

FREDERICKSBURG, VIRGINIA

*Comprehensive
Annual
Financial
Report . . .*



*. . . for fiscal
year ended _____*

JUNE 30, 2009

CITY OF FREDERICKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

CITY OF FREDERICKSBURG, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2009

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Beverly R. Cameron
City Manager



City of Fredericksburg
P.O. Box 7447
Fredericksburg, VA 22404-7447
Telephone: 540 372-1010
Fax: 540 372-1201

November 11, 2009

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Fredericksburg:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Fredericksburg, Virginia (the “City”) for the fiscal year ended June 30, 2009.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with GAAP. 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.

The City’s financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. 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, 2009, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditors’ 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 audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP require 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 compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City of Fredericksburg Profile

The City was incorporated as an independent city in 1782, after being initially established as a town in 1728. In 1912, the City became one of the first cities in the nation to adopt the Council-Manager form of government, and its current Charter was granted in 1942. The City is located at the geographic center of the "Chesapeake Golden Crescent"; the area between Baltimore, Maryland and Norfolk-Virginia Beach, Virginia. The City is less than an hour's drive from the nation's and state's capitals and within a 500-mile radius of nearly one-half the nation's population and manufacturing activity. The City currently has a land area of 10.4 square miles and serves a population of 22,818.

Legislative and policy-making authority are vested in the governing council, which consists of a mayor and a six-member council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and the City Manager, the City Attorney and the Clerk of Council. The City Manager is responsible for carrying out the policies and ordinances of the governing council, and for appointing the heads of the City's departments. Council members are elected to four-year staggered terms with the mayor and two council members elected-at-large and the other four members elected by wards.

The City provides a full range of services including police and fire protection, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and public education. The City also operates water, sewer, and transit systems and a parking garage. The City has entered into agreements with Spotsylvania County to utilize county water and sewer capacity in order to maximize these resources from a regional approach.

Economic Condition and Outlook

The overall decline in local tax revenue experienced in recent years continued during fiscal year 2009. The dramatic national economic downturn of 2008, coupled with regional competition in the form of increased retail shopping and dining opportunities in neighboring counties, continued to adversely impact most local tax revenue sources during fiscal year 2009. With mortgage foreclosure and unemployment rates at levels not seen in decades, and with real estate and stock market values still sharply down, a prolonged economic recovery appears likely. These challenging economic conditions will continue to apply tremendous pressures on City resources in fiscal year 2010 and beyond as the City strives to meet the vast municipal services it provides its citizens.

The City's economy is based to a large degree on its strategic location along interstate 95 approximately halfway between Richmond, Virginia and Washington, D.C. The City enjoys two major commercial development centers, Central Park and Celebrate Virginia South. Central Park, which started in 1995, is the primary retail and dining component of the City and houses 2.2 million square feet of national big-box stores, restaurants, and smaller local businesses. Celebrate Virginia South, home to several hotels, the Fredericksburg Expo and Conference

Economic Condition and Outlook: (Continued)

Center, and the future site of the National Slavery Museum, holds the greatest opportunity for economic expansion as numerous hotels and an indoor water park are planned within the next couple years. Once online, it is anticipated these new commercial developments will provide the City much needed revenue growth in the areas of property taxes and various local taxes.

Another significant component of the local economy is the City's nationally recognized 40-block Historic District. The "Old Town" District, with its historical attractions, antique shops, a variety of charming restaurants, specialty retail shops and beautifully restore homes, is an attractive tourist destination. An enhancement to the Historic District and the local tourism industry was the opening of a Courtyard by Marriott during the summer of 2009. The 98-room hotel, located in close proximity to the visitor center and the 297-space Sophia Street Parking Garage, will feature 1600 square feet of meeting space, an indoor pool, and a full-service restaurant.

Major Initiatives

Through these challenging economic times, the City has maintained its capacity to provide a high level of service to its residents in the form of major capital initiatives. Construction continued on a number of capital projects during the 2009 fiscal year while several others are in various stages of planning and development. The following narrative highlights the primary projects worked on during fiscal year 2009 as well as the major projects planned over the next several years.

Construction continued on several infrastructure projects in the water utility and wastewater utility operations. These projects involve improving the management of storm water flows, replacing and upgrading various sections of the Route One water line, and various sanitary system improvements. The majority of these projects are scheduled to be completed during the 2010 fiscal year.

An upgrade to the Wastewater Treatment Plant began during fiscal year 2009. Some of the primary components of this project involve upgrades to the sludge handling process, improvements to electrical and control systems, and changing the disinfection process from chlorine gas to ultraviolet radiation. These enhancements will allow the plant to remain in operation for the next several years and are scheduled to be in operation in the upcoming fiscal year.

Energy management and conservation measures were implemented during the fiscal year which involved the replacement of aging HVAC systems and the installation of lighting upgrades throughout City-owned facilities. It is anticipated that these energy saving measures will provide much needed cost savings over the next fifteen years of an estimated \$78,000 per year.

Implementation of the City's comprehensive bicycle/foot trail plan, Fredericksburg Pathways, continued during fiscal year 2009. Fredericksburg Pathways is designed to improve the overall transportation system in and around the Fredericksburg area by developing a network of routes for bicycle and pedestrian traffic. These routes will reduce traffic congestion by providing non-motorized transportation and recreation connections between neighborhoods, shopping areas, and popular destinations. The final design phase for one component of Fredericksburg Pathways, the Virginia Central Railway Trail, is nearing completion with construction anticipated to begin

Major Initiatives: (Continued)

during the 2010 fiscal year. This trail will consist of a shared-use asphalt pathway approximately 3.5 miles in length, beginning at the old train station and extending to the western city limit near the southern edge of the Idlewild Subdivision. The projects contained within the Pathways plan are scheduled over the next several years.

The City is in need of a new modern and full service court system. The current court system, comprised of three buildings located at various locations along Princess Anne Street, is deficient in space, inefficient in layout, and in need of extensive renovation. Preliminary architectural studies have identified possible downtown locations, with varying cost ranges, for a new court building which would accommodate the City's desire to consolidate its court system. A timetable for the completion of this project has not yet been established. This project will be one of the most ambitious capital endeavors in the City's history and much careful planning is still needed before construction can begin.

Budgetary Control

The annual budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least fifteen days prior to the end of the fiscal year. After a required public hearing on the budget is held, the City Council may change any item in the budget (other than debt service or items required by law). An appropriation ordinance must be adopted by the City Council prior to June 30, or as soon thereafter as practicable. City Council must approve all budget revisions once the appropriation ordinance has been adopted. The annual budgets are prepared for all governmental funds, except for the Central Park Special Tax District Fund and the Fall Hill Special Tax District Fund, and they are prepared by fund and department (e.g., police). All appropriations lapse at year-end; however, the unexpended funds may be reappropriated as part of the following year's budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented in Exhibit 13. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in Exhibit 24.

Financial Management Policy

The City adopted a Financial Management Policy which establishes guidelines aimed at maintaining the financial health of the City. The Financial Management Policy identifies the unreserved, undesignated General Fund balance as a source that will be maintained to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. It established a goal of maintaining a 12 percent unreserved, undesignated General Fund balance, but not less than 7 percent, of the actual General Fund revenues for the preceding fiscal year. This policy goal has proven to be a useful resource offering increased flexibility that has assisted the City in its efforts to direct its resources efficiently.

Cash Management Policies and Practices

The City and Component Unit School Board cash and cash equivalents consist of pooled cash and investments. The Component Unit Economic Development Authority maintains its own accounts that are separate from the City's pooled funds. Cash temporarily idled during the year was invested in PFM Funds and the Arbitrage and Investment Management Fund. The yield on investments during the year ranged from .49 percent to 2.79 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value, however, do not represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

The City has an adopted investment policy that establishes the investment and operation policies for the management of the public funds of the City. These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indicators.

The investment policy requires that the City's portfolio be managed to accomplish the following hierarchy of objectives: (1) preservation of principal, (2) maintenance of liquidity, and (3) maximize return. Accordingly, deposits were either insured by federal depository insurance or deposits were collateralized in accordance with the Virginia Security for Public Deposits Act.

The accomplishment of the noted investment policy objectives is entrusted to the City's Investment Committee that serves in an advisory capacity. The City Treasurer is the chairperson of the Investment Committee. An outside investment advisor meets with the Treasurer and the other committee members to assist the committee in performing its duties.

Risk Management

The City participated in the Virginia Municipal Government Self Insurance Association. This organization is comprised of cities, counties and towns who have pooled their resources for worker's compensation coverage. The City purchases commercial insurance for all other known exposures generally associated with municipal government.

Pension and Other Post-Employment Benefits

The City and Component Unit School Board participate in the Virginia Retirement System defined benefit pension plan. A description of the plan can be found in Note 11 in the Notes to Basic Financial Statements section of this report.

The City also provides post-employment health care insurance for employees who are eligible for retirement benefits. Related to these post-employment benefits, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions". The purpose of the Statement is to require the accrual and reporting of liabilities for the actuarially determined health insurance premiums the City will be paying for retirees. The City implemented GASB Statement No. 45 effective fiscal year 2009. A description of the City's post-employment benefits program can be found in Note 18 in the Notes to Basic Financial Statements section of this report.

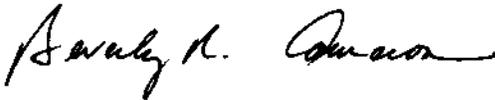
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the nineteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Fiscal Affairs Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of City finances.

Sincerely,



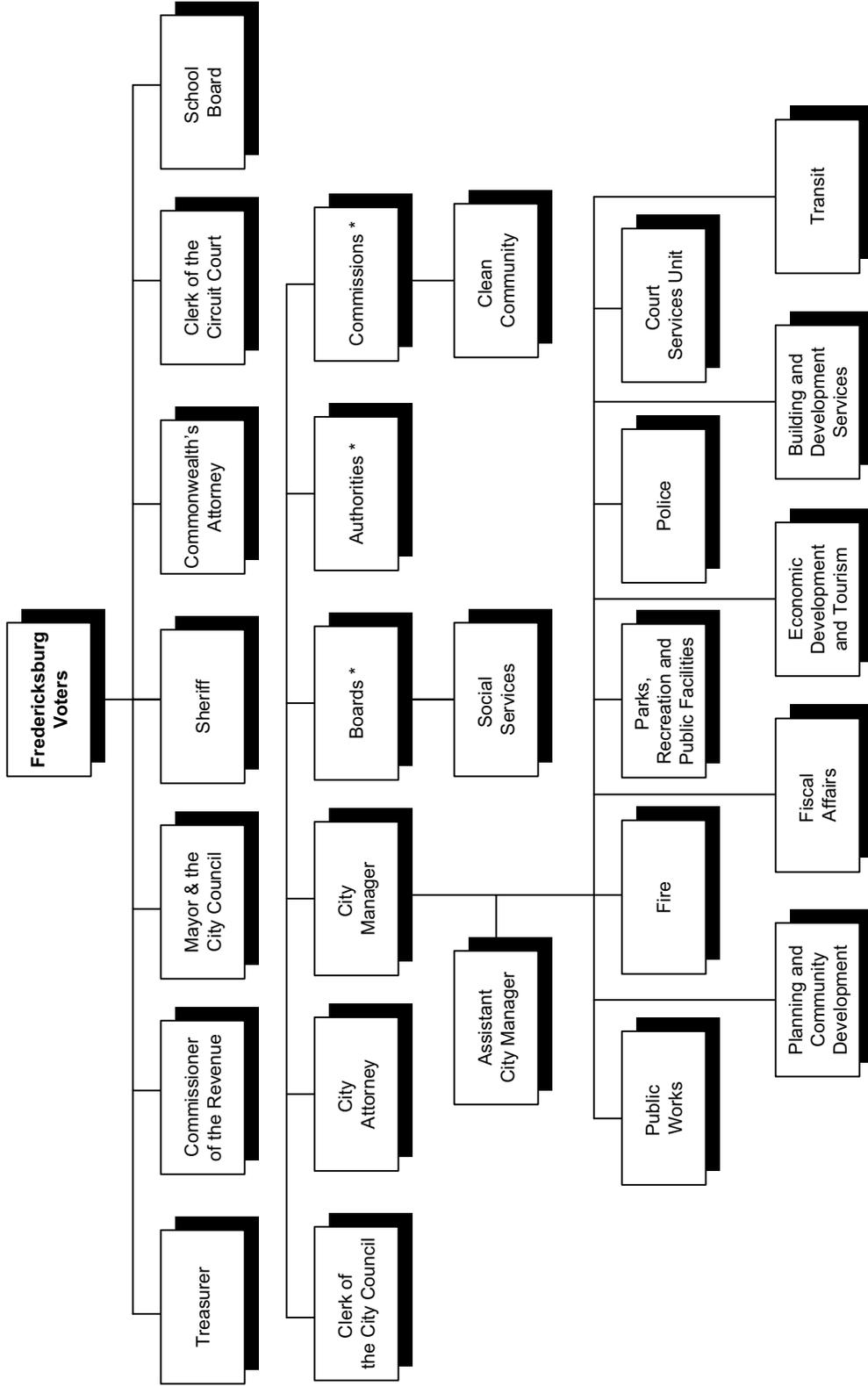
Beverly R. Cameron
City Manager



Clarence A. Robinson
Director of Fiscal Affairs

CITY OF FREDERICKSBURG, VIRGINIA

ORGANIZATIONAL CHART



* The City Council appoints citizens to 35 authorities, boards and commissions.

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CITY OF FREDERICKSBURG, VIRGINIA
PRINCIPAL OFFICIALS
JUNE 30, 2009

CITY COUNCIL

Thomas J. Tomzak, M.D. Mayor - At Large
Kerry P. Devine Vice Mayor - At Large
Mary Katherine Greenlaw At Large
Bradford C. Ellis..... Ward 1
George C. Solley Ward 2
Matthew J. Kelly Ward 3
Hashmel C. Turner, Jr. Ward 4

CONSTITUTIONAL OFFICERS

Sharron S. Mitchell Clerk of the Circuit Court
Lois B. Jacob Commissioner of the Revenue
LaBravia J. Jenkins Commonwealth Attorney
Paul W. Higgs Sheriff
G. M. Haney Treasurer

CITY ADMINISTRATIVE OFFICERS

Beverly R. Cameron Acting City Manager
Kathleen A. Dooley City Attorney
Tonya B. Lacey Clerk of the City Council
Edwin L. Allen, Jr. Chief, Fire Department
David W. Nye Chief, Police Department
Stephen J. Smallwood..... Director, Building and Development Services
Clarence A. Robinson Director, Fiscal Affairs
Karen H. Hedelt Acting Director, Economic Development and Tourism
Susanne H. Taylor..... Director, Human Resources
Suzanne L. Goodman Chief Information Officer, Information Technology
Robert K. Antozzi Director, Parks, Recreation and Public Facilities
Raymond P. Ocel, Jr. Director, Planning and Community Development
P. Douglas Fawcett Director, Public Works
Janine M. Sewell Director, Social Services
Juanita D. Pitchford General Registrar
Kathleen M. Beck Director, Transit

SCHOOL BOARD

Michael J. Gillenwater Chairman - At Large
Malvina R. Kay..... Vice Chairperson - Ward 4
Jarvis E. Bailey At Large
Patricia B. Green Ward 1
Barbara A. Miller-Richards Ward 2
Janice R. Walsh Ward 3

SCHOOL BOARD ADMINISTRATIVE OFFICER

Dr. David G. Melton Superintendent

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fredericksburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



President

Executive Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

THE HONORABLE MEMBERS OF THE CITY COUNCIL CITY OF FREDERICKSBURG, VIRGINIA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18, the City implemented GASB Statement No. 45, *Accounting and Financial Reporting for Employers for Post-Employment Benefits other than Pensions*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Robinson, Tamara, Cox Associates

Fredericksburg, Virginia
November 11, 2009

Management's Discussion and Analysis

As management of the City of Fredericksburg, Virginia (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

- Total net assets for governmental activities were \$104,557,509 at the end of fiscal year 2009. This figure is based on assets totaling \$178,840,156 and liabilities of \$74,282,647. Of the total net asset amount, \$24,379,848 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets for business-type activities were \$51,248,941 at the end of fiscal year 2009. The largest portion of this total is related to the water and sewer enterprise operations, valued at \$36,929,020.
- Total net assets for the primary government totaled \$155,806,450. Current assets were \$55,813,644 as compared to total current liabilities of \$17,863,508. The resulting net working capital of \$37,950,136 represents a favorable liquidity position for the City.
- Total net assets for the Component Unit School Board at the end of the fiscal year were \$15,513,065. Of this total, \$14,552,405 represents investment in capital assets, net of related debt.
- At the end of the fiscal year, the City's unreserved, undesignated fund balance for the General Fund was \$10,770,541, or 16.6% of total General Fund expenditures which totaled \$65,071,366.
- The City has an established Financial Management Policy which specifies a targeted goal of maintaining an unreserved, undesignated General Fund balance of 12.0% of the actual General Fund revenues for the preceding fiscal year. The fiscal year 2009 unreserved, undesignated General Fund was 15.7% of the fiscal year 2008 General Fund revenue total of \$68,836,323.
- General Fund revenues increased 2.4% as compared to the preceding fiscal year. This represents an increase from the 1.4% revenue growth experienced in fiscal year 2008.
- General Fund expenditures for fiscal year 2009 were \$65,658 less than the fiscal year 2008 total expenditure amount. Excluding the school allocation, General Fund expenditures decreased 2.0% as compared to the 5.6% increase in fiscal year 2008.
- Governmental activities general obligation bond debt decreased by \$3,221,562. The balance at the end of the fiscal year was \$62,766,729. Of this amount, \$43,865,000 is related to the construction of school facilities. Business-type activities general obligation and revenue bond debt decreased by \$1,644,794. The City did not issue any new debt during fiscal year 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Overview of the Financial Statements: (Continued)

The *statements of net assets* present information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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 of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include a Water Fund, a Sewer Fund, a Transit Fund, and a Parking Garage Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate school district and a legally separate Economic Development Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19-21 of this report.

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, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with the 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 a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Overview of the Financial Statements: (Continued)

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25-28 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the functions presented as *business-type activities* in government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, transit, and parking garage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, transit, and parking garage operations.

The basic proprietary fund financial statement can be found on pages 29-31 of this report.

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 basic fiduciary fund financial statements can be found on pages 32 and 33 of this report.

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 on pages 37-74 of this report.

Government-wide Financial Analysis

Statement of Net Assets:

Under GASB 34, governmental entities are required to report on their net asset condition. The Statement of Net Assets presents the value of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of changes in a government's financial position. In the case of the City, assets exceeded liabilities by \$155,806,450 at the close of fiscal year 2009.

A large portion of the City's net assets, \$118,922,636 or 76.3%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are 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 its 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. The \$36,883,814 balance of *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities and component units.

Government-wide Financial Analysis: (Continued)

Statement of Net Assets: (Continued)

The following table presents the condensed Statement of Net Assets:

TABLE 1
Summary of Net Assets
As of June 30, 2009
(in millions)

	Governmental Activities (2)		Business-type Activities		Total Primary Government (2)		Component Units (1)	
	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08
Assets:								
Current and other assets	\$ 35.90	\$ 39.05	\$ 19.92	\$ 24.38	\$ 55.82	\$ 63.43	\$ 7.17	\$ 6.68
Capital assets	142.94	147.22	53.79	50.00	196.73	197.22	14.55	14.00
Total assets	\$ 178.84	\$ 186.27	\$ 73.71	\$ 74.38	\$ 252.55	\$ 260.65	\$ 21.72	\$ 20.68
Liabilities:								
Current and other liabilities	\$ 12.76	\$ 12.00	\$ 5.10	\$ 4.41	\$ 17.86	\$ 16.41	\$ 4.53	\$ 3.99
Long-term liabilities	61.52	64.61	17.36	19.07	78.88	83.68	0.45	0.44
Total Liabilities	\$ 74.28	\$ 76.61	\$ 22.46	\$ 23.48	\$ 96.74	\$ 100.09	\$ 4.98	\$ 4.43
Net assets:								
Invested in capital assets, net of related debt (2)	\$ 80.18	\$ 81.23	\$ 38.75	\$ 29.32	\$ 118.93	\$ 110.55	\$ 14.55	\$ 14.00
Unrestricted	24.38	28.43	12.50	21.58	36.88	50.01	2.19	2.25
Total net assets	\$ 104.56	\$ 109.66	\$ 51.25	\$ 50.90	\$ 155.81	\$ 160.56	\$ 16.74	\$ 16.25

(1) Includes both the School Board and the Economic Development Authority (EDA). The discussion below relates only to the School Board operations. EDA amounts are minimal and shown in the financial statements (Exhibit 1).

(2) Fiscal year 2008 totals reflect a restatement of net assets. See Note 19 in the Notes to Financial Statements.

Changes in Net Assets:

Governmental Activities

The net assets of the governmental activities decreased by \$5,106,004, resulting in a total net assets position of \$104,557,509. This reduction is representative of a trend noted the past few fiscal years where limited growth, or in some cases, negative growth, in such general revenue sources as sales tax, business license tax, and meals tax has not kept pace with the increase in costs in such areas as personnel, school board operations, and debt service. Governmental activities revenues decreased \$2,430,050 or 3.1% during fiscal year 2009 as compared to the 3.7% increase realized in fiscal year 2008. In response to decreasing revenues, the City, through various cost containment measures and vigilant budgetary monitoring, was successful in keeping the expenses for governmental activities stable. Expenses during fiscal year 2009 showed only a slight increase of \$495,578 or .06%, even though the City recognized an additional \$1,379,908 in expenses for other post-employment benefits related to its implementation of GASB Statement No. 45.

Business-type Activities

The net assets of the business-type activities total \$51,248,941, which includes a modest increase of \$344,574 for fiscal year 2009. The water and wastewater operations experienced a slight decrease in net assets of \$294,463 and \$425,838, respectively, as the trend of expenses outpacing revenues continued in fiscal year 2009. In response to rising costs for operations and maintenance, the City increased water and sewer rates 4.0% and 8.0%, respectively. Due to decreased consumption levels, the effect of the rate increase was modest with water and sewer fees increasing 1.4% and 6.4%, respectively. In conjunction with the rate adjustments, the City was successful in controlling the growth in operating expenses. During fiscal year 2009 water operating costs decreased 13.5% as compared to the 9.8% increase in fiscal year 2008. Sewer fund operating expenses fell from a growth factor of 14.7% in fiscal year 2008 to 4.4% in fiscal year 2009. In

Changes in Net Assets: (Continued)

Business-type Activities: (Continued)

response to the slowly eroding net asset position of the water and sewer operations, an additional rate increase for water and sewer fees of 2.0% and 5.0%, respectively, is planned for fiscal year 2010. It is anticipated that the rate increase, along with projected growth in the City and the corresponding increase to water consumption, will allow the water and wastewater operations to better meet operating costs in the future.

Component Units

The net assets of the School Board were \$15,513,065. Capital assets, net of related debt, comprised the majority of this amount.

The following table shows the revenues and expenses of the governmental activities, the business-type activities, and the component units:

TABLE 2
Changes in Net Assets
For the Fiscal Year ended June 30, 2009
(in millions)

	Governmental Activities (1)		Business-type Activities		Total Primary Government (1)		Component Units	
	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08	FY 09	FY 08
Revenues:								
Program Revenues:								
Charges for services	\$ 3.28	\$ 2.77	\$ 5.93	\$ 5.64	\$ 9.21	\$ 8.41	\$ 0.99	\$ 0.79
Operating grants and contributions	10.52	10.66	4.34	4.56	14.86	15.22	36.90	38.23
Capital grants and contributions	0.20	0.45	0.57	2.30	0.77	2.75	-	-
General Revenues:								
Property taxes	29.63	27.79	-	-	29.63	27.79	-	-
Other local taxes	30.13	31.08	1.36	0.54	31.49	31.62	-	-
Grants not restricted	1.97	2.03	-	-	1.97	2.03	-	-
Use of property	0.12	0.07	-	-	0.12	0.07	0.01	0.01
Investment earnings	1.24	1.65	0.28	0.45	1.52	2.10	0.03	0.04
Loss on disposal of capital assets	(0.85)	1.07	-	-	(0.85)	1.07	-	-
Miscellaneous	0.73	1.84	0.34	1.57	1.07	3.41	0.09	0.13
Total Revenues	\$ 76.97	\$ 79.41	\$ 12.82	\$ 15.06	\$ 89.79	\$ 94.47	\$ 38.02	\$ 39.20
Expenses:								
General government	\$ 5.76	\$ 5.25	\$ -	\$ -	\$ 5.76	\$ 5.25	\$ -	\$ -
Judicial administration	3.70	3.56	-	-	3.70	3.56	-	-
Public safety	20.10	19.07	-	-	20.10	19.07	-	-
Public works	10.20	9.88	-	-	10.20	9.88	-	-
Health and welfare	6.66	6.47	-	-	6.66	6.47	-	-
Education	27.30	28.33	-	-	27.30	28.33	37.46	35.92
Parks, recreation, and cultural	4.40	4.59	-	-	4.40	4.59	-	-
Community development	1.96	2.34	-	-	1.96	2.34	0.07	0.07
Interest	2.86	2.95	-	-	2.86	2.95	-	-
Water	-	-	2.75	3.15	2.75	3.15	-	-
Sewer	-	-	4.47	4.17	4.47	4.17	-	-
Transit	-	-	3.90	3.35	3.90	3.35	-	-
Parking	-	-	0.49	0.49	0.49	0.49	-	-
Total Expenses	\$ 82.94	\$ 82.44	\$ 11.61	\$ 11.16	\$ 94.55	\$ 93.60	\$ 37.53	\$ 35.99
Excess (deficiency) of revenues over expenses before transfers	\$ (5.97)	\$ (3.03)	\$ 1.21	\$ 3.90	\$ (4.76)	\$ 0.87	\$ 0.49	\$ 3.21
Transfers	0.86	0.83	(0.86)	(0.83)	-	-	-	-
Change in net assets	\$ (5.11)	\$ (2.20)	\$ 0.35	\$ 3.07	\$ (4.76)	\$ 0.87	\$ 0.49	\$ 3.21

(1) Fiscal year 2008 totals reflect a restatement of net assets. See Note 19 in the Notes to Financial Statements.

