

City of Williamsburg, Virginia



Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2018

CITY OF WILLIAMSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

PREPARED BY:

Department of Finance

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2018

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INTRODUCTORY SECTION

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CITY OF WILLIAMSBURG

Department of Finance

November 20, 2018

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, 2018, is submitted herewith in accordance with Section 15.2-2511 of the Code of Virginia. This report is designed in a manner to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds in conformity with accounting principles generally accepted in the United States of America (GAAP). We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included. This report has been prepared by the Department of Finance in accordance with all governmental accounting and financial reporting standards as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Commonwealth of Virginia's Auditor of Public Accounts (APA).

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

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

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the fourth year of a renewed multi-year contract for professional auditing services with this firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Williamsburg financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is

designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the City

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

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

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

The City provides the full range of municipal services including public safety, (police, fire and emergency medical services, parking garage), public works, (street construction and maintenance, landscaping, stormwater management, engineering, refuse collection, public cemetery), economic development, planning and zoning, code compliance, human and public housing services, parks and recreation, and general administrative services. In addition, the City provides water and sewer services to approximately 3,795 residential and 916 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

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

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

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

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

Factors Affecting Financial Condition

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

Economic Condition and Outlook:

The economy of the City of Williamsburg is propelled by tourism and education. Tourism – including major attractions and the hospitality industry – continues to provide the most significant source of tax base for the city government. Within the city limits are 26 hotels/motels with approximately 3,342 rooms, 18 operating bed and breakfasts (with 69 rooms), and 93 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 2,700, the Foundation interprets the 18th century history of America in Virginia's colonial capital. Other nearby attractions not located in the city include Jamestown (site of the first permanent English settlement in 1607), Yorktown (site of Washington's victory over Cornwallis in the Revolutionary War), and Busch Gardens and Water Country USA theme parks. 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 22.6% of the land area of the City, currently enrolls about 8,700 students, and employs about 2,500 faculty and staff.

The City has seen a mix of economic activity over the last three fiscal years. For FY 2018, room tax receipts increased by \$42K or 1.3% compared to last year. Meal taxes increased slightly by \$19K, or .3% over last year, and have been on the rise since FY 2009. Revenues from \$2/night lodging tax, which are a pass-thru to the Williamsburg Area Destination Marketing Committee, were down slightly by \$5K from last year. In total, these three significant taxes increased slightly by \$56K, or .5% compared to FY 2017. Another significant tax, dedicated to capital improvements within the City, is the 1% State sales tax. These taxes were \$4.7 million for FY 2018, an increase of 7.2% from last year's receipts. While this is still below the pre-recessionary level of \$4.9 million in FY 2017, this increase surpasses the cumulative increase in sales tax of 5.5 % from FY 2013 thru FY 2017. In addition, business license taxes increased 12%, or \$216K, compared to FY 2017. Revenues from the Prince George Parking Garage decreased by \$33K or 9% compared to last year; however, this resulted from faulty equipment which interfered with the collection of fees. New parking equipment and software implementation will be completed in November 2018 and Prince George Garage parking revenues are expect to return to normal levels.

Although real estate values in Williamsburg have not experienced double-digit declines that communities in northern Virginia and other parts of the country have endured during the recent recession, values declined about 14% from FY 2010 thru FY 2013. The real estate tax rate was adjusted for FY 2013 from \$.54/100 to \$.57/100 in response to the cumulative decline in the tax base. On a positive note, assessed values were up 10.2% from FY 2014 to FY 2018. City staff continues to monitor the real estate assessment to sales ratio each month by closely tracking sales activity. The ratio is important in analyzing sales trends in neighborhoods, and is vital to the City Assessor's job of assessing properties at market value each year. As of October 2018 the City's assessment to sales ratio of residential sales since July 1st, 2018, on average, is approximately 98%, which shows current assessments are close to market value. Real estate assessments for FY 2018, on average, are up 1.6%, indicating continued improvement in both residential and commercial values.

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

- Commercial development projects are progressing:

- "Quarterpath at Williamsburg," a 350-acre mixed-use development in the southeast quadrant of the City is zoned for retail, Class-A office space, and a 40-bed acute care doctor's hospital operated by Riverside Health System, which opened in May 2013. Riverside is working with JLL commercial brokerage to attract retail and Class-A office space users
- Downtown redevelopment continues with Amber Ox Kitchen & Brewery opening in the newly constructed Prince George Commons mixed use building.
- Copper Fox Distillery continues its \$1,000,000 investment in its Phase 3 renovation to open a larger distilling and event area in addition to the existing tasting room, malting building, storage buildings and distilling buildings.
- Discount Tires has opened and a Popeye's restaurant is under construction on the last of the two outparcels at the Aldi development.
- In 2017, Broad St LLC purchased the 20 acre Williamsburg Shopping Center property and 5 acre Monticello Shopping Center at Midtown. Plans to construct a \$120 million vertical mixed use project on the property have received City approval, and construction has commenced. Fed Ex and Earth Fare opened at the renovated Monticello Shopping Center, and Ace Hardware is relocating to that location. Earth Fare reported this opening was in its top three of the fifty stores it has opened. Broad St continues to announce leases with new tenants for this project, and demolition has started at the Williamsburg Shopping Center portion of the project.
- New businesses openings after renovating existing commercial space between July 1, 2017 and June 30, 2018 include Stensland Dental Studio, Walsh Family Chiropractic, the Brow Studio, Luck Kee Hair, Earth Fare, Colonial Pie, Justified Bakeshop, the Sideshow, Amber Ox Kitchen & Brewery, and several professional service operations (accounting, medical, counseling, design, etc.)
- New businesses openings in newly constructed space include Dunkin Donuts, Discount Tire, and Firestone Auto.
- The Economic Development Authority approved a demolition grant to demolish an old motel at 1900 Richmond Road in 2017. The motel was demolished, and Firestone Auto built a new facility that opened on the property in August 2018.
- The Virginia Assembly approved Senate Bill 942 in the FY 2018 Session. This bill levied a one percent sales tax in the Historic Triangle, which includes the City of Williamsburg, James City County, and York County. Half of the funds collected from the additional sales tax will fund the Historic Triangle Marketing Fund and the other half will be distributed to the locality in which the sales tax was collected. The sole purpose of the Historic Triangle Marketing fund is to market and promote the Historic Triangle area as a tourist destination. In addition, Williamsburg's City Council established a Tourism Fund for the City and will use the City's share of the Historic sales tax as one of the revenue sources for the Fund. The purpose of the City's Tourism Fund is to provide financial assistance and reinvestment in tourism products through public-private partnerships, place-making projects, special events and destination marketing that are designed to promote economic growth in the City.

Budget Policies

The City's adopted Financial Planning Policies include requirements for balanced budgets and long-range planning. The FY 2018 General Fund balanced operating budget was approved in May, 2017. As discussed in the Management's Discussion and Analysis section of this report, the operating surplus for the year ended June 30, 2018 was \$1.5 million. Long-range planning is part of the budget process each year, and included (1) Planning Commission review of current and future capital projects; (2) consideration of revenue, expenditure, and service implications of continuing existing programs, or adding new programs; (3) condition assessment of major buildings, roads, sidewalks, bridges, water lines, vehicles, and equipment; (4) maintaining, as a minimum, the City's 35% of total operating revenues as its unassigned fund balance, which can only be used for emergencies, non-recurring expenditures, or major capital purchases that cannot be acquired on a pay-as-you-go basis.

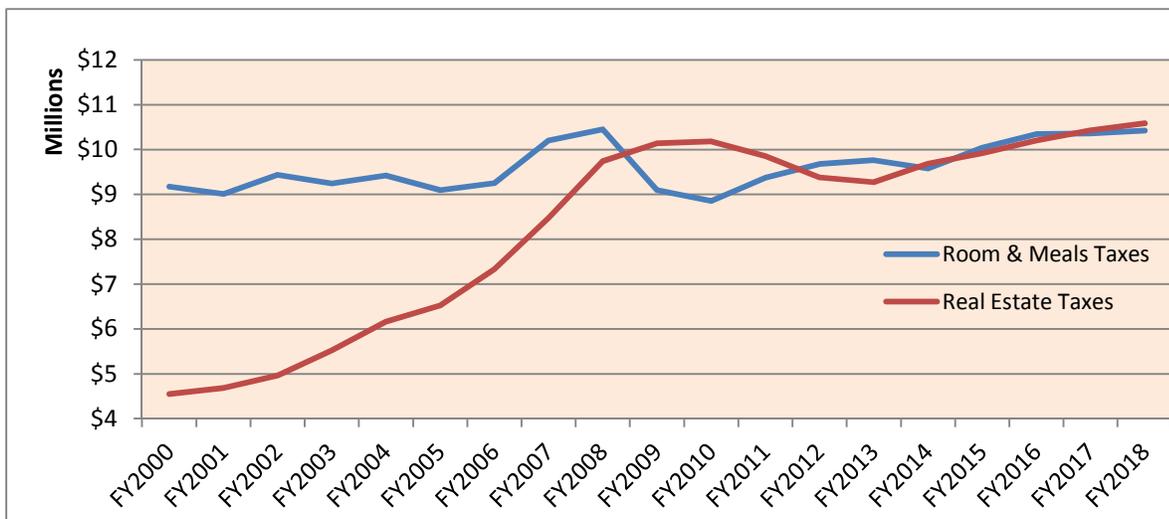
Revenue policies taken into consideration during the budget process included annual review of tax rates, collection rates, and identification of all revenue and grant options available to the City. In addition, user fees and charges were reviewed in order to ensure keeping pace with service delivery.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

Expenditure policies which also contributed to the positive operating outcome of FY 2018 include financing all current operating expenditures with current revenues. In addition, the City staff began a multi-year financial software conversion from its legacy software to a comprehensive and multi-functional Tyler-Munis platform during June 2017. Budgetary, as well as internal controls have been further enhanced with the new software. The new accounting software went live July 1, 2017, followed payroll, which went live January 2018. Cash receipts, utility and tax billing, and codes compliance is expected to be live April 2019. The final phase, taxes and business licenses, is anticipated to go live December 2019. Staff also expanded the City’s performance management system with Socrata software, with revisions of monthly departmental operating reports, available on the City’s website.

Long-Term Financial Planning

Major Operating Revenues - The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 57¢ per \$100 of assessed value continues to be one of the lowest city tax rates in Virginia. Prior to FY 2009, room and meal taxes provided the largest source of funding for City services since the mid-1980s. Rising property assessments brought revenues that surpassed room and meal taxes during FY 2009 for the first time, when most local governments began to feel the effects of the recent recession. Real estate taxes made up 28.7% of total revenues in FY 2018, compared to 19.9% in FY 2000. This shifting of tax base is more pronounced when comparing actual tax revenues. During that 18-year period room and meal taxes increased from \$9.17 million to \$10.42 million, a 14% increase. Real estate taxes increased from \$4.5 million in FY 2000 to \$10.6 million in FY 2018, an increase of 133%. The FY 2018 real estate tax base increased 1.6% from the prior year. The City’s total personal property tax collections, including State reimbursement for the Car Tax program, remained level with collections from last year.

Though declining for two years from the highs of FY 2008, room and meal taxes tracked upward from FY 2010 to FY 2013, and declined about 1.9% during FY 2014. Room and meal taxes received during FY 2014 were about 8% higher than the all-time lows of FY 2010, and briefly surpassed real estate taxes in FY 2012 & FY 2013, more so from meal taxes, and from reduced real estate values from FY 2010 thru FY 2013. The gap between room and meal tax receipts and real estate taxes for FY 2014 was just over \$100K. Room and meal taxes again surpassed real estate taxes during FY15 and FY16, but that trend changed again slightly during FY 2017 and FY 2018. Room and meal taxes accounted for 28.2% of the General Fund operating revenues for FY 2018, compared to 39.7% in FY 2000¹.



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

Revenue trends for other local taxes were up 4.2% compared to last year. The 1% State sales tax receipts were \$4.7 million, up \$318K, or 7.2% from last year. Business license taxes were up by \$216K, or 11.8%. Bank stock taxes increased 15.8%, recordation taxes increased by \$101K or 34.6%, and tobacco taxes increased 28.9% from last year. Utility taxes increased slightly by .8%. Total other local taxes collected for FY 2018, including room & meal taxes, were up about \$63K, or .5% over FY 2017.

Total revenue from the Commonwealth decreased overall by 12.5% for FY 2018, largely due to a decrease in grant funding for street paving. Reimbursement for street maintenance costs increased by \$41K, or 2.3% over last year because of increased state funding per lane mileage and additional lane miles reimbursed for FY 2018. State sales tax for education receipts decreased by \$38K, or 3.4% compared to last year.

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

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

Major Operating Expenditures - The economy continues to challenge the City's ability to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates. Total approved full-time positions remained relatively level in FY 2018 at 197 full-time equivalent (FTEs) positions, an increase of .5 FTEs compared to FY 2017. This included the addition of one full-time police officer and the reduction of a part-time administrative aide in the City Manager's office.

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

The City is a member locality of the Virginia Retirement System (VRS). Pension costs are compensation-based, with funding rates set by VRS actuaries bi-annually. Significant increases in defined-benefit pension costs around the country have forced a variety of pension reform initiatives, as liabilities continue to outpace assets backing these long-term benefits. Pension reform by the Virginia General Assembly in 2011 has impacted localities and school districts by mandating employee contributions and changes in various components of benefit formulas. Note 13 of the financial statements includes extensive information on all VRS pension options, including the new Hybrid pension plan which was effective in January, 2014.

The City's full-time salaried permanent employees are also covered by the VRS Group Life Insurance Program and all paid employees and volunteers in hazardous duty positions are automatically covered by the Line of Duty Act Program (LODA). The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. Note 15 of the financial statement includes information regarding the Group Life Insurance Program and Note 16 covers information regarding the Line of Duty Act Program.

Debt Service - In November 2017, City Council approved \$19,630,000 in general obligation bonds and refunding bonds to finance capital improvements to fire and police facilities and to refund the City's General Obligation Bonds, Series 2013 and a portion of the City's General Obligation bonds, series 2010. The bonds were rated "Aa1" by Moody's rating agency and "AAA" by Standard & Poor's rating agency. The proceeds of the Series 2013 Bonds were used to finance the construction and equipping of the renovated Stryker Center, which contains library space, public meeting rooms, and the City Council's chamber and workroom. The proceeds of the Series 2010 Bonds were used to refund certain prior bonds of the City.

City staff continues to analyze market conditions, and formulate financing strategies with financial advisors, Davenport and Co., LLC, in order to stay on schedule with major projects. Since 2004 the City's financial policies

Independent Audit

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

Awards

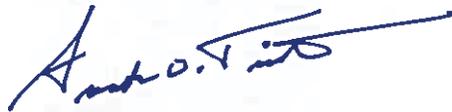
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Williamsburg, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the 32nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents conforming to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 26 years. In order to qualify for the Distinguished Budget Presentation Award, the City's Budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. Both of these prestigious awards serve to continually improve the City's annual financial reports and budget documents by implementing professional suggestions from GFOA staff and reviewers across the country.

Acknowledgements

The preparation of this report has been accomplished with the efficient and dedicated services of the City Department of Finance. We would like to express our appreciation to all members of the departments who assisted and contributed in its preparation. In addition, the accounting firm of Robinson, Farmer, Cox Associates, is to be congratulated for their substantial contributions, by way of design, counsel, and interpretation of recent guidelines, planning, and implementation of the requirements of all GASB standards, especially Statement No. 75. 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,



Andrew O. Trivette
Interim City Manager



Barbara A. Dameron, CPA
Director of Finance

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Government Finance Officers Association

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

Presented to

**City of Williamsburg
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

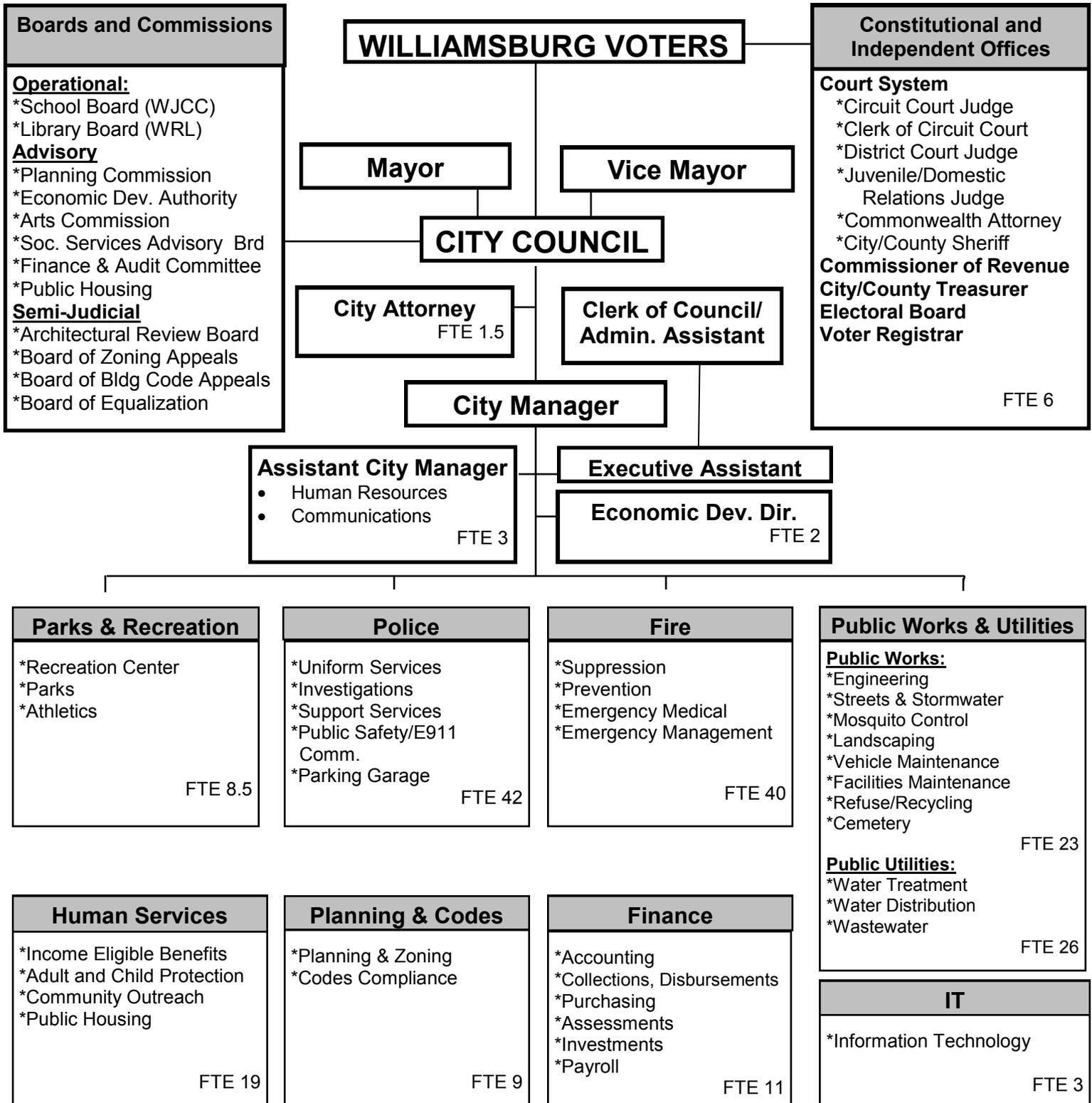
June 30, 2017

Christopher P. Morill

Executive Director/CEO

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City of Williamsburg Organizational Chart



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CITY OF WILLIAMSBURG, VIRGINIA

Members of the City Council

Paul Freiling, Mayor
D. Scott Foster, Vice-Mayor

Douglas G. Pons
Benming Zhang

Barbara L. Ramsey
Andrew O. Trivette, Clerk of Council

City Officials

Interim City Manager Andrew O. Trivette
Director of Finance Barbara A. Dameron
Assistant City Manager Andrew O. Trivette
Commonwealth’s Attorney Nate Green
City Attorney Christina Shelton
Treasurer Jennifer Otey Tomes
Commissioner of Revenue Lara M. S. Overy
Clerk of Circuit Court..... Mona A. Foley
Sheriff..... Robert Deeds
Director of Public Works & Utilities..... Daniel G. Clayton, III
Director of Planning Carolyn Murphy
Director of Human Services Peter P. Walentisch
Director of Information Technology..... Mark A. Barham
Director of Recreation Robbi Hutton
Director of Economic Development Michele Mixner DeWitt
Chief, Fire Department W. Patrick Dent
Chief, Police Department..... Sean Dunn

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FINANCIAL SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Williamsburg, Virginia, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 17 to the financial statements, in 2018, the City adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 17 to the financial statements, in 2018, the City restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension and OPEB funding progress on pages 4-18, 107, 108-119 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary and Other Information

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

Supplementary and Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2018, on our consideration of City of Williamsburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of City of Williamsburg, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Williamsburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 2, 2018

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The Management's Discussion and Analysis (MD&A) offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

Government-wide:

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) at the close of Fiscal Year 2018 by \$109.7 million. The unrestricted portion of net position is \$19.1 million for the Governmental Activities and \$5.7 million for the Business-type Activities, for a total of \$24.8 million. In the current year, the unrestricted net position increased \$34.8 thousand in the Governmental Activities and \$1.3 million in the Business-type Activities.
- The City's total net position increased by \$2.9 million from the prior fiscal year, of which the governmental activities increased by \$1.7 million, and business-type activities increased by \$1.2 million. In the governmental activities, total revenues increased \$1.7 million, or 5%, while expenses increased \$1.7 million from the prior fiscal year. In the business-type activities, total revenues exceeded expenses by \$1.2 million.

Fund Level:

- Total General Fund (including 1% Sales Tax) revenues were \$42.6 million for FY 2018, up by \$.63 million from last year. General property tax receipts were \$13.1 million, up 1.3% from last year. Other local taxes were up 4.2%, mostly from increased sales tax, business licenses, and recordation taxes. Room taxes increased by \$42K and meal taxes increased by \$19K, or .3%, compared to the previous fiscal year.
- Total General Fund expenditures, excluding capital projects and debt service payments, increased \$1.1 million or 3.2% compared to FY 2017. Increases in public safety (55.2% of the increase), education (13.6%), community development (9.1%) and public works (9%) make up 86.9% of this increase. Spending on capital projects decreased by \$2 million or 23.7%. Debt service expenditures increased by \$3.8 million compared to last year; however, \$3.9 million relates debt that was retired from refunding bonds that were issued. When adjusted for the refunding, debt service payments decreased by \$59K, or 5%.
- The City's General Fund bonded debt increased by \$10.7 during FY 2018, with the issuance of \$12.3 million in new debt, \$3.9 million refunding debt, regular debt service payments of \$1.1 million, and \$4.4 in payments to escrow agents for refunded bonds.
- The City's governmental funds reported combined ending fund balances of \$45.2 million, an increase of \$13.2 million from the prior year. Fund balances are further categorized as *Nonspendable* (\$2.8 million for real property owned by the City and held for resale), *Restricted* (\$13.1 million for general obligation bonds issued for public safety facilities and \$0.6 million for the Public Assistance Fund), *Assigned* (\$15.8 million for carryover and future capital projects), and *Unassigned* (\$12.9 million). The unassigned fund balance is equal to the City Council reserve policy of 35% of total General Fund operating revenues for FY 2018, and effectively represents the City's rainy day fund. The Assigned category includes \$14.5 million of prior year carryover capital projects, and also \$1.3 million to fund future capital projects included in the City's five-year capital improvement program.
- In October 2012 the Williamsburg City Council members were appointed as the Board of Commissioners of the Williamsburg Redevelopment & Housing Authority (WRHA). With the fiscal dependence, by way of City staff involvement in the areas of payroll, accounts payable, and other managerial responsibilities, the WRHA is presented in this report as a Discretely Presented Component Unit of the City. Financial information is included herein for WRHA's latest fiscal year ending September 30, 2017.

