

**CITY OF FREDERICKSBURG, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2005**

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CITY OF FREDERICKSBURG, VIRGINIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2005

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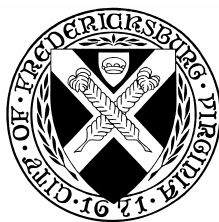
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**Phillip L. Rodenberg**  
City Manager

**Beverly R. Cameron**  
Assistant City Manager



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

October 19, 2005

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, 2005.

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, 2005, 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, 2005, 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 20,458.

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. 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.

The annual budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least fifteen days prior to the end of the fiscal year. After a required public hearing on the budget is held, the City Council may change any item in the budget (other than debt service or items required by law). An appropriation ordinance must be adopted by the City Council prior to June 30, or as soon thereafter as practicable. City Council must approve all budget revisions once the appropriation ordinance has been adopted. The annual budgets are prepared for all governmental funds, except for the Central Park Special Tax District Fund, the Fall Hill Special Tax District Fund and the Celebrate Virginia 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 12. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in Exhibit 23.



## **Economic Condition and Outlook**

The City currently enjoys a favorable economic environment and local indicators point to continued stability. Over the past several years the City has experienced major economic growth activity and community revitalization. Growth related revenues such as property taxes and sales taxes increased in proportion to the City's continuing strong commercial development. From the extensive commercial development within the Central Park shopping center at the I-95/Route 3 Interchange, to the sensitive renovation and adaptive re-use of numerous existing downtown buildings, the City has attempted to improve its overall position as the hub of a fast-growing region.

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 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.

The City's strong economy continues to make it possible for the City to fund numerous capital improvement projects in the areas of education, recreation, cultural development, and infrastructure. A number of the projects have already been initiated while several others are in various stages of planning and development. Seven of the ongoing capital projects with activity in fiscal year 2005 and fiscal year 2006 exceed \$72,000,000. The following is a listing of the larger capital projects.

The new 880 student Lafayette Upper Elementary School was completed in August 2005. The school will help to alleviate the overcrowding throughout the school division and to allow for the reconfiguration of grade levels. The total cost of this project was approximately \$14,328,000.

Construction continued on the new James Monroe High School during fiscal year 2005. The high school will feature classroom accommodations for 1,000 students and core facilities for 1,200 students. This project is planned to be completed in the fall of 2006 at an estimated cost of \$36,929,000.

Work continued on the Dixon Street Athletic Complex during fiscal year 2005. The first phase of the project, involving the construction of athletic fields, a concession stand/comfort station, pathways, parking lots, a maintenance and operations facility and a preserved wetlands area, was completed in July 2005 at an approximate cost of \$4,750,000. The second phase of the recreation complex is the construction of a public outdoor leisure pool. The design phase of this project was completed during the 2005 fiscal year, with construction scheduled to be completed by the close of the 2006 fiscal year. The total cost of the pool is projected to be approximately \$3,550,000. Phase three of the athletic complex will be the construction of a community center, which will also serve as a replacement facility for the existing Dorothy Hart Community Center. The timing for the construction of the community center has not yet been determined.

The Kenmore Watershed Drainage Improvements project continued during the 2005 fiscal year. This project involves increasing the capacity of lateral pipes along Kenmore Avenue, reducing flow restrictions of the flumes under Kenmore Avenue, and diverting overflow of Gayles pond to the Rappahannock Canal. These improvements are necessary to reduce the potential for future flooding in the Kenmore Watershed. This project is scheduled to be completed during the 2006 fiscal year at an estimated cost of \$1,120,000.

## **Economic Condition and Outlook: (Continued)**

Another primary infrastructure project undertaken by the City, in conjunction with the Virginia Department of Transportation, was the construction of the Cowan Boulevard extension. Started during fiscal year 2002, this project was completed and placed in service in August 2005. The City has invested approximately \$4,235,000 towards the completion of this project. The extension of Cowan Boulevard provides additional entry points to both Central Park and Mary Washington Hospital while providing relief to the traffic congestion on the Route 3 corridor.

Construction on the new Sophia Street Parking Garage began during the 2005 fiscal year. The estimated cost of this project, scheduled to be completed and operational in November 2005, is approximately \$6,100,000. This 296-space garage, the first parking garage project in Virginia constructed utilizing the Public-Private Education Facilities and Infrastructure Act, will support the City's parking needs by providing parking space to tourists, retail shoppers, workers and citizens. The garage will also function as a catalyst for future planned enhancements for Downtown Fredericksburg.

A strong local economy has obviously fueled the significant growth in capital project activity that the City has experienced in the last few fiscal years. However, the City adopted a Financial Management Policy that has helped the City formulate a plan of action aimed at providing City residents with increased services while attempting to minimize the cost of borrowing.

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.

A major component of the policy that has had a favorable impact on much of the City's recent capital projects activity is the section addressing the disposition of unreserved, undesignated general fund balances when they exceed the 12 percent target. The City may consider appropriating unreserved, undesignated general fund balances for "pay as you go" capital outlay expenditures, other non-recurring expenditures, or supplemental reserves as deemed necessary by the governing body. The Financial Highlights heading in this CAFR under the MD&A section provides specifics related to the "pay as you go" activity approved for fiscal year 2006 expenditures appropriated from fiscal year 2005 unreserved, undesignated general fund balance amounts.

## **Cash Management Policies and Practices**

The City and Component Unit School Board cash and cash equivalents consist of pooled cash and investments. The Component Unit Economic Development Authority maintains its own accounts that are separate from the City's pooled funds. Cash temporarily idled during the year was invested in the Commonwealth Cash Reserve Fund and the Arbitrage and Investment Management Fund. The yield on investments during the year ranged from 1.22 percent to 2.80 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, 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.

## **Cash Management Policies and Practices: (Continued)**

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.

The City also provides post-retirement health care insurance and group life insurance for employees who are eligible for retirement benefits. Currently, 76 retirees are eligible and are receiving these benefits. The City pays all of the health insurance premiums for the retirees. These costs are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's and Component Unit School Board's pension arrangements and post-employment benefits can be found in Notes 11 and 19 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, 2004. This was the fifteenth 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.

**Awards and Acknowledgements: (Continued)**

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.

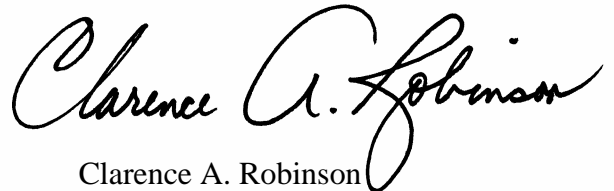
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Fiscal Affairs Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit 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.

In closing, without the support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,



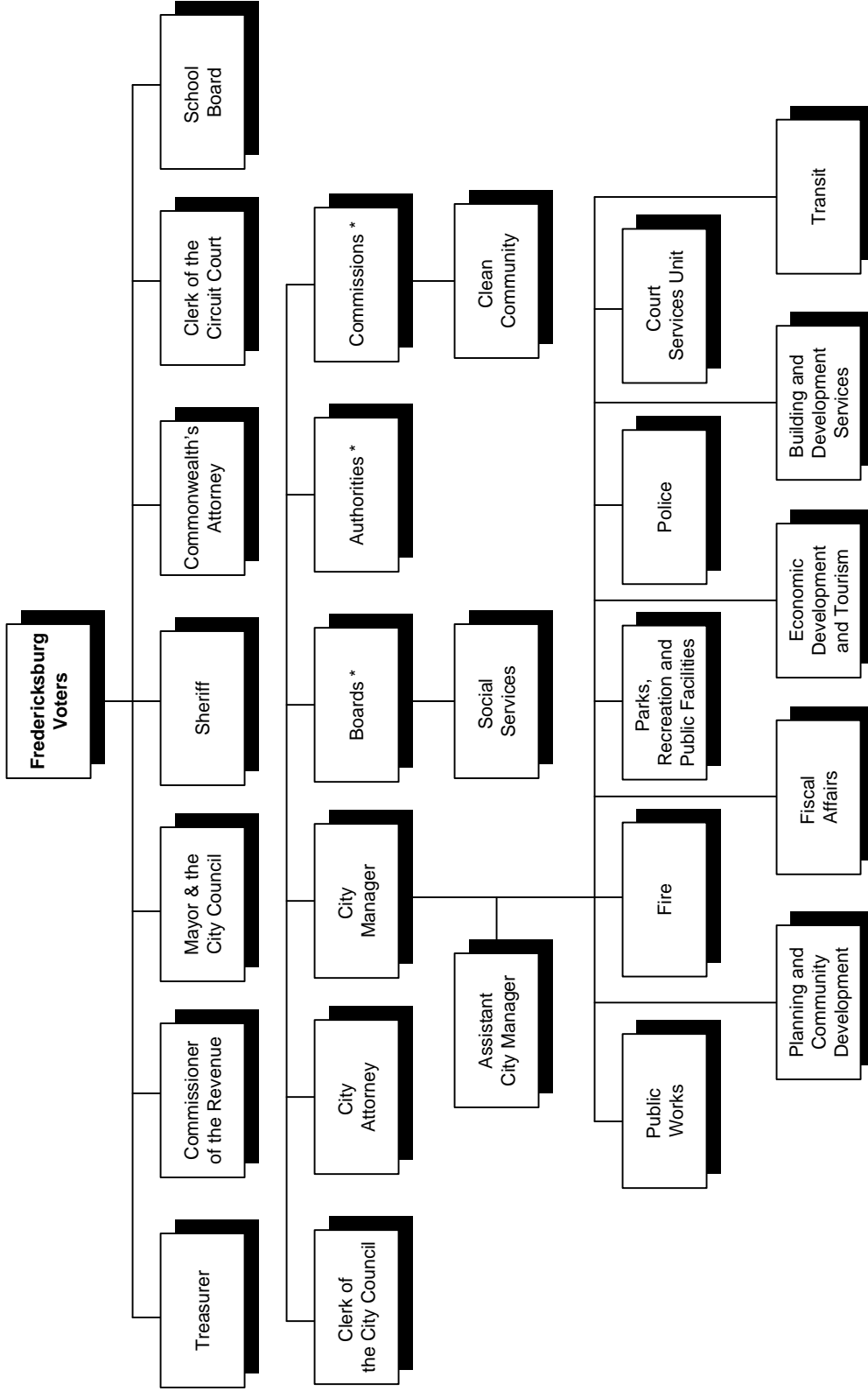
Phillip L. Rodenberg  
City Manager



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, 2005**

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**City Council**

Thomas J. Tomzak, M.D. .... Mayor — At Large  
William C. Withers, Jr. .... Vice Mayor — Ward 2  
Kerry P. Devine ..... At Large  
Deborah L. Girvan ..... At Large  
Thomas P. Fortune, M.D. .... Ward 1  
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  
Charles S. Sharp ..... Commonwealth Attorney  
Paul W. Higgs ..... Sheriff  
G.M. Haney ..... Treasurer

**City Administrative Officers**

Phillip L. Rodenberg ..... City Manager  
Beverly R. Cameron ..... Assistant City Manager  
Kathleen A. Dooley ..... City Attorney  
Deborah H. Naggs ..... Clerk of the City Council  
Edwin L. Allen, Jr. .... Chief, Fire Department  
David W. Nye ..... Chief, Police Department  
T. Michael Naggs ..... Director, Building and Development Services  
Clarence A. Robinson ..... Director, Fiscal Affairs  
David C. Holder ..... Director, Economic Development and Tourism  
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 ..... Manager, Transit

**School Board**

Janice B. Walsh ..... Chairperson — Ward 3  
Anthony L. Bennett, Sr. .... Vice-Chairperson — At Large  
Michael J. Gillenwater ..... At Large  
Patricia B. Green ..... Ward 1  
Barbara A. Miller-Richards ..... Ward 2  
Malvina R. Kay ..... Ward 4

**School Board Administrative Officer**

Dale E. Sander ..... 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, 2004

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.



*Nancy L. Zelle*

President

*Jeffrey R. Emmer*

Executive Director

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia (the "City") as of and for the year ended June 30, 2005, 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 an opinion 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 and specifications 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005 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 grants 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 and budgetary comparison information as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Robinson, Thomas, Cox Associates*

Charlottesville, Virginia  
October 19, 2005

## 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, 2005. 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 \$86,192,867 at the end of fiscal year 2005. This figure is based on assets totaling \$166,163,213 and liabilities of \$79,970,346. Of the total net asset amount, \$20,890,867 (*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 \$39,886,384 at the end of fiscal year 2005. The largest portion of this total is related to the water and sewer enterprise operations, valued at \$34,651,310.
- Total net assets for the primary government totaled \$126,079,251. Current assets were \$89,915,996 as compared to total current liabilities of \$22,143,315. Of the resulting net working capital of \$67,772,681, \$22,133,429 relates to unexpended VPSA bond proceeds designated for the construction of two schools.
- Total net assets for the Component Unit School Board at the end of the fiscal year were \$8,975,549. Of this total, \$7,732,078 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 \$13,959,660, or 29.2 percent of total General Fund expenditures which totaled \$47,820,417.
- The City has an established Financial Management Policy which specifies a targeted goal of maintaining an unreserved, undesignated General Fund balance of 12.0 percent of the actual General Fund for the preceding fiscal year. The fiscal year 2005 unreserved, undesignated General Fund balance was 24.3 percent of the fiscal year 2004 General Fund revenue total of \$57,465,648.
- A total of \$3,500,000 of the fiscal year 2005 unreserved, undesignated General Fund balance was approved to fund various fiscal year 2006 capital projects as a part of the "pay as you go" policy reflected in the Financial Management Policy document, effectively reducing the unreserved, undesignated General Fund balance from 24.3 percent of fiscal year 2004 revenues, to 18.2 percent.
- General Fund revenues increased approximately 7.7 percent as compared to the preceding fiscal year. The greatest increase was attributable to increased local tax revenues due to continued commercial growth in the City.
- General Fund expenditures increased 6.7 percent as compared to the preceding fiscal year. Excluding the school allocation, the increase in these expenditures was 6.4 percent, \$1,908,317 below the final amended budget.
- Governmental activities long-term debt decreased by \$2,015,682. The balance at the end of the fiscal year was \$66,551,078. The business-type activities long-term debt increased \$2,866,242. This increase is attributed to a \$4,035,000 commercial paper loan used to finance the new Sophia Street Parking Garage.

### Overview of the Financial Statements

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

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

## Overview of the Financial Statements: (Continued)

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

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

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

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

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains fifteen 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, the New Upper Elementary School Construction Fund, and the New High School Construction Fund, which are considered to be major funds. Data from the other twelve 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 24-27 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 statements can be found on pages 28-30 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 page 31 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 35-69 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 \$126,079,251 at the close of fiscal year 2005.

A large portion of the City's net assets, 44.4 percent (\$55,930,306), 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 \$32,013,440 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.

The City's net assets increased \$15,133,197 during the current fiscal year. Much of this growth is associated with increases in ongoing revenues. The total expenses for the current fiscal year have increased over the prior fiscal year, but the percentage of increase in these expenses was lower compared to the percentage of increase in revenues.

## Government-wide Financial Analysis: (Continued)

The following table presents the condensed Statement of Net Assets:

**TABLE 1**  
**Summary of Net Assets**  
**As of June 30, 2005**  
**(in millions)**

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 05	FY 04	FY 05	FY 04	FY 05	FY 04	FY 05	FY 04
<b>Assets:</b>								
Current and other assets	\$ 72.44	\$ 87.06	\$ 17.47	\$ 13.53	\$ 89.91	\$ 100.59	\$ 5.71	\$ 7.04
Capital assets	93.72	68.28	40.68	35.04	134.40	103.32	8.11	7.91
<b>Total assets</b>	<b>\$ 166.16</b>	<b>\$ 155.34</b>	<b>\$ 58.15</b>	<b>\$ 48.57</b>	<b>\$ 224.31</b>	<b>\$ 203.91</b>	<b>\$ 13.82</b>	<b>\$ 14.95</b>
<b>Liabilities:</b>								
Current and other liabilities	\$ 14.64	\$ 10.67	\$ 7.51	\$ 1.98	\$ 22.15	\$ 12.65	\$ 3.52	\$ 3.82
Long-term liabilities	65.33	68.37	10.75	11.94	76.08	80.31	0.34	0.32
<b>Total Liabilities</b>	<b>\$ 79.97</b>	<b>\$ 79.04</b>	<b>\$ 18.26</b>	<b>\$ 13.92</b>	<b>\$ 98.23</b>	<b>\$ 92.96</b>	<b>\$ 3.86</b>	<b>\$ 4.14</b>
<b>Net assets:</b>								
Invested in capital assets, net of related debt (2)	\$ 27.17	\$ 46.53	\$ 28.76	\$ 21.96	\$ 55.93	\$ 68.49	\$ 8.11	\$ 7.91
Restricted	38.13	9.22	-	-	38.13	9.22	1.06	1.09
Unrestricted	20.89	20.55	11.13	12.69	32.02	33.24	0.79	1.81
<b>Total net assets</b>	<b>\$ 86.19</b>	<b>\$ 76.30</b>	<b>\$ 39.89</b>	<b>\$ 34.65</b>	<b>\$ 126.08</b>	<b>\$ 110.95</b>	<b>\$ 9.96</b>	<b>\$ 10.81</b>

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

(2) Fiscal year 2004 invested in capital assets, net of related debt, reflects an adjustment for infrastructure capital assets totaling \$28,322,454 (see Notes to Financial Statement section, Notes 7 and 21).

### Changes in Net Assets:

#### Governmental Activities

The net assets of the governmental activities increased \$9,893,150, resulting in a total net assets position of \$86,192,867. The primary reason for the strong, positive net assets amount is attributable to the City's continued economic growth and the related increase in tax revenues. This has enabled the City to finance many capital improvement projects with little dependence on long-term debt.

#### Business-type Activities

The net assets of the business-type activities were \$39,886,384. This represents an increase of \$5,240,047 as compared to fiscal year 2004. Much of this increase is related to the construction of the new Sophia Street Parking Garage. The City invested approximately \$5,131,000 towards the completion of this project during the 2005 fiscal year.



**Government-wide Financial Analysis: (Continued)**

**Component Units**

The net assets of the School Board were \$8,975,549. Capital assets, net of related debt, comprised the majority of this amount.

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

**TABLE 2**  
**Changes in Net Assets**  
**For the Fiscal Year ended June 30, 2005**  
**(in millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Component Units</b>	
	<b>FY 05</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 04</b>	<b>FY 05</b>	<b>FY 04</b>
<b>Revenues:</b>								
Program Revenues:								
Charges for services	\$ 2.70	\$ 2.30	\$ 5.09	\$ 5.00	\$ 7.79	\$ 7.30	\$ 0.70	\$ 0.61
Operating grants and contributions	8.11	8.03	4.35	2.70	12.46	10.73	27.42	25.15
Capital grants and contributions	-	0.23	2.33	0.02	2.33	0.25	-	-
General Revenues:								
Property taxes	22.55	22.00	-	-	22.55	22.00	-	-
Other local taxes	29.45	27.05	-	-	29.45	27.05	-	-
Grants not restricted	1.99	1.80	-	-	1.99	1.80	-	-
Use of property	0.23	0.23	-	-	0.23	0.23	0.04	0.01
Investment earnings	1.95	0.34	0.03	0.02	1.98	0.36	0.01	0.01
Miscellaneous	0.43	0.43	0.17	0.23	0.60	0.66	(0.07)	-
Transfers	-	2.87	0.02	(2.87)	0.02	-	-	-
<b>Total Revenues</b>	<b>\$ 67.41</b>	<b>\$ 65.28</b>	<b>\$ 11.99</b>	<b>\$ 5.10</b>	<b>\$ 79.40</b>	<b>\$ 70.38</b>	<b>\$ 28.10</b>	<b>\$ 25.78</b>
<b>Expenses:</b>								
General government	\$ 4.11	\$ 3.84	\$ -	\$ -	\$ 4.11	\$ 3.84	\$ -	\$ -
Judicial administration	2.43	2.16	-	-	2.43	2.16	-	-
Public safety	14.42	13.45	-	-	14.42	13.45	-	-
Public works	6.69	5.34	-	-	6.69	5.34	-	-
Health and Welfare	5.36	5.10	-	-	5.36	5.10	-	-
Education	15.94	14.23	-	-	15.94	14.23	28.90	26.97
Parks, recreation, and cultural	3.65	3.30	-	-	3.65	3.30	-	-
Community development	1.97	1.91	-	-	1.97	1.91	0.05	0.02
Interest	2.95	1.18	-	-	2.95	1.18	-	-
Water	-	-	2.56	1.69	2.56	1.69	-	-
Sewer	-	-	2.71	2.57	2.71	2.57	-	-
Transit	-	-	1.46	1.15	1.46	1.15	-	-
Parking	-	-	0.02	-	0.02	-	-	-
<b>Total Expenses</b>	<b>\$ 57.52</b>	<b>\$ 50.51</b>	<b>\$ 6.75</b>	<b>\$ 5.41</b>	<b>\$ 64.27</b>	<b>\$ 55.92</b>	<b>\$ 28.95</b>	<b>\$ 26.99</b>
<b>Change in net assets</b>	<b>\$ 9.89</b>	<b>\$ 14.77</b>	<b>\$ 5.24</b>	<b>\$ (0.31)</b>	<b>\$ 15.13</b>	<b>\$ 14.46</b>	<b>\$ (0.85)</b>	<b>\$ (1.21)</b>

