obligations. Included in other liabilities above are \$2.4 Million in accounts payable, \$.2 million in accrued liabilities, and \$89,042 in deposits payable to customers

At June 30, 2007, the City had positive balances in all categories of net assets, for the government as a whole, and for its separate governmental and business-type activities.

Statement of Activities - Changes in Net Assets

Governmental activities – Governmental activities increased the City's net assets by \$3.6 Million, thereby accounting for 54 percent of the total growth in net assets of the City of Williamsburg during FY 2007. Key factors in this increase include:

- A proffer of \$1.4 Million was received from developers of the Riverside at Quarterpath project;
- Revenues from all property taxes increased 10.8%, largely due to appreciation in real estate assessments;
- Restaurant and lodging taxes totaled \$10.2 Million, up 8.7% over FY 2006;
- 1% sales taxes were \$4.9 Million, up 13.1% over FY 2006;

- \$1.2 Million was received from Roseland Properties for Phase II of the High Street project;
- Revenues from the use of money & property were \$2.1 Million, largely from increased interest earnings during the year.

Business-type activities - Business-type activities increased the City of Williamsburg's net assets by \$2.99 Million for FY 2007. Key elements of this increase are as follows:

- Charges for services for the utility fund increased by 5.7%.
- Water rates were increased 11% effective July 1, 2006 to help offset rising costs.
- Investment earnings were \$253K for the year, up about 25% from last year;
- Sale of the Royals Property in June, 2007 resulted in a \$2.7 Million gain over the book value of the property.

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for services	\$ 858,945	\$ 866,681	\$ 4,628,958	\$ 4,379,515	\$ 5,487,903	\$ 5,246,196
Operating grants and contributions	4,161,505	5,224,480	-	-	4,161,505	5,224,480
Capital grants and contributions	266,087	176,937	-	-	266,087	176,937
General Revenues:						
Property taxes	10,412,313	9,394,039	-	-	10,412,313	9,394,039
Other local taxes	20,133,850	18,985,532	-	-	20,133,850	18,985,532
Other	4,985,013	4,054,315	2,935,612	238,139	7,920,625	4,292,454
Total Revenues	<u>40,817,713</u>	<u>38,701,984</u>	<u>7,564,570</u>	<u>4,617,654</u>	<u>48,382,283</u>	<u>43,319,638</u>
Expenses:						
General government	3,556,882	3,989,006	-	-	3,556,882	3,989,006
Judicial administration	379,945	356,257	-	-	379,945	356,257
Public safety	8,840,146	8,011,476	-	-	8,840,146	8,011,476
Public works	7,196,599	3,007,234	-	-	7,196,599	3,007,234
Health and welfare	2,176,382	2,180,922	-	-	2,176,382	2,180,922
Education	7,044,990	6,437,154	-	-	7,044,990	6,437,154
Parks, recreation, & cultural	2,170,492	2,138,010	-	-	2,170,492	2,138,010
Community Development	5,328,651	9,168,959	-	-	5,328,651	9,168,959
Interest expense	551,307	592,688	-	-	551,307	592,688
Water	-	-	4,569,446	4,230,185	4,569,446	4,230,185
Total Expenses	<u>37,245,394</u>	<u>35,881,706</u>	<u>4,569,446</u>	<u>4,230,185</u>	<u>41,814,840</u>	<u>40,111,891</u>
Increase in net assets	3,572,319	2,820,278	2,995,124	387,469	6,567,443	3,207,747
Net assets - beginning	<u>\$75,843,196</u>	<u>\$73,022,918</u>	<u>15,235,819</u>	<u>14,848,350</u>	<u>91,079,015</u>	<u>87,871,268</u>
Net assets - ending	<u>\$79,415,515</u>	<u>\$75,843,196</u>	<u>\$18,230,943</u>	<u>\$15,235,819</u>	<u>\$97,646,458</u>	<u>\$91,079,015</u>

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

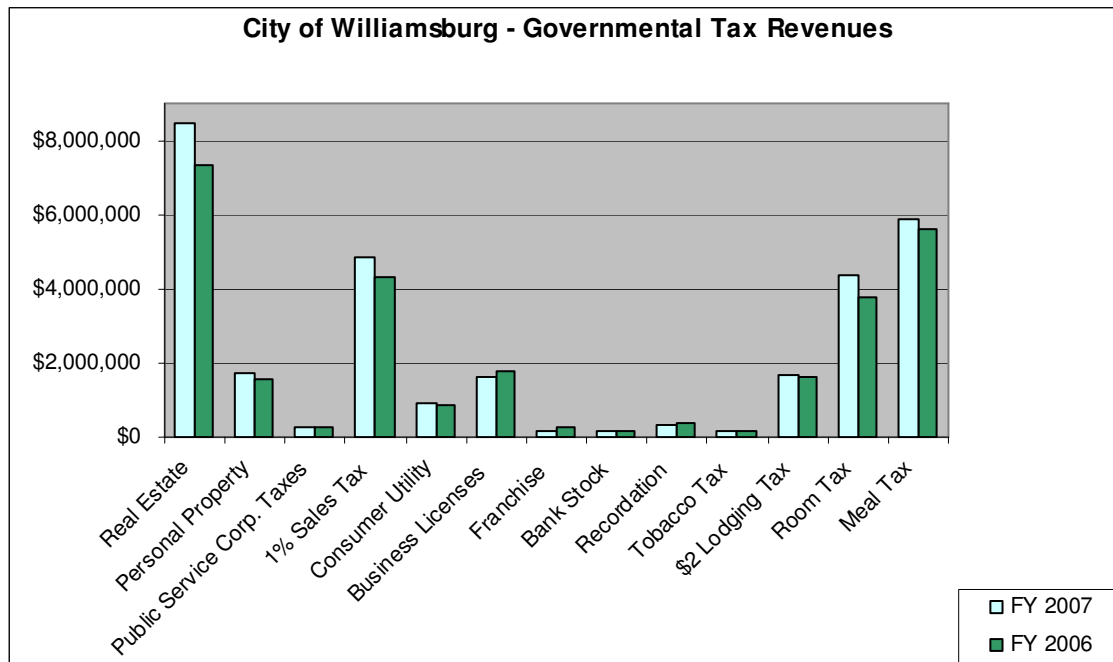
As noted earlier, the City of Williamsburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the City's governmental and proprietary funds.

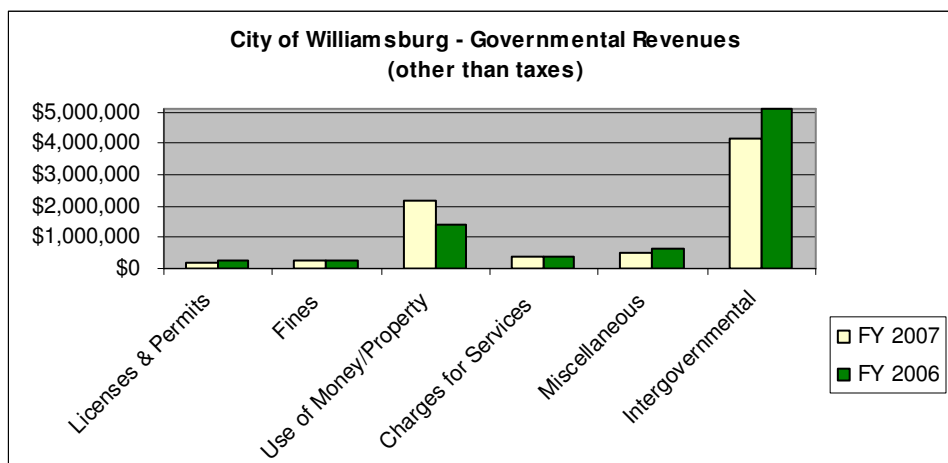
Governmental Funds Revenue and Expense Analysis

Revenues Classified by Source Governmental Funds

Revenues by Source	June 30, 2007		June 30, 2006		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Property Taxes	\$10,456,996	24.94%	\$9,208,667	24.14%	\$1,248,329	13.56%
Other Local Taxes	20,133,850	48.02%	18,985,532	49.78%	1,148,318	6.05%
Licenses and permits	200,897	0.48%	275,741	0.72%	(74,844)	-27.14%
Fines & Forfeitures	281,612	0.67%	229,779	0.60%	51,833	22.56%
Use of Money and Property	2,156,025	5.14%	1,382,832	3.63%	773,193	55.91%
Charges for Services	376,435	0.90%	361,161	0.95%	15,274	4.23%
Miscellaneous	519,488	1.24%	660,148	1.73%	(140,660)	-21.31%
Recovered Costs	2,415,974	5.76%	706,463	1.85%	1,709,511	0.00%
Intergovernmental	5,388,477	12.85%	6,330,657	16.60%	(942,180)	-14.88%
Total Revenues	<u>41,929,754</u>	<u>100.00%</u>	<u>38,140,980</u>	<u>100.00%</u>	<u>3,788,774</u>	<u>9.93%</u>

The general governmental functions are contained in the General Fund. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City. On June 30, 2007, unreserved, undesignated fund balance of the General Fund was \$22.5 Million, while total fund balance reached \$30.0 Million. Total assets in the General Fund amounted to \$32.5 Million, accounting for 99% of total governmental fund assets.





The following provides more detailed information about major General Fund operating revenue collections during FY 2007:

- **General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were \$8.5 Million, up 15.6% from last year. This is due to increased assessments city-wide, new construction, and continued strong collection efforts for delinquent real estate taxes during the year. The real estate tax rate has remained at 54¢/\$100 since 1991. Personal property tax receipts, including businesses, totaled \$2.4 Million, including \$776,052 in revenue for the State's CarTax relief program, and level with last year's receipts.
- **Other Local Taxes** - Overall these revenues increased 6.0% from last year.
 - State sales taxes were \$4.9 Million, up 13.2% from last year's receipts of \$4.3 Million.
 - Consumer utility taxes, E-911, and wireless phone taxes were \$902,550, up about 2% from last year. Telecommunications taxes account for the majority of these revenues, and effective January, 2007 taxes were submitted to and distributed by the State to all Virginia localities, making administration easier for both the public and private sectors.
 - Room taxes were \$4.4 Million, up 14.9% from last year. This is attributable to the Jamestown 2007 celebration, with many more room night stays in the City than usual, and the Williamsburg Lodge re-opening in the fall of 2006 after extensive renovations.
 - \$2 per night lodging taxes generated \$1.6 Million, and was up 4.9% from last year. These pass-thru funds are collected and remitted monthly to the Williamsburg Area Destination Marketing Committee for tourism marketing of the Historic Triangle.
 - Meal taxes were up \$251,518 to \$5.9 Million during FY 2007, a 4.5% increase from the previous year. Competition from restaurants in surrounding counties continues to have an impact on meal sales in the City.
 - Tobacco taxes were \$172,872, down 6.1% from last year. Replenishment of retail vendor stamps on cigarette inventories can swing this revenue in either direction each year and is difficult to estimate.
- **Revenue from the Use of Money and Property**
 - **Use of Money** – Short-term interest rates remained steady during FY 2007. The City's short-term funds invested with the State's Local Government Investment Pool (LGIP) averaged 5.28%, while the City's fixed-income portfolio averaged 4.2% for the year. General Fund interest earnings were \$1.6 Million, roughly 72% higher than FY 2006. This is attributed to both higher earnings rates and higher cash balances, including remaining bond proceeds held for construction of Warhill High School.

- **Use of Property** - Revenues from the use of property were \$555,378, up 23.1% from last year. Parking garage receipts were \$232,460, up 13.6% from last year. Additional rented spaces and amenities charges for properties adjacent to the City's parking deck, and collections for various tenant contracts account for the remainder of this revenue. The City also sold surplus equipment for \$33,368, much of which was sold publicly on the City's Internet auction site (<https://www.williamsburgva.gov/auction>).
- **Charges for Services** – This category consists largely of recreation programs, recreation facility rentals, and cemetery lots and fees. Overall revenues in this category were \$376,435, up by 4.3% from last year. Included this year are Waller Mill Dog Park revenues of \$6,437.
- **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** – consisting of State and Federal revenues, these revenues totaled \$4.14 Million during FY 2007.
 - Non-categorical – ABC, wine, and rolling stock taxes were down 6.7% from last year's receipts at \$19,777. Rental car taxes were up 60.6% at \$18,510. Grantor's taxes were \$65,597, almost level from last year. The State's personal property tax relief reimbursement (CarTax) Commonwealth was \$776,052.
 - Shared expenses for Commissioner of the Revenue, Treasurer, Medical Examiner, and Registrar/Electoral Board were up a total of \$5,498, or 3.9% from last year. FY 2007 was the third year in a row that full funding was received for the Registrar's and Electoral Board members' salaries.
 - State sales tax for education, a dedicated funding source based on the triennial school-aged population census among Virginia localities, was up 1.7% to \$707,580 for FY 2007.
 - State highway maintenance payments of \$1,277,857 were up 4% from the preceding year. These payments, based on road lane miles, increased by \$48,195 during the year.
 - Virginia Dept of Transportation receipts of \$68,823 are included as categorical aid this year, which represents the State's share of FY 2007 funding for the Treyburn Drive road construction project.

The following table represents expenditures by function compared to prior year amounts.

**Expenditures By Function
Governmental Funds**

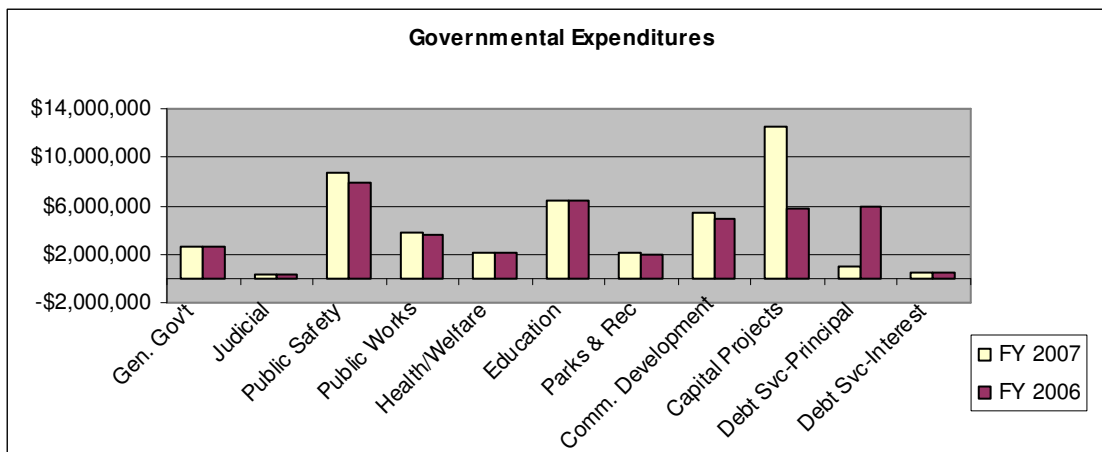
Expenditures by Function	June 30, 2007		June 30, 2006		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$2,615,827	5.72%	\$2,636,419	6.25%	(\$20,592)	-0.78%
Judicial Administration	379,945	0.83%	356,257	0.85%	23,688	6.65%
Public Safety	8,716,154	19.05%	7,820,618	18.55%	895,536	11.45%
Public Works	3,847,395	8.41%	3,636,448	8.63%	210,947	5.80%
Health and Welfare	2,169,108	4.74%	2,169,163	5.15%	(55)	0.00%
Education	6,493,421	14.19%	6,437,154	15.27%	56,267	0.87%
Parks, Recreation, and Cultural	2,146,007	4.69%	2,038,969	4.84%	107,038	5.25%
Community Development	5,348,425	11.69%	4,908,287	11.64%	440,138	8.97%
Capital Projects	12,492,119	27.30%	5,774,358	13.70%	6,717,761	116.34%
Principal Retirement	992,425	2.17%	5,872,179	13.93%	(4,879,754)	-83.10%
Interest	554,257	1.21%	505,332	1.20%	48,925	9.68%
Total Expenditures	<u>\$45,755,083</u>	<u>100.00%</u>	<u>\$42,155,184</u>	<u>100.00%</u>	<u>\$3,599,899</u>	<u>8.54%</u>

The City's Virginia Retirement System contribution rate for FY 2007 increased from 14.25% to 16.27% of covered payroll, which is set for two-year increments based on the latest actuarial valuation. In addition, FY 2007 was the first year the VRS group life insurance was billed to localities, ending a premium holiday enjoyed by Virginia localities for many years. These increases impacted every City department during the year.

