

TOWN OF CHRISTIANSBURG, VIRGINIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2010

**TOWN OF CHRISTIANSBURG, VIRGINIA
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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council
Town of Christiansburg, Virginia

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Christiansburg, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Christiansburg'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Christiansburg as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, and the respective budgetary comparison for the general fund 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 12, 2010, on our consideration of the Town of Christiansburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Virginia Retirement System – Schedule of Funding Progress, on pages 4 through 10, and 32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Christiansburg's basic financial statements as a whole. The Supplementary Information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and it was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Supplementary Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Michael B. Cook, CPA, PC

November 12, 2010

TOWN OF CHRISTIANSBURG, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

The following discussion and analysis of the Town of Christiansburg's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2010. It should be read in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased by \$2,301,236 during the fiscal year, on the government-wide basis. The Town's total net assets, on the government-wide basis, totaled \$143,624,469 at June 30, 2010. Of this amount, \$14,885,873 may be used to meet ongoing obligations to citizens and creditors, \$128,448,812 is invested in capital assets, net of related debt and \$289,784 is restricted for perpetual care in the Cemetery Fund.
- On a government-wide basis for governmental activities, the Town had expenses (including transfers) net of program revenues of \$18,696,379, which totaled \$1,645,557 less than the general revenues, of \$20,341,936.
- At June 30, 2010, the Town's governmental funds balance sheet reported total ending fund balances of \$13,729,205 of which \$13,502,570 is unreserved and \$226,635 reserved for perpetual care for the cemetery.

OVERVIEW OF THE FINANCIAL STATEMENTS

Our discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements present two types of statements, each with a different snapshot of the Town's finances. The focus is on both the Town as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both short-term and long-term information about the Town's overall financial status. The fund financials focus on the individual parts of the Town government, reporting the Town's operations in more detail than the government-wide statements, which present a longer-term view. Presentation of both perspectives provides the user a broader overview, enhances the basis for comparisons, and better reflects the Town's accountability.

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements provide information about the Town as a whole using the accrual basis of accounting, which is the method used by most private-sector enterprises. All current year revenues and expenses are reported in the Statement of Activities regardless of when cash is received or paid. These statements allow readers to answer the question, "Is the Town's financial position, as a whole, better or worse as a result of the year's activities?"

One of the main goals of these two statements is to report the Town's net assets and changes that affected net assets during the fiscal year. The change in the Town's net assets, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Increases or decreases in net assets are indicators of whether the Town's financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Town's property tax base and the condition of the Town's infrastructure should also be considered in assessing the overall financial health of the Town.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

In the Statement of Net Assets and the Statement of Activities, the Town's fund-based activity is classified as follows:

Governmental activities – Most of the Town's basic services are reported here, including general government, public safety, public works, health and welfare, parks and recreation, cemetery and community development. Property taxes, other local taxes, and federal and state grants finance most of these activities.

Business-type activities – The Town's water and sewer operations are reported here as the Town charges a fee to customers designed to cover all or most of the cost of the services it provides.

Fund Financial Statements

Traditional users of governmental financial statements will find the fund financial statement presentation more familiar. The fund financial statements focus on the Town's most significant funds rather than fund types. The fund financial statements begin on page 13 and provide detailed information about the most significant funds, not the Town as a whole. The Town has two types of funds:

Governmental funds – Most of the Town's basic services are included in governmental funds. Fund-based statements for these funds focus on how resources flow into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported on the modified accrual basis of accounting, which measures cash and other liquid assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term overview that helps the reader determine the financial resources that can be spent in the near future to finance the Town's programs. The differences between governmental activities as reported in the government-wide and fund financial statements are reconciled in Exhibits D and F on pages 14 and 16.

The Cemetery Fund (Permanent Fund) is a nonmajor Governmental Fund. The Town as of April 1, 2008 took over control of the Town's cemetery.

The Special Revenue Fund is used in accordance with generally accepted accounting principles to account for the proceeds of specific revenue sources that are legally restricted by contract or donor to expenditure for a specified purpose.

Proprietary funds – When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, utilize the accrual basis of accounting, and their statements provide both short and long-term financial information.

The Town's enterprise fund, one type of proprietary fund, is the same as the government-wide business-type activities; however, the fund financial statements provide more detail and additional information, such as cash flows. The Town's enterprise fund is the Water and Sewer Fund.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Christiansburg, assets exceeded liabilities by \$143,624,469 at the close of the most recent fiscal year.

By far the largest portion of the Town of Christiansburg's net assets (89 percent) reflects its investment in capital assets (e.g., land, buildings and structures, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town of Christiansburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

spending. Although the Town of Christiansburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

Summary of Net Assets:

The following table presents a condensed summary of net assets:

Summary of Net Assets						
As of June 30, 2010						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 19,130	\$ 22,909	\$ 1,080	\$ 960	\$ 20,210	\$ 23,869
Capital assets, net	110,503	103,195	39,349	39,418	149,852	142,613
Total Assets	129,633	126,104	40,429	40,378	170,062	166,482
Other liabilities	3,516	1,237	800	783	4,316	2,020
Long-term liabilities	14,016	14,411	8,106	8,728	22,122	23,139
Total Liabilities	17,532	15,648	8,906	9,511	26,438	25,159
Net assets:						
Invested in capital assets, net of related debt	97,269	89,443	31,180	30,681	128,449	120,124
Restricted	290	228	-	-	290	228
Unrestricted	14,542	20,785	343	186	14,885	20,971
Total Net Assets	\$ 112,101	\$ 110,456	\$ 31,523	\$ 30,867	\$ 143,624	\$ 141,323

The Town's combined net assets increased from \$141,323,233 to \$143,624,469 as a result of the increase in net assets of both Business-type activities of \$655,680 and the Governmental activities of \$1,645,557. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the Town totaled \$14,885,873. Invested in capital assets, represents the amount of capital assets owned by the Town, including infrastructure, net of any outstanding debt. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions. The total amount of restricted net assets is \$289,784 which is restricted for the use of perpetual care in the Cemetery Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)

Summary of Changes in Net Assets:

The following table shows the revenues and expenses of the government:

Summary of Changes in Net Assets
For the Fiscal Year Ended June 30, 2010
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for services	\$ 1,397	\$ 1,400	\$ 5,933	\$ 5,602	\$ 7,330	\$ 7,002
Operating grants and contributions	428	-	-	-	428	-
Capital grants and contributions	803	-	-	-	803	-
General Revenues:						
Property taxes	2,990	2,997	-	-	2,990	2,997
Local portion of state sales taxes	1,483	1,559	-	-	1,483	1,559
Business and professional occupational license taxes	1,962	1,991	-	-	1,962	1,991
Utility taxes	554	517	-	-	554	517
Prepared food and beverage taxes	4,504	4,684	-	-	4,504	4,684
Commonwealth share-personal property taxes	229	229	-	-	229	229
Cigarette tax	743	773	-	-	743	773
E-911 and communication taxes	958	997	-	-	958	997
Transient room taxes	749	852	-	-	749	852
Other taxes	1,099	1,012	-	-	1,099	1,012
Permits, Fees and Licenses	204	138	-	-	204	138
Interest and Investment Income	264	486	-	-	264	486
Fines and Forfeitures	119	87	-	-	119	87
Miscellaneous	329	1,202	129	121	458	1,323
Cemetery	96	102	-	-	96	102
Payments from Other Governments- State and Federal	3,186	3,521	-	-	3,186	3,521
Total Revenues	22,097	22,547	6,062	5,723	28,159	28,270
Expenses						
General Government	2,205	1,871	-	-	2,205	1,871
Public Safety	8,022	6,969	-	-	8,022	6,969
Public Works	6,314	4,976	-	-	6,314	4,976
Health and Welfare	3	3	-	-	3	3
Parks, Recreation and Cultural	2,620	2,326	-	-	2,620	2,326
Community Development	1,393	1,270	-	-	1,393	1,270
Interest and Fiscal Charges	60	365	-	-	60	365
Water	-	-	6,188	5,784	6,188	5,784
Total Expenses	20,617	17,780	6,188	5,784	26,805	23,564
Capital contributions	788	1,634	75	490	863	2,124
Gain (loss) on sale of land	-	(36)	-	-	-	(36)
Insurance recoveries	84	28	-	-	84	28
Transfers	(707)	(1,315)	707	1,315	-	-
Increase (Decrease) in Net Assets	1,645	5,078	656	1,744	2,301	6,822
Net Assets, Beginning	110,456	105,378	30,867	29,123	141,323	134,501
Net Assets, Ending	\$ 112,101	\$ 110,456	\$ 31,523	\$ 30,867	\$ 143,624	\$ 141,323

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The property tax classification, which comprises approximately 14% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, machinery & tools tax and public service corporation taxes. Real estate tax revenue, totaled \$2,270,582.

Sales taxes, consumer's utility taxes, Commonwealth share of personal property taxes, business and professional occupational license taxes, prepared food and beverage taxes, transient room taxes, E-911 taxes, and cigarette taxes comprise the majority of other local taxes collected by the Town. Other taxes comprise approximately 56% of total revenues generated for governmental activities and are the largest source of revenue for the Town.

Payments from other Governments – State and Federal comprise approximately 14% of governmental activities revenues. Street maintenance funds, and funding received under House Bill 599 for law enforcement are some of the major sources of revenue included in this category.

Charges for services include items such as recreational fees and garbage collection fees represent approximately 6% of the governmental activities revenues.

Public Safety expenses comprised approximately 39% of expenses of the governmental activities. Operations of the labor-intensive Police Department are included in this category, along with expenses of the Building Inspections, Rescue Squad, Fire Department and E-911 Call Center.

Public Works expenses comprised approximately 31% of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category.

Recreation expenses comprised approximately 13% of government activities expenses.

An additional \$707,721 in cash was transferred from the General Fund to the Water/Sewer Fund during the fiscal year ending June 30, 2010.

Community Development and Health & Welfare include such items as industrial development, planning district commission, planning, and engineering services.

