

FREDERICKSBURG, VIRGINIA

*Comprehensive
Annual
Financial
Report . . .*



*. . . for fiscal
year ended _____*

JUNE 30, 2010

CITY OF FREDERICKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

CITY OF FREDERICKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

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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 17, 2010

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, 2010.

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, 2010, 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, 2010, 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 23,193.

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 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 2010. 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 2011 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 and the Fredericksburg Expo and Conference

Economic Condition and Outlook: (Continued)

Center, 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, features 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 2010 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 2010 as well as the major projects planned over the next several years.

Construction activity 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 were operational at the close of the fiscal year with only minimal work to be completed in FY2011. The total cost of these projects is projected to be approximately \$10,500,000.

An upgrade to the Wastewater Treatment Plant was completed during fiscal year 2010 at a cost of approximately \$3,740,000. The primary components of this project involved 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 treatment plant to operate more efficiently for the next several years.

Energy management and conservation measures were completed during the fiscal year which involved either the replacement or upgrading 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 2010. 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

Major Initiatives: (Continued)

popular destinations. The engineering and design phase for two components of Fredericksburg Pathways, the Virginia Central Railway Trail and the Rappahannock River Heritage Trail, was completed during the fiscal year.

The City is proposing a consolidated 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 additional planning will be required 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 current 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 which 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. 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.

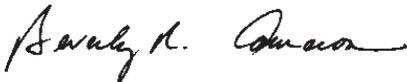
Awards and Acknowledgements

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, 2009. This was the twentieth 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

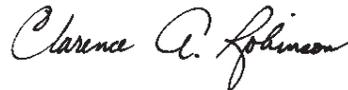
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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,



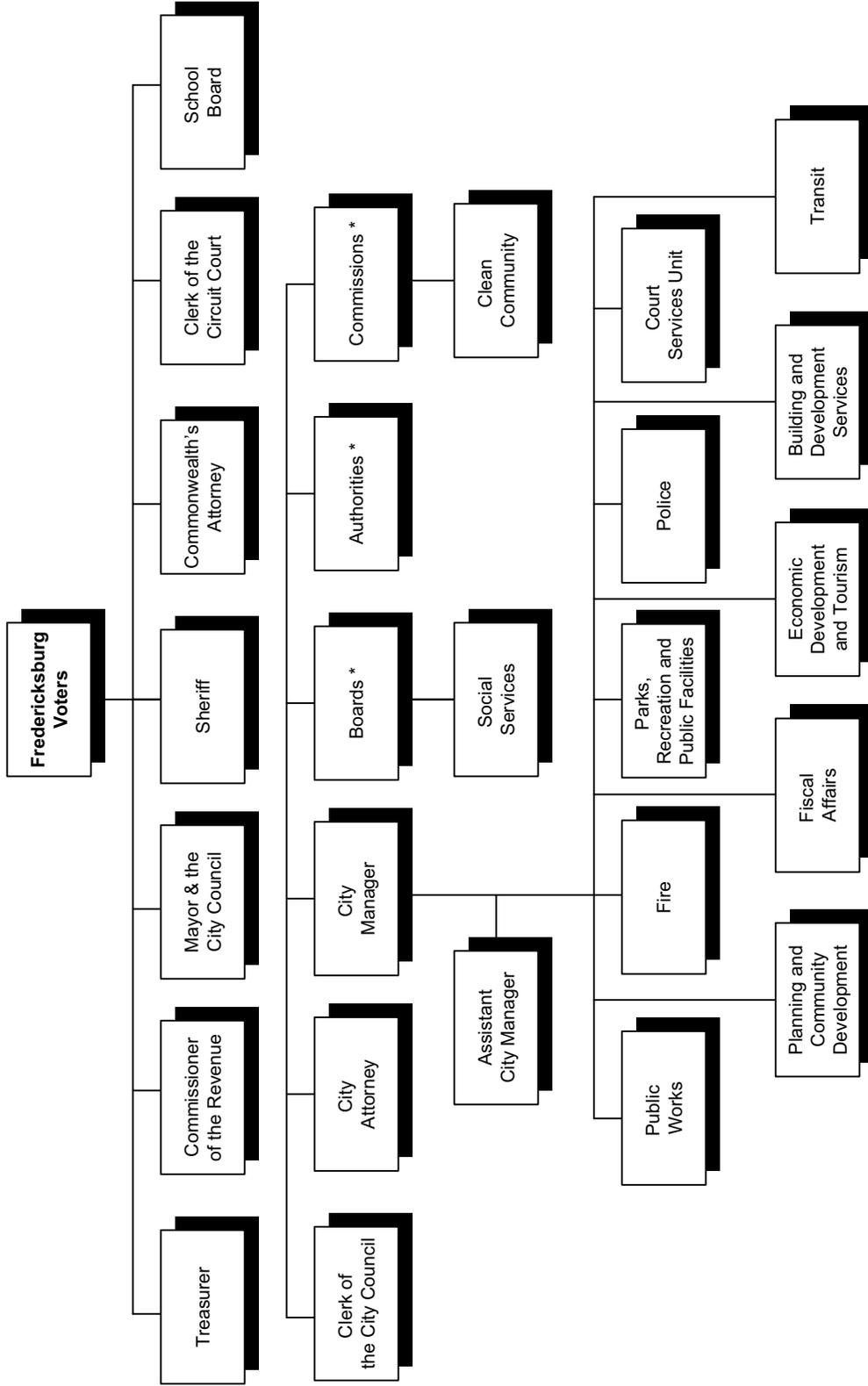
Beverly R. Cameron
City Manager



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, 2010

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 City Manager
D. Mark Whitley Assistant 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 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

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

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, 2009

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

To 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 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, 2010, 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010 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 and OPEB 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 17, 2010

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, 2010. 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 \$103,707,579 at the end of fiscal year 2010. This figure is based on assets totaling \$176,104,772 and liabilities of \$72,397,193. Of the total net asset amount, \$22,042,434 (*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 \$52,803,331 at the end of fiscal year 2010. The largest portion of this total is related to the water and sewer enterprise operations, valued at \$36,819,185.
- Total net assets for the primary government totaled \$156,510,910. Current assets were \$55,476,208 as compared to total current liabilities of \$18,265,968. The resulting net working capital of \$37,210,240 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 \$16,037,713. Of this total, \$15,128,977 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 \$12,533,736, or 19.8% of total General Fund expenditures which totaled \$63,449,959.
- 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 2010 unreserved, undesignated General Fund was 17.8% of the fiscal year 2009 General Fund revenue total of \$70,496,809.
- General Fund revenues increased 2.4% as compared to the preceding fiscal year. This increase approximates the revenue growth experienced in fiscal year 2009.
- General Fund expenditures for fiscal year 2010 were \$1,621,407 less than the fiscal year 2009 total expenditure amount. Much of the decrease is attributable to a reduction in the school allocation of \$1,057,971 for fiscal year 2010.
- Governmental activities general obligation bond debt decreased by \$3,141,423. The balance at the end of the fiscal year was \$59,625,306. Of this amount, \$42,665,000 is related to the construction of school facilities. Business-type activities general obligation and revenue bond debt increased by \$4,661,876 as \$6,220,000 in general obligation bonds were issued during the fiscal year to fund various wastewater utility improvements.

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.

Overview of the Financial Statements: (Continued)

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.

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 \$156,510,910 at the close of fiscal year 2010.

A large portion of the City's net assets, \$121,445,511 or 77.6%, 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 \$35,065,399 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:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09
Assets:								
Current and other assets	\$ 34.81	\$ 35.90	\$ 20.66	\$ 19.92	\$ 55.47	\$ 55.82	\$ 7.39	\$ 7.17
Capital assets	141.30	142.94	61.05	53.79	202.35	196.73	15.13	14.55
Total assets	\$ 176.11	\$ 178.84	\$ 81.71	\$ 73.71	\$ 257.82	\$ 252.55	\$ 22.52	\$ 21.72
Liabilities:								
Current and other liabilities	\$ 11.35	\$ 12.76	\$ 6.91	\$ 5.10	\$ 18.26	\$ 17.86	\$ 4.15	\$ 4.53
Long-term liabilities	61.05	61.52	22.00	17.36	83.05	78.88	1.16	0.45
Total Liabilities	\$ 72.40	\$ 74.28	\$ 28.91	\$ 22.46	\$ 101.31	\$ 96.74	\$ 5.31	\$ 4.98
Net assets:								
Invested in capital assets, net of related debt (2)	\$ 81.67	\$ 80.18	\$ 39.78	\$ 38.75	\$ 121.45	\$ 118.93	\$ 15.13	\$ 14.55
Unrestricted	22.04	24.38	13.02	12.50	35.06	36.88	2.08	2.19
Total net assets	\$ 103.71	\$ 104.56	\$ 52.80	\$ 51.25	\$ 156.51	\$ 155.81	\$ 17.21	\$ 16.74

(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).

Changes in Net Assets:

Governmental Activities

The net assets of the governmental activities decreased by \$849,930, as compared to the \$5,106,004 decrease in the previous fiscal year, resulting in a total net assets position of \$103,707,579. This reduction represents a moderation of a trend noted the past couple 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 increased \$2,836,282 or 3.7% during fiscal year 2010 as compared to the 3.1% decrease realized in fiscal year 2009. Nevertheless, with the nation's economic recovery remaining uncertain, the City maintained a conservative position in its spending as governmental activities expenses decreased \$1,372,148 or 1.7% during the fiscal year.

Business-type Activities

The net assets of the business-type activities total \$52,803,331, which includes an increase of \$1,554,390 for fiscal year 2010. Much of this increase took place in the Transit Fund where net assets increased \$1,650,184 as an additional \$1,317,299 in federal grant revenue was received for the replacement of several buses. A decrease in operating expenses of 7.5% coupled with a \$111,869 increase in operating revenues resulting from a fare increase also contributed to the Transit Fund's favorable net asset position.

Changes in Net Assets: (Continued)

Business-type Activities: (Continued)

The water and wastewater operations experienced a slight change in net assets with the Water Fund decreasing \$142,939 and the Wastewater Fund increasing \$33,104, as the pressures on revenues to keep pace with expenses continued in fiscal year 2010. In response to rising costs for operations and maintenance, the City increased water and sewer rates 2.0% and 5.0%, respectively. This had a corresponding favorable result as the water and sewer fees increased 3.7% and 8.2%, respectively. However, additional rate increases could be warranted to reverse the slowly eroding net asset position of the water and sewer funds experienced over the past few years.

Component Units

The net assets of the School Board were \$16,037,713. 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:

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units	
	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09	FY 10	FY 09
Revenues:								
Program Revenues:								
Charges for services	\$ 3.32	\$ 3.28	\$ 6.47	\$ 5.93	\$ 9.79	\$ 9.21	\$ 0.84	\$ 0.99
Operating grants and contributions	10.07	10.52	5.27	4.34	15.34	14.86	37.19	36.90
Capital grants and contributions	1.75	0.20	0.93	0.57	2.68	0.77	0.06	-
General Revenues:								
Property taxes	29.95	29.63	-	-	29.95	29.63	-	-
Other local taxes	29.99	30.13	0.32	1.36	30.31	31.49	0.08	-
Grants not restricted	3.81	1.97	-	-	3.81	1.97	-	-
Use of property	0.13	0.12	-	-	0.13	0.12	-	0.01
Investment earnings	0.41	1.24	0.12	0.28	0.53	1.52	0.02	0.03
Loss on disposal of capital assets	-	(0.85)	-	-	-	(0.85)	-	-
Miscellaneous	0.39	0.73	0.51	0.34	0.90	1.07	0.24	0.09
Total Revenues	\$ 79.82	\$ 76.97	\$ 13.62	\$ 12.82	\$ 93.44	\$ 89.79	\$ 38.43	\$ 38.02
Expenses:								
General government	\$ 5.17	\$ 5.76	\$ -	\$ -	\$ 5.17	\$ 5.76	\$ -	\$ -
Judicial administration	3.85	3.70	-	-	3.85	3.70	-	-
Public safety	20.20	20.10	-	-	20.20	20.10	-	-
Public works	10.97	10.20	-	-	10.97	10.20	-	-
Health and welfare	6.72	6.66	-	-	6.72	6.66	-	-
Education	26.23	27.30	-	-	26.23	27.30	37.78	37.46
Parks, recreation, and cultural	3.94	4.40	-	-	3.94	4.40	-	-
Community development	1.82	1.96	-	-	1.82	1.96	0.18	0.07
Interest	2.67	2.86	-	-	2.67	2.86	-	-
Water	-	-	2.88	2.75	2.88	2.75	-	-
Sewer	-	-	4.16	4.47	4.16	4.47	-	-
Transit	-	-	3.60	3.90	3.60	3.90	-	-
Parking	-	-	0.53	0.49	0.53	0.49	-	-
Total Expenses	\$ 81.57	\$ 82.94	\$ 11.17	\$ 11.61	\$ 92.74	\$ 94.55	\$ 37.96	\$ 37.53
Excess (deficiency) of revenues over expenses before transfers	\$ (1.75)	\$ (5.97)	\$ 2.45	\$ 1.21	\$ 0.70	\$ (4.76)	\$ 0.47	\$ 0.49
Transfers	0.90	0.86	(0.90)	(0.86)	-	-	-	-
Change in net assets	\$ (0.85)	\$ (5.11)	\$ 1.55	\$ 0.35	\$ 0.70	\$ (4.76)	\$ 0.47	\$ 0.49

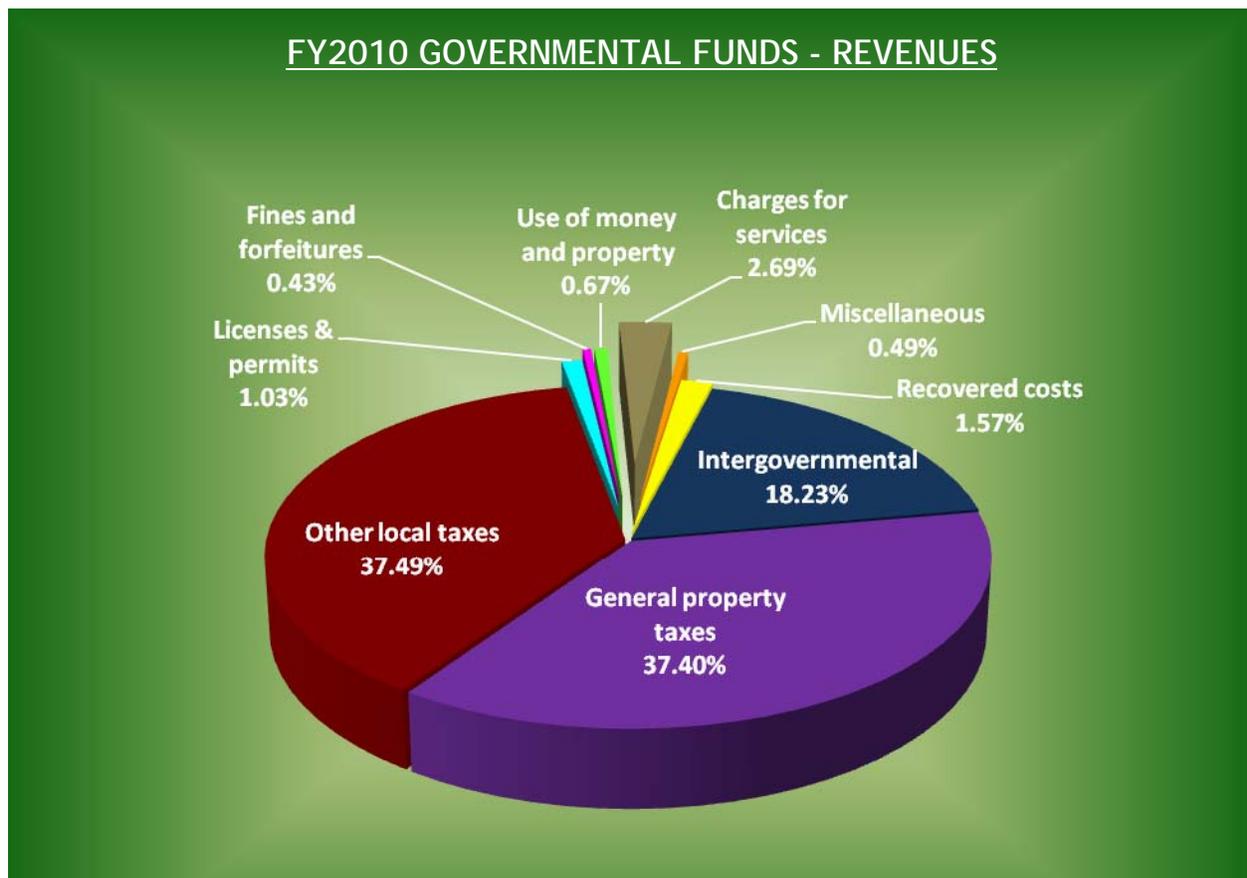
Financial Analysis of the City's Governmental Funds

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 2010 and 2009 is presented below:

	FY 2010	FY 2009	Percentage of Total Revenues FY 2010	Increase (Decrease) from FY 2009
General property taxes	\$ 29,903,318	\$ 29,410,334	37.40%	\$ 492,984
Other local taxes	29,978,525	30,131,647	37.49%	(153,122)
Licenses and permits	822,476	717,349	1.03%	105,127
Fines and forfeitures	344,897	466,213	0.43%	(121,316)
Use of money and property	537,035	1,352,809	0.67%	(815,774)
Charges for services	2,153,238	2,098,080	2.69%	55,158
Miscellaneous	391,890	392,910	0.49%	(1,020)
Recovered costs	1,256,605	1,364,758	1.57%	(108,153)
Intergovernmental	14,576,412	12,693,294	18.23%	1,883,118
Totals	\$ 79,964,396	\$ 78,627,394	100.00%	\$ 1,337,002



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

Revenues: (Continued)

The City's total revenues from governmental activities were \$79,964,396 in fiscal year 2010, an increase of \$1,337,002 as compared to fiscal year 2009. General property tax revenue experienced a modest increase of \$492,984 as real estate and personal property tax rates were increased in response to a decline in assessment values. The real estate rate increased from \$0.56 to \$0.68 as a measure to offset the sharp reduction in assessment values of approximately 14.6% due to the slumping housing market. The personal property tax rate was increased from \$2.99 to \$3.40 as the City's property tax base declined with lower vehicle values and a reduction in the level of business personal property. The percentage of general property taxes as a share of governmental revenue, particularly in the General Fund, has been rising as other revenues, most notably sales tax and other local taxes, have flattened out the last few years. The rate increase was significant in counter-acting the negative budgetary impacts of stagnant revenues and declining general property assessment values.

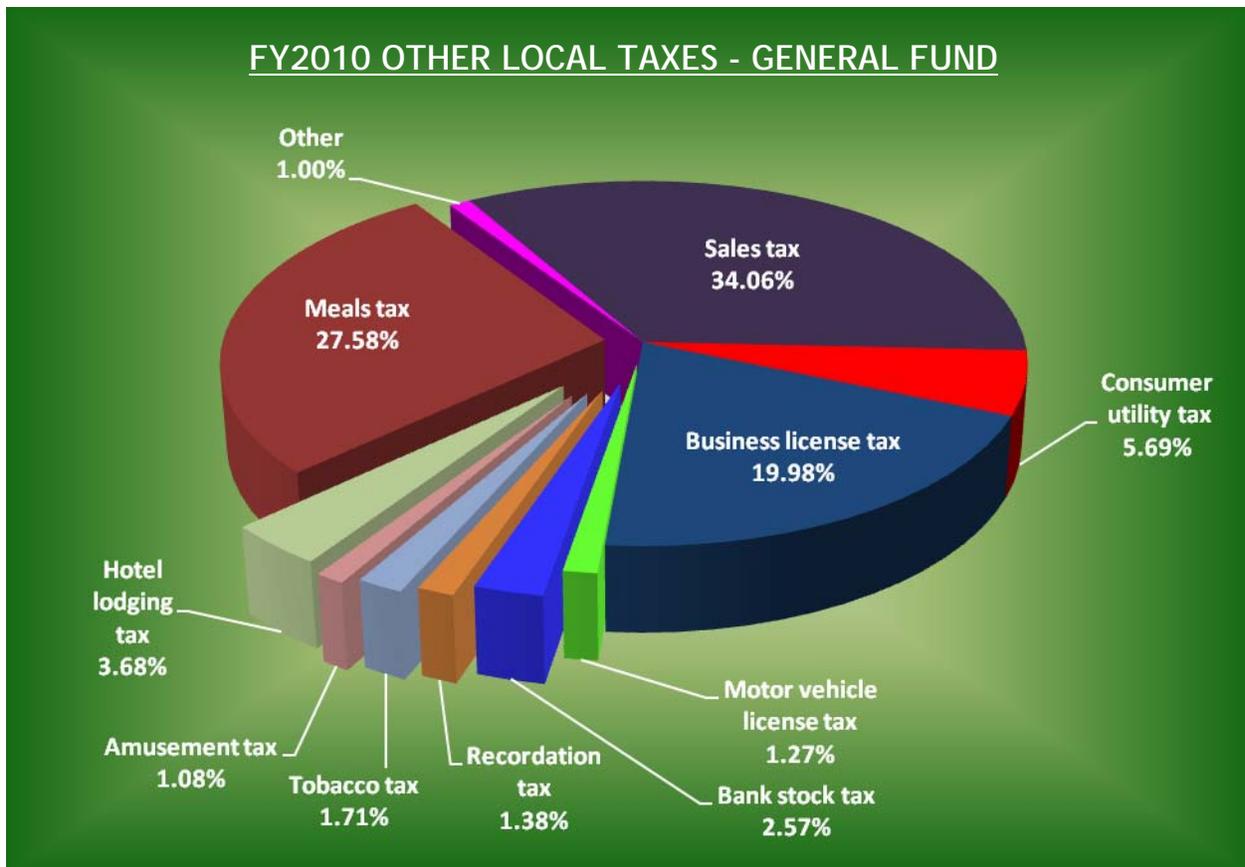
Effective July 1, 2010, the Virginia Auditor of Public Accounts mandated that communication sales tax be classified as state noncategorical aid revenue for financial reporting purposes. In previous years this revenue was classified as a local tax revenue source. Consequently, the \$1,883,118 increase in intergovernmental revenue is primarily the result of \$1,836,247 communication sales tax proceeds being classified as state revenue for fiscal year 2010. Correspondingly, the \$153,122 reduction in other local taxes is a result of \$1,897,210 communication sales tax being classified as a local tax revenue in fiscal year 2009. Excluding the classification difference for communication sales tax, other local taxes increased \$1,744,088 or 6.2% during fiscal year 2010. This represents the most significant favorable impact on governmental revenues, especially when considering other local taxes has accounted for roughly 40.0% of total governmental revenues. The impact of this increase was felt greatest in the General Fund where 98.4% of these revenues were accounted for in fiscal year 2010.

