



City of Charlottesville, Virginia

*Comprehensive Annual
Financial Report*

FISCAL YEAR ENDED
June 30, 2011

A Great Place to Live
for All of Our Citizens

www.charlottesville.org

CITY OF CHARLOTTESVILLE, VIRGINIA

**Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2011**

**Prepared by
Department of Finance**

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CITY OF CHARLOTTESVILLE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

CITY OF CHARLOTTESVILLE
"A World Class City"

Office of Director of Finance

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



November 22, 2011

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

Dear Council Members:

We are pleased to submit to you the comprehensive annual financial report of the City of Charlottesville (the City) for the fiscal year ended June 30, 2011, in accordance with Section 11-96 of the City Code. This report was prepared by the City's Finance Department. It has been audited by the City's independent auditors, Cherry Bekaert & Holland, LLP. Their opinions are included in this report. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

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

Honorable Mayor and Members
of City Council
November 22, 2011

THE REPORTING ENTITY AND ITS SERVICES

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

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

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

ECONOMIC CONDITION AND OUTLOOK

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

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2009 and 2010 this trend continued with real estate assessments essentially flat and sales, lodging and meals taxes all declining compared to the previous year. In fiscal year 2011 this trend continued with real estate assessments and lodging taxes essentially flat. However moderate increases in meals taxes did occur when compared to the previous year. The fair market value of commercial property decreased by 0.79% from fiscal year 2010 to fiscal year 2011, while residential property values decreased by 0.14%. The total value of existing property decreased by 0.36%. Total increase with new construction was 0.63%. In addition, the City's unemployment rate has stabilized from its high in 2010 and as of July 2011 is at 6.8%, which is below the national unemployment rate of 9.3%, but slightly higher than that state's rate of 6.2%. The unemployment rate for the Charlottesville MSA stood at 5.3% during this same period.

Despite the moderate declines in revenue, the City's situation is considerably less alarming than the state's projected shortfall and the outlook of other local governments. In fact, the City's sound financial policies were confirmed again in May 2011, when both Moody's Investor Services and Standard & Poor's evaluated the City and conferred their top rating (Aaa and AAA, respectively) on the City's latest bond issue. The relative strength of the Charlottesville area is due in large part to its central Virginia location and the nature of the local economy. Charlottesville is the commercial and marketing center for a metropolitan area population of over 190,000. The predominant economic sectors are healthcare, service related industries, leisure and hospitality, and education. An emerging sector involves defense related businesses, with the relocation of 800 Defense Intelligence Agency personnel to the area in 2010. The City has also attracted companies specializing in financial institution analysis, electronics equipment, biotechnology and software development.

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

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lacrosse, and soccer. The University's John Paul Jones Arena, which at 15,000 seats is the largest in the Commonwealth of Virginia and, in addition to UVA athletics; the facility hosts a variety of entertainment, annually attracts over 500,000 visitors from around the state to the area.

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

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

Despite the challenging financial environment, construction began in December 2009 on the City's first Whole Foods grocery store. The 45,000 square foot store opened in June 2011 and has already bolstered sales and meals tax revenue in addition to the creation of over 100 jobs in the City. The city wide retail vacancy rate has returned to more normal levels at 3.5% in July of 2011.

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

Honorable Mayor and Members
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been completed adding a new venue for year around musical performances and meetings downtown.

SNL Financial, a growing investment research firm that began leasing the former National Ground Intelligence Center in 2003 for its new headquarters from the Charlottesville Economic Development Authority (CEDA), continues to be a major city employer (with over 330 employees) in the downtown area. In 2011, SNL was recognized for the fourth straight year by *Inc. Magazine* as one of the 5,000 fastest growing private companies in the United States. In addition a number of technology firms have made Charlottesville home recently including Phthisis, ZyGem and RKG.

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

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

The West Main Street corridor and the Preston Avenue area both represent good opportunities for additional development in the future. In 2011, the former Coca Cola bottling facility changed ownership and is now being redeveloped as a biotechnology center by a City based life science company. Also, during the past year, the City continued free, daily

Honorable Mayor and Members
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November 22, 2011

Charlottesville Trolley service connecting the University grounds to the Downtown Mall along these corridors. The West Main plan consists of a streetscape with wide sidewalks, shade trees, cafés, shops and parking structures. The City will continue to look for opportunities to partner with private developers as redevelopment occurs along these corridors.

Despite the economic challenges faced by communities throughout the country in the past several years, we have reason to be optimistic about the continued prosperity of the City of Charlottesville. A prime example is Waterhouse, a 90,000 square foot mixed use downtown development featuring 10 luxury condominiums and class A office space for a 220 employee firm. This significant development, which is nearing completion, signals that interest in an urban environment remains high by both residential and commercial interests. Furthermore, an anchor tenant has been identified to occupy a major portion of the recently vacated Martha Jefferson Hospital building. This rapid transition will minimize the vacancy associated with the hospital's relocation and breathe new life into the downtown area. The City's proactive approach in welcoming investment continues to prove effective with support from a zoning ordinance that encourages denser, mixed-use development to help provide opportunities to expand the tax base and encourage quality commercial development. This activity provides a vibrant environment allowing us to continue to improve our city and the services it can provide to citizens, in an orderly and financially responsible manner.

MAJOR INITIATIVES

For the Year The FY 2011 budget, even with a decrease of 1.19% over the FY 2010 budget, focused on the continued delivery of efficient and effective government services to the City residents, businesses, and visitors, with no tax increases to our residents or businesses. The real estate tax rate remained unchanged at \$.95 per \$100 of assessed value for the calendar year. The budget reflected the City's emphasis on outreach to the community by enhancing neighborhoods, improving education, creating more and better jobs, creating an environmentally

Honorable Mayor and Members
of City Council
November 22, 2011

sustainable community, building and expanding all modes of transportation, and delivering quality services to all. The City's initiatives and achievements this year include the following:

- Expanding quality, affordable housing opportunities for our residents,
- Increasing workforce development and professional growth opportunities,
- Continuing to maintain and improve core infrastructure even with a challenged capital budget program,
- Implementing a recommendation of the City's Quality of Service and Efficiency Study by reassigning the Comprehensive Services Act functions, and
- Continuing our investment in City schools and lifelong education.

Other recent acknowledgements of Charlottesville's success include:

- #1 City to Live in the Country – *Yahoo Real Estate/Sperling's Best Places* - 2011
- #4 for Book Lovers – *Livability.com* - 2011
- “Locavore” Capital of the World – *Forbes Magazine* - 2011
- Most Walkable City in Virginia – *Walk Score* - 2011
- TipAdvisor – Top 10 Charming Towns - 2010
- Best College Football Town – *Associate Press Readers*
- Top “Brainiest” Metropolitan Areas – *The Atlantic*
- Number One City for Retirement – *Kiplinger.com*
- Healthiest Place to Live – *Men's Journal* magazine 2010
- Top Place to Retire – *Kiplinger* magazine 2010
- AAA Bond Rating—*Moody's and Standard and Poor's*, 2011

Honorable Mayor and Members
of City Council
November 22, 2011

For the Future Our emphasis for fiscal year 2012 will be to ensure that Charlottesville continues to provide high quality services, create innovative approaches to service delivery, provide good value to our citizens, explore possibilities for public/private partnerships as well as privatization opportunities, and is results-oriented, all guidelines for the directions in which we move. These efforts will continue throughout the year and for many years to come. We continue to monitor closely both the state budget and the local economy as they will impact our financial planning and budget strategy in the upcoming months. We also continue to face increasing capital funding demands for a variety of areas, including the City Schools, fire station needs, strategic economic opportunities and public facilities. These and many other requests will have to be prioritized and planned for in order to assure continued success of our City.

OTHER INFORMATION

Independent Audit State law requires that the financial statements of the City be audited annually by a certified public accounting firm selected by City Council. An audit of the financial records of the City has been performed by the accounting firm of Cherry, Bekaert & Holland, LLP for the year ended June 30, 2011. The audit was also designed to meet the requirements of the Single Audit Act of 1996 and the related U.S. Office of Management and Budget Circular A-133. The independent auditors' report on the government-wide financial statements and the fund financial statements and required supplementary information is included in the financial section of this report.

Awards The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the thirty first (31st) consecutive such award received by the City. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report that satisfies both generally accepted accounting principles and applicable legal requirements.

Honorable Mayor and Members
of City Council
November 22, 2011

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

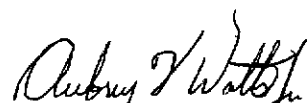
Acknowledgements The preparation of this report on a timely basis could not have been accomplished without the dedicated service of each member of the Finance Department. Each deserves our appreciation for their contribution made in the preparation of this report.

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

Respectfully submitted,



Maurice T. Jones, City Manager


Aubrey J. Watts, Jr.

Chief Operating Officer/Chief Financial Officer



Bernard Wray
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Charlottesville
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

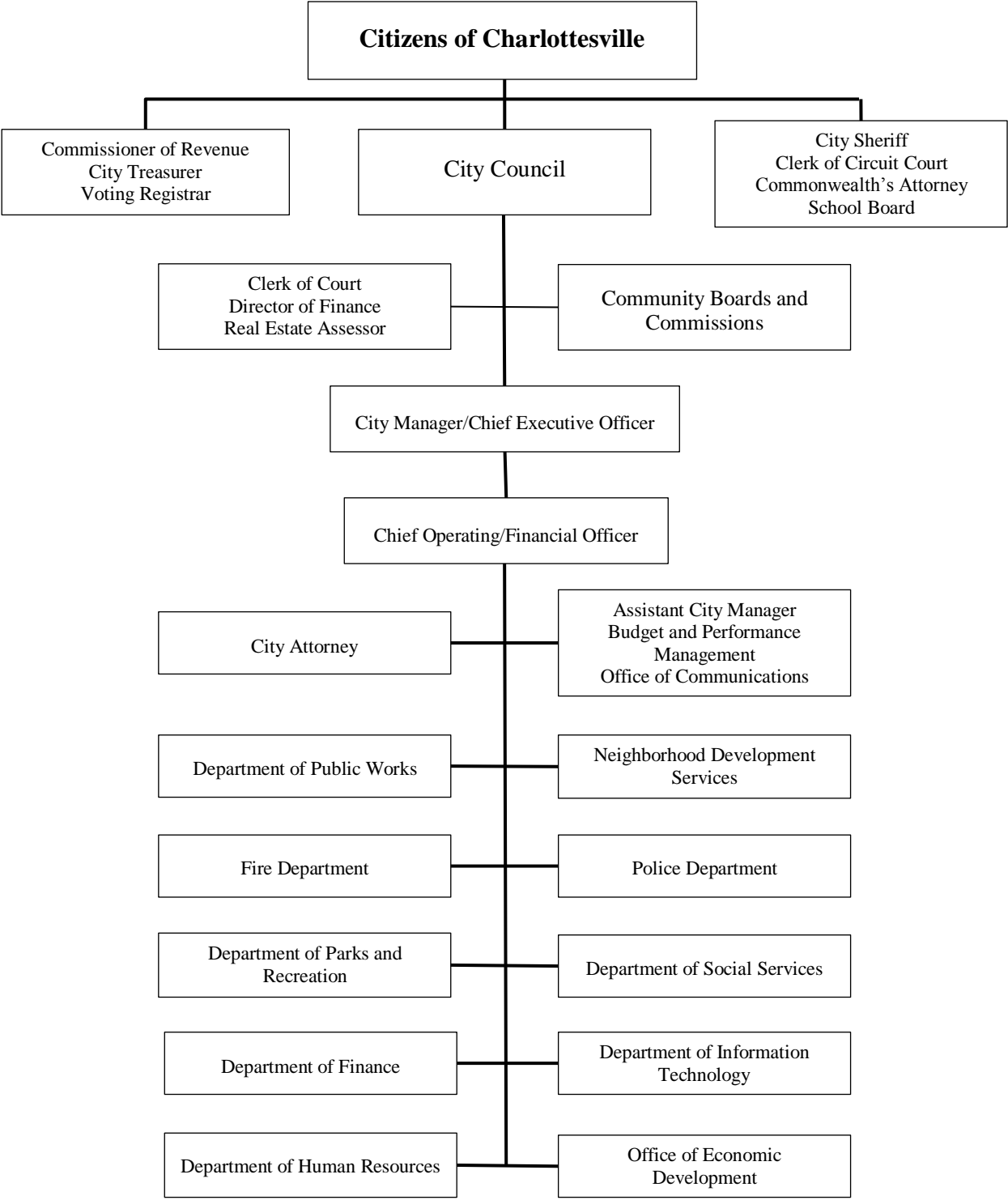
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

City Organizational Chart



CITY OF CHARLOTTESVILLE, VIRGINIA

LIST OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2011

ELECTED OFFICIALS

Council Members:

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

Constitutional Officers:

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

APPOINTED OFFICIALS

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

FINANCIAL SECTION



Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlottesville, Virginia (the "City"), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information included in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 22, 2011

CITY OF CHARLOTTESVILLE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2011

This section of the City of Charlottesville's (the City's) annual financial report presents an overall review of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section. The intent of this discussion and analysis is to evaluate the City's financial performance as a whole.

FINANCIAL HIGHLIGHTS FOR THE YEAR

Government-wide

- The City's total net assets, on a government-wide basis excluding component units, totaled \$235.8 million at June 30, 2011. Of this amount, \$96.9 million is unrestricted.
- The City's total net assets decreased by \$8 million, as restated, over the prior year. This decrease is the sum of a \$10.4 million decrease for the governmental activities and a \$2.3 million increase for the business-type net assets.

Governmental Funds

- At June 30, 2011, the City's governmental funds reported combined ending fund balances of \$75.4 million (an increase of \$6.6 million over the prior year). Approximately 34.3 percent or \$25.9 million of this amount is unassigned.
- The General Fund, on a current financial resource measurement focus and the modified accrual basis of accounting, reported an excess of revenues and other financing sources over expenditures and other financing uses of \$4.3 million, due primarily to lower than projected expenditures for a number of accounts, including landfill and refuse costs, the local match for Social Services, unspent citywide reserves, energy savings and personnel costs due to turnover.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$25.9 million or 20.3 percent of total General Fund expenditures and transfers, net.

Long-term Debt

- The City's total debt, consisting of general obligation bonds, literary loans and notes payable, increased by \$14.8 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

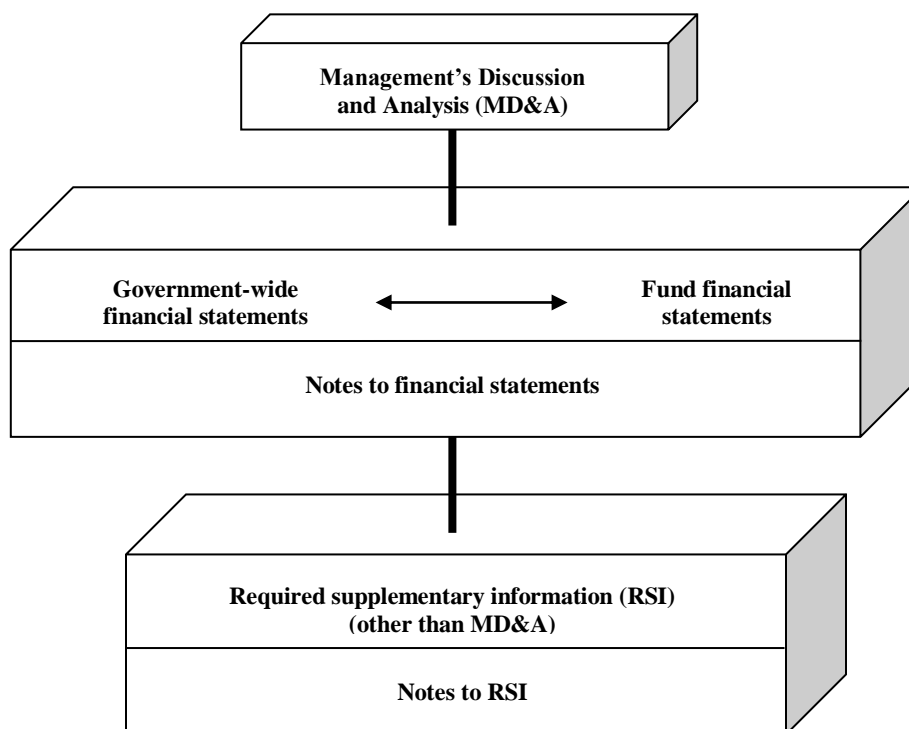
This report contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Figure A
Required Components of Charlottesville's Financial Statements



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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

- * *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided on a subsequent page that explains the relationship (or differences) between the government-wide and fund statements.
- * *Proprietary funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short-term and long-term financial information. The City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, with the exception of the Internal Service Funds' allocation,

but they provide more detail and additional information, such as cash flows. The City also uses internal service funds (another kind of proprietary fund) to report activities that provide supplies and services for the City's other programs and activities – such as the Risk Management Fund and the Information Technology Fund.

- * *Fiduciary funds* – Fiduciary funds are used to report assets held in a trustee or agency capacity for others outside the government. The City maintains two pension trust funds (the Retirement and Post-Employment Benefits Funds) and an agency fund. These activities are reported in a separate statement of fiduciary net assets. The City excludes this activity from its government-wide financial statements because the City cannot use these assets to finance its operations.

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Statement of Net Assets

The following table reflects the condensed Net Assets:

City of Charlottesville, Virginia Summary of Net Assets June 30, 2011 and 2010

Table I

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2011	2010*	2011	2010	2011	2010*	2010-2011
Assets:							
Current and other assets	\$ 124,203,051	\$ 118,648,869	\$ 41,748,325	\$ 32,143,579	\$ 165,951,376	\$ 150,792,448	10.1 %
Capital assets	187,688,751	200,357,436	48,227,651	42,641,919	235,916,402	242,999,355	(2.9)
Total assets	311,891,802	319,006,305	89,975,976	74,785,498	401,867,778	393,791,803	2.1
Liabilities:							
Long-term liabilities							
outstanding	72,806,804	69,812,682	35,031,647	23,136,618	107,838,451	92,949,300	16.0
Other liabilities	49,540,109	49,318,604	8,689,377	7,704,531	58,229,486	57,023,135	2.1
Total liabilities	122,346,913	119,131,286	43,721,024	30,841,149	166,067,937	149,972,435	10.7
Net assets:							
Invested in capital assets, net of related debt	116,844,116	133,087,240	21,900,131	21,576,238	138,744,247	154,663,478	(10.3)
Restricted							
Culture and recreation	-	-	27,817	-	27,817	-	100.0
Conservation and development	10,000	10,000	-	-	10,000	10,000	-
Permanent fund, nonexpendable	162,501	162,501	-	-	162,501	162,501	-
Unrestricted	72,528,272	66,615,278	24,327,004	22,368,111	96,855,276	88,983,389	8.8
Total net assets	\$ 189,544,889	\$ 199,875,019	\$ 46,254,952	\$ 43,944,349	\$ 235,799,841	\$ 243,819,368	(3.3)

* Certain amounts have been restated consistent with detail in note 19.

Net assets (assets over liabilities) may serve over time as a useful indicator of a government's financial position. In the case of the City of Charlottesville, assets exceeded liabilities by \$235.8 million at the close of fiscal year 2011. The largest portion of the City's net assets (58.8%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and consequently, these assets are not available for future spending. The resources needed to repay the debt related to these capital assets must be provided from other sources.

Approximately 0.08% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$96.9 million or 41.1%) may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental Activities

Net assets of the City's governmental activities decreased from \$199.9 million, as restated, to \$189.5 million as a result of the decrease in net assets of \$10.4 million as shown on the Statement of Activities. This decrease was due primarily to the transfer of capital assets to the School Board, a component unit.

Business-type Activities

The net assets of the City's business-type activities increased by \$2.3 million primarily due to higher gas consumption by commercial customers as well as the University of Virginia's power plant and an increase in water consumption. These resources are not to be used to make up for any net asset deficit in governmental activities. In general, the City can only use these net assets to finance the continued operations of its enterprise operations, which include the Water, Sewer, Gas and Meadowcreek Golf Course enterprise funds.

Statement of Activities

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

City of Charlottesville, Virginia Changes In Net Assets For the Years Ended June 30, 2011 and 2010

Table II

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010**	2011	2010	2011	2010**	2010-2011
Revenues:							
Program Revenues:							
Charges for services	\$ 19,073,988	\$ 16,533,315	\$ 49,620,745	\$ 49,012,901	\$ 68,694,733	\$ 65,546,216	4.8 %
Operating grants and contributions	31,376,281	30,041,750	17,105	54,667	31,393,386	30,096,417	4.3
Capital grants and contributions	2,116,193	13,937,735	-	-	2,116,193	13,937,735	(84.8)
General Revenues:							
Property taxes	55,401,204	55,625,137	-	-	55,401,204	55,625,137	(0.4)
Other taxes	36,483,525	36,280,784	-	-	36,483,525	36,280,784	0.6
Grants and contributions*	25,229,997	25,160,421	-	-	25,229,997	25,160,421	0.3
Interest and investment-earnings	538,029	918,853	204,224	240,142	742,253	1,158,995	(36.0)
Total revenues	170,219,217	178,497,995	49,842,074	49,307,710	220,061,291	227,805,705	(3.4)
Expenses:							
General government	23,634,491	20,411,765	-	-	23,634,491	20,411,765	15.8
Public safety	30,545,681	30,547,357	-	-	30,545,681	30,547,357	-
Community services	22,348,563	21,293,487	-	-	22,348,563	21,293,487	5.0
Health and welfare	30,820,530	31,358,502	-	-	30,820,530	31,358,502	(1.7)
Parks, recreation and culture	10,053,398	9,546,796	-	-	10,053,398	9,546,796	5.3
Education	57,974,958	41,990,709	-	-	57,974,958	41,990,709	38.1
Conservation and Development	7,743,918	6,985,191	-	-	7,743,918	6,985,191	10.9
Interest on long term debt	2,733,665	2,454,390	-	-	2,733,665	2,454,390	11.4
Water	-	-	8,321,515	8,009,139	8,321,515	8,009,139	3.9
Sewer	-	-	8,416,888	8,840,500	8,416,888	8,840,500	(4.8)
Gas	-	-	24,869,854	25,111,699	24,869,854	25,111,699	(1.0)
Golf Course	-	-	617,357	1,198,157	617,357	1,198,157	(48.5)
Total expenses	185,855,204	164,588,197	42,225,614	43,159,495	228,080,818	207,747,692	9.8
Change in net assets before transfers	(15,635,987)	13,909,798	7,616,460	6,148,215	(8,019,527)	20,058,013	(140.0)
Transfers	5,305,857	5,015,954	(5,305,857)	(5,015,954)	-	-	-
Change in net assets	(10,330,130)	18,925,752	2,310,603	1,132,261	(8,019,527)	20,058,013	(140.0)
Net assets - beginning of year	199,875,019	180,949,267	43,944,349	42,812,088	243,819,368	223,761,355	9.0
Net assets - end of year	\$ 189,544,889	\$ 199,875,019	\$ 46,254,952	\$ 43,944,349	\$ 235,799,841	\$ 243,819,368	(3.3)

* Not restricted to specific programs.

** Certain amounts have been restated consistent with detail in note 19.

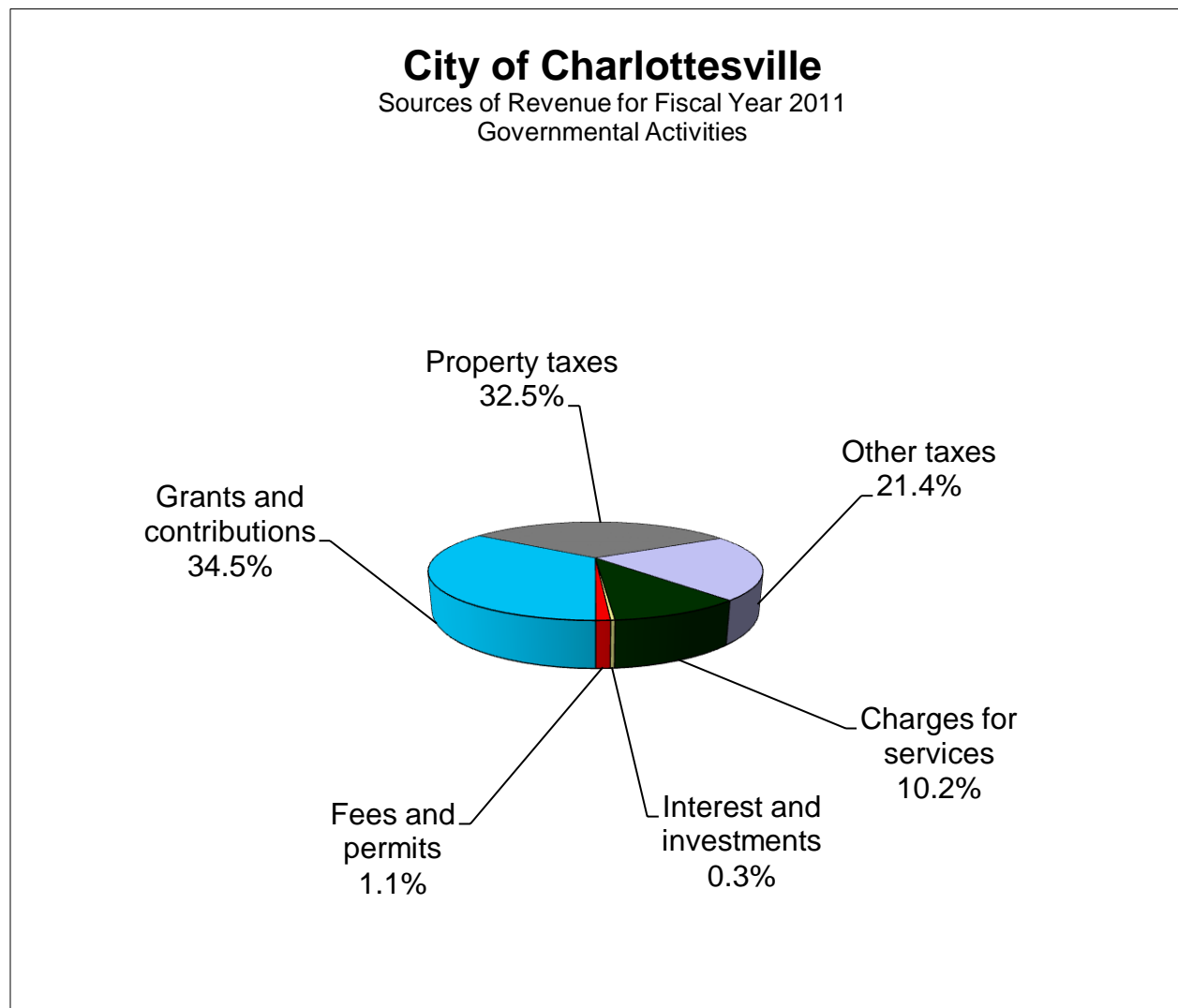
Governmental Activities

The City's total revenues from governmental activities were \$170.2 million for the fiscal year ended June 30, 2011, a decrease of \$8.3 million. The more significant changes are the following:

- Charges for Services – an increase of \$2.5 million, primarily from an increase in youth welfare assistance and opening of the Smith Aquatic & Fitness Center.
- Operating Grants and Contributions – an increase of \$1.3 million, primarily from an increase in the operating grant awarded to CDBG.
- Capital Grants and Contributions – a decrease of \$11.8 million, primarily from the completion of the City's transit facility on Avon street.

Approximately 53.9% of the City's revenue from governmental activities comes from property and other taxes. (51.7% in 2010).

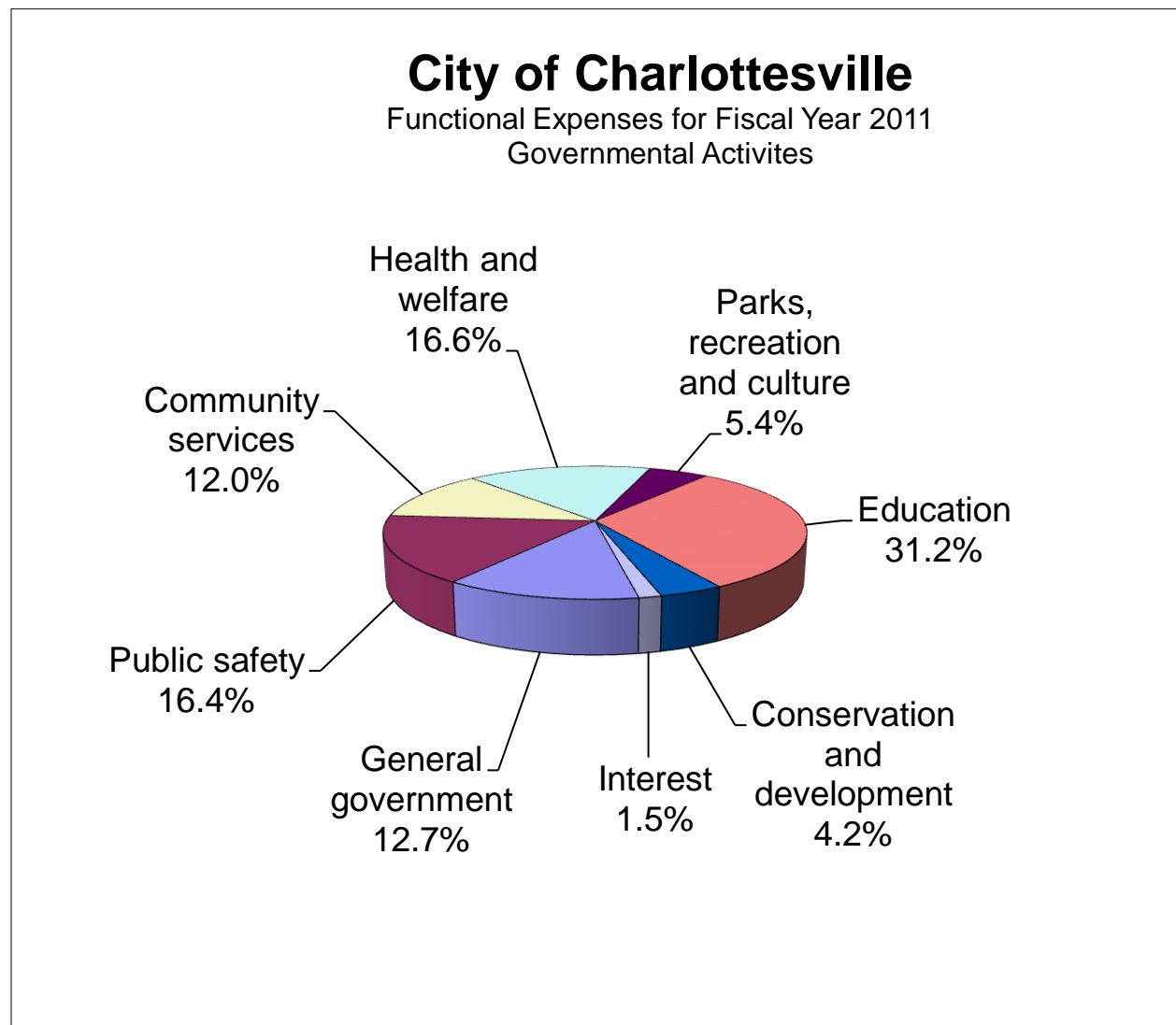
Revenues by Source – Governmental Activities



The City's expenses increased by \$21.3 million in 2011. Expenses for fiscal year 2011 cover a wide range of services, with 16.6% or \$30.8 million related to health and welfare, 31.2% or \$58 million for education (primarily payments to the City's Public Schools, a component unit), and 16.4% or \$30.5 million related to public safety. For fiscal year 2011, the City changed its spending in the following areas:

- Education – an increase of \$16 million, representing payments and transfer of capital assets to the Public Schools, a component unit.
- General government – an increase of \$3.2 million, primarily from the loss on the sale of capital assets and the maintenance of general governmental buildings.