- Business-type activities (Utility Fund) reported net position at June 30, 2018 of \$24.5 million. Capital assets (net of depreciation and related debt) account for 77% of this amount, with the remaining net position of \$5.7 million available without restriction. The Utility Fund reports combined cash and investments at year-end of \$7 million, with total current liabilities of \$1.8 million, including the current portion (due within one year) of compensated absences and bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received before June 30, 2018, 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, 2018.

Fund Financial Statements

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

charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the (1) General Fund revenues, expenditures, and changes in fund balances-budget and actual; and (2) the City's progress in funding its obligations to provide pension and other post-employment benefits to its current and future retirees. This required supplementary information can be found at Exhibit 11 through 20 of this report.

The combining financial statements for nonmajor special revenue funds and fiduciary funds immediately follow the required supplementary information at exhibits 21 through 25 of this report.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, changes in net position may serve over time as a useful indicator of a City's financial position. The City's net position totaled \$109.7 million at June 30, 2018. The following table reflects the condensed Government-Wide Statement of Net Position:

City of Williamsburg, Virginia - Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 47,319,932	\$ 34,057,770	\$ 8,148,210	\$ 6,912,381	\$ 55,468,142	\$ 40,970,151
Capital Assets	71,702,055	71,675,492	23,802,309	24,362,558	95,504,364	96,038,050
Total Assets	\$ 119,021,987	\$ 105,733,262	\$ 31,950,519	\$ 31,274,939	\$ 150,972,506	\$ 137,008,201
Deferred Outflow of Resources	\$ 1,416,254	\$ 2,474,429	\$ 319,038	\$ 320,788	\$ 1,735,292	\$ 2,795,217
Long-term Liabilities	\$ 31,426,275	\$ 20,404,722	\$ 6,375,403	\$ 7,247,891	\$ 37,801,678	\$ 27,652,613
Other Liabilities	2,282,109	1,870,238	1,202,704	983,852	3,484,813	2,854,090
Total Liabilities	\$33,708,384	\$22,274,960	\$7,578,107	\$8,231,743	\$41,286,491	\$30,506,703
Deferred Inflow of Resources	\$ 1,456,570	\$ 409,883	\$ 237,331	\$ 52,617	\$ 1,693,901	\$ 462,500
Net Position:						
Net investment in capital assets	52,444,883	64,556,652	18,769,281	18,835,808	71,214,164	83,392,460
Restricted for:						
Fire and Police capital	13,144,192				13,144,192	
Other restrictions	584,890				584,890	
Unrestricted - restated*	19,099,322	19,064,521	5,684,838	4,372,473	24,784,160	23,436,994
Total Net Position	\$ 85,273,287	\$ 83,621,173	\$ 24,454,119	\$ 23,208,281	\$ 109,727,406	\$ 106,829,454

*Please refer to Note 17 for information regarding restatement

The City of Williamsburg's total assets were \$151 million as of June 30, 2018. The largest portion, \$95.5 million (63.3%), 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 \$48 million is accounted for in cash, cash equivalents, and pooled investments, \$3.4 million in accounts and notes receivable, and amounts due from other governmental units, with the remainder spread among miscellaneous assets.

At June 30, 2018, outstanding liabilities were \$41.3 million, with \$37.8 million in general obligation bonds payable, compensated absences, net pension liability, and net other post-employment benefits (OPEB) liability. Of the bonds payable, \$2.2 million is due within one year, with the remainder due at various dates until 2037. Additional information on the City's long term debt obligations is included in Note 8 in the notes to the financial statements. Included in other liabilities above are \$2.086 million in accounts payable, \$488K in accrued interest payable, \$376K in unearned revenue, \$298K in accrued liabilities, and \$237K in customer deposits payable. In addition, net pension liability totaling \$10.6 million and net OPEB liability totaling \$1.9 million is included in the Statement of Net Position, as required by GASB Statement No. 68 and No. 75.

At June 30, 2018, the City had positive balances in all categories of net position, for the government as a whole, and for its separate governmental and business-type activities.

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The following schedule summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2018 and 2017:

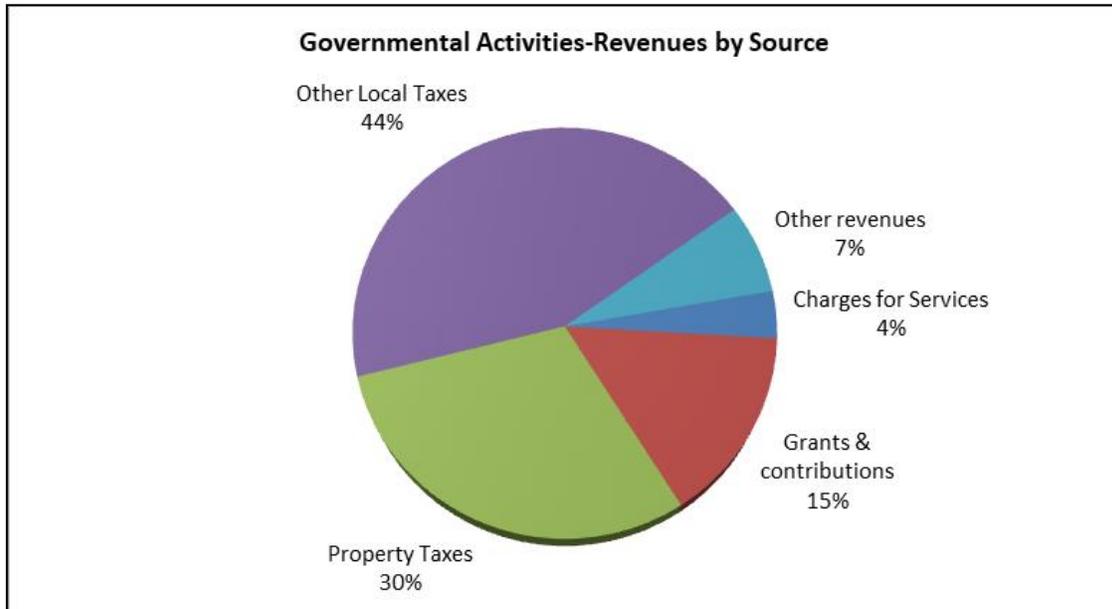
City of Williamsburg, Virginia - Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program Revenues:						
Charges for services	\$1,734,483	\$1,591,751	\$8,176,441	\$7,325,679	\$9,910,924	\$8,917,430
Operating grants and contributions	2,939,477	6,485,071	-	-	2,939,477	6,485,071
Capital grants and contributions	3,329,824	-	-	-	3,329,824	-
General Revenues:						
Property taxes	13,056,359	12,882,213	-	-	13,056,359	12,882,213
Other local taxes	19,684,136	18,898,134	-	-	19,684,136	18,898,134
Other	<u>3,814,608</u>	<u>3,032,169</u>	<u>283,030</u>	<u>219,899</u>	<u>4,097,638</u>	<u>3,252,068</u>
Total Revenues	\$ 44,558,887	\$ 42,889,338	\$ 8,459,471	\$ 7,545,578	\$ 53,018,358	\$ 50,434,916
Expenses:						
General government	\$ 5,009,427	\$ 6,828,770	\$ -	\$ -	\$ 5,009,427	\$ 6,828,770
Judicial administration	422,688	412,269	-	-	422,688	412,269
Public safety	10,746,688	10,805,800	-	-	10,746,688	10,805,800
Public works	4,716,472	5,792,493	-	-	4,716,472	5,792,493
Health and welfare	2,816,519	2,546,971	-	-	2,816,519	2,546,971
Education	10,936,896	10,121,948	-	-	10,936,896	10,121,948
Parks, recreation, & cultural	2,648,545	2,875,228	-	-	2,648,545	2,875,228
Community Development	5,013,184	5,036,866	-	-	5,013,184	5,036,866
Interest expense	596,354	158,220	-	-	596,354	158,220
Water	-	-	6,713,633	6,521,031	6,713,633	6,521,031
Transfers	-	-	<u>500,000</u>	-	<u>500,000</u>	-
Total Expenses	\$ 42,906,773	\$ 44,578,565	\$ 7,213,633	\$ 6,521,031	\$ 50,120,406	\$ 51,099,596
Increase in net position	\$ 1,652,114	\$ (1,689,227)	\$ 1,245,838	\$ 1,024,547	\$ 2,897,952	\$ (664,680)
Net position - beginning, as restated	83,621,173	87,212,075	23,208,281	22,286,820	106,829,454	109,498,895
Restated for GASB 75/Special Welfare*	-	<u>(1,901,675)</u>	-	<u>(103,086)</u>	-	<u>(2,004,761)</u>
Net position - ending	\$ 85,273,287	\$ 83,621,173	\$ 24,454,119	\$ 23,208,281	\$ 109,727,406	\$ 106,829,454

* Please refer to note 17 for information regarding restatement

Governmental Activities – Revenues

The City’s total revenues from governmental activities were \$44.6 million for FY 2018, an increase of \$1.7 million from last year. Percentages of FY 2018 governmental revenues by source are as follows:



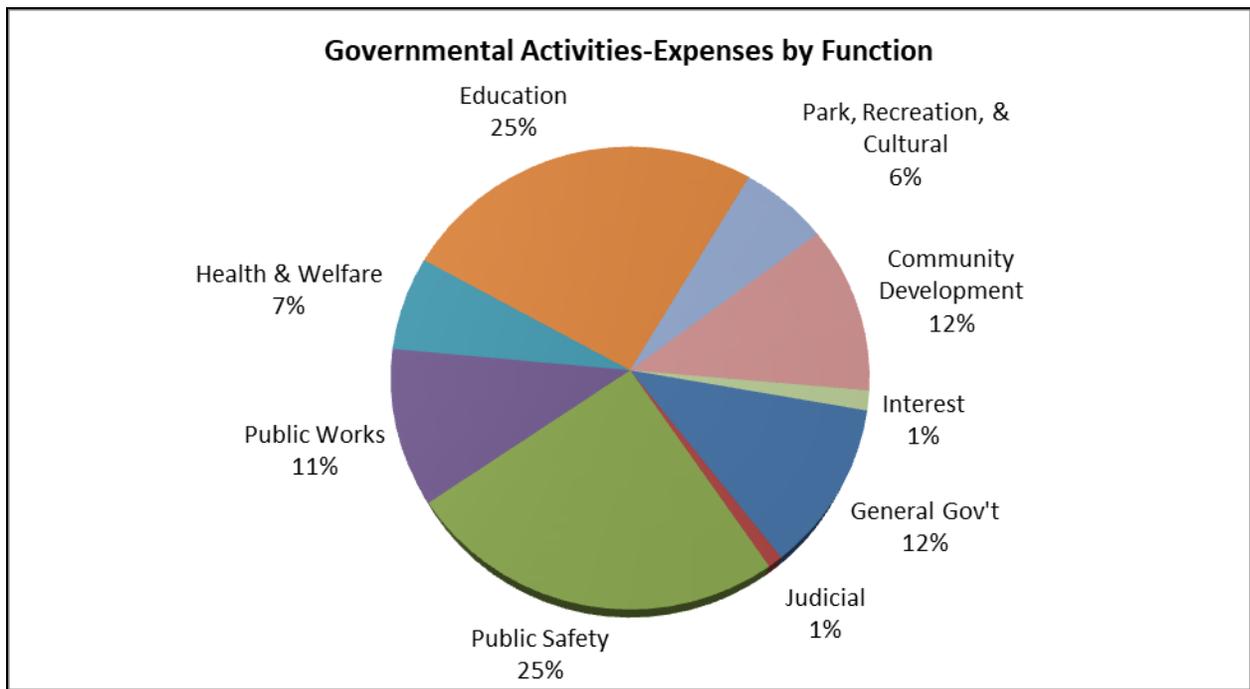
Taxes are the largest City revenue source – property and other local taxes accounted for 74% of the City’s governmental activities. General property tax receipts were \$13.1 million, up 1.4% from last year, with property values again turning positive for the fourth consecutive year following a three year decline totaling about 14% during the recession. Other local taxes totaled \$19.7 million during FY 2018, and were up 4.2% from the prior year.

Governmental Activities – Expenses

The Summary of Changes in Net Position shows that total expenses for all of the City’s governmental activities for FY 2018 were \$42.9, a decrease of \$1.7 million compared to FY 2017.

Highlights of expense activity for governmental funds include:

- General Government Administration expenses decreased by \$1.8 million compared to FY 2017, largely due to property that was purchased last year for economic development purpose.
- Public Works expenses decreased by \$1.1 million, in part due to an expanded street repaving program in FY 2017. Street repaving expenses totaled \$505K in FY 2018 compared to slightly over \$1 million in FY 2017. The remaining decrease related to reduced spending for other capital improvement projects during the year compared to last year.
- Education expenses increased \$815K compared to last year, with \$670K due to higher capital spending, which included the new Middle School. Operating costs increased by \$145K compared to FY 2017.



Business-type activities - The Utility Fund is the City’s only business-type activity. The utility rate structure recovers as much as possible of the operating expenses incurred to meet service demands through user charges. Change in the fund’s net position is the difference between revenues and expenses, which for FY 2018 resulted in an increase of \$1.2 million. More operating information for the Utility Fund operation is shown below in the Funds section of this discussion.

FINANCIAL ANALYSIS OF THE CITY’S FUNDS

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

Governmental Funds Revenues - Analysis

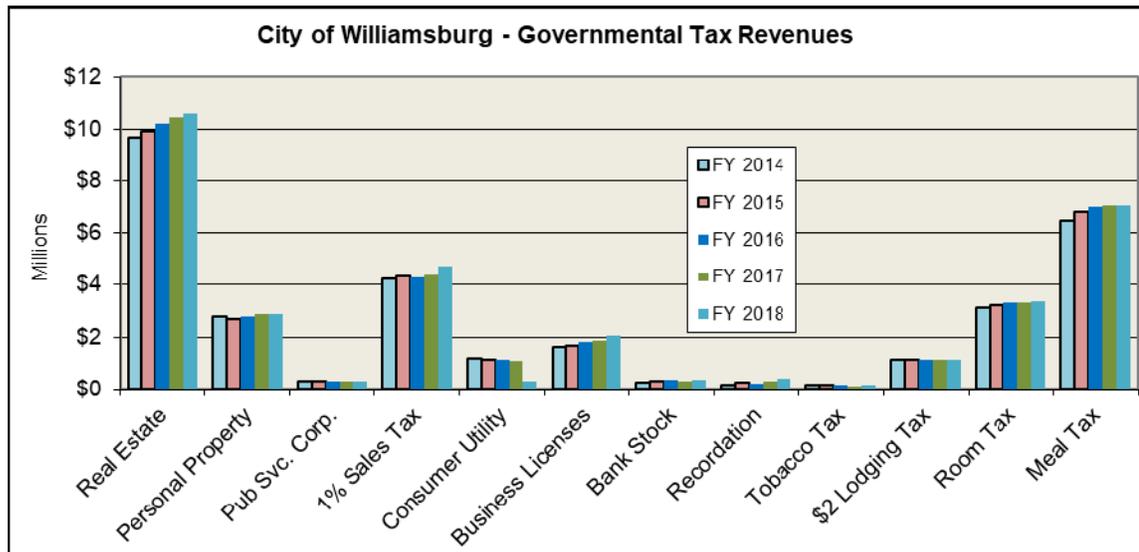
	Governmental Funds					
	June 30, 2018		June 30, 2017		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
<u>Revenues by Source</u>						
General Property Taxes	\$13,089,822	29.77%	\$12,917,015	29.37%	\$172,807	1.34%
Other Local Taxes	19,684,136	44.76%	18,898,134	42.98%	786,002	4.16%
Licenses and permits	302,819	0.69%	249,819	0.57%	53,000	21.22%
Fines & Forfeitures	249,211	0.57%	181,175	0.41%	68,036	37.55%
Use of Money and Property	1,200,582	2.73%	962,887	2.19%	237,695	24.69%
Charges for Services	1,182,453	2.69%	1,160,757	2.64%	21,696	1.87%
Miscellaneous	525,463	1.19%	503,578	1.15%	21,885	4.35%
Recovered Costs	1,026,582	2.33%	996,265	2.27%	30,317	3.04%
Intergovernmental	<u>6,712,840</u>	<u>15.27%</u>	<u>7,317,493</u>	<u>16.64%</u>	<u>(604,653)</u>	-8.26%
Total Revenues	<u>\$43,973,908</u>	<u>100.00%</u>	<u>\$43,187,123</u>	<u>98.21%</u>	<u>\$786,785</u>	1.82%

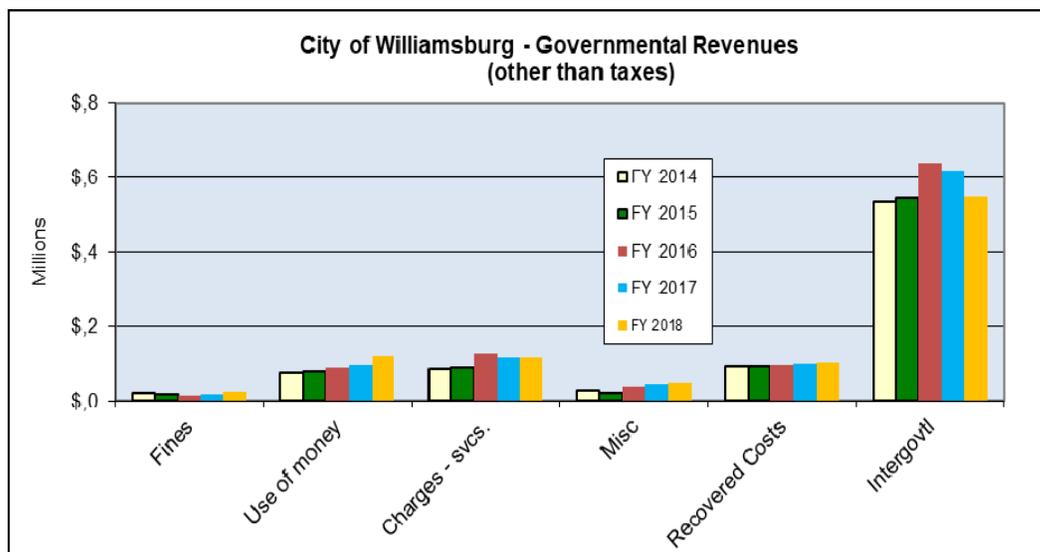
The Governmental Funds consist of the General Fund, Public Assistance Fund, and the Law Enforcement Block Grant Fund. The general governmental functions are contained in the General Fund, the City’s chief operating fund. The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. On June 30, 2018, total fund balance

of the General Fund was \$44.6 million. Of that amount, *Nonspendable* fund balance was approximately \$2.8 million, consisting of prepaid expenditures and current market value of five City-owned properties for sale. *Assigned* fund balance is \$15.8 million, representing a combination of appropriations carried over for capital projects of \$14.5 million and future capital projects of \$1.3 million. Restricted fund balance was \$13.1 million for general obligation bonds issued for public safety facilities. The remainder of \$12.9 million is shown as *Unassigned* fund balance, representing the City’s unassigned fund balance policy of 35% of operating revenues for the year.

The following provides more detailed information about major General Fund operating revenue collections during FY 2018:

- **General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were \$10.6 million, an increase of 1.5% compared to last year. Personal property tax receipts for individuals and businesses totaled \$2.9 million, including reimbursement for the State’s Car Tax relief block grant program, and were level with the previous fiscal year.
- **Other Local Taxes** - Overall these revenues increased 4.2% from last year. Local 1% share of the State sales tax receipts increased 7.2%, business licenses increased 11.8%, recordation taxes increased 34.6%, bank stock taxes increased 15.8%, and cigarette taxes increased 28.9% compared to the previous fiscal year. Room taxes were \$3.4 million, an increase from the prior fiscal year of 1.3%, while meals taxes totaled \$7.1 million, realizing a slight increase of .3% compared to last year. The \$2 lodging taxes, which are passed-thru to the Williamsburg Area Destination Marketing Committee (WADMC), decreased by almost \$5K, or .4%, compared to last year. Franchise taxes increased by 2.5% while consumer utility taxes increased by 1% compared to last year. Overall, increases in local taxes above suggest positive signs of an improving local economy.





- **Revenue from the Use of Money and Property** – Interest earnings were \$479K for the year, a significant increase from last year’s \$167K. The average yield on deposits and investments for FY 2018 was 1.13%. Prince George Parking Garage receipts were \$318K, a decrease of 9.4% from last year as a result of mechanical failures with equipment. New equipment and parking software are being installed in the current year that will eliminate the mechanical failures and allow parking fees to be collected consistently.
- **Charges for Services** – This category consists largely of EMS medical transport fees, recreation programs and facility rentals, and cemetery lots and fees. Overall revenues in this category were \$1.18 million, an increase of 1.9% compared to last year. An increase in charges for emergency medical services in the amount of \$36.2K is the primary reason for the increase in this category.
- **Miscellaneous/Recovered Costs** – These include reimbursements for Utility Fund overhead charges, public safety overtime, stormwater management fees, and James City County’s reimbursed portion of annual Arts Commission grants under miscellaneous receipts.
- **Intergovernmental** – Overall, intergovernmental revenues were \$6.7 million, a decrease of 8.3% compared to last year, largely due to reduced VDOT state construction grant funding for various repaving projects in FY 2018. State highway maintenance payments were \$1.8 million, up 2.3% for the year based on a slight increase in lane miles maintained by the City.

Governmental Funds Expenditures - Analysis

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

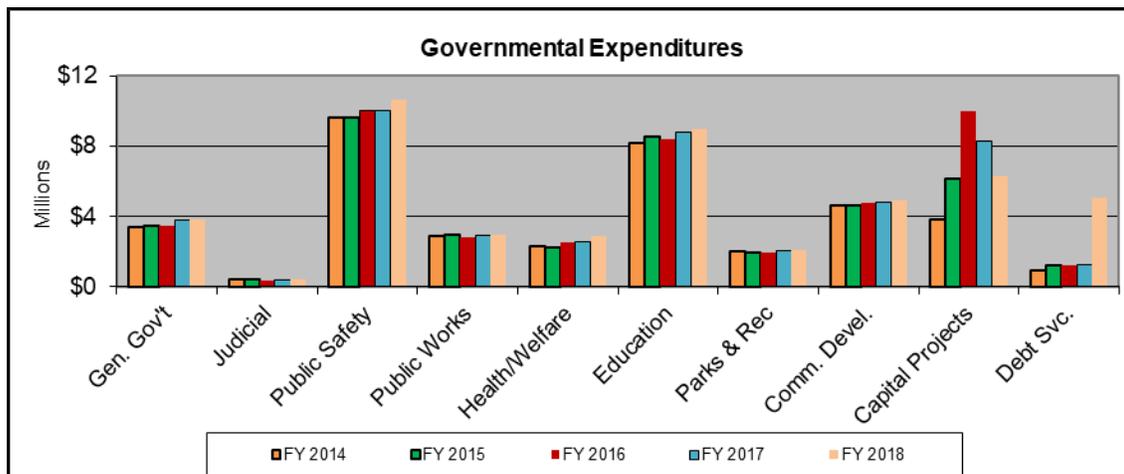
Expenditures by Function	June 30, 2018		June 30, 2017		Increase/(Decrease)	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	\$3,852,694	8.01%	\$3,786,601	8.44%	\$66,093	1.75%
Judicial Administration	422,688	0.88%	401,237	0.89%	21,451	5.35%
Public Safety	10,641,971	22.13%	10,034,562	22.36%	607,409	6.05%
Public Works	2,986,028	6.21%	2,890,124	6.44%	95,904	3.32%
Health and Welfare	2,865,062	5.96%	2,552,959	5.69%	312,103	12.23%
Education	8,962,074	18.64%	8,817,150	19.65%	144,924	1.64%
Parks, Recreation, and Cultural	2,104,895	4.38%	2,060,645	4.59%	44,250	2.15%
Community Development	4,896,820	10.18%	4,799,435	10.70%	97,385	2.03%
Capital Projects	6,323,793	13.15%	8,289,153	18.47%	(1,965,360)	-23.71%
Principal Retirement	4,880,676	10.15%	1,032,568	2.30%	3,848,108	372.67%
Interest	147,577	0.31%	204,016	0.45%	(56,439)	-27.66%
Total Expenditures	\$48,084,278	100.00%	\$44,868,450	100.00%	\$3,215,828	7.17%

The City's FY 2018 budget included \$450K in the General Fund to implement a portion of the findings of the Compensation and Classification Study. An additional \$40K was budgeted to recognize employees based on performance as indicated by annual performance evaluation. The employer contribution rate during FY 2018 for all full-time employees covered by the Virginia Retirement System was 14.09% of salary, with covered employees contributing their 5% share above the employer rate. Healthcare premiums for the City's plan with the Anthem's Local Choice program administered by the State were incurred no increase for FY 2018.