The most significant decrease in governmental revenues occurred in revenue from the use of money and property. As interest rates and investment earnings dropped throughout the fiscal year, this revenue source experienced a sizeable decline of \$815,774, with the greatest impact occurring in the General Fund and the Public Works, Public Facilities, and Public Safety capital projects funds.

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 2010 and 2009:

	<u>FY 2010</u>	<u>FY 2009</u>	<u>Percentage of Total Revenues FY 2010</u>	<u>Increase (Decrease) from FY 2009</u>
Sales and Use Tax	\$ 10,043,091	\$ 10,032,438	34.06%	\$ 10,653
Communication Sales Tax	-	1,897,210	0.00%	(1,897,210)
Consumer Utility Tax	1,677,699	1,517,109	5.69%	160,590
Business License Tax	5,893,072	5,847,174	19.98%	45,898
Motor Vehicle License Tax	375,553	377,547	1.27%	(1,994)
Bank Stock Tax	758,805	469,094	2.57%	289,711
Recordation Tax	406,123	460,085	1.38%	(53,962)
Tobacco Tax	503,322	530,216	1.71%	(26,894)
Amusement Tax	319,137	335,918	1.08%	(16,781)
Hotel Lodging Tax	1,084,542	1,050,586	3.68%	33,956
Meals Tax	8,132,542	7,080,021	27.58%	1,052,521
Other	294,534	84,770	1.00%	209,764
Totals	<u>\$ 29,488,420</u>	<u>\$ 29,682,168</u>	<u>100.00%</u>	<u>\$ (193,748)</u>

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



In recent years various sources of local tax revenue have experienced a flattening, or in some cases, a declining growth rate. This trend experienced a modest reversal during fiscal year 2010 as local sales taxes increased \$1,703,462 or 6.1%, as adjusted for the communication sales tax reclassification discussed in the governmental revenue narrative. With most local tax sources remaining relatively unchanged, the primary contributor for the increase was meals tax, which increased 12.9% as tax rates were increased from 5.0% to 6.0%.

The overall stagnation in local tax revenues the past few years is the result of an economy battered 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.

Expenditures:

Expenditures for governmental funds in fiscal year 2010 totaled \$81,847,777, a slight decrease of \$584,516 from the preceding year. This is a continuation of a trend which started in fiscal year 2008 to reduce overall expenditures in response to the economic downturn and the resulting decrease in revenues. The largest decrease occurred in education expenditures as General Fund appropriations to the School Board were reduced by \$1,057,971 or 4.2% as compared to the 3.1% increase in fiscal year 2009.

Expenditures increased in the capital projects area with the Public Facilities and Public Safety capital funds increasing \$768,609 and \$741,291, respectively. The increase in the Public Facilities Capital Fund occurred as renovation projects continued on various City buildings and preliminary work was started on a section of an extensive bicycle and pedestrian trail system, Fredericksburg Pathways, which will connect City neighborhoods to the Downtown Historic District and various commercial centers. The Public Safety Capital Fund increased with the purchase of a new fire truck and two new ambulances.

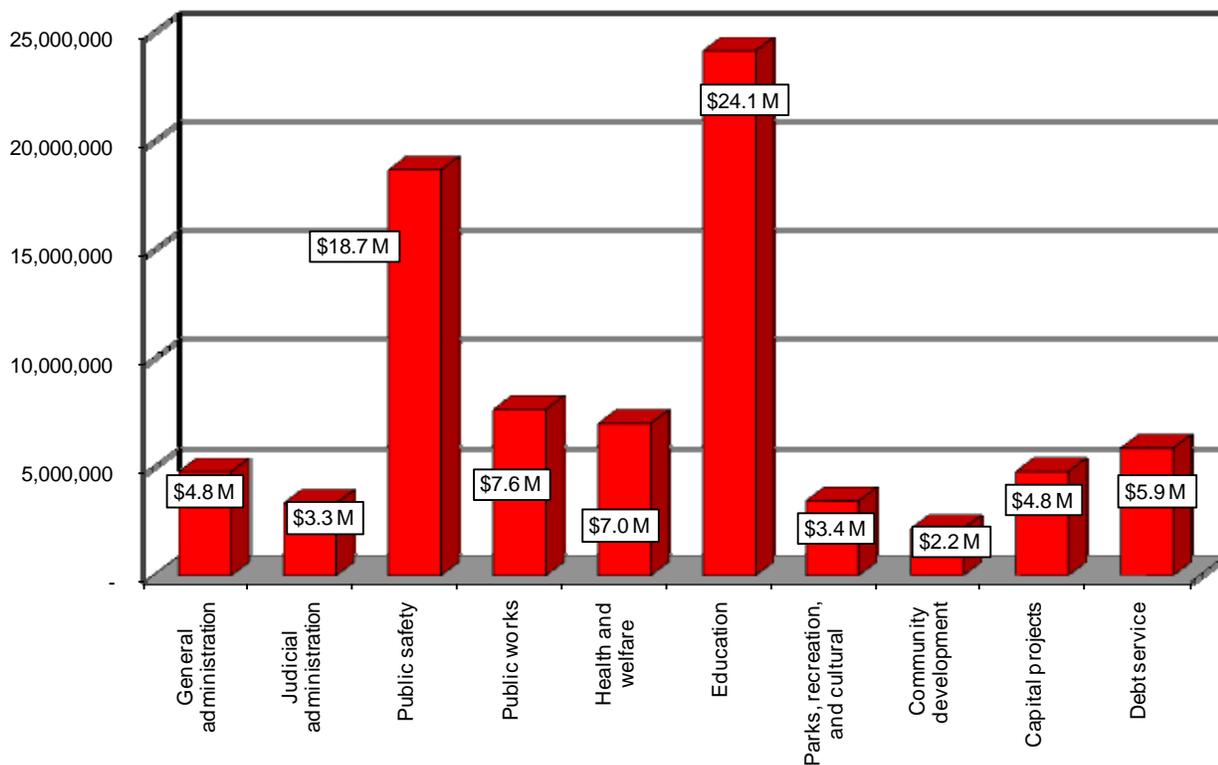
Financial Analysis of the City's Governmental Funds: (Continued)

Expenditures: (Continued)

In response to the drop off in governmental revenues the past few years, 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 several functional areas decreased, with many of the other functional areas exhibiting only a nominal increase. Besides the decrease in education expenditures noted above, the general government administration and the parks, recreation and cultural functional areas showed the most significant decrease. General government administration, accounted for entirely in the General Fund, decreased 11.4% while the total decrease in parks, recreation and cultural in the General Fund and the State, Federal and Local Grants special revenue fund was a combined 15.9%. The overall decrease in governmental expenditures occurred primarily as a result of General Fund expenditures decreasing 2.5%.

	FY 2010	FY 2009	Percentage of Total Expenditures FY 2010	Increase (Decrease) from FY 2009
General administration	\$ 4,785,487	\$ 5,402,264	5.85%	\$ (616,777)
Judicial administration	3,326,241	3,324,483	4.06%	1,758
Public safety	18,666,202	18,220,229	22.81%	445,973
Public works	7,648,942	7,206,095	9.35%	442,847
Health and welfare	7,004,337	6,976,070	8.56%	28,267
Education	24,143,850	25,202,840	29.50%	(1,058,990)
Parks, recreation, and cultural	3,441,368	4,090,417	4.20%	(649,049)
Community development	2,168,755	2,380,204	2.65%	(211,449)
Capital projects	4,792,112	3,456,377	5.85%	1,335,735
Debt service	5,870,483	6,173,314	7.17%	(302,831)
Totals	\$ 81,847,777	\$ 82,432,293	100.00%	\$ (584,516)

FY 2010 GOVERNMENTAL FUNDS - EXPENDITURES



General Fund Budgetary Highlights

Over the course of fiscal year 2010, 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 \$2,471,169 for fiscal year 2010. Total final budgeted revenues decreased \$1,378,156 for fiscal year 2010.

Actual General Fund expenditures were \$63,449,959 versus the final budgeted expenditures totaling \$65,105,284. This resulted in a favorable variance of \$1,655,325. All functional areas had a favorable variance, with general government administration, public safety, and public works experiencing the most significant variance of \$323,744, \$512,677 and \$342,430, respectively.

Actual General Fund revenues were \$72,210,456 compared to final budgeted revenues totaling \$70,057,478. This resulted in a favorable variance of \$2,152,978. The majority of the variance occurred with local sales and use tax and business license tax, which had significant favorable variances of \$818,091 and \$1,018,072, respectively. Revenue from the use of money had a sizeable unfavorable variance of \$302,268 as earnings rates on money market and other investments were down from the previous year.

Capital Asset and Debt Administration

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

	Balance June 30, 2009	Net Additions/ Deletions	Balance June 30, 2010
Capital assets not being depreciated:			
Land	\$ 17,181,308	\$ 1,058,800	\$ 18,240,108
Construction in progress	1,295,685	(507,909)	787,776
Other capital assets:			
Land improvements	9,166,302	324,663	9,490,965
Buildings and building improvements	28,635,014	2,055,330	30,690,344
Joint tenancy assets	43,865,000	(1,200,000)	42,665,000
Machinery, equipment, and vehicles	13,452,393	1,019,687	14,472,080
Infrastructure	71,504,108	934,311	72,438,419
Accumulated depreciation	(42,155,420)	(5,338,821)	(47,494,241)
Totals	\$ 142,944,390	\$ (1,653,939)	\$ 141,290,451

The net decrease in capital assets during the fiscal year was \$1,653,939. In recent years, major additions to capital projects were linked to 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. During fiscal year 2010 the City issued \$6,220,000 of general obligation debt to finance various wastewater improvement projects. Of the \$6,220,000 general obligation debt, \$970,000 is comprised of Recovery Zone Economic Development Bonds and \$1,735,000 includes Build America Bonds, both which have a federal interest subsidy component of 45% and 35%, respectively.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2010 the City's outstanding long-term indebtedness amount totaled \$83,327,466. After adjustments to reflect the revenue bonded debt of 3,633,315, the remaining total bonded debt of \$79,694,151 is far below the legal debt limit of \$207,207,276.

The table below shows a summary of all bonded debt activity during the 2010 fiscal year and the total City debt outstanding:

	Governmental Activities		Business-type Activities		Total	
	FY 2010	FY 2009	FY 2010	FY 2009	FY 2010	FY 2009
Bonds Payable:						
General obligation bonds	\$ 15,658,457	\$ 17,485,152	\$ 19,700,689	\$ 14,246,995	\$ 35,359,146	\$ 31,732,147
General obligation school bonds	42,665,000	43,865,000	-	-	42,665,000	43,865,000
Unamortized bond premium	1,301,849	1,416,577	368,156	198,230	1,670,005	1,614,807
Revenue bonds	-	-	3,633,315	4,595,059	3,633,315	4,595,059
Total long-term debt	\$ 59,625,306	\$ 62,766,729	\$ 23,702,160	\$ 19,040,284	\$ 83,327,466	\$ 81,807,013

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 2010; however, the City government continues to remain in a reasonably stable financial condition as established by the financial statements and schedules included in this report. The past couple of years have shown a considerable reduction in expenditures to neutralize the budgetary impacts of diminishing revenues. This can largely 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.

Economic Factors: (Continued)

A potential source for additional future economic growth opportunities and community revitalization continues to center around the 2,400 acre mega-development known as 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. Possible 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, features 1600 square feet of meeting space, an indoor pool, and a full-service restaurant.

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 2011 and beyond. Revenue from local tax sources 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, 2010

ASSETS	Governmental Activities	Business-Type Activities	Total	Component Units	
				School Board	Economic Development Authority
Assets:					
Cash and cash equivalents	\$ 28,985,939	\$ 16,858,896	\$ 45,844,835	\$ 3,779,647	\$ 1,170,966
Receivables, net of allowance for uncollectibles	1,298,608	1,267,644	2,566,252	34,138	-
Due from other governments	4,179,769	1,740,337	5,920,106	2,226,633	-
Inventory, at cost	41,865	230,795	272,660	-	-
Prepaid expenses	308,140	70	308,210	181,299	-
Restricted:					
Temporarily restricted:					
Cash and cash equivalents	-	564,145	564,145	-	-
Capital assets:					
Land, construction in progress and other	19,027,884	4,033,677	23,061,561	472,679	-
Other capital assets, net of accumulated depreciation	122,262,567	57,021,998	179,284,565	14,656,298	-
Capital assets, net	\$ 141,290,451	\$ 61,055,675	\$ 202,346,126	\$ 15,128,977	\$ -
Total assets	\$ 176,104,772	\$ 81,717,562	\$ 257,822,334	\$ 21,350,694	\$ 1,170,966
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 1,363,040	\$ 3,493,460	\$ 4,856,500	\$ 644,683	\$ -
Accrued liabilities	2,436,784	678,324	3,115,108	3,006,848	-
Unearned revenue	1,184,046	15,448	1,199,494	-	-
Amounts held for others	1,198,459	-	1,198,459	-	-
Liabilities payable from restricted assets	-	564,145	564,145	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	1,894,124	136,237	2,030,361	498,914	-
Revenue bonds payable	-	994,721	994,721	-	-
General obligation bonds payable	3,239,226	1,033,661	4,272,887	-	-
Accrued landfill postclosure costs	34,293	-	34,293	-	-
Due in more than one year:					
Compensated absences	1,160,915	68,273	1,229,188	460,536	-
Net OPEB obligation payable	2,759,816	256,184	3,016,000	702,000	-
Revenue bonds payable	-	2,638,594	2,638,594	-	-
General obligation bonds payable	56,386,080	19,035,184	75,421,264	-	-
Accrued landfill postclosure costs	740,410	-	740,410	-	-
Total liabilities	\$ 72,397,193	\$ 28,914,231	\$ 101,311,424	\$ 5,312,981	\$ -
Net Assets:					
Invested in capital assets, net of related debt	\$ 81,665,145	\$ 39,780,366	\$ 121,445,511	\$ 15,128,977	\$ -
Unrestricted	22,042,434	13,022,965	35,065,399	908,736	1,170,966
Total net assets	\$ 103,707,579	\$ 52,803,331	\$ 156,510,910	\$ 16,037,713	\$ 1,170,966

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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,171,028	\$ 79,215	\$ 288,553	\$ -
Judicial administration	3,854,380	196,474	819,201	-
Public safety	20,200,427	1,848,719	2,195,933	-
Public works	10,964,359	725,710	2,178,799	726,384
Health and welfare	6,721,050	-	4,585,973	-
Education	26,228,250	-	-	-
Parks, recreation and cultural	3,936,068	469,802	5,000	778,800
Community development	1,819,607	691	-	245,574
Interest on long-term debt	2,674,176	-	-	-
Total governmental activities	\$ 81,569,345	\$ 3,320,611	\$ 10,073,459	\$ 1,750,758
Business-type activities				
Water	\$ 2,882,295	\$ 2,261,200	\$ 435,138	\$ -
Sewer	4,156,245	3,742,221	882,089	-
Transit	3,600,428	271,610	3,953,043	931,897
Parking	528,819	192,461	-	-
Total business-type activities	\$ 11,167,787	\$ 6,467,492	\$ 5,270,270	\$ 931,897
Total Primary Government	\$ 92,737,132	\$ 9,788,103	\$ 15,343,729	\$ 2,682,655
Component Units				
Fredericksburg City Public Schools	\$ 37,771,487	\$ 669,733	\$ 12,089,224	\$ 66,318
Fredericksburg Economic Development Authority	188,557	166,552	-	-
Total Component Units	\$ 37,960,044	\$ 836,285	\$ 12,089,224	\$ 66,318

General Revenues

Taxes:

General property taxes, real and personal

Local sales and use taxes

Consumer utility taxes

Business license taxes

Hotel/lodging 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

Miscellaneous

Transfers

Total general revenues and transfers

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 2

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (4,803,260)	\$ -	\$ (4,803,260)	\$ -
(2,838,705)	-	(2,838,705)	-
(16,155,775)	-	(16,155,775)	-
(7,333,466)	-	(7,333,466)	-
(2,135,077)	-	(2,135,077)	-
(26,228,250)	-	(26,228,250)	-
(2,682,466)	-	(2,682,466)	-
(1,573,342)	-	(1,573,342)	-
(2,674,176)	-	(2,674,176)	-
<u>\$ (66,424,517)</u>	<u>\$ -</u>	<u>\$ (66,424,517)</u>	<u>\$ -</u>
\$ -	\$ (185,957)	\$ (185,957)	\$ -
-	468,065	468,065	-
-	1,556,122	1,556,122	-
-	(336,358)	(336,358)	-
<u>\$ -</u>	<u>\$ 1,501,872</u>	<u>\$ 1,501,872</u>	<u>\$ -</u>
<u>\$ (66,424,517)</u>	<u>\$ 1,501,872</u>	<u>\$ (64,922,645)</u>	<u>\$ -</u>
			\$ (24,946,212)
			(22,005)
			<u>\$ (24,968,217)</u>
\$ 29,951,918	\$ -	\$ 29,951,918	\$ -
10,043,091	-	10,043,091	-
1,677,699	-	1,677,699	-
5,893,072	-	5,893,072	-
1,084,542	-	1,084,542	-
8,132,542	-	8,132,542	-
3,147,579	321,058	3,468,637	76,290
-	-	-	25,102,521
3,810,995	-	3,810,995	-
125,295	-	125,295	3,000
411,740	123,522	535,262	21,630
391,890	512,162	904,052	235,695
904,224	(904,224)	-	-
<u>\$ 65,574,587</u>	<u>\$ 52,518</u>	<u>\$ 65,627,105</u>	<u>\$ 25,439,136</u>
<u>\$ (849,930)</u>	<u>\$ 1,554,390</u>	<u>\$ 704,460</u>	<u>\$ 470,919</u>
<u>104,557,509</u>	<u>51,248,941</u>	<u>155,806,450</u>	<u>16,737,760</u>
<u>\$ 103,707,579</u>	<u>\$ 52,803,331</u>	<u>\$ 156,510,910</u>	<u>\$ 17,208,679</u>

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Fund Financial Statements

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Balance Sheet
 Governmental Funds
 At June 30, 2010

<u>ASSETS</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 18,135,667	\$ 10,958,925	\$ 29,094,592
Receivables (net of allowances for uncollectibles):			
Property taxes	894,732	-	894,732
Accounts	125,268	-	125,268
Accrued revenue	200,025	78,583	278,608
Inventory, at cost	41,865	-	41,865
Prepays	308,140	-	308,140
Due from other governments	2,905,913	1,273,856	4,179,769
Total assets	\$ 22,611,610	\$ 12,311,364	\$ 34,922,974
LIABILITIES AND EQUITY			
Liabilities:			
Reconciled overdraft	\$ -	\$ 108,653	\$ 108,653
Accounts payable	807,033	556,007	1,363,040
Accrued liabilities	1,097,358	111,437	1,208,795
Amounts held for others	1,198,459	-	1,198,459
Deferred revenue	1,790,461	-	1,790,461
Total liabilities	\$ 4,893,311	\$ 776,097	\$ 5,669,408
Equity:			
Fund balances:			
Reserved:			
Encumbrances	\$ 95,303	\$ 250,474	\$ 345,777
Prepays	308,140	-	308,140
Inventory	41,865	-	41,865
Unreserved:			
Designated for capital projects	3,789,255	7,938,299	11,727,554
Designated for health insurance claims	950,000	-	950,000
Subsequent year's expenditures:			
Special Revenue Funds	-	1,741,327	1,741,327
Unreserved, undesignated:			
General fund	12,533,736	-	12,533,736
Special Revenue Funds	-	1,605,167	1,605,167
Total equity	\$ 17,718,299	\$ 11,535,267	\$ 29,253,566
Total liabilities and equity	\$ 22,611,610	\$ 12,311,364	\$ 34,922,974