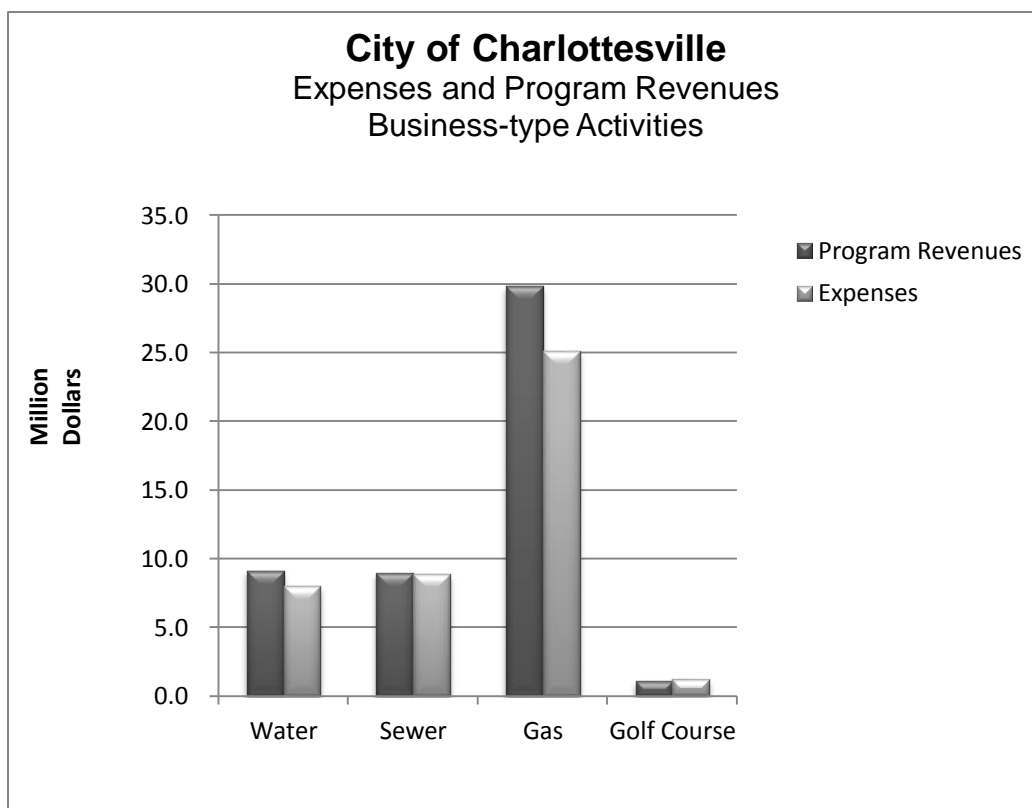
Expenses by Function – Governmental Activities



Business-Type Activities

Net assets for the City's business-type activities increased by \$2.3 million; primarily due to higher gas consumption by commercial customers as well as the University of Virginia's power plant and an increase in water consumption.

Gas wholesale prices remained steady during fiscal year 2011, starting with a price of \$4.717 per the NYMEX index in July 2010 and ending with a price of \$4.326 in June 2011. This combined with increased consumption by consumers for both gas and water increased utility revenues. Another factor in the increase in net assets was the decreased cost of sewer purchases for resale, due to less storm water runoff. The wholesale cost of water and sewage treatment rose due to a rate increase from Rivanna Water and Sewer Authority; City water and sewer rates rose correspondingly, resulting in higher revenues.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of Charlottesville's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, restricted, committed, assigned, and unassigned fund balances may serve as a useful measure of a city's net resources available at the end of a fiscal year. For the fiscal year ended June 30, 2011, the governmental funds reported combined ending

fund balances of \$75.4 million, an increase of \$6.6 million in comparison with the prior year. Included in this are the following major transactions:

- \$9.9 million spent in the Capital Projects Fund for capital outlay to fund, Meadowcreek Parkway, Smith Pool, Washington Park Pool Renovation, Ivy Rd/Fontaine Ave Fire Station, Hillsdale Drive Connector, Old Lynchburg Road, EcoRemod Renovations, Belmont Bridge Replacement, Arial Fire Truck, bridge, road and sidewalk construction and other projects.
- \$34.5 million contributed by the City's governmental funds to finance the Public Schools' operations.

Approximately \$25 million of the combined total fund balances constitutes committed and assigned fund balance, which generally is available for spending at the government's discretion. Of this amount, \$11.2 million is for non-major governmental funds of which \$9.5 million is for debt service.

Nonspendable fund balance is \$3.4 million. This amount represents assets that are not readily available to the City for current expenditures. The City also has \$21.1 million in restricted fund balance. Restricted fund balance represents resources that have restrictions placed on them by an outside party. In this case, the City has received grant funds that must be used for a specific purpose and has also received bond proceeds that have not yet been spent.

The remaining fund balance at June 30, 2011, indicated as unassigned, is \$25.9 million in the General Fund. This amount represents 20.3% of General Fund expenditures and transfers and is a measure of the General Fund's liquidity. Total fund balance of the General Fund increased by \$4.3 million in fiscal year 2011.

Proprietary Funds

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

The Water Fund had an increase in net assets of \$0.3 million. The Sewer Fund had a decrease in net assets of \$7 thousand. The Gas Fund also had an increase of \$1.6 million. The Golf Fund had a decrease in net assets of \$59 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund For the Year Ended June 30, 2011

Table III

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 57,386,948	\$ 57,386,948	\$ 57,336,116	\$ (50,832)
Other taxes	34,484,593	34,484,593	34,775,181	290,588
Intergovernmental	29,794,389	29,803,474	30,702,568	899,094
Other	8,365,385	8,782,208	8,928,388	146,180
Total	130,031,315	130,457,223	131,742,253	1,285,030
Expenditures and transfers (net)				
Expenditures	111,084,610	120,117,407	111,044,168	9,073,239
Transfers (net)	15,189,074	17,412,204	16,368,864	1,043,340
Total	126,273,684	137,529,611	127,413,032	10,116,579
Change in Fund Balance	\$ 3,757,631	\$ (7,072,388)	\$ 4,329,221	\$ 11,401,609

The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$1,180,647 for encumbrances re-appropriated from June 30, 2010, as well as continuing appropriations from the prior year totaling \$8,082,999, and \$2,280,173 for Landfill Remediation Reserve.

Differences between the original and the final amended budget for the City's General Fund for expenditures and other financing uses, net, totaled \$11,255,927. This difference is primarily due to the continuing appropriations from the prior year and supplemental appropriations during the year.

Actual total revenues were greater than the amended budget by \$1.3 million, primarily due to higher than estimated tax revenues. Several of the significant differences between budgeted and actual revenue were in the bank stock tax, State highway assistance, and parking garage revenue. Expenditures and transfers were below budget by \$10.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Charlottesville's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$235.9 million (net of depreciation). This investment includes land, municipal and school buildings and improvements, water, sewer and gas distribution systems, machinery and equipment, roads, and bridges.

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

- Downtown Mall and side street renovations
- Neighborhood improvements and housing initiatives
- Recreation facility and park improvements
- General government building renovations
- Smith Pool
- Meadowcreek Parkway
- Washington Park Pool Renovations
- Hillsdale Drive Connector
- Ivy Rd/Fontaine Ave Fire Station

- Belmont Bridge Replacement
- Old Lynchburg Road
- EcoRemod Renovations
- Arial Fire Truck.

The City's fiscal year 2011 capital budget provides for \$33.9 million for various capital projects including; \$1.8 million in school related projects, \$27 million for transportation projects, and \$0.6 million for parks and recreation facility improvements, \$1.7 million facility capital projects and, \$0.5 million for stormwater initiatives, and \$1.8 million other governmental commitments. General obligation bonds have been issued for a portion of the funding, in accordance with the City's on-going, five year capital plan.

City of Charlottesville's Capital Assets
(net of accumulated depreciation)
June 30, 2011 and 2010

Table IV

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010*	2011	2010	2011	2010*	2010-2011
Land	\$ 15,014,520	\$ 14,763,359	\$ 2,026,623	\$ 2,026,623	\$ 17,041,143	\$ 16,789,982	1.5 %
Buildings and improvements	102,196,441	118,015,722	633,064	620,695	102,829,505	118,636,417	(13.3)
Vehicles	9,954,447	8,360,174	592,294	684,958	10,546,741	9,045,132	16.6
Equipment	4,889,150	5,251,047	929,957	818,128	5,819,107	6,069,175	(4.1)
Streets	16,916,689	15,211,978	-	-	16,916,689	15,211,978	11.2
Bridges	3,133,146	2,153,970	-	-	3,133,146	2,153,970	45.5
Infrastructure	35,584,358	36,601,186	-	-	35,584,358	36,601,186	(2.8)
Distribution and collection systems	-	-	44,045,713	38,491,515	44,045,713	38,491,515	14.4
Total	<u>\$ 187,688,751</u>	<u>\$ 200,357,436</u>	<u>\$ 48,227,651</u>	<u>\$ 42,641,919</u>	<u>\$ 235,916,402</u>	<u>\$ 242,999,355</u>	(2.9)

* Certain amounts have been restated consistent with detail in note 19.

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

Long-term Debt

At the end of the current fiscal year, the City of Charlottesville had total bonded debt (including notes payable and literary loans) outstanding of \$114.5 million. This entire amount is backed by the full faith and credit of the City and \$36.8 million is being repaid by the City's utilities.

City of Charlottesville's Outstanding Debt
General Obligation Bonds, Literary Loans and Notes Payable
June 30, 2011 and 2010

Table V

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2010	2011	2010	2011	2010	2010-2011
General obligation bonds	\$ 76,002,100	\$ 72,117,050	\$ 36,693,311	\$ 25,212,952	\$ 112,695,411	\$ 97,330,002	15.8 %
Literary loans payable	118,343	144,861	-	-	118,343	144,861	(18.3)
Installment notes payable	<u>1,641,771</u>	<u>2,086,798</u>	<u>77,409</u>	<u>151,791</u>	<u>1,719,180</u>	<u>2,238,589</u>	(23.2)
Total	<u>\$ 77,762,214</u>	<u>\$ 74,348,709</u>	<u>\$ 36,770,720</u>	<u>\$ 25,364,743</u>	<u>\$ 114,532,934</u>	<u>\$ 99,713,452</u>	14.9

Charlottesville's total debt increased by \$14.8 million during the fiscal year. On its most recent bond issue in June 2011, the City's bond rating was reaffirmed by Standard & Poor's Corporation and Moody's Investors Service, as AAA and Aaa, respectively.

State statutes limit the amount of general obligation debt a government entity may issue to 10 percent of its total assessed valuation of real property. The current debt limitation for the City of Charlottesville is \$528,285,910. This is significantly more than the City's current total outstanding debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The City's unemployment rate has stabilized from its high in 2010 and as of July 2011 is at 6.8%. This compares favorably to the national unemployment rate of 9.3%, but slightly higher than that state's rate of 6.2%.
- City employment levels increased slightly from 20,313 in July 2010 to 21,401 in July 2011 based on current Virginia Employment Commission statistics.
- The City has a population of 43,475, according to the 2010 census.

These indicators were taken into account when adopting the general fund budget for 2012. Amounts available for appropriation in the General Fund budget for 2012 are \$140.8 million, a decrease of 1.19% percent over the final 2011 budget of \$142.4 million.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL SECTION

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (note 3)	\$ 84,941,089	\$ 33,981,046	\$ 118,922,135	\$ 7,254,353	\$ 1,057,279
Investments (note 3)	-	-	-	-	897,980
Accounts receivable, net	743,534	3,925,080	4,668,614	754,311	-
Special assessments receivable	16,813	-	16,813	-	-
Taxes receivable, net	28,982,692	-	28,982,692	-	-
Loans receivable (note 5)	2,018,732	-	2,018,732	-	-
Notes receivable (note 6)	-	1,189,813	1,189,813	-	1,690,344
Due from other governments (note 7)	6,287,610	-	6,287,610	3,210,147	-
Internal balances	(31,010)	31,010	-	-	-
Inventories	244,527	377,227	621,754	52,463	-
Prepaid expenses	999,064	2,244,149	3,243,213	-	-
Prepaid rent	-	-	-	-	25
Capital assets (note 9):					
Land	12,861,244	1,921,723	14,782,967	982,889	-
Infrastructure right of way	2,153,276	104,900	2,258,176	-	-
Depreciable assets, net	172,674,231	46,201,028	218,875,259	21,716,418	-
Total assets	311,891,802	89,975,976	401,867,778	33,970,581	3,645,628
LIABILITIES					
Accounts payable	3,990,093	4,557,170	8,547,263	1,075,448	25,606
Accrued liabilities	5,195,491	380,462	5,575,953	4,619,776	178,621
Customer deposits	-	830,487	830,487	-	65,895
Due to other governments	1,128,870	-	1,128,870	-	-
Unearned revenue	27,219,445	-	27,219,445	48,158	-
Accrued interest payable	800,999	272,283	1,073,282	-	-
Noncurrent liabilities due within one year:					
Insurance claims payable (note 16)	2,757,799	-	2,757,799	477,282	-
Compensated absences (note 10)	237,330	28,931	266,261	150,678	-
Notes and loans payable (note 10)	708,004	77,409	785,413	4,162	-
Bonds payable (note 10)	5,902,367	2,542,635	8,445,002	-	-
Noncurrent liabilities due in more than one year:					
Insurance claims payable (note 16)	112,777	-	112,777	-	-
Compensated absences (note 10)	1,740,422	212,160	1,952,582	1,104,969	-
Unfunded liability for post employment medical benefits (note 10)	-	-	-	169,202	-
Notes and loans payable (note 10)	1,052,110	-	1,052,110	11,924	-
Bonds payable (note 10)	71,501,206	34,819,487	106,320,693	-	-
Total liabilities	122,346,913	43,721,024	166,067,937	7,661,599	270,122
NET ASSETS					
Invested in capital assets, net of related debt	116,844,116	21,900,131	138,744,247	22,683,221	-
Restricted for: (note 2a)					
Culture and recreation	-	27,817	27,817	-	-
Conservation and development	10,000	-	10,000	-	-
Permanent fund, nonexpendable	162,501	-	162,501	-	-
Unrestricted	72,528,272	24,327,004	96,855,276	3,625,761	3,375,506
Total net assets	\$ 189,544,889	\$ 46,254,952	\$ 235,799,841	\$ 26,308,982	\$ 3,375,506

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

CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Charges for	Operating	Capital	Primary Government			School	Economic
FUNCTIONS/PROGRAMS	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	Board	Development Authority
PRIMARY GOVERNMENT:									
Governmental activities:									
General government	\$ 23,634,491	\$ 11,509,211	\$ 2,022,303	\$ 11,728	\$ (10,091,249)	\$ -	\$ (10,091,249)		
Public safety	30,545,681	31,416	1,632,513	-	(28,881,752)	-	(28,881,752)		
Community services	22,348,563	1,786,899	8,839,499	1,990,553	(9,731,612)	-	(9,731,612)		
Health and welfare	30,820,530	4,305,042	17,810,096	-	(8,705,392)	-	(8,705,392)		
Parks, recreation and culture	10,053,398	1,214,220	45,382	-	(8,793,796)	-	(8,793,796)		
Education (includes payment to school system)	57,974,958	203,713	566,566	113,912	(57,090,767)	-	(57,090,767)		
Conservation and development	7,743,918	23,487	459,922	-	(7,260,509)	-	(7,260,509)		
Interest on long-term debt	2,733,665	-	-	-	(2,733,665)	-	(2,733,665)		
Total governmental activities	185,855,204	19,073,988	31,376,281	2,116,193	(133,288,742)	-	(133,288,742)		
Business-type activities:									
Water	8,321,515	9,244,578	-	-	-	923,063	923,063		
Sewer	8,416,888	9,066,402	-	-	-	649,514	649,514		
Gas	24,869,854	30,360,501	-	-	-	5,490,647	5,490,647		
Golf course	617,357	949,264	17,105	-	-	349,012	349,012		
Total business-type activities	42,225,614	49,620,745	17,105	-	-	7,412,236	7,412,236		
TOTAL PRIMARY GOVERNMENT	\$ 228,080,818	\$ 68,694,733	\$ 31,393,386	\$ 2,116,193	(133,288,742)	7,412,236	(125,876,506)		
COMPONENT UNITS:									
Economic Development Authority	\$ 1,257,716	\$ 1,480,716	\$ -	\$ -				\$ -	\$ 223,000
School Board	62,088,723	2,912,420	11,514,560	-				(47,661,743)	-
TOTAL COMPONENT UNITS	\$ 63,346,439	\$ 4,393,136	\$ 11,514,560	\$ -				(47,661,743)	223,000
General Revenues:									
General property taxes					55,401,204	-	55,401,204	-	-
Sales tax					8,956,683	-	8,956,683	-	-
Utility tax					4,491,361	-	4,491,361	-	-
Communications tax					3,335,988	-	3,335,988	-	-
Meals tax					6,861,066	-	6,861,066	-	-
Lodgings tax					2,460,055	-	2,460,055	-	-
Other taxes					4,317,180	-	4,317,180	-	-
Business license tax					6,061,192	-	6,061,192	-	-
Grants and contributions not restricted to specific programs					25,229,997	-	25,229,997	13,807,695	-
Payment from City					-	-	-	34,492,309	-
Capital contribution from City					-	-	-	16,711,116	-
Interest and investment earnings					538,029	204,224	742,253	3,289	110,588
Transfers, net					5,305,857	(5,305,857)	-	-	-
Total general revenues and transfers					122,958,612	(5,101,633)	117,856,979	65,014,409	110,588
Change in net assets					(10,330,130)	2,310,603	(8,019,527)	17,352,666	333,588
Net assets - July 1, 2010, as restated in note 19					199,875,019	43,944,349	243,819,368	8,956,316	3,041,918
Net assets - June 30, 2011					\$ 189,544,889	\$ 46,254,952	\$ 235,799,841	\$ 26,308,982	\$ 3,375,500

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 39,673,516	\$ 22,588,356	\$ 187,523	\$ 11,689,693	\$ 74,139,088
Accounts receivable, net	605,797	64,654	10,884	35,924	717,259
Taxes receivable, net	28,982,692	-	-	-	28,982,692
Special assessments receivable	-	16,813	-	-	16,813
Due from other governments (note 7)	2,901,506	924,725	705,963	1,755,416	6,287,610
Due from other funds (note 8)	707,845	-	-	-	707,845
Prepaid expenses	-	632,994	-	-	632,994
Loans receivable (note 5)	-	880,000	-	1,138,732	2,018,732
Total assets	<u>\$ 72,871,356</u>	<u>\$ 25,107,542</u>	<u>\$ 904,370</u>	<u>\$ 14,619,765</u>	<u>\$ 113,503,033</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 1,516,258	\$ 1,703,580	\$ 21,761	\$ 467,169	\$ 3,708,768
Accrued liabilities	3,237,958	-	394,566	1,319,722	4,952,246
Due to other governments	-	-	-	1,128,870	1,128,870
Due to other funds (note 8)	-	-	-	194,614	194,614
Deferred revenue	27,972,839	144,080	-	-	28,116,919
Total liabilities	<u>32,727,055</u>	<u>1,847,660</u>	<u>416,327</u>	<u>3,110,375</u>	<u>38,101,417</u>
FUND BALANCES (note 2c):					
Nonspendable	-	3,207,673	-	172,501	3,380,174
Restricted	462,244	20,052,209	488,043	147,451	21,149,947
Committed	7,880,345	-	-	9,508,177	17,388,522
Assigned	5,945,930	-	-	1,681,261	7,627,191
Unassigned	25,855,782	-	-	-	25,855,782
Total fund balances	<u>40,144,301</u>	<u>23,259,882</u>	<u>488,043</u>	<u>11,509,390</u>	<u>75,401,616</u>
Total liabilities and fund balances	<u>\$ 72,871,356</u>	<u>\$ 25,107,542</u>	<u>\$ 904,370</u>	<u>\$ 14,619,765</u>	<u>\$ 113,503,033</u>

(continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

Total fund balances per Balance Sheet for Governmental Funds \$ 75,401,616

Amounts reported for governmental activities in the Statement of Net Assets
 (Exhibit A) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. The Statement of Net Assets, however, include these assets, net of accumulated depreciation. 187,112,963

Other long-term assets are not available to pay current-period expenditures and therefore are deferred in the governmental funds and are not included in fund balance.
 Property taxes receivable 897,474

Internal service funds are used by management to charge the cost of certain activities, such as insurance and telecommunication to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the Statement of Net Assets.
 Internal Service Funds equity 7,983,288

Some liabilities, including general governmental bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are included in the Statement of Net Assets.

Accrued interest payable	(800,999)
Unamortized premium on bonds	(1,599,712)
Bonds and notes payable	(77,762,214)
Deferred amount of refunding	198,238
Compensated absences	<u>(1,885,765)</u>

Net assets of governmental activities \$ 189,544,889

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 92,111,297	\$ -	\$ -	\$ -	\$ 92,111,297
Fees and permits	1,825,729	-	-	-	1,825,729
Intergovernmental	30,702,568	3,022,427	9,884,117	14,626,006	58,235,118
Charges for services	5,015,487	-	-	5,186,281	10,201,768
Fines	567,027	-	-	-	567,027
Investment earnings	508,957	9,500	-	19,572	538,029
Miscellaneous	1,011,188	294,402	26,320	141,165	1,473,075
Total revenues	131,742,253	3,326,329	9,910,437	19,973,024	164,952,043
EXPENDITURES					
Current:					
General government	13,516,328	1,136,971	-	-	14,653,299
Public safety	29,973,398	51,634	-	435,204	30,460,236
Community service	7,850,473	4,632,929	-	8,781,171	21,264,573
Health and welfare	4,896,020	-	12,666,882	13,366,331	30,929,233
Parks, recreation and culture	9,613,176	212,055	-	45,382	9,870,613
Education	40,419,884	648,865	-	-	41,068,749
Conservation and development	4,476,152	1,336,239	-	1,297,523	7,109,914
Other activities	298,737	-	-	-	298,737
Debt service:					
Principal	-	-	-	6,236,895	6,236,895
Interest	-	-	-	2,550,831	2,550,831
Miscellaneous	-	-	-	94,848	94,848
Capital outlay	-	9,882,212	-	-	9,882,212
Total expenditures	111,044,168	17,900,905	12,666,882	32,808,185	174,420,140
Revenues over (under) expenditures	20,698,085	(14,574,576)	(2,756,445)	(12,835,161)	(9,468,097)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds (note 8)	5,134,873	6,676,351	2,760,945	13,316,794	27,888,963
Transfers to other funds (note 8)	(21,729,137)	(305,458)	-	(20,000)	(22,054,595)
Issuance of debt (note 10)	225,400	9,425,000	-	-	9,650,400
Premium on issuance of debt	-	616,989	-	-	616,989
Sale of capital assets	-	9,000	-	-	9,000
Total other financing sources (uses)	(16,368,864)	16,421,882	2,760,945	13,296,794	16,110,757
Net change in fund balance	4,329,221	1,847,306	4,500	461,633	6,642,660
FUND BALANCE - JULY 1, 2010	35,815,080	21,412,576	483,543	11,047,757	68,758,956
FUND BALANCE - JUNE 30, 2011	\$ 40,144,301	\$ 23,259,882	\$ 488,043	\$ 11,509,390	\$ 75,401,616

(continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds (Exhibit D) \$ 6,642,660

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

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

Change in capital assets	14,212,438
Depreciation expense	(8,038,644)

Capital assets for the component unit (School Board) that are funded by the City with bonds or loans are recorded as a capital asset of the City until the bonds or loans are paid in full at which time the capital assets and accumulated depreciation revert to the School Board component unit.

Capital asset, net of accumulated depreciation taken off City capital assets and added to School Board component unit	(16,711,116)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(226,568)
Loss on sale of assets	(1,582,816)

Debt proceeds provide current financing resources to governmental funds, but debt issues increase long term liabilities in the Statement of Net Assets. Principal payments are expenditures in governmental funds, but reduce long term liabilities in the Statement of Net Assets

New debt issued	(10,267,389)
Principal payments	6,236,895

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

Change in accrued interest	216,779
Amortization of bond premium	(529,672)
Amortization of deferred amount of refunding	(53,372)

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

Compensated absences	(19,094)
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The net expense of internal service funds is combined with governmental activities on the Statement of Activities.

