

# City of Charlottesville, Virginia

## Comprehensive Annual Financial Report *Fiscal Year Ended June 30, 2010*



A Great Place to Live  
for All of Our Citizens

# **CITY OF CHARLOTTESVILLE, VIRGINIA**

**Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2010**

**Prepared by  
Department of Finance**

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# CITY OF CHARLOTTESVILLE, VIRGINIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2010

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# CITY OF CHARLOTTESVILLE, VIRGINIA

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## **INTRODUCTORY SECTION**

CITY OF CHARLOTTESVILLE  
"A World Class City"

Office of Director of Finance

P.O. Box 911 • Charlottesville, Virginia 22902  
Telephone 434-970-3200 • Fax 434-970-3232



November 15, 2010

Honorable Mayor and Members  
of City Council  
City of Charlottesville, Virginia

Dear Council Members:

We are pleased to submit to you the comprehensive annual financial report of the City of Charlottesville (the City) for the fiscal year ended June 30, 2010, in accordance with Section 11-96 of the City Code. This report was prepared by the City's Finance Department. It has been audited by the City's independent auditors, Cherry Bekaert & Holland, LLP. Their opinions are included in this report. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements.

Generally accepted accounting principles (GAAP) requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings and questioned costs, recommendations, and auditors' reports on the internal control structure and compliance with applicable laws and regulations are contained in a separate report, which is available upon request from the Director of Finance.

Honorable Mayor and Members  
of City Council  
November 15, 2010

### **THE REPORTING ENTITY AND ITS SERVICES**

The City is located in Central Virginia, approximately 100 miles southwest of Washington, D.C. and 70 miles northwest of Richmond, Virginia. As the seat of both the City and Albemarle County governments, Charlottesville serves as an economic, cultural and educational center in Central Virginia. As the home of the University of Virginia, one of the most prestigious and highly-regarded universities in the country, the City derives a number of benefits, both economic and in the quality of life associated with this area.

The City provides a full range of services. These services include police and fire protection, solid waste collection and disposal, education, parks, recreational and cultural activities, street and highway maintenance and construction, health and welfare, and community and economic development. In addition to these general governmental activities, the City also operates gas, water, and wastewater systems and a municipal golf course as enterprise funds and maintains a pension trust fund and a post-employment benefits fund for its employees.

The financial reporting entity includes all funds of the Primary Government (i.e., the City), as well as the component units for which the City is financially accountable. The City of Charlottesville Public Schools (Schools) and the Charlottesville Economic Development Authority (CEDA) are included in the report as discretely presented component units in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City and to differentiate their financial position and results of operations from that of the City. Both of these component units are administered by separate boards which are appointed by City Council. School Board members are elected At Large. The Charlottesville Redevelopment and Housing Authority (CRHA) is not included in the reporting entity because the City is not financially accountable for the CRHA.

### **ECONOMIC CONDITION AND OUTLOOK**

Following several years of steady growth, the major revenue areas began to decline in 2008 marking the beginning of an economic slowdown in the City's economy. By July 2008, residential and commercial real estate assessment growth had begun to slow, and revenue from food, lodging and sales tax experienced less significant increases than in previous years. In

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fiscal year 2009 and 2010 this trend continued with real estate assessments essentially flat and sales, lodging and meals taxes all declining compared to the previous year. The fair market value of commercial property decreased by 0.34% from fiscal year 2009 to fiscal year 2010, while residential property values decreased by 2.19%. The total value of existing property decreased by 1.55%. Total decreases with new construction were .76%. In addition, the City's unemployment rate continued increasing during 2010 and as of July 2010 is at a 5 year high of 7.8%, which is below the national unemployment rate of 9.7%, but slightly higher than that state's rate of 7.1%. The unemployment rate for the Charlottesville MSA stood at 6.3% during this same period.

Despite the declines in revenue, the City's situation is considerably less alarming than the state's projected shortfall and the outlook of other local governments. In fact, the City's sound financial policies were confirmed again in May 2010, when both Moody's Investor Services and Standard & Poor's gave the City their top rating (Aaa and AAA, respectively) on the City's latest bond issue. The relative strength of the Charlottesville area is due in large part to its central Virginia location and the nature of the local economy. Charlottesville is the commercial and marketing center for a metropolitan area population of over 190,000. The predominant economic sectors are healthcare, service related industries, leisure and hospitality, and education. An emerging sector involves defense related businesses, with the relocation of 800 Defense Intelligence Agency personnel to the area in 2010. The City has also attracted companies specializing in printing, publishing, financial institution analysis, electronics equipment, and computer software development.

The University of Virginia and its Medical Center continue to be the area's largest employer by providing over 17,000 jobs and making the City a regional center for quality education and healthcare. The University has avoided layoffs to date and recently announced plans to grow its student enrollment at an increased rate over the next decade. This plan could signal moderate growth in the education, service and construction sectors. In addition, the University enjoys nationally ranked men's and women's teams in many major sports, including football, basketball, lacrosse, and soccer. The University's John Paul Jones Arena, which at

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November 15, 2010

15,000 seats is the largest in the Commonwealth of Virginia and, in addition to UVA athletics; the facility hosts a variety of entertainment, annually attracts over 500,000 visitors from around the state to the area.

The City's downtown has shown dramatic changes during the past decade, in particular during the past five years, as a result of both on-going public and private investment in new construction and renovation/restoration projects. The Downtown Mall is thriving, with an exciting combination of residential and retail units, restaurants, a movie complex, an ice skating rink, and the Charlottesville Pavilion, as well as a number of office complexes and financial institutions, all of which draw local residents and tourists to the area. While access to capital and concerns over the national economy has hampered some projects, a number of significant buildings are in various stages of planning and construction.

Two notable privately funded projects completed in 2010 include Norcross Station phase three, which features 30 studio apartments, and The Gleason's Building, a major mixed use project featuring over 100,000 square feet of retail, office and condominium units. The Gleason, which represents one of the largest single buildings ever constructed in the city, began construction in September 2008 just as the recession began. Also completed in spring 2010 is 455 2<sup>nd</sup> St, a 40,000 square foot, Class A commercial office building – the first in downtown Charlottesville in a decade. Within two months of opening, this building was fully leased to credit worthy tenants.

Despite the challenging financial environment, construction began in December 2009 on the City's first Whole Foods grocery store. The 45,000 square foot store will enhance sales tax revenue and bring over 100 jobs to the City when it opens in early 2011.

Smaller renovations continue to occur at a brisk pace throughout downtown. Several downtown storefronts have undergone extensive rehabilitation for the first time in many years in preparation for new office use and retail tenants. The historic Jefferson Theater renovation has been completed adding a new venue for year around musical performances and meetings downtown.

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November 15, 2010

SNL Financial, a growing investment research firm that began leasing the former National Ground Intelligence Center in 2003 for its new headquarters from the Charlottesville Economic Development Authority (CEDA), continues to be a major city employer (with over 330 employees) in the downtown area. In 2010, SNL was recognized for the third straight year by *Inc. Magazine* as one of the 5,000 fastest growing private companies in the United States. In addition a number of new high technology firms have made Charlottesville home recently including Phthisis, Hotelicopter and HemoShear.

Arts and entertainment continue to draw large numbers of visitors to Charlottesville. The Paramount Theater, a 1,200 seat multi-purpose auditorium which was renovated and restored in 2004, now plays host to many events. This \$16 million project has significantly expanded the arts and entertainment opportunities downtown attracting more than 100,000 attendees annually. Also attracting people downtown is the Charlottesville Pavilion, which has an annual attendance of 95,000. The Pavilion recently completed its fifth full season featuring 20 national caliber artists. The covered, 3,500-seat facility is expected to play a key role in continuing to attract those seeking entertainment.

The City maintains controlling interest in over 1,500 parking spaces at two facilities downtown. Every effort is made to keep parking available and affordable for residents, workers and visitors alike. At current usage levels, parking supply exceeds demand allowing opportunity for continued growth in the entertainment, retail and tourism sectors. A study to assess future parking availability was recently completed and the results will be used to examine current parking and to determine how new development and growth will impact downtown parking in the future.

The West Main Street corridor and the Preston Avenue area both represent good opportunities for additional development in the future. In 2010, a number of key properties changed ownership likely signaling that renovation and development is eminent. Also, during the past year, the City continued free, daily Charlottesville Trolley service connecting the University grounds to the Downtown Mall. The West Main plan consists of a streetscape with wide sidewalks, shade trees, cafés, shops and parking structures. The City will continue to look

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November 15, 2010

for opportunities to partner with private developers as redevelopment occurs along these corridors.

Despite the economic challenges faced by communities throughout the country in the past two years, we have reason to be optimistic about the continued prosperity of the City of Charlottesville. A prime example is Waterhouse, a 90,000 square foot mixed use downtown development featuring 10 luxury condominiums and class A office space for a 220 employee firm. This significant development, which has broken ground this fall, signals that interest in an urban environment remains high by both residential and commercial interests. The City's proactive approach in welcoming investment continues to prove effective with support from a zoning ordinance that encourages denser, mixed-use development to help provide opportunities to expand the tax base and encourage quality commercial development. This activity provides a vibrant environment allowing us to continue to improve our city and the services it can provide to citizens, in an orderly and financially responsible manner.

### **MAJOR INITIATIVES**

***For the Year*** The FY 2010 budget focused on the continued delivery of efficient and effective government services to the City's citizens, businesses, and visitors, with no tax increases. After several years of real estate tax rate reductions the 2010 rate remained unchanged at \$.95 per \$100 of assessed value for the calendar year. The budget reflected the City's emphasis on building the community, enhancing neighborhoods, improving education, growing finances, creating more and better jobs, creating an environmentally sustainable community, building and expanding all modes of transportation, and delivering quality services to all. The City's initiatives and achievements this year include the following:

- Expanding quality, affordable housing opportunities for our residents,
- Increasing workforce development and professional growth opportunities for the youth of our City through the Summer Youth Internship program,

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- Continuing to maintain and improve core infrastructure through an aggressive capital budget program,
- Adding several new routes to the Charlottesville Transit System

Other recent acknowledgements of Charlottesville's success include:

- Top College Town for Student Living – *“American Institute for Independent Research”*
- Top “Brainiest” Metropolitan Areas – *“The Atlantic”*
- Number One City for Retirement – *“Kiplinger.com”*
- Top 12 College Football Towns – *“Associated Press”*
- Healthiest Place to Live – *“Men’s Journal magazine”* 2010
- Top Place to Retire – *“Kiplinger magazine”* 2010
- AAA Bond Rating—*Moody’s and Standard and Poor’s*, 2010

**For the Future** Our emphasis in the upcoming year will continue to be on ensuring that Charlottesville remains a "world class" city and continues to improve. Creating innovative approaches to service delivery, providing good value to our citizens, exploring possibilities for public/private partnerships as well as privatization opportunities, and being results-oriented will be guidelines for the directions in which we move. These efforts will continue throughout the year and for many years to come. We continue to monitor closely both the state budget and the local economy. They will impact our financial planning and budget strategy in the upcoming months. We also continue to face increasing capital funding demands for a variety of areas, including the City Schools, fire station needs, strategic economic opportunities and public facilities. These and many other requests will have to be prioritized and planned for in order to assure continued success of our City.

**Pension Trust Fund Operations** The operations of the City's Retirement Fund continued to be financially sound and the required contribution was fully funded in fiscal 2010.

Honorable Mayor and Members  
of City Council  
November 15, 2010

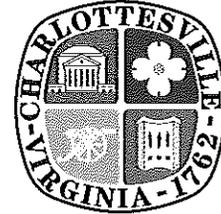
The actuarially determined City contribution rate was 27.92% this year, and the fund's investment yield was 11.3% for the year. The City employs an investment advisory firm and several investment managers for the Retirement Fund's investment portfolio. On July 1, 2007 City Council established a Post-Employment Benefits Trust in addition to the Retirement Trust, which is presented on Exhibit F-1 and F-2 of the Basic Financial Section. Additional information concerning the City's Retirement Fund can be found in Note 11 of Notes to the Financial Statements.

**Cash Management** Cash temporarily idle during the year (for all funds except the City's Retirement Fund) was invested primarily in money market accounts, obligations of the U.S. Treasury, the Local Government Investment Pool (administered by the Treasurer of the Commonwealth of Virginia), and demand deposits. The average yield on cash investments was approximately 1.1%, down from 2.1% for the prior year and 4.3% in 2008.

**Risk Management** During fiscal 2010, the City continued to use a variety of techniques to monitor and finance its risk and exposures for the activities and functions of the City and moved toward emphasis on self-insuring for smaller claims. A separate Risk Management Fund is used to finance the purchase of insurance and to pay self-insured claims. Risk control techniques in various aspects of the City's activities continue to be emphasized, as well as the City's wellness program for employee health care.

#### **OTHER INFORMATION**

**Independent Audit** State law requires that the financial statements of the City be audited annually by a certified public accounting firm selected by City Council. An audit of the financial records of the City has been performed by the accounting firm of Cherry, Bekaert & Holland, LLP for the year ended June 30, 2010. The audit was also designed to meet the requirements of the Single Audit Act of 1996 and the related U.S. Office of Management and Budget Circular A-133. The independent auditors' report on the government-wide financial statements and the fund financial statements and required supplementary information is included in the financial section of this report.



Honorable Mayor and Members  
of City Council  
November 15, 2010

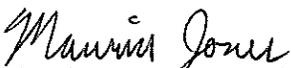
**Awards** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the thirtieth (30<sup>th</sup>) consecutive such award received by the City. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

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

**Acknowledgements** The preparation of this report on a timely basis could not have been accomplished without the dedicated service of each member of the Finance Department. Each deserves our appreciation for their contribution made in the preparation of this report.

In closing, we would like to thank the members of City Council for your continued interest and support in planning and conducting the financial matters of the City in a responsible and progressive manner.

Respectfully submitted,

  
Maurice T. Jones, Acting City Manager

  
Aubrey V. Watts, Jr.  
Chief Operating Officer/Chief Financial Officer

  
Bernard Wray  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Charlottesville  
Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

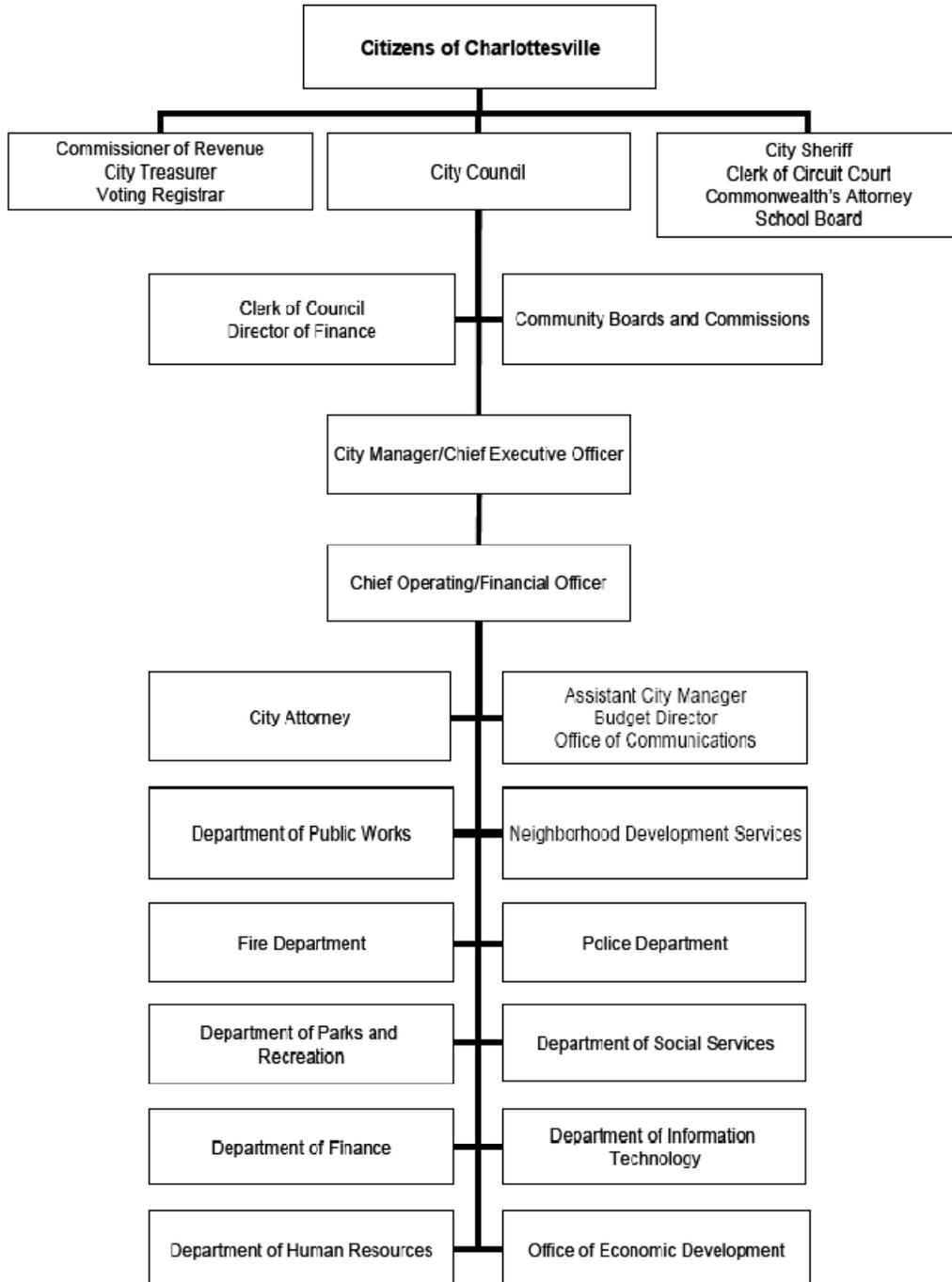
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City Organizational Chart



# **CITY OF CHARLOTTESVILLE, VIRGINIA**

## **LIST OF ELECTED AND APPOINTED OFFICIALS**

**JUNE 30, 2010**

### **ELECTED OFFICIALS**

#### **Council Members:**

Dave Norris	Mayor
Holly Edwards	Vice-Mayor
David E. Brown	Council Member
Satyendra Huja	Council Member
Kristin Szakos	Council Member

#### **Constitutional Officers:**

Jennifer J. Brown	City Treasurer
R. Lee Richards	Commissioner of Revenue
Warner D. Chapman	Commonwealth's Attorney
James E. Brown, III	City Sheriff
Paul D. Garrett	Clerk of Circuit Court

### **APPOINTED OFFICIALS**

Maurice T. Jones	Acting City Manager
Aubrey V. Watts, Jr.	COO, CFO, Director of Economic Development
Leslie M. Beauregard	Director, Budget and Performance Management
S. Craig Brown	City Attorney
Paige Barfield	Clerk of Council
Bernard Wray	Director of Finance
Charles Werner	Fire Chief
H. Galloway Beck	Director of Human Resources
Karen Parker	Interim Director of Information Technology
James E. Tolbert	Director of Neighborhood Development Services
Timothy J. Longo Sr.	Chief of Police
Judith M. Mueller	Director of Public Works
Roosevelt Barbour	Real Estate Assessor
Brian Daly	Director of Parks and Recreation
Sheri L. Iachetta	General Registrar
Diane E. Kuknyo	Interim Director of Social Services
Michael Murphy	Director of Human Services
Ric Barrick	Director of Communications

## **FINANCIAL SECTION**



## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlottesville, Virginia (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in financial position, and 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 November 15, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information included in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules 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 and statistical sections 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.

*Cherry, Bekaert & Holland, L.L.P.*

Richmond, Virginia  
November 15, 2010

# CITY OF CHARLOTTESVILLE, VIRGINIA

## Management's Discussion and Analysis Year Ended June 30, 2010

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This section of the City of Charlottesville's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section. The intent of this discussion and analysis is to evaluate the City's financial performance as a whole.

### FINANCIAL HIGHLIGHTS FOR THE YEAR

- The City's total net assets, on a government-wide basis excluding component units, totaled \$243.3 million at June 30, 2010. Of this amount, \$89.0 million is unrestricted.
- The City's total net assets increased by \$19.6 million over the prior year. This increase is the sum of an \$18.5 million increase for the governmental activities and a \$1.1 million increase for the business-type net assets.
- At June 30, 2010, the City's governmental funds reported combined ending fund balances of \$68.8 million (a decrease of \$1.9 million over the prior year). Approximately 35.3 percent or \$24.3 million of this amount is unreserved and undesignated.
- The General Fund, on a current financial resources basis, reported an excess of revenues and other financing sources over expenditures and other financing uses of \$3.4 million, due primarily to lower than projected expenditures for a number of accounts, including landfill costs, the local match for Social Services, unspent citywide reserves and personnel costs.
- At the end of the fiscal year, undesignated fund balance for the General Fund was \$24.3 million or 19.0 percent of total General Fund expenditures and other financing uses.
- The City's total debt, consisting of general obligation bonds, literary loans and notes payable, increased by \$7.2 million during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Charlottesville's basic financial statements. The City's basic financial statements comprise three components:

- *Government-wide financial statements,*
- *Fund financial statements,*
- *Notes to the financial statements.*

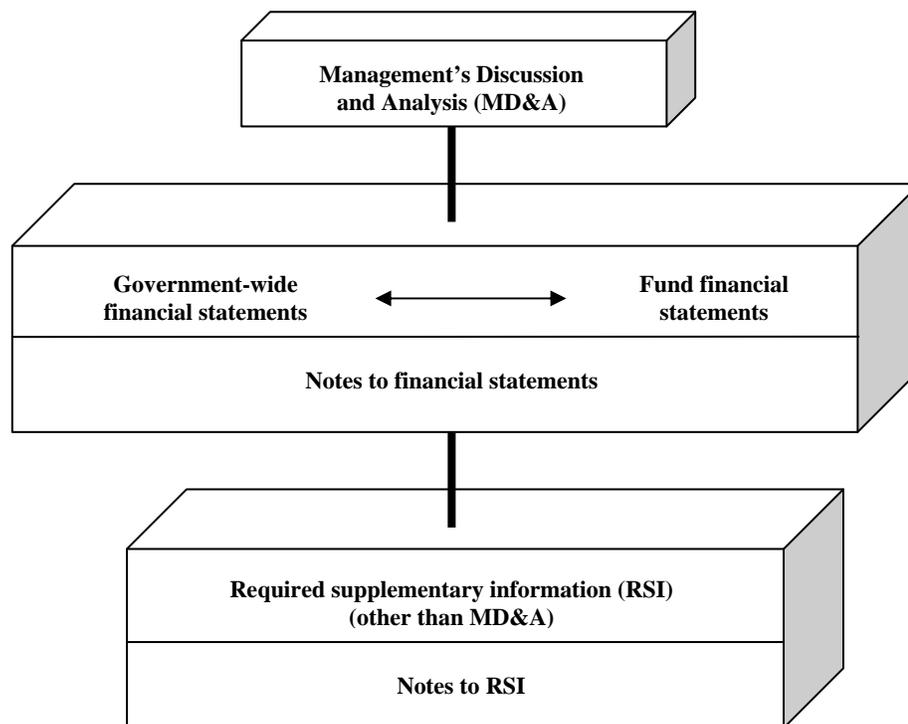
This report contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements presenting different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s *overall financial status*.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City’s government, reporting the City’s operations in *more detail* than the government-wide statements.
  - The *governmental fund* statements tell how *general government* services like public safety were financed in the *short term* as well as what amounts remain for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the public utilities (water, sewer, and gas) systems and the golf course.
  - *Fiduciary fund* statements provide information about the financial relationship in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong, like the City’s retirement plans.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A shows how the required parts of this *Management’s Discussion and Analysis* and the City’s *basic financial statements* are arranged and relate to one another.

**Figure A**  
**Required Components of Charlottesville’s Financial Statements**



The government-wide financial statements provide both long-term and short-term information about the City’s overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City’s operations in more detail than the government-wide statements. Both perspectives (government-wide and fund) allow the user to address relevant questions, broaden the basis of comparison (year-to-year or government-to-government) and enhance the City’s accountability.

## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, include *all* of the government's assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – is one way to measure the City's financial health, or *financial position*. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's roads and other infrastructure may need to be considered to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three categories:

- *Governmental activities* – Most of the City's basic services are included here, such as the activities of the police, fire, public works, social services, and parks and recreation departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to cover the cost of certain services it provides. The City's water, sewer, and gas systems as well as the golf course are included here.
- *Component units* – The City includes two separate legal entities in its report – the City of Charlottesville Economic Development Authority and the Charlottesville Public Schools. Although legally separate, these “component units” are important because the City is financially accountable for them and provides operating funding.

## FUND FINANCIAL STATEMENTS

The format of the fund financial statements will be more familiar to long-time users of government financial statements. The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law; City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants.

The City has three kinds of funds:

- \* *Governmental funds* – Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.
- \* *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The City’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, with the exception of the Internal Service Funds’ allocation, but they provide more detail and additional information, such as cash flows. The City also uses internal service funds (another kind of proprietary fund) to report activities that provide supplies and services for the City’s other programs and activities – such as the Risk Management Fund and the Information Technology Fund.
- \* *Fiduciary funds* – Fiduciary funds are used to report assets held in a trustee or agency capacity for others outside the government. The City maintains two pension trust funds (the Retirement and Post-Employment Benefits Funds) and an agency fund. These activities are reported in a separate statement of fiduciary net assets. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations.

The Total Governmental Funds column requires reconciliation because of the different measurement focus from the government-wide statements (current financial resources versus total economic resources) which is reflected at the bottom of or following each statement. The flow of current financial resources will reflect bond proceeds and inter-fund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations (bond and others) into the Governmental Activities column (in the government-wide statements).

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Statement of Net Assets

The following table reflects the condensed Net Assets:

#### City of Charlottesville, Virginia Summary of Net Assets June 30, 2010 and 2009

Table I

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2009-2010
	2010	2009	2010	2009*	2010	2009*	
<b>Assets:</b>							
Current and other assets	\$ 118,648,869	\$ 120,387,292	\$ 32,143,579	\$ 26,541,066	\$ 150,792,448	\$ 146,928,358	2.6 %
Capital assets	199,884,375	175,794,364	42,641,919	42,659,833	242,526,294	218,454,197	11.0
Total assets	318,533,244	296,181,656	74,785,498	69,200,899	393,318,742	365,382,555	7.6
<b>Liabilities:</b>							
Long-term liabilities outstanding	69,812,682	65,670,412	23,136,618	20,365,231	92,949,300	86,035,643	8.0
Other liabilities	49,318,604	49,561,977	7,704,531	6,023,580	57,023,135	55,585,557	2.6
Total liabilities	\$ 119,131,286	115,232,389	30,841,149	26,388,811	149,972,435	141,621,200	5.9
<b>Net assets:</b>							
Invested in capital assets, net of related debt	132,614,179	117,881,979	21,576,238	21,006,447	154,190,417	138,888,426	11.0
<b>Restricted</b>							
Special revenue funds, expendable	10,000	10,000	-	-	10,000	10,000	-
Permanent fund, nonexpendable	162,501	162,501	-	-	162,501	162,501	-
Unrestricted	66,615,278	62,894,787	22,368,111	21,805,641	88,983,389	84,700,428	5.1
Total net assets	\$ 199,401,958	\$ 180,949,267	\$ 43,944,349	\$ 42,812,088	\$ 243,346,307	\$ 223,761,355	8.8

\* Certain amounts have been restated consistent with detail in note 18.

Net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Charlottesville, assets exceeded liabilities by \$243.3 million at the close of fiscal year 2010. The largest portion of the City's net assets (63.4%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Approximately 0.07% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$89.0 million or 36.6%) may be used to meet the City's ongoing obligations to citizens and creditors.

### **Governmental Activities**

Net assets of the City's governmental activities increased from \$180.9 million to \$199.4 million as a result of the increase in net assets of \$18.5 million as shown on the Statement of Activities. This increase was largely due to the lower than anticipated expenditures in a number of accounts, including landfill costs, the local match for Social Services, unspent citywide reserves and personnel costs. Long-term liabilities increased due to issuance of new debt instruments.

### **Business-type Activities**

The net assets of the City's business-type activities increased by \$1.1 million, as restated, primarily due to the operating gain in the City's gas system (the result of the colder and snowier winter). These resources are not to be used to make up for any net asset deficit in governmental activities. In general, the City can only use these net assets to finance the continued operations of its enterprise operations, which include the Water, Sewer, Gas and Meadowcreek Golf Course enterprise funds.

## Statement of Activities

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

### City of Charlottesville, Virginia Changes In Net Assets For the Years Ended June 30, 2010 and 2009

**Table II**

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2009	2010	2009**	2010	2009**	2009-2010
<b>Revenues:</b>							
<b>Program Revenues:</b>							
Charges for services	\$ 16,533,315	\$ 16,252,727	\$ 49,012,901	\$ 56,281,594	\$ 65,546,216	\$ 72,534,321	(9.6) %
Operating grants and contributions	30,041,750	29,928,495	-	-	30,041,750	29,928,495	0.4
Capital grants and contributions	13,937,735	11,741,986	-	-	13,937,735	11,741,986	18.7
<b>General Revenues:</b>							
Property taxes	55,625,137	57,299,828	-	-	55,625,137	57,299,828	(2.9)
Other taxes	36,280,784	37,273,727	-	-	36,280,784	37,273,727	-
Grants and contributions*	25,160,421	21,166,672	54,667	58,838	25,215,088	21,225,510	18.8
Interest and investment-earnings	918,853	1,435,592	240,142	246,926	1,158,995	1,682,518	(31.1)
<b>Total revenues</b>	<b>178,497,995</b>	<b>175,099,027</b>	<b>49,307,710</b>	<b>56,587,358</b>	<b>227,805,705</b>	<b>231,686,385</b>	<b>(1.7)</b>
<b>Expenses:</b>							
General government	20,575,390	25,817,176	-	-	20,575,390	25,817,176	(20.3)
Public safety	30,547,357	30,527,165	-	-	30,547,357	30,527,165	-
Community services	21,602,923	20,577,112	-	-	21,602,923	20,577,112	5.0
Health and welfare	31,358,502	30,161,585	-	-	31,358,502	30,161,585	4.0
Parks, recreation and culture	9,546,796	9,561,694	-	-	9,546,796	9,561,694	(0.2)
Education	41,990,709	41,558,411	-	-	41,990,709	41,558,411	1.0
Conservation and Development	6,985,191	8,588,251	-	-	6,985,191	8,588,251	(18.7)
Interest on long term debt	2,454,390	2,235,928	-	-	2,454,390	2,235,928	9.8
Water	-	-	8,009,139	7,416,972	8,009,139	7,416,972	8.0
Sewer	-	-	8,840,500	7,090,366	8,840,500	7,090,366	24.7
Gas	-	-	25,111,699	34,388,021	25,111,699	34,388,021	(27.0)
Golf Course	-	-	1,198,157	1,210,638	1,198,157	1,210,638	(1.0)
<b>Total expenses</b>	<b>165,061,258</b>	<b>169,027,322</b>	<b>43,159,495</b>	<b>50,105,997</b>	<b>208,220,753</b>	<b>219,133,319</b>	<b>(5.0)</b>
<b>Change in net assets</b>							
before transfers	13,436,737	6,071,705	6,148,215	6,481,361	19,584,952	12,553,066	56.0
Transfers	5,015,954	4,768,644	(5,015,954)	(4,768,644)	-	-	-
<b>Change in net assets</b>	<b>18,452,691</b>	<b>10,840,349</b>	<b>1,132,261</b>	<b>1,712,717</b>	<b>19,584,952</b>	<b>12,553,066</b>	<b>56.0</b>
Net assets - beginning of year	180,949,267	170,108,918	42,812,088	41,099,371	223,761,355	211,208,289	5.9
<b>Net assets - end of year</b>	<b>\$ 199,401,958</b>	<b>\$ 180,949,267</b>	<b>\$ 43,944,349</b>	<b>\$ 42,812,088</b>	<b>\$ 243,346,307</b>	<b>\$ 223,761,355</b>	<b>8.8</b>

\* Not restricted to specific programs.

\*\* Certain amounts have been restated consistent with detail in note 18.