The net assets of business-type activities increased approximately \$655,680 during the fiscal year. This includes water and sewer lines installed by developers and donated to the Town.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

For the fiscal year ended June 30, 2010, the governmental funds reflect a total fund balance of \$13,729,205. Of this amount \$13,439,422 constitutes unreserved fund balance, which is available for spending for services and capital projects, such as the Aquatic Center. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures.

The General Fund balance decreased by \$6,090,092 during the fiscal year ending June 30, 2010 primarily from the use of bond proceeds and prior year appropriations for the construction of the Aquatic Center.

Local taxes generated the majority of General Fund revenue, totaling approximately \$15,105,369 in fiscal year ending June 30, 2010.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$3,685,031 in fiscal year ending June 30, 2010. The

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)**

majority of this revenue is received from the Commonwealth and includes reimbursement for law enforcement funding received under House Bill 599, and street maintenance funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted General Fund revenues exceeded the actual revenues by \$7,672,847 due in large part to amounts budgeted for previous appropriations, carry over, bond proceeds and bond construction funds in the amount of \$6,454,148 that were in the fund balance from prior years but budgeted as a revenue that was not received during the fiscal year.

General Fund expenditures were less than the budgeted amount by \$553,302. Actual expenses for the police department and the fire department were less than the budgeted amount by \$863,059. The Aquatic Center Construction actual expenses exceeded budgeted amounts by \$829,147 and the transfers in the amount of \$848,485 were not budgeted.

CAPITAL ASSETS

As of June 30, 2010, the Town's capital assets for its governmental and business-type activities amounted to \$149,852,448 (net of accumulated depreciation). This investment includes land, streets and highways, construction in progress, land improvements, buildings and structures, vehicles, equipment, infrastructure and bond issue costs. The total net increase (additions less retirements and depreciation) in the Town's investment in capital assets for the current fiscal year was \$7,239,071.

**Capital Assets, Net of Depreciation
(In Thousands)**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Land	\$ 2,144	\$ 2,144	\$ 12	\$ -	\$ 2,156	\$ 2,144
Construction in Progress	21,413	14,857	-	-	21,413	14,857
Streets & Highways	75,112	74,314	-	-	75,112	74,314
Land Improvements	648	678	-	-	648	678
Buildings & Structures	6,696	6,761	19,897	20,167	26,593	26,928
Equipment	2,555	2,598	19,440	19,251	21,995	21,849
Vehicles	686	680	-	-	686	680
Infrastructure	1,105	1,013	-	-	1,105	1,013
Bond Issue Cost	144	150	-	-	144	150
Total	\$ 110,503	\$ 103,195	\$ 39,349	\$ 39,418	\$ 149,852	\$ 142,613

The changes in each category of Capital Assets are presented in detail in note 7 to the Basic Financial Statements.

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

- Construction in Progress – The Aquatic Center which was substantially completed as of June 30, 2010 and opened for use July 17, 2010.

LONG-TERM DEBT

At June 30, 2010, the Town's long-term liabilities, not including compensated absences, landfill closure, bond premiums and postclosure care costs payable, totaled \$21,180,439 comprised of \$13,165,000 related to governmental activities, and \$8,015,439 related to business-type activities. Total debt decreased by \$1,149,055 during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Charter of the Town of Christiansburg and Code of Virginia limits the Town's net debt to 10% of the assessed valuation of real estate within the Town limits. This limit applies to governmental activity debt only, as long-term liabilities of business-type funds will be met by revenues generated by those funds. The Town's governmental activity debt of \$13,165,000 is well below the legal debt limit of \$182,727,448.

Interest and fiscal charges for fiscal year ending June 30, 2010 were \$60,257 of the total governmental activities expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the period between the first quarters of calendar years 2009 and 2010, Montgomery County lost 1,240 (-3.1%) jobs according to the Virginia Employment Commission. The manufacturing sector lost 246 (-4.9%) jobs.

Another indicator of the state of the economy is the sales tax revenue, which is directly proportional to the retail sales. This revenue decreased \$76,000 or -4.9% between budget years 2009 and 2010.

Also transient lodging tax revenue decreased \$103,000 or -12.1% and prepared meals tax revenue decreased \$180,000 or -3.9%.

Building permits for new residential units in fiscal year 2009-2010 decreased by 25 units or -23% compared to fiscal year 2008-2009 units. Overall, building permits fees increased by \$66,000 or 47.8% this was primarily a result of the Montgomery County Court House and a few other commercial construction projects.

These signals seem to indicate that the economy in our area is still declining and feeling the economic recession as is evident across the United States.

The 2010-2011 budget includes a rate increase for water and sewer fees to help offset the deficit in the enterprise fund and a 1% increase in the meals tax.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional information should be directed to the Town Manager or the Director of Finance at 100 East Main Street, Christiansburg, Virginia 24073, telephone (540) 382-6128. The Town's website address is www.christiansburg.org.

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 15,179,071	\$ -	\$ 15,179,071
Receivables (net of allowance for uncollectibles)	3,272,537	1,079,593	4,352,130
Prepaid Items	59,725	-	59,725
Due from Other Governments	619,058	-	619,058
Total Current Assets	<u>19,130,390</u>	<u>1,079,593</u>	<u>20,209,983</u>
Non-Current Assets (net of accumulated depreciation):			
Land	2,144,394	12,500	2,156,894
Land Improvements	648,494	-	648,494
Buildings and Structures	6,695,832	19,897,376	26,593,208
Machinery and Equipment	2,554,752	19,439,770	21,994,522
Vehicles	685,487	-	685,487
Infrastructure	1,104,954	-	1,104,954
Construction in Progress	21,413,134	-	21,413,134
Streets and Highways	75,111,848	-	75,111,848
Bond Issue Cost	143,907	-	143,907
Total Non-Current Assets, Net	<u>110,502,802</u>	<u>39,349,646</u>	<u>149,852,448</u>
Total Assets	<u>129,633,192</u>	<u>40,429,239</u>	<u>170,062,431</u>
Liabilities			
Accounts Payable	3,185,692	1,344	3,187,036
Consumer Deposits	-	275,135	275,135
Due to Water Authority	-	369,622	369,622
Salaries Payable	84,838	-	84,838
Accrued General Obligation Bond Interest	-	154,365	154,365
Interest Payable	245,560	-	245,560
Long-Term Liabilities:			
Bond Premium	68,832	-	68,832
Amounts due within one year	728,504	746,747	1,475,251
Due in more than one year	13,218,631	7,358,692	20,577,323
Total Liabilities	<u>17,532,057</u>	<u>8,905,905</u>	<u>26,437,962</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	97,268,970	31,179,842	128,448,812
Restricted for:			
Perpetual Care:			
Nonexpendable	289,784	-	289,784
Unrestricted	14,542,381	343,492	14,885,873
Total Net Assets	<u>\$ 112,101,135</u>	<u>\$ 31,523,334</u>	<u>\$ 143,624,469</u>

See accompanying notes to financial statements.

TOWN OF CHRISTIANSBURG

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 2,205,112	\$ -	\$ -	\$ -
Public Safety	8,022,207	-	428,117	802,659
Public Works	6,313,092	1,197,592	-	-
Health and Welfare	3,100	-	-	-
Parks, Recreation, and Culture	2,620,104	199,813	-	-
Community Development	1,392,967	-	-	-
Interest on Long-Term Debt	60,257	-	-	-
Total Governmental Activities	<u>20,616,839</u>	<u>1,397,405</u>	<u>428,117</u>	<u>802,659</u>
Business-Type Activities				
Water and Sewer	6,188,386	5,932,787	-	-
Total Business-Type Activities	<u>6,188,386</u>	<u>5,932,787</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 26,805,225</u>	<u>\$ 7,330,192</u>	<u>\$ 428,117</u>	<u>\$ 802,659</u>

General Revenues
Taxes:
 Property
 Sales
 Prepared Meal
 Other
Permits, Fees and Licenses
Revenues From Use of Property
Investment Earnings
Intergovernmental
Fines and Forfeitures
Cemetery
Miscellaneous
Grants in Aid of Construction
Transfers
Total General Revenues and Transfers

Change in Net Assets
Net Assets, July 1, 2009
Net Assets, June 30, 2010

Exhibit B

Net (Expense) Revenue and Change in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,205,112)	\$ -	\$ (2,205,112)
(6,791,431)	-	(6,791,431)
(5,115,500)	-	(5,115,500)
(3,100)	-	(3,100)
(2,420,291)	-	(2,420,291)
(1,392,967)	-	(1,392,967)
(60,257)	-	(60,257)
<u>(17,988,658)</u>	<u>-</u>	<u>(17,988,658)</u>
-	(255,599)	(255,599)
-	(255,599)	(255,599)
<u>\$ (17,988,658)</u>	<u>\$ (255,599)</u>	<u>\$ (18,244,257)</u>
2,990,073	-	2,990,073
1,483,290	-	1,483,290
4,503,818	-	4,503,818
6,064,603	-	6,064,603
203,998	-	203,998
94,201	-	94,201
263,518	-	263,518
3,414,598	-	3,414,598
118,559	-	118,559
96,735	-	96,735
320,188	128,903	449,091
788,355	74,655	863,010
(707,721)	707,721	-
<u>19,634,215</u>	<u>911,279</u>	<u>20,545,494</u>
1,645,557	655,680	2,301,237
<u>110,455,578</u>	<u>30,867,654</u>	<u>141,323,232</u>
<u>\$ 112,101,135</u>	<u>\$ 31,523,334</u>	<u>\$ 143,624,469</u>

GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2010

	General Fund	Cemetery Fund	Special Revenue Fund	Total Governmental Funds
Assets				
Cash	\$ 14,863,239	\$ 289,783	\$ 26,049	\$ 15,179,071
Receivables (net of allowance for uncollectibles)				
Taxes, including penalties (net of allowance of \$25,596)	124,766	-	-	124,766
Accounts (net of allowance of \$50,109)	1,034,140	-	-	1,034,140
Prepaid Items	59,725	-	-	59,725
Due from Other Funds	358,695	-	-	358,695
Due from Other Governments	250,583	-	368,475	619,058
Total Assets	16,691,148	289,783	394,524	17,375,455
Liabilities				
Accounts Payable	3,185,692	-	-	3,185,692
Salaries Payable	84,838	-	-	84,838
Due to Other Funds	-	-	358,695	358,695
Deferred Revenue	7,245	-	9,780	17,025
Total Liabilities	3,277,775	-	368,475	3,646,250
Fund Balance				
Reserved for:				
Perpetual care	-	289,783	-	289,783
Unreserved, reported in:				
General fund	13,413,373	-	-	13,413,373
Special Revenue Fund	-	-	26,049	26,049
Total Fund Balance	13,413,373	289,783	26,049	13,729,205
Total Liabilities and Fund Balance	\$ 16,691,148	\$ 289,783	\$ 394,524	\$ 17,375,455

GOVERNMENTAL FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2010

Fund Balances-total governmental funds		\$	13,729,205
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
The installment of the real property taxes receivable would not be recognized for governmental activities because it is not collectible within 45 days after year-end			2,113,631
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	\$	125,977,952	
Less: accumulated depreciation and amortization		<u>(15,475,150)</u>	110,502,802
Compensated absences are not due and payable in the current year and therefore are not reported in the governmental funds.			(485,043)
Landfill Closure and Postclosure care cost are not due and payable in the current year and therefore are not reported in the governmental funds.			(152,093)
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			(245,560)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.			17,025
Governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities and reported as a long-term liability on the Statement of Net Assets.			(68,832)
Accrued merit/sick pay (OPEB) are not due and payable in the current year and therefore are not reported in the governmental funds.			(145,000)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
2007 Revenue Bond		(1,845,000)	
2004 Revenue Bond		(10,080,000)	
1995 General Obligation Note		<u>(1,240,000)</u>	(13,165,000)
Net Assets of Governmental Activities		\$	<u>112,101,135</u>

See accompanying notes to financial statements.

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

	General Fund	Cemetery Fund	Special Revenue Fund	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 3,053,658	\$ -	\$ -	\$ 3,053,658
Sales	1,483,290	-	-	1,483,290
Prepared Meal	4,503,818	-	-	4,503,818
Other	6,064,603	-	-	6,064,603
Permits, Privilege Fees and Regulatory Licenses	203,998	-	-	203,998
Fines and Forfeitures	118,559	-	-	118,559
Revenues from Use of Property	94,201	-	-	94,201
Investment Earnings	255,754	7,635	129	263,518
Charges for Services	1,397,405	71,870	-	1,469,275
Intergovernmental	3,685,031	-	960,343	4,645,374
Cemetery	-	24,865	-	24,865
Miscellaneous	227,265	-	8,922	236,187
Total Revenues	<u>21,087,582</u>	<u>104,370</u>	<u>969,394</u>	<u>22,161,346</u>
Expenditures:				
General Government Administration	1,937,708	-	-	1,937,708
Public Safety	6,629,215	-	229,373	6,858,588
Public Works	5,079,978	-	-	5,079,978
Health and Welfare	3,100	-	-	3,100
Parks, Recreation and Culture	2,305,876	136,268	-	2,442,144
Community Development	1,374,850	-	-	1,374,850
Capital Outlay	7,962,920	-	760,958	8,723,878
Debt Service:				
Principal Retirement	515,000	-	-	515,000
Interest and Fiscal Charges	604,544	-	-	604,544
Total Expenditures	<u>26,413,191</u>	<u>136,268</u>	<u>990,331</u>	<u>27,539,790</u>
Excess of Expenditures over Revenues	<u>(5,325,609)</u>	<u>(31,898)</u>	<u>(20,937)</u>	<u>(5,378,444)</u>
Other Financing Sources (Uses):				
Insurance Recoveries	84,002	-	-	84,002
Transfers (to) from:				
Water and Sewer Fund	(707,721)	-	-	(707,721)
Special Revenue Fund	(46,986)	-	46,986	-
Cemetery Fund	(93,778)	93,778	-	-
Total Other Financing Sources (Uses)	<u>(764,483)</u>	<u>93,778</u>	<u>46,986</u>	<u>(623,719)</u>
Net Changes in Fund Balance	(6,090,092)	61,880	26,049	(6,002,163)
Fund Balance, July 1, 2009	19,503,465	227,903	-	19,731,368
Fund Balance, June 30, 2010	<u>\$ 13,413,373</u>	<u>\$ 289,783</u>	<u>\$ 26,049</u>	<u>\$ 13,729,205</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net Change in Fund Balances-total governmental fund		\$ (6,002,163)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenues	\$ (114,436)	
Change in taxes receivable	<u>50,851</u>	(63,585)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 6,922,026	
Less: current year depreciation	<u>(928,659)</u>	5,993,367
Value of additional roads taken over by the Town. The value of the roads is considered contributed capital and is included in capital assets.		788,354
Governmental funds report an increase in compensated absences as an expenditure. However, in the Statement of Net Assets the addition increases long-term liabilities.		(11,238)
Governmental funds report an decrease to post closure care costs as an expenditure. However, in the Statement of Net Assets the reductions reduce long-term liabilities.		32,430
Governmental funds report repayment of bond principal as an expenditure. However, in the Statement of Net Assets the repayment reduces long-term liabilities.		515,000
Governmental funds do not include amortization as an expenditure. However, bond issue costs are capitalized and amortized over the life of the bond on the Statement of Revenues, Expenditures and Changes in Fund Balances.		
Current year amortization		(5,894)
Interest expense reported in the Statement of Activities includes amounts that should be capitalized as construction in progress. The interest paid is not an expenditure and is reported as construction in progress on the Statement of Net Assets.		535,897
Interest expense reported in the Statement of Activities does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds.		8,389
Accrued merit/sick pay (OPEB) in the Statement of Activities does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds.		(145,000)
Change in Net Assets of Governmental Activities		<u>\$ 1,645,537</u>

See accompanying notes to financial statements.

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
	\$ 16,193,604	\$ 16,193,604		
Beginning budgetary fund balance:	\$ 16,193,604	\$ 16,193,604	\$ 16,193,604	\$ -
Revenues (Inflows):				
General Property Taxes	2,897,250	2,897,250	3,053,658	156,408
Consumer Utility Taxes	510,000	510,000	560,383	50,383
Business License Taxes	1,866,000	1,866,000	1,962,307	96,307
Franchise License Taxes	140,000	140,000	154,011	14,011
Motor Vehicle Licenses	410,000	410,000	464,947	54,947
Bank Franchise Taxes	430,000	430,000	479,031	49,031
Transient Lodging Taxes	855,000	855,000	748,701	(106,299)
Prepared Meal Tax	4,903,000	4,903,000	4,503,818	(399,182)
Cigarette Tax	650,000	650,000	743,249	93,249
Building and Zoning Fees	110,500	110,500	203,998	93,498
Court and Parking Fines	81,000	81,000	118,559	37,559
Interest	165,000	165,000	255,754	90,754
Rentals and Sale of Surplus Items	221,500	221,500	94,201	(127,299)
Solid Waste Service	1,110,000	1,110,000	1,197,592	87,592
DPR Fees and Contributions	889,500	889,500	207,280	(682,220)
Miscellaneous	701,500	701,500	172,427	(529,073)
Non-Categorical				
State Aid (ABC), etc.	1,362,000	1,362,000	1,290,156	(71,844)
Sales Tax	1,500,000	1,500,000	1,483,290	(16,710)
DJCP Grants	45,000	45,000	167,348	122,348
Emergency Service Grants	46,000	46,000	46,755	755
Street Maintenance Payments	2,690,000	2,690,000	2,687,429	(2,571)
Litter Control Grant	-	-	4,370	4,370
Law Enforcement Funds	460,700	460,700	436,862	(23,838)
National Guard Armory	4,000	4,000	4,085	85
Community Development Entitlement	120,000	120,000	-	(120,000)
T-21 Grant	208,000	208,000	43,038	(164,962)
Non-Revenue Receipts	10,000	10,000	84,002	74,002
Transfers/Previous Appropriations/Carry Over/Bond Proceeds	4,927,481	4,927,481	-	(4,927,481)
Bond Construction Fund	1,531,000	1,531,000	4,333	(1,526,667)
Amounts Available for Expenditures	45,038,035	45,038,035	37,365,188	(7,672,847)
Expenditures (Outflows):				
General Government Administration	2,162,265	2,162,265	2,052,319	109,946
Police Department	5,843,914	5,843,914	5,411,398	432,516
Volunteer Fire Department	1,146,341	1,146,341	715,798	430,543
Lifesaving and Rescue	643,627	643,627	546,230	97,397
Inspections	358,407	358,407	353,167	5,240
Street Department	4,947,760	4,947,760	4,852,650	95,110
Solid Waste Service	1,301,608	1,301,608	1,170,137	131,471
Building and Grounds	62,352	62,352	57,015	5,337
National Guard Armory	28,625	28,625	16,430	12,195
Municipal Building	135,398	135,398	114,730	20,668
Municipal Shop	189,305	189,305	167,446	21,859
Welfare/Social Services	3,100	3,100	3,100	-
Parks and Recreation	2,025,338	2,025,338	1,828,524	196,814
Aquatic Center	5,743,195	5,743,195	6,572,342	(829,147)
Library	15,000	15,000	15,000	-
Planning/Community Development	1,281,541	1,281,541	710,281	571,260
Engineering	807,602	807,602	707,080	100,522
Debt Service	1,119,600	1,119,600	1,119,544	56
Transfers	-	-	848,485	(848,485)
Total Expenditures	27,814,978	27,814,978	27,261,676	553,302
Ending Budgetary Fund Balance	\$ 17,223,057	\$ 17,223,057	\$ 10,103,512	\$ (7,119,545)

See accompanying notes to financial statements.

