

City of Charlottesville, Virginia
*Comprehensive Annual
Financial Report*



FISCAL YEAR ENDED
June 30, 2012



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, 2012**

**Prepared by
Department of Finance**

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CITY OF CHARLOTTESVILLE, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

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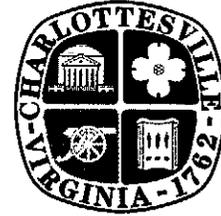
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INTRODUCTORY SECTION

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 29, 2012

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, 2012, 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 29, 2012

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, from being 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

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food and lodging experienced less significant increases than in previous years. In fiscal year 2009 and 2010 this trend continued with real estate assessments essentially flat and sales, lodging and meals taxes all declining compared to the previous year. In fiscal year 2011 and 2012 this trend continued with real estate assessments essentially level or decreasing slightly. The fair market value of commercial property increased by 0.84% from fiscal year 2011 to fiscal year 2012, while residential property values decreased by 3.08%. The total value of existing property decreased by 1.74%. Total decrease with new construction was 1.22%. However, moderate increases in meals, sales and lodging taxes did occur when compared to the previous year. In addition, the City's unemployment rate has stabilized from its high in 2010 and as of July 2012 is at 6.5%, which is below the national unemployment rate of 8.6%, but slightly higher than the state's rate of 6.0%. The unemployment rate for the Charlottesville Metropolitan Statistical Area (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 many other local governments. In fact, the City's sound financial policies were confirmed again in May 2012, 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 and 100 National Geospatial-Intelligence Agency employees 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 employers 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

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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, 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, and 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, music venues, 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.

Mixed use development continues to see high demand in the downtown area. In 2010, Norcross Station phase three, which features 30 studio apartments, was completed along with 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 recently completed, 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 creating of over 100 jobs in the City. The city wide retail vacancy rate dropped again this year and remains near its all-time low at 3.1% in July of 2012.

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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 370 employees) in the downtown area. In 2012, SNL was recognized again 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 Willow Tree Apps, which ranked 479 on the *Inc.* list, as well as HemoShear, 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 twenty 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 an expanding City based life science company. Also, during the past year, the City continued free, daily Charlottesville Trolley service connecting the University grounds to the Downtown Mall

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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 250 employee firm. This significant development, which was completed in November 2011, signals that interest in an urban environment remains high by both residential and commercial interests. In addition, a major anchor tenant has been identified to occupy a large portion of the recently vacated Martha Jefferson Hospital building. With work beginning in late 2012 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 fiscal year 2012 budget, with an increase of 1.82% over the fiscal year 2011 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 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:

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- Expanding quality, affordable housing opportunities for our residents
- Continuing to maintain and improve core infrastructure even with a challenged capital budget program
- Investing in youth development and workforce initiatives for our most at risk citizens
- Continuing our investment in City schools and lifelong education
- Celebrating the City's rich diversity by continuing to fund the Dialogue on Race initiative and preparing for the re-opening of the Jefferson School City Center.
- Implementing efficiencies and means of saving dollars, for example, through the City's purchase of hybrid vehicles which saves money in both areas of fuel and maintenance.

Other recent acknowledgements of Charlottesville's success include the following:

- #2 Metro Area for Overall Well-Being – *Gallup*, 2012
- #14 Best Performing Small Market in US – *Milken Institute*, 2011
- #5 Tastiest Town in the South – *Southern Living*, 2012
- #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
- AAA Bond Rating – *Moody's and Standard and Poor's*, 2012
- Best College Football Town – *Associate Press Readers*
- Top "Brainiest" Metropolitan Areas – *The Atlantic*
- Number One City for Retirement – *Kiplinger.com*

Honorable Mayor and Members
of City Council
November 29, 2012

For the Future Our emphasis for fiscal year 2013 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, 2012. 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, 2011. This was the thirty second (32nd) 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.

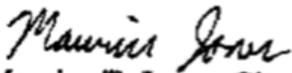
Honorable Mayor and Members
of City Council
November 29, 2012

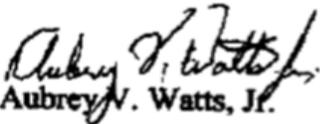
A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 W. 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, 2011

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.



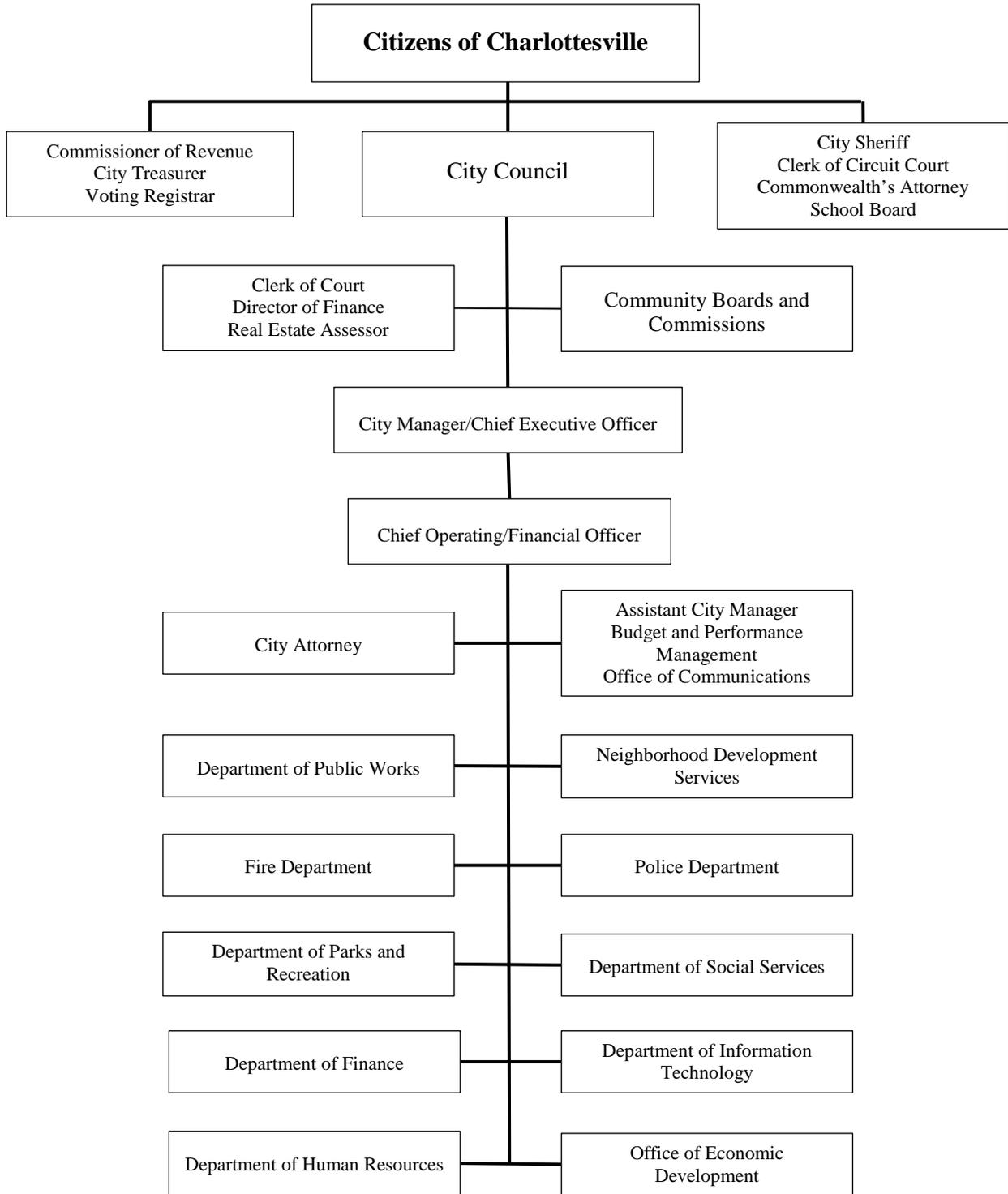
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

City Organizational Chart



CITY OF CHARLOTTESVILLE, VIRGINIA
LIST OF ELECTED AND APPOINTED OFFICIALS

JUNE 30, 2012

ELECTED OFFICIALS

Council Members:

Satyendra Singh Huja	Mayor
Kristin Szakos	Vice-Mayor
Kathy Galvin	Council Member
Dave Norris	Council Member
Dede Smith	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
Llezelle A. Dugger	Clerk of Circuit Court

APPOINTED OFFICIALS

Maurice T. Jones	City Manager
Aubrey V. Watts, Jr.	COO, CFO
David Ellis	Assistant City Manager
Leslie M. Beauregard	Director, Budget and Performance Management
S. Craig Brown	City Attorney
Paige Barfield	Clerk of Council
Chris Engel	Director of Economic Development
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
Miriam Dickler	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, 2012, 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, 2012, 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 29, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The 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.

Cheng Beckert + Holland, C.C.P.A.

Richmond, Virginia
November 29, 2012

CITY OF CHARLOTTESVILLE, VIRGINIA

Management's Discussion and Analysis Year Ended June 30, 2012

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, 2012. 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 \$235.9 million at June 30, 2012. Of this amount, \$85.3 million is unrestricted.
- The City's total net assets increased by \$76,629 over the prior year. This increase is the sum of a \$413,593 decrease for the governmental net assets and a \$490,222 increase in business-type net assets.

Governmental Funds

- At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$72.5 million (a decrease of \$2.9 million over the prior year). Approximately 37.1 percent or \$26.9 million of this amount is unassigned.
- The General Fund, on a current financial resource measurement focus and the modified accrual basis of accounting, reported excess revenues over budget of \$889,414 due primarily to several of the tax revenues (meals, lodging and sales tax) performing better than expected. The expenditures and other financing sources (net) finished out the year under budget primarily due to several agencies – Social Services, Comprehensive Services Act and Transit all needing fewer local dollars than originally anticipated. Overall, there was an immaterial negative net change in fund balance due to the expense of continuing appropriations carried over from the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$26.9 million or 20 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 \$3.2 million during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

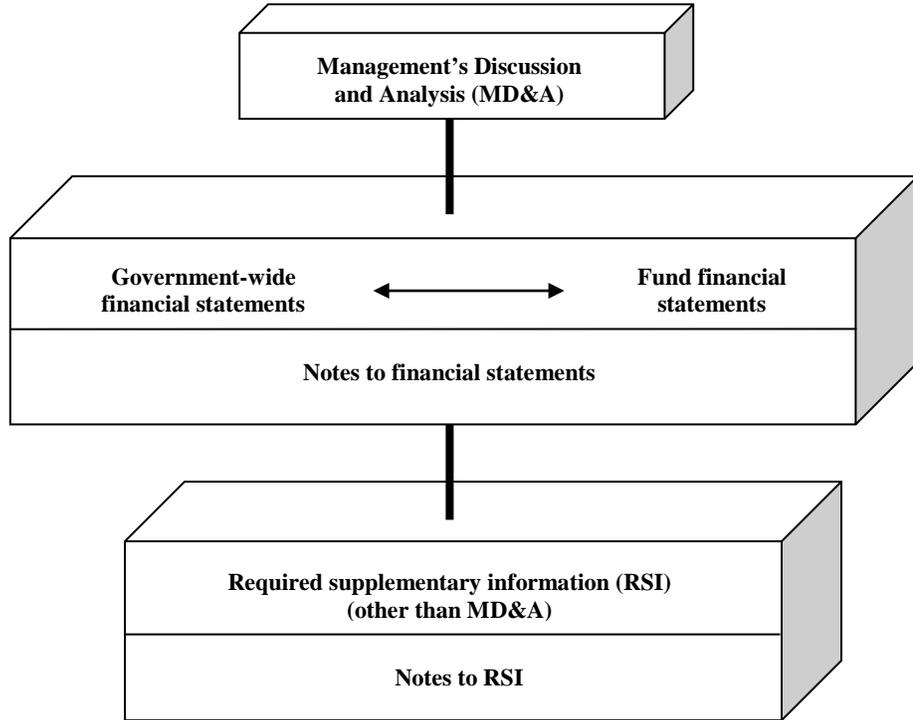
This report contains other supplementary information in addition to the basic financial statements themselves.

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, 2012 and 2011

Table I

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Assets:							
Current and other assets	\$ 121,112,165	\$ 124,203,051	\$ 35,493,899	\$ 41,748,325	\$ 156,606,064	\$ 165,951,376	(5.6) %
Capital assets	194,061,621	187,688,751	55,332,589	48,227,651	249,394,210	235,916,402	5.7
Total assets	315,173,786	311,891,802	90,826,488	89,975,976	406,000,274	401,867,778	1.0
Liabilities:							
Long-term liabilities							
outstanding	80,531,511	72,806,804	36,779,678	35,031,647	117,311,189	107,838,451	8.8
Other liabilities	45,510,979	49,540,109	7,301,636	8,689,377	52,812,615	58,229,486	(9.3)
Total liabilities	126,042,490	122,346,913	44,081,314	43,721,024	170,123,804	166,067,937	2.4
Net assets:							
Invested in capital assets, net of related debt	122,164,890	116,844,116	21,862,917	21,900,131	144,027,807	138,744,247	3.8
Restricted							
General government	77,957	-	-	-	77,957	-	100.0
Public safety	458,127	-	-	-	458,127	-	100.0
Parks, recreation & culture	17,299	-	-	27,817	17,299	27,817	(37.8)
Health and welfare	521,103	-	-	-	521,103	-	100.0
Conservation and development	5,327,678	10,000	-	-	5,327,678	10,000	531.8
Permanent fund, nonexpendable	162,501	162,501	-	-	162,501	162,501	-
Unrestricted	60,401,741	72,528,272	24,882,257	24,327,004	85,283,998	96,855,276	(11.8)
Total net assets	\$ 189,131,296	\$ 189,544,889	\$ 46,745,174	\$ 46,254,952	\$ 235,876,470	\$ 235,799,841	-

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 \$235.9 million at the close of fiscal year 2012. The largest portion of the City's net assets (61.1%) 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 2.8% of the City's net assets are subject to external restrictions. The remaining balance of *unrestricted net assets* (\$85.3 million or 36.2%) 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 \$189.5 million to \$189.1 million as a result of the decrease in net assets of \$413,593 as shown on the Statement of Activities. This is an insignificant change and can be attributed, in part, to the city's bond refunding.