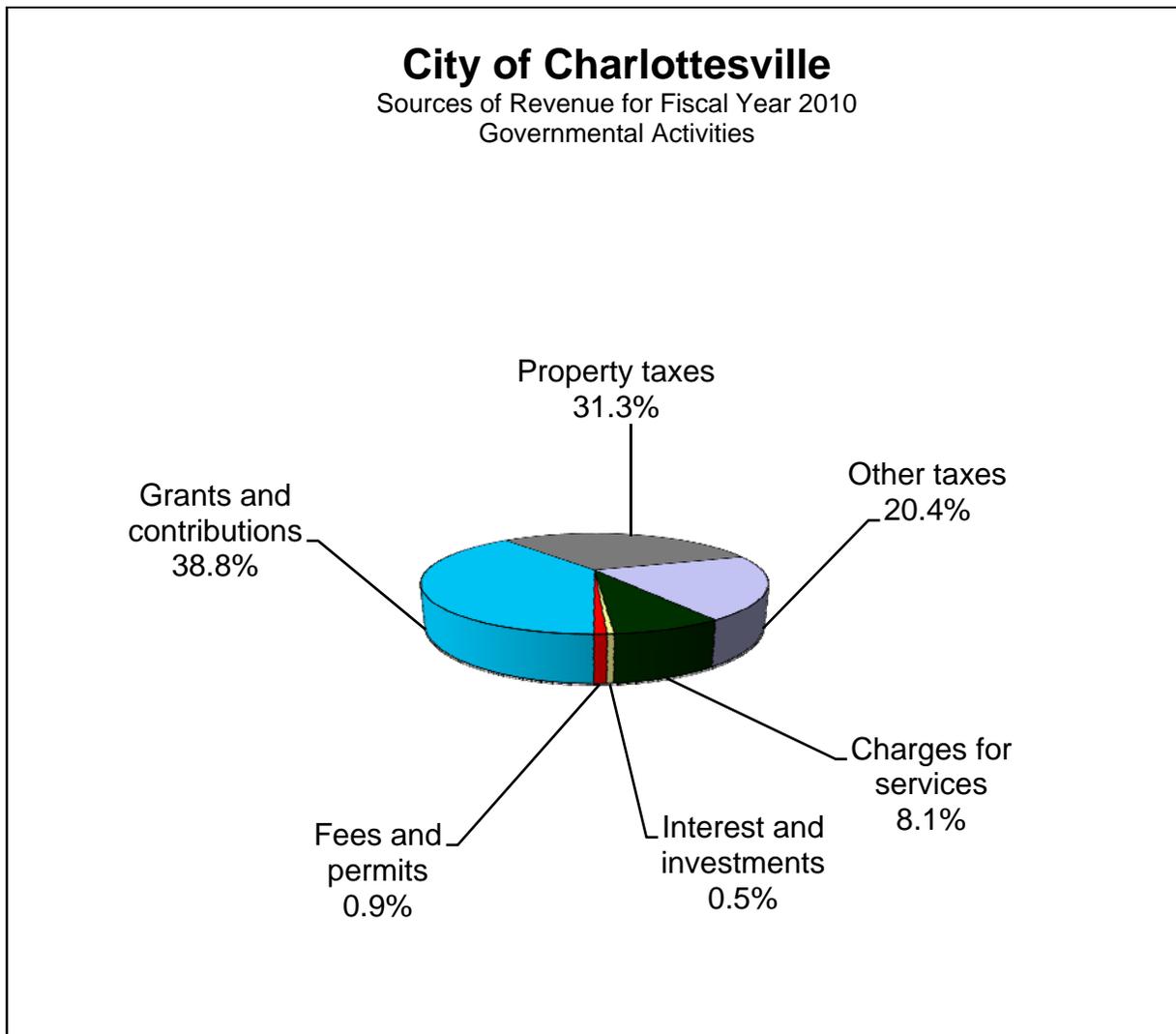
## Governmental Activities

The City's total revenues from governmental activities were \$178.5 million for the fiscal year ended June 30, 2010, an increase of \$3.4 million. The more significant changes are the following:

- Property taxes – a decrease of \$1.7 million, primarily from real estate taxes and personal property taxes.
- Grants and Contributions – an increase of \$4.0 million, primarily from Revenue Sharing with Albemarle County.
- Capital Grants and Contributions – an increase of \$2.2 million, primarily from transit. Transit received grant funds from the American Recovery Reinvestment Act.

Approximately 51.7% of the City's revenue from governmental activities comes from property and other taxes. (54% in 2009).

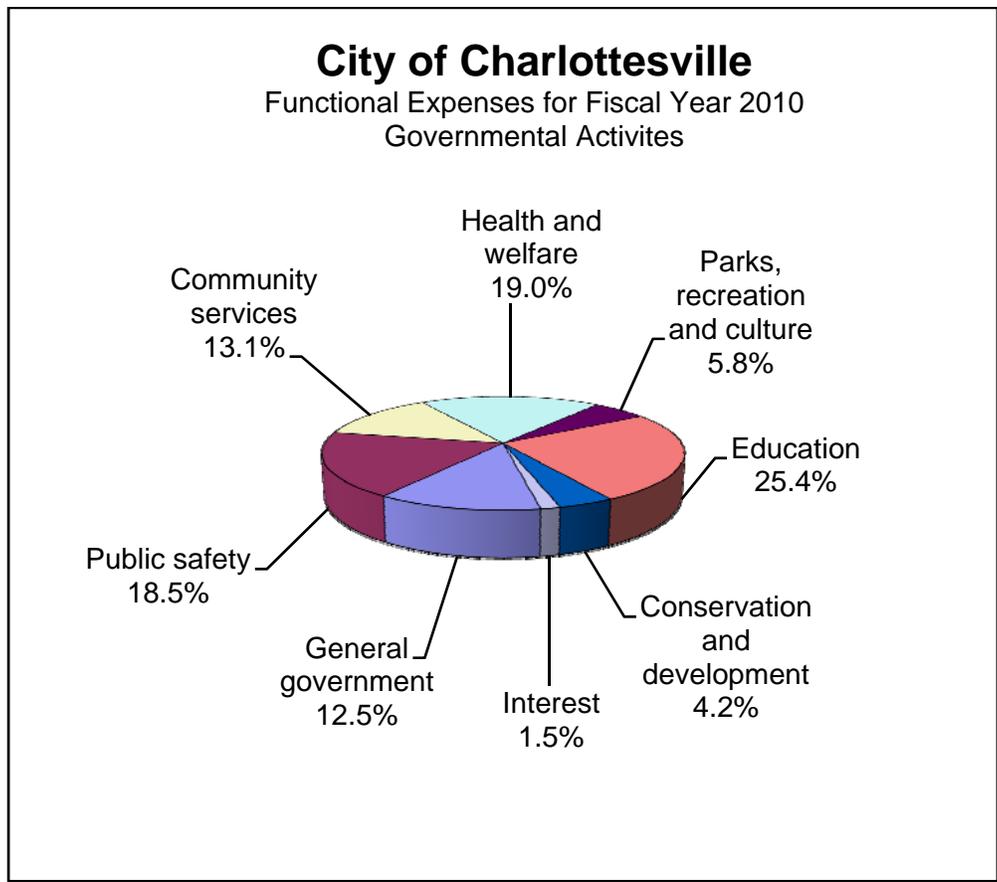
## Revenues by Source – Governmental Activities



The City's expenses decreased by \$4.0 million in 2010. Expenses for fiscal year 2010 cover a wide range of services, with 19.0% or \$31.4 million related to health and welfare, 25.4% or \$42.0 million for education (primarily payments to the Public Schools, a component unit), and 18.5% or \$30.5 million related to public safety. For fiscal year 2010, the City changed its spending in the following areas:

- Health and welfare – an increase of \$1.2 million, representing increased spending under the Comprehensive Services Act Program and Community Attention.
- Community services – an increase of \$1.0 million, representing construction of new sidewalks, contributions to road construction, the Ivy Landfill and transit.
- General government – a decrease of \$5.2 million, representing reduced expenditures on the Juvenile and Domestic Relations Court and reduced local match required for the Meadowcreek Parkway.

**Expenses by Function – Governmental Activities**

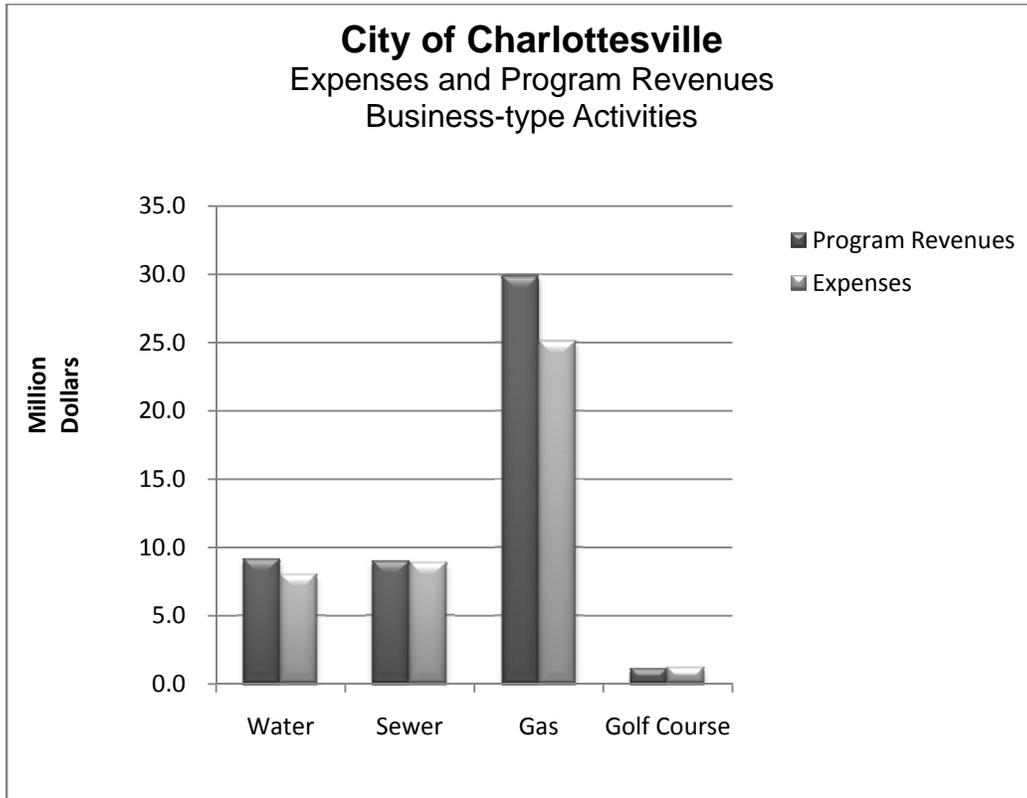


**Business-Type Activities**

Net assets for the City's business-type activities increased by \$1.1 million (as restated, note 18) primarily due to higher volumes for the City's gas system (the result of the colder and snowier winter).

Gas wholesale prices remained steady during fiscal year 2010, starting with a price of \$3.949 per the NYMEX index in July 2009 and ending with a price of \$4.155 in June 2010. While the City's gas prices

remained steady during fiscal year 2010, they had decreased dramatically from the all time high prices of FY2009. According to NYMEX the first seven months of fiscal year 2009 averaged \$4.17 higher than the first seven months of fiscal year 2010. This combined with conservation efforts of citizens reduced gas revenues in fiscal year 2010. The wholesale cost of water and sewage treatment rose due to a rate increase from Rivanna Water and Sewer Authority; City water and sewer rates rose correspondingly, resulting in higher revenues.



## FINANCIAL ANALYSIS OF THE CITY’S FUNDS

The City of Charlottesville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of Charlottesville’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a city’s net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2010, the governmental funds reported combined ending fund balances of \$68.8 million, a decrease of \$2.0 million in comparison with the prior year. Included in this are the following major transactions:

- \$28.7 million spent in the Capital Projects Fund for capital outlay to fund Forest Hills Recreation Building, Single Room Occupancy Housing project, Smith Pool, Avon Transit Station, Ivy Rd/Fontaine Ave Fire Station, neighborhood and housing initiatives, bridge, road and sidewalk construction and other projects.

- \$41.1 million contributed by the City's governmental funds to finance the Public Schools' operations.

Approximately \$52.9 million of the combined total fund balances constitutes *unreserved fund balance*, which generally is available for spending at the government's discretion. Of this amount, \$1.3 million is designated for non-major governmental funds of which \$9.5 million is for debt service.

The remainder of the unreserved fund balance at June 30, 2010, not designated for a specific purpose, is \$24.3 million in the General Fund. This amount represents 19.0% of General Fund expenditures and transfers as a measure of the General Fund's liquidity. Total fund balance of the General Fund increased by \$3.4 million in fiscal year 2010.

### Proprietary Funds

The City of Charlottesville's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

The Water Fund had an increase in net assets of \$.5 million. The Sewer Fund had a decrease in net assets of \$.4 million. The Gas Fund also had an increase of \$.9 million.

### GENERAL FUND BUDGETARY HIGHLIGHTS

#### General Fund For the Year Ended June 30, 2010

Table III

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 58,135,398	\$ 58,135,398	\$ 57,520,194	\$ (615,204)
Other taxes	34,979,446	34,979,446	34,731,264	(248,182)
Intergovernmental	30,515,537	30,612,660	30,462,577	(150,083)
Other	<u>8,099,602</u>	<u>8,573,753</u>	<u>8,431,720</u>	<u>(142,033)</u>
Total	<u>131,729,983</u>	<u>132,301,257</u>	<u>131,145,755</u>	<u>(1,155,502)</u>
Expenditures and transfers (net)				
Expenditures	111,418,097	118,537,172	108,868,320	9,668,852
Transfers (net)	<u>16,251,602</u>	<u>20,296,381</u>	<u>18,907,210</u>	<u>1,389,171</u>
Total	<u>127,669,699</u>	<u>138,833,553</u>	<u>127,775,530</u>	<u>11,058,023</u>
Change in Fund Balance	<u>\$ 4,060,284</u>	<u>\$ (6,532,296)</u>	<u>\$ 3,370,225</u>	<u>\$ 9,902,521</u>

The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$643,413 for encumbrances reappropriated from June 30, 2009, as well as continuing appropriations from the prior year totaling \$3,158,736, and \$1,492,461 for Landfill Remediation Reserve.

Differences between the original and the final amended budget for the City's General Fund for expenditures and other financing uses, net, totaled \$11,163,854. This difference is primarily due to the continuing appropriations from the prior year and supplemental appropriations during the year.

Actual total revenues were less than the amended budget by \$1.1 million, primarily due to lower than estimated tax revenues and current economic conditions. Expenditures and transfers were below budget by \$11 million.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City of Charlottesville's investment in capital assets for its governmental and business-type activities as of June 30, 2010, amounts to \$242.5 million (net of depreciation). This investment includes land, municipal and school buildings and improvements, water, sewer and gas distribution systems, machinery and equipment, roads, and bridges.

Major capital asset events during the fiscal year included the following:

- Downtown Mall and side street renovations
- Neighborhood improvements and housing initiatives
- Recreation facility and park improvements
- General government building renovations
- Smith Pool
- Avon Transit Station
- Forest Hills Recreation Building
- Single Room Occupancy Housing project
- Ivy Rd/Fontaine Ave Fire Station.

The City's fiscal year 2010 capital budget provides for \$16.3 million for various capital projects; \$2.5 million in school related projects, \$1.2 million for public safety, \$2.8 million for transportation projects, and \$6.1 million for parks and recreation facility improvements, \$1.1 facility capital projects and, \$0.8 million for stormwater initiatives, \$1.8 other governmental commitments. General obligation bonds have been issued for a portion of the funding, in accordance with the City's on-going, five year capital plan.

### City of Charlottesville's Capital Assets (net of accumulated depreciation)

June 30, 2010 and 2009

Table IV

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2009	2010	2009*	2010	2009*	2009-2010
Land	\$ 14,763,359	\$ 13,723,753	\$ 2,026,623	\$ 1,999,823	\$ 16,789,982	\$ 15,723,576	6.8 %
Buildings and improvements	117,852,097	100,322,482	620,695	664,323	118,472,792	100,986,805	17.3
Vehicles	8,360,174	7,351,091	684,958	703,586	9,045,132	8,054,677	12.3
Equipment	4,941,611	5,503,575	818,128	1,003,442	5,759,739	6,507,017	(11.5)
Streets	15,211,978	9,223,972	-	-	15,211,978	9,223,972	64.9
Bridges	2,153,970	2,051,477	-	-	2,153,970	2,051,477	5.0
Infrastructure	36,601,186	37,618,014	-	-	36,601,186	37,618,014	(2.7)
Distribution and collection systems	-	-	38,491,515	38,288,659	38,491,515	38,288,659	0.5
Total	<u>\$ 199,884,375</u>	<u>\$ 175,794,364</u>	<u>\$ 42,641,919</u>	<u>\$ 42,659,833</u>	<u>\$ 242,526,294</u>	<u>\$ 218,454,197</u>	11.0

\* Certain amounts have been restated consistent with detail in note 18.

Additional information about the City of Charlottesville's capital assets can be found in note 9 of the financial statements.

## Long-term Debt

At the end of the current fiscal year, the City of Charlottesville had total bonded debt (including notes payable and literary loans) outstanding of \$99.7 million. This entire amount is backed by the full faith and credit of the City and \$25.4 million is being repaid by the City's utilities.

### City of Charlottesville's Outstanding Debt General Obligation Bonds, Literary Loans and Notes Payable June 30, 2010 and 2009

Table V

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2010	2009	2010	2009	2010	2009	Change
General obligation bonds	\$ 72,117,050	\$ 67,492,366	\$ 25,212,952	\$ 22,187,636	\$ 97,330,002	\$ 89,680,002	8.5 %
Literary loans payable	144,861	171,379	-	-	144,861	171,379	(15.5)
Installment notes payable	2,086,798	2,399,760	151,791	244,456	2,238,589	2,644,216	(15.3)
Total	\$ 74,348,709	\$ 70,063,505	\$ 25,364,743	\$ 22,432,092	\$ 99,713,452	\$ 92,495,597	7.8

Charlottesville's total debt increased by \$7.2 million during the fiscal year. On its most recent bond issue in June 2010, the City's bond rating was reaffirmed by Standard & Poor's Corporation and Moody's Investors Service, as AAA and Aaa, respectively.

State statutes limit the amount of general obligation debt a government entity may issue to 10 percent of its total assessed valuation of real property. The current debt limitation for the City of Charlottesville is \$525,718,270. This is significantly more than the City's current total outstanding debt.

Additional information on the City of Charlottesville's long-term debt can be found in note 10 of the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Unemployment levels in the City of Charlottesville as of June 30, 2010 were 7.8 percent. This compares favorably with the national rate of 9.7 percent and is slightly higher than the state's rate of 7.1 percent.
- City employment levels declined slightly from 20,551 in July 2009 to 20,136 in July 2010 based on current Virginia Employment Commission statistics.
- The City has a population of 40,745, according to the 2000 census revised in October 2005.

These indicators were taken into account when adopting the general fund budget for 2011. Amounts available for appropriation in the General Fund budget for 2011 are \$126.0 million, a decrease of 0.8 percent over the final 2010 budget of \$126.9 million.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, City of Charlottesville, 605 East Main Street, Charlottesville, Virginia 22902.

## **BASIC FINANCIAL SECTION**

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents (note 3)	\$ 78,063,273	\$ 23,523,153	\$ 101,586,426	\$ 5,563,097	\$ 592,615
Investments (note 3)	-	-	-	-	856,380
Accounts receivable, net	503,419	4,521,845	5,025,264	751,921	-
Special assessments receivable	16,813	-	16,813	-	-
Taxes receivable, net	29,136,304	-	29,136,304	-	-
Loans receivable (note 5)	960,967	-	960,967	-	-
Notes receivable (note 6)	-	1,574,830	1,574,830	-	1,797,152
Due from other governments (note 7)	9,011,532	-	9,011,532	3,495,803	-
Internal balances	362,972	(362,972)	-	-	-
Inventories	204,462	337,582	542,044	78,658	-
Prepaid expenses	389,127	2,549,141	2,938,268	-	26
Capital assets (note 9):					
Land	12,610,083	1,921,723	14,531,806	982,889	-
Infrastructure right of way	2,153,276	104,900	2,258,176	-	-
Depreciable assets, net	185,121,016	40,615,296	225,736,312	5,590,879	-
<b>Total assets</b>	<b>318,533,244</b>	<b>74,785,498</b>	<b>393,318,742</b>	<b>16,463,247</b>	<b>3,246,173</b>
<b>LIABILITIES</b>					
Accounts payable	5,829,245	3,737,853	9,567,098	466,445	608
Accrued liabilities	5,753,670	343,433	6,097,103	5,158,333	137,752
Customer deposits	-	753,319	753,319	-	65,895
Due to other governments	71,105	-	71,105	-	-
Unearned revenue	26,935,767	-	26,935,767	34,886	-
Accrued interest payable	584,220	222,039	806,259	-	-
Noncurrent liabilities due within one year:					
Insurance claims payable (note 16)	2,676,810	-	2,676,810	452,927	-
Compensated absences (note 10)	235,938	28,482	264,420	144,502	-
Notes and loans payable (note 10)	621,860	74,382	696,242	-	-
Bonds payable (note 10)	5,539,950	2,110,050	7,650,000	-	-
Noncurrent liabilities due in more than one year:					
Insurance claims payable (note 16)	147,183	-	147,183	-	-
Compensated absences (note 10)	1,730,210	208,873	1,939,083	1,059,679	-
Unfunded liability for post employment medical benefits (note 10)	-	-	-	190,159	-
Notes and loans payable (note 10)	1,609,799	77,409	1,687,208	-	-
Bonds payable (note 10)	67,395,529	23,285,309	90,680,838	-	-
<b>Total liabilities</b>	<b>119,131,286</b>	<b>30,841,149</b>	<b>149,972,435</b>	<b>7,506,931</b>	<b>204,255</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	132,614,182	21,576,238	154,190,420	6,573,768	-
Restricted for: (note 2a)					
Conservation and development	10,000	-	10,000	-	-
Permanent fund, nonexpendable	162,501	-	162,501	-	-
Unrestricted	66,615,275	22,368,111	88,983,386	2,382,548	3,041,918
<b>Total net assets</b>	<b>\$ 199,401,958</b>	<b>\$ 43,944,349</b>	<b>\$ 243,346,307</b>	<b>\$ 8,956,316</b>	<b>\$ 3,041,918</b>

The accompanying notes are an integral part of the basic financial statements.

CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT B

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	School Board	Economic Development Authority
<b>PRIMARY GOVERNMENT:</b>									
Governmental activities:									
General government	\$ 20,575,390	\$ 10,624,798	\$ 2,099,757	\$ 630,275	\$ (7,220,560)	\$ -	\$ (7,220,560)		
Public safety	30,547,357	42,850	1,554,604	-	(28,949,903)	-	(28,949,903)		
Community services	21,602,923	1,945,796	7,947,633	13,285,028	1,575,534	-	1,575,534		
Health and welfare	31,358,502	2,719,628	18,163,600	-	(10,475,274)	-	(10,475,274)		
Parks, recreation and culture	9,546,796	943,705	51,953	-	(8,551,138)	-	(8,551,138)		
Education (includes payment to school system)	41,990,709	228,853	224,203	22,432	(41,515,221)	-	(41,515,221)		
Conservation and development	6,985,191	27,685	-	-	(6,957,506)	-	(6,957,506)		
Interest on long-term debt	2,454,390	-	-	-	(2,454,390)	-	(2,454,390)		
Total governmental activities	165,061,258	16,533,315	30,041,750	13,937,735	(104,548,458)	-	(104,548,458)		
Business-type activities:									
Water	8,009,139	9,134,985	-	-	-	1,125,846	1,125,846		
Sewer	8,840,500	8,952,616	-	-	-	112,116	112,116		
Gas	25,111,699	29,860,371	-	-	-	4,748,672	4,748,672		
Golf course	1,198,157	1,064,929	54,667	-	-	(78,561)	(78,561)		
Total business-type activities	43,159,495	49,012,901	54,667	-	-	5,908,073	5,908,073		
TOTAL PRIMARY GOVERNMENT	\$ 208,220,753	\$ 65,546,216	\$ 30,096,417	\$ 13,937,735	(104,548,458)	5,908,073	(98,640,385)		
<b>COMPONENT UNITS:</b>									
Economic Development Authority	\$ 352,713	\$ 605,369	\$ -	\$ -				\$ -	\$ 252,656
School Board	62,036,896	2,896,629	10,829,141	-				(48,311,126)	-
TOTAL COMPONENT UNITS	\$ 62,389,609	\$ 3,501,998	\$ 10,829,141	\$ -				(48,311,126)	252,656
General Revenues:									
General property taxes					55,625,137	-	55,625,137	-	-
Sales tax					9,312,664	-	9,312,664	-	-
Utility tax					4,419,303	-	4,419,303	-	-
Communications tax					3,352,581	-	3,352,581	-	-
Meals tax					6,454,663	-	6,454,663	-	-
Lodgings tax					2,475,914	-	2,475,914	-	-
Other taxes					3,762,710	-	3,762,710	-	-
Business license tax					6,502,949	-	6,502,949	-	-
Grants and contributions not restricted to specific programs					25,160,421	-	25,160,421	14,015,506	-
Payment from City					-	-	-	34,553,321	-
Interest and investment earnings					918,853	240,142	1,158,995	4,016	155,955
Transfers, net					5,015,954	(5,015,954)	-	-	-
Total general revenues and transfers					123,001,149	(4,775,812)	118,225,337	48,572,843	155,955
Change in net assets					18,452,691	1,132,261	19,584,952	261,717	408,611
Net assets - July 1, 2009, as restated in note 18					180,949,267	42,812,088	223,761,355	8,694,599	2,633,307
Net assets - June 30, 2010					\$ 199,401,958	\$ 43,944,349	\$ 243,346,307	\$ 8,956,316	\$ 3,041,918

The accompanying notes are an integral part of the basic financial statements.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Social Services Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 34,913,188	\$ 22,660,346	\$ 102,832	\$ 10,213,024	\$ 67,889,390
Accounts receivable, net	250,844	154,919	4,178	92,851	502,792
Taxes receivable, net	29,136,303	-	-	-	29,136,303
Special assessments receivable	-	16,813	-	-	16,813
Due from other governments (note 7)	2,969,213	1,378,266	785,630	3,878,423	9,011,532
Due from other funds (note 8)	1,256,022	-	-	-	1,256,022
Loans receivable (note 5)	-	880,000	-	80,967	960,967
Total assets	<u>\$ 68,525,570</u>	<u>\$ 25,090,344</u>	<u>\$ 892,640</u>	<u>\$ 14,265,265</u>	<u>\$ 108,773,819</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 1,338,202	\$ 3,677,768	\$ 24,131	\$ 521,379	\$ 5,561,480
Accrued liabilities	3,312,479	-	384,966	1,815,129	5,512,574
Due to other governments	-	-	-	71,105	71,105
Due to other funds (note 8)	-	-	-	809,895	809,895
Deferred revenue	28,059,809	-	-	-	28,059,809
Total liabilities	<u>32,710,490</u>	<u>3,677,768</u>	<u>409,097</u>	<u>3,217,508</u>	<u>40,014,863</u>
<b>FUND BALANCES (note 2c):</b>					
Reserved	1,180,647	14,545,925	-	172,501	15,899,073
Unreserved, designated:					
Major Governmental Funds	10,363,172	6,866,651	483,543	-	17,713,366
Special Revenue Funds	-	-	-	1,328,208	1,328,208
Debt Service Fund	-	-	-	9,547,048	9,547,048
Unreserved, undesignated:					
General Fund	24,271,261	-	-	-	24,271,261
Total fund balances	<u>35,815,080</u>	<u>21,412,576</u>	<u>483,543</u>	<u>11,047,757</u>	<u>68,758,956</u>
Total liabilities and fund balances	<u>\$ 68,525,570</u>	<u>\$ 25,090,344</u>	<u>\$ 892,640</u>	<u>\$ 14,265,265</u>	<u>\$ 108,773,819</u>

(continued)

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

Total fund balances per Balance Sheet for Governmental Funds	\$ 68,758,956
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit A) are different because:	
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The Statement of Net Assets, however, include these assets, net of accumulated depreciation.	198,943,474
Other long-term assets are not available to pay current-period expenditures and therefore are deferred in the governmental funds and are not included in fund balance.	
Property taxes receivable	1,124,040
Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunication to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the Statement of Net Assets.	
Internal Service Funds equity	8,193,519
Some liabilities, including general governmental bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are included in the Statement of Net Assets.	
Accrued interest payable	(584,220)
Unamortized premium on bonds	(1,070,039)
Bonds and notes payable	(74,348,709)
Deferred amount of refunding	251,610
Compensated absences	<u>(1,866,673)</u>
Net assets of governmental activities	<u>\$ 199,401,958</u>

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes	\$ 92,251,458	\$ -	\$ -	\$ -	\$ 92,251,458
Fees and permits	1,640,727	-	-	-	1,640,727
Intergovernmental	30,462,577	12,513,591	10,028,497	14,884,174	67,888,839
Charges for services	4,569,003	-	-	3,499,427	8,068,430
Fines	392,515	-	-	-	392,515
Investment earnings	891,788	6	-	27,061	918,855
Miscellaneous	937,687	297,793	42,390	527,708	1,805,578
Total revenues	<u>131,145,755</u>	<u>12,811,390</u>	<u>10,070,887</u>	<u>18,938,370</u>	<u>172,966,402</u>
<b>EXPENDITURES</b>					
Current:					
General government	12,528,527	1,316,054	-	-	13,844,581
Public safety	30,206,377	5,001	-	548,660	30,760,038
Community service	7,168,627	4,698,996	-	9,132,730	21,000,353
Health and welfare	5,247,485	-	12,736,520	13,499,051	31,483,056
Parks, recreation and culture	8,923,677	147,961	-	51,953	9,123,591
Education	40,094,555	1,009,804	-	-	41,104,359
Conservation and development	4,422,401	1,423,753	-	549,759	6,395,913
Other activities	276,671	-	-	-	276,671
Debt service:					
Principal	-	-	-	5,926,396	5,926,396
Interest	-	-	-	2,407,670	2,407,670
Miscellaneous	-	-	-	107,867	107,867
Capital outlay	-	28,702,858	-	-	28,702,858
Total expenditures	<u>108,868,320</u>	<u>37,304,427</u>	<u>12,736,520</u>	<u>32,224,086</u>	<u>191,133,353</u>
Revenues over (under) expenditures	<u>22,277,435</u>	<u>(24,493,037)</u>	<u>(2,665,633)</u>	<u>(13,285,716)</u>	<u>(18,166,951)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds (note 8)	5,124,632	9,206,529	2,665,737	13,645,178	30,642,076
Transfers to other funds (note 8)	(24,287,242)	(238,146)	-	(207,726)	(24,733,114)
Issuance of debt (note 10)	255,400	9,956,200	-	-	10,211,600
Premium on issuance of debt	-	93,887	-	-	93,887
Total other financing sources (uses)	<u>(18,907,210)</u>	<u>19,018,470</u>	<u>2,665,737</u>	<u>13,437,452</u>	<u>16,214,449</u>
Net change in fund balance	3,370,225	(5,474,567)	104	151,736	(1,952,502)
<b>FUND BALANCE - JULY 1, 2009</b>	<u>32,444,855</u>	<u>26,887,143</u>	<u>483,439</u>	<u>10,896,021</u>	<u>70,711,458</u>
<b>FUND BALANCE - JUNE 30, 2010</b>	<u>\$ 35,815,080</u>	<u>\$ 21,412,576</u>	<u>\$ 483,543</u>	<u>\$ 11,047,757</u>	<u>\$ 68,758,956</u>

(continued)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

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Net change in fund balances - total governmental funds (Exhibit D) \$ (1,952,502)

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

Governmental funds report the cost of equipment and facilities acquired as current expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets.

Change in capital assets	32,444,266
Depreciation expense	(7,677,621)

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

Property taxes	(345,540)
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Debt proceeds provide current financing resources to governmental funds, but debt issues increase long term liabilities in the Statement of Net Assets. Principal repayments are expenditures in governmental funds, but reduce long term liabilities in the Statement of Net Assets

New debt issued	(10,211,600)
Principal payments	5,926,396

Governmental funds report interest on long-term debt as expenditures when payments are due, while the Statement of Activities reports interest expense on the accrual basis.

Change in accrued interest	43,343
Amortization of bond premium	(13,619)
Amortization of deferred amount of refunding	(62,464)

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

Compensated absences	16,966
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The net expense of internal service funds is combined with governmental activities on the Statement of Activities.

285,066
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Change in Net Assets of Governmental Activities

\$ 18,452,691
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The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 JUNE 30, 2010**

	Business - type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 5,691,418	\$ 9,180,033	\$ 8,556,519	\$ 1,100	\$ 23,429,070	\$ 10,267,966
Accounts receivable, net	733,900	584,203	1,005,359	5,277	2,328,739	631
Unbilled accounts receivable	708,005	683,783	801,318	-	2,193,106	-
Note receivable	507,164	1,067,666	-	-	1,574,830	-
Inventories	-	-	-	30,100	30,100	511,944
Prepaid expenses	-	-	2,549,141	-	2,549,141	389,127
<b>Total current assets</b>	<b>7,640,487</b>	<b>11,515,685</b>	<b>12,912,337</b>	<b>36,477</b>	<b>32,104,986</b>	<b>11,169,668</b>
Noncurrent assets:						
Capital assets (note 9):						
Land	-	-	584,291	1,337,432	1,921,723	-
Easements	-	70,800	34,100	-	104,900	-
Buildings and improvements	-	-	-	1,743,755	1,743,755	-
Vehicles	378,974	597,893	1,422,079	14,156	2,413,102	35,724
Transmission lines and mains	17,575,847	13,302,829	37,920,562	-	68,799,238	-
Equipment	499,386	402,899	2,031,144	288,464	3,221,893	8,922,216
<b>Total capital assets</b>	<b>18,454,207</b>	<b>14,374,421</b>	<b>41,992,176</b>	<b>3,383,807</b>	<b>78,204,611</b>	<b>8,957,940</b>
Less accumulated depreciation	(7,961,554)	(4,197,557)	(22,024,423)	(1,379,158)	(35,562,692)	(8,017,039)
<b>Net noncurrent assets</b>	<b>10,492,653</b>	<b>10,176,864</b>	<b>19,967,753</b>	<b>2,004,649</b>	<b>42,641,919</b>	<b>940,901</b>
<b>Total assets</b>	<b>18,133,140</b>	<b>21,692,549</b>	<b>32,880,090</b>	<b>2,041,126</b>	<b>74,746,905</b>	<b>12,110,569</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	728,919	1,519,616	1,454,304	20,628	3,723,467	282,152
Accrued liabilities	42,927	42,179	210,583	42,051	337,740	246,789
Accrued interest payable	84,973	66,526	70,540	-	222,039	-
Customer deposits	172,553	-	580,766	-	753,319	-
Due to other funds (note 8)	-	-	-	446,127	446,127	-
Insurance claims payable (note 16)	-	-	-	-	-	2,676,810
Compensated absences	4,757	4,120	16,315	3,176	28,368	12,052
Bonds payable - due within one year (note 10)	629,500	648,250	832,300	-	2,110,050	-
Note payable - due within one year (note 10)	-	-	74,382	-	74,382	-
<b>Total current liabilities</b>	<b>1,663,629</b>	<b>2,280,691</b>	<b>3,239,190</b>	<b>511,982</b>	<b>7,695,492</b>	<b>3,217,803</b>
Noncurrent liabilities:						
Compensated absences	34,888	30,215	119,645	23,289	208,037	88,373
Bonds payable (net of unamortized premium and deferred amount on refunding) (note 10)	8,864,398	9,785,132	4,635,779	-	23,285,309	-
Note payable (note 10)	-	-	77,409	-	77,409	-
Insurance claims payable (note 16)	-	-	-	-	-	147,183
<b>Total noncurrent liabilities</b>	<b>8,899,286</b>	<b>9,815,347</b>	<b>4,832,833</b>	<b>23,289</b>	<b>23,570,755</b>	<b>235,556</b>
<b>Total liabilities</b>	<b>10,562,915</b>	<b>12,096,038</b>	<b>8,072,023</b>	<b>535,271</b>	<b>31,266,247</b>	<b>3,453,359</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	2,173,085	3,050,620	14,347,883	2,004,650	21,576,238	940,901
Unrestricted	5,397,140	6,545,891	10,460,184	(498,795)	21,904,420	7,716,309
<b>Total net assets</b>	<b>\$ 7,570,225</b>	<b>\$ 9,596,511</b>	<b>\$ 24,808,067</b>	<b>\$ 1,505,855</b>	<b>\$ 43,480,658</b>	<b>\$ 8,657,210</b>

The accompanying notes are an integral part of the basic financial statements.