(210,231)

Change in Net Assets of Governmental Activities

<u>\$ (10,330,130)</u>

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Business - type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 8,207,877	\$ 14,942,742	\$ 10,709,177	\$ 1,100	\$ 33,860,896	\$ 10,922,151
Accounts receivable, net	558,135	307,643	903,881	4,858	1,774,517	26,275
Unbilled accounts receivable	680,316	658,411	811,836	-	2,150,563	-
Note receivable	383,172	806,641	-	-	1,189,813	-
Inventories	-	-	-	30,808	30,808	590,946
Prepaid expenses	-	-	2,244,149	-	2,244,149	366,070
Total current assets	<u>9,829,500</u>	<u>16,715,437</u>	<u>14,669,043</u>	<u>36,766</u>	<u>41,250,746</u>	<u>11,905,442</u>
Noncurrent assets:						
Capital assets (note 9):						
Land	-	-	584,291	1,337,432	1,921,723	-
Easements	-	70,800	34,100	-	104,900	-
Buildings and improvements	-	-	-	1,800,460	1,800,460	-
Vehicles	204,411	404,693	1,045,509	14,156	1,668,769	96,480
Transmission lines and mains	18,847,269	19,149,341	37,684,439	-	75,681,049	-
Equipment	<u>445,518</u>	<u>388,856</u>	<u>1,722,737</u>	<u>221,254</u>	<u>2,778,365</u>	<u>8,874,390</u>
Total capital assets	19,497,198	20,013,690	41,071,076	3,373,302	83,955,266	8,970,870
Less accumulated depreciation	<u>(8,232,261)</u>	<u>(4,315,660)</u>	<u>(21,817,228)</u>	<u>(1,362,466)</u>	<u>(35,727,615)</u>	<u>(8,395,082)</u>
Net noncurrent assets	<u>11,264,937</u>	<u>15,698,030</u>	<u>19,253,848</u>	<u>2,010,836</u>	<u>48,227,651</u>	<u>575,788</u>
Total assets	<u>21,094,437</u>	<u>32,413,467</u>	<u>33,922,891</u>	<u>2,047,602</u>	<u>89,478,397</u>	<u>12,481,230</u>
LIABILITIES						
Current liabilities:						
Accounts payable	969,666	1,783,350	1,751,085	19,890	4,523,991	314,504
Accrued liabilities	52,358	49,769	229,901	43,592	375,620	248,087
Accrued interest payable	101,775	113,288	57,220	-	272,283	-
Customer deposits	216,869	-	613,618	-	830,487	-
Due to other funds (note 8)	-	-	-	513,231	513,231	-
Insurance claims payable (note 16)	-	-	-	-	-	2,757,799
Compensated absences	4,452	4,607	16,740	2,926	28,725	11,245
Bonds payable - due within one year (note 10)	772,417	939,250	830,968	-	2,542,635	-
Note payable - due within one year (note 10)	<u>-</u>	<u>-</u>	<u>77,409</u>	<u>-</u>	<u>77,409</u>	<u>-</u>
Total current liabilities	<u>2,117,537</u>	<u>2,890,264</u>	<u>3,576,941</u>	<u>579,639</u>	<u>9,164,381</u>	<u>3,331,635</u>
Noncurrent liabilities:						
Compensated absences	32,646	33,786	122,760	21,455	210,647	82,460
Bonds payable (net of unamortized premium and deferred amount on refunding) (note 10)	11,102,337	19,899,630	3,817,520	-	34,819,487	-
Insurance claims payable (note 16)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,777</u>
Total noncurrent liabilities	<u>11,134,983</u>	<u>19,933,416</u>	<u>3,940,280</u>	<u>21,455</u>	<u>35,030,134</u>	<u>195,237</u>
Total liabilities	<u>13,252,520</u>	<u>22,823,680</u>	<u>7,517,221</u>	<u>601,094</u>	<u>44,194,515</u>	<u>3,526,872</u>
NET ASSETS						
Invested in capital assets, net of related debt	2,249,169	3,112,175	14,527,951	2,010,836	21,900,131	575,788
Restricted	-	-	-	27,817	27,817	-
Unrestricted	<u>5,592,748</u>	<u>6,477,612</u>	<u>11,877,719</u>	<u>(592,145)</u>	<u>23,355,934</u>	<u>8,378,570</u>
Total net assets	<u>\$ 7,841,917</u>	<u>\$ 9,589,787</u>	<u>\$ 26,405,670</u>	<u>\$ 1,446,508</u>	<u>\$ 45,283,882</u>	<u>\$ 8,954,358</u>

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

**RECONCILIATION OF THE PROPRIETARY FUNDS
STATEMENT OF NET ASSETS TO THE
STATEMENT OF NET ASSETS FOR BUSINESS-TYPE ACTIVITIES
JUNE 30, 2011**

	Total Enterprise Funds	Internal Service Funds Allocation	Business-type Activities Statement of Net Assets
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 33,860,896	\$ 120,150	\$ 33,981,046
Accounts receivable, net	1,774,517	-	1,774,517
Unbilled accounts receivable	2,150,563	-	2,150,563
Notes receivable	1,189,813	-	1,189,813
Due from other funds	-	544,241	544,241
Inventories	30,808	346,419	377,227
Prepaid expenses	2,244,149	-	2,244,149
Total current assets	41,250,746	1,010,810	42,261,556
Noncurrent assets:			
Capital assets:			
Land	1,921,723	-	1,921,723
Easements	104,900	-	104,900
Buildings	1,800,460	-	1,800,460
Vehicles	1,668,769	-	1,668,769
Transmission lines and mains	75,681,049	-	75,681,049
Equipment	2,778,365	-	2,778,365
Total capital assets	83,955,266	-	83,955,266
Less accumulated depreciation	(35,727,615)	-	(35,727,615)
Net noncurrent assets	48,227,651	-	48,227,651
Total assets	89,478,397	1,010,810	90,489,207
LIABILITIES:			
Current liabilities:			
Accounts payable	4,523,991	33,179	4,557,170
Accrued liabilities	375,620	4,842	380,462
Customer deposits	830,487	-	830,487
Accrued interest payable	272,283	-	272,283
Due to other funds	513,231	-	513,231
Compensated absences	28,725	206	28,931
Bonds payable - due within one year	2,542,635	-	2,542,635
Note payable - due within one year	77,409	-	77,409
Total current liabilities	9,164,381	38,227	9,202,608
Noncurrent liabilities:			
Compensated absences	210,647	1,513	212,160
Bonds payable (net of unamortized premium and deferred amount on refunding)	34,819,487	-	34,819,487
Total noncurrent liabilities	35,030,134	1,513	35,031,647
Total liabilities	44,194,515	39,740	44,234,255
NET ASSETS:			
Invested in capital assets, net of related debt	21,900,131	-	21,900,131
Restricted	27,817	-	27,817
Unrestricted	23,355,934	971,070	24,327,004
Total net assets	\$ 45,283,882	\$ 971,070	\$ 46,254,952

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business - type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
OPERATING REVENUES						
Utility charges	\$ 8,837,891	\$ 8,787,192	\$ 30,098,958	\$ -	\$ 47,724,041	\$ -
Other charges for services	190,786	54,342	248,534	949,264	1,442,926	20,966,256
Total operating revenues	9,028,677	8,841,534	30,347,492	949,264	49,166,967	20,966,256
OPERATING EXPENSES						
Purchases for resale	4,636,733	5,575,000	15,351,242	45,071	25,608,046	2,064,387
Personnel costs	1,163,321	1,018,471	3,970,377	591,501	6,743,670	2,448,000
Materials and supplies	216,688	115,352	589,977	126,577	1,048,594	277,033
Contractual services and charges	1,443,141	942,954	3,450,283	262,504	6,098,882	2,500,369
Depreciation	489,133	358,755	1,174,671	56,768	2,079,327	373,560
Claims incurred	-	-	-	-	-	10,474,907
Insurance premiums	-	-	-	-	-	1,989,804
Total operating expenses	7,949,016	8,010,532	24,536,550	1,082,421	41,578,519	20,128,060
Operating income (loss)	1,079,661	831,002	5,810,942	(133,157)	7,588,448	838,196
NONOPERATING REVENUES (EXPENSES)						
Loss on sale of capital assets	(10,006)	-	(137,838)	-	(147,844)	-
Interest expense	(341,244)	(379,660)	(188,672)	-	(909,576)	-
Interest income	63,487	85,992	54,745	-	204,224	-
Bond issuance expense	(25,932)	(51,989)	-	-	(77,921)	-
Capacity fees-nonoperating	211,309	223,336	-	-	434,645	-
Grants and contributions	-	-	-	17,105	17,105	-
Total nonoperating revenues (expenses), net	(102,386)	(122,321)	(271,765)	17,105	(479,367)	-
Income (loss) before capital contributions and transfers	977,275	708,681	5,539,177	(116,052)	7,109,081	838,196
CAPITAL CONTRIBUTIONS						
Capital contributions from other funds	-	-	-	56,705	56,705	8,447
Capital contributions to other funds	-	-	(77,689)	-	(77,689)	-
TRANSFERS						
Transfers to other funds	(705,583)	(715,405)	(3,863,885)	-	(5,284,873)	(549,495)
Total transfers	(705,583)	(715,405)	(3,863,885)	-	(5,284,873)	(549,495)
Change in net assets	271,692	(6,724)	1,597,603	(59,347)	1,803,224	297,148
Total net assets - July 1, 2010	7,570,225	9,596,511	24,808,067	1,505,855	43,480,658	8,657,210
Total net assets - June 30, 2011	\$ 7,841,917	\$ 9,589,787	\$ 26,405,670	\$ 1,446,508	\$ 45,283,882	\$ 8,954,358
Change in net assets					\$ 1,803,224	
Warehouse external sales					19,133	
Expenses associated with warehouse external sales					(18,008)	
Net allocation of warehouse external sales					1,125	
Internal service fund allocations					506,254	
Change in net assets - Statement of Activities					\$ 2,310,603	

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

**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011**

	Water Fund	Sewer Fund	Gas Fund	Golf Course Fund	Total
DIRECT REVENUES					
Charges for services	\$ 9,028,677	\$ 8,841,534	\$ 30,347,492	\$ 949,264	\$ 49,166,967
Capacity fees	211,309	223,336	-	-	434,645
Warehouse external sales	4,592	1,532	13,009	-	19,133
Charges for services	9,244,578	9,066,402	30,360,501	949,264	49,620,745
Operating grants and contributions	-	-	-	17,105	17,105
Program revenues - Statement of Activities	9,244,578	9,066,402	30,360,501	966,369	49,637,850
DIRECT EXPENSES					
Purchases for resale	4,636,733	5,575,000	15,351,242	45,071	25,608,046
Personnel costs	1,163,321	1,018,471	3,970,377	591,501	6,743,670
Materials and supplies	216,688	115,352	589,977	126,577	1,048,594
Contractual services and charges	1,443,141	942,954	3,450,283	262,504	6,098,882
Depreciation	489,133	358,755	1,174,671	56,768	2,079,327
Loss on sale of capital assets	10,006	-	137,838	-	147,844
Interest expense	341,244	379,660	188,672	-	909,576
Bond issuance expense	25,932	51,989	-	-	77,921
Total fund expenses	8,326,198	8,442,181	24,863,060	1,082,421	42,713,860
Expenses associated with warehouse external sales	4,322	1,441	12,245	-	18,008
Internal service fund allocations	(9,005)	(26,734)	(5,451)	(465,064)	(506,254)
Program expenses - Statement of Activities	8,321,515	8,416,888	24,869,854	617,357	42,225,614
Revenues over (under) expenses	923,063	649,514	5,490,647	349,012	7,412,236
Interest and investment earnings	63,487	85,992	54,745	-	204,224
Capital contribution from other funds	-	-	-	56,705	56,705
Capital contribution to other funds	-	-	(77,689)	-	(77,689)
Transfers to other funds	(705,583)	(715,405)	(3,863,885)	-	(5,284,873)
Change in Net Assets	\$ 280,967	\$ 20,101	\$ 1,603,818	\$ 405,717	\$ 2,310,603

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Business - type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 9,276,447	\$ 9,143,464	\$ 30,471,303	\$ 954,448	\$ 49,845,662	\$ 20,940,612
Payments to suppliers	(6,055,817)	(6,369,573)	(18,789,729)	(435,598)	(31,650,717)	(17,164,184)
Payments to employees	(1,156,437)	(1,006,824)	(3,947,519)	(596,809)	(6,707,589)	(2,572,748)
Net cash provided by (used for) operating activities	2,064,193	1,767,067	7,734,055	(77,959)	11,487,356	1,203,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Transfers to other funds	(705,583)	(715,405)	(3,863,885)	-	(5,284,873)	(549,495)
Payments received from other funds	-	-	-	67,104	67,104	-
Payments received on notes receivable	123,992	261,025	-	-	385,017	-
Grants and contributions	-	-	-	17,105	17,105	-
Net cash provided by (used for) noncapital financing activities	(581,591)	(454,380)	(3,863,885)	84,209	(4,815,647)	(549,495)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(1,271,422)	(5,879,918)	(676,292)	(6,250)	(7,833,882)	-
Capacity fees	211,309	223,336	-	-	434,645	-
Bond proceeds	2,850,000	10,740,409	-	-	13,590,409	-
Bond principal paid	(629,500)	(648,250)	(832,300)	-	(2,110,050)	-
Interest paid	(323,146)	(332,752)	(189,283)	-	(845,181)	-
Bond issuance expenses	(25,932)	(51,989)	-	-	(77,921)	-
Premium on bonds issued	159,061	313,194	-	-	472,255	-
Note payable principal paid	-	-	(74,382)	-	(74,382)	-
Net cash provided by (used for) capital and related financing activities	970,370	4,364,030	(1,772,257)	(6,250)	3,555,893	-
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on investments	63,487	85,992	54,745	-	204,224	-
Net increase in cash and cash equivalents	2,516,459	5,762,709	2,152,658	-	10,431,826	654,185
Balances - July 1, 2010	5,691,418	9,180,033	8,556,519	1,100	23,429,070	10,267,966
Balances - June 30, 2011	<u>\$ 8,207,877</u>	<u>\$ 14,942,742</u>	<u>\$ 10,709,177</u>	<u>\$ 1,100</u>	<u>\$ 33,860,896</u>	<u>\$ 10,922,151</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities						
Operating income (loss)	\$ 1,079,661	\$ 831,002	\$ 5,810,942	\$ (133,157)	\$ 7,588,448	\$ 838,196
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	489,133	358,755	1,174,671	56,768	2,079,327	373,560
(Increase) decrease in accounts receivable	203,452	301,930	90,958	419	596,759	(25,644)
(Increase) in inventories	-	-	-	(708)	(708)	(79,002)
Decrease in prepaid expenses	-	-	304,992	-	304,992	23,057
Increase (decrease) in accounts payable	240,747	263,732	296,782	(738)	800,523	32,352
Increase (decrease) in accrued liabilities	9,431	7,590	19,318	(3,224)	33,115	1,298
Increase in customer deposits	44,316	-	32,852	-	77,168	-
(Decrease) in unredeemed gift certificates	-	-	-	4,765	4,765	-
Increase (decrease) in compensated absences	(2,547)	4,058	3,540	(2,084)	2,967	(6,720)
Increase in insurance claims payable	-	-	-	-	-	46,583
Net cash provided by (used for) operating activities	<u>\$ 2,064,193</u>	<u>\$ 1,767,067</u>	<u>\$ 7,734,055</u>	<u>\$ (77,959)</u>	<u>\$ 11,487,356</u>	<u>\$ 1,203,680</u>
Noncash investing, capital and financing activities:						
Contributions of capital assets from governmental funds	-	-	-	56,705	56,705	8,447
Contributions of capital assets to governmental funds	-	-	77,689	-	77,689	-

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Pension Trust Funds		
	Pension	Post-Employment Benefits	Total
ASSETS			
Cash and cash equivalents (note 3b)	\$ 836,838	\$ 106,911	\$ 943,749
Interest receivable	232,010	29,640	261,650
Investments (Note 3b):			
Common stocks	30,928,652	3,951,307	34,879,959
Corporate fixed-income securities	5,563,682	710,791	6,274,473
U.S. Government and agency fixed income securities	18,491,861	2,362,437	20,854,298
Mutual funds:			
Domestic	10,270,438	1,312,105	11,582,543
International	11,689,396	1,493,385	13,182,781
Total investments	76,944,029	9,830,025	86,774,054
Total assets	78,012,877	9,966,576	87,979,453
LIABILITIES			
Accounts payable	4,082	521	4,603
NET ASSETS			
Held in trust for pension and post-employment benefits	\$ 78,008,795	\$ 9,966,055	\$ 87,974,850

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2011

	Pension Trust Funds		
	Pension	Post-Employment Benefits	Total
ADDITIONS			
Contributions:			
Employer	\$ 5,109,912	\$ 4,212,393	\$ 9,322,305
Plan members	29,942	597,059	627,001
Total contributions	5,139,854	4,809,452	9,949,306
Investment earnings:			
Net increase in fair value of investments	13,473,064	1,484,086	14,957,150
Interest	1,208,627	133,133	1,341,760
Dividends	366,327	40,352	406,679
Total investment earnings	15,048,018	1,657,571	16,705,589
Less investment expenses	344,244	37,919	382,163
Net investment earnings (loss)	14,703,774	1,619,652	16,323,426
Total additions	19,843,628	6,429,104	26,272,732
DEDUCTIONS			
Pension benefits	8,114,028	-	8,114,028
Post retirement benefits	-	2,390,621	2,390,621
Administrative expenses	289,425	31,881	321,306
Total deductions	8,403,453	2,422,502	10,825,955
Change in net assets	11,440,175	4,006,602	15,446,777
Net assets - July 1, 2010	66,568,620	5,959,453	72,528,073
Net assets - June 30, 2011	<u>\$ 78,008,795</u>	<u>\$ 9,966,055</u>	<u>\$ 87,974,850</u>

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

CITY OF CHARLOTTESVILLE, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Charlottesville, Virginia (the City), named for Queen Charlotte of England, was established as a town in 1762 and incorporated as a city by an act of the Virginia General Assembly in 1888. The City has an area of 10.4 square miles and a population of 43,475 according to the 2010 Census. The City provides a full range of municipal services, including general government administration, public safety and administration of justice, education, health, welfare, housing and human services programs, transportation, recreation, and gas, water and wastewater utilities. The City is a political subdivision of the Commonwealth of Virginia operating under the Council-Manager form of government. The Council consists of a mayor and four other members elected at large. The Council has responsibility for appointing the City Manager. The City has taxing powers subject to statewide restrictions and tax limits.

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

(a) The Financial Reporting Entity

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

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

Discretely Presented Component Units

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

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

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

(b) Government-wide and fund financial statements

Government-wide financial statements - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, generally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from legally separate component units for which the primary government (City) is financially accountable. Interfund activity and balances have been eliminated from the statements to avoid duplication.

The *Statement of Net Assets* is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. The City reports all capital assets net of depreciation, including infrastructure, in the Statement of Net Assets. Depreciation expense, the cost of “using up” capital assets, is included in the Statement of Activities. Noncurrent liabilities including bonds, notes and loans payable are included, separated into due in under one year and over one year. The net assets of the City are reported in three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

The *Statement of Activities* reports expenses before revenues of the primary government (governmental and business-type activities) and its discretely presented component units. This order emphasizes that governments identify the service needs of citizens and then raise the resources needed to meet those needs. This presentation demonstrates the degree to which direct expenses of a clearly identifiable function or segment are reduced by program revenues associated with that function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a program. All taxes, and other items not included among program revenues, are reported instead as general revenues.

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

(c) Measurement focus, basis of accounting, and financial statement presentation

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

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

Governmental fund financial statements are reported using the *current financial resource measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Reporting Entity considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. A summary reconciliation of the difference between total fund balances as reflected on the governmental funds Balance Sheet and total net assets for governmental activities as shown on the government-wide Statement of Net Assets and the government-wide Statement of Activities is presented in a schedule accompanying the governmental funds Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances, respectively. These differences stem from governmental statements using a different measurement focus than government-wide statements.

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

The *General Fund* is used to account for and report all of the financial resources except for those not accounted for and reported in another fund. It is the City's primary operating fund. Revenues are derived primarily from property and other local taxes, state (including pass through of federal funds), federal distributions, licenses, permits, charges for services, fees, Albemarle County Revenue Sharing and other revenue sources. A significant portion of the General Fund's revenue is transferred to other funds and the Charlottesville School Board, (a component unit), to finance operations.

The *Capital Projects Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Revenues for this fund are obtained from bond issues, a transfer from the General Fund, federal and state highway funds, PEG fee revenue and contributions from Charlottesville School Board and other local governments for shared facilities.

The *Social Services Fund*, which is a special revenue fund, accounts for the financial resources associated with the Charlottesville Department of Social Services (CDSS). Social Services provide state and federal income support, employment assistance and social work service programs to alleviate poverty and other social problems, that is matched or 100% funded by the City.

Proprietary funds, all of which are considered major funds, are used to account for and report on their activities using the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The purpose of a proprietary fund is to provide a service or product to the public or other governmental entities at a reasonable cost. The City reports the following enterprise funds as proprietary fund types:

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

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

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

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

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

Additionally, the City reports the following non-major funds:

Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures for specified purposes other than debt service or capital projects. The City has established special revenue funds to account for the Community Development Block Grant, Community Attention Programs, Comprehensive Services Act, Virginia Juvenile Community Crime Control Act, transit operations and various other grants to support projects undertaken. Social Services is reported as a major fund. Cemetery perpetual care is included, which is a permanent fund.

The *Debt Service Fund* is used to account for and report all financial resources that are restricted, committed, or assigned to expenditures for principal and interest. Payments are made on long-term general obligation debt of governmental funds including bonds, notes and other evidence of indebtedness and the cost of issuance of debt issued by the City.

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

Fiduciary Funds account for assets held by the City in a trustee capacity. The City maintains pension trust funds to account for assets accumulated and payments made to retired City employees and for post-employment benefits for qualified retirees. The pension trust fund is accounted for and reported similarly to proprietary funds since the economic resources measurement focus is also the same. Fiduciary funds cannot be used for the City's operating programs.

(d) Encumbrances

Encumbrances are used to control expenditure commitments for the year and to enhance cash management. Accounting for encumbrances is employed in all general governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as assigned fund balance and do not constitute expenditures or liabilities, but are obligations that will be paid in a following fiscal year.

(e) Cash, Cash Equivalents and Trust Fund Investments

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

(f) Internal Balances

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

(g) Allowance for Uncollectibles

The City calculates its allowances for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. At June 30, 2011, the allowances approximated \$822,230 in the General Fund and \$1,420,444 in the Proprietary Funds (\$261,565, \$248,196, and \$910,683) for the Water, Sewer and Gas Funds, respectively).

(h) Inventory of Supplies and prepaid items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(i) Capital Assets

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

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

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

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

(j) Compensated Absences

City employees are granted vacation and sick leave in varying amounts as services are provided. Employees may accumulate, subject to certain limitations, unused vacation and sick leave earned. Vacation leave can be accrued for up to the amount earned in one year, plus an additional week. Upon retirement, termination or death, employees may be compensated for certain amounts of unused vacation leave earned at their then current rates of pay. In addition, unused sick leave becomes credited service for pension benefit calculations, for one-half of the accumulated amount, up to a maximum of two thousand hours. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Sick leave earned, but not taken by City and School Board employees at June 30, 2011, approximated \$13,171,182 and \$12,450,583 respectively. Upon retirement, no cash payments are made for sick leave. Therefore, the accrued balance is not recorded in the financial statements.

(k) Fund Balance

In the fund financial statements, governmental funds are reporting fund balance categories in accordance with GASB Statement No. 54. Amounts in the nonspendable, restricted, committed, assigned and unassigned categories are available based on each category constraint as defined in Note 2(b).

(l) Defined Benefit Pension Plans

Defined benefit pension plan contributions are actuarially determined and consist of current service costs and amortization of past service costs over a 25-year period for the City retirement plan and 30-year period for post-employment benefits plan. The Virginia Retirement System (VRS) plans, to which the Schools' employees belong amortizes past service costs over a 20-year period and the post-employment medical plan over a 29-year period. The City's policy is to fund pension cost as it accrues.

(m) Risk Management

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

2. EQUITY

For government-wide, proprietary funds and fiduciary funds financial statements, equity is described as net assets (total assets minus total liabilities) and is broken down into three components: (1) amount invested in capital assets, net of related debt, (2) restricted and (3) unrestricted net assets. For governmental funds, equity is described as fund balance (current assets minus current liabilities), which is broken down into nonspendable, restricted, committed, assigned and unassigned fund balance.

- **Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction, or permanent improvement of those assets. Unspent debt proceeds are excluded.
- **Restricted net assets** reflects net assets whose use is not subject solely to the government's own discretion.
- **Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets are often designated to indicate that management does not consider them available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be modified or removed.

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

Restricted net assets on the government-wide Statement of Net Assets are composed of the following funds:

	Governmental Activities	Business-type Activities	Total
Grants and contributions	\$ -	\$ 27,817	\$ 27,817
Conservation and development	10,000	-	10,000
Permanent fund, nonexpendable	<u>162,501</u>	<u>-</u>	<u>162,501</u>
Total restricted net assets	<u>\$ 172,501</u>	<u>\$ 27,817</u>	<u>\$ 200,318</u>

The Golf Fund's net assets include restricted grants and contributions for the First Tee program that was not spent of \$27,817. The net assets in the fiduciary funds are for pension trust funds and are therefore all held in trust for pension and other post- employment benefits.

(b) **Fund Balances:**

City Council is authorized to identify and commit funds for a specific purpose to the assigned and committed fund balance categories. Assigned fund balance contains purchase orders and amounts at year end that management intends to use for a specific purpose.

The City maintains a minimum fund balance in the General Fund, classified as unassigned fund balance. The minimum fund balance policy is found in the City's adopted operating budget. Currently, the City is to maintain a minimum of 12% of the operating budget in fund balance. City Council may elect to maintain a higher unassigned fund balance to provide the City with sufficient working capital and a margin of safety to address emergencies and unexpected declines in revenue without borrowing.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The City Manager has the authority to deviate from this policy if it is in the best interest of the City.

- **Nonspendable** - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** - Represents amounts with constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed** - Represents specific purposes in accordance with internal constraints imposed by formal action of the City's highest level of decision-making, Charlottesville City Council. Also, such constraints can only be removed or changed by City Council with the same form of formal action (appropriation or resolution).
- **Assigned** – Represents amounts that are constrained by management's intent to use for specific purposes, but meet neither the restricted or committed forms of constraint.
- **Unassigned** – Represents the residual category for the general fund only. It is also where negative fund balance for all other governmental funds would be reported.

Fund balances are composed of the following at June 30, 2011:

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
Nonspendable:					
Loans receivable	\$ -	\$ 3,190,860	\$ -	\$ 10,000	\$ 3,200,860
Special assessments receivable	-	16,813	-	-	16,813
Cemetery perpetual care	-	-	-	162,501	162,501
Total nonspendable	-	3,207,673	-	172,501	3,380,174
Restricted:					
Unspent bond proceeds	-	15,824,903	-	-	15,824,903
Transportation projects	-	4,227,306	-	-	4,227,306
General government	41,492	-	-	-	41,492
Public safety	420,752	-	-	127,905	548,657
Health and welfare	-	-	488,043	16,891	504,934
Conservation and development	-	-	-	2,655	2,655
Total restricted:	462,244	20,052,209	488,043	147,451	21,149,947
Committed:					
General government	3,113,299	-	-	-	3,113,299
Public safety	29,435	-	-	-	29,435
Community services	3,935,183	-	-	-	3,935,183
Parks, recreation and culture	474,347	-	-	-	474,347
Education	26,982	-	-	-	26,982
Conservation and development	301,099	-	-	-	301,099
Future debt service	-	-	-	9,508,177	9,508,177
Total committed:	7,880,345	-	-	9,508,177	17,388,522
Assigned:					
General government	5,299,600	-	-	-	5,299,600
Public safety	66,397	-	-	6,032	72,429
Community services	164,147	-	-	-	164,147
Health and welfare	-	-	-	1,675,229	1,675,229
Parks, recreation and culture	282,675	-	-	-	282,675
Education	106,354	-	-	-	106,354
Conservation and development	26,482	-	-	-	26,482
Other activities	275	-	-	-	275
Total assigned:	5,945,930	-	-	1,681,261	7,627,191
Unassigned:	<u>25,855,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,855,782</u>
Total fund balance	<u>\$ 40,144,301</u>	<u>\$ 23,259,882</u>	<u>\$ 488,043</u>	<u>\$ 11,509,390</u>	<u>\$ 75,401,616</u>

3. CASH EQUIVALENTS AND TRUST FUND INVESTMENTS

(a) Primary Government

At June 30, 2011, the carrying value of the City's deposits and investments, including City agency funds other than that of the City's Pension Trust Funds, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 99,475,836	N/A
Commonwealth LGIP	1,031	AAAm
Commonwealth Non-Arbitrage Program (SNAP)	15,830,978	AAAm
Virginia Resources Authority Series 2010	3,606,160	
Cash on hand	8,130	N/A
Total deposits and investments	<u>\$ 118,922,135</u>	

Credit Risk:

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

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

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

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

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

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

Concentration of Credit Risk:

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

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

At June 30, 2011, the portion of the City's portfolio, excluding demand deposits, the Commonwealth LGIP, and cash on hand that exceeds 5% of the total portfolio was zero.

Interest Rate Risk:

As a means of limiting exposure to fair value arising from rising interest rates, the Policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase. Proceeds from the sale of bonds must be invested in compliance with the specific requirements of the bond covenants and may be invested in securities with longer maturities. At June 30, 2011, all investments in the City's portfolio had a maturity of six months or less.

(b) City of Charlottesville Pension Trust Funds

At June 30, 2011, the carrying value of the City Retirement Plan Pension Trust Fund's (Plan) deposits and investments, with the respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 943,749	N/A
Common stock	34,879,959	N/A
Corporate fixed income securities	6,274,473	Aaa-BA 1
U.S. government and agency fixed income securities		
Explicitly guaranteed by U.S. government	\$ 14,535,343	N/A
Implicitly guaranteed by U.S. government	<u>6,318,955</u>	Aaa
Total U.S. government fixed income securities	20,854,298	
Mutual funds - domestic	11,582,543	N/A
Mutual funds - international	<u>13,182,781</u>	N/A
Total investments	<u>86,774,054</u>	
Total deposits and investments	<u>\$ 87,717,803</u>	

Credit Risk:

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

The following table summarizes the Plan's credit risk for corporate fixed income securities at June 30, 2011:

<u>Credit Rating</u>	<u>Fair Value</u>
Aaa	\$ 1,639,041
AA2	344,143
AA3	249,481
A1	919,982
A2	1,000,945
A3	290,073
BAA1	288,244
BAA2	1,208,688
BAA3	333,876
Total	<u>\$ 6,274,473</u>

Concentration of Credit Risk:

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

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

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

Interest Rate Risk:

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

At June 30, 2011, the Plan had the following investments and maturities:

	<u>Fair Value</u>	<u>0-5 Years</u>	<u>6-10 Years</u>	<u>11-50 Years</u>
Corporate fixed income	\$ 6,274,473	\$ 1,393,104	\$ 1,891,692	\$ 2,989,677
Government fixed income	20,854,298	1,244,745	3,686,081	15,923,472
Total	<u>\$ 27,128,771</u>	<u>\$ 2,637,849</u>	<u>\$ 5,577,773</u>	<u>\$ 18,913,149</u>

(c) School Board Component Unit

At June 30, 2011, the carrying value of the School Board component unit deposits and investments, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 4,807,744	N/A
Commonwealth LGIP	<u>2,446,609</u>	AAAm
Total deposits and investments	<u>\$ 7,254,353</u>	

School Board deposits are invested in accordance with the City's investment policy. At June 30, 2011, excluding the demand deposits and Commonwealth LGIP, there were no investments. Accordingly, there is no credit risk, concentration of credit risk, or interest rate risk.

(d) Charlottesville Economic Development Authority (CEDA)

At June 30, 2011, the carrying value of the CEDA component unit deposits and investments, with their respective credit ratings, was as follows:

<u>Deposit and Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Demand deposits	\$ 1,057,279	N/A
US government fixed income security	<u>897,980</u>	N/A
Total deposits and investments	<u>\$ 1,955,259</u>	

The City serves as fiscal agent for the CEDA. However, the CEDA is not subject to the City's investment policy. The CEDA does not have a formal investment policy that addresses credit risk, concentration of credit risk or interest rate risk. At June 30, 2011, excluding the demand deposits and U.S. government agency securities, there were no investments. Accordingly, based on this minimal risk, the Authority does not have a policy.

4. GENERAL PROPERTY TAXES

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

(a) Real Estate

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

Real estate taxes are collected in equal semiannual payments due June 5 and December 5. During the fiscal year, the real estate taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2010 assessment due December 5, 2010 and the first half of the January 1, 2011 assessment due June 5, 2011 less an allowance for uncollectibles and less taxes not considered to be available for current expenditures plus collections on previously delinquent taxes. The tax rate for both 2010 and 2011 was \$.95, per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2011 and due December 5, 2011, are reflected in the accompanying fund financial statements as a receivable and are offset by deferred revenue, which is consistent with the City's budget ordinance. In the government-wide financial statements, real estate taxes that are not due as of June 30, 2011 are included in unearned revenue, since they are not due for the current fiscal year.