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, 2010

Total fund balances for governmental funds (Exhibit 3) \$ 29,253,566

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	\$	18,240,108	
Construction in progress		787,776	
Land improvements, net of accumulated depreciation		8,209,426	
Buildings and improvements, net of accumulated depreciation		21,629,858	
Joint tenancy assets, net of accumulated depreciation		39,352,401	
Infrastructure, net of accumulated depreciation		46,018,441	
Machinery, vehicles, and equipment, net of accumulated depreciation		7,052,441	
 Total capital assets			 141,290,451

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 606,415

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	\$	(1,227,989)	
Bonds and notes payable		(58,323,457)	
Premium on long-term debt, net of accumulated amortization		(1,301,849)	
Landfill postclosure cost liability		(774,703)	(61,627,998)

Compensated absences not reported as fund liabilities (3,055,039)

Net OPEB obligation not reported as fund liabilities (2,759,816)

Total net assets of governmental activities (Exhibits 1 and 2) \$ 103,707,579

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, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 29,901,213	\$ 2,105	\$ 29,903,318
Other local taxes	29,488,420	490,105	29,978,525
Permits, privilege fees and regulatory licenses	822,476	-	822,476
Fines and forfeitures	330,022	14,875	344,897
Use of money and property	188,439	348,596	537,035
Charges for services	2,064,875	88,363	2,153,238
Miscellaneous	273,174	118,716	391,890
Recovered costs	533,469	723,136	1,256,605
Intergovernmental:			
Revenue from the Commonwealth	8,353,113	2,885,897	11,239,010
Revenue from the Federal Government	255,255	3,082,147	3,337,402
Total revenues	<u>\$ 72,210,456</u>	<u>\$ 7,753,940</u>	<u>\$ 79,964,396</u>
Expenditures			
Current:			
General government administration	\$ 4,785,487	\$ -	\$ 4,785,487
Judicial administration	3,214,522	111,719	3,326,241
Public safety	18,024,869	641,333	18,666,202
Public works	7,631,187	17,755	7,648,942
Health and welfare	1,024,617	5,979,720	7,004,337
Education - local community college and other	5,750	-	5,750
Education - public school system	24,138,100	-	24,138,100
Parks, recreation and cultural	3,335,004	106,364	3,441,368
Community development	1,290,423	878,332	2,168,755
Capital projects	-	4,792,112	4,792,112
Debt service:			
Principal payments	-	3,026,695	3,026,695
Interest and fiscal charges	-	2,843,788	2,843,788
Total expenditures	<u>\$ 63,449,959</u>	<u>\$ 18,397,818</u>	<u>\$ 81,847,777</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 8,760,497</u>	<u>\$ (10,643,878)</u>	<u>\$ (1,883,381)</u>
Other financing sources (uses)			
Transfers in	\$ 1,347,600	\$ 8,384,857	\$ 9,732,457
Transfers out	<u>(8,336,633)</u>	<u>(491,600)</u>	<u>(8,828,233)</u>
Total other financing sources (uses)	<u>\$ (6,989,033)</u>	<u>\$ 7,893,257</u>	<u>\$ 904,224</u>
Net change in fund balance	\$ 1,771,464	\$ (2,750,621)	\$ (979,157)
Fund balance, beginning of year, as restated	<u>15,946,835</u>	<u>14,285,888</u>	<u>30,232,723</u>
Fund balance, end of year	<u><u>\$ 17,718,299</u></u>	<u><u>\$ 11,535,267</u></u>	<u><u>\$ 29,253,566</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, 2010

Net change in fund balances - total governmental funds (Exhibit 5) \$ (979,157)

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	\$ 4,499,540	
Depreciation	<u>(6,194,504)</u>	(1,694,964)

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board (1,017,775)

Donations of capital assets received during the current period 1,058,800

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. 48,600

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:		
Amortization of premium on long-term debt	\$ 114,728	
Repayments of long-term debt:		
General obligation bonds	<u>3,026,695</u>	3,141,423

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	\$ (127,736)	
Net OPEB obligation payable	(1,379,908)	
Accrued interest on bonds and loans	54,884	
Accrued landfill post-closure costs	<u>45,903</u>	
Net adjustment		<u>(1,406,857)</u>

Change in net assets of governmental activities (Exhibit 2) \$ (849,930)

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

Statement of Net Assets
Proprietary Funds
At June 30, 2010

ASSETS	Business-Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$ 6,994,429	\$ 6,145,945	\$ 3,787,165	\$ -	\$ 16,927,539
Accounts receivable, net of allowance for uncollectibles	457,360	741,338	-	-	1,198,698
Accrued revenue	3,985	6,399	50,829	7,733	68,946
Inventory, at cost	192,210	38,585	-	-	230,795
Prepaid expenses	35	35	-	-	70
Due from other governments	-	54,424	1,364,855	321,058	1,740,337
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	564,145	-	-	-	564,145
Total current assets	\$ 8,212,164	\$ 6,986,726	\$ 5,202,849	\$ 328,791	\$ 20,730,530
Capital Assets:					
Land	\$ 701,345	\$ 114,880	\$ 283,770	\$ 782,125	\$ 1,882,120
Construction in progress	96,436	1,980,121	75,000	-	2,151,557
Dams and reservoirs	663,536	-	-	-	663,536
Buildings and systems	16,070,623	35,549,388	5,399,902	6,513,766	63,533,679
Furniture, machinery and equipment	331,335	2,558,767	2,964,017	208,330	6,062,449
Intangible assets	4,745,283	1,556,496	-	-	6,301,779
Total property, plant and equipment	\$ 22,608,558	\$ 41,759,652	\$ 8,722,689	\$ 7,504,221	\$ 80,595,120
Less: Accumulated depreciation	(6,522,491)	(11,270,883)	(1,169,415)	(576,656)	(19,539,445)
Capital assets, net	\$ 16,086,067	\$ 30,488,769	\$ 7,553,274	\$ 6,927,565	\$ 61,055,675
Total assets	\$ 24,298,231	\$ 37,475,495	\$ 12,756,123	\$ 7,256,356	\$ 81,786,205
LIABILITIES AND NET ASSETS					
Liabilities:					
Current liabilities:					
Reconciled overdraft	\$ -	\$ -	\$ -	\$ 68,643	\$ 68,643
Accounts payable	1,191,894	2,212,861	72,635	16,070	3,493,460
Accrued liabilities	16,483	331,435	49,266	1,402	398,586
Interest payable	7,661	272,077	-	-	279,738
Compensated absences, current portion	41,533	72,633	21,446	625	136,237
Deferred revenue	15,448	-	-	-	15,448
Revenue bonds payable, current portion	-	994,721	-	-	994,721
General obligation bonds payable, current portion	285,865	579,772	-	168,024	1,033,661
Current liabilities payable from restricted assets:					
Customer deposits	564,145	-	-	-	564,145
Total current liabilities	\$ 2,123,029	\$ 4,463,499	\$ 143,347	\$ 254,764	\$ 6,984,639
Noncurrent liabilities:					
Compensated absences, noncurrent portion	\$ 25,456	\$ 12,818	\$ 29,615	\$ 384	\$ 68,273
Net OPEB obligation	66,958	113,536	69,868	5,822	256,184
Revenue bonds payable, noncurrent portion	-	2,638,594	-	-	2,638,594
General obligation bonds payable, noncurrent portion	1,901,984	13,608,667	-	3,524,533	19,035,184
Total noncurrent liabilities	\$ 1,994,398	\$ 16,373,615	\$ 99,483	\$ 3,530,739	\$ 21,998,235
Total liabilities	\$ 4,117,427	\$ 20,837,114	\$ 242,830	\$ 3,785,503	\$ 28,982,874
Net assets:					
Invested in capital assets, net of related debt	\$ 13,898,218	\$ 15,093,866	\$ 7,553,274	\$ 3,235,008	\$ 39,780,366
Unrestricted	6,282,586	1,544,515	4,960,019	235,845	13,022,965
Total net assets	\$ 20,180,804	\$ 16,638,381	\$ 12,513,293	\$ 3,470,853	\$ 52,803,331

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, 2010

Business-Type Activities - Enterprise Funds

	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Operating revenues:					
Charges for services	\$ 2,261,200	\$ 3,742,221	\$ 271,610	\$ 192,461	\$ 6,467,492
Operating expenses:					
Personal services	\$ 372,775	\$ 784,958	\$ 1,896,286	\$ 96,266	\$ 3,150,285
Fringe benefits	247,259	418,235	444,399	29,135	1,139,028
Contractual services	1,537,312	1,015,898	192,526	42,152	2,787,888
Other operating expenses	184,080	389,625	660,489	57,738	1,291,932
Depreciation expense	454,633	983,449	406,728	144,164	1,988,974
Total operating expenses	\$ 2,796,059	\$ 3,592,165	\$ 3,600,428	\$ 369,455	\$ 10,358,107
Total operating income (loss)	\$ (534,859)	\$ 150,056	\$ (3,328,818)	\$ (176,994)	\$ (3,890,615)
Nonoperating revenues (expenses):					
Interest income	\$ 29,603	\$ 35,237	\$ 29,341	\$ 29,341	\$ 123,522
Gasoline tax receipts	-	-	-	321,058	321,058
Availability/connection fees	435,138	864,105	-	-	1,299,243
Miscellaneous	291,392	16,299	204,471	-	512,162
State and local grant funds	-	-	2,007,776	-	2,007,776
Federal grant funds	-	17,984	2,877,164	-	2,895,148
Interest expense	(86,236)	(564,080)	-	(159,364)	(809,680)
Total nonoperating revenues (expenses)	\$ 669,897	\$ 369,545	\$ 5,118,752	\$ 191,035	\$ 6,349,229
Income (loss) before contributions and transfers	\$ 135,038	\$ 519,601	\$ 1,789,934	\$ 14,041	\$ 2,458,614
Transfers:					
Transfers out	\$ (277,977)	\$ (486,497)	\$ (139,750)	\$ -	\$ (904,224)
Change in net assets	\$ (142,939)	\$ 33,104	\$ 1,650,184	\$ 14,041	\$ 1,554,390
Net assets, beginning of year	20,323,743	16,605,277	10,863,109	3,456,812	51,248,941
Net assets, end of year	\$ 20,180,804	\$ 16,638,381	\$ 12,513,293	\$ 3,470,853	\$ 52,803,331

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

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2010

	Business-Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 2,261,742	\$ 3,581,705	\$ (481,864)	\$ 190,372	\$ 5,551,955
Other miscellaneous receipts	291,392	16,299	204,471	321,058	833,220
Payments to suppliers	(1,283,515)	(244,494)	(866,951)	(98,077)	(2,493,037)
Payments to and for employees	(582,061)	(1,149,357)	(2,302,811)	(121,237)	(4,155,466)
Net cash provided by (used in) operating activities	\$ 687,558	\$ 2,204,153	\$ (3,447,155)	\$ 292,116	\$ (263,328)
Cash flows from noncapital financing activities:					
Availability and connection fees	\$ 435,138	\$ 864,105	\$ -	\$ -	\$ 1,299,243
State, federal and local grant funds	-	17,984	3,953,043	-	3,971,027
Transfers	(277,977)	(486,497)	(139,750)	-	(904,224)
Net cash provided by (used in) noncapital financing activities	\$ 157,161	\$ 395,592	\$ 3,813,293	\$ -	\$ 4,366,046
Cash flows from investing activities:					
Interest income	\$ 29,603	\$ 35,237	\$ 29,341	\$ 29,341	\$ 123,522
Cash flows from capital and related financing activities:					
Purchase of capital assets	\$ (514,262)	\$ (7,678,070)	\$ (1,057,918)	\$ -	\$ (9,250,250)
State, federal and local grant funds	-	-	931,897	-	931,897
Proceeds from issuance of debt	-	6,220,000	-	-	6,220,000
Premium on issuance of debt	-	187,118	-	-	187,118
Principal payment on debt	(275,598)	(1,307,551)	-	(162,093)	(1,745,242)
Interest paid on debt	(86,479)	(501,351)	-	(159,364)	(747,194)
Net cash provided by (used in) capital and related financing activities	\$ (876,339)	\$ (3,079,854)	\$ (126,021)	\$ (321,457)	\$ (4,403,671)
Increase (decrease) in cash and cash equivalents for the year	\$ (2,017)	\$ (444,872)	\$ 269,458	\$ -	\$ (177,431)
Cash and cash equivalents (including restricted), beginning of year	7,560,591	6,590,817	3,517,707	-	17,669,115
Cash and cash equivalents (including restricted), end of year	\$ 7,558,574	\$ 6,145,945	\$ 3,787,165	\$ -	\$ 17,491,684
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (534,859)	\$ 150,056	\$ (3,328,818)	\$ (176,994)	\$ (3,890,615)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	454,633	983,449	406,728	144,164	1,988,974
Other miscellaneous receipts	291,392	16,299	204,471	321,058	833,220
Changes in assets and liabilities:					
Accounts receivable	(57,745)	(112,224)	-	-	(169,969)
Inventory	5,504	(15,782)	-	-	(10,278)
Accrued revenue	44,774	50	(45,904)	(2,808)	(3,888)
Prepaid expenses	(35)	(35)	-	-	(70)
Due from other governments	-	(32,560)	(707,570)	719	(739,411)
Reconciled overdraft	-	-	-	2,176	2,176
Accounts payable	445,740	1,112,785	(45,045)	(363)	1,513,117
Accrued liabilities	(13,332)	48,279	31,109	1,402	67,458
Net OPEB obligation	33,479	56,768	34,934	2,911	128,092
Deferred revenue	(1,655)	-	-	-	(1,655)
Compensated absences	4,494	(2,932)	2,940	(149)	4,353
Deposits payable from restricted assets	15,168	-	-	-	15,168
Net cash provided by (used in) operating activities	\$ 687,558	\$ 2,204,153	\$ (3,447,155)	\$ 292,116	\$ (263,328)

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, 2010

	Agency Funds	Private Purpose Trust Funds
Assets:		
Cash and cash equivalents	\$ 1,060,005	\$ 1,730,147
Accounts receivable	121,061	4,753
Prepaid items	18,367	-
Capital assets:		
Machinery and equipment, net of accumulated depreciation	-	25,893
Total assets	\$ 1,199,433	\$ 1,760,793
Liabilities:		
Accounts payable	\$ 78,154	\$ 999
Accrued liabilities	23,980	6,919
Deferred revenue	73,508	-
Amounts held for others	1,023,791	-
Total liabilities	\$ 1,199,433	\$ 7,918
Net Assets:		
Held in trust for land conservation (see Note 1)	\$ -	\$ 1,752,875

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, 2010

Additions:	
Contributions:	
Contributions	\$ 45,900
Investment income:	
Interest earned on investments	<u>26,177</u>
Total additions	<u>\$ 72,077</u>
Deductions:	
Payments for property management	<u>\$ 71,429</u>
Net increase in plan assets	\$ 648
Net assets held in trust for land conservation:	
Balance, beginning of year	<u>1,752,227</u>
Balance, end of year	<u><u>\$ 1,752,875</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, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board				
Education	\$ 37,771,487	\$ 669,733	\$ 12,089,224	\$ 66,318
Economic Development Authority				
Community development	188,557	166,552	-	-
Total component units	\$ 37,960,044	\$ 836,285	\$ 12,089,224	\$ 66,318

General revenues

- Payment from/(to) City of Fredericksburg
- Other local taxes
- 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
\$ (24,946,212)	\$ -	\$ (24,946,212)
-	(22,005)	(22,005)
\$ (24,946,212)	\$ (22,005)	\$ (24,968,217)
\$ 25,155,875	\$ (53,354)	\$ 25,102,521
76,290	-	76,290
3,000	-	3,000
-	21,630	21,630
235,695	-	235,695
\$ 25,470,860	\$ (31,724)	\$ 25,439,136
\$ 524,648	\$ (53,729)	\$ 470,919
15,513,065	1,224,695	16,737,760
\$ 16,037,713	\$ 1,170,966	\$ 17,208,679

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CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2010

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 costs 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 \$3,495,961 in operating and other funds to the Center in 2010.

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 \$1,103,880 in operating funds to the Library in 2010.

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 \$201,395 to the Board in 2010.

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 \$7,880 in operating grants to the Agency in 2010.

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 \$18,702 in operating grants to the Commission in 2010.

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 \$583,075 to the Center in 2010.

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 \$71,290 in operating funds to the Home in 2010.

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 2010.

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 adjustments 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 2010.

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:

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 provide 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.

Courthouse Maintenance Fund - This fund accounts for the revenues, expenditures, and other financing resources for courthouse maintenance.

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 taxes, grants, 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 revenue and 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.

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, 2010. 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, 2010.

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, 2010, 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, 2010, the allowance totaled \$1,036,005 with \$693,144 in the General Fund and \$342,861 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

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
Intangible Assets	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.

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, 2010.

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.

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, 2010 was \$114,728 and \$17,192 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, 2010 were held by the City or in the City's name by the City's custodial banks; except \$17,200,711 of U.S. Agency investments, and \$4,907,406 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, 2010

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities: (Continued)

The City's rated debt investments as of June 30, 2010 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-1+
U.S. Agencies	\$ 17,200,711	\$ -	\$ -	\$ -
U.S. Government Corporate Debt	4,376,034	-	-	-
Corporate Debt	-	-	531,372	-
Commercial Paper	-	-	-	1,498,316
Virginia State Non-Arbitrage Program	-	2,519,348	-	-
Money Market Mutual Fund	-	23,544,848	-	-
Total	\$ 21,576,745	\$ 26,064,196	\$ 531,372	\$ 1,498,316

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	\$ 17,200,711	\$ 6,256,905	\$ 10,943,806
Commercial Paper	1,498,316	1,498,316	-
U.S. Government Corporate Debt	4,376,034	1,012,673	3,363,361
Corporate Debt	531,372	-	531,372
Total	\$ 23,606,433	\$ 8,767,894	\$ 14,838,539

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, 2010

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, 2010 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	\$ 1,567,781	\$ -	\$ -	\$ 1,567,781	\$ -
Circuit court	47,297	-	-	47,297	-
Water charges	-	-	-	-	614,867
Wastewater charges	-	-	-	-	926,692
EMS fees	94,288	-	-	94,288	-
Refuse disposal fees	100,728	-	-	100,728	-
Investment earnings	13,149	-	39,525	52,674	13,410
Other	89,926	26,195	12,863	128,984	55,536
Total	\$ 1,913,169	\$ 26,195	\$ 52,388	\$ 1,991,752	\$ 1,610,505
Allowance for uncollectibles	(693,144)	-	-	(693,144)	(342,861)
Net receivables	<u>\$ 1,220,025</u>	<u>\$ 26,195</u>	<u>\$ 52,388</u>	<u>\$ 1,298,608</u>	<u>\$ 1,267,644</u>

Component Units and Fiduciary Activities:

	<u>School Board</u>	<u>Fiduciary Activities</u>
Other	\$ 34,138	\$ 125,814
Total	\$ 34,138	\$ 125,814
Allowance for uncollectibles	-	-
Net receivables	<u>\$ 34,138</u>	<u>\$ 125,814</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

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	\$ 1,761,794	\$ -	\$ -	\$ 1,761,794	\$ -	-
Telecommunication sales tax	158,783	-	-	158,783	-	-
PPTRA	676,647	-	-	676,647	-	-
Comprehensive Services Act	-	246,504	-	246,504	-	-
Shared expenses and grants	173,376	-	-	173,376	-	-
Virginia Department of Rail and Public Transportation	-	-	-	-	210,241	-
Virginia Department of Motor Vehicles	-	2,475	-	2,475	-	-
Virginia Information Technology Agency	26,182	-	-	26,182	-	-
Recordation taxes	31,242	-	-	31,242	-	-
Virginia Department of Health	10,168	-	-	10,168	-	-
Noncategorical aid	28,517	-	-	28,517	-	-
Social services grants	-	321,625	-	321,625	-	-
Federal government:						
Community Development Block Grant	-	30,327	-	30,327	-	-
Transit grants	-	-	-	-	1,113,757	-
Criminal justice grants	-	182,820	-	182,820	-	-
Interest subsidy	-	-	-	-	17,984	-
Others:						
Potomac and Rappahannock Transportation Commission	39,204	27,798	462,307	529,309	321,058	-
Local government reimbursements:						
County of Spotsylvania	-	-	-	-	36,440	-
County of Caroline	-	-	-	-	40,857	-
Component Unit School Board:						
Commonwealth of Virginia:						
State sales taxes	-	-	-	-	-	429,728
State school funds	-	-	-	-	-	512,440
Federal pass-through: School funds	-	-	-	-	-	984,050
Federal government: Head Start	-	-	-	-	-	300,415
Total	\$ 2,905,913	\$ 811,549	\$ 462,307	\$ 4,179,769	\$ 1,740,337	\$ 2,226,633

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 6—Interfund Balances and Activity:

Primary Government:

Balances due To/From other funds at June 30, 2010:

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	\$ 832,080
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	381,744
Transfer to the Comprehensive Services Act Fund for the local share of the program costs	665,550
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	2,316,109
Transfers to the Education Debt Service Fund to pay school debt service and related costs	3,554,374
Transfers to the Public Works Construction Fund to fund infrastructure and related capital projects	160,000
Transfers to the Public Facilities Construction Fund to fund building improvements and related costs	400,000
Transfers to the New Court Construction Fund to fund new court complex capital costs	75,000
Transfers to the General Fund for various programs	<u>1,347,600</u>
Total transfers	<u>\$ 9,732,457</u>
Reconciliation of transfers:	
Transfers in from governmental funds	\$ 8,828,233
Transfers from enterprise funds to governmental funds	<u>904,224</u>
Total transfers	<u>\$ 9,732,457</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, 2010

Note 7—Capital Assets:

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

Primary Government:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 17,181,308	\$ 1,058,800	\$ -	\$ 18,240,108
Construction in progress:				
Infrastructure	\$ 69,564	\$ 594,923	\$ 630,043	\$ 34,444
Land improvements	433,307	432,400	324,665	541,042
Buildings	792,814	1,186,924	1,767,448	212,290
Total construction in progress	\$ 1,295,685	\$ 2,214,247	\$ 2,722,156	\$ 787,776
Total capital assets not being depreciated	\$ 18,476,993	\$ 3,273,047	\$ 2,722,156	\$ 19,027,884
Other capital assets:				
Land improvements	\$ 9,166,302	\$ 324,663	\$ -	\$ 9,490,965
Buildings and improvements	28,635,014	2,055,330	-	30,690,344
Joint tenancy assets	43,865,000	-	1,200,000	42,665,000
Infrastructure	71,504,108	956,361	22,050	72,438,419
Machinery, equipment and vehicles	13,452,393	1,671,095	651,408	14,472,080
Total other capital assets	\$ 166,622,817	\$ 5,007,449	\$ 1,873,458	\$ 169,756,808
Accumulated depreciation:				
Land improvements	\$ 961,640	\$ 319,899	\$ -	\$ 1,281,539
Buildings and improvements	8,188,259	872,227	-	9,060,486
Joint tenancy assets	2,428,199	1,066,625	182,225	3,312,599
Infrastructure	23,560,136	2,881,892	22,050	26,419,978
Machinery, equipment and vehicles	7,017,186	1,053,861	651,408	7,419,639
Total accumulated depreciation	\$ 42,155,420	\$ 6,194,504	\$ 855,683	\$ 47,494,241
Other capital assets, net	\$ 124,467,397	\$ (1,187,055)	\$ 1,017,775	\$ 122,262,567
Net capital assets	<u>\$ 142,944,390</u>	<u>\$ 2,085,992</u>	<u>\$ 3,739,931</u>	<u>\$ 141,290,451</u>
Depreciation is allocated to:				
General government administration		\$ 157,393		
Judicial administration		145,404		
Public safety		1,108,724		
Health and welfare		78,896		
Education		1,066,625		
Public works		3,118,729		
Parks and recreation		513,270		
Community development		5,463		
Total		<u>\$ 6,194,504</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 7—Capital Assets: (Continued)

Business-Type Activities:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>
Capital assets not being depreciated:				
Land	\$ 1,882,120	\$ -	\$ -	\$ 1,882,120
Construction in progress	<u>6,065,057</u>	<u>7,305,267</u>	<u>11,218,767</u>	<u>2,151,557</u>
Total capital assets not being depreciated	<u>\$ 7,947,177</u>	<u>\$ 7,305,267</u>	<u>\$ 11,218,767</u>	<u>\$ 4,033,677</u>
Other capital assets:				
Buildings and systems	\$ 57,983,243	\$ 5,550,436	\$ -	\$ 63,533,679
Dams and reservoirs	663,536	-	-	663,536
Intangible assets	-	6,301,779	-	6,301,779
Furniture, machinery and equipment	<u>5,399,286</u>	<u>1,311,535</u>	<u>648,372</u>	<u>6,062,449</u>
Total other capital assets	<u>\$ 64,046,065</u>	<u>\$ 13,163,750</u>	<u>\$ 648,372</u>	<u>\$ 76,561,443</u>
Accumulated depreciation:				
Buildings and systems	\$ 15,825,655	\$ 512,961	\$ -	\$ 16,338,616
Dams and reservoirs	76,505	13,271	-	89,776
Intangible assets	-	949,057	-	949,057
Furniture, machinery and equipment	<u>2,296,683</u>	<u>513,685</u>	<u>648,372</u>	<u>2,161,996</u>
Total accumulated depreciation	<u>\$ 18,198,843</u>	<u>\$ 1,988,974</u>	<u>\$ 648,372</u>	<u>\$ 19,539,445</u>
Other capital assets, net	<u>\$ 45,847,222</u>	<u>\$ 11,174,776</u>	<u>\$ -</u>	<u>\$ 57,021,998</u>
Net capital assets	<u>\$ 53,794,399</u>	<u>\$ 18,480,043</u>	<u>\$ 11,218,767</u>	<u>\$ 61,055,675</u>
Depreciation is allocated to:				
Water operations		\$ 454,633		
Wastewater operations		983,449		
Parking garage operations		144,164		
Transit operations		<u>406,728</u>		
Total		<u>\$ 1,988,974</u>		

The increases above include the reclassification of intangible assets with a cost of \$4,745,283 and accumulated depreciation of \$854,151 previously reported in the Buildings and systems category.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 7—Capital Assets: (Continued)

Component Unit School Board:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
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 and improvements	21,258,484	1,216,183	-	22,474,667
Machinery, equipment and vehicles	<u>2,755,695</u>	<u>310,613</u>	<u>31,500</u>	<u>3,034,808</u>
Total other capital assets	<u>\$ 24,137,432</u>	<u>\$ 1,526,796</u>	<u>\$ 31,500</u>	<u>\$ 25,632,728</u>
Accumulated depreciation:				
Land improvements	\$ 42,922	\$ 6,162	\$ -	\$ 49,084
Buildings and improvements	8,327,373	732,301	-	9,059,674
Machinery, equipment and vehicles	<u>1,687,411</u>	<u>211,761</u>	<u>31,500</u>	<u>1,867,672</u>
Total accumulated depreciation	<u>\$ 10,057,706</u>	<u>\$ 950,224</u>	<u>\$ 31,500</u>	<u>\$ 10,976,430</u>
Other capital assets, net	<u>\$ 14,079,726</u>	<u>\$ 576,572</u>	<u>\$ -</u>	<u>\$ 14,656,298</u>
Net capital assets	<u>\$ 14,552,405</u>	<u>\$ 576,572</u>	<u>\$ -</u>	<u>\$ 15,128,977</u>
Depreciation allocated to education		<u>\$ 950,224</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 8—Deferred/Unearned Revenue:

Deferred/Unearned 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>
Unearned property tax revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	\$ 1,145,513	\$ -
Other	<u>38,533</u>	<u>15,448</u>
Total unearned revenue	<u>\$ 1,184,046</u>	<u>\$ 15,448</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.	\$ 606,415	
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	1,145,513	
Other	<u>38,533</u>	
Total deferred revenue	<u>\$ 1,790,461</u>	

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 9—Long-term Obligations:

A summary of long-term obligation transactions of the City for the year ended June 30, 2010 is as follows:

	<u>Balance July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2010</u>	<u>Current Portion</u>
Primary Government:					
General long-term obligations payable from governmental activities:					
General obligation bonds	\$ 17,485,152	\$ -	\$ 1,826,695	\$ 15,658,457	\$ 1,867,831
General obligation school bonds	43,865,000	-	1,200,000	42,665,000	1,260,000
Add: Unamortized bond premium	1,416,577	-	114,728	1,301,849	111,395
Landfill postclosure costs	820,606	-	45,903	774,703	34,293
Compensated absences	2,927,303	1,942,664	1,814,928	3,055,039	1,894,124
Net OPEB obligation payable	<u>1,379,908</u>	<u>1,878,966</u>	<u>499,058</u>	<u>2,759,816</u>	<u>-</u>
Total	<u>\$ 67,894,546</u>	<u>\$ 3,821,630</u>	<u>\$ 5,501,312</u>	<u>\$ 66,214,864</u>	<u>\$ 5,167,643</u>
Long-term obligations payable from business activities:					
General obligation bonds	\$ 14,246,995	\$ 6,220,000	\$ 766,306	\$ 19,700,689	\$ 1,004,169
Add: Unamortized bond premium	198,230	187,118	17,192	368,156	29,492
Virginia Resources Authority revenue bonds	4,595,059	-	961,744	3,633,315	994,721
Compensated absences	200,157	139,154	134,801	204,510	136,237
Net OPEB obligation payable	<u>128,092</u>	<u>174,418</u>	<u>46,326</u>	<u>256,184</u>	<u>-</u>
Total	<u>\$ 19,368,533</u>	<u>\$ 6,720,690</u>	<u>\$ 1,926,369</u>	<u>\$ 24,162,854</u>	<u>\$ 2,164,619</u>
Total primary government	<u>\$ 87,263,079</u>	<u>\$ 10,542,320</u>	<u>\$ 7,427,681</u>	<u>\$ 90,377,718</u>	<u>\$ 7,332,262</u>
Component Unit School Board:					
Long-term obligations payable from component unit school board activities:					
Compensated absences	\$ 941,869	\$ 507,352	\$ 489,771	\$ 959,450	\$ 498,914
Net OPEB obligation payable	<u>351,000</u>	<u>606,089</u>	<u>255,089</u>	<u>702,000</u>	<u>-</u>
Total component unit school board	<u>\$ 1,292,869</u>	<u>\$ 1,113,441</u>	<u>\$ 744,860</u>	<u>\$ 1,661,450</u>	<u>\$ 498,914</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 9—Long-term Obligations: (Continued)

The schedule below shows principal and interest requirements through maturity for all outstanding debt at June 30, 2010:

Year Ending June 30	General Obligation Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 4,132,000	\$ 3,527,868	\$ 994,721	\$ 115,149
2012	3,862,000	3,388,945	1,028,829	81,041
2013	3,696,000	3,233,111	1,064,107	45,763
2014	3,770,000	3,077,226	545,658	9,276
2015	3,894,000	2,915,897	-	-
2016	3,537,000	2,756,399	-	-
2017	3,690,000	2,601,669	-	-
2018	3,848,000	2,436,903	-	-
2019	3,500,000	2,262,820	-	-
2020	3,655,000	2,093,109	-	-
2021	3,830,000	1,912,586	-	-
2022	4,005,000	1,722,997	-	-
2023	3,980,000	1,529,302	-	-
2024	4,180,000	1,330,920	-	-
2025	4,385,000	1,116,671	-	-
2026	4,600,000	894,676	-	-
2027	4,000,000	682,786	-	-
2028	4,195,000	479,128	-	-
2029	3,545,000	286,734	-	-
2030	3,720,146	105,871	-	-
	<u>\$ 78,024,146</u>	<u>\$ 38,355,618</u>	<u>\$ 3,633,315</u>	<u>\$ 251,229</u>

The above schedule does not include premiums.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 9—Long-term Obligations: (Continued)

At June 30, 2010, 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%	\$ 6,035,146	\$ 1,390,000
2004A General Obligation School Bonds	2004	2030	4.85-5.1%	42,665,000	1,260,000
2005B General Obligation Bonds	2005	2026	4.0-4.5%	9,340,000	425,000
2007E General Obligation Bonds	2008	2028	3.5-5.0%	10,045,000	380,000
2009A General Obligation Refunding Bonds	2009	2018	3.0%	3,719,000	467,000
2010A General Obligation Bonds	2010	2030	6.07%	970,000	-
2010B General Obligation Bonds	2010	2028	5.6-5.9%	1,735,000	-
2010C General Obligation Bonds	2010	2023	2.0-4.0%	3,515,000	210,000
Total general obligation bonds				<u>\$ 78,024,146</u>	<u>\$ 4,132,000</u>
Revenue bonds:					
Virginia Resources Authority Wastewater Bonds	1992	2014	3.40%	\$ 3,633,315	\$ 994,721
Unamortized bond premium:					
2004A General Obligation School Bonds				\$ 1,247,773	\$ 106,424
2007E General Obligation Bonds				235,114	21,615
2010 General Obligation Bonds				187,118	12,848
Total unamortized bond premium				<u>\$ 1,670,005</u>	<u>\$ 140,887</u>
Compensated absences				\$ 3,259,549	\$ 2,030,361
Net OPEB obligation payable				\$ 3,016,000	\$ -
Landfill postclose costs				\$ 774,703	\$ 34,293
Total primary government				<u>\$ 90,377,718</u>	<u>\$ 7,332,262</u>
Component Unit School Board:					
Compensated absences				\$ 959,450	\$ 498,914
Net OPEB obligation payable				\$ 702,000	\$ -
Total component unit school board				<u>\$ 1,661,450</u>	<u>\$ 498,914</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, 2010

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, 2010 totaled approximately \$275,058,558. 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</u> <u>July 1,</u> <u>2009</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30,</u> <u>2010</u>	<u>Current</u> <u>Portion</u>
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 2,927,303	\$ 1,942,664	\$ 1,814,928	\$ 3,055,039	\$ 1,894,124
Business-type activities	<u>200,157</u>	<u>139,154</u>	<u>134,801</u>	<u>204,510</u>	<u>136,237</u>
Total primary government	\$ 3,127,460	\$ 2,081,818	\$ 1,949,729	\$ 3,259,549	\$ 2,030,361
Component Unit School Board	<u>941,869</u>	<u>507,352</u>	<u>489,771</u>	<u>959,450</u>	<u>498,914</u>
Total	<u>\$ 4,069,329</u>	<u>\$ 2,589,170</u>	<u>\$ 2,439,500</u>	<u>\$ 4,218,999</u>	<u>\$ 2,529,275</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.

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 of service 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/2009-Annual-Report.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 2010 were 9.41% and 4.35% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,282,402, \$1,613,182 and \$1,823,414, to the teacher cost-sharing pool for the fiscal years ended June 30, 2010, 2009 and 2008, respectively. The contribution rate was 8.81% in 2009, 10.30% in 2008 and 8.81% from July 2009 through March 2010, zero (0.00%) for April through June 2010.

C. Annual Pension Cost

For fiscal year 2010, the City's annual pension cost of \$1,902,589 was equal to the City's required and actual contributions.

Note 11—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

For fiscal year 2010, the City School Board’s annual pension cost for the Board’s non-professional employees was \$49,309, 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, 2010	\$ 1,902,589	100%	\$ -
June 30, 2009	1,970,443	100%	-
June 30, 2008	1,867,735	100%	-
School Board Non-Professional:			
June 30, 2010	\$ 49,309	100%	\$ -
June 30, 2009	50,196	100%	-
June 30, 2008	73,012	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 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, 2009, the most recent actuarial valuation date, the City’s plan was 84.34% funded. The actuarial accrued liability for benefits was \$87,566,204, and the actuarial value of assets was \$73,853,295, resulting in an unfunded actuarial accrued liability (UAAL) of \$13,712,909. The covered payroll (annual payroll of active employees covered by the plan) was \$20,400,054, and ratio of the UAAL to the covered payroll was 67.22%.

As of June 30, 2009, the most recent actuarial valuation date, the City School Board’s plan was 103.81% funded. The actuarial accrued liability for benefits was \$2,705,156, and the actuarial value of assets was \$2,808,219, resulting in an unfunded actuarial accrued liability (UAAL) of (\$103,063). The covered payroll (annual payroll of active employees covered by the plan) was \$1,135,523, and ratio of the UAAL to the covered payroll was (9.08%).

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, 2010

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, 2010, the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$1,600,000 at June 30, 2010.

The School Board had no significant construction or related commitments outstanding at June 30, 2010.

Note 14—Litigation:

The City has also been named as defendant in matters involving law enforcement actions and other matters. It is not known what liability if any, the City faces.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

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 years is \$774,703 and has been recorded as a long-term liability at June 30, 2010. These amounts are based on what it would cost to perform all postclosure care based on 2010 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, 2009	\$	820,606
Decrease in estimate		(45,903)
Balance at June 30, 2010	\$	<u>774,703</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, 2010

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		\$ 403,916
Estimated maximum stop-loss liability based on premium cost and experience rate		<u>546,084</u>
 Total funds designated		 <u><u>\$ 950,000</u></u>

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims and Payments	End of Fiscal Year Liability
2008	\$ 275,297	\$ 2,957,448	\$ 2,934,484	\$ 298,261
2009	298,261	2,974,484	2,905,939	366,806
2010	366,806	2,901,749	2,864,639	403,916

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. 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 per year of service (up to a maximum of 30 years of service) 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, 2010

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	60,320
Adjustment to annual required contribution	(59,936)
Annual OPEB cost (expense)	<u>\$ 2,053,384</u>
Contributions made	<u>545,384</u>
Increase in net OPEB obligation	\$ 1,508,000
Net OPEB obligation-beginning of year	<u>1,508,000</u>
Net OPEB obligation-end of year	<u><u>\$ 3,016,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and 2009 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 2,053,384	26.56%	\$ 3,016,000
June 30, 2009	2,053,000	26.55%	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%

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%

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	14,040
Adjustment to annual required contribution	(13,951)
Annual OPEB cost (expense)	\$ 606,089
Contributions made	255,089
Increase in net OPEB obligation	\$ 351,000
Net OPEB obligation-beginning of year	351,000
Net OPEB obligation-end of year	\$ 702,000

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

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 2010 and 2009 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 606,089	42.09%	\$ 702,000
June 30, 2009	606,000	42.08%	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.

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—Health Insurance Credit Program-Other Post-Employment Benefit (OPEB):

A. Plan Description

The School Board participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is a cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly establishes the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

A teacher, who retires under VRS with at least 15 years of total creditable service under the System and is enrolled in a health insurance plan, is eligible to receive a monthly health insurance credit of \$4 per year of creditable service. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive a monthly health insurance credit of \$4 multiplied by the smaller of (i) twice the amount of their creditable service or (ii) the amount of creditable service they would have completed at age 60 if they had remained in service to that age.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2010

Note 19—Health Insurance Credit Program-Other Post-Employment Benefit (OPEB): (Continued)

A. Plan Description: (Continued)

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the Code of Virginia. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 11.

B. Funding Policy

The School Board is required to contribute, at an actuarially determined rate, the entire amount necessary to fund participation in the program. The current rate is 1.04% of annual covered payroll. The School Board's contributions to VRS for the years ended June 30, 2010, 2009, and 2008 were \$151,385, \$197,691, and \$205,650, respectively, and equaled the required contributions for each year.

Note 20—Restatement of Beginning Fund Balance:

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Beginning fund balance, as previously reported	\$ 16,114,672	\$ 3,298,233
Reclassification of Courthouse Maintenance Fund	<u>(167,837)</u>	<u>167,837</u>
Beginning fund balance, as restated	<u>\$ 15,946,835</u>	<u>\$ 3,466,070</u>

Note 21—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 has 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, 2010 the defeased bonds had balances outstanding of \$3,670,000.