TOWN OF CHRISTIANSBURG

Exhibit G
(continued)

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for expenditures" from the budgetary comparison statement.	\$ 37,365,188
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial statement purposes (Exhibit E).	(16,193,604)
Insurance recoveries are inflows of budgetary resources but are not revenues for financial reporting purposes (Exhibit E).	<u>(84,002)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 21,087,582</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison statement.	\$ 27,261,676
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	<u>(848,485)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 26,413,191</u>

TOWN OF CHRISTIANSBURG

Exhibit H

PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010

	<u>Enterprise</u>
	<u>Water and Sewer Fund</u>
Assets	
Current Assets:	
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$159,954)	\$ 1,079,593
Total Current Assets	<u>1,079,593</u>
Non-Current Assets:	
Water System	11,523,900
Equipment	3,033,353
Waste Water System	16,556,099
Waste Water Treatment Plant	31,403,055
Less: Allowance for Depreciation	<u>(23,166,761)</u>
Total Non-Current Assets	<u>39,349,646</u>
Total Assets	<u>40,429,239</u>
Liabilities	
Current Liabilities:	
Accounts Payable	1,344
Accrued General Obligation Bond Interest	154,365
Consumer Deposits	275,135
Due to Water Authority	369,622
Current Maturities VA Revolving Loan Fund	656,747
Compensated Absences	<u>90,000</u>
Total Current Liabilities	<u>1,547,213</u>
Long-Term Liabilities:	
VA Revolving Loan Fund	<u>7,358,692</u>
Total Long-Term Liabilities	<u>7,358,692</u>
Total Liabilities	<u>8,905,905</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	31,179,842
Unrestricted Assets	<u>343,492</u>
Total Net Assets	<u>\$ 31,523,334</u>

See accompanying notes to financial statements.

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

	<u>Enterprise</u>
	<u>Water and Sewer Fund</u>
Revenues:	
Charges for Services:	
Water and Sewer Service Fees	\$ 5,519,143
Water and Wastewater Connection Fees	413,644
Penalties and Other	128,903
Total Revenues	<u>6,061,690</u>
Operating Expenses:	
Salaries and Wages	1,478,391
Employee Benefits	220,894
Water Authority Purchases	1,269,776
Utilities	325,957
Repairs and Maintenance	257,696
Depreciation and Amortization	1,555,696
Materials and Supplies	537,265
Interest and Fiscal Charges	294,198
General and Administrative	248,513
Total Operating Expenses	<u>6,188,386</u>
Operating Income (Loss)	(126,696)
Grants in Aid of Construction	74,655
Transfers In	707,721
Change in Net Assets	<u>655,680</u>
Net Assets, July 1, 2009	<u>30,867,654</u>
Net Assets, June 30, 2010	<u>\$ 31,523,334</u>

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

	<u>Enterprise Fund</u>
	<u>Water & Sewer Fund</u>
Cash Flows from Operating Activities	
Cash Received From:	
Customers	\$ 5,911,090
Cash Paid to/for:	
Employees	(1,713,384)
Supplies and Services	(2,631,698)
Net Cash Flows from Operating Activities	<u>1,566,008</u>
Cash Flows from Non-Capital Financing Activities	
Transfer from General Fund	707,721
Net Cash Flows from Non-Capital Financing Activities	<u>707,721</u>
Cash Flows from Capital and Related Financing Activities	
Payment of Principal	(634,055)
Interest on Debt	(227,238)
Purchase of Fixed Assets	(1,412,436)
Net Cash Flows from Capital and Related Financing Activities	<u>(2,273,729)</u>
Cash Flows from Investing Activities	
None	-
Net Cash Flows from Investing Activities	<u>-</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, July 1, 2009	-
Cash and Cash Equivalents, June 30, 2010	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ (126,696)
Add: Depreciation and Amortization	1,555,696
Add: Interest Expense	294,198
Change in Current Assets and Current Liabilities	
(Increase) Decrease in Current Assets:	
Accounts Receivable	(119,169)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(18,038)
Due to Water Authority	25,547
Consumer Deposits	(31,431)
Salaries Payable	(25,827)
Compensated Absences	11,728
Net Cash Flows from Operating Activities	<u>\$ 1,566,008</u>
Noncash Investing, Capital, and Financing Activities:	
Contributed Capital - Grants in Aid of Construction	\$ 74,655

See accompanying notes to financial statements.

TOWN OF CHRISTIANBURG

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

I. Summary of Significant Accounting Policies:

The accounting policies of the Town of Christiansburg, Virginia, (the Town) conform to generally accepted accounting principles as applicable to governments.

A. Reporting Entity

For financial reporting purposes, in conformance with GASB Statement 14, *Defining the Governmental Reporting Entity*, the Town includes all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent upon the Town Council. Control by or dependence upon the Town Council was determined on the basis of the following:

1. The Town's ability to designate the management or significantly control the operations of the entity.
2. The Town's responsibility for the fiscal matters of the entity, including the authorization of budgetary appropriations, funding of operating deficiencies, control or use of surplus funds, responsibility for debts, and control over the collections and disbursement of funds.
3. The scope of public services rendered by and the geographic location of the entity.

Based on the foregoing criteria, the financial activities of no other organizations are included in the accompanying financial statements.

B. Financial Statement Presentation

In June 1999, Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 was developed to make annual reports easier to understand and more useful to people who use governmental financial information to make decisions. GASB Statement No. 34 includes:

Management's Discussion and Analysis (MD&A) - MD&A introduces the basic financial statements and provides an analytical overview of the government's financial activities in a narrative format. An analysis of the government's overall financial position and results of operations is included to assist users in assessing whether financial position has improved or deteriorated as a result of the year's activities.

Government-Wide Financial Statements - Present financial statements prepared using the economic resources measurement focus and full accrual accounting for all of the government's activities. These statements will include all assets, liabilities, revenues and expenses of the primary government.

The Town does not allocate indirect expenses. The government-wide statements segregate governmental activities, which are normally supported by taxes and intergovernmental revenues, and business-type activities, which rely on user fees and charges for support.

Statement of Net Assets - Presents both governmental and business-type activities on the full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations.

Statement of Activities - Presents the net cost of each individual function. Program revenues are presented as a reduction of the total cost of providing program services. Program revenues include charges for services, operating grants and contributions and capital grants that are directly associated with a specific function. Taxes and other revenue sources not reported as program revenue are included as general revenue.

Fund Financial Statements - These financial statements present information on major governmental and enterprise funds.

The accounts are organized on the basis of fund classification, each of which is considered to be a separate accounting entity. The operation of each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances or net assets, revenues, and expenditures or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the basic financial statements as follows:

Governmental Fund - accounts for expendable financial resources, other than proprietary fund types. Governmental fund types use the flow of current financial resources measurement focus. The major governmental fund is:

General Fund - The General Fund is the major operating fund of the Town. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. The general operating expenses and fixed charges are paid from this fund.

Special Revenue Fund - This fund is used to account for the proceeds of specific revenue sources that are legally restricted by contract or donor to expenditure for a specified purpose.

Proprietary Fund - accounts for operations that are financed and operated in a manner similar to private business enterprises. The proprietary fund measurement focus is on the flow of economic resources. Operating revenues include charges for services and other revenue. Operating expenses include personal services, as well as other services and charges, materials and supplies and depreciation. The proprietary fund type is:

Enterprise Fund - Finances and accounts for the acquisition, operation, and maintenance of governmental facilities and services that are supported by user charges. The operations of water and sewer facilities are accounted for and reported in the Water and Sewer Fund.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town has selected one of the two options available for proprietary fund reporting. The Town applies all applicable GASB pronouncements and all Financial Accounting Research Bulletins (ARB) issued on or after November 30, 1989, unless they conflict with or contradict GASB pronouncements.

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 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 community cemetery. On April 1, 2008 the Town took over control of the Town's cemetery from the Cemetery Corporation.

Budgetary Comparison Statement - This statement is presented to demonstrate whether resources were obtained and used in accordance with the government's legally adopted budget. The Town revises the original budget over the course of the year for various reasons. Budgetary information continues to be provided, and includes a comparison of the government's original adopted budget to the current comparison of final budget and actual results.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activities in the government-wide statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability has been incurred, regardless of the timing of related cash flows.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. General fund tax revenues are considered measurable when they have been levied. To be considered available and thus susceptible to accrual, the taxes must be collected within the Town's period of availability of 45 days. Uncollected taxes at the end of this period are reported as deferred revenues. Interest income and intergovernmental receivables are considered susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences are recorded only when payment is due.

As a result of the different measurement focus and basis of accounting used in preparing the government-wide statements, a reconciliation between the government-wide and fund financial statements is necessary. Exhibit D presents reconciliation of the net assets as reported on the Statement of Net Assets (Exhibit A) to total governmental fund balance as reported on the Balance Sheet - Governmental Fund (Exhibit C). Exhibit F presents a reconciliation of change in net assets as reported on the Statement of Activities (Exhibit B) and the total changes in fund balance as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund (Exhibit E).

D. Deposits and Investments

The Town records investments at cost that approximates fair value. Cash and cash equivalents include cash on hand, certificates of deposit, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Allowance for Uncollectible Taxes and Accounts Receivable

The Town calculates its allowance for uncollectible receivables based on historical collection data. At June 30, 2010, the allowance for uncollectible taxes and accounts receivable was \$75,706 for the General Fund and \$159,954 for the Water and Sewer Fund.

F. Property Taxes

Property taxes are assessed at their value on January 1. Real estate tax is payable in one installment on December 5. On January 1, real property taxes become an enforceable lien against the property. Personal property tax is due on or before December 5 during the year of assessment. The Town bills and collects taxes and recognizes revenue upon levy for government-wide purposes. For the fund financial statements, the Town recognizes revenue to the extent that it results in current receivables.

The annual assessment for real estate is based on 100% of the assessed fair market value. The tax rates are established annually, without limitation. The tax rate for real estate was \$.1126 per \$100 of assessed value for the year. The personal property tax rate was \$.45 per \$100 of assessed value for the year. In 1998, the Commonwealth enacted the Personal Property Tax Relief Act. The Commonwealth share of the tax was 60% for fiscal year 2009. Business furniture, fixtures, and machinery and tools taxes are assessed at a rate of \$.45 per \$100 of assessed valuation.