Business-type Activities

The net assets of the City's business-type activities increased by \$490,222, primarily due to higher gas consumption by the University of Virginia's power plant. 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, 2012 and 2011

Table II

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program Revenues:							
Charges for services	\$ 20,171,167	\$ 19,073,988	\$ 46,604,268	\$ 49,620,745	\$ 66,775,435	\$ 68,694,733	(2.8) %
Operating grants and contributions	30,093,632	31,376,281	-	17,105	30,093,632	31,393,386	(4.1)
Capital grants and contributions	6,377,173	2,116,193	18,800	-	6,395,973	2,116,193	202.2
General Revenues:							
Property taxes	55,819,958	55,401,204	-	-	55,819,958	55,401,204	0.8
Other taxes	38,252,689	36,483,525	-	-	38,252,689	36,483,525	4.8
Grants and contributions*	24,887,083	25,229,997	-	-	24,887,083	25,229,997	(1.4)
Interest and investment earnings	373,961	538,029	109,079	204,224	483,040	742,253	(34.9)
Special Item							
-Gain on sale of assets	252,742	-	-	-	252,742	-	-
Total revenues	176,228,405	170,219,217	46,732,147	49,842,074	222,960,552	220,061,291	1.3
Expenses:							
General government	22,483,608	23,634,491	-	-	22,483,608	23,634,491	(4.9)
Public safety	32,258,520	30,545,681	-	-	32,258,520	30,545,681	5.6
Community services	23,670,432	22,348,563	-	-	23,670,432	22,348,563	5.9
Health and welfare	30,034,547	30,820,530	-	-	30,034,547	30,820,530	(2.6)
Parks, recreation and culture	11,256,003	10,053,398	-	-	11,256,003	10,053,398	12.0
Education	42,460,291	57,974,958	-	-	42,460,291	57,974,958	(26.8)
Conservation and development	14,171,433	7,743,918	-	-	14,171,433	7,743,918	83.0
Interest on long term debt	5,100,955	2,733,665	-	-	5,100,955	2,733,665	86.6
Water	-	-	8,417,556	8,321,515	8,417,556	8,321,515	1.2
Sewer	-	-	9,829,643	8,416,888	9,829,643	8,416,888	16.8
Gas	-	-	22,288,691	24,869,854	22,288,691	24,869,854	(10.4)
Golf course	-	-	912,244	617,357	912,244	617,357	47.8
Total expenses	181,435,789	185,855,204	41,448,134	42,225,614	222,883,923	228,080,818	(2.3)
Change in net assets before transfers	(5,207,384)	(15,635,987)	5,284,013	7,616,460	76,629	(8,019,527)	(101.0)
Transfers	4,793,791	5,305,857	(4,793,791)	(5,305,857)	-	-	-
Change in net assets	(413,593)	(10,330,130)	490,222	2,310,603	76,629	(8,019,527)	(101.0)
Net assets - beginning of year	189,544,889	199,875,019	46,254,952	43,944,349	235,799,841	243,819,368	(3.3)
Net assets - end of year	\$ 189,131,296	\$ 189,544,889	\$ 46,745,174	\$ 46,254,952	\$ 235,876,470	\$ 235,799,841	-

* Not restricted to specific programs.

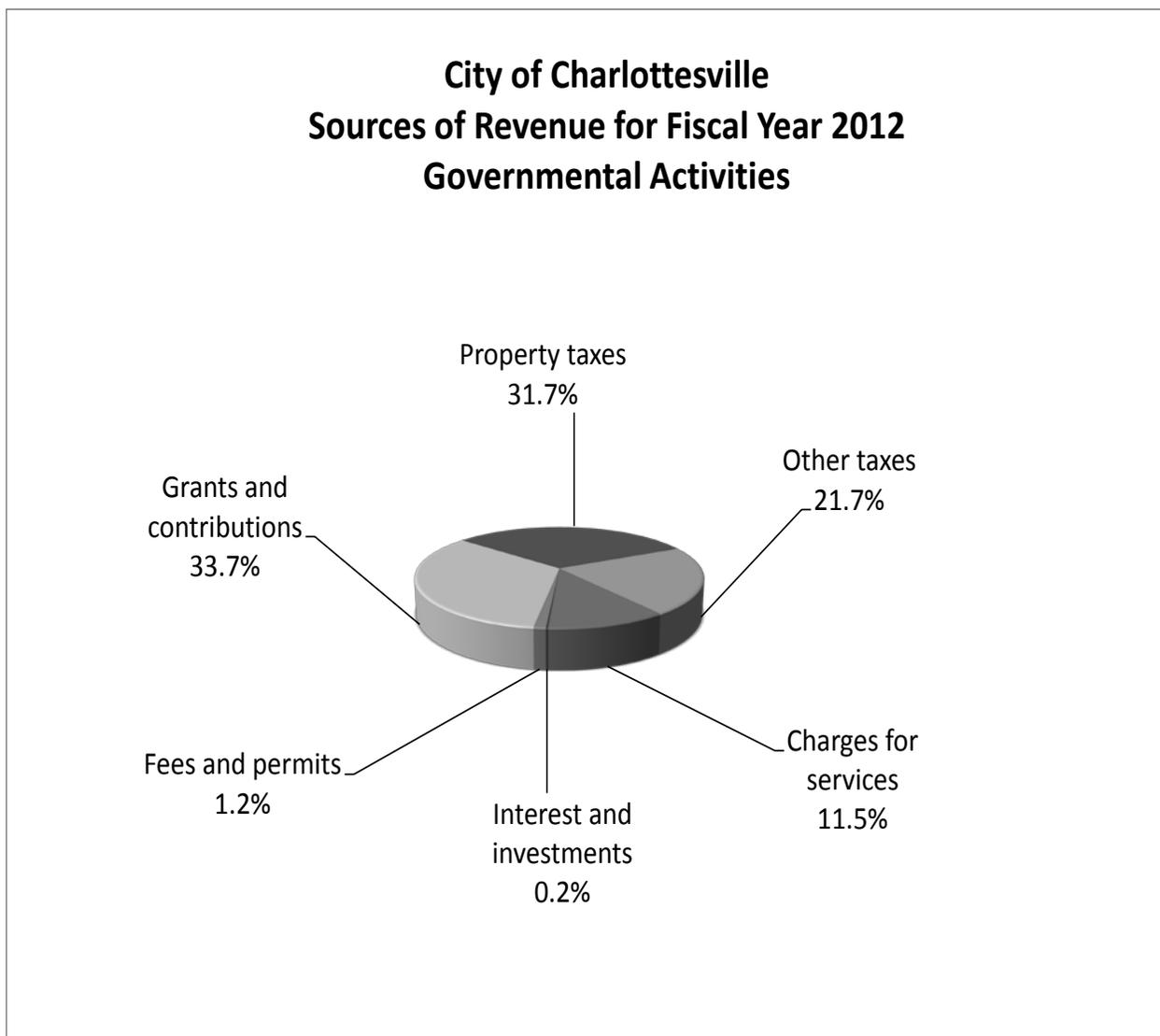
Governmental Activities

The City's total revenues from governmental activities were \$176.2 million for the fiscal year ended June 30, 2012, an increase of \$6 million. The more significant changes are the following:

- Other Taxes – an increase of \$1.8 million, primarily from an increase in sales and use tax revenue.
- Capital Grants and Contributions – an increase of \$4.3 million, primarily from work on road construction projects.

Approximately 53.4% of the City's revenue from governmental activities comes from property and other taxes. (53.9% in 2011).

Revenues by Source – Governmental Activities

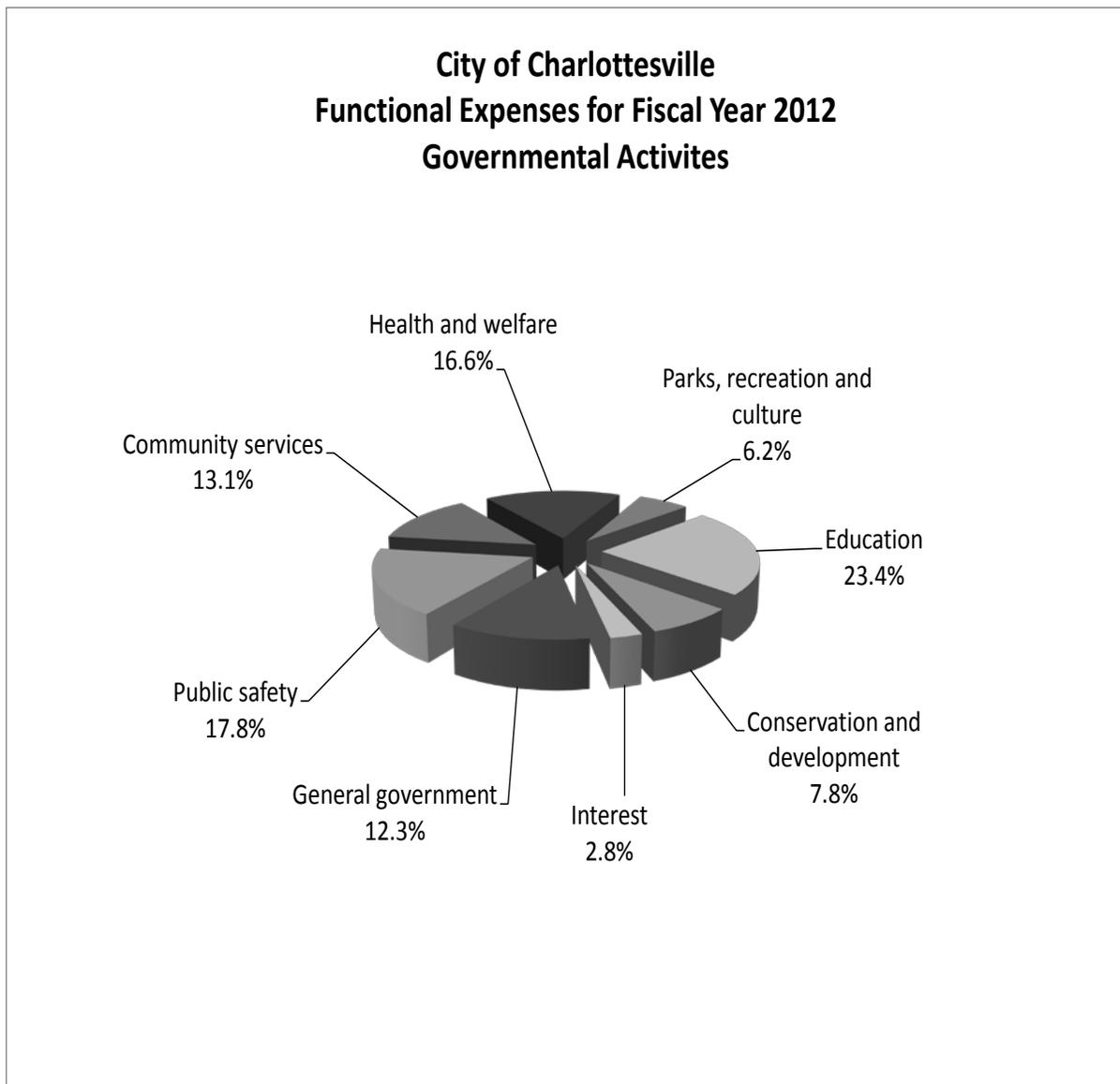


The City's expenses decreased by \$4.4 million in 2012. Expenses for fiscal year 2012 cover a wide range of services, with 16.6% or \$30 million related to health and welfare, 23.4% or \$42.5 million for education

(primarily payments to the City's Public Schools, a component unit), and 17.8% or \$32.3 million related to public safety. For fiscal year 2012, the City changed its spending in the following areas:

- Education – a decrease of \$15.5 million, representing the prior year's transfer of capital assets to the public schools, a component unit.
- Conservation and development – an increase of \$6.4 million, primarily due to the expenditure for the Jefferson School project and increased expenditures of the housing fund.
- Interest on long-term debt – an increase of \$2.4 million, primarily due to refunding bond issues.

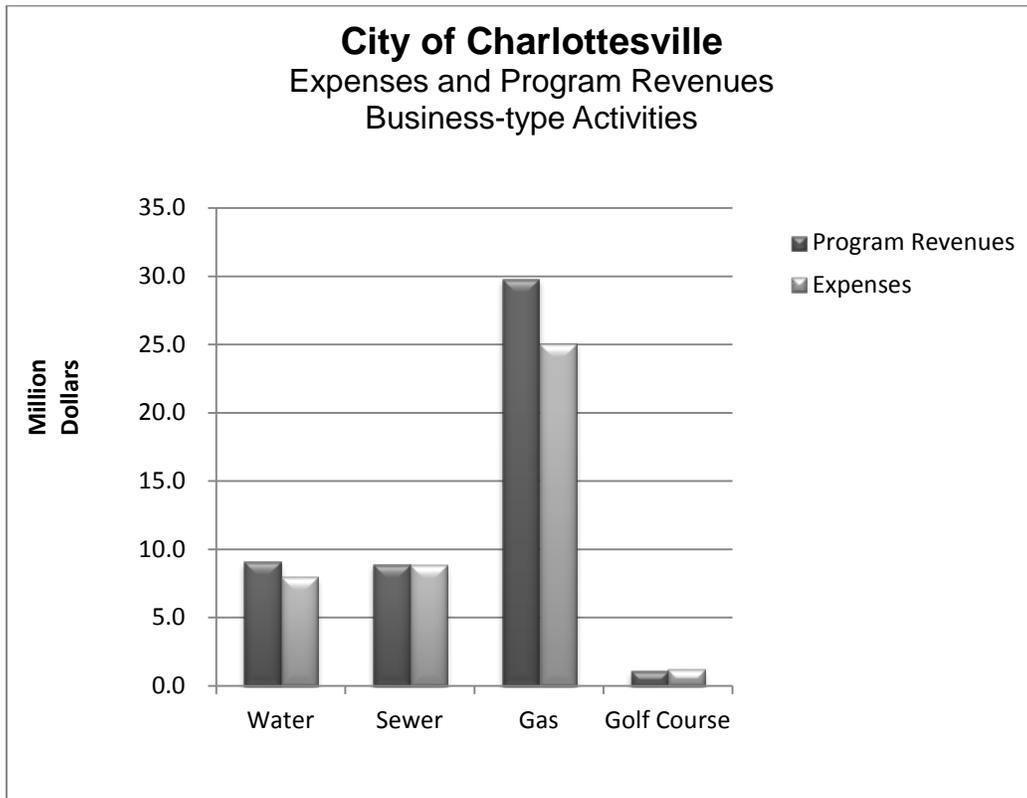
Expenses by Function – Governmental Activities



Business-Type Activities

Net assets for the City’s business-type activities increased by \$490,222, primarily due to higher gas consumption by the University of Virginia’s power plant.

Gas wholesale prices decreased during fiscal year 2012, starting with a price of \$4.357 per the NYMEX index in July 2011 and ending with a price of \$2.429 in June 2012. This was offset by an increased consumption by the University of Virginia for gas and increased utility 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, 2012, the governmental funds reported combined ending fund balances of \$72.5 million, a decrease of \$2.9 million in comparison with the prior year. Included in this are the following major transactions:

- \$11.2 million spent in the Capital Projects Fund for capital outlay to fund Meadowcreek Parkway, Washington Park Bath House Renovation, Ivy Rd/Fontaine Ave Fire Station, Old Lynchburg Road, Belmont Bridge Replacement, Park Land Acquisitions, Charlottesville High School Solar Panels, Central Library Elevator Replacement, Market Street Parking Garage Concrete Repairs, Parks and Recreation Improvements, School Improvements, and bridge, road and sidewalk construction and other projects.
- \$35.6 million contributed by the City's governmental funds to finance the Public Schools' operations.