## Financial Analysis of the City's Governmental Funds

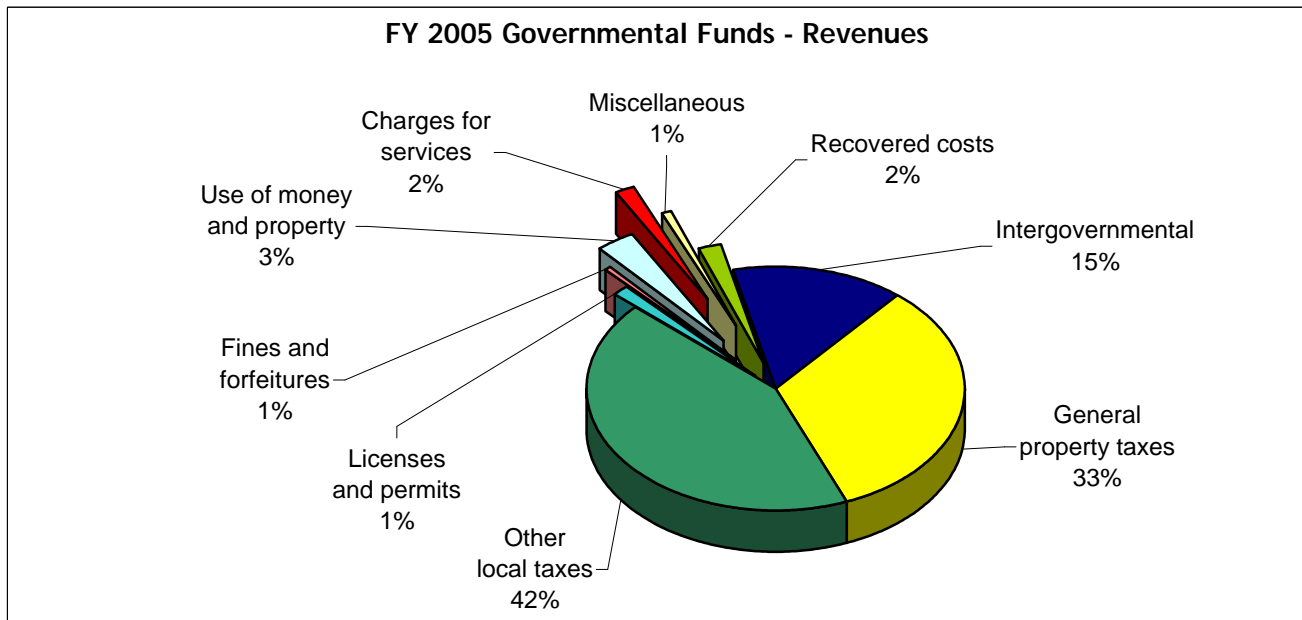
The City's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

### Revenues:

A summary of the general revenue sources for the governmental funds for fiscal years 2005 and 2004 is presented below:

**TABLE 3**  
**Governmental Funds - Revenues**

	FY 2005	FY 2004	Percentage of Total Revenues FY 2005	Increase (Decrease) from FY 2004
General property taxes	\$ 22,575,809	\$ 22,038,643	32.76%	\$ 537,166
Other local taxes	29,447,827	27,046,203	42.74%	2,401,624
Licenses and permits	988,302	499,110	1.43%	489,192
Fines and forfeitures	450,000	502,834	0.65%	(52,834)
Use of money and property	2,180,879	575,451	3.17%	1,605,428
Charges for services	1,264,830	1,293,189	1.84%	(28,359)
Miscellaneous	468,884	434,025	0.68%	34,859
Recovered costs	1,425,432	1,589,560	2.07%	(164,128)
Intergovernmental	10,103,461	10,063,046	14.66%	40,415
<b>Totals</b>	<b>\$ 68,905,424</b>	<b>\$ 64,042,061</b>	<b>100.00%</b>	<b>\$ 4,863,363</b>



The City's total revenues from governmental activities were \$68,905,424 in fiscal year 2005, an increase of 7.6% over fiscal year 2004. This increase in revenue is primarily attributable to other local taxes and the use of money and property revenue sources increasing \$2,401,624 and \$1,605,428, respectively, over fiscal year 2004. The 8.9% increase in local tax revenues, primarily accounted for in the General Fund, is associated with the City's growing commercial development. The most significant increase in the use of money and property revenue source occurred in the City's Public Works, Public Facilities, Public Safety, and

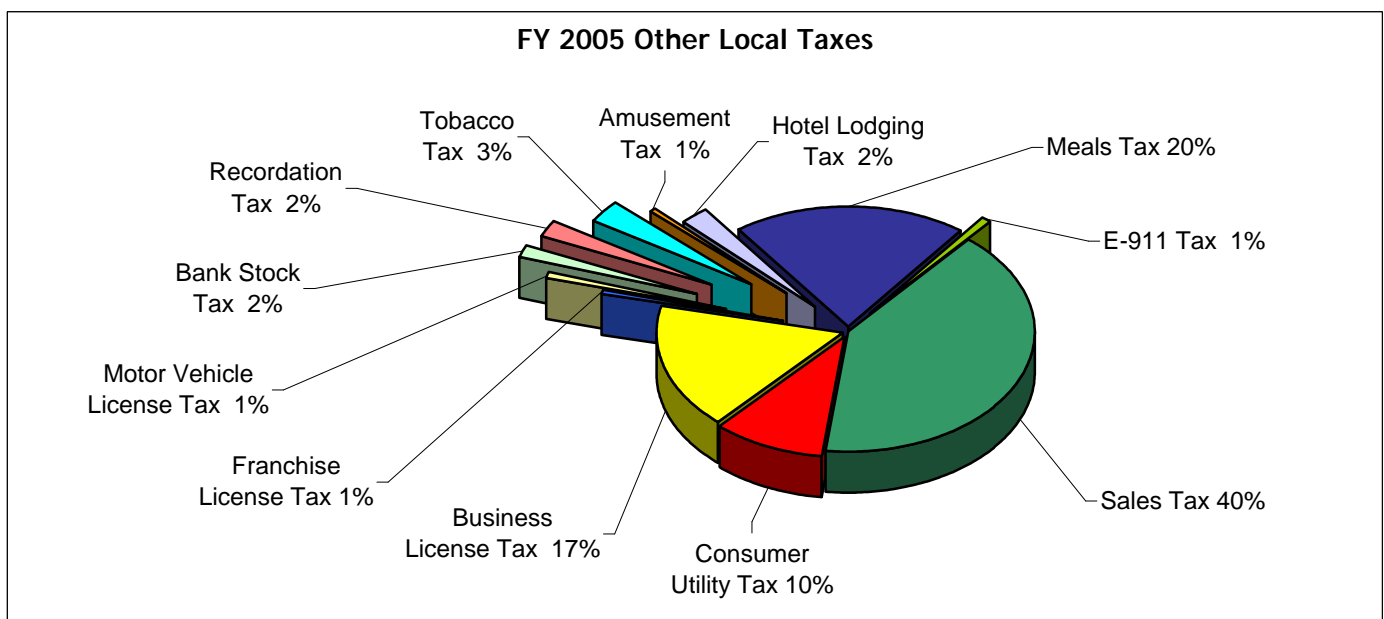
**Financial Analysis of the City's Governmental Funds: (Continued)**

New High School Construction Capital Projects Funds as investment earnings in these funds increased \$1,048,849. The increase in investment earnings is attributable to higher interest rates as well as an increase in the market value of investments held by the City during the 2005 fiscal year.

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 2005 and 2004:

**TABLE 4  
Other Local Taxes**

	<b>FY 2005</b>	<b>FY 2004</b>	<b>Increase (Decrease) from FY 2004</b>
Sales Tax	\$ 11,994,065	\$ 11,537,324	\$ 456,741
Consumer Utility Tax	2,882,555	2,780,470	102,085
Business License Tax	4,974,756	4,536,150	438,606
Franchise License Tax	230,367	250,321	(19,954)
Motor Vehicle License Tax	165,647	160,089	5,558
Bank Stock Tax	501,213	519,107	(17,894)
Recordation Tax	708,156	277,548	430,608
Tobacco Tax	898,413	195,098	703,315
Amusement Tax	163,734	168,775	(5,041)
Hotel Lodging Tax	718,473	605,936	112,537
Meals Tax	5,987,400	5,395,346	592,054
E-911 Tax	223,048	214,039	9,009
<b>Totals</b>	<b>\$ 29,447,827</b>	<b>\$ 26,640,203</b>	<b>\$ 2,807,624</b>



The most notable increase in local taxes occurred with sales tax, business license tax, recordation tax, tobacco tax, and meals tax. The increase in these revenue sources is indicative of the City's strong commercial development base as well as the City being located within one of the nations fastest growing regions.

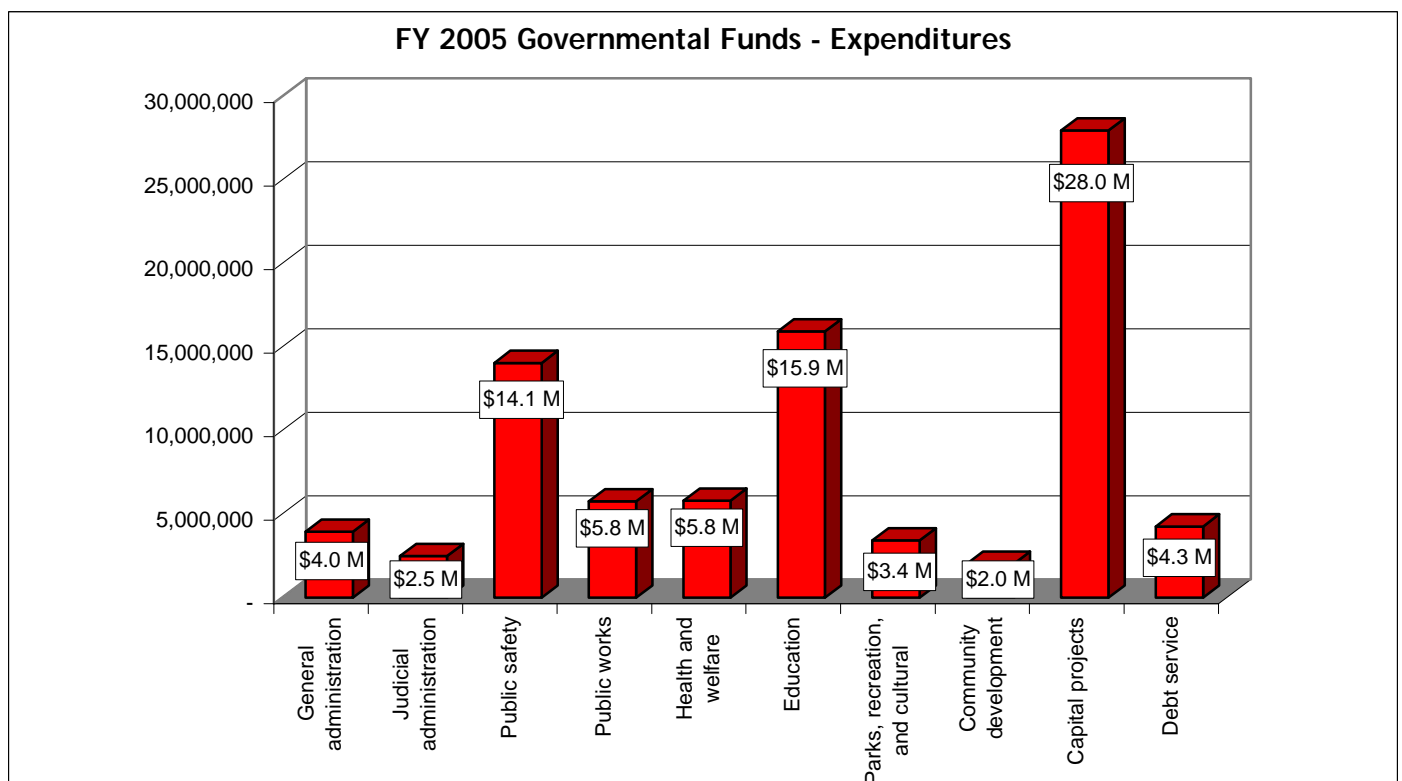
## Financial Analysis of the City's Governmental Funds: (Continued)

### Expenditures:

Expenditures for governmental funds in fiscal year 2005 totaled \$85,717,589, an increase of \$17,634,167 or 25.9% when compared to fiscal year 2004 activity. The most notable change occurred in the Capital Projects area where \$12,678,959 additional funds were invested in fiscal year 2005 over fiscal year 2004. A significant portion of this increase is attributable to the construction of an upper elementary school and a new high school. During fiscal year 2005 the City incurred construction costs of approximately \$23,730,000 towards the completion of these two projects.

**TABLE 5**  
**Governmental Funds - Expenditures**

	FY 2005	FY 2004	Percentage of Total Expenditures FY 2005	Increase (Decrease) from FY 2004
General administration	\$ 3,956,701	\$ 3,620,386	4.62%	\$ 336,315
Judicial administration	2,494,022	2,260,530	2.91%	233,492
Public safety	14,051,770	13,210,581	16.39%	841,189
Public works	5,767,195	5,655,233	6.73%	111,962
Health and welfare	5,814,011	5,491,600	6.78%	322,411
Education	15,942,171	14,839,742	18.60%	1,102,429
Parks, recreation, and cultural	3,432,702	3,108,829	4.00%	323,873
Community development	2,030,189	2,026,074	2.37%	4,115
Capital projects	27,965,223	15,286,264	32.62%	12,678,959
Debt service	4,263,605	2,584,183	4.97%	1,679,422
<b>Totals</b>	<b>\$ 85,717,589</b>	<b>\$ 68,083,422</b>	<b>100.00%</b>	<b>\$ 17,634,167</b>



## General Fund Budgetary Highlights

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

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

Actual General Fund expenditures were \$47,820,417 versus the final budgeted expenditures totaling \$49,728,734. This resulted in a favorable variance of \$1,908,317.

Actual General Fund revenues were \$61,890,599 compared to final budgeted revenues totaling \$55,229,435. This resulted in a positive variance of \$6,661,164. The majority of the variance occurred among various local tax revenue sources, with local sales and use taxes, business license tax, and meals tax experiencing the most significant favorable variance of \$879,065, \$946,256, and \$892,440, respectively. The City's growing commercial development is the primary factor resulting in the favorable variance in these General Fund revenues.

## Capital Asset and Debt Administration

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

**TABLE 6**  
**Change in Capital Assets**  
**City Governmental Funds**

	<u>Balance</u> <u>June 30, 2004</u> <u>(as restated)</u>	<u>Net</u> <u>Additions/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
<b>Capital assets not being depreciated:</b>			
Land	\$ 7,329,544	\$ 888,900	\$ 8,218,444
Construction in progress (1)	16,839,193	21,341,939	38,181,132
<b>Other capital assets:</b>			
Land improvements	1,111,891	63,412	1,175,303
Buildings and building improvements	15,476,069	(150,082)	15,325,987
Machinery, equipment, and vehicles	8,432,079	905,205	9,337,284
Infrastructure (1)	40,922,971	5,267,062	46,190,033
Accumulated depreciation (1)	(21,824,591)	(2,885,380)	(24,709,971)
<b>Totals</b>	<u>\$ 68,287,156</u>	<u>\$ 25,431,056</u>	<u>\$ 93,718,212</u>

(1) Fiscal year 2004 balance reflects an adjustment for infrastructure capital assets (see Notes to Financial Statement section, Notes 7 and 21).

The \$38,181,132 million addition to Construction in Progress represents the ongoing construction of infrastructure improvement projects, land improvement projects, and two new schools. Work continued on the Cowan Boulevard Extension project during the fiscal year. The cost of this project, the primary infrastructure project undertaken by the City, in conjunction with the Virginia Department of Transportation, is estimated to be \$14,700,000. City has invested approximately \$4,276,000 on this project since its inception. The Cowan Boulevard extension opened for vehicular use in August, 2005.

## Capital Asset and Debt Administration: (Continued)

Construction of the Dixon Street Recreation Site is a major land improvement project started during the 2002 fiscal year. The first phase of this project, involving the construction of athletic fields, a concession stand/comfort station, parking lots, a maintenance and operations facility, and pathways, was nearing completion at the end of the fiscal year. The City has spent approximately \$4,250,000 towards the completion of this project.

Construction of a new upper elementary school and a new high school continued during the 2005 fiscal year. The estimated cost of the upper elementary school is \$14,330,000. A total of \$11,234,000 was expended on this project during fiscal year 2005. The upper elementary school was completed and in service as of September 2005. The cost of the new high school is projected to be \$36,830,000. A total of \$12,496,000 was invested on this project during the 2005 fiscal year. The high school is scheduled to be completed by September 2006.

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 2005 the City did not have any new general obligation debt; however, the City did borrow, through the VML/VACo commercial paper program, \$4,035,000 to finance a downtown parking garage.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2005 the City's outstanding long-term indebtedness amount totaled \$82,498,170. After adjustments to reflect the revenue bonded debt of 8,133,591, the remaining total bonded debt of \$74,364,579 is far below the legal debt limit of \$119,047,390.

The table below shows a summary of all bonded debt activity during the 2005 fiscal year and the total City debt outstanding:

**TABLE 7**  
**Long Term Debt**  
**As of June 30, 2005**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2004</u>
Bonds Payable:						
General obligation bonds	\$ 16,631,646	\$ 18,565,291	\$ 3,778,501	\$ 4,134,709	\$ 20,410,147	\$ 22,700,000
General obligation school bonds	48,095,000	48,095,000	-	-	48,095,000	48,095,000
Unamortized bond premium	1,824,432	1,906,469	-	-	1,824,432	1,906,469
Commercial paper	-	-	4,035,000	-	4,035,000	-
Revenue bonds	-	-	8,133,591	8,946,141	8,133,591	8,946,141
Total long-term debt	<u>\$ 66,551,078</u>	<u>\$ 68,566,760</u>	<u>\$ 15,947,092</u>	<u>\$ 13,080,850</u>	<u>\$ 82,498,170</u>	<u>\$ 81,647,610</u>

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

## **Economic Factors**

The City currently continues to enjoy a favorable economic environment and local indicators point to continued stability. Over the past several years the City has experienced major economic growth activity and community revitalization. Growth related revenues such as property taxes and various local taxes increased in proportion to the City's continuing strong commercial development. From the extensive commercial development within the Central Park shopping center at the I-95/Route 3 Interchange, to the sensitive renovation and adaptive re-use of numerous existing downtown buildings, the City has attempted to improve its overall position as the hub of a fast-growing region.

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.

The positive outlook for the City's economy has provided a number of opportunities for improvements in the areas of education, recreation, cultural development, and infrastructure. A number of projects have already been initiated while several others are in various stages of planning and development.

## **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](http://www.fredericksburgva.gov).

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**BASIC FINANCIAL STATEMENTS**

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## **Government-wide Financial Statements**

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Statement of Net Assets  
At June 30, 2005

ASSETS	Governmental Activities	Business-Type Activities	Total	Component Units	
				School Board	Economic Development Authority
<b>Assets:</b>					
Cash and cash equivalents	\$ 67,717,570	\$ 14,717,127	\$ 82,434,697	\$ 3,619,709	\$ 606,997
Receivables, net	1,469,095	1,282,714	2,751,809	-	-
Due from other governments	3,209,233	950,575	4,159,808	1,384,447	-
Inventory, at cost	44,398	88,421	132,819	-	-
Prepaid expenses	4,705	-	4,705	102,754	195
Restricted:					
Temporarily restricted:					
Cash and cash equivalents	-	432,158	432,158	-	-
Capital assets:					
Land, construction in progress and other	46,399,576	8,023,519	54,423,095	531,555	376,442
Other capital assets, net of accumulated depreciation	47,318,636	32,651,745	79,970,381	7,200,523	-
Capital assets, net	\$ 93,718,212	\$ 40,675,264	\$ 134,393,476	\$ 7,732,078	\$ 376,442
Total assets	\$ 166,163,213	\$ 58,146,259	\$ 224,309,472	\$ 12,838,988	\$ 983,634
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 4,685,170	\$ 1,548,536	\$ 6,233,706	\$ 767,384	\$ -
Accrued liabilities	3,415,743	175,607	3,591,350	2,341,231	-
Unearned revenue	837,001	24,393	861,394	52,427	-
Amounts held for others	1,327,123	-	1,327,123	-	-
Liabilities payable from restricted assets	-	432,158	432,158	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	1,352,178	94,212	1,446,390	365,246	-
Commercial paper	-	4,035,000	4,035,000	-	-
Revenue bonds payable	-	840,411	840,411	-	-
General obligation bonds and loans payable	3,018,246	357,537	3,375,783	-	-
Due in more than one year:					
Compensated absences	828,755	37,877	866,632	337,151	-
Revenue bonds payable	-	7,293,180	7,293,180	-	-
Bonds and loans payable	63,532,832	3,420,964	66,953,796	-	-
Accrued landfill post-closure costs	973,298	-	973,298	-	-
Total liabilities	\$ 79,970,346	\$ 18,259,875	\$ 98,230,221	\$ 3,863,439	\$ -
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	\$ 27,167,134	\$ 28,763,172	\$ 55,930,306	\$ 7,732,078	\$ 376,442
Restricted:					
Capital projects	38,135,505	-	38,135,505	1,064,245	-
Unrestricted	20,890,228	11,123,212	32,013,440	179,226	607,192
Total net assets	\$ 86,192,867	\$ 39,886,384	\$ 126,079,251	\$ 8,975,549	\$ 983,634

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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental activities</b>				
General government	\$ 4,105,737	\$ 36,160	\$ 277,299	\$ -
Judicial administration	2,434,259	66,795	946,215	-
Public safety	14,424,379	1,438,302	1,352,658	-
Public works	6,689,270	598,081	1,774,713	-
Health and welfare	5,357,236	-	3,554,631	-
Education	15,942,171	-	-	-
Parks, recreation and cultural	3,648,639	562,119	5,000	-
Community development	1,972,940	1,675	203,302	-
Interest on long-term debt	2,951,161	-	-	-
Total governmental activities	\$ 57,525,792	\$ 2,703,132	\$ 8,113,818	\$ -
<b>Business-type activities</b>				
Water	\$ 2,561,096	\$ 1,938,886	\$ 1,435,694	\$ -
Sewer	2,708,274	3,103,723	1,379,090	78,265
Transit	1,464,268	45,830	1,535,484	-
Parking	19,575	-	-	2,250,000
Total business-type activities	\$ 6,753,213	\$ 5,088,439	\$ 4,350,268	\$ 2,328,265
<b>Total Primary Government</b>	<b>\$ 64,279,005</b>	<b>\$ 7,791,571</b>	<b>\$ 12,464,086</b>	<b>\$ 2,328,265</b>
<b>Component Units</b>				
Fredericksburg City Public Schools	\$ 28,900,647	\$ 608,064	\$ 11,508,382	\$ -
Fredericksburg Economic Development Authority	51,348	96,327	-	-
<b>Total Component Units</b>	<b>\$ 28,951,995</b>	<b>\$ 704,391</b>	<b>\$ 11,508,382</b>	<b>\$ -</b>

**General Revenues**

- Taxes:
  - General property taxes, real and personal
  - Other
- Payment from City of Fredericksburg:
  - Education
  - Grants and contributions not restricted to specific programs
  - Use of property
  - Investment earnings
  - Miscellaneous