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

- **General Government Administration** – Down \$20,592 or .7% from last year. Last year's expenditures included a final billing for the City's self-insured healthcare plan with Anthem in the amount of \$126,956. FY 2006 was an unusual year, with healthcare claims exceeding premiums paid by the City, and tending to distort the comparison for this year. City departments listed under this category were up 4.1% from last year, largely due to increased costs for personnel and benefits for departments, and higher than expected legal costs.
- **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 \$379,945 - 19.14% of total net expenses, up 6.7% from the prior year. Additional costs continued to be offset by local fees imposed during FY 2007 through the courts.
- **Public Safety** – This category is made up of several departments:
 - Law Enforcement & Traffic Control – Expenditures for the Police Department were \$3.2 Million, up 11.8% from last year. One additional officer was hired in FY 2007. Healthcare costs were up 24%, retirement plan costs were up 24%, due to a higher City rate for FY 2007 and one additional officer. Higher fuel, ammunition, police supplies, and uniform costs were part of the overall increase in Police Department operations this year.
 - E-911 – This operation is responsible for City-wide E-911 communications dispatch at the Police Department. Costs increased 24.6% to \$681,319 over last year – with the increase attributable to additional personnel costs associated with two new communications operators this year.
 - Prince George Parking Garage – Total cost this year was \$118,650, up about 19%, and attributable mostly to increased part-time salaries, hospitalization, and supplies to operate the facility. As noted previously, the PGPG generated revenues of \$232,460 for the year.
 - Fire and Rescue Services – One firefighter position was added during FY 2007, and total expenditures were up \$323,054, or 11.8% from last year. Salary and benefit costs were up accordingly, as were costs for fuel, uniforms, and communications equipment.
 - Correction and Detention –
 - Williamsburg is a member locality of the Virginia Peninsula Regional Jail, along with James City County, Poquoson, and York County. The City's share, based on days incarceration, totaled \$859,425 during the year, down 2.7% from last year. Member jail costs are billed on a 5-year average usage rate to all localities in order to level out incarceration costs for crimes committed within each locality.
 - Juvenile detention costs during the year were \$105,467, down 16% from last year due to a decrease in daily population. Total days for juvenile incarceration in FY 2007 were 673, compared to 914 last year. Like the Virginia Peninsula Regional Jail, incarceration is based on crimes committed within the member localities, and very difficult to predict and budget for each year.
 - Inspection costs were \$446,460 during the year, up \$31,037, or 7.5% over the prior year. One additional inspector position was added during the year.
- **Public Works** – Various activities make up this category:
 - Engineering – Expenditures during the year were \$229,441, up 6.8% due to increases in personnel costs.

- Streets – Overall costs were up \$1,553,079, up 6.9% from last year. Increases were in personnel, electricity, signage, pedestrian improvements, and the annual street resurfacing program.
- Refuse Collection – Expenditures for the year were \$807,888, up 4% for the year.
- Maintenance-Buildings, grounds, and landscaping costs were \$1,257,098, up 5.4% from last year. Major costs for building repairs are budgeted in the City's capital improvements program and not included here. Information technology costs of \$281,204 are included in the above figure, and are up about 5.4% from last year.
- **Health & Welfare** – Local health department costs were \$243,294, up 6.8% from last year. Contributions to the Colonial Services Board were \$221,620, up 5.2% from last year.
- **Education** – Education costs were \$6,493,421, up less than one percent from last year. The City's share of the joint Williamsburg-James City County Public School system for the year ended June 30, 2007 was 9.10%. FY 2007 was the fifth and final year of the 2002 agreement, with operating funding based on the City's share of student population times a factor. The factor for FY 2007 was 1.18. Also under that agreement beginning with FY 2003, the City funded the same proportion of approved capital projects. The City's share of school capital costs paid during the year were \$5,073,477, and included projects carried forward from last year, and new projects, including Warhill High and Matoaka Elementary Schools.
- **Parks, Recreation and Cultural** –
 - Parks and recreation costs, including maintenance of Cedar Grove Cemetery, were \$1,284,977, up 3.4% from last year, due mainly to increased salary and benefit costs.
 - The City's share of the Williamsburg Regional Library for the year ended June 30, 2007 was \$859,499, up 8.1% from last year, due to increases in operating costs. The contract percentage for FY 2007 was 17.88% according to the agreement with James City County, which is based on circulation by residency each year.
- **Community Development**
 - Planning – Total expenditures were \$456,100 for FY 2007, up 18.7% from last year. Salaries, benefits, and professional services accounted for the majority of the increased costs this year.
 - Community Development – This consists of contributions to outside human service type, and community and economic development agencies. Contributions to outside agencies were \$4,411,655 during the year, including the \$2 per night lodging tax receipts for the year, totaling \$1,672,720. Those funds were collected and submitted to the Williamsburg Area Destination Marketing Committee monthly for tourism promotion of the Historic Triangle. Contributions for the Arts totaled \$211,574, including \$76,000 for the Jamestown 2007 Art Grant, compared to \$136,713 last year.
- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City projects totaled \$12,492,119 for FY 2007. Major projects included construction costs for Richmond Road, Treyburn Drive, Quarterpath Road, Redoubt Park, Warhill High and Matoaka Elementary Schools, various school improvements, and the City's vehicle replacement program. More information is provided under the Capital Asset section below.
- **Principal and Interest payments** –Total principal payments during FY 2007 were \$992,425. Interest payments on outstanding debt totaled \$554,257. 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 revenues exceeded budgeted revenues by \$4.2 Million for the year. A closer look reveals that \$2.3 Million of the difference was generated from local sources, most notably real property taxes, local 1% sales taxes, interest earnings, and tourism taxes. Expenditures, including capital projects, totaled \$43.9 Million, and were \$7.7 Million under budget, due to capital projects still in progress at year end. The budget balances of any appropriated capital projects not completed at year end are carried forward to the next fiscal year, as provided for in the City's financial policies.

Fund Balance

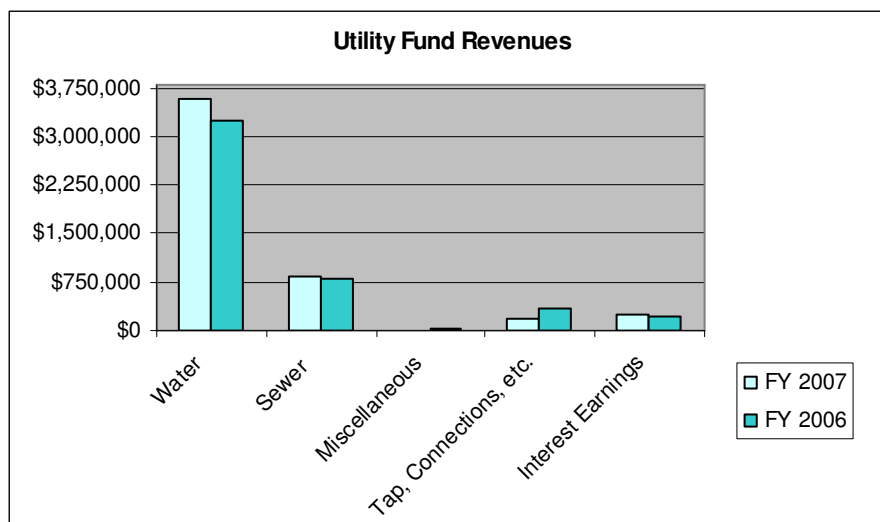
Fund Balance for the General Fund decreased from \$32.5 Million to \$30.0 Million as of June 30, 2007. Of that total, \$6.5 Million is designated for subsequent years' capital expenditures, and \$496,076 for future health care costs. In addition, \$537,005 in notes receivable from the Williamsburg Redevelopment and Housing Authority are classified as reserved, since those funds are not on hand and available for spending at year end. Projects designated include remaining costs for bridge maintenance, the Emergency Operations Center, purchase of development property, and various school projects that still remain at year end.

General Fund Reserve Policy

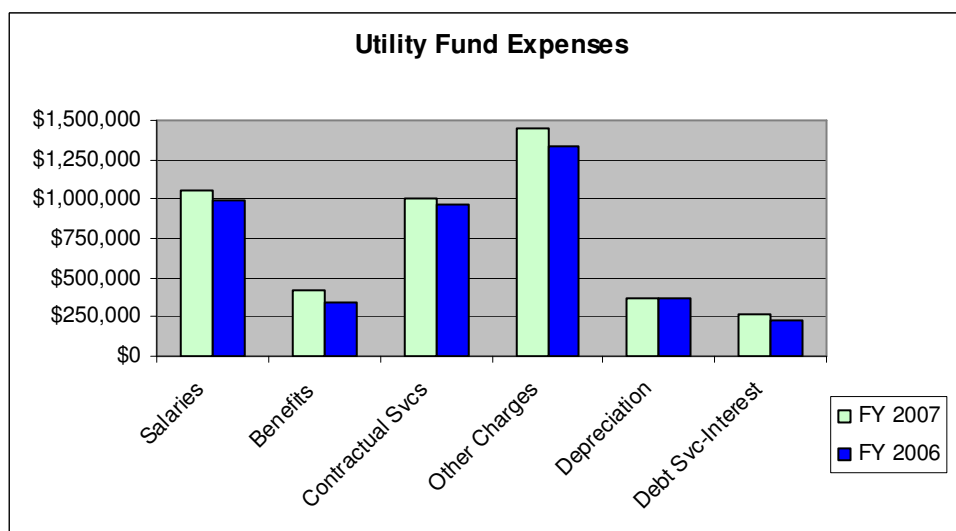
At June 30, 2007 the unreserved, undesignated portion of fund balance was \$22,467,158. That reserve level, as a percentage of budgeted operating revenues for the year, is 72.9%, and is well above the City's policy of maintaining reserves of at least 35% of operating revenues. Reserve levels will decline next year, based on the amount of capital projects carried over from last year, and new projects planned for FY 2008. In any event, the City's reserves should remain substantially higher than the City's policy level.

Enterprise Funds Revenue/Expense Analysis

The business-type activity (water and sewer services of the Utility Fund) revenues for the year were \$4.6 Million, up 5.1% from last year. Water rates increased 11% in July 2006 from \$2.70 to \$3.00 per 1,000 gallons. Water and sewer revenues were up \$215,369, or 4.9%. Tap, connection, and availability fees are unpredictable and dependent on development activity, and were down 47% from last year. The City received \$131,400 this year from contracts with three cell-phone providers using water tanks as a base for telecommunications equipment. Interest earnings were \$253,915, up 25% from last year, due to relatively high short-term interest rates during the past year.



Utility Fund expenses totaled \$4.3 Million for the year, compared to \$4.0 Million last year. Salaries and wages were up 7%, and fringe benefits were up 20% from last year, mostly from increases in health insurance, new dental plan, and VRS pension costs. Other operating costs were up 5.9%.



ORIGINAL AND FINAL AMENDED BUDGETS

A budget amendment was approved by City Council on June 14, 2007 reducing overall budgeted revenues by \$16,220 to adjust for an overestimate by the Commonwealth of Virginia of sales taxes for education funding. The General Fund's capital improvement budget was increased by \$13,968,908 to carry forward the remaining appropriations for projects that were continued from the prior year. The capital budget was also increased during the year by \$1.4 Million to appropriate spending of a development proffer, and \$75,150 to appropriate additional grant funds received during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The City of Williamsburg's total investment in capital assets, including construction in progress, for its governmental and business type activities as of June 30, 2007, amounts to \$76 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.

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

Governmental Funds:

- Construction of Quarterpath Road began during the year, with \$672,772 spent on the project at year end. The project will continue through FY 2008.
- The Richmond Road VDOT project was completed, with the City share costing \$162,009.
- Major roof repairs were made at the Police & Fire Department buildings, and the library at a cost of \$484,720.
- Redoubt Park was completed at a cost of \$413,241.
- Construction of Treyburn Drive was completed during the year, with project costs of \$3,826,474.
- Guardrails were installed on Route 132 at a cost of \$51,640.
- I T Network, GIS implementation, police laptops and equipment upgrades at the 911 communications center totaled \$206,693 for the year.
- Vehicles were replaced citywide under the replacement plan for \$411,870.
- School projects, including renovations to existing facilities, and the City's share of construction costs of two new schools were funded during the year at a cost of \$5,073,477.
- Sidewalk improvements in the downtown area totaled \$70,000.
- Infrastructure improvements on Braxton Court and Quarterpath Road during the year totaled \$520,687.

Utility Fund:

- Watershed protection expenses totaled \$172,383 largely for fencing at the reservoir, and repairs at the spillway.
- The City contributed \$75,000 for drainage improvements for runoff protection at the Heritage Humane Society building site.
- Water line improvements were made along York Street and Richmond Road at a cost of \$137,730.

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

Long-Term Debt

At June 30, 2007, the City of Williamsburg had total bonded debt outstanding of \$12.2 Million, along with a note payable of \$1.3 Million, due next year. Bonds and notes payable for Governmental Activities were \$12.8 Million, while business-type activities owed \$700,000 at year end. The full faith and credit of the government backs these instruments.

The City's total bonded debt decreased \$6.9 Million during FY 2007. The majority of the decrease was from the Utility Fund's payoff of the \$5.8 Million bond from the proceeds of the sale of the Royal's Property in June 2007. The City's remaining capacity for debt at June 30, 2007 was approximately \$141 million. The City of Williamsburg has not been rated by a major rating service such as Moody's Investor's Service, or Standard & Poor's. All borrowings have been Bank-Qualified (under \$10 Million) private placements with regional banking institutions and private individuals. As in the past, based on recommendation of the City's financial advisors, Davenport and Company, the City of Williamsburg will consider all aspects of private vs. public borrowing in its borrowing analysis.