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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 23,272,500	\$ 23,272,500	\$ 23,074,136	\$ (198,364)
Public service corporations	482,500	482,500	647,486	164,986
Personal property	5,460,800	5,460,800	5,715,111	254,311
Mobile homes	2,000	2,000	802	(1,198)
Machinery and tools	60,250	60,250	158,034	97,784
Penalties	170,000	170,000	210,893	40,893
Interest	50,000	50,000	94,751	44,751
Total general property taxes	\$ 29,498,050	\$ 29,498,050	\$ 29,901,213	\$ 403,163
Other local taxes:				
Local sales and use taxes	\$ 9,200,000	\$ 9,225,000	\$ 10,043,091	\$ 818,091
Utility taxes	1,650,000	1,650,000	1,677,699	27,699
Business licenses and rental tax	4,800,000	4,875,000	5,893,072	1,018,072
Motor vehicle licenses	300,100	300,100	375,553	75,453
Bank stock taxes	470,000	470,000	758,805	288,805
Recordation taxes	500,000	500,000	406,123	(93,877)
Tobacco tax	500,000	500,000	503,322	3,322
Amusement tax	180,000	180,000	319,137	139,137
Hotel/lodging taxes	1,050,000	1,050,000	1,084,542	34,542
Meals taxes	7,920,000	7,920,000	8,132,542	212,542
Gasoline taxes	32,900	212,900	190,729	(22,171)
Other	90,000	90,000	103,805	13,805
Total other local taxes	\$ 26,693,000	\$ 26,973,000	\$ 29,488,420	\$ 2,515,420
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 633,200	\$ 633,200	\$ 811,428	\$ 178,228
Animal licenses	7,000	7,000	11,048	4,048
Total permits, privilege fees and licenses	\$ 640,200	\$ 640,200	\$ 822,476	\$ 182,276
Fines and forfeitures	\$ 360,000	\$ 368,315	\$ 330,022	\$ (38,293)
Revenue from use of money and property:				
Revenue from use of money	\$ 450,000	\$ 450,000	\$ 147,732	\$ (302,268)
Revenue from use of property	43,750	43,750	40,707	(3,043)
Total revenue from use of money and property	\$ 493,750	\$ 493,750	\$ 188,439	\$ (305,311)
Charges for services:				
Court costs	\$ 71,800	\$ 71,800	\$ 105,063	\$ 33,263
Commonwealth's attorney	2,000	2,000	3,048	1,048
Sanitation and waste removal	727,000	727,000	725,710	(1,290)
Parks and recreation	424,000	454,000	469,802	15,802
Planning and community development	2,100	2,100	691	(1,409)
Fire and rescue services	600,000	600,000	681,346	81,346
Administrative charges	75,000	75,000	79,215	4,215
Total charges for services	\$ 1,901,900	\$ 1,931,900	\$ 2,064,875	\$ 132,975

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	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	\$ 23,959	\$ 2,444
Souvenir sales	18,500	18,500	19,535	1,035
R-Board recycling reimbursement	-	124,400	124,400	-
Donations - parks and recreation	-	-	39,151	39,151
Other	81,500	81,500	66,129	(15,371)
Total miscellaneous revenue	<u>\$ 121,515</u>	<u>\$ 245,915</u>	<u>\$ 273,174</u>	<u>\$ 27,259</u>
Recovered costs:				
Health department	\$ 220,000	\$ 220,000	\$ 236,700	\$ 16,700
Social services	130,000	130,000	118,688	(11,312)
Transit	178,940	178,940	33,047	(145,893)
Other	76,050	126,050	145,034	18,984
Total recovered costs	<u>\$ 604,990</u>	<u>\$ 654,990</u>	<u>\$ 533,469</u>	<u>\$ (121,521)</u>
Total revenue from local sources	<u>\$ 60,313,405</u>	<u>\$ 60,806,120</u>	<u>\$ 63,602,088</u>	<u>\$ 2,795,968</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Grantors tax	\$ 132,125	\$ 132,125	\$ 141,707	\$ 9,582
Motor vehicle rental tax	95,000	95,000	100,291	5,291
Communication sales tax	1,900,000	1,900,000	1,836,247	(63,753)
Personal property relief	1,725,000	1,725,000	1,728,833	3,833
Other	9,220	9,220	3,917	(5,303)
Total noncategorical aid	<u>\$ 3,861,345</u>	<u>\$ 3,861,345</u>	<u>\$ 3,810,995</u>	<u>\$ (50,350)</u>
Categorical aid - shared expenses:				
Commonwealth's attorney	\$ 600,620	\$ 600,620	\$ 543,860	\$ (56,760)
Sheriff	515,010	515,010	279,516	(235,494)
Commissioner of revenue	150,110	150,110	136,427	(13,683)
Treasurer	125,300	125,300	113,275	(12,025)
Medical examiner	400	400	-	(400)
Registrar	47,035	47,035	38,851	(8,184)
Clerk of the circuit court	255,000	255,000	275,341	20,341
Total categorical aid - shared expenses	<u>\$ 1,693,475</u>	<u>\$ 1,693,475</u>	<u>\$ 1,387,270</u>	<u>\$ (306,205)</u>
Categorical aid - other:				
Street and highway maintenance	\$ 2,250,000	\$ 2,185,000	\$ 2,178,799	\$ (6,201)
VDOT debt service reimbursement	438,165	438,165	-	(438,165)
Law enforcement assistance	852,710	791,335	778,345	(12,990)
Wireless E-911 grants	200,000	200,000	164,335	(35,665)
Other	9,100	30,038	33,369	3,331
Total categorical aid - other	<u>\$ 3,749,975</u>	<u>\$ 3,644,538</u>	<u>\$ 3,154,848</u>	<u>\$ (489,690)</u>
Total revenue from the Commonwealth	<u>\$ 9,304,795</u>	<u>\$ 9,199,358</u>	<u>\$ 8,353,113</u>	<u>\$ (846,245)</u>

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Public safety grants	\$ -	\$ -	\$ 207,810	\$ 207,810
Emergency services	-	-	10,680	10,680
Public assistance - cost allocation	52,000	52,000	36,765	(15,235)
Total revenue from the Federal Government	\$ 52,000	\$ 52,000	\$ 255,255	\$ 203,255
Total revenues	\$ 69,670,200	\$ 70,057,478	\$ 72,210,456	\$ 2,152,978
Expenditures				
General government administration:				
Legislative:				
City council	\$ 173,553	\$ 183,553	\$ 182,109	\$ 1,444
Clerk of council	97,800	97,800	94,288	3,512
Total legislative	\$ 271,353	\$ 281,353	\$ 276,397	\$ 4,956
General and financial administration:				
City manager	\$ 644,490	\$ 589,490	\$ 507,139	\$ 82,351
Insurance program	638,000	676,000	675,672	328
Human resources	301,750	301,750	277,192	24,558
Independent auditor	83,395	83,395	70,013	13,382
Commissioner of the revenue	885,450	885,450	832,898	52,552
Board of real estate assessors	10,000	10,000	-	10,000
Equalization board	5,000	5,000	2,100	2,900
Treasurer	707,020	707,020	678,613	28,407
Fiscal affairs	566,609	566,609	564,319	2,290
Information systems	428,366	458,903	415,164	43,739
Copying and postage	28,850	28,850	22,671	6,179
Legal services	321,800	324,800	290,994	33,806
Total general and financial administration	\$ 4,620,730	\$ 4,637,267	\$ 4,336,775	\$ 300,492
Board of elections:				
Registrar and electoral board	\$ 190,611	\$ 190,611	\$ 172,315	\$ 18,296
Total general government administration	\$ 5,082,694	\$ 5,109,231	\$ 4,785,487	\$ 323,744
Judicial administration:				
Courts:				
Circuit court	\$ 83,387	\$ 83,387	\$ 82,333	\$ 1,054
General district court	41,250	41,250	27,997	13,253
Special magistrates	10,000	10,000	9,942	58
Juvenile and domestic relations court	20,800	20,800	15,281	5,519
Clerk of the circuit court	679,020	679,020	635,246	43,774
Sheriff	1,297,445	1,297,445	1,284,893	12,552
JDR services	37,233	37,233	37,233	-
Juries	30,000	30,000	28,530	1,470
Court appointed attorney	20,000	20,000	9,650	10,350
Total courts	\$ 2,219,135	\$ 2,219,135	\$ 2,131,105	\$ 88,030

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration: (continued)				
Commonwealth attorney:				
Commonwealth attorney	\$ 1,171,730	\$ 1,171,730	\$ 1,083,417	\$ 88,313
Total judicial administration	\$ 3,390,865	\$ 3,390,865	\$ 3,214,522	\$ 176,343
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 7,253,375	\$ 7,189,796	\$ 6,873,550	\$ 316,246
Auxiliary police	13,000	13,000	11,960	1,040
Total law enforcement and traffic control	\$ 7,266,375	\$ 7,202,796	\$ 6,885,510	\$ 317,286
Fire and rescue:				
Fire department	\$ 4,105,435	\$ 4,158,157	\$ 4,150,276	\$ 7,881
Volunteer fire department	10,000	10,000	10,000	-
Rescue services	256,201	277,139	277,139	-
Emergency medical services	760,591	768,115	689,079	79,036
Hazardous materials	22,680	22,680	17,736	4,944
E-911 communications	930,920	950,920	905,248	45,672
Total fire and rescue	\$ 6,085,827	\$ 6,187,011	\$ 6,049,478	\$ 137,533
Correction and detention:				
Juvenile detention center	\$ 441,236	\$ 583,075	\$ 583,075	\$ -
Rappahannock security center	3,495,970	3,495,970	3,495,961	9
Total correction and detention	\$ 3,937,206	\$ 4,079,045	\$ 4,079,036	\$ 9
Inspections:				
Building and development services	\$ 975,594	\$ 975,594	\$ 925,790	\$ 49,804
Other protection:				
Animal control	\$ 91,900	\$ 91,900	\$ 84,775	\$ 7,125
Medical examiner	1,200	1,200	280	920
Total other protection	\$ 93,100	\$ 93,100	\$ 85,055	\$ 8,045
Total public safety	\$ 18,358,102	\$ 18,537,546	\$ 18,024,869	\$ 512,677
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 712,909	\$ 712,909	\$ 686,177	\$ 26,732
Street maintenance	1,051,553	1,348,053	1,332,756	15,297
Drainage	219,702	219,702	185,696	34,006
Street lights	370,000	370,000	322,249	47,751
Industrial park rail spur	15,500	19,966	14,983	4,983
Traffic engineering	227,931	357,931	314,309	43,622
Shop and garage	1,312,265	1,295,265	1,220,366	74,899
Riparian lands stewardship	-	25,000	25,000	-
Graphics	90,606	116,681	102,799	13,882
Total maintenance of streets, highways, bridges and sidewalks	\$ 4,000,466	\$ 4,465,507	\$ 4,204,335	\$ 261,172

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 654,368	\$ 662,071	\$ 659,443	\$ 2,628
Tree purchase program	10,000	17,000	16,398	602
Refuse collection	581,757	570,757	556,537	14,220
Refuse disposal	65,750	86,750	82,457	4,293
Recycling collection	123,034	243,234	227,072	16,162
Total sanitation and waste removal	<u>\$ 1,434,909</u>	<u>\$ 1,579,812</u>	<u>\$ 1,541,907</u>	<u>\$ 37,905</u>
Maintenance of buildings and grounds:				
General properties	\$ 1,628,448	\$ 1,642,698	\$ 1,636,122	\$ 6,576
Environmental management system	5,400	5,400	86	5,314
Buildings and grounds - special	258,600	280,200	248,737	31,463
Total maintenance of buildings and grounds	<u>\$ 1,892,448</u>	<u>\$ 1,928,298</u>	<u>\$ 1,884,945</u>	<u>\$ 43,353</u>
Total public works	<u>\$ 7,327,823</u>	<u>\$ 7,973,617</u>	<u>\$ 7,631,187</u>	<u>\$ 342,430</u>
Health and welfare:				
Health:				
Supplement to local health department	\$ 436,080	\$ 436,080	\$ 436,080	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 201,395	\$ 201,395	\$ 201,395	\$ -
Social services:				
Other contributions	\$ 396,678	\$ 396,678	\$ 387,142	\$ 9,536
Total health and welfare	<u>\$ 1,034,153</u>	<u>\$ 1,034,153</u>	<u>\$ 1,024,617</u>	<u>\$ 9,536</u>
Education:				
Community colleges	\$ 5,750	\$ 5,750	\$ 5,750	\$ -
Appropriations to public school system	24,138,100	24,138,100	24,138,100	-
Total education	<u>\$ 24,143,850</u>	<u>\$ 24,143,850</u>	<u>\$ 24,143,850</u>	<u>\$ -</u>
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 550,750	\$ 550,750	\$ 516,130	\$ 34,620
Supervision	582,535	617,535	616,264	1,271
Maintenance	920,957	930,829	899,249	31,580
Dixon Park swimming pool	132,300	133,300	108,981	24,319
Total parks and recreation	<u>\$ 2,186,542</u>	<u>\$ 2,232,414</u>	<u>\$ 2,140,624</u>	<u>\$ 91,790</u>
Library:				
Regional library	\$ 1,103,880	\$ 1,103,880	\$ 1,103,880	\$ -
Cultural:				
Museums	\$ 90,500	\$ 90,500	\$ 90,500	\$ -
Total parks, recreation and cultural	<u>\$ 3,380,922</u>	<u>\$ 3,426,794</u>	<u>\$ 3,335,004</u>	<u>\$ 91,790</u>

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Community Development:				
Planning and community development:				
Planning	\$ 449,425	\$ 449,425	\$ 422,815	\$ 26,610
Zoning appeals board	1,600	1,600	80	1,520
Community development	102,712	102,712	69,312	33,400
Architectural review board	2,000	2,000	-	2,000
Economic development and tourism	956,950	924,141	788,866	135,275
Total planning and community development	<u>\$ 1,512,687</u>	<u>\$ 1,479,878</u>	<u>\$ 1,281,073</u>	<u>\$ 198,805</u>
Environmental management:				
Soil and water conservation district	\$ 9,350	\$ 9,350	\$ 9,350	\$ -
Total community development	<u>\$ 1,522,037</u>	<u>\$ 1,489,228</u>	<u>\$ 1,290,423</u>	<u>\$ 198,805</u>
Total expenditures	<u>\$ 64,240,446</u>	<u>\$ 65,105,284</u>	<u>\$ 63,449,959</u>	<u>\$ 1,655,325</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 5,429,754</u>	<u>\$ 4,952,194</u>	<u>\$ 8,760,497</u>	<u>\$ 3,808,303</u>
Other Financing Sources (Uses)				
Transfers in	\$ 1,446,600	\$ 1,446,600	\$ 1,347,600	\$ (99,000)
Transfers out	<u>(7,672,644)</u>	<u>(8,336,633)</u>	<u>(8,336,633)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (6,226,044)</u>	<u>\$ (6,890,033)</u>	<u>\$ (6,989,033)</u>	<u>\$ (99,000)</u>
Net change in fund balance	\$ (796,290)	\$ (1,937,839)	\$ 1,771,464	\$ 3,709,303
Fund balance, beginning of year, as restated	<u>796,290</u>	<u>1,937,839</u>	<u>15,946,835</u>	<u>14,008,996</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,718,299</u></u>	<u><u>\$ 17,718,299</u></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 and OPEB 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, 2009	\$ 73,853,295	\$ 87,566,204	\$ 13,712,909	84.34%	\$ 20,400,054	67.22%
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%

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 20, 2009	\$ 2,808,219	\$ 2,705,156	(103,063)	103.81%	1,135,523	(9.08%)
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%)

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 and was obtained from other sources.

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OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
 Nonmajor Governmental Funds
 At June 30, 2010

ASSETS	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 2,936,883	\$ 8,022,042	\$ 10,958,925
Receivables:			
Accrued revenue	26,195	52,388	78,583
Due from other governments	<u>811,549</u>	<u>462,307</u>	<u>1,273,856</u>
Total assets	<u>\$ 3,774,627</u>	<u>\$ 8,536,737</u>	<u>\$ 12,311,364</u>
LIABILITIES AND EQUITY			
Liabilities:			
Reconciled overdraft	\$ 103,362	\$ 5,291	\$ 108,653
Accounts payable	199,372	356,635	556,007
Accrued liabilities	<u>92,597</u>	<u>18,840</u>	<u>111,437</u>
Total liabilities	<u>\$ 395,331</u>	<u>\$ 380,766</u>	<u>\$ 776,097</u>
Equity:			
Fund Balance:			
Reserved:			
Encumbrances	\$ 32,802	\$ 217,672	\$ 250,474
Unreserved:			
Designated for:			
Subsequent year's expenditures	1,741,327	-	1,741,327
Capital projects	-	7,938,299	7,938,299
Unreserved/undesignated	<u>1,605,167</u>	<u>-</u>	<u>1,605,167</u>
Total equity	<u>\$ 3,379,296</u>	<u>\$ 8,155,971</u>	<u>\$ 11,535,267</u>
Total liabilities and equity	<u>\$ 3,774,627</u>	<u>\$ 8,536,737</u>	<u>\$ 12,311,364</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues				
General property taxes	\$ 2,105	\$ -	\$ -	\$ 2,105
Other local taxes	27,798	462,307	-	490,105
Fines and forfeitures	-	14,875	-	14,875
Use of money and property	136	348,460	-	348,596
Charges for services	59,101	29,262	-	88,363
Miscellaneous	114,411	4,305	-	118,716
Recovered costs	535,464	187,672	-	723,136
Intergovernmental:				
Revenue from the Commonwealth	2,588,435	297,462	-	2,885,897
Revenue from the Federal Government	2,933,225	148,922	-	3,082,147
Total revenues	<u>\$ 6,260,675</u>	<u>\$ 1,493,265</u>	<u>\$ -</u>	<u>\$ 7,753,940</u>
Expenditures				
Current:				
Judicial administration	\$ 111,719	\$ -	\$ -	\$ 111,719
Public safety	641,333	-	-	641,333
Public works	17,755	-	-	17,755
Health and welfare	5,979,720	-	-	5,979,720
Parks, recreation and cultural	106,364	-	-	106,364
Community development	878,332	-	-	878,332
Capital projects	-	4,792,112	-	4,792,112
Debt service:				
Principal payments	-	-	3,026,695	3,026,695
Interest and fiscal charges	-	-	2,843,788	2,843,788
Total expenditures	<u>\$ 7,735,223</u>	<u>\$ 4,792,112</u>	<u>\$ 5,870,483</u>	<u>\$ 18,397,818</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,474,548)</u>	<u>\$ (3,298,847)</u>	<u>\$ (5,870,483)</u>	<u>\$ (10,643,878)</u>
Other financing sources (uses)				
Transfers in	\$ 1,879,374	\$ 635,000	\$ 5,870,483	\$ 8,384,857
Transfers out	<u>(491,600)</u>	<u>-</u>	<u>-</u>	<u>(491,600)</u>
Total other financing sources (uses)	<u>\$ 1,387,774</u>	<u>\$ 635,000</u>	<u>\$ 5,870,483</u>	<u>\$ 7,893,257</u>
Net change in fund balance	\$ (86,774)	\$ (2,663,847)	\$ -	\$ (2,750,621)
Fund balance, beginning of year, as restated	<u>3,466,070</u>	<u>10,819,818</u>	<u>-</u>	<u>14,285,888</u>
Fund balance, end of year	<u>\$ 3,379,296</u>	<u>\$ 8,155,971</u>	<u>\$ -</u>	<u>\$ 11,535,267</u>

CITY OF FREDERICKSBURG, VIRGINIA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2010

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Regional Transportation Fund	Compre- hensive Services Act Fund
ASSETS				
Assets:				
Cash and cash equivalents	\$ -	\$ 910,434	\$ 5,019	\$ 186,750
Receivables:				
Accrued revenue	14,315	3,744	1,560	-
Due from other governments	321,625	215,622	27,798	246,504
Total assets	<u>\$ 335,940</u>	<u>\$ 1,129,800</u>	<u>\$ 34,377</u>	<u>\$ 433,254</u>
LIABILITIES AND EQUITY				
Liabilities:				
Reconciled overdraft	\$ 103,362	\$ -	\$ -	\$ -
Accounts payable	19,086	62,067	965	116,959
Accrued liabilities	63,169	27,498	-	1,930
Total liabilities	<u>\$ 185,617</u>	<u>\$ 89,565</u>	<u>\$ 965</u>	<u>\$ 118,889</u>
Equity:				
Fund Balance:				
Reserved:				
Encumbrances	\$ -	\$ 32,802	\$ -	\$ -
Unreserved:				
Designated for:				
Subsequent year's expenditures	150,323	1,007,433	33,412	314,365
Unreserved/undesignated	-	-	-	-
Total equity	<u>\$ 150,323</u>	<u>\$ 1,040,235</u>	<u>\$ 33,412</u>	<u>\$ 314,365</u>
Total liabilities and equity	<u>\$ 335,940</u>	<u>\$ 1,129,800</u>	<u>\$ 34,377</u>	<u>\$ 433,254</u>

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Prisoner Extradition Fund	Courthouse Maintenance Fund	Total
\$ 1,362,519	\$ 242,648	\$ 9,151	\$ 220,362	\$ 2,936,883
-	-	-	6,576	26,195
-	-	-	-	811,549
<u>\$ 1,362,519</u>	<u>\$ 242,648</u>	<u>\$ 9,151</u>	<u>\$ 226,938</u>	<u>\$ 3,774,627</u>
\$ -	\$ -	\$ -	\$ -	\$ 103,362
-	-	295	-	199,372
-	-	-	-	92,597
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295</u>	<u>\$ -</u>	<u>\$ 395,331</u>
\$ -	\$ -	\$ -	\$ -	\$ 32,802
-	-	8,856	226,938	1,741,327
1,362,519	242,648	-	-	1,605,167
<u>\$ 1,362,519</u>	<u>\$ 242,648</u>	<u>\$ 8,856</u>	<u>\$ 226,938</u>	<u>\$ 3,379,296</u>
<u>\$ 1,362,519</u>	<u>\$ 242,648</u>	<u>\$ 9,151</u>	<u>\$ 226,938</u>	<u>\$ 3,774,627</u>

CITY OF FREDERICKSBURG, VIRGINIA

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

Nonmajor Special Revenue Funds

Year Ended June 30, 2010

	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	-	-	27,798	-
Use of money and property	-	136	-	-
Charges for services	-	-	-	-
Miscellaneous	-	114,411	-	-
Recovered costs	118,442	405,000	6,240	-
Intergovernmental:				
Revenue from the Commonwealth	1,443,940	307,128	-	837,367
Revenue from the Federal Government	2,267,901	665,324	-	-
Total revenues	\$ 3,830,283	\$ 1,491,999	\$ 34,038	\$ 837,367
Expenditures				
Current:				
Judicial administration	\$ -	\$ 111,719	\$ -	\$ -
Public safety	-	637,389	-	-
Public works	-	17,755	-	-
Health and welfare	4,591,563	-	-	1,388,157
Parks, recreation and cultural	-	106,364	-	-
Community Development	-	806,092	32,478	-
Total expenditures	\$ 4,591,563	\$ 1,679,319	\$ 32,478	\$ 1,388,157
Excess (deficiency) of revenues over expenditures	\$ (761,280)	\$ (187,320)	\$ 1,560	\$ (550,790)
Other financing sources (uses)				
Transfers in	\$ 832,080	\$ 381,744	\$ -	\$ 665,550
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ 832,080	\$ 381,744	\$ -	\$ 665,550
Net change in fund balance	\$ 70,800	\$ 194,424	\$ 1,560	\$ 114,760
Fund balance, beginning of year, as restated	79,523	845,811	31,852	199,605
Fund balance, end of year	\$ 150,323	\$ 1,040,235	\$ 33,412	\$ 314,365