Financial Analysis of the City's Governmental Funds

The City's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

Revenues:

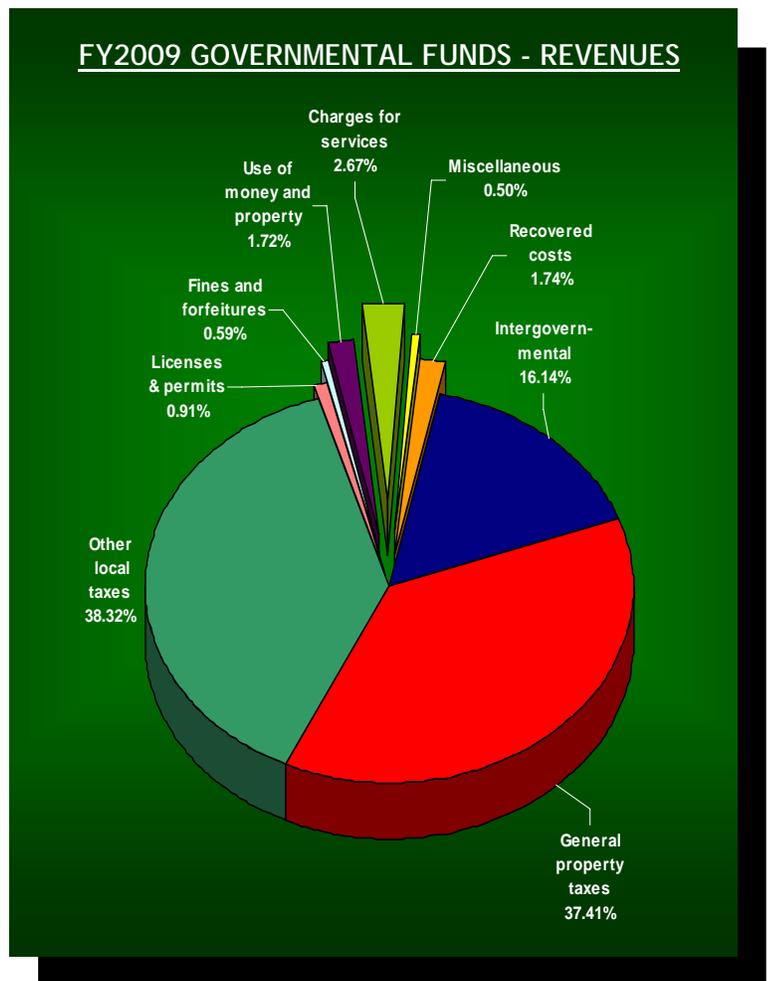
A summary of the general revenue sources for the governmental funds for fiscal years 2009 and 2008 is presented below:

TABLE 3
Governmental Funds - Revenues

	FY 2009	FY 2008	Percentage of Total Revenues FY 2009	Increase (Decrease) from FY 2008
General property taxes	\$ 29,410,334	\$ 27,840,128	37.41%	\$ 1,570,206
Other local taxes	30,131,647	31,077,351	38.32%	(945,704)
Licenses and permits	717,349	653,453	0.91%	63,896
Fines and forfeitures	466,213	408,580	0.59%	57,633
Use of money and property	1,352,809	1,724,668	1.72%	(371,859)
Charges for services	2,098,080	1,704,708	2.67%	393,372
Miscellaneous	392,910	563,376	0.50%	(170,466)
Recovered costs	1,364,758	1,694,312	1.74%	(329,554)
Intergovernmental	12,693,294	13,137,585	16.14%	(444,291)
Totals	\$ 78,627,394	\$ 78,804,161	100.00%	\$ (176,767)

The City's total revenues from governmental activities were \$78,627,394 in fiscal year 2009, a slight decrease of \$176,767 as compared to fiscal year 2008. While general property tax revenue enjoyed a \$1,570,206 or 5.6% increase, the other revenue sources remained flat, or in some cases, decreased during the fiscal year. The largest increase in general property tax revenue occurred with real state taxes as the rate was increased from \$0.53 per \$100 valuation to \$0.56 per \$100 valuation. The percentage of real estate tax as a share of governmental fund revenue, particularly in the General Fund, has been rising as other revenues, most notably sales tax and other local taxes, have fallen in the last few years. As each penny on the real estate tax rate yields approximately \$400,000 in revenue, the rate increase was significant in lessening the budgetary pressures created with the decline in many of the other governmental revenue sources.

The greatest impact on the governmental revenues was the disappointing performance in the area of other local taxes. This revenue source, which in recent years has accounted for roughly 40% of total governmental revenues, decreased 3.0% during the fiscal year. The impact of this decline was felt greatest in the General Fund where 98.5% of these revenues were accounted for during fiscal year 2009.



Financial Analysis of the City's Governmental Funds: (Continued)

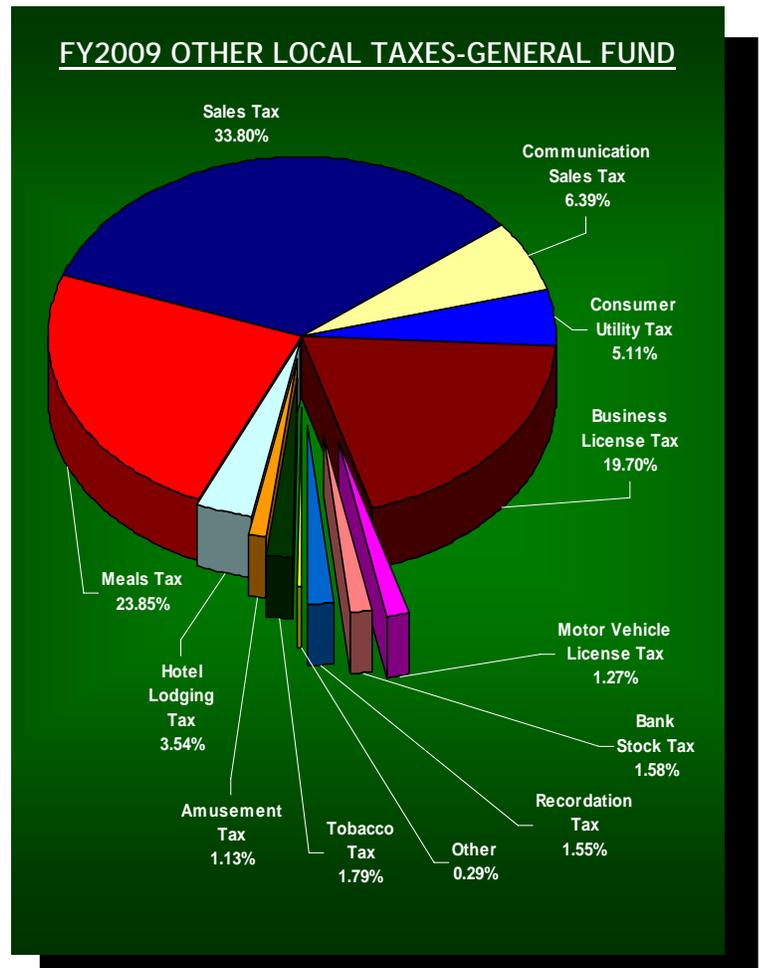
Other local tax revenue continues to be the most significant source of revenues supporting governmental activities. The following table reflects other local tax revenues for the General Fund for fiscal years 2009 and 2008:

TABLE 4
Other Local Taxes - General Fund

	FY 2009	FY 2008	Percentage of Total Revenues FY 2009	Increase (Decrease) from FY 2008
Sales and Use Tax	\$ 10,032,438	\$ 10,726,939	33.80%	\$ (694,501)
Communication Sales Tax	1,897,210	2,019,101	6.39%	(121,891)
Consumer Utility Tax	1,517,109	1,527,028	5.11%	(9,919)
Business License Tax	5,847,174	5,436,366	19.70%	410,808
Motor Vehicle License Tax	377,547	300,786	1.27%	76,761
Bank Stock Tax	469,094	459,020	1.58%	10,074
Recordation Tax	460,085	715,884	1.55%	(255,799)
Tobacco Tax	530,216	593,940	1.79%	(63,724)
Amusement Tax	335,918	288,477	1.13%	47,441
Hotel Lodging Tax	1,050,586	918,952	3.54%	131,634
Meals Tax	7,080,021	7,042,409	23.85%	37,612
Other	84,770	194,684	0.29%	(109,914)
Totals	\$ 29,682,168	\$ 30,223,586	100.00%	\$ (541,418)

In recent years various sources of local tax revenue have experienced a flattening, or in some cases, a declining growth rate. Sales and use tax, the most significant source of local tax revenue, fell 6.5% during the fiscal year. Recordation tax was another area hit hard, as collections dropped 35.7% in connection with the depressed housing market. One bright spot was business license taxes, which increased 7.6% as a result of intensified collection efforts.

The overall decline in local tax revenues is the result of an economy pummeled by the severe downturn to the housing and stock markets and the negative impact this has had on consumer spending. Commercial retail development within neighboring localities has also had a detrimental effect on the City's local economy.



Financial Analysis of the City's Governmental Funds: (Continued)

Expenditures:

Expenditures for governmental funds in fiscal year 2009 totaled \$82,432,293, a decrease of \$3,251,182 or 3.8%, when compared to fiscal year 2008 activity. Excluding the \$3,278,944 decrease in capital project expenditures, the City's expenditures increased a mere \$27,762 as compared to the \$4,946,884 increase in fiscal year 2008. The largest increase occurred in education expenditures as General Fund appropriations to the School Board increased 3.1%; however, this was substantially less than the 13.1% increase in fiscal year 2008.

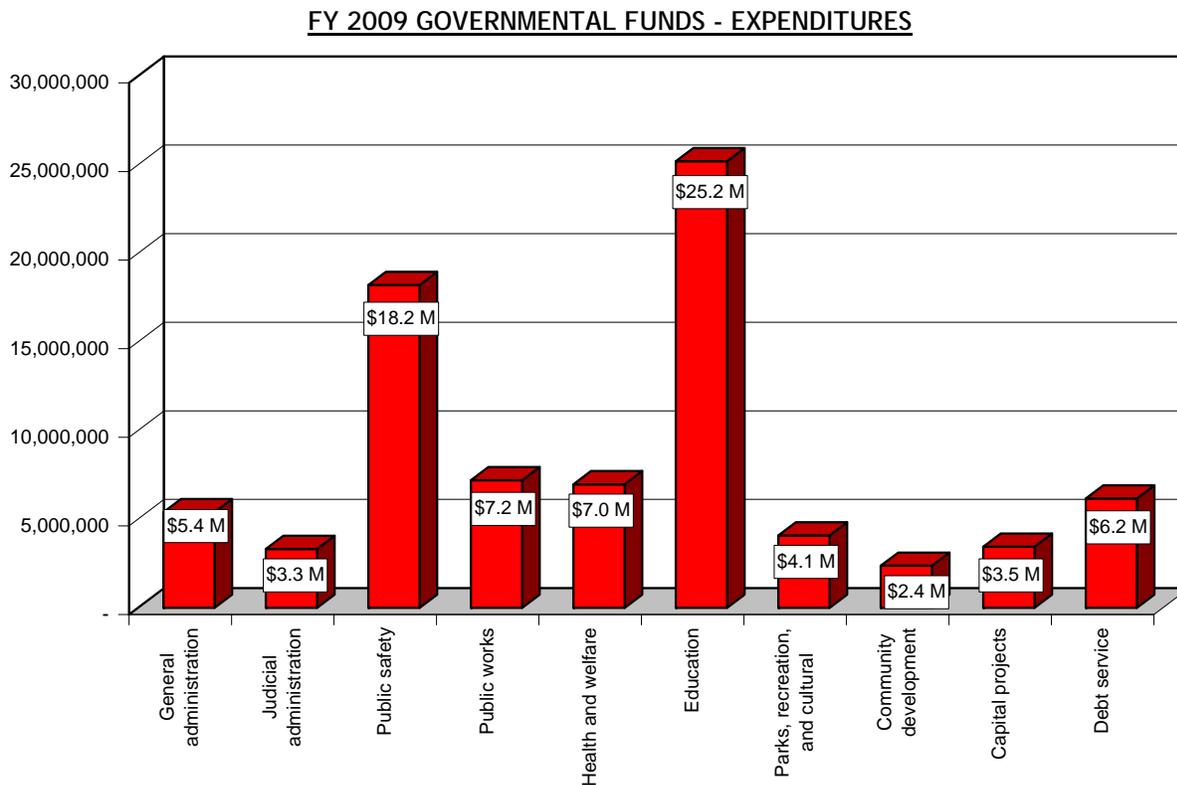
The largest decrease took place in the capital projects area, with the most notable change occurring in the Public Works Capital Fund. During fiscal year 2009 the City spent \$882,125 less toward land acquisition for the Riverfront Walk project as compared to fiscal year 2008. The decrease in the Public Works Capital Fund is also attributable to the City's fiscal year 2008 efforts related to the reconstruction of Route One totaling \$889,441.

In response to governmental revenues falling short of expectations, the City has implemented various cost containment measures designed to lessen the budgetary impact of growing expenditures and stagnating revenues. As a result of these efforts, expenditure totals in a majority of the functional areas decreased, with many of the other functional areas exhibiting a nominal increase. In the General Fund, the growth in two of the larger functional areas, public safety and public works, decreased from 6.0% and 7.2%, respectively, in fiscal year 2008 to a decrease of 2.5% and 1.0%, respectively, in fiscal year 2009. General Fund expenditures remained relatively unchanged with expenditures decreasing \$60,658 during fiscal year 2009.

TABLE 5
Governmental Funds - Expenditures

	FY 2009	FY 2008	Percentage of Total Expenditures FY 2009	Increase (Decrease) from FY 2008
General administration	\$ 5,402,264	\$ 5,047,982	6.56%	\$ 354,282
Judicial administration	3,324,483	3,575,964	4.03%	(251,481)
Public safety	18,220,229	18,603,995	22.10%	(383,766)
Public works	7,206,095	7,273,319	8.74%	(67,224)
Health and welfare	6,976,070	6,859,859	8.46%	116,211
Education	25,202,840	24,441,360	30.58%	761,480
Parks, recreation, and cultural	4,090,417	4,053,007	4.96%	37,410
Community development	2,380,204	2,732,018	2.89%	(351,814)
Capital projects	3,456,377	6,735,321	4.19%	(3,278,944)
Debt service	6,173,314	6,360,650	7.49%	(187,336)
Totals	\$ 82,432,293	\$ 85,683,475	100.00%	\$ (3,251,182)

Financial Analysis of the City's Governmental Funds: (Continued)



General Fund Budgetary Highlights

Over the course of the year, the City Council amended the City budget. These budget changes included various budget adjustments for:

- Amendments and appropriations approved after the beginning of the year to reflect prior year encumbrances that must be re-authorized for expenditure in the new budget year.
- Increases in appropriations for budget items occurring during the year that were not part of the original budget.

Total final budgeted expenditures decreased \$190,792 for fiscal year 2009. Total final budgeted revenues remained generally unchanged, increasing only \$1,474 for fiscal year 2009.

Actual General Fund expenditures were \$65,071,366 versus the final budgeted expenditures totaling \$67,576,453. This resulted in a favorable variance of \$2,505,087. All functional areas had a favorable variance, with public works and public safety experiencing the most significant variance of \$645,089 and \$689,673, respectively.

Actual General Fund revenues were \$70,496,809 compared to final budgeted revenues totaling \$71,435,634. This resulted in an unfavorable variance of \$938,825. The majority of the variance occurred with local sales and use tax, which had a significant unfavorable variance of \$767,562. Charges for services showed a sizeable unfavorable variance of \$469,470 as fees for emergency medical transportation continued to fall well below expectations. The most notable favorable variance occurred with business license tax, with collections \$425,174 higher than anticipated.

Capital Asset and Debt Administration

Capital Assets. The following is a table that summarizes the City's change in governmental Capital Assets:

TABLE 6
Change in Capital Assets
City Governmental Funds

	<u>Restated Balance June 30, 2008</u>	<u>Net Additions/ Deletions</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:			
Land	\$ 16,850,627	\$ 330,681	\$ 17,181,308
Construction in progress	686,422	609,263	1,295,685
Other capital assets:			
Land improvements	8,849,265	317,037	9,166,302
Buildings and building improvements	28,461,670	173,344	28,635,014
Joint tenancy assets	45,005,000	(1,140,000)	43,865,000
Machinery, equipment, and vehicles	13,932,319	(479,926)	13,452,393
Infrastructure	70,857,150	646,958	71,504,108
Accumulated depreciation	<u>(37,419,874)</u>	<u>(4,735,546)</u>	<u>(42,155,420)</u>
Totals	\$ <u>147,222,579</u>	\$ <u>(4,278,189)</u>	\$ <u>142,944,390</u>

The net decrease in capital assets during the fiscal year was \$4,278,189. In recent years, major additions to capital projects were made with the completion of two new schools, a park with several athletic fields, an outdoor leisure pool, a downtown parking garage, and a new police headquarters building. This vigorous capital asset activity has slowed the past couple fiscal years in response to budget constraints dictated by the unfavorable economic environment. Many capital projects have been deferred until a turnaround in the economy occurs. Generally, capital asset activity decreased as asset dispositions and depreciation were greater than the additions made to furniture, equipment and vehicles, and infrastructure.

Additional information regarding capital assets is presented in the Notes to Financial Statements section of this report (Note 7).

Long-term Debt

The City is authorized to issue general obligation bonds to finance general capital improvement projects. These bonds are secured by a pledge of the City's full faith and credit. The City is currently rated AA by Fitch Investors Services, Aa3 by Moody's Investors Services and AA- by Standard and Poor's Investor Services.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2009 the City's outstanding long-term indebtedness amount totaled \$81,807,013. After adjustments to reflect the revenue bonded debt of 4,595,059, the remaining total bonded debt of \$77,211,954 is far below the legal debt limit of \$237,514,942.

Long-term Debt: (Continued)

The table below shows a summary of all bonded debt activity during the 2008 fiscal year and the total City debt outstanding:

TABLE 7
Long Term Debt
As of June 30, 2009

	Governmental Activities		Business-type Activities		Total	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Bonds Payable:						
General obligation bonds	\$ 17,485,152	\$ 19,449,302	\$ 14,246,995	\$ 14,945,845	\$ 31,732,147	\$ 34,395,147
General obligation school bonds	43,865,000	45,005,000	-	-	43,865,000	45,005,000
Unamortized bond premium	1,416,577	1,533,989	198,230	214,314	1,614,807	1,748,303
Revenue bonds	-	-	4,595,059	5,524,919	4,595,059	5,524,919
Total long-term debt	\$ 62,766,729	\$ 65,988,291	\$ 19,040,284	\$ 20,685,078	\$ 81,807,013	\$ 86,673,369

Additional information regarding long-term debt is presented in the Notes to Financial Statements section of this report (Note 9).

Economic Factors

Adverse economic conditions continued to bring about immense budgetary challenges to the City during fiscal year 2009; however, the City government continues to be in stable financial condition as established by the financial statements and schedules included in this report. As noted earlier in this analysis, there has been a trend in recent years where expenditure growth has outpaced the growth in revenues. This can mainly be attributed to deteriorating economic conditions and expanding regional competition in commercial retail development in neighboring localities. However, the City, through fiscally responsible budget oversight, cost containment monitoring, and adherence to sound financial management policies, has continued to provide quality service to City residents.

Over the past several years the City has experienced major economic growth activity and community revitalization. The catalyst for this economic growth has been the 2,400 acre mega-development Celebrate Virginia and its primary retail shopping and dining component, Central Park. Started in 1995, Central Park now includes 2.2 million square feet of leased retail space housing many national big-box stores, restaurants, and smaller local businesses. Opportunities for growth related revenues such as property taxes and various local taxes are anticipated as Celebrate Virginia continues to develop. Anticipated major additions include numerous hotels and an indoor water park resort. The 125,000 square-foot indoor water park, to be built next to the Fredericksburg Expo and Conference Center, will include approximately 700 guest rooms, 100,000 square feet of conference and event space, and numerous recreational attractions to include water slides, roller coasters, miniature golf, and go-carts. The resort is estimated to create more than 1,900 jobs.

An enhancement to the Historic District and the local tourism industry was the opening of a Courtyard by Marriott during the summer of 2009. The 98-room hotel, located in close proximity to the visitor center and the 297-space Sophia Street Parking Garage, will feature 1600 square feet of meeting space, an indoor pool, and a full-service restaurant.

Economic Factors: (Continued)

The City's nationally recognized 40-block Historic District continues to be a major component of the local economy. The Historic "Old Town" District, with its major historical attractions, antique shops, a variety of charming restaurants, specialty retail shops and beautifully restored homes, is an attractive tourist destination. While tourism has been a mainstay of the City's economy, commercial development and visionary downtown revitalization efforts continue to reflect economic potential for the City.

Dismal economic conditions will continue to apply tremendous budgetary pressures to the City in fiscal year 2010 and beyond. Revenue from local tax sources, particularly sales tax and meal tax, will continue to languish as consumer spending remains scaled back due to high unemployment rates and diminished real estate and stock market values. Mired in the worst recession in decades, a prolonged economic recovery appears likely.

Requests for Information

This financial report is designed to provide a general overview of the City of Fredericksburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Fiscal Affairs, P.O. Box 7447, Fredericksburg, Virginia, 22401 or visit our website at www.fredericksburgva.gov.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2009

ASSETS	Governmental Activities	Business-Type Activities	Total	Component Units	
				School Board	Economic Development Authority
Assets:					
Cash and cash equivalents	\$ 29,874,303	\$ 17,053,671	\$ 46,927,974	\$ 4,194,419	\$ 1,224,695
Receivables, net of allowance for uncollectibles	1,130,126	1,093,787	2,223,913	43,800	-
Due from other governments	4,030,120	1,000,926	5,031,046	1,547,773	-
Inventory, at cost	53,614	220,517	274,131	-	-
Prepaid expenses	807,603	-	807,603	152,006	-
Restricted:					
Temporarily restricted:					
Cash and cash equivalents	-	548,977	548,977	-	-
Capital assets:					
Land, construction in progress and other	18,476,993	7,947,177	26,424,170	472,679	-
Other capital assets, net of accumulated depreciation	124,467,397	45,847,222	170,314,619	14,079,726	-
Capital assets, net	\$ 142,944,390	\$ 53,794,399	\$ 196,738,789	\$ 14,552,405	\$ -
Total assets	\$ 178,840,156	\$ 73,712,277	\$ 252,552,433	\$ 20,490,403	\$ 1,224,695
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 2,344,715	\$ 1,980,343	\$ 4,325,058	\$ 721,234	\$ -
Accrued liabilities	1,820,300	548,380	2,368,680	2,963,235	-
Unearned revenue	948,779	17,103	965,882	-	-
Amounts held for others	1,274,307	-	1,274,307	-	-
Liabilities payable from restricted assets	-	548,977	548,977	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	1,814,928	134,801	1,949,729	489,772	-
Net OPEB obligation payable	1,379,908	128,092	1,508,000	351,000	-
Revenue bonds payable	-	961,744	961,744	-	-
General obligation bonds payable	3,141,423	783,497	3,924,920	-	-
Accrued landfill postclosure costs	36,211	-	36,211	-	-
Due in more than one year:					
Compensated absences	1,112,375	65,356	1,177,731	452,097	-
Revenue bonds payable	-	3,633,315	3,633,315	-	-
General obligation bonds payable	59,625,306	13,661,728	73,287,034	-	-
Accrued landfill postclosure costs	784,395	-	784,395	-	-
Total liabilities	\$ 74,282,647	\$ 22,463,336	\$ 96,745,983	\$ 4,977,338	\$ -
Net Assets:					
Invested in capital assets, net of related debt	\$ 80,177,661	\$ 38,744,975	\$ 118,922,636	\$ 14,552,405	\$ -
Unrestricted	24,379,848	12,503,966	36,883,814	960,660	1,224,695
Total net assets	\$ 104,557,509	\$ 51,248,941	\$ 155,806,450	\$ 15,513,065	\$ 1,224,695

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,760,023	\$ 93,045	\$ 323,932	\$ -
Judicial administration	3,701,857	106,210	879,544	-
Public safety	20,056,605	1,834,819	2,160,920	-
Public works	10,194,381	727,253	2,959,804	-
Health and welfare	6,661,643	-	4,182,212	-
Education	27,341,339	-	-	-
Parks, recreation and cultural	4,400,464	518,630	10,000	-
Community development	1,965,407	1,685	6,337	202,849
Interest on long-term debt	2,859,774	-	-	-
Total governmental activities	\$ 82,941,493	\$ 3,281,642	\$ 10,522,749	\$ 202,849
Business-type activities				
Water	\$ 2,748,400	\$ 2,180,347	\$ 497,032	\$ -
Sewer	4,476,638	3,457,792	868,749	-
Transit	3,893,458	159,741	2,976,979	566,957
Parking	493,920	130,281	-	-
Total business-type activities	\$ 11,612,416	\$ 5,928,161	\$ 4,342,760	\$ 566,957
Total Primary Government	\$ 94,553,909	\$ 9,209,803	\$ 14,865,509	\$ 769,806
Component Units				
Fredericksburg City Public Schools	\$ 37,459,176	\$ 623,877	\$ 10,703,161	\$ -
Fredericksburg Economic Development Authority	74,492	362,625	-	-
Total Component Units	\$ 37,533,668	\$ 986,502	\$ 10,703,161	\$ -

General Revenues

Taxes:

General property taxes, real and personal

Local sales and use taxes

Consumer utility taxes

Business license taxes

Motor vehicle license taxes

Meals taxes

Other local taxes

Payment from City of Fredericksburg:

Education

Grants and contributions not restricted to specific programs

Use of property

Interest and investment earnings

Gain/(loss) on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year, as restated

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-Type Activities	Total	Component Units	
\$ (5,343,046)	\$ -	\$ (5,343,046)	\$ -	-
(2,716,103)	-	(2,716,103)	-	-
(16,060,866)	-	(16,060,866)	-	-
(6,507,324)	-	(6,507,324)	-	-
(2,479,431)	-	(2,479,431)	-	-
(27,341,339)	-	(27,341,339)	-	-
(3,871,834)	-	(3,871,834)	-	-
(1,754,536)	-	(1,754,536)	-	-
(2,859,774)	-	(2,859,774)	-	-
<u>\$ (68,934,253)</u>	<u>\$ -</u>	<u>\$ (68,934,253)</u>	<u>\$ -</u>	-
\$ -	\$ (71,021)	\$ (71,021)	\$ -	-
-	(150,097)	(150,097)	-	-
-	(189,781)	(189,781)	-	-
-	(363,639)	(363,639)	-	-
<u>\$ -</u>	<u>\$ (774,538)</u>	<u>\$ (774,538)</u>	<u>\$ -</u>	-
<u>\$ (68,934,253)</u>	<u>\$ (774,538)</u>	<u>\$ (69,708,791)</u>	<u>\$ -</u>	-
			\$ (26,132,138)	
			288,133	
			<u>\$ (25,844,005)</u>	
\$ 29,632,428	\$ -	\$ 29,632,428	\$ -	-
11,929,648	-	11,929,648	-	-
1,517,109	-	1,517,109	-	-
5,847,174	-	5,847,174	-	-
377,547	-	377,547	-	-
7,080,021	-	7,080,021	-	-
3,380,148	1,355,225	4,735,373	-	-
-	-	-	26,196,558	-
1,967,696	-	1,967,696	-	-
116,369	-	116,369	13,300	-
1,236,440	275,621	1,512,061	28,893	-
(846,807)	-	(846,807)	-	-
733,896	344,846	1,078,742	89,109	-
856,580	(856,580)	-	-	-
<u>\$ 63,828,249</u>	<u>\$ 1,119,112</u>	<u>\$ 64,947,361</u>	<u>\$ 26,327,860</u>	-
\$ (5,106,004)	\$ 344,574	\$ (4,761,430)	\$ 483,855	-
109,663,513	50,904,367	160,567,880	16,253,905	-
<u>\$ 104,557,509</u>	<u>\$ 51,248,941</u>	<u>\$ 155,806,450</u>	<u>\$ 16,737,760</u>	-