G. Capital Assets

Capital assets acquired or constructed by the Town with a value in excess of \$5,000 are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets belonging to the proprietary fund are also reported in the applicable fund financial statements. Capital assets are recorded at historical cost or estimated historical cost. Gifts or contributions are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the estimated useful life of each capital asset. No depreciation expense is recorded for land, construction-in-progress, or streets and highways.

The estimated useful lives for capital assets are as follows:

Land Improvements	15 years
Building and Structures	25-50 years
Equipment and Vehicles	5-20 years
Infrastructure	40 years

In accordance with GASB Statement No. 34, the Town's infrastructure has been capitalized, retroactively, upon adoption of the standard.

In accordance with generally accepted accounting principles, interest expense incurred during the construction of a capital asset is capitalized until the construction has been completed. The Aquatic Center was still under construction as of June 30, 2010, but substantially completed, and incurred \$531,849 of interest expense capitalized during the year. The Town's Aquatic Center was put into service on July 17, 2010.

2. Compensated Absences Payable

It is the Town's policy to permit employees to accumulate earned but unused compensated absences. For government-wide reporting, a liability is recorded for compensated absences when services are rendered and employees have earned the right to receive compensation for such services.

Town employees earn vacation and sick leave as follows:

Vacation:

- Twelve days per year for less than five full years of service
- Fifteen days per year for more than five but less than ten full years of service
- Eighteen days per year for ten full years or more of service

Sick leave:

- One and one-fourth days per month

Accumulated leave is paid upon termination. The maximum would be 24 days plus any sick leave accumulated, subject to limitations, after July 1 of the fiscal year. After five years of employment, an employee, upon retirement, will be paid for one-fourth of accumulated sick leave to a maximum of \$5,000.

The Town's liability at June 30, 2010 for these compensated absences was:

	Current Portion	Long-Term Portion	Total
General Fund	\$ 48,504	\$ 436,539	\$ 485,043

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. The Town has estimated that 10% of the compensated absences balance can be liquidated with expendable available resources, and are considered a current liability. Both current and non-current portions of compensated absences totaling \$485,043 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and fund presentations.

Compensated absences earned by employees and charged to the proprietary fund are expensed and accrued as a liability when incurred. At June 30, 2010, the liabilities for compensated absences of the enterprise fund were \$90,000.

3. Budgets and Budgetary Accounting

The Town adheres to the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Statement (Exhibit G):

- The Town Manager, in coordination with the Finance Committee, prepares the budget and the Finance Committee presents it to the Town Council.
- Legal notice of the public hearing is published in the newspaper at least 10 days prior to the hearing. Notice contains information as to date, place, and time, and solicits citizen attendance or written comments at the hearing with a synopsis of the budget.
- The public hearing is held at least seven days (State Code 15.1-162 as amended) prior to approval of the budget.
- Budget is approved at least seven days after public hearing, and no later than the beginning of the new fiscal year. Council sets tax rates for real estate and personal property.
- Notice of budget adoption and availability for viewing of adopted budget is published in a local newspaper one time, within thirty (30) days of adoption.

f. The budget basis is in accordance with generally accepted accounting principles.

4. Deposits and Investments

Deposits

The Town's cash on hand and in banks at June 30, 2010 has a carrying value of \$15,510,939. Of the Town's bank balances, \$0 were uninsured and uncollateralized under the Virginia Security for Public Deposits Act at June 30, 2010.

Investments

Town and State statute (Code of Virginia, Chapter 3, Title 26) authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes; bankers' acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Investments of the Town are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer bank trust department or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or safekeeping agent, but not in the Town's name. As of June 30, 2010, the Town's deposit and investment balances were as follows:

	Category			Non-Categorized	Fair Value
	1	2	3		
Deposits	-	-	-	7,099,890	7,099,890
Certificates of Deposit	-	-	-	6,566,871	6,566,871
Money Market	-	-	-	1,511,026	1,511,026
Totals	-	-	-	15,177,787	15,177,787

The following table provides a reconciliation of deposits and investments to the Statement of Net Assets in Exhibit A:

Deposits	\$ 7,099,890
Certificates of Deposit	6,566,871
Money Market	1,511,026
Petty Cash	1,284
Total Cash	<u>\$ 15,179,071</u>

5. Receivables

Receivables as of June 30, 2010 consisted of the following:

Governmental Activities:

Receivables:

	General Fund	Special Revenue Fund	Totals
Taxes	\$ 2,307,128	\$ -	\$ 2,307,128
Due from Government Accounts	250,583	368,475	619,058
Gross Receivables	1,084,249	-	1,084,249
	3,641,960	368,475	4,010,435
Less: Allowance for Doubtful Accounts	(118,840)	-	(118,840)
Net Receivables	<u>\$ 3,523,120</u>	<u>\$ 368,475</u>	<u>\$ 3,891,595</u>

Business-Type Activities:

Receivables

Accounts	Water & Sewer Fund
	1,239,547
Less: Allowance for Doubtful Accounts	(159,954)
Net Receivables	<u>\$ 1,079,593</u>

The taxes receivable account is largely comprised of the current and prior five years of uncollected tax levies for personal property, and the current and past nineteen years of uncollected real estate tax levies. The collectibility of these accounts has been considered in the allowance for uncollectible accounts.

6. Inter-fund Transfers

Inter-fund transfers consisted of the following at June 30, 2010:

Transfer from: General Fund	Transfer to:		
	Water & Sewer Fund	Special Revenue Fund	Cemetery Fund
	\$ 707,721	\$ 46,986	\$ 93,778

7. Changes in Capital Assets

Primary Government:

Governmental Activities:	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
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Capital Assets Not Being Depreciated:

Land	\$ 2,144,394	\$ -	\$ -	2,144,394
Construction in Progress	14,856,737	6,556,397	-	21,413,134
Streets and Highways	74,314,433	797,415	-	75,111,848
Total Capital Assets Not Being Depreciated	91,315,564	7,353,812	-	98,669,376

Capital Assets Being Depreciated:

Buildings and Structures	8,479,051	111,752	-	8,590,803
Accumulated Depreciation	(1,718,449)	(176,522)	-	(1,894,971)
Net Buildings and Structures	6,760,602	(64,770)	-	6,695,832

Infrastructure	2,854,350	158,382	-	3,012,732
Accumulated Depreciation	(1,841,039)	(66,739)	-	(1,907,778)
Net Infrastructure	1,013,311	91,643	-	1,104,954

Machinery and Equipment	11,506,869	332,553	-	11,839,422
Accumulated Depreciation	(8,908,950)	(375,720)	-	(9,284,670)
Net Machinery and Equipment	2,597,919	(43,167)	-	2,554,752

Land Improvements	865,920	28,654	-	894,574
Accumulated Depreciation	(188,193)	(57,887)	-	(246,080)
Net Land Improvements	677,727	(29,233)	-	648,494

Vehicles	2,537,155	257,076	-	2,794,231
Accumulated Depreciation	(1,856,953)	(251,791)	-	(2,108,744)
Net Vehicles	680,202	5,285	-	685,487

Bond Issue Cost	176,814	-	-	176,814
Accumulated Amortization	(27,013)	(5,894)	-	(32,907)
Net Bond Issue Cost	149,801	(5,894)	-	143,907

Total Capital Assets Being Depreciated	26,420,159	888,417	-	27,308,576
Less: Accumulated Depreciation and Amortization	(14,540,597)	(934,553)	-	(15,475,150)
Net Total Capital Assets Being Depreciated	11,879,562	(46,136)	-	11,833,426

Governmental Activities Capital Assets, Net \$ 103,195,126 \$ 7,307,676 \$ - \$ 110,502,802

Business-type Activities:	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
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Capital Assets Not Being Depreciated:

Land	\$ -	\$ 12,500	\$ -	\$ 12,500
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	-	12,500	-	12,500

Capital Assets Being Depreciated:

Water System	11,138,987	384,913	-	11,523,900
Water and Waste Water Equipment	2,853,937	179,417	-	3,033,354
Waste Water System	16,141,459	414,639	-	16,556,098
Waste Water Treatment Plant	30,894,931	495,624	-	31,390,555
Total Capital Assets Being Depreciated	61,029,314	1,474,593	-	62,503,907
Less: Accumulated Depreciation	(21,611,065)	(1,555,696)	-	(23,166,761)
Net Total Capital Assets Being Depreciated	39,418,249	(81,103)	-	39,337,146

Business-type Activities Capital Assets, Net \$ 39,418,249 \$ (68,603) \$ - \$ 39,349,646

Depreciation and Amortization expense:

<u>Governmental activities:</u>	
General Government Administration	\$ 83,427
Public Safety	386,129
Public Works	250,476
Parks, Recreation, and Culture	208,572
Community Development	5,949
	<u>\$ 934,553</u>

<u>Business-type activities:</u>	
Water and Sewer	\$ 1,555,696

Amortization expense for Bond Issue Cost in the amount of \$5,894 is included in the total for Parks, Recreation, & Culture.

8. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue as reported in the governmental fund financial statements at June 30, 2010 consisted of the following:

	<u>General Fund</u>
Various fees and grant revenue	\$ 17,205

9. Long-Term Liabilities

General obligation notes are direct obligations and pledge the full faith and credit of the Town. The charter of the Town of Christiansburg limits the legal debt to 10% of the assessed valuation of real estate within the Town limits. The Town's legal debt margin at June 30, 2010 is \$182,727,448.