Additional information on the City of Williamsburg's long-term debt can be found in Notes to the Financial Statements section 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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,700,534	\$ 75,878	\$ 7,776,412
Investments	21,021,482	5,111,954	26,133,436
Receivables (net of allowance for uncollectibles):			
Taxes receivable	164,731	-	164,731
Accounts receivable	1,685,433	860,216	2,545,649
Notes receivable	537,005	-	537,005
Interest receivable	233,738	-	233,738
Internal balances	38,918	(38,918)	-
Due from other governmental units	1,347,715	-	1,347,715
Prepaid expenses	11,697	-	11,697
Deferred charges	35,437	17,972	53,409
Capital assets (net of accumulated depreciation):			
Land	8,611,637	6,049,200	14,660,837
Buildings and system	19,226,961	5,002,875	24,229,836
Improvements other than buildings	7,071,768	1,952,307	9,024,075
Machinery and equipment	2,089,317	460,403	2,549,720
Infrastructure	24,948,748	-	24,948,748
Construction in progress	683,138	-	683,138
Total assets	<u>\$ 95,408,259</u>	<u>\$ 19,491,887</u>	<u>\$ 114,900,146</u>
LIABILITIES			
Accounts payable	\$ 2,008,355	\$ 378,745	\$ 2,387,100
Accrued liabilities	187,056	22,784	209,840
Refundable deposits	51,955	37,087	89,042
Accrued interest payable	117,699	2,744	120,443
Unearned revenue	48,667	-	48,667
Long-term liabilities:			
Due within one year	2,733,311	195,650	2,928,961
Due in more than one year	10,845,701	623,934	11,469,635
Total liabilities	<u>\$ 15,992,744</u>	<u>\$ 1,260,944</u>	<u>\$ 17,253,688</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 49,783,173	\$ 12,764,785	\$ 62,547,958
Unrestricted (deficit)	29,632,342	5,466,158	35,098,500
Total net assets	<u>\$ 79,415,515</u>	<u>\$ 18,230,943</u>	<u>\$ 97,646,458</u>

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

City of Williamsburg, Virginia
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	
			Grants and Contributions	Capital Grants and Contributions		Total	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 3,556,882	\$ -	\$ 148,821	\$ -	\$ (3,408,061)	\$ (3,408,061)	\$ (3,408,061)
Judicial administration	379,945	155,924	-	-	(224,021)	(224,021)	(224,021)
Public safety	8,840,146	328,194	857,294	-	(7,654,658)	(7,654,658)	(7,654,658)
Public works	7,196,599	-	1,277,857	-	(5,918,742)	(5,918,742)	(5,918,742)
Health and welfare	2,176,382	-	1,159,646	-	(1,016,736)	(1,016,736)	(1,016,736)
Education	7,044,990	-	707,580	103,034	(6,234,376)	(6,234,376)	(6,234,376)
Parks, recreation, and cultural	2,170,492	338,754	5,000	-	(1,826,738)	(1,826,738)	(1,826,738)
Community development	5,328,651	36,073	5,307	163,053	(5,124,218)	(5,124,218)	(5,124,218)
Interest on long-term debt	551,307	-	-	-	(551,307)	(551,307)	(551,307)
Total government activities	\$ 37,245,394	\$ 858,945	\$ 4,161,505	\$ 266,087	\$ (31,958,857)	\$ (31,958,857)	\$ (31,958,857)
Business-type activities:							
Utility Fund	\$ 4,569,446	\$ 4,493,958	\$ -	\$ -	\$ (75,488)	\$ (75,488)	\$ (75,488)
Total business-type activities	\$ 4,569,446	\$ 4,493,958	\$ -	\$ -	\$ (75,488)	\$ (75,488)	\$ (75,488)
Total primary government	\$ 41,814,840	\$ 5,352,903	\$ 4,161,505	\$ 266,087	\$ (32,034,345)	\$ (32,034,345)	\$ (32,034,345)
General revenues:							
General property taxes					\$ 10,412,313	\$ -	\$ 10,412,313
Local sales and use taxes					4,867,792	-	4,867,792
Consumers' utility taxes					700,691	-	700,691
Business licenses					1,593,478	-	1,593,478
Restaurant food taxes					5,851,680	-	5,851,680
Hotel and motel taxes					4,350,871	-	4,350,871
\$2 lodging taxes					1,672,720	-	1,672,720
Other local taxes					1,096,618	-	1,096,618
Unrestricted revenues from use of money and property					2,156,025	253,915	2,409,940
Miscellaneous					600,434	139,314	739,748
Grants and contributions not restricted to specific programs					879,936	-	879,936
Gain on disposal of capital assets					1,348,618	2,677,383	4,026,001
Total general revenues					\$ 35,531,176	\$ 3,070,612	\$ 38,601,788
Change in net assets					\$ 3,572,319	\$ 2,995,124	\$ 6,567,443
Net assets - beginning					75,843,196	15,235,819	91,079,015
Net assets - ending					\$ 79,415,515	\$ 18,230,943	\$ 97,646,458

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

FUND FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 7,494,555	\$ 205,979	\$ 7,700,534
Investments	21,021,482	-	21,021,482
Receivables (net of allowance for uncollectibles):			
Taxes receivable	164,731	-	164,731
Accounts receivable	1,685,433	-	1,685,433
Notes receivable	537,005	-	537,005
Interest receivable	233,738	-	233,738
Due from other funds	63,529	-	63,529
Due from other governmental units	1,268,799	78,916	1,347,715
Prepaid items	11,697	-	11,697
Total assets	<u>\$ 32,480,969</u>	<u>\$ 284,895</u>	<u>\$ 32,765,864</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,003,564	\$ 4,786	\$ 2,008,350
Accrued liabilities	187,056	-	187,056
Refundable deposits	51,955	-	51,955
Accrued interest payable	38,746	-	38,746
Due to other funds	-	24,611	24,611
Deferred revenue	141,212	48,144	189,356
Total liabilities	<u>\$ 2,422,533</u>	<u>\$ 77,541</u>	<u>\$ 2,500,074</u>
Fund balances:			
Reserved for:			
Notes receivable	\$ 537,005	\$ -	\$ 537,005
Prepaid items	11,697	-	11,697
Unreserved, reported in:			
General fund	22,467,158	-	22,467,158
Special revenue funds	-	207,354	207,354
Designated for:			
General fund - subsequent years':			
Capital expenditures	6,546,500	-	6,546,500
Health care costs	496,076	-	496,076
Total fund balances	<u>\$ 30,058,436</u>	<u>\$ 207,354</u>	<u>\$ 30,265,790</u>
Total liabilities and fund balances	<u>\$ 32,480,969</u>	<u>\$ 284,895</u>	<u>\$ 32,765,864</u>

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

City of Williamsburg, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2007

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 30,265,790
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	62,631,569
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. The following is a summary of items supporting this adjustment:

Deferred property taxes	140,689	
Amortizable bonds fees	35,437	176,126

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	(11,548,396)	
Note payable	(1,300,000)	
Accrued interest payable	(78,958)	
Compensated absences	(730,616)	(13,657,970)

Net assets of governmental activities	\$ 79,415,515
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The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 10,456,996	\$ -	\$ 10,456,996
Other local taxes	20,133,850	-	20,133,850
Permits, privilege fees, and regulatory licenses	200,897	-	200,897
Fines and forfeitures	281,612	-	281,612
Revenue from the use of money and property	2,155,825	200	2,156,025
Charges for services	376,435	-	376,435
Miscellaneous	512,694	6,794	519,488
Recovered costs	2,415,974	-	2,415,974
Intergovernmental revenues:			
Commonwealth	3,963,624	410,806	4,374,430
Federal	178,836	835,211	1,014,047
Total revenues	<u>\$ 40,676,743</u>	<u>\$ 1,253,011</u>	<u>\$ 41,929,754</u>
EXPENDITURES			
Current:			
General government administration	\$ 2,615,827	\$ -	\$ 2,615,827
Judicial administration	379,945	-	379,945
Public safety	8,600,888	115,266	8,716,154
Public works	3,847,395	-	3,847,395
Health and welfare	473,142	1,695,966	2,169,108
Education	6,493,421	-	6,493,421
Parks, recreation, and cultural	2,146,007	-	2,146,007
Community development	5,348,425	-	5,348,425
Capital projects	12,492,119	-	12,492,119
Debt service:			
Principal retirement	992,425	-	992,425
Interest and other fiscal charges	554,257	-	554,257
Total expenditures	<u>\$ 43,943,851</u>	<u>\$ 1,811,232</u>	<u>\$ 45,755,083</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,267,108)</u>	<u>\$ (558,221)</u>	<u>\$ (3,825,329)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 555,000	\$ 555,000
Transfers out	(555,000)	-	(555,000)
Sale of capital assets	1,354,316	-	1,354,316
Total other financing sources (uses)	<u>\$ 799,316</u>	<u>\$ 555,000</u>	<u>\$ 1,354,316</u>
Net change in fund balances	\$ (2,467,792)	\$ (3,221)	\$ (2,471,013)
Fund balances - beginning	32,526,228	210,575	32,736,803
Fund balances - ending	<u>\$ 30,058,436</u>	<u>\$ 207,354</u>	<u>\$ 30,265,790</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, 2007

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

Net change in fund balances - total governmental funds \$ (2,471,013)

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

Capital outlay	7,133,806	
Depreciation expense	<u>(2,061,453)</u>	5,072,353

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (5,698)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (44,687)

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

Principal retirement on general obligation bonds	992,425	
Amortization of bond fees	<u>(2,726)</u>	989,699

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

The following is a summary of items supporting this adjustment:

(Increase) decrease in accrued leave	25,988	
(Increase) decrease in interest payable	<u>5,677</u>	31,665

Change in net assets of governmental activities \$ 3,572,319

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

City of Williamsburg, Virginia
Statement of Net Assets
Proprietary Funds
June 30, 2007

	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 75,878
Investments	5,111,954
Accounts receivable, net of allowances for uncollectibles	860,216
Deferred charges	17,972
Total current assets	<u>\$ 6,066,020</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 6,049,200
Buildings and system	9,885,654
Improvements other than buildings	6,275,469
Machinery and equipment	1,140,789
Less: accumulated depreciation	(9,886,327)
Total noncurrent assets	<u>\$ 13,464,785</u>
Total assets	<u>\$ 19,530,805</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 378,745
Accrued liabilities	22,784
Refundable deposits	37,087
Accrued interest payable	2,744
Due to other funds	38,918
Compensated absences	62,317
Bonds payable - current portion	133,333
Total current liabilities	<u>\$ 675,928</u>
Noncurrent liabilities:	
Bonds payable - net of current portion	\$ 566,667
Compensated absences	57,267
Total noncurrent liabilities	<u>\$ 623,934</u>
Total liabilities	<u>\$ 1,299,862</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 12,764,785
Unrestricted	5,466,158
Total net assets	<u><u>\$ 18,230,943</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 Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Utility Fund
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 3,462,762
Sewer revenues	844,269
Tap and availability fees	171,760
Penalty and interest	15,167
Miscellaneous	131,400
Total operating revenues	<u>\$ 4,625,358</u>
OPERATING EXPENSES	
Personnel services	\$ 1,058,140
Fringe benefits	419,158
Contractual services	1,003,851
Other charges	1,454,200
Depreciation	370,075
Total operating expenses	<u>\$ 4,305,424</u>
Operating income (loss)	<u>\$ 319,934</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 253,915
Gain on sale of assets	2,677,383
Interest expense	(264,022)
Connection fees	7,914
Total nonoperating revenues (expenses)	<u>\$ 2,675,190</u>
Change in net assets	<u>\$ 2,995,124</u>
Total net assets - beginning	15,235,819
Total net assets - ending	<u><u>\$ 18,230,943</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, 2007

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 4,566,240
Payments to suppliers	(2,372,139)
Payments to and for employees	(1,466,850)
Net cash provided (used) by operating activities	<u>\$ 727,251</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (412,916)
Principal payments on bonds	(5,965,050)
Interest payments	(264,022)
Proceeds from sales of capital assets	5,701,900
Net cash provided (used) by capital and related financing activities	<u>\$ (940,088)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale (purchase) of investments	\$ (103,916)
Interest and dividends received	253,915
Other	7,914
Net cash provided (used) by investing activities	<u>\$ 157,913</u>
Net increase (decrease) in cash and cash equivalents	\$ (54,924)
Cash and cash equivalents - beginning	130,802
Cash and cash equivalents - ending	<u><u>\$ 75,878</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 319,934</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	370,075
(Increase) decrease in accounts receivable	(66,777)
Increase (decrease) in compensated absences	10,447
Increase (decrease) in accounts payable	85,913
Increase (decrease) customer deposits	476
Increase (decrease) in due to other funds	7,183
Total adjustments	<u>\$ 407,317</u>
Net cash provided (used) by operating activities	<u><u>\$ 727,251</u></u>

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

City of Williamsburg, Virginia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 277,051
Investments, at fair value:	
Other investments	987,192
Total assets	<u>\$ 1,264,243</u>
LIABILITIES	
Accounts payable	\$ 8,386
Amounts held for others	1,255,857
Total liabilities	<u>\$ 1,264,243</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, 2007

Note 1—Summary of Significant Accounting Policies:

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

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

Government-wide and Fund Financial Statements

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

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

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

Notes to Financial Statements (Continued)
As of June 30, 2007

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 new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Williamsburg (the primary government).

B. Individual Component Unit Disclosures

Blended Component Unit - the City has no blended component units to be included for the fiscal year ended June 30, 2007.

Discretely Presented Component Units - the City has no discretely presented component units to be included for the fiscal year ended June 30, 2007.

Notes to Financial Statements (Continued)
As of June 30, 2007

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

C. Other Related Organizations

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

1. Williamsburg Redevelopment & Housing Authority - The Authority is a public corporation that administers urban development projects and operates all public housing in the City. City Council selects the members of the Authority's board; however, the board designates its own management and has the responsibility for budget adoption and revision. The Authority's operating and capital expenditures, including debt service, are financed principally with federal funds and rentals. Separate financial statements are prepared and are available, which reflect the details of its operations.
2. The City of Williamsburg - County of James City, Virginia Joint Public Schools - Under the terms of an agreement dated January 14, 1954, and subsequently revised, between the governing bodies and the school boards of the City of Williamsburg, Virginia and the County of James City, Virginia, effective July 1, 1955, the two localities consolidated the operations of their schools. By agreement, the City's share of operational costs will be equivalent to the percentage of City students each year beginning July 1, 2002, times an add-on factor that varies by year as follows - the last five of which are a result of the latest agreement amended April 12, 2007 for Fiscal Years 2008 through 2012:

Fiscal Year	Factor
2007	1.18
2008	1.15
2009	1.15
2010	1.15
2011	1.14
2012	1.14

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2007

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

C. Other Related Organizations (Continued)

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

Summary financial information on the school operations as of June 30, 2007, is as follows:

Total assets	<u>\$ 12,888,823</u>
Liabilities	9,689,546
Fund equity and other credits	<u>3,199,277</u>
Total liabilities, fund equity, and other credits	<u>\$ 12,888,823</u>
Revenues	99,488,489
Expenditures and other financing uses	<u>97,655,522</u>
Excess of expenditures and other financing uses over revenues	1,832,967
Fund balance, beginning	<u>1,366,310</u>
Fund balance, ending	<u>\$ 3,199,277</u>

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

3. Williamsburg Regional Library - The Library is a joint operation of the City of Williamsburg and the County of James City, Virginia, operating under a contract dated January 14, 1999. It receives funding from the State of Virginia, the federal government, York County, and some private sources. The Library's board is split between City and County appointees. The Library's management is independent from City and County control. During the current fiscal year, the City contributed \$861,030 to the Library's operating budget, or 14.3% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.
4. Other Agencies - Certain agencies and commissions service both the City of Williamsburg and surrounding localities. Board membership is allocated among the localities and their governing bodies make appointments. These agencies include: Hampton Roads Planning District Commission (HRPDC), Peninsula Alliance for Economic Development (PAED), Colonial Services Board, Virginia Peninsula Regional Jail, Group Home Commission, Middle Peninsula Juvenile Detention Commission, Peninsula Agency on Aging, Community Action Agency, Crossroads, Hampton Roads Partnership, Virginia Peninsula Public Service Authority, and the Williamsburg Area Arts Commission.

Notes to Financial Statements (Continued)
As of June 30, 2007

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 City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Notes to Financial Statements (Continued)
As of June 30, 2007

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

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

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

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

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

1. Governmental Funds

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

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

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

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

Notes to Financial Statements (Continued)
As of June 30, 2007

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

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

Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following non-major funds: Virginia Public Assistance Fund and Law Enforcement Block Grant Fund. The Virginia Public Assistance Fund accounts for the Social Services programs of the City and is funded primarily through intergovernmental revenues.