**RECONCILIATION OF THE PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS TO THE  
STATEMENT OF NET ASSETS FOR BUSINESS-TYPE ACTIVITIES  
JUNE 30, 2010**

	<u>Total Enterprise Funds</u>	<u>Internal Service Funds Allocation</u>	<u>Business-type Activities Statement of Net Assets</u>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 23,429,070	\$ 94,083	\$ 23,523,153
Accounts receivable, net	2,328,739	-	2,328,739
Unbilled accounts receivable	2,193,106	-	2,193,106
Notes receivable	1,574,830	-	1,574,830
Due from other funds	-	83,155	83,155
Inventories	30,100	307,482	337,582
Prepaid expenses	2,549,141	-	2,549,141
Total current assets	<u>32,104,986</u>	<u>484,720</u>	<u>32,589,706</u>
Noncurrent assets:			
Capital assets:			
Land	1,921,723	-	1,921,723
Easements	104,900	-	104,900
Buildings	1,743,755	-	1,743,755
Vehicles	2,413,102	-	2,413,102
Transmission lines and mains	68,799,238	-	68,799,238
Equipment	3,221,893	-	3,221,893
Total capital assets	78,204,611	-	78,204,611
Less accumulated depreciation	(35,562,692)	-	(35,562,692)
Net noncurrent assets	<u>42,641,919</u>	<u>-</u>	<u>42,641,919</u>
Total assets	<u>74,746,905</u>	<u>484,720</u>	<u>75,231,625</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	3,723,467	14,386	3,737,853
Accrued liabilities	337,740	5,693	343,433
Accrued interest payable	222,039	-	222,039
Customer deposits	753,319	-	753,319
Due to other funds	446,127	-	446,127
Compensated absences	28,368	114	28,482
Bonds payable - due within one year	2,110,050	-	2,110,050
Note payable - due within one year	74,382	-	74,382
Total current liabilities	<u>7,695,492</u>	<u>20,193</u>	<u>7,715,685</u>
Noncurrent liabilities:			
Compensated absences	208,037	836	208,873
Bonds payable (net of unamortized premium and deferred amount on refunding)	23,285,309	-	23,285,309
Note payable - due after one year	77,409	-	77,409
Total noncurrent liabilities	<u>23,570,755</u>	<u>836</u>	<u>23,571,591</u>
Total liabilities	<u>31,266,247</u>	<u>21,029</u>	<u>31,287,276</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	21,576,238	-	21,576,238
Unrestricted	21,904,420	463,691	22,368,111
Total net assets	<u>\$ 43,480,658</u>	<u>\$ 463,691</u>	<u>\$ 43,944,349</u>

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Business - type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
<b>Operating revenues</b>						
Utility charges	\$ 8,535,024	\$ 8,438,447	\$ 29,549,226	\$ -	\$ 46,522,697	\$ -
Other charges for services	185,009	64,106	291,319	995,929	1,536,363	20,397,522
Total operating revenues	<u>8,720,033</u>	<u>8,502,553</u>	<u>29,840,545</u>	<u>995,929</u>	<u>48,059,060</u>	<u>20,397,522</u>
<b>Operating expenses</b>						
Purchases for resale	4,610,815	6,509,729	15,984,765	55,634	27,160,943	1,745,841
Personnel costs	1,045,242	1,131,288	4,104,159	629,295	6,909,984	2,832,553
Materials and supplies	237,628	145,313	536,015	151,767	1,070,723	453,890
Contractual services and charges	1,328,736	528,242	3,178,340	273,904	5,309,222	2,475,382
Depreciation	480,669	277,278	1,185,860	94,720	2,038,527	833,858
Claims incurred	-	-	-	-	-	8,848,610
Insurance premiums	-	-	-	-	-	1,830,660
Total operating expenses	<u>7,703,090</u>	<u>8,591,850</u>	<u>24,989,139</u>	<u>1,205,320</u>	<u>42,489,399</u>	<u>19,020,794</u>
Operating income (loss)	<u>1,016,943</u>	<u>(89,297)</u>	<u>4,851,406</u>	<u>(209,391)</u>	<u>5,569,661</u>	<u>1,376,728</u>
<b>Nonoperating revenues (expenses)</b>						
Insurance recovery	835	-	4,444	-	5,279	-
Gain on sale of capital assets	251	921	4,077	69,000	74,249	-
Interest expense	(304,457)	(256,039)	(243,660)	(848)	(805,004)	-
Interest income	66,783	107,212	66,147	-	240,142	-
Bond issuance expense	(26,575)	(21,893)	-	-	(48,468)	-
Capacity fees-nonoperating	410,810	448,225	-	-	859,035	-
Grants and contributions	-	-	-	54,667	54,667	-
Total nonoperating revenues (expenses), net	<u>147,647</u>	<u>278,426</u>	<u>(168,992)</u>	<u>122,819</u>	<u>379,900</u>	<u>-</u>
Income (loss) before transfers	<u>1,164,590</u>	<u>189,129</u>	<u>4,682,414</u>	<u>(86,572)</u>	<u>5,949,561</u>	<u>1,376,728</u>
<b>Transfers</b>						
Transfers from other funds	-	-	-	43,905	43,905	132,759
Transfers to other funds	(678,047)	(619,718)	(3,762,094)	-	(5,059,859)	(1,025,767)
Total transfers, net	<u>(678,047)</u>	<u>(619,718)</u>	<u>(3,762,094)</u>	<u>43,905</u>	<u>(5,015,954)</u>	<u>(893,008)</u>
Change in net assets	486,543	(430,589)	920,320	(42,667)	933,607	483,720
Total net assets - July 1, 2009, as restated note 18	<u>7,083,682</u>	<u>10,027,100</u>	<u>23,887,747</u>	<u>1,548,522</u>	<u>42,547,051</u>	<u>8,173,490</u>
Total net assets - June 30, 2010	<u>\$ 7,570,225</u>	<u>\$ 9,596,511</u>	<u>\$ 24,808,067</u>	<u>\$ 1,505,855</u>	<u>\$ 43,480,658</u>	<u>\$ 8,657,210</u>
Change in net assets					\$ 933,607	
Warehouse external sales					15,278	
Expenses associated with warehouse external sales					(14,741)	
Net allocation of warehouse external sales					537	
Internal service fund allocations					198,117	
Change in net assets - Statement of Activities					<u>\$ 1,132,261</u>	

The accompanying notes are an integral part of the basic financial statements.

**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

	Water Fund	Sewer Fund	Gas Fund	Golf Course Fund	Total
<b>Direct Revenues</b>					
Charges for services	\$ 8,720,033	\$ 8,502,553	\$ 29,840,545	\$ 995,929	\$ 48,059,060
Capacity fees	410,810	448,225	-	-	859,035
Insurance recovery	835	-	4,444	-	5,279
Gain on sale of capital assets	251	921	4,077	69,000	74,249
Warehouse external sales	3,056	917	11,305	-	15,278
	<u>9,134,985</u>	<u>8,952,616</u>	<u>29,860,371</u>	<u>1,064,929</u>	<u>49,012,901</u>
Charges for services	9,134,985	8,952,616	29,860,371	1,064,929	49,012,901
Operating grants and contributions	-	-	-	54,667	54,667
	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,667</u>	<u>54,667</u>
Program revenues - Statement of Activities	9,134,985	8,952,616	29,860,371	1,119,596	49,067,568
<b>Direct Expenses</b>					
Purchases for resale	4,610,815	6,509,729	15,984,765	55,634	27,160,943
Personnel costs	1,045,242	1,131,288	4,104,159	629,295	6,909,984
Materials and supplies	237,628	145,313	536,015	151,767	1,070,723
Contractual services and charges	1,328,736	528,242	3,178,340	273,904	5,309,222
Depreciation	480,669	277,278	1,185,860	94,720	2,038,527
Interest expense	304,457	256,039	243,660	848	805,004
Bond issuance expense	26,575	21,893	-	-	48,468
	<u>8,034,122</u>	<u>8,869,782</u>	<u>25,232,799</u>	<u>1,206,168</u>	<u>43,342,871</u>
Total fund expenses	8,034,122	8,869,782	25,232,799	1,206,168	43,342,871
Expenses associated with warehouse external sales	2,948	884	10,909	-	14,741
Internal service fund allocations	(27,931)	(30,166)	(132,009)	(8,011)	(198,117)
	<u>(27,931)</u>	<u>(30,166)</u>	<u>(132,009)</u>	<u>(8,011)</u>	<u>(198,117)</u>
Program expenses - Statement of Activities	8,009,139	8,840,500	25,111,699	1,198,157	43,159,495
Revenues over (under) expenses	1,125,846	112,116	4,748,672	(78,561)	5,908,073
Interest and investment earnings	66,783	107,212	66,147	-	240,142
Transfers from other funds	-	-	-	43,905	43,905
Transfers to other funds	(678,047)	(619,718)	(3,762,094)	-	(5,059,859)
	<u>(678,047)</u>	<u>(619,718)</u>	<u>(3,762,094)</u>	<u>-</u>	<u>(5,059,859)</u>
Change in Net Assets	<u>\$ 514,582</u>	<u>\$ (400,390)</u>	<u>\$ 1,052,725</u>	<u>\$ (34,656)</u>	<u>\$ 1,132,261</u>

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Business - type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
<b>Cash Flows From Operating Activities:</b>						
Receipts from customers	\$ 8,740,495	\$ 8,451,294	\$ 30,541,259	\$ 989,366	\$ 48,722,414	\$ 20,809,519
Payments to suppliers	(5,879,355)	(6,208,868)	(19,334,082)	(457,906)	(31,880,211)	(15,500,368)
Payments to employees	(1,038,300)	(1,134,502)	(4,101,215)	(624,453)	(6,898,470)	(2,917,908)
Net cash provided by (used for) operating activities	1,822,840	1,107,924	7,105,962	(92,993)	9,943,733	2,391,243
<b>Cash Flows From Noncapital Financing Activities:</b>						
Transfers from other funds	-	-	-	43,905	43,905	(1,025,767)
Transfers to other funds	(678,047)	(619,718)	(3,762,094)	-	(5,059,859)	132,759
Payments received from other funds	-	-	-	(52,539)	(52,539)	(169,486)
Payments received on notes receivable	122,172	257,192	-	-	379,364	-
Insurance recovery	835	-	4,444	-	5,279	-
Grants and contributions	-	-	-	54,667	54,667	-
Net cash provided by (used for) noncapital financing activities	(555,040)	(362,526)	(3,757,650)	46,033	(4,629,183)	(1,062,494)
<b>Cash Flows From Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(367,955)	(1,402,830)	(249,828)	-	(2,020,613)	(157,224)
Capacity fees	410,810	448,225	-	-	859,035	-
Bond proceeds	1,486,000	3,417,800	-	-	4,903,800	-
Bond principal paid	(557,917)	(482,300)	(838,267)	-	(1,878,484)	-
Interest paid	(294,605)	(211,983)	(233,313)	-	(739,901)	-
Bond issuance expenses	(26,575)	(21,893)	-	-	(48,468)	-
Premium on bonds issued	14,013	-	-	-	14,013	-
Note payable principal paid	-	-	(71,473)	(21,192)	(92,665)	-
Note payable interest paid	-	-	-	(848)	(848)	-
Proceeds from sale of capital assets	251	921	4,077	69,000	74,249	-
Net cash provided by (used for) capital and related financing activities	664,022	1,747,940	(1,388,804)	46,960	1,070,118	(157,224)
<b>Cash Flows From Investing Activities:</b>						
Interest on investments	66,783	107,212	66,147	-	240,142	-
<b>Net increase (decrease) in cash and cash equivalents</b>	1,998,605	2,600,550	2,025,655	-	6,624,810	1,171,525
<b>Balances - July 1, 2009</b>	3,692,813	6,579,483	6,530,864	1,100	16,804,260	9,096,441
<b>Balances - June 30, 2010</b>	\$ 5,691,418	\$ 9,180,033	\$ 8,556,519	\$ 1,100	\$ 23,429,070	\$ 10,267,966
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>						
Operating income (loss)	\$ 1,016,943	\$ (89,297)	\$ 4,851,406	\$ (209,391)	\$ 5,569,661	\$ 1,376,728
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	480,669	277,278	1,185,860	94,720	2,038,527	833,858
(Increase) decrease in accounts receivable	5,565	(51,259)	681,237	(520)	635,023	411,997
Decrease in inventories	-	-	-	11,870	11,870	61,996
Decrease in prepaid expenses	-	-	216,387	-	216,387	272,477
Increase in accounts payable	297,824	974,415	148,651	11,529	1,432,419	10,790
Increase (decrease) in accrued liabilities	3,825	(731)	4,278	3,119	10,491	27,226
Increase in customer deposits	14,897	-	19,477	-	34,374	-
Decrease in unredeemed gift certificates	-	-	-	(6,043)	(6,043)	-
Increase (decrease) in compensated absences	3,117	(2,482)	(1,334)	1,723	1,024	612
Decrease in insurance claims payable	-	-	-	-	-	(604,441)
Net cash provided by (used for) operating activities	\$ 1,822,840	\$ 1,107,924	\$ 7,105,962	\$ (92,993)	\$ 9,943,733	\$ 2,391,243

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2010**

	Pension Trust Funds			Agency Fund
	Pension	Post-Employment Benefits	Total	
<b>ASSETS</b>				
Cash and cash equivalents (note 3b)	\$ 1,101,105	\$ 98,575	\$ 1,199,680	\$ 631,429
Interest receivable	211,583	18,942	230,525	-
Investments (Note 3b):				
Common stocks	23,076,105	2,065,853	25,141,958	-
Corporate fixed-income securities	6,922,952	619,767	7,542,719	-
U.S. Government and agency fixed income securities	18,121,567	1,622,305	19,743,872	-
Mutual funds:				
Domestic	8,013,176	717,367	8,730,543	-
International	9,150,041	819,143	9,969,184	-
Total investments	<u>65,283,841</u>	<u>5,844,435</u>	<u>71,128,276</u>	-
Total assets	<u>66,596,529</u>	<u>5,961,952</u>	<u>72,558,481</u>	<u>631,429</u>
<b>LIABILITIES</b>				
Accounts payable	<u>27,909</u>	<u>2,499</u>	<u>30,408</u>	<u>631,429</u>
<b>NET ASSETS</b>				
Held in trust for pension and post-employment benefits	<u>\$ 66,568,620</u>	<u>\$ 5,959,453</u>	<u>\$ 72,528,073</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED JUNE 30, 2010**

	<b>Pension Trust Funds</b>		
	<b>Pension</b>	<b>Post- Employment Benefits</b>	<b>Total</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 4,872,461	\$ 3,966,988	\$ 8,839,449
Plan members	46,830	525,871	572,701
Total contributions	<u>4,919,291</u>	<u>4,492,859</u>	<u>9,412,150</u>
Investment earnings:			
Net increase in fair value of investments	5,350,808	386,671	5,737,479
Interest	1,308,880	94,585	1,403,465
Dividends	309,140	22,340	331,480
Total investment earnings (loss)	<u>6,968,828</u>	<u>503,596</u>	<u>7,472,424</u>
Less investment expenses	<u>344,790</u>	<u>24,916</u>	<u>369,706</u>
Net investment earnings (loss)	<u>6,624,038</u>	<u>478,680</u>	<u>7,102,718</u>
Total additions	<u>11,543,329</u>	<u>4,971,539</u>	<u>16,514,868</u>
<b>DEDUCTIONS</b>			
Pension benefits	7,386,972	-	7,386,972
Post retirement benefits	-	2,373,312	2,373,312
Administrative expenses	293,112	21,181	314,293
Total deductions	<u>7,680,084</u>	<u>2,394,493</u>	<u>10,074,577</u>
Change in net assets	3,863,245	2,577,046	6,440,291
Net assets - July 1, 2009	<u>62,705,375</u>	<u>3,382,407</u>	<u>66,087,782</u>
Net assets - June 30, 2010	<u>\$ 66,568,620</u>	<u>\$ 5,959,453</u>	<u>\$ 72,528,073</u>

The accompanying notes are an integral part of the basic financial statements.

# CITY OF CHARLOTTESVILLE, VIRGINIA

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Charlottesville, Virginia (the City), named for Queen Charlotte of England, was established as a town in 1762 and incorporated as a city by an act of the Virginia General Assembly in 1888. The City has an area of 10.4 square miles and a population of 40,745, according to the 2000 Census, revised October, 2005. The City provides a full range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human services programs, transportation, recreation, and gas, water and wastewater utilities. The City is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor and four other members elected at large. The Council has responsibility for appointing the City Manager. The City has taxing powers subject to statewide restrictions and tax limits.

The financial statements of the City of Charlottesville are prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the City's more significant accounting policies.

#### (a) The Financial Reporting Entity

As required by GAAP, these financial statements present the City (the Primary Government) and its component units. As such, the City of Charlottesville Public Schools (the School Board or Schools) and the Charlottesville Economic Development Authority (the CEDA) are reported as separate and discretely presented component units in the City's reporting entity. The Primary Government is hereafter referred to as the "City" and the reporting entity, which includes the City and its component units, is hereafter referred to as the "City Reporting Entity".

The accompanying financial statements include all activities of the City, such as general operations and support services. The component units discussed below are included in the City Reporting Entity because the City appoints a majority of the board members, approves the budgetary request of the School Board and provides a significant amount of funding for each of these entities.

#### Discretely Presented Component Units

The component unit columns in the government-wide financial statements include the financial data of the City's two component units. Each is presented in a separate column to emphasize that these units are legally separate from the City and each represents a functionally independent operation. These component units are fiscally dependent on the City and provide services primarily to the citizens of Charlottesville. A description of the discretely presented component units follows:

- (i) School Board: The City provides education through its own school system administered by the Charlottesville School Board (the School Board). The School Board has been classified as a discretely presented component unit in the financial reporting entity because it is legally separate, but financially dependent. The City Council administers the School Board's appropriation of funds at the category level, approves transfers between categories, and authorizes school debt. School Board members are elected. Financial statements of the School Board are included in a discretely presented component unit column and/or row of the government-wide financial statements, as well as in the supplementary information section. The School Board does not issue separate financial statements.

(ii) Economic Development Authority: The Charlottesville Economic Development Authority (the CEDA) was created to promote industry and develop trade by inducing manufacturing, industrial, and commercial enterprises to locate or remain in the City. City Council appoints the 7 board members of the CEDA. By statute, the CEDA has the power to cause the issuance of tax-exempt industrial revenue bonds to qualifying enterprises wishing to utilize that form of financing. The City is involved in the day-to-day operations of the CEDA, the determination of its operating budget and annual service fee rates. Financial statements of the CEDA are included in a discretely presented component unit column and/or row of the government-wide financial statements. Complete audited financial statements of the CEDA can be obtained from the Office of Economic Development, City of Charlottesville, PO Box 911, Charlottesville, VA 22902 or Room B230 at City Hall.

## (b) Financial Reporting Model

**Management's Discussion and Analysis** - GAAP 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 comparable 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 (i.e., reports all of the revenue and cost of providing services each year, not just those received or paid in the current year or soon thereafter). Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the Statement of Net Assets and Statement of Activities. Significantly, the City's Statement of Net Assets includes both noncurrent assets and noncurrent liabilities of the City. Depreciation expense on the City's capital assets, including infrastructure, is reflected in the government-wide Statement of Activities.

**Statement of Net Assets** - The Statement of Net Assets is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. The City reports all capital assets, including infrastructure, in the government-wide Statement of Net Assets and reports depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of the City are reported in three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, health and welfare, etc.) which are not 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 and operating and capital grants and contributions. The program revenues must be directly associated with the function (public safety, health and welfare, etc.) or a business-type activity.

**Fund Statements** - In addition to the government-wide financial statements, the City reports governmental fund financial statements using the modified accrual basis of accounting and the current financial resources measurement focus, and proprietary and fiduciary fund financial statements using the accrual basis of accounting and the flow of economic resources measurement focus.

**(c) Measurement Focus, Basis of Accounting, and Basis of Presentation**

The government-wide financial statements, as well as the proprietary fund and fiduciary fund financial statements, report all their activities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In the first type, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the second type, monies are virtually unrestricted as to time of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the accrual criteria are met.

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Reporting Entity considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's gas, water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Real and personal property taxes are recorded as revenues and receivables when levied, net of allowances for uncollectible amounts. Property tax receivables not collected within 45 days after year-end are reflected as deferred revenue. Sales and utility taxes, which are collected by the Commonwealth or utility companies by year-end and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the Commonwealth of Virginia or utility company, which is generally in the month preceding receipt by the City.

Fees and permits, fines, charges for services and miscellaneous revenues, except interest on temporary investments, are recorded as revenues when received because they are generally not measurable until actually received. Investment earnings are recorded when earned since they are measurable and available. Unbilled accounts receivable are recorded in the Enterprise Funds when earned.

The governmental funds financial statements are presented on a current financial resources measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net assets for governmental activities as shown on the government-wide Statement of Net Assets is presented in a schedule accompanying the governmental funds balance sheet. The assets and liability elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the differences between net change in total fund balances as reflected on the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances, and the change in net assets for governmental activities as shown on the government-wide Statement of Activities, is presented in a schedule accompanying the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances. The revenue and expense elements which comprise the reconciliation differences stem from the governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues for the City's enterprise and internal service funds are charges to customers for goods and services. Operating expenses for these funds include the cost of sales and service, administrative expenses and depreciation of capital assets. Any revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The focus of the Reporting Model is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and proprietary categories, as well as the fiduciary funds, and the component units. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds, the operations of which are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

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

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income. A significant portion of the General Fund's revenue is transferred to other funds and component units, principally to finance the operations of the Schools.

The *Capital Projects Fund* accounts for all financial resources used for the acquisition or construction of major capital facilities not being financed by proprietary or fiduciary funds.

The *Social Services Fund* accounts for the financial resources associated with the Social Services Department of the City. Social Services provide state and federal income support, employment, and social work service programs to alleviate poverty and other social problems.

### Proprietary Fund Types

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City reports the following enterprise funds as proprietary fund types, all of which are considered major funds:

The *Water Fund* accounts for the operations of the City's water distribution system.

The *Sewer Fund* accounts for the operations of the City's wastewater collection system.

The *Gas Fund* accounts for the operations of the City's natural gas distribution system.

The *Golf Course Fund* accounts for the operations of the City's 18-hole municipal golf course.

GASB Statement No. 20 requires enterprise activities to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board ("FASB") pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. In accordance with GASB No. 20, management has elected not to apply FASB pronouncements issued after November 30, 1989.

Additionally, the City reports the following fund types and individual non-major funds:

*Special Revenue Funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has established Special Revenue Funds to account for Community Development Block Grant funds, Community Attention Programs, Comprehensive Services Act funds, the transit operations and various other grants to support projects undertaken.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal, interest and other debt-related costs on long-term general obligation debt of governmental funds.

The *Internal Service Funds* are used to account for the financing of goods and services provided by one department primarily or solely to other departments of the City. Information Technology, Risk Management, Warehouse and Departmental Services are accounted for and reported as Internal Service Funds. In the government-wide Statement of Net Assets, the assets and liabilities of these funds are allocated to both governmental and business-type activities, based on the predominate use of the fund's services. Specifically, the assets and liabilities of the Warehouse Internal Service Fund are allocated completely to the City's Enterprise Funds based on predominate usage. The remaining Internal Service Fund balances are allocated to governmental activities. In the government-wide Statement of Activities, certain transactions are assigned directly to governmental activities and the remaining net income or loss is allocated to both governmental and business-type activities, based on actual charges for services.

*Fiduciary Funds* account for assets held by the City in a trustee capacity. The City maintains pension trust funds to account for assets accumulated and payments made to retired City employees and for post-employment benefits for qualified retirees. The pension trust fund is accounted for and reported similarly to proprietary funds since the economic resources measurement focus is also the same. An agency fund accounts for assets held by City as fiscal agent for the Comprehensive Services Act Trust Fund.

#### **(d) Encumbrances**

Encumbrance accounting is employed in the General and Capital Projects Funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.

#### **(e) Cash, Cash Equivalents and Trust Fund Investments**

Cash and cash equivalents are stated at amortized cost, which approximates fair value, and the investments of the Pension Trust Funds are stated at fair value. Securities traded on a national securities exchange are valued at the closing price at the end of the business day. Cash and cash equivalents include savings accounts, certificates of deposit and repurchase agreements, which generally have maturities of less than three months at the time of acquisition.

**(f) Internal Balances**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**(g) Allowance for Uncollectibles**

The City calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2010, the allowances approximated \$960,817 in the General Fund and \$1,415,006 in the Proprietary Funds (\$260,564, \$247,246, and \$907,196 for the Water, Sewer and Gas Funds, respectively).

**(h) Inventory of Supplies**

Inventories are valued at cost using the weighted average method. Inventories consist of expendable materials and supplies held for future consumption. They are accounted for by the consumption method.

**(i) Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City’s storm drainage system was inventoried and valued and is included in the basic financial statements as detailed in Note 2 for Governmental Activities in accordance with GAAP. All other infrastructure has been inventoried, valued and included in the basic financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least two years. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

In fiscal year 2010 the City implemented GASB 51, Accounting and Financial Reporting for Intangible Assets. These assets can include easements, water rights, timber rights, patents, trademarks, and computer software. They are reported in the applicable governmental or business-type activities column in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building/building improvements	40-50
Streets and bridges	30-50
Infrastructure (storm structures and storm pipe)	50-75
Utility transmission lines and mains	20-40
Furniture and equipment	5-10
Vehicles	5-7

**(j) Compensated Absences**

City employees are granted vacation and sick leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick leave earned. Vacation leave can be accrued for up to the amount earned in one year, plus an additional week. Upon retirement, termination or death, employees may be compensated for certain amounts of unused vacation leave earned at their then

current rates of pay. In addition, unused sick leave becomes credited service for pension benefit calculations, for one-half of the accumulated amount, up to a maximum of two thousand hours. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Sick leave earned, but not taken by City and School Board employees at June 30, 2010, approximated \$13,068,871 and \$13,222,173 respectively. Upon retirement, no cash payments are made for sick leave. Therefore, the accrued balance is not recorded in the financial statements.

**(k) Fund equity**

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

**(l) Defined Benefit Pension Plans**

Defined benefit pension plan contributions are actuarially determined and consist of current service costs and amortization of past service costs over a 20-year period for the City retirement plan and 30-year period for post-employment benefits plan. The Virginia Retirement System (VRS) plans, to which the Schools' employees belong amortizes past service costs over a 20-year period and the post-employment medical plan over a 30-year period. The City's policy is to fund pension cost as it accrues.

**(m) Risk Management**

The City is exposed to various risks of loss related to torts; errors and omissions; injuries to and illnesses of employees; theft of, damage to, and destruction of assets; and natural disasters. The City employs a variety of risk management techniques, including the purchase of commercial insurance, participation in insurance pools and self-insurance. All funds of the City participate in the risk program and make payments to the Risk Management Internal Service Fund in a manner that is appropriate in allocating the costs associated with the risk involved. Claims, including incurred but not reported (IBNR) claims, are recognized as expense when incurred. There have been no significant changes in coverage from the prior year, nor have settlements exceeded coverage in the past five fiscal years.

**2. EQUITY**

For government-wide, proprietary funds and fiduciary funds financial statements, equity is described as net assets (total assets minus total liabilities) and is broken down into three components: (1) amount invested in capital assets, net of related debt, (2) restricted and (3) unrestricted net assets. For governmental funds, equity is described as fund balance (current assets minus current liabilities), which is broken down into reserved and unreserved fund balance. The unreserved fund balance can also be further broken down into designated and undesignated fund balance.

**(a) Net Assets-Restricted – Government-wide financial statements:**

Restricted net assets on the government-wide Statement of Net Assets are limited to governmental activities and are composed of the following funds:

	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Total</u>
Other governmental activities	<u>\$ 10,000</u>	<u>\$ 162,501</u>	<u>\$ 172,501</u>
Total restricted net assets	<u>\$ 10,000</u>	<u>\$ 162,501</u>	<u>\$ 172,501</u>

**(b) Net Assets – Proprietary and Fiduciary Funds:**

The net assets in the fiduciary funds are all in the pension trust funds and are therefore all held in trust for pension and other post-employment benefits. The Golf Course Fund's First Tee Program net assets (\$39,581) are reserved per agreement.

**(c) Fund Balances:**

- **Reserved** - Represents that portion of fund balance not available for appropriation or expenditure.

- **Designated** - Represents amounts that the City Council has identified for future debt service and continuing projects.
- **Undesignated** - Represents the remainder of the City's equity in governmental type fund balances.

Fund balances are composed of the following at June 30, 2010:

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
Reserved for:					
Loans receivable	\$ -	\$ 880,000	\$ -	\$ 10,000	\$ 890,000
Encumbrances	1,180,647	13,665,925	-	-	14,846,572
Cemetery Perpetual Care	-	-	-	162,501	162,501
Total reserved	1,180,647	14,545,925	-	172,501	15,899,073
Unreserved, designated for:					
Continuing appropriations	8,082,999	6,866,651	-	-	14,949,650
Landfill remediation reserve	2,280,173	-	-	-	2,280,173
Social Services Fund	-	-	483,543	-	483,543
Debt Service Fund	-	-	-	9,547,048	9,547,048
Grants Fund	-	-	-	109,533	109,533
Comprehensive Services Act Fund	-	-	-	18,238	18,238
Community Attention Fund	-	-	-	1,200,437	1,200,437
Total unreserved, designated	10,363,172	6,866,651	483,543	10,875,256	28,588,622
Unreserved, undesignated for:					
General Fund	24,271,261	-	-	-	24,271,261
Capital Projects Fund	-	-	-	-	-
Total unreserved, undesignated	24,271,261	-	-	-	24,271,261
Total fund balance	<u>\$ 35,815,080</u>	<u>\$ 21,412,576</u>	<u>\$ 483,543</u>	<u>\$ 11,047,757</u>	<u>\$ 68,758,956</u>

### 3. CASH EQUIVALENTS AND TRUST FUND INVESTMENTS

#### (a) Primary Government

At June 30, 2010, the carrying value of the City's deposits and investments, including City agency funds other than that of the City's Pension Trust Funds, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 89,381,253	N/A
Commonwealth LGIP	449,395	AAAm
Commonwealth Non-Arbitrage Program (SNAP)	12,379,577	AAAm
Cash on hand	7,630	N/A
Total deposits and investments	<u>\$ 102,217,855</u>	
Exhibit A - Total Primary Government	\$ 101,586,426	
Exhibit F-1 - Fiduciary Funds - Agency Fund	631,429	
Total deposits and investments	<u>\$ 102,217,855</u>	

#### Credit Risk:

The City follows a deposit and investment policy (the Policy) as approved by City Council and in accordance with statutes of the Commonwealth of Virginia. Accordingly, the City is authorized to hold cash and cash equivalents, obligations of the United States and its agencies, checking and savings accounts, certificates of deposit, prime quality commercial paper, certain repurchase agreements, bankers acceptances, and the Commonwealth Treasurer's Local Government Investment Pool (the Commonwealth LGIP, a 2a-7 like pool).

The Commonwealth of Virginia State Non-Arbitrage Program (SNAP) was established pursuant to the Local Government Non-Arbitrage Investment Act to make available to Virginia counties, cities and towns assistance with the investment of and accounting for bond proceeds and related funds in compliance with rebate requirements of the Internal Revenue Code of 1986, as amended. The program consists of a professionally managed money market investment pool which provides local governments with a convenient method of pooling proceeds of bonds and notes for temporary investment pending their capital project expenditures.

The Policy establishes limitations by type of instrument, excluding bond proceeds deposited with SNAP. The maximum percentage of the portfolio (book value at the date of acquisition) permitted in each security is as follows:

Bankers' acceptances	40% maximum
Commercial paper	35% maximum
Commonwealth LGIP	75% maximum
Money market mutual funds	25% maximum
Negotiable certificates of deposit – commercial banks	100% maximum
Negotiable certificates of deposit – saving and loan associations	10% maximum
Repurchase agreements	25% maximum
U.S. Treasury obligations	70% maximum
U.S. government agency securities and instruments of government sponsored organizations	70% maximum

As required by Commonwealth statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” or “A-2” (or its equivalent) from at least one of the following: Moody’s Investor Service, Standard & Poor’s, Fitch Investor Service, and Duff and Phelps, Inc. Corporate notes, negotiable certificates of deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investment Service. Deposits and investments not exposed to credit quality risk, as defined by GAAP, are designated as “N/A” in the credit rating column.

All cash of the City is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance.

**Concentration of Credit Risk:**

The Policy establishes limitations on portfolio composition by issuer in order to control concentration of credit risk as follows:

Certificates of deposit – commercial banks	45% maximum
Certificates of deposit – collateralized deposits – commercial banks	No maximum
Certificates of deposit – saving and loan associations	\$100,000
Commercial paper	25% maximum
Commonwealth LGIP	\$75 million
Each repurchase agreement counterparty	10% maximum
Each federal agency	No maximum
U.S. Treasury	No maximum

At June 30, 2010, the portion of the City’s portfolio, excluding demand deposits, the Commonwealth LGIP, and cash on hand that exceeds 5% of the total portfolio was zero.

**Interest Rate Risk:**

As a means of limiting exposure to fair value arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities. At June 20, 2010, all investments in the City’s portfolio had a maturity of six months or less.