Approximately \$25.9 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, \$13.2 million is for non-major governmental funds of which \$11.3 million is for debt service.

Nonspendable fund balance is \$3.3 million. This amount represents assets that are not readily available to the City for current expenditures. The City also has \$16.4 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, 2012, indicated as unassigned, is \$26.9 million in the General Fund. This amount represents 20% of General Fund expenditures and transfers and is a measure of the General Fund's liquidity. Total fund balance of the General Fund decreased by \$61,913 in fiscal year 2012.

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 a decrease in net assets of \$214,839. The Sewer Fund had a decrease in net assets of \$1.4 million. The Gas Fund had an increase of \$1.1 million. The Golf Fund had an increase in net assets of \$396,485.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund For the Year Ended June 30, 2012

Table III

	Original Budget	Amended Budget	Actual	Variance Positive (Negative)
Revenues				
Property taxes	\$ 58,551,402	\$ 58,551,402	\$ 57,774,887	\$ (776,515)
Other taxes	37,396,226	37,396,226	38,579,070	1,182,844
Intergovernmental	29,427,708	29,548,331	30,558,359	1,010,028
Other	7,175,500	7,670,186	7,143,243	(526,943)
Total	<u>132,550,836</u>	<u>133,166,145</u>	<u>134,055,559</u>	<u>889,414</u>
Expenditures and transfers (net)				
Expenditures	114,178,592	120,618,909	113,403,812	7,215,097
Transfers (net)	16,366,660	21,507,549	20,713,660	793,889
Total	<u>130,545,252</u>	<u>142,126,458</u>	<u>134,117,472</u>	<u>8,008,986</u>
Change in Fund Balance	<u>\$ 2,005,584</u>	<u>\$ (8,960,313)</u>	<u>\$ (61,913)</u>	<u>\$ 8,898,400</u>

The City's budget ordinance includes, as part of the original budget for expenditures, the amount of \$788,090 for encumbrances re-appropriated from June 30, 2011, as well as continuing appropriations from the prior year totaling \$9,188,227 and \$2,650,578 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 \$11,581,206. 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 \$889,000, primarily due to higher than estimated tax revenues. Several of the significant differences between budgeted and actual revenue were in meals tax, lodging tax, sales tax, and parking garage revenue. Expenditures and transfers were below budget by \$8 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, 2012, amounts to \$249.4 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:

- Park Land Acquisitions
- Neighborhood Improvements and Housing Initiatives
- Recreation Facility and Park Improvements
- General government building renovations
- Meadowcreek Parkway
- Washington Park Bath House Renovations
- Ivy Rd/Fontaine Ave Fire Station
- Belmont Bridge Replacement
- Old Lynchburg Road

- Charlottesville High School solar panels
- Central Library elevator replacement

The City's fiscal year 2012 capital budget provides approximately \$24 million for various capital projects. Some of the major categories include \$3.1 million in school related projects, \$6.2 million for transportation projects, \$1.1 million for parks and recreation facility improvements, \$1.4 million for facility capital projects, \$0.8 million for stormwater initiatives, \$8.8 million for public safety and justice, \$0.3 million for economic development, and \$1.6 million for 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, 2012 and 2011

Table IV

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Land	\$ 16,312,289	\$ 15,014,520	\$ 2,101,423	\$ 2,026,623	\$ 18,413,712	\$ 17,041,143	8.1 %
Buildings and improvements	106,020,920	102,196,441	645,783	633,064	106,666,703	102,829,505	3.7
Vehicles	11,130,917	9,954,447	784,887	592,294	11,915,804	10,546,741	13.0
Equipment	4,471,810	4,889,150	844,270	929,957	5,316,080	5,819,107	(8.6)
Streets	18,502,874	16,916,689	-	-	18,502,874	16,916,689	9.4
Bridges	3,055,281	3,133,146	-	-	3,055,281	3,133,146	(2.5)
Infrastructure	34,567,530	35,584,358	-	-	34,567,530	35,584,358	(2.9)
Distribution and collection systems	-	-	50,956,226	44,045,713	50,956,226	44,045,713	15.7
Total	<u>\$ 194,061,621</u>	<u>\$ 187,688,751</u>	<u>\$ 55,332,589</u>	<u>\$ 48,227,651</u>	<u>\$ 249,394,210</u>	<u>\$ 235,916,402</u>	5.7

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 \$117.7 million. This entire amount is backed by the full faith and credit of the City, and \$37.8 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, 2012 and 2011**

Table V

	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2012	2011	2012	2011	2012	2011	Change
General obligation bonds	\$ 78,918,183	\$ 76,002,100	\$ 37,762,227	\$ 36,693,311	\$ 116,680,410	\$ 112,695,411	3.5 %
Literary loans payable	90,439	118,343	-	-	90,439	118,343	(23.6)
Installment notes payable	960,793	1,641,771	-	77,409	960,793	1,719,180	(44.1)
Total	<u>\$ 79,969,415</u>	<u>\$ 77,762,214</u>	<u>\$ 37,762,227</u>	<u>\$ 36,770,720</u>	<u>\$ 117,731,642</u>	<u>\$ 114,532,934</u>	2.8

Charlottesville's total debt increased by \$3.2 million during the fiscal year. On its most recent bond issue in June 2012, 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 \$522,266,130. 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 2011 and as of July 2012 is at 6.5%. This compares favorably to the national unemployment rate of 8.6% but is slightly higher than the state's rate of 6.0%.
- City employment levels increased slightly from 21,401 in July 2011 to 23,200 in July 2012 based on current Virginia Employment Commission statistics.
- The City has a population of 44,471, according to the Weldon Cooper Center for Public Service.

These indicators were taken into account when adopting the General Fund budget for 2013. Amounts available for appropriation in the General Fund budget for 2013 are \$143.3 million, an increase of 1.82% percent over the final 2012 budget of \$140.8 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.

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BASIC FINANCIAL SECTION

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (note 3)	\$ 78,926,044	\$ 28,415,727	\$ 107,341,771	\$ 6,085,653	\$ 1,587,571
Investments (note 3)	-	-	-	-	968,410
Interest receivable	51,752	-	51,752	-	-
Accounts receivable, net	389,028	3,007,147	3,396,175	948,961	750
Special assessments receivable	16,813	-	16,813	-	-
Taxes receivable, net	28,733,247	-	28,733,247	-	-
Loans receivable (note 5)	1,976,669	-	1,976,669	-	-
Notes receivable (note 6)	-	799,059	799,059	-	1,546,227
Due from other governments (note 7)	11,411,402	-	11,411,402	2,619,844	-
Internal balances	(1,070,872)	1,070,872	-	-	-
Inventories	209,828	426,901	636,729	34,357	-
Prepaid expenses	468,254	1,774,193	2,242,447	-	-
Prepaid rent	-	-	-	-	24
Capital assets (note 9):					
Land	13,678,603	1,921,723	15,600,326	982,889	-
Infrastructure right of way	2,633,686	179,700	2,813,386	-	-
Depreciable assets, net	177,749,332	53,231,166	230,980,498	23,550,063	-
Total assets	315,173,786	90,826,488	406,000,274	34,221,767	4,102,982
LIABILITIES					
Accounts payable	3,555,114	3,412,865	6,967,979	645,921	-
Accrued liabilities	4,309,080	141,135	4,450,215	5,578,500	200,000
Customer deposits	-	786,358	786,358	-	65,895
Due to other governments	1,099,364	-	1,099,364	-	-
Unearned revenue	26,834,922	-	26,834,922	49,137	200,179
Accrued interest payable	615,608	212,027	827,635	-	-
Noncurrent liabilities due within one year:					
Insurance claims payable (note 16)	2,415,385	-	2,415,385	552,564	-
Compensated absences (note 10)	251,330	31,598	282,928	443,237	-
Notes, loans and capital leases payable (note 10)	578,326	-	578,326	157,618	-
Bonds payable (note 10)	5,851,850	2,717,653	8,569,503	-	-
Noncurrent liabilities due in more than one year:					
Insurance claims payable (note 16)	49,139	-	49,139	-	-
Compensated absences (note 10)	1,843,090	231,731	2,074,821	833,523	-
Unfunded liability for post employment medical benefits (note 10)	-	-	-	169,202	-
Notes, loans and capital leases payable (note 10)	472,906	-	472,906	1,228,754	-
Bonds payable (note 10)	78,166,376	36,547,947	114,714,323	-	-
Total liabilities	126,042,490	44,081,314	170,123,804	9,658,456	466,074
NET ASSETS					
Invested in capital assets, net of related debt	122,164,890	21,862,917	144,027,807	23,146,580	-
Restricted for: (note 2a)					
General government	77,957	-	77,957	-	-
Public safety	458,127	-	458,127	-	-
Parks, recreation and culture	17,299	-	17,299	-	-
Health and welfare	521,103	-	521,103	-	-
Conservation and development	5,327,678	-	5,327,678	-	200,000
Permanent fund, nonexpendable	162,501	-	162,501	-	-
Unrestricted	60,401,741	24,882,257	85,283,998	1,416,731	3,436,908
Total net assets	\$ 189,131,296	\$ 46,745,174	\$ 235,876,470	\$ 24,563,311	\$ 3,636,908

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

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		School Board	Economic Development Authority	
					Governmental Activities	Business-type Activities			Total
PRIMARY GOVERNMENT:									
Governmental activities:									
General government	22,483,608	\$ 12,718,913	\$ 1,643,234	\$ 350,876	\$ (7,770,585)	\$ -	\$ (7,770,585)		
Public safety	32,258,520	29,919	1,906,155	383,584	(29,938,862)	-	(29,938,862)		
Community services	23,670,432	1,840,737	9,074,860	5,070,874	(7,683,961)	-	(7,683,961)		
Health and welfare	30,034,547	3,950,369	16,481,533	-	(9,602,645)	-	(9,602,645)		
Parks, recreation and culture	11,256,003	1,372,958	76,725	-	(9,806,320)	-	(9,806,320)		
Education (includes payment to school system)	42,460,291	229,949	566,776	456,441	(41,207,125)	-	(41,207,125)		
Conservation and development	14,171,433	28,322	344,349	115,398	(13,683,364)	-	(13,683,364)		
Interest on long-term debt	5,100,955	-	-	-	(5,100,955)	-	(5,100,955)		
Total governmental activities	181,435,789	20,171,167	30,093,632	6,377,173	(124,793,817)	-	(124,793,817)		
Business-type activities:									
Water	8,417,556	8,923,040	-	-	-	505,484	505,484		
Sewer	9,829,643	9,121,471	-	-	-	(708,172)	(708,172)		
Gas	22,288,691	27,619,960	-	-	-	5,331,269	5,331,269		
Golf course	912,244	939,797	-	18,800	-	46,353	46,353		
Total business-type activities	41,448,134	46,604,268	-	18,800	-	5,174,934	5,174,934		
TOTAL PRIMARY GOVERNMENT	\$ 222,883,923	\$ 66,775,435	\$ 30,093,632	\$ 6,395,973	(124,793,817)	5,174,934	(119,618,883)		
COMPONENT UNITS:									
Economic Development Authority	\$ 4,804,864	\$ 4,932,025	\$ -	\$ -				\$ -	\$ 127,161
School Board	65,685,572	2,881,649	10,774,423	836,431				(51,193,069)	-
TOTAL COMPONENT UNITS	\$ 70,490,436	\$ 7,813,674	\$ 10,774,423	\$ 836,431				(51,193,069)	127,161
General Revenues:									
General property taxes					55,819,958	-	55,819,958	-	-
Sales tax					9,995,523	-	9,995,523	-	-
Utility tax					4,252,785	-	4,252,785	-	-
Communications tax					3,268,192	-	3,268,192	-	-
Meals tax					7,378,230	-	7,378,230	-	-
Lodgings tax					2,807,326	-	2,807,326	-	-
Other taxes					4,059,205	-	4,059,205	-	-
Business license tax					6,491,428	-	6,491,428	-	-
Grants and contributions not restricted to specific programs					24,887,083	-	24,887,083	13,884,767	-
Payment from City					-	-	-	35,560,432	-
Interest and investment earnings					373,961	109,079	483,040	2,199	134,241
Special item - gain on sale of assets					252,742	-	252,742	-	-
Transfers, net					4,793,791	(4,793,791)	-	-	-
Total general revenues and transfers					124,380,224	(4,684,712)	119,695,512	49,447,398	134,241
Change in net assets					(413,593)	490,222	76,629	(1,745,671)	261,402
Net assets - July 1, 2011					189,544,889	46,254,952	235,799,841	26,308,982	3,375,506
Net assets - June 30, 2012					\$ 189,131,296	\$ 46,745,174	\$ 235,876,470	\$ 24,563,311	\$ 3,636,908

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 34,198,840	\$ 18,734,173	\$ 104,507	\$ 12,923,486	\$ 65,961,006
Interest receivable	51,752	-	-	-	51,752
Accounts receivable, net	294,821	-	8,429	59,423	362,673
Taxes receivable, net	28,733,247	-	-	-	28,733,247
Special assessments receivable	-	16,813	-	-	16,813
Due from other governments (note 7)	2,971,744	1,076,694	690,794	6,672,170	11,411,402
Due from other funds (note 8)	4,640,987	-	-	-	4,640,987
Loans receivable (note 5)	-	880,000	-	1,096,669	1,976,669
	<u>\$ 70,891,391</u>	<u>\$ 20,707,680</u>	<u>\$ 803,730</u>	<u>\$ 20,751,748</u>	<u>\$ 113,154,549</u>
Total assets					
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 720,740	\$ 2,217,274	\$ 21,152	\$ 453,187	\$ 3,412,353
Accrued liabilities	2,595,114	-	207,020	1,312,962	4,115,096
Due to other governments	-	-	-	1,099,364	1,099,364
Due to other funds (note 8)	-	-	91,062	4,436,215	4,527,277
Deferred revenue	27,493,149	-	-	-	27,493,149
	<u>30,809,003</u>	<u>2,217,274</u>	<u>319,234</u>	<u>7,301,728</u>	<u>40,647,239</u>
Total liabilities					
FUND BALANCES (note 2b):					
Nonspendable	-	3,143,710	-	172,501	3,316,211
Restricted	472,056	15,346,696	484,496	117,934	16,421,182
Committed	8,206,185	-	-	11,252,983	19,459,168
Assigned	4,542,491	-	-	1,906,602	6,449,093
Unassigned	26,861,656	-	-	-	26,861,656
	<u>40,082,388</u>	<u>18,490,406</u>	<u>484,496</u>	<u>13,450,020</u>	<u>72,507,310</u>
Total fund balances					
Total liabilities and fund balances	<u>\$ 70,891,391</u>	<u>\$ 20,707,680</u>	<u>\$ 803,730</u>	<u>\$ 20,751,748</u>	<u>\$ 113,154,549</u>

(continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Total fund balances per Balance Sheet for Governmental Funds \$ 72,507,310

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. 193,422,896

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 658,227

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 10,211,679

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	(615,608)
Unamortized premium on bonds	(4,043,536)
Bonds and notes payable	(79,969,415)
Deferred amount of refunding	(1,056,507)
Compensated absences	<u>(1,983,750)</u>

Net assets of governmental activities \$ 189,131,296

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, 2012**

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
REVENUES					
Taxes	\$ 94,311,894	\$ -	\$ -	\$ -	\$ 94,311,894
Fees and permits	2,042,063	-	-	-	2,042,063
Intergovernmental	30,558,359	3,389,498	8,840,146	18,238,598	61,026,601
Charges for services	5,210,751	-	-	4,855,159	10,065,910
Fines	552,075	-	-	-	552,075
Investment earnings	344,491	-	-	29,470	373,961
Miscellaneous	1,035,926	412,707	33,228	180,604	1,662,465
Total revenues	<u>134,055,559</u>	<u>3,802,205</u>	<u>8,873,374</u>	<u>23,303,831</u>	<u>170,034,969</u>
EXPENDITURES					
Current:					
General government	14,091,746	1,025,586	-	-	15,117,332
Public safety	30,415,583	712,528	-	1,103,322	32,231,433
Community service	7,570,743	3,723,628	-	12,278,761	23,573,132
Health and welfare	5,026,677	-	11,846,326	13,338,969	30,211,972
Parks, recreation and culture	10,180,840	342,448	-	63,571	10,586,859
Education	41,110,805	872,738	-	-	41,983,543
Conservation and development	4,751,424	7,860,705	-	1,099,776	13,711,905
Other activities	255,994	-	-	-	255,994
Debt service:					
Principal	-	-	-	6,611,249	6,611,249
Interest	-	-	-	2,855,961	2,855,961
Miscellaneous	-	-	-	196,062	196,062
Capital outlay	-	11,213,317	-	-	11,213,317
Total expenditures	<u>113,403,812</u>	<u>25,750,950</u>	<u>11,846,326</u>	<u>37,547,671</u>	<u>188,548,759</u>
Revenues over (under) expenditures	<u>20,651,747</u>	<u>(21,948,745)</u>	<u>(2,972,952)</u>	<u>(14,243,840)</u>	<u>(18,513,790)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (note 8)	5,407,971	7,338,669	2,969,405	16,162,967	31,879,012
Transfers out (note 8)	(26,121,631)	(543,095)	-	(33,437)	(26,698,163)
Issuance of debt (note 10)	-	9,133,200	-	-	9,133,200
Refunding bonds issued (note 10)	-	-	-	17,737,100	17,737,100
Premium on issuance of debt	-	898,495	-	2,513,171	3,411,666
Payment to refunding bond escrow agent	-	-	-	(20,195,331)	(20,195,331)
Sale of capital assets	-	352,000	-	-	352,000
Total other financing sources (uses)	<u>(20,713,660)</u>	<u>17,179,269</u>	<u>2,969,405</u>	<u>16,184,470</u>	<u>15,619,484</u>
Net change in fund balance	(61,913)	(4,769,476)	(3,547)	1,940,630	(2,894,306)
FUND BALANCE - JULY 1, 2011	<u>40,144,301</u>	<u>23,259,882</u>	<u>488,043</u>	<u>11,509,390</u>	<u>75,401,616</u>
FUND BALANCE - JUNE 30, 2012	<u>\$ 40,082,388</u>	<u>\$ 18,490,406</u>	<u>\$ 484,496</u>	<u>\$ 13,450,020</u>	<u>\$ 72,507,310</u>

(continued)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds (Exhibit D)	\$ (2,894,306)
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	15,554,651
Depreciation expense	(8,811,928)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(239,247)
Gain on sale of assets	252,742
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	(9,133,200)
Principal payments	6,611,249
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	(185,391)
Amortization of bond premium	(2,443,825)
Amortization of deferred amount of refunding	(1,254,745)
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	(97,984)
The net expense of internal service funds is combined with governmental activities on the Statement of Activities.	<u>2,228,391</u>
Change in Net Assets of Governmental Activities	<u>\$ (413,593)</u>

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Business - Type Activities - Enterprise Funds				Total	Internal Service Funds
	Water	Sewer	Gas	Golf Course		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 6,771,184	\$ 9,862,474	\$ 11,726,294	\$ 1,100	\$ 28,361,052	\$ 13,019,713
Accounts receivable, net	494,802	259,300	562,419	59	1,316,580	26,356
Unbilled accounts receivable	508,065	454,360	728,142	-	1,690,567	-
Note receivable	257,332	541,727	-	-	799,059	-
Inventories	-	-	-	32,803	32,803	603,926
Prepaid expenses	-	-	1,774,193	-	1,774,193	468,254
Total current assets	<u>8,031,383</u>	<u>11,117,861</u>	<u>14,791,048</u>	<u>33,962</u>	<u>33,974,254</u>	<u>14,118,249</u>
Noncurrent assets:						
Capital assets (note 9):						
Land	-	-	584,291	1,337,432	1,921,723	-
Easements	-	95,600	84,100	-	179,700	-
Buildings and improvements	-	39,014	-	1,819,260	1,858,274	-
Vehicles	243,661	635,414	1,124,649	14,156	2,017,880	133,480
Transmission lines and mains	22,200,032	24,393,958	37,922,130	-	84,516,120	-
Equipment	496,184	388,856	1,780,714	205,294	2,871,048	9,219,167
Total capital assets	22,939,877	25,552,842	41,495,884	3,376,142	93,364,745	9,352,647
Less accumulated depreciation	<u>(8,777,632)</u>	<u>(4,800,766)</u>	<u>(23,070,404)</u>	<u>(1,401,749)</u>	<u>(38,050,551)</u>	<u>(8,695,529)</u>
Net noncurrent assets	<u>14,162,245</u>	<u>20,752,076</u>	<u>18,425,480</u>	<u>1,974,393</u>	<u>55,314,194</u>	<u>657,118</u>
Total assets	<u>22,193,628</u>	<u>31,869,937</u>	<u>33,216,528</u>	<u>2,008,355</u>	<u>89,288,448</u>	<u>14,775,367</u>
LIABILITIES						
Current liabilities:						
Accounts payable	890,207	1,465,225	1,041,862	8,270	3,405,564	150,062
Accrued liabilities	19,269	17,635	82,444	19,954	139,302	195,817
Accrued interest payable	72,517	91,898	47,612	-	212,027	-
Customer deposits	183,845	-	602,513	-	786,358	-
Due to other funds (note 8)	-	-	-	113,710	113,710	-
Compensated absences	5,294	5,036	18,119	2,811	31,260	13,618
Insurance claims payable (note 16)	-	-	-	-	-	2,415,385
Bonds payable - due within one year (note 10)	772,000	1,134,453	811,200	-	2,717,653	-
Total current liabilities	<u>1,943,132</u>	<u>2,714,247</u>	<u>2,603,750</u>	<u>144,745</u>	<u>7,405,874</u>	<u>2,774,882</u>
Noncurrent liabilities:						
Compensated absences	38,824	36,934	132,875	20,617	229,250	99,870
Bonds payable (net of unamortized premium and deferred amount on refunding) (note 10)	12,584,594	20,947,540	3,015,813	-	36,547,947	-
Insurance claims payable (note 16)	-	-	-	-	-	49,139
Total noncurrent liabilities	<u>12,623,418</u>	<u>20,984,474</u>	<u>3,148,688</u>	<u>20,617</u>	<u>36,777,197</u>	<u>149,009</u>
Total liabilities	<u>14,566,550</u>	<u>23,698,721</u>	<u>5,752,438</u>	<u>165,362</u>	<u>44,183,071</u>	<u>2,923,891</u>
NET ASSETS						
Invested in capital assets, net of related debt	1,762,314	3,509,349	14,598,466	1,974,393	21,844,522	657,118
Unrestricted	5,864,764	4,661,867	12,865,624	(131,400)	23,260,855	11,194,358
Total net assets	<u>\$ 7,627,078</u>	<u>\$ 8,171,216</u>	<u>\$ 27,464,090</u>	<u>\$ 1,842,993</u>	<u>\$ 45,105,377</u>	<u>\$ 11,851,476</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, 2012**

	Total Enterprise Funds	Internal Service Funds Allocation	Business-Type Activities Statement of Net Assets
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 28,361,052	\$ 54,675	\$ 28,415,727
Accounts receivable, net	1,316,580	-	1,316,580
Unbilled accounts receivable	1,690,567	-	1,690,567
Notes receivable	799,059	-	799,059
Due from other funds	-	1,184,582	1,184,582
Inventories	32,803	394,098	426,901
Prepaid expenses	1,774,193	-	1,774,193
Total current assets	<u>33,974,254</u>	<u>1,633,355</u>	<u>35,607,609</u>
Noncurrent assets:			
Capital assets:			
Land	1,921,723	-	1,921,723
Easements	179,700	-	179,700
Buildings	1,858,274	-	1,858,274
Vehicles	2,017,880	-	2,017,880
Transmission lines and mains	84,516,120	-	84,516,120
Equipment	2,871,048	20,067	2,891,115
Total capital assets	93,364,745	20,067	93,384,812
Less accumulated depreciation	<u>(38,050,551)</u>	<u>(1,672)</u>	<u>(38,052,223)</u>
Net noncurrent assets	<u>55,314,194</u>	<u>18,395</u>	<u>55,332,589</u>
Total assets	<u>89,288,448</u>	<u>1,651,750</u>	<u>90,940,198</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	3,405,564	7,301	3,412,865
Accrued liabilities	139,302	1,833	141,135
Accrued interest payable	212,027	-	212,027
Customer deposits	786,358	-	786,358
Due to other funds	113,710	-	113,710
Compensated absences	31,260	338	31,598
Bonds payable - due within one year	2,717,653	-	2,717,653
Total current liabilities	<u>7,405,874</u>	<u>9,472</u>	<u>7,415,346</u>
Noncurrent liabilities:			
Compensated absences	229,250	2,481	231,731
Bonds payable (net of unamortized premium and deferred amount on refunding)	<u>36,547,947</u>	<u>-</u>	<u>36,547,947</u>
Total noncurrent liabilities	<u>36,777,197</u>	<u>2,481</u>	<u>36,779,678</u>
Total liabilities	<u>44,183,071</u>	<u>11,953</u>	<u>44,195,024</u>
NET ASSETS:			
Invested in capital assets, net of related debt	21,844,522	18,395	21,862,917
Unrestricted	<u>23,260,855</u>	<u>1,621,402</u>	<u>24,882,257</u>
Total net assets	<u>\$ 45,105,377</u>	<u>\$ 1,639,797</u>	<u>\$ 46,745,174</u>

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012**

	Business - Type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
OPERATING REVENUES						
Utility charges	\$ 8,489,329	\$ 8,834,131	\$ 27,288,337	\$ -	\$ 44,611,797	\$ -
Other charges for services	179,054	2,557	311,629	939,797	1,433,037	23,714,925
Total operating revenues	<u>8,668,383</u>	<u>8,836,688</u>	<u>27,599,966</u>	<u>939,797</u>	<u>46,044,834</u>	<u>23,714,925</u>
OPERATING EXPENSES						
Purchases for resale	4,508,553	6,255,601	12,927,542	42,835	23,734,531	2,433,748
Personnel costs	1,163,383	1,102,830	3,985,283	487,817	6,739,313	2,788,606
Materials and supplies	299,109	117,681	590,878	102,326	1,109,994	471,444
Contractual services and charges	1,283,486	1,137,566	3,726,297	246,074	6,393,423	2,490,986
Depreciation	542,289	470,107	1,215,433	55,242	2,283,071	263,446
Claims incurred	-	-	-	-	-	9,888,451
Insurance premiums	-	-	-	-	-	2,105,766
Total operating expenses	<u>7,796,820</u>	<u>9,083,785</u>	<u>22,445,433</u>	<u>934,294</u>	<u>40,260,332</u>	<u>20,442,447</u>
Operating income (loss)	<u>871,563</u>	<u>(247,097)</u>	<u>5,154,533</u>	<u>5,503</u>	<u>5,784,502</u>	<u>3,272,478</u>
NONOPERATING REVENUES (EXPENSES)						
Loss on sale of capital assets	(10,495)	-	(66,427)	-	(76,922)	-
Capital contributions to primary government	-	-	(124,135)	-	(124,135)	-
Interest expense	(640,503)	(781,795)	(153,556)	-	(1,575,854)	-
Interest income	38,015	52,219	18,845	-	109,079	-
Bond issuance expense	(26,156)	(24,058)	-	-	(50,214)	-
Capacity fees	247,600	282,430	-	-	530,030	-
Insurance recovery	-	-	-	-	-	11,698
Total nonoperating revenues (expenses), net	<u>(391,539)</u>	<u>(471,204)</u>	<u>(325,273)</u>	<u>-</u>	<u>(1,188,016)</u>	<u>11,698</u>
Income (loss) before contributions and transfers	<u>480,024</u>	<u>(718,301)</u>	<u>4,829,260</u>	<u>5,503</u>	<u>4,596,486</u>	<u>3,284,176</u>
Capital contributions from primary government	-	-	-	18,800	18,800	-
Transfers in	-	-	-	400,000	400,000	40,328
Transfers out	<u>(694,863)</u>	<u>(700,270)</u>	<u>(3,770,840)</u>	<u>(27,818)</u>	<u>(5,193,791)</u>	<u>(427,386)</u>
Change in net assets	<u>(214,839)</u>	<u>(1,418,571)</u>	<u>1,058,420</u>	<u>396,485</u>	<u>(178,505)</u>	<u>2,897,118</u>
Total net assets - July 1, 2011	<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>
Total net assets - June 30, 2012	<u>\$ 7,627,078</u>	<u>\$ 8,171,216</u>	<u>\$ 27,464,090</u>	<u>\$ 1,842,993</u>	<u>\$ 45,105,377</u>	<u>\$ 11,851,476</u>
Change in net assets					\$ (178,505)	
Warehouse external sales					29,404	
Expenses associated with warehouse external sales					(28,521)	
Net allocation of warehouse external sales					883	
Internal service fund allocations					667,844	
Change in net assets - Statement of Activities					<u>\$ 490,222</u>	