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

- **General Government Administration** – increased by 1.7% largely due to increased costs in various departments, including General Fund Contingency, Finance, Information Technology and City Shop, compared to FY 2017.
- **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 \$423K, up \$22K from last year.
- **Public Safety** – This category includes the Police Department, the Fire Department cost for correction and detention and several departments. This category of expenditures increased 607.4K, or 6.1% compared to the previous fiscal year. The majority of the increase related to increased salary and related expenses in both the Police Department and the Fire Department as a result of the implementation of the Compensation and Classification Study, the addition of one new police officer, and overtime. Juvenile detention services are provided by the Middle Peninsula Juvenile Detention Commission, which operates the 48-bed Merrimac Center. Days used by City kids during FY 2018 totaled 245 compared to 116 last year. Juvenile detention costs, which were based on per diems, were \$74K compared to \$19K last year.
- **Public Works** – Overall costs were up 3.3% over last year. Streets department was increased by 3.4% and stormwater operations increased by 7.5%, both due to increased salary and related benefits. Sanitation costs increased 3.8% due to increased cost for garbage collection. Engineering and building and grounds expenditures increased slightly by \$8K compared to last year, while landscaping expenditures were up \$17K.
- **Health & Welfare** – Local health department costs were \$193K, up slightly from last year. Contributions to Colonial Behavioral Health were \$255K, level with last year. Cost for welfare and social service programs increased \$304K compared to last year, the majority of which were for Comprehensive Service Act expenditures (increase of \$131K) and public assistance (increase of \$112K).
- **Education** – Education costs were \$9 million, an increase of 1.6% from last year. The City's share of the jointly operated Williamsburg-James City County Schools for Fiscal Year 2018 was 9.46%. FY 2018 was the first year of a five year renegotiated joint agreement, with operating funding based on the City's share of student population multiplied by a 14% factor, then averaged over the past three years. The City also funds approved capital projects at that same rate. The City's share of school capital costs paid during the year was \$2.0 million, and included new projects, the new Middle School, and others carried forward from prior years.
- **Parks, Recreation and Cultural** – Parks and recreation costs of \$1.2 million were level with last year, with minimal increases for salary adjustments which were offset by a reduction in the cost of maintenance service contracts cost. Library expenditures of \$860K, an increase of 2.1% compared to last year. Williamsburg's support of the Regional Library is based on a joint contract with the counties of James City and York.
- **Community Development** – Planning expenditures increased 14.3%, primarily due to the filling of positions that were vacant in the previous year. Contributions to outside agencies, not including pass-thru funding of the \$2 lodging taxes to the Williamsburg Area Destination Marketing Committee, was \$2.9 million, an increase of \$30K compared to last year. Most of the increase was due to additional funding for the Williamsburg Area Transport. Arts Commission expenditures of \$153.8 were 3.9% less than last year, primarily as a result of a \$6K reduction in expenditures for First Night of Williamsburg.
- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City project spending totaled \$6.3 million for FY 2018. Capital projects included street resurfacing program, sidewalk construction, underground wiring, school improvements, and vehicles. More information is provided under the Capital Asset section of this analysis.

- **Principal and Interest payments** –Total principal payments during FY 2018 were 4.9K, of which \$3.9 was from refunding bonds issued to pay off bank qualified bonds used to finance the Stryker Center. Interest payments on outstanding debt totaled \$148K. Details of long term debt obligations are included in the notes to the financial statements.



Budget Variances

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

General Fund operating revenues exceeded the budget by \$906K for FY 2018, while operating expenditures were under budget by \$640K, for an operating surplus of \$1.5 million. Although many revenue sources were slightly lower than budgeted, many sources, including all property taxes, business licenses, meal taxes, hotel and motel taxes, building permits, court fines and forfeitures, and parking fines all ended the year higher than budgeted. On the expenditure side, major contributing departments that were underspent for FY 2018 included City Council, Clerk of City Council, Fire, Planning, Recreation and Codes Compliance. In addition, the Williamsburg-James City County Schools were under their operating budget by \$261K.

Fund Balance

Total Fund Balance for the General Fund increased from \$31.3 million to \$44.6 million for the year. Of that, (1) \$2.8 Million is *nonspendable*, and represents prepaid items and City-owned land held for resale; (2) 13.1 million that is restricted bond funds to be used for capital improvements to Fire and Police facilities (3) \$15.8 Million is *assigned* for subsequent years’ carryover capital expenditures. This category includes \$14.5 million of prior year carryover capital projects for street resurfacing, road intersection projects, multi-use trail, underground wiring, vehicles, recreation projects, professional studies, and school capital projects. The remaining \$1.3 million of assigned fund balance will fund future capital projects included in the City’s five-year capital improvement program; (3) and \$12.9 million is *unassigned*.

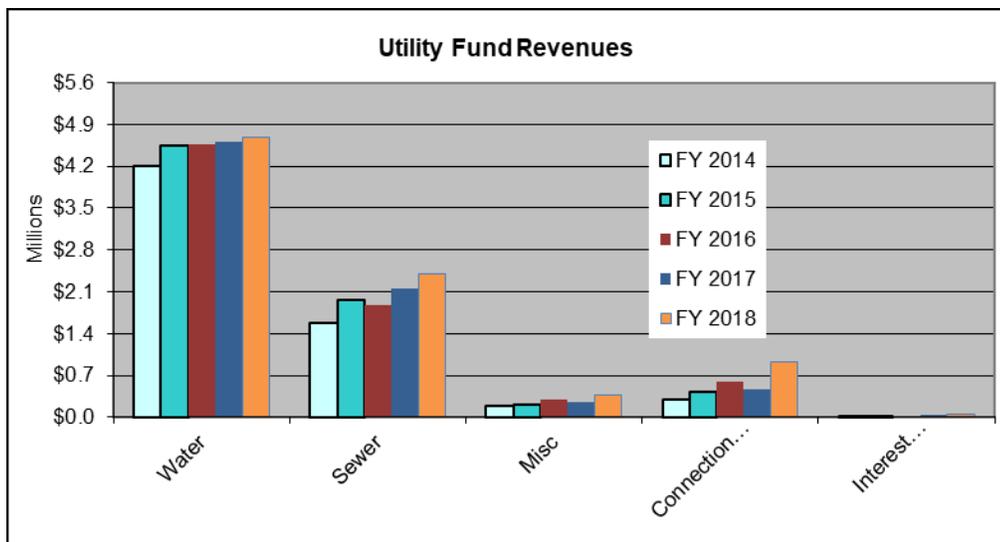
General Fund Reserve Policy

At June 30, 2018 the *unassigned* fund balance of approximately \$12.9 million is 35% of FY 2018 operating revenues, consistent with the City’s fund balance reserve policy.

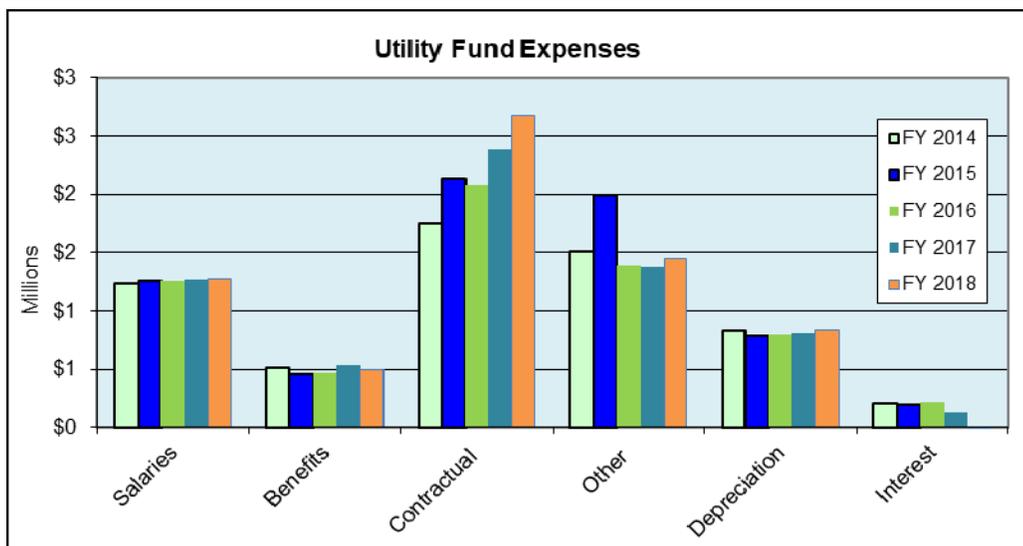
Enterprise Funds Revenue/Expense Analysis

The business-type activity (water and sewer services of the Utility Fund) operating revenues for the year were \$8.4 million, an increase of 11.9% from last year. There was no increase in Water rates, which are \$5.30 per 1,000 gallons. Highlights include:

- Total billed water consumption for FY 2018 was 825 million gallons, a slight increase of about .8% from 818 million gallons last year.
- Water revenues were \$4.7 million, an increase of 1.7% compared to last year.
- Sewer revenues were \$2.4 million, up 11.2% from last year, due to a 9% increase in Hampton Roads Sanitation District (HRSD) sewer charges (pass-thru), and increased sewer consumption billed for FY 2018.
- Tap and availability fees were \$1.1 million, up from last year’s \$519K.
- Total operating expenses increased \$328K, or 5.1%, compared to last year. The majority of this increase is attributed to increased cost for contractual services (pass-thru payments to HRSD for sewage treatment).
- Investment earnings were \$57.4K, an increase of 70.5% from last year.



The City received \$218K this year from contracts with cell-phone providers using water tanks as a base for telecommunications equipment, a 25% increase compared to last year. Utility Fund operating expenses totaled \$6.7 million for the year, up 5.1% from last year, largely due to the increased sewer rates collected and remitted to HRSD. Depreciation charges include a portion of the 25-year amortization of the total \$12.5 million cost of the Newport News Water agreement, classified as intangible water rights in the Utility Fund. Operating income for the year was \$1.7 million, a 51% increase from the \$1.1 million reported last year. Total net position of the Utility Fund increased by the total net income for FY 2018 of \$1.2 million, leaving the fund’s ending total net position at \$24.5 million.



ORIGINAL AND FINAL AMENDED BUDGETS

By resolution, the General Fund’s FY 2018 General Fund Budget was amended for public safety grants totaling \$39K, donations for park renovations in the amount of \$2,287 and a grant for parks and recreation in the amount of \$19.6K. The public safety grants were used for personnel cost to enforce alcohol violations and for fire training. The majority of the donations for parks were used for renovations of picnic areas at Waller Mill Park and the grant was used to purchase outdoor water fountains and bottle refilling stations at Quarterpath Park and the Recreation Center and Kiwanis Park. The FY 2018 capital budget was amended for a grant in the amount of \$10,570 to purchase a commercial gear dryer and four safer search markers for the Fire Department. Williamsburg-James City County (WJCC) Public Schools had an operating surplus at June 30, 2017 in the amount of \$1,970,663. The City’s share of for local funding of Schools was 9.46% and, as a result, \$186,425 of the surplus was City funds. In October of 2017, WJCC School Board asked for, and City Council approved, an appropriation in the amount of \$61,028 from surplus funds for Impact Insight (service that provides information regarding the impact of instructional initiatives), replacement of textbooks, replacement of cafeteria tables, to conduct a compensation and salary analysis, and to replace four school buses.

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, 2018, was \$96 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and recreation and park facilities. Major capital assets of the Utility Fund consist of all assets used to provide water and sewer services to City residents, including the major investment of the Waller Mill Reservoir and all properties adjacent to this watershed, and intangible water rights with the Newport News water agreement.

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

Governmental Funds:

- The City’s annual street resurfacing program continued during the year at a cost of \$505K.
- Ironbound Rd/Longhill Rd intersection right-of-way work continued with costs totaling \$663K in FY 2018.
- Information technology PC replacement program and telephone system replacement were completed at a cost of \$77K.
- Second year costs of the Tyler/Munis ERP financial system software totaled \$86K.

- Park Improvements at Quarterpath Park, Kiwanis Park, and Waller Mill Park were made totaling \$371.
- Renovations were made to the regional library with Williamsburg's share of the cost totaling \$321K.
- The Fire Department replaced Self-Contained Breathing Apparatus on all emergency response apparatus at a cost of \$239K.
- The Fire Department purchased automated external defibrillators, McGrath Video Laryngoscopes, and pediatric restraint kits at a cost of \$106K utilizing Four-for-Life grant funds.
- School project costs, including renovations to existing facilities, were paid during the year in the amount of \$2 million.
- Vehicles were replaced citywide under the replacement plan at a cost of \$652K.

The budget balances of any appropriated capital projects not completed at year end are carried forward to the next fiscal year, as provided for in the City's financial policies. Carryover funds for capital projects totaled approximately \$14.5 million, including \$4.2 million for Monticello Avenue improvements, \$2.9 for Capital Landing Road intersection improvements, \$1.8 million in School Capital Projects, \$1.3 million for Second Street underground wiring, \$1.2 million for Bicycle Facility Improvements, \$746K for Fire Station renovations, and \$494K Ironbound Rd/Longhill Rd intersection improvements, \$466K for Park improvements, \$350K for Police Station renovations, \$263K for Parking Study implementation, \$241K for Tyler/Munis software implementation, and \$500K in various other projects.

Utility Fund:

- Water distribution and collection systems maintenance and upgrades totaled \$39 in the Utility Fund, plus \$500 that was transferred from the Utility Fund General Fund capital improvements for water improvements on the Monticello Avenue project.
- Water treatment improvements totaled \$28K.

Additional information on the City of Williamsburg's capital assets can be found in the Note 6-Capital Assets, on pages 48 – 50 of the Notes to the Financial Statements section of this report.

Long-Term Debt

At June 30, 2018, the City of Williamsburg's total outstanding bonded debt was \$22.1 million. Bonds payable for Governmental Activities were \$17.7 million, while business-type activities owed \$4.4 million at year end. The full faith and credit of the government backs these instruments. The City's total bonded debt increased \$9.5 million. The City's remaining capacity for debt at June 30, 2018 is approximately \$164 million.

City staff continues to work with financial advisors, Davenport and Company, to analyze all aspects of capital project borrowing needs in order to secure the best interest rates if and when future borrowing is necessary. Additional information on the City's long-term debt can be in Note 8 to the financial statements– Long-Term Obligations, on pages 51 – 53 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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Williamsburg, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
ASSETS				
Cash and cash equivalents	\$ 22,721,497	\$ 3,091,268	\$ 25,812,765	\$ 558,981
Investments	4,795,919	3,919,207	8,715,126	247,606
Investments in custody of others	13,144,192	-	13,144,192	-
Receivables (net of allowance for uncollectibles):				
Taxes receivable	267,853	-	267,853	-
Accounts receivable	1,384,466	1,137,735	2,522,201	9,323
Notes receivable	624,026	-	624,026	-
Due from other governmental units	1,611,905	-	1,611,905	100,459
Inventories	2,650,700	-	2,650,700	6,531
Prepaid items	119,374	-	119,374	21,169
Capital assets (net of accumulated depreciation):				
Land and land improvements	8,797,413	6,434,330	15,231,743	2,377,895
Works of art	28,400	-	28,400	-
Buildings and system	24,566,789	4,555,198	29,121,987	1,441,944
Improvements other than buildings	4,972,916	2,715,078	7,687,994	33,941
Machinery and equipment	4,387,600	347,731	4,735,331	8,435
Intangibles	417,341	9,692,361	10,109,702	-
Infrastructure	27,939,566	57,611	27,997,177	-
Construction in progress	592,030	-	592,030	-
Total assets	<u>\$ 119,021,987</u>	<u>\$ 31,950,519</u>	<u>\$ 150,972,506</u>	<u>\$ 4,806,284</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 1,301,552	\$ 162,895	\$ 1,464,447	\$ -
OPEB related items	92,988	5,935	98,923	-
Deferred charges on refunding	21,714	150,208	171,922	-
Total deferred outflows of resources	<u>\$ 1,416,254</u>	<u>\$ 319,038</u>	<u>\$ 1,735,292</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 1,374,919	\$ 711,488	\$ 2,086,407	\$ 31,124
Accrued liabilities	263,032	34,504	297,536	9,012
Refundable deposits	174,859	62,095	236,954	35,899
Accrued interest payable	385,165	102,544	487,709	-
Unearned revenue	84,134	292,073	376,207	316
Long-term liabilities:				
Due within one year	1,559,660	621,325	2,180,985	-
Due in more than one year	18,657,629	4,537,981	23,195,610	-
Net pension liability, due in more than one year	9,434,109	1,128,974	10,563,083	114,000
Net OPEB liability, due in more than one year	1,774,877	87,123	1,862,000	-
Total liabilities	<u>\$ 33,708,384</u>	<u>\$ 7,578,107</u>	<u>\$ 41,286,491</u>	<u>\$ 190,351</u>

City of Williamsburg, Virginia
Statement of Net Position
June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 1,258,153	\$ 226,748	\$ 1,484,901	\$ -
OPEB related items	198,417	10,583	209,000	-
Total deferred inflows of resources	<u>\$ 1,456,570</u>	<u>\$ 237,331</u>	<u>\$ 1,693,901</u>	<u>\$ -</u>
NET POSITION				
Net Investment in capital assets	\$ 52,444,883	\$ 18,769,281	\$ 71,214,164	\$ 3,748,215
Restricted for:				
Fire and police capital improvements	13,144,192	-	13,144,192	-
Other restrictions	584,890	-	584,890	-
Unrestricted	19,099,322	5,684,838	24,784,160	867,718
Total net position	<u>\$ 85,273,287</u>	<u>\$ 24,454,119</u>	<u>\$ 109,727,406</u>	<u>\$ 4,615,933</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, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 5,009,427	\$ -	\$ 131,399	\$ -
Judicial administration	422,688	249,548	800	-
Public safety	10,746,688	1,039,496	404,093	-
Public works	4,716,472	-	-	3,329,824
Health and welfare	2,816,519	-	1,250,088	-
Education	10,936,896	-	1,096,059	-
Parks, recreation, and cultural	2,648,545	391,493	-	-
Community development	5,013,184	53,946	57,038	-
Interest on long-term debt	596,354	-	-	-
Total governmental activities	<u>\$ 42,906,773</u>	<u>\$ 1,734,483</u>	<u>\$ 2,939,477</u>	<u>\$ 3,329,824</u>
Business-type activities:				
Utility Fund	\$ 6,713,633	\$ 8,176,441	\$ -	\$ -
Total business-type activities	<u>\$ 6,713,633</u>	<u>\$ 8,176,441</u>	<u>\$ -</u>	<u>\$ -</u>
Total primary government	<u>\$ 49,620,406</u>	<u>\$ 9,910,924</u>	<u>\$ 2,939,477</u>	<u>\$ 3,329,824</u>
COMPONENT UNIT:				
WRHA	\$ 922,118	\$ 461,046	\$ 168,739	\$ 164,940
Total component unit	<u>\$ 922,118</u>	<u>\$ 461,046</u>	<u>\$ 168,739</u>	<u>\$ 164,940</u>

General revenues:
General property taxes
Local sales and use taxes
Restaurant food taxes
Hotel and motel taxes
\$2 lodging taxes
Business license taxes
Other local taxes
Unrestricted revenues from use of money and property
Miscellaneous
Grants and contributions not restricted to specific programs
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
\$ (4,878,028)	\$ -	\$ (4,878,028)	\$ -
(172,340)	-	(172,340)	-
(9,303,099)	-	(9,303,099)	-
(1,386,648)	-	(1,386,648)	-
(1,566,431)	-	(1,566,431)	-
(9,840,837)	-	(9,840,837)	-
(2,257,052)	-	(2,257,052)	-
(4,902,200)	-	(4,902,200)	-
(596,354)	-	(596,354)	-
<u>\$ (34,902,989)</u>	<u>\$ -</u>	<u>\$ (34,902,989)</u>	<u>\$ -</u>
\$ -	\$ 1,462,808	\$ 1,462,808	\$ -
\$ -	\$ 1,462,808	\$ 1,462,808	\$ -
<u>\$ (34,902,989)</u>	<u>\$ 1,462,808</u>	<u>\$ (33,440,181)</u>	<u>\$ -</u>
			<u>\$ (127,393)</u>
			<u>\$ (127,393)</u>
\$ 13,056,359	\$ -	\$ 13,056,359	\$ -
4,706,583	-	4,706,583	-
7,062,010	-	7,062,010	-
3,358,649	-	3,358,649	-
1,123,558	-	1,123,558	-
2,049,988	-	2,049,988	-
1,383,348	-	1,383,348	-
1,200,582	57,365	1,257,947	2,366
525,463	225,665	751,128	-
1,588,563	-	1,588,563	-
500,000	(500,000)	-	-
<u>\$ 36,555,103</u>	<u>\$ (216,970)</u>	<u>\$ 36,338,133</u>	<u>\$ 2,366</u>
\$ 1,652,114	\$ 1,245,838	\$ 2,897,952	\$ (125,027)
83,621,173	23,208,281	106,829,454	4,740,960
<u>\$ 85,273,287</u>	<u>\$ 24,454,119</u>	<u>\$ 109,727,406</u>	<u>\$ 4,615,933</u>

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FUND FINANCIAL STATEMENTS

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City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 22,153,599	\$ 567,898	\$ 22,721,497
Investments	4,795,919	-	4,795,919
Investments in custody of others	13,144,192	-	13,144,192
Receivables (net of allowance for uncollectibles):			
Taxes receivable	267,853	-	267,853
Accounts receivable	1,384,466	-	1,384,466
Notes receivable	624,026	-	624,026
Due from other funds	43,378	772	44,150
Due from other governmental units	1,462,056	149,849	1,611,905
Inventories	2,650,700	-	2,650,700
Prepaid items	119,374	-	119,374
Total assets	<u>\$ 46,645,563</u>	<u>\$ 718,519</u>	<u>\$ 47,364,082</u>
LIABILITIES			
Accounts payable	\$ 1,345,069	\$ 29,850	\$ 1,374,919
Accrued liabilities	263,032	-	263,032
Refundable deposits	174,859	-	174,859
Due to other funds	772	43,378	44,150
Unearned revenue	23,733	60,401	84,134
Total liabilities	<u>\$ 1,807,465</u>	<u>\$ 133,629</u>	<u>\$ 1,941,094</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 216,244	\$ -	\$ 216,244
Total deferred inflows of resources	<u>\$ 216,244</u>	<u>\$ -</u>	<u>\$ 216,244</u>
FUND BALANCES			
Nonspendable	\$ 2,770,074	\$ -	\$ 2,770,074
Restricted	13,144,192	584,890	13,729,082
Assigned	15,788,818	-	15,788,818
Unassigned	12,918,770	-	12,918,770
Total fund balances	<u>\$ 44,621,854</u>	<u>\$ 584,890</u>	<u>\$ 45,206,744</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,645,563</u>	<u>\$ 718,519</u>	<u>\$ 47,364,082</u>

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

City of Williamsburg, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2018

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	45,206,744
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		71,702,055
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds. The following is a summary of items supporting this adjustment:		
Unavailable revenue - property taxes	\$	216,244
		216,244
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Deferred charge on refunding	\$	21,714
Pension related items		1,301,552
OPEB related items		92,988
		1,416,254
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	\$	(17,712,733)
Deferred issuance premium		(1,522,725)
Net OPEB liability		(1,774,877)
Net pension liability		(9,434,109)
Accrued interest payable		(385,165)
Compensated absences		(981,831)
		(31,811,440)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
OPEB related items	\$	(198,417)
Pension related items		(1,258,153)
		(1,456,570)
Net position of governmental activities		<u>\$ 85,273,287</u>