(b) Personal Property

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are assessed as of January 1 and prorated for motor vehicles acquired or sold during the year, with payment in equal semiannual installments due June 5 and December 5. During fiscal year 2011, the personal property taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2010 assessment due December 5, 2010 and the first half of the January 1, 2011 assessment due June 5, 2011, less an allowance for uncollectibles and less taxes not considered to be available for current expenditures plus collections on previously delinquent taxes. The tax rate for both 2010 and 2011 was \$4.20 per \$100 of assessed value. Personal property taxes receivable, assessed during 2011 and due December 5, 2011 are reflected in the accompanying fund financial statements as a receivable and are offset by deferred revenue, which is consistent with the City's budget ordinance. In the government-wide financial statements, personal property taxes that are not due as of June 30, 2011 are included in unearned revenue, since they are not due for the current fiscal year.

In April 1998, the Virginia General Assembly passed S.B. 4005, the Personal Property Tax Relief Act of 1998. In its original form, PPTRA, in essence, was a vehicle-based entitlement. Beginning 2006, changes to PPTRA made by S.B. 5005 marked an end to this vehicle-based entitlement. S.B. 5005 establishes what amounts to a fixed, annual block grant to localities, the proceeds of which must be used to provide relief to the owners of qualifying vehicles. Localities determine how relief is to be distributed, within the guidelines established. The 56% relief provided during 2010 increased to 57% for 2011. Vehicles below \$1,000 assessed value are given 100% relief.

5. LOANS RECEIVABLE

The Community Development Block Grant (CDBG) Special Revenue Fund had \$28,697 in outstanding installment loans and \$465,655 in deferred payment loans, which are secured by property liens. The installment loans have terms of up to 15 years and bear an interest rate of three percent. The property liens are 30 year deferred payment loans payable upon sale, transfer or disposal of the property. Both loans represent monies advanced to low-income qualified property owners under the federally-funded housing renovation and rehabilitation project and are fully offset on the combined balance sheet by an amount due to the federal government.

The Grants Special Revenue Fund had \$10,000 in an outstanding loan and \$634,380 in deferred payment loans, which are secured by property liens. The \$10,000 loan, made in 2003, to the Albemarle Housing Improvement Program (AHIP) has a term of 5 years and bears an interest rate of 3%. Payment of the principal amount was due in 2008 with the option of extending the note for up to two additional five-year periods. The deferred payment loan represents federally-funded monies advances to low-income qualified property owners under the HOME Investment Partnership. The terms are the same as the CDBG deferred payment loans found above and is fully offset on the combined balance sheet by an amount due to the federal government.

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

The Capital Projects Fund had \$760,860 in deferred payment loans, which are secured by property liens. These loans represent monies advances to low-income qualified property owners from the Charlottesville Housing Fund. The terms of the loan are the same as the CDBG deferred payment loans found above. A contra-receivable was used to off-set this loan receivable.

The Capital Projects Fund had \$1,550,000 in an outstanding loan to The Crossings at Fourth and Preston, LLC for the transfer of property at 401 4th Street, N.W. Charlottesville, to be operated as a Single Room Occupancy facility. The loan is for a period of 31 years, interest calculated at 4.30% per annum. The entire principal

balance and any accrued, unpaid, interest are due June 30, 2042, or upon sale of the property. A contra-receivable was used to off-set this loan receivable.

6. NOTES RECEIVABLE

The City Link note balance of \$1,189,813 at June 30, 2011 is recorded as a note receivable in the City's Water and Sewer Funds (\$383,172 and \$806,641, respectively). Because the City executed this note on an arms-length basis, this note has not been eliminated at the government-wide level. The note was executed during Fiscal Year 2004, with \$950,000 due to Water Fund and \$2,000,000 due to Sewer Fund. The note is due in 2014 and bears interest at 1.49%, with annual payments.

7. DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2011 are presented below:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
City Government Activities:				
Major funds:				
General Fund	\$ 9,225	\$ 2,858,970	\$ 33,311	\$ 2,901,506
Capital Projects Fund	-	756,161	168,564	924,725
Social Services Fund	-	668,680	37,283	705,963
Total major funds	<u>9,225</u>	<u>4,283,811</u>	<u>239,158</u>	<u>4,532,194</u>
Non-major funds	<u>105,619</u>	<u>1,376,492</u>	<u>273,305</u>	<u>1,755,416</u>
Total Primary Government	<u>\$ 114,844</u>	<u>\$ 5,660,303</u>	<u>\$ 512,463</u>	<u>\$ 6,287,610</u>
Component Unit - Schools	<u>\$ -</u>	<u>\$ 3,145,543</u>	<u>\$ 64,604</u>	<u>\$ 3,210,147</u>

8. DUE TO/FROM OTHER FUNDS AND INTERFUND TRANSFERS

- (a) Individual fund deficits in the consolidated pooled cash are considered short term receivables of the General Fund. Individual fund interfund receivable and payable balances of the City at June 30, 2011:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds:		
General Fund	\$ 707,845	\$ -
Golf Course Fund	-	513,231
Total major funds	<u>707,845</u>	<u>513,231</u>
Non-major funds:		
Special Revenue Funds:		
Comprehensive Services Act Fund	-	194,614
Total non-major funds	<u>-</u>	<u>194,614</u>
Total due to/from other funds	<u>\$ 707,845</u>	<u>\$ 707,845</u>

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

Interfund transfers for the year ended June 30, 2011 consisted of the following:

	<u>Transfers to other funds</u>				
	<u>General</u>	<u>Capital Projects</u>	<u>Social Services</u>	<u>Nonmajor Governmental</u>	<u>Total to other funds</u>
Transfers from other funds:					
General Fund	\$ -	\$ 6,385,351	\$ 2,760,945	\$ 12,582,841	\$ 21,729,137
Capital Projects Fund	-	-	-	305,458	305,458
Nonmajor governmental funds	-	-	-	20,000	20,000
Water Fund	705,583	-	-	-	705,583
Sewer Fund	715,405	-	-	-	715,405
Gas Fund	3,713,885	150,000	-	-	3,863,885
Internal Service Funds	-	141,000	-	408,495	549,495
Total from other funds	<u>\$ 5,134,873</u>	<u>\$ 6,676,351</u>	<u>\$ 2,760,945</u>	<u>\$ 13,316,794</u>	<u>\$ 27,888,963</u>

Reconciliation to exhibits:

		<u>Transfer to:</u>	<u>Transfer from:</u>	<u>Net transfers</u>
Governmental Funds	Exhibit D	\$ 27,888,963	\$ 22,054,595	\$ 5,834,368
Proprietary Funds	Exhibit E-3	-	5,284,873	(5,284,873)
Internal Service Funds	Exhibit L-2	-	549,495	(549,495)
Total		<u>\$ 27,888,963</u>	<u>\$ 27,888,963</u>	<u>\$ -</u>

9. CAPITAL ASSETS

(a) Primary Government

	Balance July 1, 2010*	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 12,610,083	\$ 259,070	\$ 7,909	\$ 12,861,244
Infrastructure right of way	2,153,276	-	-	2,153,276
Total capital assets not being depreciated	<u>14,763,359</u>	<u>259,070</u>	<u>7,909</u>	<u>15,014,520</u>
Other capital assets:				
Building and improvements	159,956,209	5,956,361	25,930,525	139,982,045
Vehicles	25,355,255	3,859,008	2,674,093	26,540,170
Mobile equipment	2,620,594	517,198	131,045	3,006,747
Furniture and equipment	17,392,335	484,295	86,952	17,789,678
Streets	55,266,865	2,366,678	-	57,633,543
Bridges	3,531,110	1,054,467	-	4,585,577
Infrastructure	<u>56,446,371</u>	<u>-</u>	<u>-</u>	<u>56,446,371</u>
Total other capital assets at historical cost	<u>320,568,739</u>	<u>14,238,007</u>	<u>28,822,615</u>	<u>305,984,131</u>
Less accumulated depreciation:				
Building and improvements	41,940,487	3,325,122	7,480,005	37,785,604
Vehicles	16,995,081	2,188,172	2,597,530	16,585,723
Mobile equipment	2,107,395	169,789	131,045	2,146,139
Furniture and equipment	12,654,487	1,173,604	66,955	13,761,136
Streets	40,054,887	661,967	-	40,716,854
Bridges	1,377,140	75,291	-	1,452,431
Infrastructure	<u>19,845,185</u>	<u>1,016,828</u>	<u>-</u>	<u>20,862,013</u>
Total accumulated depreciation	<u>134,974,662</u>	<u>8,610,773</u>	<u>10,275,535</u>	<u>133,309,900</u>
Other capital assets, net	<u>185,594,077</u>	<u>5,627,234</u>	<u>18,547,080</u>	<u>172,674,231</u>
Governmental activities capital assets, net	<u>\$ 200,357,436</u>	<u>\$ 5,886,304</u>	<u>\$ 18,554,989</u>	<u>\$ 187,688,751</u>

* Certain amounts have been restated consistent with detail in note 19.

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 1,921,723	\$ -	\$ -	\$ 1,921,723
Easements	104,900	-	-	104,900
Total capital assets not being depreciated	2,026,623	-	-	2,026,623
Other capital assets:				
Building and improvements	1,743,755	56,705	-	1,800,460
Vehicles	2,413,102	179,193	923,526	1,668,769
Equipment	3,221,893	255,506	699,034	2,778,365
Distribution and collection systems	68,799,238	7,321,495	439,684	75,681,049
Total other capital assets at historical cost	76,177,988	7,812,899	2,062,244	81,928,643
Less accumulated depreciation:				
Building and improvements	1,123,060	44,336	-	1,167,396
Vehicles	1,728,144	124,014	775,683	1,076,475
Equipment	2,403,765	143,678	699,035	1,848,408
Distribution and collection systems	30,307,723	1,767,299	439,686	31,635,336
Total accumulated depreciation	35,562,692	2,079,327	1,914,404	35,727,615
Other capital assets, net	40,615,296	5,733,572	147,840	46,201,028
Business-type activities capital assets, net	<u>\$ 42,641,919</u>	<u>\$ 5,733,572</u>	<u>\$ 147,840</u>	<u>\$ 48,227,651</u>

(b) School Board Component Unit

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 982,889	\$ -	\$ -	\$ 982,889
Other capital assets:				
Building and improvements	20,973,627	24,129,197	-	45,102,824
Vehicles	121,576	34,829	14,931	141,474
Furniture and equipment	1,123,417	471,605	37,745	1,557,277
Total other capital assets at historical cost	22,218,620	24,635,631	52,676	46,801,575
Less accumulated depreciation:				-
Building and improvements	15,853,488	8,409,303	-	24,262,791
Vehicles	110,117	7,550	14,931	102,736
Furniture and equipment	664,136	91,074	35,580	719,630
Total accumulated depreciation	16,627,741	8,507,927	50,511	25,085,157
Other capital assets, net	5,590,879	16,127,704	2,165	21,716,418
Governmental activities capital assets, net	<u>\$ 6,573,768</u>	<u>\$ 16,127,704</u>	<u>\$ 2,165</u>	<u>\$ 22,699,307</u>

(c) Allocation of Depreciation Expense

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

Governmental activities:

General government	\$ 1,679,660
Public safety	1,051,760
Community services, including depreciation of general infrastructure assets	2,885,212
Health and welfare	79,616
Parks, recreation and culture	833,203
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	373,560
Education	834,700
Conservation and development	<u>673,766</u>
Total depreciation expense - governmental activities	<u>\$ 8,411,477</u>
Accumulated depreciation from assets transferred from enterprise fund	\$ 199,296
Total increase in accumulated depreciation - governmental activities	<u>\$ 8,610,773</u>
Business-type activities:	
Water	\$ 489,133
Sewer	358,755
Gas	1,174,671
Golf course	<u>56,768</u>
Total depreciation expense - business-type activities	<u>\$ 2,079,327</u>

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

Instruction and instruction-related service	\$ 795,587
Support services - student based	239,766
Administrative support services	<u>54,493</u>
Total depreciation expense	1,089,846
Capital asset addition from Primary Government	<u>7,418,081</u>
Total increase to depreciation	<u>\$ 8,507,927</u>

(d) Tenancy in Common – School Board Capital Assets

In FY 2002, the Commonwealth of Virginia General Assembly passed a law to respond to GASB 34 which established a local option of creating, for financial reporting purposes, a tenancy in common with the local school board when a city or county issues bonds. The sole purpose of the law was to allow cities and counties the ability to record together school assets and related debt liabilities. As a result, certain assets purchased with the City's general obligation bonds and literary loans are recorded as part of the Primary Government. According to the law, the tenancy in common ends when the associated obligation is repaid; therefore, the assets will revert to the School Board when the debt is repaid. Nothing in the law alters the authority or responsibility of the local school board or control of the assets. As a result of this change, the City has included certain school buildings in its capital assets balance at June 30, 2011.

As of July 1, 2010 capital assets classified as Primary Government – building and improvements were decreased by \$24,129,197, along with accumulated depreciation of \$7,418,081. These capital assets, for which the debt has been repaid, are included as part of the School Board component unit – building and improvements.

10. LONG-TERM DEBT

(a) City

At June 30, 2011, the City's long-term debt consisted of:

<u>Governmental Activities:</u>	<u>Interest Rates</u>	<u>Original Amount of Debt</u>	<u>Amount Outstanding</u>
General obligation bonds:			
General Improvement Refunding, Series 2003	2.00 - 4.125	\$ 15,555,000	\$ 5,815,000
General Improvement Refunding, Series 2004	3.00 - 4.25	19,913,333	14,650,000
General Improvement, Series 2006	3.45 - 4.12	12,500,000	10,000,000
General Improvement Refunding, Series 2008	3.25 - 5.00	15,617,500	12,255,000
General Improvement Refunding, Series 2009	2.00 - 5.00	15,875,700	14,400,050
General Improvement, Series 2010	2.00-4.38	9,956,200	9,457,050
General Improvement, Series 2011	2.00-5.00	9,425,000	9,425,000
Total bonds			76,002,100
State Literary Fund Loan, 1991	5.00	131,386	7,886
State Literary Fund Loan, 1995	5.00	193,121	48,281
State Literary Fund Loan, 1996	5.00	207,244	62,176
Total literary loans			118,343
Notes payable			1,641,771
Total bonds, literary loans and notes payable			77,762,214
Compensated absences			1,977,752
Total			<u>\$ 79,739,966</u> *
<u>Business-type Activities:</u>			
General obligation bonds:			
General Improvement Refunding, Series 2003	2.00 - 4.125	\$ 8,295,000	\$ 4,300,000
General Improvement Refunding, Series 2004	3.00 - 4.25	1,456,667	1,375,002
General Improvement, Series 2006	3.45 - 4.12	3,000,000	2,400,000
General Improvement Refunding, Series 2008	3.25 - 5.00	5,222,500	4,225,000
General Improvement Refunding, Series 2009	2.00 - 5.00	6,494,300	6,144,950
General Improvement, Series 2010	2.00-4.38	4,903,800	4,657,950
General Improvement, Series 2010 (VRA)	2.93	5,030,409	5,030,409
General Improvement, Series 2011	2.00-5.00	8,560,000	8,560,000
Total bonds			36,693,311
Notes payable			77,409
Total bonds and notes payable			36,770,720
Compensated absences			241,091
Total			<u>\$ 37,011,811</u> *

The Water, Sewer, and Gas Funds are responsible for \$11,622,750, \$20,390,259 and \$4,680,302, respectively, of the Business-Type Activities bonds payable.

*Amounts exclude premium and deferred amounts on bonds.

(b) School Board Component Unit

At June 30, 2011, the School Board's long-term debt consisted of \$16,086 for notes payable, \$1,255,647 for compensated absences payable and \$169,202 unfunded liability for post-employment medical benefits.

(c) Changes in Long-Term Debt

The following is a summary of the long-term debt transactions for the City and component units for the year ended June 30, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 72,117,050	\$ 9,425,000	\$ 5,539,950	\$ 76,002,100	\$ 5,902,367
Add unamortized premium	1,070,039	616,989	87,316	1,599,712	-
Less deferred amounts on refunding	(251,610)	-	(53,372)	(198,238)	-
Total bonds payable	72,935,479	10,041,989	5,573,894	77,403,574	5,902,367
Compensated absences	1,966,148	1,878,194	1,866,590	1,977,752	237,330
State literary loans:					
1991 - Greenbrier	14,386	-	6,500	7,886	7,886
1995 - Johnson	57,937	-	9,656	48,281	9,656
1995 - Burnley Moran	72,538	-	10,362	62,176	10,362
Total literary loans	144,861	-	26,518	118,343	27,904
Notes payable:					
Fire truck - 2007	191,383	-	93,796	97,587	97,587
CityLink note	1,574,830	-	385,017	1,189,813	390,753
Fire brush truck - 2008	65,185	-	31,943	33,242	33,242
Police cruisers - 2010	255,400	-	84,530	170,870	84,290
Police cruisers - 2011	-	225,400	75,141	150,259	74,228
Total notes payable	2,086,798	225,400	670,427	1,641,771	680,100
Total governmental activities	<u>\$ 77,133,286</u>	<u>\$ 12,145,583</u>	<u>\$ 8,137,429</u>	<u>\$ 81,141,440</u>	<u>\$ 6,847,701</u>

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

The City Link note originated in 2004, has a life of 10 years and bears interest at 1.49%. Annual payments are due to City's Water and Sewer Funds of \$123,992 and \$261,025, respectively. Because the City executed this note on an arms-length basis, this note has not been eliminated at the government-wide level.

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 25,212,952	\$ 13,590,409	\$ 2,110,050	\$ 36,693,311	\$ 2,542,635
Add unamortized premium	434,973	472,255	34,735	872,493	-
Less deferred amounts on refunding	(252,566)	-	48,884	(203,682)	-
Total bonds payable	25,395,359	14,062,664	2,095,901	37,362,122	2,542,635
Compensated absences	237,355	295,299	291,563	241,091	28,931
Notes payable:					
Boring machining - gas fund	151,791	-	74,382	77,409	77,409
Total notes payable	151,791	-	74,382	77,409	77,409
Total business-type activities	<u>\$ 25,784,505</u>	<u>\$ 14,357,963</u>	<u>\$ 2,461,846</u>	<u>\$ 37,680,622</u>	<u>\$ 2,648,975</u>

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

Exhibits A and E-1, “Invested in capital assets, net of related debt” includes unspent bond proceeds of \$8,319,502 for Governmental Activities, \$2,858,986 for Water and \$8,253,025 for Sewer in the Business –type Activities-Enterprise Funds.

School Board Component Unit:

School Board:	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due within one year
Notes payable	\$ -	\$ 17,751	\$ 1,665	\$ 16,086	\$ 4,162
Compensated absences	1,204,181	1,436,274	1,384,808	1,255,647	150,678
Unfunded liability for post-employment medical benefits	190,159	-	20,957	169,202	-
Total	<u>\$ 1,394,340</u>	<u>\$ 1,454,025</u>	<u>\$ 1,407,430</u>	<u>\$ 1,440,935</u>	<u>\$ 154,840</u>

(d) Debt Compliance and Repayment

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

The City has no overlapping debt with other jurisdictions. At June 30, 2011, the City had a debt limit of \$528,285,910 which is 10% of assessed value of real property and a legal debt margin of \$423,338,562.

The annual requirements to amortize to maturity all long-term obligations outstanding of the City, except for compensated absences payable for which the payment dates cannot be estimated are presented on note 10 (g).

(e) General Obligation Public Improvement Bonds

On September 16, 2010, the City issued \$5,030,409 in General Obligation Public Improvement Bonds, Virginia Resources Authority Series 2010 (Virginia Water Facilities Revolving Fund) for the purpose of financing the Stadium Sanitary Sewer Line Rehabilitation Project. The project will replace approximately 8,600 linear feet of 15-inch to 24-inch sanitary sewer main within the City of Charlottesville. Construction is tentatively scheduled to be completed in late summer 2011. The full faith and credit of the City is pledged to the punctual payment of the principal and interest on the bonds as they become due. The bonds will be repaid in semiannual installments of principal and interest beginning September 1, 2012 and ending September 1, 2031. The bonds bear an interest rate of 2.93%.

On June 27, 2011, the City issued \$17,985,000 in General Obligation Public Improvements Bonds, Series 2011. \$9,425,000 is general governmental debt to finance capital projects and \$8,560,000 is to finance water (\$2,850,000) and sewer (\$5,710,000) capital projects. The full faith and credit of the City is pledged to the punctual payment of the principal and interest on the bonds as they become due. The bonds will be repaid in semiannual installments of principal and interest beginning December 15, 2011 and ending June 1, 2031.

(f) Disclosure of Outstanding Balance of Refunded Bonds

As of June 30, 2011, there is no outstanding balance for bonds which have been in-substance defeased or refunded. The amount outstanding at June 30, 2010 was \$8,800,000.

(g) Debt Service Requirements to Maturity

General Obligation Bonds:

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 5,902,367	\$ 2,820,049	\$ 2,542,635	\$ 1,143,960
2013	5,851,850	2,622,646	2,717,653	1,206,990
2014	5,525,817	2,455,948	2,694,427	1,133,953
2015	5,292,300	2,275,170	2,503,854	1,054,072
2016	5,266,766	2,092,925	2,495,472	972,794
2017 - 2021	22,425,800	7,700,702	10,518,136	3,619,728
2022 - 2026	18,014,000	3,596,369	7,521,362	1,871,844
2027 - 2032	<u>7,723,200</u>	<u>716,817</u>	<u>5,699,772</u>	<u>574,956</u>
Total bonds	<u>\$ 76,002,100</u>	<u>\$ 24,280,626</u>	<u>\$ 36,693,311</u>	<u>\$ 11,578,297</u>

Literary Loans:

Year Ending	<u>Governmental Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 27,904	\$ 5,917
2013	20,018	4,522
2014	20,018	3,521
2015	20,018	2,521
2016	20,019	1,519
2017	<u>10,366</u>	<u>518</u>
Total literary loans	\$ <u>118,343</u>	\$ <u>18,518</u>

Notes Payable:

Year Ending	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 680,100	\$ 29,698	\$ 77,409	\$ 3,151
2013	559,188	16,046	-	-
2014	<u>402,483</u>	<u>5,997</u>	<u>-</u>	<u>-</u>
Total notes payable	<u>\$ 1,641,771</u>	<u>\$ 51,741</u>	<u>\$ 77,409</u>	<u>\$ 3,151</u>

11. PENSION AND POST-EMPLOYMENT BENEFIT PLANS

(a) City Pension Plan – Defined Benefit

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

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

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

Membership in the City's Pension Plan and Post-Employment Benefits Plan (OPEB) consists of the following at June 30, 2011, and date of the most recent actuarial valuation:

	<u>Pension</u>	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	471	414
Vested terminated employees	404	-
Current employees:		
Vested	531	985
Nonvested	<u>216</u>	<u>-</u>
Total	<u><u>1,622</u></u>	<u><u>1,399</u></u>

A summary of pension provisions follows:

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

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

Funding policy - Employees make no contributions to the City Pension Plan, although retirees may purchase family healthcare coverage. The City's contribution rates, authorized by City Council, are actuarially determined and consist of current costs and amortization of prior service costs. For fiscal years ending June 30, 2011, 2010 and 2009 retirement plan contributions were \$5,109,912, \$4,872,461, and \$4,570,157. For fiscal years ending June 30, 2011, 2010 and 2009 post-employment benefits plan contribution was \$4,212,393, \$3,966,988, and \$4,477,475. The costs of administering the plans are borne primarily by the plans. The contribution rates for 2011, based on the July 1, 2009 actuarial report were:

	Public <u>Safety</u>	<u>General</u>	Combined <u>Rate</u>
Pension	21.66 %	13.95 %	16.34 %
Post-Employment	<u>13.47</u>	<u>13.47</u>	<u>13.47</u>
Total	<u>35.13</u> %	<u>27.42</u> %	<u>29.81</u> %

Annual pension cost - The City has traditionally contributed the annual required contribution (ARC) and thus has never actually had or been required to report a net pension obligation (NPO). In accordance with GAAP, the City calculated the potential for a NPO and reaffirmed that none existed at June 30, 2011. Schedules of funding progress are presented as required supplementary information in Exhibit I. Both contributions and benefits are recognized in accordance with GAAP and actuarial requirements; benefits are paid to retirees as they become due.

The pension and post-employment benefits required contribution and liabilities was determined as part of the July 1, 2009 actuarial valuation. For purposes of determining contribution rates, the net realized and unrealized appreciation or depreciation in the market value of assets is recognized over a four-year period, designed to reduce short-term volatility in actuarial accrued liabilities and actuarial value of assets. Both the pension and post-employment benefits plans use the Projected Unit Credit actuarial cost method to determine the liabilities and required contributions. Pension plan's amortization is over a 25-year closed period, a change from the July 1, 2008 valuation from 20-year closed period, with contributions increasing 4% per year. Pension actuarial assumptions include 7.5% investment rate of return per annum compounded annually, net of expenses projected. Pension plan assumes Social Security wage base was recognized and assumed to increase 4% per annum. Post-employment benefits plan is amortized over 30-year closed group based on a level percentage of payroll method and assumes a 2.5% payroll growth. The discount rate is 7.5%. Trends for medical benefits (including prescription drugs) are 8% decreasing to 5.5% from 2009-2014 and 5% after 2015. Dental benefits are 5% per year. Non-grandfathered retirees will pay 4% of the employer portion of the rate for each year of service at retirement that is less than 25 years

Pension and post-employment benefits plan funding requirements are based on the benefits provided under the terms of the plan in effect at the time of each annual valuation and on the pattern of sharing between the employer and the plan member at that point. At June 30, 2011, current employees make no contribution to the pension plan or post-employment benefits plan. Retirees contribute toward healthcare costs.

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

Funding progress - The following schedule presents information about the funded status of the City Pension and post-employment benefit plan as of June 30, 2011.

i) City Pension Plan

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2011	\$74,778	\$123,363	\$48,585	60.6%	\$31,590	153.8%

ii) City Post-Employment Benefits Plan

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2011	\$9,966	\$71,519	\$61,553	13.9%	\$31,590	194.8%

(b) City - Defined Contribution Pension Plan

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

All new hires are given a one-time option to choose either the City Pension Plan or the DC plan when they are hired. Under the DC plan, the City will make a contribution of 8% of the electing employee’s base salary to their account, which is administered by a third party. DC plan contributions vest ratably over a three-year period. Employees determine how their account balance is invested from a range of available options. At June 30, 2011, there were 233 contributing employees totaling approximately 328 participants enrolled in the DC plan. During the year the City contributed a total of \$779,302. Total net assets available for benefit at June 30, 2011 were \$5,890,116.

There is also a separate defined contribution plan for senior management to which the City contributes. For the year ended June 30, 2011, a total of \$461,648 was contributed on behalf of the 11 members at a rate of 27.42% of eligible compensation.

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

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

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

Plan description - All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service and at age 50 with 30 years of service, payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% each year. AFC is defined as the highest consecutive 36 months of reported compensation. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia. The VRS also provides death and disability benefits. The VRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information. A copy of that report may be obtained by writing to the VRS at P.O. Box 2500, Richmond, VA 23218-2500 or downloaded from the VRS website at www.varetire.org.

Funding policy - Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to the VRS. The employer may assume this 5% member contribution. In addition, the School Board is required to contribute the remaining amounts

necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees.

The School Board's contribution rates for teacher cost-sharing pool personnel for the fiscal year ended June 30, 2011 was 9.81%, of annual covered payroll. The School Board has elected to pay the employee's 5% required contribution. The School Board's required contribution, equal to the ARC, was as follows:

<u>Year Ended June 30</u>	<u>Contribution Dollars</u>	<u>Contribution Percentage</u>
2011	\$ 3,046,139	9.81 %
2010	3,894,293	15.64
2009	4,708,499	14.35

Annual pension cost - For 2011, the School Board's annual pension cost for non-professional employees was equal to the School Board's actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the Entry Age Normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment rate of return, (b) projected salary increases between 3.75% and 5.60% per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the School Board's assets is equal to the modified market value of assets.

Funding progress - The following schedule presents information about the funded status of the School Board Virginia Retirement System Plan for non-professional employees as of June 30, 2010. (Dollar amount in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (1) (b)</u>	<u>Unfunded Actuarial Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Ratio (b-a)/c</u>
June 30, 2010	\$ 9,878	\$ 10,356	\$ 478	95.4%	\$2,048	23.3 %

The School Board's contribution rates for non-professional employees for the fiscal year ended June 30, 2011 was 7.67% of annual covered payroll. The School Board has elected to pay the employees' 5% required contribution. The annual required contribution for fiscal years ending June 30, 2010, 2009 and 2008 were \$48,938, \$22,143 and \$21,114. The School Board has contributed the annual required contribution and thus is not required to report a net pension obligation.

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

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

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

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

Schedule of employer contributions: (Amended Final Report dated 9/16/10)

(Dollar amounts in thousands)		% of Annual		Net
Fiscal Year	Annual	Employer	OPEB Cost	OPEB
<u>Ending</u>	<u>OPEB Cost</u>	<u>Contribution</u>	<u>Contributed</u>	<u>Obligation</u>
6/30/2010	\$ 132.9	\$ 80.5	60.6 %	\$ 161.7
6/30/2009	133.9	69.5	51.9	109.3
6/30/2008	116.9	72.5	61.6	44.9

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

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Annual	Unfunded
Valuation	Value of	Accrued	Actuarial	Ratio	Covered	Ratio
<u>Date</u>	<u>Assets</u>	<u>Liability (1)</u>	<u>Liability</u>	<u>(a/b)</u>	<u>(c)</u>	<u>(b-a)/c</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>			
June 30, 2010	\$ -	\$ 2,639	\$ 2,639	0.0%	N/A	N/A

Annual pension cost - For 2010, the School Board's annual medical cost was \$80,500 based on an estimate of direct subsidies (monthly as well as single sum payments) that are expected in the 12-month period following the measurement date. The employer contribution was determined as part of the June 30, 2010 actuarial valuation using the Projected Unit Credit Funding method. Assumptions include 1) assumed retirement age is 60 with 10 years of service 2) Interest rate of 4% 3) Participation rate of 50% of those eligible at retirement are assumed to enter plan; 50% will opt out and take single sum payment and 4) Health Care Cost Trend of 9% for 3 years; 8% for 6 years; 7% for 6 years; 6% for 6 years and 5% thereafter.