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

**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF
REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

	Water Fund	Sewer Fund	Gas Fund	Golf Course Fund	Total
DIRECT REVENUES					
Charges for services	\$ 8,668,383	\$ 8,836,688	\$ 27,599,966	\$ 939,797	\$ 46,044,834
Capacity fees	247,600	282,430	-	-	530,030
Warehouse external sales	7,057	2,353	19,994	-	29,404
	<u>8,923,040</u>	<u>9,121,471</u>	<u>27,619,960</u>	<u>939,797</u>	<u>46,604,268</u>
Program revenues - Statement of Activities					
	8,923,040	9,121,471	27,619,960	939,797	46,604,268
DIRECT EXPENSES					
Purchases for resale	4,508,553	6,255,601	12,927,542	42,835	23,734,531
Personnel costs	1,163,383	1,102,830	3,985,283	487,817	6,739,313
Materials and supplies	299,109	117,681	590,878	102,326	1,109,994
Contractual services and charges	1,283,486	1,137,566	3,726,297	246,074	6,393,423
Depreciation	542,289	470,107	1,215,433	55,242	2,283,071
Loss on sale of capital assets	10,495	-	66,427	-	76,922
Capital contributions to primary government	-	-	124,135	-	124,135
Interest expense	640,503	781,795	153,556	-	1,575,854
Bond issuance expense	26,156	24,058	-	-	50,214
	<u>8,473,974</u>	<u>9,889,638</u>	<u>22,789,551</u>	<u>934,294</u>	<u>42,087,457</u>
Total fund expenses	8,473,974	9,889,638	22,789,551	934,294	42,087,457
Expenses associated with warehouse external sales	6,845	2,282	19,394	-	28,521
Internal service fund allocations	(63,263)	(62,277)	(520,254)	(22,050)	(667,844)
	<u>8,417,556</u>	<u>9,829,643</u>	<u>22,288,691</u>	<u>912,244</u>	<u>41,448,134</u>
Program expenses - Statement of Activities					
	8,417,556	9,829,643	22,288,691	912,244	41,448,134
Revenues over (under) expenses	505,484	(708,172)	5,331,269	27,553	5,156,134
Interest and investment earnings	38,015	52,219	18,845	-	109,079
Capital contributions from primary government	-	-	-	18,800	18,800
Transfers in	-	-	-	400,000	400,000
Transfers out	(694,863)	(700,270)	(3,770,840)	(27,818)	(5,193,791)
	<u>(151,364)</u>	<u>(1,356,223)</u>	<u>1,579,274</u>	<u>418,535</u>	<u>490,222</u>
Change in net assets	\$ (151,364)	\$ (1,356,223)	\$ 1,579,274	\$ 418,535	\$ 490,222

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Business - Type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Gas	Golf Course	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 8,870,943	\$ 9,089,082	\$ 28,014,017	\$ 953,496	\$ 46,927,538	\$ 23,714,844
Payments to suppliers	(6,170,606)	(7,828,974)	(17,483,985)	(404,851)	(31,888,416)	(17,938,908)
Payments to employees	(1,189,452)	(1,131,387)	(4,121,245)	(521,306)	(6,963,390)	(2,958,237)
Net cash provided by (used for) operating activities	1,510,885	128,721	6,408,787	27,339	8,075,732	2,817,699
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Insurance recovery	-	-	-	-	-	11,698
Transfers in	-	-	-	400,000	400,000	40,328
Transfers out	(694,863)	(700,270)	(3,770,840)	(27,818)	(5,193,791)	(427,386)
Payments received from other funds	-	-	-	(399,521)	(399,521)	-
Payments received on notes receivable	125,840	264,914	-	-	390,754	-
Net cash provided by (used for) noncapital financing activities	(569,023)	(435,356)	(3,770,840)	(27,339)	(4,802,558)	(375,360)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(3,450,092)	(5,524,152)	(577,627)	-	(9,551,871)	(344,777)
Capacity fees	247,600	282,430	-	-	530,030	-
Bond proceeds	3,763,000	3,461,700	-	-	7,224,700	-
Bond principal paid	(772,417)	(939,250)	(830,967)	-	(2,542,634)	-
Interest paid	(676,058)	(837,379)	(153,672)	-	(1,667,109)	-
Bond issuance expenses	(26,156)	(24,058)	-	-	(50,214)	-
Premium on bonds issued	454,128	411,432	-	-	865,560	-
Bonds redeemed	(1,956,575)	(1,656,575)	-	-	(3,613,150)	-
Note payable principal paid	-	-	(77,409)	-	(77,409)	-
Net cash provided by (used for) capital and related financing activities	(2,416,570)	(4,825,852)	(1,639,675)	-	(8,882,097)	(344,777)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest on investments	38,015	52,219	18,845	-	109,079	-
Net increase in cash and cash equivalents	(1,436,693)	(5,080,268)	1,017,117	-	(5,499,844)	2,097,562
Balances - July 1, 2011	8,207,877	14,942,742	10,709,177	1,100	33,860,896	10,922,151
Balances - June 30, 2012	\$ 6,771,184	\$ 9,862,474	\$ 11,726,294	\$ 1,100	\$ 28,361,052	\$ 13,019,713
Reconciliation of operating income (loss) to net cash provided by operating activities						
Operating income (loss)	\$ 871,563	\$ (247,097)	\$ 5,154,533	\$ 5,503	\$ 5,784,502	\$ 3,272,478
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	542,289	470,107	1,215,433	55,242	2,283,071	263,446
(Increase) decrease in accounts receivable	235,585	252,393	425,156	4,800	917,934	(81)
(Increase) in inventories	-	-	-	(1,995)	(1,995)	(12,979)
Decrease in prepaid expenses	-	-	469,956	-	469,956	(102,184)
(Decrease) in accounts payable	(79,459)	(318,125)	(709,223)	(11,620)	(1,118,427)	(164,442)
(Decrease) in accrued liabilities	(33,089)	(32,134)	(147,457)	(32,536)	(245,216)	(52,270)
(Decrease) in customer deposits	(33,024)	-	(11,105)	-	(44,129)	-
Increase in unredeemed gift certificates	-	-	-	8,898	8,898	-
Increase (decrease) in compensated absences	7,020	3,577	11,494	(953)	21,138	19,783
(Decrease) in insurance claims payable	-	-	-	-	-	(406,052)
Net cash provided by (used for) operating activities	\$ 1,510,885	\$ 128,721	\$ 6,408,787	\$ 27,339	\$ 8,075,732	\$ 2,817,699
Noncash investing, capital and financing activities:						
Contribution of capital assets to primary government	-	-	124,135	-	124,135	-
Contribution of capital assets from primary government	-	-	-	18,800	18,800	-

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Pension Trust Funds		
	Pension	Post- Employment Benefits	Total
ASSETS			
Cash and cash equivalents (note 3b)	\$ 1,852,262	\$ 314,575	\$ 2,166,837
Interest receivable	236,745	40,207	276,952
Investments (Note 3b):			
Common stocks	26,264,217	4,460,530	30,724,747
Corporate fixed-income securities	6,618,394	1,124,021	7,742,415
U.S. Government and agency fixed income securities	17,759,585	3,016,163	20,775,748
Mutual funds:			
Domestic	12,197,414	2,071,523	14,268,937
International	10,059,850	1,708,494	11,768,344
Total investments	<u>72,899,460</u>	<u>12,380,731</u>	<u>85,280,191</u>
Total assets	<u>74,988,467</u>	<u>12,735,513</u>	<u>87,723,980</u>
LIABILITIES			
Accounts payable	<u>620</u>	<u>105</u>	<u>725</u>
NET ASSETS			
Held in trust for pension and post-employment benefits	<u>\$ 74,987,847</u>	<u>\$ 12,735,408</u>	<u>\$ 87,723,255</u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2012**

	Pension Trust Funds		
	Pension	Post- Employment Benefits	Total
ADDITIONS			
Contributions:			
Employer	\$ 5,890,831	\$ 5,048,816	\$ 10,939,647
Plan members	<u>120,537</u>	<u>777,368</u>	<u>897,905</u>
Total contributions	<u>6,011,368</u>	<u>5,826,184</u>	<u>11,837,552</u>
Investment earnings:			
Net decrease in fair value of investments	(1,641,294)	(243,533)	(1,884,827)
Interest	1,178,680	174,891	1,353,571
Dividends	<u>445,556</u>	<u>66,111</u>	<u>511,667</u>
Total investment earnings	(17,058)	(2,531)	(19,589)
Less investment expenses	<u>339,459</u>	<u>50,369</u>	<u>389,828</u>
Net investment earnings (loss)	<u>(356,517)</u>	<u>(52,900)</u>	<u>(409,417)</u>
Total additions	<u>5,654,851</u>	<u>5,773,284</u>	<u>11,428,135</u>
DEDUCTIONS			
Pension benefits	8,406,649	-	8,406,649
Post-retirement benefits	-	2,963,995	2,963,995
Administrative expenses	<u>269,150</u>	<u>39,936</u>	<u>309,086</u>
Total deductions	<u>8,675,799</u>	<u>3,003,931</u>	<u>11,679,730</u>
Change in net assets	(3,020,948)	2,769,353	(251,595)
Net assets - July 1, 2011	<u>78,008,795</u>	<u>9,966,055</u>	<u>87,974,850</u>
Net assets - June 30, 2012	<u>\$ 74,987,847</u>	<u>\$ 12,735,408</u>	<u>\$ 87,723,255</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, 2012

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 44,471 according to the Weldon Cooper Center for Public Service. 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 seven 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 City 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.

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, 2012, the allowances approximated \$809,905 in the General Fund and \$1,405,626 in the Proprietary Funds (\$258,837, \$245,607, and \$901,182) 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, 2012, approximated \$13,561,686 and \$13,523,930 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) plan, to which the Schools’ non-professional 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. The Schools’ post-employment medical plan is unfunded.

(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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General government	\$ 77,957	\$ -	\$ 77,957
Public safety	458,127	-	458,127
Parks, recreation and culture	17,299	-	17,299
Health and welfare	521,103	-	521,103
Conservation and development	5,327,678	-	5,327,678
Permanent fund, nonexpendable	<u>162,501</u>	<u>-</u>	<u>162,501</u>
Total restricted net assets	<u>\$ 6,564,665</u>	<u>\$ -</u>	<u>\$ 6,564,665</u>

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 the City's highest level of decision making authority. The City Council can establish, modify or rescind a fund balance commitment through adoption of an appropriation or resolution. 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, 2012:

	General Fund	Capital Projects Fund	Social Services Fund	Other Governmental Funds	Total
Nonspendable:					
Loans receivable	\$ -	\$ 3,126,897	\$ -	\$ 10,000	\$ 3,136,897
Special assessments receivable	-	16,813	-	-	16,813
Cemetery perpetual care	-	-	-	162,501	162,501
Total nonspendable	-	3,143,710	-	172,501	3,316,211
Restricted:					
Unspent bond proceeds	-	13,172,728	-	-	13,172,728
Transportation projects	-	2,173,968	-	-	2,173,968
General government	77,957	-	-	-	77,957
Public safety	376,800	-	-	81,327	458,127
Parks, recreation and culture	17,299	-	-	-	17,299
Health and welfare	-	-	484,496	36,607	521,103
Conservation and development	-	-	-	-	-
Total restricted:	472,056	15,346,696	484,496	117,934	16,421,182
Committed:					
General government	3,359,180	-	-	-	3,359,180
Public safety	26,097	-	-	-	26,097
Community services	3,914,853	-	-	-	3,914,853
Parks, recreation and culture	600,861	-	-	-	600,861
Education	47,133	-	-	-	47,133
Conservation and development	258,061	-	-	-	258,061
Future debt service	-	-	-	11,252,983	11,252,983
Total committed:	8,206,185	-	-	11,252,983	19,459,168
Assigned:					
General government	3,791,336	-	-	-	3,791,336
Public safety	164,308	-	-	27,430	191,738
Community services	228,849	-	-	-	228,849
Health and welfare	-	-	-	1,879,172	1,879,172
Parks, recreation and culture	252,087	-	-	-	252,087
Education	34,709	-	-	-	34,709
Conservation and development	1,549	-	-	-	1,549
Other activities	69,653	-	-	-	69,653
Total assigned:	4,542,491	-	-	1,906,602	6,449,093
Unassigned:					
	26,861,656	-	-	-	26,861,656
Total fund balance	<u>\$ 40,082,388</u>	<u>\$ 18,490,406</u>	<u>\$ 484,496</u>	<u>\$ 13,450,020</u>	<u>\$ 72,507,310</u>

3. CASH EQUIVALENTS AND TRUST FUND INVESTMENTS

(a) Primary Government

At June 30, 2012, 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	\$ 68,333,425	N/A
Certificate of Deposit	20,000,000	
Commonwealth LGIP	1,032	AAAm
Commonwealth Non-Arbitrage Program (SNAP)	17,932,278	AAAm
Virginia Resources Authority Series 2010	1,067,356	
Cash on hand	7,680	N/A
Total deposits and investments	<u>\$ 107,341,771</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	100% 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, or 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	\$70 million
Each repurchase agreement counterparty	10% maximum
Each federal agency	No maximum
U.S. Treasury	No maximum

At June 30, 2012, 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, 2012, 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, 2012, 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	\$ 2,166,837	N/A
Common stock	30,724,747	N/A
Corporate fixed income securities	7,742,415	Aaa-Baa3
U.S. government and agency fixed income securities		
Explicitly guaranteed by U.S. government	\$ 14,701,403	N/A
Implicitly guaranteed by U.S. government	<u>6,074,345</u>	N/A
Total U.S. government fixed income securities	20,775,748	
Mutual funds - domestic	14,268,937	N/A
Mutual funds - international	<u>11,768,344</u>	N/A
Total investments	<u>85,280,191</u>	
Total deposits and investments	<u>\$ 87,447,028</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 table below are ratings from Moody’s Investor’s Service. If the investment was rated only by Standard & Poor’s Rating Services, the table below has the Moody’s equivalent rating.

The following table summarizes the Plan's credit risk for corporate fixed income securities at June 30, 2012:

<u>Credit Rating</u>	<u>Fair Value</u>
Aaa	\$ 1,571,708
Aa2	657,403
Aa3	609,070
A1	1,289,458
A2	1,004,104
A3	689,914
Baa2	1,499,278
Baa3	421,480
Total	<u>\$ 7,742,415</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, 2012, 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	\$ 7,742,415	\$ 1,187,522	\$ 2,756,020	\$ 3,798,873
Government fixed income	20,775,748	1,121,525	4,142,681	15,511,542
Total	<u>\$ 28,518,163</u>	<u>\$ 2,309,047</u>	<u>\$ 6,898,701</u>	<u>\$ 19,310,415</u>

(c) School Board Component Unit

At June 30, 2012, 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	\$ 4,535,940	N/A
Commonwealth LGIP	1,549,713	AAAm
Total deposits and investments	<u>\$ 6,085,653</u>	

School Board deposits are invested in accordance with the City's investment policy. At June 30, 2012, 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, 2012, 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	\$ 1,587,571	N/A
US government fixed income security	968,410	N/A
Total deposits and investments	<u>\$ 2,555,981</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, 2012, excluding the demand deposits and U.S. government agency securities, there were no investments. Accordingly, based on this minimal risk, the CEDA 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, 2011 assessment due December 5, 2011 and the first half of the January 1, 2012 assessment due June 5, 2012 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 2011 and 2012 was \$.95, per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2012 and due December 5, 2012, 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, 2012 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 2012, the personal property taxes budgeted for and reported as revenue in the fund financial statements are the second half of the January 1, 2011 assessment due December 5, 2011 and the first half of the January 1, 2012 assessment due June 5, 2012, 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 2011 and 2012 was \$4.20 per \$100 of assessed value. Personal property taxes receivable, assessed during 2012 and due December 5, 2012 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, 2012 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, PPTRA. 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 57% relief provided during 2011 decreased to 56% for 2012. Vehicles below \$1,000 assessed value are given 100% relief.