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

City of Williamsburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Other Governmental Funds	Total
REVENUES			
General property taxes	\$ 13,089,822	\$ -	\$ 13,089,822
Other local taxes	19,684,136	-	19,684,136
Permits, privilege fees, and regulatory licenses	302,819	-	302,819
Fines and forfeitures	249,211	-	249,211
Revenue from the use of money and property	1,200,576	6	1,200,582
Charges for services	1,182,453	-	1,182,453
Miscellaneous	484,084	41,379	525,463
Recovered costs	1,026,582	-	1,026,582
Intergovernmental:			
Commonwealth	5,245,005	511,761	5,756,766
Federal	178,518	777,556	956,074
Total revenues	<u>\$ 42,643,206</u>	<u>\$ 1,330,702</u>	<u>\$ 43,973,908</u>
EXPENDITURES			
Current:			
General government administration	\$ 3,852,694	\$ -	\$ 3,852,694
Judicial administration	422,688	-	422,688
Public safety	10,602,751	39,220	10,641,971
Public works	2,986,028	-	2,986,028
Health and welfare	486,677	2,378,385	2,865,062
Education	8,962,074	-	8,962,074
Parks, recreation, and cultural	2,104,895	-	2,104,895
Community development	4,896,820	-	4,896,820
Capital projects	6,323,793	-	6,323,793
Debt service:			
Principal retirement	4,880,676	-	4,880,676
Interest and other fiscal charges	147,577	-	147,577
Total expenditures	<u>\$ 45,666,673</u>	<u>\$ 2,417,605</u>	<u>\$ 48,084,278</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (3,023,467)</u>	<u>\$ (1,086,903)</u>	<u>\$ (4,110,370)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 500,000	\$ 1,050,533	\$ 1,550,533
Transfers out	(1,050,533)	-	(1,050,533)
Issuance of bonds	16,180,700	-	16,180,700
Bond premium issuance	1,539,845	-	1,539,845
Payment to refunded bond escrow agent	(561,403)	-	(561,403)
Bond issuance costs	(273,376)	-	(273,376)
Total other financing sources (uses)	<u>\$ 16,335,233</u>	<u>\$ 1,050,533</u>	<u>\$ 17,385,766</u>
Net change in fund balances	\$ 13,311,766	\$ (36,370)	\$ 13,275,396
Fund balances - beginning, as restated	31,310,088	621,260	31,931,348
Fund balances - ending	<u>\$ 44,621,854</u>	<u>\$ 584,890</u>	<u>\$ 45,206,744</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, 2018

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

Net change in fund balances - total governmental funds \$ 13,275,396

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

Capital outlay	\$ 3,714,606	
Depreciation expense	<u>(3,688,043)</u>	26,563

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

Property taxes	\$ <u>(33,463)</u>	(33,463)
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:

Principal retirement on general obligation bonds	\$ 1,029,676	
Issuance of bond	(16,180,700)	
Payment to refunding bonds	4,436,288	
Premium on issuance	<u>(1,539,845)</u>	(12,254,581)

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

The following is a summary of items supporting this adjustment:

Change in compensated absences	\$ (1,432)	
OPEB expense	(11,310)	
Pension expense	850,227	
Amortization of premium	161,848	
Amortization of deferred charges on refunding	(2,171)	
Change in accrued interest payable	<u>(358,963)</u>	<u>638,199</u>

Change in net position of governmental activities \$ 1,652,114

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

City of Williamsburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,091,268
Investments	3,919,207
Accounts receivable (net of allowances for uncollectibles)	1,137,735
Total current assets	<u>\$ 8,148,210</u>
Noncurrent assets:	
Capital assets:	
Land and land improvement and open easement	\$ 6,434,330
Buildings and system	11,842,633
Improvements other than buildings	8,518,945
Machinery and equipment	2,322,204
Intangibles	12,525,344
Infrastructure	83,860
Accumulated depreciation	(17,925,007)
Total net capital assets	<u>\$ 23,802,309</u>
Total noncurrent assets	<u>\$ 23,802,309</u>
Total assets	<u>\$ 31,950,519</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refundings	\$ 150,208
Pension related items	162,895
OPEB related items	5,935
Total deferred outflows of resources	<u>\$ 319,038</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 711,488
Accrued liabilities	34,504
Refundable deposits	62,095
Accrued interest payable	102,544
Compensated absences - current portion	83,696
Unearned revenue	292,073
General obligation bonds - current portion	537,629
Total current liabilities	<u>\$ 1,824,029</u>

City of Williamsburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Utility Fund</u>
LIABILITIES (Continued)	
Noncurrent liabilities:	
General obligation bonds - net of current portion	\$ 4,495,399
Net pension liability	1,128,974
Net OPEB liability	87,123
Compensated absences - net of current portion	42,582
Total noncurrent liabilities	<u>\$ 5,754,078</u>
Total liabilities	<u>\$ 7,578,107</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension related items	\$ 226,748
OPEB related items	10,583
Total deferred inflows of resources	<u>\$ 237,331</u>
 NET POSITION	
Net investment in capital assets	\$ 18,769,281
Unrestricted	5,684,838
Total net position	<u>\$ 24,454,119</u>

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

City of Williamsburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 4,687,485
Sewer revenues	2,402,770
Tap and availability fees	1,059,375
Penalty and interest	20,811
Miscellaneous	225,665
Total operating revenues	<u>\$ 8,396,106</u>
OPERATING EXPENSES	
Personnel services	\$ 1,270,502
Fringe benefits	494,439
Contractual services	2,671,281
Other charges	1,450,082
Depreciation	831,135
Total operating expenses	<u>\$ 6,717,439</u>
Operating income (loss)	<u>\$ 1,678,667</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	\$ 57,365
Interest and other fiscal charges	3,806
Connection fees	6,000
Total nonoperating revenues (expenses)	<u>\$ 67,171</u>
Income before transfers	<u>\$ 1,745,838</u>
Transfers out	<u>(500,000)</u>
Change in net position	<u>\$ 1,245,838</u>
Total net position - beginning, as restated	23,208,281
Total net position - ending	<u><u>\$ 24,454,119</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, 2018

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 8,472,624
Payments to suppliers	(4,124,173)
Payments to and for employees	(1,920,783)
Net cash provided by (used for) operating activities	<u>\$ 2,427,668</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Connection fees	\$ 6,000
Transfers to other funds	(500,000)
Net cash provided by (used for) noncapital financing activities	<u>\$ (494,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	\$ (270,886)
Proceeds from refunding bond issued	4,095,646
Principal payments on bonds	(454,324)
Refunding escrow payment	(4,048,824)
Interest expense	(159,377)
Net cash provided by (used for) capital and related financing activities	<u>\$ (837,765)</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,095,903
Cash and cash equivalents - beginning	1,995,365
Cash and cash equivalents - ending	<u>\$ 3,091,268</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	<u>\$ 1,678,667</u>
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	\$ 831,135
(Increase) decrease in accounts receivable	(82,561)
(Increase) decrease in deferred outflows of resources related to pension and OPEB	157,874
Increase (decrease) in compensated absences	(23,768)
Increase (decrease) in accounts payable	(11,438)
Increase (decrease) in accrued liabilities	8,628
Increase (decrease) in unearned revenue	157,073
Increase (decrease) refundable deposits	2,006
Increase (decrease) in OPEB liability	(21,879)
Increase (decrease) in net pension liability	(452,783)
Increase (decrease) in deferred inflows of resources related to pension and OPEB	184,714
Total adjustments	<u>\$ 749,001</u>
Net cash provided by (used for) operating activities	<u>\$ 2,427,668</u>

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

City of Williamsburg, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,837,177
Investments, at fair value:	
Other investments	1,586,067
Other assets	22,813
Total assets	<u>\$ 3,446,057</u>
 LIABILITIES	
Accounts payable	\$ 152,729
Accrued liabilities	238,975
Amounts held for others	3,054,353
Total liabilities	<u>\$ 3,446,057</u>

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

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2018

Note 1—Summary of Significant Accounting Policies:

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

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

A. Financial Reporting Entity

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

B. Individual Component Unit Disclosures

Blended Component Unit - The City has no blended component units to be included for the fiscal year ended June 30, 2018.

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

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units - The Williamsburg Redevelopment and Housing Authority (WRHA) is responsible for operating a low income housing program in the City which provides housing for eligible families, for operating redevelopment and conservation programs and for delivering of services to citizens of low income housing and urban renewal areas through the encouragement and development of social and economic opportunities. The Commissioners of the Authority are the members of City Council in addition to a Member-at-Large and a Public Housing Resident Member. The Authority is fiscally dependent on the City. The City does not have operational responsibility for the WRHA. The City is involved in the day-to-day fiscal operations of the WRHA, including the processing of their payroll, accounts payable and other managerial functions and therefore, the WRHA is included in the City’s financial statements as a discrete presentation for the year ended June 30, 2018. WRHA’s fiscal year of October 1 to September 30 differs from the City’s fiscal year of July 1 to June 30. A copy of the separately issued financial statements may be obtained for the WRHA by writing to Williamsburg Redevelopment and Housing Authority, 401 Lafayette Street, P.O. Box 411, Williamsburg, VA 23185 or by calling (757) 220-3477.

C. Other Related Organizations

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

1. The City of Williamsburg - County of James City, Virginia Joint Public Schools - Under the terms of an agreement dated January 14, 1954, and subsequently revised, between the governing bodies and the school boards of the City of Williamsburg, Virginia and the County of James City, Virginia, effective July 1, 1955, the two localities consolidated the operations of their schools. The latest agreement was amended April 24, 2012 for Fiscal Years 2013 through 2018. That agreement provides that the City’s share of operational costs will be equivalent to the percentage of City students each year, times an add-on factor, then averaged over the two past fiscal year funding shares. The add-on factor for Fiscal Year 2018 is as follows:

Fiscal Year	Factor
2018	1.14

Note 1—Summary of Significant Accounting Policies: (Continued)C. Other Related Organizations (Continued)1. The City of Williamsburg - County of James City, Virginia Joint Public Schools (Continued)

Summary financial information on the school operations (General Fund) as of June 30, 2018, is as follows:

Total assets	<u>\$ 17,599,282</u>
Liabilities	17,399,282
Fund equity and other credits	<u>200,000</u>
Total liabilities, fund equity, and other credits	<u>\$ 17,599,282</u>
Revenues	\$ 128,706,028
Expenditures and other financing uses	<u>128,934,949</u>
Excess of expenditures and other financing uses over revenues	\$ (228,921)
Fund balance, beginning	<u>428,921</u>
Fund balance, ending	<u><u>\$ 200,000</u></u>

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

2. Williamsburg Regional Library - The Library is a joint operation of the City of Williamsburg and the Counties of James City and York, Virginia, operating under a contract dated September 26, 2013. It receives funding from the Commonwealth of Virginia, the federal government, and some private sources. The Library's board is split between City and County appointees. The Library's management is independent from City and County control. During the current fiscal year, the City contributed \$859,699 to the Library's operating budget, or 14.48% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.
3. Other Agencies - Certain agencies and commissions service both the City of Williamsburg and surrounding localities. Board membership is allocated among the localities and their governing bodies make appointments. These agencies include: Hampton Roads Planning District Commission (HRPDC), Colonial Behavioral Health, Virginia Peninsula Regional Jail, Colonial Group Home Commission, Middle Peninsula Juvenile Detention Commission, Peninsula Agency on Aging, Community Action Agency, Virginia Peninsula Public Service Authority, Greater Williamsburg Partnership, and the Williamsburg Area Arts Commission.

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

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

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

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

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

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

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

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

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

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

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

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

1. Governmental Funds

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

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

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

2. Proprietary Funds

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

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

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

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

3. Fiduciary Funds

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

E. Cash and Cash Equivalents

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

F. Investments

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

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

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

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$423,333 at June 30, 2018 and is comprised of property taxes of \$76,041 water and sewer charges of \$110,483, and ambulance recovery fees of \$236,809.

Real and Personal Property Tax Data:

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

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

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

H. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2018 was immaterial.

Notes to Financial Statements (Continued)
As of June 30, 2018Note 1—Summary of Significant Accounting Policies: (Continued)H. Capital Assets (Continued)

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

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

I. Compensated Absences

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

J. Use of Estimates

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has multiple items that qualify for reporting in this category. One item is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its refunded or refunding debt. The other item is comprised of certain items related to the measurement of the net pension liability and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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

L. Net Position

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

M. Net Position Flow Assumption

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

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

N. Pensions

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

O. Other Postemployment Benefits (OPEB)

Group Life Insurance

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Line of Duty Act Program

The Virginia Retirement System (VRS) Line of Duty Act Program (LODA) was established pursuant to §9.1-400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The LODA Program provides death and health insurance benefits to eligible state employees and local government employees, including volunteers, who die or become disabled as a result of the performance of their duties as a public safety officer. In addition, health insurance benefits are provided to eligible survivors and family members. For purposes of measuring the net LODA OPEB liability, deferred outflows of resources and deferred inflows of resources related to the LODA OPEB, and related LODA OPEB expense, information about the fiduciary net position of the VRS LODA Program OPEB Plan and the additions to/deductions from the VRS LODA Program OPEB Plan's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Long-term Obligations

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

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

Q. Prepaid Items

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

R. Inventory

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

S. Fund Equity

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

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

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

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

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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

S. Fund Equity (Continued)

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

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

	General Fund	Nonmajor Special Revenue Funds		Total
		Virginia Public Assistance Fund	Law Enforcement Block Grant Fund	
Fund Balances:				
Nonspendable:				
Prepaid Items	\$ 119,374	\$ -	\$ -	\$ 119,374
Inventory of land held for resale	2,650,700	-	-	2,650,700
Total Nonspendable	\$ 2,770,074	\$ -	\$ -	\$ 2,770,074
Restricted:				
Social services	\$ -	\$ 572,411	\$ -	\$ 572,411
Law enforcement	-	-	12,479	12,479
Fire and police capital improvements	13,144,192	-	-	13,144,192
Total Restricted	\$ 13,144,192	\$ 572,411	\$ 12,479	\$ 13,729,082
Assigned:				
Future capital projects	\$ 15,788,818	\$ -	\$ -	\$ 15,788,818
Total Assigned	\$ 15,788,818	\$ -	\$ -	\$ 15,788,818
Unassigned	\$ 12,918,770	\$ -	\$ -	\$ 12,918,770
Total Fund Balances	\$ 44,621,854	\$ 572,411	\$ 12,479	\$ 45,206,744

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.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

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

2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution of budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Adopted budgets may be amended or superseded by action of City Council.
4. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented herein since there is no legal requirement for such presentation.
5. All operating budgets include proposed expenditures and the means of financing them. The City Manager has the authority to transfer amounts within the departments, so long as the total appropriation for a department is not adjusted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2018.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and committed fund balances outstanding at year end are re-appropriated in the succeeding year.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. The City utilizes a Finance and Audit Committee to assist City Council in carrying out its oversight responsibilities as they relate to financial reporting, internal controls and compliance with laws and regulations.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments:

Department	Final Budget	Actual	Over exceed Amount
General Fund:			
Other general and financial administration	\$ 124,000	\$ 135,566	\$ (11,566)
Principal retirement	1,029,676	4,880,676	(3,851,000)
Virginia Public Assistance Fund:			
Welfare administration	351,490	376,082	(24,592)
Comprehensive services	231,789	307,885	(76,096)

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 3—Deposits and Investments:

Deposits

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

At year-end the carrying value of the City’s deposits with banks and savings institutions was \$26,913,972 and the bank balance was \$27,636,776. Of the bank balance, \$27,636,776 was covered by Federal Depository Insurance Corporation. Of the Bank balance, \$14,778,769 was uncollateralized in banks or savings and loans not qualifying under the Virginia Security for Public Deposits Act at June 30, 2018.

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, 2018 were rated by Standard and Poor’s and the ratings are presented below using the Standard and Poor’s rating scale. The City’s investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

City's Rated Debt Investments' Values	
Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	\$ 10,301,193
Virginia State Non-Arbitrage Pool	13,144,192
Total	\$ 23,445,385

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 3—Deposits and Investments: (Continued)

Interest Rate Risk

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

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1 Year	1-5 Years
Local Government Investment Pool	\$ 10,301,193	\$ 10,301,193	\$ -
Virginia State Non-Arbitrage Pool	13,144,192	13,144,192	-
Total	\$ 23,445,385	\$ 23,445,385	\$ -

External Investment Pools

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

Note 4—Due from Other Governments:

At June 30, 2018, the City has receivables from other governments as follows:

	Governmental Activities
Other Local Governments:	
Williamsburg-James City County Public Schools	\$ 266,345
Williamsburg Redevelopment and Housing Authority	9,463
Commonwealth of Virginia:	
Communications tax	105,538
CSA pool funds	43,201
Local sales tax	885,333
Recordation tax	15,924
Shared expenses	8,235
Social services	28,935
State sales tax	153,835
Other	8,427
Federal Government:	
Local law enforcement block grant	29,850
Transportation safety	8,956
Social Services	47,863
Total	\$ 1,611,905

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2018 are as follows:

Fund	Interfund Receivables	Interfund Payables
General	\$ 43,378	\$ 772
Law Enforcement Block Grant	772	-
Virginia Public Assistance	-	43,378
Total	<u>\$ 44,150</u>	<u>\$ 44,150</u>

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

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Governmental activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 8,797,413	\$ -	\$ -	\$ 8,797,413
Works of art	28,400	-	-	28,400
Construction in progress	-	592,030	-	592,030
Total capital assets not subject to depreciation	<u>\$ 8,825,813</u>	<u>\$ 592,030</u>	<u>\$ -</u>	<u>\$ 9,417,843</u>
Capital assets subject to depreciation:				
Buildings and system	\$ 43,590,797	\$ -	\$ -	\$ 43,590,797
Improvements other than buildings	14,580,970	439,772	-	15,020,742
Infrastructure	59,266,300	1,145,024	190,288	60,221,036
Intangible	597,600	85,709	-	683,309
Machinery and equipment	11,558,064	1,452,071	58,385	12,951,750
Total capital assets subject to depreciation	<u>\$ 129,593,731</u>	<u>\$ 3,122,576</u>	<u>\$ 248,673</u>	<u>\$ 132,467,634</u>
Accumulated depreciation:				
Buildings and system	\$ 17,815,411	\$ 1,208,597	\$ -	\$ 19,024,008
Improvements other than buildings	9,589,313	458,513	-	10,047,826
Infrastructure	31,220,971	1,250,787	190,288	32,281,470
Intangible	221,182	44,786	-	265,968
Machinery and equipment	7,897,175	725,360	58,385	8,564,150
Total accumulated depreciation	<u>\$ 66,744,052</u>	<u>\$ 3,688,043</u>	<u>\$ 248,673</u>	<u>\$ 70,183,422</u>
Total capital assets subject to depreciation, net	<u>\$ 62,849,679</u>	<u>\$ (565,467)</u>	<u>\$ -</u>	<u>\$ 62,284,212</u>
Governmental activities capital assets, net	<u>\$ 71,675,492</u>	<u>\$ 26,563</u>	<u>\$ -</u>	<u>\$ 71,702,055</u>

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018*Note 6—Capital Assets: (Continued)*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<i>Business-type activities:</i>				
Capital assets not subject to depreciation:				
Land and land improvements	\$ 5,780,530	\$ -	\$ -	\$ 5,780,530
Open easement	653,800	-	-	653,800
Total capital assets not subject to depreciation	6,434,330	-	\$ -	\$ 6,434,330
Capital assets subject to depreciation:				
Buildings and system	\$ 11,842,633	\$ -	\$ -	\$ 11,842,633
Intangibles	12,525,344	-	-	12,525,344
Improvements other than buildings	8,337,611	181,334	-	8,518,945
Infrastructure	83,860	-	-	83,860
Machinery and equipment	2,232,652	89,552	-	2,322,204
Total capital assets subject to depreciation	\$ 35,022,100	\$ 270,886	\$ -	\$ 35,292,986
Accumulated depreciation:				
Buildings and system	\$ 7,057,124	\$ 230,311	\$ -	\$ 7,287,435
Intangibles	2,517,949	315,034	-	2,832,983
Improvements other than buildings	5,637,684	166,183	-	5,803,867
Infrastructure	23,102	3,147	-	26,249
Machinery and equipment	1,858,013	116,460	-	1,974,473
Total accumulated depreciation	\$ 17,093,872	\$ 831,135	\$ -	\$ 17,925,007
Total capital assets subject to depreciation, net	\$ 17,928,228	\$ (560,249)	\$ -	\$ 17,367,979
Business-type activities capital assets, net	\$ 24,362,558	\$ (560,249)	\$ -	\$ 23,802,309

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 1,398,120
Public safety	662,119
Public works	1,212,271
Health and welfare	10,491
Parks, recreation and cultural	395,822
Community development	<u>9,220</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 3,688,043</u></u>
 Business-type activities:	
Utility Fund	<u><u>\$ 831,135</u></u>

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 500,000	\$ 1,050,533
Utility Fund	-	500,000
Special Revenue Fund:		
Virginia Public Assistance Fund	<u>1,050,533</u>	<u>-</u>
 Total	 <u><u>\$ 1,550,533</u></u>	 <u><u>\$ 1,550,533</u></u>

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

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 8—Long-Term Obligations:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2018:

Primary Government:

	Restated Balance July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
Governmental activities:					
General obligation bond	\$ 6,974,112	\$ 16,180,700	\$ 5,442,079	\$ 17,712,733	\$ 837,370
Compensated absences	980,399	259,970	258,538	981,831	722,290
Net pension liability	12,305,483	5,282,151	8,153,525	9,434,109	-
Net OPEB liability	1,957,998	97,252	280,373	1,774,877	-
Adjustment for deferred amounts:					
For issuance premium	144,728	1,539,845	161,848	1,522,725	-
Total Governmental activities	\$ 22,362,720	\$ 23,359,918	\$ 14,296,363	\$ 31,426,275	\$ 1,559,660
Business-type activities:					
General obligation bonds	\$ 5,285,886	\$ 3,449,300	\$ 4,337,920	\$ 4,397,266	\$ 537,629
Compensated absences	150,046	19,855	43,623	126,278	83,696
Net pension liability	1,581,757	620,445	1,073,228	1,128,974	-
Net OPEB liability	109,002	748	22,627	87,123	-
Adjustment for deferred amounts:					
For issuance premium	240,864	646,346	251,448	635,762	-
Total Business-type activities	\$ 7,367,555	\$ 4,736,694	\$ 5,728,846	\$ 6,375,403	\$ 621,325

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

Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 837,370	\$ 752,932	\$ 537,629	\$ 347,790
2020	870,225	690,039	564,777	317,948
2021	862,300	650,194	362,700	155,669
2022	905,920	605,989	379,080	137,124
2023	952,200	559,535	397,800	117,702
2024 - 2028	5,155,360	2,022,266	1,979,640	268,047
2029 - 2033	3,849,360	975,450	175,640	4,387
2034 - 2038	4,279,998	337,769	-	-
Total	\$ 17,712,733	\$ 6,594,174	\$ 4,397,266	\$ 1,348,667

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 8—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations, Governmental Activities:

General Obligation Bonds :

The City authorized and issued a \$5,180,000 general obligation refunding bond in June 2012 for the purpose of refunding a Series 2005 general government obligation. The bond is payable in annual principal installments plus semi-annual interest payments at a various coupon rates, 2.00% thru 4.00%. Payments are due the first day October and April. Payments began October 1, 2012 and end April 1, 2020. Carrying value of debt is \$1,395,000 plus amortized premium of \$75,262.

	Total Amount
\$ 1,470,262	\$ 1,470,262

The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.005% thru 4.50%. The bond was partially refunded on December 8, 2017 by another general obligation refunding bond. The final payments are due May 1, 2019 and end May 1, 2020. Carrying value of the debt allocable to general government is \$137,033 plus unamortized premium of \$7,959.

144,992

The City authorized and issued a \$7,370,000 general obligation refunding bond in December 2017 for the purpose of refunding a Series 2010 and a Series 2013 general obligation and enterprise fund obligation bonds. The bond is payable in annual principal installments plus semi-annual interest payments at 5.00%. Payments are due on July 1 and January 1. Payments began July 1, 2018 and end June 30, 2029. Carrying value of the debt allocable to general government is \$3,920,700 plus unamortized premium of \$518,869.