**Transfers**

- 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 2

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-Type Activities	Total	Component Units	
\$ (3,792,278)	\$ -	\$ (3,792,278)	\$ -	-
(1,421,249)	-	(1,421,249)	-	-
(11,633,419)	-	(11,633,419)	-	-
(4,316,476)	-	(4,316,476)	-	-
(1,802,605)	-	(1,802,605)	-	-
(15,942,171)	-	(15,942,171)	-	-
(3,081,520)	-	(3,081,520)	-	-
(1,767,963)	-	(1,767,963)	-	-
(2,951,161)	-	(2,951,161)	-	-
<u>\$ (46,708,842)</u>	<u>\$ -</u>	<u>\$ (46,708,842)</u>	<u>\$ -</u>	<u>-</u>
\$ -	\$ 813,484	\$ 813,484	\$ -	-
-	1,852,804	1,852,804	-	-
-	117,046	117,046	-	-
-	2,230,425	2,230,425	-	-
<u>\$ -</u>	<u>\$ 5,013,759</u>	<u>\$ 5,013,759</u>	<u>\$ -</u>	<u>-</u>
<u>\$ (46,708,842)</u>	<u>\$ 5,013,759</u>	<u>\$ (41,695,083)</u>	<u>\$ -</u>	<u>-</u>
			\$ (16,784,201)	
			44,979	
			<u>\$ (16,739,222)</u>	
\$ 22,552,006	\$ -	\$ 22,552,006	\$ -	-
29,447,827	-	29,447,827	-	-
-	-	-	15,910,323	-
1,989,643	-	1,989,643	-	-
231,907	-	231,907	37,654	-
1,948,972	31,997	1,980,969	13,790	-
431,637	169,744	601,381	(73,596)	-
-	24,547	24,547	-	-
<u>\$ 56,601,992</u>	<u>\$ 226,288</u>	<u>\$ 56,828,280</u>	<u>\$ 15,888,171</u>	<u>-</u>
\$ 9,893,150	\$ 5,240,047	\$ 15,133,197	\$ (851,051)	-
<u>76,299,717</u>	<u>34,646,337</u>	<u>110,946,054</u>	<u>10,810,234</u>	<u>-</u>
<u>\$ 86,192,867</u>	<u>\$ 39,886,384</u>	<u>\$ 126,079,251</u>	<u>\$ 9,959,183</u>	<u>-</u>

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## **Fund Financial Statements**

Balance Sheet  
Governmental Funds  
At June 30, 2005

<b>ASSETS</b>	<b>General</b>	<b>New Elementary School Construction Fund</b>	<b>New High School Construction Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 27,734,299	\$ 1,811,835	\$ 24,004,825	\$ 14,166,611	\$ 67,717,570
Receivables (net of allowances for uncollectibles):					
Property taxes	455,435	-	-	25,963	481,398
Accounts	116,881	-	-	26,504	143,385
Accrued revenue	504,283	-	58,667	281,362	844,312
Inventory, at cost	44,398	-	-	-	44,398
Prepays	4,705	-	-	-	4,705
Due from other governments	2,731,741	-	-	477,492	3,209,233
<b>Total assets</b>	<b>\$ 31,591,742</b>	<b>\$ 1,811,835</b>	<b>\$ 24,063,492</b>	<b>\$ 14,977,932</b>	<b>\$ 72,445,001</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenditures	\$ 1,421,980	\$ 1,062,470	\$ 1,558,282	\$ 642,438	\$ 4,685,170
Accrued liabilities	615,829	358,209	762,937	327,869	2,064,844
Amounts held for others	1,327,123	-	-	-	1,327,123
Deferred revenue	956,871	-	-	68,343	1,025,214
<b>Total liabilities</b>	<b>\$ 4,321,803</b>	<b>\$ 1,420,679</b>	<b>\$ 2,321,219</b>	<b>\$ 1,038,650</b>	<b>\$ 9,102,351</b>
<b>Equity:</b>					
Fund balances:					
Reserved:					
Encumbrances	\$ 418,042	\$ -	\$ -	\$ 2,551,352	\$ 2,969,394
Prepays	4,705	-	-	-	4,705
Unreserved:					
Designated for capital projects	8,006,790	391,156	21,742,273	7,995,286	38,135,505
Designated for regional security center	2,000,000	-	-	-	2,000,000
Health insurance claims	950,000	-	-	-	950,000
Designated for E-911	2,004	-	-	-	2,004
Designated for courthouse maintenance	243,738	-	-	-	243,738
Designated for education debt service	1,685,000	-	-	-	1,685,000
Subsequent year's expenditures:					
Special Revenue Funds	-	-	-	1,144,001	1,144,001
Unreserved, undesignated	13,959,660	-	-	2,248,643	16,208,303
<b>Total equity</b>	<b>\$ 27,269,939</b>	<b>\$ 391,156</b>	<b>\$ 21,742,273</b>	<b>\$ 13,939,282</b>	<b>\$ 63,342,650</b>
<b>Total liabilities and equity</b>	<b>\$ 31,591,742</b>	<b>\$ 1,811,835</b>	<b>\$ 24,063,492</b>	<b>\$ 14,977,932</b>	<b>\$ 72,445,001</b>

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, 2005

Total fund balances for governmental funds (Exhibit 3) \$ 63,342,650

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, construction in progress and other	\$	46,399,576	
Other capital assets, net of accumulated depreciation		<u>47,318,636</u>	
 Total capital assets			 93,718,212

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 188,213

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	\$	(1,350,899)	
Bonds and notes payable		(64,726,646)	
Premium on long-term debt, net of accumulated amortization		(1,824,432)	
Landfill post-closure cost liability		<u>(973,298)</u>	(68,875,275)
 Compensated absences not reported as fund liabilities			 <u>(2,180,933)</u>

Total net assets of governmental activities (Exhibits 1 and 2) \$ 86,192,867

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, 2005

	General Fund	New Elementary School Construction Fund	New High School Construction Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 21,882,305	\$ -	\$ -	\$ 693,504	\$ 22,575,809
Other local taxes	29,447,827	-	-	-	29,447,827
Permits, privilege fees and regulatory licenses	988,302	-	-	-	988,302
Fines and forfeitures	450,000	-	-	-	450,000
Use of money and property	832,973	-	702,202	645,704	2,180,879
Charges for services	1,264,830	-	-	-	1,264,830
Miscellaneous	200,414	-	-	268,470	468,884
Recovered costs	1,022,378	-	-	403,054	1,425,432
Intergovernmental:					
Revenue from the Commonwealth	5,747,258	-	-	1,868,661	7,615,919
Revenue from the Federal Government	54,312	-	-	2,433,230	2,487,542
Total revenues	<u>\$ 61,890,599</u>	<u>\$ -</u>	<u>\$ 702,202</u>	<u>\$ 6,312,623</u>	<u>\$ 68,905,424</u>
<b>Expenditures</b>					
Current:					
General government administration	\$ 3,956,701	\$ -	\$ -	\$ -	\$ 3,956,701
Judicial administration	2,419,004	-	-	75,018	2,494,022
Public safety	13,832,134	-	-	219,636	14,051,770
Public works	5,767,195	-	-	-	5,767,195
Health and welfare	1,069,781	-	-	4,744,230	5,814,011
Education - local community college and other	31,848	-	-	-	31,848
Education - public school system	15,910,323	-	-	-	15,910,323
Parks, recreation and cultural	3,294,939	-	-	137,763	3,432,702
Community development	1,538,492	-	-	491,697	2,030,189
Capital projects	-	11,233,649	12,241,209	4,490,365	27,965,223
Debt service:					
Principal payments	-	-	-	1,933,645	1,933,645
Interest and fiscal charges	-	-	-	2,329,960	2,329,960
Total expenditures	<u>\$ 47,820,417</u>	<u>\$ 11,233,649</u>	<u>\$ 12,241,209</u>	<u>\$ 14,422,314</u>	<u>\$ 85,717,589</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 14,070,182</u>	<u>\$ (11,233,649)</u>	<u>\$ (11,539,007)</u>	<u>\$ (8,109,691)</u>	<u>\$ (16,812,165)</u>
<b>Other financing sources (uses)</b>					
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -
Bond premium	-	-	-	-	-
Transfers in	56,000	-	-	10,002,575	10,058,575
Transfers out	(9,716,282)	-	-	(366,840)	(10,083,122)
Total other financing sources (uses)	<u>\$ (9,660,282)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,635,735</u>	<u>\$ (24,547)</u>
Net change in fund balance	\$ 4,409,900	\$ (11,233,649)	\$ (11,539,007)	\$ 1,526,044	\$ (16,836,712)
<b>Fund balance, beginning of year</b>	<u>22,860,039</u>	<u>11,624,805</u>	<u>33,281,280</u>	<u>12,413,238</u>	<u>80,179,362</u>
<b>Fund balance, end of year</b>	<u>\$ 27,269,939</u>	<u>\$ 391,156</u>	<u>\$ 21,742,273</u>	<u>\$ 13,939,282</u>	<u>\$ 63,342,650</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, 2005

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Net change in fund balances - total governmental funds (Exhibit 5) \$ (16,836,712)

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. 25,431,056

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. 58,234

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.

Repayments of long-term debt:			
General obligation bonds	\$	1,933,645	1,933,645

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	\$	(29,853)	
Accrued interest on bonds and loans		(703,238)	
Accrued landfill post-closure costs		40,018	
Net adjustment		(693,073)	(693,073)
Change in net assets of governmental activities (Exhibit 2)	\$		9,893,150

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

Statement of Net Assets  
 Proprietary Funds  
 At June 30, 2005

	Business -Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
<b>ASSETS</b>					
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 7,918,282	\$ 5,084,010	\$ 571,332	\$ 1,143,503	\$ 14,717,127
Accounts receivable - net	406,738	640,468	209,697	-	1,256,903
Accrued revenue	23,797	-	-	2,014	25,811
Inventory, at cost	58,262	30,159	-	-	88,421
Due from other governments	-	5,170	945,405	-	950,575
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	432,158	-	-	-	432,158
Total current assets	\$ 8,839,237	\$ 5,759,807	\$ 1,726,434	\$ 1,145,517	\$ 17,470,995
Capital Assets					
Land	\$ 701,345	\$ 71,680	\$ 264,111	\$ 782,125	\$ 1,819,261
Construction in progress	161,189	154,460	93,756	5,131,317	5,540,722
Dams and reservoirs	663,536	-	-	-	663,536
Buildings and systems	17,450,629	25,085,285	-	-	42,535,914
Furniture, machinery and equipment	294,924	1,592,019	1,534,259	-	3,421,202
Total property, plant and equipment	\$ 19,271,623	\$ 26,903,444	\$ 1,892,126	\$ 5,913,442	\$ 53,980,635
Less: Accumulated depreciation	(4,524,414)	(8,158,110)	(622,847)	-	(13,305,371)
Net capital assets	\$ 14,747,209	\$ 18,745,334	\$ 1,269,279	\$ 5,913,442	\$ 40,675,264
Total assets	\$ 23,586,446	\$ 24,505,141	\$ 2,995,713	\$ 7,058,959	\$ 58,146,259
<b>LIABILITIES AND NET ASSETS</b>					
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 647,265	\$ 173,451	\$ 90,844	\$ 438,763	\$ 1,350,323
Accrued liabilities	8,497	20,053	31,831	-	60,381
Retainage payable	-	-	-	198,213	198,213
Interest payable	-	115,226	-	-	115,226
Compensated absences, current portion	18,744	65,055	10,413	-	94,212
Deferred revenue	24,393	-	-	-	24,393
Commercial paper payable	-	-	-	4,035,000	4,035,000
Revenue bonds payable, current portion	-	840,411	-	-	840,411
General obligation bonds payable, current portion	269,257	88,280	-	-	357,537
Current liabilities payable from restricted assets:					
Customer deposits	432,158	-	-	-	432,158
Total current liabilities	\$ 1,400,314	\$ 1,302,476	\$ 133,088	\$ 4,671,976	\$ 7,507,854
Noncurrent liabilities:					
Compensated absences, noncurrent portion	\$ 11,547	\$ 11,796	\$ 14,534	\$ -	\$ 37,877
Revenue bonds payable, noncurrent portion	-	7,293,180	-	-	7,293,180
General obligation bonds payable, noncurrent portion	2,830,214	590,750	-	-	3,420,964
Total noncurrent liabilities	\$ 2,841,761	\$ 7,895,726	\$ 14,534	\$ -	\$ 10,752,021
Total liabilities	\$ 4,242,075	\$ 9,198,202	\$ 147,622	\$ 4,671,976	\$ 18,259,875
<b>Net assets:</b>					
Invested in capital assets net of related debt	\$ 11,647,738	\$ 9,932,713	\$ 1,269,279	\$ 5,913,442	\$ 28,763,172
Unrestricted	7,696,633	5,374,226	1,578,812	(3,526,459)	11,123,212
Total net assets	\$ 19,344,371	\$ 15,306,939	\$ 2,848,091	\$ 2,386,983	\$ 39,886,384

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, 2005

	Business - Type Activities - Enterprise Funds				Total
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	
Operating revenues:					
Charges for services	\$ 1,938,886	\$ 3,103,723	\$ 45,830	\$ -	\$ 5,088,439
Operating expenses:					
Personal services	\$ 242,448	\$ 550,075	\$ 718,926	\$ -	\$ 1,511,449
Fringe benefits	121,027	195,738	130,501	-	447,266
Contractual services	1,494,744	632,881	89,713	-	2,217,338
Other operating expenses	164,351	746,027	346,572	-	1,256,950
Depreciation expense	399,505	555,538	178,556	-	1,133,599
Total operating expenses	\$ 2,422,075	\$ 2,680,259	\$ 1,464,268	\$ -	\$ 6,566,602
Total operating income (loss)	\$ (483,189)	\$ 423,464	\$ (1,418,438)	\$ -	\$ (1,478,163)
Nonoperating revenues (expenses):					
Interest income	\$ 15,700	\$ 9,739	\$ -	\$ 6,558	\$ 31,997
Availability/connection fees	1,435,694	1,379,090	-	-	2,814,784
Miscellaneous	165	2,649	166,930	-	169,744
State and local grant funds	-	-	878,202	-	878,202
Federal grant funds	-	-	657,282	-	657,282
Interest expense	(139,021)	(28,015)	-	(19,575)	(186,611)
Total nonoperating revenues (expenses)	\$ 1,312,538	\$ 1,363,463	\$ 1,702,414	\$ (13,017)	\$ 4,365,398
Income before contributions and transfers	\$ 829,349	\$ 1,786,927	\$ 283,976	\$ (13,017)	\$ 2,887,235
Capital grants	\$ -	\$ 78,265	\$ -	\$ 2,250,000	\$ 2,328,265
Transfers:					
Transfers in	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000
Transfers out	(52,399)	(73,054)	-	-	(125,453)
Net operating transfers	(52,399)	(73,054)	-	150,000	24,547
Change in net assets	\$ 776,950	\$ 1,792,138	\$ 283,976	\$ 2,386,983	\$ 5,240,047
Net assets, July 1, 2004	18,567,421	13,514,801	2,564,115	-	34,646,337
Net assets, June 30, 2005	\$ 19,344,371	\$ 15,306,939	\$ 2,848,091	\$ 2,386,983	\$ 39,886,384

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

Statement of Cash Flows  
 Proprietary Funds  
 Year Ended June 30, 2005

	Business -Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,978,857	\$ 3,139,696	\$ 41,778	\$ (2,014)	\$ 5,158,317
Other miscellaneous receipts	165	2,649	166,930	-	169,744
Payments to suppliers	(1,041,971)	(1,265,883)	(365,733)	636,976	(2,036,611)
Payments to and for employees	(360,537)	(735,615)	(842,389)	-	(1,938,541)
Net cash provided by (used in) operating activities	\$ 576,514	\$ 1,140,847	\$ (999,414)	\$ 634,962	\$ 1,352,909
Cash flows from noncapital financing activities:					
Availability and connection fees	\$ 1,435,694	\$ 1,379,090	\$ -	\$ -	\$ 2,814,784
State, federal and local grant funds	-	-	859,573	-	859,573
Operating transfers	(52,399)	(73,054)	-	150,000	24,547
Net cash provided by (used in) noncapital financing activities	\$ 1,383,295	\$ 1,306,036	\$ 859,573	\$ 150,000	\$ 3,698,904
Cash flows from investing activities:					
Interest income	\$ 15,700	\$ 9,739	\$ -	\$ 6,558	\$ 31,997
Cash flows from capital and related financing activities:					
Purchase of capital assets	\$ (194,103)	\$ (402,717)	\$ (263,491)	\$ (5,913,442)	\$ (6,773,753)
Proceeds from issuance of debt	-	-	-	4,035,000	4,035,000
Principal payment on debt	(267,009)	(901,749)	-	-	(1,168,758)
Interest paid on debt	(139,021)	(39,526)	-	(19,575)	(198,122)
Capital grants	-	78,265	-	2,250,000	2,328,265
Net cash provided by (used in) capital and related financing activities	\$ (600,133)	\$ (1,265,727)	\$ (263,491)	\$ 351,983	\$ (1,777,368)
Increase (decrease) in cash and cash equivalents for the year	\$ 1,375,376	\$ 1,190,895	\$ (403,332)	\$ 1,143,503	\$ 3,306,442
Cash and cash equivalents, July 1, 2004	6,975,064	3,893,115	974,664	-	11,842,843
Cash and cash equivalents, June 30, 2005	\$ 8,350,440	\$ 5,084,010	\$ 571,332	\$ 1,143,503	\$ 15,149,285
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ (483,189)	\$ 423,464	\$ (1,418,438)	\$ -	\$ (1,478,163)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	399,505	555,538	178,556	-	1,133,599
Other miscellaneous receipts	165	2,649	166,930	-	169,744
Changes in assets and liabilities:					
Accounts receivable	24,147	37,966	(4,052)	(2,014)	56,047
Inventory	2,399	12,207	-	-	14,606
Accrued revenue	(23,367)	(1,993)	-	-	(25,360)
Prepaid expenses	35	35	-	-	70
Accounts payable and accrued expenses	614,690	100,783	70,552	438,763	1,224,788
Accrued liabilities	1,267	3,059	3,045	-	7,371
Retainage payable	-	-	-	198,213	198,213
Deferred revenue	1,671	-	-	-	1,671
Compensated absences	1,140	7,139	3,993	-	12,272
Deposits payable from restricted assets	38,051	-	-	-	38,051
Net cash provided by (used in) operating activities	\$ 576,514	\$ 1,140,847	\$ (999,414)	\$ 634,962	\$ 1,352,909

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, 2005

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	<b>Agency Funds</b>
<b>Assets:</b>	
Cash and cash equivalents	\$ 313,491
Accounts receivable	<u>112,139</u>
Total assets	<u>\$ 425,630</u>
<b>Liabilities:</b>	
Accounts payable	\$ 76,379
Amounts held for others	<u>349,251</u>
Total liabilities	<u>\$ 425,630</u>
<b>Net Assets</b>	<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, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>School Board</b>				
Education	\$ 28,364,624	\$ 608,064	\$ 11,508,382	\$ -
Depreciation	536,023	-	-	-
Total School Board	\$ 28,900,647	\$ 608,064	\$ 11,508,382	\$ -
<b>Economic Development Authority</b>				
Community development	51,348	96,327	-	-
<b>Total component units</b>	<u>\$ 28,951,995</u>	<u>\$ 704,391</u>	<u>\$ 11,508,382</u>	<u>\$ -</u>

**General revenues:**

Payment from City of Fredericksburg  
 Use of property  
 Interest and investment earnings  
 Miscellaneous

Total general revenues

Change in net assets

**Net assets, beginning of year**

**Net assets, end of year**

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

Exhibit 11

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>School Board</b>	<b>Economic Development Authority</b>	<b>Totals</b>
\$ (16,248,178)	\$ -	\$ (16,248,178)
<u>(536,023)</u>	<u>-</u>	<u>(536,023)</u>
\$ (16,784,201)	\$ -	\$ (16,784,201)
<u>-</u>	<u>44,979</u>	<u>44,979</u>
\$ <u>(16,784,201)</u>	\$ <u>44,979</u>	\$ <u>(16,739,222)</u>
\$ 15,910,323	\$ -	\$ 15,910,323
15,004	22,650	37,654
-	13,790	13,790
<u>1,306</u>	<u>(74,902)</u>	<u>(73,596)</u>
\$ <u>15,926,633</u>	\$ <u>(38,462)</u>	\$ <u>15,888,171</u>
\$ (857,568)	\$ 6,517	\$ (851,051)
<u>9,833,117</u>	<u>977,117</u>	<u>10,810,234</u>
\$ <u><u>8,975,549</u></u>	\$ <u><u>983,634</u></u>	\$ <u><u>9,959,183</u></u>

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# CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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## Note 1—Summary of Significant Accounting Policies:

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### 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**

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

- Management's Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.
- Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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**A. Financial Reporting Entity: (Continued)**

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

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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

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#### A. Financial Reporting Entity: (Continued)

##### Inclusions in the Reporting Entity: (Continued)

###### 1. Component Units: (Continued)

###### 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.

##### 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 to 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 \$2,379,795 in operating and other funds to the Center in 2005.

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

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**A. Financial Reporting Entity: (Continued)**

**Exclusions from the Reporting Entity: (Continued)**

1. Jointly Governed Organizations: (Continued)

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 to 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 \$998,448 in operating funds to the Library in 2005.

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.

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 \$207,511 to the Board in 2005.

e. Rappahannock Area Agency on Aging

The Agency was created by council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Agency is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$9,346 in operating grants to the Agency in 2005.



## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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

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#### A. Financial Reporting Entity: (Continued)

##### Exclusions from the Reporting Entity: (Continued)

###### 1. Jointly Governed Organizations: (Continued)

###### f. Rappahannock Area Development 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 \$15,276 in operating grants to the Commission in 2005.

###### 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 \$257,918 to the Center in 2005.

###### 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 \$71,715 in operating funds to the Home in 2005.

###### 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 \$14,286 in operating funds to the Commission in 2005.

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

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**A. Financial Reporting Entity: (Continued)**

**Exclusions from the Reporting Entity: (Continued)**

1. Jointly Governed Organizations: (Continued)

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. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the City as a whole or major individual funds (within the 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.

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.

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

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

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

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 2005.

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:

- 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.

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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

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

##### 1. Governmental Funds: (Continued)

- 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 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.

Celebrate Virginia Special Tax District Fund - This fund accounts for the revenues, expenditures, and other financing resources relating to the Celebrate Virginia Special Service District.

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

- 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 consists 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.

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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

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

##### 1. Governmental Funds: (Continued)

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

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

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

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

New Upper Elementary School Construction Fund - This fund accounts for resources and expenditures for a new upper elementary school. Primary funding sources are school bond proceeds and investment earnings. This fund is considered a major fund for financial reporting purposes.

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. This fund is considered a major fund for financial reporting purposes.