5. LOANS RECEIVABLE

The Community Development Block Grant (CDBG) Special Revenue Fund had \$30,368 in outstanding installment loans and \$477,042 in deferred payment loans, which are secured by property liens. The installment loans have terms of up to 30 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 \$579,259 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 \$696,897 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 offset 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 offset this loan receivable.

6. NOTES RECEIVABLE

The City Link note balance of \$799,059 at June 30, 2012 is recorded as a note receivable in the City's Water and Sewer Funds (\$257,332 and \$541,727, 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, 2012 are presented below:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
City Government Activities:				
Major funds:				
General Fund	\$ -	\$ 2,967,205	\$ 4,539	\$ 2,971,744
Capital Projects Fund	-	978,779	97,915	1,076,694
Social Services Fund	-	675,177	15,617	690,794
Total major funds	<u>-</u>	<u>4,621,161</u>	<u>118,071</u>	<u>4,739,232</u>
Non-major funds	<u>2,086,587</u>	<u>3,178,636</u>	<u>1,406,947</u>	<u>6,672,170</u>
Total Primary Government	<u>\$ 2,086,587</u>	<u>\$ 7,799,797</u>	<u>\$ 1,525,018</u>	<u>\$ 11,411,402</u>
Component Unit - Schools	<u>\$ -</u>	<u>\$ 2,583,298</u>	<u>\$ 36,546</u>	<u>\$ 2,619,844</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, 2012 are presented below:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Major funds:		
General Fund	\$ 4,640,987	\$ -
Social Services Fund	-	91,062
Golf Course Fund	-	113,710
Total major funds	<u>4,640,987</u>	<u>204,772</u>
Non-major funds:		
Special Revenue Funds:		
Community Development Block Grant Fund	-	25,976
Grants Fund	-	1,124,460
Comprehensive Services Act Fund	-	1,431,340
Transit Fund	-	1,854,439
Total non-major funds	<u>-</u>	<u>4,436,215</u>
Total due to/from other funds	<u>\$ 4,640,987</u>	<u>\$ 4,640,987</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, 2012 consisted of the following:

	Transfers out:						<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Social Services</u>	<u>Proprietary</u>	<u>Nonmajor Governmental</u>	<u>Internal Service</u>	
Transfers in:							
General Fund	\$ -	\$ 7,338,669	\$ 2,969,405	\$ 400,000	\$ 15,413,557	\$ -	\$ 26,121,631
Capital Projects Fund	214,180	-	-	-	307,478	21,437	543,095
Nonmajor governmental funds	-	-	-	-	33,437	-	33,437
Water Fund	694,863	-	-	-	-	-	694,863
Sewer Fund	700,270	-	-	-	-	-	700,270
Gas Fund	3,770,840	-	-	-	-	-	3,770,840
Golf Fund	27,818	-	-	-	-	-	27,818
Internal Service Funds	-	-	-	-	408,495	18,891	427,386
Total	<u>\$ 5,407,971</u>	<u>\$ 7,338,669</u>	<u>\$ 2,969,405</u>	<u>\$ 400,000</u>	<u>\$ 16,162,967</u>	<u>\$ 40,328</u>	<u>\$ 32,319,340</u>

Reconciliation to exhibits:

	<u>Transfers in:</u>	<u>Transfers out:</u>	<u>Net transfers</u>
Governmental Funds	Exhibit D \$ 31,879,012	\$ 26,698,163	\$ 5,180,849
Proprietary Funds	Exhibit E-3 400,000	5,193,791	(4,793,791)
Internal Service Funds	Exhibit L-2 40,328	427,386	(387,058)
Total	<u>\$ 32,319,340</u>	<u>\$ 32,319,340</u>	<u>\$ -</u>

9. CAPITAL ASSETS

(a) Primary Government

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 12,861,244	\$ 890,616	\$ 73,257	\$ 13,678,603
Infrastructure right of way	<u>2,153,276</u>	<u>480,410</u>	<u>-</u>	<u>2,633,686</u>
Total capital assets not being depreciated	<u>15,014,520</u>	<u>1,371,026</u>	<u>73,257</u>	<u>16,312,289</u>
Other capital assets:				
Building and improvements	139,982,045	7,817,395	1,087,766	146,711,674
Vehicles	26,540,170	3,655,253	1,712,244	28,483,179
Mobile equipment	3,006,747	15,492	31,376	2,990,863
Furniture and equipment	17,789,678	879,398	14,230	18,654,846
Streets	57,633,543	2,287,597	-	59,921,140
Bridges	4,585,577	8,051	-	4,593,628
Infrastructure	<u>56,446,371</u>	<u>-</u>	<u>-</u>	<u>56,446,371</u>
Total other capital assets at historical cost	<u>305,984,131</u>	<u>14,663,186</u>	<u>2,845,616</u>	<u>317,801,701</u>
Less accumulated depreciation:				
Building and improvements	37,785,604	3,560,725	655,575	40,690,754
Vehicles	16,585,723	2,433,980	1,667,441	17,352,262
Mobile equipment	2,146,139	140,319	30,986	2,255,472
Furniture and equipment	13,761,136	1,171,521	14,230	14,918,427
Streets	40,716,854	701,412	-	41,418,266
Bridges	1,452,431	85,916	-	1,538,347
Infrastructure	<u>20,862,013</u>	<u>1,016,828</u>	<u>-</u>	<u>21,878,841</u>
Total accumulated depreciation	<u>133,309,900</u>	<u>9,110,701</u>	<u>2,368,232</u>	<u>140,052,369</u>
Other capital assets, net	<u>172,674,231</u>	<u>5,552,485</u>	<u>477,384</u>	<u>177,749,332</u>
Governmental activities capital assets, net	<u>\$ 187,688,751</u>	<u>\$ 6,923,511</u>	<u>\$ 550,641</u>	<u>\$ 194,061,621</u>

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Business-Type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 1,921,723	\$ -	\$ -	\$ 1,921,723
Easements	104,900	74,800	-	179,700
Total capital assets not being depreciated	2,026,623	74,800	-	2,101,423
Other capital assets:				
Building and improvements	1,800,460	57,814	-	1,858,274
Vehicles	1,668,769	430,579	81,468	2,017,880
Equipment	2,778,365	112,750	-	2,891,115
Distribution and collection systems	75,681,049	8,835,071	-	84,516,120
Total other capital assets at historical cost	81,928,643	9,436,214	81,468	91,283,389
Less accumulated depreciation:				
Building and improvements	1,167,396	45,095	-	1,212,491
Vehicles	1,076,475	198,203	41,685	1,232,993
Equipment	1,848,408	198,437	-	2,046,845
Distribution and collection systems	31,635,336	1,924,558	-	33,559,894
Total accumulated depreciation	35,727,615	2,366,293	41,685	38,052,223
Other capital assets, net	46,201,028	7,069,921	39,783	53,231,166
Business-Type activities capital assets, net	\$ 48,227,651	\$ 7,144,721	\$ 39,783	\$ 55,332,589

(b) School Board Component Unit

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 982,889	\$ -	\$ -	\$ 982,889
Other capital assets:				
Building and improvements	45,102,824	836,431	-	45,939,255
Vehicles	141,474	-	-	141,474
Furniture and equipment	1,557,277	2,358,454	31,109	3,884,622
Total other capital assets at historical cost	46,801,575	3,194,885	31,109	49,965,351
Less accumulated depreciation:				
Building and improvements	-	-	-	-
Building and improvements	24,262,791	1,012,133	-	25,274,924
Vehicles	102,736	7,109	-	109,845
Furniture and equipment	719,630	336,302	25,413	1,030,519
Total accumulated depreciation	25,085,157	1,355,544	25,413	26,415,288
Other capital assets, net	21,716,418	1,839,341	5,696	23,550,063
Governmental activities capital assets, net	\$ 22,699,307	\$ 1,839,341	\$ 5,696	\$ 24,532,952

(c) Allocation of Depreciation Expense

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

Governmental activities:	
General government	\$ 1,795,960
Public safety	1,221,582
Community services, including depreciation of general infrastructure assets	3,130,918
Health and welfare	77,074
Parks, recreation and culture	908,791
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	261,773
Education	997,159
Conservation and development	680,444
Total depreciation expense - governmental activities	9,073,701
Accumulated depreciation from assets transferred from enterprise fund	37,000
Total increase in accumulated depreciation - governmental activities	<u>\$ 9,110,701</u>
Business-Type activities:	
Water	\$ 542,289
Sewer	470,107
Gas	1,215,433
Golf course	55,242
Warehouse	1,672
Total depreciation expense - business-type activities	2,284,743
Accumulated depreciation from assets transferred from governmental activities	81,550
Total increase in accumulated depreciation - governmental activities	<u>\$ 2,366,293</u>

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

Instruction and instruction-related service	\$ 975,991
Support services - student based	311,775
Administrative support services	67,778
Total increase to depreciation	<u>\$ 1,355,544</u>

(d) Tenancy in Common – School Board Capital Assets

In fiscal year 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, 2012.

10. LONG-TERM DEBT

(a) City

At June 30, 2012, the City's long-term debt consisted of the following:

<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	\$ 2,060,000
General Improvement Refunding, Series 2004	3.00 - 4.25	19,913,333	4,973,333
General Improvement, Series 2006	3.45 - 4.12	12,500,000	5,625,000
General Improvement Refunding, Series 2008	3.25 - 5.00	15,617,500	9,427,500
General Improvement Refunding, Series 2009	2.00 - 5.00	15,875,700	12,224,150
General Improvement, Series 2010	2.00-4.38	9,956,200	8,957,900
General Improvement, Series 2011	2.00-5.00	9,425,000	8,780,000
General Improvement Refunding, Series 2012	1.25-4.50	26,870,300	<u>26,870,300</u>
Total bonds			78,918,183
State Literary Fund Loan, 1995	5.00	193,121	38,625
State Literary Fund Loan, 1996	5.00	207,244	<u>51,814</u>
Total literary loans			90,439
Notes payable			<u>960,793</u>
Total bonds, literary loans and notes payable			79,969,415
Compensated absences			<u>2,094,420</u>
Total			<u><u>\$ 82,063,835</u></u> *
 <u>Business-Type Activities:</u>			
General obligation bonds:			
General Improvement Refunding, Series 2003	2.00 - 4.125	\$ 8,295,000	\$ 1,675,000
General Improvement Refunding, Series 2004	3.00 - 4.25	1,456,667	1,211,668
General Improvement, Series 2006	3.45 - 4.12	3,000,000	1,350,000
General Improvement Refunding, Series 2008	3.25 - 5.00	5,222,500	3,372,500
General Improvement Refunding, Series 2009	2.00 - 5.00	6,494,300	5,360,850
General Improvement, Series 2010	2.00-4.38	4,903,800	4,412,100
General Improvement, Series 2010 (VRA)	2.93	5,030,409	5,030,409
General Improvement, Series 2011	2.00-5.00	8,560,000	8,125,000
General Improvement Refunding, Series 2012	1.25-4.50	7,224,700	<u>7,224,700</u>
Total bonds			37,762,227
Compensated absences			<u>263,329</u>
Total			<u><u>\$ 38,025,556</u></u> *

The Water, Sewer, and Gas Funds are responsible for \$12,656,758, \$21,256,134 and \$3,849,335, respectively, of the Business-Type Activities bonds payable.

*Amounts exclude premium and deferred amounts on bonds.

(b) School Board Component Unit

At June 30, 2012, the School Board's long-term debt consisted of:

Notes payable	\$ 11,924
Capital leases payable	1,374,448
Compensated absences	1,276,760
Unfunded liability for post-employment medical benefits	169,202
Total	<u>\$ 2,832,334</u>

(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, 2012:

	Balance July 1, 2011	Additions	Refunding	Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:						
Bonds payable:						
General obligation bonds	\$ 76,002,100	\$ 26,870,300	\$ 18,051,850	\$ 5,902,367	\$ 78,918,183	\$ 5,851,850
Unamortized premium	1,599,712	3,411,666	894,036	73,806	4,043,536	-
Deferred amounts on refunding	(198,238)	314,750	(894,036)	(45,959)	1,056,507	-
Total bonds payable	<u>77,403,574</u>	<u>30,596,716</u>	<u>18,051,850</u>	<u>5,930,214</u>	<u>84,018,226</u>	<u>5,851,850</u>
Compensated absences	1,977,752	1,986,888	-	1,870,220	2,094,420	251,330
State literary loans:						
1991 - Greenbrier	7,886	-	-	7,886	-	-
1995 - Johnson	48,281	-	-	9,656	38,625	9,656
1995 - Burnley Moran	62,176	-	-	10,362	51,814	10,362
Total literary loans	<u>118,343</u>	<u>-</u>	<u>-</u>	<u>27,904</u>	<u>90,439</u>	<u>20,018</u>
Notes payable:						
Fire truck - 2007	97,587	-	-	97,587	-	-
CityLink note	1,189,813	-	-	390,753	799,060	396,575
Fire brush truck - 2008	33,242	-	-	33,242	-	-
Police cruisers - 2010	170,870	-	-	84,225	86,645	86,645
Police cruisers - 2011	150,259	-	-	75,171	75,088	75,088
Total notes payable	<u>1,641,771</u>	<u>-</u>	<u>-</u>	<u>680,978</u>	<u>960,793</u>	<u>558,308</u>
Total governmental activities	<u>\$ 81,141,440</u>	<u>\$ 32,583,604</u>	<u>\$ 18,051,850</u>	<u>\$ 8,509,316</u>	<u>\$ 87,163,878</u>	<u>\$ 6,681,506</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 the City's Water and Sewer Funds of \$125,840 and \$264,913, 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, 2011	Additions	Refunding	Reductions	Balance June 30, 2012	Due Within One Year
Business-Type Activities:						
Bonds payable:						
General obligation bonds	\$ 36,693,311	\$ 7,224,700	\$ 3,613,150	\$ 2,542,634	\$ 37,762,227	\$ 2,717,653
Unamortized premium	872,493	865,560	156,226	114,895	1,466,932	-
Deferred amounts on refunding	(203,682)	40,250	(156,226)	(43,647)	36,441	-
Total bonds payable	37,362,122	8,130,510	3,613,150	2,613,882	39,265,600	2,717,653
Compensated absences	241,091	317,430	-	295,192	263,329	31,598
Notes payable:						
Boring machine-gas fund	77,409	-	-	77,409	-	-
Total notes payable	77,409	-	-	77,409	-	-
Total business-type activities	\$ 37,680,622	\$ 8,447,940	\$ 3,613,150	\$ 2,986,483	\$ 39,528,929	\$ 2,749,251

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 \$13,172,728 for Governmental Activities, \$956,663 for Water and \$4,839,266 for Sewer in the Business-type Activities- Enterprise Funds.