**(b) City of Charlottesville Pension Trust Funds**

At June 30, 2010, the carrying value of the City Retirement Plan Pension Trust Fund's (Plan) deposits and investments, with the respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,199,680	N/A
Common stock	25,141,958	N/A
Corporate fixed income securities	7,542,719	Aaa-BA 1
U.S. government and agency fixed income securities		
Explicitly guaranteed by U.S. government	\$ 14,351,666	N/A
Implicitly guaranteed by U.S. government	<u>5,392,206</u>	Aaa
Total U.S. government fixed income securities	19,743,872	
Mutual funds - domestic	8,730,543	N/A
Mutual funds - international	<u>9,969,184</u>	N/A
Total investments	<u>71,128,276</u>	
Total deposits and investments	<u>\$ 72,327,956</u>	

**Credit Risk:**

Investments in the Plan are managed in accordance with a Statement of Investment Policy (Statement). This Statement sets target allocations of 40% to 60% for domestic equities, 30% to 50% for fixed income, and 5% to 15% for international equities, and authorizes investments in cash equivalents, fixed income securities, equity securities and mutual funds. The Statement specifically addresses the credit quality rating requirements on fixed income investments, permitting the purchase of investment grade bonds rated BBB or better. Credit ratings in the above table are ratings by Moody's Investment Service. Unrated deposits and investments are designated as "N/A" in the credit rating column in the above table.

The following table summarizes the Plan's credit risk for corporate fixed income securities at June 30, 2010:

<u>Credit Rating</u>	<u>Fair Value</u>
Aaa	\$ 2,779,122
AA2	372,178
A1	1,256,753
A2	279,559
A3	717,310
BAA1	299,456
BAA2	839,996
BA1	254,375
N/A	<u>743,970</u>
Total	<u>\$ 7,542,719</u>

**Concentration of Credit Risk:**

The Statement establishes limitations on portfolio composition by issuer in order to control concentration of credit risk as follows:

Company	Not to exceed 5% of the total fund
Government agency	Not to exceed 5% of the total fund
Industry	Not to exceed 20% of the total fund

The Plan has no investment that is greater than 5% of the total portfolio, excluding mutual funds and government securities.

### Interest Rate Risk:

The Plan has no specific limits on the maximum maturity for any security held. There is a 5% limit on holding fixed income securities in any issuer, excluding government and government agency securities.

At June 30, 2010, the Plan had the following investments and maturities:

	<u>Fair Value</u>	<u>0-5 Years</u>	<u>6-10 Years</u>	<u>11-40 Years</u>
Corporate fixed income	\$ 7,542,719	\$ 1,965,359	\$ 1,174,089	\$ 4,403,271
Government fixed income	19,743,872	818,115	4,026,713	14,899,044
Total	<u>\$ 27,286,591</u>	<u>\$ 2,783,474</u>	<u>\$ 5,200,802</u>	<u>\$ 19,302,315</u>

### (c) School Board Component Unit

At June 30, 2010, the carrying value of the School Board component unit deposits and investments, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 3,820,871	N/A
Commonwealth LGIP	1,742,226	AAAm
Total deposits and investments	<u>\$ 5,563,097</u>	

School Board deposits are invested in accordance with the City's investment policy. At June 30, 2010, excluding the demand deposits and Commonwealth LGIP, there were no investments. Accordingly, there is no credit risk, concentration of credit risk, or interest rate risk.

### (d) Charlottesville Economic Development Authority (CEDA)

At June 30, 2010, the carrying value of the CEDA component unit deposits and investments, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 592,615	N/A
US government fixed income security	856,380	N/A
Total deposits and investments	<u>\$ 1,448,995</u>	

The City serves as fiscal agent for the CEDA. However, the CEDA is not subject to the City's investment policy. The CEDA does not have a formal investment policy that addresses credit risk, concentration of credit risk or interest rate risk. At June 30, 2010, excluding the demand deposits and U.S. government agency securities, there were no investments. Accordingly, based on this minimal risk, the Authority does not have a policy.

## 4. GENERAL PROPERTY TAXES

The two major sources of general property taxes are as follows:

### (a) Real Estate

The City levies real estate taxes on all real estate within its boundaries, except that exempted by statute. These levies are assessed each year as of January 1 on the estimated market value of the property. January 1 is also the date an enforceable, legal claim to the asset applies. The City reassesses all property annually.

Real estate taxes are collected in equal semiannual payments due June 5 and December 5. During the fiscal year, the real estate taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2009 assessment due December 5, 2009 and the first half of the January 1, 2010 assessment due June 5, 2010 less an allowance for uncollectibles and less taxes not considered to be available for current expenditures plus collections on previously delinquent taxes. The tax rate for both 2009 and 2010 was \$.95, per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2010 and due December 5, 2010, are reflected in the accompanying fund financial statements as a receivable and are offset by deferred revenue, which is consistent with the City's budget ordinance. In the government-wide financial statements, real estate taxes that are not due as of June 30, 2010 are included in unearned revenue, since they are not due for the current fiscal year.

**(b) Personal Property**

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are assessed as of January 1 and prorated for motor vehicles acquired or sold during the year, with payment in equal semiannual installments due June 5 and December 5. During fiscal year 2010, the personal property taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2009 assessment due December 5, 2009 and the first half of the January 1, 2010 assessment due June 5, 2010, less an allowance for uncollectibles and less taxes not considered to be available for current expenditures plus collections on previously delinquent taxes. The tax rate for both 2009 and 2010 was \$4.20 per \$100 of assessed value. Personal property taxes receivable, assessed during 2010 and due December 5, 2010, are reflected in the accompanying fund financial statements as a receivable and are offset by deferred revenue, which is consistent with the City's budget ordinance. In the government-wide financial statements, personal property taxes that are not due as of June 30, 2010 are included in unearned revenue, since they are not due for the current fiscal year.

In April 1998, the Virginia General Assembly passed S.B.4005, the Personal Property Tax Relief Act of 1998. In its original form, PPTRA in essence was a vehicle-based entitlement. Beginning 2006, changes to PPTRA made by SB 5005 marked an end to this vehicle-based entitlement. SB 5005 establishes what amounts to a fixed, annual block grant to localities, the proceeds of which must be used to provide relief to the owners of qualifying vehicles. Localities determine how relief is to be distributed, within the guidelines established. As a necessary consequence of this approach, the proportion of individuals' PPT bills that is satisfied by the state relief will shrink over time, since the relief "grant" is fixed, but the value of the statewide fleet eligible for relief grows (because of population growth, increasing car ownership and tendency of buyers to purchase higher valued vehicles than they are replacing). The 53% relief provided during 2009 increased to 56% for 2010. Vehicles below \$1,000 assessed value are given 100% relief.

**5. LOANS RECEIVABLE**

The Community Development Block Grant (CDBG) Special Revenue Fund has loans outstanding of \$70,967. The CDBG loans represent monies advanced to qualified property owners under a Federally-funded housing renovation and rehabilitation project. These loans, having terms of up to 15 years and bearing interest at 3%, are fully offset on the combined balance sheet by an amount due to the federal government.

The Grants Special Revenue Fund has loans outstanding totaling \$10,000. The loans to property owners have terms of 5 years and bear interest of 3%. Payment of the principal amount is due in 5 years and the notes may be extended for up to two additional five-year periods. If the property owner sells, transfers or disposes of the property within the first five-year period, the full principal amount with 3% interest is due.

The Capital Projects Fund had loans outstanding totaling \$880,000, consisting of a loan to the Albemarle Housing Improvement Program (AHIP) for \$30,000 and a loan for \$850,000 to Piedmont Housing Alliance (PHA). The loan to AHIP is a non-interest bearing, revolving loan due upon demand. The loan to PHA is a non-interest bearing loan, due in 5 years from the date of the PHA's closing in December, 2007 or if the property is sold. The loan can be extended, if both the City and PHA agree, for an additional 5 years.

**6. NOTES RECEIVABLE**

The City Link note is due in 2014 and bears interest at 1.49%, with annual payments. The note is due to the City's Water and Sewer Funds (\$507,165 and \$1,067,665, respectively) of the Enterprise Funds. Because the City executed this note on an arms-length basis, this note has not been eliminated at the government-wide level. The note was executed during Fiscal Year 2004, with \$950,000 due to Water Fund and \$2,000,000 due to Sewer Fund.

**7. DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments at June 30, 2010 are presented below:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
City Government Activities:				
Major funds:				
General Fund	\$ 4,750	\$ 2,960,072	\$ 4,391	\$ 2,969,213
Capital Projects Fund	965,886	256,982	155,398	1,378,266
Social Services Fund	<u>-</u>	<u>752,007</u>	<u>33,623</u>	<u>785,630</u>
Total major funds	<u>970,636</u>	<u>3,969,061</u>	<u>193,412</u>	<u>5,133,109</u>
Non-major funds	<u>186,528</u>	<u>2,634,541</u>	<u>1,057,354</u>	<u>3,878,423</u>
Total Primary Government	<u>\$ 1,157,164</u>	<u>\$ 6,603,602</u>	<u>\$ 1,250,766</u>	<u>\$ 9,011,532</u>
Component Unit - Schools	<u>\$ -</u>	<u>\$ 3,396,427</u>	<u>\$ 99,376</u>	<u>\$ 3,495,803</u>

**8. DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS**

- (a) Individual fund deficits in the consolidated pooled cash are considered short term receivables of the General Fund. Individual fund interfund receivable and payable balances of the City at June 30, 2010:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Major funds:		
General Fund	\$ 1,256,022	\$ -
Golf Course Fund	<u>-</u>	<u>446,127</u>
Total major funds	<u>1,256,022</u>	<u>446,127</u>
Non-major funds:		
Special Revenue Funds:		
Community Development Block Grant Fund	-	14,889
Grants Fund	-	12,840
Comprehensive Services Act Fund	-	725,558
Transit	<u>-</u>	<u>56,608</u>
Total non-major funds	<u>-</u>	<u>809,895</u>
Totals	<u>\$ 1,256,022</u>	<u>\$ 1,256,022</u>

- (b) Transfers are primarily used to 1) transfer revenues that have been collected in the required fund per state law to the funds and activities that state law allows for expenditures; 2) transfer of “payment in lieu of taxes” contributions from the utility funds to the General Fund; 3) transfer funding from governmental funds to debt service and capital project funds; and 4) transfer matching funds from the General Fund and Special Revenue Funds for various grant programs.

Interfund transfers for the year ended June 30, 2010 consisted of the following:

	Transfers to other funds						
	<u>General</u>	<u>Capital Projects</u>	<u>Social Services</u>	<u>Nonmajor Governmental</u>	<u>Internal Service</u>	<u>Proprietary</u>	<u>Total to other funds</u>
Transfers from other funds:							
General Fund	\$ -	\$ 8,452,009	\$ 2,642,198	\$ 13,125,717	\$ 67,318	\$ -	\$ 24,287,242
Capital Projects Fund	64,773	-	-	89,299	40,169	43,905	238,146
Nonmajor governmental funds	-	162,520	23,539	21,667	-	-	207,726
Water Fund	678,047	-	-	-	-	-	678,047
Sewer Fund	619,718	-	-	-	-	-	619,718
Gas Fund	3,762,094	-	-	-	-	-	3,762,094
Internal Service Funds	-	592,000	-	408,495	25,272	-	1,025,767
Total from other funds	<u>\$ 5,124,632</u>	<u>\$ 9,206,529</u>	<u>\$ 2,665,737</u>	<u>\$ 13,645,178</u>	<u>\$ 132,759</u>	<u>\$ 43,905</u>	<u>\$ 30,818,740</u>

Reconciliation to exhibits:

		<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Net transfers</u>
Governmental Funds	Exhibit D	\$ 30,642,076	\$ 24,733,114	\$ 5,908,962
Proprietary Funds	Exhibit E-3	43,905	5,059,859	(5,015,954)
Internal Service Funds	Exhibit L-2	132,759	1,025,767	(893,008)
Total		<u>\$ 30,818,740</u>	<u>\$ 30,818,740</u>	<u>\$ -</u>

## 9. CAPITAL ASSETS

### (a) Primary Government

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 11,570,477	\$ 1,039,606	\$ -	\$ 12,610,083
Infrastructure right of way	2,153,276	-	-	2,153,276
Total capital assets not being depreciated	<u>13,723,753</u>	<u>1,039,606</u>	<u>-</u>	<u>14,763,359</u>
Other capital assets:				
Building and improvements	135,953,103	23,833,106	-	159,786,209
Vehicles	23,096,071	2,800,942	541,758	25,355,255
Mobile equipment	2,511,691	123,584	14,681	2,620,594
Furniture and equipment	16,013,658	914,119	23,342	16,904,435
Streets	51,527,094	3,739,771	-	55,266,865
Bridges	3,365,527	165,583	-	3,531,110
Infrastructure	56,446,371	-	-	56,446,371
Total other capital assets at historical cost	<u>288,913,515</u>	<u>31,577,105</u>	<u>579,781</u>	<u>319,910,839</u>
Less accumulated depreciation:				
Building and improvements	38,444,684	3,489,428	-	41,934,112
Vehicles	15,744,980	1,777,728	527,627	16,995,081
Mobile equipment	2,025,895	96,782	15,282	2,107,395
Furniture and equipment	10,995,879	1,509,020	28,876	12,476,023
Streets	39,489,059	565,828	-	40,054,887
Bridges	1,314,050	63,090	-	1,377,140
Infrastructure	18,828,357	1,016,828	-	19,845,185
Total accumulated depreciation	<u>126,842,904</u>	<u>8,518,704</u>	<u>571,785</u>	<u>134,789,823</u>
Other capital assets, net	<u>162,070,611</u>	<u>23,058,401</u>	<u>7,996</u>	<u>185,121,016</u>
Governmental activities capital assets, net	<u>\$ 175,794,364</u>	<u>\$ 24,098,007</u>	<u>\$ 7,996</u>	<u>\$ 199,884,375</u>

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 1,921,723	\$ -	\$ -	\$ 1,921,723
Easements **	78,100	26,800	-	104,900
Total capital assets not being depreciated	1,999,823	26,800	-	2,026,623
Other capital assets:				
Building and improvements	1,743,755	-	-	1,743,755
Vehicles	2,420,986	117,873	125,757	2,413,102
Equipment	3,509,283	5,476	292,866	3,221,893
Distribution and collection systems	66,928,774	1,870,464	-	68,799,238
Total other capital assets at historical cost	74,602,798	1,993,813	418,623	76,177,988
Less accumulated depreciation:				
Building and improvements	1,079,432	43,628	-	1,123,060
Vehicles	1,717,400	136,501	125,757	1,728,144
Equipment	2,505,841	190,790	292,866	2,403,765
Distribution and collection systems	28,640,115	1,667,608	-	30,307,723
Total accumulated depreciation	33,942,788	2,038,527	418,623	35,562,692
Other capital assets, net	40,660,010	(44,714)	-	40,615,296
Business-type activities capital assets, net	\$ 42,659,833	\$ (17,914)	\$ -	\$ 42,641,919

\*\*Infrastructure-easements balance at July 1, 2009 has been restated consistent with details in note 18.

**(b) School Board Component Unit**

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 982,889	\$ -	\$ -	\$ 982,889
Other capital assets:				
Building and improvements	20,973,627	-	-	20,973,627
Vehicles	121,576	-	-	121,576
Furniture and equipment	971,770	221,377	69,730	1,123,417
Total other capital assets at historical cost	22,066,973	221,377	69,730	22,218,620
Less accumulated depreciation:				
Building and improvements	15,515,464	338,024	-	15,853,488
Vehicles	102,129	7,988	-	110,117
Furniture and equipment	660,740	73,126	69,730	664,136
Total accumulated depreciation	16,278,333	419,138	69,730	16,627,741
Other capital assets, net	5,788,640	(197,761)	-	5,590,879
Governmental activities capital assets, net	\$ 6,771,529	\$ (197,761)	\$ -	\$ 6,573,768

**(c) Allocation of Depreciation Expense**

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental activities:	
General government	\$ 1,477,122
Public safety	929,872
Community services, including depreciation of general infrastructure assets	2,537,809
Health and welfare	75,791
Parks, recreation and culture	657,042
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	833,858
Education	1,360,461
Conservation and development	<u>639,524</u>
Total depreciation expense - governmental activities	<u>\$ 8,511,479</u>
Business-type activities:	
Water	\$ 480,669
Sewer	277,278
Gas	1,185,860
Golf course	<u>94,720</u>
Total depreciation expense - business-type activities	<u>\$ 2,038,527</u>

Depreciation expense was charged to functions/programs of the Schools component unit as follows:

Instruction and instruction-related service	\$ 310,161
Support services - student based	83,828
Administrative support services	<u>25,149</u>
Total depreciation expense	<u>\$ 419,138</u>

**(d) Tenancy in Common – School Board Capital Assets**

In FY 2002, the Commonwealth of Virginia General Assembly passed a law to respond to GASB 34 which established a local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds. The sole purpose of the law was to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds and literary loans are recorded as part of the Primary Government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the School Board when the debt is repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets. As a result of this change, the City has included certain school buildings in its capital assets balance at June 30, 2010.

## 10. LONG-TERM DEBT

### (a) City

At June 30, 2010, the City's long-term debt consisted of:

<u>Governmental Activities:</u>	<u>Annual Interest Rates</u>	<u>Original Amount of Debt</u>	<u>Amount Outstanding</u>
General obligation bonds and literary loans:			
Public Improvement, Series 2000	5.125 - 5.50	\$ 9,000,000	\$ 300,000
General Improvement, Series 2001	3.625 - 4.70	2,600,000	130,000
General Improvement Refunding, Series 2003	2.00 - 4.125	15,555,000	6,895,000
General Improvement Refunding, Series 2004	1.75 - 4.25	19,913,333	15,530,000
General Improvement, Series 2006	3.45 - 4.12	12,500,000	10,625,000
General Improvement Refunding, Series 2008	3.25 - 5.00	15,617,500	13,545,000
General Improvement Refunding, Series 2009	2.00 - 5.00	15,875,700	15,135,850
General Improvement, Series 2010	2.00 - 5.67	9,956,200	9,956,200
Total bonds			<u>72,117,050</u>
State Literary Fund Loan, 1991	5.00	131,386	14,386
State Literary Fund Loan, 1995	5.00	193,121	57,937
State Literary Fund Loan, 1996	5.00	207,244	72,538
Total literary loans			<u>144,861</u>
Total bonds and literary loans			<u>72,261,911</u>
Notes payable			<u>2,086,798</u>
Total bonds, literary loans and notes payable			<u>74,348,709</u>
Compensated absences			<u>1,966,148</u>
Total			<u><u>\$ 76,314,857</u></u> *
 <u>Business-Type Activities:</u>			
General obligation bonds:			
Public Improvement, Series 2000	5.125 - 5.50	\$ 3,000,000	\$ 150,000
General Improvement, Series 2001	3.625 - 4.70	6,900,000	345,000
General Improvement Refunding, Series 2003	2.00 - 4.125	8,295,000	4,930,000
General Improvement Refunding, Series 2004	1.75 - 4.25	1,456,667	1,390,002
General Improvement, Series 2006	3.45 - 4.12	3,000,000	2,550,000
General Improvement Refunding, Series 2008	3.25 - 5.00	5,222,500	4,630,000
General Improvement Refunding, Series 2009	2.00 - 5.00	6,494,300	6,314,150
General Improvement, Series 2010	2.00 - 5.67	4,903,800	4,903,800
Total bonds			<u>25,212,952</u>
Notes payable			<u>151,791</u>
Total bonds and notes payable			<u>25,364,743</u>
Compensated absences			<u>237,355</u>
Total			<u><u>\$ 25,602,098</u></u> *

The Water, Sewer, and Gas Funds are responsible for \$9,402,250, \$10,298,100 and \$5,512,602, respectively, of the Business-Type Activities bonds payable.

\*Amounts exclude premium and deferred amounts on bonds.

**(b) School Board Component Unit**

At June 30, 2010, the School Board's long-term debt consisted of \$1,204,181 of compensated absences payable and \$190,159 unfunded liability for post-employment medical benefits.

**(c) Changes in Long-Term Debt**

The following is a summary of the long-term debt transactions for the City and the Schools component unit for the year ended June 30, 2010:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 67,492,366	\$ 9,956,200	\$ 5,331,516	\$ 72,117,050	\$ 5,539,950
Add unamortized premium	1,056,420	93,887	80,268	1,070,039	-
Less deferred amounts on refunding	314,074	-	62,464	251,610	-
Total bonds payable	68,234,712	10,050,087	5,349,320	72,935,479	5,539,950
Compensated absences	1,981,118	1,898,424	1,913,394	1,966,148	235,938
State literary loans:					
1991 - Greenbrier	20,886	-	6,500	14,386	6,500
1995 - Johnson	67,593	-	9,656	57,937	9,656
1995 - Burnley Moran	82,900	-	10,362	72,538	10,362
Total literary loans	171,379	-	26,518	144,861	26,518
Notes payable:					
Fire truck - 2007	281,538	-	90,155	191,383	93,797
CityLink note	1,954,194	-	379,364	1,574,830	385,016
Fire brush truck - 2008	95,878	-	30,693	65,185	31,943
Police cruisers - 2008	68,150	-	68,150	-	-
Police cruisers - 2010	-	255,400	-	255,400	84,586
Total notes payable	2,399,760	255,400	568,362	2,086,798	595,342
Total governmental activity	\$ 72,786,969	\$ 12,203,911	\$ 7,857,594	\$ 77,133,286	\$ 6,397,748

Compensated absences are paid by General Fund, Social Services Fund and Non-Major Governmental Funds responsible for salary costs.

The City Link note originated in 2004, has a life of 10 years and bears interest at 1.49%. Annual payments are due to City's Water and Sewer Funds of \$507,165 and \$1,067,665, respectively. Because the City executed this note on an arms-length basis, this note has not been eliminated at the government-wide level.

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 22,187,636	\$ 4,903,800	\$ 1,878,484	\$ 25,212,952	\$ 2,110,050
Add unamortized premium	417,537	46,243	28,807	434,973	-
Less deferred amounts on refunding	304,903	-	52,337	252,566	-
Total bonds payable	<u>22,300,270</u>	<u>4,950,043</u>	<u>1,854,954</u>	<u>25,395,359</u>	<u>2,110,050</u>
Compensated absences	237,716	296,418	296,779	237,355	28,482
Notes payable:					
Golf carts & paving - golf fund	21,192	-	21,192	-	-
Boring machining - gas fund	223,264	-	71,473	151,791	74,382
Total notes payable	<u>244,456</u>	<u>-</u>	<u>92,665</u>	<u>151,791</u>	<u>74,382</u>
Total business-type activity	<u>\$ 22,782,442</u>	<u>\$ 5,246,461</u>	<u>\$ 2,244,398</u>	<u>\$ 25,784,505</u>	<u>\$ 2,212,914</u>

Compensated absences are paid by business – type activities that are responsible for salary costs.

The Golf Fund note bears interest at 4%.

**Components Units:**

Schools:	Balance July 1, 2009	Increase in 2009-10	Payments in 2009-10	Balance June 30, 2010	Due within one year
Compensated absences	\$ 1,193,956	\$ 1,383,274	\$ 1,373,049	\$ 1,204,181	\$ 144,502
Unfunded liability for post- employment medical benefits	<u>100,773</u>	<u>89,386</u>	<u>-</u>	<u>190,159</u>	<u>-</u>
Total	<u>\$ 1,294,729</u>	<u>\$ 1,472,660</u>	<u>\$ 1,373,049</u>	<u>\$ 1,394,340</u>	<u>\$ 144,502</u>
<b>CEDA:</b>					
Total notes payable	<u>\$ 56,413</u>	<u>\$ -</u>	<u>\$ 56,413</u>	<u>\$ -</u>	<u>\$ -</u>

The CEDA note was due to the Capital Projects Fund and bears interest at 2%.

**(d) Debt Compliance and Repayment**

The governmental activities general improvement bonds and public improvement refunding bonds are secured by the full faith and credit of the City and are payable from taxes levied on all property located within the City. Governmental activities installment notes payable are payable from General Fund revenues. Literary loans from the Commonwealth of Virginia are for the construction or renovation of school buildings and are collateralized by such buildings and are payable by the City from General Fund resources. The Gas, Water and Sewer Funds general obligation and public improvement refunding bonds are payable from revenues generated by the facilities constructed from the bond proceeds, although they are also backed by the full faith and credit of the City should the facilities not provide sufficient revenues to meet bond obligations. The City has complied with all significant financial bond covenants.

The City has no overlapping debt with other jurisdictions. At June 30, 2010, the City had a legal debt limit of \$525,718,270 and a debt margin of \$435,703,657.

The annual requirements to amortize to maturity all long-term obligations outstanding of the City, except for compensated absences payable for which the payment dates cannot be estimated are presented on note 11 (g).

**(e) General Obligation Public Improvement Bonds**

On June 22, 2010, the City issued \$14,860,000 in General Obligation Public Improvements Bonds. \$3,730,000 were issued as Series 2010A, qualified tax-exempt obligations. \$11,130,000 were issued as Series 2010B, Build America Bonds and are taxable to the bondholder. Pursuant to the American Recovery and Reinvestment Act of 2010 (the "ARRA"), the City will receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Series 2010B Bonds on each of the interest payable dates. The cash payment does not constitute a guarantee by the United States Treasury or a pledge of the faith and credit of the United States of America, but is required to be paid by the United States Treasury under the ARRA. \$9,956,200 is general governmental debt to fund capital projects and \$4,903,800 is to fund water (\$1,486,000) and sewer (\$3,417,800) capital projects.

**(f) Disclosure of Outstanding Balance of Refunded Bonds**

The amount outstanding at June 30, 2010 for bonds which have been in-substance defeased or refunded was \$8,800,000. This was the same amount outstanding at June 30, 2009.

(g) **Debt Service Requirements to Maturity**

General Obligation Bonds:

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>					
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>			
2011	\$	5,539,950	\$	2,504,156	\$	2,110,050	\$	833,741
2012		5,257,367		2,477,962		2,107,633		833,472
2013		5,206,850		2,300,896		2,088,150		765,976
2014		4,880,816		2,147,098		2,064,183		707,380
2015		4,652,300		1,985,670		1,867,700		646,309
2016 - 2020		21,005,567		7,540,221		7,834,436		2,348,837
2021 - 2025		17,385,200		3,774,228		4,599,800		1,110,463
2026 - 2030		8,189,000		853,140		2,541,000		304,330
Total bonds	\$	<u>72,117,050</u>	\$	<u>23,583,371</u>	\$	<u>25,212,952</u>	\$	<u>7,550,508</u>

Literary Loans:

Year Ending	<u>Governmental Activities</u>			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	
2011	\$	26,518	\$	7,243
2012		27,904		5,917
2013		20,018		4,522
2014		20,018		3,521
2015		20,018		2,521
2016 - 2020		<u>30,385</u>		<u>2,037</u>
Total literary loans	\$	<u>144,861</u>	\$	<u>25,761</u>

Notes Payable:

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>					
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>			
2011	\$	595,342	\$	36,577	\$	74,382	\$	6,178
2012		605,872		26,047		77,409		3,151
2013		483,100		14,199		-		-
2014		<u>402,484</u>		<u>5,997</u>		-		-
Total notes payable	\$	<u>2,086,798</u>	\$	<u>82,820</u>	\$	<u>151,791</u>	\$	<u>9,329</u>

## 11. PENSION AND POST-EMPLOYMENT BENEFIT PLANS

### (a) City Pension Plan – Defined Benefit

*Plan description* – The City administers a single-employer, defined benefit plan, which includes both pension and post-employment healthcare and life insurance benefits for eligible employees. Benefits are established by City Council, as provided in Article III and IV of Chapter 19 of the Code of the City of Charlottesville. A Post-Employment Benefits Trust was established and adopted by City Council on July 1, 2007. The City Pension Plan is considered part of the City’s Reporting Entity and is included in the City’s financial statements as the Pension Trust Fund (Exhibits F-1 and F-2). There is no separately issued City Pension Plan-Defined Benefit report.

The City’s Pension Plan covers all regular employees and provides retirement and disability benefits. The City’s post-employment benefits plan provides a contribution towards healthcare and life insurance coverage to all retired employees who were employed by the City on December 31, 1984, and who continue to work for the City until retirement. Effective July 1, 1997, post-employment benefits coverage was extended to all current, eligible City employees, regardless of date of hire, who continue to work for the City until they retire.

Benefits vest after five years of service for employees hired prior to December 3, 2002; for employees hired on or after that date, vesting is at the rate of 4% for each full year of service completed at retirement. The Pension Plan does not provide automatic annual increases in benefits. Benefit increases require approval of City Council. Healthcare plan provisions may be amended by City Council at any time. Life insurance benefits are provided to eligible beneficiaries.

Membership in the City’s Pension Plan and Post-Employment Benefits Plan (OPEB) consists of the following at June 30, 2010, and date of the most recent actuarial valuation:

	<u>Pension</u>	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	456	406
Vested terminated employees	431	-
Current employees:		
Vested	527	998
Nonvested	<u>205</u>	<u>-</u>
Total	<u><u>1,619</u></u>	<u><u>1,404</u></u>

A summary of pension provisions follows:

	Public Safety	General
<b>Normal Retirement Benefits:</b>		
Eligibility	All Police, Firefighters, Sheriff and deputies who work 20 hours a week for at least 36 weeks per year	All regular employees who work 20 hours a week for at least 36 weeks per year
Age/Years of Service-Normal	Age 60 with 5 years of service	Age 65 with 5 years of service
Age/Years of Service-Early	Age 55 with 5 years of service or 50 with 25 years of service	Age 55 with 5 years of service or 50 with 30 years of service
Normal	The greater of: 2% of average final compensation (AFC), times credited service, minus 2 ½% of estimated social security benefit at age 65 times years of credited service (20 years maximum) or AFC times 1.6% times years of credited service	
Early	Same as Normal except reduced by 0.5% times number of months early to reach 30 years of service or months to normal retirement age, whichever is less	
Years to vest	5	5
<b>Disability Benefits:</b>		
Service Incurred	Accrued benefit, years of creditable service not necessary	
Eligibility	5 or more years of credited service totally and permanently disabled	
Benefit	Accrued benefit, but the years of service is smaller of 2 times the years of service or number of years to age 60	
<b>Pre-Retirement Death Benefits:</b>		
Death-in-service	Accrued/reduced benefit payable to surviving spouse if member was eligible for early retirement or had 30 years of service	

*Summary of significant accounting policies – basis of accounting and valuation of investments.* The financial statements of the Pension Trust Fund are prepared using the accrual basis of accounting. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits are recognized when due and payable in accordance with the provisions of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date. Securities without an established market are reported at estimated fair value.

*Funding policy* - Employees make no contributions to the City Pension Plan, although retirees may purchase family healthcare coverage. The City's contribution rates, authorized by City Council, are actuarially determined and consist of current costs and amortization of prior service costs. For fiscal years ending June 30, 2010, 2009 and 2008 retirement plan contributions were \$4,872,461, \$4,570,157 and \$5,917,199. For fiscal years ending June 30, 2010, 2009 and 2008 post-employment benefits plan contribution was \$3,966,988, \$4,477,475 and \$3,242,000. The costs of administering the plans are borne primarily by the plans. The contribution rates for 2010, based on the July 1, 2008 actuarial report were:

	<u>Public</u> <u>Safety</u>		<u>General</u>		<u>Combined</u> <u>Rate</u>
Pension	21.51 %		12.60 %		15.39 %
Post-Employment	<u>12.53</u>		<u>12.53</u>		<u>12.53</u>
Total	<u>34.04</u> %		<u>25.13</u> %		<u>27.92</u> %

*Annual pension cost* - The City has traditionally contributed the annual required contribution (ARC) and thus has never actually had or been required to report a net pension obligation (NPO). In accordance with GAAP, the City calculated the potential for a NPO and reaffirmed that none existed at June 30, 2010. Schedules of funding progress are presented as required supplementary information in Exhibit I. Both contributions and benefits are recognized in accordance with GAAP and actuarial requirements; benefits are paid to retirees as they become due.

The pension and post-employment benefits contribution was determined as part of the July 1, 2008, actuarial valuation using the Projected Unit Credit actuarial cost method. For purposes of determining contribution rates, the net realized and unrealized appreciation or depreciation in the market value of assets is recognized over a four-year period, designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. Pension Plan amortization is over a 20-year closed period, with contributions increasing 4% per year. Postemployment benefits plan is amortized over 30-year closed group based on a level percentage of payroll method and assumes a 2.5% payroll growth. The actuarial assumptions include 7.5% investment rate of return per annum compounded annually, net of expenses projected. Trends for medical benefits (including prescription drugs) are 8% decreasing to 5.5% from 2008-2013 and 5% after 2014. Dental benefits are 5% per year. Non grandfathered retirees will pay 4% of the employer portion of the rate for each year of service at retirement that is less than 25 years. Pension plan assumes Social Security wage base was recognized and assumed to increase 4% per annum.

Pension and post-employment benefits plan funding requirements are based on the benefits provided under the terms of the plan in effect at the time of each annual valuation and on the pattern of sharing between the employer and the plan member at that point. At June 30, 2010, current employees make no contribution to the pension plan or post-employment benefits plan. Retirees contribute toward healthcare costs.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations reflect a long-term perspective.

*Funding progress* - The following schedule presents information about the funded status of the City Pension and post-employment benefit plan as of June 30, 2010.

**i) City Pension Plan**

Schedule of Funding Progress (dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Ratio (b-a)/c</u>
June 30, 2010	\$73,226	\$122,821	\$49,595	59.6%	\$31,174	159.1%

**ii) City Post-Employment Benefits Plan**

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2010	\$5,959	\$62,202	\$56,243	9.6%	\$31,174	180.4%

**(b) City - Defined Contribution Pension Plan**

Effective July 1, 2001, the City established a defined contribution plan (the “DC plan”) for its employees. All current eligible employees were given a one-time option to switch from the City Pension Plan to the DC plan. If an employee elected to switch, their benefit was frozen under the City Defined Benefit Pension Plan. A total of 159 employees elected to participate at the DC Plan’s inception.