4,439,569

The City authorized and issued a \$12,260,000 general obligation public improvement bond to finance fire and police capital improvements in December 2017. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 3.00% thru 5.00%. Payments are due on July 1 and January 1. Payments began July 1, 2018 and end June 30, 2038. Carrying value of the debt is \$12,260,000 plus unamortized premium of \$920,635.

13,180,635

Total general obligation bonds

\$ 19,235,458

Compensated absences (payable from General Fund)

\$ 981,831

Net pension liability (payable from General Fund)

\$ 9,434,109

Net OPEB liability (payable from General Fund)

\$ 1,774,877

Total Long-Term Obligations, Governmental Activities

\$ 31,426,275

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 8—Long-Term Obligations: (Continued)

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

Long-Term Obligations, Business-type Activities:	<u>Total Amount</u>
<i>General Obligation Bond:</i>	
<p>The City authorized and issued a \$10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.00% thru 4.50%. The bond was partially refunded on December 8, 2017 by another general obligation refunding bond. The final payments are due May 1, 2019 and May 1, 2020. Carrying value of the debt allocable to the business-type activities is \$947,966 plus unamortized premium of \$48,175.</p>	\$ 996,141
<p>The City authorized and issued a \$7,370,000 general obligation refunding bond in December 2017 for the purpose of refunding a Series 2010 and a Series 2013 general obligation and enterprise fund obligation bonds. The bond is payable in annual principal installments plus semi-annual interest payments at 5.00%. Payments are due on July 1 and January 1. Payments began July 1, 2018 and end June 30, 2029. Carrying value of the debt allocable to the business-type activities is \$3,449,300 plus unamortized premium of \$587,587.</p>	<u>4,036,887</u>
Total general obligation bond	<u>\$ 5,033,028</u>
Compensated absences (payable from Enterprise Fund)	<u>\$ 126,278</u>
Net pension liability (payable from Enterprise Fund)	<u>\$ 1,128,974</u>
Net OPEB liability (payable from Enterprise Fund)	<u>\$ 87,123</u>
Total Long-Term Obligations, Business-type Activities	<u><u>\$ 6,375,403</u></u>

Bond Refundings

The City issued \$7,370,000 of Refunding Bonds, Series 2017 with a true interest cost of 2.12%. A portion of the proceeds were used to refund \$3,851,000 of outstanding general obligation bonds, Series 2013 which had an interest rate of 2.60% and to partially advance refund outstanding general obligation refunding bonds, Series 2010 that was split between general government and business-type activities totaling \$4,445,000 which had interest rates ranging from 3.00% to 5.00%. The net proceeds of \$8,487,060 (to include premium on the bond of \$1,217,102 and payment of \$100,041 in issuance costs) were used to call the Series 2013 bond and partially refund the Series 2010 bond. As a result, the 2013 bond and a portion of the Series 2010 bond have been removed from the statement of net position.

Note 8—Long-Term Obligations: (Continued)

Bond Refundings (Continued)

The reacquisition price exceeded the net carrying amount of the old debt by \$189,113. This amount is reported as a deferred outflow of resources and is being amortized over the remaining life of the refunding debt. The City refunded the Series 2013 bond and a portion of the Series 2010 bond to reduce its total debt service payments over 12 years by \$342,535 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$211,436.

Note 9—Unearned and Unavailable Revenue:

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue of \$216,244 and unearned revenue of \$376,207 is comprised of the following:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$216,244 at June 30, 2018.

Unearned Revenue: Unearned revenue representing state personal property tax relief, courthouse maintenance funds, and other amounts not available for funding of current expenditures totaled \$23,733 at June 30, 2018 and were reported in the general fund. The Special Revenue Funds reports \$60,401 in unearned revenue related to summer youth program funds received but not expended at June 30, 2018.

The Utility Fund reports unearned revenue of \$292,073 which represents a lease agreement paid in advance by Crossroads Community Youth Home totaling \$130,500 and \$161,573 received in advance from a vendor for timber sales.

Note 10—Commitments and Contingencies:

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

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

Note 11—Litigation:

At June 30, 2018, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12—Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays annual premiums to the pool for its property, theft, auto liability, and general liability coverage. Settled claims for the City resulting from these risks have not exceeded insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2018.

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

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

Note 13—Pension Plan:

Plan Description

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

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

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan.</p> <ul style="list-style-type: none"> • The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

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

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage (Cont.)	Disability Coverage (Cont.)	Disability Coverage (Cont.) Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	<u>Purchase of Prior Service Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: Hybrid Retirement Plan members are ineligible for ported service. <u>Defined Contribution Component:</u> Not applicable.

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

As of the June 30, 2016 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>215</u>
Inactive members:	
Vested inactive members	43
Non-vested inactive members	30
Inactive members active elsewhere in VRS	<u>103</u>
Total inactive members	<u>176</u>
Active members	<u>177</u>
Total covered employees	<u><u>568</u></u>

Contributions

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

The City's contractually required employer contribution rate for the year ended June 30, 2018 was 14.09% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from them were \$1,464,447 and \$1,407,381 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 13—Pension Plan: (Continued)

Net Pension Liability

The City's net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

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

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

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 13—Pension Plan: (Continued)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - LEOS:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the employer for the City Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Pension Plan: (Continued)

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 67,301,618	\$ 53,414,378	\$ 13,887,240
Changes for the year:			
Service cost	\$ 1,169,362	\$ -	\$ 1,169,362
Interest	4,592,124	-	4,592,124
Differences between expected and actual experience	(515,043)	-	(515,043)
Assumption changes	(295,496)	-	(295,496)
Contributions - employer	-	1,390,195	(1,390,195)
Contributions - employee	-	494,042	(494,042)
Net investment income	-	6,434,478	(6,434,478)
Benefit payments, including refunds			
Refunds of employee contributions	(3,399,707)	(3,399,707)	-
Administrative expenses	-	(37,916)	37,916
Other changes	-	(5,696)	5,696
Net changes	\$ 1,551,240	\$ 4,875,396	\$ (3,324,156)
Balances at June 30, 2017	\$ 68,852,858	\$ 58,289,774	\$ 10,563,084

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

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

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City Net Pension Liability	\$ 18,796,037	\$ 10,563,084	\$ 3,671,639

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

For the year ended June 30, 2018, the City recognized pension expense of \$476,276. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 481,701
Change in assumptions	-	182,279
Net difference between projected and actual earnings on pension plan investments	-	820,921
Employer contributions subsequent to the measurement date	1,464,447	-
Total	\$ 1,464,447	\$ 1,484,901

CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 13—Pension Plan: (Continued)

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

\$1,464,447 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>	
2019	\$ (1,015,825)
2020	70,070
2021	10,862
2022	(550,008)
2023	-
Thereafter	-

Note 14—Surety Bonds:

Surety bonds covered the following constitutional officers and City employees at June 30, 2018:

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

Note 15—Group Life Insurance (GLI) Program (OPEB Plan):

Plan Description

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"> • City of Richmond • City of Portsmouth • City of Roanoke • City of Norfolk • Roanoke City School Board <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Plan Description (Continued)

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p>Benefit Amounts</p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> • Natural Death Benefit - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled. • Accidental Death Benefit - The accidental death benefit is double the natural death benefit. • Other Benefit Provisions - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> ○ Accidental dismemberment benefit ○ Safety belt benefit ○ Repatriation benefit ○ Felonious assault benefit ○ Accelerated death benefit option
<p>Reduction in Benefit Amounts</p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

Contributions

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the entity were \$55,094 and \$51,946 for the years ended June 30, 2018 and June 30, 2017, respectively.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2018, the entity reported a liability of \$815,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the participating employer's proportion was .05415% as compared to .05471% at June 30, 2016.

For the year ended June 30, 2018, the participating employer recognized GLI OPEB expense of \$7,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	-	\$ 18,000
Net difference between projected and actual earnings on GLI OPEB program investments	-	31,000
Change in assumptions	-	42,000
Changes in proportion	-	8,000
Employer contributions subsequent to the measurement date	<u>55,094</u>	<u>-</u>
Total	<u>\$ 55,094</u>	<u>\$ 99,000</u>

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)

\$55,094 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (21,000)
2020	(21,000)
2021	(21,000)
2022	(21,000)
2023	(11,000)
Thereafter	(4,000)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

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

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - JRS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - General Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and Retirement Rates)	Updated to a more current mortality table - RP-2014 projected to 2020
Withdrawal Rates	Increased age 50 rates and lowered rates at older ages
Disability Rates	Adjusted termination rates to better fit experience at each age and service year
Salary Scale	Adjusted rates to better match experience
Line of Duty Disability	No change
	Decreased rate from 60% to 45%

NET GLI OPEB Liability

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
	<u> </u>
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**Long-Term Expected Rate of Return**

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

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

Note 15—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The follow presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
City's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 1,054,000	\$ 815,000	\$ 622,000

Group Life Insurance Program Fiduciary Net Position

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 16—Line of Duty Act (LODA) Program:

Plan Description

All paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS) are automatically covered by the Line of Duty Act Program (LODA). As required by statute, the Virginia Retirement System (the System) is responsible for managing the assets of the program. Participating employers made contributions to the program beginning in FY 2012. The employer contributions are determined by the System's actuary using anticipated program costs and the number of covered individuals associated with all participating employers.

The specific information for the LODA Program OPEB, including eligibility, coverage and benefits is set out in the table below:

LINE OF DUTY ACT PROGRAM PLAN PROVISIONS
<p>Eligible Employees</p> <p>The eligible employees of the Line of Duty Act Program are paid employees and volunteers in hazardous duty positions in Virginia localities and hazardous duty employees who are covered under the Virginia Retirement System (VRS), the State Police Officers' Retirement System (SPORS), or the Virginia Law Officers' Retirement System (VALORS).</p>
<p>Benefit Amounts</p> <p>The Line of Duty Act Program provides death and health insurance benefits for eligible individuals:</p> <ul style="list-style-type: none"> • Death - The Line of Duty Act program death benefit is a one-time payment made to the beneficiary or beneficiaries of a covered individual. Amounts vary as follows: <ul style="list-style-type: none"> ○ \$100,000 when a death occurs as the direct or proximate result of performing duty as of January 1, 2006, or after. ○ \$25,000 when the cause of death is attributed to one of the applicable presumptions and occurred earlier than five years after the retirement date. ○ An additional \$20,000 benefit is payable when certain members of the National Guard and U.S. military reserves are killed in action in any armed conflict on or after October 7, 2001. • Health Insurance - The Line of Duty Act program provides health insurance benefits. <ul style="list-style-type: none"> ○ Prior to July 1, 2017, these benefits were managed through the various employer plans and maintained the benefits that existed prior to the employee's death or disability. These premiums were reimbursed to the employer by the LODA program. ○ Beginning July 1, 2017, the health insurance benefits are managed through the Virginia Department of Human Resource Management (DHRM). The health benefits are modeled after the State Employee Health Benefits Program plans and provide consistent, premium-free continued health plan coverage for LODA-eligible disabled individuals, survivors, and family members. Individuals receiving the health insurance benefits must continue to meet eligibility requirements as defined by the Line of Duty Act.

Note 16—Line of Duty Act (LODA) Program: (Continued)

Contributions

The contribution requirements for the Line of Duty Act Program are governed by §9.1-400.1 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each employer's contractually required employer contribution rate for the Line of Duty Act Program for the year ended June 30, 2018 was \$567.37 per covered full-time-equivalent employee. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015 and represents the pay-as-you-go funding rate and not the full actuarial cost of the benefits under the program. The actuarially determined pay-as-you-go rate was expected to finance the costs and related expenses of benefits payable during the year. Contributions to the Line of Duty Act Program from the entity were \$43,829 and \$42,978 for the years ended June 30, 2018 and June 30, 2017, respectively.

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB

At June 30, 2018, the entity reported a liability of \$1,047,000 for its proportionate share of the Net LODA OPEB Liability. The Net LODA OPEB Liability was measured as of June 30, 2017 and the total LODA OPEB liability used to calculate the Net LODA OPEB Liability was determined by an actuarial valuation as of that date. The entity's proportion of the Net LODA OPEB Liability was based on the entity's actuarially determined pay-as-you-go employer contributions to the LODA OPEB plan for the year ended June 30, 2017 relative to the total of the actuarially determined pay-as-you-go employer contributions for all participating employers. At June 30, 2017, the entity's proportion was .39849% as compared to .39883% at June 30, 2016.

For the year ended June 30, 2018, the entity recognized LODA OPEB expense of \$91,000. Since there was a change in proportionate share between measurement dates, a portion of the LODA OPEB expense was related to deferred amounts from changes in proportion.

Note 16—Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Liabilities, LODA OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the LODA OPEB: (Continued)

At June 30, 2018, the entity reported deferred outflows of resources and deferred inflows of resources related to the LODA OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual earnings on LODA OPEB plan investments	-	2,000
Change in assumptions	-	108,000
Employer contributions subsequent to the measurement date	<u>43,829</u>	<u>-</u>
Total	<u>\$ 43,829</u>	<u>\$ 110,000</u>

\$43,829 reported as deferred outflows of resources related to the LODA OPEB resulting from the entity's contributions subsequent to the measurement date will be recognized as a reduction of the Net LODA OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the LODA OPEB will be recognized in LODA OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2019	\$ (14,000)
2020	(14,000)
2021	(14,000)
2022	(14,000)
2023	(13,000)
Thereafter	(41,000)

Note 16—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions

The total LODA OPEB liability was based on an actuarial valuation as of June 30, 2016, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.50%-5.35%
SPORS employees	3.50%-4.75%
VaLORS employees	3.50%-4.75%
Locality employees	3.50%-4.75%
Medical cost trend rates assumption:	
Under age 65	7.75%-5.00%
Ages 65 and older	5.75%-5.00%
Investment rate of return	3.56%, net of OPEB plan investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 3.56%. However, since the difference was minimal, a more conservative 3.56% investment return assumption has been used. Since LODA is funded on a current-disbursement basis, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return.

Note 16—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - General State Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Note 16—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - SPORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

Note 16—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality rates - VaLORS Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Note 16—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Note 16—Line of Duty Act (LODA) Program: (Continued)

Actuarial Assumptions: (Continued)

Mortality Rates - Non-Largest Ten Locality Employers with Public Safety Employees

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Life Mortality Table projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Note 16—Line of Duty Act (LODA) Program: (Continued)**Changes to the LODA Program Associated with HB 1345 (2016) and HB 2243 (2017)**

The following changes were made to the LODA Program as a result of legislation in 2016 and 2017, but were specifically not considered in the June 30, 2016 actuarial valuation results which were rolled forward to the measurement date of June 30, 2017. There was no current actuarial experience on which to base the adjustments and the combined impact of the changes was not considered to be material to the final results. These changes will be factored into future actuarial valuations for the LODA Program.

- The discontinuance of spouse health care coverage, if a covered spouse divorces a disabled employee or a covered surviving spouse remarries.
- The potential for VRS's periodic review of the disability status of a disabled employee.
- For those beneficiaries who become eligible for health care benefits as the result of a disability occurring after June 30, 2017, the suspension of health care benefits in years when VRS certifies current income exceeds salary at the time of the disability, indexed for inflation.
- The extension of health care benefits for dependent children to age 26.
- The expansion of the definition of presumption of death or disability to include infectious diseases.

Net LODA OPEB Liability

The net OPEB liability (NOL) for the Line of Duty Act Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Line of Duty Act Program is as follows (amounts expressed in thousands):

	<u>LODA Program</u>
Total LODA OPEB Liability	\$ 266,252
Plan Fiduciary Net Position	<u>3,461</u>
Employers' Net OPEB Liability (Asset)	<u>\$ 262,791</u>
Plan Fiduciary Net Position as a Percentage of the Total LODA OPEB Liability	1.30%

The total LODA OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

Long-Term Expected Rate of Return

The long-term expected rate of return on LODA OPEB Program's investments was set at 3.56% for this valuation. Since LODA is funded on a current-disbursement basis, it is not able to use the VRS Pooled Investments 7.00% assumption. Instead, the assumed annual rate of return of 3.56% was used since it approximates the risk-free rate of return. This Single Equivalent Interest Rate (SEIR) is the applicable municipal bond index rate based on the Bond Buyer General Obligation 20-year Municipal Bond Index published monthly by the Board of Governors of the Federal Reserve System as of the measurement date of June 30, 2017.

Note 16—Line of Duty Act (LODA) Program: (Continued)

Discount Rate

The discount rate used to measure the total LODA OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made per the VRS Statutes and that they will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2019, the rate contributed by participating employers to the LODA OPEB Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly.

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Discount Rate

The following presents the covered employer's proportionate share of the net LODA OPEB liability using the discount rate of 3.56%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current rate:

	Discount Rate		
	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 1,187,000	\$ 1,047,000	\$ 930,000

Sensitivity of the Covered Employer's Proportionate Share of the Net LODA OPEB Liability to Changes in the Health Care Trend Rate

Because the Line of Duty Act Program contains a provision for the payment of health insurance premiums, the liabilities are also impacted by the health care trend rates. The following presents the covered employer's proportionate share of the net LODA OPEB liability using the health care trend rate of 7.75% decreasing to 5.00%, as well as what the covered employer's proportionate share of the net LODA OPEB liability would be if it were calculated using a health care trend rate that is one percentage point lower (6.75% decreasing to 4.00%) or one percentage point higher (8.75% decreasing to 6.00%) than the current rate:

	Health Care Trend Rates		
	1% Decrease (6.75% decreasing to 4.00%)	Current (7.75% decreasing to 5.00%)	1% Increase (8.75% decreasing to 6.00%)
County's proportionate share of the total LODA Net OPEB Liability	\$ 888,000	\$ 1,047,000	\$ 1,244,000

Note 16—Line of Duty Act (LODA) Program: (Continued)

LODA OPEB Fiduciary Net Position

Detailed information about the Line of Duty Act Program Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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CITY OF WILLIAMSBURG, VIRGINIA

Notes to Financial Statements (Continued)
As of June 30, 2018

Note 17 - Adoption of Accounting Principles and Restatement of Beginning Net Position and Fund Balance:

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the City implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position to include a restatement to reclassify special welfare funds previously reported in the Virginia Public Assistance Fund to an Agency Fund:

	Primary Government		Governmental Funds
	Governmental Activities	Business-type Activities	Virginia Public Assistance Fund
Net position, July 1, 2017, as previously stated	\$ 85,522,848	\$ 23,311,367	\$ 641,475
Implementation of GASB 75:			
Adjustment to record OPEB GLI liability as reported by VRS at the beginning of the year	(847,998)	(109,002)	-
Adjustment to record deferred outflow of resources related to OPEB GLI liability at the beginning of the year	46,024	5,916	-
Adjustment to record OPEB LODA liability as reported by VRS at the beginning of the year	(1,110,000)	-	-
Adjustment to record deferred outflow of resources related to OPEB LODA liability at the beginning of the year	42,978	-	-
Other restatement:			
Adjustment to reclassify the Special Welfare cash balance to be reported as an Agency fund beginning in current fiscal year	(32,679)	-	(32,679)
Net position, July 1, 2017, as restated	\$ 83,621,173	\$ 23,208,281	\$ 608,796

Note 18—Upcoming Pronouncements:

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

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

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

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Note 18—Upcoming Pronouncements: (Continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Williamsburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 13,014,128	\$ 13,014,128	\$ 13,089,822	\$ 75,694
Other local taxes	18,732,200	18,732,200	19,684,136	951,936
Permits, privilege fees, and regulatory licenses	195,990	195,990	302,819	106,829
Fines and forfeitures	195,200	195,200	249,211	54,011
Revenue from the use of money and property	875,056	875,056	1,200,576	325,520
Charges for services	1,203,200	1,203,200	1,182,453	(20,747)
Miscellaneous	510,999	543,456	484,084	(59,372)
Recovered costs	996,666	996,666	1,026,582	29,916
Intergovernmental:				
Commonwealth	10,749,875	10,752,370	5,245,005	(5,507,365)
Federal	527,664	542,074	178,518	(363,556)
Total revenues	<u>\$ 47,000,978</u>	<u>\$ 47,050,340</u>	<u>\$ 42,643,206</u>	<u>\$ (4,407,134)</u>
EXPENDITURES				
Current:				
General government administration	\$ 3,879,648	\$ 3,916,648	\$ 3,852,694	\$ 63,954
Judicial administration	450,000	450,000	422,688	27,312
Public safety	10,414,277	10,721,141	10,602,751	118,390
Public works	2,924,011	2,999,617	2,986,028	13,589
Health and welfare	486,419	487,139	486,677	462
Education	9,222,757	9,222,757	8,962,074	260,683
Parks, recreation, and cultural	2,136,226	2,211,354	2,104,895	106,459
Community development	4,911,153	4,935,018	4,896,820	38,198
Nondepartmental	490,871	10,480	-	10,480
Capital projects	13,138,260	23,573,902	6,323,793	17,250,109
Debt service:				
Principal retirement	1,029,676	1,029,676	4,880,676	(3,851,000)
Interest and other fiscal charges	181,515	181,515	147,577	33,938
Total expenditures	<u>\$ 49,264,813</u>	<u>\$ 59,739,247</u>	<u>\$ 45,666,673</u>	<u>\$ 14,072,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (2,263,835)</u>	<u>\$ (12,688,907)</u>	<u>\$ (3,023,467)</u>	<u>\$ 9,665,440</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 575,000	\$ 575,000	\$ 500,000	\$ (75,000)
Transfers out	(1,050,533)	(1,050,533)	(1,050,533)	-
Issuance of bonds	-	-	16,180,700	16,180,700
Bond premium issuance	-	-	1,539,845	1,539,845
Payment to refunded bond escrow agent	-	-	(561,403)	(561,403)
Bond issuance costs	-	-	(273,376)	(273,376)
Total other financing sources (uses)	<u>\$ (475,533)</u>	<u>\$ (475,533)</u>	<u>\$ 16,335,233</u>	<u>\$ 16,810,766</u>
Net change in fund balances	\$ (2,739,368)	\$ (13,164,440)	\$ 13,311,766	\$ 26,476,206
Fund balances - beginning	2,739,368	13,164,440	31,310,088	18,145,648
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,621,854</u>	<u>\$ 44,621,854</u>

Schedule of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30, 2015 through June 30, 2018

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 1,169,362	\$ 1,192,219	\$ 1,178,813	\$ 1,182,529
Interest	4,592,124	4,472,336	4,331,841	4,155,774
Difference between expected and actual experience	(515,043)	(554,448)	(361,478)	-
Changes in assumptions	(295,496)	-	-	-
Benefit payments, including refunds of employee contributions	(3,399,707)	(3,398,006)	(2,886,192)	(2,759,933)
Net change in total pension liability	\$ 1,551,240	\$ 1,712,101	\$ 2,262,984	\$ 2,578,370
Total pension liability - beginning	67,301,618	65,589,517	63,326,533	60,748,163
Total pension liability - ending (a)	\$ 68,852,858	\$ 67,301,618	\$ 65,589,517	\$ 63,326,533
Plan fiduciary net position				
Contributions - employer	\$ 1,390,195	\$ 1,666,704	\$ 1,649,556	\$ 1,558,890
Contributions - employee	494,042	487,862	506,966	478,336
Net investment income	6,434,478	915,305	2,381,156	7,179,163
Benefit payments, including refunds of employee contributions	(3,399,707)	(3,398,006)	(2,886,192)	(2,759,933)
Administrative expense	(37,916)	(33,783)	(32,867)	(38,979)
Other	(5,696)	(392)	(500)	379
Net change in plan fiduciary net position	\$ 4,875,396	\$ (362,310)	\$ 1,618,119	\$ 6,417,856
Plan fiduciary net position - beginning	53,414,378	53,776,688	52,158,569	45,740,713
Plan fiduciary net position - ending (b)	\$ 58,289,774	\$ 53,414,378	\$ 53,776,688	\$ 52,158,569
City's net pension liability - ending (a) - (b)	\$ 10,563,084	\$ 13,887,240	\$ 11,812,829	\$ 11,167,964
Plan fiduciary net position as a percentage of the total pension liability	84.66%	79.37%	81.99%	82.36%
Covered payroll	\$ 9,988,509	\$ 9,830,879	\$ 9,695,347	\$ 9,570,924
City's net pension liability as a percentage of covered payroll	105.75%	141.26%	121.84%	116.69%

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

Schedule of Employer Contributions
Pension Plan

For the Years Ended June 30, 2008 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 1,464,447	\$ 1,464,447	\$ -	10,581,720	13.84%
2017	1,407,381	1,407,381	-	9,988,509	14.09%
2016	1,675,182	1,675,182	-	9,830,879	17.04%
2015	1,652,087	1,652,087	-	9,695,347	17.04%
2014	1,559,104	1,559,104	-	9,570,924	16.29%
2013	1,503,579	1,503,579	-	9,230,075	16.29%
2012	1,020,021	1,020,021	-	8,916,264	11.44%
2011	1,002,249	1,002,249	-	8,760,922	11.44%
2010	923,738	923,738	-	8,805,887	10.49%
2009	1,010,919	1,010,919	-	9,636,974	10.49%

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Notes to Required Supplementary Information
Pension Plan
For the Year Ended June 30, 2018

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of City's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as Percentage of Total GLI OPEB Liability (6)
2017	0.05415% \$	815,000 \$	9,988,509	8.16%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2016 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 55,094	\$ 55,094	-	\$ 10,594,918	0.52%
2017	51,940	51,940	-	9,988,509	0.52%
2016	47,188	47,188	-	9,830,879	0.48%

Schedule is intended to show information for 10 years. Information is only available from 2016. Additional information will be added to table as it becomes available.