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 At June 30, 2009

<u>ASSETS</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 17,070,627	\$ 13,024,997	\$ 30,095,624
Receivables (net of allowances for uncollectibles):			
Property taxes	689,406	5,439	694,845
Accounts	113,834	-	113,834
Accrued revenue	230,060	91,387	321,447
Inventory, at cost	53,614	-	53,614
Prepays	-	807,603	807,603
Due from other governments	2,782,265	1,247,855	4,030,120
Total assets	\$ 20,939,806	\$ 15,177,281	\$ 36,117,087
LIABILITIES AND EQUITY			
Liabilities:			
Reconciled overdraft	\$ -	\$ 221,321	\$ 221,321
Accounts payable and accrued expenditures	1,713,855	630,860	2,344,715
Accrued liabilities	331,925	205,502	537,427
Amounts held for others	1,274,307	-	1,274,307
Deferred revenue	1,505,047	1,547	1,506,594
Total liabilities	\$ 4,825,134	\$ 1,059,230	\$ 5,884,364
Equity:			
Fund balances:			
Reserved:			
Encumbrances	\$ 189,721	\$ 424,626	\$ 614,347
Prepays	-	807,603	807,603
Unreserved:			
Designated for capital projects	2,989,255	9,629,901	12,619,156
Designated for regional security center	726,159	-	726,159
Designated for health insurance claims	860,000	-	860,000
Designated for courthouse maintenance	167,837	-	167,837
Designated for education debt service	411,159	-	411,159
Subsequent year's expenditures:			
Special Revenue Funds	-	1,161,259	1,161,259
Unreserved, undesignated:			
General fund	10,770,541	-	10,770,541
Special Revenue Funds	-	2,094,662	2,094,662
Total equity	\$ 16,114,672	\$ 14,118,051	\$ 30,232,723
Total liabilities and equity	\$ 20,939,806	\$ 15,177,281	\$ 36,117,087

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
At June 30, 2009

Total fund balances for governmental funds (Exhibit 3) \$ 30,232,723

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	17,181,308	
Construction in progress		1,295,685	
Land improvements, net of accumulated depreciation		8,204,662	
Buildings and improvements, net of accumulated depreciation		20,446,755	
Joint tenancy assets, net of accumulated depreciation		41,436,801	
Infrastructure, net of accumulated depreciation		47,943,972	
Equipment, net of accumulated depreciation		6,435,207	
 Total capital assets			 142,944,390

Some of the City's property and other taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as deferred revenue in the funds 557,815

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are as follows:

Accrued interest on debt	\$	(1,282,873)	
Bonds and notes payable		(61,350,152)	
Premium on long-term debt, net of accumulated amortization		(1,416,577)	
Landfill postclosure cost liability		(820,606)	(64,870,208)
 Compensated absences not reported as fund liabilities			 (2,927,303)
 Net OPEB obligation not reported as fund liabilities			 <u>(1,379,908)</u>
 Total net assets of governmental activities (Exhibits 1 and 2)			 <u>\$ 104,557,509</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 28,817,228	\$ 593,106	\$ 29,410,334
Other local taxes	29,682,168	449,479	30,131,647
Permits, privilege fees and regulatory licenses	717,349	-	717,349
Fines and forfeitures	394,353	71,860	466,213
Use of money and property	458,883	893,926	1,352,809
Charges for services	2,098,080	-	2,098,080
Miscellaneous	231,864	161,046	392,910
Recovered costs	676,059	688,699	1,364,758
Intergovernmental:			
Revenue from the Commonwealth	7,266,586	2,669,764	9,936,350
Revenue from the Federal Government	154,239	2,602,705	2,756,944
Total revenues	<u>\$ 70,496,809</u>	<u>\$ 8,130,585</u>	<u>\$ 78,627,394</u>
Expenditures			
Current:			
General government administration	\$ 5,402,264	\$ -	\$ 5,402,264
Judicial administration	3,235,584	88,899	3,324,483
Public safety	17,603,183	617,046	18,220,229
Public works	7,206,095	-	7,206,095
Health and welfare	1,216,953	5,759,117	6,976,070
Education - local community college and other	6,769	-	6,769
Education - public school system	25,196,071	-	25,196,071
Parks, recreation and cultural	3,690,399	400,018	4,090,417
Community development	1,514,048	866,156	2,380,204
Capital projects	-	3,456,377	3,456,377
Debt service:			
Principal payments	-	3,126,779	3,126,779
Interest and fiscal charges	-	3,046,535	3,046,535
Total expenditures	<u>\$ 65,071,366</u>	<u>\$ 17,360,927</u>	<u>\$ 82,432,293</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 5,425,443</u>	<u>\$ (9,230,342)</u>	<u>\$ (3,804,899)</u>
Other financing sources (uses)			
Issuance of refunding bonds	\$ -	\$ 2,672,836	\$ 2,672,836
Payment to refunded bonds escrow agent	-	(2,650,207)	(2,650,207)
Proceeds from the sale of capital assets	76,293	-	76,293
Transfers in	1,291,607	8,841,713	10,133,320
Transfers out	<u>(8,654,513)</u>	<u>(622,227)</u>	<u>(9,276,740)</u>
Total other financing sources (uses)	<u>\$ (7,286,613)</u>	<u>\$ 8,242,115</u>	<u>\$ 955,502</u>
Net change in fund balance	<u>\$ (1,861,170)</u>	<u>\$ (988,227)</u>	<u>\$ (2,849,397)</u>
Fund balance, beginning of year	<u>17,975,842</u>	<u>15,106,278</u>	<u>33,082,120</u>
Fund balance, end of year	<u><u>\$ 16,114,672</u></u>	<u><u>\$ 14,118,051</u></u>	<u><u>\$ 30,232,723</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,849,397)

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.

Capital outlays	\$ 3,665,092	
Disposal of capital assets	(923,100)	
Depreciation	<u>(6,326,196)</u>	(3,584,204)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board (1,034,971)

Donations of capital assets received during the current period 340,986

Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net assets revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis. 222,094

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:		
General obligation bonds	\$ (2,672,836)	
Amortization of premium on long-term debt	117,412	
Repayments of long-term debt:		
General obligation bonds	<u>5,776,986</u>	3,221,562

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	\$ (177,523)	
Net OPEB obligation payable	(1,379,908)	
Accrued interest on bonds and loans	69,349	
Accrued landfill post-closure costs	<u>66,008</u>	
Net adjustment		<u>(1,422,074)</u>

Change in net assets of governmental activities (Exhibit 2) \$ (5,106,004)

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

Statement of Net Assets
 Proprietary Funds
 At June 30, 2009

ASSETS	Business-Type Activities - Enterprise Funds				Total
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	
ASSETS					
Assets:					
Current assets:					
Cash and cash equivalents	\$ 7,011,614	\$ 6,590,817	\$ 3,517,707	\$ -	\$ 17,120,138
Accounts receivable, net of allowance for uncollectibles	399,615	629,114	-	-	1,028,729
Accrued revenue	48,759	6,449	4,925	4,925	65,058
Inventory, at cost	197,714	22,803	-	-	220,517
Due from other governments	-	21,864	657,285	321,777	1,000,926
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	548,977	-	-	-	548,977
Total current assets	\$ 8,206,679	\$ 7,271,047	\$ 4,179,917	\$ 326,702	\$ 19,984,345
Capital Assets:					
Land	\$ 701,345	\$ 114,880	\$ 283,770	\$ 782,125	\$ 1,882,120
Construction in progress	96,436	5,893,621	75,000	-	6,065,057
Dams and reservoirs	663,536	-	-	-	663,536
Buildings and systems	20,318,505	25,751,070	5,399,902	6,513,766	57,983,243
Furniture, machinery and equipment	335,115	2,324,886	2,530,955	208,330	5,399,286
Total property, plant and equipment	\$ 22,114,937	\$ 34,084,457	\$ 8,289,627	\$ 7,504,221	\$ 71,993,242
Less: Accumulated depreciation	(6,088,499)	(10,290,309)	(1,387,543)	(432,492)	(18,198,843)
Capital assets, net	\$ 16,026,438	\$ 23,794,148	\$ 6,902,084	\$ 7,071,729	\$ 53,794,399
Total assets	\$ 24,233,117	\$ 31,065,195	\$ 11,082,001	\$ 7,398,431	\$ 73,778,744
LIABILITIES AND NET ASSETS					
Liabilities:					
Current liabilities:					
Reconciled overdraft	\$ -	\$ -	\$ -	\$ 66,467	\$ 66,467
Accounts payable and accrued expenses	746,154	1,100,076	117,680	16,433	1,980,343
Accrued liabilities	29,815	283,156	18,157	-	331,128
Interest payable	7,904	209,348	-	-	217,252
Net OPEB obligation, current portion	33,479	56,768	34,934	2,911	128,092
Compensated absences, current portion	38,747	75,125	20,211	718	134,801
Deferred revenue	17,103	-	-	-	17,103
Revenue bonds payable, current portion	-	961,744	-	-	961,744
General obligation bonds payable, current portion	275,597	345,806	-	162,094	783,497
Current liabilities payable from restricted assets:					
Customer deposits	548,977	-	-	-	548,977
Total current liabilities	\$ 1,697,776	\$ 3,032,023	\$ 190,982	\$ 248,623	\$ 5,169,404
Noncurrent liabilities:					
Compensated absences, noncurrent portion	\$ 23,748	\$ 13,258	\$ 27,910	\$ 440	\$ 65,356
Revenue bonds payable, noncurrent portion	-	3,633,315	-	-	3,633,315
General obligation bonds payable, noncurrent portion	2,187,850	7,781,322	-	3,692,556	13,661,728
Total noncurrent liabilities	\$ 2,211,598	\$ 11,427,895	\$ 27,910	\$ 3,692,996	\$ 17,360,399
Total liabilities	\$ 3,909,374	\$ 14,459,918	\$ 218,892	\$ 3,941,619	\$ 22,529,803
Net assets:					
Invested in capital assets net of related debt	\$ 13,562,991	\$ 15,062,821	\$ 6,902,084	\$ 3,217,079	\$ 38,744,975
Unrestricted	6,760,752	1,542,456	3,961,025	239,733	12,503,966
Total net assets	\$ 20,323,743	\$ 16,605,277	\$ 10,863,109	\$ 3,456,812	\$ 51,248,941

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

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year Ended June 30, 2009

Business-Type Activities - Enterprise Funds

	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Operating revenues:					
Charges for services	\$ 2,180,347	\$ 3,457,792	\$ 159,741	\$ 130,281	\$ 5,928,161
Operating expenses:					
Personal services	\$ 362,985	\$ 856,018	\$ 2,002,398	\$ 87,419	\$ 3,308,820
Fringe benefits	194,380	435,513	439,978	25,225	1,095,096
Contractual services	1,412,474	1,205,255	347,227	15,479	2,980,435
Other operating expenses	216,808	506,164	656,864	56,019	1,435,855
Depreciation expense	431,828	938,201	446,991	144,164	1,961,184
Total operating expenses	\$ 2,618,475	\$ 3,941,151	\$ 3,893,458	\$ 328,306	\$ 10,781,390
Total operating income (loss)	\$ (438,128)	\$ (483,359)	\$ (3,733,717)	\$ (198,025)	\$ (4,853,229)
Nonoperating revenues (expenses):					
Interest income	\$ 49,206	\$ 138,627	\$ 43,894	\$ 43,894	\$ 275,621
Gasoline tax receipts	-	-	1,033,448	321,777	1,355,225
Availability/connection fees	497,032	868,749	-	-	1,365,781
Miscellaneous	149,315	20,249	175,282	-	344,846
State and local grant funds	-	-	1,984,071	-	1,984,071
Federal grant funds	-	-	1,559,865	-	1,559,865
Interest expense	(129,925)	(535,487)	-	(165,614)	(831,026)
Total nonoperating revenues (expenses)	\$ 565,628	\$ 492,138	\$ 4,796,560	\$ 200,057	\$ 6,054,383
Income (loss) before contributions and transfers	\$ 127,500	\$ 8,779	\$ 1,062,843	\$ 2,032	\$ 1,201,154
Transfers:					
Transfers out	\$ (421,963)	\$ (434,617)	\$ -	\$ -	\$ (856,580)
Change in net assets	\$ (294,463)	\$ (425,838)	\$ 1,062,843	\$ 2,032	\$ 344,574
Net assets, beginning of year	20,618,206	17,031,115	9,800,266	3,454,780	50,904,367
Net assets, end of year	\$ 20,323,743	\$ 16,605,277	\$ 10,863,109	\$ 3,456,812	\$ 51,248,941

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

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 2,283,848	\$ 3,684,111	\$ 912,699	\$ 125,554	\$ 7,006,212
Other miscellaneous receipts	149,315	20,249	1,208,730	321,777	1,700,071
Payments to suppliers	(1,762,866)	(1,023,022)	(1,031,615)	(72,316)	(3,889,819)
Payments to and for employees	(507,619)	(1,223,167)	(2,401,631)	(109,254)	(4,241,671)
Net cash provided by (used in) operating activities	\$ 162,678	\$ 1,458,171	\$ (1,311,817)	\$ 265,761	\$ 574,793
Cash flows from noncapital financing activities:					
Availability and connection fees	\$ 497,032	\$ 868,749	\$ -	\$ -	\$ 1,365,781
State, federal and local grant funds	-	-	3,543,936	-	3,543,936
Transfers	(421,963)	(434,617)	-	-	(856,580)
Net cash provided by (used in) noncapital financing activities	\$ 75,069	\$ 434,132	\$ 3,543,936	\$ -	\$ 4,053,137
Cash flows from investing activities:					
Interest income	\$ 49,206	\$ 138,627	\$ 43,894	\$ 43,894	\$ 275,621
Cash flows from capital and related financing activities:					
Purchase of capital assets	\$ (770,892)	\$ (4,864,456)	\$ (115,415)	\$ -	\$ (5,750,763)
Proceeds from issuance of refunding debt	1,489,164	-	-	-	1,489,164
Payment to refunded bonds escrow agent	(1,463,402)	-	-	-	(1,463,402)
Principal payment on debt	(278,724)	(1,235,669)	-	(156,163)	(1,670,556)
Interest paid on debt	(132,012)	(586,745)	-	(165,614)	(884,371)
Net cash provided by (used in) capital and related financing activities	\$ (1,155,866)	\$ (6,686,870)	\$ (115,415)	\$ (321,777)	\$ (8,279,928)
Increase (decrease) in cash and cash equivalents for the year	\$ (868,913)	\$ (4,655,940)	\$ 2,160,598	\$ (12,122)	\$ (3,376,377)
Cash and cash equivalents (including restricted), beginning of year	8,429,504	11,246,757	1,357,109	(54,345)	20,979,025
Cash and cash equivalents (including restricted), end of year	\$ 7,560,591	\$ 6,590,817	\$ 3,517,707	\$ (66,467)	\$ 17,602,648
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (438,128)	\$ (483,359)	\$ (3,733,717)	\$ (198,025)	\$ (4,853,229)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	431,828	938,201	446,991	144,164	1,961,184
Other miscellaneous receipts	149,315	20,249	1,208,730	321,777	1,700,071
Changes in assets and liabilities:					
Accounts receivable	104,759	188,155	-	-	292,914
Inventory	14,893	17,835	-	-	32,728
Accrued revenue	(13,397)	42,193	(3,577)	(4,925)	20,294
Prepaid expenses	35	35	2,500	-	2,570
Due from other governments	-	(21,864)	756,535	198	734,869
Accounts payable and accrued expenses	(96,884)	474,851	(27,404)	(818)	349,745
Accrued liabilities	(36,735)	213,511	(2,620)	-	174,156
Net OPEB obligation	33,479	56,768	34,934	2,911	128,092
Deferred revenue	(16,489)	-	-	-	(16,489)
Compensated absences	16,267	11,596	5,811	479	34,153
Deposits payable from restricted assets	13,735	-	-	-	13,735
Net cash provided by (used in) operating activities	\$ 162,678	\$ 1,458,171	\$ (1,311,817)	\$ 265,761	\$ 574,793

There were no non-cash investing and financing activities during the year.

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

Statement of Fiduciary Net Assets
At June 30, 2009

	Agency Funds	Private Purpose Trust Funds
Assets:		
Cash and cash equivalents	\$ 484,434	\$ 1,717,714
Accounts receivable	207,746	17,480
Prepaid items	16,323	-
Capital assets:		
Machinery and equipment, net of accumulated depreciation	-	29,129
Total assets	<u>\$ 708,503</u>	<u>\$ 1,764,323</u>
Liabilities:		
Accounts payable	\$ 25,672	\$ 5,661
Accrued liabilities	-	6,435
Amounts held for others	682,831	-
Total liabilities	<u>\$ 708,503</u>	<u>\$ 12,096</u>
Net Assets:		
Held in trust for land conservation (see Note 1)	<u>\$ -</u>	<u>\$ 1,752,227</u>

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

Statement of Changes in Fiduciary Net Assets
 Private Purpose Trust Fund
 Year Ended June 30, 2009

Additions:	
Contributions:	
Contributions	\$ 13,144
Investment income:	
Interest earned on investments	<u>78,283</u>
Total additions	<u>\$ 91,427</u>
Deductions:	
Payments for property management	<u>\$ 76,951</u>
Net increase in plan assets	\$ 14,476
Net assets held in trust for land conservation:	
Balance, beginning of year	<u>1,737,751</u>
Balance, end of year	<u><u>\$ 1,752,227</u></u>

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
 Component Units
 Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board				
Education	\$ 37,459,176	\$ 623,877	\$ 10,703,161	\$ -
Economic Development Authority				
Community development	74,492	362,625	-	-
Total component units	<u>\$ 37,533,668</u>	<u>\$ 986,502</u>	<u>\$ 10,703,161</u>	<u>\$ -</u>

General revenues

Payment from/(to) City of Fredericksburg
 Use of property
 Interest and investment earnings
 Miscellaneous

Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Exhibit 12

Net (Expense) Revenue and Changes in Net Assets		
School Board	Economic Development Authority	Totals
\$ (26,132,138)	\$ -	\$ (26,132,138)
<u>-</u>	<u>288,133</u>	<u>288,133</u>
\$ (26,132,138)	\$ 288,133	\$ (25,844,005)
\$ 26,237,944	\$ (41,386)	\$ 26,196,558
13,300	-	13,300
-	28,893	28,893
<u>89,109</u>	<u>-</u>	<u>89,109</u>
\$ 26,340,353	\$ (12,493)	\$ 26,327,860
\$ 208,215	\$ 275,640	\$ 483,855
<u>15,304,850</u>	<u>949,055</u>	<u>16,253,905</u>
<u>\$ 15,513,065</u>	<u>\$ 1,224,695</u>	<u>\$ 16,737,760</u>

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CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2009

Note 1—Summary of Significant Accounting Policies:

Narrative Profile

The City of Fredericksburg, Virginia (the “City”) was incorporated in 1782 and its current Charter was granted in 1942. The City operates under a Council/Manager form of government. The Council consists of a Mayor and six (6) council members. The Mayor and two (2) council members are elected at large and four (4) council members are elected by wards. The Council is responsible for appointing the City Manager. The City provides a full range of services as authorized by its Charter. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; cultural events; education; social services and water and sewer. The City is located in Northeastern Virginia and is bordered by the Counties of Spotsylvania and Stafford.

The financial statements of the City of Fredericksburg, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government’s accounting policies are described below.

A. Financial Reporting Entity

Management’s Discussion and Analysis: GASB Statement No. 34 requires that 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). This analysis is similar to analysis the private sector provides in their annual reports.

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 (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

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

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).

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

A. Financial Reporting Entity: (Continued)

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 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. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments provide budgetary comparison information in their annual reports. This information includes presenting the government's original budget as well as a comparison of final budget and actual results for its major funds.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. 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. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Inclusions in the Reporting Entity:

1. Component Units:

a. Fredericksburg City School Board:

The Fredericksburg City School Board is elected to four year terms by the City voters. The School Board may hold property and issue debt subject to approval by the City Council. However, the City is responsible for the repayment of the debt. The School Board provides public primary and secondary education services to the City residents. The primary funding sources of the School Board are state and federal grants, and appropriations from the City, which are significant since the School Board does not have separate taxing authority. The City also approves the School Board budget. The School Board does not issue separate financial statements.

b. Fredericksburg Economic Development Authority:

The Fredericksburg Economic Development Authority was created by council resolution pursuant to state statute and it is legally separate from the City. The Council appoints seven (7) board members; however, the City cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Authority is fiscally independent and there is no financial benefit or burden relationship with the City. However, the Authority performs economic development services exclusively to the City as an administrative entity for the City through the authorization of industrial development revenue bonds and recruitment of potential businesses for location in the City, and City Council must approve the issuance of all revenue bonds. However, the Authority does not provide specific benefits for other governments or others that are not part of the reporting entity. Accordingly, the Authority is reported as a discretely presented component unit of the City.

A copy of the Authority's financial statements may be obtained from the City of Fredericksburg, Virginia Department of Fiscal Affairs, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

a. Rappahannock Security Center

The Rappahannock Security Center is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Center provides adult detention services for its participant localities. The Counties of Spotsylvania, Stafford and King George and the City provide the financial support for the Center and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints three (3) of the nine (9) members of the Board. No one locality contributes more than 50% of the Center's funding. The City provided \$3,240,880 in operating and other funds to the Center in 2009.

b. Rappahannock Regional Library

The Rappahannock Regional Library is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Counties of Westmoreland, Stafford and Spotsylvania and the City provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints two (2) of the seven (7) members of the Board. No one locality contributes more than 50% of the Library's funding. The City provided \$1,298,682 in operating funds to the Library in 2009.

c. Rappahannock Regional Solid Waste Management Board

The Rappahannock Regional Solid Waste Management Board is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The County of Stafford and the City provide some financial support for the Board and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding. The Board provides solid waste disposal services to its participating localities through user fees based on each locality's amount of solid waste processed by the Board.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

d. Rappahannock Area Community Services Board

The Board was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Mayor appoints the three (3) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The Board provides Mental Health, Mental Retardation and Substance Abuse Services to residents of the participant localities. The City provided operating grants of \$218,905 to the Board in 2009.

e. Rappahannock Area Agency on Aging

The Agency was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Agency is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$9,273 in operating grants to the Agency in 2009.

f. George Washington Regional Commission

The Commission was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the four (4) commissioners; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioners. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$18,928 in operating grants to the Commission in 2009.

g. Rappahannock Juvenile Detention Center

The Center was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the only commissioner; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioner. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The Center provides juvenile detention services for its participant localities. The City provided operating funds of \$155,551 to the Center in 2009.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

h. Spotsylvania - Stafford - Fredericksburg - (Regional) Group Home

The Home was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City provided \$83,869 in operating funds to the Home in 2009.

i. Stafford Regional Airport Commission

The Commission was created by Council resolution pursuant to state statute and it is legally separate from the City. The Council appoints the only commissioner; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioner. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City provided \$28,000 in operating funds to the Commission in 2009.

Obtaining of Financial Statements for Jointly Governed Organizations

Complete financial statements of the jointly governed organizations may be obtained by contacting the City of Fredericksburg, Virginia Department of Fiscal Affairs, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

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

B. Government-Wide and Fund Financial Statements: (Continued)

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that 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. 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, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. If applicable, internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

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

The City's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in FY 2009.

1. Governmental Funds:

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

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

B. Government-Wide and Fund Financial Statements: (Continued)

1. Governmental Funds: (Continued)

- a. General Fund - The General Fund is the primary operating fund of the City and accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds:

Virginia Public Assistance Fund - This fund accounts for the operations of the City's Department of Social Services. Funding is primarily from state and federal grants and local match appropriations.

Regional Transportation Fund - This fund accounts for revenues and expenditures and other financing resources to fund the City's participation in the Virginia Railway Express (VRE) and other transportation related activities authorized by the City Council and the Potomac and Rappahannock Transportation Commission (PRTC).

State, Federal and Local Grants Fund - This fund accounts for revenues and expenditures of state, federal, and local grants which function on a reimbursement basis.

Central Park Special Tax District Fund - This fund accounts for the revenues, expenditures, and other financing resources of the Central Park Special Service District.

Fall Hill Special Tax District Fund - This fund accounts for revenues, expenditures, and other financing resources of the Fall Hill Special Service District.

Comprehensive Services Act Fund - This fund accounts for the Comprehensive Services Act grant funds which provides assistance primarily for foster care and related services and the prevention of foster care. Services provided include education, housing, health and food. Funding is primarily from state grants and local match appropriations.

Prisoner Extradition Fund - This fund accounts for revenues, expenditures, and other financing resources for prisoner extradition.

Economic Development Opportunity Fund - This fund accounts for the revenues, expenditures, and other financing resources for economic development.

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

B. Government-Wide and Fund Financial Statements: (Continued)

1. Governmental Funds: (Continued)

- c. Debt Service Funds - Debt Service Funds account for financial resources accumulated for the payment of general long-term debt principal and interest charges. The Debt Service Funds consist of the following:

General Obligation Bond Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of, general long-term obligation debt principal, interest, and related charges.

Education Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of, general long-term obligation debt principal, interest, and related charges for school debt.

- d. Capital Projects Funds - Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Capital Projects Funds include the following funds:

Public Works Construction Fund - This fund accounts for resources and expenditures for the construction of and reconstruction of City streets, sidewalks, and bridges. Primary revenues consist of investment earnings and transfers from the General Fund.

Public Facilities Construction Fund - This fund accounts for the construction, renovation, and improvements of the City's buildings and facilities. Financing is provided primarily by investment earnings and transfers from the General Fund.

Public Safety Construction Fund - This fund accounts for the police, fire department, and traffic control projects. Financing is provided primarily by investment earnings and transfers from the General Fund.

New High School Construction Fund - This fund accounts for resources and expenditures for the construction of a new high school. Primary funding sources are school bond proceeds and investment earnings.

New Court Construction Fund - This fund accounts for resources and expenditures for the construction of a new court complex. Financing is provided by transfers from the general fund.

2. Proprietary Funds:

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

Operating revenues and expenses are defined as those items that result from providing services, and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

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

B. Government-Wide and Fund Financial Statements: (Continued)

2. Proprietary Funds: (Continued)

Enterprise Funds - Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. The Enterprise Funds consist of the following:

Water Utility Fund - This fund accounts for income and expenses of the City-owned water utility.

Wastewater Utility Fund - This fund accounts for income and expenses of the City-owned wastewater utility.

Transit Fund - This fund accounts for income and expenses of the City-owned transit system.

Parking Fund - This fund accounts for income and expenses of the City-owned parking garage.

3. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds also utilize the accrual basis of accounting. Fiduciary Funds consist of the following:

Criminal Justice Academy - This fund accounts for the payroll related expenditures of the Regional Criminal Justice Training Academy.

Special Welfare - This fund accounts for the principal and income of the Special Welfare bequests and contributions.

Court Service Unit - This fund accounts for the revenue and expenditures of the Court Service Unit.

CASA Program - This fund accounts for the revenue and expenditures of the Rappahannock Area Court-Appointed Special Advocate Program.

Rappahannock Area Youth Commission - This fund accounts for revenue and expenditures for the Rappahannock Area Youth Commission delinquency prevention program.

Revenue Maximization Fund - This fund accounts for revenue and expenditures of the Revenue Maximization Program.

Forfeited Asset Sharing Program - This fund accounts for revenue and expenditures of the Forfeited Asset Sharing Program.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

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

B. Government-Wide and Fund Financial Statements: (Continued)

3. Fiduciary Funds (Trust and Agency Funds): (Continued)

Community Development Authority - This fund accounts for the real estate tax collections made on behalf of the Community Development Authority.

Private Purpose Trust Fund - This fund accounts for increases and decreases in net assets held for land conservation.

4. Component Units:

a. Fredericksburg City School Board:

The Discretely Presented Component Unit-School Board is used to account for the school related activities and to emphasize that they are legally separate from the primary government. School Board Funds consist of the following:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the City of Fredericksburg and state and federal grants.

Special School Fund - This fund accounts for the revenues, expenditures, and other financial resources of the school regional programs, school cafeteria and state and federal programs. Revenues are derived primarily from charges for services and state and federal grants.

School Capital Projects Fund - This fund accounts for school construction and related expenditures of the public school system. Funding is primarily from state grants and appropriations from the City of Fredericksburg.

b. Economic Development Authority:

The Economic Development Authority operates on an enterprise fund basis where revenues and expenses are recognized on the accrual basis of accounting as more fully described in Note 1, B. 2.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

C. Basis of Accounting: (Continued)

The government-wide Statements of Net Assets and Statements of Activities, all Proprietary Funds, and Private Purpose Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statements of Net Assets, Statements of Activities, financial statements of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects Funds (for the primary government and component unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least fifteen days prior to the end of each fiscal year.