Outstanding long-term liabilities as of June 30, 2010 are comprised of the following:

Primary Government - Governmental Activities

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
General Obligation Debt:				
2007 Revenue Bond	\$ 1,910,000	\$ -	\$ 65,000	\$ 1,845,000
2004B Revenue Bond	10,315,000	-	235,000	10,080,000
1995 General Obligation Note	1,455,000	-	215,000	1,240,000
Total General Obligation Debt	<u>13,680,000</u>	-	<u>515,000</u>	<u>13,165,000</u>
Compensated Absences Payable for the General Fund	473,805	11,238	-	485,043
Landfill Closure & Postclosure Care Cost	184,522	-	32,430	152,092
Bond Premiums	72,881	-	4,049	68,832
Merit/sick pay (OPEB) payable	-	145,000	-	145,000
Total Governmental-Type Activities Long-Term Debt	<u>\$ 14,411,208</u>	<u>\$ 156,238</u>	<u>\$ 551,479</u>	<u>\$ 14,015,967</u>

Primary Government - Business-type Activities

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
2001 VA Revolving Loan Fund	\$ 7,076,066	\$ -	\$ 483,750	\$ 6,592,316
1998 VA Revolving Loan Fund	1,573,428	-	150,305	1,423,123
Total Debt	<u>8,649,494</u>	-	<u>634,055</u>	<u>8,015,439</u>
Compensated Absences Payable for the Water and Sewer Fund	78,272	11,728	-	90,000
Total Business-Type Activities Long-Term Debt	<u>\$ 8,727,766</u>	<u>\$ 11,728</u>	<u>\$ 634,055</u>	<u>\$ 8,105,439</u>
Total Primary Government Long-Term Liabilities	<u>\$ 23,138,974</u>	<u>\$ 167,966</u>	<u>\$ 1,185,534</u>	<u>\$ 22,121,406</u>

Long-term Liabilities of the Town at June 30, 2010 is comprised of the following issues:

\$11,185,000 revenue bond issued December 15, 2004, maturing annually with principal and interest payable semi-annually through August 1, 2034; interest rate varies, currently at 2.50% .	\$ 10,080,000
\$1,970,000 revenue bond issued July 30, 2007, maturing annually with principal and interest payable semi-annually through August 1, 2027; interest rate varies, currently at 4.25% .	1,845,000

\$3,500,000 public improvement bonds issued December 1, 1995, maturing annually with interest payable semi-annually through February 1, 2015; interest rate varies, currently at 4.50% . 1,240,000

\$2,800,000 (1998) VA Revolving Loan Fund. The Loan was refinanced on June 1, 2006 at 3.7% with semi-annual payments of principal and interest in the amount of \$103,572 on June 1 and December 1. Final payment is due June 1, 2018. 1,423,123

\$10,311,000 (2001) VA Revolving Loan Fund. The Loan will be financed over 20 years at 3.50% with semi-annual payments of principal and interest in the amount of \$367,010 on September 1 and March 1. 6,592,316

Total General Obligations and VA Revolving Loan	21,180,439
Compensated Absences Payable	575,043
Landfill Closure and Postclosure Care Cost Payable	152,092
Bond Premiums	68,832
Merit/sick pay (OPEB) payable	145,000
Total Long-term Liabilities	<u>\$ 22,121,406</u>

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2010 are as follows:

Fiscal Year	2007 Revenue Bond		2004 Revenue Bond		1995 General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	65,000	89,363	240,000	432,900	225,000	61,719	530,000	583,982
2012	70,000	86,325	245,000	424,100	235,000	50,750	550,000	561,175
2013	75,000	83,063	255,000	414,100	245,000	39,000	575,000	536,163
2014	75,000	79,688	265,000	403,700	260,000	26,750	600,000	510,138
2015	80,000	76,000	275,000	392,900	275,000	13,750	630,000	482,650
2016	85,000	71,875	285,000	381,700	-	-	370,000	453,575
2017	90,000	67,500	295,000	370,100	-	-	385,000	437,600
2018	90,000	63,000	310,000	358,000	-	-	400,000	421,000
2019	95,000	57,375	320,000	345,400	-	-	415,000	402,775
2020	100,000	53,500	335,000	332,300	-	-	435,000	385,800
2021-25	590,000	184,500	1,885,000	1,438,084	-	-	2,475,000	1,622,584
2026-30	430,000	33,000	2,370,000	822,934	-	-	2,800,000	855,934
2031-34	-	-	3,000,000	520,088	-	-	3,000,000	520,088
Total	\$ 1,845,000	\$ 945,189	\$ 10,080,000	\$ 6,636,306	\$ 1,240,000	\$ 191,969	\$ 13,165,000	\$ 7,773,464

The following general obligation debt and VA revolving loans are issued to support business-type activities. The annual requirements to amortize business-type activities debt outstanding as of June 30, 2010 are as follows:

Fiscal Year	2001 VA Revolving Loan		1998 VA Revolving Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	500,830	226,387	155,917	51,227	656,747	277,614
2012	518,512	208,704	161,740	45,404	680,252	254,108
2013	536,819	190,398	167,780	39,364	704,599	229,762
2014	555,772	171,445	174,045	33,099	729,817	204,544
2015	575,395	151,823	180,544	26,600	755,939	178,423
2016	595,709	131,507	187,286	19,858	782,995	151,365
2017	616,742	110,475	194,279	12,865	811,021	123,340
2018	638,516	88,700	201,533	5,610	840,049	94,310
2019	661,060	66,156	-	-	661,060	66,156
2020	684,399	42,817	-	-	684,399	42,817
2021	708,562	18,654	-	-	708,562	18,654
Total	\$ 6,592,316	\$ 1,407,066	\$ 1,423,124	\$ 234,027	\$ 8,015,440	\$ 1,641,093

The allocation of long-term debt to the General Fund or the Water and Sewer Fund is determined based on the Town's intention for repayment of the debt. A summary of the allocation of debt issued is as follows:

	Water & Sewer Fund	General Fund	Total
Bonds:			
1995 Public Improvement Bonds	\$ -	\$ 1,240,000	\$ 1,240,000
2004B Revenue	-	10,080,000	10,080,000
2007 Revenue	-	1,845,000	1,845,000
Loans:			
2001 VA Revolving Loan	6,592,316	-	6,592,316
1998 VA Revolving Loan	1,423,123	-	1,423,123
Landfill Closure & Postclosure Care Cost	-	152,092	152,092
Compensated Absences	90,000	485,043	575,043
Bond Premiums	-	68,832	68,832
Merit/sick pay (OPEB)	-	145,000	145,000
Total	\$ 8,105,439	\$ 14,015,967	\$ 22,121,406

10. Fund Balances

Except for those required to comply with accounting standards, all designations of General Fund balance reflect Town Code requirements or Town Council action in the context of adoption of the Town's budget.

11. Defined Benefit Pension Plan

A. Plan Description

The Town of Christiansburg contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating law enforcement officers and firefighters) or at age 50 with 30 years of service if elected by the employer (age 50 with 25 years of service for participating law enforcement officers and firefighters) 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% per year. AFC is defined as the highest consecutive 36 months of reported compensation.

Participating local law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at <http://www.varetire.org/Pdf/Publications/2009-Annual-Report.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. The Town of Christiansburg has assumed this 5% member contribution. In addition, the Town 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 Town's contribution rate for the fiscal year ended 2010 was 10.15% of annual covered payroll.

C. Annual Pension Cost

For 2010, the Town's annual pension cost of \$1,380,955 was equal to their required and actual contributions. The required contribution was determined as part of the June 30, 2008 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 ranging from 3.75% to 5.60% per year for general government employees and 3.5% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers and firefighters (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 Town of Christiansburg's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

D. Three-Year Trend Information for the Town of Christiansburg

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2008	\$ 1,186,009	100.00%	\$ -
June 30, 2009	\$ 1,102,950	100.00%	\$ -
June 30, 2010	\$ 1,380,955	100.00%	\$ -

E. Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 77.49% funded. The actuarial accrued liability for benefits was \$27,926,827, and the actuarial value of assets was \$21,641,007, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,285,820. The covered payroll (annual payroll of active employees covered by the plan) was \$8,842,588, and ratio of the UAAL to the covered payroll was 71.09%.

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

12. Risk Management

The Town is exposed to various risks of loss related to the following: torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town risk management programs are as follows:

Workers' Compensation - Workers' compensation insurance is provided through the Virginia Municipal Self Insurance Association. During 2009-2010, total premiums paid were \$694,571. Benefits are those afforded through the State of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based on covered payroll, job rates and claims history.

General Liability and Other - The Town has general liability, automobile liability insurance, property insurance, and public officials liability insurance through the Virginia Municipal Liability Pool. Boiler and machinery coverage and property insurance are covered as per statement of values. Total premiums for 2009-2010 were \$208,833.

Healthcare - The Town provides health insurance coverage for employees through commercial insurance policies. Employees' spouses and dependents may also be covered provided they pay for part of the premium cost. During the year, the Town paid \$1,550,782 in healthcare premiums.

Other - There were no significant reductions in insurance coverages from the prior year and no settlements that exceeded the amount of insurance coverage during the last three fiscal years.

All Town employees are covered by a blanket bond in the amount of \$10,000. Additionally, the Treasurer and Town Manager are covered by surety bonds in the amount of \$100,000 each. The surety is United States Fidelity and Guaranty.

13. Blacksburg-Christiansburg-VPI Water Authority

The Blacksburg-Christiansburg-VPI Water Authority is a public body of politic and corporate of the Commonwealth of Virginia, created pursuant to the Virginia Water and Sewer Authorities Act to acquire, construct, reconstruct, improve, extend, make additions to, operate, and maintain a water supply system for the Town of Blacksburg, Virginia, the Town of Christiansburg, Virginia, and Virginia Polytechnic Institute and State University. Each of the three localities appoint one member of the Board of Directors and two additional at-large members are appointed jointly by the three localities. The Town has an all-requirements contract with the Authority for its bulk water purchases.

The Authority is not a part of the Town entity and the Town assumes no financial responsibility what-so-ever for the Authority; accordingly, the financial position and results of operations of the Authority are not included in the accompanying financial statements.

14. Contributed Capital

The contributed capital account of the Enterprise Fund increased from \$18,407,883 to \$18,482,338 in 2009-2010 due to contributed capital-grants in aid of construction of \$74,655.

The contributed capital account of the General Fund on the Statement of Activities for GASB 34 purposes includes the roads given to the Town by developers for the Town to maintain. The value of \$788,355 was arrived at using \$100 per foot of center lane miles. Total miles given to the Town during the fiscal year was 1.4931. The new road additions are included on the Statement of Net Assets as a Non-Current Asset.