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2018 (Continued)

JRS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Employer's Share of Net LODA OPEB Liability
 Line of Duty Act Program (LODA)
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net LODA OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) (3)	Covered- Employee Payroll * (4)	Employer's Proportionate Share of the Net LODA OPEB Liability (Asset) as a Percentage of its Covered-Employee Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total LODA OPEB Liability (6)
2017	0.39849% \$	1,047,000 \$	N/A \$	N/A	1.30%

Covered payroll for the LODA Program is not a relevant measurement as 30% of covered participants are volunteers rather than employees.

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of the employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

Schedule is intended to show information for 10 years. Since 2018 is the first year for this presentation, only one year of data is available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Line of Duty Act Program (LODA)
 For the Years Ended June 30, 2016 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered- Employee Payroll * (4)	Contributions as a % of Covered - Employee Payroll (5)
2018	\$ 43,829	\$ 43,829	- \$	N/A	N/A
2017	42,978	42,978	-	N/A	N/A
2016	38,913	38,913	-	N/A	N/A

* The contributions for the Line of Duty Act Program are based on the number of participants in the Program using a per capita-based contribution versus a payroll-based contribution. Therefore, covered-employee payroll is the relevant measurement, which is the total payroll of employees in the OPEB plan. However, when volunteers and part-time employees make up a significant percentage of the employer's members in the plan, the employer may determine that covered-employee payroll is misleading and, therefore, not applicable for disclosure.

FY 2011 was the first year for the Line of Duty Act Program (LODA), however there were no contributions. Information is available beginning in 2016. Ten years of information will be accumulated moving forward.

Notes to Required Supplementary Information
 Line of Duty Act Program (LODA)
 For the Year Ended June 30, 2018

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

General State Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

SPORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

VaLORS Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Employees in the Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Notes to Required Supplementary Information
Line of Duty Act Program (LODA)
For the Year Ended June 30, 2018

Employees in the Non-Largest Ten Locality Employers with Public Safety Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

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City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2018

	Virginia Public Assistance <u>Fund</u>	Law Enforcement Block Grant <u>Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 556,191	\$ 11,707	\$ 567,898
Due from other funds	-	772	772
Due from other governmental units	119,999	29,850	149,849
Total assets	\$ 676,190	\$ 42,329	\$ 718,519
LIABILITIES			
Accounts payable	\$ -	\$ 29,850	\$ 29,850
Due to other funds	43,378	-	43,378
Unearned revenue	60,401	-	60,401
Total liabilities	\$ 103,779	\$ 29,850	\$ 133,629
FUND BALANCES:			
Restricted	\$ 572,411	\$ 12,479	\$ 584,890
Total fund balances	\$ 572,411	\$ 12,479	\$ 584,890
Total liabilities and fund balances	\$ 676,190	\$ 42,329	\$ 718,519

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City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2018

	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	\$ -	\$ 6	\$ 6
Miscellaneous	41,379	-	41,379
Intergovernmental:			
Commonwealth	510,082	1,679	511,761
Federal	740,006	37,550	777,556
Total revenues	<u>\$ 1,291,467</u>	<u>\$ 39,235</u>	<u>\$ 1,330,702</u>
EXPENDITURES			
Current:			
Public safety	\$ -	\$ 39,220	\$ 39,220
Health and welfare	2,378,385	-	2,378,385
Total expenditures	<u>\$ 2,378,385</u>	<u>\$ 39,220</u>	<u>\$ 2,417,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,086,918)</u>	<u>\$ 15</u>	<u>\$ (1,086,903)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 1,050,533	\$ -	\$ 1,050,533
Total other financing sources (uses)	<u>\$ 1,050,533</u>	<u>\$ -</u>	<u>\$ 1,050,533</u>
Net change in fund balances	\$ (36,385)	\$ 15	\$ (36,370)
Fund balances - beginning, as restated	608,796	12,464	621,260
Fund balances - ending	<u>\$ 572,411</u>	<u>\$ 12,479</u>	<u>\$ 584,890</u>

City of Williamsburg, Virginia
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 Nonmajor Special Revenue Funds
 For the Year Ended June 30, 2018

	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	-	-	41,379	41,379
Intergovernmental:				
Commonwealth	555,266	641,666	510,082	(131,584)
Federal	558,466	632,066	740,006	107,940
Total revenues	<u>\$ 1,113,732</u>	<u>\$ 1,273,732</u>	<u>\$ 1,291,467</u>	<u>\$ 17,735</u>
EXPENDITURES				
Current:				
Public safety	\$ -	\$ -	\$ -	\$ -
Health and welfare	2,231,503	2,391,503	2,378,385	13,118
Total expenditures	<u>\$ 2,231,503</u>	<u>\$ 2,391,503</u>	<u>\$ 2,378,385</u>	<u>\$ 13,118</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,117,771)</u>	<u>\$ (1,117,771)</u>	<u>\$ (1,086,918)</u>	<u>\$ 30,853</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,117,771	\$ 1,117,771	\$ 1,050,533	\$ (67,238)
Total other financing sources (uses)	<u>\$ 1,117,771</u>	<u>\$ 1,117,771</u>	<u>\$ 1,050,533</u>	<u>\$ (67,238)</u>
Net change in fund balances	\$ -	\$ -	\$ (36,385)	\$ (36,385)
Fund balances - beginning, as restated	-	-	608,796	608,796
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 572,411</u>	<u>\$ 572,411</u>

Law Enforcement Block Grant Fund				
Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
Original	Final			
\$ -	\$ -	\$ -	\$ 6	\$ 6
-	-	-	-	-
-	1,679	-	1,679	-
-	37,550	-	37,550	-
\$ -	\$ 39,229	\$ -	\$ 39,235	\$ 6
\$ -	\$ 39,229	\$ -	\$ 39,220	\$ 9
-	-	-	-	-
\$ -	\$ 39,229	\$ -	\$ 39,220	\$ 9
\$ -	\$ -	\$ -	\$ 15	\$ 15
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 15	\$ 15
-	-	-	12,464	12,464
\$ -	\$ -	\$ -	\$ 12,479	\$ 12,479

City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds					<u>Total</u>
	Williamsburg Regional Library <u>Fund</u>	Williamsburg Tricentennial <u>Fund</u>	Economic Development <u>Authority</u>	Farmers Market <u>Fund</u>	Special Welfare <u>Fund</u>	
ASSETS						
Cash and cash equivalents	\$ 1,612,142	\$ -	\$ 156,036	\$ 30,378	\$ 38,621	\$ 1,837,177
Investments, at fair value:						
Other investments	1,205,893	6,708	242,813	130,653	-	1,586,067
Other assets	22,813	-	-	-	-	22,813
Total assets	<u>\$ 2,840,848</u>	<u>\$ 6,708</u>	<u>\$ 398,849</u>	<u>\$ 161,031</u>	<u>\$ 38,621</u>	<u>\$ 3,446,057</u>
LIABILITIES						
Accounts payable	\$ 80,928	\$ -	\$ 69,700	\$ 2,101	\$ -	\$ 152,729
Accrued liabilities	238,975	-	-	-	-	238,975
Amounts held for others	2,520,945	6,708	329,149	158,930	38,621	3,054,353
Total liabilities	<u>\$ 2,840,848</u>	<u>\$ 6,708</u>	<u>\$ 398,849</u>	<u>\$ 161,031</u>	<u>\$ 38,621</u>	<u>\$ 3,446,057</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

Exhibit 25
Page 1 of 2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>Williamsburg Regional Library Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 1,482,009	\$ 6,749,494	\$ 6,619,361	\$ 1,612,142
Investments, at fair value:				
Other investments	1,188,237	17,656	-	1,205,893
Other assets	32,193	22,813	32,193	22,813
Total assets	<u>\$ 2,702,439</u>	<u>\$ 6,789,963</u>	<u>\$ 6,651,554</u>	<u>\$ 2,840,848</u>
LIABILITIES				
Accounts payable	\$ 71,429	\$ 80,928	\$ 71,429	\$ 80,928
Accrued liabilities	183,133	238,975	183,133	238,975
Amounts held for others	2,447,877	6,470,060	6,396,992	2,520,945
Total liabilities	<u>\$ 2,702,439</u>	<u>\$ 6,789,963</u>	<u>\$ 6,651,554</u>	<u>\$ 2,840,848</u>
<u>Williamsburg Tricentennial Fund:</u>				
ASSETS				
Investments, at fair value:				
Other investments	\$ 6,610	\$ 98	\$ -	\$ 6,708
Total assets	<u>\$ 6,610</u>	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ 6,708</u>
LIABILITIES				
Amounts held for others	\$ 6,610	\$ 98	\$ -	\$ 6,708
Total liabilities	<u>\$ 6,610</u>	<u>\$ 98</u>	<u>\$ -</u>	<u>\$ 6,708</u>
<u>Quarterpath CDA Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 470,880	\$ 470,880	\$ -
Total assets	<u>\$ -</u>	<u>\$ 470,880</u>	<u>\$ 470,880</u>	<u>\$ -</u>
LIABILITIES				
Amounts held for others	\$ -	470,880	470,880	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 470,880</u>	<u>\$ 470,880</u>	<u>\$ -</u>

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2018

Exhibit 25
Page 2 of 2

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>Economic Development Authority:</u>				
ASSETS				
Cash and cash equivalents	\$ 397,793	\$ 103,381	\$ 345,138	\$ 156,036
Investments, at fair value:				
Other investments	120,446	122,367	-	242,813
Total assets	<u>\$ 518,239</u>	<u>\$ 225,748</u>	<u>\$ 345,138</u>	<u>\$ 398,849</u>
LIABILITIES				
Accounts payable	\$ 1,783	\$ 69,700	\$ 1,783	\$ 69,700
Amounts held for others	516,456	156,048	343,355	329,149
Total liabilities	<u>\$ 518,239</u>	<u>\$ 225,748</u>	<u>\$ 345,138</u>	<u>\$ 398,849</u>
<u>Farmers Market Fund:</u>				
ASSETS				
Cash and cash equivalents	\$ 27,261	\$ 205,779	\$ 202,662	\$ 30,378
Investments, at fair value:				
Other investments	158,556	-	27,903	130,653
Total assets	<u>\$ 185,817</u>	<u>\$ 205,779</u>	<u>\$ 230,565</u>	<u>\$ 161,031</u>
LIABILITIES				
Accounts payable	\$ 7,668	\$ 2,101	\$ 7,668	\$ 2,101
Amounts held for others	178,149	203,678	222,897	158,930
Total liabilities	<u>\$ 185,817</u>	<u>\$ 205,779</u>	<u>\$ 230,565</u>	<u>\$ 161,031</u>
<u>Special Welfare Fund:</u>				
ASSETS				
Cash in custody of others	\$ 32,679	\$ 49,435	\$ 43,493	\$ 38,621
Total assets	<u>\$ 32,679</u>	<u>\$ 49,435</u>	<u>\$ 43,493</u>	<u>\$ 38,621</u>
LIABILITIES				
Amounts held for others	\$ 32,679	\$ 49,435	\$ 43,493	\$ 38,621
Total liabilities	<u>\$ 32,679</u>	<u>\$ 49,435</u>	<u>\$ 43,493</u>	<u>\$ 38,621</u>
<u>Totals - All Agency Funds:</u>				
ASSETS				
Cash and cash equivalents	\$ 1,939,742	\$ 7,578,969	\$ 7,681,534	\$ 1,837,177
Investments, at fair value:				
Other investments	1,473,849	140,121	27,903	1,586,067
Other assets	32,193	22,813	32,193	22,813
Total assets	<u>\$ 3,445,784</u>	<u>\$ 7,741,903</u>	<u>\$ 7,741,630</u>	<u>\$ 3,446,057</u>
LIABILITIES				
Accounts payable	\$ 80,880	\$ 152,729	\$ 80,880	\$ 152,729
Accrued liabilities	183,133	238,975	183,133	238,975
Amounts held for others	3,181,771	7,350,199	7,477,617	3,054,353
Total liabilities	<u>\$ 3,445,784</u>	<u>\$ 7,741,903</u>	<u>\$ 7,741,630</u>	<u>\$ 3,446,057</u>

SUPPORTING SCHEDULES

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City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 10,540,000	\$ 10,540,000	\$ 10,589,077	\$ 49,077
Real and personal public service corporation taxes	308,700	308,700	312,974	4,274
Personal property taxes	741,428	741,428	761,270	19,842
Business property taxes	1,345,000	1,345,000	1,342,087	(2,913)
Penalties	49,000	49,000	60,494	11,494
Interest	30,000	30,000	23,920	(6,080)
Total general property taxes	<u>\$ 13,014,128</u>	<u>\$ 13,014,128</u>	<u>\$ 13,089,822</u>	<u>\$ 75,694</u>
Other local taxes:				
Local sales and use taxes	\$ 4,400,000	\$ 4,400,000	\$ 4,706,583	\$ 306,583
Consumers' utility taxes	307,000	307,000	292,763	(14,237)
Business license taxes	1,780,000	1,780,000	2,049,988	269,988
Franchise license taxes	116,000	116,000	122,942	6,942
Bank stock taxes	320,000	320,000	355,989	35,989
Taxes on recordation and wills	200,000	200,000	392,423	192,423
Hotel and motel taxes	3,300,000	3,300,000	3,358,649	58,649
Restaurant food taxes	6,995,000	6,995,000	7,062,010	67,010
\$2 lodging taxes	1,130,000	1,130,000	1,123,558	(6,442)
Tobacco taxes	150,000	150,000	167,638	17,638
Penalty and interest on other local taxes	34,200	34,200	51,593	17,393
Total other local taxes	<u>\$ 18,732,200</u>	<u>\$ 18,732,200</u>	<u>\$ 19,684,136</u>	<u>\$ 951,936</u>
Permits, privilege fees, and regulatory licenses:				
Animal licenses	\$ 2,000	\$ 2,000	\$ 3,395	\$ 1,395
Land use application fees	1,200	1,200	5,244	4,044
Transfer fees	500	500	1,243	743
Permits and other licenses	192,290	192,290	292,937	100,647
Total permits, privilege fees, and regulatory licenses	<u>\$ 195,990</u>	<u>\$ 195,990</u>	<u>\$ 302,819</u>	<u>\$ 106,829</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 195,200</u>	<u>\$ 195,200</u>	<u>\$ 249,211</u>	<u>\$ 54,011</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 150,000	\$ 150,000	\$ 478,858	\$ 328,858
Revenue from use of property	725,056	725,056	721,718	(3,338)
Total revenue from use of money and property	<u>\$ 875,056</u>	<u>\$ 875,056</u>	<u>\$ 1,200,576</u>	<u>\$ 325,520</u>

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	\$ 1,350	\$ 1,350	\$ 1,366	\$ 16
Charges for courthouse maintenance	40,000	40,000	-	(40,000)
Charges for emergency medical services	751,000	751,000	735,311	(15,689)
Charges for Commonwealth's Attorney	250	250	337	87
Charges for planning and community development	45,600	45,600	53,946	8,346
Charges for parks and recreation	365,000	365,000	391,493	26,493
Total charges for services	<u>\$ 1,203,200</u>	<u>\$ 1,203,200</u>	<u>\$ 1,182,453</u>	<u>\$ (20,747)</u>
Miscellaneous:				
Miscellaneous	\$ 250,999	\$ 283,456	\$ 224,084	\$ (59,372)
Williamsburg Health Foundation Grant	260,000	260,000	260,000	-
Total miscellaneous	<u>\$ 510,999</u>	<u>\$ 543,456</u>	<u>\$ 484,084</u>	<u>\$ (59,372)</u>
Recovered costs:				
Enterprise fund	\$ 650,000	\$ 650,000	\$ 687,925	\$ 37,925
Overtime - police and fire	105,000	105,000	97,491	(7,509)
Stryker Building recovered cost	166,666	166,666	166,666	-
Other recovered costs	75,000	75,000	74,500	(500)
Total recovered costs	<u>\$ 996,666</u>	<u>\$ 996,666</u>	<u>\$ 1,026,582</u>	<u>\$ 29,916</u>
Total revenue from local sources	<u>\$ 35,723,439</u>	<u>\$ 35,755,896</u>	<u>\$ 37,219,683</u>	<u>\$ 1,463,787</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 9,000	\$ 9,000	\$ 13,181	\$ 4,181
Motor vehicle rental tax	33,000	33,000	40,134	7,134
Grantors tax	57,000	57,000	104,466	47,466
Communications tax	705,000	705,000	657,210	(47,790)
Personal property tax relief funds	773,572	773,572	773,572	-
Total noncategorical aid	<u>\$ 1,577,572</u>	<u>\$ 1,577,572</u>	<u>\$ 1,588,563</u>	<u>\$ 10,991</u>
Categorical aid:				
Shared expenses:				
Commissioner of revenue	\$ 74,000	\$ 74,000	\$ 75,701	\$ 1,701
Treasurer	18,500	18,500	18,299	(201)
Registrar/electoral board	36,000	36,000	37,399	1,399
Total shared expenses	<u>\$ 128,500</u>	<u>\$ 128,500</u>	<u>\$ 131,399</u>	<u>\$ 2,899</u>
Other categorical aid:				
599 Funds	\$ 385,333	\$ 385,333	\$ 385,332	\$ (1)
Streets and sidewalks	1,810,000	1,810,000	1,799,468	(10,532)
EMS funds - 4 for life and emergency services	25,000	25,000	30,000	5,000
Litter control grant	5,000	5,000	7,038	2,038
Rescue squad assistance grant	20,000	20,000	21,566	1,566

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire programs	\$ 45,000	\$ 46,695	\$ 48,726	\$ 2,031
Asset forfeiture	-	800	800	-
State sales tax	1,142,717	1,142,717	1,096,059	(46,658)
State transportation funds	5,560,753	5,560,753	86,054	(5,474,699)
VRA demolition grant	50,000	50,000	50,000	-
Total other categorical aid	<u>\$ 9,043,803</u>	<u>\$ 9,046,298</u>	<u>\$ 3,525,043</u>	<u>\$ (5,521,255)</u>
Total categorical aid	<u>\$ 9,172,303</u>	<u>\$ 9,174,798</u>	<u>\$ 3,656,442</u>	<u>\$ (5,518,356)</u>
Total revenue from the Commonwealth	<u>\$ 10,749,875</u>	<u>\$ 10,752,370</u>	<u>\$ 5,245,005</u>	<u>\$ (5,507,365)</u>
Revenue from the Federal government:				
Categorical aid:				
Transportation safety grant	\$ -	\$ 14,410	\$ 14,410	\$ -
VDOT grant	527,664	527,664	164,108	(363,556)
Total categorical aid	<u>\$ 527,664</u>	<u>\$ 542,074</u>	<u>\$ 178,518</u>	<u>\$ (363,556)</u>
Total revenue from the federal government	<u>\$ 527,664</u>	<u>\$ 542,074</u>	<u>\$ 178,518</u>	<u>\$ (363,556)</u>
Total General Fund	<u><u>\$ 47,000,978</u></u>	<u><u>\$ 47,050,340</u></u>	<u><u>\$ 42,643,206</u></u>	<u><u>\$ (4,407,134)</u></u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Summer youth program	\$ -	\$ -	\$ 41,379	\$ 41,379
Total miscellaneous	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,379</u>	<u>\$ 41,379</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,379</u>	<u>\$ 41,379</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	\$ 429,011	\$ 515,411	\$ 368,012	\$ (147,399)
Comprehensive services act	126,255	126,255	142,070	15,815
Total categorical aid	<u>\$ 555,266</u>	<u>\$ 641,666</u>	<u>\$ 510,082</u>	<u>\$ (131,584)</u>
Total revenue from the Commonwealth	<u>\$ 555,266</u>	<u>\$ 641,666</u>	<u>\$ 510,082</u>	<u>\$ (131,584)</u>
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	\$ 558,466	\$ 632,066	\$ 721,249	\$ 89,183
Homeland security grant	-	-	18,757	18,757
Total categorical aid	<u>\$ 558,466</u>	<u>\$ 632,066</u>	<u>\$ 740,006</u>	<u>\$ 107,940</u>
Total revenue from the federal government	<u>\$ 558,466</u>	<u>\$ 632,066</u>	<u>\$ 740,006</u>	<u>\$ 107,940</u>
Total Virginia Public Assistance Fund	<u><u>\$ 1,113,732</u></u>	<u><u>\$ 1,273,732</u></u>	<u><u>\$ 1,291,467</u></u>	<u><u>\$ 17,735</u></u>