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

E. Cash and Cash Equivalents

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

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

F. Investments

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

Notes to Financial Statements (Continued)
As of June 30, 2007

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 “due 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 \$211,757 at June 30, 2007 is comprised solely of property taxes.

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, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, infrastructure, and equipment with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized asset as of June 30, 2007 was immaterial.

Notes to Financial Statements (Continued)
As of June 30, 2007

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

H. Capital Assets (Continued)

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives.

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

I. Compensated Absences

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

J. Retirement Plan

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

K. Use of Estimates

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

L. Fund Equity

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

Notes to Financial Statements (Continued)
As of June 30, 2007

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

M. Net Assets

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

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Prepaid Items

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

P. Inventory

Inventory is valued at cost using the weighted average method. Inventory consists of expendable supplies held for consumption and is recorded as expenditures when used (consumption method). In the Governmental Funds, inventory is equally offset by a fund balance reserve which indicates that it does not constitute “currently expendable financial resources”.

Note 2—Stewardship, Compliance, and Accounting:

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

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

OTHER SUPPLEMENTARY INFORMATION

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

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, 2007.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and reserved fund balances outstanding at year end are re-appropriated in the succeeding year.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments:

Department	Budget	Actual	Overexceed Amount
City attorney	\$ 125,200	\$ 217,746	\$ 92,546
Courthouse activities	330,000	379,945	49,945
E-911	672,408	681,319	8,911
Regional jail	852,523	859,425	6,902
Group home commission	64,074	72,160	8,086
Landscaping	526,784	536,671	9,887
Local health department	237,677	243,294	5,617
Other community development	-	163,053	163,053

Note 3—Deposits and Investments:

Deposits

All cash of the primary government is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2007

Note 3—Deposits and Investments: (Continued)

Investments

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

Credit Risk of Debt Securities

The City’s rated debt investments as of June 30, 2007 were rated by *Standard and Poor’s* and the ratings are presented below using the *Standard and Poor’s* rating scale. The City’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

Locality’s Rated Debt Investments’ Values

Rated Debt Investments	Fair Quality Ratings				
	AAA	AAAm	A+	A-1+	A-
Local Government Investment Pool	\$ -	\$ 18,789,050	\$ -	\$ -	\$ -
Government Bonds	5,510,555	-	-	-	-
Virginia State Non-Arbitrage Pool	-	358,137	-	-	-
Corporate Bonds	-	-	250,348	596,430	1,243,752
Asset Backed Securities	372,358	-	-	-	-
Total	<u>\$ 5,882,913</u>	<u>\$ 19,147,187</u>	<u>\$ 250,348</u>	<u>\$ 596,430</u>	<u>\$ 1,243,752</u>

Interest Rate Risk

According to the City’s investment policy, every effort shall be made to manage investment maturities to precede or coincide with the expected need for funds.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
Government Bonds	\$ 5,510,555	\$ 2,997,450	\$ 2,513,105
Virginia State Non-Arbitrage Pool	358,137	358,137	-
Corporate Bonds	2,090,530	1,691,517	399,013
Asset Backed Securities	372,358	-	372,358
Total	<u>\$ 8,331,580</u>	<u>\$ 5,047,104</u>	<u>\$ 3,284,476</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission (SEC). The fair value of the positions in the Local Government Investment Pool (LGIP) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP maintains a policy to operate in a manner consistent with SEC Rule 2a-7.

Note 4—Due from Other Governments:

At June 30, 2007, the City has receivables from other governments as follows:

	Primary Government
Other Local Governments:	
County of James City	\$ 4,524
Commonwealth of Virginia:	
Communications tax	124,923
Compensation board	8,425
E-911 wireless tax	11,951
Local sales tax	941,315
Recordation tax	11,345
Rolling stock tax	5,370
Social services	30,850
State sales tax	117,273
VDOT reimbursement	43,673
Federal Government:	
Social Services	48,066
Total	<u>\$ 1,347,715</u>

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2007 are as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$ 63,529	\$ -
Virginia Public Assistance	-	24,611
Proprietary	-	38,918
Total	<u>\$ 63,529</u>	<u>\$ 63,529</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 6—Notes Receivable:

The City has three non-interest bearing notes receivable for \$150,000, \$110,000, and \$277,005 due from the Williamsburg Redevelopment and Housing Authority secured by deeds of trust. The notes are due on the sale of the respective properties.

Note 7—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 8,617,335	\$ -	\$ 5,698	\$ 8,611,637
Construction in progress	3,188,805	683,138	3,188,805	683,138
Total capital assets not subject to depreciation	<u>\$ 11,806,140</u>	<u>\$ 683,138</u>	<u>\$ 3,194,503</u>	<u>\$ 9,294,775</u>
Capital assets subject to depreciation:				
Buildings	\$ 28,608,602	\$ -	\$ -	\$ 28,608,602
Improvements other than buildings	9,609,169	1,288,660	-	10,897,829
Infrastructure	39,632,147	7,703,242	-	47,335,389
Equipment	5,935,119	647,571	212,139	6,370,551
Total capital assets subject to depreciation	<u>\$ 83,785,037</u>	<u>\$ 9,639,473</u>	<u>\$ 212,139</u>	<u>\$ 93,212,371</u>
Less accumulated depreciation for:				
Buildings	\$ 8,668,946	\$ 712,695	\$ -	\$ 9,381,641
Improvements other than buildings	3,369,640	456,421	-	3,826,061
Infrastructure	21,917,528	469,113	-	22,386,641
Equipment	4,070,149	423,224	212,139	4,281,234
Total accumulated depreciation	<u>\$ 38,026,263</u>	<u>\$ 2,061,453</u>	<u>\$ 212,139</u>	<u>\$ 39,875,577</u>
Total capital assets subject to depreciation, net	<u>\$ 45,758,774</u>	<u>\$ 7,578,020</u>	<u>\$ -</u>	<u>\$ 53,336,794</u>
Governmental activities capital assets, net	<u>\$ 57,564,914</u>	<u>\$ 8,261,158</u>	<u>\$ 3,194,503</u>	<u>\$ 62,631,569</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 7—Capital Assets: (Continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 8,419,917	\$ -	\$ 3,024,517	\$ 5,395,400
Open easement	653,800	-	-	653,800
Total capital assets not subject to depreciation	9,073,717	-	3,024,517	6,049,200
Capital assets subject to depreciation:				
Buildings	\$ 9,885,654	\$ -	\$ -	\$ 9,885,654
Improvements other than buildings	6,048,989	226,480	-	6,275,469
Equipment	954,353	186,436	-	1,140,789
Total capital assets subject to depreciation	\$ 16,888,996	\$ 412,916	\$ -	\$ 17,301,912
Less accumulated depreciation for:				
Buildings	\$ 4,686,374	\$ 196,405	\$ -	\$ 4,882,779
Improvements other than buildings	4,225,632	97,530	-	4,323,162
Equipment	604,246	76,140	-	680,386
Total accumulated depreciation	\$ 9,516,252	\$ 370,075	\$ -	\$ 9,886,327
Total capital assets subject to depreciation, net	\$ 7,372,744	\$ 42,841	\$ -	\$ 7,415,585
Business-type activities capital assets, net	\$ 16,446,461	\$ 42,841	\$ 3,024,517	\$ 13,464,785

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 7—Capital Assets: (Continued)

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

Governmental activities:		
General government	\$	911,634
Public safety		309,925
Public works		619,256
Health and welfare		9,265
Parks, recreation and cultural		197,077
Community development		<u>14,296</u>
Total depreciation expense - governmental activities	\$	<u>2,061,453</u>
Business-type activities:		
Water and sewer	\$	<u>370,075</u>

Note 8— Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 555,000
Special Revenue Fund:		
Virginia Public Assistance Fund	<u>555,000</u>	<u>-</u>
Total	<u>\$ 555,000</u>	<u>\$ 555,000</u>

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 9—Long-Term Obligations:

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

	Amounts Payable at July 1, 2006	Increases	Decreases	Amounts Payable at June 30, 2007	Amounts Due Within One Year
<i>Primary Government:</i>					
Governmental Obligations:					
General obligation bonds	\$ 12,540,821	\$ -	\$ 992,425	\$ 11,548,396	\$ 1,014,249
Note payable	1,300,000	-	-	1,300,000	1,300,000
Compensated absences	756,605	394,698	420,687	730,616	419,062
Total Governmental obligations	<u>\$ 14,597,426</u>	<u>\$ 394,698</u>	<u>\$ 1,413,112</u>	<u>\$ 13,579,012</u>	<u>\$ 2,733,311</u>
<i>Business-Type Activities:</i>					
Enterprise Obligations:					
General obligation bonds	\$ 6,665,050	\$ -	\$ 5,965,050	\$ 700,000	\$ 133,333
Compensated absences	109,136	64,745	54,297	119,584	62,317
Total Enterprise obligations:	<u>\$ 6,774,186</u>	<u>\$ 64,745</u>	<u>\$ 6,019,347</u>	<u>\$ 819,584</u>	<u>\$ 195,650</u>

Annual debt service requirements to maturity for general obligation bonds and notes payable are as follows:

Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 2,314,249	\$ 486,225	\$ 133,333	\$ 32,084
2009	1,036,704	413,846	133,333	25,319
2010	1,064,816	370,670	133,333	18,641
2011	1,088,610	326,357	133,333	11,963
2012	1,118,109	280,313	133,333	4,486
2013 - 2017	4,134,693	886,161	33,335	2,000
2018 - 2020	2,091,215	159,194	-	-
Total	<u>\$ 12,848,396</u>	<u>\$ 2,922,766</u>	<u>\$ 700,000</u>	<u>\$ 94,493</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 9—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations, Governmental Activities:	Total Amount
<u>General Obligation Bonds :</u>	
The City authorized and issued a \$2,500,000 general obligation bond for the purpose of financing the construction of a parking garage. The bond bears interest at 4.55%. Interest is payable semi-annually and principal is to be repaid in annual installments and matures January 15, 2017.	\$ 1,845,000
The City authorized and issued a \$4,000,000 general obligation bond for the purpose of financing several public improvement projects payable in principal installments of \$66,666 plus interest at a variable rate equal to the London Interbank Offered Rate (LIBOR) minus 1.40%. Payments are due the first day of each March, June, September, and December through June 2012.	1,400,000
The City authorized and issued a \$2,000,000 general obligation bond in August 1997 for capital improvements. The bond is payable in quarterly principal installments of \$133,333 plus interest at a fixed rate of 4.94%. Payments are due the first day of each March, June, September, and December through September 2012.	700,000
The City authorized and issued a \$8,500,000 general obligation bond in April 2005 for the purpose of prepayment on \$4,500,000 note pertaining to the Prince George Parking Garage and to finance the construction of a new high school. The bond is payable in annual principal installments plus semi-annual interest payments at a fixed rate of 3.76%. Payments are due the first day of April. Payments began October 1, 2005 and end April 2020.	7,603,396
Total general obligation bonds	\$ 11,548,396
<u>Note Payable :</u>	
The City signed a \$1,300,000 note for a parcel of land with improvements with interest only payments at a rate of 4.62% due monthly. The note matures on January 1, 2008.	\$ 1,300,000
Compensated absences (payable from General Fund)	\$ 730,616
Total Long-Term Obligations, Governmental Activities	\$ 13,579,012

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 9—Long-Term Obligations: (Continued)

Long-Term Obligations, Business-Type Activities:	Total Amount
<u>General Obligation Bonds :</u>	
The City authorized and issued a \$2,000,000 general obligation bond in August 1997 for the purpose of improvements to the City's water filtration plant. The bond is payable in quarterly principal installments of \$133,333 plus interest at a fixed rate of 4.94%. Payments are due the first day of each March, June, September, and December through September 2012.	\$ 700,000
Total general obligation bonds	\$ 700,000
Compensated absences (payable from Enterprise Fund)	\$ 119,584
Total Long-Term Obligations, Business-Type Activities	\$ 819,584

Note 10—Deferred Revenue:

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling \$189,356 is comprised of the following:

Deferred Property Tax Revenue: Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled \$140,566 at June 30, 2007.

Prepaid Property Taxes: Property taxes due subsequent to June 30, 2007, but paid in advance by the tax payers totaled \$646 at June 30, 2007.

Other Deferred Revenue: Deferred revenue representing uncollected state and federal grants not available for funding of current expenditures totaled \$48,144 at June 30, 2007.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2007

Note 11—Commitments and Contingencies:

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

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

	<u>Project</u>	<u>Contractor</u>	<u>Amount of Contract</u>	<u>Contract Outstanding at 6/30/2007</u>
Sales Tax Fund	Quarterpath Road Improvements	Branscome, Inc.	\$ 2,031,897	\$ 1,239,905

Note 12—Litigation:

At June 30, 2007, 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 13—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 2007.

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.

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 13—Risk Management: (Continued)

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

Unpaid claims, June 30, 2004	\$ -
Incurred claims (including IBNR and changes in estimate)	990,611
Claim payments	<u>(990,611)</u>
Unpaid claims, June 30, 2005	\$ -
Incurred claims (including IBNR and changes in estimate)	1,188,878
Claim payments	<u>(1,188,878)</u>
Unpaid claims, June 30, 2006	\$ -
Incurred claims (including IBNR and changes in estimate)	1,227,128
Claim payments	<u>(1,227,128)</u>
Unpaid claims, June 30, 2007	<u>-</u>

Note 14—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases, limited to 5% per year, beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2006AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2007

Note 14—Defined Benefit Pension Plan: (Continued)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the employer. In addition, the City is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate (including member contribution) for the fiscal year ended 2007 was 16.27% of annual covered payroll.

C. Annual Pension Cost

For fiscal 2007, the City's annual pension cost of \$1,443,616 was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method.

				<u>City Employees</u>	
Valuation date				June 30, 2005	
Actuarial cost method				Entry Age Normal	
Amortization method				Level percent, open	
Payroll growth rate				3%	
Remaining amortization period				21 years	
Asset valuation method				Modified market	
Actuarial assumptions:					
Investment rate of return ¹				7.50%	
Projected salary increases: ¹					
Non LEO Employees				3.50% to 5.73%	
LEO Employees				3.50% to 4.71%	
Cost-of-living adjustments				2.50%	
¹ Includes inflation at 2.50%					
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>		
June 30, 2007	\$ 1,443,616	100%	\$ -		
June 30, 2006	1,173,854	100%	-		
June 30, 2005	1,064,846	100%	-		

(1) Employer and employee portions

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued) As of June 30, 2007

Note 15—Other Postemployment Benefits:

The City provides assistance to certain retirees, who participate in outside non-employer qualified health insurance plans, in the form of a supplemental payment for the cost of health insurance coverage. The payments are made to retirees who participated in the City's health insurance plan for at least ten consecutive years and who had either a minimum of 15 years of service or are disabled. The monthly amount of the supplemental payment is equal to \$4 for each year of service and cannot exceed \$120 per month. The supplement stops upon the death of the retiree or upon termination of the outside health insurance coverage.

The retiree health insurance supplement program was adopted by City Council effective as of January 1, 2002. As of June 30, 2007, there were 31 retirees receiving supplemental payments. The City finances the program on a pay-as-you-go basis. Total payments during the year were \$33,644.