15. Landfill Closure and Postclosure Care Costs

In FY 1998, the Town adopted GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. State and federal laws and regulations require the Town to place a final cover on its landfill site, as well as other sites opened in the future when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care cost will be paid only near or after the date that the landfill stops accepting waste, GASB No. 18 requires that the Town record a portion of these closure and postclosure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$152,092 liability for landfill closure and postclosure care cost at June 30, 2010 represents the estimated liability based on the usage of 100% of the estimated capacity of the landfill. The Town will recognize the remaining estimated cost of closure and postclosure care as costs are incurred.

The liability accrued at June 30, 2010 is based on what it would cost to perform all closure and postclosure care in 2010. Actual cost may differ from this estimate due to inflation, changes in technology or changes in regulation.

16. Postemployment Benefits other than Pension Benefits

In the fiscal year 2009, the Town will adopt GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement was issued to provide more complete, reliable, and decision-useful financial reporting regarding the costs and financial obligations that governments incur when they provide postemployment benefits other than pensions as part of the compensation for services rendered by their employees. The statement will provide better information to users about the government's unfunded actuarial accrued liabilities (the difference between the Town's total obligation for OPEB and any assets set aside for financing the benefits) and changes in the funded status of the benefits over time. The liability will be based on an actuarial valuation performed by a third-party every two years. The total unfunded accrued liability at June 30, 2010 is \$2,072,394, which is based on the September 30, 2008 valuation. The unfunded accrued liability does not account for any activity after September 30, 2008. The entity-wide financial statements reflect the portion of the liability that is due in the next fiscal year in the amount of \$145,000, which is based on management estimates. The Town's plan is a pay-as-you go system.

The description of the retirement service merit plan/sick pay is as follows:

Town-Sponsored Service Merit: An employee retiring under VRS and who has at least 20 years of service to the Town is eligible for payment of ten dollars (\$10) per month for each year of service (as determined by Council with each budget year). Upon Medicare eligibility, the employee's Town Sponsored Service Merit payment drops to a flat \$100/month. These payments are placed into the Retirement Health Savings for that employee's use toward medical expenses after retirement.

Sick-Leave Divestiture at retirement: Employees retiring in accordance with VRS guidelines and who have 20 years of service with the Town of Christiansburg are eligible to take payment of accrued sick leave payable directly to them with the following options:

1. An employee can be paid in a single lump sum of 25% of his/her accumulated sick leave up to a maximum of \$5,000 (pre-taxed amount).
2. An employee can opt for a payout of his/her accumulated sick leave balance over 120 monthly payments with no maximum. This option would mean the entire sick leave balance would be paid directly to the employee on a taxable basis over a 10-year period (120 payments).

17. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 12, 2010, the date the financial statements were available to be issued. Management is not aware of any subsequent events that occurred or other matters that should be disclosed.

TOWN OF CHRISTIANSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 VIRGINIA RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS FOR THE TOWN OF CHRISTIANSBURG, VIRGINIA

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2005	\$ 15,054,244	\$ 20,184,385	\$ 5,130,141	74.58%	\$ 6,446,023	79.59%
June 30, 2006	\$ 16,384,423	\$ 20,862,632	\$ 4,478,209	78.53%	\$ 6,885,478	65.04%
June 30, 2007	\$ 18,568,695	\$ 23,253,067	\$ 4,684,372	79.85%	\$ 7,354,315	63.70%
June 30, 2008	\$ 20,809,351	\$ 25,838,930	\$ 5,029,579	80.53%	\$ 8,357,697	60.18%
June 30, 2009	\$ 21,641,007	\$ 27,926,827	\$ 6,285,820	77.49%	\$ 8,842,588	71.09%

STATISTICAL SECTION

GENERAL GOVERNMENT REVENUES BY SOURCE
 LAST TEN FISCAL YEARS

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Fines and Forfeitures	Revenues From Use of Money and Property
2009-2010	\$ 3,053,658	\$ 12,051,711	\$ 203,998	\$ 118,559	\$ 349,955
2008-2009	\$ 2,898,687	\$ 12,382,884	\$ 137,796	\$ 86,924	\$ 592,416
2007-2008	\$ 2,775,831	\$ 11,666,242	\$ 191,857	\$ 95,025	\$ 1,203,765
2006-2007	\$ 2,664,913	\$ 11,006,752	\$ 211,538	\$ 148,523	\$ 1,303,090
2005-2006	\$ 2,626,603	\$ 10,068,405	\$ 252,318	\$ 138,831	\$ 674,152
2004-2005	\$ 2,530,438	\$ 8,824,010	\$ 250,188	\$ 87,466	\$ 318,460
2003-2004	\$ 2,403,583	\$ 8,239,175	\$ 144,197	\$ 83,420	\$ 118,531
2002-2003	\$ 1,905,209	\$ 6,703,186	\$ 126,885	\$ 93,833	\$ 184,562
2001-2002	\$ 1,860,457	\$ 6,180,952	\$ 113,993	\$ 97,737	\$ 252,999
2000-2001	\$ 1,861,389	\$ 6,031,780	\$ 143,924	\$ 99,896	\$ 496,539

Fiscal Year	Charges For Services	Miscellaneous	Inter- governmental	Total
2009-2010	\$ 1,397,405	\$ 227,265	\$ 3,685,031	\$ 21,087,582
2008-2009	\$ 1,399,895	\$ 1,088,110	\$ 3,749,731	\$ 22,336,443
2007-2008	\$ 1,214,173	\$ 714,274	\$ 3,520,364	\$ 21,381,531
2006-2007	\$ 1,192,332	\$ 611,289	\$ 3,419,113	\$ 20,557,550
2005-2006	\$ 1,159,231	\$ 304,786	\$ 3,294,761	\$ 18,519,087
2004-2005	\$ 1,091,103	\$ 204,476	\$ 3,057,190	\$ 16,363,331
2003-2004	\$ 1,039,175	\$ 181,105	\$ 3,417,516	\$ 15,626,702
2002-2003	\$ 973,286	\$ 198,725	\$ 2,737,806	\$ 12,923,492
2001-2002	\$ 826,676	\$ 186,389	\$ 2,676,679	\$ 12,195,882
2000-2001	\$ 820,193	\$ 267,994	\$ 2,463,798	\$ 12,185,513

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare
2009-2010	\$ 1,937,708	\$ 6,629,215	\$ 5,079,978	\$ 3,100
2008-2009	\$ 1,701,156	\$ 6,488,748	\$ 4,444,111	\$ 3,040
2007-2008	\$ 1,618,229	\$ 5,909,555	\$ 4,630,843	\$ 2,700
2006-2007	\$ 1,400,715	\$ 5,219,119	\$ 4,237,338	\$ 2,760
2005-2006	\$ 1,262,538	\$ 4,988,285	\$ 4,204,419	\$ 2,500
2004-2005	\$ 1,204,434	\$ 4,499,932	\$ 4,033,452	\$ 2,500
2003-2004	\$ 1,084,717	\$ 4,145,907	\$ 3,652,370	\$ 2,400
2002-2003	\$ 1,005,050	\$ 3,810,956	\$ 3,325,153	\$ 2,400
2001-2002	\$ 921,343	\$ 3,505,787	\$ 3,120,079	\$ 2,400
2000-2001	\$ 871,767	\$ 3,114,497	\$ 2,844,886	\$ 2,300

Fiscal Year	Parks, Recreation and Culture	Community Development	Debt Service	Capital Outlay	Total
2009-2010	\$ 2,305,876	\$ 1,374,850	\$ 1,119,544	\$ 7,962,920	\$ 26,413,191
2008-2009	\$ 1,845,749	\$ 1,258,527	\$ 1,113,324	\$ 7,188,705	\$ 24,043,360
2007-2008	\$ 1,673,455	\$ 1,906,079	\$ 1,005,851	\$ 8,288,726	\$ 25,035,438
2006-2007	\$ 1,750,906	\$ 1,516,400	\$ 958,129	\$ 3,124,325	\$ 18,209,692
2005-2006	\$ 1,374,703	\$ 851,633	\$ 1,000,010	\$ 3,114,504	\$ 16,798,592
2004-2005	\$ 1,292,271	\$ 804,938	\$ 308,419	\$ 2,475,860	\$ 14,621,806
2003-2004	\$ 1,230,679	\$ 1,372,615	\$ 347,048	\$ 2,485,637	\$ 14,321,373
2002-2003	\$ 1,194,785	\$ 651,112	\$ 370,172	\$ 3,115,346	\$ 13,474,974
2001-2002	\$ 1,168,378	\$ 647,517	\$ 373,793	\$ 1,821,767	\$ 11,561,064
2000-2001	\$ 1,047,011	\$ 599,897	\$ 372,731	\$ 2,692,528	\$ 11,545,617

TOWN OF CHRISTIANBURG

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>
2009-2010	\$ 1,915,422,886	\$ 143,984,570	\$ 62,321,082
2008-2009	\$ 1,863,401,200	\$ 149,368,176	\$ 63,056,712
2007-2008	\$ 1,801,033,201	\$ 141,571,898	\$ 65,343,649
2006-2007	\$ 1,357,921,197	\$ 129,825,097	\$ 64,568,849
2005-2006	\$ 1,298,699,328	\$ 129,691,123	\$ 69,209,974
2004-2005	\$ 1,255,068,756	\$ 123,002,537	\$ 61,649,750
2003-2004	\$ 1,210,613,686	\$ 125,703,367	\$ 65,958,377
2002-2003	\$ 885,741,866	\$ 122,495,549	\$ 52,130,486
2001-2002	\$ 860,071,045	\$ 122,988,578	\$ 54,706,793
2000-2001	\$ 818,013,362	\$ 109,102,065	\$ 60,909,063

Property Tax Rates - Last Ten Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Machinery and Tools</u>
2009-2010	\$.1126	\$.45	\$.45
2008-2009	\$.1126	\$.45	\$.45
2007-2008	\$.1126	\$.45	\$.45
2006-2007	\$.144	\$.45	\$.45
2005-2006	\$.144	\$.45	\$.45
2004-2005	\$.144	\$.45	\$.45
2003-2004	\$.144	\$.45	\$.45
2002-2003	\$.144	\$.45	\$.45
2001-2002	\$.144	\$.45	\$.45
2000-2001	\$.144	\$.45	\$.45