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). An appropriation ordinance must be adopted by the City Council prior to June 30, or as soon thereafter as practicable.

Annual budgets, prepared on a basis consistent with generally accepted accounting principles, are approved by the City Council for all Governmental Funds except for the Central Park Special Tax District Fund and the Fall Hill Special Tax District Fund. All appropriations lapse at year-end; however, the unexpended funds may be reappropriated in the following fiscal year.

All operating budgets included proposed expenditures and the means of financing them. City Council must approve all budget revisions once the appropriation ordinance has been adopted. Budgets are approved and may not exceed appropriations at the department level. Budgeted amounts as presented in the financial statements reflect budget revisions through June 30, 2009. Budgetary and appropriation control is maintained at the department level. Encumbrances outstanding at year-end are reappropriated in the following fiscal year.

There were no additional appropriations that would have a material effect on the financial statements at June 30, 2009.

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

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed on a monthly basis by the City because it is, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control. Open encumbrances as of June 30, 2009, have been reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents

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

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

Investments are stated at fair value.

G. Allowance for Uncollectible Accounts

The City determines its allowances using historical collection data, specific account analysis and management's judgment. At June 30, 2009, the allowance totaled \$659,140 with \$345,294 in the General Fund and \$313,846 in the Enterprise Funds.

H. Inventory

Inventory consists of expendable supplies which are valued at cost using the consumption method.

I. Prepaid Expenses

Prepaid expenses are reported on the consumption method.

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and component unit School Board, and as assets in the government-wide financial statements to the extent the City's and School Board's capitalization threshold of \$5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	20 to 40 years
Furniture and other equipment	5 to 20 years
Infrastructure	20 to 50 years

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

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

J. Capital Assets: (Continued)

To the extent the City’s capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the following estimated useful lives:

Buildings	10 to 50 years
Equipment	4 to 10 years
Water and wastewater systems	30 to 50 years

All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. The City and School Board do not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

The interest cost on construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2009.

K. Compensated Absences

The City and School Board accrue compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 20-year period. The City’s policy is to fund pension cost as it accrues.

N. Unbilled Revenue

The City bills service charges to customers on a bi-monthly basis. Service charges earned but unbilled are accrued based on the last billing and reported in the financial statements as billed receivables and revenues.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

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

O. Bond Premium

Bond premiums are amortized over the life of the respective bond issues using the effective interest method. Amortization expense for fiscal year ended June 30, 2009 was \$117,412 and \$16,084 for the governmental and business-type activities, respectively.

P. Long-term Obligations

The City reports long-term debt at face value. The face value of the debt is believed to approximate fair value.

Note 2—Deposits and Investments:

Deposits - All cash of the primary government and its discretely presented component units is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

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).

Custodial Credit Risk (Investments) - The City’s investments at June 30, 2009 were held by the City or in the City’s name by the City’s custodial banks; except \$18,717,727 of U.S. Agency investments, and \$6,101,445 of Corporate Debt investments, where the underlying securities were uninsured and held by an investment broker.

Credit Risk of Debt Securities

The City’s investment policies authorize the City to invest in U.S. Government Obligations, Commercial Paper with a rating of at least A-1 by at least two of the following: Moody’s Investor’s Service, Standard and Poor’s and Fitch Investor’s Service; Corporate Debt with a minimum Aa long term debt rating by Moody’s Investors Service and a minimum of AA long term debt rating by Standard and Poor’s; State Pool; and mutual funds with a rating of AAm or better by Standard and Poor’s or an equivalent rating by other rating agencies.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities: (Continued)

The City's rated debt investments as of June 30, 2009 were rated by Standard and Poor's or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAA	AAAm	AA+	A+	A
U.S. Agencies	\$ 18,717,727	\$ -	\$ -	\$ -	\$ -
Corporate Debt	4,340,052	-	522,247	741,834	497,312
Virginia State Non-Arbitrage Program	-	2,338	-	-	-
Money Market Mutual Fund	-	28,535,018	-	-	-
Total	\$ 23,057,779	\$ 28,537,356	\$ 522,247	\$ 741,834	\$ 497,312

Interest Rate Risk

The City's investment policies authorize the City to invest in Commercial Paper with a maturity no greater than two hundred-seventy (270) days, Corporate Debt with a maturity no greater than five (5) years at the time of purchase, and U.S. Government Obligations with a maximum maturity of five (5) years at the time of purchase.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
U.S. Agencies	\$ 18,717,727	\$ 5,639,164	\$ 13,078,563
Corporate Debt	6,101,445	497,312	5,604,133
Total	\$ 24,819,172	\$ 6,136,476	\$ 18,682,696

External Investment Pool

The State Non-Arbitrage Pool (SNAP) is an open-end management investment company registered with the Securities and Exchange Commission.

The fair value of the positions in the external investment pool (State Non-Arbitrage Pool) are the same as the value of the pool shares.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 3—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	May 15/November 15 (50% each date)	May 15/November 15 (50% each date)
Lien Date	May 16/November 16	May 16/November 16

Note 4—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2009 consist of the following:

Primary Government:

	<u>Governmental Activities</u>				<u>Business- Type Activities</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>	
Property taxes	\$ 1,034,700	\$ 5,439	\$ -	\$ 1,040,139	\$ -
Circuit court	110,663	-	-	110,663	-
Water charges	-	-	-	-	543,524
Wastewater charges	-	-	-	-	797,507
EMS fees	67,628	-	-	67,628	-
Refuse disposal fees	99,081	-	-	99,081	-
Investment earnings	-	-	59,577	59,577	21,308
Other	66,522	16,505	15,305	98,332	45,294
Total	\$ 1,378,594	\$ 21,944	\$ 74,882	\$ 1,475,420	\$ 1,407,633
Allowance for uncollectibles	(345,294)	-	-	(345,294)	(313,846)
Net receivables	<u>\$ 1,033,300</u>	<u>\$ 21,944</u>	<u>\$ 74,882</u>	<u>\$ 1,130,126</u>	<u>\$ 1,093,787</u>

Component Units and Fiduciary Activities:

	<u>School Board</u>	<u>Fiduciary Activities</u>
Other	\$ 43,800	\$ 225,226
Total	\$ 43,800	\$ 225,226
Allowance for uncollectibles	-	-
Net receivables	<u>\$ 43,800</u>	<u>\$ 225,226</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 5—Due From Other Governmental Units:

	Governmental Activities				Business- Type Activities	Component Unit School Board
	General	Special Revenue	Capital Projects	Total		
Primary Government:						
Commonwealth of Virginia:						
Local sales taxes	\$ 1,660,617	\$ -	\$ -	\$ 1,660,617	\$ -	-
Telecommunication sales tax	140,830	-	-	140,830	-	-
PPTRA	676,647	-	-	676,647	-	-
Comprehensive Services Act	-	298,719	-	298,719	-	-
Shared expenses and grants	183,077	-	-	183,077	-	-
Virginia Department of Rail and Public Transportation	-	-	-	-	25,093	-
Virginia Department of Criminal Justice	-	10,624	-	10,624	-	-
Virginia Department of Motor Vehicles	2,644	1,727	8,676	13,047	-	-
Virginia Information Technology Agency	31,706	-	-	31,706	-	-
Recordation taxes	37,733	-	-	37,733	-	-
Virginia Department of Health	10,444	-	-	10,444	-	-
Noncategorical aid	38,567	-	-	38,567	-	-
Social services grants	-	367,884	-	367,884	-	-
Federal government:						
Community Development Block Grant	-	22,832	-	22,832	-	-
Transit grants	-	-	-	-	92,993	-
Criminal justice grants	-	60,873	-	60,873	-	-
Historic resources	-	-	43,387	43,387	-	-
Others:						
Potomac and Rappahannock Transportation Commission	-	39,258	393,875	433,133	727,315	-
Local government reimbursements:						
County of Spotsylvania	-	-	-	-	155,525	-
Component Unit School Board:						
Commonwealth of Virginia:						
State sales taxes	-	-	-	-	-	402,126
State school funds	-	-	-	-	-	40,546
Federal pass-through:						
School funds	-	-	-	-	-	851,747
Federal government:						
Head Start	-	-	-	-	-	253,354
Total	\$ 2,782,265	\$ 801,917	\$ 445,938	\$ 4,030,120	\$ 1,000,926	\$ 1,547,773

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 6—Interfund Balances and Activity:

Primary Government:

Balances due to/from other funds at June 30, 2009:

There were no interfund obligations in the primary government.

Transfers To/From Other Funds:

Transfers to the Virginia Public Assistance Fund for the local share of social services program costs	\$ 933,022
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	451,915
Transfer to the Comprehensive Services Act Fund for the local share of the program costs	769,427
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	2,613,980
Transfers to the Education Debt Service Fund to pay school debt service and related costs	3,536,705
Transfers to the Public Works Construction Fund to fund infrastructure and related capital projects	66,280
Transfers to the Public Facilities Construction Fund to fund building improvements and related costs	332,057
Transfers to the New Court Construction Fund to fund new court complex capital costs	138,327
Transfers to the General Fund for various programs	<u>1,291,607</u>
Total transfers	<u>\$ 10,133,320</u>
Reconciliation of transfers:	
Transfers in from governmental funds	\$ 9,276,740
Transfers from enterprise funds to governmental funds	<u>856,580</u>
Total transfers	<u>\$ 10,133,320</u>

Component Unit School Board:

There were no interfund obligations in the component unit School Board.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 7—Capital Assets:

The following is a summary of the changes in capital assets for the year:

Primary Government:

	<u>Restated Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 16,850,627	\$ 1,253,781	\$ 923,100	\$ 17,181,308
Construction in progress:				
Infrastructure	\$ 69,294	\$ 227,907	\$ 227,637	\$ 69,564
Land improvements	298,488	444,164	309,345	433,307
Buildings	318,640	617,501	143,327	792,814
Total construction in progress	\$ 686,422	\$ 1,289,572	\$ 680,309	\$ 1,295,685
Total capital assets not being depreciated	\$ 17,537,049	\$ 2,543,353	\$ 1,603,409	\$ 18,476,993
Other capital assets:				
Land improvements	\$ 8,849,265	\$ 317,037	\$ -	\$ 9,166,302
Buildings	28,461,670	173,344	-	28,635,014
Joint tenancy assets	45,005,000	-	1,140,000	43,865,000
Infrastructure	70,857,150	653,237	6,279	71,504,108
Machinery, equipment and vehicles	13,932,319	999,417	1,479,343	13,452,393
Total other capital assets	\$ 167,105,404	\$ 2,143,035	\$ 2,625,622	\$ 166,622,817
Accumulated depreciation:				
Land improvements	\$ 647,927	\$ 313,713	\$ -	\$ 961,640
Buildings	7,320,032	868,227	-	8,188,259
Joint tenancy assets	1,436,602	1,096,625	105,028	2,428,199
Infrastructure	20,713,203	2,853,212	6,279	23,560,136
Machinery, equipment and vehicles	7,302,110	1,194,419	1,479,343	7,017,186
Total accumulated depreciation	\$ 37,419,874	\$ 6,326,196	\$ 1,590,650	\$ 42,155,420
Other capital assets, net	\$ 129,685,530	\$ (4,183,161)	\$ 1,034,972	\$ 124,467,397
Net capital assets	<u>\$ 147,222,579</u>	<u>\$ (1,639,808)</u>	<u>\$ 2,638,381</u>	<u>\$ 142,944,390</u>
Depreciation is allocated to:				
General government administration		\$ 158,969		
Judicial administration		153,558		
Public safety		1,222,083		
Health and welfare		78,896		
Education		1,096,625		
Public works		3,089,755		
Parks and recreation		520,847		
Community development		5,463		
Total		<u>\$ 6,326,196</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 7—Capital Assets: (Continued)

Business-Type Activities:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 1,838,920	\$ 43,200	\$ -	\$ 1,882,120
Construction in progress	<u>3,124,697</u>	<u>4,954,747</u>	<u>2,014,387</u>	<u>6,065,057</u>
Total capital assets not being depreciated	<u>\$ 4,963,617</u>	<u>\$ 4,997,947</u>	<u>\$ 2,014,387</u>	<u>\$ 7,947,177</u>
Other capital assets:				
Buildings and systems	\$ 55,784,542	\$ 2,198,701	\$ -	\$ 57,983,243
Dams and reservoirs	663,536	-	-	663,536
Furniture, machinery and equipment	<u>5,230,146</u>	<u>568,502</u>	<u>399,362</u>	<u>5,399,286</u>
Total other capital assets	<u>\$ 61,678,224</u>	<u>\$ 2,767,203</u>	<u>\$ 399,362</u>	<u>\$ 64,046,065</u>
Accumulated depreciation:				
Buildings and systems	\$ 14,386,759	\$ 1,438,896	\$ -	\$ 15,825,655
Dams and reservoirs	63,234	13,271	-	76,505
Furniture, machinery and equipment	<u>2,187,028</u>	<u>509,017</u>	<u>399,362</u>	<u>2,296,683</u>
Total accumulated depreciation	<u>\$ 16,637,021</u>	<u>\$ 1,961,184</u>	<u>\$ 399,362</u>	<u>\$ 18,198,843</u>
Other capital assets, net	<u>\$ 45,041,203</u>	<u>\$ 806,019</u>	<u>\$ -</u>	<u>\$ 45,847,222</u>
Net capital assets	<u>\$ 50,004,820</u>	<u>\$ 5,803,966</u>	<u>\$ 2,014,387</u>	<u>\$ 53,794,399</u>
Depreciation is allocated to:				
Water operations		\$ 431,828		
Wastewater operations		938,201		
Parking garage operations		144,164		
Transit operations		<u>446,991</u>		
Total		<u>\$ 1,961,184</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 7—Capital Assets: (Continued)

Component Unit School Board:

	<u>Balance July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 472,679	\$ -	\$ -	\$ 472,679
Total capital assets not being depreciated	<u>\$ 472,679</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 472,679</u>
Other capital assets:				
Land improvements	\$ 123,253	\$ -	\$ -	\$ 123,253
Buildings	20,065,027	1,193,457	-	21,258,484
Machinery, equipment and vehicles	<u>2,626,193</u>	<u>338,569</u>	<u>209,067</u>	<u>2,755,695</u>
Total other capital assets	<u>\$ 22,814,473</u>	<u>\$ 1,532,026</u>	<u>\$ 209,067</u>	<u>\$ 24,137,432</u>
Accumulated depreciation:				
Land improvements	\$ 36,759	\$ 6,163	\$ -	\$ 42,922
Buildings	7,649,832	677,541	-	8,327,373
Machinery, equipment and vehicles	<u>1,644,839</u>	<u>251,639</u>	<u>209,067</u>	<u>1,687,411</u>
Total accumulated depreciation	<u>\$ 9,331,430</u>	<u>\$ 935,343</u>	<u>\$ 209,067</u>	<u>\$ 10,057,706</u>
Other capital assets, net	<u>\$ 13,483,043</u>	<u>\$ 596,683</u>	<u>\$ -</u>	<u>\$ 14,079,726</u>
Net capital assets	<u>\$ 13,955,722</u>	<u>\$ 596,683</u>	<u>\$ -</u>	<u>\$ 14,552,405</u>
Depreciation allocated to education		<u>\$ 935,343</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 8—Deferred Revenue:

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

	<u>Government-wide Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Deferred property tax revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	\$ 883,760	\$ -
Other	65,019	17,103
Total deferred revenue	<u>\$ 948,779</u>	<u>\$ 17,103</u>
	<u>Balance Sheet</u>	
	<u>Governmental Funds</u>	
Deferred property tax revenue:		
Deferred revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ 557,815	
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	883,760	
Other	65,019	
Total deferred revenue	<u>\$ 1,506,594</u>	

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2009 is as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Current</u> <u>Portion</u>
Primary Government:					
General long-term obligations payable from governmental activities:					
General obligation bonds	\$ 19,449,302	\$ 2,672,836	\$ 4,636,986	\$ 17,485,152	\$ 1,826,695
General obligation school bonds	45,005,000	-	1,140,000	43,865,000	1,200,000
Add: Unamortized bond premium	1,533,989	-	117,412	1,416,577	114,728
Landfill postclosure costs	886,614	-	66,008	820,606	36,211
Compensated absences	2,749,780	1,882,387	1,704,864	2,927,303	1,814,928
Net OPEB obligation payable	<u>-</u>	<u>1,878,615</u>	<u>498,707</u>	<u>1,379,908</u>	<u>1,379,908</u>
Total	<u>\$ 69,624,685</u>	<u>\$ 6,433,838</u>	<u>\$ 8,163,977</u>	<u>\$ 67,894,546</u>	<u>\$ 6,372,470</u>
Long-term obligations payable from business activities:					
General obligation bonds	\$ 14,945,845	\$ 1,489,164	\$ 2,188,014	\$ 14,246,995	\$ 766,305
Add: Unamortized bond premium	214,314	-	16,084	198,230	17,192
Virginia Resources Authority revenue bonds	5,524,919	-	929,860	4,595,059	961,744
Compensated absences	166,004	146,275	112,122	200,157	134,801
Net OPEB obligation payable	<u>-</u>	<u>174,385</u>	<u>46,293</u>	<u>128,092</u>	<u>128,092</u>
Total	<u>\$ 20,851,082</u>	<u>\$ 1,809,824</u>	<u>\$ 3,292,373</u>	<u>\$ 19,368,533</u>	<u>\$ 2,008,134</u>
Total primary government	<u>\$ 90,475,767</u>	<u>\$ 8,243,662</u>	<u>\$ 11,456,350</u>	<u>\$ 87,263,079</u>	<u>\$ 8,380,604</u>
Component Unit School Board:					
Long-term obligations payable from component unit school board activities:					
Compensated absences	\$ 926,564	\$ 497,118	\$ 481,813	\$ 941,869	\$ 489,772
Net OPEB obligation payable	<u>-</u>	<u>606,000</u>	<u>255,000</u>	<u>351,000</u>	<u>351,000</u>
Total component unit school board	<u>\$ 926,564</u>	<u>\$ 1,103,118</u>	<u>\$ 736,813</u>	<u>\$ 1,292,869</u>	<u>\$ 840,772</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9—Long-term Obligations: (Continued)

The schedule below shows principal and interest requirements through maturity for all outstanding debt at June 30, 2009:

Year Ending June 30	General Obligation Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 3,793,000	\$ 3,441,566	\$ 961,744	148,126
2011	3,922,000	3,273,943	994,721	115,149
2012	3,627,000	3,116,135	1,028,829	81,041
2013	3,456,000	2,965,001	1,064,107	45,763
2014	3,530,000	2,813,916	545,658	9,276
2015	3,644,000	2,657,987	-	-
2016	3,282,000	2,505,989	-	-
2017	3,425,000	2,358,909	-	-
2018	3,573,000	2,204,743	-	-
2019	3,215,000	2,041,660	-	-
2020	3,360,000	1,883,349	-	-
2021	3,520,000	1,714,626	-	-
2022	3,685,000	1,537,437	-	-
2023	3,645,000	1,356,542	-	-
2024	3,835,000	1,171,560	-	-
2025	4,025,000	976,673	-	-
2026	4,230,000	774,881	-	-
2027	3,615,000	584,884	-	-
2028	3,795,000	404,006	-	-
2029	3,130,000	235,468	-	-
2030	3,290,147	79,783	-	-
	<u>\$ 75,597,147</u>	<u>\$ 38,099,058</u>	<u>\$ 4,595,059</u>	<u>\$ 399,355</u>

The above schedule does not include premiums.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9—Long-term Obligations: (Continued)

At June 30, 2009, the City's long-term obligations consisted of the following:

	<u>Issued</u>	<u>Due Date</u>	<u>Rate(s)</u>	<u>Amount Outstanding</u>	<u>Current Portion</u>
Primary Government:					
General obligation bonds:					
2001A General Obligation Refunding Bonds	2001	2022	4.5-6.5%	\$ 7,410,147	\$ 1,375,000
2004A General Obligation School Bonds	2004	2030	4.85-5.1%	43,865,000	1,200,000
2005B General Obligation Bonds	2005	2026	4.0-4.5%	9,750,000	410,000
2007E General Obligation Bonds	2008	2028	3.5-5.0%	10,410,000	365,000
2009A General Obligation Refunding Bonds	2009	2018	3.0%	4,162,000	443,000
Total general obligation bonds				<u>\$ 75,597,147</u>	<u>\$ 3,793,000</u>
Revenue bonds:					
Virginia Resources Authority Wastewater Bonds	1992	2014	3.40%	\$ 4,595,059	\$ 961,744
Unamortized bond premium:					
2004A General Obligation School Bonds				\$ 1,357,366	\$ 109,593
2007E General Obligation Bonds				257,441	22,327
Total unamortized bond premium				<u>\$ 1,614,807</u>	<u>\$ 131,920</u>
Compensated absences				\$ 3,127,460	\$ 1,949,729
Net OPEB obligation payable				\$ 1,508,000	\$ 1,508,000
Landfill postclose costs				\$ 820,606	\$ 36,211
Total primary government				<u>\$ 87,263,079</u>	<u>\$ 8,380,604</u>
Component Unit School Board:					
Compensated absences				\$ 941,869	\$ 489,772
Net OPEB obligation payable				\$ 351,000	\$ 351,000
Total component unit school board				<u>\$ 1,292,869</u>	<u>\$ 840,772</u>

The City's general long-term obligations are guaranteed by the full faith and credit of the City. The Virginia Resources Authority Bonds are guaranteed by the Wastewater enterprise fund revenue.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant bond covenants.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 9—Long-term Obligations: (Continued)

Conduit debt. There are several industrial development revenue bonds outstanding issued through the Economic Development Authority of Fredericksburg. Outstanding obligations at June 30, 2009 totaled approximately \$283,743,682. The City has no responsibility for the repayment of these debt obligations.

Federal Arbitrage Regulations:

The City is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

Note 10—Compensated Absences:

In accordance with GASB Statement 16, Accounting and Reporting Principles for Claims, Judgments and Compensated Absences, the City and School Board record liabilities for accrued vacation pay and other compensated absences. The following describes the City and School Board policies.

Full-time permanent employees of the City and administrative employees of the School Board are granted vacation benefits in varying amounts to specified maximums depending on tenure.

Sick leave is accrued for each permanent full-time employee of the City and administrative employees of the School Board at the rate of one day for each month of employment in the calendar year.

	<u>Balance July 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2009</u>	<u>Current Portion</u>
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 2,749,780	\$ 1,882,387	\$ 1,704,864	\$ 2,927,303	\$ 1,814,928
Business-type activities	<u>166,004</u>	<u>146,275</u>	<u>112,122</u>	<u>200,157</u>	<u>134,801</u>
Total primary government	\$ 2,915,784	\$ 2,028,662	\$ 1,816,986	\$ 3,127,460	\$ 1,949,729
Component Unit School Board	<u>926,564</u>	<u>497,118</u>	<u>481,813</u>	<u>941,869</u>	<u>489,772</u>
Total	<u>\$ 3,842,348</u>	<u>\$ 2,525,780</u>	<u>\$ 2,298,799</u>	<u>\$ 4,069,329</u>	<u>\$ 2,439,501</u>

The General Fund is used to liquidate compensated absences for the City's governmental activities and the School Fund is used to liquidate the School Board compensated absences. The enterprise funds are used to liquidate the compensated absences arising from those operations.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 11—Defined Benefit Pension Plan:

The City and School Board participate in the Virginia Retirement System defined benefit pension plan.

A. Plan Description

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

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.70% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs and if the employer elects, for other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5.00% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2008AnnuRept.pdf> or obtained by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their annual salary to the VRS. This 5.00% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's and School's non-professional employee contribution rates for the fiscal year ended 2009 were 9.41% and 4.35% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,613,182, \$1,823,414 and \$1,584,603, to the teacher cost-sharing pool for the fiscal years ended June 30, 2009, 2008 and 2007, respectively, and these contributions represented 8.81%, 10.30% and 9.20%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2009, the City's annual pension cost of \$1,970,443 was equal to the City's required and actual contributions.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 11—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

For fiscal year 2009, the City School Board’s annual pension cost for the Board’s non-professional employees was \$50,196 which was equal to the Board’s required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City:			
June 30, 2009	\$ 1,970,443	100%	\$ -
June 30, 2008	1,867,735	100%	-
June 30, 2007	1,698,893	100%	-
School Board Non-Professional:			
June 30, 2009	\$ 50,196	100%	\$ -
June 30, 2008	73,012	100%	-
June 30, 2007	68,719	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City’s and the School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City’s and the School Board’s unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

D. Funded Status and Funding Progress

As of June 30, 2008, the most recent actuarial valuation date, the City’s plan was 88.50% funded. The actuarial accrued liability for benefits was \$81,824,935, and the actuarial value of assets was \$72,412,423, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,412,513. The covered payroll (annual payroll of active employees covered by the plan) was \$21,014,941, and ratio of the UAAL to the covered payroll was 44.79%.

As of June 30, 2008, the most recent actuarial valuation date, the City School Board’s plan was 106.03% funded. The actuarial accrued liability for benefits was \$2,486,223, and the actuarial value of assets was \$2,636,220, resulting in an unfunded actuarial accrued liability (UAAL) of (\$149,996). The covered payroll (annual payroll of active employees covered by the plan) was \$1,127,948, and ratio of the UAAL to the covered payroll was (13.30%).

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 12—Deferred Compensation Plan:

The City and School Board offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and School employees, permits them to defer the payment of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred, including the investments and earnings thereon, vest with the employee and are not subject to the claims of the City's general creditors.

Note 13—Commitments and Contingencies:

State and Federal Programs

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

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.

Environmental Matters

The City has been named as a potentially responsible party for a portion of the cost of possible remediation of the site of the old City gas plant. The plant was sold in 1959 and has since been sold by the purchaser to another party. In August 1995, a settlement was reached between the City and the current owner which relieved both parties from past actions, and did not involve compensation to either party. However, the agreement did hold open the possibility that either party could pursue future claims against the other if third parties should seek further investigation or remediation of the site.

Counsel believes that it could face material potential liability for this site in the foreseeable future due to the continuing evolution of state and federal laws and policies regarding the remediation of Superfund sites and the liability of third parties.

Construction Commitments

At June 30, 2009 the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$8,100,000 at June 30, 2009.

The School Board had no significant construction or related commitments outstanding at June 30, 2009.

Note 14—Litigation:

The City has also been named as defendant in matters involving law enforcement actions and alleged personal injuries suffered from falls on City sidewalks. It is not known what liability if any, the City faces.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 15—Landfill Postclosure Costs:

The City closed the Cool Springs Landfill in 1988 and is subject to postclosure monitoring. The estimated postclosure care cost for the next twenty-one years is \$820,606 and has been recorded as a long-term liability at June 30, 2009. These amounts are based on what it would cost to perform all postclosure care based on 2009 costs. These costs may change depending on the result of monitoring activities and future laws and regulations governing landfill monitoring.

A summary of the changes in this liability is as follows:

Balance at July 1, 2008	\$	886,614
Decrease in estimate		<u>(66,008)</u>
Balance at June 30, 2009	\$	<u><u>820,606</u></u>

The City demonstrated financial assurance requirements for closure and postclosure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 16—Surety Bonds:

	<u>Amount</u>
Commonwealth of Virginia, Division of Risk Management:	
Public Officials and Law Enforcement, Excess General Liability/Legal Liability	\$ 1,000,000
City Employees - Blanket Bond	300,000
G.M. Haney, Treasurer - Blanket Bond Cash and Securities	750,000
Department of Social Services -Blanket Bond	400,000
Department of Social Services - Public Officials, General Liability	1,000,000
Faithful Performance of Duty Bond:	
Treasurer (Does not include loss of City funds)	500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	3,000,000
Sheriff	30,000
Fredericksburg City School Board:	
Clerk of the School Board	10,000
Deputy Clerk of the School Board	10,000

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 17—Self Insurance/Risk Management:

The City and School Board administer employee health and unemployment insurance programs. These insurance activities are accounted for in the General and School funds.