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Prisoner Extradition Fund	Economic Development Opportunity Fund	Courthouse Maintenance Fund	Total
\$ 1,458	\$ 647	\$ -	\$ -	\$ -	\$ 2,105
-	-	-	-	-	27,798
-	-	-	-	-	136
-	-	-	-	59,101	59,101
-	-	-	-	-	114,411
-	-	5,782	-	-	535,464
-	-	-	-	-	2,588,435
-	-	-	-	-	2,933,225
<u>\$ 1,458</u>	<u>\$ 647</u>	<u>\$ 5,782</u>	<u>\$ -</u>	<u>\$ 59,101</u>	<u>\$ 6,260,675</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 111,719
-	-	3,944	-	-	641,333
-	-	-	-	-	17,755
-	-	-	-	-	5,979,720
-	-	-	-	-	106,364
-	-	-	39,762	-	878,332
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,944</u>	<u>\$ 39,762</u>	<u>\$ -</u>	<u>\$ 7,735,223</u>
<u>\$ 1,458</u>	<u>\$ 647</u>	<u>\$ 1,838</u>	<u>\$ (39,762)</u>	<u>\$ 59,101</u>	<u>\$ (1,474,548)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,879,374
(191,600)	(300,000)	-	-	-	(491,600)
<u>\$ (191,600)</u>	<u>\$ (300,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,387,774</u>
\$ (190,142)	\$ (299,353)	\$ 1,838	\$ (39,762)	\$ 59,101	\$ (86,774)
<u>1,552,661</u>	<u>542,001</u>	<u>7,018</u>	<u>39,762</u>	<u>167,837</u>	<u>3,466,070</u>
<u>\$ 1,362,519</u>	<u>\$ 242,648</u>	<u>\$ 8,856</u>	<u>\$ -</u>	<u>\$ 226,938</u>	<u>\$ 3,379,296</u>

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Combining Balance Sheet
 Nonmajor Capital Projects Funds
 At June 30, 2010

	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	\$ 2,972,512	\$ 3,280,939	\$ 280,826	\$ 1,487,765	\$ -	\$ 8,022,042
Accrued revenue	19,627	13,149	-	13,149	6,463	52,388
Due from other governments	462,307	-	-	-	-	462,307
Total assets	\$ 3,454,446	\$ 3,294,088	\$ 280,826	\$ 1,500,914	\$ 6,463	\$ 8,536,737
LIABILITIES AND EQUITY						
Liabilities:						
Reconciled overdraft	\$ -	\$ -	\$ -	\$ -	\$ 5,291	\$ 5,291
Accounts payable	254,112	102,515	-	8	-	356,635
Accrued liabilities	18,840	-	-	-	-	18,840
Total liabilities	\$ 272,952	\$ 102,515	\$ -	\$ 8	\$ 5,291	\$ 380,766
Equity:						
Fund Balance:						
Reserved:						
Encumbrances	\$ 53,693	\$ 163,979	\$ -	\$ -	\$ -	\$ 217,672
Unreserved:						
Designated for:						
Capital projects	3,127,801	3,027,594	280,826	1,500,906	1,172	7,938,299
Total equity	\$ 3,181,494	\$ 3,191,573	\$ 280,826	\$ 1,500,906	\$ 1,172	\$ 8,155,971
Total liabilities and equity	\$ 3,454,446	\$ 3,294,088	\$ 280,826	\$ 1,500,914	\$ 6,463	\$ 8,536,737

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2010

	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	\$ 462,307	\$ -	\$ -	\$ -	\$ -	\$ 462,307
Fines and forfeitures	14,875	-	-	-	-	14,875
Use of money and property	89,456	172,535	7	86,462	-	348,460
Charges for services	-	-	-	-	29,262	29,262
Miscellaneous	4,305	-	-	-	-	4,305
Recovered costs	101,944	85,728	-	-	-	187,672
Intergovernmental:						
Revenue from the Commonwealth	297,462	-	-	-	-	297,462
Revenue from the Federal Government	-	148,922	-	-	-	148,922
Total revenues	\$ 970,349	\$ 407,185	\$ 7	\$ 86,462	\$ 29,262	\$ 1,493,265
Expenditures						
Capital projects	\$ 1,506,162	\$ 1,854,925	\$ -	\$ 1,327,934	\$ 103,091	\$ 4,792,112
Excess (deficiency) of revenues over expenditures	\$ (535,813)	\$ (1,447,740)	\$ 7	\$ (1,241,472)	\$ (73,829)	\$ (3,298,847)
Other financing sources (uses)						
Transfers in	\$ 160,000	\$ 400,000	\$ -	\$ -	\$ 75,000	\$ 635,000
Net change in fund balance	\$ (375,813)	\$ (1,047,740)	\$ 7	\$ (1,241,472)	\$ 1,171	\$ (2,663,847)
Fund balance, beginning of year	3,557,307	4,239,313	280,819	2,742,378	1	10,819,818
Fund balance, end of year	\$ 3,181,494	\$ 3,191,573	\$ 280,826	\$ 1,500,906	\$ 1,172	\$ 8,155,971

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 Year Ended June 30, 2010

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Expenditures			
Debt service:			
Principal	\$ 1,674,950	\$ 1,351,745	\$ 3,026,695
Interest and fiscal charges	641,159	2,202,629	2,843,788
Total expenditures	\$ 2,316,109	\$ 3,554,374	\$ 5,870,483
Excess (deficiency) of revenues over expenditures	\$ (2,316,109)	\$ (3,554,374)	\$ (5,870,483)
Other financing sources (uses)			
Transfers in	\$ 2,316,109	\$ 3,554,374	\$ 5,870,483
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, 2010

	<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	\$ 327,561	\$ 22,569	\$ 203,327	\$ 209,348	\$ 66,264
Accounts receivable	12,226	-	4,606	4,245	99,984
Prepaid items	12,223	-	5,488	656	-
Total assets	\$ 352,010	\$ 22,569	\$ 213,421	\$ 214,249	\$ 166,248
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 21,738	\$ -	\$ 16,951	\$ -	\$ 39,397
Accrued liabilities	23,980	-	-	-	-
Deferred revenue	73,508	-	-	-	-
Amounts held for others	232,784	22,569	196,470	214,249	126,851
Total liabilities	\$ 352,010	\$ 22,569	\$ 213,421	\$ 214,249	\$ 166,248
Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -

Exhibit 22

Revenue Maximization Fund	Forfeited Asset Sharing Program Fund	Community Development Authority	Total
\$ 20,451	\$ 60,770	\$ 149,715	\$ 1,060,005
-	-	-	121,061
-	-	-	18,367
\$ 20,451	\$ 60,770	\$ 149,715	\$ 1,199,433
\$ -	\$ 68	\$ -	\$ 78,154
-	-	-	23,980
-	-	-	73,508
20,451	60,702	149,715	1,023,791
\$ 20,451	\$ 60,770	\$ 149,715	\$ 1,199,433
\$ -	\$ -	\$ -	\$ -

AGENCY FUNDS

Statement of Changes in Assets and Liabilities

Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
CRIMINAL JUSTICE ACADEMY				
Assets:				
Cash and cash equivalents	\$ 7,740	\$ 327,561	\$ 7,740	\$ 327,561
Accounts receivable	-	12,226	-	12,226
Prepaid items	-	12,223	-	12,223
Total assets	<u>\$ 7,740</u>	<u>\$ 352,010</u>	<u>\$ 7,740</u>	<u>\$ 352,010</u>
Liabilities:				
Accounts payable	\$ 7,740	\$ 21,738	\$ 7,740	\$ 21,738
Accrued liabilities	-	23,980	-	23,980
Deferred revenue	-	73,508	-	73,508
Amounts held for others	-	232,784	-	232,784
Total liabilities	<u>\$ 7,740</u>	<u>\$ 352,010</u>	<u>\$ 7,740</u>	<u>\$ 352,010</u>
SPECIAL WELFARE				
Assets:				
Cash and cash equivalents	\$ 28,011	\$ 21,725	\$ 27,167	\$ 22,569
Accounts receivable	195	-	195	-
Total assets	<u>\$ 28,206</u>	<u>\$ 21,725</u>	<u>\$ 27,362</u>	<u>\$ 22,569</u>
Liabilities:				
Amounts held for others	<u>\$ 28,206</u>	<u>\$ 21,725</u>	<u>\$ 27,362</u>	<u>\$ 22,569</u>
COURT SERVICE UNIT				
Assets:				
Cash and cash equivalents	\$ 194,232	\$ 293,899	\$ 284,804	\$ 203,327
Accounts receivable	50,127	4,606	50,127	4,606
Prepaid items	5,488	-	-	5,488
Total assets	<u>\$ 249,847</u>	<u>\$ 298,505</u>	<u>\$ 334,931</u>	<u>\$ 213,421</u>
Liabilities:				
Accounts payable	\$ 8,299	\$ 16,951	\$ 8,299	\$ 16,951
Accrued liabilities	-	-	-	-
Amounts held for others	241,548	281,554	326,632	196,470
Total liabilities	<u>\$ 249,847</u>	<u>\$ 298,505</u>	<u>\$ 334,931</u>	<u>\$ 213,421</u>

AGENCY FUNDS

Statement of Changes in Assets and Liabilities

Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
CASA PROGRAM				
Assets:				
Cash and cash equivalents	\$ 178,329	\$ 187,347	\$ 156,328	\$ 209,348
Accounts receivable	13,680	4,245	13,680	4,245
Prepaid items	656	-	-	656
Total assets	<u>\$ 192,665</u>	<u>\$ 191,592</u>	<u>\$ 170,008</u>	<u>\$ 214,249</u>
Liabilities:				
Accounts payable	\$ 1,121	\$ -	\$ 1,121	\$ -
Amounts held for others	191,544	191,592	168,887	214,249
Total liabilities	<u>\$ 192,665</u>	<u>\$ 191,592</u>	<u>\$ 170,008</u>	<u>\$ 214,249</u>
RAPPAHANNOCK AREA YOUTH COMMISSION				
Assets:				
Cash and cash equivalents	\$ 11,474	\$ 584,853	\$ 530,063	\$ 66,264
Accounts receivable	143,744	99,984	143,744	99,984
Prepaid items	10,179	-	10,179	-
Total assets	<u>\$ 165,397</u>	<u>\$ 684,837</u>	<u>\$ 683,986</u>	<u>\$ 166,248</u>
Liabilities:				
Accounts payable	\$ 8,512	\$ 39,397	\$ 8,512	\$ 39,397
Amounts held for others	156,885	645,440	675,474	126,851
Total liabilities	<u>\$ 165,397</u>	<u>\$ 684,837</u>	<u>\$ 683,986</u>	<u>\$ 166,248</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	\$ 44,110	\$ 46,397	\$ 29,737	\$ 60,770
Liabilities:				
Accounts payable	\$ -	\$ 68	\$ -	\$ 68
Amounts held for others	44,110	46,329	29,737	60,702
Total liabilities	<u>\$ 44,110</u>	<u>\$ 46,397</u>	<u>\$ 29,737</u>	<u>\$ 60,770</u>

AGENCY FUNDS

Statement of Changes in Assets and Liabilities

Year Ended June 30, 2010

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2010</u>
COMMUNITY DEVELOPMENT AUTHORITY				
Assets:				
Cash and cash equivalents	\$ 87	\$ 444,579	\$ 294,951	\$ 149,715
Liabilities:				
Amounts held for others	\$ 87	\$ 444,579	\$ 294,951	\$ 149,715
TOTALS -- ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 484,434	\$ 1,906,361	\$ 1,330,790	\$ 1,060,005
Accounts receivable	207,746	121,061	207,746	121,061
Prepaid items	16,323	12,223	10,179	18,367
Total assets	\$ 708,503	\$ 2,039,645	\$ 1,548,715	\$ 1,199,433
Liabilities:				
Accounts payable	\$ 25,672	\$ 78,154	\$ 25,672	\$ 78,154
Accrued liabilities	-	23,980	-	23,980
Deferred revenue	-	73,508	-	73,508
Amounts held for others	682,831	1,864,003	1,523,043	1,023,791
Total liabilities	\$ 708,503	\$ 2,039,645	\$ 1,548,715	\$ 1,199,433

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds				
Virginia Public Assistance Fund				
Revenues				
Recovered costs	\$ -	\$ 23,142	\$ 118,442	\$ 95,300
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	\$ 1,505,122	\$ 1,720,267	\$ 1,443,940	\$ (276,327)
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	\$ 1,909,062	\$ 2,136,309	\$ 2,267,901	\$ 131,592
Total revenues	<u>\$ 3,414,184</u>	<u>\$ 3,879,718</u>	<u>\$ 3,830,283</u>	<u>\$ (49,435)</u>
Expenditures				
Health and welfare	<u>\$ 4,236,514</u>	<u>\$ 4,711,798</u>	<u>\$ 4,591,563</u>	<u>\$ 120,235</u>
State, Federal and Local Grants Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 136	\$ 136
Miscellaneous	\$ 252,030	\$ 261,450	\$ 114,411	\$ (147,039)
Recovered costs:				
Stafford and Spotsylvania Counties	\$ 386,400	\$ 386,400	\$ 272,098	\$ (114,302)
Other	-	19,500	132,902	113,402
Total recovered costs	<u>\$ 386,400</u>	<u>\$ 405,900</u>	<u>\$ 405,000</u>	<u>\$ (900)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Arts grant	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Hazardous materials grant	30,000	30,000	30,000	-
PSAP-GIS implementation	149,514	149,514	148,354	(1,160)
Fire services program	52,464	52,464	54,189	1,725
VA domestic violence victim fund	20,000	20,000	30,000	10,000
Other	-	21,900	39,585	17,685
Total revenue from the Commonwealth	<u>\$ 256,978</u>	<u>\$ 278,878</u>	<u>\$ 307,128</u>	<u>\$ 28,250</u>
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	\$ 246,718	\$ 356,076	\$ 419,750	\$ 63,674
FAMPO/CMAQ grant	-	5,000	-	(5,000)
Community development block grant	292,212	292,212	245,574	(46,638)
Total revenue from the Federal Government	<u>\$ 538,930</u>	<u>\$ 653,288</u>	<u>\$ 665,324</u>	<u>\$ 12,036</u>
Total revenues	<u>\$ 1,434,338</u>	<u>\$ 1,599,516</u>	<u>\$ 1,491,999</u>	<u>\$ (107,517)</u>
Expenditures				
Judicial administration:				
Victim-witness	\$ 89,327	\$ 114,625	\$ 111,719	\$ 2,906

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2010

	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	\$ 30,000	\$ 65,500	\$ 43,524	\$ 21,976
Fire services program	52,464	92,360	34,056	58,304
Crime prevention	-	7,435	2,300	5,135
E911 wireless services board	-	37,452	41,690	(4,238)
Byrne ARRA grant	92,590	92,590	91,348	1,242
Domestic violence	58,085	58,085	55,712	2,373
Community projects	-	8,088	6,945	1,143
JAG formula grant	-	22,636	22,624	12
DCJS grant	-	37,703	35,029	2,674
PSAP-GIS implementation	149,514	149,514	138,924	10,590
VDH OEMS grant	-	21,900	21,371	529
DMV grants	-	24,524	18,319	6,205
State homeland security grant	100,000	100,000	94,616	5,384
Crime and delinquency grant	-	36,211	29,596	6,615
Criminal justice system improvement	-	26,795	1,335	25,460
Total public safety	\$ 482,653	\$ 780,793	\$ 637,389	\$ 143,404
Public works:				
CSX tree project	\$ -	\$ 19,500	\$ 17,755	\$ 1,745
Parks, recreation and cultural:				
Soap Box Derby	\$ 25,000	\$ 25,000	\$ 20,124	\$ 4,876
Starfire drill team	45,030	45,030	8,501	36,529
First Fridays	65,000	65,000	24,633	40,367
Other	46,500	56,500	53,106	3,394
Total parks, recreation and cultural	\$ 181,530	\$ 191,530	\$ 106,364	\$ 85,166
Community development:				
PEG access	\$ 24,000	\$ 24,000	\$ 1,657	\$ 22,343
Community development block grant	276,200	276,200	241,623	34,577
CDBG ARRA grant	62,192	62,192	41,804	20,388
First Night celebration	61,000	62,860	44,306	18,554
Regional consumer marketing	481,925	642,638	375,606	267,032
Regional group tourism	150,000	193,818	99,358	94,460
Other	-	5,000	1,738	3,262
Total community development	\$ 1,055,317	\$ 1,266,708	\$ 806,092	\$ 460,616
Total expenditures	\$ 1,808,827	\$ 2,373,156	\$ 1,679,319	\$ 693,837
Regional Transportation Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 50,000	\$ 50,000	\$ 27,798	\$ (22,202)
Recovered costs	\$ -	\$ -	\$ 6,240	\$ 6,240
Total revenues	\$ 50,000	\$ 50,000	\$ 34,038	\$ (15,962)
Expenditures				
Community development:				
Commuter rail	\$ 50,000	\$ 51,500	\$ 32,478	\$ 19,022

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2010

	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	\$ 746,650	\$ 746,650	\$ 837,367	\$ 90,717
Expenditures				
Health and Welfare:				
Comprehensive Services Act program	\$ 1,412,200	\$ 1,412,200	\$ 1,388,157	\$ 24,043
Prisoner Extradition Fund				
Revenues				
Recovered costs	\$ -	\$ 4,000	\$ 5,782	\$ 1,782
Expenditures				
Public safety	\$ -	\$ 4,000	\$ 3,944	\$ 56
Economic Development Opportunity Fund				
Expenditures				
Community development	\$ -	\$ 39,763	\$ 39,762	\$ 1
Courthouse Maintenance Fund				
Revenues				
Charges for services:				
Courthouse maintenance fees	\$ 10,000	\$ 10,000	\$ 59,101	\$ 49,101
Capital Projects Funds				
Public Works Construction Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 831,800	\$ 996,645	\$ 462,307	\$ (534,338)
Fines and forfeitures	\$ 50,000	\$ 50,000	\$ 14,875	\$ (35,125)
Revenue from use of money and property:				
Use of money	\$ 100,000	\$ 100,000	\$ 89,456	\$ (10,544)
Miscellaneous	\$ -	\$ -	\$ 4,305	\$ 4,305
Recovered costs	\$ 50,000	\$ 122,532	\$ 101,944	\$ (20,588)
Intergovernmental:				
Revenue from the Commonwealth:				
VDOT revenue sharing	\$ 831,800	\$ 831,800	\$ 297,462	\$ (534,338)
Revenue from the Federal Government:				
Categorical aid:				
VDOT RSTP grant	\$ 1,450,000	\$ 1,450,000	\$ -	\$ (1,450,000)
Total revenues	\$ 3,313,600	\$ 3,550,977	\$ 970,349	\$ (2,580,628)