Note 16—Surety Bonds:

The following Surety bonds are maintained by the City:

	<u>Amount</u>
<u>Fidelity and Deposit Company of Maryland</u>	
Philip F. Serra, Director of Finance	\$ 500,000
Judy Nightingale Fuqua, Commissioner of the Revenue	550,000
Betsy Woolridge, Clerk of Circuit Court	103,000
Robert Deeds, Sheriff	30,000
Employees of Constitutional officers - blanket bond	1,000,000
Police Department - blanket bond	100,000
All City of Williamsburg employees except Constitutional Officers and their subordinates and the Police Department	100,000

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

City of Williamsburg, Virginia
General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
General property taxes	\$ 9,599,531	\$ 9,599,531	\$ 10,456,996	\$ 857,465
Other local taxes	18,674,100	18,674,100	20,133,850	1,459,750
Permits, privilege fees, and regulatory licenses	249,050	249,050	200,897	(48,153)
Fines and forfeitures	231,300	231,300	281,612	50,312
Revenue from the use of money and property	1,306,600	1,306,600	2,155,825	849,225
Charges for services	353,266	353,266	376,435	23,169
Miscellaneous	342,220	342,220	512,694	170,474
Recovered costs	669,600	1,962,400	2,415,974	453,574
Intergovernmental revenues:				
Commonwealth	3,575,505	3,741,635	3,963,624	221,989
Federal	-	-	178,836	178,836
Total revenues	\$ 35,001,172	\$ 36,460,102	\$ 40,676,743	\$ 4,216,641
EXPENDITURES				
Current:				
General government administration	\$ 2,698,161	\$ 2,698,163	\$ 2,615,827	\$ 82,336
Judicial administration	330,000	330,000	379,945	(49,945)
Public safety	8,770,852	8,770,851	8,600,888	169,963
Public works	3,895,824	3,895,824	3,847,395	48,429
Health and welfare	473,893	473,893	473,142	751
Education	6,509,641	6,493,421	6,493,421	-
Parks, recreation, and cultural	2,229,825	2,229,824	2,146,007	83,817
Community development	5,337,406	5,337,406	5,348,425	(11,019)
Capital projects	5,629,088	19,923,146	12,492,119	7,431,027
Debt service:				
Principal retirement	992,425	992,425	992,425	-
Interest and other fiscal charges	557,570	557,570	554,257	3,313
Total expenditures	\$ 37,424,685	\$ 51,702,523	\$ 43,943,851	\$ 7,758,672
Excess (deficiency) of revenues over (under) expenditures	\$ (2,423,513)	\$ (15,242,421)	\$ (3,267,108)	\$ 11,975,313
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (594,341)	\$ (594,341)	\$ (555,000)	\$ 39,341
Sale of capital assets	-	-	1,354,316	1,354,316
Total other financing sources and uses	\$ (594,341)	\$ (594,341)	\$ 799,316	\$ 1,393,657
Net change in fund balances	\$ (3,017,854)	\$ (15,836,762)	\$ (2,467,792)	\$ 13,368,970
Fund balances - beginning	3,017,854	15,836,762	32,526,228	16,689,466
Fund balances - ending	\$ -	\$ -	\$ 30,058,436	\$ 30,058,436

City of Williamsburg, Virginia
Schedule of Pension Funding Progress
As of June 30, 2007

Primary Government:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2006	\$ 34,332,037	\$ 39,484,872	\$ 5,152,835	86.95%	\$ 8,204,180	62.81%
6/30/2005	32,348,698	39,044,073	6,695,375	82.85%	7,722,705	86.70%
6/30/2004	31,432,030	35,779,472	4,347,442	87.85%	7,483,762	58.09%
6/30/2003	30,940,656	32,977,544	2,036,888	93.82%	7,149,147	28.49%
6/30/2002	30,740,960	30,564,554	(176,406)	100.58%	6,841,914	-2.58%
6/30/2001	29,626,026	28,096,800	(1,529,226)	105.44%	6,439,813	-23.75%
6/30/2000	26,798,629	26,219,796	(578,833)	102.21%	6,241,551	-9.27%

OTHER SUPPLEMENTARY INFORMATION

City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007

	Virginia Public Assistance <u>Fund</u>	Law Enforcement Block <u>Grant</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 201,326	\$ 4,653	\$ 205,979
Due from other governmental units	78,916	-	78,916
Total assets	<u>\$ 280,242</u>	<u>\$ 4,653</u>	<u>\$ 284,895</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,786	\$ -	\$ 4,786
Due to other funds	24,611	-	24,611
Deferred revenue	48,144	-	48,144
Total liabilities	<u>\$ 77,541</u>	<u>\$ -</u>	<u>\$ 77,541</u>
Fund balances:			
Unreserved:			
Designated for subsequent expenditure	\$ 202,701	\$ 4,653	\$ 207,354
Total fund balances	<u>\$ 202,701</u>	<u>\$ 4,653</u>	<u>\$ 207,354</u>
Total liabilities and fund balances	<u>\$ 280,242</u>	<u>\$ 4,653</u>	<u>\$ 284,895</u>

City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

	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	\$ -	\$ 200	\$ 200
Miscellaneous	6,452	342	6,794
Intergovernmental revenues:			
Commonwealth	410,806	-	410,806
Federal	746,984	88,227	835,211
Total revenues	<u>\$ 1,164,242</u>	<u>\$ 88,769</u>	<u>\$ 1,253,011</u>
EXPENDITURES			
Current:			
Public safety	\$ -	\$ 115,266	\$ 115,266
Health and welfare	1,695,966	-	1,695,966
Total expenditures	<u>\$ 1,695,966</u>	<u>\$ 115,266</u>	<u>\$ 1,811,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (531,724)</u>	<u>\$ (26,497)</u>	<u>\$ (558,221)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 555,000	\$ -	\$ 555,000
Total other financing sources and uses	<u>\$ 555,000</u>	<u>\$ -</u>	<u>\$ 555,000</u>
Net change in fund balances	\$ 23,276	\$ (26,497)	\$ (3,221)
Fund balances - beginning	179,425	31,150	210,575
Fund balances - ending	<u>\$ 202,701</u>	<u>\$ 4,653</u>	<u>\$ 207,354</u>

City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

Virginia Public Assistance Fund						Variance with Final Budget Positive (Negative)
Budgeted Amounts		Actual				
Original	Final					
REVENUES						
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -	-	
Miscellaneous	-	-	6,452		6,452	
Intergovernmental revenues:						
Commonwealth	-	562,199	410,806		(151,393)	
Federal	-	852,719	746,984		(105,735)	
Total revenues	\$ -	\$ 1,414,918	\$ 1,164,242	\$	(250,676)	
EXPENDITURES						
Current:						
Public safety	\$ -	\$ -	\$ -	\$ -	-	
Health and welfare	-	2,012,405	1,695,966		316,439	
Total expenditures	\$ -	\$ 2,012,405	\$ 1,695,966	\$	316,439	
Excess (deficiency) of revenues over (under) expenditures						
	\$ -	\$ (597,487)	\$ (531,724)	\$	65,763	
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ -	\$ 597,487	\$ 555,000	\$	(42,487)	
Total other financing sources and uses	\$ -	\$ 597,487	\$ 555,000	\$	(42,487)	
Net change in fund balances						
	\$ -	\$ -	\$ 23,276	\$	23,276	
Fund balances - beginning	-	-	179,425		179,425	
Fund balances - ending	\$ -	\$ -	\$ 202,701	\$	202,701	

Exhibit 15

Law Enforcement Block Grant Fund				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Final			
\$ -	\$ -	\$ 200	\$	200
-	-	342		342
-	-	-		-
-	120,870	88,227		(32,643)
\$ -	\$ 120,870	\$ 88,769	\$	(32,101)
\$ -	\$ 120,870	\$ 115,266	\$	5,604
-	-	-		-
\$ -	\$ 120,870	\$ 115,266	\$	5,604
\$ -	\$ -	\$ (26,497)	\$	(26,497)
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ -	\$	-
\$ -	\$ -	\$ (26,497)	\$	(26,497)
-	-	31,150		31,150
\$ -	\$ -	\$ 4,653	\$	4,653

City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Agency Funds					
	Williamsburg Regional Library Fund	Williamsburg Tricentennial Fund	Colonial CASA Fund	Economic Development Authority	Farmer's Market Fund	Total
ASSETS						
Cash and cash equivalents	\$ 189,068	\$ -	\$ 50,980	14,173	22,830	\$ 277,051
Investments, at fair value:						
Other investments	836,824	6,102	-	100,815	43,451	987,192
Total assets	<u>\$ 1,025,892</u>	<u>\$ 6,102</u>	<u>\$ 50,980</u>	<u>\$ 114,988</u>	<u>\$ 66,281</u>	<u>\$ 1,264,243</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ 5,575	\$ 909	\$ 1,902	\$ 8,386
Amounts held for others	1,025,892	6,102	45,405	114,079	64,379	1,255,857
Total liabilities	<u>\$ 1,025,892</u>	<u>\$ 6,102</u>	<u>\$ 50,980</u>	<u>\$ 114,988</u>	<u>\$ 66,281</u>	<u>\$ 1,264,243</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007

Exhibit 17
Page 1 of 2

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Williamsburg Regional Library:</u>				
ASSETS				
Cash and cash equivalents	\$ 28,324	\$ 6,250,679	\$ 6,089,935	\$ 189,068
Investments, at fair value:				
Other investments	793,897	42,927	-	836,824
Total assets	<u>\$ 822,221</u>	<u>\$ 6,293,606</u>	<u>\$ 6,089,935</u>	<u>\$ 1,025,892</u>
LIABILITIES				
Amounts held for others	\$ 822,221	\$ 6,293,606	\$ 6,089,935	\$ 1,025,892
Total liabilities	<u>\$ 822,221</u>	<u>\$ 6,293,606</u>	<u>\$ 6,089,935</u>	<u>\$ 1,025,892</u>
<u>Williamsburg Tricentennial Fund:</u>				
ASSETS				
Investments, at fair value:				
Other investments	\$ 5,788	\$ 314	\$ -	\$ 6,102
Total assets	<u>\$ 5,788</u>	<u>\$ 314</u>	<u>\$ -</u>	<u>\$ 6,102</u>
LIABILITIES				
Amounts held for others	\$ 5,788	\$ 314	\$ -	\$ 6,102
Total liabilities	<u>\$ 5,788</u>	<u>\$ 314</u>	<u>\$ -</u>	<u>\$ 6,102</u>
<u>Colonial CASA Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 12,942	177,178	139,140	\$ 50,980
Investments, at fair value:				
Other investments	1,600	-	1,600	-
Total assets	<u>\$ 14,542</u>	<u>\$ 177,178</u>	<u>\$ 140,740</u>	<u>\$ 50,980</u>
LIABILITIES				
Accounts payable	\$ 572	5,575	572	\$ 5,575
Amounts held for others	13,970	171,603	140,168	45,405
Total liabilities	<u>\$ 14,542</u>	<u>\$ 177,178</u>	<u>\$ 140,740</u>	<u>\$ 50,980</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007

Exhibit 17
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	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<u>Economic Development Authority:</u>				
ASSETS				
Cash and cash equivalents	\$ 77,633	\$ 52,815	\$ 116,275	\$ 14,173
Investments, at fair value:				
Other investments	-	100,815	-	100,815
Total assets	77,633	153,630	116,275	114,988
LIABILITIES				
Accounts payable	\$ -	\$ 909	\$ -	\$ 909
Amounts held for others	77,633	152,721	116,275	114,079
Total liabilities	\$ 77,633	\$ 153,630	\$ 116,275	\$ 114,988
<u>Farmers' Market:</u>				
ASSETS				
Cash and cash equivalents	\$ 13,367	78,132	68,669	\$ 22,830
Investments, at fair value:				
Other investments	41,216	2,235	-	43,451
Total assets	\$ 54,583	\$ 80,367	\$ 68,669	\$ 66,281
LIABILITIES				
Accounts payable	\$ 546	\$ 1,902	\$ 546	\$ 1,902
Amounts held for others	54,037	78,465	68,123	64,379
Total liabilities	\$ 54,583	\$ 80,367	\$ 68,669	\$ 66,281
<u>Totals - All Agency Funds:</u>				
ASSETS				
Cash and cash equivalents	132,266	6,558,804	6,414,019	277,051
Investments, at fair value:				
Other investments	842,501	146,291	1,600	987,192
Total assets	974,767	6,705,095	6,415,619	1,264,243
LIABILITIES				
Accounts payable	1,118	8,386	1,118	8,386
Amounts held for others	973,649	6,696,709	6,414,501	1,255,857
Total liabilities	974,767	6,705,095	6,415,619	1,264,243

SUPPORTING SCHEDULES

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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	\$ 7,650,000	\$ 7,650,000	\$ 8,476,536	\$ 826,536
Real and personal public service corporation taxes	281,000	281,000	277,952	(3,048)
Personal property taxes	482,331	482,331	516,105	33,774
Mobile home taxes	3,200	3,200	3,148	(52)
Business property taxes	1,140,000	1,140,000	1,130,964	(9,036)
Penalties	25,000	25,000	32,017	7,017
Interest	18,000	18,000	20,274	2,274
Total general property taxes	<u>\$ 9,599,531</u>	<u>\$ 9,599,531</u>	<u>\$ 10,456,996</u>	<u>\$ 857,465</u>
Other local taxes:				
Local sales and use taxes	\$ 4,200,000	\$ 4,200,000	\$ 4,867,792	\$ 667,792
Consumers' utility taxes	422,000	422,000	700,691	278,691
E-911 telephone taxes	250,000	250,000	112,628	(137,372)
Cellular phone taxes	190,000	190,000	89,231	(100,769)
Business license taxes	1,736,600	1,736,600	1,593,478	(143,122)
Utility license taxes	227,000	227,000	171,746	(55,254)
Bank stock taxes	125,000	125,000	172,298	47,298
Taxes on recordation and wills	185,000	185,000	342,137	157,137
Hotel and motel room taxes	3,825,000	3,825,000	4,350,871	525,871
Restaurant food taxes	5,475,000	5,475,000	5,851,680	376,680
\$2 lodging taxes	1,800,000	1,800,000	1,672,720	(127,280)
Tobacco taxes	220,000	220,000	172,872	(47,128)
Penalty and interest on other local taxes	18,500	18,500	35,706	17,206
Total other local taxes	<u>\$ 18,674,100</u>	<u>\$ 18,674,100</u>	<u>\$ 20,133,850</u>	<u>\$ 1,459,750</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 1,000	\$ 1,000	\$ 1,191	\$ 191
Land use application fees	2,000	2,000	4,052	2,052
Transfer fees	300	300	1,375	1,075
Permits and other licenses	245,750	245,750	194,279	(51,471)
Total permits, privilege fees, and regulatory licenses	<u>\$ 249,050</u>	<u>\$ 249,050</u>	<u>\$ 200,897</u>	<u>\$ (48,153)</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 231,300</u>	<u>\$ 231,300</u>	<u>\$ 281,612</u>	<u>\$ 50,312</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 815,000	\$ 815,000	\$ 1,600,447	\$ 785,447
Revenue from use of property	491,600	491,600	555,378	63,778
Total revenue from use of money and property	<u>\$ 1,306,600</u>	<u>\$ 1,306,600</u>	<u>\$ 2,155,825</u>	<u>\$ 849,225</u>
Charges for services:				
Charges for law enforcement and traffic control	\$ 1,366	\$ 1,366	\$ 1,366	\$ -
Charges for Commonwealth's Attorney	500	500	242	(258)
Charges for parks and recreation	304,900	304,900	338,754	33,854
Charges for planning and community development	46,500	46,500	36,073	(10,427)
Total charges for services	<u>\$ 353,266</u>	<u>\$ 353,266</u>	<u>\$ 376,435</u>	<u>\$ 23,169</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 342,220</u>	<u>\$ 342,220</u>	<u>\$ 512,694</u>	<u>\$ 170,474</u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