12. COMMITMENTS AND CONTINGENT LIABILITIES

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

13. REVENUE SHARING AGREEMENT

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

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

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

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

During the fiscal year, the County paid \$18,454,658 to the City as a result of this agreement which is recorded in intergovernmental revenues.

14. JOINT VENTURES

(a) Rivanna Water and Sewer Authority

The City is a participant with the Albemarle County Service Authority (ACSA) in a joint venture to provide water and wastewater treatment services to City residents and residents in certain areas of Albemarle County. The Rivanna Water and Sewer Authority (RWSA) was created for that purpose. RWSA is governed by a seven-member board composed of City Manager, City Director of Public Works, a Charlottesville City Councilor, an Albemarle County Executive, an Albemarle County Supervisor, and the Executive Director of ACSA, as well as a seventh member who is appointed by concurrent action of the City and County. The City and ACSA have agreed to purchase water and wastewater treatment services for all their customers solely from RWSA, at rates established to cover the operating and debt costs of RWSA, until June 30, 2012. For the year ended June 30, 2011, the City paid a total of \$10,211,732 to RWSA. Complete, audited financial statements for RWSA can be obtained at their administrative offices at 200 Franklin Street, Charlottesville, Virginia 22902.

(b) Rivanna Solid Waste Authority

The City is a participant with Albemarle County in a joint venture to provide drop off recycling services at the McIntire Recycling Center on McIntire Rd. The City and County also entered into a Cost Sharing Agreement for purposes of paying any of the post-closure care and corrective action costs related to the old Ivy Landfill in the event the Rivanna Solid Waste Authority would not have the financial resources to pay such costs. Although the City entered into a Local Government Guarantee on behalf of the Rivanna Solid Waste Authority, the Virginia Department of Environmental Quality (DEQ) has no legal recourse against the City under this guarantee. The City's percentage of these shared costs is 35.5% of the total. The City share of the local guarantee for the 2011 calendar year is \$351,887. Annual certificates must be filed every December 30th to DEQ. Complete, audited financial statements for RSWA can be obtained at their administrative offices at 200 Franklin Street, Charlottesville, Virginia 22902.

(c) Jefferson-Madison Regional Library

The City and several neighboring counties joined together to form a regional library system for the use of their respective residents. The Jefferson-Madison Regional Library (JMRL) is governed by an eleven-member board, four of whom are appointed by the City. The participating localities share the operating costs of JMRL on the basis of the prior year's book circulation. The City contributed \$1,358,248 to JMRL for the year ended June 30, 2011. Complete, audited financial statements for JMRL can be obtained at their administrative offices at 201 East Market Street, Charlottesville, Virginia 22902.

(d) Charlottesville – Albemarle Regional Jail

The City and Albemarle County share the costs of operating a regional jail. The Jail is governed by a seven-member board, three of whom are appointed by the City (with one member being ex-officio), three by the County, and one jointly appointed citizen. Under the terms of the operating agreement, either the City or the County can terminate the contract with sixty days notice. The City and County share the costs of operating the Jail (net of any reimbursements from the Federal, state and other local governments) on the ratio of City and County prisoner days of utilization for the prior year. Any excesses or deficits are reimbursed after the end of each fiscal year. For the year ended June 30, 2011, the City's share of the costs of the Jail was \$4,017,783. Complete, audited financial statements for the Jail can be obtained at their administrative offices at Avon Street Extended, Charlottesville, Virginia 22902.

(e) Emergency Communications Center

The City, Albemarle County and the University of Virginia jointly participate in operating a centralized dispatching facility for law enforcement and emergency services. The Emergency Communications Center (the Center) is governed by an eight-member board, three of whom are ex-officio members from the City. The Center operates under the terms of an agreement whereby any participant may discontinue its participation with one year's written notice. The operating costs of the Center are shared by the three participants on the basis of population, numbers of calls for service and annual crime statistics. For the year ended June 30, 2011, the City's share of the costs of the Center was \$1,647,045. Complete, audited financial statements for the Center can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

(f) Charlottesville Albemarle Convention & Visitors Bureau

This is a regional program funded by the City, Albemarle County, Charlottesville Regional Chamber of Commerce and the University of Virginia and revenues generated by the Bureau. Its purpose is to promote tourism in the area. The Bureau is governed by a Management Committee composed of the City Manager, the County Executive, the President of the Charlottesville-Albemarle Chamber of Commerce and one ex-officio, non-voting member from the University of Virginia. The Chamber of Commerce contributes an amount based on its membership dues. The City and the County contributions are based on the year's sales tax and lodging tax for each compared to total. For the year ended June 30, 2011, the City contributed \$571,711 to the Bureau.

(g) Darden Towe Park

The City and County jointly own and operate a park, known as Darden Towe Park (the Park). The Park is governed by a supervisory committee, consisting of two ex-officio members each from the City and County. The operating costs of the Park are shared between the two based on the average of the populations of the two localities and the relative proportion of park usage by City and County residents. For the year ended June 30, 2011, the City's share of the Park's operating costs was \$26,624. Complete, audited financial statements for the Park can be obtained at the County Office Building, 401 McIntire Road, Charlottesville, Virginia 22902.

15. RELATED ORGANIZATIONS

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

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

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

16. RISK MANAGEMENT

The Risk Management Fund reports liabilities for claims when it is probable that a loss has been incurred, and also includes independent estimates for claims that have been incurred but not reported. Since these claims are estimates based on currently available information, they are reviewed periodically, and the reported liabilities are revised as necessary. The net asset balance of \$5,196,066 at June 30, 2011 is a reserve for future extraordinary claims.

Major risks retained by the City include:

Worker's compensation - \$400,000 per claim and employee health care - \$100,000 per participant per year.

Other insurance policies have deductibles of \$25,000 or less per occurrence.

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

	<u>2010-2011</u>	<u>2009-2010</u>
Accrued claims, July 1	\$ 2,823,993	\$ 3,428,434
Add claims incurred during the current fiscal year including changes in estimated claim payable	10,521,490	8,244,169
Less payments on claims	<u>(10,474,907)</u>	<u>(8,848,610)</u>
Accrued claims, June 30	<u>\$ 2,870,576</u>	<u>\$ 2,823,993</u>
Claims or judgments due within one year	\$ 2,757,799	\$ 2,676,810
Claims or judgments due in more than one year	<u>112,777</u>	<u>147,183</u>
Total	<u>\$ 2,870,576</u>	<u>\$ 2,823,993</u>

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

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

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

17. LIQUIDATED DAMAGE CLAIM

The City has filed a claim with the Rivanna Water and Sewer Authority for liquidated damages in the amount of \$102,000 related to the Meadow Creek Interceptor project on a portion of the corridor of the replacement project on several parcels of City park land, including Pen Park, home of the Meadowcreek Golf Course. The contract for the project specified completion of the project by February 28, 2011. An additional (8) days beyond February 28, 2011 was granted to the contractor to complete the project. The project was completed on April 11, 2011. The City is seeking liquidated damages for the period March 9 through April 11, 2011. Settlement on the claim is expected in 2012.

18. SUBSEQUENT EVENTS

The School Board entered into a lease agreement on September 29, 2011 for approximately 2,082 Fujitsu Stylistic Q550 Computer Tablets from PC Mall Gov, Inc. The total lease agreement is for \$2,085,156 of which \$1,973,451 is principal and \$111,705 is interest. The term of the lease is 4 years ending on October 31, 2014. The lease rate is 3.562%. This initiative, BLAST (Blended Learning to Advance Student Thinking) will put tablets into the hands of all students in grades 6-12. At the end of the lease, there is an option to purchase the tablets or sign a new lease for updated technology.

19. RESTATEMENT OF BEGINNING NET ASSETS

The City has restated beginning net assets to include capital assets and related accumulated depreciation for Governmental Activities. These capital assets are Furniture & Equipment and Buildings & Improvements.

SATEMENT OF ACTIVITIES - EXHIBIT B

	<u>Governmental Activities</u>
Total net assets, June 30, 2010	\$ 199,401,958
Depreciable assets, net	<u>473,061</u>
Total revised net assets, June 30, 2010	<u><u>\$ 199,875,019</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

REVENUES	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Taxes:				
Real estate	\$ 49,637,948	\$ 49,637,948	\$ 49,709,151	\$ 71,203
Personal property	6,324,000	6,324,000	5,918,621	(405,379)
Public service corporation	1,075,000	1,075,000	1,307,266	232,266
Penalties and interest on delinquent taxes	350,000	350,000	401,078	51,078
Sales and use	9,372,844	9,372,844	8,956,683	(416,161)
Business license	6,205,575	6,205,575	6,061,192	(144,383)
Utilities	4,575,300	4,575,300	4,491,361	(83,939)
Communications	3,340,500	3,340,500	3,335,988	(4,512)
Meals	6,528,000	6,528,000	6,861,066	333,066
Lodging	2,397,000	2,397,000	2,460,055	63,055
Franchise	-	-	26,402	26,402
Tax on bank stock	663,000	663,000	1,358,812	695,812
Tax on wills and deeds	500,000	500,000	436,709	(63,291)
Rolling stock	14,938	14,938	1,525	(13,413)
Short-term rental	50,000	50,000	41,679	(8,321)
Cigarette	695,000	695,000	634,572	(60,428)
Recordation	142,436	142,436	109,137	(33,299)
Total taxes	91,871,541	91,871,541	92,111,297	239,756
Licenses and permits:				
Vehicle license fees	856,800	856,800	853,294	(3,506)
Dog licenses	15,000	15,000	17,648	2,648
Electrical, heating and mechanical permits	120,000	120,000	131,524	11,524
Building and plumbing permits	275,000	275,000	292,853	17,853
Erosion control fees	-	-	13,900	13,900
Sign permits	-	-	11,666	11,666
Other permits	356,100	356,100	504,844	148,744
Total licenses and permits	1,622,900	1,622,900	1,825,729	202,829
Intergovernmental revenues:				
Revenue from Federal government	-	7,728	12,685	4,957
Revenue from State agencies:				
State highway assistance	3,081,035	3,081,035	3,408,755	327,720
Reimbursement for constitutional officers	823,144	823,144	1,049,641	226,497
Police assistance	2,085,737	2,085,737	2,085,896	159
Trailer titling tax	1,200	1,200	1,215	15
PPTRA revenue	3,498,256	3,498,256	3,498,256	-
Other State assistance	172,000	173,357	129,086	(44,271)
Revenue from other local governments:				
Revenue sharing - Albemarle County	18,454,658	18,454,658	18,454,658	-
Fire Department operations	742,000	742,000	794,776	52,776
Juvenile and Domestic Relations Court	144,868	144,868	144,868	-
Court revenue	500,000	500,000	498,591	(1,409)
Circuit Court reimbursement	-	-	16,936	16,936
University of Virginia service charge	25,000	25,000	33,210	8,210
Payment in lieu of taxes - CRHA	15,001	15,001	38,944	23,943
Other	251,490	251,490	535,051	283,561
Total intergovernmental revenues	29,794,389	29,803,474	30,702,568	899,094

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Charges for services:				
Recreation income	1,216,278	1,327,013	1,073,959	(253,054)
City Sheriff fees	6,200	6,200	-	(6,200)
Parking meter receipts	100,000	100,000	100,709	709
Parking garage revenue	850,000	850,000	1,276,778	426,778
Solid waste collection fees	1,010,000	1,010,000	905,660	(104,340)
Tax abatement application fees	-	-	700	700
Other	1,807,891	1,824,796	1,657,681	(167,115)
Total charges for services	4,990,369	5,118,009	5,015,487	(102,522)
Fines:				
Parking fines	405,000	405,000	567,027	162,027
Miscellaneous revenues:				
Interest Income	550,000	550,000	508,957	(41,043)
Rent	272,279	272,279	253,781	(18,498)
Proceeds from drug seizures	-	106,303	123,870	17,567
Contributions	-	8,886	36,914	28,028
Refund of prior year expenditures	30,000	30,000	98,130	68,130
Indirect cost recovery	165,000	165,000	122,401	(42,599)
Other	329,837	503,831	376,092	(127,739)
Total miscellaneous revenues	1,347,116	1,636,299	1,520,145	(116,154)
Total revenues	130,031,315	130,457,223	131,742,253	1,285,030
EXPENDITURES - CURRENT				
General government:				
Legislative:				
Mayor and Council	236,114	242,097	218,835	23,262
Reserve for Council	265,000	406,116	57,521	348,595
First Cities	18,000	18,000	17,194	806
Sister Cities	15,000	49,975	25,744	24,231
Judicial:				
City Circuit Court	740,050	774,095	716,715	57,380
General District Court	29,691	36,064	20,066	15,998
Court Services Unit	10,775	10,775	8,833	1,942
Juvenile and Domestic Relations Court	261,956	326,465	216,077	110,388
Commonwealth's Attorney	989,698	1,034,283	810,495	223,788
City Sheriff	998,331	1,365,512	1,010,174	355,338
Executive:				
City Manager	1,206,874	1,315,593	1,018,622	296,971
Citywide Reserve	-	881,997	-	881,997
Legal:				
City Attorney	716,750	739,501	708,170	31,331
Financial administration:				
Commissioner of Revenue	1,053,455	1,056,343	997,282	59,061
Real Estate Assessor	745,412	779,109	777,705	1,404
Treasurer	1,162,534	1,166,100	1,144,550	21,550
Finance - Administration	1,248,440	1,251,125	1,233,975	17,150
Purchasing	301,001	301,704	298,559	3,145
Personnel Administration:				
Human Resources Department	1,012,246	1,054,564	934,527	120,037
Elections:				
Office of the Registrar	388,054	397,663	395,435	2,228
General government buildings and plant:				
Public Works - Administration	799,220	841,674	780,528	61,146
Custodial	453,178	457,460	469,930	(12,470)
Maintenance	962,960	2,869,170	1,850,276	1,018,894
Total general government	13,614,739	17,375,385	13,711,213	3,664,172

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police Protection:				
Police Department	13,477,645	14,007,150	13,974,493	32,657
Drug investigation	78,000	295,942	221,473	74,469
Fire Protection:				
Fire Department	8,770,335	8,999,413	8,767,987	231,426
Volunteer Fire Company	15,201	15,201	12,506	2,695
Other Protection:				
Contribution - Charlottesville-Albemarle Regional Jail	4,060,294	4,060,294	4,017,783	42,511
Blue Ridge Juvenile Detention Center	931,911	931,911	673,931	257,980
Office of the Magistrate	8,850	8,850	9,283	(433)
Traffic Engineering	719,644	1,294,338	715,143	579,195
Contribution - Emergency Communications Center	1,647,045	1,647,045	1,647,045	-
Police Explorer Post #606	-	2,088	150	1,938
Total public safety	29,708,925	31,262,232	30,039,794	1,222,438
Community Services				
Highways and streets:				
Public Service - Administration	474,299	491,699	491,002	697
Streets and sidewalks	2,955,285	3,823,508	3,306,639	516,869
Public Works - Stormwater	461,580	651,219	459,340	191,879
Street lighting	734,518	734,812	698,896	35,916
Sanitation:				
Refuse collection and disposal	1,979,167	2,001,156	1,835,668	165,488
Contribution to Ivy Landfill	500,000	554,100	439,375	114,725
Transportation:				
Contribution to JAUNT	753,576	753,576	753,576	-
Total community services	7,858,425	9,010,070	7,984,496	1,025,574
Health and Welfare:				
Health:				
Thomas Jefferson Health Department	417,573	417,573	417,573	-
Region Ten Community Services Board	959,365	959,365	959,365	-
Contributions to community organizations	718,914	720,271	720,271	-
Welfare:				
Tax relief for the elderly	534,000	534,000	478,418	55,582
Rent relief for the elderly	10,000	10,000	14,244	(4,244)
Tax relief for the disabled	137,000	137,000	129,395	7,605
Rent relief for the disabled	85,000	85,000	82,567	2,433
Education Extension Program	41,406	41,406	41,406	-
Contributions to community organizations	2,068,833	2,399,368	2,052,781	346,587
Total health and welfare	4,972,091	5,303,983	4,896,020	407,963

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual-Budget	Variance
	Original	Final	Basis (see note 1)	Positive (Negative)
Parks, Recreation and Culture:				
Culture:				
Contribution to Jefferson - Madison Regional Library	1,358,248	1,358,248	1,358,248	-
Contributions to community organizations	180,868	204,345	205,723	(1,378)
Contributions to festivals	112,100	112,100	96,757	15,343
Recreation:				
Administration	757,074	775,138	770,171	4,967
Athletics	322,361	322,366	310,914	11,452
Aquatics	1,427,209	1,501,917	1,498,846	3,071
Recreation centers	634,446	696,419	682,991	13,428
Special activities	824,556	947,379	867,671	79,708
Therapeutic programs	320,184	358,894	312,055	46,839
Parks:				
Park maintenance	3,669,928	4,326,124	3,765,852	560,272
Contribution to Towe Park operations	67,823	67,823	26,624	41,199
Total parks, recreation and culture	9,674,797	10,670,753	9,895,852	774,901
Education:				
Contribution to School Board component unit	34,494,983	34,494,983	34,492,309	2,674
School pupil transportation	2,392,677	2,660,440	2,601,130	59,310
School maintenance	1,281,518	1,494,525	1,521,311	(26,786)
School energy management	1,938,057	1,970,061	1,891,023	79,038
Piedmont Virginia Community College	11,000	11,000	11,000	-
WVPT-TV	2,232	2,232	2,232	-
WHTJ	2,232	2,232	2,232	-
African American Teaching Fellows	5,000	5,000	5,000	-
Total education	40,127,699	40,640,473	40,526,237	114,236
Conservation and Development:				
Economic development:				
Office of Economic Development	590,326	760,669	606,390	154,279
Chamber of Commerce	2,500	2,500	1,260	1,240
Contribution to Convention and Visitors Bureau	571,711	571,711	571,711	-
Urban redevelopment and housing:				
Parking garages	253,468	253,468	252,519	949
Neighborhood Development Services Department	2,972,969	3,132,449	2,846,831	285,618
Historic Preservation Task Force	5,000	22,582	2,410	20,172
Community Design Center	27,560	27,560	27,560	-
Thomas Jefferson Planning District	65,407	65,407	65,407	-
Albemarle Housing Improvement Program	95,546	95,546	95,546	-
Small Business Development Center	10,000	10,000	10,000	-
Total conservation and development	4,594,487	4,941,892	4,479,634	462,258
Other activities				
Virginia Municipal League	13,447	13,447	13,228	219
Employee Benefits	495,000	829,201	249,378	579,823
Corporate training program	-	44,971	11,406	33,565
Thomas Jefferson Soil & Water	10,000	10,000	10,000	-
Virginia Institute for Government	2,500	2,500	2,500	-
Alliance for Innovation	2,500	2,500	2,500	-
Streamwatch	10,000	10,000	10,000	-
Total other activities	533,447	912,619	299,012	613,607
Total expenditures - budgetary basis	111,084,610	120,117,407	111,832,258	8,285,149
Less encumbrances at June 30, 2011	-	-	(788,090)	788,090
Total expenditures	111,084,610	120,117,407	111,044,168	9,073,239
Revenues over expenditures	18,946,705	10,339,816	20,698,085	10,358,269

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
Issuance of debt	-	225,400	225,400	-
Transfers in:				
Transfer from Water Fund	705,583	705,583	705,583	-
Transfer from Sewer Fund	715,405	715,405	715,405	-
Transfer from Gas Fund	3,713,885	3,713,885	3,713,885	-
Total transfers in:	5,134,873	5,134,873	5,134,873	-
Transfers out:				
Transfer to Capital Projects Fund	(4,248,500)	(6,385,351)	(6,385,351)	-
Transfer to Social Services Fund	(3,212,777)	(3,212,777)	(2,760,945)	451,832
Transfer to Grants Fund	-	(6,806)	(6,806)	-
Transfer to Community Attention Programs Fund	(286,363)	(286,363)	(286,363)	-
Transfer to Virginia Community Crime Control Act Fund	(108,415)	(108,415)	(108,415)	-
Transfer to Community Services Act Fund	(2,600,058)	(2,600,058)	(2,039,383)	560,675
Transfer to Transit Fund	(1,843,834)	(1,896,919)	(1,866,086)	30,833
Transfer to Debt Service Fund	(8,024,000)	(8,275,788)	(8,275,788)	-
Total transfers out:	(20,323,947)	(22,772,477)	(21,729,137)	1,043,340
Total other financing sources (uses), net	(15,189,074)	(17,412,204)	(16,368,864)	1,043,340
Net change in fund balance	<u>\$ 3,757,631</u>	<u>\$ (7,072,388)</u>	4,329,221	<u>\$ 11,401,609</u>
Fund Balance - July 1, 2010			35,815,080	
Fund Balance - June 30, 2011			<u>\$ 40,144,301</u>	

See accompanying Note to Required Supplementary Information on page 85.

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
SOCIAL SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 10,847,109	\$ 10,939,609	\$ 9,884,117	\$ (1,055,492)
Miscellaneous	235,908	235,908	26,320	(209,588)
Total revenues	11,083,017	11,175,517	9,910,437	(1,265,080)
EXPENDITURES - Health and welfare	14,295,794	14,871,733	12,666,882	2,204,851
Other financing sources - transfers in	3,212,777	3,212,777	2,760,945	(451,832)
Net change in fund balance	-	(483,439)	4,500	487,939
Fund Balance, July 1, 2010	-	483,439	483,543	104
Fund Balance, June 30, 2011	\$ -	\$ -	\$ 488,043	\$ 488,043

See accompanying Note to Required Supplementary Information on page 85.

CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT I

SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2011

1. City Retirement Plan

Schedule of Funding Progress (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2011	\$ 74,778	\$ 123,363	\$ 48,585	60.6 %	\$ 31,590	153.8 %
June 30, 2010 Revised	73,226	120,093	46,867	61.0	31,174	150.3
June 30, 2009	68,976	115,533	46,557	59.7	31,968	145.6
June 30, 2008	84,507	111,925	27,418	75.5	30,388	90.2
June 30, 2007	81,174	105,117	23,943	77.2	28,791	83.2
June 30, 2006	50,731	98,735	48,004	51.4	27,489	174.6

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2011	\$ 5,109,912	100.0 %
June 30, 2010	4,872,461	100.0
June 30, 2009	4,570,157	100.0
June 30, 2008	5,917,199	100.0
June 30, 2007	4,566,143	100.0
June 30, 2006	3,871,341	100.0

2. City Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2011	\$ 9,966	\$ 71,519	\$ 61,553	13.9 %	\$ 31,590	194.8 %
June 30, 2010	5,959	62,016	56,057	9.6	31,174	179.8
June 30, 2009	3,382	53,803	50,421	6.3	31,968	157.7
June 30, 2008	1,292	46,110	44,818	2.8	30,388	147.5

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2011	\$ 4,212,393	100.0 %
June 30, 2010	3,966,988	100.0
June 30, 2009	4,477,475	100.0
June 30, 2008	3,242,000	100.0

3. School Board Component Unit - Virginia Retirement System Plan for non-professional employees (June 30, 2011 is not available)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2010	\$ 9,878	\$ 10,356	\$ 478	95.4 %	\$ 2,048	23.3 %
June 30, 2009	10,305	9,739	(566)	105.8	2,150	(26.3)
June 30, 2008	10,495	9,069	(1,426)	115.7	2,050	(69.6)
June 30, 2007	9,781	8,742	(1,039)	111.9	2,053	(50.6)
June 30, 2006	8,935	8,012	(923)	111.5	1,906	(48.4)
June 30, 2005	8,573	8,287	(286)	103.5	1,928	(14.8)

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2010	\$ 21,091	100.0 %
June 30, 2009	22,143	100.0
June 30, 2008	21,114	100.0
June 30, 2007	21,147	100.0

4. School Board Component Unit - Post-Employment Medical Benefit Plan Subsidy - Amended Final Report 9/16/10

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2010	-	2,639	2,639	0.0	N/A	N/A
June 30, 2009	-	No evaluation prepared as of this measurement date				N/A
June 30, 2008	-	1,417	1,417	0.0	N/A	N/A
June 30, 2007	-	915	915	0.0	N/A	N/A

CITY OF CHARLOTTESVILLE, VIRGINIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

1. BUDGETARY ACCOUNTING

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Accordingly, GAAP requires that governments include the original budget with the comparison of final budget and actual results.

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

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

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

SUPPLEMENTARY SECTION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report specific revenues that are legally restricted, committed, or assigned to expenditure for particular purposes other than debt service or capital projects. The City has established the following non-major special revenue funds:

Community Development Block Grant (CDBG) Fund – to account for funds provided by U. S. Housing and Urban Development (HUD) for low-income housing and assistance projects. Included are repayments of CDBG program loans that are re-programmed for the same purpose.

Grants Fund – to account for revenues and expenditures restricted for specific grants awarded to the City by federal and state government, or local public or private agencies that are not accounted for or reported in another fund.

Community Attention Fund – to account for residential and community-based services which advocate for the needs of youth, including at-risk and/or children in trouble and their families, assists the local community in preventing juvenile delinquency and family disintegration, and promotes the rehabilitation of youth.

Virginia Juvenile Community Crime Control Act (VJCCCA) Fund – to account for grant funds provided by the Virginia Department of Juvenile Justice aimed to deter crime by providing immediate, effective punishment that emphasizes accountability of the juvenile offender for his/her actions as well as reduce the pattern of repeat offending. Albemarle County also participates in this grant.

Comprehensive Services Act (CSA) Fund – to account for the City's portion of the activities of the multi-jurisdictional CSA Team, which provides high quality, child centered, family focused, services to high-risk youth and their families.

Transit Fund – to account for the operations and capital purchases of Charlottesville Area Transit (CAT), which provides bus service to the City and urban portions of Albemarle County. The Charlottesville Greyhound Bus Station, and federal pass-thru revenues and expenses of JAUNT, a regional transportation system, are separately accounted for within the Transit Fund.

DEBT SERVICE FUND

The debt service fund is used to account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Payments are made on long-term general obligation debt of governmental funds including bonds, notes, and other evidences of indebtedness and the cost of issuance of debt issued by the City.

PERMANENT FUND

Permanent funds are restricted to the extent that only earnings, and not principal, may be used for the benefit of the government and its citizenry.

Cemetery Perpetual Care Permanent Fund – This fund is used to account for principal trust amounts received, and related interest income. The interest portion of the trust may be used to maintain the two (2) City owned cemeteries within City limits.

CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT J

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011

	Special Revenue Funds						Debt Service Fund	Permanent Fund Cemetery Perpetual Care	Total
	CDBG	Grants	Community Attention	VJCCCA	CSA	Transit			
ASSETS									
Cash and cash equivalents	\$ 62,135	\$ 105,124	\$ 1,690,429	\$ -	\$ -	\$ 120,992	\$ 9,548,794	\$ 162,219	\$ 11,689,693
Accounts receivable	-	-	-	-	18,845	16,797	-	282	35,924
Due from other governments	18,683	219,650	257,508	-	1,160,888	98,687	-	-	1,755,416
Loans receivable	494,352	644,380	-	-	-	-	-	-	1,138,732
Total assets	<u>\$ 575,170</u>	<u>\$ 969,154</u>	<u>\$ 1,947,937</u>	<u>\$ -</u>	<u>\$ 1,179,733</u>	<u>\$ 236,476</u>	<u>\$ 9,548,794</u>	<u>\$ 162,501</u>	<u>\$ 14,619,765</u>
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable	\$ 77,497	\$ 177,774	\$ 143,136	\$ -	\$ -	\$ 28,145	\$ 40,617	\$ -	\$ 467,169
Accrued liabilities	3,063	10,528	129,572	-	968,228	208,331	-	-	1,319,722
Due to other governments	494,352	634,518	-	-	-	-	-	-	1,128,870
Due to other funds	-	-	-	-	194,614	-	-	-	194,614
Total liabilities	<u>574,912</u>	<u>822,820</u>	<u>272,708</u>	<u>-</u>	<u>1,162,842</u>	<u>236,476</u>	<u>40,617</u>	<u>-</u>	<u>3,110,375</u>
FUND BALANCE									
Nonspendable	-	10,000	-	-	-	-	-	162,501	172,501
Restricted	258	130,302	-	-	16,891	-	-	-	147,451
Committed	-	-	-	-	-	-	9,508,177	-	9,508,177
Assigned	-	6,032	1,675,229	-	-	-	-	-	1,681,261
Total fund balance	<u>258</u>	<u>146,334</u>	<u>1,675,229</u>	<u>-</u>	<u>16,891</u>	<u>-</u>	<u>9,508,177</u>	<u>162,501</u>	<u>11,509,390</u>
Total liabilities and fund balance	<u>\$ 575,170</u>	<u>\$ 969,154</u>	<u>\$ 1,947,937</u>	<u>\$ -</u>	<u>\$ 1,179,733</u>	<u>\$ 236,476</u>	<u>\$ 9,548,794</u>	<u>\$ 162,501</u>	<u>\$ 14,619,765</u>

CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT K

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						Debt Service Fund	Permanent Fund Cemetery Perpetual Care	Total
	CDBG	Grants	Community Attention	VJCCCA	CSA	Transit			
REVENUES									
Intergovernmental	\$ 892,201	\$ 1,462,617	\$ 118,869	\$ 338,597	\$ 6,364,407	\$ 5,329,467	\$ 119,848	\$ -	\$ 14,626,006
Charges for services	-	-	4,305,042	-	-	881,239	-	-	5,186,281
Investment earnings	-	-	-	-	-	-	19,572	-	19,572
Miscellaneous	2,380	890	62,739	-	-	73,878	-	1,278	141,165
Total revenues	894,581	1,463,507	4,486,650	338,597	6,364,407	6,284,584	139,420	1,278	19,973,024
EXPENDITURES									
Current:									
Public safety	-	435,204	-	-	-	-	-	-	435,204
Community services	-	365,825	-	-	-	8,415,346	-	-	8,781,171
Health and welfare	95,107	119,576	4,298,221	447,012	8,405,137	-	-	1,278	13,366,331
Parks, recreation and culture	-	45,382	-	-	-	-	-	-	45,382
Conservation and development	799,216	498,307	-	-	-	-	-	-	1,297,523
Debt service:									
Retirement of principal	-	-	-	-	-	-	6,236,895	-	6,236,895
Interest	-	-	-	-	-	-	2,550,831	-	2,550,831
Miscellaneous	-	-	-	-	-	-	94,848	-	94,848
Total expenditures	894,323	1,464,294	4,298,221	447,012	8,405,137	8,415,346	8,882,574	1,278	32,808,185
Revenues over (under) expenditures	258	(787)	188,429	(108,415)	(2,040,730)	(2,130,762)	(8,743,154)	-	(12,835,161)
OTHER FINANCING SOURCES (USES)									
Transfers from other funds	-	47,588	286,363	108,415	2,039,383	2,130,762	8,704,283	-	13,316,794
Transfers to other funds	-	(20,000)	-	-	-	-	-	-	(20,000)
Total other financing sources, net	-	27,588	286,363	108,415	2,039,383	2,130,762	8,704,283	-	13,296,794
Net change in fund balance	258	26,801	474,792	-	(1,347)	-	(38,871)	-	461,633
FUND BALANCE - JULY 1, 2010	-	119,533	1,200,437	-	18,238	-	9,547,048	162,501	11,047,757
FUND BALANCE - JUNE 30, 2011	\$ 258	\$ 146,334	\$ 1,675,229	\$ -	\$ 16,891	\$ -	\$ 9,508,177	\$ 162,501	\$ 11,509,390

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,285,589	\$ 1,285,589	\$ 892,201	\$ (393,388)
Miscellaneous	129,626	129,626	2,380	(127,246)
Total revenues	1,415,215	1,415,215	894,581	(520,634)
EXPENDITURES				
Health and welfare	106,734	106,734	95,107	11,627
Conservation and development	1,308,481	1,308,481	799,216	509,265
Total expenditures	1,415,215	1,415,215	894,323	520,892
Revenues over (under) expenditures	-	-	258	258
Net change in fund balance	-	-	258	258
Fund Balance - July 1, 2010	-	-	-	-
Fund Balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 258</u>	<u>\$ 258</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Intergovernmental	\$ 2,457,642	\$ 2,457,642	\$ 1,462,617	\$ (995,025)
Miscellaneous	1,100	1,100	890	(210)
Total revenues	<u>2,458,742</u>	<u>2,458,742</u>	<u>1,463,507</u>	<u>(995,235)</u>
EXPENDITURES				
Public safety	642,341	642,341	435,204	207,137
Community services	541,715	541,715	365,825	175,890
Health and welfare	148,362	148,362	119,576	28,786
Parks, recreation and culture	73,489	73,489	45,382	28,107
Conservation and development	1,318,753	1,318,753	498,307	820,446
Total expenditures	<u>2,724,660</u>	<u>2,724,660</u>	<u>1,464,294</u>	<u>1,260,366</u>
Revenues over (under) expenditures	<u>(265,918)</u>	<u>(265,918)</u>	<u>(787)</u>	<u>265,131</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	176,385	176,385	47,588	(128,797)
Transfers to other funds	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses), net	<u>156,385</u>	<u>156,385</u>	<u>27,588</u>	<u>(128,797)</u>
Net change in fund balance	<u>(109,533)</u>	<u>(109,533)</u>	<u>26,801</u>	<u>136,334</u>
Fund Balance - July 1, 2010	<u>119,533</u>	<u>119,533</u>	<u>119,533</u>	<u>-</u>
Fund Balance - June 30, 2011	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 146,334</u>	<u>\$ 136,334</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY ATTENTION FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 556,925	\$ 597,652	\$ 118,869	\$ (478,783)
Charges for service	4,534,170	4,534,170	4,305,042	(229,128)
Miscellaneous	-	20,020	62,739	42,719
Total revenues	<u>5,091,095</u>	<u>5,151,842</u>	<u>4,486,650</u>	<u>(665,192)</u>
EXPENDITURES				
Health and welfare	<u>5,377,468</u>	<u>5,438,215</u>	<u>4,298,221</u>	<u>1,139,994</u>
Revenues over (under) expenditures	<u>(286,373)</u>	<u>(286,373)</u>	<u>188,429</u>	<u>474,802</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>286,363</u>	<u>286,363</u>	<u>286,363</u>	<u>-</u>
Net change in fund balance	(10)	(10)	474,792	474,802
Fund Balance - July 1, 2010	<u>1,200,437</u>	<u>1,200,437</u>	<u>1,200,437</u>	<u>-</u>
Fund Balance - June 30, 2011	<u>\$ 1,200,427</u>	<u>\$ 1,200,427</u>	<u>\$ 1,675,229</u>	<u>\$ 474,802</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
VIRGINIA JUVENILE COMMUNITY CRIME CONTROL ACT
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance Positive Negative
	Original	Final		
REVENUES				
Intergovernmental	\$ 342,466	\$ 338,597	\$ 338,597	\$ -
EXPENDITURES				
Health and welfare	450,881	447,012	447,012	-
Revenues over (under) expenditures	(108,415)	(108,415)	(108,415)	-
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	108,415	108,415	108,415	-
Net change in fund balance	-	-	-	-
Fund Balance - July 1, 2010	-	-	-	-
Fund Balance - June 30, 2011	\$ -	\$ -	\$ -	\$ -

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMPREHENSIVE SERVICES ACT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Intergovernmental	\$ 8,218,703	\$ 8,218,703	\$ 6,364,407	\$ (1,854,296)
EXPENDITURES				
Health and welfare	10,818,761	10,818,761	8,405,137	2,413,624
Revenues over (under) expenditures	<u>(2,600,058)</u>	<u>(2,600,058)</u>	<u>(2,040,730)</u>	<u>559,328</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,600,058	2,600,058	2,039,383	(560,675)
Net change in fund balance	-	-	(1,347)	(1,347)
Fund Balance - July 1, 2010	-	-	18,238	-
Fund Balance - June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,891</u>	<u>\$ (1,347)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSIT FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive Negative
REVENUES				
Intergovernmental	\$ 10,333,588	\$ 10,637,556	\$ 5,329,467	\$ (5,308,089)
Charges for services	606,000	711,848	881,239	169,391
Miscellaneous	52,908	74,761	73,878	(883)
Total revenues	10,992,496	11,424,165	6,284,584	(5,139,581)
EXPENDITURES				
Community services	13,419,628	14,016,173	8,415,346	5,600,827
Revenues over (under) expenditures	(2,427,132)	(2,592,008)	(2,130,762)	461,246
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	2,405,002	2,533,087	2,130,762	(402,325)
Net change in fund balance	(22,130)	(58,921)	-	58,921
Fund Balance - July 1, 2010	-	-	-	-
Fund Balance - June 30, 2011	\$ (22,130)	\$ (58,921)	\$ -	\$ 58,921

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Intergovernmental	\$ -	\$ 119,848	\$ 119,848	\$ -
Investment earnings	-	19,572	19,572	-
Total revenues	-	139,420	139,420	-
EXPENDITURES				
Retirement of principal	6,941,539	6,236,895	6,236,895	-
Interest	3,341,678	2,550,831	2,550,831	-
Miscellaneous	100,000	94,848	94,848	-
Total expenditures	10,383,217	8,882,574	8,882,574	-
Revenues over (under) expenditures	(10,383,217)	(8,743,154)	(8,743,154)	-
OTHER FINANCING SOURCES				
Transfers from other funds	8,542,482	8,704,270	8,704,283	13
Net change in fund balance	(1,840,735)	(38,884)	(38,871)	13
Fund Balance - July 1, 2010	9,547,048	9,547,048	9,547,048	-
Fund Balance - June 30 2011	\$ 7,706,313	\$ 9,508,164	\$ 9,508,177	\$ 13

INTERNAL SERVICE FUNDS

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

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

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

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

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

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2011

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,696,311	\$ 207,078	\$ 120,150	\$ 7,898,612	\$ 10,922,151
Accounts receivable, net	-	12,552	-	13,723	26,275
Inventories	-	244,527	346,419	-	590,946
Prepaid expenses	-	4,121	-	361,949	366,070
Total current assets	<u>2,696,311</u>	<u>468,278</u>	<u>466,569</u>	<u>8,274,284</u>	<u>11,905,442</u>
Noncurrent assets:					
Capital assets:					
Vehicles	-	96,480	-	-	96,480
Equipment	<u>7,856,951</u>	<u>1,017,439</u>	<u>-</u>	<u>-</u>	<u>8,874,390</u>
Total capital assets	7,856,951	1,113,919	-	-	8,970,870
Less accumulated depreciation	<u>(7,326,374)</u>	<u>(1,068,708)</u>	<u>-</u>	<u>-</u>	<u>(8,395,082)</u>
Net noncurrent assets	<u>530,577</u>	<u>45,211</u>	<u>-</u>	<u>-</u>	<u>575,788</u>
Total assets	<u>3,226,888</u>	<u>513,489</u>	<u>466,569</u>	<u>8,274,284</u>	<u>12,481,230</u>
LIABILITIES					
Current liabilities:					
Accounts payable	91,964	107,120	33,179	82,241	314,504
Accrued liabilities	56,583	61,532	4,842	125,130	248,087
Compensated absences	5,168	5,838	206	33	11,245
Insurance claims payable	-	-	-	2,757,799	2,757,799
Total current liabilities	<u>153,715</u>	<u>174,490</u>	<u>38,227</u>	<u>2,965,203</u>	<u>3,331,635</u>
Noncurrent liabilities:					
Compensated absences	37,900	42,809	1,513	238	82,460
Insurance claims payable	-	-	-	112,777	112,777
Total noncurrent liabilities	<u>37,900</u>	<u>42,809</u>	<u>1,513</u>	<u>113,015</u>	<u>195,237</u>
Total liabilities	<u>191,615</u>	<u>217,299</u>	<u>39,740</u>	<u>3,078,218</u>	<u>3,526,872</u>
NET ASSETS					
Invested in capital assets	530,577	45,211	-	-	575,788
Unrestricted	<u>2,504,696</u>	<u>250,979</u>	<u>426,829</u>	<u>5,196,066</u>	<u>8,378,570</u>
Total net assets	<u>\$ 3,035,273</u>	<u>\$ 296,190</u>	<u>\$ 426,829</u>	<u>\$ 5,196,066</u>	<u>\$ 8,954,358</u>

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
OPERATING REVENUES					
Charges for services	\$ 3,934,996	\$ 3,460,541	\$ 646,556	\$ 12,924,163	\$ 20,966,256
Total operating revenues	<u>3,934,996</u>	<u>3,460,541</u>	<u>646,556</u>	<u>12,924,163</u>	<u>20,966,256</u>
OPERATING EXPENSES					
Purchases for resale	-	1,588,004	476,383	-	2,064,387
Personnel costs	1,144,012	1,130,819	70,528	102,641	2,448,000
Materials and supplies	155,267	105,666	8,323	7,777	277,033
Contractual services and charges	1,123,250	555,968	45,029	776,122	2,500,369
Depreciation	348,245	25,315	-	-	373,560
Claims incurred	-	-	-	10,474,907	10,474,907
Insurance premiums	-	-	-	1,989,804	1,989,804
Total operating expenses	<u>2,770,774</u>	<u>3,405,772</u>	<u>600,263</u>	<u>13,351,251</u>	<u>20,128,060</u>
Operating income (loss) before capital contribution and transfers	1,164,222	54,769	46,293	(427,088)	838,196
CAPITAL CONTRIBUTION	-	8,447	-	-	8,447
TRANSFERS					
Transfers to other funds	(549,495)	-	-	-	(549,495)
Change in net assets	614,727	63,216	46,293	(427,088)	297,148
Total net assets - July 1, 2010	<u>2,420,546</u>	<u>232,974</u>	<u>380,536</u>	<u>5,623,154</u>	<u>8,657,210</u>
Total net assets - June 30, 2011	<u>\$ 3,035,273</u>	<u>\$ 296,190</u>	<u>\$ 426,829</u>	<u>\$ 5,196,066</u>	<u>\$ 8,954,358</u>

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 3,934,996	\$ 3,448,620	\$ 646,556	\$ 12,910,440	\$ 20,940,612
Payments to suppliers	(1,232,519)	(2,290,999)	(549,879)	(13,090,787)	(17,164,184)
Payments to employees	(1,165,757)	(1,125,964)	(70,610)	(210,417)	(2,572,748)
Net cash provided by (used for) operating activities	1,536,720	31,657	26,067	(390,764)	1,203,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer to other funds	(549,495)	-	-	-	(549,495)
Net cash provided by (used for) noncapital financing activities	(549,495)	-	-	-	(549,495)
Net increase (decrease) in cash and cash equivalents	987,225	31,657	26,067	(390,764)	654,185
Cash and cash equivalents, July 1, 2010	1,709,086	175,421	94,083	8,289,376	10,267,966
Cash and cash equivalents, June 30, 2011	<u>\$ 2,696,311</u>	<u>\$ 207,078</u>	<u>\$ 120,150</u>	<u>\$ 7,898,612</u>	<u>\$ 10,922,151</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 1,164,222	\$ 54,769	\$ 46,293	\$ (427,088)	\$ 838,196
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation expense	348,245	25,315	-	-	373,560
(Increase) in accounts receivable	-	(11,921)	-	(13,723)	(25,644)
(Increase) in inventories	-	(40,065)	(38,937)	-	(79,002)
(Increase) decrease in prepaid expenses	-	(1,460)	-	24,517	23,057
Increase (decrease) in accounts payable	45,998	164	18,793	(32,603)	32,352
Increase (decrease) in accrued liabilities	(12,750)	3,620	(851)	11,279	1,298
Increase (decrease) in compensated absences	(8,995)	1,235	769	271	(6,720)
Increase in insurance claims payable	-	-	-	46,583	46,583
Net cash provided by (used for) operating activities	<u>\$ 1,536,720</u>	<u>\$ 31,657</u>	<u>\$ 26,067</u>	<u>\$ (390,764)</u>	<u>\$ 1,203,680</u>
Noncash investing, capital and financing activities:					
Contributions of capital assets from governmental funds	-	8,447	-	-	8,447

**SCHEDULE TO ASSIGN INTERNAL SERVICE FUND ASSETS AND LIABILITIES
IN THE STATEMENT OF NET ASSETS
June 30, 2011**

	Total Internal Service Funds	ASSIGNED TO	
		Business-type Activities	Governmental Activities
ASSETS			
Cash and cash equivalents	\$ 10,922,151	\$ 120,150	\$ 10,802,001
Accounts receivables (net)	26,275	-	26,275
Internal balances	-	544,241	(544,241)
Inventories	590,946	346,419	244,527
Prepaid expenses	366,070	-	366,070
Capital assets, net	575,788	-	575,788
Total assets	12,481,230	1,010,810	11,470,420
LIABILITIES			
Accounts payable	314,504	33,179	281,325
Accrued liabilities	248,087	4,842	243,245
Compensated absences	93,705	1,719	91,986
Insurance claims payable	2,870,576	-	2,870,576
Total liabilities	3,526,872	39,740	3,487,132
NET ASSETS			
Invested in capital assets	575,788	-	575,788
Unrestricted	8,378,570	971,070	7,407,500
Total net assets	\$ 8,954,358	\$ 971,070	\$ 7,983,288

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COMPREHENSIVE SERVICE ACT AGENCY FUND

Comprehensive Service Act Agency Fund is used to account for cash received for Comprehensive Services for At-Risk-Youth & Families to be distributed to Albemarle County, Virginia.

Effective July 1, 2010, the City of Charlottesville is no longer the fiscal agent for Albemarle County, Virginia.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
COMPREHENSIVE SERVICES ACT TRUST FUND
YEAR ENDED JUNE 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>July 1, 2011</u>
ASSETS				
Cash and cash equivalents	<u>\$ 631,429</u>	<u>\$ -</u>	<u>\$ 631,429</u>	<u>\$ -</u>
LIABILITIES				
Due to other governments	<u>\$ 631,429</u>	<u>\$ -</u>	<u>\$ 631,429</u>	<u>\$ -</u>

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**CHARLOTTESVILLE SCHOOL BOARD
COMPONENT UNIT**

CITY OF CHARLOTTESVILLE, VIRGINIA

EXHIBIT N-1

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,254,353
Accounts receivables (net)	754,311
Due from other governments	3,210,147
Inventories	52,463
Capital assets:	
Land	982,889
Depreciable assets, net	21,716,418
Total assets	<u>33,970,581</u>
LIABILITIES	
Accounts payable	1,075,448
Accrued liabilities	4,619,776
Unearned revenue	48,158
Insurance claims incurred but not reported	477,282
Noncurrent liabilities:	
Amounts due within one year	154,840
Amounts due in more than one year	1,286,095
Total liabilities	<u>7,661,599</u>
NET ASSETS	
Invested in capital assets, net of related debt	22,683,221
Unrestricted	3,625,761
Total net assets	<u>\$ 26,308,982</u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction and instruction related services	\$ 45,682,129	\$ 2,359,035	\$ 11,514,560	\$ -
Support services - student based	13,192,178	218,466	-	-
Administrative support services	3,214,416	334,919	-	-
Total School Board	<u>\$ 62,088,723</u>	<u>\$ 2,912,420</u>	<u>\$ 11,514,560</u>	<u>\$ -</u>
General Revenues:				
State aid - formula grants				13,807,695
Payments from City				34,492,309
Capital asset contribution from City				16,711,116
Investment earnings				<u>3,289</u>
Total general revenues				<u>65,014,409</u>
Change in net assets				17,352,666
Net assets - July 1, 2010				<u>8,956,316</u>
Net assets - June 30, 2011				<u>\$ 26,308,982</u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General Fund	Grant and Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 4,241,899	\$ 772,270	\$ 5,014,169
Accounts receivable, net	694,264	60,047	754,311
Due from other governments	569,580	2,640,567	3,210,147
Inventory of supplies	-	52,463	52,463
Total assets	<u>\$ 5,505,743</u>	<u>\$ 3,525,347</u>	<u>\$ 9,031,090</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 706,112	\$ 369,336	\$ 1,075,448
Accrued liabilities	3,875,905	626,994	4,502,899
Deferred revenue	24,710	23,448	48,158
Total liabilities	<u>4,606,727</u>	<u>1,019,778</u>	<u>5,626,505</u>
Fund Balance			
Nonspendable	-	52,463	52,463
Restricted	-	2,453,106	2,453,106
Unassigned	899,016	-	899,016
Total fund balances	<u>899,016</u>	<u>2,505,569</u>	<u>3,404,585</u>
Total liabilities and fund balances	<u>\$ 5,505,743</u>	<u>\$ 3,525,347</u>	<u>\$ 9,031,090</u>
Total fund balances per Balance Sheet for Governmental Funds			\$ 3,404,585
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit N-1) are different because:			
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The Statement of Net Assets, however, includes these assets, net of accumulated depreciation.			22,699,307
Internal service funds are used by management to charge the cost of certain activities. The assets and liabilities of the Healthcare Fund are included in governmental activities in the Statement of Net Assets. Healthcare Fund equity			1,646,025
Some liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities are included in the Statement of Net Assets.			
Notes payable			(16,086)
Compensated absences			(1,255,647)
Unfunded liability for post-employment medical benefits			(169,202)
Net assets of governmental activities			<u>\$ 26,308,982</u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Grant and Other Governmental Funds	Totals
REVENUES			
City contribution (net of contributions to City)	\$ 32,991,676	\$ 1,500,633	\$ 34,492,309
Intergovernmental	13,807,695	11,514,560	25,322,255
Charges for services	887,410	1,080,909	1,968,319
Miscellaneous	334,919	629,507	964,426
Total revenues	48,021,700	14,725,609	62,747,309
EXPENDITURES			
Current:			
Instruction and instruction related services	38,891,482	6,294,071	45,185,553
Support services - student based	5,534,241	8,014,718	13,548,959
Administrative support services	3,180,404	-	3,180,404
Debt Service:			
Principal	1,665	-	1,665
Interest	409	-	409
Total expenditures	47,608,201	14,308,789	61,916,990
REVENUES OVER (UNDER) EXPENDITURES	413,499	416,820	830,319
Net change in fund balance	413,499	416,820	830,319
FUND BALANCE - JULY 1, 2010	485,517	2,088,749	2,574,266
FUND BALANCE - JUNE 30, 2011	\$ 899,016	\$ 2,505,569	\$ 3,404,585
Net change in fund balances - total governmental funds			\$ 830,319
Amounts reported for governmental activities in the Statement of Activities (N-2) are different because:			
Governmental funds report the cost of equipment and facilities acquired as current expenditures while the Statement of Activities reports depreciation expense to allocate those expenditures over the life of the assets.			
Cost of equipment and facilities capitalized for the year (net of disposals)			504,269
City contribution of capital assets, net of depreciation, for which debt has been repaid			16,711,116
Depreciation expense			(1,089,846)
Debt proceeds provide current financing resources to governmental funds, but debt issues increase long term liabilities in the Statement of Net Assets. Principal payments are expenditures in governmental funds, but reduce long term liabilities in the Statement of Net Assets.			
New debt issued			(17,751)
Principal payments			1,665
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.			
Change in compensated absences			(51,466)
Change in unfunded liability for post-employment medical benefits			20,957
The net expense of internal service funds is combined with governmental activities on the Statement of Activities			443,403
Change in Net Assets of Governmental Activities			<u>\$ 17,352,666</u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2011

	<u>Healthcare</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u>\$ 2,240,184</u>
 Total assets	 <u>2,240,184</u>
 LIABILITIES	
Current liabilities:	
Accrued liabilities	116,877
Insurance claims payable	<u>477,282</u>
 Total liabilities	 <u>594,159</u>
 NET ASSETS	
Unrestricted	<u>1,646,025</u>
 Total net assets	 <u><u>\$ 1,646,025</u></u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Healthcare</u>
OPERATING REVENUES	
Charges for services	\$ 6,039,170
Total operating revenues	<u>6,039,170</u>
 OPERATING EXPENSES	
Claims incurred	<u>5,599,056</u>
Total operating expenses	<u>5,599,056</u>
 Operating income	<u>440,114</u>
 NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>3,289</u>
 Change in net assets	443,403
 Total net assets - July 1, 2010	<u>1,202,622</u>
 Total net assets - June 30, 2011	<u><u>\$ 1,646,025</u></u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Healthcare</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 6,039,170
Payments to suppliers	<u>(5,571,491)</u>
Net cash provided by operating activities	<u>467,679</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest income	<u>3,289</u>
Net cash provided by noncapital financing activities	<u>3,289</u>
 Net increase in cash and cash equivalents	470,968
Cash and cash equivalents, July 1, 2010	<u>1,769,216</u>
Cash and cash equivalents, June 30, 2011	<u><u>\$ 2,240,184</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 440,114
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accrued liabilities	3,210
Increase in insurance claims payable	<u>24,355</u>
Net cash provided by operating activities	<u><u>\$ 467,679</u></u>

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents

Financial Trends

Tables I-IV

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

Revenue Capacity

Tables V-X

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

Debt Capacity

Tables XI-XIV

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

Economic and Demographic Information

Tables XV-XVII

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

Operating Information

Tables XVIII-XX

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

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE I

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS

	2011	2010*	2009	2008	2007	2006	2005	2004	2003	2002
Government Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 116,844,116	\$ 133,087,240	\$ 117,881,979	\$ 115,142,637	\$ 108,689,166	\$ 118,361,416	\$ 65,523,294	\$ 60,648,256	\$ 50,012,052	\$ 50,466,989
Restricted For:										
Expendable	10,000	10,000	10,000	10,000	30,000	2,466,388	626,296	432,659	342,980	102,353
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,532	162,492	161,542
Unrestricted	72,528,272	66,615,278	62,894,787	54,793,780	56,864,574	29,414,068	29,670,212	20,163,046	22,874,989	25,074,086
Total Governmental Activities Net Assets	<u>\$ 189,544,889</u>	<u>\$ 199,875,019</u>	<u>\$ 180,949,267</u>	<u>\$ 170,108,918</u>	<u>\$ 165,746,241</u>	<u>\$ 150,404,373</u>	<u>\$ 95,982,303</u>	<u>\$ 81,406,493</u>	<u>\$ 73,392,513</u>	<u>\$ 75,804,970</u>
Business-type activities:										
Invested in Capital Assets, Net of Related Debt	\$ 21,900,131	\$ 21,576,238	\$ 20,928,347	\$ 20,644,310	\$ 19,766,913	\$ 19,678,522	\$ 18,506,715	\$ 17,979,148	\$ 17,536,769	\$ 15,961,411
Restricted-expendable	27,817	-	-	-	-	-	-	-	-	-
Unrestricted	24,327,004	\$ 22,368,111	\$ 21,883,741	20,455,061	15,218,780	13,668,411	13,630,856	13,266,122	11,930,092	11,865,771
Total Business-Type Activities Net Assets	<u>\$ 46,254,952</u>	<u>\$ 43,944,349</u>	<u>\$ 42,812,088</u>	<u>\$ 41,099,371</u>	<u>\$ 34,985,693</u>	<u>\$ 33,346,933</u>	<u>\$ 32,137,571</u>	<u>\$ 31,245,270</u>	<u>\$ 29,466,861</u>	<u>\$ 27,827,182</u>
Primary Government:										
Invested in Capital Assets, Net of Related Debt	\$ 138,744,247	\$ 154,663,478	\$ 138,810,326	\$ 135,786,947	\$ 128,456,079	\$ 138,039,938	\$ 84,030,009	\$ 78,627,404	\$ 67,548,821	\$ 66,428,400
Restricted For:										
Expendable	37,817	10,000	10,000	10,000	30,000	2,466,388	626,296	432,659	342,980	102,353
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,532	162,492	161,542
Unrestricted	96,855,276	88,983,389	84,778,528	75,248,841	72,083,354	43,082,479	43,301,068	33,429,168	34,805,081	36,939,857
Total Primary Government Net Assets	<u>\$ 235,799,841</u>	<u>\$ 243,819,368</u>	<u>\$ 223,761,355</u>	<u>\$ 211,208,289</u>	<u>\$ 200,731,934</u>	<u>\$ 183,751,306</u>	<u>\$ 128,119,874</u>	<u>\$ 112,651,763</u>	<u>\$ 102,859,374</u>	<u>\$ 103,632,152</u>

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

*Certain amounts have been restated consistent with detail in note 19.