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
Public Works Construction Fund: (continued)				
Expenditures				
Capital projects:				
Bridge improvements	\$ 722,000	\$ 722,000	\$ 594,923	\$ 127,077
Concrete rehabilitation	-	281,658	-	281,658
Annual pavement rehabilitation	100,000	100,000	307,688	(207,688)
Princess Anne Street intersection improvement	500,000	500,000	-	500,000
Cowan Boulevard extension	-	406,349	-	406,349
Sophia & William Street intersection	350,000	350,000	-	350,000
Riverfront Park	100,000	554,078	183,280	370,798
Route 1 traffic signal grant	225,000	225,000	-	225,000
Ornamental street lights replacement	-	50,000	-	50,000
Martingale subdivision bond forfeiture	-	48,445	27,793	20,652
Lafayette Boulevard bond forfeiture	-	24,087	14,101	9,986
Stormwater pipe emergency repairs	-	60,000	137,049	(77,049)
Telecommunications fiber installation	-	160,000	84,250	75,750
Route 3 traffic signal grant	375,000	375,000	-	375,000
Cowan Boulevard streetlights	-	150,000	143,166	6,834
Route 1 Hazel Run bridge maintenance	970,000	970,000	-	970,000
Historic downtown streetscape	-	12,500	13,912	(1,412)
Historic downtown signs	50,000	50,000	-	50,000
Fall Hill Avenue canal bridge	941,600	941,600	-	941,600
Total capital projects	<u>\$ 4,333,600</u>	<u>\$ 5,980,717</u>	<u>\$ 1,506,162</u>	<u>\$ 4,474,555</u>
Public Facilities Construction Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ 125,000	\$ 125,000	\$ 87,947	\$ (37,053)
Use of property	-	-	84,588	84,588
Total revenue from use of money and property	<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ 172,535</u>	<u>\$ 47,535</u>
Recovered costs	\$ -	\$ -	\$ 85,728	\$ 85,728
Intergovernmental:				
Revenue from the Commonwealth:				
Circuitouse grant	\$ -	\$ 47,483	\$ -	\$ (47,483)
Revenue from the Federal Government:				
Categorical aid:				
Miscellaneous grants	\$ 1,000,000	\$ 1,410,000	\$ 148,922	\$ (1,261,078)
Total revenues	<u>\$ 1,125,000</u>	<u>\$ 1,582,483</u>	<u>\$ 407,185</u>	<u>\$ (1,175,298)</u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds with Legally Adopted Budgets
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
Public Facilities Construction Fund: (continued)				
Expenditures				
Capital projects:				
Cal Ripken Sr. baseball field	\$ -	\$ 400,000	\$ -	\$ 400,000
HVAC retrofit	-	479,372	780,000	(300,628)
Relocation of clerk of circuit court	125,000	125,000	86,675	38,325
Rescue squad interior renovation	-	89,671	-	89,671
General district building renovations	-	14,476	19,486	(5,010)
Circuit court renovations	-	189,822	61,397	128,425
Public facilities general improvements	-	-	36,831	(36,831)
Canal path improvements	-	50,000	49,055	945
Pathways - VCR trail	1,000,000	1,000,000	61,714	938,286
Rappahannock river heritage trail	-	533,000	187,406	345,594
Downman House	-	159,833	-	159,833
Fredericksburg area museum window replacement	-	284,538	238,785	45,753
Computer equipment replacement	125,000	188,502	123,703	64,799
Executive Plaza building	-	703,756	26,622	677,134
Hart Center renovations	-	326,333	183,251	143,082
Total capital projects	<u>\$ 1,250,000</u>	<u>\$ 4,544,303</u>	<u>\$ 1,854,925</u>	<u>\$ 2,689,378</u>
New High School Construction Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 7	\$ 7
Public Safety Construction Fund				
Revenues				
Revenue from use of money and property:				
Use of money	<u>\$ 170,000</u>	<u>\$ 170,000</u>	<u>\$ 86,462</u>	<u>\$ (83,538)</u>
Expenditures				
Capital projects:				
Fire equipment	\$ -	\$ 1,026,561	\$ 914,440	\$ 112,121
Animal shelter - capital contribution	150,000	150,000	-	150,000
Backup generators - fire and police headquarters	-	-	81	(81)
E-911 wireless program	-	1,186	-	1,186
Bowling estate gift - equipment	-	191,877	186,238	5,639
Emergency medical vehicles	170,000	170,000	167,175	2,825
Special magistrate new facility	-	75,000	-	75,000
Police headquarters	-	45,716	60,000	(14,284)
Total capital projects	<u>\$ 320,000</u>	<u>\$ 1,660,340</u>	<u>\$ 1,327,934</u>	<u>\$ 332,406</u>
New Court Construction Fund				
Revenues				
Charges for services:				
Courthouse construction fees	\$ -	\$ -	\$ 29,262	\$ (29,262)
Expenditures				
Capital projects:				
New court construction	<u>\$ 150,000</u>	<u>\$ 225,000</u>	<u>\$ 103,091</u>	<u>\$ 121,909</u>
Debt Service Funds				
General Obligation Debt Service Fund				
Expenditures				
Principal and interest	\$ -	\$ 4,988,615	\$ 2,316,109	\$ 2,672,506
Education Debt Service Fund				
Expenditures				
Principal and interest	\$ -	\$ 3,554,374	\$ 3,554,374	\$ -

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, 2010

	<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	\$ 3,929,234	\$ -	\$ 91,150	\$ 4,020,384
Accrued revenue	18,100	16,038	-	34,138
Due from other governments	882,543	1,344,090	-	2,226,633
Prepays	<u>181,299</u>	<u>-</u>	<u>-</u>	<u>181,299</u>
Total assets	<u>\$ 5,011,176</u>	<u>\$ 1,360,128</u>	<u>\$ 91,150</u>	<u>\$ 6,462,454</u>
LIABILITIES AND EQUITY				
Liabilities:				
Reconciled overdraft	\$ -	\$ 240,737	\$ -	\$ 240,737
Accounts payable	463,325	181,301	57	644,683
Accrued liabilities	<u>2,679,097</u>	<u>327,751</u>	<u>-</u>	<u>3,006,848</u>
Total liabilities	<u>\$ 3,142,422</u>	<u>\$ 749,789</u>	<u>\$ 57</u>	<u>\$ 3,892,268</u>
Equity:				
Fund Balance:				
Reserved for:				
Prepays	\$ 181,299	\$ -	\$ -	\$ 181,299
Designated:				
Subsequent year's expenditures	-	610,339	-	610,339
Capital projects	184,937	-	91,093	276,030
Unreserved/undesignated	<u>1,502,518</u>	<u>-</u>	<u>-</u>	<u>1,502,518</u>
Total equity	<u>\$ 1,868,754</u>	<u>\$ 610,339</u>	<u>\$ 91,093</u>	<u>\$ 2,570,186</u>
Total liabilities and equity	<u>\$ 5,011,176</u>	<u>\$ 1,360,128</u>	<u>\$ 91,150</u>	<u>\$ 6,462,454</u>

Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
 At June 30, 2010

Total fund balances for governmental funds (Exhibit 25) \$ 2,570,186

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		74,169	
Buildings and improvements, net of accumulated depreciation		13,414,993	
Machinery, equipment, and vehicles, net of accumulated depreciation		<u>1,167,136</u>	

Total capital assets 15,128,977

Net OPEB obligation not reported as fund liabilities (702,000)

Compensated absences not reported as fund liabilities (959,450)

Total net assets of governmental activities (Exhibits 1 and 12) \$ 16,037,713

Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	School Operating Fund	Special School Fund	School Capital Projects Fund	Total Governmental Funds
Revenues				
Other local taxes	\$ -	\$ -	\$ 76,290	\$ 76,290
Use of money and property	3,000	-	-	3,000
Charges for services	266,882	402,851	-	669,733
Miscellaneous	137,494	98,201	-	235,695
Recovered costs	-	118,204	-	118,204
Intergovernmental:				
Appropriation from primary government	23,942,600	195,500	-	24,138,100
Revenue from the Commonwealth	6,216,583	544,625	66,318	6,827,526
Revenue from the Federal Government	1,221,797	4,106,219	-	5,328,016
Total revenues	\$ 31,788,356	\$ 5,465,600	\$ 142,608	\$ 37,396,564
Expenditures				
Current:				
Education:				
Instruction	\$ 23,120,455	\$ 4,207,619	\$ -	\$ 27,328,074
Administration, attendance and health	3,258,383	-	-	3,258,383
Transportation	1,193,657	-	-	1,193,657
Facilities operations	3,613,256	-	-	3,613,256
School food service operations	119,865	1,261,841	-	1,381,706
Capital projects	-	-	304,831	304,831
Total expenditures	\$ 31,305,616	\$ 5,469,460	\$ 304,831	\$ 37,079,907
Excess (deficiency) of revenues over expenditures	\$ 482,740	\$ (3,860)	\$ (162,223)	\$ 316,657
Net change in fund balance	\$ 482,740	\$ (3,860)	\$ (162,223)	\$ 316,657
Fund balance, beginning of year	1,386,014	614,199	253,316	2,253,529
Fund balance, end of year	\$ 1,868,754	\$ 610,339	\$ 91,093	\$ 2,570,186

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, 2010

Net change in fund balances - total governmental funds (Exhibit 27)	\$ 316,657
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

	(441,203)
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Transfer of joint tenancy assets from Primary Government to the Component Unit School Board	1,017,775
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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	<u>(17,581)</u>
Change in net assets of governmental activities (Exhibit 12)	<u>\$ 524,648</u>

Component Unit School Board
 School Operating Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Operating Fund				
Revenues				
Use of money and property:				
Use of property	\$ 3,600	\$ 3,600	\$ 3,000	\$ (600)
Charges for services:				
Charges for education	\$ 243,560	\$ 243,560	\$ 266,882	\$ 23,322
Miscellaneous	\$ 24,240	\$ 24,240	\$ 137,494	\$ 113,254
Intergovernmental:				
Appropriation from primary government	\$ 23,942,599	\$ 23,942,599	\$ 23,942,600	\$ 1
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 2,561,916	\$ 2,561,916	\$ 2,444,870	\$ (117,046)
Basic aid	2,489,935	2,489,935	2,390,626	(99,309)
Other	1,424,104	1,424,104	1,381,087	(43,017)
Total revenue from the Commonwealth	\$ 6,475,955	\$ 6,475,955	\$ 6,216,583	\$ (259,372)
Revenue from the Federal Government:				
Categorical aid:				
Special education	\$ 495,000	\$ 495,000	\$ 587,854	\$ 92,854
State Fiscal Stabilization Fund, Education	390,465	390,465	575,494	185,029
Other	55,000	55,000	58,449	3,449
Total revenue from the Federal Government	\$ 940,465	\$ 940,465	\$ 1,221,797	\$ 281,332
Total revenues	\$ 31,630,419	\$ 31,630,419	\$ 31,788,356	\$ 157,937
Expenditures				
Current:				
Education:				
Instruction	\$ 23,394,685	\$ 23,657,163	\$ 23,120,455	\$ 536,708
Administration, attendance and health	3,366,031	3,484,979	3,258,383	226,596
Transportation	1,235,187	1,287,287	1,193,657	93,630
School food service operations	100,000	120,000	119,865	135
Facilities operations	3,909,516	3,917,005	3,613,256	303,749
Total expenditures	\$ 32,005,419	\$ 32,466,434	\$ 31,305,616	\$ 1,160,818
Excess (deficiency) of revenues over expenditures	\$ (375,000)	\$ (836,015)	\$ 482,740	\$ 1,318,755
Net change in fund balance	\$ (375,000)	\$ (836,015)	\$ 482,740	\$ 1,318,755
Fund balance, beginning of year	375,000	836,015	1,386,014	549,999
Fund balance, end of year	\$ -	\$ -	\$ 1,868,754	\$ 1,868,754

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, 2010

	<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	\$ 402,851	\$ 63,851
Miscellaneous	\$ 250	\$ 93,537	\$ 98,201	\$ 4,664
Recovered costs:				
Education	\$ 228,974	\$ 228,974	\$ 118,204	\$ (110,770)
Intergovernmental:				
Appropriation from primary government	\$ 195,500	\$ 195,500	\$ 195,500	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 15,250	\$ 15,250	\$ 19,729	\$ 4,479
VPSA technology grant	154,000	154,000	153,702	(298)
Project graduation	225,000	225,000	163,624	(61,376)
Other	279,500	279,500	207,570	(71,930)
Total revenue from the Commonwealth	\$ 673,750	\$ 673,750	\$ 544,625	\$ (129,125)
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 875,000	\$ 2,511,631	\$ 1,096,198	\$ (1,415,433)
School food	600,000	400,000	803,051	403,051
Head Start	891,943	891,943	1,097,920	205,977
ARRA special education IDEA	-	351,477	317,690	(33,787)
Other	780,000	432,253	791,360	359,107
Total revenue from the Federal Government	\$ 3,146,943	\$ 4,587,304	\$ 4,106,219	\$ (481,085)
Total revenues	\$ 4,584,417	\$ 6,118,065	\$ 5,465,600	\$ (652,465)
Expenditures				
Current:				
Education:				
Instruction	\$ 3,588,167	\$ 5,070,387	\$ 4,207,619	\$ 862,768
School food service operations	996,250	1,196,250	1,261,841	(65,591)
Total expenditures	\$ 4,584,417	\$ 6,266,637	\$ 5,469,460	\$ 797,177
Excess (deficiency) of revenues over expenditures	\$ -	\$ (148,572)	\$ (3,860)	\$ 144,712
Net change in fund balance	\$ -	\$ (148,572)	\$ (3,860)	\$ 144,712
Fund balance, beginning of year	-	148,572	614,199	465,627
Fund balance, end of year	\$ -	\$ -	\$ 610,339	\$ 610,339

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Capital Projects Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 80,000	\$ 80,000	\$ 76,290	\$ (3,710)
Intergovernmental:				
Revenue from the Commonwealth:				
School construction funds	\$ 50,000	\$ 50,000	\$ 66,318	\$ 16,318
Total revenues	<u>\$ 130,000</u>	<u>\$ 130,000</u>	<u>\$ 142,608</u>	<u>\$ 12,608</u>
Expenditures				
Capital projects:				
School buses	\$ 80,000	\$ 80,000	\$ 72,545	\$ 7,455
School computer technology	180,000	180,000	147,649	32,351
Maintenance equipment	20,000	20,000	19,753	247
Other	50,000	86,000	64,884	21,116
Total capital projects	<u>\$ 330,000</u>	<u>\$ 366,000</u>	<u>\$ 304,831</u>	<u>\$ 61,169</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (200,000)</u>	<u>\$ (236,000)</u>	<u>\$ (162,223)</u>	<u>\$ 73,777</u>
Net change in fund balance	\$ (200,000)	\$ (236,000)	\$ (162,223)	\$ 73,777
Fund balance, beginning of year	<u>200,000</u>	<u>236,000</u>	<u>253,316</u>	<u>17,316</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,093</u>	<u>\$ 91,093</u>

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 relates 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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 81,665,145
Unrestricted	28,326,393	29,766,767	59,025,733	42,907,819	31,075,783	28,429,225	24,379,848	22,042,434
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	\$ 103,707,579
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	\$ 39,780,366
Unrestricted	13,149,428	12,692,077	11,123,212	17,550,170	15,618,080	21,584,625	12,503,966	13,022,965
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	\$ 52,803,331
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	\$ 121,445,511
Unrestricted	41,475,821	42,458,844	70,148,945	60,457,989	46,693,863	50,013,850	36,883,814	35,065,399
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	\$ 156,510,910

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 Eight Fiscal Years
(accrual basis of accounting)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 5,171,028
Judicial administration	2,084,990	2,155,331	2,434,259	2,853,064	3,131,169	3,559,936	3,701,857	3,854,380
Public safety	12,950,555	13,448,595	14,424,379	15,922,143	18,155,708	19,073,783	20,056,605	20,200,427
Public works	5,280,143	5,342,332	6,689,270	8,278,001	9,099,097	9,882,486	10,194,381	10,964,359
Health and welfare	4,228,980	5,098,576	5,357,236	6,130,391	6,745,573	6,465,395	6,661,643	6,721,050
Education	15,556,786	14,232,858	15,942,171	18,961,723	24,108,406	28,328,165	27,341,339	26,228,250
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	3,936,068
Community development	2,022,708	1,914,617	1,972,940	2,186,347	2,619,455	2,344,557	1,965,407	1,819,607
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	2,674,176
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	\$ 81,569,345
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	\$ 2,882,295
Sewer	2,610,054	2,566,538	2,708,274	3,077,612	3,538,756	4,172,099	4,476,638	4,156,245
Transit	1,085,071	1,156,280	1,464,268	2,124,171	2,491,330	3,345,639	3,893,458	3,600,428
Parking	-	-	19,575	297,067	441,343	495,917	493,920	528,819
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	\$ 11,167,787
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	\$ 92,737,132

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 44,352	\$ 35,159	\$ 36,160	\$ 41,889	\$ 49,059	\$ 50,515	\$ 93,045	\$ 79,215
Judicial administration	77,388	65,162	66,795	230,864	122,520	112,162	106,210	196,474
Public safety	880,080	1,001,944	1,438,302	363,782	1,036,746	1,361,978	1,834,819	1,848,719
Public works	555,898	598,371	598,081	1,695,616	698,875	689,151	727,253	725,710
Parks, recreation and cultural	564,243	592,019	562,119	579,514	637,446	550,465	518,630	469,802
Community development	766	2,478	1,675	15,185	2,795	2,470	1,685	691
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	10,073,459
Capital grants and contributions	647,763	229,535	-	-	766,972	453,402	202,849	1,750,758
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	\$ 15,144,828
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	\$ 2,261,200
Sewer	2,926,124	3,101,699	3,103,723	3,073,788	3,168,327	3,264,915	3,457,792	3,742,221
Transit	28,604	32,157	45,830	50,416	54,952	116,661	159,741	271,610
Parking	-	-	-	28,563	83,520	106,916	130,281	192,461
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	5,270,270
Capital grants and contributions	-	22,289	2,328,265	739,857	2,391,013	2,301,859	566,957	931,897
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	\$ 12,669,659
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	\$ 27,814,487
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)	\$ (66,424,517)
Business-type activities	1,926,669	2,307,366	5,013,759	3,956,506	2,848,257	1,338,616	(774,538)	1,501,872
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)	\$ (64,922,645)

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

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
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	\$ 29,951,918
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	10,043,091
Taxes on recordation and wills	334,216	277,548	708,156	985,477	818,353	715,884	460,085	406,123
Motor vehicle licenses taxes	159,618	160,089	165,647	298,240	310,039	300,786	377,547	375,553
Consumer utility taxes	2,497,143	2,780,470	2,882,555	2,910,053	2,036,988	1,527,028	1,517,109	1,677,699
Business licenses taxes	3,761,772	4,536,150	4,974,756	5,893,564	5,777,346	5,436,366	5,847,174	5,893,072
Meals taxes	4,562,821	5,395,346	5,987,400	6,402,076	6,418,546	7,042,409	7,080,021	8,132,542
Other local taxes	1,703,386	2,359,276	2,735,248	2,651,253	3,140,776	3,308,838	2,920,063	3,450,445
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	3,810,995
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	537,035
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	391,890
Transfers	-	-	-	-	764,695	834,798	856,580	904,224
Total governmental activities	\$ 46,168,214	\$ 51,853,847	\$ 56,601,992	\$ 79,174,644	\$ 64,661,518	\$ 66,366,740	\$ 63,828,249	\$ 65,574,587
Business-type activities:								
Taxes:								
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 393,707	\$ 536,846	\$ 1,355,225	\$ 321,058
Unrestricted revenues from use of money and property	-	20,731	31,997	315,856	418,168	448,499	275,621	123,522
Miscellaneous	185,861	231,467	169,744	244,292	204,666	1,581,616	344,846	512,162
Transfers	-	-	24,547	-	(764,695)	(834,798)	(856,580)	(904,224)
Total business-type activities	\$ 185,861	\$ 252,198	\$ 226,288	\$ 560,148	\$ 251,846	\$ 1,732,163	\$ 1,119,112	\$ 52,518
Total primary government	\$ 46,354,075	\$ 52,106,045	\$ 56,828,280	\$ 79,734,792	\$ 64,913,364	\$ 68,098,903	\$ 64,947,361	\$ 65,627,105
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)	\$ (849,930)
Business-type activities	2,112,530	2,559,564	5,240,047	4,516,654	3,100,103	3,070,779	344,574	1,554,390
Total primary government	\$ 8,448,316	\$ 14,460,694	\$ 15,133,197	\$ 30,082,917	\$ 3,537,091	\$ 868,621	\$ (4,761,430)	\$ 704,460

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General fund										
Reserved	\$ 909,480	\$ 477,061	\$ 326,832	\$ 506,004	\$ 422,747	\$ 248,573	\$ 747,450	\$ 225,153	\$ 189,721	\$ 445,308
Unreserved	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	17,272,991
Total general fund	\$ 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	\$ 17,718,299
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	\$ 250,474
Unreserved, reported in:										
Special revenue funds	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	3,346,494
Capital projects funds	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	7,938,299
Total all other governmental funds	\$ 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	\$ 11,535,267

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
General property taxes	\$ 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	\$ 29,903,318
Other local taxes	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	29,978,525
Permits, privilege fees and regulatory licenses	312,088	411,268	413,773	499,110	988,302	1,117,018	753,661	653,453	717,349	822,476
Fines and forfeitures	320,803	363,912	466,307	502,834	450,000	339,338	283,035	408,580	466,213	344,897
Revenue from use of money and property	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	537,035
Charges for services	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	2,153,238
Miscellaneous	1,094,851	1,120,525	277,862	434,025	468,884	1,026,316	683,108	563,376	392,910	391,890
Recovered costs	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	1,256,605
Intergovernmental:										
Commonwealth	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	11,239,010
Federal	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	3,337,402
Total revenues	\$ 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	\$ 79,964,396
Expenditures										
General government administration	\$ 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	\$ 4,785,487
Judicial administration	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	3,326,241
Public safety	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	18,666,202
Public works	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	7,648,942
Health and welfare	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	7,004,337
Education	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	24,143,850
Parks, recreation and cultural	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	3,441,368
Community development	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	2,168,755
Capital projects	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	4,792,112
Debt service										
Principal	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	3,026,695
Interest and other fiscal charges	895,382	1,028,277	941,679	779,714	2,329,960	3,147,613	3,191,033	3,064,543	3,046,535	2,843,788
Total expenditures	\$ 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	\$ 81,847,777
Excess (deficiency) of revenues over expenditures	\$ 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)	\$ (1,883,381)
Other financing sources (uses)										
Transfers in	\$ 250,435	\$ 221,303	\$ 172,391	\$ 2,869,218	\$ 210,862	\$ 228,217	\$ 764,695	\$ 834,798	\$ 10,133,320	\$ 9,732,457
Transfers out	(12,583,388)	(13,339,139)	-	-	(235,409)	(558,664)	-	-	(9,276,740)	(8,828,233)
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)	\$ (12,332,953)	\$ (6,293,376)	\$ 172,391	\$ 52,870,687	\$ (24,547)	\$ 6,178,832	\$ 1,063,167	\$ 4,466,088	\$ 955,502	\$ 904,224
Net change in fund balances	\$ 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)	\$ (979,157)
Debt service as a percentage of noncapital expenditures	8.45%	8.17%	6.69%	4.96%	7.44%	9.04%	8.19%	8.03%	7.84%	7.59%

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		Record-ation and Wills Tax	Tobacco Tax	Hotel Lodging Tax	Meals Tax	Total
					Vehicle License Tax	Bank Stock Tax					
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
2010	29,903,318	10,043,091	1,677,699	5,893,072	375,553	758,805	406,123	503,322	1,084,542	8,132,542	58,778,067