There were no reductions in insurance coverages from the prior year, and there were no settlements in excess of insurance coverages for the last three years.

Employee Health Insurance

The City and School Board have contracted with a private carrier to administer this activity. The City and School Board expenditures reflect premium payments to the private carrier. The premium payments are based on the number insured and benefits. The City School Board changed its policy from a self-insured plan to a fully insured plan during fiscal year 1997.

The insurance carrier informed the City of the estimated benefits incurred but not reported. The City has designated fund balance in the General Fund for these estimated benefits incurred but not reported. In addition, the City has reserved additional funds to cover the expected maximum stop-loss liability that would be incurred, as detailed in the following:

City General Fund		
Estimated claims incurred but not reported		\$ 366,806
Estimated maximum stop-loss liability based on premium cost and experience rate		<u>493,194</u>
 Total funds designated		 <u>\$ 860,000</u>

The change in aggregate liabilities for the past three fiscal years is as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims and Payments</u>	<u>End of Fiscal Year Liability</u>
2007	\$ 252,780	\$ 2,341,019	\$ 2,318,502	\$ 275,297
2008	275,297	2,957,448	2,934,484	298,261
2009	298,261	2,974,484	2,905,939	366,806

Unemployment Insurance

The City and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the City and School Board for all unemployment claims. The liability for billed but unpaid claims has been accrued in the respective City and School Board funds. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

Note 17—Self Insurance/Risk Management: (Continued)

Property and Casualty Insurance

The City and School Board contract with private insurance carriers to provide coverages for property damage, employee crime and dishonesty, and general liability. The property coverages are for specific amounts based on values assigned to the insured properties. Liability coverages range from \$1,000,000 to \$10,000,000 depending on the type of coverage.

The City and School Board also contract with the Virginia Municipal League Pool and the School Systems of Virginia Self Insurance Pool, respectively, for its workers compensation coverages. In the event of a loss deficit and depletion of all assets and available insurance of a pool, members may be assessed in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 18—Other Post-Employment Benefits Program:

City:

A. Plan Description:

In addition to the pension benefits described in Note 11, the City provides post-retirement health care insurance benefits for employees who are eligible for retirement benefits. Individuals employed before July 1, 1996, and who retire from City service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and complete 10 years of service at the City will receive 100% of their health insurance premium until age 65 when they become eligible for Medicare, at which time the City will provide 100% supplemental insurance benefits. Individuals employed on or after July 1, 1996, and who retire from City service with full VRS benefits (i.e. 50 years of age and 30 years of continuous service) and complete 15 years of service at the City, will receive \$4.00 per month per year of service (up to a maximum of 30 years of service) towards the individual's cost of coverage. Disabled individuals must complete 5 years of service and be eligible for both VRS and Social Security disability to be eligible for these benefits.

B. Funding Policy:

The City establishes employer contribution rates for plan participants as part of the budgetary process each year. The City also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again this is determined annually as part of the budgetary process. For participating retirees hired before July 1, 1996 the City pays 100% of the monthly premium. For participating retirees hired on or after July 1, 1996 the City pays \$4.00 per month towards the monthly premium and the retiree contributes remaining funds towards the monthly premium. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses can stay in the plan, but must pay the entire premium.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 18—Other Post-Employment Benefits Program: (Continued)

City: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation:

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 2,053,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>\$ 2,053,000</u>
Contributions made	<u>545,000</u>
Increase in net OPEB obligation	\$ 1,508,000
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	<u><u>\$ 1,508,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 2,053,000	27%	\$ 1,508,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2008 is as follows:

Actuarial accrued liability (AAL)	\$ 24,752,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	24,752,000
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	21,014,941
UAAL as a percentage of covered payroll	117.78%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 18—Other Post-Employment Benefits Program: (Continued)

City: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Actuarial Methods and Assumptions

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

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

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

In the July 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.50% initially, reduced by decrements to an ultimate rate of 7.10% after ten years. Both rates included a 3.20% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2008, was thirty years.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	3.00%

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 18—Other Post-Employment Benefits Program: (Continued)

School Board:

A. Plan Description:

The School Board provides post-retirement health care insurance benefits for employees who are eligible. The plan is administered by the School Board. Retired employees, who were employed by Fredericksburg Public Schools with at least 26 years of service, who have attained the age of 55, and who retire under the VRS plan are eligible to receive a subsidy from the post-retirement medical plan. The plan has no separate financial report.

B. Funding Policy:

The School Board establishes employer contribution rates for plan participants as part of the budgetary process each year. The School Board also determines how the plan will be funded each year, whether it will partially fund the plan or fully fund the plan. Again, this is determined annually as part of the budgetary process. For participating retirees the School Board pays 75% of the premium for retirees with 26-29 years of service at the School Board and 100% of the premium for retirees with 30 or more years of service. For retirees with 26-29 years of service the retiree contributes remaining funds towards the monthly premium. Retirees pay 100% of spousal premiums. Coverage ceases when retirees reach the age of 65. Surviving spouses can stay in the plan but must pay the full premium.

C. Annual OPEB Cost and Net OPEB Obligation:

The School Board's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School Board's net OPEB obligation:

Annual required contribution	\$	606,000
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB cost (expense)	\$	606,000
Contributions made		255,000
Increase in net OPEB obligation	\$	351,000
Net OPEB obligation-beginning of year		-
Net OPEB obligation-end of year	\$	351,000

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 18—Other Post-Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

The School Board’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 606,000	42%	\$ 351,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2008 is as follows:

Actuarial accrued liability (AAL)	\$ 5,244,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	5,244,000
Funded ratio (actuarial value of plan assets / AAL)	-
Covered payroll (active plan members)	18,267,204
UAAL as a percentage of covered payroll	28.71%

Actuarial Methods and Assumptions

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

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 18—Other Post-Employment Benefits Program: (Continued)

School Board: (Continued)

C. Annual OPEB Cost and Net OPEB Obligation: (Continued)

Cost Method

The projected unit credit (PUC) cost method was used for this valuation. The objective of this method is to fund each participant's benefits under the plan as they would accrue. Under this method the total value of the benefit to which each participant is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Interest Assumptions

In the July 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.50% initially, reduced by decrements to an ultimate rate of 7.10% after ten years. Both rates included a 3.20% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2008, was thirty years.

	<u>Unfunded</u>
Discount rate	4.00%
Payroll growth	3.00%

Note 19—Restatement of Beginning Net Assets:

	<u>Governmental Activities</u>
Beginning net assets, as previously reported	\$ 108,389,503
Restatement of Land	<u>1,274,010</u>
Beginning net assets, as restated	<u>\$ 109,663,513</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2009

Note 20—Debt Refunding:

The City of Fredericksburg, Virginia issued \$4,162,000 in General Obligation Bonds, Series 2009, with an effective interest rate of 3.0%. The Series 2009 bonds were issued to refund \$4,090,000 of General Obligation Bonds, Series 1998. The 2009 bonds will be repaid in various installments beginning June 1, 2010 to 2018. As a result, the 1998 bonds maturing annually on June 1, 2010 to 2018 are considered to be defeased in substance and the liability for those bonds had been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$23,609. The advance refunding was undertaken to reduce the total debt service payments over the next 9 years by \$260,995 and resulted in an economic gain of \$234,915. At June 30, 2009 the defeased bonds had balances outstanding of \$4,090,000.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

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

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Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 22,402,500	\$ 22,402,500	\$ 22,426,947	\$ 24,447
Public service corporations	482,500	482,500	600,815	118,315
Personal property	5,460,800	5,460,800	5,424,219	(36,581)
Mobile homes	2,000	2,000	707	(1,293)
Machinery and tools	60,250	60,250	77,947	17,697
Penalties	180,000	180,000	196,805	16,805
Interest	40,000	40,000	89,788	49,788
Total general property taxes	\$ 28,628,050	\$ 28,628,050	\$ 28,817,228	\$ 189,178
Other local taxes:				
Local sales and use taxes	\$ 10,800,000	\$ 10,800,000	\$ 10,032,438	\$ (767,562)
Communication sales tax	1,950,000	1,950,000	1,897,210	(52,790)
Utility taxes	1,500,000	1,500,000	1,517,109	17,109
Business licenses and rental tax	5,422,000	5,422,000	5,847,174	425,174
Motor vehicle licenses	310,100	310,100	377,547	67,447
Bank stock taxes	450,000	450,000	469,094	19,094
Recordation taxes	700,000	700,000	460,085	(239,915)
Tobacco tax	600,000	600,000	530,216	(69,784)
Amusement tax	180,000	180,000	335,918	155,918
Hotel/lodging taxes	1,100,000	1,100,000	1,050,586	(49,414)
Meals taxes	7,100,000	7,100,000	7,080,021	(19,979)
Gasoline taxes	-	-	470	470
Other	90,000	90,000	84,300	(5,700)
Total other local taxes	\$ 30,202,100	\$ 30,202,100	\$ 29,682,168	\$ (519,932)
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 750,200	\$ 750,200	\$ 707,892	\$ (42,308)
Animal licenses	7,000	7,000	9,457	2,457
Total permits, privilege fees and licenses	\$ 757,200	\$ 757,200	\$ 717,349	\$ (39,851)
Fines and forfeitures	\$ 293,000	\$ 293,000	\$ 394,353	\$ 101,353
Revenue from use of money and property:				
Revenue from use of money	\$ 500,000	\$ 500,000	\$ 397,194	\$ (102,806)
Revenue from use of property	102,500	102,500	61,689	(40,811)
Total revenue from use of money and property	\$ 602,500	\$ 602,500	\$ 458,883	\$ (143,617)
Charges for services:				
Court costs	\$ 114,000	\$ 114,000	\$ 89,662	\$ (24,338)
Commonwealth's attorney	2,000	2,000	2,783	783
Sanitation and waste removal	725,500	725,500	727,253	1,753
Parks and recreation	609,000	609,000	518,630	(90,370)
Planning and community development	800	800	1,685	885
Fire and rescue services	1,031,250	1,031,250	651,257	(379,993)
Courthouse maintenance	-	-	13,765	13,765
Administrative charges	45,000	85,000	93,045	8,045
Total charges for services	\$ 2,527,550	\$ 2,567,550	\$ 2,098,080	\$ (469,470)

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Payments in-lieu of taxes	\$ 21,515	\$ 21,515	\$ 23,424	\$ 1,909
Souvenir sales	21,500	21,500	18,123	(3,377)
Donations - fire department	-	95,140	95,139	(1)
Donations - parks and recreation	-	-	20,534	20,534
Other	64,900	189,300	74,644	(114,656)
Total miscellaneous revenue	\$ 107,915	\$ 327,455	\$ 231,864	\$ (95,591)
Recovered costs:				
Health department	\$ 188,500	\$ 188,500	\$ 248,901	\$ 60,401
Social services	154,000	154,000	125,953	(28,047)
Transit	178,938	178,938	175,781	(3,157)
Other	114,400	119,400	125,424	6,024
Total recovered costs	\$ 635,838	\$ 640,838	\$ 676,059	\$ 35,221
Total revenue from local sources	\$ 63,754,153	\$ 64,018,693	\$ 63,075,984	\$ (942,709)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Grantors tax	\$ 132,125	\$ 132,125	\$ 134,942	\$ 2,817
Motor vehicle rental tax	95,000	95,000	95,344	344
Personal property relief	1,725,000	1,725,000	1,728,833	3,833
Other	9,219	9,219	8,577	(642)
Total noncategorical aid	\$ 1,961,344	\$ 1,961,344	\$ 1,967,696	\$ 6,352
Categorical aid - shared expenses:				
Commonwealth's attorney	\$ 600,627	\$ 600,627	\$ 555,453	\$ (45,174)
Sheriff	515,012	515,012	428,249	(86,763)
Commissioner of revenue	150,118	150,118	155,169	5,051
Treasurer	125,308	125,308	122,031	(3,277)
Medical examiner	400	400	-	(400)
Registrar	49,512	49,512	46,732	(2,780)
Clerk of the circuit court	255,002	255,002	280,704	25,702
Total categorical aid - shared expenses	\$ 1,695,979	\$ 1,695,979	\$ 1,588,338	\$ (107,641)
Categorical aid - other:				
Street and highway maintenance	\$ 2,150,000	\$ 2,150,000	\$ 2,182,155	\$ 32,155
VDOT debt service reimbursement	437,332	437,332	437,332	-
Law enforcement assistance	889,465	889,465	852,213	(37,252)
Wireless E-911 grants	200,000	200,000	198,684	(1,316)
Other	12,500	33,821	40,168	6,347
Total categorical aid - other	\$ 3,689,297	\$ 3,710,618	\$ 3,710,552	\$ (66)
Total revenue from the Commonwealth	\$ 7,346,620	\$ 7,367,941	\$ 7,266,586	\$ (101,355)

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Payment in-lieu of taxes	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
State fiscal stabilization fund (SFSF)	-	-	94,172	94,172
Emergency services	-	-	10,680	10,680
Public assistance - cost allocation	48,000	48,000	49,387	1,387
Total revenue from the Federal Government	\$ 49,000	\$ 49,000	\$ 154,239	\$ 105,239
Total revenues	\$ 71,149,773	\$ 71,435,634	\$ 70,496,809	\$ (938,825)
Expenditures				
General government administration:				
Legislative:				
City council	\$ 223,109	\$ 223,109	\$ 200,251	\$ 22,858
Clerk of council	93,726	93,726	93,442	284
Total legislative	\$ 316,835	\$ 316,835	\$ 293,693	\$ 23,142
General and financial administration:				
City manager	\$ 714,298	\$ 704,298	\$ 658,599	\$ 45,699
Insurance program	581,000	891,905	891,903	2
Human resources	340,623	340,623	270,400	70,223
Independent auditor	75,475	82,475	81,476	999
Commissioner of the revenue	901,751	901,751	845,974	55,777
Board of real estate assessors	167,000	167,000	154,289	12,711
Treasurer	755,259	788,259	708,211	80,048
Fiscal affairs	557,102	560,022	555,000	5,022
Information systems	447,539	477,019	410,723	66,296
Copying and postage	32,350	32,350	17,416	14,934
Legal services	341,812	341,812	303,050	38,762
Total general and financial administration	\$ 4,914,209	\$ 5,287,514	\$ 4,897,041	\$ 390,473
Board of elections:				
Registrar and electoral board	\$ 206,070	\$ 211,530	\$ 211,530	\$ -
Total general government administration	\$ 5,437,114	\$ 5,815,879	\$ 5,402,264	\$ 413,615
Judicial administration:				
Courts:				
Circuit court	\$ 84,455	\$ 90,255	\$ 90,075	\$ 180
General district court	38,600	38,600	21,930	16,670
Special magistrates	9,500	11,500	10,868	632
Juvenile and domestic relations court	22,280	22,280	18,091	4,189
Clerk of the circuit court	682,448	682,448	636,199	46,249
Sheriff	1,310,790	1,310,790	1,285,360	25,430
JDR services	38,857	38,857	38,857	-
Juries	30,000	30,000	27,000	3,000
Court appointed attorney	20,000	18,000	10,378	7,622
Total courts	\$ 2,236,930	\$ 2,242,730	\$ 2,138,758	\$ 103,972

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Judicial administration: (continued)				
Commonwealth attorney:				
Commonwealth attorney	\$ 1,196,823	\$ 1,196,823	\$ 1,096,826	\$ 99,997
Total judicial administration	\$ 3,433,753	\$ 3,439,553	\$ 3,235,584	\$ 203,969
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 7,186,564	\$ 7,201,564	\$ 7,186,886	\$ 14,678
Auxiliary police	20,000	20,000	6,986	13,014
Total law enforcement and traffic control	\$ 7,206,564	\$ 7,221,564	\$ 7,193,872	\$ 27,692
Fire and rescue:				
Fire department	\$ 4,092,137	\$ 4,186,277	\$ 4,088,351	\$ 97,926
Volunteer fire department	10,000	10,000	10,000	-
Rescue services	296,119	317,440	317,440	-
Emergency medical services	827,742	827,742	689,361	138,381
Hazardous materials	18,400	19,400	18,725	675
E-911 communications	974,114	964,114	862,416	101,698
Total fire and rescue	\$ 6,218,512	\$ 6,324,973	\$ 5,986,293	\$ 338,680
Correction and detention:				
Juvenile detention center	\$ 344,225	\$ 344,225	\$ 155,551	\$ 188,674
Rappahannock security center	3,318,330	3,318,330	3,240,880	77,450
Total correction and detention	\$ 3,662,555	\$ 3,662,555	\$ 3,396,431	\$ 266,124
Inspections:				
Code compliance	\$ 987,656	\$ 987,656	\$ 938,523	\$ 49,133
Other protection:				
Animal control	\$ 94,908	\$ 94,908	\$ 87,684	\$ 7,224
Medical examiner	1,200	1,200	380	820
Total other protection	\$ 96,108	\$ 96,108	\$ 88,064	\$ 8,044
Total public safety	\$ 18,171,395	\$ 18,292,856	\$ 17,603,183	\$ 689,673
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 726,173	\$ 726,173	\$ 672,196	\$ 53,977
Street maintenance	1,069,483	1,004,983	894,629	110,354
Drainage	349,779	334,779	246,866	87,913
Street lights	290,000	377,200	377,200	-
Industrial park rail spur	15,500	15,500	-	15,500
Traffic engineering	243,136	293,716	284,335	9,381
Shop and garage	1,220,664	1,250,664	1,233,901	16,763
Graphics	107,659	111,188	81,318	29,870
Total maintenance of streets, highways, bridges and sidewalks	\$ 4,022,394	\$ 4,114,203	\$ 3,790,445	\$ 323,758

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 748,976	\$ 716,776	\$ 632,454	\$ 84,322
Tree purchase program	30,000	30,000	26,794	3,206
Refuse collection	702,223	689,423	643,868	45,555
Refuse disposal	65,575	95,115	95,110	5
Recycling collection	120,959	245,359	115,667	129,692
Total sanitation and waste removal	<u>\$ 1,667,733</u>	<u>\$ 1,776,673</u>	<u>\$ 1,513,893</u>	<u>\$ 262,780</u>
Maintenance of buildings and grounds:				
General properties	\$ 1,693,248	\$ 1,668,013	\$ 1,623,448	\$ 44,565
Environmental management system	5,400	5,400	3,453	1,947
Buildings and grounds - special	282,846	286,895	274,856	12,039
Total maintenance of buildings and grounds	<u>\$ 1,981,494</u>	<u>\$ 1,960,308</u>	<u>\$ 1,901,757</u>	<u>\$ 58,551</u>
Total public works	<u>\$ 7,671,621</u>	<u>\$ 7,851,184</u>	<u>\$ 7,206,095</u>	<u>\$ 645,089</u>
Health and welfare:				
Health:				
Supplement to local health department	\$ 474,000	\$ 474,000	\$ 474,000	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 218,905	\$ 218,905	\$ 218,905	\$ -
Social services:				
Other contributions	\$ 525,048	\$ 525,048	\$ 524,048	\$ 1,000
Total health and welfare	<u>\$ 1,217,953</u>	<u>\$ 1,217,953</u>	<u>\$ 1,216,953</u>	<u>\$ 1,000</u>
Education:				
Community colleges	\$ 6,769	\$ 6,769	\$ 6,769	\$ -
Appropriations to public school system	25,296,071	25,196,071	25,196,071	-
Total education	<u>\$ 25,302,840</u>	<u>\$ 25,202,840</u>	<u>\$ 25,202,840</u>	<u>\$ -</u>
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 568,453	\$ 568,453	\$ 535,895	\$ 32,558
Supervision	830,206	831,776	671,685	160,091
Maintenance	1,054,258	1,057,562	910,958	146,604
Dixon Park swimming pool	155,633	155,633	140,679	14,954
Total parks and recreation	<u>\$ 2,608,550</u>	<u>\$ 2,613,424</u>	<u>\$ 2,259,217</u>	<u>\$ 354,207</u>
Library:				
Regional library	\$ 1,298,682	\$ 1,298,682	\$ 1,298,682	\$ -
Cultural:				
Museums	\$ 130,000	\$ 130,000	\$ 130,000	\$ -
Other cultural	17,500	2,500	2,500	-
Total cultural	<u>\$ 147,500</u>	<u>\$ 132,500</u>	<u>\$ 132,500</u>	<u>\$ -</u>
Total parks, recreation and cultural	<u>\$ 4,054,732</u>	<u>\$ 4,044,606</u>	<u>\$ 3,690,399</u>	<u>\$ 354,207</u>

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Community Development:				
Planning and community development:				
Planning	\$ 463,898	\$ 488,898	\$ 449,959	\$ 38,939
Building appeals board	1,800	1,800	410	1,390
Community development	86,702	86,702	85,928	774
Architectural review board	4,000	4,000	3,565	435
Economic development and tourism	1,116,586	1,119,182	963,186	155,996
Total planning and community development	<u>\$ 1,672,986</u>	<u>\$ 1,700,582</u>	<u>\$ 1,503,048</u>	<u>\$ 197,534</u>
Environmental management:				
Soil and water conservation district	\$ 11,000	\$ 11,000	\$ 11,000	\$ -
Total community development	<u>\$ 1,683,986</u>	<u>\$ 1,711,582</u>	<u>\$ 1,514,048</u>	<u>\$ 197,534</u>
Total expenditures	<u>\$ 66,973,394</u>	<u>\$ 67,576,453</u>	<u>\$ 65,071,366</u>	<u>\$ 2,505,087</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 4,176,379</u>	<u>\$ 3,859,181</u>	<u>\$ 5,425,443</u>	<u>\$ 1,566,262</u>
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	\$ 5,500	\$ 5,500	\$ 76,293	\$ 70,793
Transfers in	1,291,607	1,291,607	1,291,607	-
Transfers out	<u>(9,112,817)</u>	<u>(8,700,108)</u>	<u>(8,654,513)</u>	<u>45,595</u>
Total other financing sources (uses)	<u>\$ (7,815,710)</u>	<u>\$ (7,403,001)</u>	<u>\$ (7,286,613)</u>	<u>\$ 116,388</u>
Net change in fund balance	<u>\$ (3,639,331)</u>	<u>\$ (3,543,820)</u>	<u>\$ (1,861,170)</u>	<u>\$ 1,682,650</u>
Fund balance, beginning of year	<u>3,639,331</u>	<u>3,543,820</u>	<u>17,975,842</u>	<u>14,432,022</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,114,672</u>	<u>\$ 16,114,672</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Pension Funding Progress

Virginia Retirement System
City:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2008	\$ 72,412,423	\$ 81,824,935	\$ 9,412,513	88.50%	\$ 21,014,941	44.79%
June 30, 2007	65,088,068	74,578,490	9,490,422	87.27%	19,973,252	47.52%
June 30, 2006	57,680,905	64,334,840	6,653,935	89.66%	17,133,104	38.84%

School Board Non-Professional:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2008	\$ 2,636,220	\$ 2,486,223	\$(149,996)	106.03%	1,127,948	(13.30%)
June 30, 2007	2,286,350	2,149,067	(137,283)	106.39%	1,010,384	(13.59%)
June 30, 2006	1,970,050	1,823,798	(146,252)	108.02%	934,473	(15.65%)

Other Post-Employment Benefits
City:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (1) (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 24,752,000	\$ 24,752,000	0.00%	\$ 21,014,941	117.78%

School Board:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (1) (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 5,244,000	\$ 5,244,000	0.00%	\$ 18,267,204	28.71%

(1) This information was not included in the actuarial valuation it was obtained from other sources.