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

	2011	2010*	2009	2008	2007	2006	2005	2004	2003	2002
Expenses										
Governmental activities:										
General government	\$ 23,634,491	\$ 20,411,765	\$ 25,817,176	\$ 23,238,056	\$ 18,533,324	\$ 18,319,280	\$ 14,900,857	\$ 14,001,612	\$ 12,429,416	\$ 12,430,358
Public safety	30,545,681	30,547,357	30,527,165	30,542,176	27,839,049	28,091,990	25,230,656	24,601,457	21,830,729	20,416,960
Community services	22,348,563	21,293,487	20,577,112	17,349,631	14,765,927	14,278,057	13,933,297	12,918,012	14,120,524	14,663,583
Health and welfare	30,820,530	31,358,502	30,161,585	29,401,150	27,150,948	24,662,939	25,120,751	24,822,488	24,073,724	23,043,337
Parks, recreation and culture	10,053,398	9,546,796	9,561,694	9,481,960	9,337,786	7,919,330	7,938,374	7,164,786	6,520,555	6,893,085
Education	57,974,958	41,990,709	41,558,411	44,572,403	35,555,941	33,982,207	32,968,653	31,009,445	29,592,668	28,369,905
Conservation and development	7,743,918	6,985,191	8,588,251	9,829,820	6,333,016	5,933,535	7,122,318	5,487,212	5,665,113	4,538,190
Other activities	-	-	-	-	598,025	324,511	200,663	56,942	359,361	106,859
Interest on long-term debt	2,733,665	2,454,390	2,235,928	1,937,644	2,005,594	1,796,925	1,637,089	1,444,329	1,479,355	1,651,966
Total governmental activities	185,855,204	164,588,197	169,027,322	166,352,840	142,119,610	135,308,774	129,052,658	121,506,283	116,071,445	112,114,243
Business-type activities:										
Water	8,321,515	8,009,139	7,416,972	7,376,301	6,874,670	6,536,397	6,105,675	6,232,116	6,132,925	4,919,755
Sewer	8,416,888	8,840,500	7,090,366	5,812,810	5,706,981	4,847,558	4,970,624	5,550,440	4,436,624	3,817,772
Gas	24,869,854	25,111,699	34,388,021	36,170,500	32,785,049	35,404,101	28,647,808	25,185,893	22,076,447	16,161,735
Golf course	617,357	1,198,157	1,210,638	1,358,023	1,137,337	1,007,426	968,174	877,573	799,404	884,323
Total business-type activities	42,225,614	43,159,495	50,105,997	50,717,634	46,504,037	47,795,482	40,692,281	37,846,022	33,445,400	25,783,585
Total Primary Government Expenses	\$ 228,080,818	\$ 207,747,692	\$ 219,133,319	\$ 217,070,474	\$ 188,623,647	\$ 183,104,256	\$ 169,744,939	\$ 159,352,305	\$ 149,516,845	\$ 137,897,828
Program Revenues										
Governmental activities:										
Charges for Services										
General government	\$ 11,509,211	\$ 10,624,798	\$ 11,048,283	\$ 10,862,338	\$ 10,810,147	\$ 5,304,925	\$ 5,746,100	\$ 4,763,481	\$ 3,984,281	\$ 4,155,060
Public safety	31,416	42,850	44,907	49,754	14,987	17,875	354,845	212,954	74,362	-
Community services	1,786,899	1,945,796	2,122,384	2,224,251	1,965,398	2,246,826	3,375,842	3,614,764	2,583,283	1,876,292
Health and welfare	4,305,042	2,719,628	1,912,596	1,961,441	2,013,793	1,467,335	1,866,435	1,467,335	1,392,781	1,377,975
Parks, recreation and culture	1,214,220	943,705	808,869	811,586	662,459	505,033	586,112	541,740	512,684	442,886
Education	203,713	228,853	272,643	228,591	145,050	142,918	78,535	86,000	76,766	-
Conservation and development	23,487	27,685	43,045	46,424	2,919	20,090	82,242	116,807	153,252	21,382
Operating Grants and Contributions										
General government	2,022,303	2,099,757	2,161,567	2,156,436	2,486,523	2,704,507	2,206,737	2,106,302	2,270,652	2,150,153
Public safety	1,632,513	1,554,604	1,597,459	1,530,559	1,437,946	1,981,856	4,203,459	3,788,184	1,210,278	1,217,370
Community services	8,839,499	7,947,633	7,010,934	6,758,618	6,032,520	7,026,204	4,945,581	4,884,017	4,414,377	4,253,613
Health and welfare	17,810,096	18,163,600	18,456,403	18,272,330	16,889,348	16,504,644	17,223,996	16,281,799	16,274,441	15,771,601
Parks, recreation and culture	45,382	51,953	100,635	77,396	5,000	88,558	118,286	83,351	121,385	35,350
Education	566,566	224,203	527,281	-	-	-	-	77,381	800,816	-
Conservation and development	459,922	-	74,216	71,141	213,712	208,137	61,801	27,854	128,694	11,625
Capital Grants and Contributions										
General government	11,728	630,275	4,171,078	1,374,433	1,187,009	-	1,473,258	1,374,252	-	-
Community services	1,990,553	13,285,028	7,526,581	7,052,770	3,356,968	5,949,633	5,976,430	1,083,793	522,966	1,971,176
Parks, recreation and culture	-	-	-	29,760	-	-	483	13,098	527,000	-
Education	113,912	22,432	44,327	408,075	-	-	1,695,914	1,048,039	-	-
Total governmental activities	52,566,462	60,512,800	57,923,208	53,915,903	47,223,779	44,168,541	49,996,056	41,571,151	35,048,018	33,284,483
Business-type activities:										
Charges for Services										
Water	9,244,578	9,134,985	9,333,610	8,302,627	8,137,837	7,718,122	7,196,273	7,381,976	6,742,926	5,274,901
Sewer	9,066,402	8,952,616	9,043,516	7,439,184	6,929,038	6,554,472	6,316,155	5,833,202	4,533,801	4,239,992
Gas	30,360,501	29,860,371	36,868,759	43,961,558	36,064,042	38,751,324	31,697,867	29,715,810	26,688,564	17,160,634
Golf course	949,264	1,064,929	1,035,709	1,113,089	1,099,640	982,796	996,674	854,344	828,161	1,068,760
Operating Grants and Contributions										
Golf course	17,105	54,667	58,838	106,429	-	-	-	-	-	-
Total business-type activities	49,637,850	49,067,568	56,340,432	60,922,887	52,230,557	54,006,714	46,206,969	43,785,332	38,793,452	27,744,287
Total Primary Government Revenues	\$ 102,204,312	\$ 109,580,368	\$ 114,263,640	\$ 114,838,790	\$ 99,454,336	\$ 98,175,255	\$ 96,203,025	\$ 85,356,483	\$ 73,841,470	\$ 61,028,770

CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS

	2011	2010*	2009	2008	2007	2006	2005	2004	2003	2002
Net (Expense) Revenue										
Governmental activities:										
General government	\$ (10,091,249)	\$ (7,056,935)	\$ (8,436,248)	\$ (8,844,849)	\$ (4,049,645)	\$ (10,309,848)	\$ (5,474,762)	\$ (5,757,577)	\$ (6,174,483)	\$ (6,125,145)
Public safety	(28,881,752)	(28,949,903)	(28,884,799)	(28,961,863)	(26,386,116)	(26,092,259)	(20,672,352)	(20,600,319)	(20,546,089)	(19,199,590)
Community services	(9,731,612)	1,884,970	(3,917,213)	(1,313,992)	(3,411,041)	944,606	364,556	(3,335,438)	(6,599,898)	(6,562,502)
Health and welfare	(8,705,392)	(10,475,274)	(9,792,586)	(9,167,379)	(8,247,807)	(6,690,960)	(6,030,320)	(7,073,354)	(6,406,502)	(5,893,761)
Parks, recreation and culture	(8,793,796)	(8,551,138)	(8,652,190)	(8,563,218)	(8,670,327)	(7,325,739)	(7,233,493)	(6,526,597)	(5,359,486)	(6,414,849)
Education	(57,090,767)	(41,515,221)	(40,714,160)	(43,935,737)	(35,410,891)	(33,839,289)	(31,194,204)	(29,798,025)	(28,715,086)	(28,369,905)
Conservation and development	(7,260,509)	(6,957,506)	(8,470,990)	(9,712,255)	(6,116,385)	(5,705,308)	(6,978,275)	(5,342,551)	(5,383,167)	(4,505,183)
Other activities	-	-	-	-	(598,025)	(324,511)	(200,663)	(56,942)	(359,361)	(106,859)
Interest on long-term debt	(2,733,665)	(2,454,390)	(2,235,928)	(1,937,644)	(2,005,594)	(1,796,925)	(1,637,089)	(1,444,329)	(1,479,355)	(1,651,966)
Total governmental activities	<u>(133,288,742)</u>	<u>(104,075,397)</u>	<u>(111,104,114)</u>	<u>(112,436,937)</u>	<u>(94,895,831)</u>	<u>(91,140,233)</u>	<u>(79,056,602)</u>	<u>(79,935,132)</u>	<u>(81,023,427)</u>	<u>(78,829,760)</u>
Business-type activities:										
Water	923,063	1,125,846	1,916,638	926,326	1,263,167	1,181,725	1,090,598	1,149,860	610,001	355,146
Sewer	649,514	112,116	1,953,150	1,626,374	1,222,057	1,706,914	1,345,531	282,762	97,177	422,220
Gas	5,490,647	4,748,672	2,480,738	7,791,058	3,278,993	3,347,223	3,050,059	4,529,917	4,612,117	998,899
Golf course	<u>349,012</u>	<u>(78,561)</u>	<u>(116,091)</u>	<u>(138,505)</u>	<u>(37,697)</u>	<u>(24,630)</u>	<u>28,500</u>	<u>(23,229)</u>	<u>28,757</u>	<u>184,437</u>
Total business-type activities	<u>7,412,236</u>	<u>5,908,073</u>	<u>6,234,435</u>	<u>10,205,253</u>	<u>5,726,520</u>	<u>6,211,232</u>	<u>5,514,688</u>	<u>5,939,310</u>	<u>5,348,052</u>	<u>1,960,702</u>
Total Primary Government Net Expense	\$ (125,876,506)	\$ (98,167,324)	\$ (104,869,679)	\$ (102,231,684)	\$ (89,169,311)	\$ (84,929,001)	\$ (73,541,914)	\$ (73,995,822)	\$ (75,675,375)	\$ (76,869,058)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
General Revenues										
General property taxes	\$ 55,401,204	\$ 55,625,137	\$ 57,299,828	\$ 52,783,908	\$ 51,813,831	\$ 47,031,353	\$ 42,645,296	\$ 39,800,587	\$ 35,042,203	\$ 31,383,206
Sales tax	8,956,683	9,312,664	9,588,558	10,221,226	10,298,470	9,565,488	9,001,835	8,294,661	7,850,734	7,825,769
Utility tax	4,491,361	4,419,303	4,644,592	4,466,584	7,440,973	7,124,868	6,863,039	6,750,575	6,632,604	6,300,637
Communications tax	3,335,988	3,352,581	3,338,662	3,674,556	-	-	-	-	-	-
Meals tax	6,861,066	6,454,663	6,522,572	6,741,885	6,441,521	6,115,832	5,745,899	5,412,912	3,855,609	3,832,968
Lodging tax	2,460,055	2,475,914	2,286,843	2,476,572	2,356,436	2,100,084	1,909,540	1,585,307	1,447,252	1,492,003
Other taxes	4,317,180	3,762,710	3,596,854	3,742,319	2,591,960	3,034,587	2,692,632	1,994,088	1,955,570	3,795,553
Business licenses, fees, & permits	6,061,192	6,502,949	7,295,646	5,953,851	5,514,900	7,766,206	5,448,552	5,189,311	4,609,468	4,567,689
Grants and contributions not restricted to	25,229,997	25,160,421	21,166,672	20,083,095	17,683,149	15,361,163	13,513,099	13,989,182	12,863,038	19,082,348
Interest and investment earnings	538,029	918,853	1,435,592	1,904,366	1,655,643	509,683	119,567	199,430	256,442	567,657
Miscellaneous	-	-	-	-	-	-	926,948	402,189	165,099	2,100,602
Gain (loss) from sale of assets	-	-	-	-	-	3,130	4,363	51,186	93,162	-
Total governmental activities	<u>117,652,755</u>	<u>117,985,195</u>	<u>117,175,819</u>	<u>112,048,362</u>	<u>105,796,883</u>	<u>98,612,394</u>	<u>88,870,770</u>	<u>83,669,428</u>	<u>74,771,181</u>	<u>80,948,432</u>
Business-type activities:										
Interest and Investment Earnings	204,224	240,142	246,926	409,406	353,056	262,717	139,255	118,783	123,135	134,072
Gain (loss) from sale of assets	-	-	-	-	-	-	-	-	8,281	(14,743)
Total business-type activities	<u>204,224</u>	<u>240,142</u>	<u>246,926</u>	<u>409,406</u>	<u>353,056</u>	<u>262,717</u>	<u>139,255</u>	<u>118,783</u>	<u>131,416</u>	<u>119,329</u>
Total Primary Government Revenues	\$ 117,856,979	\$ 118,225,337	\$ 117,422,745	\$ 112,457,768	\$ 106,149,939	\$ 98,875,111	\$ 89,010,025	\$ 83,788,211	\$ 74,902,597	\$ 81,067,761
Change in Net Assets										
prior to restatement	\$ (8,019,527)	\$ 20,058,013	\$ 12,553,066	\$ 10,226,084	\$ 16,980,628	\$ 13,946,110	\$ 15,468,111	\$ 9,792,389	\$ (772,778)	\$ 4,198,703
Restatement	-	-	-	250,271	-	-	-	-	-	-
Total change in Net Assets	\$ (8,019,527)	\$ 20,058,013	\$ 12,553,066	\$ 10,476,355	\$ 16,980,628	\$ 13,946,110	\$ 15,468,111	\$ 9,792,389	\$ (772,778)	\$ 4,198,703

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

*Certain amounts have been restated consistent with detail in note 19.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE III

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2011*	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Fund										
Reserved	\$ -	\$ 1,180,647	\$ 643,413	\$ 1,368,723	\$ 970,434	\$ 715,230	\$ 979,023	\$ 548,083	\$ 509,665	\$ 934,462
Unreserved:										
Designated	-	10,363,172	4,651,197	6,376,108	6,150,417	3,921,815	1,118,013	572,500	217,376	2,557,694
Undesignated	-	24,271,261	27,150,245	19,563,961	21,694,729	21,650,695	17,095,548	12,730,626	11,287,004	11,023,394
Total General Fund	\$ -	\$ 35,815,080	\$ 32,444,855	\$ 27,308,792	\$ 28,815,580	\$ 26,287,740	\$ 19,192,584	\$ 13,851,209	\$ 12,014,045	\$ 14,515,550
All Other Governmental Funds										
Reserved	\$ -	\$ 14,555,925	\$ 30,741,006	\$ 18,829,365	\$ 20,416,889	\$ 21,159,692	\$ 6,473,784	\$ 4,444,034	\$ 7,284,889	\$ 4,742,759
Unreserved:										
Capital Projects Funds	-	6,866,651	(3,843,863)	9,286,536	(2,598,765)	(19,456,521)	1,515,231	-	878,060	1,099,235
Social Service Funds	-	483,543	483,439	484,529	397,142	-	-	-	-	-
Special Revenue Funds	-	1,328,208	1,566,636	1,018,241	1,043,964	-	-	-	-	7,969
Debt Service Funds	-	9,547,048	9,156,884	7,927,132	5,541,445	4,962,807	3,914,959	2,112,688	980,610	807,264
Permanent Fund	-	162,501	162,501	162,501	162,501	-	-	-	-	-
Total All Other Governmental Funds	\$ -	\$ 32,943,876	\$ 38,266,603	\$ 37,708,304	\$ 24,963,176	\$ 6,665,978	\$ 11,903,974	\$ 6,556,722	\$ 9,143,559	\$ 6,657,227
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	462,244	-	-	-	-	-	-	-	-	-
Committed	7,880,345	-	-	-	-	-	-	-	-	-
Assigned	5,945,930	-	-	-	-	-	-	-	-	-
Unassigned	25,855,782	-	-	-	-	-	-	-	-	-
Total General Fund	\$ 40,144,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds										
Nonspendable	\$ 3,380,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	20,687,703	-	-	-	-	-	-	-	-	-
Committed	9,508,177	-	-	-	-	-	-	-	-	-
Assigned	1,681,261	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 35,257,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

*Note: Fiscal years 2002 through 2010 have not been restated per GASB 54.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE IV

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
General Property Taxes	\$ 92,111,297	\$ 92,251,458	\$ 94,490,618	\$ 90,392,806	\$ 86,324,017	\$ 80,203,931	\$ 73,521,654	\$ 68,172,692	\$ 57,340,694	\$ 54,991,385
Fee and Permits	1,825,729	1,640,727	1,836,514	1,915,907	1,837,978	1,594,542	1,553,833	1,427,780	5,115,283	5,076,068
Special Assessments	-	-	-	-	-	-	-	27,879	17,379	33,628
Intergovernmental Revenue	58,235,118	67,888,839	62,127,824	57,515,459	48,120,385	49,318,664	51,217,592	44,565,174	38,912,283	37,735,162
Charges for Services	10,201,768	8,068,430	7,348,673	7,655,338	7,853,305	6,701,437	7,705,664	7,098,121	5,598,785	4,893,530
Fines and Forfeitures	567,027	392,515	383,480	475,064	530,007	508,322	541,733	595,895	585,414	574,155
Miscellaneous Revenues	2,011,104	2,724,433	2,753,583	2,883,321	2,974,966	2,117,750	1,978,995	1,591,096	1,918,569	3,098,130
Total Governmental Revenues	164,952,043	172,966,402	168,940,692	160,837,895	147,640,658	140,444,646	136,519,471	123,478,637	109,488,407	106,402,058
Expenditures										
General Government	14,653,299	13,844,581	17,980,145	16,701,263	12,784,574	13,578,371	10,834,059	10,086,890	9,990,553	9,905,011
Public Safety	30,460,236	30,760,038	29,927,240	30,623,911	27,632,491	26,189,309	26,350,201	24,461,723	20,991,218	19,661,571
Community Services	21,264,573	21,000,353	22,183,823	16,398,832	14,126,876	13,117,616	12,805,735	12,576,913	13,315,268	13,830,122
Health and Welfare	30,929,233	31,483,056	30,082,148	29,361,163	27,205,434	24,879,122	25,021,811	24,681,509	23,823,022	22,942,745
Parks, Recreation and Culture	9,870,613	9,123,591	9,386,707	9,209,286	9,037,193	7,746,830	7,513,978	6,802,315	6,088,126	6,524,544
Education (1)	41,068,749	41,104,359	40,957,870	41,048,697	34,565,396	33,407,671	31,795,902	29,868,001	29,035,453	26,135,207
Conservation and Development	7,109,914	6,395,913	7,957,922	9,203,474	5,710,481	5,477,804	6,497,278	4,824,237	7,367,636	4,042,160
Debt Service										
Principal	6,236,895	5,926,396	5,241,154	4,780,080	5,676,011	5,292,120	4,129,049	4,080,654	3,809,508	3,537,985
Interest	2,550,831	2,407,670	2,029,199	1,926,049	1,757,672	1,779,021	1,289,650	1,315,622	1,636,479	1,673,406
Cost of Issuance	94,848	107,867	146,910	122,388	145,774	3,278	110,991	10,722	77,605	42,331
Other Activities	298,737	276,671	375,443	460,951	193,864	321,233	167,858	46,220	264,352	106,859
Capital Outlay	9,882,212	28,702,858	17,694,234	7,129,337	6,827,030	8,719,385	23,908,132	9,250,083	5,173,466	11,984,643
Total Governmental Expenditures	174,420,140	191,133,353	183,962,795	166,965,431	145,662,796	140,511,760	150,424,644	128,004,889	121,572,686	120,386,584
Excess of Revenues over (under) Expenditures	(9,468,097)	(18,166,951)	(15,022,103)	(6,127,536)	1,977,862	(67,114)	(13,905,173)	(4,526,252)	(12,084,279)	(13,984,526)
Other Financing Sources (Uses)										
Transfers from other funds	27,888,963	30,642,076	26,846,844	31,768,783	30,645,585	23,411,667	22,922,347	21,809,186	18,785,326	17,991,142
Transfers to other funds	(22,054,595)	(24,733,114)	(21,669,705)	(27,046,086)	(26,154,813)	(19,760,389)	(18,160,705)	(18,032,607)	(15,519,194)	(14,907,229)
Premium on issuance of debt	616,989	93,887	575,073	305,527	-	-	-	-	-	-
Proceeds from debt issuance	9,650,400	10,211,600	15,017,552	12,434,520	12,629,400	-	19,962,475	-	16,574,431	6,100,000
Refunding bond issued	-	-	1,325,700	3,547,500	-	-	2,913,333	-	-	-
Payment to refunded bond escrow agent	-	-	(1,378,999)	(3,644,368)	-	-	(3,043,650)	-	(10,007,006)	-
Sale of capital assets	9,000	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	16,110,757	16,214,449	20,716,465	17,365,876	17,120,172	3,651,278	24,593,800	3,776,579	9,833,557	9,183,913
Net Change in Fund Balances	\$ 6,642,660	\$ (1,952,502)	\$ 5,694,362	\$ 11,238,340	\$ 19,098,034	\$ 3,584,164	\$ 10,688,627	\$ (749,673)	\$ (2,250,722)	\$ (4,800,613)
Debt service as a percentage of noncapital expenditures										
Total debt service expenditures	\$ 8,787,726	\$ 8,334,066	\$ 7,270,353	\$ 6,706,129	\$ 7,433,683	\$ 7,071,141	\$ 5,418,699	\$ 5,396,276	\$ 5,445,987	\$ 5,211,391
Total governmental expenditures	174,420,140	191,133,353	183,962,795	166,965,431	145,662,796	140,511,760	150,424,644	128,004,889	121,572,686	120,386,584
Change in Capital Assets	(14,212,438)	(32,444,266)	(22,765,689)	(9,371,741)	(8,702,265)	(9,569,115)	(26,278,015)	(10,938,370)	(7,187,897)	(13,934,225)
Noncapital Expenditures	<u>\$ 160,207,702</u>	<u>\$ 158,689,087</u>	<u>\$ 161,197,106</u>	<u>\$ 157,593,690</u>	<u>\$ 136,960,531</u>	<u>\$ 130,942,645</u>	<u>\$ 124,146,629</u>	<u>\$ 117,066,519</u>	<u>\$ 114,384,789</u>	<u>\$ 106,452,359</u>
Debt service as a percentage of noncapital expenditures	5.49%	5.25%	4.51%	4.26%	5.43%	5.40%	4.36%	4.61%	4.76%	4.90%

Source: City of Charlottesville Comprehensive Annual Financial Report - Exhibit D.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE V

TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

Fiscal Year	Total Taxes	Property Taxes (1)	Sales and Use Taxes	Utility and Communications Taxes (2)	Meals Tax (3)	Lodging Tax	Business License Tax	Franchise Taxes (2)	Tax on Bank Stock	Tax on Wills and Deeds	Other Taxes
2011	\$92,111,297	\$ 57,336,116	\$ 8,956,683	\$ 7,827,349	\$ 6,861,066	\$ 2,460,055	\$ 6,061,192	\$ 26,402	\$1,358,812	\$ 436,709	\$ 786,913
2010	92,251,458	57,520,194	9,312,664	7,771,884	6,454,663	2,475,914	6,502,949	3,500	975,779	403,918	829,993
2009	94,490,618	58,750,030	9,588,558	7,983,254	6,522,572	2,286,843	7,295,646	12,397	639,849	473,913	937,556
2008	90,392,806	54,596,231	10,221,226	8,141,140	6,741,885	2,476,572	5,953,851	8,843	605,562	665,969	981,527
2007	86,324,017	51,679,757	10,298,470	7,440,973	6,441,521	2,356,436	5,514,900	238,551	569,324	718,396	1,065,689
2006	80,203,931	46,830,323	9,565,488	7,124,868	6,115,832	2,100,084	5,432,749	420,114	620,707	786,322	1,207,444
2005	73,521,654	42,612,902	9,001,835	7,280,928	5,745,899	1,909,540	4,695,807	403,128	489,668	507,188	874,759
2004	68,172,692	39,685,234	8,294,661	6,750,575	5,412,912	1,585,307	4,449,915	349,918	459,424	340,408	844,338
2003	61,429,867	35,598,925	7,850,734	6,978,210	3,855,609	1,447,252	4,089,173	324,867	517,194	258,803	509,100
2002	59,040,222	33,354,871	7,825,769	6,666,349	3,832,968	1,492,003	4,048,837	340,066	784,853	202,493	492,013

Source: City of Charlottesville Comprehensive Annual Financial Report Exhibit G

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VI

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

Taxable Year	Real Estate	Public Service Real Estate	Total Taxable Real Property Assessed Value	Real Property Direct Tax Rate	Tax Exempt Real Property	Total Value Real Property
2011	\$ 5,282,859,100	\$ 135,463,526	\$ 5,418,322,626	\$ 0.95	\$ 1,016,346,400	\$ 6,434,669,026
2010	5,257,182,700	135,809,935	5,392,992,635	0.95	1,053,205,500	6,446,198,135
2009	5,251,290,000	116,776,088	5,368,066,088	0.95	1,045,198,200	6,413,264,288
2008	5,181,954,900	114,181,608	5,296,136,508	0.95	885,548,300	6,181,684,808
2007	4,826,991,400	121,343,088	4,948,334,488	0.95	869,720,800	5,818,055,288
2006	4,211,772,300	122,531,726	4,334,304,026	0.99	865,609,200	5,199,913,226
2005	3,595,449,500	127,545,711	3,722,995,211	1.05	767,043,300	4,490,038,511
2004	3,179,150,000	150,021,836	3,329,171,836	1.09	718,612,500	4,047,784,336
2003	2,842,231,400	156,786,517	2,999,017,917	1.09	714,202,500	3,713,220,417
2002	2,541,425,500	149,584,177	2,691,009,677	1.11	685,737,800	3,376,747,477

Source: Records of the City Assessor and State Corporation Commission

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VII

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

Year	Public Service				
	Real Property	Personal Property	Machinery & Tools	Real Property	Personal Property
2011	\$ 0.95	\$ 4.20	\$ 4.20	\$ 0.95	\$ 4.20
2010	0.95	4.20	4.20	0.95	4.20
2009	0.95	4.20	4.20	0.95	4.20
2008	0.95	4.20	4.20	0.95	4.20
2007	0.95	4.20	4.20	0.95	4.20
2006	0.99	4.20	4.20	0.99	4.20
2005	1.05	4.20	4.20	1.05	4.20
2004	1.09	4.20	4.20	1.09	4.20
2003	1.09	4.20	4.20	1.09	4.20
2002	1.11	4.20	4.20	1.11	4.20

Source: City of Charlottesville Director of Finance

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VIII

**PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS PRIOR
JUNE 30, 2011**

Taxpayer	Type of Business	2011 Assessed Valuation (1)	Tax Amount	Rank	Percentage of Total Assessed Valuation (1)	2002 Assessed Valuation (1)	Tax Amount(2)	Rank	Percentage of Total Assessed Valuation (1)
Federal Realty Investment Trust	Shopping Center	\$ 87,565,600	\$ 831,873	1	1.66 %	\$ 55,210,000	\$ 612,831	1	2.17 %
Caton, Douglas E.	Real Estate	57,258,400	543,955	2	1.08	-	-	-	-
Dominion Virginia Power Company	Public Utilities	54,636,985	519,051	3	1.03	34,028,155	377,713	3	1.34
Wade Apartments	Apartments	42,719,600	405,836	4	0.81	19,098,000	211,988	4	0.75
CenturyLink	Public Utility	39,019,254	370,683	5	0.74	46,082,149	511,512	2	1.81
Peyton Associates Partnership	Real Estate	36,989,000	351,396	6	0.70	-	-	-	-
Pavilion, LLC	Apartments	34,605,700	328,754	7	0.66	-	-	-	-
Towers Limited Partnership, ETAL	Real Estate	33,763,900	320,757	8	0.64	12,227,600	135,726	8	0.48
University of Virginia Foundation	Real Estate	30,568,800	290,404	9	0.58	-	-	-	-
Dogwood Properties (Keith O. Woodward)	Real Estate	25,471,500	241,979	10	0.48	-	-	-	-
Hyperion Telecommunications	Telecommunications	-	-	-	-	16,217,350	180,013	5	0.64
Jefferson Court Associates	Hotel	-	-	-	-	13,075,000	145,133	6	0.51
Reed Elsevier, Inc.	Publisher	-	-	-	-	12,582,900	139,670	7	0.50
Adelphia Business Solutions of VA	Cable Service	-	-	-	-	11,501,231	127,664	9	0.45
Wachovia Bank National Association	Bank	-	-	-	-	11,096,600	123,172	10	0.44
		<u>\$ 442,598,739</u>	<u>\$ 4,204,688</u>		<u>8.38 %</u>	<u>\$ 231,118,985</u>	<u>\$ 2,565,421</u>		<u>9.09 %</u>

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

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

(2) tax rate of \$1.11

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE IX

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Collections in Subsequent Years (1)	Total Collection to Date		
		Amount	Percentage of Levy			Amount	Percentage of Levy	
2011	\$ 59,302,625	\$ 58,308,249	98.32	%	\$ -	\$ 58,308,249	98.32	%
2010	59,534,997	58,243,180	97.83		995,024	59,238,204	99.50	
2009	59,406,086	57,725,159	97.17		1,528,580	59,253,739	99.74	
2008	55,670,857	53,115,813	95.41		2,738,960 (2)	55,854,773	100.33	
2007	51,474,969	50,586,848	98.27		1,317,013	51,903,861	100.83	
2006	46,625,077	44,440,033	95.31		1,826,999	46,267,032	99.23	
2005	42,781,336	42,089,865	98.38		1,259,709	43,349,574	101.33	
2004	39,321,514	38,825,366	98.74		1,521,987	40,347,353	102.61	
2003	36,129,630	35,643,434	98.65		1,466,705	37,110,139	102.71	
2002	33,524,660	32,853,442	98.00		1,554,131	34,407,573	102.63	

Source: Treasurer of the City of Charlottesville

- (1) Delinquent Collections in fiscal years 2009 and later include only the current year tax levy and receipts collected in subsequent years.
 - (2) Delinquent Collections in fiscal years 2002 to 2008 include receipts collected within the fiscal year for all prior year levies.
- Data is not available in these years to segregate data by fiscal year.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE X

**ESTIMATED VALUE OF TAX-EXEMPT PROPERTY
LAST TEN FISCAL YEARS
JUNE 30, 2011**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Federal	\$ 21,652,500	\$ 21,652,500	\$ 21,652,500	\$ 18,828,200	\$ 18,828,200	\$ 18,828,200	\$ 16,834,000	\$ 15,881,200	\$ 15,881,200	\$ 22,749,500
State and regional	324,752,400	323,065,400	323,065,400	414,912,500	388,439,300	390,676,700	350,604,200	331,839,600	331,839,600	326,495,100
Local	192,885,400	190,835,500	188,028,700	221,429,200	202,665,400	196,321,600	175,287,100	165,172,900	163,376,600	147,835,200
Religious, charitable, educational and other	477,056,100	517,652,100	512,451,600	230,378,400	259,787,900	259,782,700	224,318,000	205,718,800	203,105,100	188,658,000
Total	<u>\$ 1,016,346,400</u>	<u>\$ 1,053,205,500</u>	<u>\$ 1,045,198,200</u>	<u>\$885,548,300</u>	<u>\$869,720,800</u>	<u>\$ 865,609,200</u>	<u>\$767,043,300</u>	<u>\$718,612,500</u>	<u>\$714,202,500</u>	<u>\$685,737,800</u>

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XI

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

Fiscal Year	Population (1)	Real Estate Assessed Value	Gross Bonded Debt (2)	Net Bonded Debt (2)	Total Debt Service (2)	General Fund Expenditures and Net Other Financing Sources	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita	Ratio of Debt Service to Total General Fund Expenditures and Transfers
2011	43,475	\$ 5,282,859,100	\$ 76,002,100	\$ 66,493,923	\$8,882,574	\$127,413,032	1.26 %	\$1,529	6.97 %
2010	40,745	5,257,182,700	72,117,050	62,570,002	8,441,933	127,775,530	1.19	1,536	6.61
2009	40,745	5,251,290,000	67,663,745	58,506,861	7,417,263	124,813,778	1.11	1,436	5.94
2008	40,745	5,181,954,900	57,773,730	49,846,598	6,828,517	127,423,919	0.96	1,223	5.36
2007	40,745	4,826,991,400	49,829,415	44,287,970	7,579,457	115,691,159	0.92	1,087	6.55
2006	40,745	4,211,772,300	40,897,600	35,934,791	7,074,417	107,022,501	0.85	882	6.61
2005	40,745	3,595,449,500	45,135,784	41,220,825	5,529,690	100,130,411	1.15	1,012	5.52
2004	40,099	3,179,150,000	31,353,969	29,241,281	5,406,998	96,651,703	0.92	729	5.59
2003	40,099	2,842,231,400	34,651,566	33,670,956	5,523,592	91,460,640	1.18	840	6.04
2002	40,099	2,541,425,500	31,563,284	30,756,020	5,253,722	84,994,437	1.21	767	6.18

(1) U.S. Census Bureau; 2000 population revised by U.S. Census October 2005; 2010 population was not available at June 30, 2010 publication date

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XII

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

Fiscal Year	Principal	Interest	Total Debt Service	General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
2011	\$ 6,236,895	\$ 2,550,831	\$ 8,787,726	\$ 178,268,372	4.93 %
2010	5,926,396	2,407,670	8,334,066	178,323,894	4.67
2009	5,241,154	2,029,199	7,270,353	174,450,273	4.17
2008	4,780,080	1,926,049	6,706,129	172,263,608	3.89
2007	4,239,294	1,534,641	5,773,935	158,216,806	3.65
2006	4,076,916	1,708,401	5,785,317	142,972,737	4.05
2005	3,804,966	1,249,327	5,054,293	136,982,686	3.69
2004	3,770,342	1,261,527	5,031,869	132,361,768	3.80
2003	3,352,097	1,477,707	4,829,804	123,023,159	3.93
2002	3,094,971	1,553,390	4,648,361	116,966,323	3.97

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XIII

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-Type Activities			Percentage of Personal Income ¹	Per Capita Debt ²
	General Obligation Bonds	Literary Loans	Notes Payable	Total Governmental Debt	General Obligation Notes	Notes Payable	Total Primary Government		
2011	\$ 76,002,100	\$ 118,343	\$ 1,641,771	\$ 77,762,214	\$ 36,693,311	\$ 77,409	\$ 114,532,934	*	\$ 2,634
2010	72,117,050	144,861	2,086,798	74,348,709	25,212,952	151,791	99,713,452	*	2,447
2009	67,492,366	171,379	2,399,760	70,063,505	22,187,636	244,456	92,495,597	4.78 %	2,270
2008	57,575,833	197,897	2,955,229	60,728,959	20,874,169	367,945	81,971,073	4.42	2,012
2007	49,605,000	224,415	3,222,604	53,052,019	19,495,002	128,709	72,675,730	4.28	1,784
2006	40,646,666	250,933	4,878,950	45,776,549	17,948,331	179,386	63,904,266	3.76	1,568
2005	44,758,333	377,451	5,932,885	51,068,669	19,461,667	130,000	70,660,336	4.42	1,734
2004	30,850,000	503,969	3,680,416	35,034,385	20,875,000	-	55,909,385	3.72	1,372
2003	33,969,000	682,566	4,463,473	39,115,039	22,236,000	-	61,351,039	4.38	1,530
2002	30,749,000	814,284	4,565,051	36,128,335	19,276,000	-	55,404,335	4.07	1,382

* Information not available at this time.