City of Williamsburg, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2018

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Special Revenue Funds: (Continued)				
Law Enforcement Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 6	\$ 6
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Other categorical aid	\$ -	\$ 1,679	\$ 1,679	\$ -
Total categorical aid	<u>\$ -</u>	<u>\$ 1,679</u>	<u>\$ 1,679</u>	<u>\$ -</u>
Total revenue from the Commonwealth	<u>\$ -</u>	<u>\$ 1,679</u>	<u>\$ 1,679</u>	<u>\$ -</u>
Revenue from the federal government:				
Categorical aid:				
Transportation safety grant	\$ -	\$ 3,500	\$ 3,500	\$ -
Local law enforcement block grant	-	34,050	34,050	-
Total categorical aid	<u>\$ -</u>	<u>\$ 37,550</u>	<u>\$ 37,550</u>	<u>\$ -</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 37,550</u>	<u>\$ 37,550</u>	<u>\$ -</u>
Total Law Enforcement Block Grant Fund	<u>\$ -</u>	<u>\$ 39,229</u>	<u>\$ 39,235</u>	<u>\$ 6</u>
Total Primary Government	<u>\$ 48,114,710</u>	<u>\$ 48,363,301</u>	<u>\$ 43,973,908</u>	<u>\$ (4,389,393)</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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	\$ 155,248	\$ 155,248	\$ 128,526	\$ 26,722
Clerk of council	202,434	143,047	119,007	24,040
Total legislative	<u>\$ 357,682</u>	<u>\$ 298,295</u>	<u>\$ 247,533</u>	<u>\$ 50,762</u>
General and financial administration:				
City manager	\$ 507,684	\$ 531,967	\$ 530,748	\$ 1,219
City attorney	291,285	292,964	285,637	7,327
Human resources	112,858	112,858	104,333	8,525
Commissioner of revenue	213,201	233,034	233,026	8
Assessor	182,582	196,002	196,002	-
Treasurer	62,533	69,719	69,719	-
Director of finance	818,287	838,869	838,869	-
Information technology	776,395	803,439	797,381	6,058
Automotive/motor pool	256,325	235,702	234,081	1,621
Other general and financial administration	124,000	124,000	135,566	(11,566)
Total general and financial administration	<u>\$ 3,345,150</u>	<u>\$ 3,438,554</u>	<u>\$ 3,425,362</u>	<u>\$ 13,192</u>
Board of elections:				
Electoral board and officials	\$ 24,133	\$ 29,097	\$ 29,097	\$ -
Registrar	152,683	150,702	150,702	-
Total board of elections	<u>\$ 176,816</u>	<u>\$ 179,799</u>	<u>\$ 179,799</u>	<u>\$ -</u>
Total general government administration	<u>\$ 3,879,648</u>	<u>\$ 3,916,648</u>	<u>\$ 3,852,694</u>	<u>\$ 63,954</u>
Judicial administration:				
Courts:				
Courthouse activities	\$ 450,000	\$ 450,000	\$ 422,688	\$ 27,312
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 4,018,061	\$ 4,219,623	\$ 4,218,436	\$ 1,187
Prince George parking garage	130,082	133,891	133,811	80
E-911	561,108	561,108	561,108	-
Total law enforcement and traffic control	<u>\$ 4,709,251</u>	<u>\$ 4,914,622</u>	<u>\$ 4,913,355</u>	<u>\$ 1,267</u>
Fire and rescue services:				
Fire department	\$ 3,937,483	\$ 4,028,784	\$ 3,981,397	\$ 47,387
Correction and detention:				
Juvenile detention commission	\$ 73,698	\$ 73,698	\$ 73,696	\$ 2
Regional jail	1,151,327	1,151,877	1,151,863	14
Group home commission	96,909	96,909	96,909	-
Total correction and detention	<u>\$ 1,321,934</u>	<u>\$ 1,322,484</u>	<u>\$ 1,322,468</u>	<u>\$ 16</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	\$ 426,709	\$ 436,351	\$ 366,631	\$ 69,720
Other protection:				
Animal control	\$ 18,900	\$ 18,900	\$ 18,900	\$ -
Total other protection	\$ 18,900	\$ 18,900	\$ 18,900	\$ -
Total public safety	\$ 10,414,277	\$ 10,721,141	\$ 10,602,751	\$ 118,390
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 895,598	\$ 916,168	\$ 916,166	\$ 2
Engineering	275,898	284,881	277,258	7,623
Stormwater operations	205,921	221,719	221,671	48
Total maintenance of highways, streets, bridges and sidewalks	\$ 1,377,417	\$ 1,422,768	\$ 1,415,095	\$ 7,673
Sanitation and waste removal:				
Refuse collection	\$ 486,300	\$ 486,300	\$ 480,576	\$ 5,724
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	\$ 471,259	\$ 486,158	\$ 486,062	\$ 96
Landscaping	589,035	604,391	604,295	96
Total maintenance of general buildings and grounds	\$ 1,060,294	\$ 1,090,549	\$ 1,090,357	\$ 192
Total public works	\$ 2,924,011	\$ 2,999,617	\$ 2,986,028	\$ 13,589
Health and welfare:				
Health:				
Local health department	\$ 193,719	\$ 193,719	\$ 193,266	\$ 453
Mental health and mental retardation:				
Administration - mental health and retardation	\$ 255,000	\$ 255,000	\$ 255,000	\$ -

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<u>Fund, Function, Activity and Elements</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Transportation programs for elderly	2,700	3,420	3,411	9
Total welfare	<u>\$ 37,700</u>	<u>\$ 38,420</u>	<u>\$ 38,411</u>	<u>\$ 9</u>
Total health and welfare	<u>\$ 486,419</u>	<u>\$ 487,139</u>	<u>\$ 486,677</u>	<u>\$ 462</u>
Education:				
Other instructional costs:				
Contribution to local school board	<u>\$ 9,222,757</u>	<u>\$ 9,222,757</u>	<u>\$ 8,962,074</u>	<u>\$ 260,683</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	\$ 343,611	\$ 363,837	\$ 363,804	\$ 33
Waller Mill park facility	259,595	289,648	289,617	31
Recreation facility programs	602,664	625,271	519,887	105,384
Cemeteries	69,657	71,899	71,888	11
Total parks and recreation	<u>\$ 1,275,527</u>	<u>\$ 1,350,655</u>	<u>\$ 1,245,196</u>	<u>\$ 105,459</u>
Library:				
Contribution to regional library	<u>\$ 860,699</u>	<u>\$ 860,699</u>	<u>\$ 859,699</u>	<u>\$ 1,000</u>
Total parks, recreation, and cultural	<u>\$ 2,136,226</u>	<u>\$ 2,211,354</u>	<u>\$ 2,104,895</u>	<u>\$ 106,459</u>
Community development:				
Planning and community development:				
Planning	\$ 435,284	\$ 447,853	\$ 428,070	\$ 19,783
Community development	4,016,621	4,016,621	3,998,336	18,285
Triangle building management	42,000	61,010	60,990	20
Economic development	387,201	379,487	379,377	110
Other community development	30,047	30,047	30,047	-
Total planning and community development	<u>\$ 4,911,153</u>	<u>\$ 4,935,018</u>	<u>\$ 4,896,820</u>	<u>\$ 38,198</u>
Total community development	<u>\$ 4,911,153</u>	<u>\$ 4,935,018</u>	<u>\$ 4,896,820</u>	<u>\$ 38,198</u>
Nondepartmental:				
Personnel contingency	<u>\$ 490,871</u>	<u>\$ 10,480</u>	<u>\$ -</u>	<u>\$ 10,480</u>
Total nondepartmental	<u>\$ 490,871</u>	<u>\$ 10,480</u>	<u>\$ -</u>	<u>\$ 10,480</u>

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2018

<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)				
Capital projects:				
Street construction	\$ 8,869,300	\$ 11,704,216	\$ 1,284,658	\$ 10,419,558
Corridor enhancement	-	1,261,782	6,414	1,255,368
Pedestrian bicycle improvements	-	1,379,090	178,059	1,201,031
Recreation facilities	295,000	841,010	371,256	469,754
Public safety facilities and equipment	863,315	1,136,840	465,140	671,700
General government facilities and technology	1,217,000	1,225,409	741,335	484,074
Vehicles	851,000	1,105,352	651,512	453,840
School construction	287,645	3,750,308	1,974,822	1,775,486
Other capital projects	755,000	1,169,895	650,597	519,298
Total capital projects	<u>\$ 13,138,260</u>	<u>\$ 23,573,902</u>	<u>\$ 6,323,793</u>	<u>\$ 17,250,109</u>
Debt service:				
Principal retirement	\$ 1,029,676	\$ 1,029,676	\$ 4,880,676	\$ (3,851,000)
Interest and other fiscal charges	181,515	181,515	147,577	33,938
Total debt service	<u>\$ 1,211,191</u>	<u>\$ 1,211,191</u>	<u>\$ 5,028,253</u>	<u>\$ (3,817,062)</u>
Total General Fund	<u>\$ 49,264,813</u>	<u>\$ 59,739,247</u>	<u>\$ 45,666,673</u>	<u>\$ 14,072,574</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	\$ 311,490	\$ 351,490	\$ 376,082	\$ (24,592)
Public assistance	1,688,224	1,808,224	1,694,418	113,806
Comprehensive services	231,789	231,789	307,885	(76,096)
Total welfare and social services	<u>\$ 2,231,503</u>	<u>\$ 2,391,503</u>	<u>\$ 2,378,385</u>	<u>\$ 13,118</u>
Total health and welfare	<u>\$ 2,231,503</u>	<u>\$ 2,391,503</u>	<u>\$ 2,378,385</u>	<u>\$ 13,118</u>
Total Virginia Public Assistance Fund	<u>\$ 2,231,503</u>	<u>\$ 2,391,503</u>	<u>\$ 2,378,385</u>	<u>\$ 13,118</u>
Law Enforcement Block Grant Fund:				
Public safety:				
Other protection:				
Other protection	\$ -	\$ 39,229	\$ 39,220	\$ 9
Total Law Enforcement Block Grant Fund	<u>\$ -</u>	<u>\$ 39,229</u>	<u>\$ 39,220</u>	<u>\$ 9</u>
Total Primary Government	<u>\$ 51,496,316</u>	<u>\$ 62,169,979</u>	<u>\$ 48,084,278</u>	<u>\$ 14,085,701</u>

STATISTICAL SECTION

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Statistical Section

Contents

Tables

Financial Trends

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

1 - 4

Revenue Capacity

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

5 - 9

Debt Capacity

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

10 - 12

Demographic and Economic Information

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

13-14

Operating Information

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

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 58,769,012	\$ 59,868,232	\$ 61,799,859	\$ 60,919,382
Restricted for:				
Fire and police capital improvements	-	-	-	-
Other restrictions	-	-	-	-
Unrestricted	25,864,437	25,744,448	26,187,098	27,808,616
Total governmental activities net position	<u>\$ 84,633,449</u>	<u>\$ 85,612,680</u>	<u>\$ 87,986,957</u>	<u>\$ 88,727,998</u>
Business-type activities				
Net investment in capital assets	\$ 15,601,976	\$ 15,748,286	\$ 16,771,608	\$ 17,403,766
Unrestricted	4,960,402	4,483,874	5,067,039	4,473,289
Total business-type activities net position	<u>\$ 20,562,378</u>	<u>\$ 20,232,160</u>	<u>\$ 21,838,647</u>	<u>\$ 21,877,055</u>
Primary government				
Net investment in capital assets	\$ 74,370,988	\$ 75,616,518	\$ 78,571,467	\$ 78,323,148
Restricted for:				
Fire and police capital improvements	-	-	-	-
Other restrictions	-	-	-	-
Unrestricted	30,824,839	30,228,322	31,254,137	32,281,905
Total primary government net position	<u>\$ 105,195,827</u>	<u>\$ 105,844,840</u>	<u>\$ 109,825,604</u>	<u>\$ 110,605,053</u>

Table 1

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 62,277,812	\$ 61,470,986	\$ 58,427,633	\$ 64,690,552	\$ 64,556,652	\$ 52,444,883
-	-	-	-	-	13,144,192
-	-	-	-	-	584,890
30,324,199	31,727,986	24,496,187	22,521,523	20,966,196	19,099,322
<u>\$ 92,602,011</u>	<u>\$ 93,198,972</u>	<u>\$ 82,923,820</u>	<u>\$ 87,212,075</u>	<u>\$ 85,522,848</u>	<u>\$ 85,273,287</u>
\$ 17,888,271	\$ 17,806,425	\$ 17,981,499	\$ 18,084,285	\$ 18,835,808	\$ 18,769,281
4,198,379	4,537,882	3,143,100	4,202,535	4,475,559	5,684,838
<u>\$ 22,086,650</u>	<u>\$ 22,344,307</u>	<u>\$ 21,124,599</u>	<u>\$ 22,286,820</u>	<u>\$ 23,311,367</u>	<u>\$ 24,454,119</u>
\$ 80,166,083	\$ 79,277,411	\$ 76,409,132	\$ 82,774,837	\$ 83,392,460	\$ 71,214,164
-	-	-	-	-	13,144,192
-	-	-	-	-	584,890
34,522,578	36,265,868	27,639,287	26,724,058	25,441,755	24,784,160
<u>\$ 114,688,661</u>	<u>\$ 115,543,279</u>	<u>\$ 104,048,419</u>	<u>\$ 109,498,895</u>	<u>\$ 108,834,215</u>	<u>\$ 109,727,406</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Governmental activities:				
General government administration	\$ 4,206,889	\$ 4,350,670	\$ 3,563,461	\$ 4,067,673
Judicial administration	373,159	524,247	405,416	375,239
Public safety	9,626,052	9,200,629	9,275,831	9,638,966
Public works	4,493,041	3,314,209	4,750,649	4,505,943
Health and welfare	2,335,735	2,319,951	2,245,513	2,414,154
Education	7,913,290	8,439,060	7,736,481	7,756,817
Parks, recreation and cultural	2,535,481	2,362,491	2,314,517	2,424,850
Community development	5,091,394	4,788,236	4,482,731	4,418,902
Interest expense	408,129	303,123	284,738	472,343
Total governmental activities expenses	<u>\$ 36,983,170</u>	<u>\$ 35,602,616</u>	<u>\$ 35,059,337</u>	<u>\$ 36,074,887</u>
Business-type activities				
Water and sewer services	\$ 4,862,433	\$ 6,025,427	\$ 6,046,002	\$ 5,935,670
Total business-type activities expenses	<u>\$ 4,862,433</u>	<u>\$ 6,025,427</u>	<u>\$ 6,046,002</u>	<u>\$ 5,935,670</u>
Total primary government expenses	<u>\$ 41,845,603</u>	<u>\$ 41,628,043</u>	<u>\$ 41,105,339</u>	<u>\$ 42,010,557</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government administration	\$ 4,760	\$ -	\$ -	\$ -
Judicial administration	147,160	108,161	222,572	259,700
Public safety	295,207	260,751	155,522	183,113
Public works	-	-	-	-
Parks, recreation and cultural	317,573	350,497	390,220	401,398
Community development	42,198	37,881	43,742	42,702
Operating grants and contributions	4,008,035	4,314,763	4,715,846	4,414,469
Capital grants and contributions	133,363	-	-	21,777
Total governmental activities program revenues	<u>\$ 4,948,296</u>	<u>\$ 5,072,053</u>	<u>\$ 5,527,902</u>	<u>\$ 5,323,159</u>
Business-type activities:				
Charges for services:				
Water and sewer	\$ 5,575,174	\$ 5,398,525	\$ 7,496,603	\$ 5,783,098
Total business-type activities program revenues	<u>\$ 5,575,174</u>	<u>\$ 5,398,525</u>	<u>\$ 7,496,603</u>	<u>\$ 5,783,098</u>
Total primary government program revenues	<u>\$ 10,523,470</u>	<u>\$ 10,470,578</u>	<u>\$ 13,024,505</u>	<u>\$ 11,106,257</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 4,252,911	\$ 4,070,451	\$ 3,998,879	\$ 4,072,768	\$ 6,828,770	\$ 5,009,427
501,565	439,441	459,778	525,421	412,269	422,688
9,671,016	10,122,867	9,777,938	10,290,497	10,805,800	10,746,688
4,142,471	4,526,929	5,056,076	3,721,977	5,792,493	4,716,472
2,251,382	2,309,325	2,208,356	2,452,903	2,546,971	2,816,519
8,205,970	9,170,571	9,132,615	8,929,127	10,121,948	10,936,896
2,430,750	2,399,212	2,455,296	2,285,504	2,875,228	2,648,545
4,512,839	4,684,339	4,666,769	5,055,084	5,036,866	5,013,184
122,847	175,563	207,260	185,452	158,220	596,354
<u>\$ 36,091,751</u>	<u>\$ 37,898,698</u>	<u>\$ 37,962,967</u>	<u>\$ 37,518,733</u>	<u>\$ 44,578,565</u>	<u>\$ 42,906,773</u>
<u>\$ 6,019,724</u>	<u>\$ 6,042,928</u>	<u>\$ 6,827,214</u>	<u>\$ 6,202,622</u>	<u>\$ 6,521,031</u>	<u>\$ 6,713,633</u>
<u>\$ 6,019,724</u>	<u>\$ 6,042,928</u>	<u>\$ 6,827,214</u>	<u>\$ 6,202,622</u>	<u>\$ 6,521,031</u>	<u>\$ 6,713,633</u>
<u>\$ 42,111,475</u>	<u>\$ 43,941,626</u>	<u>\$ 44,790,181</u>	<u>\$ 43,721,355</u>	<u>\$ 51,099,596</u>	<u>\$ 49,620,406</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
331,835	242,359	256,600	315,991	192,412	249,548
578,682	673,805	695,048	936,509	950,334	1,039,496
-	3,500	14,960	-	-	-
419,959	361,824	341,745	342,613	398,700	391,493
-	38,667	43,300	53,734	50,305	53,946
4,062,259	4,888,993	4,934,029	4,597,704	6,485,071	2,939,477
2,322,693	-	-	1,357,913	-	3,329,824
<u>\$ 7,715,428</u>	<u>\$ 6,209,148</u>	<u>\$ 6,285,682</u>	<u>\$ 7,604,464</u>	<u>\$ 8,076,822</u>	<u>\$ 8,003,784</u>
<u>\$ 6,024,722</u>	<u>\$ 6,102,936</u>	<u>\$ 6,932,559</u>	<u>\$ 7,061,086</u>	<u>\$ 7,325,679</u>	<u>\$ 8,176,441</u>
<u>\$ 6,024,722</u>	<u>\$ 6,102,936</u>	<u>\$ 6,932,559</u>	<u>\$ 7,061,086</u>	<u>\$ 7,325,679</u>	<u>\$ 8,176,441</u>
<u>\$ 13,740,150</u>	<u>\$ 12,312,084</u>	<u>\$ 13,218,241</u>	<u>\$ 14,665,550</u>	<u>\$ 15,402,501</u>	<u>\$ 16,180,225</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net (Expense)/Revenue				
Governmental activities	\$ (32,034,874)	\$ (30,530,563)	\$ (29,531,435)	\$ (30,751,728)
Business-type activities	712,741	(626,902)	1,450,601	(152,572)
Total primary government net expense	<u>\$ (31,322,133)</u>	<u>\$ (31,157,465)</u>	<u>\$ (28,080,834)</u>	<u>\$ (30,904,300)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	\$ 11,190,551	\$ 11,247,772	\$ 10,745,485	\$ 10,367,460
Sales taxes	3,844,275	3,885,065	3,963,454	4,161,131
Business property taxes	1,307,209	1,276,328	1,329,808	1,304,252
Consumer utility taxes	1,040,510	1,047,378	300,969	295,788
Business license taxes	1,595,535	1,571,483	1,497,159	1,598,958
Hotel and room taxes	3,574,810	3,248,789	3,384,922	3,396,446
\$2 lodging taxes	1,347,470	1,277,760	1,299,244	1,264,046
Meals taxes	5,522,541	5,607,318	5,989,446	6,277,434
Other local taxes	576,653	609,055	640,363	655,754
Use of Money & Property	930,037	730,861	624,386	647,887
Gain on sale of capital assets	-	887,684	-	-
Grants and contributions not restricted to specific programs	820,341	812,215	1,463,933	1,491,961
Miscellaneous	871,641	886,798	666,543	720,497
Transfers	-	-	-	-
Total governmental activities	<u>\$ 32,621,573</u>	<u>\$ 33,088,506</u>	<u>\$ 31,905,712</u>	<u>\$ 32,181,614</u>
Business-type activities:				
Investment earnings	\$ 97,165	\$ 26,248	\$ 8,536	\$ 29,772
Miscellaneous	182,884	270,436	147,350	161,208
Transfers	-	-	-	-
Total business-type activities	<u>\$ 280,049</u>	<u>\$ 296,684</u>	<u>\$ 155,886</u>	<u>\$ 190,980</u>
Total primary government	<u>\$ 32,901,622</u>	<u>\$ 33,385,190</u>	<u>\$ 32,061,598</u>	<u>\$ 32,372,594</u>
Change in Net Position				
Governmental activities	\$ 586,699	\$ 2,557,943	\$ 2,374,277	\$ 1,429,886
Business-type activities	992,790	(330,218)	1,606,487	38,408
Total primary government	<u>\$ 1,579,489</u>	<u>\$ 2,227,725</u>	<u>\$ 3,980,764</u>	<u>\$ 1,468,294</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ (28,376,323)	\$ (31,689,550)	\$ (31,677,285)	\$ (29,914,269)	\$ (36,501,743)	\$ (34,902,989)
4,998	60,008	105,345	858,464	804,648	1,462,808
\$ (28,371,325)	\$ (31,629,542)	\$ (31,571,940)	\$ (29,055,805)	\$ (35,697,095)	(33,440,181)
\$ 10,494,240	\$ 10,613,393	\$ 11,050,728	\$ 11,370,789	\$ 11,511,859	\$ 11,714,272
4,494,328	4,239,957	4,352,601	4,298,743	4,388,596	4,706,583
1,096,833	1,326,998	1,213,731	1,257,334	1,370,354	1,342,087
306,596	309,602	308,027	308,493	290,524	292,764
1,646,691	1,630,018	1,685,718	1,790,395	1,833,991	2,049,988
3,369,785	3,129,262	3,220,638	3,319,625	3,316,634	3,358,649
1,222,448	1,130,804	1,122,632	1,130,176	1,128,430	1,123,558
6,391,022	6,446,505	6,819,384	7,022,994	7,043,184	7,062,010
821,634	762,296	884,244	831,413	896,775	1,090,584
775,355	756,800	794,410	888,071	962,887	1,200,582
-	-	-	-	-	-
1,540,889	1,587,926	1,605,883	1,567,337	1,565,704	1,588,563
216,620	352,950	246,268	417,154	503,578	525,463
-	-	-	-	-	500,000
\$ 32,376,441	\$ 32,286,511	\$ 33,304,264	\$ 34,202,524	\$ 34,812,516	\$ 36,555,103
\$ 29,914	\$ 28,330	\$ 28,353	\$ 29,570	\$ 33,650	\$ 57,365
174,683	169,319	193,023	274,187	186,249	225,665
-	-	-	-	-	(500,000)
\$ 204,597	\$ 197,649	\$ 221,376	\$ 303,757	\$ 219,899	\$ (216,970)
\$ 32,581,038	\$ 32,484,160	\$ 33,525,640	\$ 34,506,281	\$ 35,032,415	\$ 36,338,133
\$ 4,000,118	\$ 596,961	\$ 1,626,979	\$ 4,288,255	\$ (1,689,227)	\$ 1,652,114
209,595	257,657	326,721	1,162,221	1,024,547	1,245,838
\$ 4,209,713	\$ 854,618	\$ 1,953,700	\$ 5,450,476	\$ (664,680)	\$ 2,897,952

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

	<u>2009</u>	<u>2010</u>	<u>2011 *</u>	<u>2012</u>
General Fund				
Reserved	\$ 124,011	\$ 8,287	\$ -	\$ -
Unreserved	26,253,762	25,983,407	-	-
Nonspendable	-	-	13,326	1,178,530
Restricted	-	-	-	-
Assigned	-	-	3,591,208	1,375,060
Unassigned	-	-	22,875,543	25,288,755
Total general fund	<u>\$ 26,377,773</u>	<u>\$ 25,991,694</u>	<u>\$ 26,480,077</u>	<u>\$ 27,842,345</u>
All Other Governmental Funds				
Unreserved (Special Revenue funds)	\$ 250,939	\$ 337,593	\$ -	\$ -
Assigned (Special Revenue funds)	-	-	399,209	365,844
Total all other governmental funds	<u>\$ 250,939</u>	<u>\$ 337,593</u>	<u>\$ 399,209</u>	<u>\$ 365,844</u>