CITY OF FREDERICKSBURG, VIRGINIA

Table 6

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

Fiscal Year	Real Estate	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
		Rate	Value										
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%
2010	3,501,342,300	0.68	237,860,715		3.40	20,065,271	0.80	92,224,942	3,464,100	3,854,957,328	0.85	3,854,957,328	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
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
2010	0.68	3.40	0.68	0.80	0.85

(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 2010			Fiscal Year 2001		
		2009-2010 Assessed Valuation	Rank (1)	% of Total Assessed Valuation (2)	2000-2001 Assessed Valuation	Rank (1)	% of Total Assessed Valuation (2)
Fredericksburg 35 LLC	Central Park property	\$ 106,058,800	1	2.95 %	\$ -	-	- %
Medicorp Properties, Inc.	Office buildings, surgical center	54,102,500	2	1.50	22,192,100	3	1.70
Celebrate Virginia South LLC	Office buildings, retail	43,555,400	3	1.21	-	-	-
Central Park Marketplace Holdings LLC	Central Park property	38,463,300	4	1.07	-	-	-
Virginia Electric & Power Co.	Public utility	34,138,742	5	0.95	24,634,266	2	1.88
Stellar Belmont LLC	Apartment complex	30,913,400	6	0.86	-	-	-
Verizon Virginia, Inc.	Public utility	30,309,416	7	0.84	29,406,426	1	2.25
The Ryland Group, Inc.	Home builder, mortgage finance	25,992,600	8	0.72	-	-	-
Wal-Mart Real Estate Business	Retail	25,048,100	9	0.70	-	-	-
Hylton Venture LLC	Land development	24,545,200	10	0.68	-	-	-
Lowes Home Center, Inc.	Retail	-	-	-	11,029,800	4	0.84
Carl D. Silver, Co.	Various commercial	-	-	-	10,826,600	5	0.83
Fredericksburg Park & Shop LP	Shopping center	-	-	-	10,820,300	6	0.83
Summit Properties Partnership LP	Apartment complex	-	-	-	10,600,900	7	0.81
Greenbrier Center Associates, Inc.	Shopping center	-	-	-	9,572,900	8	0.73
Cornerstone Realty Income Trust	Apartment complex	-	-	-	9,400,100	9	0.72
NHC Partnership 4 LP	Apartment complex	-	-	-	9,305,000	10	0.71
Total		\$ 413,127,458		11.49 %	\$ 147,788,392		11.29 %

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

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)	
							Amount (1) (3)
2001	\$ 19,832,960	\$ 19,581,072	98.73	\$ 201,098	\$ 19,782,170	99.74	
2002	20,299,165	20,021,483	98.63	205,529	20,227,012	99.64	
2003	21,078,696	20,898,738	99.15	129,976	21,028,714	99.76	
2004	23,173,114	22,971,933	99.13	160,210	23,132,143	99.82	
2005	24,116,517	23,928,589	99.22	156,080	24,084,669	99.87	
2006	26,936,577	26,561,519	98.61	300,812	26,862,331	99.72	
2007	28,552,323	28,097,519	98.41	388,337	28,485,856	99.77	
2008	29,330,707	28,961,391	98.74	282,661	29,244,052	99.70	
2009	30,902,557	30,222,352	97.80	428,891	30,651,243	99.19	
2010	32,129,525	31,050,501	96.64	-	31,050,501	96.64	

(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	General Obligation Bonds	Other Notes/Bonds			
2001	\$ 18,071,823	\$ 150,000	\$ 5,278,182	\$ -	23,500,005	4.06%	\$ 1,219
2002	22,790,306	100,000	4,929,773	-	27,820,079	4.72%	1,410
2003	20,319,760	50,000	4,530,240	-	24,900,000	4.11%	1,244
2004	68,566,760	-	4,134,709	-	72,701,469	11.37%	3,624
2005	66,551,078	-	3,778,501	4,035,000	74,364,579	10.52%	3,579
2006	70,032,833	-	7,670,963	-	77,703,796	10.49%	3,748
2007	66,873,708	-	7,226,888	-	74,100,596	9.39%	3,483
2008	65,988,291	-	15,160,159	-	81,148,450	9.76%	3,621
2009	62,766,729	-	14,445,225	-	77,211,954	9.12%	3,384
2010	59,625,306	-	20,068,845	-	79,694,151	9.26%	3,436

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	
				Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
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
2010	79,694,151	-	79,694,151	2.07%	3,436

(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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	\$ 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	\$ 207,207,276
Total net debt applicable to limit	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	79,694,151
Legal debt margin	\$ 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	\$ 127,513,125
Total net debt applicable to the limit as a percentage of debt limit	30.07%	34.52%	30.17%	62.76%	62.47%	62.41%	55.77%	34.99%	32.51%	38.46%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 3,593,567,242
Add back: exempt real property	723,251,000
Total assessed value	\$ 4,316,818,242
Debt limit (4.8% of total assessed value)	\$ 207,207,276
Net debt applicable to limit	79,694,151
Legal debt margin	\$ 127,513,125

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Bonds						
	Water & Sewer		Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
	Charges and Other				Principal	Interest	
2001	\$ 5,466,477	\$	3,691,122	\$ 1,775,355	\$ 1,128,908	\$ 812,354	0.91
2002	6,294,872		3,698,729	2,596,143	1,014,900	795,509	1.43
2003	6,164,964		3,547,818	2,617,146	1,098,061	767,997	1.40
2004	6,233,777		3,717,094	2,516,683	1,153,404	606,067	1.43
2005	7,885,646		5,102,334	2,783,312	1,168,757	167,036	2.08
2006	9,346,467		5,049,094	4,297,373	1,197,949	410,231	2.67
2007	7,517,175		6,045,570	1,471,605	1,224,349	366,426	0.93
2008	7,142,159		6,799,902	342,257	1,272,693	520,893	0.19
2009	7,361,317		6,559,626	801,691	1,514,393	665,412	0.37
2010	7,693,179		6,388,224	1,304,955	1,583,149	650,316	0.58

CITY OF FREDERICKSBURG, VIRGINIA

Table 14

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita			Unemployment Rate (4)
			Personal Income (2)	School Enrollment (3)	ment Rate (4)	
2001	19,279	\$ 579,141,160	\$ 30,040	2,170	3.6%	
2002	19,737	589,070,502	29,846	2,278	5.9%	
2003	20,010	605,542,620	30,262	2,278	5.4%	
2004	20,063	639,247,306	31,862	2,387	5.1%	
2005	20,776	706,654,088	34,013	2,418	4.8%	
2006	20,732	740,816,556	35,733	2,447	4.0%	
2007	21,273	789,143,208	37,096	2,511	4.1%	
2008	22,410	831,321,360	37,096	2,540	5.7%	
2009	22,818	846,456,528	37,096	2,655	9.2%	
2010	23,193	860,367,528	37,096	2,672	9.6%	

(1) Source: US Census Bureau.

(2) Source: Bureau of Economic Analysis. Per capita income includes the City of Fredericksburg combined with Spotsylvania County.

(3) Source: Fredericksburg School Board office.

(4) Source: Bureau of Labor Statistics.

CITY OF FREDERICKSBURG, VIRGINIA

Table 15

Principal Employers
Current Year and the Period Nine Years Prior

Employer	Fiscal Year 2010			Fiscal Year 2001		
	Number of Employees (1)	Rank	Percentage of Total Employment	Number of Employees (2)	Rank	Rank
Mary Washington Hospital	1,395	1	11.33%	1000 and Over	1	1
University of Mary Washington	966	2	7.85%	500 to 999	2	2
City of Fredericksburg	650	3	5.28%	500 to 999	3	3
City of Fredericksburg School Board	644	4	5.23%	250 to 499	4	4
Wal-Mart	500	5	4.06%	250 to 499	5	5
Wegmans	500	6	4.06%	-	-	-
Free Lance Star Publishing, Inc.	393	7	3.19%	250 to 499	6	6
United States Postal Service	200	8	1.62%	100 to 249	7	7
Lowe's Home Centers, Inc.	200	9	1.62%	100 to 249	8	8
Target	177	10	1.44%	100 to 249	9	9
Home Depot USA, Inc.	-	-	-	100 to 249	10	10

(1) Source: Department of Economic Development and Tourism.

(2) For fiscal year 2001 only ranges were available from the Virginia Employment Commission.

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	35	34	37	37	37	37	41	43	40	38
Judicial administration	31	31	31	31	30	35	42	41	39	38
Public safety	152	158	162	163	162	169	166	162	162	164
Public works	72	70	73	70	73	69	87	86	81	75
Health and welfare	30	31	31	33	32	34	33	35	35	35
Parks and recreation	12	13	13	13	13	16	16	19	17	17
Community development	10	10	8	11	11	11	12	13	12	12
Water	4	3	4	4	4	7	9	9	10.5	10.5
Wastewater	16	16	16	15	16	16	18	21	18.5	16.5
Transit	3	5	5	5	5	6	11	12	13	13
Parking garage	-	-	-	-	-	-	1	1	1	1
Totals	365	371	380	382	383	400	436	442	429	420

Source: Fiscal Affairs department.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety:										
Police department:										
Physical arrests	-	3,131	3,407	3,281	3,656	3,805	2,839	2,850	3,168	3,477
Traffic violations	-	8,827	10,935	12,496	10,644	9,500	6,167	7,290	7,335	6,546
Parking violations	-	-	6,999	11,791	10,431	10,449	10,055	10,671	8,397	7,467
Sheriffs department:										
Civil papers	26,421	35,168	37,272	39,771	40,314	40,502	42,279	44,088	41,379	48,074
Fire and rescue:										
Number of calls answered	-	-	3,971	4,794	5,159	5,450	5,728	6,145	5,885	5,882
Inspections	-	-	-	1,432	1,434	1,542	2,531	3,111	2,265	2,489
Building inspections:										
Permits issued (1)	1,905	1,817	2,100	2,192	3,528	3,820	2,395	1,781	1,541	1,486
Animal control:										
Number of calls answered	899	893	897	899	901	992	1,163	1,010	811	1,015
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	618	440	370	315	518	483	483	311	277	327
Waste removal:										
Refuse collected										
(thousands of pounds/day)	26.2	25.7	26.9	29.4	30.3	28.8	24.3	24.7	20.6	21.4
Recycling collected:										
Leaves (cubic yards)	4,433	5,709	4,939	4,972	5,049	5,577	5,379	6,292	5,604	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	471.7
Culture and recreation:										
Parks and recreation:										
Number of programs	-	198	214	250	370	385	403	518	510	464
Number of participants	-	10,020	10,830	12,650	14,260	15,300	17,055	20,964	18,563	16,193

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Community development:										
Planning:										
Zoning permits issued (2)	272	330	337	391	327	309	289	237	291	260
Water:										
Number of connections	6,119	6,126	6,293	6,435	6,696	7,062	7,245	7,274	7,351	7,453
Average daily consumption (thousands of gallons)	2,294	2,396	2,269	2,362	2,394	2,718	2,529	2,639	2,492	2,334
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,248	2,167	2,829	2,739	2,389	2,181	2,454	2,700	2,794	3,210
Transit:										
Ridership per service area: (3)										
City of Fredericksburg	148,049	155,586	161,329	181,743	185,663	177,833	184,670	208,410	273,685	261,238
Spotsylvania County	34,525	36,751	36,764	39,059	40,514	40,730	44,659	81,315	113,669	97,343
South Stafford County	-	6,878	19,181	21,678	25,043	30,900	34,808	32,112	39,234	40,830
Caroline County	-	834	3,834	5,924	5,701	5,647	5,855	6,189	8,160	7,155
North Stafford County	-	-	-	-	9,908	44,445	53,957	62,895	77,303	74,369
King George County	-	-	-	-	1,020	7,803	10,727	15,867	21,550	16,792
Component Unit - School Board:										
Education:										
Number of students	2,170	2,278	2,278	2,384	2,418	2,447	2,511	2,540	2,655	2,672
Number of teachers	195	196	230	239	238	248	251	256	257	256
Cost per pupil	\$ 10,546	\$ 9,581	\$ 10,507	\$ 11,429	\$ 11,867	\$ 13,131	\$ 13,403	\$ 14,416	\$ 13,911	\$ 13,877

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 (FY2001 - 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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	31
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	-	-	6	6	6	7	7	7	8	8
Sheriffs department:										
Patrol units	-	-	12	13	15	16	18	14	15	15
Building inspections:										
Vehicles	-	-	4	4	4	5	7	7	7	7
Animal control:										
Vehicles	-	-	1	1	1	1	1	1	1	1
Public works:										
Street maintenance:										
Trucks/vehicles	-	-	21	21	22	22	22	22	22	21
Streets (moving lane miles)	172	172	172	172	174	183	189	189	189	189
Traffic signals	46	46	50	52	52	57	61	61	61	61
Waste removal:										
Trucks/vehicles	-	-	7	7	7	7	7	7	7	7
Building maintenance:										
Trucks/vehicles	-	-	6	7	8	10	9	10	8	10
Health and welfare:										
Department of Social Services:										
Vehicles	-	-	5	5	6	6	6	6	6	6

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
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	13
Parks	7	8	9	9	11	11	12	12	12	16
Park acreage	929	932	946	946	1,000	1,000	1,006	1,012	1,012	1,045
Water:										
Water mains (miles)	66	66	66	66	66	66	66	66	66	66
Maximum daily capacity (millions of gallons)	5	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	4	4	4	4	4
School buses	-	-	41	35	35	33	36	36	36	37

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***

**To 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 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, 2010, which collectively comprise the City of Fredericksburg, Virginia's basic financial statements and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 City of Fredericksburg, Virginia in a separate letter dated November 17, 2010.

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

Robinson, Tammen, Cox Associates

Fredericksburg, Virginia
November 17, 2010

Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the City of Fredericksburg, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 of the City's compliance with those requirements.

In our opinion, the City of Fredericksburg, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Internal Control Over Compliance: (Continued)

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

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

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

Robinson, Thomas, Cox Associates

Fredericksburg, Virginia
November 17, 2010

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
Year Ended June 30, 2010

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal 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	0010109/0010110	\$ 349,123
ARRA - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0040109/0040110	<u>16,933</u>
Total Department of Agriculture			\$ <u>366,056</u>
Department of Education:			
Pass-through Payments:			
Virginia Compensation Board:			
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	30713	\$ <u>180,726</u>
Department of Housing and Urban Development:			
Direct Payments:			
Community Development Block Grant - ARRA Entitlement Grants (CDBG-R)	14.253	N/A	\$ 41,804
Community Development Block Grant - Entitlement	14.218	N/A	<u>203,770</u>
Total Department of Housing and Urban Development			\$ <u>245,574</u>
Department of Justice:			
Pass-through Payments:			
Virginia Compensation Board:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	16.803	2009-SU-B9-0033	\$ 22,922
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	39001-46000	38,331
ARRA - State Victim Assistance Formula Grant Program	16.801	39001-62300	18,189
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	2009-SU-B9-0033	91,348
Edward Byrne Memorial Justice Assistance Grant Program	16.738	39001-41000/61000	<u>73,501</u>
Total Department of Justice			\$ <u>244,291</u>
Department of Transportation:			
Direct Payments:			
Highway Planning and Construction	20.205	N/A	\$ 148,922
Pass-through Payments:			
Virginia Department of Rail and Public Transportation:			
Federal Transit - Capital Investment Grants	20.500	VA-95-X039	425,990
Federal Transit - Formula Grants	20.507	60901-42008/42009	2,288,802
ARRA - Formula Grants for other than Urbanized Areas	20.509	60901-44010	162,372
Virginia Department of Motor Vehicles:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	60507-5027/59189	<u>17,842</u>
Total Department of Transportation			\$ <u>3,043,928</u>

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2010 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Primary Government: (continued)			
Department of Health and Human Services:			
Pass-through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	\$ 9,309
Temporary Assistance for Needy Families	93.558	0400109/0400110	315,188
Refugee and Entrant Assistance State Administered Programs	93.566	0500109/0500110	13,757
Low-Income Home Energy Assistance	93.568	0600409/0600410	14,731
Child Care and Development Block Grant	93.575	0770109/0770110	338,348
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760109/0760110	328,021
ARRA - Child Care and Development Block Grant	93.713	0740109/0780109	86,302
Chafee Education & Training Vouchers Program	93.599	9160108/9160109	4,341
Adoption Incentive Payments	93.603	1130108	400
Child Welfare Services - State Grants	93.645	0900109/0900110	1,137
Foster Care - Title IV-E	93.658	1100109/1100110	274,365
ARRA - Foster Care - Title IV-E	93.658	1100109/1100110	20,807
Adoption Assistance	93.659	1120109/1120110	160,626
ARRA - Adoption Assistance	93.659	1120109/1120110	18,498
Social Services Block Grant	93.667	1000109/1000110	109,948
Chafee Foster Care Independence Program	93.674	9150109/9150110	9,162
Children's Health Insurance Program	93.767	0540109/0540110	16,399
Medical Assistance Program	93.778	1200109/1200110	<u>204,693</u>
Total Department of Health and Human Services			<u>\$ 1,926,032</u>
Department of Homeland Security:			
Direct Payments:			
Emergency Food and Shelter National Board Program	97.024	N/A	\$ 12,579
Pass-through Payments:			
Department of Emergency Services:			
State Homeland Security Program	97.073	77501-52706/52707 52708	179,500
Citizens Corps	97.053	77501-52726	5,200
Emergency Management Performance Grant	97.042	77501-52749	<u>10,680</u>
Total Department of Homeland Security			<u>\$ 207,959</u>
Total Expenditures of Federal Awards - Primary Government			<u>\$ 6,214,566</u>
Component Unit - School Board:			
Department of Agriculture:			
Pass-through Payments:			
Virginia Department of Education:			
School Breakfast Program	10.553	10.553/2009/2010	\$ 207,022
National School Lunch Program (SL-4) (SL-11)	10.555	10.555/2009/2010	596,029
Food Distribution Service	10.555	10.555/2009/2010	<u>68,165</u>
Total Department of Agriculture			<u>\$ 871,216</u>

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2010 (Continued)

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Component Unit - School Board: (continued)			
Department of Health and Human Services:			
Direct Payments:			
Head Start	93.600	N/A	\$ 73,191
ARRA - Head Start	93.708	N/A	<u>1,024,729</u>
Total Department of Health and Human Services			<u>\$ 1,097,920</u>
Department of Education:			
Pass-through Payments:			
Virginia Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A070046	\$ 967,449
Title I Grants to Local Educational Agencies, Recovery Act	84.389	S389A090046	330,789
Career and Technical Education - Basic Grants to States	84.048	V048A080046	58,449
Special Education - Grants to States	84.027	H027A080107	587,854
Special Education - Grants to States, Recovery Act	84.391	H391A090107	283,667
Special Education - Preschool Grants	84.173	H173A080112	3,974
Special Education - Preschool Grants, Recovery Act	84.392	H392A090112	34,023
School Improvement Grants	84.377	S377A080047	128,750
Safe and Drug Free Schools and Communities	84.186	Q186A080048	9,466
Education Technology State Grants	84.318	S318X070046	209,767
Education Technology State Grants, Recovery Act	84.386	S318X070046	11,871
English Language Acquisition Grants	84.365	T365A070046	20,957
State Fiscal Stabilization Funds - Education State Grants, Recovery Act	84.394	S394A090047	575,494
Improving Teacher Quality State Grants	84.367	S367A070044	<u>136,370</u>
Total Department of Education			<u>\$ 3,358,880</u>
Total Expenditures of Federal Awards - Component Unit School Board			<u>\$ 5,328,016</u>
Total Expenditures of Federal Awards - Reporting Entity			<u>\$ 11,542,582</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, 2010	66.458	51503-90301	<u>\$ 3,633,315</u>

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Fredericksburg, Virginia under programs of the federal government for the year ended June 30, 2010. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the City of Fredericksburg, Virginia, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Fredericksburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:	
Primary Government:	
General Fund	\$ 255,255
Special Revenue Funds:	
Virginia Public Assistance Fund	2,267,901
City Grants Fund	665,324
Capital Projects Funds:	
Public Facilities Construction Fund	148,922
Proprietary Funds:	
Transit Fund	2,877,164
Wastewater Fund	17,984
Total Primary Government	<u>\$ 6,232,550</u>
Component Unit School Board:	
School Operating Fund	\$ 1,221,797
School Grants Fund	4,106,219
Total Component Unit School Board	<u>\$ 5,328,016</u>
Less: Build America Bonds Interest Subsidy	<u>\$ (17,984)</u>
Total Federal Expenditures per the Schedule of Expenditures of Federal Awards	<u><u>\$ 11,542,582</u></u>

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2010

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? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? No
 Significant deficiencies identified? None reported

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:

CFDA #	Name of Federal Program or Cluster
10.561	SNAP Cluster
93.575/93.596/93.713	CCDF Cluster
93.708/93.600	Head Start Cluster
93.659	Adoption Assistance
93.659	ARRA - Adoption Assistance
20.500/20.507	Federal Transit Cluster
84.010/84.389	Title I, Part A Cluster
84.394/84.397	State Fiscal Stabilization Fund Cluster
84.027/84.173/84.391/84.392	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs \$346,277

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, 2010

There were no prior year findings or questioned costs.