All new hires are given a one-time option to choose either the City Pension Plan or the DC plan when they are hired. Under the DC plan, the City will make a contribution of 8% of the electing employee’s base salary to their account, which is administered by a third party. DC plan contributions vest ratably over a three-year period. Employees determine how their account balance is invested from a range of available options. At June 30, 2010, there were 237 contributing employees totaling approximately 370 participants enrolled in the DC plan. During the year the City contributed a total of \$756,926. Total net assets available for benefit at June 30, 2010 were \$4,504,008.

There is also a separate defined contribution plan for senior management to which the City contributes. For the year ended June 30, 2010, a total of \$329,859 was contributed on behalf of the 10 members at a rate of 25.13% of eligible compensation.

Plan provisions and contribution rates are established and may be amended by City Council.

**(c) School Board Component Unit – Virginia Retirement System (VRS)**

The School Board contributes to the VRS, which provides agent and cost-sharing multiple-employer defined benefit pension plans to the City. Professional employees participate in a VRS statewide teacher cost-sharing pool and non-professional employees participate as a separate group in the VRS.

*Plan description* - 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 and at age 50 with 30 years of service, payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% each year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The VRS also provides death and disability benefits. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500 or downloaded from the VRS website at <http://www.varetire.org/Pdf/2007AnnuRept.pdf>.

*Funding policy* - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

The School Board's contribution rates for teacher cost-sharing pool personnel for the fiscal year ended June 30, 2010 was 15.64%, of annual covered payroll. The School Board has elected to pay the employee's 5% required contribution. The School Board's required contribution, equal to the ARC, was as follows:

<u>Year Ended June 30</u>	<u>Contribution Dollars</u>	<u>Contribution Percentage</u>
2010	\$ 3,894,293	15.64 %
2009	4,708,499	14.35
2008	4,820,847	15.30

*Annual pension cost* - For 2010, the School Board's annual pension cost for non-professional employees was equal to the School Board's actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases between 3.75% and 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets.

*Funding progress* - The following schedule presents information about the funded status of the School Board Virginia Retirement System Plan for non-professional employees as of June 30, 2009.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (1) (b)</u>	<u>Unfunded Actuarial Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Ratio (b-a)/c</u>
June 30, 2009	\$ 10,305	\$ 9,739	\$ (566)	105.8%	\$2,150	(26.3) %

The School Board's contribution rates for non-professional employees for the fiscal year ended June 30, 2010 was 6.03% of annual covered payroll. The School Board has elected to pay the employees' 5% required contribution. The annual required contribution for fiscal years ending June 30, 2009, 2008 and 2007 were \$22,143, \$21,114 and \$21,147. The School Board has contributed the annual required contribution and thus is not required to report a net pension obligation.

**(d) School Board Component Unit – Post-Employment Medical Plan Subsidy**

*Plan description* - The medical plan subsidy covers all full-time employees who have met all requirements of the Virginia Retirement System (VRS) are eligible for full, unreduced retirement benefit if they have 30 years of service credit and have at least 10 consecutive years in a full-time salaried position as of the date of retirement. The retirees are not eligible for Medicare coverage at retirement date. Medical benefits subsidies on or before March 15, 2006 is a monthly benefit fixed at \$250 payable to the earlier of: a) is age 65; b) is 60 monthly payments; and c) is the death of the retiree. Employees who retire effective June 30, 2010 and have 10 or more consecutive years of service will receive one of the following annual allotments to assist with paying for individual health insurance with Charlottesville City Schools: Category A: \$4,000 for all full-time employees and Category B \$2,000 for all part-time employees. Employees who are eligible for full retirement and are not eligible for or who do not choose health insurance coverage will receive a one-time payment of \$5,000 (Category A) or \$2,500 (Category B). There are no life insurance benefits. At June 30, 2010 there are 666 active employees under 65 and 43 retirees for a total plan participation of 709 employees.

*Funding policy* - The employer is assumed to make annual contributions to the medical plan equal to the cost of benefits (claim payments plus administrative expenses) not covered by retiree contributions. The plan is unfunded.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in to the future, and the actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial calculations reflect a long-term perspective.

Schedule of employer contributions:

Fiscal Year	Annual	Employer	% of Annual	Net
<u>Ending</u>	<u>OPEB Cost</u>	<u>Contribution</u>	<u>OPEB Cost</u>	<u>OPEB</u>
			<u>Contributed</u>	<u>Obligation</u>
6/30/2010	\$ 139,078	\$ 80,500	57.9 %	\$ 170,346
6/30/2009	136,402	69,500	51.0	111,768
6/30/2008	116,866	72,000	61.6	44,866

*Funding progress* - The following schedule presents information about the funded status of the School Board Post-employment medical plan of June 30, 2010.

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Annual	Unfunded
Valuation	Value of	Accrued	Actuarial	Ratio	Covered	Ratio
<u>Date</u>	<u>Assets</u>	<u>Liability (1)</u>	<u>Liability</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Ratio</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>(b-a)/c</u>
June 30, 2010	\$ -	\$ 1,659	\$ 1,659	0.0%	\$10,892	15.2%

*Annual pension cost* - For 2010, the School Board's annual medical cost was \$80,500 based on an estimate of direct subsidies (monthly as well as single sum payments) that are expected in the 12-month period following the measurement date. The required annual contribution was determined as part of the June 30, 2010 actuarial valuation using the projected unit credit funding method. Assumptions include 1) assumed retirement age is 58 with 10 years of service 2) Interest rate of 4% 3) Participation rate of 50% of those eligible at retirement are assumed to enter plan; 50% will opt out and take single sum payment and 4) Health Care Cost Trend of 10% for 3 years; 9% for 4 years; 8% for 4 years; 7% for 4 years; 6% for 4 years and 5% thereafter.

## 12. COMMITMENTS AND CONTINGENT LIABILITIES

The City has received a number of Federal and State grants. Although the City has been audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, these grants are still subject to financial and compliance audits by the grantors or their representatives. Such audits could result in requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Based on past experience, City management is of the opinion that disallowances, if any, will be immaterial.

## 13. REVENUE SHARING AGREEMENT

An Annexation and Revenue Sharing Agreement dated February 17, 1982 between the City of Charlottesville, Virginia and the County of Albemarle, Virginia was approved in a public referendum on May 18, 1982. The agreement requires the City and County annually to contribute portions of their respective real property tax bases and revenues to a Revenue and Economic Growth Sharing Fund. Distribution of the fund and the resulting net transfer of funds shall be made on each January 31 while this agreement remains in effect.

During the time this agreement is in effect, the City will not initiate any annexation procedures against the County. Also, pursuant to this agreement, a committee was created to study the desirability of combining the governments and the services presently provided by them.

This agreement became effective July 1, 1982 and remains in effect until:

1. The City and County are consolidated into a single political subdivision, or
2. The concept for independent cities presently existing in Virginia is altered by State law in such a manner that real property in the City becomes a part of the County's tax base, or
3. The City and County mutually agree to cancel or change the agreement.

During the fiscal year, the County paid \$18,038,878 to the City as a result of this agreement which is recorded in intergovernmental revenues.

## **14. JOINT VENTURES**

### **(a) Rivanna Water and Sewer Authority**

The City is a participant with the Albemarle County Service Authority (ACSA) in a joint venture to provide water and wastewater treatment services to City residents and residents in certain areas of Albemarle County. The Rivanna Water and Sewer Authority (RWSA) was created for that purpose. RWSA is governed by a seven-member board composed of two ex-officio members from the City staff, a member from City Council, one from the County staff, a member of the County Board of Supervisors, and one from ACSA staff, as well as a seventh member who is jointly appointed by the City and County. The City and ACSA have agreed to purchase water and wastewater treatment services for all their customers solely from RWSA, at rates established to cover the operating and debt costs of RWSA, until June 30, 2012. For the year ended June 30, 2010, the City paid a total of \$11,120,545 to RWSA. Complete, audited financial statements for RWSA can be obtained at their administrative offices at 200 Franklin Street, Charlottesville, Virginia 22902.

### **(b) Rivanna Solid Waste Authority**

The City is a participant with Albemarle County in a joint venture to provide solid waste disposal facilities for City and County residents. The Rivanna Solid Waste Authority (RSWA) was created for that purpose. RSWA is governed by a five-member board composed of two ex-officio members from the City and two from the County, as well as a fifth member who is jointly appointed by the City and County. The City has agreed to use RSWA as the sole entity to accept and dispose of all solid waste generated by the City until June 30, 2030, and to pay rates for this service which will cover the costs of disposal, including a reserve for closing the existing landfill and acquiring a new one when deemed necessary. Similar fees are paid by private haulers for County residents. For the year ended June 30, 2010, the City remitted \$755,434 to RSWA for its services. The City and County have also entered into a Cost Sharing Agreement for purposes of paying any of the post-closure care and corrective action costs in the event that the Rivanna Solid Waste Authority would not have the financial resources to pay such costs. Although, the City has entered into a Local Government Guarantee on behalf of the Rivanna Solid Waste Authority, the Virginia Department of Environmental Quality (DEQ) has no legal recourse against the City under this guarantee. The City's percentage of these shared costs is 35.5% of the total. The City share of the local guarantee for the 2010 calendar year is \$1,633,452. Annual certificates must be filed every December 30<sup>th</sup> to DEQ. Complete, audited financial statements for RSWA can be obtained at their administrative offices at 200 Franklin Street, Charlottesville, Virginia 22902.

### **(c) Jefferson-Madison Regional Library**

The City and several neighboring counties joined together to form a regional library system for the use of their respective residents. The Jefferson-Madison Regional Library (JMRL) is governed by an eleven-member board, four of whom are appointed by the City. The participating localities share the operating costs of JMRL on the basis of the prior year's book circulation. The City contributed \$1,355,385 to JMRL for the year ended June 30, 2010. Complete, audited financial statements for JMRL can be obtained at their administrative offices at 201 East Market Street, Charlottesville, Virginia 22902.

**(d) Charlottesville – Albemarle Regional Jail**

The City and Albemarle County share the costs of operating a regional jail. The Jail is governed by a seven-member board, three of whom are appointed by the City (with one member being ex-officio), three by the County, and one jointly appointed citizen. Under the terms of the operating agreement, either the City or the County can terminate the contract with sixty days notice. The City and County share the costs of operating the Jail (net of any reimbursements from the Federal, state and other local governments) on the ratio of City and County prisoner days of utilization for the prior year. Any excesses or deficits are reimbursed after the end of each fiscal year. For the year ended June 30, 2010, the City's share of the costs of the Jail was \$4,114,585. Complete, audited financial statements for the Jail can be obtained at their administrative offices at Avon Street Extended, Charlottesville, Virginia 22902.

**(e) Emergency Communications Center**

The City, Albemarle County and the University of Virginia jointly participate in operating a centralized dispatching facility for law enforcement and emergency services. The Emergency Communications Center (the Center) is governed by an eight-member board, three of whom are ex-officio members from the City. The Center operates under the terms of an agreement whereby any participant may discontinue its participation with one year's written notice. The operating costs of the Center are shared by the three participants on the basis of population, numbers of calls for service and annual crime statistics. For the year ended June 30, 2010, the City's share of the costs of the Center was \$1,705,008. Complete, audited financial statements for the Center can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

**(f) Charlottesville Albemarle Convention & Visitors Bureau**

This is a regional program funded by the City, Albemarle County, Charlottesville Regional Chamber of Commerce and the University of Virginia and revenues generated by the Bureau. Its purpose is to promote tourism in the area. The Bureau is governed by a Management Committee composed of the City Manager, the County Executive, the President of the Charlottesville-Albemarle Chamber of Commerce and one ex-officio, non-voting member from the University of Virginia. The Chamber of Commerce contributes an amount based on its membership dues. The City and the County contributions are based on the year's sales tax and lodging tax for each compared to total. For the year ended June 30, 2010, the City contributed \$619,143 to the Bureau.

**(g) Darden Towe Park**

The City and County jointly own and operate a park, known as Darden Towe Park (the Park). The Park is governed by a supervisory committee, consisting of two ex-officio members each from the City and County. The operating costs of the Park are shared between the two based on the average of the populations of the two localities and the relative proportion of park usage by City and County residents. For the year ended June 30, 2010, the City's share of the Park's operating costs was \$54,533. Complete, audited financial statements for the Park can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

**15. RELATED ORGANIZATIONS**

The City Council is responsible for making appointments for a variety of boards and commissions, some of which are governing boards for agencies that cooperate outside of the authority of city government. These boards include:

- Albemarle – Charlottesville Regional Jail Authority
- Board of Architectural Review
- Building Code Board of Appeals
- Charlottesville – Albemarle Airport Authority
- Charlottesville – Albemarle Airport Commission
- Charlottesville – Albemarle Economic Development Authority
- Charlottesville – Albemarle Regional Transportation (CHART) Plan Citizen Advisory Committee
- Charlottesville Redevelopment and Housing Authority

Commission for Dialogue on Race  
 Commission on Children and Families  
 Community Development Block Grant Task Force  
 Historic Preservation Revolving Loan Fund  
 Housing Advisory Committee  
 Jefferson Area Board of Aging-Board of Directors  
 Jefferson Area Board of Aging Advisory Council  
 Jefferson Area Community Criminal Justice Board  
 JAUNT (Jefferson Area United Transportation Board)  
 Jefferson-Madison Regional Library Board  
 Metropolitan Planning Organization Policy Board  
 Monticello Area Community Action Agency Board  
 Parks and Recreation Advisory Committee  
 Personnel Appeals Board  
 Piedmont Virginia Community College Board  
 Planning Commission  
 Police Advisory Panel  
 Regional Disability Service Board  
 Region Ten Community Services Board  
 Retirement Commission  
 Rivanna Solid Waste Advisory Committee  
 Rivanna Water and Sewer Authority  
 Sister City Commission  
 Social Services Advisory Board  
 Thomas Jefferson Planning District Commission  
 Vendor Appeals Board

## 16. RISK MANAGEMENT

The Risk Management Fund reports liabilities for claims when it is probable that a loss has been incurred, and also includes independent estimates for claims that have been incurred but not reported. Since these claims are estimates based on currently available information, they are reviewed periodically, and the reported liabilities are revised as necessary. The net asset balance of \$5,623,154 at June 30, 2010 is a reserve for future extraordinary claims.

Major risks retained by the City include:

Worker's compensation - \$400,000 per claim and Employee health care - \$100,000 per participant per year.  
 Other insurance policies have deductibles of \$25,000 or less per occurrence.

The following is reconciliation between the current and prior years' claims liabilities:

	<u>2009-10</u>	<u>2008-09</u>
Accrued claims, July 1	\$ 3,428,434	\$ 3,144,401
Add claims incurred during the current fiscal year including changes in estimated claim payable	8,244,169	9,374,083
Less payments on claims	<u>(8,848,610)</u>	<u>(9,090,050)</u>
Accrued claims, June 30	<u>\$ 2,823,993</u>	<u>\$ 3,428,434</u>
Claims or judgments due within one year	\$ 2,676,810	\$ 3,324,441
Claims or judgments due in more than one year	<u>147,183</u>	<u>103,993</u>
Total	<u>\$ 2,823,993</u>	<u>\$ 3,428,434</u>

Public employee dishonesty coverage, Virginia Municipal League Insurance Program is as follows:

	<u>Amount</u>
Jennifer J. Brown, Treasurer	\$ 1,000,000
Paul C. Garrett, Clerk of the Circuit Court	1,000,000
R. Lee Richards, Commissioner of the Revenue	1,000,000
James E. Brown, III, Sheriff	1,000,000
Maurice T. Jones, Acting City Manager	1,000,000
Aubrey Watts, Jr., Chief Operating Officer/Chief Financial Officer	1,000,000
Bernard Wray, Director of Finance	1,000,000
Jennifer Luchard, Purchasing Agent	1,000,000

During the normal course of business, the City and its employees have been named as defendants in claims for personal injuries, property damage and specific performances which are being defended by the City Attorney and associated counsel. It is the opinion of the City Attorney that the resolution of such litigation will not involve a substantial liability to the City, other than what is already accrued in the government-wide financial statements.

#### 17. SUBSEQUENT EVENT

On September 16, 2010, the City entered into a financing agreement with the Virginia Resources Authority (VRA). The loan was authorized from the Virginia Water Facilities revolving fund. The amount of the loan is \$5,030,409, payable over twenty (20) years with 39 semi-annual principal and interest payments of \$170,240. The interest rate is 2.93%, with total interest payable of \$1,608,949. The loan will be used for the Stadium Road sewer capital project which is expected to be completed by December, 2011. The first payment on the loan is based on the project completion date, with an interest only payment due on March 1, 2012. Principal and interest payments will begin on September 1, 2012 and will be recorded as a liability in the City's Sewer Fund.

#### 18. RESTATEMENT OF BEGINNING NET ASSETS

The City has restated beginning net assets to include capital assets for the Sewer and Gas Fund in the Business-type Activities – Enterprise Fund in compliance with The Government Accounting Standards Board (GASB) Statement No. 51 “Accounting and Financial Reporting for Intangible Assets”.

##### STATEMENT OF NET ASSETS PROPRIETARY FUND - EXHIBIT E-3

	<u>Sewer Fund</u>	<u>Gas Fund</u>	<u>Proprietary Funds</u>
Total net assets, June 30, 2009	\$ 9,971,100	\$ 23,865,647	\$ 42,468,951
Easements	<u>56,000</u>	<u>22,100</u>	<u>78,100</u>
Total revised net assets, June 30, 2009	<u>\$ 10,027,100</u>	<u>\$ 23,887,747</u>	<u>\$ 42,547,051</u>

##### BASIC FINANCIAL STATEMENTS - EXHIBIT B

Total net assets, June 30, 2009 as previously reported	
Business-Type Activities	\$ 42,733,988
Easements	<u>78,100</u>
Total revised net assets, June 30, 2009	<u>\$ 42,812,088</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

Revenues	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive Negative
	Original	Final		
<b>Taxes:</b>				
Real estate	\$ 50,437,398	\$ 50,437,398	\$ 49,876,136	\$ (561,262)
Personal property	6,273,000	6,273,000	6,094,538	(178,462)
Public service corporation	1,075,000	1,075,000	1,119,657	44,657
Penalties and interest on delinquent taxes	350,000	350,000	429,863	79,863
Sales and use	9,925,000	9,925,000	9,312,664	(612,336)
Business license	5,700,000	5,700,000	6,502,949	802,949
Utilities	4,643,072	4,643,072	4,419,303	(223,769)
Communications tax	3,580,000	3,580,000	3,352,581	(227,419)
Meals	6,720,000	6,720,000	6,454,663	(265,337)
Lodging	2,395,000	2,395,000	2,475,914	80,914
Franchise	-	-	3,500	3,500
Tax on bank stock	550,000	550,000	975,779	425,779
Tax on wills and deeds	550,000	550,000	403,918	(146,082)
Rolling stock	14,938	14,938	17,402	2,464
Short-term rental	64,000	64,000	35,370	(28,630)
Cigarette	695,000	695,000	614,725	(80,275)
Recordation	142,436	142,436	162,496	20,060
<b>Total taxes</b>	<b>93,114,844</b>	<b>93,114,844</b>	<b>92,251,458</b>	<b>(863,386)</b>
<b>Licenses and permits:</b>				
Vehicle license fees	856,800	856,800	859,706	2,906
Dog licenses	15,000	15,000	22,083	7,083
Electrical, heating and mechanical permits	120,000	120,000	113,685	(6,315)
Building and plumbing permits	310,630	310,630	218,870	(91,760)
Erosion control fees	-	-	10,807	10,807
Sign permits	-	-	5,325	5,325
Other permits	366,100	366,100	410,251	44,151
<b>Total licenses and permits</b>	<b>1,668,530</b>	<b>1,668,530</b>	<b>1,640,727</b>	<b>(27,803)</b>
<b>Intergovernmental revenues:</b>				
Revenue from Federal government	-	4,750	4,750	-
Revenue from State agencies:				
State highway assistance	3,081,035	3,081,035	3,288,834	207,799
Reimbursement for constitutional officers	1,670,560	1,670,560	1,463,019	(207,541)
Police assistance	2,288,070	2,288,070	2,012,149	(275,921)
Trailer titling tax	1,200	1,200	1,939	739
PPTRA revenue	3,498,256	3,498,256	3,498,256	-
Other State assistance	172,000	187,473	226,264	38,791
Revenue from other local governments:				
Revenue sharing - Albemarle County	18,038,878	18,038,878	18,038,878	-
Fire Department operations	742,000	742,000	721,249	(20,751)
Juvenile and Domestic Relations Court	150,076	150,076	150,076	-
Court revenue	500,000	500,000	345,149	(154,851)
Circuit Court reimbursement	-	-	16,594	16,594
University of Virginia service charge	25,000	25,000	32,476	7,476
Payment in lieu of taxes - CRHA	15,000	15,000	31,515	16,515
Other	333,462	410,362	631,429	221,067
<b>Total intergovernmental revenues</b>	<b>30,515,537</b>	<b>30,612,660</b>	<b>30,462,577</b>	<b>(150,083)</b>

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Charges for services:				
Recreation income	782,500	803,673	830,547	26,874
City Sheriff fees	6,200	6,200	-	(6,200)
Parking meter receipts	100,000	100,000	89,666	(10,334)
Parking garage revenue	1,150,000	1,150,000	1,097,942	(52,058)
Solid waste collection fees	1,000,000	1,000,000	939,277	(60,723)
Tax abatement application fees	-	-	1,300	1,300
Other	1,806,039	1,899,689	1,610,271	(289,418)
Total charges for services	4,844,739	4,959,562	4,569,003	(390,559)
Fines:				
Parking fines	405,000	405,000	392,515	(12,485)
Miscellaneous revenues:				
Interest Income	395,167	395,167	643,892	248,725
Rent	306,955	306,955	247,896	(59,059)
Proceeds from drug seizures	-	237,835	252,291	14,456
Contributions	9,211	9,211	33,277	24,066
Refund of prior year expenditures	5,000	5,000	285	(4,715)
Indirect cost recovery	165,000	165,000	101,568	(63,432)
Other	300,000	421,493	550,266	128,773
Total miscellaneous revenues	1,181,333	1,540,661	1,829,475	288,814
Total revenues	131,729,983	132,301,257	131,145,755	(1,155,502)
<b>Expenditures - Current</b>				
General government:				
Legislative:				
Mayor and Council	234,561	235,851	222,605	13,246
Reserve for Council	120,344	116,101	9,985	106,116
First Cities	18,000	18,000	17,194	806
Sister Cities	15,000	34,975	-	34,975
Judicial:				
City Circuit Court	733,247	767,530	740,121	27,409
General District Court	29,307	35,680	18,746	16,934
Court Services Unit	9,920	9,920	8,670	1,250
Juvenile and Domestic Relations Court	285,515	320,605	249,981	70,624
Commonwealth's Attorney	973,550	1,055,716	794,488	261,228
City Sheriff	1,013,107	1,296,437	988,245	308,192
Executive:				
City Manager	1,266,421	1,282,654	1,158,542	124,112
Citywide Reserve	-	313,250	15,304	297,946
Legal:				
City Attorney	706,094	734,149	711,682	22,467
Financial administration:				
Commissioner of Revenue	1,043,369	1,050,995	929,519	121,476
Real Estate Assessor	738,277	766,334	677,232	89,102
Treasurer	1,150,125	1,166,247	1,150,168	16,079
Finance - Administration	1,236,288	1,238,819	1,197,808	41,011
Purchasing	299,203	311,286	305,826	5,460
Personnel Administration:				
Human Resources Department	1,005,275	1,075,612	895,571	180,041
Elections:				
Office of the Registrar	365,829	400,096	397,850	2,246
General government buildings and plant:				
Public Works - Administration	789,079	828,730	779,302	49,428
Custodial	481,950	507,583	461,774	45,809
Maintenance	953,622	2,661,715	1,045,899	1,615,816
Total general government	13,468,083	16,228,285	12,776,512	3,451,773

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police Protection:				
Police Department	13,470,701	14,101,255	13,889,353	211,902
Drug investigation	78,000	457,502	358,595	98,907
Fire Protection:				
Fire Department	8,718,424	8,854,743	8,733,608	121,135
Emergency Management Services (EMS)	-	50,000	-	50,000
Volunteer Fire Company	14,390	14,390	9,883	4,507
Other Protection:				
Contribution - Charlottesville-Albemarle Regional Jail	3,927,391	3,927,391	4,114,585	(187,194)
Blue Ridge Juvenile Detention Center	931,911	931,911	887,566	44,345
Office of the Magistrate	9,600	9,600	6,630	2,970
Traffic Engineering	729,154	1,118,965	716,434	402,531
Contribution - Emergency Communications Center	1,705,008	1,705,008	1,705,008	-
Police Explorer Post #606	-	2,088	-	2,088
Total public safety	29,584,579	31,172,853	30,421,662	751,191
Community Services				
Highways and streets:				
Public Service - Administration	473,916	504,398	503,324	1,074
Streets and sidewalks	3,287,812	3,562,548	3,045,241	517,307
Public Works - Stormwater	444,319	651,766	441,975	209,791
Street lighting	738,861	738,861	558,151	180,710
Sanitation:				
Refuse collection and disposal	2,080,146	2,063,910	1,880,680	183,230
Contribution to Ivy Landfill	750,000	750,000	433,696	316,304
Transportation:				
Contribution to JAUNT	708,066	708,066	708,066	-
Total community services	8,483,120	8,979,549	7,571,133	1,408,416
Health and Welfare:				
Health:				
Thomas Jefferson Health Department	417,573	434,910	434,910	-
Region Ten Community Services Board	959,365	959,365	959,365	-
Contributions to community organizations	591,533	640,097	640,097	-
Welfare:				
Tax relief for the elderly	534,000	534,000	519,408	14,592
Rent relief for the elderly	10,000	10,000	15,101	(5,101)
Tax relief for the disabled	137,000	137,000	135,031	1,969
Rent relief for the disabled	85,000	85,000	81,840	3,160
Education Extension Program	41,406	41,406	41,406	-
Contributions to community organizations	2,400,347	2,772,950	2,420,327	352,623
Total health and welfare	5,176,224	5,614,728	5,247,485	367,243

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Parks, Recreation and Culture:				
Culture:				
Contribution to Jefferson - Madison Regional Library	1,355,385	1,355,385	1,355,385	-
Contributions to community organizations	172,346	224,746	198,768	25,978
Contributions to festivals	112,100	94,200	79,833	14,367
Recreation:				
Administration	701,042	631,094	617,724	13,370
Athletics	324,040	327,040	319,425	7,615
Aquatics	1,017,139	1,242,976	1,228,769	14,207
Recreation centers	599,211	604,221	542,014	62,207
Special activities	851,158	943,829	819,988	123,841
Therapeutic programs	295,798	349,990	284,793	65,197
Parks:				
Park maintenance	3,874,264	4,169,150	3,475,101	694,049
Towe Park operations	66,418	66,418	54,533	11,885
Total parks, recreation and culture	9,368,901	10,009,049	8,976,333	1,032,716
Education:				
Contribution to School Board component unit	34,553,321	34,553,321	34,553,321	-
School pupil transportation	2,332,687	2,588,411	2,442,882	145,529
School maintenance	1,318,757	1,439,118	1,388,331	50,787
School energy management	1,961,614	2,000,880	1,895,647	105,233
Piedmont Virginia Community College	12,150	12,150	12,150	-
WVPT-TV	2,480	2,480	2,480	-
African American Teaching Fellows	7,500	7,500	7,500	-
Total education	40,188,509	40,603,860	40,302,311	301,549
Conservation and Development:				
Economic development:				
Office of Economic Development	699,589	774,591	604,614	169,977
Chamber of Commerce	2,500	2,500	1,260	1,240
Contribution to Convention and Visitors Bureau	619,143	619,143	619,143	-
Urban redevelopment and housing:				
Parking garages	263,002	265,151	259,443	5,708
Neighborhood Development Services Department	2,877,487	3,055,347	2,765,658	289,689
Historic Preservation Task Force	5,000	25,811	8,229	17,582
Community Design Center	27,560	27,560	27,560	-
Thomas Jefferson Planning District	65,407	65,407	65,407	-
Albemarle Housing Improvement Program	95,546	95,546	95,546	-
Small Business Development Center	10,000	10,000	10,000	-
Total conservation and development	4,665,234	4,941,056	4,456,860	484,196
Other activities				
Virginia Municipal League	13,447	13,447	13,072	375
Employee Benefits	410,000	907,945	227,169	680,776
Corporate training program	35,000	41,400	31,430	9,970
Thomas Jefferson Soil & Water	10,000	10,000	10,000	-
Virginia Institute for Government	2,500	2,500	2,500	-
Alliance for Innovation	2,500	2,500	2,500	-
Streamwatch	10,000	10,000	10,000	-
Total other activities	483,447	987,792	296,671	691,121
Total expenditures - budgetary basis	111,418,097	118,537,172	110,048,967	8,488,205
Less encumbrances at June 30, 2010	-	-	(1,180,647)	1,180,647
Total expenditures	111,418,097	118,537,172	108,868,320	9,668,852
Revenues over expenditures	20,311,886	13,764,085	22,277,435	8,513,350

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	255,400	255,400	-
Transfers in:				
Transfer from Water Fund	678,047	678,047	678,047	-
Transfer from Sewer Fund	619,718	619,718	619,718	-
Transfer from Gas Fund	3,762,094	3,762,094	3,762,094	-
Transfer from Capital Projects Fund	-	64,773	64,773	-
Total transfers in:	5,059,859	5,124,632	5,124,632	-
Transfers out:				
Transfer to Capital Projects Fund	(4,575,000)	(8,452,009)	(8,452,009)	-
Transfer to Social Services Fund	(3,361,806)	(3,361,806)	(2,642,198)	719,608
Transfer to Grants Fund	-	(5,222)	(5,222)	-
Transfer to Community Attention Programs Fund	(238,763)	(238,763)	(238,763)	-
Transfer to Community Services Act Fund	(2,950,058)	(2,950,058)	(2,601,214)	348,844
Transfer to Transit Fund	(1,768,834)	(2,184,237)	(1,903,977)	280,260
Transfer to Debt Service Fund	(8,417,000)	(8,417,000)	(8,376,541)	40,459
Transfer to Departmental Services Fund	-	(66,107)	(66,107)	-
Transfer to Warehouse Fund	-	(1,211)	(1,211)	-
Total transfers out:	(21,311,461)	(25,676,413)	(24,287,242)	1,389,171
Total other financing sources (uses), net	<u>(16,251,602)</u>	<u>(20,296,381)</u>	<u>(18,907,210)</u>	<u>1,389,171</u>
Net change in fund balance	<u>\$ 4,060,284</u>	<u>\$ (6,532,296)</u>	<u>\$ 3,370,225</u>	<u>\$ 9,902,521</u>
Fund Balance - July 1, 2009			<u>\$ 32,444,855</u>	
Fund Balance - June 30, 2010			<u>\$ 35,815,080</u>	

See accompanying Note to Required Supplementary Information on page 83.

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
SOCIAL SERVICES FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

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	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 10,743,676	\$ 10,801,683	\$ 10,028,497	\$ (773,186)
Miscellaneous	-	-	42,390	42,390
Total revenues	<u>10,743,676</u>	<u>10,801,683</u>	<u>10,070,887</u>	<u>(730,796)</u>
Expenditures - health and welfare	<u>14,156,263</u>	<u>14,214,270</u>	<u>12,736,520</u>	<u>1,477,750</u>
Other financing sources - transfers in	<u>3,412,587</u>	<u>3,412,587</u>	<u>2,665,737</u>	<u>(746,850)</u>
Net change in fund balance	-	-	104	104
Fund balance, July 1, 2009	<u>-</u>	<u>-</u>	<u>483,439</u>	<u>483,439</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,543</u>	<u>\$ 483,543</u>

See accompanying Note to Required Supplementary Information on page 83.

**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2010**

**1. City Retirement Plan**

**Schedule of Funding Progress (dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2010	\$ 73,226	\$ 122,821	\$ 49,595	59.6 %	\$ 31,174	159.1 %
June 30, 2009	68,976	115,533	46,557	59.7	31,968	145.6
June 30, 2008	84,507	111,925	27,418	75.5	30,388	90.2
June 30, 2007	81,174	105,117	23,943	77.2	28,791	83.2
June 30, 2006	50,731	98,735	48,004	51.4	27,489	174.6
June 30, 2005	52,065	95,109	43,044	54.7	28,121	153.1

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2010	\$ 4,872,461	100.0 %
June 30, 2009	4,570,157	100.0
June 30, 2008	5,917,199	100.0
June 30, 2007	4,566,143	100.0
June 30, 2006	3,871,341	100.0
June 30, 2005	4,031,287	100.0

**2. City Post-Employment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2010	\$ 5,959	\$ 62,202	\$ 56,243	9.6 %	\$ 31,174	180.4 %
June 30, 2009	3,382	53,803	50,421	6.3	31,968	157.7
June 30, 2008	1,292	46,110	44,818	2.8	30,388	147.5

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2010	\$ 3,966,988	100.0 %
June 30, 2009	4,477,475	100.0
June 30, 2008	3,242,000	100.0

**3. School Board Component Unit - Virginia Retirement System Plan for non-professional employees (June 30, 2010 is not available)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2009	\$ 10,305	\$ 9,739	\$ (566)	105.8 %	\$ 2,150	(26.3) %
June 30, 2008	10,495	9,069	(1,426)	115.7	2,050	(69.6)
June 30, 2007	9,781	8,742	(1,039)	111.9	2,053	(50.6)
June 30, 2006	8,935	8,012	(923)	111.5	1,906	(48.4)
June 30, 2005	8,573	8,287	(286)	103.5	1,928	(14.8)
June 30, 2004	8,489	7,038	(1,451)	120.6	1,844	(78.7)

**Schedule of Employer Contributions**

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2009	\$ 22,143	100.0 %
June 30, 2008	21,114	100.0
June 30, 2007	21,147	100.0

**4. School Board Component Unit - Post-Employment Medical Benefit Plan Subsidy**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2010	\$ -	\$ 1,659	\$ 1,659	0.0 %	\$ 10,892	15.2 %
June 30, 2009	-	-	-	-	-	-
June 30, 2008	-	1,417	1,417	0.0	10,443	13.6

No evaluation prepared as of this measurement date

# CITY OF CHARLOTTESVILLE, VIRGINIA

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2010

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### 1. BUDGETARY ACCOUNTING

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. Accordingly, GAAP requires that governments include the original budget with the comparison of final budget and actual results.