Source:

- (1) Regional Economic Information System, Bureau of Economic Analysis (Albemarle County + City of Charlottesville personal income) adjusted for population
- (2) U.S. Census Bureau; 2000 population revised by U.S. Census Bureau October 2005; 2010 population was not available at June 30, 2010 publication date

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XIV

**COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
JUNE 30, 2011**

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Assessed value of real property	<u>\$ 5,282,859,100</u>	<u>\$ 5,257,182,700</u>	<u>\$ 5,251,290,000</u>	<u>\$ 5,181,954,900</u>	<u>\$ 4,826,991,400</u>	<u>\$ 4,211,772,300</u>	<u>\$ 3,595,449,500</u>	<u>\$ 3,179,150,000</u>	<u>\$ 2,842,231,400</u>	<u>\$ 2,541,425,500</u>
Debt limit - 10% of assessed value	\$ 528,285,910	\$ 525,718,270	\$ 525,129,000	\$ 518,195,490	\$ 482,699,140	\$ 421,177,230	\$ 359,544,950	\$ 317,915,000	\$ 284,223,140	\$ 254,142,550
Amount of debt applicable to debt limit	<u>104,947,348</u>	<u>90,014,613</u>	<u>83,094,257</u>	<u>73,675,998</u>	<u>67,005,577</u>	<u>53,883,124</u>	<u>66,615,375</u>	<u>53,796,697</u>	<u>60,370,429</u>	<u>54,597,071</u>
Legal debt margin	<u>\$ 423,338,562</u>	<u>\$ 435,703,657</u>	<u>\$ 442,034,743</u>	<u>\$ 444,519,492</u>	<u>\$ 415,693,563</u>	<u>\$ 367,294,106</u>	<u>\$ 292,929,575</u>	<u>\$ 264,118,303</u>	<u>\$ 223,852,711</u>	<u>\$ 199,545,479</u>
Total net debt applicable to the limit as percentage of debt limit	19.87%	17.12%	15.82%	14.22%	13.88%	12.79%	18.53%	16.92%	21.24%	21.48%

Note: The City has no overlapping debt.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XV

**PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

Fiscal Year	Institutional and other Construction(1)		Commercial Construction(1)		Residential Construction(1)		Bank deposits (2) (in thousands)	Calendar Year	Property Values(3)	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value			Taxable	Nontaxable
2011	26	\$14,429,867	428	\$27,563,274	1,025	\$34,580,411	\$ 2,070,183	2011	\$ 5,282,859,100	\$ 1,016,346,400
2010	14	1,865,091	396	39,852,193	977	28,812,651	2,171,455	2010	5,257,182,700	1,053,205,500
2009	5	866,130	411	51,963,024	1,303	44,220,891	2,029,918	2009	5,251,290,000	1,045,198,200
2008	19	1,591,554	437	57,477,674	1,877	64,651,771	2,033,978	2008	5,181,954,900	885,548,300
2007	12	785,502	399	38,422,556	2,034	82,434,409	2,014,905	2007	4,826,991,400	869,720,800
2006	7	3,618,401	486	42,882,837	1,911	91,935,173	1,906,178	2006	4,211,771,400	865,609,200
2005	14	784,092	373	25,166,409	1,795	63,368,326	1,919,294	2005	3,595,449,500	767,043,300
2004	33	1,749,581	452	34,525,328	1,514	34,378,480	1,470,055	2004	3,179,150,000	718,612,500
2003	51	1,859,381	366	28,858,612	1,329	32,500,033	1,405,099	2003	2,842,141,400	714,202,500
2002	85	8,726,805	493	30,910,925	1,402	22,590,140	1,332,512	2002	2,540,652,400	685,737,800

(1) Department of Neighborhood Planning, City of Charlottesville

(2) FDIC Summary of deposits

(3) Real property values only

**DEMOGRAPHIC STATISTICS
LAST TEN CALENDAR YEARS**

Year	Population (1)	School Membership (2)	Unemployment Rate (3)	Total Personal Income (4) (000s)	Per Capita Income (4)	Taxable Sales (5) (thousands)	Sales per Capita
2011	43,475	3,874	*	*	*	*	*
2010	40,745	3,915	6.9	*	*	\$ 814,017	19,978
2009	40,745	3,997	6.4	\$6,330,202	\$ 46,163	830,895	20,393
2008	40,745	4,089	3.9	6,383,281	46,969	867,331	21,287
2007	40,745	4,084	3.1	6,059,782	45,275	895,967	21,990
2006	40,745	4,130	3.2	5,757,875	43,416	854,623	20,975
2005	40,745	4,224	3.7	5,240,402	39,981	721,660	17,712
2004	40,099	4,224	4.0	4,901,470	37,828	775,827	19,348
2003	40,099	4,230	4.1	4,544,173	35,464	726,123	18,108
2002	40,099	4,256	3.9	4,334,369	33,975	706,597	17,621

* Information not available at this time.

Source:

- (1) U.S. Census Bureau; 2000 population revised by U.S. Census Bureau October 2005; 2010 population was not available at June 30, 2010 publication date
- (2) Fall Membership Charlottesville Public Schools
- (3) Virginia Employment Commission, Local Area Unemployment Statistics, Charlottesville Community Profile and represents unemployment for the calendar year
- (4) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce: Albemarle County + City of Charlottesville
- (5) Annual Report, Taxable Sales in Virginia Counties and Cities, Commonwealth of Virginia, Department of Taxation

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XVII

**PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS PRIOR
JUNE 30, 2011**

Employer	2011		2002	
	Rank	Number of Employees	Rank	Number of Employees
University of Virginia Medical Center	1	1000+	1	1000+
Martha Jefferson Hospital	2	1000+	2	1000+
City of Charlottesville	3	1000+	4	1000+
Charlottesville City School Board	4	500-999	5	500-999
Aramark Campus	5	500-999	7	500-999
SNL Security LP	6	250-499	16	250-499
Design Electric	7	250-499	19	100-249
Pharmaceutical Research Association	8	250-499	10	250-499
Kroger	9	250-499	13	250-499
Rmc Events	10	250-499	-	-
Matthew Bender & Company			9	250-499
University of Virginia/Blue Ridge Hospital			3	1000+
U.S. Department of Defense			6	500-999
Wal-Mart			8	500-999

Source: Virginia Employment Commission 50 Largest Employers during 4th Quarter (October, November, December) 2010

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XVIII

GOVERNMENT EMPLOYEES BY FUNCTION
JUNE 30, 2011

<u>Department</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Management									
Mayor/Council	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
City Manager's Office/Administration and Communications	8.00	8.00	8.00	9.00	9.00	10.00	10.00	9.00	10.00
City Manager's Office/Office of Economic Development	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00
City Attorney	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Voting Registrar	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total	21.50	21.50	21.50	22.50	22.50	23.50	24.50	23.50	24.50
Internal Services									
Finance Department: Purchasing/Risk Management/Warehouse	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Information Technology	18.00	18.00	18.00	18.00	18.00	18.00	18.00	17.66	17.66
Human Resources	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Total	32.00	32.00	32.00	32.00	32.00	32.00	32.00	31.66	31.66
Financial Services									
Commissioner of Revenue	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Finance Department: Management/Real Estate Assessment/Gas and Water Collections	34.00	34.00	34.00	33.00	33.00	32.00	35.50	35.51	35.51
Treasurer	13.00	13.00	13.00	13.00	13.00	13.00	13.00	12.50	12.50
Total	60.00	60.00	60.00	59.00	59.00	58.00	61.50	61.01	61.01
Healthy Families & Community									
Charlottesville/Albemarle Visitors Bureau ¹	10.00	10.00	10.00	10.00	10.00	8.00	8.00	8.00	8.00
Community Attention	34.25	33.00	26.00	26.00	26.00	27.25	27.75	26.45	26.45
Children & Youth Commission/CCF	0.00	1.00	1.00	1.00	1.00	5.43	5.43	-	-
Department of Social Services	99.850	98.850	104.925	106.175	106.175	106.675	105.625	101.93	101.93
Neighborhood Development Services	32.00	32.00	32.00	31.00	30.00	29.00	29.00	26.50	28.50
Parks and Recreation/Parks Maintenance	37.00	38.00	39.00	40.00	40.00	36.00	36.00	33.00	33.00
Parks & Rec/Recreation	26.75	25.25	25.50	26.00	26.63	24.65	25.65	40.00	40.00
Parks & Rec/Golf Courses	8.00	8.00	9.00	9.00	8.75	9.00	11.00	18.00	18.00
Parks and Recreation/Downtown Mall	-	-	-	-	-	5.00	5.00	5.00	5.00
CDBG/HOME Grant Coordinator (Grant Funded)	1.00	1.00	1.00	1.00	1.00	-	-	-	-
Weed and Seed Grant	0.00	0.00	0.50	0.50	0.50	1.00	1.00	-	-
Total	248.85	247.10	248.925	250.675	250.055	252.01	254.46	258.88	260.88
Infrastructure/Transportation									
Public Works: Administration, Facilities Management and Maintenance	16.00	16.25	16.25	16.25	16.00	17.00	17.00	15.00	15.00
Public Works: School Building Maintenance	16.00	16.00	14.00	14.00	13.00	9.00	6.00	-	-
Public Works: Fleet Management	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Public Works: Public Service	51.00	51.00	51.00	51.00	51.00	51.00	53.50	53.50	54.50
Public Works: CTS/Greyhound Operations	78.00	78.00	81.50	70.50	66.00	66.00	68.50	76.50	76.50
Public Works: School Pupil Transportation	28.50	28.50	32.00	32.00	23.50	23.50	24.00	-	-
Public Works: Utilities	93.00	93.00	93.00	90.00	89.00	90.00	87.00	87.00	85.00
Public Works: Transfer to Schools	-	-	-	-	-	2.00	2.00	-	-
Total	294.50	294.75	299.75	285.75	270.50	270.50	270.00	244.00	243.00
Public Safety & Justice									
City Sheriff	11.00	11.00	11.00	11.00	11.00	11.00	11.00	12.00	12.00
Commonwealth's Attorney	13.50	13.50	13.50	13.50	13.50	11.50	11.50	10.50	10.50
Courts and Other Support Service	11.00	11.00	11.00	11.00	11.00	11.00	11.00	13.50	13.50
Fire Department: Operations	89.00	89.00	89.00	89.00	89.00	94.00	94.00	94.00	94.00
Police Department	146.00	146.00	146.43	146.43	146.43	146.00	150.00	151.00	146.00
Total	270.50	270.50	270.93	270.93	270.93	273.50	277.50	281.00	276.00
City-Wide Total	927.35	925.85	933.11	920.86	904.99	909.51	919.96	900.05	897.05

Note: FTE positions.

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

¹ These positions are funded cooperatively with Albemarle County.

OPERATING INDICATORS BY FUNCTION
JUNE 30, 2011

	2011	2010	2009	2008	2007	2006
General Government						
Date of incorporation	1888	1888	1888	1888	1888	1888
Form of government	Council-Manager	Council-Manager	Council-Manager	Council-Manager	Council-Manager	Council-Manager
Area	10.4 square miles	10.4 square miles	10.4 square miles	10.4 square miles	10.4 square miles	10.4 square miles
Bond rating:						
Moody's Investor Services	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
Standard & Poor's Corporation	AAA	AAA	AAA	AAA	AAA	AAA
Number of employees:						
City (full-time)	927.4	925.9	933.1	919.9	904.0	905.5
School Board	784	795	796	793	792	810
Elections:						
Number of registered voters:						
Last general election - November, 2008	27,643	27,643	28,678	23,506	22,875	22,875
Last municipal election - November, 2009 *	23,506	23,506	23,506	23,506	23,059	23,059
Number of votes cast in:						
Last general election	20,122	20,122	20,122	6,086	10,208	10,208
Last municipal election	6,086	6,086	6,086	6,086	5,993	5,993
Percentage of registered voters voting in:						
Last general election	72.8%	72.8%	70.2%	25.9%	44.7%	44.7%
Last municipal election	25.9%	25.9%	25.9%	25.9%	26.0%	26.0%
* Municipal elections held in May were moved to November in 2007.						
Public Safety						
Fire protection:						
Number of firefighters and officers (exclusive of volunteer firefighters)	86	86	87	87	87	91
Police protection:						
Number of police officers	117	117	117	117	117	116
Number of arrests - 2006 (excluding traffic)	4,700	5,514	5,773	5,910	6,139	6,492
Traffic Citations Issued	6,793	4,887	5,036	4,229	5,759	6,393
911 calls received	48,008	47,883	48,776	51,250	50,509	51,447
Cases investigated	1,076	1,140	1,268	1,202	1,338	1,224
Parking Violations						
Violations written	21,898	15,501	15,624	19,338	19,483	15,470
Building permits issued	1,479	1,387	1,719	2,333	2,445	2,404
Education						
Schools:						
Number of teachers	423	429	431	420	412	418
Number of students	3,874	3,915	3,997	4,089	4,063	4,130
Pupil: teacher ratio	9.16:1	9.13:1	9.27:1	9.74:1	9.86:1	9.87:1
Public Utilities						
Municipal utilities:						
Gas:						
Number of customers	18,699	18,062	17,851	17,662	17,419	17,125
Average daily consumption	6,894 DTH	7,245 DTH	7,318 DTH	7,938 DTH	7,422 DTH	6,809 DTH
Water:						
Number of customers	14,395	13,814	13,748	13,660	13,470	13,350
Average daily consumption	604 MCF	601 MCF	602 MCF	579 MCF	618 MCF	635 MCF
Sewer:						
Number of customers	14,243	13,688	13,598	13,490	13,300	13,179
Average daily treatment	556 MCF	598 MCF	597 MCF	529 MCF	583 MCF	610 MCF
Public Works						
Refuse disposed at Zion's' Transfer Station (City totals):						
Number of customers	13,200	13,200	13,200	13,200	13,200	13,200
Tons of domestic refuse	6,706	6,681	7,022	7,659	7,873	7,740
Tons of stumps, demolition material, and street sweeping	1,505	1,423	1,250	1,213	1,160	2,286

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XX

CAPITAL ASSET STATISTICS BY FUNCTION
JUNE 30, 2011

	2011	2010	2009	2008	2007	2006
General Government						
Miles of streets	156	156	156	156	156	156
Number of streetlights	5,985	5,960	5,960	5,960	5,960	5,960
Public Safety						
Fire protection:						
Number of stations	3	3	3	3	3	3
Police protection:						
Number of stations	6	6	5	5	5	5
Number of vehicular patrol units	64	64	64	64	64	64
Total vehicles	126	126	126	126	126	126
Motor Cycles	6	6	6	6	6	6
Unmarked cars	42	42	42	42	42	42
Bicycle patrol	15	15	15	15	15	15
Education						
Number of schools	9	9	9	9	9	9
Parks, Recreation, & Culture						
Number of parks	26 (987 acres)	26 (987 acres)	26 (987 acres)	26 (987 acres)	26 (987 acres)	26 (987 acres)
Number of golf courses	2	2	2	2	2	2
Number of swimming pools	5	5	4	6	6	6
Number of recreation centers	6	6	5	6	6	6
Number of libraries	3	3	3	3	3	3
Public Utilities						
Gas:						
Miles of gas main lines	316	315	314	308	302	298
Miles of gas service lines	219	217	214	211	207	204
Water:						
Water treatment plant capacity (millions of gallons per day)	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD	19 MGD
Miles of water lines	178.3	177.7	177	176	179	189
Number of fire hydrants	991	988	975	967	949	948
Sewer:						
Sewer treatment plant capacity (millions of gallons per day)	15	15	15	15	15	15
Miles of sanitary sewers	167	167	166	164	163	173

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

**City of Charlottesville, Virginia
Single Audit Report For the
Year Ended June 30, 2011**

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**Report on Internal Control over Financial Reporting and on Compliance And Other
Matters Based on an Audit Of Financial Statements Performed
in Accordance With *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Charlottesville, Virginia (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audit of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated November 22, 2011.

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

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 22, 2011



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

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

Compliance

We have audited the City of Charlottesville, Virginia (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2011, and have issued our report dated November 22, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Cherry, Bekaert + Holland, LLP

Richmond, Virginia
November 22, 2011

CITY OF CHARLOTTESVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal granting agency/recipient state agency/grant program/grant number	CFDA number	FY2011 Federal expenditures
<u>DEPARTMENT OF AGRICULTURE</u>		
<u>Direct payment:</u>		
Summer Food Service Program for Children	10.559	\$ 40,382
<u>Pass-through payments:</u>		
<u>Virginia Department of Agriculture & Consumer Services</u>		
Food Distribution - USDA Commodities	10.555	73,252
<u>Department of Education</u>		
School Breakfast Program	10.553	318,922
<u>Virginia Department of Youth & Family Services</u>		
School Breakfast Program	10.553	3,738
<u>Department of Education</u>		
National School Lunch Program	10.555	874,405
<u>Virginia Department of Youth & Family Services</u>		
National School Lunch Program	10.555	2,195
<u>Virginia Department of Social Services</u>		
State administrative matching grant for SNAP	10.561	867,212
ARRA - State administrative matching grant for SNAP	10.561	10,785
<u>Department of Education</u>		
School Lunch Program - Fresh Fruit	10.582	47,200
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<u>Direct payments:</u>		
Community Development Block Grant	14.218	891,943
<u>Pass-through payments:</u>		
<u>Thomas Jefferson Planning District Commission</u>		
Housing Opportunities Made Equal (HOME)	14.239	131,488
Sustainable Communities Regional Planning Grant Program	14.703	4,261
<u>DEPARTMENT OF JUSTICE</u>		
<u>Direct payments:</u>		
Drug Court Discretionary Program (2004-DC-BX-0044)	16.585	12,557
Gun Violence Task Force - ATF	16.XXX	3,880
Cyber Crimes Task Force - FBI	16.XXX	2,617
State Criminal Alien Assistance Program (2009-F6920-VA-AP)	16.606	19,953
Bulletproof Vest Partnership Program	16.607	6,187
Edward Byrne Memorial Justice Assistance Grant Program (2008-DJ-BX-0614, 2009-DJ-BX-0006, 2010-DJ-BX-0881)	16.738	40,731
ARRA - Edward Byrne Memorial JAG Program (2009-SB-B9-1940)	16.804	5,565
<u>Pass-through payments:</u>		
<u>Virginia Department of Criminal Justice Services:</u>		
Juvenile Justice & Delinquency Prevention Title II Grant Prgm	16.540	119,576
Crime Victim Assistance (10-P8566VW09)	16.575	84,616
Violence Against Women Formula Grant (09-M9413VA08)	16.588	35,362
<u>Supreme Court of Virginia</u>		
Drug Control & System Improvement - Byrne Formula Grant	16.579	175,925

CITY OF CHARLOTTESVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal granting agency/recipient state agency/grant program/grant number	CFDA number	FY2011 Federal expenditures
<u>DEPARTMENT OF LABOR</u>		
<u>Pass-through payments:</u>		
<u>Piedmont Workforce Network</u>		
ARRA - Workforce Investment Act	17.259	\$ 34,640
<u>DEPARTMENT OF TRANSPORTATION</u>		
<u>Direct payments:</u>		
<u>Federal Transportation Agency</u>		
Federal Transportation Formula Grants	20.507	1,608,376
Federal Transportation Formula Grants - JAUNT	20.507	509,036
ARRA - Federal Transportation Formula Grant	20.507	1,187,946
ARRA - Federal Transportation Formula Grant - JAUNT	20.507	105,700
Job Access - Reverse Commute	20.516	355,904
<u>Pass-through payments:</u>		
<u>Virginia Department of Transportation</u>		
Highway Planning and Construction (First Cities)	20.205	1,348,046
<u>Department of Rail and Public Transportation</u>		
New Freedom Program	20.521	6,421
<u>Department of Motor Vehicles</u>		
State and Community Highway Safety (154AL-2009-59141-3444 & SC-2011-51428-4278)	20.600	17,317
<u>ENVIRONMENTAL PROTECTION AGENCY</u>		
<u>Direct payments:</u>		
<u>DEPARTMENT OF ENERGY</u>		
<u>Direct payments:</u>		
Conservation Research & Development (DE-EE0003663)	81.086	214,026
ARRA - Energy Efficiency & Conservation Block Grant (DE-EE0002033)	81.128	107,750
<u>DEPARTMENT OF EDUCATION</u>		
<u>Direct payments:</u>		
Elementary and Secondary Education Act:		
Title VIII, Impact Aid (SO41B-2005-5233)	84.041	9,044
Title X, Part C, Education for Homeless Children & Youth	84.196	21,123
Partnerships in Character Education - Teaching Am. History	84.215	405,706
Gear Up - Council of Higher Education	84.334	28,779
<u>Pass-through payments:</u>		
<u>Department of Education</u>		
Adult Basic Education	84.002	46,299
Adult English Literacy/Civics Education Program (192-02-10)	84.002	138,990
NCLB - Title I Part A Chapter I: LEA (104-01-01)	84.010	1,761,021
NCLB - Title I, Part D, Subpart 2 - Neglected & Delinquent	84.013	204,920
IDEA - Part B Section 611 - Sp. Ed. Flow Th. (104-0001FT)	84.027	997,363
Career & Technical Education Basic Grants to States (171-03-50)	84.048	89,806

CITY OF CHARLOTTESVILLE, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Federal granting agency/recipient state agency/grant program/grant number	CFDA number	FY2011 Federal expenditures
IDEA - Part B Section 619 Sp. Ed. Preschool (104-PS00-01)	84.173	41,644
NCLB - Title IV Part A - Safe & Drug Free Schools	84.186	9,090
Title IV Part B - Twenty First Century	84.287	12,516
Reading in Middle School	84.310	\$ 6,279
NCLB - Title II, Part D, Enhanc. Ed through Tech (107-110)	84.318	1,470
Read First State Grant	84.357	16,129
NCLB - Title III Part A - English Language Acquisition	84.365	37,991
Title II, Part A, ESEA Improving Teacher Quality (104-99)	84.367	298,733
NCLB - Title II, Part D, Enhanc. Ed through Tech (107-110) ARRA	84.386	12,470
NCLB - Title I Part A Chapter I: LEA (104-01-01) ARRA	84.389	598,572
IDEA - Part B Section 611 - Sp. Ed. Flow Th. (104-0001FT) ARRA	84.391	634,627
IDEA - Part B Section 619 Sp. Ed. Preschool (104-PS00-01) ARRA	84.392	32,103
State Fiscal Stabilization ARRA	84.394	977,211

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Pass-through payments:

Department of Social Services

Promoting Safe & Stable Families	93.556	59,325
Temporary Assistance for Needy Families	93.558	796,665
Refugee & Entrant Assistance - State Administered Programs	93.566	32,795
Low-Income Home Energy Assistance	93.568	32,565
Child Care & Development Block Grant - CCDF	93.575	276,547
ARRA Child Care & Development Block Grant	93.7.13	207
Child Care Mandatory & Matching Funds of CCDF	93.596	667,604
ARRA Child Care & Development Block Grant	93.713	56,392
Chafee Education & Training Vouchers Programs	93.599	28,718
Child Welfare Services - State Grants	93.645	3,827
Foster Care – Title IV-E	93.658	1,377,452
ARRA Foster Care – Title IV-E	93.658	76,071
Adoption Assistance	93.659	367,637
ARRA Adoption Assistance	93.659	22,869
Social Services Block Grant	93.667	544,226
Chafee Foster Care Independence Program	93.674	38,010
State Children's Insurance Program	93.767	25,848
Medical Assistance Program (Medicaid; Title XIX)	93.778	513,632

DEPARTMENT OF HOMELAND SECURITY

Direct payments:

CBRNE Equipment Grant (10-A2165HS09)	97.073	279,900
<u>Virginia Department of Emergency Management</u>		
State Homeland Security Grant Program (2009SHSP)	97.073	14,338

Total	<u><u>\$ 20,864,428</u></u>
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CITY OF CHARLOTTESVILLE, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

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

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

3. SUBRECIPIENTS

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

Program Title	CFDA	Amount	Subrecipients
Community Development Block Grant	14.218	\$891,943	Various Housing & Social Programs
Drug Control & System Improvement	16.579	175,925	Offender Aid & Restoration
Drug Court Discretionary Program	16.585	12,557	Offender Aid & Restoration
State Criminal Alien Assistance Program	16.606	19,953	Charlottesville-Albemarle Regional Jail
Federal Highway Administration	20.507	614,736	JAUNT
Energy Conservation Research & Development	81.086	214,026	Aker Wade Technologies
Energy Efficiency & Conservation Block Grant	81.128	107,750	Local energy Alliance Program
Promoting Safe & Stable Families	93.556	59,325	Jefferson Area CHIP
Temporary Assistance for Needy Families	93.558	<u>796,665</u>	Region Ten/ Children Youth & Family Services
		\$2,892,880	

CITY OF CHARLOTTESVILLE, VIRGINIA
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENT

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

	General Government	Capital Projects	Social Services	Other Governmental	Governmental Total	Component Unit - Schools	Total
Intergovernmental revenue per financial statements	\$30,702,568	\$3,166,507	\$9,884,117	\$14,626,006	\$58,379,198	\$ 25,322,255	\$83,701,453
Less: amounts not related to federal financial assistance	30,689,884	1,748,113	4,085,730	8,613,705	45,137,432	17,626,590	62,764,022
Add: prior year unearned revenue expended in the current year	-	70,348	-	-	70,348	-	70,348
Total schedule of expenditures of federal awards	\$ 12,684	\$1,348,046	\$ 5,798,387	\$ 6,009,646	\$ 13,171,418	\$ 7,695,665	\$20,864,428

5. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

CITY OF CHARLOTTESVILLE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

A. Summary of Auditors' Results

1. The type of report issued on the basic financial statements: **Unqualified opinions**
2. Significant deficiencies in internal control disclosed by the audit of the financial statements: **No**

Material weaknesses: **No**

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

Material weaknesses: **No**

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

<u>Name of Program</u>	<u>CFDA #</u>
CDBG	14.218/253
Federal Transit Formula Grants	20.507
Federal Transit Formula Grants - ARRA	20.507
Energy Efficiency and Conservation - ARRA	81.128
Title I, Part A Cluster	84.010/389
Title I, Part A Cluster - ARRA	84.010/389
Special Education Cluster	84.027/173/391/392
Special Education Cluster - ARRA	84.027/173/391/392
State Fiscal Stabilization - ARRA	84.394/397
TAN F	93.558

8. Dollar threshold to distinguish between Type A and Type B Programs: **\$625,933**
9. The City of Charlottesville was not determined to be a low risk auditee.

CITY OF CHARLOTTESVILLE, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

None noted.

C. Findings and Questioned Costs Relating to Federal Awards:

None noted.

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

None noted.