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OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
 Nonmajor Governmental Funds
 At June 30, 2009

ASSETS	Special Revenue	Capital Projects	Total
Assets:			
Cash and cash equivalents	\$ 2,974,955	\$ 10,050,042	\$ 13,024,997
Receivables:			
Property taxes	5,439	-	5,439
Accrued revenue	16,505	74,882	91,387
Prepays	-	807,603	807,603
Due from other governments	801,917	445,938	1,247,855
Total assets	<u>\$ 3,798,816</u>	<u>\$ 11,378,465</u>	<u>\$ 15,177,281</u>
LIABILITIES AND EQUITY			
Liabilities:			
Reconciled overdraft	\$ 221,321	\$ -	\$ 221,321
Accounts payable	180,423	450,437	630,860
Accrued liabilities	97,292	108,210	205,502
Deferred revenue	1,547	-	1,547
Total liabilities	<u>\$ 500,583</u>	<u>\$ 558,647</u>	<u>\$ 1,059,230</u>
Equity:			
Fund Balance:			
Reserved:			
Encumbrances	\$ 42,312	\$ 382,314	\$ 424,626
Prepays	-	807,603	807,603
Unreserved:			
Designated for:			
Subsequent year's expenditures	1,161,259	-	1,161,259
Capital projects	-	9,629,901	9,629,901
Unreserved/undesignated	2,094,662	-	2,094,662
Total equity	<u>\$ 3,298,233</u>	<u>\$ 10,819,818</u>	<u>\$ 14,118,051</u>
Total liabilities and equity	<u>\$ 3,798,816</u>	<u>\$ 11,378,465</u>	<u>\$ 15,177,281</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues				
General property taxes	\$ 593,106	\$ -	\$ -	\$ 593,106
Other local taxes	39,258	410,221	-	449,479
Fines and forfeitures	-	71,860	-	71,860
Use of money and property	1,181	892,745	-	893,926
Miscellaneous	161,046	-	-	161,046
Recovered costs	442,555	246,144	-	688,699
Intergovernmental:				
Revenue from the Commonwealth	2,626,377	43,387	-	2,669,764
Revenue from the Federal Government	2,602,705	-	-	2,602,705
Total revenues	<u>\$ 6,466,228</u>	<u>\$ 1,664,357</u>	<u>\$ -</u>	<u>\$ 8,130,585</u>
Expenditures				
Current:				
Judicial administration	\$ 88,899	\$ -	\$ -	\$ 88,899
Public safety	617,046	-	-	617,046
Health and welfare	5,759,117	-	-	5,759,117
Parks, recreation and cultural	400,018	-	-	400,018
Community development	866,156	-	-	866,156
Capital projects	-	3,456,377	-	3,456,377
Debt service:				
Principal payments	-	-	3,126,779	3,126,779
Interest and fiscal charges	-	-	3,046,535	3,046,535
Total expenditures	<u>\$ 7,731,236</u>	<u>\$ 3,456,377</u>	<u>\$ 6,173,314</u>	<u>\$ 17,360,927</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,265,008)</u>	<u>\$ (1,792,020)</u>	<u>\$ (6,173,314)</u>	<u>\$ (9,230,342)</u>
Other financing sources (uses)				
Issuance of refunding bonds	\$ -	\$ -	\$ 2,672,836	\$ 2,672,836
Payment to refunded bonds escrow agent	-	-	(2,650,207)	(2,650,207)
Transfers in	2,154,364	536,664	6,150,685	8,841,713
Transfers out	<u>(622,227)</u>	<u>-</u>	<u>-</u>	<u>(622,227)</u>
Total other financing sources (uses)	<u>\$ 1,532,137</u>	<u>\$ 536,664</u>	<u>\$ 6,173,314</u>	<u>\$ 8,242,115</u>
Net change in fund balance	\$ 267,129	\$ (1,255,356)	\$ -	\$ (988,227)
Fund balance, beginning of year	<u>3,031,104</u>	<u>12,075,174</u>	<u>-</u>	<u>15,106,278</u>
Fund balance, end of year	<u>\$ 3,298,233</u>	<u>\$ 10,819,818</u>	<u>\$ -</u>	<u>\$ 14,118,051</u>

CITY OF FREDERICKSBURG, VIRGINIA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2009

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Regional Transportation Fund	Compre- hensive Services Act Fund
ASSETS				
Assets:				
Cash and cash equivalents	\$ -	\$ 834,139	\$ -	\$ 3,441
Receivables:				
Property taxes	-	-	-	-
Accrued revenue	9,437	5,294	1,560	-
Due from other governments	367,884	96,056	39,258	298,719
Total assets	\$ <u>377,321</u>	\$ <u>935,489</u>	\$ <u>40,818</u>	\$ <u>302,160</u>
LIABILITIES AND EQUITY				
Liabilities:				
Reconciled overdraft	\$ 214,002	\$ -	\$ 7,319	\$ -
Accounts payable	19,827	58,114	1,647	100,796
Accrued liabilities	63,969	31,564	-	1,759
Deferred revenue	-	-	-	-
Total liabilities	\$ <u>297,798</u>	\$ <u>89,678</u>	\$ <u>8,966</u>	\$ <u>102,555</u>
Equity:				
Fund Balance:				
Reserved:				
Encumbrances	\$ -	\$ 40,812	\$ 1,500	\$ -
Unreserved:				
Designated for:				
Subsequent year's expenditures	79,523	804,999	30,352	199,605
Unreserved/undesignated	-	-	-	-
Total equity	\$ <u>79,523</u>	\$ <u>845,811</u>	\$ <u>31,852</u>	\$ <u>199,605</u>
Total liabilities and equity	\$ <u>377,321</u>	\$ <u>935,489</u>	\$ <u>40,818</u>	\$ <u>302,160</u>

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Prisoner Extradition Fund	Economic Development Opportunity Fund	Total
\$ 1,549,967	\$ 540,803	\$ 6,843	\$ 39,762	\$ 2,974,955
3,765	1,674	-	-	5,439
-	-	214	-	16,505
-	-	-	-	801,917
<u>\$ 1,553,732</u>	<u>\$ 542,477</u>	<u>\$ 7,057</u>	<u>\$ 39,762</u>	<u>\$ 3,798,816</u>
\$ -	\$ -	\$ -	\$ -	\$ 221,321
-	-	39	-	180,423
-	-	-	-	97,292
<u>1,071</u>	<u>476</u>	<u>-</u>	<u>-</u>	<u>1,547</u>
<u>\$ 1,071</u>	<u>\$ 476</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ 500,583</u>
\$ -	\$ -	\$ -	\$ -	\$ 42,312
-	-	7,018	39,762	1,161,259
<u>1,552,661</u>	<u>542,001</u>	<u>-</u>	<u>-</u>	<u>2,094,662</u>
<u>\$ 1,552,661</u>	<u>\$ 542,001</u>	<u>\$ 7,018</u>	<u>\$ 39,762</u>	<u>\$ 3,298,233</u>
<u>\$ 1,553,732</u>	<u>\$ 542,477</u>	<u>\$ 7,057</u>	<u>\$ 39,762</u>	<u>\$ 3,798,816</u>

CITY OF FREDERICKSBURG, VIRGINIA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year Ended June 30, 2009

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Regional Transportation Fund	Compre- hensive Services Act Fund
Revenues				
General property taxes	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	39,258	-
Use of money and property	-	1,181	-	-
Miscellaneous	-	161,046	-	-
Recovered costs	130,446	302,208	6,240	-
Intergovernmental:				
Revenue from the Commonwealth	1,329,002	259,453	-	697,605
Revenue from the Federal Government	2,106,218	496,487	-	-
Total revenues	\$ 3,565,666	\$ 1,220,375	\$ 45,498	\$ 697,605
Expenditures				
Current:				
Judicial administration	\$ -	\$ 88,899	\$ -	\$ -
Public safety	-	613,487	-	-
Health and welfare	4,422,705	-	-	1,336,412
Parks, recreation and cultural	-	400,018	-	-
Community Development	-	813,299	45,498	-
Total expenditures	\$ 4,422,705	\$ 1,915,703	\$ 45,498	\$ 1,336,412
Excess (deficiency) of revenues over expenditures	\$ (857,039)	\$ (695,328)	\$ -	\$ (638,807)
Other financing sources (uses)				
Transfers in	\$ 933,022	\$ 451,915	\$ -	\$ 769,427
Transfers out	-	-	-	(130,620)
Total other financing sources (uses)	\$ 933,022	\$ 451,915	\$ -	\$ 638,807
Net change in fund balance	\$ 75,983	\$ (243,413)	\$ -	\$ -
Fund balance, beginning of year	3,540	1,089,224	31,852	199,605
Fund balance, end of year	\$ 79,523	\$ 845,811	\$ 31,852	\$ 199,605

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Prisoner Extradition Fund	Economic Development Opportunity Fund	Total
\$ 408,155	\$ 184,951	\$ -	\$ -	\$ 593,106
-	-	-	-	39,258
-	-	-	-	1,181
-	-	-	-	161,046
-	-	3,661	-	442,555
340,317	-	-	-	2,626,377
-	-	-	-	2,602,705
<u>\$ 748,472</u>	<u>\$ 184,951</u>	<u>\$ 3,661</u>	<u>\$ -</u>	<u>\$ 6,466,228</u>
\$ -	\$ -	\$ -	\$ -	\$ 88,899
-	-	3,559	-	617,046
-	-	-	-	5,759,117
-	-	-	-	400,018
-	-	-	7,359	866,156
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,559</u>	<u>\$ 7,359</u>	<u>\$ 7,731,236</u>
<u>\$ 748,472</u>	<u>\$ 184,951</u>	<u>\$ 102</u>	<u>\$ (7,359)</u>	<u>\$ (1,265,008)</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,154,364
(191,607)	(300,000)	-	-	(622,227)
<u>\$ (191,607)</u>	<u>\$ (300,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,532,137</u>
\$ 556,865	\$ (115,049)	\$ 102	\$ (7,359)	\$ 267,129
995,796	657,050	6,916	47,121	3,031,104
<u>\$ 1,552,661</u>	<u>\$ 542,001</u>	<u>\$ 7,018</u>	<u>\$ 39,762</u>	<u>\$ 3,298,233</u>

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Combining Balance Sheet
 Nonmajor Capital Projects Funds
 At June 30, 2009

	Public Works Construction Fund	Public Facilities Construction Fund	New High School Construction Fund	Public Safety Construction Fund	New Court Construction Fund	Total
ASSETS						
Assets:						
Cash and cash equivalents	\$ 3,353,875	\$ 4,462,769	\$ 280,819	\$ 1,922,091	\$ 30,488	\$ 10,050,042
Accrued revenue	34,969	20,214	-	19,699	-	74,882
Prepays	-	-	-	807,603	-	807,603
Due from other governments	327,551	118,387	-	-	-	445,938
Total assets	\$ 3,716,395	\$ 4,601,370	\$ 280,819	\$ 2,749,393	\$ 30,488	\$ 11,378,465
LIABILITIES AND EQUITY						
Liabilities:						
Accounts payable	\$ 57,245	\$ 355,690	\$ -	\$ 7,015	\$ 30,487	\$ 450,437
Accrued liabilities	101,843	6,367	-	-	-	108,210
Total liabilities	\$ 159,088	\$ 362,057	\$ -	\$ 7,015	\$ 30,487	\$ 558,647
Equity:						
Fund Balance:						
Reserved:						
Encumbrances	\$ -	\$ 288,657	\$ -	\$ 93,657	\$ -	\$ 382,314
Prepays	-	-	-	807,603	-	807,603
Unreserved:						
Designated for:						
Capital projects	3,557,307	3,950,656	280,819	1,841,118	1	9,629,901
Total equity	\$ 3,557,307	\$ 4,239,313	\$ 280,819	\$ 2,742,378	\$ 1	\$ 10,819,818
Total liabilities and equity	\$ 3,716,395	\$ 4,601,370	\$ 280,819	\$ 2,749,393	\$ 30,488	\$ 11,378,465

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2009

	Public Works Construction Fund	Public Facilities Construction Fund	New High School Construction Fund	Public Safety Construction Fund	New Court Construction Fund	Total
Revenues						
Other local taxes	\$ 335,221	\$ 75,000	\$ -	\$ -	\$ -	\$ 410,221
Fines and forfeitures	71,860	-	-	-	-	71,860
Use of money and property	299,085	323,917	506	269,237	-	892,745
Recovered costs	205,544	40,600	-	-	-	246,144
Intergovernmental:						
Revenue from the Commonwealth	-	43,387	-	-	-	43,387
Total revenues	\$ 911,710	\$ 482,904	\$ 506	\$ 269,237	\$ -	\$ 1,664,357
Expenditures						
Capital projects	\$ 1,638,190	\$ 1,086,316	\$ 6,902	\$ 586,643	\$ 138,326	\$ 3,456,377
Excess (deficiency) of revenues over expenditures	\$ (726,480)	\$ (603,412)	\$ (6,396)	\$ (317,406)	\$ (138,326)	\$ (1,792,020)
Other financing sources (uses)						
Transfers in	\$ 66,280	\$ 332,057	\$ -	\$ -	\$ 138,327	\$ 536,664
Net change in fund balance	\$ (660,200)	\$ (271,355)	\$ (6,396)	\$ (317,406)	\$ 1	\$ (1,255,356)
Fund balance, beginning of year	4,217,507	4,510,668	287,215	3,059,784	-	12,075,174
Fund balance, end of year	\$ 3,557,307	\$ 4,239,313	\$ 280,819	\$ 2,742,378	\$ 1	\$ 10,819,818

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 Year Ended June 30, 2009

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Expenditures			
Debt service:			
Principal	\$ 1,853,965	\$ 1,272,814	\$ 3,126,779
Interest and fiscal charges	782,644	2,263,891	3,046,535
Total expenditures	\$ 2,636,609	\$ 3,536,705	\$ 6,173,314
Excess (deficiency) of revenues over expenditures	\$ (2,636,609)	\$ (3,536,705)	\$ (6,173,314)
Other financing sources (uses)			
Issuance of refunding bonds	\$ 2,672,836	\$ -	\$ 2,672,836
Payment to refunded bonds escrow agent	(2,650,207)	-	(2,650,207)
Transfers in	2,613,980	3,536,705	6,150,685
Total other financing sources (uses)	\$ 2,636,609	\$ 3,536,705	\$ 6,173,314
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Combining Statement of Fiduciary Net Assets
At June 30, 2009

	<u>Criminal Justice Academy</u>	<u>Special Welfare</u>	<u>Court Service Unit</u>	<u>CASA Program</u>	<u>Rappahannock Area Youth Commission</u>
ASSETS					
Assets:					
Cash and cash equivalents	\$ 7,740	\$ 28,011	\$ 194,232	\$ 178,329	\$ 11,474
Accounts receivable	-	195	50,127	13,680	143,744
Prepaid items	-	-	5,488	656	10,179
Total assets	<u>\$ 7,740</u>	<u>\$ 28,206</u>	<u>\$ 249,847</u>	<u>\$ 192,665</u>	<u>\$ 165,397</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 7,740	-	\$ 8,299	\$ 1,121	\$ 8,512
Amounts held for others	-	28,206	241,548	191,544	156,885
Total liabilities	<u>\$ 7,740</u>	<u>\$ 28,206</u>	<u>\$ 249,847</u>	<u>\$ 192,665</u>	<u>\$ 165,397</u>
Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Exhibit 22

<u>Revenue Maximization Fund</u>	<u>Forfeited Asset Sharing Program Fund</u>	<u>Community Development Authority</u>	<u>Total</u>
\$ 20,451	\$ 44,110	\$ 87	\$ 484,434
-	-	-	207,746
-	-	-	16,323
\$ 20,451	\$ 44,110	\$ 87	\$ 708,503
\$ -	\$ -	\$ -	\$ 25,672
20,451	44,110	87	682,831
\$ 20,451	\$ 44,110	\$ 87	\$ 708,503
\$ -	\$ -	\$ -	\$ -

AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
CRIMINAL JUSTICE ACADEMY				
Assets:				
Cash and cash equivalents	\$ 7,443	\$ 885,732	\$ 885,435	\$ 7,740
Liabilities:				
Accounts payable	\$ 7,443	\$ 885,732	\$ 885,435	\$ 7,740
SPECIAL WELFARE				
Assets:				
Cash and cash equivalents	\$ 25,132	\$ 23,995	\$ 21,116	\$ 28,011
Accounts receivable	400	195	400	195
Total assets	\$ 25,532	\$ 24,190	\$ 21,516	\$ 28,206
Liabilities:				
Amounts held for others	\$ 25,532	\$ 24,190	\$ 21,516	\$ 28,206
COURT SERVICE UNIT				
Assets:				
Cash and cash equivalents	\$ 156,083	\$ 255,891	\$ 217,742	\$ 194,232
Accounts receivable	-	50,127	-	50,127
Prepaid items	5,487	5,488	5,487	5,488
Total assets	\$ 161,570	\$ 311,506	\$ 223,229	\$ 249,847
Liabilities:				
Accounts payable	\$ 7,715	\$ 8,299	\$ 7,715	\$ 8,299
Amounts held for others	153,855	303,207	215,514	241,548
Total liabilities	\$ 161,570	\$ 311,506	\$ 223,229	\$ 249,847
CASA PROGRAM				
Assets:				
Cash and cash equivalents	\$ 151,238	\$ 185,761	\$ 158,670	\$ 178,329
Accounts receivable	1,937	13,680	1,937	13,680
Prepaid items	-	656	-	656
Total assets	\$ 153,175	\$ 200,097	\$ 160,607	\$ 192,665
Liabilities:				
Accounts payable	\$ 1,119	\$ 1,121	\$ 1,119	\$ 1,121
Amounts held for others	152,056	198,976	159,488	191,544
Total liabilities	\$ 153,175	\$ 200,097	\$ 160,607	\$ 192,665

AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
RAPPAHANNOCK AREA YOUTH COMMISSION				
Assets:				
Cash and cash equivalents	\$ 58,278	\$ 536,691	\$ 583,495	\$ 11,474
Accounts receivable	80,327	143,744	80,327	143,744
Prepaid items	4,159	10,179	4,159	10,179
Total assets	<u>\$ 142,764</u>	<u>\$ 690,614</u>	<u>\$ 667,981</u>	<u>\$ 165,397</u>
Liabilities:				
Accounts payable	\$ 17,377	\$ 8,512	\$ 17,377	\$ 8,512
Amounts held for others	125,387	682,102	650,604	156,885
Total liabilities	<u>\$ 142,764</u>	<u>\$ 690,614</u>	<u>\$ 667,981</u>	<u>\$ 165,397</u>
REVENUE MAXIMIZATION FUND				
Assets:				
Cash and cash equivalents	\$ 20,451	\$ -	\$ -	\$ 20,451
Liabilities:				
Amounts held for others	\$ 20,451	\$ -	\$ -	\$ 20,451
FORFEITED ASSET SHARING PROGRAM FUND				
Assets:				
Cash and cash equivalents	\$ 63,017	\$ 17,025	\$ 35,932	\$ 44,110
Accounts receivable	2,149	-	2,149	-
Total assets	<u>\$ 65,166</u>	<u>\$ 17,025</u>	<u>\$ 38,081</u>	<u>\$ 44,110</u>
Liabilities:				
Accounts payable	\$ 13,259	\$ -	\$ 13,259	\$ -
Amounts held for others	51,907	17,025	24,822	44,110
Total liabilities	<u>\$ 65,166</u>	<u>\$ 17,025</u>	<u>\$ 38,081</u>	<u>\$ 44,110</u>
COMMUNITY DEVELOPMENT AUTHORITY				
Assets:				
Cash and cash equivalents	\$ 781,863	\$ 815,012	\$ 1,596,788	\$ 87
Liabilities:				
Deferred revenue	\$ 780,709	\$ -	\$ 780,709	\$ -
Amounts held for others	1,154	815,012	816,079	87
Total liabilities	<u>\$ 781,863</u>	<u>\$ 815,012</u>	<u>\$ 1,596,788</u>	<u>\$ 87</u>

AGENCY FUNDS

Statement of Changes in Assets and Liabilities

Year Ended June 30, 2009

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
TOTALS -- ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 1,263,505	\$ 2,720,107	\$ 3,499,178	\$ 484,434
Accounts receivable	84,813	207,746	84,813	207,746
Prepaid items	<u>9,646</u>	<u>16,323</u>	<u>9,646</u>	<u>16,323</u>
Total assets	<u>\$ 1,357,964</u>	<u>\$ 2,944,176</u>	<u>\$ 3,593,637</u>	<u>\$ 708,503</u>
Liabilities:				
Accounts payable	\$ 46,913	\$ 903,664	\$ 924,905	\$ 25,672
Deferred revenue	780,709	-	780,709	-
Amounts held for others	<u>530,342</u>	<u>2,040,512</u>	<u>1,888,023</u>	<u>682,831</u>
Total liabilities	<u>\$ 1,357,964</u>	<u>\$ 2,944,176</u>	<u>\$ 3,593,637</u>	<u>\$ 708,503</u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special Revenue Funds				
Virginia Public Assistance Fund				
Revenues				
Recovered costs	\$ -	\$ -	\$ 130,446	\$ 130,446
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	\$ 990,615	\$ 990,615	\$ 1,329,002	\$ 338,387
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 2,656,243	\$ 2,656,243	\$ 2,106,218	\$ (550,025)
Total revenues	<u>\$ 3,646,858</u>	<u>\$ 3,646,858</u>	<u>\$ 3,565,666</u>	<u>\$ (81,192)</u>
Expenditures				
Health and welfare	<u>\$ 4,449,260</u>	<u>\$ 4,579,880</u>	<u>\$ 4,422,705</u>	<u>\$ 157,175</u>
State, Federal and Local Grants Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 1,181	\$ 1,181
Miscellaneous	<u>\$ 243,030</u>	<u>\$ 243,030</u>	<u>\$ 161,046</u>	<u>\$ (81,984)</u>
Recovered costs:				
Stafford and Spotsylvania Counties	<u>\$ 314,800</u>	<u>\$ 314,800</u>	<u>\$ 302,208</u>	<u>\$ (12,592)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Litter control	\$ -	\$ -	\$ 6,337	\$ 6,337
Arts grant	5,000	5,000	5,000	-
Hazardous materials grant	-	30,000	30,000	-
E911 wireless board	-	107,371	103,787	(3,584)
Fire services program	50,820	50,820	52,464	1,644
VA domestic violence victim fund	18,266	18,266	38,039	19,773
Other	-	17,000	23,826	6,826
Total revenue from the Commonwealth	<u>\$ 74,086</u>	<u>\$ 228,457</u>	<u>\$ 259,453</u>	<u>\$ 30,996</u>
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	\$ 328,982	\$ 450,219	\$ 288,638	\$ (161,581)
Historic resources grant	-	-	5,000	5,000
Community development block grant	<u>229,095</u>	<u>229,095</u>	<u>202,849</u>	<u>(26,246)</u>
Total revenue from the Federal Government	<u>\$ 558,077</u>	<u>\$ 679,314</u>	<u>\$ 496,487</u>	<u>\$ (182,827)</u>
Total revenues	<u>\$ 1,189,993</u>	<u>\$ 1,465,601</u>	<u>\$ 1,220,375</u>	<u>\$ (245,226)</u>
Expenditures				
Judicial administration:				
Victim-witness	<u>\$ 90,481</u>	<u>\$ 90,481</u>	<u>\$ 88,899</u>	<u>\$ 1,582</u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
State, Federal and Local Grants Fund: (continued)				
Expenditures: (continued)				
Public safety:				
Hazardous materials response program	\$ -	\$ 32,765	\$ -	\$ 32,765
Fire services program	50,820	50,820	46,236	4,584
Crime prevention	-	4,680	5,789	(1,109)
E911 wireless services board	-	107,371	62,097	45,274
Byrne memorial grant program	-	-	4,500	(4,500)
Domestic violence	201,544	201,544	222,576	(21,032)
NOAA radio transmitter	-	17,000	17,000	-
DMV grants	-	19,351	14,877	4,474
State homeland security grant	110,923	110,923	108,393	2,530
Crime and delinquency grant	75,375	147,796	65,422	82,374
Criminal justice system improvement	-	68,329	66,597	1,732
Total public safety	<u>\$ 438,662</u>	<u>\$ 760,579</u>	<u>\$ 613,487</u>	<u>\$ 147,092</u>
Parks, recreation and cultural:				
Soap Box Derby	\$ 25,000	\$ 25,000	\$ 16,050	\$ 8,950
Starfire drill team	45,030	45,030	21,176	23,854
War memorial	-	265,000	287,491	(22,491)
First Fridays	65,000	65,000	65,301	(301)
Other	37,000	52,000	10,000	42,000
Total parks, recreation and cultural	<u>\$ 172,030</u>	<u>\$ 452,030</u>	<u>\$ 400,018</u>	<u>\$ 52,012</u>
Community development:				
PEG access	\$ 105,000	\$ 105,000	\$ 4,754	\$ 100,246
Community development block grant	276,446	354,238	244,334	109,904
First Night celebration	61,000	61,000	37,869	23,131
Regional consumer marketing	400,325	580,415	407,110	173,305
Regional group tourism	150,000	162,651	118,832	43,819
Other	-	400	400	-
Total community development	<u>\$ 992,771</u>	<u>\$ 1,263,704</u>	<u>\$ 813,299</u>	<u>\$ 450,405</u>
Total expenditures	<u>\$ 1,693,944</u>	<u>\$ 2,566,794</u>	<u>\$ 1,915,703</u>	<u>\$ 651,091</u>
Regional Transportation Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 60,000	\$ 60,000	\$ 39,258	\$ (20,742)
Recovered costs	-	-	6,240	6,240
Total revenues	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 45,498</u>	<u>\$ (14,502)</u>
Expenditures				
Community development:				
Commuter rail	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 45,498</u>	<u>\$ 14,502</u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
Comprehensive Services Act Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
Comprehensive Services Act grants	\$ 842,983	\$ 842,983	\$ 697,605	\$ (145,378)
Expenditures				
Health and Welfare:				
Comprehensive Services Act program	\$ 1,612,410	\$ 1,481,790	\$ 1,336,412	\$ 145,378
Prisoner Extradition Fund				
Revenues				
Recovered costs	\$ -	\$ 3,559	\$ 3,661	\$ 102
Expenditures				
Public safety	\$ -	\$ 3,559	\$ 3,559	\$ -
Economic Development Opportunity Fund				
Expenditures				
Community development	\$ -	\$ 47,121	\$ 7,359	\$ 39,762
Capital Projects Funds				
Public Works Construction Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 968,720	\$ 968,720	\$ 335,221	\$ (633,499)
Fines and forfeitures	\$ 25,000	\$ 50,000	\$ 71,860	\$ 21,860
Revenue from use of money and property:				
Use of money	\$ 200,000	\$ 200,000	\$ 299,085	\$ 99,085
Recovered costs	\$ -	\$ 100,000	\$ 205,544	\$ 105,544
Intergovernmental:				
Revenue from the Commonwealth:				
VDOT revenue sharing	\$ 485,000	\$ 485,000	\$ -	\$ (485,000)
Total revenues	\$ 1,678,720	\$ 1,803,720	\$ 911,710	\$ (892,010)
Expenditures				
Capital projects:				
Bridge improvements	\$ -	\$ 90,000	\$ -	\$ 90,000
Concrete rehabilitation	125,000	125,000	176,829	(51,829)
Annual pavement rehabilitation	500,000	500,000	315,966	184,034
Downtown brick sidewalks	-	5,584	4,062	1,522
Cowan Boulevard extension	-	406,349	-	406,349
George Street pedestrian walk	-	11,450	4,147	7,303
Riverfront park	-	1,414,455	960,181	454,274
Public works capital equipment	-	61,608	57,151	4,457
Ornamental street lights replacement	50,000	50,000	-	50,000
Blue-Gray parkway bridge rehabilitation	-	85,000	-	85,000
Cowan Boulevard streetlights	-	150,000	-	150,000
Route 1 Hazel Run bridge maintenance	970,000	970,000	-	970,000
Historic downtown streetscape	250,000	250,000	119,854	130,146
Historic downtown signs	-	172,417	-	172,417
Fall Hill Avenue canal bridge	941,600	941,600	-	941,600
Total capital projects	\$ 2,836,600	\$ 5,233,463	\$ 1,638,190	\$ 3,595,273

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
Public Facilities Construction Fund				
Revenues				
Other local taxes:				
Gasoline tax	\$ 143,000	\$ 143,000	\$ 75,000	\$ (68,000)
Revenue from use of money and property:				
Use of money	\$ 200,000	\$ 200,000	\$ 269,237	\$ 69,237
Use of property	-	-	54,680	54,680
Total revenue from use of money and property	\$ 200,000	\$ 200,000	\$ 323,917	\$ 123,917
Recovered costs	\$ -	\$ 25,000	\$ 40,600	\$ 15,600
Intergovernmental:				
Revenue from the Commonwealth:				
Circuitouse grant	\$ 107,500	\$ 107,500	\$ 43,387	\$ (64,113)
Revenue from the Federal Government:				
Categorical aid:				
Miscellaneous grants	\$ 1,345,000	\$ 1,370,000	\$ -	\$ (1,370,000)
Total revenues	\$ 1,795,500	\$ 1,845,500	\$ 482,904	\$ (1,362,596)
Expenditures				
Capital projects:				
Cal Ripken Sr. baseball field	\$ 200,000	\$ 200,000	\$ -	\$ 200,000
Pathways - Embry Dam/Rappahannock River	-	-	11,920	(11,920)
HVAC retrofit	-	1,366,649	586,649	780,000
Dixon street athletic complex	1,300,000	-	-	-
Rescue squad interior renovation	-	89,671	-	89,671
General district building renovations	-	42,860	28,384	14,476
Circuit court renovations	215,000	215,000	25,178	189,822
Canal path improvements	-	50,000	-	50,000
Pathways - VCR trail	1,100,000	1,100,000	159,755	940,245
Fredericksburg area museum	100,000	100,000	100,000	-
Downman house	-	159,833	-	159,833
Fredericksburg area museum window replacement	300,000	300,000	15,462	284,538
Jail alley retaining wall	-	32,445	7,692	24,753
Computer equipment replacement	-	112,171	48,670	63,501
Executive plaza building	-	751,905	48,149	703,756
Hart center renovations	200,000	200,000	53,667	146,333
Sheriff and commonwealth attorney renovations	-	-	790	(790)
Pathways - riverside & mill sites	533,000	533,000	-	533,000
Total capital projects	\$ 3,948,000	\$ 5,253,534	\$ 1,086,316	\$ 4,167,218
New High School Construction Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 506	\$ 506
Expenditures				
Capital projects:				
New high school	\$ -	\$ 6,902	\$ 6,902	\$ -