School Board Component Unit:

School Board:	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due within one year
Notes payable	\$ 16,086	\$ -	\$ 4,162	\$ 11,924	\$ 4,407
Capital lease payable	-	1,973,451	599,003	1,374,448	153,211
Compensated absences	1,255,647	1,465,107	1,443,994	1,276,760	443,237
Unfunded liability for post- employment medical benefits	169,202	-	-	169,202	-
Total	\$ 1,440,935	\$ 3,438,558	\$ 2,047,159	\$ 2,832,334	\$ 600,855

(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 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, 2012, the City had a debt limit of \$522,266,130 which is 10% of assessed value of real property and a legal debt margin of \$415,787,471.

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 May 30, 2012, the City issued \$34,095,000 in General Obligation Public Improvement and Refunding Bonds at a true interest cost of 1.99%. Series 2012A for \$12,785,000 includes \$9,133,200 of debt for general government and \$3,651,800 to finance water (\$1,825,900) and sewer (\$1,825,900) capital improvement 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 January 15, 2013 and ending July 15, 2032.

Series 2012B was issued for \$21,310,000 to refund portions of bond series 2003, 2004, 2006, 2008 and 2009A for both general governmental and utility debt. \$17,737,100 was debt of general government and \$3,572,900 was debt for water (\$1,937,100) and sewer (\$1,635,800). The net proceeds of the refunding bonds (\$24,263,409) were deposited in an irrevocable trust with an escrow agent to purchase United States Treasury Securities – State and Local Government Series certificates and notes that will provide for all the debt service due on the refunded bonds. As such, the refunded portion of the 2003, 2004, 2006, 2008 and 2009A bond issues (\$21,665,000) was removed as a liability of the City. This advanced refunding was undertaken to reduce total debt service payments of \$1,883,259 over the next 13 years, resulting in an economic gain (present value savings) of \$1,681,448.

(f) Disclosure of Outstanding Balance of Refunded Bonds

The amount outstanding at June 30, 2012 for bond advance refunding which have been in-substance defeased is \$21,665,000. The refunding is included in Series 2012B. There is no outstanding balance from prior year bond refundings.

Amount outstanding, June 30, 2011:	\$ -
Add: Series 2012B - Refunding Series 2003	4,945,000
Series 2012B - Refunding Series 2004	8,500,000
Series 2012B - Refunding Series 2006	4,650,000
Series 2012B - Refunding Series 2008	1,995,000
Series 2012B - Refunding Series 2009A	<u>1,575,000</u>
Total Refunding	<u>21,665,000</u>
Amount outstanding, June 30, 2012	<u><u>\$ 21,665,000</u></u>

(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>			
2013	\$	5,851,850	\$	2,432,103	\$	2,717,653	\$	1,215,459
2014		5,983,016		2,586,431		2,877,226		1,227,375
2015		5,779,300		2,393,378		2,706,854		1,143,037
2016		5,757,967		2,208,667		2,684,272		1,059,274
2017		5,481,600		2,027,249		2,456,903		970,860
2018 - 2022		23,421,400		7,638,885		10,696,742		4,053,145
2023 - 2027		18,933,250		3,587,739		8,231,672		2,217,796
2028-2032		7,709,800		705,751		5,209,505		729,458
2033-2036		-		-		181,400		10,621
Total bonds	\$	<u>78,918,183</u>	\$	<u>23,580,203</u>	\$	<u>37,762,227</u>	\$	<u>12,627,025</u>

Literary Loans:

Year Ending	<u>Governmental Activities</u>			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	
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>90,439</u>	\$	<u>12,601</u>

Notes Payable:

Year Ending	<u>Governmental Activities</u>			
	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	
2013	\$	558,308	\$	16,868
2014		<u>402,485</u>		<u>5,997</u>
Total notes payable	\$	<u>960,793</u>	\$	<u>22,865</u>

11. PENSION AND OTHER 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 Other Post-Employment Benefits (OPEB) for eligible employees. Benefits are established by City Council, as provided in Article III, IV and V of Chapter 19 of the Code, 1990, as amended, of the City of Charlottesville. An Other Post-Employment Benefits Trust was established and adopted by City Council on July 1, 2007 in addition to the Pension Trust. The City Pension and OPEB 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 that work at least half time for at least 36 weeks per year and provides retirement and disability pension benefits. The Plan does not provide automatic annual increases in benefits. Benefit increases require approval by City Council. The City pays the full contribution based on actuarial valuation data. Plan members hired after July 1, 2012 will contribute an additional 3% of their base pay to the pension and OPEB plans.

OPEB benefits include medical, dental and life insurance benefits. The City’s health insurance contribution is determined on an annual basis and is subject to change for current and future retirees. Plan members hired before December 3, 2002 with 5 years of creditable service receive the annually determined contribution toward the cost of their health insurance. For plan members hired on or after December 3, 2002 with 5 years of creditable service, the annually determined contribution toward health insurance is prorated according to years of creditable service. Plan members hired on or after July 1, 2012 are eligible to participate with 10 years of creditable service and also receive the pro-rated annually determined contribution according to years of service.

For plan members hired before July 1, 2012 the life insurance benefit at retirement is equal to 2 times pay decreasing monthly until an ultimate benefit of one times final pay. Plan members hired on or after July 1, 2012 must have 10 years of creditable service to be eligible for a life insurance benefit. The benefit at retirement is equal to 2 times pay decreasing monthly until an ultimate benefit of ½ times final pay.

Membership in the City’s Pension Plan and Post-Employment Benefits Plan (OPEB) consists of the following at June 30, 2012, and date of the most recent actuarial valuation:

	<u>Pension</u>	<u>OPEB</u>
Retirees and beneficiaries currently receiving benefits	481	408
Vested terminated employees	405	-
Current employees:		
Vested	546	979
Nonvested	<u>212</u>	<u>-</u>
Total	<u><u>1,644</u></u>	<u><u>1,387</u></u>

A summary of pension provisions follows:

	Public Safety	General
Normal Retirement Benefit:		
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 Benefit	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 Benefit	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. As of July 1, 2012, employees will contribute 3% of base pay. The City's contribution rates, authorized by City Council, are actuarially determined and consist of current costs and amortization of prior service costs. The costs of administering the plans are borne primarily by the plans. The contribution rates for 2012, based on the July 1, 2010 actuarial report were as follows:

	Public		Combined
City Contribution Rates:	<u>Safety</u>	<u>General</u>	<u>Rate</u>
Pension	23.63 %	14.42 %	17.98 %
Post-Employment	<u>15.41</u>	<u>15.41</u>	<u>15.41</u>
Total	<u>39.04</u> %	<u>29.83</u> %	<u>33.39</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, 2012. 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, 2010 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 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-years as a closed group, based on a level percentage of payroll method. The assumptions include a 3.5%-7.0% payroll growth rate based on age. The discount rate is 7.5%. Trends for medical benefits (including prescription drugs) are 8% decreasing to 5.5% from 2010-2015 and 5% after 2016. Dental trend is 5% per year.

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, 2012, current employees make no contribution to the pension plan or post-employment benefits plan. Retirees contribute toward healthcare costs. As of July 1, 2012, new plan members will contribute 3% of their base pay through payroll deduction.

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.

Schedules of employer contributions and funding progress - The following schedule presents information about the funded status of the City Pension and post-employment benefit plan as of June 30, 2012.

i) City Pension Plan

Schedule of Funding Progress (dollar amounts in thousands):

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Unfunded Actuarial Liability <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Ratio <u>(b-a)/c</u>
June 30, 2012	\$74,148	\$127,229	\$53,081	58.3%	\$32,563	163.0%

For fiscal years ending June 30, 2012, 2011 and 2010 retirement plan contributions were \$5,890,831, \$5,109,912, and \$4,872,461.

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, 2012	\$12,735	\$77,497	\$64,762	16.4%	\$32,564	198.9%

Schedule of City Contributions:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$5,039,276	100.2%	(\$699,150)
June 30, 2011	\$4,202,983	100.2%	(\$689,610)
June 30, 2010	\$3,957,706	100.2%	(\$680,200)

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

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, 2012, there were 213 contributing employees totaling approximately 324 participants enrolled in the DC plan. During the year the City contributed a total of \$711,825. Total net assets available for benefit at June 30, 2012 were \$6,285,491.

There is also a separate defined contribution plan for senior management to which the City contributes. For the year ended June 30, 2012, a total of \$461,957 was contributed on behalf of the 13 members at a rate of 29.83% of eligible compensation.

(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, 2012 was 12.21%, 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</u>	<u>Contribution Dollars</u>	<u>Contribution Percentage</u>
June 30, 2012	\$ 4,092,371	12.21 %
June 30, 2011	3,046,139	9.81
June 30, 2010	3,894,293	15.64

Annual pension cost - The School Board's contribution rate for non-professional employees for the fiscal year ending June 30, 2012 was 7.79% of annual covered payroll and elected to pay the employees' 5% required contribution. 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, 2011. (Dollar amount in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Liability (1) (b)</u>	<u>Unfunded Actuarial Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded Ratio (b-a)/c</u>
June 30, 2011	\$9,561	\$10,414	\$853	91.8%	\$1,932	44.2%

The School Board's contribution for fiscal years ending June 30, 2012, 2011 and 2010 were \$143,405, \$149,059 and \$135,855. 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, 2011 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 School Board Contributions (dollar amounts in thousands):

Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Employer <u>Contribution</u>	Percentage of <u>OPEB Cost</u> <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2010	\$133	\$81	60.6%	\$162
June 30, 2009	\$134	\$70	51.9%	\$109
June 30, 2008	\$117	\$73	61.6%	\$45

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):

<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	\$ -	\$ 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 and School Board have received a number of Federal and State grants. Although the grant programs are audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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. In the opinion of management, any further disallowances of current grant programs expenditures, if any, would 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 \$18,089,812 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, 2012, the City paid a total of \$10,734,337 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 and for fiscal year 2012 is \$1,675,273. For calendar year 2010, \$1,500,630 was the correct amount of the City's guarantee, not \$351,887 as reported in the June 30, 2011 CAFR. 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 \$1,382,165 to JMRL for the year ended June 30, 2012. 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, 2012, the City's share of the costs of the Jail was \$4,232,409. 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, 2012, the City's share of the costs of the Center was \$1,744,996. 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, 2012, the City contributed \$618,979 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, 2012, the City's share of the Park's operating costs was \$74,908. 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
PLACE Design Task Force
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
Towing Advisory Board
Tree 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 \$7,333,344 at June 30, 2012 is a reserve for future extraordinary claims.

Major risks retained by the City include:

Worker's compensation - \$450,000 per claim and employee health care - \$125,000 per participant per year.
Other insurance policies have deductibles of \$25,000 or less per occurrence.

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

	<u>2011-2012</u>	<u>2010-2011</u>
Accrued claims, July 1	\$ 2,870,576	\$ 2,823,993
Add claims incurred during the current fiscal year including changes in estimated claim payable	9,482,399	10,521,490
Less payments on claims	<u>(9,888,451)</u>	<u>(10,474,907)</u>
Accrued claims, June 30	<u>\$ 2,464,524</u>	<u>\$ 2,870,576</u>
Claims or judgments due within one year	\$ 2,415,385	\$ 2,757,799
Claims or judgments due in more than one year	<u>49,139</u>	<u>112,777</u>
Total	<u>\$ 2,464,524</u>	<u>\$ 2,870,576</u>

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

	<u>Amount</u>
Jennifer J. Brown, Treasurer	\$ 1,000,000
Llezelle A. Dugger, 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. CAPITAL LEASES

The School Board entered into a capital lease to finance the acquisition of 2,082 Fujitsu Stylistic Q550 Computer Tablets with a down payment of \$111,705. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease commenced on September 29, 2011 for four (4) years ending October 31, 2014. At the end of the lease, there is an option to purchase the tablets or sign a new lease for updated technology.

The assets acquired through capital leases are as follows:

Asset:	
Furniture and equipment	\$ 1,973,451
Less: Accumulated depreciation	<u>(197,345)</u>
Total	<u>\$ 1,776,106</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2012, are as follows:

Year Ending June 30, 2012	<u>Activities</u>
2013	\$ 493,362
2014	493,362
2015	<u>493,363</u>
Total minimum lease payments	1,480,087
Less: amount representing interest	<u>(105,639)</u>
Present value of minimum lease payments	<u>\$ 1,374,448</u>

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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, 2012**

REVENUES	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Taxes:				
Real estate	\$ 50,436,619	\$ 50,436,619	\$ 50,040,014	\$ (396,605)
Personal property	6,467,867	6,467,867	6,019,191	(448,676)
Public service corporation	1,296,916	1,296,916	1,299,886	2,970
Penalties and interest on delinquent taxes	350,000	350,000	415,796	65,796
Sales and use	9,500,000	9,500,000	9,995,523	495,523
Business license	6,492,668	6,492,668	6,491,428	(1,240)
Utilities	4,630,850	4,630,850	4,252,785	(378,065)
Communications	3,468,000	3,468,000	3,268,192	(199,808)
Meals	6,752,400	6,752,400	7,378,230	625,830
Lodging	2,575,941	2,575,941	2,807,326	231,385
Franchise	-	-	10,440	10,440
Tax on bank stock	1,000,000	1,000,000	1,051,723	51,723
Tax on wills and deeds	450,000	450,000	493,248	43,248
Rolling stock	17,324	17,324	992	(16,332)
Short-term rental	40,000	40,000	52,339	12,339
Cigarette	615,000	615,000	640,588	25,588
Recordation	232,043	232,043	94,193	(137,850)
Total taxes	94,325,628	94,325,628	94,311,894	(13,734)
Licenses and permits:				
Vehicle license fees	856,000	856,000	784,463	(71,537)
Dog licenses	15,000	15,000	14,140	(860)
Electrical, heating and mechanical permits	120,000	120,000	215,715	95,715
Building and plumbing permits	275,000	275,000	454,323	179,323
Erosion control fees	-	-	17,200	17,200
Sign permits	-	-	12,070	12,070
Other permits	356,000	356,000	544,152	188,152
Total licenses and permits	1,622,000	1,622,000	2,042,063	420,063
Intergovernmental revenues:				
Revenue from Federal government	-	11,787	18,007	6,220
Revenue from State agencies:				
State highway assistance	3,217,501	3,217,501	3,535,290	317,789
Reimbursement for constitutional officers	899,611	899,611	1,108,079	208,468
Police assistance	2,012,682	2,012,682	1,969,214	(43,468)
Trailer titling tax	1,200	1,200	6,290	5,090
PPTRA revenue	3,498,256	3,498,256	3,498,256	-
Other State assistance	172,000	201,932	181,383	(20,549)
Revenue from other local governments:				
Revenue sharing - Albemarle County	18,089,812	18,089,812	18,089,812	-
Fire Department operations	650,000	650,000	789,191	139,191
Juvenile and Domestic Relations Court	119,229	119,229	119,229	-
Court revenue	350,000	350,000	399,445	49,445
Circuit Court reimbursement	-	-	31,637	31,637
University of Virginia service charge	25,000	25,000	33,393	8,393
Payment in lieu of taxes - CRHA	25,000	25,000	44,479	19,479
Other	367,417	446,321	734,654	288,333
Total intergovernmental revenues	29,427,708	29,548,331	30,558,359	1,010,028