The City's budget process begins in December with the preparation of estimated revenue forecasts. Departmental budget requests are submitted to the City Manager in early January. By early March the Manager's proposed budget is presented to City Council. A series of City Council work sessions and public hearings are held. The budget is formally adopted by April 15.

An annual operating budget is adopted for the General Fund and the Social Services Fund. Within the General Fund, budgets are legally adopted at the departmental level. The City Manager is authorized to transfer the budget for personnel cost (salaries and fringe benefits) between departments if necessary; however, any other revisions that alter the total expenditures of any department or agency must be approved by City Council. Unexpended appropriations lapse at the end of the fiscal year unless carried over by Council action. Budgets for special revenues funds and the Debt Service Fund are adopted on an annual basis. The Capital Projects Fund budget is adopted on a project life basis.

The budgets are integrated into the accounting system and the budgetary data, as presented in the Required Supplementary Information for all major funds with annual budgets, compares the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedules for the General and Social Services Funds present actual expenditures in accordance with GAAP on a basis consistent with legally adopted budgets as amended. Original, final budget and actual revenues and expenditures, including encumbrances, for the General Fund and Social Services Fund are presented on Exhibits G and H, respectively.

## **SUPPLEMENTARY SECTION**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

**Community Development Block Grant (CDBG) Fund** – to account for revenues and expenditures under the Community Development Block Grant program that is funding a number of projects.

**Grants Fund** – to account for revenues and expenditures related to various grant programs.

**Community Attention Fund** – to account for the residential and outreach programs for delinquent youths.

**Comprehensive Services Act (CSA) Fund** – to account for the City's portion of the activities of the multi-jurisdictional CSA Team, which provides services to at-risk troubled youth and families.

**Transit Fund** – to account for the operations of the City's bus system.

### **DEBT SERVICE FUND**

The debt service fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

### **PERMANENT FUND**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**Cemetery Perpetual Care Permanent Fund** – This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City cemetery.

CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT J

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Special Revenue Funds					Debt Service Fund	Permanent Fund Cemetery Perpetual Care	Total
	CDBG	Grants	Community Attention	CSA	Transit			
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ 26,249	\$ 415,885	\$ -	\$ -	\$ 9,608,691	\$ 162,199	\$ 10,213,024
Accounts receivable	42,014	-	987	33,329	16,219	-	302	92,851
Loans receivable	70,967	10,000	-	-	-	-	-	80,967
Due from other governments	33,406	134,777	1,047,337	2,194,158	468,745	-	-	3,878,423
Total assets	<u>\$ 146,387</u>	<u>\$ 171,026</u>	<u>\$ 1,464,209</u>	<u>\$ 2,227,487</u>	<u>\$ 484,964</u>	<u>\$ 9,608,691</u>	<u>\$ 162,501</u>	<u>\$ 14,265,265</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 57,687	\$ 31,268	\$ 140,745	\$ -	\$ 230,036	\$ 61,643	\$ -	\$ 521,379
Accrued liabilities	2,844	7,247	123,027	1,483,691	198,320	-	-	1,815,129
Due to other governments	70,967	138	-	-	-	-	-	71,105
Due to other funds	14,889	12,840	-	725,558	56,608	-	-	809,895
Total liabilities	<u>146,387</u>	<u>51,493</u>	<u>263,772</u>	<u>2,209,249</u>	<u>484,964</u>	<u>61,643</u>	<u>-</u>	<u>3,217,508</u>
<b>FUND BALANCES</b>								
Reserved for loans receivable	-	10,000	-	-	-	-	-	10,000
Reserved for cemetery perpetual care	-	-	-	-	-	-	162,501	162,501
Unreserved - Designated	-	109,533	1,200,437	18,238	-	9,547,048	-	10,875,256
Total fund balances	<u>-</u>	<u>119,533</u>	<u>1,200,437</u>	<u>18,238</u>	<u>-</u>	<u>9,547,048</u>	<u>162,501</u>	<u>11,047,757</u>
Total liabilities and fund balances	<u>\$ 146,387</u>	<u>\$ 171,026</u>	<u>\$ 1,464,209</u>	<u>\$ 2,227,487</u>	<u>\$ 484,964</u>	<u>\$ 9,608,691</u>	<u>\$ 162,501</u>	<u>\$ 14,265,265</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Special Revenue Funds					Debt Service Fund	Permanent Fund Cemetery Perpetual Care	Total
	CDBG	Grants	Community Attention	CSA	Transit			
<b>REVENUES</b>								
Intergovernmental	\$ 287,270	\$ 1,096,718	\$ 668,961	\$ 6,951,020	\$ 5,880,205	\$ -	\$ -	\$ 14,884,174
Charges for services	-	-	2,719,628	-	779,799	-	-	3,499,427
Investment earnings	-	-	-	-	-	27,061	-	27,061
Miscellaneous	166,132	6,304	8,149	-	345,326	-	1,797	527,708
Total revenues	453,402	1,103,022	3,396,738	6,951,020	7,005,330	27,061	1,797	18,938,370
<b>EXPENDITURES</b>								
Current:								
Public safety	-	548,660	-	-	-	-	-	548,660
Community services	-	341,827	-	-	8,790,903	-	-	9,132,730
Health and welfare	92,876	11,667	3,836,018	9,556,693	-	-	1,797	13,499,051
Parks, recreation and culture	-	51,953	-	-	-	-	-	51,953
Conservation and development	360,526	189,233	-	-	-	-	-	549,759
Debt service:								
Retirement of principal	-	-	-	-	-	5,926,396	-	5,926,396
Interest	-	-	-	-	-	2,407,670	-	2,407,670
Miscellaneous	-	-	-	-	-	107,867	-	107,867
Total expenditures	453,402	1,143,340	3,836,018	9,556,693	8,790,903	8,441,933	1,797	32,224,086
<b>Revenues over (under) expenditures</b>	-	(40,318)	(439,280)	(2,605,673)	(1,785,573)	(8,414,872)	-	(13,285,716)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers from other funds	-	52,072	238,763	2,601,214	1,948,093	8,805,036	-	13,645,178
Transfers to other funds	-	(20,000)	(25,206)	-	(162,520)	-	-	(207,726)
<b>Total other financing sources, net</b>	-	32,072	213,557	2,601,214	1,785,573	8,805,036	-	13,437,452
<b>Net change in fund balance</b>	-	(8,246)	(225,723)	(4,459)	-	390,164	-	151,736
<b>FUND BALANCE - JULY 1, 2009</b>	-	127,779	1,426,160	22,697	-	9,156,884	162,501	10,896,021
<b>FUND BALANCE - JUNE 30, 2010</b>	\$ -	\$ 119,533	\$ 1,200,437	\$ 18,238	\$ -	\$ 9,547,048	\$ 162,501	\$ 11,047,757

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,130,403	\$ 1,130,403	\$ 287,270	\$ (843,133)
Miscellaneous	54,840	54,840	166,132	111,292
Total revenues	<u>1,185,243</u>	<u>1,185,243</u>	<u>453,402</u>	<u>(731,841)</u>
<b>EXPENDITURES</b>				
Health and welfare	112,167	112,167	92,876	19,291
Conservation and development	1,073,076	1,073,076	360,526	712,550
Total expenditures	<u>1,185,243</u>	<u>1,185,243</u>	<u>453,402</u>	<u>731,841</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - July 1, 2009</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance - June 30, 2010</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GRANTS FUND  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,946,338	\$ 1,946,338	\$ 1,096,718	\$ (849,620)
Miscellaneous	-	-	6,304	6,304
Total revenues	<u>1,946,338</u>	<u>1,946,338</u>	<u>1,103,022</u>	<u>(843,316)</u>
<b>EXPENDITURES</b>				
Public safety	975,625	975,625	548,660	426,965
Community services	406,082	406,082	341,827	64,255
Health and welfare	11,667	11,667	11,667	-
Parks, recreation and culture	146,268	146,268	51,953	94,315
Conservation and development	592,709	592,709	189,233	403,476
Total expenditures	<u>2,132,351</u>	<u>2,132,351</u>	<u>1,143,340</u>	<u>989,011</u>
Revenues over (under) expenditures	<u>(186,013)</u>	<u>(186,013)</u>	<u>(40,318)</u>	<u>145,695</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	88,234	88,234	52,072	(36,162)
Transfers to other funds	(20,000)	(20,000)	(20,000)	-
Total other financing sources, net	<u>68,234</u>	<u>68,234</u>	<u>32,072</u>	<u>(36,162)</u>
Net change in fund balance	(117,779)	(117,779)	(8,246)	109,533
Fund Balance - July 1, 2009	127,779	127,779	127,779	-
Fund Balance - June 30, 2010	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 119,533</u>	<u>\$ 109,533</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMMUNITY ATTENTION FUND  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 591,685	\$ 629,748	\$ 668,961	\$ 39,213
Charges for service	2,894,201	3,144,596	2,719,628	(424,968)
Miscellaneous	-	-	8,149	8,149
Total revenues	<u>3,485,886</u>	<u>3,774,344</u>	<u>3,396,738</u>	<u>(377,606)</u>
<b>EXPENDITURES</b>				
Health and welfare	<u>3,701,123</u>	<u>4,059,781</u>	<u>3,836,018</u>	<u>223,763</u>
<b>Revenues over (under) expenditures</b>	<u>(215,237)</u>	<u>(285,437)</u>	<u>(439,280)</u>	<u>(153,843)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	238,763	238,763	238,763	-
Transfers to other funds	<u>(23,539)</u>	<u>(23,539)</u>	<u>(25,206)</u>	<u>(1,667)</u>
Total other financing sources (uses)	<u>215,224</u>	<u>215,224</u>	<u>213,557</u>	<u>(1,667)</u>
<b>Net change in fund balance</b>	(13)	(70,213)	(225,723)	(155,510)
<b>Fund Balance - July 1, 2009</b>	1,426,160	1,426,160	1,426,160	-
<b>Fund Balance - June 30, 2010</b>	<u>\$ 1,426,147</u>	<u>\$ 1,355,947</u>	<u>\$ 1,200,437</u>	<u>\$ (155,510)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
COMPREHENSIVE SERVICES ACT FUND  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 8,539,712	\$ 8,539,712	\$ 6,951,020	\$ (1,588,692)
<b>EXPENDITURES</b>				
Health and welfare	11,489,770	11,489,770	9,556,693	1,933,077
<b>Revenues over (under) expenditures</b>	<u>(2,950,058)</u>	<u>(2,950,058)</u>	<u>(2,605,673)</u>	<u>344,385</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	2,950,058	2,950,058	2,601,214	(348,844)
<b>Net change in fund balance</b>	-	-	(4,459)	(4,459)
<b>Fund Balance - July 1, 2009</b>	-	-	22,697	22,697
<b>Fund Balance - June 30, 2010</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,238</u>	<u>\$ 18,238</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
TRANSIT FUND  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 6,494,943	\$ 10,671,142	\$ 5,880,205	\$ (4,790,937)
Charges for services	744,127	744,127	779,799	35,672
Miscellaneous	59,969	351,969	345,326	(6,643)
Total revenues	<u>7,299,039</u>	<u>11,767,238</u>	<u>7,005,330</u>	<u>(4,761,908)</u>
<b>EXPENDITURES</b>				
Community services	<u>9,434,768</u>	<u>14,169,086</u>	<u>8,790,903</u>	<u>5,378,183</u>
<b>Revenues over (under) expenditures</b>	<u>(2,135,729)</u>	<u>(2,401,848)</u>	<u>(1,785,573)</u>	<u>616,275</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	2,114,736	2,380,855	1,948,093	(432,762)
Transfers to other funds	-	-	(162,520)	(162,520)
Total other financing sources (uses)	<u>2,114,736</u>	<u>2,380,855</u>	<u>1,785,573</u>	<u>(595,282)</u>
<b>Net change in fund balance</b>	(20,993)	(20,993)	-	20,993
<b>Fund Balance - July 1, 2009</b>	-	-	-	-
<b>Fund Balance - June 30, 2010</b>	<u>\$ (20,993)</u>	<u>\$ (20,993)</u>	<u>\$ -</u>	<u>\$ 20,993</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment earning	\$ -	\$ 27,061	\$ 27,061	\$ -
Total revenues	-	27,061	27,061	-
<b>EXPENDITURES</b>				
Retirement of principal	6,347,764	5,926,396	5,926,396	-
Interest	3,049,652	2,407,670	2,407,670	-
Miscellaneous	100,000	107,867	107,867	-
Total expenditures	9,497,416	8,441,933	8,441,933	-
<b>Revenues over (under) expenditures</b>	(9,497,416)	(8,414,872)	(8,414,872)	-
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	8,916,358	8,805,024	8,805,036	12
<b>Total other financing sources, net</b>	8,916,358	8,805,024	8,805,036	12
<b>Net change in fund balance</b>	(581,058)	390,152	390,164	12
<b>Fund Balance - July 1, 2009</b>	9,156,884	9,156,884	9,156,884	-
<b>Fund Balance - June 30 2010</b>	<u>\$ 8,575,826</u>	<u>\$ 9,547,036</u>	<u>\$ 9,547,048</u>	<u>\$ 12</u>

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## **INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**Information Technology Fund** - to account for the costs of operations of the City's information technology department.

**Departmental Services Fund** – to account for the costs of operations of the City's vehicle repair shop, fuel system, telephone system, and heating and air conditioning services.

**Warehouse Fund** – to account for the costs of operations of the City's central warehouse.

**Risk Management Fund** – to account for the administration of the City's insurance and self-insurance programs for healthcare, general liability and property insurance and worker's compensation claims.

**COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 1,709,086	\$ 175,421	\$ 94,083	\$ 8,289,376	\$ 10,267,966
Accounts receivable, net	-	631	-	-	631
Inventories	-	204,462	307,482	-	511,944
Prepaid expenses	-	2,661	-	386,466	389,127
Total current assets	<u>1,709,086</u>	<u>383,175</u>	<u>401,565</u>	<u>8,675,842</u>	<u>11,169,668</u>
Noncurrent assets:					
Capital assets:					
Vehicles	-	35,724	-	-	35,724
Equipment	7,904,777	1,017,439	-	-	8,922,216
Total capital assets	7,904,777	1,053,163	-	-	8,957,940
Less accumulated depreciation	<u>(7,025,955)</u>	<u>(991,084)</u>	<u>-</u>	<u>-</u>	<u>(8,017,039)</u>
Net noncurrent assets	<u>878,822</u>	<u>62,079</u>	<u>-</u>	<u>-</u>	<u>940,901</u>
Total assets	<u>2,587,908</u>	<u>445,254</u>	<u>401,565</u>	<u>8,675,842</u>	<u>12,110,569</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	45,966	106,956	14,386	114,844	282,152
Accrued liabilities	69,333	57,912	5,693	113,851	246,789
Compensated absences	6,248	5,690	114	-	12,052
Insurance claims payable	-	-	-	2,676,810	2,676,810
Total current liabilities	<u>121,547</u>	<u>170,558</u>	<u>20,193</u>	<u>2,905,505</u>	<u>3,217,803</u>
Noncurrent liabilities:					
Compensated absences	45,815	41,722	836	-	88,373
Insurance claims payable	-	-	-	147,183	147,183
Total noncurrent liabilities	<u>45,815</u>	<u>41,722</u>	<u>836</u>	<u>147,183</u>	<u>235,556</u>
Total liabilities	<u>167,362</u>	<u>212,280</u>	<u>21,029</u>	<u>3,052,688</u>	<u>3,453,359</u>
<b>NET ASSETS</b>					
Invested in capital assets	878,822	62,079	-	-	940,901
Unrestricted (deficit)	<u>1,541,724</u>	<u>170,895</u>	<u>380,536</u>	<u>5,623,154</u>	<u>7,716,309</u>
Total net assets	<u>\$ 2,420,546</u>	<u>\$ 232,974</u>	<u>\$ 380,536</u>	<u>\$ 5,623,154</u>	<u>\$ 8,657,210</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Information Technology</u>	<u>Departmental Services</u>	<u>Warehouse</u>	<u>Risk Management</u>	<u>Total</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 3,904,713	\$ 3,121,934	\$ 640,096	\$ 12,730,779	\$ 20,397,522
Total operating revenues	<u>3,904,713</u>	<u>3,121,934</u>	<u>640,096</u>	<u>12,730,779</u>	<u>20,397,522</u>
<b>OPERATING EXPENSES</b>					
Purchases for resale	-	1,270,223	475,618	-	1,745,841
Personnel costs	1,501,250	1,156,641	89,294	85,368	2,832,553
Materials and supplies	326,875	113,930	9,437	3,648	453,890
Contractual services and charges	1,161,450	527,016	39,852	747,064	2,475,382
Depreciation	802,034	31,824	-	-	833,858
Claims incurred	-	-	-	8,848,610	8,848,610
Insurance premiums	-	-	-	1,830,660	1,830,660
Total operating expenses	<u>3,791,609</u>	<u>3,099,634</u>	<u>614,201</u>	<u>11,515,350</u>	<u>19,020,794</u>
Operating income	<u>113,104</u>	<u>22,300</u>	<u>25,895</u>	<u>1,215,429</u>	<u>1,376,728</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Transfers from other funds	-	131,548	1,211	-	132,759
Transfers to other funds	<u>(1,025,767)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,025,767)</u>
Total transfers, net	<u>(1,025,767)</u>	<u>131,548</u>	<u>1,211</u>	<u>-</u>	<u>(893,008)</u>
Change in net assets	(912,663)	153,848	27,106	1,215,429	483,720
Total net assets - July 1, 2009	<u>3,333,209</u>	<u>79,126</u>	<u>353,430</u>	<u>4,407,725</u>	<u>8,173,490</u>
Total net assets - June 30, 2010	<u>\$ 2,420,546</u>	<u>\$ 232,974</u>	<u>\$ 380,536</u>	<u>\$ 5,623,154</u>	<u>\$ 8,657,210</u>

**COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 3,904,713	\$ 3,124,421	\$ 640,096	\$ 13,140,289	\$ 20,809,519
Payments to suppliers	(1,519,192)	(1,888,839)	(456,549)	(11,635,788)	(15,500,368)
Payments to employees	(1,500,485)	(1,146,280)	(89,209)	(181,934)	(2,917,908)
Net cash provided by (used for) operating activities	885,036	89,302	94,338	1,322,567	2,391,243
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfer to other funds	(1,025,767)	-	-	-	(1,025,767)
Transfer from other funds	-	131,548	1,211	-	132,759
Payments received from other funds	-	(168,020)	(1,466)	-	(169,486)
Net cash provided by (used for) noncapital financing activities	(1,025,767)	(36,472)	(255)	-	(1,062,494)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(157,224)	-	-	-	(157,224)
Net cash used for capital and related financing activities	(157,224)	-	-	-	(157,224)
Net increase (decrease) in cash and cash equivalents	(297,955)	52,830	94,083	1,322,567	1,171,525
Cash and cash equivalents, July 1, 2009	2,007,041	122,591	-	6,966,809	9,096,441
Cash and cash equivalents, June 30, 2010	\$ 1,709,086	\$ 175,421	\$ 94,083	\$ 8,289,376	\$ 10,267,966
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>					
Operating income	\$ 113,104	\$ 22,300	\$ 25,895	\$ 1,215,429	\$ 1,376,728
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation expense	802,034	31,824	-	-	833,858
Decrease in accounts receivable	-	2,487	-	409,510	411,997
(Increase) decrease in inventories	-	(37,292)	99,288	-	61,996
Decrease in prepaid expenses	-	688	-	271,789	272,477
Increase (decrease) in accounts payable	(30,867)	58,934	(30,930)	13,653	10,790
Increase (decrease) in accrued liabilities	(2,856)	8,616	1,469	19,997	27,226
Increase (decrease) in compensated absences	3,621	1,745	(1,384)	(3,370)	612
Decrease in insurance claims payable	-	-	-	(604,441)	(604,441)
Net cash provided by (used for) operating activities	\$ 885,036	\$ 89,302	\$ 94,338	\$ 1,322,567	\$ 2,391,243

**SCHEDULE TO ASSIGN INTERNAL SERVICE FUND ASSETS AND LIABILITIES  
IN THE STATEMENT OF NET ASSETS  
June 30, 2010**

	Total Internal Service Funds	ASSIGNED TO	
		Business-type Activities	Governmental Activities
<b>Assets</b>			
Cash and cash equivalents	\$ 10,267,966	\$ 94,083	\$ 10,173,883
Accounts receivables (net)	631	-	631
Internal balances	-	83,155	(83,155)
Inventories	511,944	307,482	204,462
Prepaid expenses	389,127	-	389,127
Capital assets, net	940,901	-	940,901
Total assets	12,110,569	484,720	11,625,849
<b>Liabilities</b>			
Accounts payable	282,152	14,386	267,766
Accrued liabilities	246,789	5,693	241,096
Compensated absences	100,425	950	99,475
Insurance claims payable	2,823,993	-	2,823,993
Total liabilities	3,453,359	21,029	3,432,330
<b>Net Assets</b>			
Invested in capital assets	940,901	-	940,901
Unrestricted	7,716,309	463,691	7,252,618
Total net assets	\$ 8,657,210	\$ 463,691	\$ 8,193,519

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### **COMPREHENSIVE SERVICE ACT TRUST FUND**

Comprehensive Service Act Fund is used to account for cash received for Comprehensive Services for At-Risk-Youth & Families to be distributed to Albemarle County and City of Charlottesville. City is the fiscal agent for this fund.

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND  
COMPREHENSIVE SERVICES ACT TRUST FUND  
YEAR ENDED JUNE 30, 2010**

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	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance July 1, 2010</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 16,572</u>	<u>\$ 3,470,239</u>	<u>\$ 2,855,382</u>	<u>\$ 631,429</u>
<b>LIABILITIES</b>				
Due to other governments	<u>\$ 16,572</u>	<u>\$ 3,470,239</u>	<u>\$ 2,855,382</u>	<u>\$ 631,429</u>

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**CHARLOTTESVILLE SCHOOL BOARD  
COMPONENT UNIT**

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,563,097
Accounts receivables (net)	751,921
Due from other governments	3,495,803
Inventories	78,658
Capital assets:	
Land	982,889
Depreciable assets, net	<u>5,590,879</u>
Total assets	<u>16,463,247</u>
<b>LIABILITIES</b>	
Accounts payable	466,445
Accrued liabilities	5,158,333
Unearned revenue	34,886
Insurance claims incurred but not reported	452,927
Noncurrent liabilities:	
Amounts due within one year	144,502
Amounts due in more than one year	<u>1,249,838</u>
Total liabilities	<u>7,506,931</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,573,768
Unrestricted	<u>2,382,548</u>
Total net assets	<u>\$ 8,956,316</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction and instruction related services	\$ 46,204,038	\$ 2,351,164	\$ 10,829,141	\$ -	\$(33,023,733)
Support services - student based	12,209,987	272,186	-	-	(11,937,801)
Administrative support services	3,622,871	273,279	-	-	(3,349,592)
Total School Board	<u>\$ 62,036,896</u>	<u>\$ 2,896,629</u>	<u>\$ 10,829,141</u>	<u>\$ -</u>	<u>\$(48,311,126)</u>
General Revenues:					
					\$ 14,015,506
					34,553,321
					4,016
					<u>48,572,843</u>
					261,717
					<u>8,694,599</u>
					<u>\$ 8,956,316</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<b>General Fund</b>	<b>Grant and Other Governmental Funds</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,793,881	\$ -	\$ 3,793,881
Accounts receivable, net	723,843	28,078	751,921
Due from other governments	361,228	3,134,575	3,495,803
Due from other funds	285,187	-	285,187
Inventory of supplies	-	78,658	78,658
	<u>5,164,139</u>	<u>3,241,311</u>	<u>8,405,450</u>
Total assets	<u>\$ 5,164,139</u>	<u>\$ 3,241,311</u>	<u>\$ 8,405,450</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 346,322	\$ 120,123	\$ 466,445
Accrued liabilities	4,317,700	726,966	5,044,666
Due from other funds	-	285,187	285,187
Deferred revenue	14,600	20,286	34,886
	<u>4,678,622</u>	<u>1,152,562</u>	<u>5,831,184</u>
Total liabilities	<u>4,678,622</u>	<u>1,152,562</u>	<u>5,831,184</u>
<b>FUND BALANCES</b>			
Unreserved-designated for special revenue funds	-	2,088,749	2,088,749
Unreserved-undesignated	485,517	-	485,517
	<u>485,517</u>	<u>2,088,749</u>	<u>2,574,266</u>
Total fund balances	<u>485,517</u>	<u>2,088,749</u>	<u>2,574,266</u>
Total liabilities and fund balances	<u>\$ 5,164,139</u>	<u>\$ 3,241,311</u>	<u>\$ 8,405,450</u>
Total fund balances per Balance Sheet for Governmental Funds			\$ 2,574,266
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit N-1) are different because:			
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The Statement of Net Assets, however, includes these assets, net of accumulated depreciation.			6,573,768
Internal service funds are used by management to charge the cost of certain activities. The assets and liabilities of the Healthcare Fund are included in governmental activities in the Statement of Net Assets. Healthcare Fund equity			1,202,622
Some liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are included in the Statement of Net Assets. Compensated absences Unfunded liability for post-employment medical benefits			(1,204,181) (190,159)
Net assets of governmental activities			<u>\$ 8,956,316</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010**

	<u>General Fund</u>	<u>Grant and Other Governmental Funds</u>	<u>Totals</u>
<b>REVENUES</b>			
City contribution (net of transfers to City)	\$ 32,510,611	\$ 2,042,710	\$ 34,553,321
Intergovernmental	14,015,506	10,829,141	24,844,647
Charges for services	940,932	982,518	1,923,450
Miscellaneous	273,279	699,900	973,179
Total revenues	<u>47,740,328</u>	<u>14,554,269</u>	<u>62,294,597</u>
<b>EXPENDITURES</b>			
Current:			
Instruction and instruction related services	39,459,569	6,271,605	45,731,174
Support services - student based	4,696,230	7,607,332	12,303,562
Administrative support services	3,584,529	-	3,584,529
Total expenditures	<u>47,740,328</u>	<u>13,878,937</u>	<u>61,619,265</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>675,332</u>	<u>675,332</u>
Net change in fund balance	-	675,332	675,332
<b>FUND BALANCE - JULY 1, 2009</b>	<u>485,517</u>	<u>1,413,417</u>	<u>1,898,934</u>
<b>FUND BALANCE - JUNE 30, 2010</b>	<u>\$ 485,517</u>	<u>\$ 2,088,749</u>	<u>\$ 2,574,266</u>
Net change in fund balances - total governmental funds			\$ 675,332
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report the cost of equipment and facilities acquired as current expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets.			
Cost of equipment and facilities capitalized for the year (net of disposals)			221,377
Depreciation expenses			(419,138)
The net expense of internal service funds is combined with governmental activities on the Statement of Activities			(116,243)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences			(10,225)
Change in unfunded liability for post-employment medical benefits			(89,386)
Change in Net Assets of Governmental Activities			<u>\$ 261,717</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
 STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2010**

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	<u>Healthcare</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,769,216
Total assets	<u>1,769,216</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued liabilities	113,667
Insurance claims payable	<u>452,927</u>
Total liabilities	<u>566,594</u>
<b>NET ASSETS</b>	
Unrestricted	<u>1,202,622</u>
Total net assets	<u><u>\$ 1,202,622</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

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	<u>Healthcare</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,930,108
Total operating revenues	<u>4,930,108</u>
 <b>OPERATING EXPENSES</b>	
Claims incurred	<u>5,050,367</u>
Total operating expenses	<u>5,050,367</u>
 Operating income (loss)	<u>(120,259)</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>4,016</u>
Change in net assets	(116,243)
 Total net assets - July 1, 2009	<u>1,318,865</u>
 Total net assets - June 30, 2010	<u>\$ 1,202,622</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2010**

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	<u>Healthcare</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 4,930,108
Payments to suppliers	<u>(5,064,566)</u>
Net cash provided by (used for) operating activities	<u>(134,458)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interest income	<u>4,016</u>
Net cash provided by noncapital financing activities	<u>4,016</u>
 Net increase in cash and cash equivalents	(130,442)
Cash and cash equivalents, July 1, 2009	<u>1,899,658</u>
Cash and cash equivalents, June 30, 2010	<u>\$ 1,769,216</u>
 <b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities</b>	
Operating income (loss)	\$ (120,259)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Decrease in accrued liabilities	(30,126)
Increase in insurance claims payable	<u>15,927</u>
Net cash provided by (used for) operating activities	<u>\$ (134,458)</u>

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## **STATISTICAL SECTION**

## STATISTICAL SECTION

This section of the City of Charlottesville's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's financial health.

### Contents

#### **Financial Trends**

**Tables I-IV**

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

#### **Revenue Capacity**

**Tables V-X**

These schedules contain trend information to help the reader assess the City's significant local revenue sources, the property tax, as well as other revenue sources.

#### **Debt Capacity**

**Tables XI-XIV**

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

#### **Economic and Demographic Information**

**Tables XV-XVII**

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

#### **Operating Information**

**Tables XVIII-XX**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial system relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in this section is derived from the City's Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB 34 in the fiscal year ending June 30, 2002; schedules presenting government-wide information include information beginning in that year.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE I

**NET ASSETS BY COMPONENT  
LAST NINE FISCAL YEARS**

	2010	2009*	2008	2007	2006	2005	2004	2003	2002
Government Activities:									
Invested in Capital Assets, Net of Related Debt	\$ 132,614,182	\$ 117,881,979	\$ 115,142,637	\$ 108,689,166	\$ 118,361,416	\$ 65,523,294	\$ 60,648,256	\$ 50,012,052	\$ 50,466,989
Restricted For:									
Expendable	10,000	10,000	10,000	30,000	2,466,388	626,296	432,659	342,980	102,353
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,532	162,492	161,542
Unrestricted	66,615,275	62,894,787	54,793,780	56,864,574	29,414,068	29,670,212	20,163,046	22,874,989	25,074,086
Total Governmental Activities Net Assets	<u>\$ 199,401,958</u>	<u>\$ 180,949,267</u>	<u>\$ 170,108,918</u>	<u>\$ 165,746,241</u>	<u>\$ 150,404,373</u>	<u>\$ 95,982,303</u>	<u>\$ 81,406,493</u>	<u>\$ 73,392,513</u>	<u>\$ 75,804,970</u>
Business-type activities:									
Invested in Capital Assets, Net of Related Debt	\$ 21,576,238	\$ 20,928,347	\$ 20,644,310	\$ 19,766,913	\$ 19,678,522	\$ 18,506,715	\$ 17,979,148	\$ 17,536,769	\$ 15,961,411
Unrestricted	22,368,111	21,883,741	20,455,061	15,218,780	13,668,411	13,630,856	13,266,122	11,930,092	11,865,771
Total Business-Type Activities Net Assets	<u>\$ 43,944,349</u>	<u>\$ 42,812,088</u>	<u>\$ 41,099,371</u>	<u>\$ 34,985,693</u>	<u>\$ 33,346,933</u>	<u>\$ 32,137,571</u>	<u>\$ 31,245,270</u>	<u>\$ 29,466,861</u>	<u>\$ 27,827,182</u>
Primary Government:									
Invested in Capital Assets, Net of Related Debt	\$ 154,190,420	\$ 138,810,326	\$ 135,786,947	\$ 128,456,079	\$ 138,039,938	\$ 84,030,009	\$ 78,627,404	\$ 67,548,821	\$ 66,428,400
Restricted For:									
Expendable	10,000	10,000	10,000	30,000	2,466,388	626,296	432,659	342,980	102,353
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,532	162,492	161,542
Unrestricted	88,983,386	84,778,528	75,248,841	72,083,354	43,082,479	43,301,068	33,429,168	34,805,081	36,939,857
Total Primary Government Net Assets	<u>\$ 243,346,307</u>	<u>\$ 223,761,355</u>	<u>\$ 211,208,289</u>	<u>\$ 200,731,934</u>	<u>\$ 183,751,306</u>	<u>\$ 128,119,874</u>	<u>\$ 112,651,763</u>	<u>\$ 102,859,374</u>	<u>\$ 103,632,152</u>

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit A

\*Certain amounts have been restated consistent with detail in note 18.