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Capital Projects Funds: (continued)				
Public Safety Construction Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 269,237	\$ 269,237
Expenditures				
Capital projects:				
Fire equipment	\$ 1,000,000	\$ 1,540,000	\$ 577,211	\$ 962,789
Backup generators - fire and police headquarters	-	-	148	(148)
Special magistrate new facility	-	75,000	-	75,000
Police headquarters	-	55,000	9,284	45,716
Total capital projects	<u>\$ 1,000,000</u>	<u>\$ 1,670,000</u>	<u>\$ 586,643</u>	<u>\$ 1,083,357</u>
New Court Construction Fund				
Capital projects:				
New court construction	<u>\$ 4,000,000</u>	<u>\$ 4,138,327</u>	<u>\$ 138,326</u>	<u>\$ 4,000,001</u>
Debt Service Funds				
General Obligation Debt Service Fund				
Expenditures				
Principal and interest	<u>\$ 2,585,331</u>	<u>\$ 5,286,816</u>	<u>\$ 2,636,609</u>	<u>\$ 2,650,207</u>
Education Debt Service Fund				
Expenditures				
Principal and interest	<u>\$ 3,527,407</u>	<u>\$ 3,536,706</u>	<u>\$ 3,536,705</u>	<u>\$ 1</u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Component Unit School Board
 Combining Balance Sheet
 At June 30, 2009

	<u>School Operating Fund</u>	<u>Special School Fund</u>	<u>School Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets:				
Cash and cash equivalents	\$ 3,744,096	\$ 155,306	\$ 295,017	\$ 4,194,419
Accrued revenue	36,709	7,091	-	43,800
Due from other governments	651,484	896,289	-	1,547,773
Prepays	<u>152,006</u>	<u>-</u>	<u>-</u>	<u>152,006</u>
Total assets	<u>\$ 4,584,295</u>	<u>\$ 1,058,686</u>	<u>\$ 295,017</u>	<u>\$ 5,937,998</u>
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable	\$ 520,040	\$ 159,493	\$ 41,701	\$ 721,234
Accrued liabilities	<u>2,678,241</u>	<u>284,994</u>	<u>-</u>	<u>2,963,235</u>
Total liabilities	<u>\$ 3,198,281</u>	<u>\$ 444,487</u>	<u>\$ 41,701</u>	<u>\$ 3,684,469</u>
Equity:				
Fund Balance:				
Reserved for:				
Prepays	\$ 152,006	\$ -	\$ -	\$ 152,006
Designated:				
Subsequent year's expenditures	-	614,199	-	614,199
Capital projects	184,937	-	253,316	438,253
Unreserved/undesignated	<u>1,049,071</u>	<u>-</u>	<u>-</u>	<u>1,049,071</u>
Total equity	<u>\$ 1,386,014</u>	<u>\$ 614,199</u>	<u>\$ 253,316</u>	<u>\$ 2,253,529</u>
Total liabilities and equity	<u>\$ 4,584,295</u>	<u>\$ 1,058,686</u>	<u>\$ 295,017</u>	<u>\$ 5,937,998</u>

Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
 At June 30, 2009

Total fund balances for governmental funds (Exhibit 25) \$ 2,253,529

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 472,679	
Land improvements, net of accumulated depreciation	80,331	
Buildings and improvements, net of accumulated depreciation	12,931,111	
Equipment, net of accumulated depreciation	<u>1,068,284</u>	
Total capital assets		14,552,405
Net OPEB obligation not reported as fund liabilities		(351,000)
Compensated absences not reported as fund liabilities		<u>(941,869)</u>
Total net assets of governmental activities (Exhibits 1 and 12)		\$ <u><u>15,513,065</u></u>

Component Unit School Board
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2009

	<u>School Operating Fund</u>	<u>Special School Fund</u>	<u>School Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Use of money and property	\$ 13,300	\$ -	\$ -	\$ 13,300
Charges for services	230,568	393,309	-	623,877
Miscellaneous	89,109	-	-	89,109
Recovered costs	-	286,210	-	286,210
Intergovernmental:				
Appropriation from primary government	24,642,591	230,000	323,480	25,196,071
Revenue from the Commonwealth	6,578,327	527,452	165,159	7,270,938
Revenue from the Federal Government	551,188	2,881,035	-	3,432,223
Total revenues	<u>\$ 32,105,083</u>	<u>\$ 4,318,006</u>	<u>\$ 488,639</u>	<u>\$ 36,911,728</u>
Expenditures				
Current:				
Education:				
Instruction	\$ 23,586,589	\$ 3,160,644	\$ -	\$ 26,747,233
Administration, attendance and health	3,284,710	-	-	3,284,710
Transportation	1,235,605	-	-	1,235,605
Facilities operations	3,729,754	-	-	3,729,754
School food service operations	176,205	1,156,693	-	1,332,898
Capital projects	-	-	603,691	603,691
Total expenditures	<u>\$ 32,012,863</u>	<u>\$ 4,317,337</u>	<u>\$ 603,691</u>	<u>\$ 36,933,891</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 92,220</u>	<u>\$ 669</u>	<u>\$ (115,052)</u>	<u>\$ (22,163)</u>
Net change in fund balance	\$ 92,220	\$ 669	\$ (115,052)	\$ (22,163)
Fund balance, beginning of year	<u>1,293,794</u>	<u>613,530</u>	<u>368,368</u>	<u>2,275,692</u>
Fund balance, end of year	<u><u>\$ 1,386,014</u></u>	<u><u>\$ 614,199</u></u>	<u><u>\$ 253,316</u></u>	<u><u>\$ 2,253,529</u></u>

Component Unit School Board
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit 27) \$ (22,163)

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 capital outlays exceeded depreciation in the current period. (438,288)

Transfer of joint tenancy assets from Primary Government to the Component Unit 1,034,971

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Net OPEB obligation payable	(351,000)
Compensated absences	(15,305)
	208,215
Change in net assets of governmental activities (Exhibit 12)	\$ 208,215

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

Component Unit School Board
 School Operating Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Operating Fund				
Revenues				
Use of money and property:				
Use of property	\$ 3,500	\$ 3,500	\$ 13,300	\$ 9,800
Charges for services:				
Charges for education	\$ 236,769	\$ 236,769	\$ 230,568	\$ (6,201)
Miscellaneous	\$ 27,500	\$ 27,500	\$ 89,109	\$ 61,609
Intergovernmental:				
Appropriation from primary government	\$ 24,728,000	\$ 24,728,000	\$ 24,642,591	\$ (85,409)
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 2,499,718	\$ 2,499,718	\$ 2,303,925	\$ (195,793)
Basic aid	2,783,859	2,783,859	2,797,214	13,355
Other	1,474,602	1,474,602	1,477,188	2,586
Total revenue from the Commonwealth	\$ 6,758,179	\$ 6,758,179	\$ 6,578,327	\$ (179,852)
Revenue from the Federal Government:				
Categorical aid:				
Special education	\$ 495,000	\$ 495,000	\$ 495,000	\$ -
Other	55,000	55,000	56,188	1,188
Total revenue from the Federal Government	\$ 550,000	\$ 550,000	\$ 551,188	\$ 1,188
Total revenues	\$ 32,303,948	\$ 32,303,948	\$ 32,105,083	\$ (198,865)
Expenditures				
Current:				
Education:				
Instruction	\$ 23,743,413	\$ 24,482,785	\$ 23,586,589	\$ 896,196
Administration, attendance and health	3,381,761	3,443,749	3,284,710	159,039
Transportation	1,205,770	1,337,770	1,235,605	102,165
School food service operations	100,000	131,758	176,205	(44,447)
Facilities operations	3,787,595	3,934,093	3,729,754	204,339
Total expenditures	\$ 32,218,539	\$ 33,330,155	\$ 32,012,863	\$ 1,317,292
Excess (deficiency) of revenues over expenditures	\$ 85,409	\$ (1,026,207)	\$ 92,220	\$ 1,118,427
Other financing sources (uses)				
Transfers out	\$ (85,409)	\$ (85,409)	\$ -	\$ 85,409
Net change in fund balance	\$ -	\$ (1,111,616)	\$ 92,220	\$ 1,203,836
Fund balance, beginning of year	-	1,111,616	1,293,794	182,178
Fund balance, end of year	\$ -	\$ -	\$ 1,386,014	\$ 1,386,014

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Component Unit School Board
Special School Fund
Revenues and Expenditures Budgetary Comparison Schedule
Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special School Fund				
Revenues				
Charges for services:				
Cafeteria sales	\$ 339,000	\$ 339,000	\$ 393,309	\$ 54,309
Miscellaneous	\$ 250	\$ 250	\$ -	\$ (250)
Recovered costs:				
Education	\$ 228,974	\$ 228,974	\$ 286,210	\$ 57,236
Intergovernmental:				
Appropriation from primary government	\$ 230,000	\$ 230,000	\$ 230,000	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 15,250	\$ 15,250	\$ 17,650	\$ 2,400
VPSA technology grant	154,000	154,000	154,485	485
Project graduation	225,000	225,000	206,956	(18,044)
Other	125,000	125,000	148,361	23,361
Total revenue from the Commonwealth	\$ 519,250	\$ 519,250	\$ 527,452	\$ 8,202
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 675,000	\$ 1,039,989	\$ 798,041	\$ (241,948)
School food	600,000	400,000	714,613	314,613
Head Start	1,032,174	920,960	983,249	62,289
Enhancing education via technology	475,000	621,225	144,077	(477,148)
Other	305,000	305,000	241,055	(63,945)
Total revenue from the Federal Government	\$ 3,087,174	\$ 3,287,174	\$ 2,881,035	\$ (406,139)
Total revenues	\$ 4,404,648	\$ 4,604,648	\$ 4,318,006	\$ (286,642)
Expenditures				
Current:				
Education:				
Instruction	\$ 3,408,398	\$ 3,408,398	\$ 3,160,644	\$ 247,754
School food service operations	996,250	1,196,250	1,156,693	39,557
Total expenditures	\$ 4,404,648	\$ 4,604,648	\$ 4,317,337	\$ 287,311
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 669	\$ 669
Net change in fund balance	\$ -	\$ -	\$ 669	\$ 669
Fund balance, beginning of year	-	-	613,530	613,530
Fund balance, end of year	\$ -	\$ -	\$ 614,199	\$ 614,199

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Component Unit School Board
 School Capital Projects Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Capital Projects Fund				
Revenues				
Intergovernmental:				
Appropriation from primary government	\$ 423,480	\$ 323,480	\$ 323,480	\$ -
Revenue from the Commonwealth:				
Lottery funds	\$ 65,525	\$ 65,525	\$ 54,239	\$ (11,286)
School construction funds	110,995	110,995	110,920	(75)
Total Revenue from the Commonwealth	\$ 176,520	\$ 176,520	\$ 165,159	\$ (11,361)
Total revenues	\$ 600,000	\$ 500,000	\$ 488,639	\$ (11,361)
Expenditures				
Capital projects:				
School buses	\$ 160,000	\$ 144,500	\$ 137,670	\$ 6,830
School computer technology	370,000	370,000	332,731	37,269
School improvements	-	68,500	64,443	4,057
Maintenance equipment	25,000	25,000	24,650	350
Other	45,000	60,000	44,197	15,803
Total capital projects	\$ 600,000	\$ 668,000	\$ 603,691	\$ 64,309
Excess (deficiency) of revenues over expenditures	\$ -	\$ (168,000)	\$ (115,052)	\$ 52,948
Net change in fund balance	\$ -	\$ (168,000)	\$ (115,052)	\$ 52,948
Fund balance, beginning of year	-	168,000	368,368	200,368
Fund balance, end of year	\$ -	\$ -	\$ 253,316	\$ 253,316

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Statistical Section

<u>Contents</u>	<u>Tables</u>
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 - 5
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.	6 - 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 - 13
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.	14, 15
Operating Information These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relate to the services the City provides and the activities it performs.	16 - 18

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

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Net Assets by Component
Last Seven Fiscal Years
(*accrual basis of accounting*)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Governmental activities:							
Invested in capital assets, net of related debt	\$ 4,880,522	\$ 18,210,496	\$ 27,167,134	\$ 68,520,864	\$ 80,789,888	\$ 81,234,288	\$ 80,177,661
Unrestricted	28,326,393	29,766,767	59,025,733	42,907,819	31,075,783	28,429,225	24,379,848
Total governmental activities net assets	\$ 33,206,915	\$ 47,977,263	\$ 86,192,867	\$ 111,428,683	\$ 111,865,671	\$ 109,663,513	\$ 104,557,509
Business-type activities:							
Invested in capital assets, net of related debt	\$ 21,806,563	\$ 21,954,260	\$ 28,763,172	\$ 27,183,315	\$ 32,215,508	\$ 29,319,742	\$ 38,744,975
Unrestricted	13,149,428	12,692,077	11,123,212	17,550,170	15,618,080	21,584,625	12,503,966
Total business-type activities net assets	\$ 34,955,991	\$ 34,646,337	\$ 39,886,384	\$ 44,733,485	\$ 47,833,588	\$ 50,904,367	\$ 51,248,941
Primary government:							
Invested in capital assets, net of related debt	\$ 26,687,085	\$ 40,164,756	\$ 55,930,306	\$ 95,704,179	\$ 113,005,396	\$ 110,554,030	\$ 118,922,636
Unrestricted	41,475,821	42,458,844	70,148,945	60,457,989	46,693,863	50,013,850	36,883,814
Total primary government net assets	\$ 68,162,906	\$ 82,623,600	\$ 126,079,251	\$ 156,162,168	\$ 159,699,259	\$ 160,567,880	\$ 155,806,450

Note: Accrual-basis financial information is available back to fiscal year 2003 when the City implemented GASB 34. The City did not record its infrastructure capital assets acquired prior to July 1, 2003, until fiscal year 2005.

Changes in Net Assets
Last Seven Fiscal Years
(*accrual basis of accounting*)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Expenses							
Governmental activities:							
General government	\$ 3,667,325	\$ 3,836,089	\$ 4,105,737	\$ 3,688,618	\$ 5,546,499	\$ 5,254,913	\$ 5,760,023
Judicial administration	2,084,990	2,155,331	2,434,259	2,853,064	3,131,169	3,559,936	3,701,857
Public safety	12,950,555	13,448,595	14,424,379	15,922,143	18,155,708	19,073,783	20,056,605
Public works	5,280,143	5,342,332	6,689,270	8,278,001	9,099,097	9,882,486	10,194,381
Health and welfare	4,228,980	5,098,576	5,357,236	6,130,391	6,745,573	6,465,395	6,661,643
Education	15,556,786	14,232,858	15,942,171	18,961,723	24,108,406	28,328,165	27,341,339
Parks, recreation and cultural	3,007,944	3,302,359	3,648,639	4,029,638	4,485,451	4,588,059	4,400,464
Community development	2,022,708	1,914,617	1,972,940	2,186,347	2,619,455	2,344,557	1,965,407
Interest on long-term debt	817,031	1,180,917	2,951,161	3,110,420	2,991,013	2,948,621	2,859,774
Total governmental activities expenses	\$ 49,616,462	\$ 50,511,674	\$ 57,525,792	\$ 65,160,345	\$ 76,882,371	\$ 82,445,915	\$ 82,941,493
Business-type activities:							
Water	\$ 1,691,936	\$ 1,691,301	\$ 2,561,096	\$ 2,381,713	\$ 2,873,240	\$ 3,148,696	\$ 2,748,400
Sewer	2,610,054	2,566,538	2,708,274	3,077,612	3,538,756	4,172,099	4,476,638
Transit	1,085,071	1,156,280	1,464,268	2,124,171	2,491,330	3,345,639	3,893,458
Parking	-	-	19,575	297,067	441,343	495,917	493,920
Total business-type activities expenses	\$ 5,387,061	\$ 5,414,119	\$ 6,753,213	\$ 7,880,563	\$ 9,344,669	\$ 11,162,351	\$ 11,612,416
Total primary government expenses	\$ 55,003,523	\$ 55,925,793	\$ 64,279,005	\$ 73,040,908	\$ 86,227,040	\$ 93,608,266	\$ 94,553,909

Changes in Net Assets
Last Seven Fiscal Years
(*accrual basis of accounting*)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
Program Revenues							
Governmental activities:							
Charges for services:							
General government	\$ 44,352	\$ 35,159	\$ 36,160	\$ 41,889	\$ 49,059	\$ 50,515	\$ 93,045
Judicial administration	77,388	65,162	66,795	230,864	122,520	112,162	106,210
Public safety	880,080	1,001,944	1,438,302	363,782	1,036,746	1,361,978	1,834,819
Public works	555,898	598,371	598,081	1,695,616	698,875	689,151	727,253
Parks, recreation and cultural	564,243	592,019	562,119	579,514	637,446	550,465	518,630
Community development	766	2,478	1,675	15,185	2,795	2,470	1,685
Operating grants and contributions	7,013,544	8,034,289	8,113,818	8,625,114	9,343,428	10,656,874	10,522,749
Capital grants and contributions	647,763	229,535	-	-	766,972	453,402	202,849
Total governmental activities program revenues	\$ 9,784,034	\$ 10,558,957	\$ 10,816,950	\$ 11,551,964	\$ 12,657,841	\$ 13,877,017	\$ 14,007,240
Business-type activities:							
Charges for services:							
Water	\$ 1,753,862	\$ 1,870,329	\$ 1,938,886	\$ 2,056,764	\$ 2,067,579	\$ 2,150,126	\$ 2,180,347
Sewer	2,926,124	3,101,699	3,103,723	3,073,788	3,168,327	3,264,915	3,457,792
Transit	28,604	32,157	45,830	50,416	54,952	116,661	159,741
Parking	-	-	-	28,563	83,520	106,916	130,281
Operating grants and contributions	2,605,140	2,695,011	4,350,268	5,887,681	4,427,535	4,560,490	4,342,760
Capital grants and contributions	-	22,289	2,328,265	739,857	2,391,013	2,301,859	566,957
Total business-type activities program revenues	\$ 7,313,730	\$ 7,721,485	\$ 11,766,972	\$ 11,837,069	\$ 12,192,926	\$ 12,500,967	\$ 10,837,878
Total primary government program revenues	\$ 17,097,764	\$ 18,280,442	\$ 22,583,922	\$ 23,389,033	\$ 24,850,767	\$ 26,377,984	\$ 24,845,118
Net (expense) / revenue							
Governmental activities	\$ (39,832,428)	\$ (39,952,717)	\$ (46,708,842)	\$ (53,608,381)	\$ (64,224,530)	\$ (68,568,898)	\$ (68,934,253)
Business-type activities	1,926,669	2,307,366	5,013,759	3,956,506	2,848,257	1,338,616	(774,538)
Total primary government net expense	\$ (37,905,759)	\$ (37,645,351)	\$ (41,695,083)	\$ (49,651,875)	\$ (61,376,273)	\$ (67,230,282)	\$ (69,708,791)

Changes in Net Assets
Last Seven Fiscal Years
(accrual basis of accounting)

	Fiscal Year						
	2003	2004	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Taxes:							
Property taxes	\$ 19,529,042	\$ 21,998,946	\$ 22,552,006	\$ 24,818,965	\$ 27,037,526	\$ 27,791,803	\$ 29,632,428
Local sales and use taxes	9,966,988	11,537,324	11,994,065	12,856,512	12,892,369	12,746,040	11,929,648
Taxes on recordation and wills	334,216	277,548	708,156	985,477	818,353	715,884	460,085
Motor vehicle licenses taxes	159,618	160,089	165,647	298,240	310,039	300,786	377,547
Consumer utility taxes	2,497,143	2,780,470	2,882,555	2,910,053	2,036,988	1,527,028	1,517,109
Business licenses taxes	3,761,772	4,536,150	4,974,756	5,893,564	5,777,346	5,436,366	5,847,174
Meals taxes	4,562,821	5,395,346	5,987,400	6,402,076	6,418,546	7,042,409	7,080,021
Other local taxes	1,703,386	2,359,276	2,735,248	2,651,253	3,140,776	3,308,838	2,920,063
Unrestricted grants and contributions	1,925,405	1,799,222	1,989,643	2,145,364	1,992,420	2,027,309	1,967,696
Unrestricted revenues from use of money and property	1,449,961	575,451	2,180,879	2,005,694	2,490,880	1,724,668	1,352,809
Gain / (loss) on disposal of assets	-	-	-	-	298,472	1,073,425	(846,807)
Miscellaneous	277,862	434,025	431,637	18,207,446	683,108	1,837,386	733,896
Transfers	-	-	-	-	764,695	834,798	856,580
Total governmental activities	\$ 46,168,214	\$ 51,853,847	\$ 56,601,992	\$ 79,174,644	\$ 64,661,518	\$ 66,366,740	\$ 63,828,249
Business-type activities:							
Taxes:							
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 393,707	\$ 536,846	\$ 1,355,225
Unrestricted revenues from use of money and property	-	20,731	31,997	315,856	418,168	448,499	275,621
Miscellaneous	185,861	231,467	169,744	244,292	204,666	1,581,616	344,846
Transfers	-	-	24,547	-	(764,695)	(834,798)	(856,580)
Total business-type activities	\$ 185,861	\$ 252,198	\$ 226,288	\$ 560,148	\$ 251,846	\$ 1,732,163	\$ 1,119,112
Total primary government	\$ 46,354,075	\$ 52,106,045	\$ 56,828,280	\$ 79,734,792	\$ 64,913,364	\$ 68,098,903	\$ 64,947,361
Change in Net Assets							
Governmental activities	\$ 6,335,786	\$ 11,901,130	\$ 9,893,150	\$ 25,566,263	\$ 436,988	\$ (2,202,158)	\$ (5,106,004)
Business-type activities	2,112,530	2,559,564	5,240,047	4,516,654	3,100,103	3,070,779	344,574
Total primary government	\$ 8,448,316	\$ 14,460,694	\$ 15,133,197	\$ 30,082,917	\$ 3,537,091	\$ 868,621	\$ (4,761,430)

Note: Accrual-basis financial information is available back to fiscal year 2003 when the City implemented GASB 34.

CITY OF FREDERICKSBURG, VIRGINIA

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General fund										
Reserved	\$ 851,741	\$ 909,480	\$ 477,061	\$ 326,832	\$ 506,004	\$ 422,747	\$ 248,573	\$ 747,450	\$ 225,153	\$ 189,721
Unreserved	14,756,765	16,824,296	18,152,895	17,343,550	22,354,035	26,847,192	23,232,843	20,924,343	17,750,689	15,924,951
Total general fund	\$ 15,608,506	\$ 17,733,776	\$ 18,629,956	\$ 17,670,382	\$ 22,860,039	\$ 27,269,939	\$ 23,481,416	\$ 21,671,793	\$ 17,975,842	\$ 16,114,672
All other governmental funds										
Reserved	\$ -	\$ 5,156	\$ 4,066,022	\$ 917,284	\$ 283,399	\$ 2,551,352	\$ 421,979	\$ 500,819	\$ 870,711	\$ 1,232,229
Unreserved, reported in:										
Special revenue funds	1,465,873	1,781,006	1,943,344	2,565,757	3,186,317	3,392,644	3,634,866	3,606,488	2,730,594	3,255,921
Capital projects funds	3,530,801	6,192,242	6,938,287	10,196,613	53,849,607	30,128,715	19,040,047	9,716,246	11,504,973	9,629,901
Total all other governmental funds	\$ 4,996,674	\$ 7,978,404	\$ 12,947,653	\$ 13,679,654	\$ 57,319,323	\$ 36,072,711	\$ 23,096,892	\$ 13,823,553	\$ 15,106,278	\$ 14,118,051

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
General property taxes	\$ 18,538,569	\$ 18,692,583	\$ 18,817,668	\$ 19,658,874	\$ 22,038,643	\$ 22,575,809	\$ 24,052,400	\$ 27,608,258	\$ 27,840,128	\$ 29,410,334
Other local taxes	17,335,501	18,649,664	20,308,612	22,985,944	27,046,203	29,447,827	31,997,175	31,394,417	31,077,351	30,131,647
Permits, privilege fees and regulatory licenses	356,612	312,088	411,268	413,773	499,110	988,302	1,117,018	753,661	653,453	717,349
Fines and forfeitures	324,606	320,803	363,912	466,307	502,834	450,000	339,338	283,035	408,580	466,213
Revenue from use of money and property	1,471,274	2,185,150	1,655,617	1,449,961	575,451	2,180,879	2,005,694	2,490,880	1,724,668	1,352,809
Charges for services	966,349	960,168	1,196,574	1,242,647	1,293,189	1,264,830	1,470,494	1,510,745	1,704,708	2,098,080
Miscellaneous	797,511	1,094,851	1,120,525	277,862	434,025	468,884	1,026,316	683,108	563,376	392,910
Recovered costs	1,493,536	810,357	1,173,621	729,646	1,589,560	1,425,432	1,180,093	1,917,637	1,694,312	1,364,758
Intergovernmental:										
Commonwealth	5,719,255	6,262,769	6,964,179	7,276,493	7,204,137	7,615,919	8,141,771	8,703,743	10,169,012	9,936,350
Federal	2,088,434	1,868,574	1,993,890	2,310,219	2,858,909	2,487,542	2,628,707	2,949,077	2,968,573	2,756,944
Total revenues	\$ 49,091,647	\$ 51,157,007	\$ 54,005,866	\$ 56,811,726	\$ 64,042,061	\$ 68,905,424	\$ 73,959,006	\$ 78,294,561	\$ 78,804,161	\$ 78,627,394
Expenditures										
General government administration	\$ 2,791,511	\$ 2,895,024	\$ 3,136,650	\$ 3,544,021	\$ 3,620,386	\$ 3,956,701	\$ 4,094,919	\$ 4,720,227	\$ 5,047,982	\$ 5,402,264
Judicial administration	1,730,031	1,936,309	2,023,991	2,173,551	2,260,530	2,494,022	2,946,064	3,233,832	3,575,964	3,324,483
Public safety	9,175,608	10,540,624	11,466,442	12,653,369	13,210,581	14,051,770	15,361,207	17,375,049	18,603,995	18,220,229
Public works	4,741,736	4,990,191	5,021,480	5,067,820	5,655,233	5,767,195	6,452,638	6,785,769	7,273,319	7,206,095
Health and welfare	4,405,362	4,178,371	4,381,046	4,602,554	5,491,600	5,814,011	6,245,485	7,119,818	6,859,859	6,976,070
Education	4,846	4,617	47,864	15,556,786	14,839,742	15,942,171	18,961,723	21,631,305	24,441,360	25,202,840
Parks, recreation and cultural	2,521,250	2,651,247	2,854,800	2,879,319	3,108,829	3,432,702	3,811,195	3,928,293	4,053,007	4,090,417
Community development	1,654,686	1,808,255	2,596,914	2,460,671	2,026,074	2,030,189	2,174,694	2,975,019	2,732,018	2,380,204
Capital projects	5,730,552	2,035,012	7,513,543	4,811,374	15,286,264	27,965,223	30,809,180	16,439,420	6,735,321	3,456,377
Debt service										
Principal	2,103,930	1,782,022	1,776,054	2,520,546	1,804,469	1,933,645	2,897,462	3,040,925	3,296,107	3,126,779
Interest and other fiscal charges	988,103	895,382	1,028,277	941,679	779,714	2,329,960	3,147,613	3,191,033	3,064,543	3,046,535
Total expenditures	\$ 35,847,615	\$ 33,717,054	\$ 41,847,061	\$ 57,211,690	\$ 68,083,422	\$ 85,717,589	\$ 96,902,180	\$ 90,440,690	\$ 85,683,475	\$ 82,432,293
Excess (deficiency) of revenues over expenditures	\$ 13,244,032	\$ 17,439,953	\$ 12,158,805	\$ (399,964)	\$ (4,041,361)	\$ (16,812,165)	\$ (22,943,174)	\$ (12,146,129)	\$ (6,879,314)	\$ (3,804,899)
Other financing sources (uses)										
Transfers in	\$ 326,751	\$ 250,435	\$ 221,303	\$ 172,391	\$ 2,869,218	\$ 210,862	\$ 228,217	\$ 764,695	\$ 834,798	\$ 10,133,320
Transfers out	(11,792,131)	(12,583,388)	(13,339,139)	-	-	(235,409)	(558,664)	-	-	(9,276,740)
Refunding bonds issued	-	-	9,675,841	-	-	-	-	-	-	2,672,836
Bonds issued	-	-	6,824,460	-	48,095,000	-	6,509,279	-	2,462,150	-
Premium on bonds issued	-	-	-	-	1,906,469	-	-	-	64,015	-
Payments to refunded bond escrow agent	-	-	(9,675,841)	-	-	-	-	-	-	(2,650,207)
Sale of capital assets	-	-	-	-	-	-	-	298,472	1,105,125	76,293
Total other financing sources (uses)	\$ (11,465,380)	\$ (12,332,953)	\$ (6,293,376)	\$ 172,391	\$ 52,870,687	\$ (24,547)	\$ 6,178,832	\$ 1,063,167	\$ 4,466,088	\$ 955,502
Net change in fund balances	\$ 1,778,652	\$ 5,107,000	\$ 5,865,429	\$ (227,573)	\$ 48,829,326	\$ (16,836,712)	\$ (16,764,342)	\$ (11,082,962)	\$ (2,413,226)	\$ (2,849,397)
Debt service as a percentage of noncapital expenditures	11.44%	9.23%	8.89%	7.07%	5.15%	7.97%	10.07%	9.20%	8.03%	7.84%