##### 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.

Enterprise or Business Funds - Enterprise or Business 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.

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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

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

##### 2. Proprietary Funds: (Continued)

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 Fund (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. The City does not have private purpose trust funds. Agency Funds consist of the following:

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

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

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

Rappahannock Area Development Commission - This fund accounts for revenue and expenditures of the Rappahannock Area Development Commission.

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.

##### 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. Component-Unit School Board Funds consist of the following:

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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

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

##### 4. Component Units: (Continued)

###### a. Fredericksburg City School Board: (Continued)

###### Governmental Funds:

School 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 school auditorium, graduated equivalency diploma testing and adult education program. 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.

The government-wide statements of net assets and statements of activities, all proprietary funds, and private purpose trust funds and pension 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.

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

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**C. Basis of Accounting: (Continued)**

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, the Fall Hill Special Tax District Fund, and the Celebrate Virginia 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, 2005. 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, 2005.

**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, 2005, have been reported as reservations of fund balances, since they do not constitute expenditures or liabilities.



**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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

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**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, 2005, the allowance totaled \$325,572 with \$142,087 in the General Fund and \$183,485 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

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

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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

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#### J. Capital Assets: (Continued)

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

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

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2005.

#### K. Compensated Absences

The City and Component Unit 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 30-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.

#### 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, 2005 was \$82,037.

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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

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

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, 2005 were held by the City or in the City's name by the City's custodial banks; except \$56,273,191 of U.S. Agency investments, \$8,921,513 of U.S. Treasury investments, and \$2,501,552 of Corporate Debt investments where the underlying securities were uninsured and held by an investment broker.

**Credit Risk of Debt Securities**

The City's rated debt investments as of June 30, 2005 were rated by Standard and Poor 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	A+	A-1+
U.S. Agencies	\$ 40,092,205	\$ -	\$ -	\$ 16,180,986
U.S. Treasuries	8,921,513	-	-	-
Corporate Debt	1,484,145	-	1,017,407	-
Virginia State Non-Arbitrage Program	-	7,986,436	-	-
Money Market Mutual Fund	-	979,972	-	1,144,829
<b>Total</b>	<b>\$ 50,497,863</b>	<b>\$ 8,966,408</b>	<b>\$ 1,017,407</b>	<b>\$ 17,325,815</b>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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**Note 2—Deposits and Investments: (Continued)**

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**Interest Rate Risk**

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>
U.S. Agencies	\$ 56,273,191	\$ 43,121,206	\$ 13,151,985
U.S. Treasuries	8,921,513	3,211,378	5,710,135
Corporate Debt	<u>2,501,552</u>	<u>1,017,407</u>	<u>1,484,145</u>
Total	<u>\$ 67,696,256</u>	<u>\$ 47,349,991</u>	<u>\$ 20,346,265</u>

**External Investment Pools**

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

**Note 3—Real and Personal Property Tax Data:**

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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 16/November 15 (50% each date)	May 16/November 15 (50% each date)
Lien Date	May 17/November 16	May 17/November 16

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 4—Receivables and Accrued Revenue:**

Receivables and accrued revenue at June 30, 2005 consist of the following:

**Primary Government:**

	<b>Governmental Activities</b>				<b>Business- Type Activities</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>	
Property taxes	\$ 597,522	\$ 25,963	\$ -	\$ 623,485	\$ -
Utility taxes	267,081	-	-	267,081	-
Water charges	-	-	-	-	493,434
Wastewater charges	-	-	-	-	737,257
Refuse disposal fees	70,128	-	-	70,128	-
E-911 fees	22,367	-	-	22,367	-
Transit fees	-	-	-	-	209,697
Investment earnings	-	-	340,029	340,029	-
Other	261,588	26,504	-	288,092	25,811
<b>Total</b>	<b>\$ 1,218,686</b>	<b>\$ 52,467</b>	<b>\$ 340,029</b>	<b>\$ 1,611,182</b>	<b>\$ 1,466,199</b>
Allowance for uncollectibles	(142,087)	-	-	(142,087)	(183,485)
<b>Net receivables</b>	<b>\$ 1,076,599</b>	<b>\$ 52,467</b>	<b>\$ 340,029</b>	<b>\$ 1,469,095</b>	<b>\$ 1,282,714</b>

**Component Units and Fiduciary Activities:**

	<b>School Board</b>	<b>Economic Development Authority</b>	<b>Fiduciary Activities</b>
Property taxes	\$ -	\$ -	\$ -
Utility taxes	-	-	-
Water charges	-	-	-
Wastewater charges	-	-	-
Refuse disposal fees	-	-	-
E-911 fees	-	-	-
Transit fees	-	-	-
Investment earnings	-	-	-
Other	-	-	106,419
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,419</b>
Allowance for uncollectibles	-	-	-
<b>Net receivables</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 106,419</b>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 5—Due From Other Governmental Units:**

**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>	
Commonwealth of Virginia:					
Local sales taxes	\$ 1,910,370	\$ -	\$ -	\$ 1,910,370	\$ -
State sales taxes	-	-	-	-	-
Comprehensive Services Act	-	182,437	-	182,437	-
Shared expenses and grants	155,323	4,999	-	160,322	-
Virginia Department of Rail and Public Transportation	-	-	-	-	80,799
Recordation taxes	40,845	-	-	40,845	-
Street maintenance	440,962	-	-	440,962	-
Rental taxes	7,261	-	-	7,261	-
Excess Clerk's fees	-	-	-	-	-
Noncategorical aid	23,149	-	-	23,149	-
Social services grants	-	235,503	-	235,503	-
Federal government:					
Community Development Block Grant	-	54,553	-	54,553	-
Transit grants	-	-	-	-	649,005
Head Start	-	-	-	-	-
Others:					
Local government reimbursements:					
County of Spotsylvania	88,213	-	-	88,213	5,170
County of Stafford	11,124	-	-	11,124	149,383
County of King George	11,888	-	-	11,888	17,511
County of Caroline	42,606	-	-	42,606	48,707
Total	<u>\$ 2,731,741</u>	<u>\$ 477,492</u>	<u>\$ -</u>	<u>\$ 3,209,233</u>	<u>\$ 950,575</u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 5—Due From Other Governmental Units: (Continued)**

**Component Units and Fiduciary Activities:**

	<u>Component Units</u>		
	<u>School Board</u>	<u>Economic Development Authority</u>	<u>Fiduciary Activities</u>
Commonwealth of Virginia:			
Local sales taxes	\$ -	\$ -	\$ -
State sales taxes	364,785	-	-
Comprehensive Services Act	-	-	-
Shared expenses and grants	-	-	-
State school funds	22,574	-	-
Virginia Department of Rail and Public Transportation	-	-	-
Federal pass-through:			
School funds	813,170	-	-
Recordation taxes	-	-	-
Street maintenance	-	-	-
Rental taxes	-	-	-
Excess Clerk's fees	-	-	-
Noncategorical aid	-	-	-
Social services grants	-	-	-
Federal government:			
Community Development Block Grant	-	-	-
Transit grants	-	-	-
Head Start	183,918	-	-
Others:			
Local government reimbursements:			
County of Spotsylvania	-	-	-
County of Stafford	-	-	-
County of King George	-	-	-
County of Caroline	-	-	-
Total	<u>\$ 1,384,447</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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**Note 6—Interfund Balances and Activity:**

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**Primary Government:**

Balances due to/from other funds at June 30, 2005:

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	\$ 500,000
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	83,125
Transfer to the Comprehensive Services Act Fund for the local share of the program costs	430,000
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	2,639,889
Transfers to the School Debt Service Fund to pay school debt service and related costs	1,623,716
Transfers to the Public Works Construction Fund to fund infrastructure and related capital projects	2,502,063
Transfers to the Public Facilities Construction Fund to fund building improvements and related costs	1,666,942
Transfers to the Public Safety Construction Fund to fund police, fire and rescue capital costs	556,840
Transfers to the General Fund from enterprise funds for various programs	<u>56,000</u>
Total transfers	<u><u>\$ 10,058,575</u></u>
Reconciliation of transfers:	
Transfers in from governmental funds	\$ 10,083,122
Transfers from governmental funds to enterprise funds	(150,000)
Transfers from enterprise funds to governmental funds	<u>125,453</u>
Total transfers	<u><u>\$ 10,058,575</u></u>

**Component Unit School Board:**

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

Transfers from the School Fund to the Special School Fund for the local share of grants	<u><u>\$ 77,248</u></u>
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**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 7—Capital Assets:**

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

**Primary Government:**

	<u>Balance July 1, 2004</u>	<u>Adjustments to Beginning Balance</u>	<u>Balance as Adjusted July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated:						
Land	\$ 7,329,544	\$ -	\$ 7,329,544	\$ 901,600	\$ 12,700	\$ 8,218,444
Construction in progress:						
Infrastructure	\$ 8,625,836	\$ (862,616)	\$ 7,763,220	\$ 1,997,572	\$ 5,267,062	\$ 4,493,730
Land improvements	3,212,987	-	3,212,987	1,058,453	112,781	4,158,659
Buildings	5,862,986	-	5,862,986	24,415,243	749,486	29,528,743
Total construction in progress	<u>\$ 17,701,809</u>	<u>\$ (862,616)</u>	<u>\$ 16,839,193</u>	<u>\$ 27,471,268</u>	<u>\$ 6,129,329</u>	<u>\$ 38,181,132</u>
Total capital assets not being depreciated	<u>\$ 25,031,353</u>	<u>\$ (862,616)</u>	<u>\$ 24,168,737</u>	<u>\$ 28,372,868</u>	<u>\$ 6,142,029</u>	<u>\$ 46,399,576</u>
Other capital assets:						
Land improvements	\$ 1,111,891	-	\$ 1,111,891	\$ 63,412	-	\$ 1,175,303
Buildings	15,476,069	-	15,476,069	751,518	901,600	15,325,987
Infrastructure	-	40,922,971	40,922,971	5,267,062	-	46,190,033
Machinery, equipment and vehicles	8,432,079	-	8,432,079	905,205	-	9,337,284
Total other capital assets	<u>\$ 25,020,039</u>	<u>\$ 40,922,971</u>	<u>\$ 65,943,010</u>	<u>\$ 6,987,197</u>	<u>\$ 901,600</u>	<u>\$ 72,028,607</u>
Accumulated depreciation:						
Land improvements	\$ 76,427	-	\$ 76,427	\$ 42,842	-	\$ 119,269
Buildings	5,447,692	-	5,447,692	461,468	-	5,909,160
Infrastructure	-	11,737,901	11,737,901	1,646,408	-	13,384,309
Machinery, equipment and vehicles	4,562,571	-	4,562,571	734,662	-	5,297,233
Total accumulated depreciation	<u>\$ 10,086,690</u>	<u>\$ 11,737,901</u>	<u>\$ 21,824,591</u>	<u>\$ 2,885,380</u>	<u>\$ -</u>	<u>\$ 24,709,971</u>
Other capital assets, net	<u>\$ 14,933,349</u>	<u>\$ 29,185,070</u>	<u>\$ 44,118,419</u>	<u>\$ 4,101,817</u>	<u>\$ 901,600</u>	<u>\$ 47,318,636</u>
Net capital assets	<u><u>\$ 39,964,702</u></u>	<u><u>\$ 28,322,454</u></u>	<u><u>\$ 68,287,156</u></u>	<u><u>\$ 32,474,685</u></u>	<u><u>\$ 7,043,629</u></u>	<u><u>\$ 93,718,212</u></u>

Depreciation is allocated to:

General government administration	\$ 134,840
Judicial administration	83,532
Public safety	509,154
Health and welfare	66,321
Public works	1,892,701
Parks and recreation	186,774
Community development	12,058
Total	<u><u>\$ 2,885,380</u></u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 7—Capital Assets: (Continued)**

**Component Unit School Board:**

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 531,555	\$ -	\$ -	\$ 531,555
Other capital assets:				
Land improvements	\$ 102,913	\$ -	\$ -	\$ 102,913
Buildings	17,458,028	31,690	-	17,489,718
Machinery, equipment and vehicles	1,642,943	323,157	66,970	1,899,130
Total other capital assets	\$ 19,203,884	\$ 354,847	\$ 66,970	\$ 19,491,761
Accumulated depreciation:				
Land improvements	\$ 13,638	\$ 5,146	\$ -	\$ 18,784
Buildings	10,764,509	346,011	-	11,110,520
Machinery, equipment and vehicles	1,044,038	184,866	66,970	1,161,934
Total accumulated depreciation	\$ 11,822,185	\$ 536,023	\$ 66,970	\$ 12,291,238
Other capital assets, net	\$ 7,381,699	\$ (181,176)	\$ -	\$ 7,200,523
Net capital assets	\$ 7,913,254	\$ (181,176)	\$ -	\$ 7,732,078
Depreciation allocated to education		\$ 536,023		

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 7—Capital Assets: (Continued)**

**Business-Type Activities:**

	<u>Balance July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 1,037,136	\$ 782,125	\$ -	\$ 1,819,261
Construction in progress	<u>566,892</u>	<u>5,304,380</u>	<u>330,550</u>	<u>5,540,722</u>
Total capital assets not being depreciated	<u>\$ 1,604,028</u>	<u>\$ 6,086,505</u>	<u>\$ 330,550</u>	<u>\$ 7,359,983</u>
Other capital assets:				
Buildings and systems	\$ 42,166,241	\$ 369,673	\$ -	\$ 42,535,914
Dams and reservoirs	663,536	-	-	663,536
Furniture, machinery and equipment	<u>3,013,671</u>	<u>648,125</u>	<u>240,594</u>	<u>3,421,202</u>
Total other capital assets	<u>\$ 45,843,448</u>	<u>\$ 1,017,798</u>	<u>\$ 240,594</u>	<u>\$ 46,620,652</u>
Accumulated depreciation:				
Buildings and systems	\$ 10,749,311	\$ 884,403	\$ -	\$ 11,633,714
Dams and reservoirs	10,151	13,271	-	23,422
Furniture, machinery and equipment	<u>1,652,904</u>	<u>235,925</u>	<u>240,594</u>	<u>1,648,235</u>
Total accumulated depreciation	<u>\$ 12,412,366</u>	<u>\$ 1,133,599</u>	<u>\$ 240,594</u>	<u>\$ 13,305,371</u>
Other capital assets, net	<u>\$ 33,431,082</u>	<u>\$ (115,801)</u>	<u>\$ -</u>	<u>\$ 33,315,281</u>
Net capital assets	<u>\$ 35,035,110</u>	<u>\$ 5,970,704</u>	<u>\$ 330,550</u>	<u>\$ 40,675,264</u>
Depreciation is allocated to:				
Water operations		\$ 399,505		
Wastewater operations		555,538		
Transit operations		<u>178,556</u>		
Total		<u>\$ 1,133,599</u>		

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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**Note 8—Deferred Revenue:**

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

	<u>Government-wide Statements</u> Governmental Activities	<u>Balance Sheet</u> Governmental Funds
<b>Primary Government:</b>		
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.	\$	- \$ 188,213
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	771,900	771,900
Other	<u>65,101</u>	<u>65,101</u>
Total deferred revenue	\$ <u><u>837,001</u></u>	\$ <u><u>1,025,214</u></u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 9—Long-term Debt:**

**Primary Government:**

A summary of long-term obligation transactions of the City for the year ended June 30, 2005 is as follows:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Current</u> <u>Portion</u>
General long-term debt payable from governmental activities:					
General obligation bonds	\$ 18,565,291	-	\$ 1,933,645	\$ 16,631,646	\$ 1,922,463
General obligation school bonds	48,095,000	-	-	48,095,000	975,000
Add: Unamortized bond premium	<u>1,906,469</u>	<u>-</u>	<u>82,037</u>	<u>1,824,432</u>	<u>120,783</u>
Total	<u>\$ 68,566,760</u>	<u>-</u>	<u>\$ 2,015,682</u>	<u>\$ 66,551,078</u>	<u>\$ 3,018,246</u>
Long-term debt payable from business activities:					
General obligation bonds	\$ 4,134,708	-	\$ 356,207	\$ 3,778,501	\$ 357,537
Commercial Paper	-	4,035,000	-	4,035,000	4,035,000
Virginia Resources Authority revenue bonds	<u>8,946,141</u>	<u>-</u>	<u>812,550</u>	<u>8,133,591</u>	<u>840,411</u>
Total	<u>\$ 13,080,849</u>	<u>\$ 4,035,000</u>	<u>\$ 1,168,757</u>	<u>\$ 15,947,092</u>	<u>\$ 5,232,948</u>
Total long-term debt	<u>\$ 81,647,609</u>	<u>\$ 4,035,000</u>	<u>\$ 3,184,439</u>	<u>\$ 82,498,170</u>	<u>\$ 8,251,194</u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 9—Long-term Debt: (Continued)**

**Primary Government: (Continued)**

The schedule below shows principal and interest requirements through maturity for all outstanding debt at June 30, 2005:

Year Ending June 30	General Obligation Debt		Revenue Bonds		Commercial Paper	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 3,255,000	\$ 3,171,233	\$ 840,411	\$ 269,459	\$ 4,035,000	\$ 41,320
2007	3,260,000	3,029,495	869,228	240,642	-	-
2008	3,440,000	2,888,163	899,033	210,837	-	-
2009	3,185,000	2,751,695	929,860	180,010	-	-
2010	2,995,000	2,620,786	961,744	148,126	-	-
2011	3,090,000	2,488,696	994,721	115,149	-	-
2012	2,770,000	2,358,338	1,028,829	81,041	-	-
2013	2,570,000	2,235,221	1,064,107	45,763	-	-
2014	2,615,000	2,113,366	545,658	9,276	-	-
2015	2,700,000	1,988,337	-	-	-	-
2016	2,305,000	1,868,259	-	-	-	-
2017	2,415,000	1,752,989	-	-	-	-
2018	2,530,000	1,631,998	-	-	-	-
2019	2,115,000	1,505,030	-	-	-	-
2020	2,210,000	1,395,925	-	-	-	-
2021	2,315,000	1,281,586	-	-	-	-
2022	2,425,000	1,161,737	-	-	-	-
2023	2,325,000	1,041,123	-	-	-	-
2024	2,450,000	919,360	-	-	-	-
2025	2,575,000	791,223	-	-	-	-
2026	2,710,000	659,843	-	-	-	-
2027	2,845,000	525,134	-	-	-	-
2028	2,985,000	383,756	-	-	-	-
2029	3,130,000	235,468	-	-	-	-
2030	3,290,147	79,783	-	-	-	-
	<u>\$ 68,505,147</u>	<u>\$ 40,878,544</u>	<u>\$ 8,133,591</u>	<u>\$ 1,300,303</u>	<u>\$ 4,035,000</u>	<u>\$ 41,320</u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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**Note 9—Long-term Debt: (Continued)**

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**Primary Government: (Continued)**

At June 30, 2005, the City's long-term debt consisted of the following:

	<u>Issued</u>	<u>Due Date</u>	<u>Rate(s)</u>	<u>Amount Outstanding</u>	<u>Current Portion</u>
General obligation bonds:					
1998A General Obligation Refunding Bonds	1998	2018	4.5-6.0%	\$ 5,605,000	\$ 355,000
2001A General Obligation Refunding Bonds	2001	2022	4.5-6.5%	14,805,147	1,925,000
2004A General Obligation School Bonds	2004	2030	5.1-4.85%	<u>48,095,000</u>	<u>975,000</u>
Total general obligation bonds				\$ 68,505,147	\$ 3,255,000
Revenue bonds:					
Virginia Resources Authority Wastewater bonds	1992	2014	5.75%	8,133,591	840,411
Commercial Paper:					
2005A Commercial Paper	2005	2006	10.00%	<u>4,035,000</u>	<u>4,035,000</u>
Total long-term debt				\$ <u>80,673,738</u>	\$ <u>8,130,411</u>

The City's general long-term obligations and Commercial Paper are guaranteed by the full faith and credit of the City. The Virginia Resource 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.

**Conduit debt.** There are several industrial development revenue bonds outstanding issued through the Economic Development Authority of Fredericksburg. Total outstanding obligations at June 30, 2005 totaled approximately \$121,700,000. 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.

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**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>2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30,</u> <u>2005</u>	<u>Current</u> <u>Portion</u>
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 2,151,080	\$ 537,770	\$ 507,917	\$ 2,180,933	\$ 1,352,178
Business-type activities	<u>119,285</u>	<u>29,821</u>	<u>17,017</u>	<u>132,089</u>	<u>94,212</u>
Total primary government	\$ 2,270,365	\$ 567,591	\$ 524,934	\$ 2,313,022	\$ 1,446,390
Component Unit School Board	<u>662,707</u>	<u>165,677</u>	<u>125,987</u>	<u>702,397</u>	<u>365,246</u>
Total	<u>\$ 2,933,072</u>	<u>\$ 733,268</u>	<u>\$ 650,921</u>	<u>\$ 3,015,419</u>	<u>\$ 1,811,636</u>

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



## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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### **Note 11—Defined Benefit Pension Plan:**

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

#### **Plan Description**

Name of Plan: Virginia Retirement System (VRS)  
Identification of Plan: Agent and Cost-Sharing  
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 1.7 percent of their average final salary (AFS) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters 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 State Legislature. Actuarial valuations are performed on an annual basis.

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 obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

#### **Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be and has been 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 statute and approved by the VRS Board of Trustees. The City and School Board non-professional employee contribution rates for the fiscal year ended 2005 were 8.50% and 1.50% of annual covered payroll, respectively.

The School Board's contribution rate for the VRS statewide cost sharing pool for its professional employees was 6.03%. The total School Board contribution for fiscal year 2005 was \$1,567,268 (employer—\$856,811 and employee—\$710,457).

#### **Annual Pension Cost**

For fiscal year 2005, the City's annual pension cost of \$1,345,206 (does not include the employee share assumed by the City which was \$790,042) was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 11—Defined Benefit Pension Plan: (Continued)**

**Annual Pension Cost: (Continued)**

In fiscal year 2005, the City of Fredericksburg School Board’s annual pension cost for the Board’s non-professional employees was \$12,464 (does not include the employee share assumed by the Board which was \$41,547) which was equal to the Board’s required and actual contributions. The required contribution was determined as a part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method.