**CHANGE IN NET ASSETS  
LAST NINE FISCAL YEARS**

	2010	2009*	2008	2007	2006	2005	2004	2003	2002
<b>Expenses</b>									
<b>Governmental activities:</b>									
General government	\$ 20,575,390	\$ 25,817,176	\$ 23,238,056	\$ 18,533,324	\$ 18,319,280	\$ 14,900,857	\$ 14,001,612	\$ 12,429,416	\$ 12,430,358
Public safety	30,547,357	30,527,165	30,542,176	27,839,049	28,091,990	25,230,656	24,601,457	21,830,729	20,416,960
Community services	21,602,923	20,577,112	17,349,631	14,765,927	14,278,057	13,933,297	12,918,012	14,120,524	14,663,583
Health and welfare	31,358,502	30,161,585	29,401,150	27,150,948	24,662,939	25,120,751	24,822,488	24,073,724	23,043,337
Parks, recreation and culture	9,546,796	9,561,694	9,481,960	9,337,786	7,919,330	7,938,374	7,164,786	6,520,555	6,893,085
Education	41,990,709	41,558,411	44,572,403	35,555,941	33,982,207	32,968,653	31,009,445	29,592,668	28,369,905
Conservation and development	6,985,191	8,588,251	9,829,820	6,333,016	5,933,535	7,122,318	5,487,212	5,665,113	4,538,190
Other activities	-	-	-	598,025	324,511	200,663	56,942	359,361	106,859
Interest on long-term debt	2,454,390	2,235,928	1,937,644	2,005,594	1,796,925	1,637,089	1,444,329	1,479,355	1,651,966
Total governmental activities	165,061,258	169,027,322	166,352,840	142,119,610	135,308,774	129,052,658	121,506,283	116,071,445	112,114,243
<b>Business-type activities:</b>									
Water	8,009,139	7,416,972	7,376,301	6,874,670	6,536,397	6,105,675	6,232,116	6,132,925	4,919,755
Sewer	8,840,500	7,090,366	5,812,810	5,706,981	4,847,558	4,970,624	5,550,440	4,436,624	3,817,772
Gas	25,111,699	34,388,021	36,170,500	32,785,049	35,404,101	28,647,808	25,185,893	22,076,447	16,161,735
Golf course	1,198,157	1,210,638	1,358,023	1,137,337	1,007,426	968,174	877,573	799,404	884,323
Total business-type activities	43,159,495	50,105,997	50,717,634	46,504,037	47,795,482	40,692,281	37,846,022	33,445,400	25,783,585
<b>Total Primary Government Expenses</b>	<b>\$ 208,220,753</b>	<b>\$ 219,133,319</b>	<b>\$ 217,070,474</b>	<b>\$ 188,623,647</b>	<b>\$ 183,104,256</b>	<b>\$ 169,744,939</b>	<b>\$ 159,352,305</b>	<b>\$ 149,516,845</b>	<b>\$ 137,897,828</b>
<b>Program Revenues</b>									
<b>Governmental activities:</b>									
<b>Charges for Services</b>									
General government	\$ 10,624,798	\$ 11,048,283	\$ 10,862,338	\$ 10,810,147	\$ 5,304,925	\$ 5,746,100	\$ 4,763,481	\$ 3,984,281	\$ 4,155,060
Public safety	42,850	44,907	49,754	14,987	17,875	354,845	212,954	74,362	-
Community services	1,945,796	2,122,384	2,224,251	1,965,398	2,246,826	3,375,842	3,614,764	2,583,283	1,876,292
Health and welfare	2,719,628	1,912,596	1,961,441	2,013,793	1,467,335	1,866,435	1,467,335	1,392,781	1,377,975
Parks, recreation and culture	943,705	808,869	811,586	662,459	505,033	586,112	541,740	512,684	442,886
Education	228,853	272,643	228,591	145,050	142,918	78,535	86,000	76,766	-
Conservation and development	27,685	43,045	46,424	2,919	20,090	82,242	116,807	153,252	21,382
<b>Operating Grants and Contributions</b>									
General government	2,099,757	2,161,567	2,156,436	2,486,523	2,704,507	2,206,737	2,106,302	2,270,652	2,150,153
Public safety	1,554,604	1,597,459	1,530,559	1,437,946	1,981,856	4,203,459	3,788,184	1,210,278	1,217,370
Community services	7,947,633	7,010,934	6,758,618	6,032,520	7,026,204	4,945,581	4,884,017	4,414,377	4,253,613
Health and welfare	18,163,600	18,456,403	18,272,330	16,889,348	16,504,644	17,223,996	16,281,799	16,274,441	15,771,601
Parks, recreation and culture	51,953	100,635	77,396	5,000	88,568	118,286	83,351	121,385	35,350
Education	224,203	527,281	-	-	-	-	77,381	800,816	-
Conservation and development	-	74,216	71,141	213,712	208,137	61,801	27,854	128,694	11,625
<b>Capital Grants and Contributions</b>									
General government	630,275	4,171,078	1,374,433	1,187,009	-	1,473,258	1,374,252	-	-
Community services	13,285,028	7,526,581	7,052,770	3,356,968	5,949,633	5,976,430	1,083,793	522,966	1,971,176
Parks, recreation and culture	-	-	29,760	-	-	483	13,098	527,000	-
Education	22,432	44,327	408,075	-	-	1,695,914	1,048,039	-	-
Total governmental activities	60,512,800	57,923,208	53,915,903	47,223,779	44,168,541	49,996,056	41,571,151	35,048,018	33,284,483
<b>Business-type activities:</b>									
<b>Charges for Services</b>									
Water	9,134,985	9,333,610	8,302,627	8,137,837	7,718,122	7,196,273	7,381,976	6,742,926	5,274,901
Sewer	8,952,616	9,043,516	7,439,184	6,929,038	6,554,472	6,316,155	5,833,202	4,533,801	4,239,992
Gas	29,860,371	36,868,759	43,961,558	36,064,042	38,751,324	31,697,867	29,715,810	26,688,564	17,160,634
Golf course	1,064,929	1,035,709	1,113,089	1,099,640	982,796	996,674	854,344	828,161	1,068,760
<b>Operating Grants and Contributions</b>									
Golf course	54,667	58,838	106,429	-	-	-	-	-	-
Total business-type activities	49,067,568	56,340,432	60,922,887	52,230,557	54,006,714	46,206,969	43,785,332	38,793,452	27,744,287
<b>Total Primary Government Revenues</b>	<b>\$ 109,580,368</b>	<b>\$ 114,263,640</b>	<b>\$ 114,838,790</b>	<b>\$ 99,454,336</b>	<b>\$ 98,175,255</b>	<b>\$ 96,203,025</b>	<b>\$ 85,356,483</b>	<b>\$ 73,841,470</b>	<b>\$ 61,028,770</b>

(continued)

**CHANGE IN NET ASSETS  
LAST NINE FISCAL YEARS**

	2010	2009*	2008	2007	2006	2005	2004	2003	2002
<b>Net (Expense) Revenue</b>									
Governmental activities:									
General government	\$ (7,220,560)	\$ (8,436,248)	\$ (8,844,849)	\$ (4,049,645)	\$ (10,309,848)	\$ (5,474,762)	\$ (5,757,577)	\$ (6,174,483)	\$ (6,125,145)
Public safety	(28,949,903)	(28,884,799)	(28,961,863)	(26,386,116)	(26,092,259)	(20,672,352)	(20,600,319)	(20,546,089)	(19,199,590)
Community services	1,575,534	(3,917,213)	(1,313,992)	(3,411,041)	944,606	364,556	(3,335,438)	(6,599,898)	(6,562,502)
Health and welfare	(10,475,274)	(9,792,586)	(9,167,379)	(8,247,807)	(6,690,960)	(6,030,320)	(7,073,354)	(6,406,502)	(5,893,761)
Parks, recreation and culture	(8,551,138)	(8,652,190)	(8,563,218)	(8,670,327)	(7,325,739)	(7,233,493)	(6,526,597)	(5,359,486)	(6,414,849)
Education	(41,515,221)	(40,714,160)	(43,935,737)	(35,410,891)	(33,839,289)	(31,194,204)	(29,798,025)	(28,715,086)	(28,369,905)
Conservation and development	(6,957,506)	(8,470,990)	(9,712,255)	(6,116,385)	(5,705,308)	(6,978,275)	(5,342,551)	(5,383,167)	(4,505,183)
Other activities	-	-	-	(598,025)	(324,511)	(200,663)	(56,942)	(359,361)	(106,859)
Interest on long-term debt	(2,454,390)	(2,235,928)	(1,937,644)	(2,005,594)	(1,796,925)	(1,637,089)	(1,444,329)	(1,479,355)	(1,651,966)
Total governmental activities	<u>(104,548,458)</u>	<u>(111,104,114)</u>	<u>(112,436,937)</u>	<u>(94,895,831)</u>	<u>(91,140,233)</u>	<u>(79,056,602)</u>	<u>(79,935,132)</u>	<u>(81,023,427)</u>	<u>(78,829,760)</u>
Business-type activities:									
Water	1,125,846	1,916,638	926,326	1,263,167	1,181,725	1,090,598	1,149,860	610,001	355,146
Sewer	112,116	1,953,150	1,626,374	1,222,057	1,706,914	1,345,531	282,762	97,177	422,220
Gas	4,748,672	2,480,738	7,791,058	3,278,993	3,347,223	3,050,059	4,529,917	4,612,117	998,899
Golf course	(78,561)	(116,091)	(138,505)	(37,697)	(24,630)	28,500	(23,229)	28,757	184,437
Total business-type activities	<u>5,908,073</u>	<u>6,234,435</u>	<u>10,205,253</u>	<u>5,726,520</u>	<u>6,211,232</u>	<u>5,514,688</u>	<u>5,939,310</u>	<u>5,348,052</u>	<u>1,960,702</u>
<b>Total Primary Government Net Expense</b>	<b>\$ (98,640,385)</b>	<b>\$ (104,869,679)</b>	<b>\$ (102,231,684)</b>	<b>\$ (89,169,311)</b>	<b>\$ (84,929,001)</b>	<b>\$ (73,541,914)</b>	<b>\$ (73,995,822)</b>	<b>\$ (75,675,375)</b>	<b>\$ (76,869,058)</b>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
General Revenues									
General property taxes	\$ 55,625,137	\$ 57,299,828	\$ 52,783,908	\$ 51,813,831	\$ 47,031,353	\$ 42,645,296	\$ 39,800,587	\$ 35,042,203	\$ 31,383,206
Sales tax	9,312,664	9,588,558	10,221,226	10,298,470	9,565,488	9,001,835	8,294,661	7,850,734	7,825,769
Utility tax	4,419,303	4,644,592	4,466,584	7,440,973	7,124,868	6,863,039	6,750,575	6,632,604	6,300,637
Communications tax	3,352,581	3,338,662	3,674,556	-	-	-	-	-	-
Meals tax	6,454,663	6,522,572	6,741,885	6,441,521	6,115,832	5,745,899	5,412,912	3,855,609	3,832,968
Lodging tax	2,475,914	2,286,843	2,476,572	2,356,436	2,100,084	1,909,540	1,585,307	1,447,252	1,492,003
Other taxes	3,762,710	3,596,854	3,742,319	2,591,960	3,034,587	2,692,632	1,994,088	1,955,570	3,795,553
Business licenses, fees, & permits	6,502,949	7,295,646	5,953,851	5,514,900	7,766,206	5,448,552	5,189,311	4,609,468	4,567,689
Grants and contributions not restricted	25,160,421	21,166,672	20,083,095	17,683,149	15,361,163	13,513,099	13,989,182	12,863,038	19,082,348
Interest and investment earnings	918,853	1,435,592	1,904,366	1,655,643	509,683	119,567	199,430	256,442	567,657
Miscellaneous	-	-	-	-	-	926,948	402,189	165,099	2,100,602
Gain (loss) from sale of assets	-	-	-	-	3,130	4,363	51,186	93,162	-
Total governmental activities	<u>117,985,195</u>	<u>117,175,819</u>	<u>112,048,362</u>	<u>105,796,883</u>	<u>98,612,394</u>	<u>88,870,770</u>	<u>83,669,428</u>	<u>74,771,181</u>	<u>80,948,432</u>
Business-type activities:									
Interest and Investment Earnings	240,142	246,926	409,406	353,056	262,717	139,255	118,783	123,135	134,072
Gain (loss) from sale of assets	-	-	-	-	-	-	-	8,281	(14,743)
Total business-type activities	<u>240,142</u>	<u>246,926</u>	<u>409,406</u>	<u>353,056</u>	<u>262,717</u>	<u>139,255</u>	<u>118,783</u>	<u>131,416</u>	<u>119,329</u>
<b>Total Primary Government Revenues</b>	<b>\$ 118,225,337</b>	<b>\$ 117,422,745</b>	<b>\$ 112,457,768</b>	<b>\$ 106,149,939</b>	<b>\$ 98,875,111</b>	<b>\$ 89,010,025</b>	<b>\$ 83,788,211</b>	<b>\$ 74,902,597</b>	<b>\$ 81,067,761</b>
Change in Net Assets									
prior to restatement	\$ 19,584,952	\$ 12,553,066	\$ 10,226,084	\$ 16,980,628	\$ 13,946,110	\$ 15,468,111	\$ 9,792,389	\$ (772,778)	\$ 4,198,703
Restatement	-	-	250,271	-	-	-	-	-	-
<b>Total change in Net Assets</b>	<b>\$ 19,584,952</b>	<b>\$ 12,553,066</b>	<b>\$ 10,476,355</b>	<b>\$ 16,980,628</b>	<b>\$ 13,946,110</b>	<b>\$ 15,468,111</b>	<b>\$ 9,792,389</b>	<b>\$ (772,778)</b>	<b>\$ 4,198,703</b>

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit B

\*Certain amounts have been restated consistent with detail in note 18.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE III

FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST NINE FISCAL YEARS

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund									
Reserved	\$ 1,180,647	\$ 643,413	\$ 1,368,723	\$ 970,434	\$ 715,230	\$ 979,023	\$ 548,083	\$ 509,665	\$ 934,462
Unreserved:									
Designated	10,363,172	4,651,197	6,376,108	6,150,417	3,921,815	1,118,013	572,500	217,376	2,557,694
Undesignated	24,271,261	27,150,245	19,563,961	21,694,729	21,650,695	17,095,548	12,730,626	11,287,004	11,023,394
Total General Fund	<u>\$ 35,815,080</u>	<u>\$ 32,444,855</u>	<u>\$ 27,308,792</u>	<u>\$ 28,815,580</u>	<u>\$ 26,287,740</u>	<u>\$ 19,192,584</u>	<u>\$ 13,851,209</u>	<u>\$ 12,014,045</u>	<u>\$ 14,515,550</u>
All Other Governmental Funds									
Reserved	\$ 14,555,925	\$ 30,741,006	\$ 18,829,365	\$ 20,416,889	\$ 21,159,692	\$ 6,473,784	\$ 4,444,034	\$ 7,284,889	\$ 4,742,759
Unreserved:									
Capital Projects Funds	6,866,651	(3,843,863)	9,286,536	(2,598,765)	(19,456,521)	1,515,231	-	878,060	1,099,235
Social Service Funds	483,543	483,439	484,529	397,142	-	-	-	-	-
Special Revenue Funds	1,328,208	1,566,636	1,018,241	1,043,964	-	-	-	-	7,969
Debt Service Funds	9,547,048	9,156,884	7,927,132	5,541,445	4,962,807	3,914,959	2,112,688	980,610	807,264
Permanent Fund	162,501	162,501	162,501	162,501	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 32,943,876</u>	<u>\$ 38,266,603</u>	<u>\$ 37,708,304</u>	<u>\$ 24,963,176</u>	<u>\$ 6,665,978</u>	<u>\$ 11,903,974</u>	<u>\$ 6,556,722</u>	<u>\$ 9,143,559</u>	<u>\$ 6,657,227</u>

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit C

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE IV

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Revenues</b>										
General Property Taxes	\$ 92,251,458	\$ 94,490,618	\$ 90,392,806	\$ 86,324,017	\$ 80,203,931	\$ 73,521,654	\$ 68,172,692	\$ 57,340,694	\$ 54,991,385	\$ 52,848,964
Fee and Permits	1,640,727	1,836,514	1,915,907	1,837,978	1,594,542	1,553,833	1,427,780	5,115,283	5,076,068	4,852,949
Special Assessments	-	-	-	-	-	-	27,879	17,379	33,628	64,373
Intergovernmental Revenue	67,888,839	62,127,824	57,515,459	48,120,385	49,318,664	51,217,592	44,565,174	38,912,283	37,735,162	31,433,532
Charges for Services	8,068,430	7,348,673	7,655,338	7,853,305	6,701,437	7,705,664	7,098,121	5,598,785	4,893,530	7,957,504
Fines and Forfeitures	392,515	383,480	475,064	530,007	508,322	541,733	595,895	585,414	574,155	407,202
Miscellaneous Revenues	2,724,433	2,753,583	2,883,321	2,974,966	2,117,750	1,978,995	1,591,096	1,918,569	3,098,130	4,125,382
<b>Total Governmental Revenues</b>	<b>172,966,402</b>	<b>168,940,692</b>	<b>160,837,895</b>	<b>147,640,658</b>	<b>140,444,646</b>	<b>136,519,471</b>	<b>123,478,637</b>	<b>109,488,407</b>	<b>106,402,058</b>	<b>101,689,906</b>
<b>Expenditures</b>										
General Government	13,844,581	17,980,145	16,701,263	12,784,574	13,578,371	10,834,059	10,086,890	9,990,553	9,905,011	10,568,831
Public Safety	30,760,038	29,927,240	30,623,911	27,632,491	26,189,309	26,350,201	24,461,723	20,991,218	19,661,571	20,361,752
Community Services	21,000,353	22,183,823	16,398,832	14,126,876	13,117,616	12,805,735	12,576,913	13,315,268	13,830,122	9,319,308
Health and Welfare	31,483,056	30,082,148	29,361,163	27,205,434	24,879,122	25,021,811	24,681,509	23,823,022	22,942,745	19,775,584
Parks, Recreation and Culture	9,123,591	9,386,707	9,209,286	9,037,193	7,746,830	7,513,978	6,802,315	6,088,126	6,524,544	7,899,807
Education (1)	41,104,359	40,957,870	41,048,697	34,565,396	33,407,671	31,795,902	29,868,001	29,035,453	26,135,207	25,698,602
Conservation and Development	6,395,913	7,957,922	9,203,474	5,710,481	5,477,804	6,497,278	4,824,237	7,367,636	4,042,160	4,074,449
Debt Service										
Principal	5,926,396	5,241,154	4,780,080	5,676,011	5,292,120	4,129,049	4,080,654	3,809,508	3,537,985	3,283,331
Interest	2,407,670	2,029,199	1,926,049	1,757,672	1,779,021	1,289,650	1,315,622	1,636,479	1,673,406	1,700,954
Cost of Issuance	107,867	146,910	122,388	145,774	3,278	110,991	10,722	77,605	42,331	11,105
Other Activities	276,671	375,443	460,951	193,864	321,233	167,858	46,220	264,352	106,859	372,199
Capital Outlay	28,702,858	17,694,234	7,129,337	6,827,030	8,719,385	23,908,132	9,250,083	5,173,466	11,984,643	5,384,639
<b>Total Governmental Expenditures</b>	<b>191,133,353</b>	<b>183,962,795</b>	<b>166,965,431</b>	<b>145,662,796</b>	<b>140,511,760</b>	<b>150,424,644</b>	<b>128,004,889</b>	<b>121,572,686</b>	<b>120,386,584</b>	<b>108,450,561</b>
Excess of Revenues over (under) Expenditures	(18,166,951)	(15,022,103)	(6,127,536)	1,977,862	(67,114)	(13,905,173)	(4,526,252)	(12,084,279)	(13,984,526)	(6,760,655)
<b>Other Financing Sources (Uses)</b>										
Transfers from other funds	30,642,076	26,846,844	31,768,783	30,645,585	23,411,667	22,922,347	21,809,186	18,785,326	17,991,142	17,617,073
Transfers to other funds	(24,733,114)	(21,669,705)	(27,046,086)	(26,154,813)	(19,760,389)	(18,160,705)	(18,032,607)	(15,519,194)	(14,907,229)	(13,840,840)
Premium on issuance of debt	93,887	575,073	305,527	-	-	-	-	-	-	-
Proceeds from debt issuance	10,211,600	15,017,552	12,434,520	12,629,400	-	19,962,475	-	16,574,431	6,100,000	1,266,774
Refunding bond issued	-	1,325,700	3,547,500	-	-	2,913,333	-	-	-	-
Payment to refunded bond escrow agent	-	(1,378,999)	(3,644,368)	-	-	(3,043,650)	-	(10,007,006)	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>16,214,449</b>	<b>20,716,465</b>	<b>17,365,876</b>	<b>17,120,172</b>	<b>3,651,278</b>	<b>24,593,800</b>	<b>3,776,579</b>	<b>9,833,557</b>	<b>9,183,913</b>	<b>5,043,007</b>
<b>Net Change in Fund Balances</b>	<b>\$ (1,952,502)</b>	<b>\$ 5,694,362</b>	<b>\$ 11,238,340</b>	<b>\$ 19,098,034</b>	<b>\$ 3,584,164</b>	<b>\$ 10,688,627</b>	<b>\$ (749,673)</b>	<b>\$ (2,250,722)</b>	<b>\$ (4,800,613)</b>	<b>\$ (1,717,648)</b>
<b>Debt service as a percentage of noncapital expenditures</b>										
Total debt service expenditures	\$ 8,334,066	\$ 7,270,353	\$ 6,706,129	\$ 7,433,683	\$ 7,071,141	\$ 5,418,699	\$ 5,396,276	\$ 5,445,987	\$ 5,211,391	\$ 4,984,285
Total governmental expenditures	191,133,353	183,962,795	166,965,431	145,662,796	140,511,760	150,424,644	128,004,889	121,572,686	120,386,584	108,450,561
Change in Capital Assets	(32,444,266)	(22,765,689)	(9,371,741)	(8,702,265)	(9,569,115)	(26,278,015)	(10,938,370)	(7,187,897)	(13,934,225)	(5,384,639)
Noncapital Expenditures	\$ 158,689,087	\$ 161,197,106	\$ 157,593,690	\$ 136,960,531	\$ 130,942,645	\$ 124,146,629	\$ 117,066,519	\$ 114,384,789	\$ 106,452,359	\$ 103,065,922
Debt service as a percentage of noncapital expenditures	5.25%	4.51%	4.26%	5.43%	5.40%	4.36%	4.61%	4.76%	4.90%	4.84%

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit D (Exhibit B in 2001 and prior).

(1) Prior to 2002 transfers to and from component units, including School Board, were treated as other financing sources. They have been included in Education Expenditures for reporting purposes in this document.

**TAX REVENUES BY SOURCE  
LAST TEN FISCAL YEARS**

Fiscal Year	Total Taxes	Property Taxes (1)	Sales and Use Taxes	Utility and Communications Taxes (2) (4)	Meals Tax (3)	Lodging Tax	Business License Tax	Franchise Taxes (4)	Tax on Bank Stock	Tax on Wills and Deeds	Other Taxes
2010	\$ 92,251,458	\$ 57,520,194	\$ 9,312,664	\$ 7,771,884	\$ 6,454,663	\$ 2,475,914	\$ 6,502,949	\$ 3,500	\$ 975,779	\$ 403,918	\$ 829,993
2009	94,490,618	58,750,030	9,588,558	7,983,254	6,522,572	2,286,843	7,295,646	12,397	639,849	473,913	937,556
2008	90,392,806	54,596,231	10,221,226	8,141,140	6,741,885	2,476,572	5,953,851	8,843	605,562	665,969	981,527
2007	86,324,017	51,679,757	10,298,470	7,440,973	6,441,521	2,356,436	5,514,900	238,551	569,324	718,396	1,065,689
2006	80,203,931	46,830,323	9,565,488	7,124,868	6,115,832	2,100,084	5,432,749	420,114	620,707	786,322	1,207,444
2005	73,521,654	42,612,902	9,001,835	7,280,928	5,745,899	1,909,540	4,695,807	403,128	489,668	507,188	874,759
2004	68,172,692	39,685,234	8,294,661	6,750,575	5,412,912	1,585,307	4,449,915	349,918	459,424	340,408	844,338
2003	61,429,867	35,598,925	7,850,734	6,978,210	3,855,609	1,447,252	4,089,173	324,867	517,194	258,803	509,100
2002	59,040,222	33,354,871	7,825,769	6,666,349	3,832,968	1,492,003	4,048,837	340,066	784,853	202,493	492,013
2001	56,915,800	31,101,037	8,006,621	6,811,189	3,549,310	1,472,075	4,066,836	287,298	865,160	173,512	582,762

**Source:** City of Charlottesville Comprehensive Annual Financial Report Exhibit G

- (1) Beginning in 1998, the Commonwealth of Virginia pays a portion of the personal property tax formerly paid by the property owner; the Commonwealth's share is reported as intergovernmental revenue.
- (2) From 1995 to 2001, a dedicated tax for improvement of the emergency dispatch system was recorded in the Capital Projects Fund; since 2002, the tax is recorded in the General Fund.
- (3) In 2004, the City meals tax was increased by 1% to 4%. The additional revenue generated is being dedicated to debt service on debt-financed capital projects.
- (4) Beginning in January 1, 2007, the Commonwealth of Virginia enacted the Virginia Communication Tax. This new tax replaces most of the current Virginia state and local communications taxes and fees with a central administered Communications Sales and Use Tax, a uniform statewide E-911 tax on landline telephone service and a cable television provider's public right-of-way use fee.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE VI**

**ASSESSED AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY (1)  
LAST TEN CALENDAR YEARS**

<b>Taxable Year</b>	<b>Real Estate</b>	<b>Public Service Real Estate</b>	<b>Total Taxable Real Property Assessed Value</b>	<b>Real Property Direct Tax Rate</b>	<b>Tax Exempt Real Property</b>	<b>Total Value Real Property</b>
2010	\$ 5,257,182,700	\$ 135,809,935	\$ 5,392,992,635	\$ 0.95	\$ 1,053,205,500	\$ 6,446,198,135
2009	5,251,290,000	116,776,088	5,368,066,088	0.95	1,045,198,200	6,413,264,288
2008	5,181,954,900	114,181,608	5,296,136,508	0.95	885,548,300	6,181,684,808
2007	4,826,991,400	121,343,088	4,948,334,488	0.95	869,720,800	5,818,055,288
2006	4,211,772,300	122,531,726	4,334,304,026	0.99	865,609,200	5,199,913,226
2005	3,595,449,500	127,545,711	3,722,995,211	1.05	767,043,300	4,490,038,511
2004	3,179,150,000	150,021,836	3,329,171,836	1.09	718,612,500	4,047,784,336
2003	2,842,231,400	156,786,517	2,999,017,917	1.09	714,202,500	3,713,220,417
2002	2,541,425,500	149,584,177	2,691,009,677	1.11	685,737,800	3,376,747,477
2001	2,302,594,900	137,762,477	2,440,357,377	1.11	631,643,600	3,072,000,977

**Source:** Records of the City Assessor and State Corporation Commission

(1) Assessed values of all classes of property approximate market value.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE VII**

**PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN CALENDAR YEARS**

Year	Real Property	Personal Property	Machinery & Tools	Public Service	
				Real Property	Personal Property
2010	\$ 0.95	\$ 4.20	\$ 4.20	\$ 0.95	\$ 4.20
2009	0.95	4.20	4.20	0.95	4.20
2008	0.95	4.20	4.20	0.95	4.20
2007	0.95	4.20	4.20	0.95	4.20
2006	0.99	4.20	4.20	0.99	4.20
2005	1.05	4.20	4.20	1.05	4.20
2004	1.09	4.20	4.20	1.09	4.20
2003	1.09	4.20	4.20	1.09	4.20
2002	1.11	4.20	4.20	1.11	4.20
2001	1.11	4.20	4.20	1.11	4.20

**Source:** City of Charlottesville Director of Finance

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VIII

**PRINCIPAL TAXPAYERS  
CURRENT YEAR AND NINE YEARS PRIOR  
JUNE 30, 2010**

Taxpayer	Type of Business	2010 Assessed Valuation (1)	Tax Amount	Rank	Percentage of Total Assessed Valuation (1)	2001 Assessed Valuation (1)	Tax Amount(2)	Rank	Percentage of Total Assessed Valuation (1)
Federal Realty Investment Trust	Shopping Center	\$ 81,498,600	\$ 774,237	1	1.55 %	\$ 53,374,000	\$ 592,451	1	2.32 %
Caton, Douglas E.	Real Estate	60,972,500	579,239	2	1.16	-	-		-
Dominion Virginia Power Company	Public Utilities	43,700,147	415,151	3	0.83	34,962,419	388,083	3	1.52
Wade Apartments	Apartments	42,719,600	405,836	4	0.81	13,357,400	148,267	5	0.58
CenturyLink	Public Utility	37,559,490	356,815	5	0.71	48,359,712	536,793	2	2.10
Pavilion, LLC	Apartments	34,605,700	328,754	6	0.66	-	-		-
Towers Limited Partnership, ETAL	Real Estate	34,285,000	325,708	7	0.65	11,562,700	128,346	7	0.50
Peyton Associates Partnership	Real Estate	33,392,400	317,228	8	0.64	-	-		-
University of Virginia Foundation	Real Estate	30,580,200	290,512	9	0.58	-	-		-
JA-Zan Limited Partnership	Retail, Office	25,493,400	242,187	10	0.48	-	-		-
Hyperion Telecommunications	Telecommunications	-	-		-	14,209,358	157,724	4	0.62
Reed Elsevier, Inc.	Publisher	-	-		-	12,300,800	136,539	6	0.53
Jefferson Court Associates	Hotel	-	-		-	11,285,000	125,264	8	0.49
Keith O. Woodward	Real Estate	-	-		-	10,486,100	116,396	9	0.46
Wachovia Bank National Association	Bank	-	-		-	10,087,800	111,975	10	0.44
		<u>\$ 424,807,037</u>	<u>\$ 4,035,667</u>		<u>8.08 %</u>	<u>\$ 219,985,289</u>	<u>\$ 2,441,837</u>		<u>9.55 %</u>

Source: City Assessor and Commissioner of Revenue, City of Charlottesville, Virginia

(1) Represents percentage of total City valuation of taxable property, real estate only.

(2) tax rate of \$1.11

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE IX**

**PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Total Tax Levy</b>	<b>Current Tax Collections</b>	<b>Percent of Levy Collected</b>	<b>Delinquent Tax Collections (1)</b>	<b>Total Tax Collections</b>	<b>Total Collections as a Percent of Current Levy</b>
2010	\$ 57,723,007	\$ 56,608,265	98.07 %	\$ 1,752,818	\$ 58,361,083	101.11 %
2009	58,033,136	57,117,222	98.42	1,919,887	59,037,109	101.73
2008	55,670,857	53,115,813	95.41	2,738,960	55,854,773	100.33
2007	51,474,969	50,586,848	98.27	1,317,013	51,903,861	100.83
2006	46,625,077	44,440,033	95.31	1,826,999	46,267,032	99.23
2005	42,781,336	42,089,865	98.38	1,259,709	43,349,574	101.33
2004	39,321,514	38,825,366	98.74	1,521,987	40,347,353	102.61
2003	36,129,630	35,643,434	98.65	1,466,705	37,110,139	102.71
2002	33,524,660	32,853,442	98.00	1,554,131	34,407,573	102.63
2001	30,888,410	29,817,511	96.53	2,054,718	31,872,229	103.19

**Source:** Treasurer of the City of Charlottesville

(1) Delinquent Collections include receipts collected within the fiscal year for all prior year levies.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE X**

**ESTIMATED VALUE OF TAX-EXEMPT PROPERTY  
LAST TEN FISCAL YEARS  
JUNE 30, 2010**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Federal	\$ 21,652,500	\$ 21,652,500	\$ 18,828,200	\$ 18,828,200	\$ 18,828,200	\$ 16,834,000	\$ 15,881,200	\$ 15,881,200	\$ 22,749,500	\$ 22,070,100
State and regional	323,065,400	323,065,400	414,912,500	388,439,300	390,676,700	350,604,200	331,839,600	331,839,600	326,495,100	309,809,200
Local	190,835,500	188,028,700	221,429,200	202,665,400	196,321,600	175,287,100	165,172,900	163,376,600	147,835,200	134,447,200
Religious, charitable, educational and other	517,652,100	512,451,600	230,378,400	259,787,900	259,782,700	224,318,000	205,718,800	203,105,100	188,658,000	165,317,100
<b>Total</b>	<b>\$ 1,053,205,500</b>	<b>\$ 1,045,198,200</b>	<b>\$ 885,548,300</b>	<b>\$ 869,720,800</b>	<b>\$ 865,609,200</b>	<b>\$ 767,043,300</b>	<b>\$ 718,612,500</b>	<b>\$ 714,202,500</b>	<b>\$ 685,737,800</b>	<b>\$ 631,643,600</b>

**Source:** Office of the Real Estate Assessor, City of Charlottesville, Virginia

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE XI**

**RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Real Estate Assessed Value</b>	<b>Gross Bonded Debt (2)</b>	<b>Net Bonded Debt (2)</b>	<b>Total Debt Service (2)</b>	<b>General Fund Expenditures and Net Other Financing Sources</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Net Bonded Debt per Capita</b>	<b>Ratio of Debt Service to Total General Fund Expenditures and Transfers</b>
2010	40,745	\$ 5,257,182,700	\$ 72,117,050	\$ 62,570,002	\$8,441,933	\$127,775,530	1.19 %	\$1,536	6.61 %
2009	40,745	5,251,290,000	67,663,745	58,506,861	7,417,263	124,813,778	1.11	1,436	5.94
2008	40,745	5,181,954,900	57,773,730	49,846,598	6,828,517	127,423,919	0.96	1,223	5.36
2007	40,745	4,826,991,400	49,829,415	44,287,970	7,579,457	115,691,159	0.92	1,087	6.55
2006	40,745	4,211,772,300	40,897,600	35,934,791	7,074,417	107,022,501	0.85	882	6.61
2005	40,745	3,595,449,500	45,135,784	41,220,825	5,529,690	100,130,411	1.15	1,012	5.52
2004	40,099	3,179,150,000	31,353,969	29,241,281	5,406,998	96,651,703	0.92	729	5.59
2003	40,099	2,842,231,400	34,651,566	33,670,956	5,523,592	91,460,640	1.18	840	6.04
2002	40,099	2,541,425,500	31,563,284	30,756,020	5,253,722	84,994,437	1.21	767	6.18
2001	40,099	2,302,594,900	32,136,002	30,767,002	4,995,390	86,370,046	1.34	767	5.78

(1) 2000 U.S. Census for FY 05 (revised October 2005) and FY01-04; 1990 U.S. Census for prior years.