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

Table 3

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,179,522	1,178,480	1,918,709	1,919,711	3,201,923	2,770,074
-	4,820,655	1,748,630	-	-	13,144,192
18,037,302	19,317,000	20,318,269	18,818,825	15,458,283	15,788,818
11,426,473	11,707,336	11,991,519	12,382,517	12,649,882	12,918,770
<u>\$ 30,643,297</u>	<u>\$ 37,023,471</u>	<u>\$ 35,977,127</u>	<u>\$ 33,121,053</u>	<u>\$ 31,310,088</u>	<u>\$ 44,621,854</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
275,829	300,711	428,711	524,301	653,939	584,890
<u>\$ 275,829</u>	<u>\$ 300,711</u>	<u>\$ 428,711</u>	<u>\$ 524,301</u>	<u>\$ 653,939</u>	<u>\$ 584,890</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues						
Taxes	\$ 29,922,838	\$ 29,602,186	\$ 29,210,384	\$ 29,274,314	\$ 29,786,811	\$ 29,736,493
Licenses, fees, and permits	207,637	164,699	154,108	181,806	151,637	240,017
Fines and penalties	233,262	202,487	221,767	259,308	228,172	214,373
Use of money and property	930,037	730,861	624,377	647,887	775,355	756,797
Charges for services	347,740	390,104	436,181	445,799	950,667	865,765
Intergovernmental	4,971,107	4,930,242	6,179,779	5,928,207	5,603,148	6,476,919
Other revenues	1,683,536	1,929,868	1,343,191	1,489,696	1,015,233	1,279,747
Total revenues	\$ 38,296,157	\$ 37,950,447	\$ 38,169,787	\$ 38,227,017	\$ 38,511,023	\$ 39,570,111
Expenditures						
General government	\$ 3,247,353	\$ 3,130,496	\$ 3,341,506	\$ 3,781,205	\$ 3,509,833	\$ 3,403,525
Judicial	373,159	332,736	405,416	371,366	398,300	411,806
Police	4,273,913	3,916,856	3,876,496	4,069,699	4,197,314	4,417,042
Fire	3,293,365	2,983,054	3,108,601	3,146,035	3,297,878	3,479,594
Other public safety	1,686,790	1,670,784	1,744,010	1,829,335	1,694,206	1,719,162
Public works	4,185,312	3,404,437	2,877,077	3,129,845	2,922,135	2,914,416
Health and welfare	2,311,671	2,318,563	2,241,201	2,416,361	2,256,347	2,306,790
Education	7,023,314	6,923,146	6,991,174	7,337,320	7,673,329	8,181,450
Parks and recreation	1,387,111	1,272,611	1,205,651	1,232,402	1,220,914	1,202,169
Library	884,971	840,727	750,959	779,744	819,526	820,156
Community Development	5,070,823	4,760,075	4,469,891	4,419,267	4,478,159	4,591,577
Non-departmental	-	-	-	-	-	-
Capital projects	5,699,783	6,181,634	5,206,675	3,701,211	2,432,992	3,820,162
Debt Service						
Principal	1,036,704	1,064,816	1,149,694	886,240	758,761	683,990
Interest	377,798	337,621	275,348	354,583	140,392	213,216
Total expenditures	\$ 40,852,067	\$ 39,137,556	\$ 37,643,699	\$ 37,454,613	\$ 35,800,086	\$ 38,165,055
Excess of revenues over (under) expenditures	\$ (2,555,910)	\$ (1,187,109)	\$ 526,088	\$ 772,404	\$ 2,710,937	\$ 1,405,056
Other Financing Sources (Uses)						
Issuance of bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000,000
Refunding bonds issued	-	-	1,398,911	5,481,048	-	-
Bond premium issuance	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-
Redemption of refunded bonds	-	-	(1,375,000)	(5,376,749)	-	-
Disposal of capital asset	-	-	-	-	-	-
Sale of capital assets	-	887,684	-	-	-	-
Transfers in	-	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ 887,684	\$ 23,911	\$ 104,299	\$ -	\$ 5,000,000
Net change in fund balances	\$ (2,555,910)	\$ (299,425)	\$ 549,999	\$ 876,703	\$ 2,710,937	\$ 6,405,056
Debt service as a percentage of noncapital expenditures	3.92%	4.01%	4.19%	3.55%	2.82%	2.48%

Table 4

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 30,628,000	\$ 31,301,136	\$ 31,815,149	\$ 32,773,958
255,915	229,485	249,819	302,819
197,117	155,032	181,175	249,211
794,407	888,063	962,887	1,200,582
898,621	1,264,330	1,160,757	1,182,453
6,539,912	7,522,954	7,317,493	6,712,840
1,181,005	1,375,375	1,499,843	1,552,045
<hr/>	<hr/>	<hr/>	<hr/>
\$ 40,494,977	\$ 42,736,375	\$ 43,187,123	\$ 43,973,908
\$ 3,493,522	\$ 3,475,742	\$ 3,786,601	\$ 3,852,694
400,605	365,281	401,237	422,688
4,368,153	4,515,626	4,566,572	4,952,575
3,556,562	3,734,705	3,727,221	3,981,397
1,718,468	1,793,039	1,740,769	1,707,999
2,936,678	2,786,405	2,890,124	2,986,028
2,255,020	2,499,978	2,552,959	2,865,062
8,540,794	8,388,204	8,817,150	8,962,074
1,138,321	1,120,804	1,218,835	1,245,196
827,166	842,160	841,810	859,699
4,599,954	4,776,918	4,799,435	4,896,820
-	-	-	-
6,180,712	9,958,807	8,289,153	6,323,793
988,147	1,006,410	1,032,568	4,880,676
252,415	232,780	204,016	147,577
<hr/>	<hr/>	<hr/>	<hr/>
\$ 41,256,517	\$ 45,496,859	\$ 44,868,450	\$ 48,084,278
\$ (761,540)	\$ (2,760,484)	\$ (1,681,327)	\$ (4,110,370)
\$ -	\$ -	\$ -	\$ 12,260,000
-	-	-	3,920,700
-	-	-	1,539,845
-	-	-	(273,376)
-	-	-	(561,403)
(156,804)	-	-	-
-	-	-	-
-	-	-	500,000
<hr/>	<hr/>	<hr/>	<hr/>
\$ (156,804)	\$ -	\$ -	\$ 17,385,766
\$ (918,344)	\$ (2,760,484)	\$ (1,681,327)	\$ 13,275,396
3.34%	3.36%	2.92%	11.33%

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

Fiscal Year	Property	1% Sales & Use	Consumer Utility	Business License	Franchise	Tobacco
2009	\$ 13,194,616	\$ 3,844,275	\$ 1,040,510	\$ 1,595,535	\$ 108,020	\$ 144,534
2010	13,128,910	3,885,065	1,047,378	1,571,483	121,248	158,460
2011	12,908,398	3,963,454	1,049,808	1,497,160	111,020	148,032
2012	12,351,657	4,161,131	1,029,412	1,598,958	103,571	147,870
2013	12,307,879	4,494,328	1,042,165	1,646,691	104,682	183,155
2014	12,861,621	4,239,957	1,032,653	1,630,018	129,792	148,320
2015	13,008,328	4,352,601	1,024,760	1,685,718	123,048	156,911
2016	13,372,869	4,298,743	1,004,008	1,790,395	114,402	134,640
2017	13,690,588	4,388,595	968,943	1,833,991	119,948	130,032
2018	13,863,394	4,706,583	949,973	2,049,988	122,942	167,638

Table 5

Hotel & Motel	\$2 Lodging	Restaurant	Other	Total
\$ 3,574,810	\$ 1,347,470	\$ 5,522,541	\$ 324,099	\$ 30,696,410
3,248,789	1,277,760	5,607,318	329,347	30,375,758
3,384,922	1,299,244	5,989,446	381,311	30,732,795
3,396,446	1,264,046	6,277,434	404,313	30,734,838
3,369,785	1,222,448	6,391,022	533,798	31,295,953
3,129,262	1,130,804	6,446,505	484,184	31,233,116
3,220,638	1,122,632	6,819,384	604,285	32,118,305
3,319,625	1,130,176	7,022,994	582,371	32,770,223
3,316,633	1,128,430	7,043,184	646,796	33,267,140
3,358,649	1,123,558	7,062,010	800,005	34,204,740

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

Table 6

Fiscal Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property ¹	Motor Vehicles ²	Other			
2009	\$ 1,215,949,800	\$ 1,226,781,800	\$ 35,034,560	\$ 38,278,637	\$ 547,275,600	\$ 1,968,769,197	\$ 4.04
2010	1,202,447,900	1,246,006,000	35,605,695	39,204,545	555,882,100	1,967,382,040	4.04
2011	1,166,641,800	1,335,437,900	35,652,620	39,303,636	674,570,500	1,902,465,456	4.04
2012	1,134,906,200	1,373,260,600	36,082,270	39,746,802	772,009,200	1,811,986,672	4.04
2013	1,064,590,700	1,408,826,400	39,582,570	37,495,959	845,513,900	1,704,981,729	4.07
2014	1,083,446,200	1,522,534,200	40,845,200	38,241,433	918,768,400	1,766,298,633	4.07
2015	1,108,726,200	1,571,532,200	42,220,440	36,393,827	943,646,700	1,815,225,967	4.07
2016	1,168,895,100	1,581,516,100	43,377,030	37,405,286	964,234,400	1,866,959,116	4.07
2017	1,190,581,300	1,610,013,500	44,053,770	39,765,792	971,263,000	1,913,151,362	4.07
2018	1,216,085,400	1,620,357,700	44,479,900	42,369,965	976,996,200	1,946,296,765	4.07

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

¹ Includes tax-exempt property.

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

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

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

Table 7

Fiscal Year Ended June 30	Real Estate Tax ¹	Personal Property Tax ¹	Room Tax	Meal Tax	Retail Sales Tax ²	Total Direct Tax Rate
2009	\$0.54	\$3.50	5%	5%	1%	\$4.04
2010	\$0.54	\$3.50	5%	5%	1%	\$4.04
2011	\$0.54	\$3.50	5%	5%	1%	\$4.04
2012	\$0.54	\$3.50	5%	5%	1%	\$4.04
2013	\$0.57	\$3.50	5%	5%	1%	\$4.07
2014	\$0.57	\$3.50	5%	5%	1%	\$4.07
2015	\$0.57	\$3.50	5%	5%	1%	\$4.07
2016	\$0.57	\$3.50	5%	5%	1%	\$4.07
2017	\$0.57	\$3.50	5%	5%	1%	\$4.07
2018	\$0.57	\$3.50	5%	5%	1%	\$4.07

¹ per \$100 assessed value

² Collected by State, remitted monthly to City

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

Table 8

<u>Taxpayers</u>	2009			2018		
	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	\$ 266,119,000	1	14.04%	\$ 256,149,400	1	13.78%
Bluegreen Vacations, Unlimited	26,132,300	2	1.38%	16,213,300	7	0.87%
Riverside Healthcare Associates	25,004,400	3	1.32%	40,555,400	2	2.18%
Westgate Resorts, LTD	21,479,600	4	1.13%	15,109,500	8	0.81%
King James Group, LLC	19,086,800	5	1.01%			
Sunrise Investment Group, LLC	18,646,800	6	0.98%			
Williamsburg Improvements, LLC	17,627,600	7	0.93%			
JIN, Inc	13,406,500	8	0.71%			
Oam Shree Corporation	13,228,400	9	0.70%			
Woodshire, LTD	9,710,100	10	0.51%			
351 York Street LLC						
Quarterpath Williamsburg LLC				35,149,100	3	1.89%
BRG Quarterpath LLC				25,677,000	5	1.38%
High Street Retail Phase I LLC				21,258,200	6	1.14%
Sterling Manor Apartments LLC				27,044,800	4	1.45%
SLN Quarterpath Associates LLC				14,804,700	9	0.80%
BSV Colonial Owner LLC				13,050,700	10	0.70%

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

Table 9

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 12,813,916	\$ 12,635,773	98.61%	\$ 168,190	\$ 12,803,963	99.92%
2010	12,829,534	12,554,463	97.86%	269,900	12,824,363	99.96%
2011	12,471,576	12,218,215	97.97%	241,915	12,460,130	99.91%
2012	11,970,235	11,725,636	97.96%	227,721	11,953,357	99.86%
2013	11,945,819	11,687,094	97.83%	213,810	11,900,904	99.62%
2014	12,348,440	12,122,381	98.17%	170,906	12,293,287	99.55%
2015	12,632,981	12,409,075	98.23%	181,600	12,590,675	99.67%
2016	13,009,018	12,796,868	98.37%	148,154	12,796,868	98.37%
2017	13,314,963	13,079,983	98.24%	130,468	13,079,983	98.24%
2018	13,477,747	13,258,466	98.37%	n/a	13,258,466	98.37%

Source: City of Williamsburg Assessor's Office

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

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

Table 10

Fiscal Year	Governmental Activities	Business-type Activities	Total Primary Government	Debt Per Capita	Debt as Percentage of Personal Income
	General Obligation Bonds	General Obligation Bonds			
2009	\$ 9,497,443	\$ 10,433,333	\$ 19,930,776	\$ 1,492	0.5%
2010	8,432,627	9,808,700	18,241,327	1,297	0.5%
2011	7,306,844	9,231,593	16,538,437	1,160	0.4%
2012	6,796,767	8,643,971	15,440,738	1,080	0.3%
2013	5,997,390	8,051,980	14,049,370	969	0.3%
2014	10,270,795	7,446,884	17,717,679	1,190	0.4%
2015	9,241,038	6,819,945	16,060,983	1,066	0.4%
2016	8,193,018	6,184,269	14,377,287	968	0.3%
2017	7,118,840	5,526,750	12,645,590	820	0.2%
2018	19,235,458	5,033,028	24,268,486	1,575	0.5%

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

Table 11

Fiscal Year	Total General Obligation Bonds	Percentage of Actual Taxable Value of Property ¹	Per Capita ²
2009	\$ 19,930,776	1.01%	\$ 1,492
2010	18,241,327	0.96%	1,297
2011	16,538,437	0.87%	1,160
2012	15,440,738	0.85%	1,065
2013	14,049,370	0.82%	943
2014	17,717,679	1.00%	1,176
2015	16,060,983	0.88%	1,081
2016	14,377,287	0.77%	932
2017	12,645,590	0.66%	821
2018	24,268,486	1.25%	1,575

¹ See Table 6 for property value data.

² Population data can be found in Table 13

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$189,545,600	\$189,257,180	\$182,750,920	\$173,615,760
Total net debt applicable to limit	19,930,775	18,241,325	16,538,737	15,440,738
Legal debt margin	169,614,825	171,015,855	166,212,183	158,175,022
Total net debt applicable to the limit as a percentage of debt limit	10.52%	9.64%	9.05%	8.89%

Legal Debt Margin Calculation for Fiscal Year 2017:

Assessed Value	\$ 1,859,446,900
Debt Limit (10% of assessed value)	185,944,690
Debt applicable to limit:	
General obligation bonds	24,268,486
Legal debt margin	<u>\$ 161,676,204</u>

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

Table 12

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$162,790,320	\$168,721,200	\$173,661,170	\$178,617,680	\$182,933,180	\$ 185,944,690
14,049,370	17,717,679	16,060,983	14,377,287	12,645,590	24,268,486
148,740,950	151,003,521	157,600,187	164,240,393	170,287,590	161,676,204
8.63%	10.50%	9.25%	8.05%	6.91%	13.05%

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

Table 13

Fiscal Year	City Population *	Area Population *	Personal Income (thousands of dollars) ²	Per Capita Personal Income ²	Public School Enrollment ³	Unemployment Rate ¹
2009	13,354	79,805	\$ 4,078,729	\$ 51,109	10,248	14.8%
2010	14,068	81,440	4,196,931	51,538	10,503	10.1%
2011	14,256	82,591	4,474,583	54,224	10,549	9.0%
2012	14,503	84,149	4,703,429	55,990	10,671	8.3%
2013	14,893	85,709	4,745,679	55,550	10,748	7.7%
2014	15,064	87,274	4,954,338	56,960	10,998	7.3%
2015	14,860	88,199	5,160,028	58,504	11,116	6.3%
2016	15,429	89,044	5,344,090	59,632	11,303	5.6%
2017	15,404	90,126	**	**	11,431	4.40%
2018	**	**	**	**	11,477	**

* Population figures supplied by Weldon Cooper Center for Public Service (University of VA) & U.S. Bureau of Census
 ** not available

¹ Virginia Employment Commission (*calendar year figures*)

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

³ Source - Williamsburg-James City County Public Schools

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

Table 14

<u>Employer</u>	2009			2018		
	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
College of William & Mary	1,000+	1	20.29%	1,000+	1	19.10%
Colonial Williamsburg Foundation	1,000+	2	9.82%	1,000+	2	11.53%
Colonial Williamsburg Company	500 to 999	3	5.96%	250 to 499	3	7.36%
Aramark	250 to 499	4	1.39%			
City of Williamsburg	250 to 499	5	1.25%	100 to 249	7	1.91%
Red Lobster & The Olive Garden	100 to 249	6	0.56%		8	1.26%
Walsingham Academy	100 to 249	7	0.56%		10	0.76%
National Center for State Courts	100 to 249	8	0.56%		9	0.79%
Outback Steakhouse	50 to 99	9	0.28%			
Yankee Candle	50 to 99	10	0.28%			
W-JCC Schools				250 to 499	5	2.58%
Sodexo				250 to 499	4	3.06%
Riverside Doctors' Hospital				100 to 249	6	1.99%

¹ includes part-time and seasonal employees

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

Table 15

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government										
City Manager	5.5	5.5	5.5	5.5	6.5	6.5	6.5	6.5	6.5	6.0
Clerk of Council	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Attorney	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Commissioner of Revenue	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Treasurer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Registrar	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0	2.0	2.0
Assessor	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information Technology	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	9.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0	9.0	9.0
Police										
Officers	36.0	33.0	34.0	35.0	35.0	35.0	35.0	36.0	36.0	38.0
Civilians	18.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Fire										
Firefighters & officers	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	39.0	39.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Works										
Engineering	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Streets	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Landscape	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Shop	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Building Maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Planning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Compliance	7.0	5.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	5.0
Recreation	9.0	9.0	8.0	8.0	8.5	8.5	8.5	8.5	8.5	8.5
Human Services/Public Housing	13.0	13.0	13.0	13.0	17.0	19.0	19.0	19.0	19.0	19.0
Public Utilities	<u>26.0</u>									
Total	<u>202.0</u>	<u>185.5</u>	<u>182.5</u>	<u>183.5</u>	<u>188.0</u>	<u>190.0</u>	<u>191.0</u>	<u>192.5</u>	<u>196.5</u>	<u>197.0</u>

Source: City Finance Department

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

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

Table 16

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018*</u>
General Government										
Real estate parcels appraised	4,135	4,202	4,220	4,220	4,214	4,216	4,299	4,313	4,318	4,319
Real estate property transfers	242	277	330	337	285	302	415	370	421	505
Police										
Calls for service	31,711	28,758	37,844	37,283	36,956	37,774	36,168	34,837	34,033	34,385
Moving violations	2,118	1,377	1,586	1,800	1,457	1,107	1,147	1,238	1,364	1,228
Offenses	340	354	403	389	376	307	314	301	333	280
Fire										
Emergency fire responses	1,338	1,778	1,738	1,834	1,884	1,988	2,226	2,792	2,522	1,327
Emergency EMS responses	2,200	2,294	2,164	2,443	2,455	2,435	2,523	2,788	3,113	2,947
Public Works										
Street miles maintained	54	65	65	65	65	65	65	65	65	65
Tons of res. solid waste collected	4,061	2,182	2,108	2,250	2,094	1,966	1,814	1,925	2,063	2,170
Planning										
Subdivision lots approved	0	0	4	0	2	0	0	0	0	14
Site plans processed	10	8	9	1	5	1	1	2	0	18
Code Compliance										
Total permits issued	1,475	1,792	1,725	1,436	1,336	1,555	1,344	1,538	1,920	1,968
Total inspections performed	6,706	7,169	6,824	5,171	5,491	5,178	6,966	7,284	7,082	4,427
Recreation										
Program participants	20,902	21,376	22,010	26,135	25,886	25,487	21,684	23,135	23,706	16,159
Waller Mill Park attendance	249,226	261,144	86,413	81,254	90,066	109,144	112,854	95,312	107,036	137,894
Human Services (avg. monthly)										
Total benefit program cases	693	942	1,125	1,182	1,228	1,248	1,365	1,320	1,338	1,420
Total service cases	174	193	236	230	202	224	209	193	191	204
Public Utilities										
Water consumed (million gallons)	1,172	1,008	1,059	1,015	937	931	997	959	953	918
Water leaks repaired	49	40	32	36	45	31	32	31	26	35
Sewer backups	72	80	65	53	53	31	35	47	22	31

Source: City operating departments

*In FY 2018, some performance measures were modified, which may create variances in comparison with prior years.

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

Table 17

Function/Program	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Government										
Number of buildings	28	28	28	28	28	28	28	28	28	28
Number of parking structures	2	2	2	2	2	2	2	2	2	2
Total number of active vehicles in vehicle replacement plan	77	77	80	83	84	82	83	84	85	85
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Lane miles of streets maintained	54	65	65	65	65	65	65	65	65	65
Number of traffic signals	15	15	15	15	15	15	15	15	15	15
Bridges	4	4	4	4	4	4	4	4	4	4
Education-Regional Schools										
Grades: K - 5	8	9	9	9	9	9	9	9	9	9
Grades: 6 - 8	4	4	3	3	3	3	3	3	3	3
Grades: 9 -12	3	3	3	3	3	3	3	3	3	3
Parks & Recreation										
Number of parks	4	4	4	4	4	4	4	4	4	4
Number of ball fields	6	6	6	6	6	6	6	6	6	6
Number of tennis courts	10	10	10	10	10	10	10	10	10	10
Number of total acres	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036
Culture										
Number of public libraries (regional)	2	2	2	2	2	2	2	2	2	2
Public Utilities										
Miles of water distribution	48	48	48	48	48	48	48	48	48	48
Number of water tanks	5	5	5	6	6	6	6	6	6	6
Number of pump stations	14	14	14	14	14	15	15	15	15	15

Source: City departments.

COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Williamsburg, Virginia's basic financial statements, and have issued our report thereon dated November 2, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 2, 2018

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Williamsburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Williamsburg, Virginia's major federal programs for the year ended June 30, 2018. The City of Williamsburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Williamsburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

Robinson, Farmer, Cox Associates

Richmond, Virginia
November 2, 2018

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2018

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>Department of Health and Human Services:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 8,621
Temporary Assistance for Needy Families (TANF)	93.558	0400111/0400112	103,490
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111/0500112	127
Low-Income Home Energy Assistance	93.568	0600411/0600412	10,477
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111/0760112	12,465
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111/0900112	234
Foster Care - Title IV-E	93.658	1100111/1100112	81,858
Adoption Assistance	93.659	1120111/1120112	82,707
Social Services Block Grant	93.667	1000111/1000112	69,235
Chafee Foster Care Independence Program	93.674	9150111/9150112	483
Children's Health Insurance Program	93.767	0540111/0540112	5,999
Medical Assistance Program	93.778	1200111/1200112	172,705
Total Department of Health and Human Services			<u>\$ 548,401</u>
<i>Department of Agriculture:</i>			
Pass Through Payments:			
<i>Department of Social Services:</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111/0010112 0040111/0040112	\$ 172,849
Total Department of Agriculture			<u>\$ 172,849</u>
<i>Department of Justice:</i>			
Pass Through Payments:			
<i>Department of Criminal Justice Services:</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-J1208LO11 13-K1208LO12	\$ 34,050
Total Department of Justice			<u>\$ 34,050</u>
<i>Department of Transportation:</i>			
Pass Through Payments:			
<i>Department of Transportation</i>			
Highway Planning and Construction	20.205	N/A	\$ 164,107
<i>Department of Motor Vehicles</i>			
Alcohol Open Container Requirements	20.607	N/A	8,350
<i>Highway Safety Cluster:</i>			
National Priority Safety Programs	20.616	N/A	6,760
State and Community Highway Safety	20.600	K81252285	2,800
		Highway Safety Cluster	<u>\$ 9,560</u>
Total Department of Transportation			<u>\$ 182,017</u>
<i>Department of Homeland Security:</i>			
Pass Through Payments:			
<i>Department of Emergency Services:</i>			
Homeland Security Grant Program	97.067	7750100-52703/62704	\$ 18,757
Total Department of Homeland Security			<u>\$ 18,757</u>
Total Expenditures of Federal Awards			<u>\$ 956,074</u>

See accompanying notes to schedule of expenditures of federal awards.

City of Williamsburg, Virginia
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Williamsburg, Virginia under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents on a selected portion of the operations of the City of Williamsburg, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the City of Williamsburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

Note 3 - Food Donation

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

Note 4 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General fund	\$ 178,518
Virginia public assistance fund	740,006
Law enforcement block grant fund	<u>37,550</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 956,074</u></u>
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Note 5 - Subrecipients

No awards were passed through to subrecipients.

Note 6 - De Minimis Cost Rate

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

Note 7 - Loan Balances

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

City of Williamsburg, Virginia
 Schedule of Findings and Questioned Costs
 For the year ended June 30, 2018

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes ✓ no

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

Noncompliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes ✓ no

Significant deficiency(ies) identified? _____ yes ✓ no

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program
10.561	Supplemental Nutrition Assistance Program (SNAP)

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

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

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

City of Williamsburg, Virginia
Summary Schedule of Prior Audit Findings
For the year ended June 30, 2018

There were no prior audit findings.