The actuarial assumptions used to determine the FY2005 contributions are as follows:

	<u>City</u>	<u>Non-Professional School Board</u>
Valuation date	June 30, 2003	June 30, 2003
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level percent, open	Level percent, open
Payroll growth rate	3%	3%
Remaining amortization period	13 Years	12 Years
Asset valuation method	Modified market	Modified market
Actuarial assumptions:		
Investment rate of return <sup>1</sup>	8.00%	8.00%
Projected salary increases: <sup>1</sup>		
Non-LEO Employees	4.25% to 6.10%	4.25% to 6.10%
LEO Employees	4.50% to 5.75%	4.50% to 5.75%
Cost-of-living adjustment	3.0%	3.0%

<sup>1</sup> Includes inflation at 3%

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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**Note 11—Defined Benefit Pension Plan: (Continued)**

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**Annual Pension Cost: (Continued)**

<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, 2005	\$ 1,345,206	100%	\$ -
June 30, 2004	151,199	100%	-
June 30, 2003	142,935	100%	-
School Board Non-Professional:			
June 30, 2005	\$ 12,464	100%	\$ -
June 30, 2004	8,056	100%	-
June 30, 2003	6,189	100%	-

(1) Employer portion only

**Note 12—Deferred Compensation Plan:**

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The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City 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. This plan was converted to a trustee plan during fiscal year 1998.

**Note 13—Commitments and Contingencies:**

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**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.

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

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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**Note 13—Commitments and Contingencies: (Continued)**

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**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, 2005 the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$23,500,000 at June 30, 2005.

The School Board had no significant construction or related commitments outstanding at June 30, 2005.

**Note 14—Litigation:**

---

The City has also been named as defendant in matters involving law enforcement actions and alleged personal injuries suffered from falls on City sidewalks. Legal counsel is of the opinion that the City either has no legal liability or has adequate liability insurance coverage to cover any potential judgments.

**Note 15—Expenditures and Appropriations:**

---

During the fiscal year ending June 30, 2005, expenditures exceed appropriations in the Special School Fund by \$316,741 and in the Comprehensive Services Act Fund by \$109,070.

**Note 16—Landfill Postclosure Costs:**

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The City closed the Cool Springs Landfill in 1988 and is subject to postclosure monitoring. The estimated postclosure care cost for the next twenty-one years is \$973,298 and has been recorded as long-term liability at June 30, 2005. These amounts are based on what it would cost to perform all postclosure care based on 2005 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, 2004	\$	1,013,316
Decrease in estimate		(40,018)
Balance at June 30, 2005	\$	<u>973,298</u>

## CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2005

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### Note 17—Surety Bonds:

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	<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 (1)	250,000
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

(1) Increases to \$750,000 during peak collection periods.

### Note 18—Self Insurance/Risk Management:

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The City and School Board administer employee health and unemployment insurance programs. These insurance activities have accounting 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.

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

**Note 18—Self Insurance/Risk Management: (Continued)**

The insurance carrier informed the city of the estimated benefits incurred but not reported. The City has reserved 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		\$ 220,830
Estimated maximum stop-loss liability based on premium cost and experience rate		<u>729,170</u>
 Total funds reserved		 <u>\$ 950,000</u>

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims and Payments</u>	<u>End of Fiscal Year Liability</u>
2003	\$ 208,380	\$ 1,657,311	\$ 1,624,446	\$ 241,245
2004	241,245	1,433,125	1,468,296	206,074
2005	206,074	2,010,625	1,995,869	220,830

**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.

**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 for its workers compensation coverages. In the event of a loss deficit and depletion of all assets and available insurance of the pool, the Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Financial Statements  
As of June 30, 2005

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**Note 19—Other Post-Employment Benefits:**

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In addition to the pension benefit described in Note 11, the City provides post-retirement health care insurance and group life insurance for employees who are eligible for retirement benefits. Currently, 76 retirees are eligible and are receiving these benefits. The City pays all of the health insurance premiums for the retirees. These costs are financed on a pay-as-you-go basis. During the year, approximately \$251,634 was expended for post-retirement health care and group life insurance by the City.

**Note 20—Rental Revenues:**

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The City leases various properties to private, not-for-profit, and governmental organizations and businesses. The lease terms range from monthly to forty years. Some of the rentals are nominal in amount and some have been prepaid for the entire lease term. The estimated rentals to be received from various lessees over the next five years is as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2006	\$ 48,000

**Note 21—Accounting Change:**

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During fiscal year 2003 the City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Although the City implemented GASB 34 in fiscal year 2003, it did not record its infrastructure capital assets acquired prior to July 1, 2003, until fiscal year 2005. The effect of this change is as follows:

	<u>Governmental Activities</u>
Net assets as reported June 30, 2004	\$ 47,977,263
Adjustment for infrastructure capital assets, less accumulated depreciation as of June 30, 2004	<u>28,322,454</u>
Net assets, restated as of July 1, 2004	<u><u>\$ 76,299,717</u></u>

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**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, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 16,705,500	\$ 16,705,500	\$ 17,136,878	\$ 431,378
Public service corporations	736,500	736,500	716,942	(19,558)
Personal property	3,425,750	3,425,750	3,772,598	346,848
Mobile homes	2,450	2,450	1,653	(797)
Machinery and tools	117,250	117,250	102,961	(14,289)
Penalties	125,000	125,000	122,998	(2,002)
Interest	25,000	25,000	28,275	3,275
Total general property taxes	<u>\$ 21,137,450</u>	<u>\$ 21,137,450</u>	<u>\$ 21,882,305</u>	<u>\$ 744,855</u>
Other local taxes:				
Local sales and use taxes	\$ 11,115,000	\$ 11,115,000	\$ 11,994,065	\$ 879,065
Utility taxes	2,572,000	2,572,000	2,882,555	310,555
Business licenses and rental tax	4,028,500	4,028,500	4,974,756	946,256
Franchise license taxes	215,000	215,000	230,367	15,367
Motor vehicle licenses	165,100	165,100	165,647	547
Bank stock taxes	450,000	450,000	501,213	51,213
Recordation taxes	225,000	225,000	708,156	483,156
Tobacco tax	532,000	532,000	898,413	366,413
Amusement tax	150,000	150,000	163,734	13,734
Hotel/lodging taxes	650,000	650,000	718,473	68,473
Meals taxes	5,094,960	5,094,960	5,987,400	892,440
E-911 taxes	175,000	175,000	223,048	48,048
Total other local taxes	<u>\$ 25,372,560</u>	<u>\$ 25,372,560</u>	<u>\$ 29,447,827</u>	<u>\$ 4,075,267</u>
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 495,300	\$ 495,300	\$ 982,421	\$ 487,121
Animal licenses	3,500	3,500	5,881	2,381
Total permits, privilege fees and licenses	<u>\$ 498,800</u>	<u>\$ 498,800</u>	<u>\$ 988,302</u>	<u>\$ 489,502</u>
Fines and forfeitures				
	<u>\$ 358,500</u>	<u>\$ 358,500</u>	<u>\$ 450,000</u>	<u>\$ 91,500</u>
Revenue from use of money and property:				
Revenue from use of money	\$ 420,000	\$ 420,000	\$ 705,257	\$ 285,257
Revenue from use of property	52,500	52,500	127,716	75,216
Total revenue from use of money and property	<u>\$ 472,500</u>	<u>\$ 472,500</u>	<u>\$ 832,973</u>	<u>\$ 360,473</u>
Charges for services:				
Court costs	\$ 43,000	\$ 43,000	\$ 64,226	\$ 21,226
Commonwealth's attorney	1,250	1,250	2,569	1,319
Sanitation and waste removal	578,000	578,000	583,172	5,172
Parks and recreation	550,000	550,000	562,119	12,119
Planning and community development	800	800	1,675	875
Courthouse maintenance	-	-	14,909	14,909
Administrative charges	40,000	40,000	36,160	(3,840)
Total charges for services	<u>\$ 1,213,050</u>	<u>\$ 1,213,050</u>	<u>\$ 1,264,830</u>	<u>\$ 51,780</u>

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues: (continued)</b>				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Payments in-lieu of taxes	\$ 35,000	\$ 35,000	\$ 17,183	\$ (17,817)
Souvenir sales	35,000	35,000	43,360	8,360
Other	36,750	38,770	139,871	101,101
Total miscellaneous revenue	<u>\$ 106,750</u>	<u>\$ 108,770</u>	<u>\$ 200,414</u>	<u>\$ 91,644</u>
Recovered costs:				
Accounting/EDP charges	\$ 83,000	\$ 83,000	-	\$ (83,000)
Circuit court secretaries	152,500	152,500	153,831	1,331
Health department	225,000	225,000	275,881	50,881
Social services	117,500	117,500	108,341	(9,159)
Other	650	16,650	484,325	467,675
Total recovered costs	<u>\$ 578,650</u>	<u>\$ 594,650</u>	<u>\$ 1,022,378</u>	<u>\$ 427,728</u>
Total revenue from local sources	<u>\$ 49,738,260</u>	<u>\$ 49,756,280</u>	<u>\$ 56,089,029</u>	<u>\$ 6,332,749</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 25,000	\$ 25,000	\$ 11,302	\$ (13,698)
Wine taxes	12,500	12,500	16,555	4,055
Grantors tax	100,000	100,000	128,731	28,731
Motor vehicle rental tax	65,000	65,000	93,577	28,577
Personal property relief	1,650,000	1,650,000	1,731,530	81,530
Other	9,000	9,000	7,947	(1,053)
Total noncategorical aid	<u>\$ 1,861,500</u>	<u>\$ 1,861,500</u>	<u>\$ 1,989,642</u>	<u>\$ 128,142</u>
Categorical aid - shared expenses:				
Commonwealth's attorney	\$ 315,000	\$ 315,000	\$ 345,552	\$ 30,552
Sheriff	356,000	356,000	357,672	1,672
Commissioner of revenue	121,000	121,000	126,503	5,503
Treasurer	93,450	93,450	100,085	6,635
Medical examiner	400	400	540	140
Registrar	41,200	41,200	50,711	9,511
Clerk of the circuit court	225,000	225,000	227,479	2,479
Total categorical aid - shared expenses	<u>\$ 1,152,050</u>	<u>\$ 1,152,050</u>	<u>\$ 1,208,542</u>	<u>\$ 56,492</u>
Categorical aid - other:				
Street and highway maintenance	\$ 1,619,000	\$ 1,619,000	\$ 1,763,846	\$ 144,846
Law enforcement assistance	755,325	755,325	755,328	3
Other	36,500	46,280	29,900	(16,380)
Total categorical aid - other	<u>\$ 2,410,825</u>	<u>\$ 2,420,605</u>	<u>\$ 2,549,074</u>	<u>\$ 128,469</u>
Total revenue from the Commonwealth	<u>\$ 5,424,375</u>	<u>\$ 5,434,155</u>	<u>\$ 5,747,258</u>	<u>\$ 313,103</u>

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues: (continued)</b>				
Revenue from the Federal Government:				
Categorical aid:				
Payment in-lieu of taxes	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Emergency services	8,000	8,000	6,492	(1,508)
Public assistance - cost allocation	30,000	30,000	47,820	17,820
Total revenue from the Federal Government	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 54,312</u>	<u>\$ 15,312</u>
Total revenues	<u>\$ 55,201,635</u>	<u>\$ 55,229,435</u>	<u>\$ 61,890,599</u>	<u>\$ 6,661,164</u>
<b>Expenditures</b>				
General government administration:				
Legislative:				
City council	\$ 204,615	\$ 207,899	\$ 182,555	\$ 25,344
Clerk of council	73,262	80,963	80,896	67
Total legislative	<u>\$ 277,877</u>	<u>\$ 288,862</u>	<u>\$ 263,451</u>	<u>\$ 25,411</u>
General and financial administration:				
City manager	\$ 625,295	\$ 625,295	\$ 611,191	\$ 14,104
Insurance program	325,450	325,450	320,175	5,275
Personnel	171,934	173,076	167,296	5,780
Independent auditor	45,600	55,400	55,344	56
Commissioner of the revenue	659,451	685,288	668,817	16,471
Board of real estate assessors	12,500	12,500	3,521	8,979
Equalization board	10,000	10,000	-	10,000
Treasurer	573,458	578,458	578,372	86
Fiscal affairs	451,594	470,323	418,946	51,377
Information systems	325,393	329,772	315,333	14,439
Copying and postage	26,850	27,650	23,901	3,749
Legal services	283,006	380,048	378,959	1,089
Total general and financial administration	<u>\$ 3,510,531</u>	<u>\$ 3,673,260</u>	<u>\$ 3,541,855</u>	<u>\$ 131,405</u>
Board of elections:				
Registrar and electoral board	\$ 183,498	\$ 183,498	\$ 151,395	\$ 32,103
Total general government administration	<u>\$ 3,971,906</u>	<u>\$ 4,145,620</u>	<u>\$ 3,956,701</u>	<u>\$ 188,919</u>
Judicial administration:				
Courts:				
Circuit court	\$ 311,898	\$ 311,898	\$ 275,735	\$ 36,163
General district court	26,600	26,600	21,783	4,817
Special magistrates	22,990	22,990	4,577	18,413
Juvenile and domestic relations court	40,364	40,364	32,076	8,288
Clerk of the circuit court	536,405	536,405	495,977	40,428
Sheriff	714,191	763,086	762,697	389
JDR services	30,969	30,969	30,969	-
Juries	35,730	35,730	26,400	9,330
Court appointed attorney	21,500	25,500	25,390	110
Total courts	<u>\$ 1,740,647</u>	<u>\$ 1,793,542</u>	<u>\$ 1,675,604</u>	<u>\$ 117,938</u>

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Expenditures: (continued)</b>				
Judicial administration: (continued)				
Commonwealth attorney:				
Commonwealth attorney	\$ 746,826	\$ 747,572	\$ 743,400	\$ 4,172
Total judicial administration	\$ 2,487,473	\$ 2,541,114	\$ 2,419,004	\$ 122,110
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 5,704,133	\$ 5,770,829	\$ 5,765,741	\$ 5,088
Auxiliary police	23,375	23,375	5,753	17,622
Narcotics taskforce	6,000	6,000	6,000	-
Total law enforcement and traffic control	\$ 5,733,508	\$ 5,800,204	\$ 5,777,494	\$ 22,710
Fire and rescue:				
Fire department	\$ 3,280,921	\$ 3,410,360	\$ 3,391,538	\$ 18,822
Volunteer fire department	15,000	15,000	15,000	-
Rescue services	100,975	110,755	110,755	-
Emergency medical services	349,264	414,264	413,732	532
Hazardous materials	21,279	34,607	33,238	1,369
E-911 communications	836,933	836,933	779,565	57,368
Total fire and rescue	\$ 4,604,372	\$ 4,821,919	\$ 4,743,828	\$ 78,091
Correction and detention:				
Juvenile detention center	\$ 593,533	\$ 593,533	\$ 257,918	\$ 335,615
Rappahannock security center	2,378,896	2,378,896	2,379,795	(899)
Total correction and detention	\$ 2,972,429	\$ 2,972,429	\$ 2,637,713	\$ 334,716
Inspections:				
Code compliance	\$ 630,321	\$ 630,321	\$ 596,103	\$ 34,218
Other protection:				
Animal control	\$ 86,169	\$ 86,169	\$ 76,296	\$ 9,873
Medical examiner	600	700	700	-
Total other protection	\$ 86,769	\$ 86,869	\$ 76,996	\$ 9,873
Total public safety	\$ 14,027,399	\$ 14,311,742	\$ 13,832,134	\$ 479,608
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 524,221	\$ 526,063	\$ 525,799	\$ 264
Street maintenance	909,635	1,005,272	821,238	184,034
Drainage	278,933	283,633	283,458	175
Street lights	265,637	275,237	275,227	10
Industrial park rail spur	15,000	15,000	-	15,000
Traffic engineering	286,053	279,532	276,852	2,680
Shop and garage	970,821	994,032	991,334	2,698
Graphics	69,751	121,751	67,142	54,609
Total maintenance of streets, highways, bridges and sidewalks	\$ 3,320,051	\$ 3,500,520	\$ 3,241,050	\$ 259,470

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Expenditures: (continued)</b>				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 640,025	\$ 562,048	\$ 537,679	\$ 24,369
Refuse collection	543,796	613,775	536,951	76,824
Refuse disposal	241,300	201,300	49,991	151,309
Recycling collection	<u>95,785</u>	<u>205,075</u>	<u>204,996</u>	<u>79</u>
Total sanitation and waste removal	<u>\$ 1,520,906</u>	<u>\$ 1,582,198</u>	<u>\$ 1,329,617</u>	<u>\$ 252,581</u>
Maintenance of buildings and grounds:				
General properties	\$ 1,172,624	\$ 1,221,920	\$ 996,323	\$ 225,597
Buildings and grounds - special	<u>192,118</u>	<u>207,918</u>	<u>200,205</u>	<u>7,713</u>
Total maintenance of buildings and grounds	<u>\$ 1,364,742</u>	<u>\$ 1,429,838</u>	<u>\$ 1,196,528</u>	<u>\$ 233,310</u>
Total public works	<u>\$ 6,205,699</u>	<u>\$ 6,512,556</u>	<u>\$ 5,767,195</u>	<u>\$ 745,361</u>
Health and welfare:				
Health:				
Supplement to local health department	<u>\$ 388,444</u>	<u>\$ 388,444</u>	<u>\$ 388,444</u>	<u>\$ -</u>
Mental health and mental retardation:				
Chapter X board	<u>\$ 207,511</u>	<u>\$ 207,511</u>	<u>\$ 207,511</u>	<u>\$ -</u>
Social services:				
Other contributions	<u>\$ 473,826</u>	<u>\$ 473,826</u>	<u>\$ 473,826</u>	<u>\$ -</u>
Total health and welfare	<u>\$ 1,069,781</u>	<u>\$ 1,069,781</u>	<u>\$ 1,069,781</u>	<u>\$ -</u>
Education:				
Community colleges	\$ 5,248	\$ 5,248	\$ 5,248	\$ -
MWC alumni center	26,600	26,600	26,600	-
Appropriations to public school system	<u>15,615,732</u>	<u>15,910,323</u>	<u>15,910,323</u>	<u>-</u>
Total education	<u>\$ 15,647,580</u>	<u>\$ 15,942,171</u>	<u>\$ 15,942,171</u>	<u>\$ -</u>
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 613,569	\$ 645,975	\$ 645,751	\$ 224
Supervision	664,310	747,010	726,903	20,107
Maintenance	<u>756,218</u>	<u>805,652</u>	<u>782,097</u>	<u>23,555</u>
Total parks and recreation	<u>\$ 2,034,097</u>	<u>\$ 2,198,637</u>	<u>\$ 2,154,751</u>	<u>\$ 43,886</u>
Library:				
Regional library	<u>\$ 998,448</u>	<u>\$ 998,448</u>	<u>\$ 998,448</u>	<u>\$ -</u>
Cultural:				
Museums	\$ 132,500	\$ 132,500	\$ 132,500	\$ -
Other cultural	<u>9,240</u>	<u>9,240</u>	<u>9,240</u>	<u>-</u>
Total cultural	<u>\$ 141,740</u>	<u>\$ 141,740</u>	<u>\$ 141,740</u>	<u>\$ -</u>
Total parks, recreation and cultural	<u>\$ 3,174,285</u>	<u>\$ 3,338,825</u>	<u>\$ 3,294,939</u>	<u>\$ 43,886</u>

Budgetary Comparison Schedule  
General Fund  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Expenditures: (continued)</b>				
Community Development:				
Planning and community development:				
Planning	\$ 411,582	\$ 423,663	\$ 363,340	\$ 60,323
Building appeals board	600	600	230	370
Community development	97,712	97,712	97,712	-
Architectural review board	1,000	2,200	2,170	30
Clean community commission	1,600	3,200	3,150	50
Economic development/tourism	1,048,505	1,169,550	1,061,890	107,660
Total planning and community development	<u>\$ 1,560,999</u>	<u>\$ 1,696,925</u>	<u>\$ 1,528,492</u>	<u>\$ 168,433</u>
Environmental management:				
Soil and water conservation district	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total community development	<u>\$ 1,570,999</u>	<u>\$ 1,706,925</u>	<u>\$ 1,538,492</u>	<u>\$ 168,433</u>
Miscellaneous Employee Plans:				
Merit and incentive pay	\$ 160,000	\$ 160,000	\$ -	\$ 160,000
Total expenditures	<u>\$ 48,315,122</u>	<u>\$ 49,728,734</u>	<u>\$ 47,820,417</u>	<u>\$ 1,908,317</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 6,886,513</u>	<u>\$ 5,500,701</u>	<u>\$ 14,070,182</u>	<u>\$ 8,569,481</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 397,382	\$ 311,973	\$ 56,000	\$ (255,973)
Transfers out	<u>(7,179,030)</u>	<u>(11,523,306)</u>	<u>(9,716,282)</u>	<u>1,807,024</u>
Total other financing sources (uses)	<u>\$ (6,781,648)</u>	<u>\$ (11,211,333)</u>	<u>\$ (9,660,282)</u>	<u>\$ 1,551,051</u>
Net change in fund balance	\$ 104,865	\$ (5,710,632)	\$ 4,409,900	\$ 10,120,532
<b>Fund balance, beginning of year</b>	<u>(104,865)</u>	<u>5,710,632</u>	<u>22,860,039</u>	<u>17,149,407</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,269,939</u>	<u>\$ 27,269,939</u>

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



Virginia Retirement System  
Public Employees Retirement System  
Schedule of Funding Progress

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## 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, 2004	\$ 50,810,723	\$ 57,279,778	\$ 6,469,055	88.71%	\$ 15,278,332	42.34%
June 30, 2003	49,826,857	52,118,615	2,291,758	95.60%	14,497,127	15.81%
June 30, 2002	48,965,310	45,038,753	(3,926,557)	108.72%	12,471,015	-31.49%

## School Board Non-Professional:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2004	\$ 1,708,902	\$ 1,563,232	(145,670)	109.32%	\$ 806,294	-18.07%
June 30, 2003	1,629,800	1,369,234	(260,566)	119.03%	653,459	-39.87%
June 30, 2002	1,564,907	1,272,175	(292,732)	123.01%	734,103	-39.88%

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**OTHER SUPPLEMENTARY INFORMATION**

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 At June 30, 2005

<b>ASSETS</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ 3,183,347	\$ 10,983,264	\$ 14,166,611
Receivables:			
Property taxes	25,963	-	25,963
Accounts	26,504	-	26,504
Accrued revenue	-	281,362	281,362
Due from other governments	477,492	-	477,492
Total assets	<u>\$ 3,713,306</u>	<u>\$ 11,264,626</u>	<u>\$ 14,977,932</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 263,952	\$ 378,486	\$ 642,438
Accrued liabilities	47,779	280,090	327,869
Deferred revenue	3,343	65,000	68,343
Total liabilities	<u>\$ 315,074</u>	<u>\$ 723,576</u>	<u>\$ 1,038,650</u>
<b>Equity:</b>			
Fund Balance:			
Reserved:			
Encumbrances	\$ 5,588	\$ 2,545,764	\$ 2,551,352
Designated:			
Subsequent year's expenditures	1,144,001	-	1,144,001
Capital projects	-	7,995,286	7,995,286
Unreserved/undesignated	2,248,643	-	2,248,643
Total equity	<u>\$ 3,398,232</u>	<u>\$ 10,541,050</u>	<u>\$ 13,939,282</u>
Total liabilities and equity	<u>\$ 3,713,306</u>	<u>\$ 11,264,626</u>	<u>\$ 14,977,932</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended June 30, 2005