(2) Excludes self-supporting utility indebtedness, net of balance available in Debt Service Fund.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

**TABLE XII**

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR  
GENERAL BONDED DEBT TO GENERAL GOVERNMENTAL  
EXPENDITURES AND OTHER FINANCING USES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>	<b>General Governmental Expenditures</b>	<b>Ratio of Debt Service to General Governmental Expenditures</b>
2010	\$ 5,926,396	\$ 2,407,670	\$ 8,334,066	\$ 178,323,894	4.67 %
2009	5,241,154	2,029,199	7,270,353	174,450,273	4.17
2008	4,780,080	1,926,049	6,706,129	172,263,608	3.89
2007	4,239,294	1,534,641	5,773,935	158,216,806	3.65
2006	4,076,916	1,708,401	5,785,317	142,972,737	4.05
2005	3,804,966	1,249,327	5,054,293	136,982,686	3.69
2004	3,770,342	1,261,527	5,031,869	132,361,768	3.80
2003	3,352,097	1,477,707	4,829,804	123,023,159	3.93
2002	3,094,971	1,553,390	4,648,361	116,966,323	3.97
2001	3,066,718	1,674,285	4,741,003	110,655,950	4.28

**Note:** Excludes Capital Projects Fund expenditures and payments to escrow agents.

**RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Business-Type Activities			Percentage of Personal Income <sup>1</sup>	Per Capita Debt <sup>2</sup>
	General Obligation Bonds	Literary Loans	Notes Payable	Total Governmental Debt	General Obligation Notes	Notes Payable	Total Primary Government		
2010	\$ 72,117,050	\$ 144,861	\$ 2,086,798	\$ 74,348,709	\$ 25,212,952	\$ 151,791	\$99,713,452	*	\$ 2,447
2009	67,492,366	171,379	2,399,760	70,063,505	22,187,636	244,456	92,495,597	*	2,270
2008	57,575,833	197,897	2,955,229	60,728,959	20,874,169	367,945	81,971,073	4.41 %	2,012
2007	49,605,000	224,415	3,222,604	53,052,019	19,495,002	128,709	72,675,730	4.28	1,784
2006	40,646,666	250,933	4,878,950	45,776,549	17,948,331	179,386	63,904,266	3.76	1,568
2005	44,758,333	377,451	5,932,885	51,068,669	19,461,667	130,000	70,660,336	4.42	1,734
2004	30,850,000	503,969	3,680,416	35,034,385	20,875,000	-	55,909,385	3.72	1,372
2003	33,969,000	682,566	4,463,473	39,115,039	22,236,000	-	61,351,039	4.38	1,530
2002	30,749,000	814,284	4,565,051	36,128,335	19,276,000	-	55,404,335	4.07	1,382
2001	31,190,000	946,002	1,430,318	33,566,320	13,605,000	-	47,171,320	3.48	1,176

\* Information not available at this time.

**Source:**

- (1) Regional Economic Information System, Bureau of Economic Analysis (Albemarle County + City of Charlottesville personal income) adjusted for population
- (2) U.S. Census Bureau population figures

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XIV

COMPUTATION OF LEGAL DEBT MARGIN  
 LAST TEN FISCAL YEARS  
 JUNE 30, 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Assessed value of real property	<u>\$ 5,257,182,700</u>	<u>\$ 5,251,290,000</u>	<u>\$ 5,181,954,900</u>	<u>\$ 4,826,991,400</u>	<u>\$ 4,211,772,300</u>	<u>\$ 3,595,449,500</u>	<u>\$ 3,179,150,000</u>	<u>\$ 2,842,231,400</u>	<u>\$ 2,541,425,500</u>	<u>\$ 2,302,594,900</u>
Debt limit - 10% of assessed value	\$ 525,718,270	\$ 525,129,000	\$ 518,195,490	\$ 482,699,140	\$ 421,177,230	\$ 359,544,950	\$ 317,915,000	\$ 284,223,140	\$ 254,142,550	\$ 230,259,490
Amount of debt applicable to debt limit	<u>90,014,613</u>	<u>83,094,257</u>	<u>73,675,998</u>	<u>67,005,577</u>	<u>53,883,124</u>	<u>66,615,375</u>	<u>53,796,697</u>	<u>60,370,429</u>	<u>54,597,071</u>	<u>46,009,954</u>
Legal debt margin	<u>\$ 435,703,657</u>	<u>\$ 442,034,743</u>	<u>\$ 444,519,492</u>	<u>\$ 415,693,563</u>	<u>\$ 367,294,106</u>	<u>\$ 292,929,575</u>	<u>\$ 264,118,303</u>	<u>\$ 223,852,711</u>	<u>\$ 199,545,479</u>	<u>\$ 184,249,536</u>
Total net debt applicable to the limit percentage of debt limit	17.12%	15.82%	14.22%	13.88%	12.79%	18.53%	16.92%	21.24%	21.48%	19.98%

**Note:** The City has no overlapping debt.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XV

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS

Fiscal Year	Institutional and other Construction(1)		Commercial Construction(1)		Residential Construction(1)		Bank deposits (2) (in thousands)	Calendar Year	Property Values(3)	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			Taxable	Nontaxable
2010	14	\$1,865,091	396	\$39,852,193	977	\$28,812,651	\$ 2,171,455	2010	\$ 5,257,182,700	\$ 1,053,205,500
2009	5	866,130	411	51,963,024	1,303	44,220,891	2,029,918	2009	5,251,290,000	1,045,198,200
2008	19	1,591,554	437	57,477,674	1,877	64,651,771	2,033,978	2008	5,181,954,900	885,548,300
2007	12	785,502	399	38,422,556	2,034	82,434,409	2,014,905	2007	4,826,991,400	869,720,800
2006	7	3,618,401	486	42,882,837	1,911	91,935,173	1,906,178	2006	4,211,771,400	865,609,200
2005	14	784,092	373	25,166,409	1,795	63,368,326	1,919,294	2005	3,595,449,500	767,043,300
2004	33	1,749,581	452	34,525,328	1,514	34,378,480	1,470,055	2004	3,179,150,000	718,612,500
2003	51	1,859,381	366	28,858,612	1,329	32,500,033	1,405,099	2003	2,842,141,400	714,202,500
2002	85	8,726,805	493	30,910,925	1,402	22,590,140	1,332,512	2002	2,540,652,400	685,737,800
2001	51	7,210,779	465	18,274,678	1,769	24,885,521	1,336,503	2001	2,440,357,377	631,643,600

(1) Department of Neighborhood Planning, City of Charlottesville

(2) FDIC Summary of deposits

(3) Real property values only

**DEMOGRAPHIC STATISTICS  
LAST TEN CALENDAR YEARS**

Year	Population (1)	School Membership (2)	Unemployment Rate (3)	Total Personal Income (4) (000s)	Per Capita Income (4)	Taxable Sales (5) (thousands)	Sales per Capita
2010	40,745	3,915	*	*	*	*	*
2009	40,745	3,997	6.4	*	*	\$ 830,895	\$20,393
2008	40,745	4,089	3.9	\$6,383,281	\$ 46,969	867,331	21,287
2007	40,745	4,084	3.1	6,059,782	45,275	895,967	21,990
2006	40,745	4,130	3.2	5,757,875	43,416	854,623	20,975
2005	40,745	4,224	3.7	5,240,402	39,981	721,660	17,712
2004	40,099	4,224	4.0	4,901,470	37,828	775,827	19,348
2003	40,099	4,230	4.1	4,544,173	35,464	726,123	18,108
2002	40,099	4,256	3.9	4,334,369	33,975	706,597	17,621
2001	40,099	4,305	3.6	4,278,750	33,845	709,893	17,704

\* Information not available at this time.

**Source:**

- (1) U.S. Census Bureau
- (2) Fall Membership Charlottesville Public Schools
- (3) Virginia Employment Commission, Local Area Unemployment Statistics, Charlottesville Community Profile and represents unemployment for the calendar year.
- (4) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce: Albemarle County + City of Charlottesville
- (5) Annual Report, Taxable Sales in Virginia Counties and Cities, Commonwealth of Virginia, Department of Taxation

**PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS PRIOR  
JUNE 30, 2010**

Employer	2010		2001	
	Rank	Number of Employee	Rank	Number of Employees
University of Virginia Medical Center	1	1000+	1	1000+
Martha Jefferson Hospital	2	1000+	2	1000+
City of Charlottesville	3	1000+	3	1000+
Charlottesville City School Board	4	500-999	5	500-999
Aramark Campus	5	500-999	6	500-999
Region Ten Community Services	6	500-999	11	250-499
SNL Security LP	7	250-499	19	100-249
United States Postal Service	8	250-499	10	250-500
Pharmaceutical Research Association	9	250-499	13	250-499
Kroger	10	250-499	12	250-500
Matthew Bender & Company	11	250-499	8	500-999
University of Virginia/Blue Ridge Hospital			4	1000+
U.S. Department of Defense			7	500-999
Wal Mart			9	250-499

Source: Virginia Employment Commission 50 Largest Employers during 4th Quarter (October, November, December) 2009

**GOVERNMENT EMPLOYEES BY FUNCTION  
JUNE 30, 2010**

<u>Department</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Management</b>								
Mayor/Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager's Office/Administration and Communications	8.00	8.00	9.00	9.00	10.00	10.00	9.00	10.00
City Manager's Office/Office of Economic Development	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
City Attorney	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Voting Registrar	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
<b>Total</b>	<b>21.50</b>	<b>21.50</b>	<b>22.50</b>	<b>22.50</b>	<b>23.50</b>	<b>24.50</b>	<b>23.50</b>	<b>24.50</b>
<b>Internal Services</b>								
Finance Department: Purchasing/Risk Management/Warehouse	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Information Technology	18.00	18.00	18.00	18.00	18.00	18.00	17.66	17.66
Human Resources	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
<b>Total</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>32.00</b>	<b>31.66</b>	<b>31.66</b>
<b>Financial Services</b>								
Commissioner of Revenue	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Finance Department: Management/Real Estate Assessment/Gas and Water Collections	34.00	34.00	33.00	33.00	32.00	35.50	35.51	35.51
Treasurer	13.00	13.00	13.00	13.00	13.00	13.00	12.50	12.50
<b>Total</b>	<b>60.00</b>	<b>60.00</b>	<b>59.00</b>	<b>59.00</b>	<b>58.00</b>	<b>61.50</b>	<b>61.01</b>	<b>61.01</b>
<b>Healthy Families &amp; Community</b>								
Charlottesville/Albemarle Visitors Bureau <sup>1</sup>	10.00	10.00	10.00	10.00	8.00	8.00	8.00	8.00
Community Attention	33.00	26.00	26.00	26.00	27.25	27.75	26.45	26.45
Children & Youth Commission/CCF	1.00	1.00	1.00	1.00	5.43	5.43	-	-
Department of Social Services	98.850	104.925	106.175	106.175	106.675	105.625	101.93	101.93
Neighborhood Development Services	32.00	32.00	31.00	30.00	29.00	29.00	26.50	28.50
Parks and Recreation/Parks Maintenance	38.00	39.00	40.00	40.00	36.00	36.00	33.00	33.00
Parks & Rec/Recreation	25.25	25.50	26.00	26.63	24.65	25.65	40.00	40.00
Parks & Rec/Golf Courses	8.00	9.00	9.00	8.75	9.00	11.00	18.00	18.00
Parks and Recreation/Downtown Mall	-	-	-	-	5.00	5.00	5.00	5.00
CDBG/HOME Grant Coordinator (Grant Funded)	1.00	1.00	1.00	1.00	-	-	-	-
Weed and Seed Grant	0.00	0.50	0.50	0.50	1.00	1.00	-	-
<b>Total</b>	<b>247.10</b>	<b>248.925</b>	<b>250.675</b>	<b>250.055</b>	<b>252.01</b>	<b>254.46</b>	<b>258.88</b>	<b>260.88</b>
<b>Infrastructure/Transportation</b>								
Public Works: Administration, Facilities Management and Maintenance	16.25	16.25	16.25	16.00	17.00	17.00	15.00	15.00
Public Works: School Building Maintenance	16.00	14.00	14.00	13.00	9.00	6.00	-	-
Public Works: Fleet Management	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Public Works: Public Service	51.00	51.00	51.00	51.00	51.00	53.50	53.50	54.50
Public Works: CTS/Greyhound Operations	78.00	81.50	70.50	66.00	66.00	68.50	76.50	76.50
Public Works: School Pupil Transportation	28.50	32.00	32.00	23.50	23.50	24.00	-	-
Public Works: Utilities	93.00	93.00	90.00	89.00	90.00	87.00	87.00	85.00
Public Works: Transfer to Schools	-	-	-	-	2.00	2.00	-	-
<b>Total</b>	<b>294.75</b>	<b>299.75</b>	<b>285.75</b>	<b>270.50</b>	<b>270.50</b>	<b>270.00</b>	<b>244.00</b>	<b>243.00</b>
<b>Public Safety &amp; Justice</b>								
City Sheriff	11.00	11.00	11.00	11.00	11.00	11.00	12.00	12.00
Commonwealth's Attorney	13.50	13.50	13.50	13.50	11.50	11.50	10.50	10.50
Courts and Other Support Service	11.00	11.00	11.00	11.00	11.00	11.00	13.50	13.50
Fire Department: Operations	89.00	89.00	89.00	89.00	94.00	94.00	94.00	94.00
Police Department	146.00	146.43	146.43	146.43	146.00	150.00	151.00	146.00
<b>Total</b>	<b>270.50</b>	<b>270.93</b>	<b>270.93</b>	<b>270.93</b>	<b>273.50</b>	<b>277.50</b>	<b>281.00</b>	<b>276.00</b>
<b>City-Wide Total</b>	<b>925.85</b>	<b>933.11</b>	<b>920.86</b>	<b>904.99</b>	<b>909.51</b>	<b>919.96</b>	<b>900.05</b>	<b>897.05</b>

Note: FTE positions.

Comparable detailed position schedules are not available for fiscal years prior to 2003.

<sup>1</sup> These positions are funded cooperatively with Albemarle County.

**OPERATING INDICATORS BY FUNCTION  
JUNE 30, 2010**

	2010	2009	2008	2007	2006
<b>General Government</b>					
Date of incorporation	1888	1888	1888	1888	1888
Form of government	Council-Manager	Council-Manager	Council-Manager	Council-Manager	Council-Manager
Area	10.4 square miles				
Bond rating:					
Moody's Investor Services	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's Corporation	AAA	AAA	AAA	AAA	AAA
Number of employees:					
City (full-time)	925.85	933.1	919.9	904.0	905.5
School Board	795	796	793	792	810
Elections:					
Number of registered voters:					
Last general election - November, 2008	27,643	28,678	23,506	22,875	22,875
Last municipal election - November, 2009 *	23,506	23,506	23,506	23,059	23,059
Number of votes cast in:					
Last general election	20,122	20,122	6,086	10,208	10,208
Last municipal election	6,086	6,086	6,086	5,993	5,993
Percentage of registered voters voting in:					
Last general election	72.8%	70.2%	25.9%	44.7%	44.7%
Last municipal election	25.9%	25.9%	25.9%	26.0%	26.0%
* Municipal elections held in May were moved to November in 2007.					
<b>Public Safety</b>					
Fire protection:					
Number of firefighters and officers (exclusive of volunteer firefighters)	86	87	87	87	91
Police protection:					
Number of police officers	117	117	117	117	116
Number of arrests - 2006 (excluding traffic)	5,514	5,773	5,910	6,139	6,492
Traffic Citations Issued	4,887	5,036	4,229	5,759	6,393
911 calls received	47,883	48,776	51,250	50,509	51,447
Cases investigated	1,140	1,268	1,202	1,338	1,224
Parking Violations					
Violations written	15,501	15,624	19,338	19,483	15,470
Building permits issued	1,387	1,719	2,333	2,445	2,404
<b>Education</b>					
Schools:					
Number of teachers	429	431	420	412	418
Number of students	3,915	3,997	4,089	4,063	4,130
Pupil: teacher ratio	9.13:1	9.27:1	9.74:1	9.86:1	9.87:1

(continued)

**OPERATING INDICATORS BY FUNCTION  
JUNE 30, 2010**

	2010	2009	2008	2007	2006
<b>Public Utilities</b>					
Municipal utilities:					
Gas:					
Number of customers	18,062	17,851	17,662	17,419	17,125
Average daily consumption	7,245 DTH	7,318 DTH	7,938 DTH	7,422 DTH	6,809 DTH
Water:					
Number of customers	13,814	13,748	13,660	13,470	13,350
Average daily consumption	601 MCF	602 MCF	579 MCF	618 MCF	635 MCF
Sewer:					
Number of customers	13,688	13,598	13,490	13,300	13,179
Average daily treatment	598 MCF	597 MCF	529 MCF	583 MCF	610 MCF
<b>Public Works</b>					
Refuse disposed at Zion's' Transfer Station (City totals):					
Number of customers	13,200	13,200	13,200	13,200	13,200
Tons of domestic refuse	6,681	7,022	7,659	7,873	7,740
Tons of stumps, demolition material, and street sweeping	1,423	1,250	1,213	1,160	2,286

**Note:** Comparative data is not available for fiscal years prior to 2006.

**CAPITAL ASSET STATISTICS BY FUNCTION  
JUNE 30, 2010**

	2010	2009	2008	2007	2006
<b>General Government</b>					
Miles of streets	156	156	156	156	156
Number of streetlights	5,960	5,960	5,960	5,960	5,960
<b>Public Safety</b>					
Fire protection:					
Number of stations	3	3	3	3	3
Police protection:					
Number of stations	6	5	5	5	5
Number of vehicular patrol units	64	64	64	64	64
Total vehicles	126	126	126	126	126
Motor Cycles	6	6	6	6	6
Unmarked cars	42	42	42	42	42
Bicycle patrol	15	15	15	15	15
<b>Education</b>					
Number of schools	9	9	9	9	9
<b>Parks, Recreation, &amp; Culture</b>					
Number of parks	26 (987 acres)				
Number of golf courses	2	2	2	2	2
Number of swimming pools	5	4	6	6	6
Number of recreation centers	6	5	6	6	6
Number of libraries	3	3	3	3	3
<b>Public Utilities</b>					
Gas:					
Miles of gas main lines	315	314	308	302	298
Miles of gas service lines	217	214	211	207	204
Water:					
Water treatment plant capacity (millions of gallons per day)	19 MGD				
Miles of water lines	177.7	177	176	179	189
Number of fire hydrants	988	975	967	949	948
Sewer:					
Sewer treatment plant capacity (millions of gallons per day)	15	15	15	15	15
Miles of sanitary sewers	167	166	164	163	173

**Note:** Comparative data is not available for fiscal years prior to 2006.

**City of Charlottesville, Virginia  
Single Audit Report  
For the Year Ended  
June 30, 2010**

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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***

To the Honorable Members of the City Council  
City of Charlottesville, 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 Charlottesville, Virginia (the “City”) as of and for the year ended June 30, 2010, which collectively comprise the City’s basic financial statements and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

**Internal Control Over Financial Reporting**

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

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

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

schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. See finding 2010.01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

We noted certain other matters that we reported to management of the City in a separate letter dated November 15, 2010.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, 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.

*Cherry, Bekant & Holland, L.L.P.*

Richmond, Virginia  
November 15, 2010



**Independent Auditor's Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133**

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

**Compliance**

We have audited the City of Charlottesville, Virginia (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City'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's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

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

**Internal Control Over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion

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

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2010, and have issued our report dated November 15, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, City Council, 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.

*Cherry, Bekant & Holland, L.L.P.*

Richmond, Virginia  
November 15, 2010

**CITY OF CHARLOTTESVILLE, VIRGINIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal granting agency/recipient state agency/grant program/grant number	CFDA number	
<b><u>DEPARTMENT OF AGRICULTURE</u></b>		
<u>Direct payment:</u>		
Summer Food Service Program for Children	10.559	46,953
<u>Pass-through payments:</u>		
<u>Virginia Department of Agriculture &amp; Consumer Services</u>		
Food Distribution - USDA Commodities	10.550	74,269
<u>Department of Education</u>		
School Breakfast Program	10.553	301,050
<u>Virginia Department of Youth &amp; Family Services</u>		
School Breakfast Program	10.553	2,328
 <u>Department of Education</u>		
National School Lunch Program	10.555	884,112
<u>Virginia Department of Youth &amp; Family Services</u>		
National School Lunch Program	10.555	1,367
 <u>Virginia Department of Social Services</u>		
State administrative matching grant for food stamp programs	10.561	891,132
<u>Department of Education</u>		
School Lunch Program - Fresh Fruit	10.582	39,274
ARRA - Equipment Assistance	10.687	28,486
 <b><u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>		
<u>Direct payments:</u>		
<u>CDBG Entitlement Grants Cluster:</u>		
Community Development Block Grant	14.218	142,633
ARRA - Community Development Block Grant	14.253	144,637
<u>Pass-through payments:</u>		
<u>Thomas Jefferson Planning District Commission</u>		
Housing Opportunities Made Equal (HOME)	14.239	138,669
 <b><u>DEPARTMENT OF JUSTICE</u></b>		
<u>Direct payments:</u>		
State Criminal Alien Assistance Program (2009-F6920-VA-AP)	16.606	10,850
Bulletproof Vest Partnership Program	16.609	4,750
Edward Byrne Memorial Justice Assistance Grant Program (2008-DJ-BX-0614, 2009-DJ-BX-0006)	16.738	37,080
ARRA - Edward Byrne Memorial JAG Program (2009-SB-B9-1940)	16.808	220,221
<u>Pass-through payments:</u>		
<u>Virginia Compensation Board</u>		
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	15,609
<u>Virginia Department of Criminal Justice Services:</u>		
Juvenile Justice & Delinquency Prevention Title V (09-B5865AD08)	16.548	10,000
Crime Victim Assistance (10-P8566VW09)	16.575	86,420
Violence Against Women Formula Grant (09-M9413VA08)	16.588	36,479
2008 Byrne Info Tech	16.000	35,074
<u>Supreme Court of Virginia</u>		
Drug Control & System Improvement - Byrne Formula Grant	16.579	182,500

**CITY OF CHARLOTTESVILLE, VIRGINIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

Federal granting agency/recipient state agency/grant program/grant number	CFDA number	
<b><u>DEPARTMENT OF LABOR</u></b>		
<u>Pass-through payments:</u>		
<u>Piedmont Workforce Network</u>		
ARRA - Workforce Investment Act	17.259	65,165
<b><u>DEPARTMENT OF TRANSPORTATION</u></b>		
<u>Direct payments:</u>		
<u>Federal Transportation Agency</u>		
Federal Transportation Formula Grants (VA-90-X346-01)	20.507	9,379,833
ARRA - Federal Transportation Formula Grant (VA-96-X007)	20.507	363,296
Job Access - Reverse Commute	20.516	348,899
<u>Pass-through payments:</u>		
<u>Virginia Department of Transportation</u>		
Highway Planning and Construction (First Cities)	20.205	441,632
<u>Department of Rail and Public Transportation</u>		
Federal Transportation Formula Grants	20.507	2,238,820
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety (154AL-2009-59141-3444 & 15AL-2010-50247-3867)	20.607	15,576
<b><u>DEPARTMENT OF EDUCATION</u></b>		
<u>Direct payments:</u>		
Elementary and Secondary Education Act:		
Title VIII, Impact Aid (SO41B-2005-5233)	84.041	8,312
<u>Pass-through payments:</u>		
<u>Department of Education</u>		
Adult Basic Education	84.002	44,314
Adult English Literacy/Civics Education Program (192-02-10)	84.002	117,257
Career & Technical Education Basic Grants to States (171-03-50)	84.048	92,308
Gear Up - Council of Higher Education	84.334	22,726
Special Education Cluster:		
IDEA - Part B Section 611 - Sp. Ed. Flow Th. (104-0001FT)	84.027	791,246
IDEA - Part B Section 611 - Sp. Ed. Flow Th. (104-0001FT) ARRA	84.391	261,745
IDEA - Part B Section 611 - Sp. Ed. Sliver (104-9900SL)	84.173	282,999
IDEA - Part B Section 619 Sp. Ed. Preschool (104-PS00-01)	84.173	44,904
Title I Part A Cluster		
NCLB - Title I Part A Chapter I: LEA (104-01-01)	84.010	1,683,931
NCLB - Title I Part A Chapter I: LEA (104-01-01) ARRA	84.389	378,897
NCLB - Title I, Part D, Subpart 2 - Neglected & Delinquent	84.010	353,632
NCLB - Title I, Part D, Subpart 2 - Neglected & Delinquent ARRA	84.389	4,238
NCLB - Title II, Part D, Enhanc. Ed through Tech (107-110)	84.318	20,559
NCLB - Title II, Part D, Enhanc. Ed through Tech (107-110) ARRA	84.386	18,765
NCLB - Title III Part A - Language Acquisition State Grant	84.365	7,573
NCLB - Title IV Part A - Safe & Drug Free Schools	84.184	23,875
NCLB - Title V Part A, Innovative Programs	84.298	41
Partnerships in Character Education - Teaching Am. History	84.215	331,900
Read First State Grant	84.357	177,295
Reading in Middle School	84.310	8,527
State Fiscal Stabilization ARRA	84.394	387,578
Title II, Part A, Eisenhower Professional Dev State Grant (104-99)	84.281	324,347

**CITY OF CHARLOTTESVILLE, VIRGINIA**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<b>Federal granting agency/recipient state agency/grant program/grant number</b>	<b>CFDA number</b>	
<b>Department of Education (continued):</b>		
Title IV Part B - Twenty First Century	84.287	207,219
Title X, Part C, Education for Homeless Children & Youth	84.196	33,850
<b><u>DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
<u>Pass-through payments:</u>		
<u>Department of Social Services</u>		
Promoting Safe & Stable Families	93.556	69,645
Temporary Assistance for Needy Families	93.558	957,038
Refugee & Entrant Assistance - State Administered Programs	93.566	113,270
Low-Income Home Energy Assistance	93.568	29,784
CCDF Cluster:		
Child Care & Development Block Grant - CCDF	93.575	263,666
Child Care Mandatory & Matching Funds of CCDF	93.596	587,634
ARRA Child Care & Development Block Grant	93.713	131,516
Chafee Education & Training Vouchers Programs	93.599	26,776
Adoption Incentive Payments	93.603	2,161
Child Welfare Services - State Grants	93.645	3,366
Foster Care – Title IV-E	93.658	1,405,801
ARRA Foster Care – Title IV-E	93.658	130,372
Adoption Assistance	93.659	271,483
ARRA Adoption Assistance	93.659	28,904
Social Services Block Grant	93.667	284,832
Chafee Foster Care Independence Program	93.674	32,293
State Children's Insurance Program	93.767	39,502
Medical Assistance Program (Medicaid; Title XIX)	93.778	513,704
<b><u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICES</u></b>		
<u>Direct payments:</u>		
AmeriCorps	94.006	2,454
<b><u>DEPARTMENT OF HOMELAND SECURITY</u></b>		
<u>Pass-through payments:</u>		
<u>Virginia Department of Criminal Justice Services:</u>		
Law Enforcement Terrorism Prevention Program (09-A5968HS07)	97.004	68,063
CBRNE Equipment Grant (10-A2165HS09)	97.000	22,100
<u>Virginia Department of Emergency Management</u>		
State Homeland Security Grant Program (2007SHSP, 2008SHSP)	97.073	30,220
Total		<b>\$ 26,829,733</b>

See accompanying note to Schedule of Expenditures of Federal Awards.

# CITY OF CHARLOTTESVILLE, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

## 1. GENERAL

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires a schedule of expenditures of federal awards showing total federal expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA). The accompanying schedule of federal awards presents the activity of all federal financial assistance programs of the City of Charlottesville, Virginia, and its component units. The City of Charlottesville reporting entity is defined in Note 1 of the City's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included on the schedule.

## 2. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is more fully described in Note 1 (c) to the City's financial statements. The City of Charlottesville participated in federal programs below in which non-cash benefits are provided through the state to eligible program participants:

Food Distribution Programs (CFDA Numbers 10.550) – The value of food commodities was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists.

Food Stamps (CFDA Number 10.561) – The Virginia Department of Social Services uses an Electronic Benefits Transfer (EBT) process for food stamp benefit distribution statewide.

## 3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows:

<b>Program Title</b>	<b>CFDA</b>	<b>Amount</b>	<b>Subrecipients</b>
Community Development Block Grant	14.218	\$142,633	Various Housing & Social Programs
Community Development Block Grant – Recovery	14.253	144,637	Albemarle Housing Improvement Program
Drug Control & System Improvement	16.579	182,500	Offender Aid & Restoration
State Criminal Alien Assistance Program	16.606	10,850	Charlottesville-Albemarle Regional Jail
Federal Highway Administration	20.507	591,014	JAUNT
Promoting Safe & Stable Families	93.556	69,645	Jefferson Area CHIP
Temporary Assistance for Needy Families	93.558	957,038	Region Ten and Children Youth & Family Services
Americorps	94.006	2,454	Offender Aid & Restoration

**CITY OF CHARLOTTESVILLE, VIRGINIA**

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

**4. RELATIONSHIP TO BASIC FINANCIAL STATEMENT**

Federal financial assistance revenues are reported in the City's basic financial statements as follows:

	General Government	Capital Projects	Social Services	Other Governmental	Governmental Total	Component Unit - Schools	Total
Intergovernmental revenue per financial statements	\$30,462,577	\$12,513,591	\$10,028,497	\$14,884,174	\$67,888,839	\$ 24,844,647	\$ 92,733,486
Less: amounts not related to federal financial assistance	30,442,218	3,884,761	4,243,164	9,449,511	48,019,654	17,889,421	65,909,075
Add: prior year unearned revenue expended in the current year	-	-	-	5,322	5,322	-	5,322
Total schedule of expenditures of federal awards	\$ 20,359	\$ 8,628,830	\$ 5,785,333	\$ 5,439,985	\$ 19,874,507	\$ 6,955,226	\$26,829,733

**5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the accompanying schedule agree with amounts reported in the related federal financial reports, except that certain federal financial reports are prepared on the cash basis of accounting and the schedule of federal awards is prepared on the modified accrual basis of accounting (see Note 2 above).

**CITY OF CHARLOTTESVILLE, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**A. Summary of Auditors' Results**

1. The type of report issued on the basic financial statements: **Unqualified opinions**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **Yes**

Material weaknesses: **No**

3. Noncompliance, which is material to the financial statements: **No**
4. Significant Deficiencies in internal control over major programs: **None reported**

Material weaknesses: **No**

5. The type of report issued on compliance for major programs: **Unqualified opinion**
6. Any audit findings which are required to be reported under Section 510(1) of OMB Circular A-133: **No**

7. The programs tested as major programs were:

<u>Name of Program</u>	<u>CFDA #</u>
Child Nutrition Cluster	10.553/555/556/559
CDBG – Entitlement Grants Cluster	14.218/253
Edward Byrne Memorial Justice Asst. Grant	16.738/803/808
Federal Transit Formula Grants	20.507
Title I, Part A Cluster	84.010/389
Special Education Cluster	84.027/173/391
State Fiscal Stabilization	84.394
Child Care Cluster	93.575/596/713
Foster Care/ ARRA Foster Care	93.658

8. Dollar threshold to distinguish between Type A and Type B Programs: **\$804,892**
9. The City of Charlottesville was not determined to be a low risk auditee.

**CITY OF CHARLOTTESVILLE, VIRGINIA**

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

**B. Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards**

**2010.01 Financial Reporting**

*Criteria:* Controls should be established to ensure that data is entered accurately so that payments are made in accordance with agreements.

*Condition:* During control testing over disbursements from the City pension trust fund, we noted several instances where a retiree's benefit was miscalculated. In two instances, the retired employees were being overpaid, and in one instance the retiree is underpaid. When our sample was expanded, no additional errors were noted; however, three files could not be located.

*Cause:* A process is not in place to verify data entered into the system

*Effect:* The lack of controls does not provide reasonable assurance that retired employees are receiving the correct pension benefit from the City. Total overpayments to the retirees identified in our sample approximate \$30,000.

*Recommendation:* We recommend the Finance department institute a process to review data entered into the payment system to ensure that it is in accordance with the plan.

**Management's response:**

The pension errors found during the audit involved employees who retired in the 1990s. At that time pension calculations were completed manually on paper by one person, were not peer reviewed, and handwritten pension amounts were sent to the payroll department on paper to be keyed into the system. Once entered into the payroll system, there was no further check or review in place.

Systems are in place now that minimize the likelihood of this occurring in the future.

Currently, although a portion of the calculation remains a manual process, we have an Excel program that calculates the pension. All pension calculations are performed by the Benefits Administrator but are peer reviewed by an HR Benefits Specialist for accuracy. The HR Benefits Specialist enters the pension calculation into the SAP payroll system. Once entered, the Benefits Administrator verifies the amount and dates in SAP again.

## **CITY OF CHARLOTTESVILLE, VIRGINIA**

### Schedule of Findings and Questioned Costs

Year ended June 30, 2010

The errors addressed specifically,

1. A miscalculation of years of service in the pension formula resulted in an underpayment to a 1995 retiree: Currently, all pension calculations are now peer reviewed for accuracy. This 1995 retiree will be paid the amount owed to date.
2. A typing error when entering a pension amount into payroll resulted in an overpayment to a 1993 retiree (monthly pension amount should have been \$1,510 but was entered as \$1,570): Currently, once peer reviewed, the pension calculation is entered into SAP by the HR Benefits Specialist and double-checked by the Benefits Administrator prior to retirement payroll processing. That process would detect any typing errors made during the data entry process.
3. A one time Worker's Compensation adjustment was never stopped in payroll resulting in an overpayment to a 1997 disability retiree. This was the most critical issue as this one individual was overpaid approximately \$18,000. This individual is now deceased: Currently, the SAP payroll system allows start and stop dates be entered for any adjustments such as this. Once those dates are entered, we run payroll simulations to verify that the correct amount will begin and that the adjustment or stop takes place. Additionally, two parties review all such entries.

In response to the missing files: Two of the requested files could not be located. The files were for employees who left prior to retirement and who had a vested interest in the plan. Those individuals were located on our actuarial reports however their actual personnel files could not be located. Again, these go back to the 1990s. If that were to happen now, the individual history could be found in the SAP system and files recreated from history, however it remains the goal to never misplace a personnel file. We are in the process of going back to old payroll history files from the 1990s and are trying to recreate files for these two individuals that would confirm the information found in the actuarial files for these people.

Responsible contact: Michael Heny, Comptroller.

Effective date: December 1, 2010.

#### **C. Findings and Questioned Costs Relating to Federal Awards:**

None noted.

#### **D. Summary Schedule of Prior Year Audit Findings Relative to Federal Award Programs**

None noted.