SCHEDULE 3

Mobile Homes	Public Utility		Total
	Unequalized	Equalized	
\$ 4,792,700	\$ 43,501,590	\$ 44,276	\$ 2,170,067,104
\$ 4,579,840	\$ 40,896,193	\$ 46,137	\$ 2,121,348,258
\$ 4,607,360	\$ 40,715,462	\$ 42,329	\$ 2,053,313,899
\$ 4,740,740	\$ 30,703,941	\$ 50,090	\$ 1,587,809,914
\$ 4,601,520	\$ 32,261,723	\$ 39,470	\$ 1,534,503,138
\$ 5,073,600	\$ 30,283,869	\$ 26,964	\$ 1,475,105,476
\$ 4,692,300	\$ 25,979,014	\$ 20,779	\$ 1,432,967,523
\$ 6,032,441	\$ 25,893,804	\$ 20,362	\$ 1,092,314,508
\$ 6,204,399	\$ 25,863,804	\$ 19,862	\$ 1,069,854,481
\$ 5,865,491	\$ 32,276,387	\$ 22,636	\$ 1,026,189,004

Mobile Homes	Public Utility	
	Unequalized	Equalized
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (2) Tax Collections
2009-2010	\$ 3,092,251	\$ 3,083,654	99.72%	\$ 168,857
2008-2009	\$ 3,060,904	\$ 3,050,888	99.67%	\$ 48,033
2007-2008	\$ 2,965,908	\$ 2,928,389	98.73%	\$ 49,590
2006-2007	\$ 2,837,231	\$ 2,836,463	99.97%	\$ 29,276
2005-2006	\$ 2,771,986	\$ 2,812,849	101.47%	\$ 55,744
2004-2005	\$ 2,689,188	\$ 2,615,979	97.28%	\$ 76,273
2003-2004	\$ 2,612,519	\$ 2,513,352	96.20%	\$ 24,898
2002-2003	\$ 2,069,972	\$ 2,025,298	97.84%	\$ 34,521
2001-2002	\$ 2,035,330	\$ 1,982,519	97.40%	\$ 25,546
2000-2001	\$ 1,998,767	\$ 1,935,953	96.86%	\$ 28,896

Fiscal Year	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (3) Delinquent Taxes	Percent of (1) Delinquent Taxes to Tax Levy
2009-2010	\$ 3,252,511	105.18%	\$ 125,620	4.06%
2008-2009	\$ 3,098,921	101.24%	\$ 135,188	4.42%
2007-2008	\$ 2,977,979	100.41%	\$ 116,143	3.92%
2006-2007	\$ 2,865,739	101.00%	\$ 109,736	3.87%
2005-2006	\$ 2,868,593	103.49%	\$ 123,064	4.44%
2004-2005	\$ 2,692,252	100.11%	\$ 159,908	5.95%
2003-2004	\$ 2,538,250	97.16%	\$ 190,471	7.29%
2002-2003	\$ 2,059,819	99.51%	\$ 142,187	6.87%
2001-2002	\$ 2,008,068	98.66%	\$ 145,073	7.13%
2000-2001	\$ 1,964,849	98.30%	\$ 102,554	5.13%

NOTE: (1) Exclusive of penalties and interest. Includes public service corporations and personal property reimbursement from the Commonwealth.

(2) This heading "Delinquent Tax Collections" includes all delinquent tax collections made within the fiscal year indicated regardless of when the levy occurred. Also, included in total is the amount of refunds paid during the year.

(3) This heading "Outstanding Delinquent Taxes" merely reports total outstanding delinquent taxes as of the fiscal year end as one lump sum. In subsequent fiscal years, these amounts are not being reduced by subsequent collections for purposes of this schedule. Only the outstanding delinquent taxes resulting from the current fiscal year levies plus 20 years delinquent real estate taxes and 5 years delinquent personal property taxes are being reported in the lump sum amount.

TOWN OF CHRISTIANSBURG

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

Fiscal Year	Population (1)	Assessed Value of All Taxable Property (In Thousands)	Gross Bonded Debt	Less:
				Debt Services Monies Available
2009-2010	16,947	\$ 2,170,067	\$ 13,165,000	\$ -
2008-2009	16,947	\$ 2,121,348	\$ 13,680,000	\$ -
2007-2008	16,947	\$ 2,053,314	\$ 14,170,000	\$ -
2006-2007	16,947	\$ 1,587,810	\$ 12,615,000	\$ -
2005-2006	16,947	\$ 1,534,503	\$ 13,015,000	\$ -
2004-2005	16,947	\$ 1,475,105	\$ 13,400,000	\$ -
2003-2004	16,947	\$ 1,432,968	\$ 2,515,000	\$ -
2002-2003	16,947	\$ 1,092,315	\$ 3,140,000	\$ -
2001-2002	16,947	\$ 1,069,854	\$ 3,750,000	\$ -
2000-2001	17,800	\$ 1,026,189	\$ 4,350,000	\$ -

NOTE: (1) Tayloe Murphy Institute at the University of Virginia.
1994-99 data is from the Town Planning Department
2000-2010 data is from 2000 Census

SCHEDULE 5

<u>Debt Payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
\$ -	\$ 13,165,000	.0061:1	\$ 776.83
\$ -	\$ 13,680,000	.0064:1	\$ 807.22
\$ -	\$ 14,170,000	.0069:1	\$ 836.14
\$ -	\$ 12,615,000	.0079:1	\$ 744.38
\$ -	\$ 13,015,000	.0085:1	\$ 767.98
\$ -	\$ 13,400,000	.0091:1	\$ 790.70
\$ 107,250	\$ 2,407,750	.0017:1	\$ 142.08
\$ 510,750	\$ 2,629,250	.0024:1	\$ 155.15
\$ 886,125	\$ 2,863,875	.0027:1	\$ 168.99
\$ 1,257,375	\$ 3,092,625	.0030:1	\$ 182.49

STATEMENT OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2010

Legal Debt Limit:

10% of assessed value of taxable real estate (1)
\$ 1,958,924,476

\$ 195,892,448

Deduct:

Bonds payable

13,165,000

Legal margin for creation of additional debt

\$ 182,727,448

NOTE: (1) Includes assessed value of Public Service Corporation Real Estate.

COMPLIANCE SECTION

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and Member of Town Council
Christiansburg, Virginia

Compliance

We have audited the compliance of the Town of Christiansburg with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. Town of Christiansburg'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, regulation, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Christiansburg's management. Our responsibility is to express an opinion on the Town of Christiansburg'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 Town of Christiansburg'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 Town of Christiansburg's compliance with those requirements.

In our opinion, Town of Christiansburg complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town of Christiansburg 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 Town of Christiansburg's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 Town of Christiansburg'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.

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

Michael B. Cooke, CPA, PC

November 12, 2010

TOWN OF CHRISTIANBURG

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Grant Program	Federal CFDA Number	Federal Expenditures
U.S. Department of Transportation Pass-through programs from: Virginia Department of Transportation: Federal Aid Highway Program Downtown Christiansburg Project	* 20.205	\$ 759,620
U.S. National Highway Traffic Administration Pass-through programs from: Virginia Department of Motor Vehicles: Back to Basics	20.607	20,226
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607	1,083
Pass-through programs from: Bureau of Justice Assistance: Commonwealth of Virginia Department of Criminal Justice: Byrne Justice Assistance Grant	16.738	1,469
ARRA - Recovery Act Law Enforcement Technology Improvement	16.580	28,411
Office of Justice Programs: Bedford County, Virginia ARRA - Internet Crimes Against Children	16.800	14,365
Total expenditures of federal awards		\$ 825,174

* Denotes major program

See accompanying notes to financial statements.

TOWN OF CHRISTIANBURG

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Town of Christiansburg, Virginia.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Town of Christiansburg, Virginia were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award program are reported in the Report on Compliance with Requirements Applicable to the Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for the Town of Christiansburg, Virginia, expresses an unqualified opinion.
6. Audit findings relative to the major federal award program for the Town of Christiansburg, Virginia, are reported in Part C. of this schedule.
7. The program tested as a major program includes:

FEDERAL AID HIGHWAY PROGRAM DOWNTOWN CHRISTIANBURG PROJECT
CFDA Number 20.205
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Town of Christiansburg, Virginia, was determined to be a low risk auditee.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM AUDIT

None

TOWN OF CHRISTIANSBURG

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

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

B. DIRECT AND INDIRECT (PASS-THROUGH) FEDERAL AWARDS

Federal awards may be granted directly to the Town by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Town. The Schedule includes both of these types of Federal award programs when they occur.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of Town Council
Town of Christiansburg, Virginia

We have audited the basic financial statements of the governmental activities, business-type activities, and each major fund of the Town of Christiansburg, Virginia, as of and for the year ended June 30, 2010, which collectively comprise the Town of Christiansburg's basic financial statements and have issued our report thereon dated November 12, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Christiansburg'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 Town of Christiansburg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Christiansburg'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Christiansburg'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*.

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

Michael B. Cooke, CPA, PC

November 12, 2010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH CERTAIN
PROVISIONS OF LAWS, REGULATIONS, CONTRACTS, AND GRANTS

The Honorable Mayor and Members of the Town Council
Town of Christiansburg, Virginia:

We have audited the accompanying financial statements of the Town of Christiansburg, Virginia, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010.

We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the Town of Christiansburg's financial statements are free of material misstatement, we also performed tests of compliance with certain provisions of laws, regulations, contracts, and grants related to the following state compliance matters:

State Compliance Matters:

Code of Virginia:

Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Acts
Local Retirement System
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements:

Highway Maintenance Funds

Compliance with laws, regulations, contracts, and grants, applicable to the Town of Christiansburg, Virginia, is the responsibility of the Town's management. Providing an opinion on such provisions was not an objective of our audit of the financial statements and, accordingly, we do not express such an opinion.

The results of our tests relating to the above mentioned state compliance matters disclosed no instances of noncompliance that are required to be reported.

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

Michael B. Cooke, CPA, PC

November 12, 2010