Schedule 1
Page 2 of 3

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Enterprise fund	\$ 540,000	\$ 540,000	\$ 578,918	\$ 38,918
Overtime - police and fire	22,400	22,400	45,930	23,530
Stormwater management	-	-	37,750	37,750
Quarterpath Road improvements	-	1,400,000	1,632,291	232,291
Other recovered costs	107,200	-	121,085	121,085
Total recovered costs	<u>\$ 669,600</u>	<u>\$ 1,962,400</u>	<u>\$ 2,415,974</u>	<u>\$ 453,574</u>
Total revenue from local sources	<u>\$ 31,425,667</u>	<u>\$ 32,718,467</u>	<u>\$ 36,534,283</u>	<u>\$ 3,815,816</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 7,034	\$ 7,034	\$ 7,034	\$ -
Wine taxes	7,373	7,373	7,373	-
Mobile home titling tax	400	400	-	(400)
Rolling stock tax	5,158	5,158	5,370	212
Motor vehicle rental tax	7,500	7,500	18,510	11,010
Grantors tax	57,489	57,489	65,597	8,108
Personal property tax relief funds	684,669	684,669	776,052	91,383
Total noncategorical aid	<u>\$ 769,623</u>	<u>\$ 769,623</u>	<u>\$ 879,936</u>	<u>\$ 110,313</u>
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 75,145	\$ 75,145	\$ 80,308	\$ 5,163
Treasurer	20,580	20,580	21,158	578
Medical examiner	270	270	90	(180)
Registrar/electoral board	44,000	44,000	47,355	3,355
Total shared expenses	<u>\$ 139,995</u>	<u>\$ 139,995</u>	<u>\$ 148,911</u>	<u>\$ 8,916</u>
Other categorical aid:				
599 Funds	\$ 441,821	\$ 441,821	\$ 441,820	\$ (1)
Streets and sidewalks	1,229,662	1,229,662	1,277,857	48,195
EMS funds - 4 for life	11,000	11,000	11,893	893
Litter control grant	6,568	6,568	5,307	(1,261)
Arts commission grant	72,885	72,885	5,000	(67,885)
State school construction funds	103,000	103,000	103,034	34
Virginia department of transportation	-	25,150	68,823	43,673
Fire programs	-	-	29,102	29,102
Wireless E-911	10,000	10,000	195,381	185,381
State sales tax	790,951	774,731	707,580	(67,151)
Other categorical aid	-	157,200	88,980	(68,220)
Total other categorical aid	<u>\$ 2,665,887</u>	<u>\$ 2,832,017</u>	<u>\$ 2,934,777</u>	<u>\$ 102,760</u>
Total categorical aid	<u>\$ 2,805,882</u>	<u>\$ 2,972,012</u>	<u>\$ 3,083,688</u>	<u>\$ 111,676</u>
Total revenue from the Commonwealth	<u>\$ 3,575,505</u>	<u>\$ 3,741,635</u>	<u>\$ 3,963,624</u>	<u>\$ 221,989</u>
Revenue from the federal government:				
Categorical aid:				
Community development block grant	\$ -	\$ -	\$ 163,053	\$ 163,053
State and community highway safety grant	-	-	1,297	1,297

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

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: (Continued)				
Revenue from the federal government: (Continued)				
Categorical aid: (Continued)				
Homeland security state grant	\$ -	\$ -	\$ 14,486	\$ 14,486
Total categorical aid	\$ -	\$ -	\$ 178,836	\$ 178,836
Total revenue from the federal government	\$ -	\$ -	\$ 178,836	\$ 178,836
Total General Fund	\$ 35,001,172	\$ 36,460,102	\$ 40,676,743	\$ 4,216,641
Special Revenue Fund:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 6,452	\$ 6,452
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ 411,699	\$ 360,650	\$ (51,049)
Comprehensive services act	-	150,500	50,156	(100,344)
Total categorical aid	\$ -	\$ 562,199	\$ 410,806	\$ (151,393)
Total revenue from the Commonwealth	\$ -	\$ 562,199	\$ 410,806	\$ (151,393)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ -	\$ 852,719	\$ 746,984	\$ (105,735)
Total Virginia Public Assistance Fund	\$ -	\$ 1,414,918	\$ 1,164,242	\$ (250,676)
Law Enforcement Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 200	\$ 200
Total revenue from use of money and property	\$ -	\$ -	\$ 200	\$ 200
Miscellaneous revenue:				
Other miscellaneous	\$ -	\$ -	\$ 342	\$ 342
Total revenue from local sources	\$ -	\$ -	\$ 542	\$ 542
Revenue from the federal government:				
Categorical aid:				
Homeland security and law enforcement grants	\$ -	\$ 120,870	\$ 88,227	\$ (32,643)
Total revenue from the federal government	\$ -	\$ 120,870	\$ 88,227	\$ (32,643)
Total Law Enforcement Block Grant	\$ -	\$ 120,870	\$ 88,769	\$ (32,101)
Total Primary Government	\$ 35,001,172	\$ 37,995,890	\$ 41,929,754	\$ 3,933,864

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

Schedule 2
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
City council	\$ 149,943	\$ 149,943	\$ 137,237	\$ 12,706
Clerk of council	89,665	89,665	88,408	1,257
Total legislative	<u>\$ 239,608</u>	<u>\$ 239,608</u>	<u>\$ 225,645</u>	<u>\$ 13,963</u>
General and financial administration:				
City manager	\$ 742,899	\$ 742,900	\$ 653,106	\$ 89,794
City attorney	125,200	125,200	217,746	(92,546)
Commissioner of revenue	187,171	187,171	181,400	5,771
Assessor	157,111	157,112	152,003	5,109
Treasurer	45,921	45,921	39,981	5,940
Director of finance	858,470	858,470	840,735	17,735
Automotive/motor pool	226,673	226,673	205,180	21,493
Total general and financial administration	<u>\$ 2,343,445</u>	<u>\$ 2,343,447</u>	<u>\$ 2,290,151</u>	<u>\$ 53,296</u>
Board of elections:				
Electoral board and officials	\$ 22,912	\$ 22,912	\$ 14,408	\$ 8,504
Registrar	92,196	92,196	85,623	6,573
Total board of elections	<u>\$ 115,108</u>	<u>\$ 115,108</u>	<u>\$ 100,031</u>	<u>\$ 15,077</u>
Total general government administration	<u>\$ 2,698,161</u>	<u>\$ 2,698,163</u>	<u>\$ 2,615,827</u>	<u>\$ 82,336</u>
Judicial administration:				
Courts:				
Courthouse activities	<u>\$ 330,000</u>	<u>\$ 330,000</u>	<u>\$ 379,945</u>	<u>\$ (49,945)</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 3,316,119	\$ 3,316,119	\$ 3,234,095	\$ 82,024
Prince George parking garage	124,304	124,305	118,650	5,655
E-911	672,410	672,408	681,319	(8,911)
Total law enforcement and traffic control	<u>\$ 4,112,833</u>	<u>\$ 4,112,832</u>	<u>\$ 4,034,064</u>	<u>\$ 78,768</u>
Fire and rescue services:				
Fire department	<u>\$ 3,068,634</u>	<u>\$ 3,068,634</u>	<u>\$ 3,064,526</u>	<u>\$ 4,108</u>
Correction and detention:				
Juvenile detention commission	\$ 120,258	\$ 120,258	\$ 105,467	\$ 14,791
Regional jail	852,523	852,523	859,425	(6,902)
Group home commission	64,074	64,074	72,160	(8,086)
Total correction and detention	<u>\$ 1,036,855</u>	<u>\$ 1,036,855</u>	<u>\$ 1,037,052</u>	<u>\$ (197)</u>
Inspections:				
Building	<u>\$ 521,805</u>	<u>\$ 521,805</u>	<u>\$ 446,460</u>	<u>\$ 75,345</u>
Other protection:				
Animal control	\$ 24,750	\$ 24,750	\$ 14,745	\$ 10,005
Medical examiner	400	400	120	280
Emergency services (civil defense)	5,575	5,575	3,921	1,654
Total other protection	<u>\$ 30,725</u>	<u>\$ 30,725</u>	<u>\$ 18,786</u>	<u>\$ 11,939</u>
Total public safety	<u>\$ 8,770,852</u>	<u>\$ 8,770,851</u>	<u>\$ 8,600,888</u>	<u>\$ 169,963</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

Schedule 2
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public works:				
Maintenance of highways, streets, bridges & sidewalks:				
Highways, streets, bridges and sidewalks	\$ 1,557,272	\$ 1,557,272	\$ 1,553,079	\$ 4,193
Engineering	233,200	233,200	229,441	3,759
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 1,790,472</u>	<u>\$ 1,790,472</u>	<u>\$ 1,782,520</u>	<u>\$ 7,952</u>
Sanitation and waste removal:				
Refuse collection	<u>\$ 809,800</u>	<u>\$ 809,800</u>	<u>\$ 807,777</u>	<u>\$ 2,023</u>
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 453,668	\$ 453,668	\$ 436,331	\$ 17,337
Rental properties	13,400	13,400	2,892	10,508
Landscaping	526,784	526,784	536,671	(9,887)
Information technology	301,700	301,700	281,204	20,496
Total maintenance of general buildings and grounds	<u>\$ 1,295,552</u>	<u>\$ 1,295,552</u>	<u>\$ 1,257,098</u>	<u>\$ 38,454</u>
Total public works	<u>\$ 3,895,824</u>	<u>\$ 3,895,824</u>	<u>\$ 3,847,395</u>	<u>\$ 48,429</u>
Health and welfare:				
Health:				
Local health department	\$ 237,677	\$ 237,677	\$ 243,294	\$ (5,617)
Mosquito control	7,950	7,950	5,357	2,593
Total health	<u>\$ 245,627</u>	<u>\$ 245,627</u>	<u>\$ 248,651</u>	<u>\$ (3,024)</u>
Mental health and mental retardation:				
Administration - mental health and mental retardation	<u>\$ 221,620</u>	<u>\$ 221,620</u>	<u>\$ 221,620</u>	<u>\$ -</u>
Welfare:				
Public assistance	\$ 3,146	\$ 3,146	\$ -	\$ 3,146
Transportation programs for elderly	3,500	3,500	2,871	629
Total welfare	<u>\$ 6,646</u>	<u>\$ 6,646</u>	<u>\$ 2,871</u>	<u>\$ 3,775</u>
Total health and welfare	<u>\$ 473,893</u>	<u>\$ 473,893</u>	<u>\$ 473,142</u>	<u>\$ 751</u>
Education:				
Other instructional costs:				
Contribution to local school board	<u>\$ 6,509,641</u>	<u>\$ 6,493,421</u>	<u>\$ 6,493,421</u>	<u>\$ -</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 456,823	\$ 456,823	\$ 413,789	\$ 43,034
Maintenance of parks and recreation	236,565	236,565	235,023	1,542
Recreation facility	615,272	615,271	594,662	20,609
Cemeteries	51,666	51,666	41,503	10,163
Total parks and recreation	<u>\$ 1,360,326</u>	<u>\$ 1,360,325</u>	<u>\$ 1,284,977</u>	<u>\$ 75,348</u>
Library:				
Contribution to regional library	<u>\$ 869,499</u>	<u>\$ 869,499</u>	<u>\$ 861,030</u>	<u>\$ 8,469</u>
Total parks, recreation, and cultural	<u>\$ 2,229,825</u>	<u>\$ 2,229,824</u>	<u>\$ 2,146,007</u>	<u>\$ 83,817</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2007

Schedule 2
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<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Community development:				
Planning and community development:				
Planning	\$ 478,256	\$ 478,256	\$ 456,100	\$ 22,156
Community development	4,647,380	4,539,075	4,411,655	127,420
Economic development	-	108,305	106,043	2,262
Other community development	-	-	163,053	(163,053)
Arts commission	211,770	211,770	211,574	196
Total planning and community development	<u>\$ 5,337,406</u>	<u>\$ 5,337,406</u>	<u>\$ 5,348,425</u>	<u>\$ (11,019)</u>
Total community development	<u>\$ 5,337,406</u>	<u>\$ 5,337,406</u>	<u>\$ 5,348,425</u>	<u>\$ (11,019)</u>
Capital projects:				
Other capital projects	<u>\$ 5,629,088</u>	<u>\$ 19,923,146</u>	<u>\$ 12,492,119</u>	<u>\$ 7,431,027</u>
Debt service:				
Principal retirement	\$ 992,425	\$ 992,425	\$ 992,425	\$ -
Interest and other fiscal charges	557,570	557,570	554,257	3,313
Total debt service	<u>\$ 1,549,995</u>	<u>\$ 1,549,995</u>	<u>\$ 1,546,682</u>	<u>\$ 3,313</u>
Total General Fund	<u>\$ 37,424,685</u>	<u>\$ 51,702,523</u>	<u>\$ 43,943,851</u>	<u>\$ 7,758,672</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ -	\$ 1,116,262	\$ 936,430	\$ 179,832
Public assistance	-	745,643	615,923	129,720
Comprehensive services	-	150,500	124,072	26,428
Other welfare and social services	-	-	19,541	(19,541)
Total welfare and social services	<u>\$ -</u>	<u>\$ 2,012,405</u>	<u>\$ 1,695,966</u>	<u>\$ 316,439</u>
Total health and welfare	<u>\$ -</u>	<u>\$ 2,012,405</u>	<u>\$ 1,695,966</u>	<u>\$ 316,439</u>
Total Virginia Public Assistance Fund	<u>\$ -</u>	<u>\$ 2,012,405</u>	<u>\$ 1,695,966</u>	<u>\$ 316,439</u>
Law Enforcement Block Grant Fund:				
Public safety:				
Other protection:				
Other protection	<u>\$ -</u>	<u>\$ 120,870</u>	<u>\$ 115,266</u>	<u>\$ 5,604</u>
Total Law Enforcement Block Grant Fund	<u>\$ -</u>	<u>\$ 120,870</u>	<u>\$ 115,266</u>	<u>\$ 5,604</u>
Total Primary Government	<u>\$ 37,424,685</u>	<u>\$ 53,835,798</u>	<u>\$ 45,755,083</u>	<u>\$ 8,080,715</u>

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

Table 1

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year</u> <u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$43,829,109	\$48,294,124	\$41,977,081	\$43,724,093	49,783,173
Unrestricted	22,305,527	20,819,991	30,578,146	32,119,103	29,632,342
Total governmental activities net assets	<u>\$66,134,636</u>	<u>\$69,114,115</u>	<u>\$72,555,227</u>	<u>\$75,843,196</u>	<u>\$79,415,515</u>
Business-type activities					
Invested in capital assets, net of related debt	\$8,525,848	\$8,755,781	\$9,720,452	\$9,781,412	12,764,785
Unrestricted	4,916,024	5,790,053	5,143,153	5,454,407	5,466,158
Total business-type activities net assets	<u>\$13,441,872</u>	<u>\$14,545,834</u>	<u>\$14,863,605</u>	<u>\$15,235,819</u>	<u>\$18,230,943</u>
Primary government					
Invested in capital assets, net of related debt	\$52,354,957	\$57,049,905	\$51,697,533	\$53,505,505	\$62,547,958
Unrestricted	27,221,551	26,610,044	35,721,299	37,573,510	35,098,500
Total primary government net assets	<u>\$79,576,508</u>	<u>\$83,659,949</u>	<u>\$87,418,832</u>	<u>\$91,079,015</u>	<u>\$97,646,458</u>