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
<b>Revenues</b>				
General property taxes	\$ 693,504	\$ -	\$ -	\$ 693,504
Other local taxes	-	-	-	-
Use of money and property	17,276	628,428	-	645,704
Miscellaneous	268,350	120	-	268,470
Recovered costs	206,766	196,288	-	403,054
Intergovernmental:				
Revenue from the Commonwealth	1,609,260	259,401	-	1,868,661
Revenue from the Federal Government	2,433,230	-	-	2,433,230
Total revenues	<u>\$ 5,228,386</u>	<u>\$ 1,084,237</u>	<u>\$ -</u>	<u>\$ 6,312,623</u>
<b>Expenditures</b>				
Current:				
Judicial administration	\$ 75,018	\$ -	\$ -	\$ 75,018
Public safety	219,636	-	-	219,636
Health and welfare	4,744,230	-	-	4,744,230
Parks, recreation and cultural	137,763	-	-	137,763
Community Development	491,697	-	-	491,697
Capital projects	-	4,490,365	-	4,490,365
Debt service:				
Principal	-	-	1,933,645	1,933,645
Interest	-	-	2,329,960	2,329,960
Total expenditures	<u>\$ 5,668,344</u>	<u>\$ 4,490,365</u>	<u>\$ 4,263,605</u>	<u>\$ 14,422,314</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (439,958)</u>	<u>\$ (3,406,128)</u>	<u>\$ (4,263,605)</u>	<u>\$ (8,109,691)</u>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 1,013,125	\$ 4,725,845	\$ 4,263,605	\$ 10,002,575
Transfers out	<u>(366,840)</u>	<u>-</u>	<u>-</u>	<u>(366,840)</u>
Total other financing sources (uses)	<u>\$ 646,285</u>	<u>\$ 4,725,845</u>	<u>\$ 4,263,605</u>	<u>\$ 9,635,735</u>
Net change in fund balance	\$ 206,327	\$ 1,319,717	\$ -	\$ 1,526,044
<b>Fund balance, beginning of year</b>	<u>3,191,905</u>	<u>9,221,333</u>	<u>-</u>	<u>12,413,238</u>
<b>Fund balance, end of year</b>	<u>\$ 3,398,232</u>	<u>\$ 10,541,050</u>	<u>\$ -</u>	<u>\$ 13,939,282</u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Combining Balance Sheet  
 Nonmajor Special Revenue Funds  
 At June 30, 2005

	<u>Virginia Public Assistance Fund</u>	<u>State, Federal and Local Grants Fund</u>	<u>Regional Transportation Fund</u>	<u>Compre- hensive Services Act Fund</u>
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 53,082	\$ 753,388	\$ 67,766	\$ 83,088
Receivables:				
Taxes	-	-	-	-
Accounts	7,784	-	18,720	-
Due from other governments	235,503	59,552	-	182,437
Total assets	<u>\$ 296,369</u>	<u>\$ 812,940</u>	<u>\$ 86,486</u>	<u>\$ 265,525</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 13,342	\$ 139,709	\$ 1,830	\$ 109,071
Accrued liabilities	42,920	3,701	-	1,158
Deferred revenue	-	-	-	-
Total liabilities	<u>\$ 56,262</u>	<u>\$ 143,410</u>	<u>\$ 1,830</u>	<u>\$ 110,229</u>
<b>Equity:</b>				
Fund Balance:				
Reserved:				
Encumbrances	\$ -	\$ 5,588	\$ -	\$ -
Designated:				
Subsequent year's expenditures	240,107	663,942	84,656	155,296
Unreserved/undesignated	-	-	-	-
Total equity	<u>\$ 240,107</u>	<u>\$ 669,530</u>	<u>\$ 84,656</u>	<u>\$ 155,296</u>
Total liabilities and equity	<u>\$ 296,369</u>	<u>\$ 812,940</u>	<u>\$ 86,486</u>	<u>\$ 265,525</u>

Exhibit 16

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Celebrate Virginia Special Tax District Fund	Total
\$ 1,431,544	\$ 512,756	\$ 281,723	\$ 3,183,347
10,119	5,581	10,263	25,963
-	-	-	26,504
-	-	-	477,492
<u>\$ 1,441,663</u>	<u>\$ 518,337</u>	<u>\$ 291,986</u>	<u>\$ 3,713,306</u>
\$ -	\$ -	\$ -	\$ 263,952
-	-	-	47,779
<u>2,229</u>	<u>1,114</u>	<u>-</u>	<u>3,343</u>
<u>\$ 2,229</u>	<u>\$ 1,114</u>	<u>\$ -</u>	<u>\$ 315,074</u>
\$ -	\$ -	\$ -	\$ 5,588
-	-	-	1,144,001
<u>1,439,434</u>	<u>517,223</u>	<u>291,986</u>	<u>2,248,643</u>
<u>\$ 1,439,434</u>	<u>\$ 517,223</u>	<u>\$ 291,986</u>	<u>\$ 3,398,232</u>
<u>\$ 1,441,663</u>	<u>\$ 518,337</u>	<u>\$ 291,986</u>	<u>\$ 3,713,306</u>

**CITY OF FREDERICKSBURG, VIRGINIA**

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

Nonmajor Special Revenue Funds

Year Ended June 30, 2005

	<u>Virginia Public Assistance Fund</u>	<u>State, Federal and Local Grants Fund</u>	<u>Regional Transportation Fund</u>	<u>Compre- hensive Services Act Fund</u>
<b>Revenues</b>				
General property taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	1,676	15,600	-
Miscellaneous	1,512	266,838	-	-
Recovered costs	98,466	100,500	7,800	-
Intergovernmental:				
Revenue from the Commonwealth	816,657	92,855	-	699,748
Revenue from the Federal Government	1,990,406	442,824	-	-
Total revenues	<u>\$ 2,907,041</u>	<u>\$ 904,693</u>	<u>\$ 23,400</u>	<u>\$ 699,748</u>
<b>Expenditures</b>				
Current:				
Judicial administration	\$ -	\$ 75,018	\$ -	\$ -
Public safety	-	219,636	-	-
Health and welfare	3,505,417	-	-	1,238,813
Parks, recreation and cultural	-	137,763	-	-
Community Development	-	460,403	31,294	-
Total expenditures	<u>\$ 3,505,417</u>	<u>\$ 892,820</u>	<u>\$ 31,294</u>	<u>\$ 1,238,813</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (598,376)</u>	<u>\$ 11,873</u>	<u>\$ (7,894)</u>	<u>\$ (539,065)</u>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 500,000	\$ 83,125	\$ -	\$ 430,000
Transfers out	-	(106,840)	-	-
Total other financing sources (uses)	<u>\$ 500,000</u>	<u>\$ (23,715)</u>	<u>\$ -</u>	<u>\$ 430,000</u>
Net change in fund balance	\$ (98,376)	\$ (11,842)	\$ (7,894)	\$ (109,065)
<b>Fund balance, beginning of year</b>	<u>338,483</u>	<u>681,372</u>	<u>92,550</u>	<u>264,361</u>
<b>Fund balance, end of year</b>	<u><u>\$ 240,107</u></u>	<u><u>\$ 669,530</u></u>	<u><u>\$ 84,656</u></u>	<u><u>\$ 155,296</u></u>



Exhibit 17

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Celebrate Virginia Special Tax District Fund	Total
\$ 356,712	\$ 182,123	\$ 154,669	\$ 693,504
-	-	-	17,276
-	-	-	268,350
-	-	-	206,766
-	-	-	1,609,260
-	-	-	2,433,230
<u>\$ 356,712</u>	<u>\$ 182,123</u>	<u>\$ 154,669</u>	<u>\$ 5,228,386</u>
\$ -	\$ -	\$ -	\$ 75,018
-	-	-	219,636
-	-	-	4,744,230
-	-	-	137,763
-	-	-	491,697
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,668,344</u>
<u>\$ 356,712</u>	<u>\$ 182,123</u>	<u>\$ 154,669</u>	<u>\$ (439,958)</u>
\$ -	\$ -	\$ -	\$ 1,013,125
<u>(260,000)</u>	<u>-</u>	<u>-</u>	<u>(366,840)</u>
<u>\$ (260,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 646,285</u>
\$ 96,712	\$ 182,123	\$ 154,669	\$ 206,327
<u>1,342,722</u>	<u>335,100</u>	<u>137,317</u>	<u>3,191,905</u>
<u><u>\$ 1,439,434</u></u>	<u><u>\$ 517,223</u></u>	<u><u>\$ 291,986</u></u>	<u><u>\$ 3,398,232</u></u>

Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 At June 30, 2005

	<b>Public Works Construction Fund</b>	<b>Public Facilities Construction Fund</b>	<b>Public Safety Construction Fund</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 3,537,090	\$ 2,380,547	\$ 5,065,627	\$ 10,983,264
Accrued revenue	91,534	98,998	90,830	281,362
Due from other governments	-	-	-	-
Total assets	<u>\$ 3,628,624</u>	<u>\$ 2,479,545</u>	<u>\$ 5,156,457</u>	<u>\$ 11,264,626</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 5,130	\$ 124,304	\$ 249,052	\$ 378,486
Accrued liabilities	31,637	248,453	-	280,090
Deferred revenue	-	15,000	50,000	65,000
Total liabilities	<u>\$ 36,767</u>	<u>\$ 387,757</u>	<u>\$ 299,052</u>	<u>\$ 723,576</u>
<b>Equity:</b>				
Fund Balance:				
Reserved:				
Encumbrances	\$ 2,016,476	\$ 720	\$ 528,568	\$ 2,545,764
Designated:				
Capital projects	1,575,381	2,091,068	4,328,837	7,995,286
Unreserved/undesignated	-	-	-	-
Total equity	<u>\$ 3,591,857</u>	<u>\$ 2,091,788</u>	<u>\$ 4,857,405</u>	<u>\$ 10,541,050</u>
Total liabilities and equity	<u>\$ 3,628,624</u>	<u>\$ 2,479,545</u>	<u>\$ 5,156,457</u>	<u>\$ 11,264,626</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 Year Ended June 30, 2005

	<b>Public Works Construction Fund</b>	<b>Public Facilities Construction Fund</b>	<b>Public Safety Construction Fund</b>	<b>Total</b>
<b>Revenues</b>				
Other local taxes	\$ -	\$ -	\$ -	\$ -
Use of money and property	181,435	275,592	171,401	628,428
Miscellaneous	120	-	-	120
Recovered costs	34,333	161,955	-	196,288
Intergovernmental:				
Revenue from the Commonwealth	-	-	259,401	259,401
<b>Total revenues</b>	<b>\$ 215,888</b>	<b>\$ 437,547</b>	<b>\$ 430,802</b>	<b>\$ 1,084,237</b>
<b>Expenditures</b>				
Capital projects	\$ 2,078,039	\$ 2,159,542	\$ 252,784	\$ 4,490,365
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (1,862,151)</b>	<b>\$ (1,721,995)</b>	<b>\$ 178,018</b>	<b>\$ (3,406,128)</b>
<b>Other financing sources (uses)</b>				
Transfers in	\$ 2,502,063	\$ 1,666,942	\$ 556,840	\$ 4,725,845
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>\$ 2,502,063</b>	<b>\$ 1,666,942</b>	<b>\$ 556,840</b>	<b>\$ 4,725,845</b>
Net change in fund balance	\$ 639,912	\$ (55,053)	\$ 734,858	\$ 1,319,717
<b>Fund balance, beginning of year</b>	<b>2,951,945</b>	<b>2,146,841</b>	<b>4,122,547</b>	<b>9,221,333</b>
<b>Fund balance, end of year</b>	<b>\$ 3,591,857</b>	<b>\$ 2,091,788</b>	<b>\$ 4,857,405</b>	<b>\$ 10,541,050</b>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Debt Service Funds  
 Year Ended June 30, 2005

	<b>General Obligation Bond Debt Service Fund</b>	<b>Education Debt Service Fund</b>	<b>Total</b>
<b>Expenditures</b>			
Debt service:			
Principal	\$ 1,933,645	\$ -	\$ 1,933,645
Interest and fiscal charges	706,244	1,623,716	2,329,960
	<u>2,639,889</u>	<u>1,623,716</u>	<u>4,263,605</u>
Total expenditures	\$ 2,639,889	\$ 1,623,716	\$ 4,263,605
	<u>(2,639,889)</u>	<u>(1,623,716)</u>	<u>(4,263,605)</u>
<b>Excess (deficiency) of revenues over expenditures</b>			
	\$ (2,639,889)	\$ (1,623,716)	\$ (4,263,605)
<b>Other financing sources (uses)</b>			
Transfers in	\$ 2,639,889	\$ 1,623,716	\$ 4,263,605
Transfers out	-	-	-
	<u>2,639,889</u>	<u>1,623,716</u>	<u>4,263,605</u>
Total other financing sources (uses)	\$ 2,639,889	\$ 1,623,716	\$ 4,263,605
	-	-	-
Net change in fund balance	\$ -	\$ -	\$ -
	-	-	-
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
<b>Fund balance, end of year</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Combining Statement of Fiduciary Net Assets  
At June 30, 2005

	<u>Criminal Justice Academy</u>	<u>Special Welfare</u>	<u>Court Service Unit</u>	<u>CASA Program</u>	<u>RADCO Agency</u>	<u>Rappahannock Area Youth Commission</u>	<u>Revenue Maximization Fund</u>	<u>Forfeited Asset Sharing Program Fund</u>	<u>Total</u>
<b>ASSETS</b>									
<b>Assets:</b>									
Cash and cash equivalents	\$ 5,815	\$ 28,336	\$ 146,204	\$ 63,066	\$ -	\$ 22,978	\$ 30,451	\$ 16,641	\$ 313,491
Accounts receivable	-	-	17,215	-	26,511	62,693	-	5,720	112,139
Total assets	<u>\$ 5,815</u>	<u>\$ 28,336</u>	<u>\$ 163,419</u>	<u>\$ 63,066</u>	<u>\$ 26,511</u>	<u>\$ 85,671</u>	<u>\$ 30,451</u>	<u>\$ 22,361</u>	<u>\$ 425,630</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Liabilities:</b>									
Accounts payable	\$ 5,815	\$ -	\$ 31,358	\$ 2,815	\$ 26,511	\$ 8,906	\$ -	\$ 974	\$ 76,379
Amounts held for others	-	28,336	132,061	60,251	-	76,765	30,451	21,387	349,251
Total liabilities	<u>\$ 5,815</u>	<u>\$ 28,336</u>	<u>\$ 163,419</u>	<u>\$ 63,066</u>	<u>\$ 26,511</u>	<u>\$ 85,671</u>	<u>\$ 30,451</u>	<u>\$ 22,361</u>	<u>\$ 425,630</u>
<b>Net Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

AGENCY FUNDS  
Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2005

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<b>CRIMINAL JUSTICE ACADEMY</b>				
Assets:				
Cash and cash equivalents	\$ 2,207	\$ 659,504	\$ 655,896	\$ 5,815
Liabilities:				
Accounts payable	\$ 2,207	\$ 659,504	\$ 655,896	\$ 5,815
<b>SPECIAL WELFARE</b>				
Assets:				
Cash and cash equivalents	\$ 25,720	\$ 13,029	\$ 10,413	\$ 28,336
Liabilities:				
Amounts held for others	\$ 25,720	\$ 13,029	\$ 10,413	\$ 28,336
<b>COURT SERVICE UNIT</b>				
Assets:				
Cash and cash equivalents	\$ 112,833	\$ 200,653	\$ 167,282	\$ 146,204
Accounts receivable	46,809	17,215	46,809	17,215
Total assets	\$ 159,642	\$ 217,868	\$ 214,091	\$ 163,419
Liabilities:				
Accounts payable	\$ 10,379	\$ 31,358	\$ 10,379	\$ 31,358
Amounts held for others	149,263	186,510	203,712	132,061
Total liabilities	\$ 159,642	\$ 217,868	\$ 214,091	\$ 163,419
<b>CASA PROGRAM</b>				
Assets:				
Cash and cash equivalents	\$ 54,814	\$ 113,097	\$ 104,845	\$ 63,066
Liabilities:				
Accounts payable	\$ 1,173	\$ 2,815	\$ 1,173	\$ 2,815
Amounts held for others	53,641	110,282	103,672	60,251
Total liabilities	\$ 54,814	\$ 113,097	\$ 104,845	\$ 63,066
<b>RADCO AGENCY</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 52,960	\$ 52,960	\$ -
Accounts receivable	12,901	26,511	12,901	26,511
Total assets	\$ 12,901	\$ 79,471	\$ 65,861	\$ 26,511
Liabilities:				
Accounts payable	\$ 349	\$ 26,511	\$ 349	\$ 26,511
Amounts held for others	12,552	52,960	65,512	-
Total liabilities	\$ 12,901	\$ 79,471	\$ 65,861	\$ 26,511

AGENCY FUNDS  
Statement of Changes in Assets and Liabilities  
Year Ended June 30, 2005

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>
<b>RAPPAHANNOCK AREA YOUTH COMMISSION</b>				
Assets:				
Cash and cash equivalents	\$ 14,928	\$ 354,820	\$ 346,770	\$ 22,978
Accounts receivable	37,173	62,693	37,173	62,693
Prepaid items	2,525	-	2,525	-
Total assets	<u>\$ 54,626</u>	<u>\$ 417,513</u>	<u>\$ 386,468</u>	<u>\$ 85,671</u>
Liabilities:				
Accounts payable	\$ 10,026	\$ 8,906	\$ 10,026	\$ 8,906
Amounts held for others	44,600	408,607	376,442	76,765
Total liabilities	<u>\$ 54,626</u>	<u>\$ 417,513</u>	<u>\$ 386,468</u>	<u>\$ 85,671</u>
<b>REVENUE MAXIMIZATION FUND</b>				
Assets:				
Cash and cash equivalents	\$ 30,451	\$ -	\$ -	\$ 30,451
Liabilities:				
Amounts held for others	\$ 30,451	\$ -	\$ -	\$ 30,451
<b>FORFEITED ASSET SHARING PROGRAM FUND</b>				
Assets:				
Cash and cash equivalents	\$ -	\$ 51,208	\$ 34,567	\$ 16,641
Accounts receivable	-	5,720	-	5,720
Total assets	<u>\$ -</u>	<u>\$ 56,928</u>	<u>\$ 34,567</u>	<u>\$ 22,361</u>
Liabilities:				
Accounts payable	\$ -	\$ 974	\$ -	\$ 974
Amounts held for others	-	55,954	34,567	21,387
Total liabilities	<u>\$ -</u>	<u>\$ 56,928</u>	<u>\$ 34,567</u>	<u>\$ 22,361</u>
<b>TOTALS -- ALL AGENCY FUNDS</b>				
Assets:				
Cash and cash equivalents	\$ 240,953	\$ 1,445,271	\$ 1,372,733	\$ 313,491
Accounts receivable	96,883	112,139	96,883	112,139
Prepaid items	2,525	-	2,525	-
Total assets	<u>\$ 340,361</u>	<u>\$ 1,557,410</u>	<u>\$ 1,472,141</u>	<u>\$ 425,630</u>
Liabilities:				
Accounts payable	\$ 24,134	\$ 730,068	\$ 677,823	\$ 76,379
Amounts held for others	316,227	827,342	794,318	349,251
Total liabilities	<u>\$ 340,361</u>	<u>\$ 1,557,410</u>	<u>\$ 1,472,141</u>	<u>\$ 425,630</u>

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

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds With Legally Adopted Budgets  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Special Revenue Funds</b>				
<b>Virginia Public Assistance Fund</b>				
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 1,512	\$ 1,512
Recovered costs	95,044	95,044	98,466	3,422
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	707,818	807,818	816,657	8,839
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	2,026,685	2,216,685	1,990,406	(226,279)
Total revenues	<u>\$ 2,829,547</u>	<u>\$ 3,119,547</u>	<u>\$ 2,907,041</u>	<u>\$ (212,506)</u>
<b>Expenditures</b>				
Health and welfare	<u>\$ 3,179,547</u>	<u>\$ 3,681,547</u>	<u>\$ 3,505,417</u>	<u>\$ 176,130</u>
<b>State, Federal and Local Grants Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 1,676	\$ 1,676
Miscellaneous	\$ 55,000	\$ 55,000	\$ 266,838	\$ 211,838
Recovered costs:				
Stafford and Spotsylvania Counties	\$ 100,000	\$ 100,000	\$ 100,500	\$ 500
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Litter control	\$ 5,000	\$ 5,000	\$ 4,375	\$ (625)
Arts grant	5,000	5,000	5,000	-
Hazardous materials grant	30,000	30,000	30,000	-
Victim-witness program	12,104	11,535	15,512	3,977
Fire services program	27,840	27,840	37,968	10,128
Market Square project	100,000	100,000	-	(100,000)
Other	-	4,149	-	(4,149)
Total revenue from the Commonwealth	<u>\$ 179,944</u>	<u>\$ 183,524</u>	<u>\$ 92,855</u>	<u>\$ (90,669)</u>
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	\$ 48,420	\$ 406,499	\$ 183,122	\$ (223,377)
Emergency operations grants	-	54,400	56,400	2,000
Community Development Block Grant	279,000	279,000	203,302	(75,698)
Total revenue from the Federal Government	<u>\$ 327,420</u>	<u>\$ 739,899</u>	<u>\$ 442,824</u>	<u>\$ (297,075)</u>
Total revenues	<u>\$ 662,364</u>	<u>\$ 1,078,423</u>	<u>\$ 904,693</u>	<u>\$ (173,730)</u>
<b>Expenditures</b>				
Judicial administration:				
Victim-witness	\$ 76,524	\$ 75,880	\$ 75,018	\$ 862
Byrne memorial grant program	-	68,500	-	68,500
Total judicial administration	<u>\$ 76,524</u>	<u>\$ 144,380</u>	<u>\$ 75,018</u>	<u>\$ 69,362</u>



Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds With Legally Adopted Budgets  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Special Revenue Funds: (continued)</b>				
<b>State, Federal and Local Grants Fund: (continued)</b>				
<b>Expenditures: (continued)</b>				
Public safety:				
Hazardous materials response program	\$ 30,000	\$ 35,588	\$ 17,901	\$ 17,687
Fire services program	27,840	27,840	28,409	(569)
Domestic preparedness program	-	-	-	-
Domestic preparedness equipment grant	-	32,226	32,226	-
State homeland security grant	-	227,201	68,046	159,155
Federal assistance to firefighters program	-	78,146	55,619	22,527
Justice assistance grant	-	53,047	17,435	35,612
Total public safety	<u>\$ 57,840</u>	<u>\$ 454,048</u>	<u>\$ 219,636</u>	<u>\$ 234,412</u>
Parks, recreation and cultural:				
Soap Box Derby	\$ 25,000	\$ 25,000	\$ 29,414	\$ (4,414)
Fine Arts Commission	5,000	24,770	24,770	-
War memorial	-	-	15,121	(15,121)
Other	-	-	68,458	(68,458)
Total parks, recreation and cultural	<u>\$ 30,000</u>	<u>\$ 49,770</u>	<u>\$ 137,763</u>	<u>\$ (87,993)</u>
Community development:				
PEG access	\$ 30,000	\$ 30,000	\$ 42,706	\$ (12,706)
Community Development Block Grant	279,000	279,000	210,624	68,376
Clean Community Commission	5,000	5,000	-	5,000
First Night Celebration	-	21,811	53,530	(31,719)
Regional group tourism	143,054	198,529	131,736	66,793
Fredericksburg's 275th birthday	-	8,905	8,807	98
Other	10,000	10,000	13,000	(3,000)
Total Community development	<u>\$ 467,054</u>	<u>\$ 553,245</u>	<u>\$ 460,403</u>	<u>\$ 92,842</u>
Total expenditures	<u>\$ 631,418</u>	<u>\$ 1,201,443</u>	<u>\$ 892,820</u>	<u>\$ 308,623</u>
<b>Regional Transportation Fund</b>				
<b>Revenues</b>				
Other local taxes:				
Gasoline taxes	\$ 100,000	\$ 320,000	\$ -	\$ (320,000)
Revenue from use of money and property:				
Use of property	-	-	15,600	15,600
Recovered costs	-	-	7,800	7,800
Total revenues	<u>\$ 100,000</u>	<u>\$ 320,000</u>	<u>\$ 23,400</u>	<u>\$ (296,600)</u>
<b>Expenditures</b>				
Community development:				
Commuter rail	<u>\$ 100,000</u>	<u>\$ 340,000</u>	<u>\$ 31,294</u>	<u>\$ 308,706</u>
<b>Comprehensive Services Act Fund</b>				
<b>Revenues</b>				
Intergovernmental:				
Revenue from the Commonwealth:				
Comprehensive Services Act grants	<u>\$ 550,000</u>	<u>\$ 649,743</u>	<u>\$ 699,748</u>	<u>\$ 50,005</u>

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds With Legally Adopted Budgets  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Special Revenue Funds: (continued)</b>				
<b>Comprehensive Services Act Fund: (continued)</b>				
<b>Expenditures</b>				
Health and Welfare:				
Comprehensive Services Act program	\$ 900,000	\$ 1,129,743	\$ 1,238,813	\$ (109,070)
<b>Capital Projects Funds</b>				
<b>Public Works Construction Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 181,435	\$ 181,435
Miscellaneous	-	-	120	120
Recovered costs	-	32,063	34,333	2,270
Total revenues	<u>\$ -</u>	<u>\$ 32,063</u>	<u>\$ 215,888</u>	<u>\$ 183,825</u>
<b>Expenditures</b>				
Capital projects:				
Drainage improvements	\$ -	\$ 50,000	\$ -	\$ 50,000
Planning projects	-	-	30,066	(30,066)
Concrete rehabilitation	-	161,088	65,543	95,545
Annual pavement rehabilitation	-	926,871	1,223,237	(296,366)
Industrial park/streets and drainage	-	160,000	5,500	154,500
Residential sidewalk program	-	100,000	-	100,000
Cowan Boulevard extension	-	909,825	8,902	900,923
George Street pedestrian walk	-	82,681	28,481	54,200
Riverfront walk	-	128,875	-	128,875
Kenmore Valley drainage improvements	-	767,198	462,230	304,968
Market Square	-	-	17,262	(17,262)
Fall Hill Avenue/Silver Parkway	-	90,000	90,827	(827)
Rocky Lane wall	-	180,000	735	179,265
Cowan Boulevard signalization	-	520,000	41,440	478,560
Ornamental street lights replacement	-	50,000	-	50,000
Pedestrian bridge repairs	-	85,000	82,887	2,113
Confederate cemetery wall repair	-	56,626	20,929	35,697
Total capital projects	<u>\$ -</u>	<u>\$ 4,268,164</u>	<u>\$ 2,078,039</u>	<u>\$ 2,190,125</u>
<b>Public Facilities Construction Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 171,401	\$ 171,401
Use of property	-	-	104,191	104,191
Total revenue from use of money and property	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 275,592</u>	<u>\$ 275,592</u>
Recovered costs	\$ -	\$ 55,000	\$ 161,955	\$ 106,955
Total revenues	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 437,547</u>	<u>\$ 382,547</u>
<b>Expenditures</b>				
Capital projects:				
Regional library	\$ -	\$ 410,029	\$ 335,483	\$ 74,546
Maury School renovation	-	-	5,492	(5,492)
Dixon Street recreation site	-	1,079,193	781,628	297,565
Downtown parking garage	-	6,925,000	-	6,925,000
Hurkamp Park irrigation	-	-	15,241	(15,241)
Canal path improvements	-	-	1,023	(1,023)
City Hall metal roof replacement	-	-	2,032	(2,032)

Revenues and Expenditures Budgetary Comparison Schedule  
For Nonmajor and Other Funds With Legally Adopted Budgets  
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Public Facilities Construction Fund: (continued)</b>				
<b>Expenditures: (continued)</b>				
Capital projects: (continued)				
Public facilities general improvements	-	-	24,584	(24,584)
Fire station #2 roof replacement	-	45,000	3,687	41,313
Dixon Park pool	-	751,147	212,679	538,468
Fire station #2 foundation repairs	-	170,886	133,560	37,326
Executive Plaza building	-	150,000	11,401	138,599
Other	-	451,942	632,732	(180,790)
Total capital projects	\$ -	\$ 9,983,197	\$ 2,159,542	\$ 7,823,655
<b>Public Safety Construction Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 171,401	\$ 171,401
Intergovernmental:				
Revenue from the Commonwealth:				
E-911 wireless grant	-	220,780	259,401	38,621
Total revenues	\$ -	\$ 220,780	\$ 430,802	\$ 210,022
<b>Expenditures</b>				
Capital projects:				
Fire training center	\$ -	\$ 250,000	\$ -	\$ 250,000
Fire equipment	-	450,000	222,260	227,740
Communications equipment	-	327,620	30,524	297,096
Police headquarters	-	2,872,750	-	2,872,750
Total capital projects	\$ -	\$ 3,900,370	\$ 252,784	\$ 3,647,586
<b>New Elementary School Construction Fund</b>				
<b>Expenditures</b>				
Capital projects:				
New elementary school	\$ -	\$ 13,194,446	\$ 11,233,649	\$ 1,960,797
<b>New High School Construction Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 702,202	\$ 702,202
<b>Expenditures</b>				
Capital projects:				
New high school	\$ -	\$ 16,781,118	\$ 12,241,209	\$ 4,539,909
<b>Debt Service Funds</b>				
<b>General Obligation Debt Service Fund</b>				
<b>Expenditures</b>				
Principal and interest	\$ 3,714,995	\$ 3,714,995	\$ 2,639,889	\$ 1,075,106
<b>Education Debt Service Fund</b>				
<b>Expenditures</b>				
Principal and interest	\$ 1,623,716	\$ 1,623,716	\$ 1,623,716	\$ -

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, 2005

	<u>School Fund</u>	<u>Special School Fund</u>	<u>School Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,455,727	\$ -	\$ 1,163,982	\$ 3,619,709
Due from other governments	387,359	997,088	-	1,384,447
Prepaid expenses	102,754	-	-	102,754
Total assets	<u>\$ 2,945,840</u>	<u>\$ 997,088</u>	<u>\$ 1,163,982</u>	<u>\$ 5,106,910</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 498,784	\$ 221,290	\$ 47,310	\$ 767,384
Accrued liabilities	1,957,592	383,639	-	2,341,231
Deferred revenue	-	-	52,427	52,427
Total liabilities	<u>\$ 2,456,376</u>	<u>\$ 604,929</u>	<u>\$ 99,737</u>	<u>\$ 3,161,042</u>
<b>Equity:</b>				
Fund Balance:				
Designated:				
Subsequent year's expenditures	\$ -	\$ 392,159	\$ -	\$ 392,159
Capital projects	184,937	-	1,064,245	1,249,182
Unreserved/undesignated	304,527	-	-	304,527
Total equity	<u>\$ 489,464</u>	<u>\$ 392,159</u>	<u>\$ 1,064,245</u>	<u>\$ 1,945,868</u>
Total liabilities and equity	<u>\$ 2,945,840</u>	<u>\$ 997,088</u>	<u>\$ 1,163,982</u>	<u>\$ 5,106,910</u>

Component Unit School Board  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
 At June 30, 2005

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Total fund balances for governmental funds (Exhibit 24) \$ 1,945,868

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	\$	531,555	
Land improvements, net of accumulated depreciation		84,129	
Buildings and improvements, net of accumulated depreciation		6,379,198	
Equipment, net of accumulated depreciation		<u>737,196</u>	
Total capital assets			7,732,078
Compensated absences not reported as fund liabilities			<u>(702,397)</u>
Total net assets of governmental activities (Exhibits 1 and 11)	\$		<u><u>8,975,549</u></u>

Component Unit School Board  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended June 30, 2005

	<u>School Fund</u>	<u>Special School Fund</u>	<u>School Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Use of money and property	\$ 14,860	\$ -	\$ 144	\$ 15,004
Charges for services	306,877	301,187	-	608,064
Miscellaneous	1,306	-	-	1,306
Recovered costs	-	15,501	-	15,501
Intergovernmental:				
Appropriation from primary government	15,530,323	-	380,000	15,910,323
Revenue from the Commonwealth	6,147,035	521,603	200,844	6,869,482
Revenue from the Federal Government	278,915	4,359,985	-	4,638,900
	<u>22,279,316</u>	<u>5,198,276</u>	<u>580,988</u>	<u>28,058,580</u>
Total revenues	\$ 22,279,316	\$ 5,198,276	\$ 580,988	\$ 28,058,580
<b>Expenditures</b>				
Current:				
Education:				
Instruction	\$ 15,832,998	\$ 4,457,756	\$ -	\$ 20,290,754
Administration, attendance and health	3,485,127	-	-	3,485,127
Transportation	758,697	-	-	758,697
Facilities operations	2,597,608	-	-	2,597,608
School food services	-	957,879	-	957,879
Capital projects	-	-	605,217	605,217
	<u>22,674,430</u>	<u>5,415,635</u>	<u>605,217</u>	<u>28,695,282</u>
Total expenditures	\$ 22,674,430	\$ 5,415,635	\$ 605,217	\$ 28,695,282
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (395,114)</u>	<u>\$ (217,359)</u>	<u>\$ (24,229)</u>	<u>\$ (636,702)</u>
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ 77,248	\$ -	\$ 77,248
Transfers out	<u>(77,248)</u>	<u>-</u>	<u>-</u>	<u>(77,248)</u>
Total other financing sources (uses)	<u>\$ (77,248)</u>	<u>\$ 77,248</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance	\$ (472,362)	\$ (140,111)	\$ (24,229)	\$ (636,702)
<b>Fund balance, beginning of year</b>	<u>961,826</u>	<u>532,270</u>	<u>1,088,474</u>	<u>2,582,570</u>
<b>Fund balance, end of year</b>	<u>\$ 489,464</u>	<u>\$ 392,159</u>	<u>\$ 1,064,245</u>	<u>\$ 1,945,868</u>

Component Unit School Board  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2005

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Net change in fund balances - total governmental funds (Exhibit 26) \$ (636,702)

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 were exceeded by depreciation in the current period. (181,176)

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 (39,690)

Change in net assets of governmental activities (Exhibit 11) \$ (857,568)

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

Component Unit School Board  
 School Fund  
 Revenues and Expenditures Budgetary Comparison Schedule  
 Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>School Fund</b>				
<b>Revenues</b>				
Use of money and property:				
Use of property	\$ 5,000	\$ 5,000	\$ 14,860	\$ 9,860
Charges for services:				
Charges for education	\$ 207,750	\$ 207,750	\$ 306,877	\$ 99,127
Miscellaneous	\$ 23,500	\$ 23,500	\$ 1,306	\$ (22,194)
Intergovernmental:				
Appropriation from primary government	\$ 15,615,732	\$ 15,530,323	\$ 15,530,323	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 2,003,387	\$ 2,003,387	\$ 2,039,039	\$ 35,652
Basic aid	2,974,147	2,974,147	2,711,670	(262,477)
Other	1,324,910	1,324,910	1,396,326	71,416
Total revenue from the Commonwealth	\$ 6,302,444	\$ 6,302,444	\$ 6,147,035	\$ (155,409)
Revenue from the Federal Government:				
Categorical aid:				
Special education	\$ 682,024	\$ 682,024	\$ 199,714	\$ (482,310)
Other	57,000	57,000	79,201	22,201
Total revenue from the Federal Government	\$ 739,024	\$ 739,024	\$ 278,915	\$ (460,109)
Total revenues	\$ 22,893,450	\$ 22,808,041	\$ 22,279,316	\$ (528,725)
<b>Expenditures</b>				
Current:				
Education:				
Instruction	\$ 16,229,234	\$ 16,160,844	\$ 15,832,998	\$ 327,846
Administration, attendance and health	3,363,037	3,392,737	3,485,127	(92,390)
Transportation	830,494	835,494	758,697	76,797
Facilities operations	2,566,718	2,566,718	2,597,608	(30,890)
Total expenditures	\$ 22,989,483	\$ 22,955,793	\$ 22,674,430	\$ 281,363
<b>Excess (deficiency) of revenues over expenditures</b>	\$ (96,033)	\$ (147,752)	\$ (395,114)	\$ (247,362)
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(128,967)	(348,248)	(77,248)	271,000
Total other financing sources (uses)	\$ (128,967)	\$ (348,248)	\$ (77,248)	\$ 271,000
Net change in fund balance	\$ (225,000)	\$ (496,000)	\$ (472,362)	\$ 23,638
<b>Fund balance, beginning of year</b>	225,000	496,000	961,826	465,826
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 489,464	\$ 489,464

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, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Special School Fund</b>				
<b>Revenues</b>				
Revenue from use of money and property:				
Use of money	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Charges for services:				
Cafeteria sales	\$ 362,500	\$ 362,500	\$ 301,187	\$ (61,313)
Miscellaneous	\$ 750	\$ 750	\$ -	\$ (750)
Recovered costs:				
Education	\$ 21,750	\$ 21,750	\$ 15,501	\$ (6,249)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 13,419	\$ 13,419	\$ 14,632	\$ 1,213
VPSA technology grant	154,000	154,000	154,000	-
Other	260,892	410,892	352,971	(57,921)
Total revenue from the Commonwealth	\$ 428,311	\$ 578,311	\$ 521,603	\$ (56,708)
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 606,899	\$ 606,899	\$ 684,985	\$ 78,086
School food	507,077	507,077	548,025	40,948
Head Start	1,272,378	1,272,378	1,500,515	228,137
Enhancing education via technology	158,201	158,201	216,651	58,450
Other	1,398,368	1,436,711	1,409,809	(26,902)
Total revenue from the Federal Government	\$ 3,942,923	\$ 3,981,266	\$ 4,359,985	\$ 378,719
Total revenues	\$ 4,758,734	\$ 4,947,077	\$ 5,198,276	\$ 251,199
<b>Expenditures</b>				
Instruction	\$ 3,838,238	\$ 4,178,398	\$ 4,457,756	\$ (279,358)
School food service operations	920,496	920,496	957,879	(37,383)
Total expenditures	\$ 4,758,734	\$ 5,098,894	\$ 5,415,635	\$ (316,741)
<b>Excess (deficiency) of revenues over expenditures</b>	\$ -	\$ (151,817)	\$ (217,359)	\$ (65,542)
<b>Other financing sources (uses)</b>				
Transfers in	\$ -	\$ -	\$ 77,248	\$ 77,248
Transfers out	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ 77,248	\$ 77,248
Net change in fund balance	\$ -	\$ (151,817)	\$ (140,111)	\$ 11,706
<b>Fund balance, beginning of year</b>	-	151,817	532,270	380,453
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 392,159	\$ 392,159

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, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>School Capital Projects Fund</b>				
<b>Revenues</b>				
Miscellaneous	\$ -	\$ -	\$ 144	\$ 144
Intergovernmental:				
Appropriation from primary government	\$ -	\$ 380,000	\$ 380,000	\$ -
Revenue from the Commonwealth:				
Lottery funds	\$ -	\$ 78,000	\$ 85,814	\$ 7,814
School construction funds	-	115,000	115,030	30
Total Revenue from the Commonwealth	\$ -	\$ 193,000	\$ 200,844	\$ 7,844
Total revenues	\$ -	\$ 573,000	\$ 580,988	\$ 7,988
<b>Expenditures</b>				
Capital projects:				
School buses	\$ -	\$ 130,000	\$ 121,832	\$ 8,168
School computer technology	-	350,000	346,378	3,622
School improvements	-	88,500	69,946	18,554
Maintenance equipment	-	28,000	21,602	6,398
Other	-	93,413	45,459	47,954
Total capital projects	\$ -	\$ 689,913	\$ 605,217	\$ 84,696
<b>Excess (deficiency) of revenues over expenditures</b>	\$ -	\$ (116,913)	\$ (24,229)	\$ 92,684
Net change in fund balance	\$ -	\$ (116,913)	\$ (24,229)	\$ 92,684
<b>Fund balance, beginning of year</b>	-	116,913	1,088,474	971,561
<b>Fund balance, end of year</b>	\$ -	\$ -	\$ 1,064,245	\$ 1,064,245

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

Government-Wide Expenses by Function (1)  
Last Three Fiscal Years

Fiscal Year	General Government											Total		
	Admini- stration	Judicial Admini- stration	Public Safety	Public Works	Health and Welfare	Education	Parks, Recreation & Cultural	Community Develop- ment	Interest on Debt	Water	Sewer		Transit	Parking
2003 \$	3,667,325	2,084,990	12,950,555	5,280,143	4,228,980	15,556,786	3,007,944	2,022,708	817,031	1,691,936	2,610,054	1,085,071	-	\$ 55,003,523
2004	3,836,089	2,155,331	13,448,595	5,342,332	5,098,576	14,232,858	3,302,359	1,914,617	1,180,917	1,691,301	2,566,538	1,156,280	-	55,925,793
2005	4,105,737	2,434,259	14,424,379	6,689,270	5,357,236	15,942,171	3,648,639	1,972,940	2,951,161	2,561,096	2,708,274	1,464,268	19,575	64,279,005

(1) Primary Government only

CITY OF FREDERICKSBURG, VIRGINIA

Table 2

Government-Wide Revenues by Source (1)  
Last Three Fiscal Years

Fiscal Year	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		General Property Taxes		Other Local Taxes		Non-Categorical Aid		Use of Money & Property		Total	
2003	\$	6,831,317	\$	9,618,684	\$	647,763	\$	19,529,042	\$	22,985,944	\$	1,925,405	\$	1,449,961	\$	63,451,839
2004		7,299,318		10,729,300		251,824		21,998,946		27,046,203		1,799,222		596,182		70,386,487
2005		7,791,571		12,464,086		2,328,265		22,552,006		29,447,827		1,989,643		2,180,879		79,185,914

(1) Primary Government only

CITY OF FREDERICKSBURG, VIRGINIA

Table 3

Governmental Revenues by Source (1)  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes		Other Local Taxes	Permits, Privilege Fees and Licenses		Fines and Forfeitures	Revenue from use of Money and Property		Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
1996	\$ 15,940,864	\$ 11,776,189	\$ 283,243	\$ 279,709	\$ 431,523	\$ 1,209,816	\$ 1,252,640	\$ 1,173,199	\$ 10,800,773	\$ 43,147,956			
1997	16,630,154	13,432,795	292,801	324,751	737,594	1,218,770	676,986	937,642	11,686,821	45,938,314			
1998	17,561,608	14,903,631	327,203	308,623	801,103	1,202,862	549,889	1,059,987	12,597,044	49,311,950			
1999	18,433,324	15,632,074	264,346	303,542	763,174	1,280,359	563,433	1,139,278	13,691,829	52,071,359			
2000	18,538,569	17,335,501	356,612	324,606	715,983	1,334,005	591,753	1,294,050	16,133,843	56,624,922			
2001	18,692,583	18,649,664	312,088	320,803	436,102	1,381,292	375,676	1,182,876	16,932,987	58,284,071			
2002	18,817,668	20,308,612	411,268	363,912	488,935	1,664,937	402,523	1,167,533	17,820,772	61,446,160			
2003	19,658,874	22,985,944	413,773	466,307	567,514	1,743,772	253,021	1,075,551	18,274,773	65,439,529			
2004	22,038,643	26,640,203	499,110	502,834	314,038	1,293,189	434,025	1,099,512	20,575,630	73,397,184			
2005	22,575,809	29,447,827	988,302	450,000	1,567,311	1,872,894	470,070	1,244,645	21,151,598	79,768,456			

(1) Includes General, Special Revenue, Debt Service Funds and Discretely Presented Component Unit School Board. Excludes Capital Projects Funds. Does not include the appropriation to the School Board from the primary government.