CITY OF FREDERICKSBURG, VIRGINIA

General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Business License Tax	Motor		Bank Stock Tax	Record-ation and Wills Tax	Tobacco Tax	Hotel Lodging Tax	Meals Tax	Total
					Vehicle License Tax	Record-ation and Wills Tax						
2000	\$ 18,538,569	\$ 7,386,944	\$ 2,071,496	\$ 2,891,387	\$ 145,503	\$ 216,606	\$ 146,804	\$ 135,722	\$ 416,766	\$ 3,511,566	\$ 35,461,363	
2001	18,692,583	7,799,457	2,223,651	3,135,701	146,534	238,888	135,923	138,819	501,884	3,871,611	36,885,051	
2002	18,817,668	8,196,684	2,517,378	3,432,061	167,346	489,445	199,467	147,844	509,259	4,162,786	38,639,938	
2003	19,658,874	9,966,988	2,497,143	3,761,772	159,618	425,193	334,216	147,270	527,818	4,562,821	42,041,713	
2004	22,038,643	11,537,324	2,780,470	4,536,150	160,089	519,107	277,548	195,098	605,936	5,395,346	48,045,711	
2005	22,575,809	11,994,065	2,882,555	4,974,756	165,647	501,213	708,156	898,413	718,473	5,987,400	51,406,487	
2006	24,052,400	12,856,512	2,910,053	5,893,564	298,240	546,953	985,477	613,471	808,010	6,402,076	55,366,756	
2007	27,608,258	12,892,369	2,036,988	5,777,346	310,039	567,273	818,353	612,462	860,935	6,418,546	57,902,569	
2008	27,840,128	12,746,040	1,527,028	5,436,366	300,786	459,020	715,884	593,940	918,952	7,042,409	57,580,553	
2009	29,410,334	11,929,648	1,517,109	5,847,174	377,547	469,094	460,085	530,216	1,050,586	7,080,021	58,671,814	

CITY OF FREDERICKSBURG, VIRGINIA

Table 6

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Direct Tax		Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Public Service	Service Charges	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Estate	Rate										
2000	\$ 1,205,127,728	1.13	\$ 146,809,868	2.99	\$ 20,256,420	0.80	\$ 66,469,329	\$ 1,451,400	\$ 1,440,114,745	1.32	\$ 1,440,114,745	100.00%
2001	1,230,424,387	1.13	159,493,331	2.99	19,168,806	0.80	77,319,484	1,436,700	1,487,842,708	1.34	1,487,842,708	100.00%
2002	1,269,438,700	1.13	161,827,429	2.99	17,377,105	0.80	80,502,860	1,436,700	1,530,582,794	1.33	1,530,582,794	100.00%
2003	1,303,778,900	1.13	166,499,597	2.99	14,883,250	0.80	83,318,479	1,436,700	1,569,916,926	1.34	1,569,916,926	100.00%
2004	1,902,889,000	0.89	170,590,770	2.99	14,184,964	0.80	78,948,771	1,856,400	2,168,469,905	1.06	2,168,469,905	100.00%
2005	1,931,966,200	0.89	182,889,067	2.99	12,921,115	0.80	81,650,555	1,856,400	2,211,283,337	1.07	2,211,283,337	100.00%
2006	2,074,818,500	0.89	219,561,613	2.99	11,754,265	0.80	49,453,104	1,856,400	2,357,443,882	1.09	2,357,443,882	100.00%
2007	2,241,072,600	0.89	238,522,432	2.99	10,016,867	0.80	41,254,287	1,856,400	2,532,722,586	1.09	2,532,722,586	100.00%
2008	4,045,740,800	0.53	247,570,187	2.99	8,972,280	0.80	45,382,045	4,023,600	4,351,688,912	0.67	4,351,688,912	100.00%
2009	4,106,387,300	0.56	244,149,967	2.99	9,064,237	0.80	87,776,155	4,060,300	4,451,437,959	0.70	4,451,437,959	100.00%

Source: Commissioner of Revenue.

CITY OF FREDERICKSBURG, VIRGINIA

Table 7

Property Tax Rates (1) (2)
Last Ten Fiscal Years

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Total Direct Tax Rate
2000	\$ 1.13	\$ 2.99	\$ 1.13	\$ 0.80	1.32
2001	1.13	2.99	1.13	0.80	1.34
2002	1.13	2.99	1.13	0.80	1.33
2003	1.13	2.99	1.13	0.80	1.34
2004	0.89	2.99	0.89	0.80	1.06
2005	0.89	2.99	0.89	0.80	1.07
2006	0.89	2.99	0.89	0.80	1.09
2007	0.89	2.99	0.89	0.80	1.09
2008	0.53	2.99	0.53	0.80	0.67
2009	0.56	2.99	0.56	0.80	0.70

(1) Source: Commissioner of Revenue.

(2) Property tax rates are based on \$100 of assessed value.

CITY OF FREDERICKSBURG, VIRGINIA

Table 8

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2009			Fiscal Year 2000		
		2008-2009 Assessed Valuation	Rank (1)	% of Total Assessed Valuation (2)	1999-2000 Assessed Valuation (1)	Rank	% of Total Assessed Valuation (2)
Fredericksburg 35 LLC	Central Park property	\$ 143,571,800	1	3.42 %	\$ -	-	- %
Medicorp Properties, Inc.	Office buildings, surgical center	58,848,900	2	1.40	25,630,000	2	2.01
Central Park Marketplace Holdings	Central Park property	39,960,100	3	0.95	-	-	-
Celebrate Virginia South LLC	Office buildings, retail	49,063,400	4	1.17	-	-	-
Stellar Belmont LLC	Apartment complex	34,348,300	5	0.82	-	-	-
Virginia Electric & Power Co.	Public utility	32,294,860	6	0.77	23,840,260	3	1.87
Wal-Mart Real Estate Business	Retail	25,447,300	7	0.61	-	-	-
Verizon Virginia, Inc.	Public utility	28,869,320	8	0.69	-	-	-
Hylton Venture LLC	Land development	28,811,200	9	0.69	-	-	-
CVA Expo Center LLC	Trade shows, conventions	22,063,000	10	0.53	-	-	-
Bell Atlantic - Virginia	Public utility	-	-	-	28,443,207	1	2.23
Lowe's Home Center, Inc.	Retail	-	-	-	11,029,800	4	0.87
Carl D. Silver, Co.	Various commercial	-	-	-	10,826,600	5	0.85
Fredericksburg Park & Shop Ltd. Ptn.	Shopping center	-	-	-	10,820,300	6	0.85
Summit Properties Partnership LP	Apartment complex	-	-	-	10,600,900	7	0.83
Greenbrier Center Associates, Inc.	Shopping center	-	-	-	9,572,900	8	0.75
Cornerstone Realty Income Trust	Apartment complex	-	-	-	9,400,100	9	0.74
Tompkins-Martin Medical Plaza, LP	Medical office building	-	-	-	9,200,100	10	0.72
Total		\$ 463,278,180		11.04 %	\$ 149,364,167		11.73 %

Source: Commissioner of Revenue.

(1) Rank is based on total real estate tax paid, to include special tax district assessments, and not on assessed valuation.

(2) Percentage of total assessed valuation is based on the combined total assessed value of real estate, public service, and service charges listed in Table 6.

CITY OF FREDERICKSBURG, VIRGINIA

Table 9

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1) (3)	Total Collections to Date	
		Amount (1) (3)	Percentage of Levy (2)		Amount (1) (3)	Percentage of Levy (2)
2000	\$ 19,050,569	\$ 18,840,945	98.90	\$ 184,906	\$ 19,025,851	99.87
2001	19,832,960	19,581,072	98.73	200,454	19,781,526	99.74
2002	20,299,165	20,021,483	98.63	205,068	20,226,551	99.64
2003	21,078,696	20,898,738	99.15	128,848	21,027,586	99.76
2004	23,173,114	22,971,933	99.13	159,101	23,131,034	99.82
2005	24,116,517	23,928,589	99.22	153,961	24,082,550	99.86
2006	26,936,577	26,561,519	98.61	294,049	26,855,568	99.70
2007	28,552,323	28,097,519	98.41	381,300	28,478,819	99.74
2008	29,330,707	28,961,391	98.74	206,969	29,168,360	99.45
2009	30,902,557	30,222,352	97.80	-	30,222,352	97.80

(1) Exclusive of penalties and interest.

(2) Percentages are calculated using levy for fiscal year.

(3) The Commonwealth reimbursement under the Personal Property Tax Relief Act is included in total collections.

CITY OF FREDERICKSBURG, VIRGINIA

Table 10

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	General Obligation Bonds	Other Notes/Bonds				
2000	\$ 20,233,845	\$ 200,000	\$ -	\$ 5,771,158	\$ -	\$ -	26,205,003	4.55%	\$ 1,208
2001	18,071,823	150,000	-	5,278,182	-	-	23,500,005	4.36%	1,219
2002	22,790,306	100,000	-	4,929,773	-	-	27,820,079	4.97%	1,410
2003	20,319,760	50,000	-	4,530,240	-	-	24,900,000	4.15%	1,244
2004	68,566,760	-	-	4,134,709	-	-	72,701,469	12.04%	3,624
2005	66,551,078	-	-	3,778,501	4,035,000	-	74,364,579	11.74%	3,579
2006	70,032,833	-	-	7,670,963	-	-	77,703,796	11.73%	3,748
2007	66,873,708	-	-	7,226,888	-	-	74,100,596	10.42%	3,483
2008	65,988,291	-	-	15,160,159	-	-	81,148,450	10.28%	3,621
2009	62,766,729	-	-	14,445,225	-	-	77,211,954	9.12%	3,384

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14.

CITY OF FREDERICKSBURG, VIRGINIA

Table 11

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (1)	Ratio of Net General Obligation		Net Bonded Debt per Capita (3)
				Debt to Assessed Value (2)	Bonded Debt per Capita (3)	
2000	\$ 26,205,003	\$ -	26,205,003	1.82%	\$ 1,208	
2001	23,500,005	-	23,500,005	1.58%	1,219	
2002	27,820,079	-	27,820,079	1.82%	1,410	
2003	24,900,000	-	24,900,000	1.59%	1,244	
2004	72,701,469	-	72,701,469	3.35%	3,624	
2005	74,364,579	-	74,364,579	3.36%	3,579	
2006	77,703,796	-	77,703,796	3.30%	3,748	
2007	74,100,596	-	74,100,596	2.93%	3,483	
2008	81,148,450	-	81,148,450	1.86%	3,621	
2009	77,211,954	-	77,211,954	1.73%	3,384	

(1) Excludes revenue bonds, capital leases, compensated absences, and landfill postclosure costs.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6.

(3) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt limit	\$ 76,240,764	\$ 78,161,461	\$ 80,602,006	\$ 82,545,570	\$ 115,844,874	\$ 119,047,390	\$ 124,498,301	\$ 132,869,049	\$ 231,895,610	\$ 237,514,942
Total net debt applicable to limit	26,205,003	23,500,005	27,820,079	24,900,000	72,701,469	74,364,579	77,703,796	74,100,596	81,148,450	77,211,954
Legal debt margin	\$ 50,035,761	\$ 54,661,456	\$ 52,781,927	\$ 57,645,570	\$ 43,143,405	\$ 44,682,811	\$ 46,794,505	\$ 58,768,453	\$ 150,747,160	\$ 160,302,988
Total net debt applicable to the limit as a percentage of debt limit	34.37%	30.07%	34.52%	30.17%	62.76%	62.47%	62.41%	55.77%	34.99%	32.51%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 4,194,163,455
Add back: exempt real property	754,064,500
Total assessed value	\$ 4,948,227,955
Debt limit (4.8% of total assessed value)	\$ 237,514,942
Net debt applicable to limit	77,211,954
Legal debt margin	\$ 160,302,988

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Bonds							Coverage	
	Water & Sewer		Less:		Net		Debt Service		
	Charges and Other	Operating Expenses	Available Revenue	Principal	Interest	Principal	Interest		
2000	\$ 6,831,357	\$ 3,675,828	\$ 3,155,529	\$ 811,834	\$ 876,894	\$ 811,834	\$ 876,894	1.87	
2001	5,466,477	3,691,122	1,775,355	1,128,908	812,354	1,128,908	812,354	0.91	
2002	6,294,872	3,698,729	2,596,143	1,014,900	795,509	1,014,900	795,509	1.43	
2003	6,164,964	3,547,818	2,617,146	1,098,061	767,997	1,098,061	767,997	1.40	
2004	6,233,777	3,717,094	2,516,683	1,153,404	606,067	1,153,404	606,067	1.43	
2005	7,885,646	5,102,334	2,783,312	1,168,757	167,036	1,168,757	167,036	2.08	
2006	9,346,467	5,049,094	4,297,373	1,197,949	410,231	1,197,949	410,231	2.67	
2007	7,517,175	6,045,570	1,471,605	1,224,349	366,426	1,224,349	366,426	0.93	
2008	7,142,159	6,799,902	342,257	1,272,693	520,893	1,272,693	520,893	0.19	
2009	7,361,317	6,559,626	801,691	1,514,393	665,412	1,514,393	665,412	0.37	

CITY OF FREDERICKSBURG, VIRGINIA

Table 14

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita		Median Age	School Enrollment	Unemployment Rate
			Personal Income	Personal Income			
2000	21,686	\$ 575,871,730	\$	26,555	28.9	2,143	2.3%
2001	19,279	538,751,655		27,945	30.3	2,170	3.7%
2002	19,737	559,721,583		28,359	30.3	2,278	4.0%
2003	20,010	600,199,950		29,995	30.3	2,278	5.8%
2004	20,063	603,876,237		30,099	30.3	2,387	6.0%
2005	20,776	633,522,568		30,493	30.3	2,418	5.0%
2006	20,732	662,387,400		31,950	30.3	2,447	4.2%
2007	21,273	710,837,295		33,415	30.3	2,511	4.4%
2008	22,410	789,526,710		35,231	30.3	2,540	6.4%
2009	22,818	846,456,528		37,096	30.3	2,655	9.7%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, www.fedstats.gov.

CITY OF FREDERICKSBURG, VIRGINIA

Table 15

Principal Employers
Current Year and Nine Years Prior

Employer	Fiscal Year 2009		Fiscal Year 2000	
	Number of Employees	Rank	Number of Employees	Rank
Medicorp Health System	1000 and over	1	1000 and over	1
University of Mary Washington	500 to 999	2	500 to 999	2
City of Fredericksburg	500 to 999	3	500 to 999	3
City of Fredericksburg School Board	500 to 999	4	500 to 999	4
Wal-Mart	500 to 999	5	250 to 499	5
Wegmans	250 to 499	6	-	-
Free Lance Star Publishing, Inc.	250 to 499	7	250 to 499	6
United States Postal Service	100 to 249	8	100 to 249	8
Lowe's Home Centers, Inc.	100 to 249	9	100 to 249	9
Home Depot USA, Inc.	100 to 249	10	100 to 249	10
Food Lion, Inc.	-	-	250 to 499	7

Source: Virginia Employment Commission.

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government	34	35	34	37	37	37	37	41	43	40
Judicial administration	30	31	31	31	31	30	35	42	41	39
Public safety	150	152	158	162	163	162	169	166	162	162
Public works	74	72	70	73	70	73	69	87	86	81
Health and welfare	29	30	31	31	33	32	34	33	35	35
Parks and recreation	11	12	13	13	13	13	16	16	19	17
Community development	10	10	10	8	11	11	11	12	13	12
Water	4	4	3	4	4	4	7	9	9	10.5
Wastewater	16	16	16	16	15	16	16	18	21	18.5
Transit	3	3	5	5	5	5	6	11	12	13
Parking garage	-	-	-	-	-	-	-	1	1	1
Totals	361	365	371	380	382	383	400	436	442	429

Source: Fiscal Affairs department.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety:										
Police department:										
Physical arrests	-	-	3,131	3,407	3,281	3,656	3,805	2,839	2,850	3,168
Traffic violations	-	-	8,827	10,935	12,496	10,644	9,500	6,167	7,290	7,335
Parking violations	-	-	-	6,999	11,791	10,431	10,449	10,055	10,671	8,397
Sheriffs department:										
Civil papers	23,263	26,421	35,168	37,272	39,771	40,314	40,502	42,279	44,088	41,379
Fire and rescue:										
Number of calls answered	-	-	-	3,971	4,794	5,159	5,450	5,728	6,145	5,885
Inspections	-	-	-	-	1,432	1,434	1,542	2,531	3,111	2,265
Building inspections:										
Permits issued	2,417	1,905	1,817	2,100	2,192	3,528	3,820	2,395	1,781	1,541
Animal control:										
Number of calls answered	-	899	893	897	899	901	992	1,163	1,010	811
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	365	618	440	370	315	518	483	483	311	277
Waste removal:										
Refuse collected										
(thousands of pounds/day)	24.6	26.2	25.7	26.9	29.4	30.3	28.8	24.3	24.7	20.6
Recycling collected:										
Leaves (cubic yards)	6,012	4,433	5,709	4,939	4,972	5,049	5,577	5,379	6,292	5,604
General services:										
Buildings maintained										
(thousands of square feet)	-	-	236.0	208.0	375.5	375.5	418.6	494.1	473.2	471.7
Culture and recreation:										
Parks and recreation:										
Number of programs	-	-	198	214	250	370	385	403	518	510
Number of participants	-	-	10,020	10,830	12,650	14,260	15,300	17,055	20,964	18,563

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Community development:										
Planning:										
Zoning permits issued (2)	298	272	330	337	391	327	309	289	237	291
Water:										
Number of connections	5,941	6,119	6,126	6,293	6,435	6,696	7,062	7,245	7,274	7,351
Average daily consumption (thousands of gallons)	2,407	2,294	2,396	2,269	2,362	2,394	2,718	2,529	2,639	2,492
Wastewater:										
Average daily sewage treatment (thousands of gallons)	1,766	2,248	2,167	2,829	2,739	2,389	2,181	2,454	2,700	2,794
Transit:										
Ridership per service area: (3)										
City of Fredericksburg	140,435	148,049	155,586	161,329	181,743	185,663	177,833	184,670	208,410	273,685
Spotsylvania County	29,462	34,525	36,751	36,764	39,059	40,514	40,730	44,659	81,315	113,669
South Stafford County	-	-	6,878	19,181	21,678	25,043	30,900	34,808	32,112	39,234
Caroline County	-	-	834	3,834	5,924	5,701	5,647	5,855	6,189	8,160
North Stafford County	-	-	-	-	-	9,908	44,445	53,957	62,895	77,303
King George County	-	-	-	-	-	1,020	7,803	10,727	15,867	21,550
Component Unit - School Board:										
Education:										
Number of students	2,143	2,170	2,278	2,278	2,384	2,418	2,447	2,511	2,540	2,655
Number of teachers	178	195	196	230	239	238	248	251	256	257
Cost per pupil	\$ 9,580	\$ 10,546	\$ 9,581	\$ 10,507	\$ 11,429	\$ 11,867	\$ 13,131	\$ 13,403	\$ 14,416	\$ 13,911

Source: Individual city departments.

(1) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.

(2) Data presented on a calendar year basis (FY2000 - FY2008).

(3) Transit indicators are presented from the first year of operation for each service area.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police department:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	-	-	-	22	22	22	25	30	35	33
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	-	-	-	6	6	6	7	7	7	8
Sheriffs department:										
Patrol units	-	-	-	12	13	15	16	18	14	15
Building inspections:										
Vehicles	-	-	-	4	4	4	5	7	7	7
Animal control:										
Vehicles	-	-	-	1	1	1	1	1	1	1
Public works:										
Street maintenance:										
Trucks/vehicles	-	-	-	21	21	22	22	22	22	22
Streets (moving lane miles)	170	172	172	172	172	174	183	189	189	189
Traffic signals	46	46	46	50	52	52	57	61	61	61
Waste removal:										
Trucks/vehicles	-	-	-	7	7	7	7	7	7	7
Building maintenance:										
Trucks/vehicles	-	-	-	6	7	8	10	9	10	8
Health and welfare:										
Department of Social Services:										
Vehicles	-	-	-	5	5	6	6	6	6	6

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Culture and recreation:										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Trucks/vehicles	-	-	-	15	14	13	13	14	13	15
Parks	7	7	8	9	9	11	11	12	12	12
Park acreage	929	929	932	946	946	1,000	1,000	1,006	1,012	1,012
Water:										
Water mains (miles)	66	66	66	66	66	66	66	66	66	66
Maximum daily capacity (millions of gallons)	6	5	5	5	5	5	5	5	5	5
Wastewater:										
Sanitary sewers (miles)	67	67	67	67	67	67	67	67	67	67
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	55
Maximum daily treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Component Unit - School Board:										
Education:										
Schools	3	3	3	3	3	3	4	4	4	4
School buses	-	-	-	41	35	35	33	36	36	36

Source: Individual city departments.

**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***

**The Honorable Members of the City Council
City of Fredericksburg, Virginia**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the City of Fredericksburg, Virginia's basic financial statements and have issued our report thereon dated November 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Fredericksburg, Virginia in a separate letter dated November 11, 2009.

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

Robinson, Tamm, Cox Associates

Fredericksburg, Virginia
November 11, 2009

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

The Honorable Members of the City Council
City of Fredericksburg, Virginia

Compliance

We have audited the compliance of the City of Fredericksburg, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Fredericksburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fredericksburg, Virginia's management. Our responsibility is to express an opinion on the City of Fredericksburg, Virginia's compliance based on our audit.

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

In our opinion, the City of Fredericksburg, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

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

Robinson, Turner, Cox Associates

Fredericksburg, Virginia
November 11, 2009

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2009

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
Primary Government:		
Department of Agriculture:		
Pass-through Payments:		
Department of Social Services:		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 289,403
Virginia Department of Historic Resources:		
Resource Conservation and Development	10.901	<u>5,000</u>
Total Department of Agriculture		\$ <u>294,403</u>
Department of Education:		
Pass-through Payments:		
Virginia Compensation Board:		
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	\$ <u>94,172</u>
Department of Housing and Urban Development:		
Direct Payments:		
Community Development Block Grant - Entitlement	14.218	\$ <u>202,849</u>
Department of Justice:		
Pass-through Payments:		
Department of Criminal Justice Services:		
Crime Victim Assistance	16.575	\$ 171,274
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>102,387</u>
Total Department of Justice		\$ <u>273,661</u>
Department of Transportation:		
Pass-through Payments:		
Virginia Department of Rail and Public Transportation:		
Federal Transit - Formula Grants	20.507	\$ 1,559,865
Virginia Department of Motor Vehicles:		
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	<u>14,976</u>
Total Department of Transportation		\$ <u>1,574,841</u>
Department of Health and Human Services:		
Pass-through Payments:		
Department of Social Services:		
Promoting Safe and Stable Families	93.556	\$ 3,960
Temporary Assistance for Needy Families	93.558	272,558
Refugee and Entrant Assistance State Administered Programs	93.566	1,553
Low-Income Home Energy Assistance	93.568	12,758
Child Care and Development Block Grant	93.575	437,553
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	289,434
ARRA - Child Care and Development Block Grant	93.713	2,977
Chafee Education & Training Vouchers Program	93.599	3,928
Adoption Incentive Payments	93.603	5,709
Child Welfare Services - State Grants	93.645	1,670
Foster Care - Title IV-E	93.658	280,330
ARRA - Foster Care - Title IV-E	93.658	17,477
Adoption Assistance	93.659	140,683
ARRA - Adoption Assistance	93.659	13,014
Social Services Block Grant	93.667	129,667
Chafee Foster Care Independence Program	93.674	18,468
Children's Health Insurance Program	93.767	21,502
Medical Assistance Program	93.778	<u>190,825</u>
Total Department of Health and Human Services		\$ <u>1,844,066</u>

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2009 (Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
Primary Government: (continued)		
Department of Homeland Security:		
Pass-through Payments:		
Department of Emergency Services:		
Emergency Management Performance Grant	97.042	\$ 10,680
Emergency Food and Shelter National Board Program	97.024	<u>22,137</u>
Total Department of Homeland Security		\$ <u>32,817</u>
Total Expenditures of Federal Awards - Primary Government		\$ <u><u>4,316,809</u></u>
Component Unit - School Board:		
Department of Agriculture:		
Pass-through Payments:		
Virginia Department of Education:		
School Breakfast Program	10.553	\$ 183,267
National School Lunch Program (SL-4) (SL-11)	10.555	530,446
Food Distribution Service	10.555	<u>64,638</u>
Total Department of Agriculture		\$ <u>778,351</u>
Department of Health and Human Services:		
Direct Payments:		
Head Start	93.600	\$ <u>983,249</u>
Department of Education:		
Pass-through Payments:		
Virginia Department of Education:		
Title I Grants to Local Educational Agencies	84.010	\$ 798,041
Career and Technical Education - Basic Grants to States	84.048	56,091
Special Education - Grants to States	84.027	495,000
Assistive Technology	84.224	99
Special Education - Preschool Grants	84.173	34,586
Safe and Drug Free Schools and Communities	84.186	10,393
Education Technology State Grants	84.318	144,077
English Language Acquisition Grants	84.365	31,848
Improving Teacher Quality State Grants	84.367	<u>100,488</u>
Total Department of Education		\$ <u>1,670,623</u>
Total Expenditures of Federal Awards - Component Unit School Board		\$ <u><u>3,432,223</u></u>
Total Expenditures of Federal Awards - Reporting Entity		\$ <u><u>7,749,032</u></u>
Loans and loan guarantees not included in the above as federal assistance:		
Environmental Protection Agency:		
Pass-through Payments:		
State Water Control Board:		
Capitalization Grants for Clean Water State Revolving Fund - balance of loan as of June 30, 2009	66.458	\$ <u><u>4,595,059</u></u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	154,239
Special Revenue Funds:		
Virginia Public Assistance Fund		2,106,218
City Grants Fund		496,487
Proprietary Funds:		
Transit Fund		1,559,865
Total primary government	\$	<u>4,316,809</u>

Component Unit School Board:

School Operating Fund	\$	551,188
School Grants Fund		2,881,035
Total component unit School Board	\$	<u>3,432,223</u>

Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$	<u><u>7,749,032</u></u>
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CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care and Development Block Grant - child care cluster
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund - child care cluster
93.713	ARRA - Child Care and Development Block Grant - child care cluster
93.600	Head Start
93.658	Foster Care - Title IV-E
93.658	ARRA - Foster Care - Title IV-E
20.507	Federal Transit - Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2009

There were no prior year findings or questioned costs.

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