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

Table 2
Page 1 of 2

	<u>2003</u>	<u>2004</u>	<u>Fiscal Year</u> <u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities:					
General government administration	\$2,758,568	\$2,950,481	\$3,196,039	\$3,989,006	\$3,556,882
Judicial administration	273,154	293,222	308,361	356,257	379,945
Public safety	6,563,142	6,933,837	7,475,819	8,011,476	8,840,146
Public works	3,765,655	4,959,412	4,110,492	3,007,234	7,196,599
Health and welfare	1,809,216	1,991,478	2,065,153	2,180,922	2,176,382
Education	6,583,596	6,822,656	6,267,967	6,437,154	7,044,990
Parks, recreation and cultural	2,071,236	2,094,830	2,179,626	2,138,010	2,170,492
Community development	3,135,821	3,259,276	4,853,168	9,168,959	5,328,651
Nondepartmental	46,163	127,858	17,349	-	-
Interest expense	361,125	352,333	396,211	592,688	551,307
Total governmental activities expenses	<u>\$27,367,676</u>	<u>\$29,785,383</u>	<u>\$30,870,185</u>	<u>\$35,881,706</u>	<u>\$37,245,394</u>
Business-type activities:					
Water and sewer services	\$4,098,596	\$3,838,917	\$3,983,571	\$4,230,185	\$4,569,446
Total business-type activities expenses	<u>4,098,596</u>	<u>3,838,917</u>	<u>3,983,571</u>	<u>4,230,185</u>	<u>4,569,446</u>
Total primary government expenses	<u>\$31,466,272</u>	<u>\$33,624,300</u>	<u>\$34,853,756</u>	<u>\$40,111,891</u>	<u>\$41,814,840</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government administration*	\$862,919	\$1,027,386	\$1,228,597	\$ -	\$ -
Judicial administration	-	-	-	142,321	155,924
Public safety	508,864	559,545	582,729	364,959	328,194
Public works	12,071	50,199	11,403	-	-
Parks, recreation and cultural	297,674	270,705	316,991	302,835	338,754
Community development	51,694	59,418	58,428	56,566	36,073
Operating grants and contributions	3,307,596	4,808,926	3,718,194	5,224,480	4,161,505
Capital grants and contributions	102,974	102,924	102,922	176,937	266,087
Total governmental activities program revenues	<u>\$5,143,792</u>	<u>\$6,879,103</u>	<u>\$6,019,264</u>	<u>\$6,268,098</u>	<u>\$5,286,537</u>
Business-type activities:					
Charges for services:					
Water and sewer	\$4,721,388	\$4,890,679	\$4,195,671	\$4,379,515	\$4,628,958
Total business-type activities program revenues	<u>4,721,388</u>	<u>4,890,679</u>	<u>4,195,671</u>	<u>4,379,515</u>	<u>4,628,958</u>
Total primary government program revenues	<u>\$9,865,180</u>	<u>\$11,769,782</u>	<u>\$10,214,935</u>	<u>\$10,647,613</u>	<u>\$9,915,495</u>

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

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

Table 2
Page 2 of 2

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue					
Governmental activities	(\$22,223,884)	(\$22,906,280)	(\$24,850,921)	(\$29,613,608)	(\$31,958,857)
Business-type activities	622,792	1,051,762	212,100	149,330	59,512
Total primary government net expense	(\$21,601,092)	(\$21,854,518)	(\$24,638,821)	(\$29,464,278)	(\$31,899,345)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
General property taxes	\$6,896,200	\$7,574,245	\$7,944,010	\$8,250,312	\$9,281,349
Sales taxes	3,818,105	4,240,721	4,219,603	4,303,203	4,867,792
Business property taxes	1,279,076	1,254,363	1,259,291	1,143,727	1,130,964
Consumer utility taxes	665,980	684,702	1,062,031	451,524	700,691
Business license taxes	1,655,221	1,639,065	1,757,085	1,789,386	1,593,478
Hotel and room taxes	3,974,894	3,996,782	3,695,937	3,787,611	4,350,871
\$2 lodging taxes	-	-	1,582,047	1,595,664	1,672,720
Meals taxes	5,262,677	5,420,516	5,394,509	5,600,162	5,851,680
Other local taxes	573,598	110,107	910,932	1,457,982	1,096,618
Use of Money & Property	472,859	965,258	465,369	1,382,832	2,156,025
Gain on sale of capital assets	37,204	-	1,220	1,082,095	1,348,618
Grants and contributions not restricted to specific programs	-	-	-	929,240	879,936
Miscellaneous	-	-	-	660,148	600,434
Total governmental activities	24,635,814	25,885,759	28,292,034	32,433,886	35,531,176
Business-type activities:					
Investment earnings	70,407	52,200	105,671	202,622	253,915
Gain on sale of capital assets	-	-	-	-	2,677,383
Miscellaneous	-	-	-	35,517	4,314
Total business-type activities	70,407	52,200	105,671	238,139	2,935,612
Total primary government	\$24,706,221	\$25,937,959	\$28,397,705	\$32,672,025	\$38,466,788
Change in Net Assets					
Governmental activities	\$2,411,930	\$2,979,479	\$3,441,113	\$2,820,278	\$3,572,319
Business-type activities	693,199	1,103,962	317,771	387,469	2,995,124
Total primary government	\$3,105,129	\$4,083,441	\$3,758,884	\$3,207,747	\$6,567,443

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543,605	\$ 548,702
Unreserved	17,717,809	13,207,887	14,932,925	17,303,413	25,927,029	22,360,336	20,886,657	30,616,683	31,982,623	29,509,734
Total general fund	<u>17,717,809</u>	<u>13,207,887</u>	<u>14,932,925</u>	<u>17,303,413</u>	<u>25,927,029</u>	<u>22,360,336</u>	<u>20,886,657</u>	<u>30,616,683</u>	<u>32,526,228</u>	<u>30,058,436</u>
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue funds	\$ 105,658	\$ 180,070	\$ 129,187	\$ 117,577	\$ 225,323	\$ 162,486	\$ 141,922	\$ 131,239	\$ 210,575	\$ 207,354
Total all other governmental funds	<u>\$ 105,658</u>	<u>\$ 180,070</u>	<u>\$ 129,187</u>	<u>\$ 117,577</u>	<u>\$ 225,323</u>	<u>\$ 162,486</u>	<u>\$ 141,922</u>	<u>\$ 131,239</u>	<u>\$ 210,575</u>	<u>\$ 207,354</u>

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes	\$18,976,503	\$20,513,619	\$22,253,679	\$22,529,334	\$24,083,697	\$23,993,013	\$25,624,343	\$27,748,415	\$28,194,199	\$30,590,846
Licenses, fees, and permits	75,153	181,131	163,291	267,047	173,985	212,818	305,762	256,662	275,741	200,897
Fines and penalties	249,559	277,745	238,003	253,578	282,664	273,584	254,706	234,157	229,779	281,612
Interest earnings	963,997	825,655	726,379	987,325	877,741	509,895	154,762	464,761	1,600,447	1,600,447
Charges for services	322,281	315,841	334,812	319,808	341,113	345,348	317,845	365,026	361,161	376,435
Intergovernmental	1,919,385	2,109,082	2,206,669	2,224,003	2,211,804	2,306,054	3,654,043	2,603,923	5,072,198	4,042,460
Other revenues	406,582	578,475	984,039	1,117,931	1,152,182	1,027,827	1,117,425	1,334,780	1,798,505	3,584,046
Total revenues	\$ 22,913,460.00	\$ 24,801,548.00	\$ 26,906,872.00	\$ 27,699,026.00	\$ 29,123,186.00	\$ 28,668,139.00	\$ 31,428,886.00	\$ 33,007,724.00	\$ 36,862,993.00	\$ 40,676,743.00
Expenditures										
General government	\$1,386,301	\$2,078,313	\$1,899,725	\$1,932,875	\$1,952,376	\$2,040,718	\$2,172,065	\$2,290,766	\$2,636,419	\$2,615,827
Judicial	196,128	187,551	365,171	275,310	293,703	273,154	293,222	308,361	356,257	379,945
Police	2,299,467	2,424,243	2,639,281	2,733,728	2,850,557	2,861,260	3,072,285	3,499,854	3,541,289	4,034,064
Fire	1,850,292	1,830,578	1,965,668	2,114,910	2,150,348	2,216,034	2,335,061	2,531,801	2,741,472	3,064,526
Other public safety	1,047,631	884,229	926,642	842,889	969,896	1,135,888	1,182,040	1,274,946	1,494,849	1,502,298
Public works	2,221,939	2,377,712	2,807,153	2,902,339	3,078,356	2,853,272	4,454,010	3,628,476	3,636,448	3,847,395
Health and welfare	300,734	325,637	338,187	365,523	372,417	381,610	400,239	418,312	450,930	473,142
Education	5,217,086	5,640,109	5,809,163	6,496,149	6,763,889	6,518,691	6,734,071	6,267,967	6,437,154	6,493,421
Parks and recreation	952,000	972,978	982,119	1,012,865	1,069,304	1,137,105	1,169,003	1,254,125	1,242,389	1,284,977
Library	590,691	544,720	657,211	616,281	739,744	758,674	752,197	771,595	796,580	861,030
Community Development - Note a	1,854,532	1,940,397	2,786,386	2,846,217	2,898,086	2,932,800	2,989,506	4,852,663	4,908,287	5,348,425
Non-departmental	7194	77,548	8,085	6,210	97,680	68,644	137,351	33,349	-	-
Capital projects	6,792,369	9,061,435	2,623,501	2,288,580	3,192,642	7,582,378	5,818,262	3,030,777	5,774,358	12,492,119
Debt Service:										
Principal	721,133	788,000	788,000	788,000	788,000	908,000	5,413,000	918,000	5,872,179	992,425
Interest	367,248	329,230	345,542	323,094	290,907	361,125	352,333	437,444	505,332	554,257
Total expenditures	\$ 25,804,745	\$ 29,462,680	\$ 24,941,834	\$ 25,544,970	\$ 27,507,905	\$ 32,029,353	\$ 37,274,645	\$ 31,518,436	\$ 40,393,943	\$ 43,943,651
Excess of revenues over (under) expenditures	\$ (2,891,285)	\$ (4,661,132)	\$ 1,965,038	\$ 2,154,056	\$ 1,615,281	\$ (3,361,214)	\$ (5,845,759)	\$ 1,489,288	\$ (3,530,950)	\$ (3,267,108)

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other Financing Sources (Uses)										
Bonds issued	\$ 6,000,000	\$ -	\$ -	\$ -	\$ 7,000,000	\$ -	\$ -	\$ 8,500,000	\$ -	\$ -
Refunding bonds issued	-	-	-	-	-	-	4,500,000	-	-	-
Disposal of capital asset	-	-	-	-	-	-	-	12,975	-	-
Sale of capital assets	1,168,708	102,100	-	503,109	304,335	123,329	200,000	-	5,068,073	1,354,316
Capital leases	-	-	-	-	-	-	-	51,928	-	-
Transfers in	-	239,109	-	-	-	-	32,080	160,835	-	-
Transfers out	(254,848)	(190,000)	(240,000)	(338,473)	(296,000)	(328,808)	(360,000)	(485,000)	(543,284)	(555,000)
Total other financing sources (uses)	6,913,860	151,209	(240,000)	164,636	7,008,335	(205,479)	4,372,080	8,240,738	4,524,789	799,316
Net change in fund balances	4,022,575	(4,509,923)	1,725,038	2,318,692	8,623,616	(3,566,693)	(1,473,679)	9,730,026	993,839	(2,467,792)
Debt service as a percentage of noncapital expenditures	6.07%	5.79%	5.35%	5.02%	4.64%	5.48%	22.44%	5.00%	22.58%	5.17%

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

Table 5

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

Fiscal Year	Property ²	1% Sales & Use	Consumer Utility ¹	Business License	Franchise ³	Tobacco	Hotel & Motel	\$2 Lodging	Restaurant	Other	Total
1998	6,117,764	3,527,210	427,959	1,354,180	169,695	-	3,238,538	-	3,890,755	250,402	18,976,503
1999	6,463,440	3,673,944	439,511	1,464,810	163,701	-	3,673,349	-	4,364,758	270,106	20,513,619
2000	6,829,694	3,782,864	473,066	1,535,238	180,902	-	4,097,054	-	5,075,742	279,119	22,253,679
2001	7,140,860	3,720,937	505,987	1,592,792	216,307	-	3,895,420	-	5,114,515	342,516	22,529,334
2002	7,577,391	4,368,379	589,089	1,622,735	194,633	-	4,114,010	-	5,318,886	298,574	24,083,697
2003	8,210,667	3,781,232	665,980	1,641,721	202,360	-	3,974,894	-	5,244,106	272,053	23,993,013
2004	8,869,569	4,210,450	684,702	1,628,458	225,716	305,729	3,996,782	-	5,393,776	309,161	25,624,343
2005	9,241,737	4,219,603	1,062,031	1,749,413	235,196	209,340	3,695,937	1,582,047	5,367,745	385,366	27,748,415
2006	10,039,498	4,303,203	886,388	1,789,386	250,762	184,080	3,787,611	1,595,664	5,600,162	640,764	29,077,518
2007	11,233,048	4,867,792	902,550	1,593,478	171,746	172,872	4,350,871	1,672,720	5,851,680	550,141	31,366,898

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

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

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

Table 6

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

Fiscal Year	Real Property		Personal Property			Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate*
	Residential Property	Commercial Property ¹	Motor Vehicles ²	Other				
1998	421,539,200	684,194,200	23,269,900	28,799,939		362,959,500	794,843,739	4.04
1999	436,450,300	728,174,300	24,737,810	31,587,690		371,983,400	848,966,700	4.04
2000	436,041,000	755,666,400	25,016,515	33,013,315		375,706,400	874,030,830	4.04
2001	465,605,100	775,000,400	28,216,550	35,481,423		377,238,400	927,065,073	4.04
2002	493,696,625	803,185,980	29,397,420	37,446,864		388,880,280	974,846,609	4.04
2003	543,061,000	854,851,000	30,756,020	37,476,509		402,276,700	1,063,867,829	4.04
2004	670,963,900	897,611,400	31,817,660	36,817,378		451,149,200	1,186,061,138	4.04
2005	736,951,300	918,939,700	30,793,980	36,827,600		453,198,400	1,270,314,180	4.04
2006	872,835,500	960,854,400	35,607,452	38,600,378		494,984,900	1,412,912,830	4.04
2007	1,021,043,000	1,020,298,800	36,612,408	34,390,362		493,690,200	1,618,654,370	4.04

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

* Real Estate tax rate was \$.54/\$100, and personal property tax rate was \$.50/\$100 since 1991.

¹ Includes tax-exempt property.

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

Note: Real property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201 requires that annual assessments of real estate shall be made at 100 percent fair market value. A significant time delay (up to 2 years) is inherent in the annual appraisal process due to continuous sales of like-properties in the City. Recent periods of high-volume sales and rising property values can widen the gap between City assessed values and market values; therefore the estimated actual value of real property in the City is not known.

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

Table 7

Fiscal Year Ended June 30,	Real Estate Tax¹	Personal Property Tax¹	Room Tax ²	Meal Tax ²	Retail Sales Tax³
1998	\$0.54	\$3.50	4%	4%	1%
1999	\$0.54	\$3.50	5%	5%	1%
2000	\$0.54	\$3.50	5%	5%	1%
2001	\$0.54	\$3.50	5%	5%	1%
2002	\$0.54	\$3.50	5%	5%	1%
2003	\$0.54	\$3.50	5%	5%	1%
2004	\$0.54	\$3.50	5%	5%	1%
2005	\$0.54	\$3.50	5%	5%	1%
2006	\$0.54	\$3.50	5%	5%	1%
2007	\$0.54	\$3.50	5%	5%	1%

¹ Per \$100 assessed value.

² Room & Meal tax rates increased to 5% effective January 1, 1999.

³ Collected by the State, remitted monthly to the City.

The City of Williamsburg has no overlapping taxes.