CITY OF FREDERICKSBURG, VIRGINIA

Table 4

Governmental Expenditures by Function (1)  
Last Ten Fiscal Years

Fiscal Year	General										Total
	Government Administration	Judicial Administration	Public Safety	Public Works	Health and Welfare	Education	Parks Recreation & Cultural	Community Development	Debt Service		
1996 \$	2,204,332	1,278,602	7,243,731	4,331,738	2,547,741	15,465,336	1,768,080	1,608,240	3,809,603	\$	40,257,403
1997	2,295,427	1,323,184	7,377,016	4,374,928	2,711,247	16,024,022	1,861,780	2,005,885	3,716,659		41,690,148
1998	2,497,297	1,398,369	7,871,946	4,307,373	3,008,403	17,026,244	1,941,187	1,790,493	3,798,173		43,639,485
1999	2,674,119	1,538,214	8,371,978	4,653,178	3,489,727	18,233,993	2,185,243	1,570,662	7,435,261		50,152,375
2000	2,791,511	1,730,031	9,175,608	4,741,736	4,405,362	19,698,575	2,521,250	1,654,686	3,598,628		50,317,387
2001	2,895,024	1,936,309	10,540,624	4,990,191	4,178,371	20,862,164	2,651,247	1,808,255	3,157,573		53,019,758
2002	3,136,650	2,023,991	11,466,442	5,021,480	4,381,046	21,157,666	2,854,800	2,596,914	12,884,511		65,523,500
2003	3,544,021	2,173,551	12,653,369	5,067,820	4,602,554	22,977,838	2,879,319	2,460,671	3,462,225		59,821,368
2004	3,620,386	2,260,530	13,210,581	5,655,233	5,491,600	26,097,200	3,108,829	2,026,074	2,584,183		64,054,616
2005	3,956,701	2,494,022	14,051,770	5,767,195	5,814,011	28,121,913	3,432,702	2,030,189	4,263,605		69,932,108

(1) Includes General, Special Revenue, Debt Service Funds and Discretely Presented Component Unit School Board. Excludes Capital Projects Funds.  
Does not include the appropriation to the School Board from the primary government.

CITY OF FREDERICKSBURG, VIRGINIA

Table 5

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1) (4)	Current Tax Collections (1) (5) (6)	Percent of Levy Collected (3)	Delinquent Tax Collections (1) (2) (5) (6)	Total Tax Collections (5) (6)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (3) (5)	Percent of Delinquent Taxes to Levy
1996	\$ 15,716,261	\$ 15,620,329	99.39	\$ 135,640	\$ 15,755,969	100.25	\$ 151,066	0.96
1997	16,459,853	16,360,894	99.40	261,683	16,622,577	100.99	117,274	0.71
1998	17,550,940	17,469,835	99.54	103,859	17,573,694	100.13	67,267	0.38
1999	18,510,245	18,229,682	98.48	70,296	18,299,978	98.86	171,822	0.93
2000	19,050,569	18,840,945	98.90	263,234	19,104,179	100.28	168,334	0.88
2001	19,832,960	19,581,072	98.73	199,237	19,780,309	99.73	238,499	1.20
2002	20,299,165	20,021,483	98.63	216,540	20,238,023	99.70	330,646	1.63
2003	21,078,696	20,898,738	99.15	290,997	21,189,735	100.53	388,129	1.84
2004	23,173,114	22,971,933	99.13	212,185	23,184,118	100.05	424,024	1.83
2005	24,116,517	23,928,589	99.22	217,435	24,146,024	100.12	452,499	1.88

- (1) Exclusive of penalties and interest.
- (2) Does not include land redemptions.
- (3) Adjusted for split-year collections.
- (4) Source: Commissioner of Revenue.
- (5) Source: Treasurer.
- (6) Includes personal property reimbursement from the Commonwealth of Virginia.

CITY OF FREDERICKSBURG, VIRGINIA

Assessed Valuation of All Taxable Property (1)

Last Ten Fiscal Years

Fiscal Year	Real Estate		Personal Property	Machinery and Tools	Service Charges	Public Utility		Total		
						Real and Personal				
1996	\$	1,014,089,707	\$	107,928,350	\$	13,913,750	\$	56,637,562	\$	1,194,018,169
1997		1,054,657,972		120,106,150		12,471,750		56,850,459		1,245,535,131
1998		1,122,316,366		120,736,634		19,392,950		59,212,312		1,323,349,762
1999		1,147,247,536		147,258,857		21,853,937		61,267,689		1,379,319,519
2000		1,205,127,728		152,446,465		19,735,538		66,469,329		1,445,230,460
2001		1,230,424,387		164,606,380		19,747,480		77,319,484		1,493,534,431
2002		1,269,438,700		158,352,705		14,888,368		80,502,860		1,524,619,333
2003		1,303,778,900		168,645,633		14,726,044		83,318,479		1,571,905,756
2004		1,902,889,000		171,794,008		13,794,812		78,948,771		2,169,282,991
2005		1,931,966,200		204,140,325		12,538,835		81,650,555		2,232,152,315

(1) Source: Commissioner of Revenue.



CITY OF FREDERICKSBURG, VIRGINIA

Table 7

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

Fiscal Year	Real Property		Personal Property		Totals		Assessed to Total Estimated Actual Value
	Assessed Value (1)	Estimated Actual Value (2)	Assessed Value (1)	Estimated Actual Value (1)	Assessed Value	Estimated Actual Value	
1996	\$ 1,014,089,707	\$ 1,049,148,283	\$ 121,842,100	\$ 121,842,100	\$ 1,135,931,807	\$ 1,170,990,383	97.0
1997	1,054,657,972	(3)	132,577,900	132,577,900	1,187,235,872	(3)	(3)
1998	1,122,316,366	(3)	140,129,584	140,129,584	1,262,445,950	(3)	(3)
1999	1,147,247,536	(3)	169,112,794	169,112,794	1,316,360,330	(3)	(3)
2000	1,205,127,728	(3)	172,182,003	172,182,003	1,377,309,731	(3)	(3)
2001	1,230,424,387	(3)	184,353,860	184,353,860	1,414,778,247	(3)	(3)
2002	1,269,438,700	(3)	173,241,073	173,241,073	1,442,679,773	(3)	(3)
2003	1,303,778,900	(3)	183,371,677	183,371,677	1,487,150,577	(3)	(3)
2004	1,902,889,000	(3)	185,588,820	185,588,820	2,088,477,820	(3)	(3)
2005	1,931,996,200	(3)	216,679,160	216,679,160	2,148,675,360	(3)	(3)

(1) Source: Commissioner of Revenue.

(2) Source: Commonwealth of Virginia.

(3) Data not available.

CITY OF FREDERICKSBURG, VIRGINIA

Table 8

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

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Service Charges	Public Utility Real and Personal
1996	\$ 1.16	\$ 2.99	\$ 1.16	\$ 0.80	\$ 1.00	Various
1997	1.16	2.99	1.16	0.80	1.02	Various
1998	1.16	2.99	1.16	0.80	1.02	Various
1999	1.16	2.99	1.16	0.80	0.62	Various
2000	1.13	2.99	1.13	0.80	1.11	Various
2001	1.13	2.99	1.13	0.80	1.13	Various
2002	1.13	2.99	1.13	0.80	1.13	Various
2003	1.13	2.99	1.13	0.80	1.13	Various
2004	0.89	2.99	0.89	0.80	0.89	Various
2005	0.89	2.99	0.89	0.80	0.89	Various

(1) Source: Commissioner of Revenue.

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

**CITY OF FREDERICKSBURG, VIRGINIA**

**Table 9**

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

Fiscal Year	Population (1)	Assessed Value (2)	Gross Bonded Debt	Less: Amounts To Be Paid From Enterprise Activities		Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1996	21,000	\$ 1,194,018,169	\$ 28,404,997	\$ (2,794,038)	\$ 25,610,959	0.0214	\$ 1,220	
1997	20,800	1,245,535,131	28,752,495	(2,705,904)	26,046,591	0.0209	1,252	
1998	20,600	1,323,349,762	26,447,490	(2,645,815)	23,801,675	0.0180	1,155	
1999	21,686	1,379,319,519	28,944,000	(5,976,344)	22,967,656	0.0167	1,059	
2000	21,686	1,445,230,460	26,205,000	(5,771,158)	20,433,842	0.0141	942	
2001	19,279	1,493,534,431	23,500,000	(5,278,179)	18,221,821	0.0122	945	
2002	19,800	1,524,619,333	27,820,079	(4,929,773)	22,890,306	0.0150	1,156	
2003	20,076	1,571,905,756	24,900,000	(4,530,240)	20,369,760	0.0130	1,015	
2004	20,189	2,169,282,991	70,795,000	(4,134,708)	66,660,292	0.0307	3,302	
2005	20,458	2,232,152,315	72,540,147	(7,813,501)	64,726,646	0.0290	3,164	

(1) Sources: Bureau of the Census (2001).

Center For Public Service, University of Virginia (1994-2000, 2002-2005).

(2) Source: Commissioner of Revenue.

(3) Includes all long-term general obligation debt to be repaid from general tax sources.

**CITY OF FREDERICKSBURG, VIRGINIA**

**Table 10**

Computation of Direct and Overlapping Debt  
June 30, 2005

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to City of Fredericksburg	Amount Applicable to City of Fredericksburg
City of Fredericksburg	\$ 72,540,147	100%	\$ 72,540,147

Includes all general obligation debt.

City of Fredericksburg has no overlapping debt.

Ratio of Annual Debt Service Expenditures For General Bonded Debt to Total General Expenditures  
Last Ten Fiscal Years

Fiscal Year	Principal (1)	Interest (2)	Total Debt Service	Total General Governmental Expenditures (1) (5)	Ratio of Debt Service to Total General Expenditures
1996	\$ 2,216,786	\$ 1,592,817	\$ 3,809,603	\$ 40,257,403	9.5
1997	2,249,945	1,466,714	3,716,659	41,690,148	8.9
1998	2,364,257	1,433,915	3,798,172	43,639,485	8.7
1999	5,915,339 (3)	1,519,922	7,435,261	50,152,375	14.8
2000	2,533,930	1,064,698	3,598,628	50,317,387	7.2
2001	2,212,022	945,551	3,157,573	53,019,758	6.0
2002	11,831,895 (4)	1,052,616	12,884,511	65,523,500	19.7
2003	2,520,546	941,679	3,462,225	59,821,368	5.8
2004	1,804,469	779,714	2,584,183	64,054,616	4.0
2005	1,933,645	2,329,960	4,263,605	69,932,108	6.1

(1) Includes General, Special Revenue, Debt Service Funds and School Board Component Unit.

(2) Also includes fiscal charges.

(3) Includes bond anticipation note of \$2,572,500.

(4) Includes bonds refunded at call dates.

(5) Does not include local appropriation to School Board.

CITY OF FREDERICKSBURG, VIRGINIA

Table 12

Computation of Legal Debt Margin At June 30, 2005	
Assessed value - taxable real estate (3)	\$ 1,931,966,200
Assessed value - public service real estate	81,650,555
Assessed value - exempt real estate	<u>466,537,200</u>
Total assessed value	<u>\$ 2,480,153,955</u>
Debt limit - 4.8 percent of total assessed value (1)	\$ 119,047,390
Amount of debt applicable to debt limit:	
Total bonded debt (2)	<u>72,540,147</u>
Legal debt margin	<u><u>\$ 46,507,243</u></u>

(1) Limitation imposed by City Council.

(2) Does not include revenue bonds.

(3) As of January 1, 2005.

CITY OF FREDERICKSBURG, VIRGINIA

Table 13

Revenue Bond Coverage (Water and Sewer Bonds)  
Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest (1)	Total	
1996	\$ 6,173,486	\$ 3,806,458	\$ 2,367,028	\$ 454,381	\$ 964,630	\$ 1,419,011	1.67
1997	6,320,660	3,415,242	2,905,418	563,259	923,704	1,486,963	1.95
1998	6,342,680	3,279,846	3,062,834	562,927	894,049	1,456,976	2.10
1999	7,727,967	4,019,140	3,708,827	701,756	924,050	1,625,806	2.28
2000	6,831,357	3,675,828	3,155,529	811,834	876,894	1,688,728	1.87
2001	5,466,477	3,691,122	1,775,355	1,128,908	812,354	1,941,262	0.91
2002	6,294,872	3,698,729	2,596,143	1,014,900	795,509	1,810,409	1.43
2003	6,164,964	3,547,818	2,617,146	1,098,061	767,997	1,866,058	1.40
2004	6,233,777	3,717,094	2,516,683	1,153,404	606,067	1,759,471	1.43
2005	7,885,646	5,102,334	2,783,312	1,168,757	167,036	1,335,793	2.08

(1) Also includes fiscal charges.

**CITY OF FREDERICKSBURG, VIRGINIA**

**Table 14**

Demographic Statistics  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population (2)</b>	<b>Per Capita Income (2) (4)</b>	<b>Median Age (1)</b>	<b>In Years of Formal Schooling (1)</b>	<b>School Enrollment</b>	<b>Unemployment Rate (3)</b>
1996	21,000	\$ 20,977	28.9	12.4	2,134	4.1%
1997	20,800	20,977	28.9	12.4	2,077	3.8%
1998	20,600	22,430	28.9	12.4	2,140	3.5%
1999	21,686	23,543	28.9	12.4	2,088	3.3%
2000	21,686	26,555	28.9	12.4	2,143	2.3%
2001	19,279 (1)	27,945	30.3	12.4	2,170	3.7%
2002	19,800	28,359	30.3	12.4	2,278	4.0%
2003	20,076	29,995	30.3	12.4	2,278	5.8%
2004	20,189	30,099	30.3	12.4	2,387	6.0%
2005	20,458	30,493	30.3	12.4	2,418	5.0%

(1) Source: Bureau of Census.

(2) Source: Center for Public Service, University of Virginia except for 2001.

(3) Source: Virginia Employment Commission.

(4) Per capita income includes the City of Fredericksburg combined with Spotsylvania County.



CITY OF FREDERICKSBURG, VIRGINIA

Property Value, Construction and Bank Deposits  
Last Ten Fiscal Years

Fiscal Year	Commercial Construction (2)		Residential Construction (2)		Bank Deposits (1) (3) (In Thousands)	Property Value (1)			
	Number of Units	Value	Number of Units	Value		Commercial	Residential	Agricultural	Non-taxable
1996	10	\$ 10,888,075	15	\$ 2,223,119	\$ 423,647	\$ 405,549,600	\$ 633,107,200	\$ 18,298,300	\$ 298,965,700
1997	37	23,721,446	159	7,858,481	445,664	427,874,638	637,564,054	18,167,800	298,871,000
1998	65	20,004,259	26	3,279,450	421,129	486,362,700	641,823,300	15,495,600	301,386,300
1999	110	27,316,742	31	3,851,238	429,543	495,126,200	649,281,300	14,252,100	256,333,100
2000	86	13,968,577	221	13,787,128	436,442	544,420,500	663,159,700	14,316,600	316,752,200
2001	74	15,342,860	60	5,967,587	519,302	553,300,100	678,298,100	12,316,400	320,619,900
2002	78	25,233,886	90	8,696,819	760,089	556,234,500	701,055,300	12,148,900	329,266,900
2003	70	21,460,889	82	11,445,775	964,540	584,693,100	707,125,300	11,960,500	332,602,000
2004	91	22,856,851	58	12,840,350	1,005,859	813,769,100	1,060,678,500	28,441,400	431,597,100
2005	61	115,051,056	61	44,496,126	1,012,593	828,017,800	1,073,201,700	30,746,700	466,537,200

(1) Source: Commissioner of Revenue.

(2) Source: Building Official.

(3) Does not include Savings and Loan Institutions.

Table 16

CITY OF FREDERICKSBURG, VIRGINIA

Principal Taxpayers  
June 30, 2005

Taxpayer	Type of Business	2004-2005 Assessed Valuation	Percentage of Total Assessed Valuation
Fredericksburg 35 LLC	Central Park Property	\$ 87,292,200	4.52 %
Medicorp Properties, Inc.	Office buildings, surgical center	39,397,600	2.04
Verizon - Virginia, Inc.	Public utility - telecommunications	28,213,401	1.46
Dominion Virginia Power	Public utility - electric	24,398,499	1.26
Fall Hill - Central Park LP	Restaurants, ice park, office building	20,229,800	1.05
Wal-Mart Real Estate Business	Retail	18,171,900	0.94
2801 Plank Road Hotel Co.	Motel	15,002,700	0.78
Riverside Manor LP	Apartment complex	17,288,600	0.89
Summit/Belmont LP	Apartments	17,134,000	0.89
CRIT VA II, Inc.	Apartments	15,889,500	0.82
Total		\$ 283,018,200	14.65 %

Miscellaneous Statistics  
June 30, 2005

Date of incorporation	1782
Form of government	Council/Manager
Area	10.4 square miles
Moving lane miles	173.76
Number of traffic signals	52
Fire protection:	
Number of stations	2
Number of firemen and officers (exclusive of volunteer firemen)	50
Police protection:	
Number of stations	1
Number of policemen and officers	64
Education:	
Attendance centers	Elementary
Number of classrooms	(K-7)
Number of teachers	(8-12)
Number of students	2
	61
	146
	1,474
	944
Municipal water department:	
Number of consumers	20,458 / 6,696 connections
Average daily consumption	117 gallons per capita
Miles of water mains	66 miles
Sewers:	
Sanitary sewers	67 miles
Storm sewers	55 miles
Building permits issued	3,528
Recreation and culture:	
Number of parks	11 for a total of 924 acres
Federal parks within City boundaries	1
Jointly operated parks by City and another local jurisdiction (Stafford County)	3 for a total of 211 acres
Employees:	
Classified service	345
Exempt	65

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fredericksburg, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### 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*.

However we noted certain matters that we reported to management of the City of Fredericksburg, Virginia in a separate letter dated October 19, 2005.

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
October 19, 2005

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

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

### Compliance

We have audited the compliance of the City of Fredericksburg, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. 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 in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fredericksburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fredericksburg, Virginia's compliance with those requirements.

In our opinion, the City of Fredericksburg, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

### Internal Control Over Compliance

The management of the City of Fredericksburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However we noted certain matters that we reported to management of the City of Fredericksburg, Virginia in a separate letter dated October 19, 2005.

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

*Robinson, Tammen, Cox Associates*

Charlottesville, Virginia  
October 19, 2005



CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit  
 Year Ended June 30, 2005

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
<b>Primary Government:</b>		
Department of Agriculture:		
Pass-through Payments:		
Department of Social Services:		
Food Stamp Administration	*	10.561
		\$ <u>223,536</u>
Department of Housing and Urban Development:		
Direct Payments:		
Community Development Block Grant - Entitlement		14.218
		\$ <u>203,302</u>
Department of Justice:		
Pass-through Payments:		
Crime Victim Assistance		16.575
		\$ <u>42,054</u>
Department of Transportation:		
Pass-through Payments:		
Virginia Department of Rail and Public Transportation:		
Federal Transit - Capital Investment Grants	*	20.500
Federal Transit - Formula Grants	*	20.507
		<u>448,981</u>
Total Department of Transportation		\$ <u>657,282</u>
Department of Health and Human Services:		
Pass-through Payments:		
Department of Social Services:		
Family Preservation and Support		93.556
Temporary Assistance to Needy Families		93.558
Refugee Assistance and Resettlement		93.566
Low-Income Energy Assistance		93.568
Child Care Assistance	*	93.575
Child Care and Development Block Grant	*	93.596
Foster Care - Title IV-E		93.658
Adoption Assistance		93.659
Social Services Block Grant		93.667
Independent Living		93.674
Medical Assistance Program		93.778
Other Assistance	N/A	N/A
		<u>40,459</u>
Total Department of Health and Human Services		\$ <u>1,814,691</u>
Department of Homeland Security		
Pass-through Payments:		
Department of Emergency Services:		
Disaster Relief Public Assistance		97.036
Homeland Security Grant		97.067
Assistance to Firefighters		97.044
Emergency Management Preparedness Grant		97.042
Citizen Corps		97.053
State Homeland Security Grant Program		97.004
		<u>48,735</u>
Total Department of Homeland Security		\$ <u>203,960</u>
Total Expenditures of Federal Awards - Primary Government		\$ <u><u>3,144,825</u></u>

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit  
 Year Ended June 30, 2005 (Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
<b>Component Unit - School Board:</b>		
State Department of Agriculture:		
Pass-through Payments:		
School Breakfast Program	*	10.553
National School Lunch Program (SL-4) (SL-11)	*	10.555
		<u>421,258</u>
		<u>176,211</u>
Total Department of Agriculture		\$ <u>597,469</u>
Department of Health and Human Services:		
Direct Payments:		
Head Start		93.600
		\$ <u>1,930,016</u>
Department of Education:		
Pass-through Payments:		
Education Consolidation and Improvement Act of 1981:		
Title I:		
Educationally Deprived Children - LEA	84.010	\$ 684,985
Title V Part A - Innovative Programs	84.298	14,999
Vocational Education:		
Basic Grants to States	84.048	70,408
Title VI-B Special Education for the Handicapped	84.027	217,927
Advanced Placement Program	84.330	260
Handicapped-Preschool Incentive Grants	84.173	21,631
Drug Free Schools and Communities	84.186	25,954
Title II - Economic Security	84.281	233,488
Technology Challenge Grant	84.318	652,803
Teacher Quality Enhancement Grants	84.336	104,912
Emergency Immigrant Assistance	84.162	1,172
Grants for State Assessments and Related Activities	84.369	8,533
Comprehensive School Reform Demonstration	84.332	<u>74,342</u>
Total Department of Education		\$ <u>2,111,414</u>
Total Expenditures of Federal Awards - Component Unit School Board		\$ <u>4,638,899</u>
Total Expenditures of Federal Awards - Reporting Entity		\$ <u>7,783,724</u>
* Major program		
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 State Revolving Fund - balance of loan as of June 30, 2005	66.458	\$ <u>8,133,591</u>

**CITY OF FREDERICKSBURG, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2005

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Note 1 - General

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

Note 2 - Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in note 1 to the City's basic financial statements.

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	54,312
Special Revenue Funds:		
Virginia Public Assistance Fund		1,990,406
City Grants Fund		442,824
Proprietary Funds:		
Transit Fund		657,282
Total primary government	\$	<u>3,144,824</u>

Component Unit School Board:

School Operating Fund	\$	278,915
School Grants Fund		4,359,985
Total component unit School Board	\$	<u>4,638,900</u>

Total federal expenditures per the Schedule of Expenditures  
of Federal Awards

\$ 7,783,724

**CITY OF FREDERICKSBURG, VIRGINIA**

Schedule of Findings and Questioned Costs  
 Year Ended June 30, 2005

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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  
 Reportable conditions identified not considered  
 to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:  
 Material weaknesses identified? No  
 Reportable conditions identified not considered  
 to be material weaknesses? No

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

Any audit findings disclosed that are required to be  
 reported in accordance with Circular A-133,  
 Section .510 (a)? No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
10.561	Food Stamp Administration
20.500	Federal Transit - Capital Investment Grants
20.507	Federal Transit - Formula Grants
93.575	Child Care Assistance
93.596	Child Care and Development Block Grant
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

**CITY OF FREDERICKSBURG, VIRGINIA**

Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2005

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There were no findings or questioned costs in the prior year.

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