Table 8

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

	1998			2007		
	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	\$175,801,400	1	23.10%	\$230,465,100	1	14.35%
Williamsburg Associates LTD	12,380,100	2	1.63%			
T. R. Vermillion	10,594,200	3	1.39%			
Federal Realty Investment Trust	9,812,300	4	1.29%			
P V R Associates	9,051,700	5	1.19%			
Chelsea GCA Realty	7,092,100	6	0.93%			
York Street Inn	6,945,200	7	0.91%			
Woodshire, LTD	6,312,100	8	0.83%			
Patrick Henry Inn	5,084,000	9	0.67%			
Haughwout, Virginia Est	5,048,000	10	0.66%			
Westgate Resorts, LTD				18,865,300	2	1.17%
Williamsburg High Street				15,928,500	3	0.99%
Bluegreen Vacations Unlimited				15,564,700	4	0.97%
Virginia Landmark Hotels LLC				15,408,900	5	0.96%
Williamsburg Improvements, LLC				14,924,800	6	0.93%
Riverside Healthcare Association				10,867,800	7	0.68%
Jin, Inc.				10,765,800	8	0.67%
Medalist Properties 5 LLC				9,930,700	9	0.62%
351 York Street LLC				8,821,500	10	0.55%

Source: City of Williamsburg Assessor's Office

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			Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy		Amount		Percentage of Levy	
		Amount	Percentage of Levy				
1998	\$5,895,408	\$5,608,446	95.13%	\$223,324	\$5,831,770	98.92%	
1999	6,242,945	5,951,668	95.33%	229,928	6,181,596	99.02%	
2000	6,468,264	6,258,949	96.76%	177,140	6,436,089	99.50%	
2001	6,918,899	6,682,605	96.58%	199,084	6,881,689	99.46%	
2002	7,272,386	7,057,213	97.04%	170,138	7,227,351	99.38%	
2003	7,797,659	7,592,727	97.37%	166,097	7,758,824	99.50%	
2004	8,506,940	8,347,049	98.12%	138,648	8,485,697	99.75%	
2005	8,866,903	8,700,344	98.14%	140,659	8,841,003	99.71%	
2006	9,737,038	9,573,834	98.54%	118,384	9,692,218	99.54%	
2007	10,953,045	10,735,848	98.02%	n/a	n/a	n/a	

Source: City of Williamsburg Assessor's Office

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

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

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

Table 10

Fiscal Year	Governmental Activities	Business-type Activities	Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	General Obligation Bonds			
1998	\$8,770,667	\$2,553,800	\$11,324,467	n/a	\$991
1999	8,016,000	2,420,467	10,436,467	n/a	913
2000	7,228,000	2,287,133	9,515,133	n/a	793
2001	6,440,000	7,933,800	14,373,800	n/a	1,159
2002	12,652,000	7,700,360	20,352,360	n/a	1,615
2003	11,744,000	7,525,173	19,269,173	n/a	1,460
2004	12,131,000	7,237,154	19,368,154	n/a	1,445
2005	19,713,000	6,938,851	26,651,851	n/a	1,989
2006	13,840,821	6,665,050	20,505,871	n/a	1,530
2007	12,848,396	700,000	13,548,396	n/a	1,011

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 Value¹ of Property	Per Capita²
1998	\$11,324,467	1.42%	\$991
1999	10,436,467	1.23%	913
2000	9,515,133	1.09%	793
2001	14,373,800	1.55%	1,159
2002	20,352,360	2.09%	1,615
2003	19,269,173	1.81%	1,460
2004	19,368,154	1.63%	1,445
2005	26,651,851	2.10%	1,989
2006	20,505,871	1.45%	1,530
2007	13,548,396	0.84%	1,023

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$78,697,702	\$79,264,120	\$81,585,650	\$86,396,127	\$90,863,133	\$99,563,530	\$111,742,610	\$120,269,260	\$133,870,500	\$154,722,020
Total net debt applicable to limit	11,324,467	10,436,467	9,515,133	14,373,800	20,352,360	19,269,173	19,368,154	26,651,851	20,505,871	13,548,395
Legal debt margin	67,373,235	68,827,653	72,070,517	72,022,327	70,510,773	80,294,357	92,374,456	93,617,409	113,364,629	141,173,625
Total net debt applicable to the limit as a percentage of debt limit	14.39%	13.17%	11.66%	16.64%	22.40%	19.35%	17.33%	22.16%	15.32%	8.76%

Legal Debt Margin Calculation for Fiscal Year 2007:

Assessed Value	\$1,547,220,200
Debt Limit (10% of assessed value)	154,722,020
Debt applicable to limit:	
General obligation bonds	<u>13,548,396</u>
Legal debt margin	<u>\$141,173,624</u>

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

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

Table 13

Calendar Year	City Population	Area Population²	Personal Income (thousands of dollars)²	Per Capita Personal Income²	Public School Enrollment³	Per Capita Personal Debt	Unemployment Rate¹
1998	11,430	55,891	1,644,516	29,424	7,921	991	5.40%
1999	11,430	57,414	1,808,310	31,496	8,155	913	5.60%
2000*	11,998	58,928	1,924,796	32,664	8,191	793	4.30%
2001	12,400	60,482	2,107,283	34,841	8,407	1,159	5.60%
2002	12,600	60,469	2,290,040	37,871	8,553	1,615	7.30%
2003	13,200	69,200	2,392,093	34,568	8,959	1,460	8.20%
2004	13,400	64,644	2,484,654	38,436	9,402	1,445	7.80%
2005	13,400	66,856	2,680,679	40,096	9,820	1,989	7.60%
2006	13,400	69,090	2,860,409	41,401	10,105	1,530	6.90%
2007	13,242	**	**	**	10,137	**	5.90%

* U. S. Census-city population - other city population figures supplied by Weldon Cooper Center for Public Service (University of VA)

¹ Virginia Employment Commission

² Source - U.S. Dept of Commerce, Bureau of Economic Analysis, Regional Accounts Data -
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

** Population and income statistics not yet available for 2007

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

Table 14

Employer	1998			2007		
	Employees¹	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
College of William & Mary	1000+	1	17.91%	1000+	1	19.54%
Colonial Williamsburg Foundation	1000+	2	10.29%	1000+	2	11.20%
Colonial Williamsburg Company	1000+	3	9.43%	1000+	3	8.34%
Williamsburg Community Hospital ²	500 to 999	4	4.32%			
City of Williamsburg	250 to 499	5	0.90%	250 to 499	4	1.15%
Williamsburg Hospitality House	100 to 249	6	0.83%	100 to 249	5	0.88%
Marriott Educational Services Inc.	100 to 249	7	0.83%	100 to 249	6	0.88%
Patrick Henry Inn	100 to 249	8	0.83%			
National Center for State Courts	100 to 249	9	0.83%	100 to 249	7	0.88%
Red Lobster & The Olive Garden	100 to 249	10	0.83%	100 to 249	8	0.88%
Yankee Candle				100 to 249	9	0.88%
Bluegreen				100 to 249	10	0.88%

¹ Includes part-time and seasonal employees.

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

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	Full-time-Equivalent Employees as of June 30:					<u>2006</u>	<u>2007</u>
				<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>		
General Government										
City Manager	4.5	4.5	5.0	5.0	4.5	4.0	4.5	4.5	5.5	5.5
Clerk of Council	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Commissioner of Revenue	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Registrar	1.5	1.5	1.5	1.5	2.0	2.0	2.0	1.5	1.5	1.5
Assessor	1.0	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0
Finance	11.5	11.5	11.5	12.0	12.0	12.0	11.0	11.0	11.0	11.0
Police										
Officers	30.0	31.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	35.0
Civilians	13.5	13.5	13.5	13.5	13.5	13.5	15.5	16.0	16.0	18.0
Fire										
Firefighters & officers	28.0	28.0	30.0	31.0	31.0	31.0	31.0	31.0	34.0	35.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Works										
Engineering	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Streets	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Landscape	7.0	7.0	7.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Shop	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Building Maintenance	0.0	0.0	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0
Planning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Compliance	3.0	4.0	4.0	4.0	4.0	4.0	6.0	6.0	6.0	7.0
Recreation	8.5	8.5	9.5	9.5	9.5	9.5	9.5	9.5	9.0	9.0
Human Services	11.0	11.0	11.0	11.0	11.0	11.0	11.0	12.0	12.0	12.0
Public Utilities	<u>24.0</u>	<u>24.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>23.0</u>	<u>25.0</u>	<u>25.0</u>
Total	<u>167.5</u>	<u>169.5</u>	<u>177.0</u>	<u>179.5</u>	<u>179.5</u>	<u>180.0</u>	<u>184.5</u>	<u>185.5</u>	<u>191.0</u>	<u>196.0</u>

Source: City Finance Department

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

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Real estate parcels appraised	3,461	3,641	3,701	3,828	3,978	4,000	4,204	4,374	4,223	4,251
Real estate property transfers	302	316	305	367	428	339	527	486	441	381
Police										
Calls for service	31,698	34,877	32,673	31,295	36,256	30,285	32,618	29,990	30,727	32,532
Moving violations	2,232	3,338	2,942	3,191	3,238	2,924	2,128	1,672	1,867	1,989
Crimes investigated	3,830	3,563	3,294	3,406	3,744	1,681	1,979	1,770	1,740	1,772
Fire										
Emergency fire responses	725	723	689	757	629	649	650	625	694	693
Emergency EMS responses	1,496	1,666	1,685	1,613	1,655	1,702	1,739	1,692	1,744	1,861
Public Works										
Street miles maintained	45	54	54	54	54	54	54	54	54	54
Work orders issued	287	321	243	214	239	282	163	246	327	227
Tons of res. solid waste collected	2,900	3,061	3,052	3,127	2,922	2,698	3,416	4,205	4,226	4,235
Planning										
Subdivision lots approved	110	0	82	137	2	0	4	4	60	90
Site plans processed	17	20	8	10	10	10	13	11	20	14
Code Compliance										
Total permits issued	1,143	1,326	1,449	1,348	1,112	1,126	2,498	1,244	1,337	1,050
Total inspections performed	3,039	4,250	5,442	5,911	6,889	6,998	10,821	10,326	7,887	6,535
Recreation										
Program participants	37,733	37,723	37,332	32,235	34,292	36,645	31,504	32,126	29,518	27,914
Special events participants	8,204	5,902	6,348	10,748	13,133	17,707	19,131	19,364	20,228	21,719
Waller Mill Park attendance*	94,650	96,815	94,685	156,887	198,480	185,388	96,110	116,261	160,175	209,760
Human Services										
Total benefit program cases	574	578	567	588	617	705	864	724	729	612
Total service cases	138	147	165	190	179	163	164	206	184	186
Public Utilities										
Water treated (million gallons)	1288	1328	1284	1398	1271	1260	1254	1217	1290	1,223
Water lines/hydrants repaired	41	178	157	159	208	201	80	79	62	71
Sewer lines cleaned/repaired	148	266	240	246	208	207	113	130	127	100
Emergency repair responses	189	524	598	545	545	529	270	325	403	387

Source: City operating departments

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

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

Table 17

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Number of buildings	24	24	25	26	27	28	28	28	28	28
Number of parking structures	1	1	1	1	1	1	2	2	2	2
Total number of active vehicles in vehicle replacement plan	68	67	69	71	72	75	74	80	77	80
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Lane miles of streets maintained	45	45	45	45	48	48	48	48	49	50
Number of traffic signals	13	13	14	14	14	14	14	14	14	14
Bridges	4	4	4	4	4	4	4	4	4	4
Education-Regional Schools										
Grades: K - 5	6	6	7	7	7	7	7	7	7	7
Grades: 6 - 8	3	3	3	3	3	3	3	3	3	3
Grades: 9 -12	2	2	2	2	2	2	2	2	2	2
Parks & Recreation										
Number of parks	4	4	4	4	4	4	4	4	4	4
Number of ball fields	6	6	6	6	6	6	6	6	6	6
Number of tennis courts	10	10	10	10	10	10	10	10	10	10
Number of total acres	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036
Culture										
Number of public libraries (regional)	2	2	2	2	2	2	2	2	2	2
Public Utilities										
Miles of water distribution	40	40	40	40	48	48	48	48	48	48
Number of water tanks	5	5	5	5	5	5	5	5	5	5
Number of pump stations	11	11	11	11	11	12	13	14	14	14

Source: City departments.

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2007, which collectively comprise the City of Williamsburg, Virginia's basic financial statements and have issued our report thereon dated October 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

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

Robyn. Fann, CPA Associate

Richmond, Virginia
October 9, 2007

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Williamsburg, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Williamsburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Williamsburg, Virginia's management. Our responsibility is to express an opinion on the City of Williamsburg, Virginia's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Williamsburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Williamsburg, Virginia's compliance with those requirements.

In our opinion, the City of Williamsburg, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

Robert Fann, Cox Associates

Richmond, Virginia
October 9, 2007

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Page 1 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<i>Department of Health and Human Services:</i>		
Pass Through Payments:		
<i>Department of Social Services:</i>		
Family Preservation and Support	93.556	\$ 17,509
Temporary Assist to Needy Families (TANF)	93.558	94,901
Refugee and Entrant Assistance - Discretionary Grants	93.566	100
Low Income Home Energy Assistance	93.568	1,671
Payments to States for Child Care Assistance	93.575	106,800
Child Care and Development Fund	93.596	78,853
Chafee Education and Training vouchers program	93.599	112
Child Welfare Services - State Grants	93.645	26
Foster Care - Title IV-E	93.658	181,632
Adoption Assistance	93.659	21,331
Social Services Block Grant	93.667	69,798
Independent Living	93.674	585
State Children's Insurance Program	93.767	116
Medical Assistance Program (Title XIX)	93.778	79,373
Statewide fraud program	93.xxx	5,204
Total Department Health and Human Services		<u>\$ 658,011</u>
<i>Department of Agriculture:</i>		
Pass Through Payments:		
<i>Department of Social Services:</i>		
State Admin Matching Grants for Food Stamp Program	10.561	<u>\$ 88,973</u>
<i>Department of Justice:</i>		
Pass Through Payments:		
<i>Department of Criminal Justice Service:</i>		
Local law enforcement block grant	16.592	<u>\$ 3,081</u>
<i>Department of Transportation:</i>		
Pass Through Payments:		
<i>Department of Motor Vehicles:</i>		
State and community highway safety program	20.600	<u>\$ 1,297</u>
<i>U.S. Department of Housing and Urban Development:</i>		
Pass Through Payments:		
<i>Department of Housing and Urban Development:</i>		
Community development block grant	14.228	<u>\$ 163,053</u>

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Page 2 of 2

Federal Grantor/State Pass - Through Grantor/ Program Title (Pass - Through Grantor's Number)	Federal Catalog Number	Expenditures
<i>Department of Homeland Security:</i>		
Pass Through Payments:		
<i>Department of Homeland Security:</i>		
State domestic preparedness equipment support program	97.004	\$ 99,632
Total Federal Assistance		\$ 1,014,047

City of Williamsburg, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federally assisted programs of the City of Williamsburg, Virginia. The City's reporting entity is defined in Note 1 to the City's basic financial statements. All federal awards received directly from federal agencies, as well as, federal awards passed through other government agencies, are included on the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$ 178,836
Virginia public assistance fund	746,984
Law enforcement block grant fund	<u>88,227</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 1,014,047</u></u>
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**City of Williamsburg, Virginia
Schedule of Findings and Questioned Costs
For the year ended June 30, 2007**

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unqualified

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

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

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

Identification of major programs:

CFDA Number(s)
93.575 / 93.596
93.658

Name of Federal Program or Cluster
Child Care and Development Block Grant Cluster
Foster Care - Title IV-E

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

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

Section II—Financial Statement Findings

None

Section III—Federal Award Findings and Questioned Costs

None