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Charges for services:				
Recreation income	1,442,083	1,471,801	1,224,678	(247,123)
City Sheriff fees	-	-	-	-
Parking meter receipts	100,000	100,000	105,689	5,689
Parking garage revenue	850,000	850,000	1,277,524	427,524
Solid waste collection fees	950,000	950,000	904,204	(45,796)
Tax abatement application fees	-	-	800	800
Other	1,985,893	2,043,899	1,697,856	(346,043)
Total charges for services	<u>5,327,976</u>	<u>5,415,700</u>	<u>5,210,751</u>	<u>(204,949)</u>
Fines:				
Parking fines	500,000	500,000	552,075	52,075
Miscellaneous revenues:				
Interest Income	550,000	550,000	344,491	(205,509)
Rent	266,653	266,653	246,591	(20,062)
Proceeds from drug seizures	-	24,587	31,336	6,749
Contributions	37,500	72,031	56,975	(15,056)
Refund of prior year expenditures	30,000	236,749	206,906	(29,843)
Indirect cost recovery	150,000	150,000	114,455	(35,545)
Other	313,371	454,466	379,663	(74,803)
Total miscellaneous revenues	<u>1,347,524</u>	<u>1,754,486</u>	<u>1,380,417</u>	<u>(374,069)</u>
Total revenues	<u>132,550,836</u>	<u>133,166,145</u>	<u>134,055,559</u>	<u>889,414</u>
EXPENDITURES - CURRENT				
General government:				
Legislative:				
Mayor and Council	208,583	214,808	214,772	36
Reserve for Council	171,154	513,179	260,538	252,641
First Cities	18,000	18,000	17,194	806
Sister Cities	15,000	45,156	9,787	35,369
Judicial:				
City Circuit Court	755,024	755,024	689,223	65,801
General District Court	29,919	29,919	25,362	4,557
Court Services Unit	9,275	9,275	9,171	104
Juvenile and Domestic Relations Court	243,731	243,731	227,024	16,707
Commonwealth's Attorney	1,009,555	1,052,378	854,617	197,761
City Sheriff	1,030,008	1,444,868	1,055,738	389,130
Executive:				
City Manager	1,339,620	1,557,258	1,234,011	323,247
Citywide Reserve	-	234,696	2,770	231,926
Legal:				
City Attorney	731,261	767,061	767,026	35
Financial administration:				
Commissioner of Revenue	1,080,056	1,080,707	1,075,538	5,169
Real Estate Assessor	731,997	760,054	758,768	1,286
Treasurer	1,169,490	1,176,440	1,176,400	40
Finance - Administration	1,255,065	1,340,915	1,340,894	21
Purchasing	312,382	317,982	317,930	52
Personnel Administration:				
Human Resources Department	992,883	1,039,254	1,028,017	11,237
Elections:				
Office of the Registrar	440,431	508,995	495,168	13,827
General government buildings and plant:				
Public Works - Administration	799,729	822,485	798,606	23,879
Custodial	462,532	484,424	484,345	79
Maintenance	836,120	2,549,661	1,528,379	1,021,282
Total general government	<u>13,641,815</u>	<u>16,966,270</u>	<u>14,371,278</u>	<u>2,594,992</u>

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Public Safety:				
Police Protection:				
Police Department	13,582,685	13,926,193	13,831,287	94,906
Drug investigation	78,000	280,274	217,102	63,172
Fire Protection:				
Fire Department	8,892,041	9,015,761	8,991,734	24,027
Volunteer Fire Company	15,201	15,201	12,208	2,993
Other Protection:				
Contribution - Charlottesville-Albemarle Regional Jail	4,415,884	4,415,884	4,232,409	183,475
Blue Ridge Juvenile Detention Center	950,000	950,000	703,038	246,962
Office of the Magistrate	8,850	8,850	8,557	293
Traffic Engineering	787,173	1,316,981	798,560	518,421
Contribution - Emergency Communications Center	1,744,996	1,744,996	1,744,996	-
Police Explorer Post #606	-	2,601	-	2,601
Total public safety	<u>30,474,830</u>	<u>31,676,741</u>	<u>30,539,891</u>	<u>1,136,850</u>
Community Services				
Highways and streets:				
Public Service - Administration	486,720	494,760	490,540	4,220
Streets and sidewalks	2,955,864	3,599,881	3,132,694	467,187
Public Works - Stormwater	470,704	714,607	522,111	192,496
Street lighting	734,428	734,428	668,875	65,553
Sanitation:				
Refuse collection and disposal	1,989,602	1,941,103	1,871,180	69,923
Contribution to Ivy Landfill	250,000	254,500	241,721	12,779
Transportation:				
Contribution to JAUNT	<u>753,576</u>	<u>832,201</u>	<u>832,201</u>	<u>-</u>
Total community services	<u>7,640,894</u>	<u>8,571,480</u>	<u>7,759,322</u>	<u>812,158</u>
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	764,056	764,056	764,056	-
Welfare:				
Tax relief for the elderly	534,000	534,000	479,161	54,839
Rent relief for the elderly	10,000	10,000	13,341	(3,341)
Tax relief for the disabled	137,000	137,000	126,869	10,131
Rent relief for the disabled	85,000	85,000	103,642	(18,642)
Education Extension Program	41,406	41,406	41,406	-
Contributions to community organizations	<u>2,147,653</u>	<u>2,175,101</u>	<u>2,121,264</u>	<u>53,837</u>
Total health and welfare	<u>5,096,053</u>	<u>5,123,501</u>	<u>5,026,677</u>	<u>96,824</u>

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Parks, Recreation and Culture:				
Culture:				
Contribution to Jefferson - Madison Regional Library	1,382,165	1,382,165	1,382,165	-
Contributions to community organizations	256,534	256,534	223,482	33,052
Contributions to festivals	91,700	91,700	54,437	37,263
Recreation:				
Administration	874,694	875,230	868,758	6,472
Athletics	323,145	323,145	322,214	931
Aquatics	1,957,784	1,957,784	1,905,214	52,570
Recreation centers	610,713	610,713	485,990	124,723
Special activities	809,542	897,817	863,729	34,088
Therapeutic programs	325,142	378,425	333,398	45,027
First Tee	159,955	190,342	142,558	47,784
Parks:				
Park maintenance	3,499,781	4,109,910	3,618,931	490,979
Contribution to Towe Park operations	67,054	97,054	74,908	22,146
Total parks, recreation and culture	10,358,209	11,170,819	10,275,784	895,035
Education:				
Contribution to School Board component unit	35,560,432	35,560,432	35,560,432	-
School pupil transportation	2,319,931	2,339,225	2,288,184	51,041
School maintenance	-	-	-	-
School energy management	3,279,999	3,334,351	3,276,433	57,918
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	41,180,826	41,254,472	41,145,513	108,959
Conservation and Development:				
Economic development:				
Office of Economic Development	597,789	763,598	692,353	71,245
Chamber of Commerce	1,260	1,260	-	1,260
Contribution to Convention and Visitors Bureau	618,979	618,979	618,979	-
Urban redevelopment and housing:				
Parking garages	244,278	270,894	270,740	154
Neighborhood Development Services Department	2,964,515	3,143,395	2,996,951	146,444
Historic Preservation Task Force	5,000	25,173	1,794	23,379
Community Design Center	-	-	-	-
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	4,602,774	4,994,252	4,751,770	242,482
Other activities				
Virginia Municipal League	13,664	13,664	13,664	-
Employee Benefits	1,105,527	750,145	176,232	573,913
Corporate training program	35,000	68,565	66,100	2,465
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	-
National League of Cities	4,000	4,000	-	4,000
Total other activities	1,183,191	861,374	280,996	580,378
Total expenditures - budgetary basis	114,178,592	120,618,909	114,151,231	6,467,678
Less encumbrances at June 30, 2012	-	-	(747,419)	747,419
Total expenditures	114,178,592	120,618,909	113,403,812	7,215,097
Revenues over expenditures	18,372,244	12,547,236	20,651,747	8,104,511

(continued)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual-Budget Basis (see note 1)	Variance Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
Transfers in:				
Transfer from Water Fund	694,863	694,863	694,863	-
Transfer from Sewer Fund	700,270	700,270	700,270	-
Transfer from Gas Fund	3,770,840	3,770,840	3,770,840	-
Transfer from Capital Projects Fund	-	214,180	214,180	-
Transfer from Golf Fund	-	27,818	27,818	-
Total transfers in:	5,165,973	5,407,971	5,407,971	-
Transfers out:				
Transfer to Capital Projects Fund	(4,919,505)	(7,338,669)	(7,338,669)	-
Transfer to Social Services Fund	(3,212,777)	(3,219,977)	(2,969,405)	250,572
Transfer to Grants Fund	-	(37,565)	(27,416)	10,149
Transfer to Community Attention Programs Fund	(322,724)	(322,724)	(322,724)	-
Transfer to Virginia Community Crime Control Act Fund	-	-	-	-
Transfer to Community Services Act Fund	(2,600,058)	(2,600,058)	(2,123,340)	476,718
Transfer to Transit Fund	(1,981,054)	(2,343,554)	(2,121,923)	221,631
Transfer to Commission on Children and Families Fund	(108,415)	(108,415)	(108,415)	-
Transfer to Golf Fund	-	(400,000)	(400,000)	-
Transfer to Debt Service Fund	(8,388,100)	(10,544,558)	(10,709,739)	(165,181)
Total transfers out:	(21,532,633)	(26,915,520)	(26,121,631)	793,889
Total other financing sources (uses), net	(16,366,660)	(21,507,549)	(20,713,660)	793,889
Net change in fund balance	<u>\$ 2,005,584</u>	<u>\$ (8,960,313)</u>	(61,913)	<u>\$ 8,898,400</u>
Fund Balance - July 1, 2011			40,144,301	
Fund Balance - June 30, 2012			<u>\$ 40,082,388</u>	

See accompanying Note to Required Supplementary Information on page 89.

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
SOCIAL SERVICES FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 10,653,237	\$ 10,720,416	\$ 8,840,146	\$ (1,880,270)
Miscellaneous	429,418	429,418	33,228	(396,190)
Total revenues	11,082,655	11,149,834	8,873,374	(2,276,460)
EXPENDITURES - Health and welfare	14,295,432	14,374,311	11,846,326	2,527,985
Other financing sources - transfers in	3,212,777	3,219,977	2,969,405	(250,572)
Net change in fund balance	-	(4,500)	(3,547)	953
Fund Balance, July 1, 2011	-	488,043	488,043	-
Fund Balance, June 30, 2012	\$ -	\$ 483,543	\$ 484,496	\$ 953

See accompanying Note to Required Supplementary Information on page 89.

**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2012**

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 Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2012	\$ 74,148	\$ 127,229	\$ 53,081	58.3 %	\$ 32,563	163.0 %
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	27,489	87.1

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2012	\$ 5,890,831	100.0 %
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

2. City Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2012	\$ 12,735	\$ 77,497	\$ 64,762	16.4 %	\$ 32,564	198.9 %
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, 2012	\$ 5,039,276	100.2 %
June 30, 2011	4,202,983	100.2
June 30, 2010	3,957,706	100.2
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, 2012 is not available)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Ratio (b-a)/c
June 30, 2011	\$ 9,561	\$ 10,414	\$ 853	91.8 %	\$ 1,932	44.2 %
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)

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2011	\$ 143,405	100.0 %
June 30, 2010	149,059	100.0
June 30, 2009	135,855	100.0
June 30, 2008	178,326	100.0
June 30, 2007	160,401	100.0
June 30, 2006	106,203	100.0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued 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	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, 2012

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, 2012

	Special Revenue Funds					Debt Service Fund	Permanent Fund Cemetery Perpetual Care	Total	
	CDBG	Grants	Community Attention	VJCCCA	CSA				Transit
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ 1,411,980	\$ -	\$ -	\$ 3,714	\$ 11,345,573	\$ 162,219	\$ 12,923,486
Accounts receivable	-	23,922	5,158	-	9,652	20,409	-	282	59,423
Due from other governments	87,113	1,295,279	647,600	-	2,478,189	2,163,989	-	-	6,672,170
Loans receivable	507,410	589,259	-	-	-	-	-	-	1,096,669
Total assets	<u>\$ 594,523</u>	<u>\$ 1,908,460</u>	<u>\$ 2,064,738</u>	<u>\$ -</u>	<u>\$ 2,487,841</u>	<u>\$ 2,188,112</u>	<u>\$ 11,345,573</u>	<u>\$ 162,501</u>	<u>\$ 20,751,748</u>
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts payable	\$ 60,003	\$ 80,133	\$ 137,641	\$ -	\$ -	\$ 82,820	\$ 92,590	\$ -	\$ 453,187
Accrued liabilities	1,134	4,434	47,925	-	1,021,311	238,158	-	-	1,312,962
Due to other governments	507,410	579,259	-	-	-	12,695	-	-	1,099,364
Due to other funds	25,976	1,124,460	-	-	1,431,340	1,854,439	-	-	4,436,215
Total liabilities	<u>594,523</u>	<u>1,788,286</u>	<u>185,566</u>	<u>-</u>	<u>2,452,651</u>	<u>2,188,112</u>	<u>92,590</u>	<u>-</u>	<u>7,301,728</u>
FUND BALANCE									
Nonspendable	-	10,000	-	-	-	-	-	162,501	172,501
Restricted	-	82,744	-	-	35,190	-	-	-	117,934
Committed	-	-	-	-	-	-	11,252,983	-	11,252,983
Assigned	-	27,430	1,879,172	-	-	-	-	-	1,906,602
Total fund balance	<u>-</u>	<u>120,174</u>	<u>1,879,172</u>	<u>-</u>	<u>35,190</u>	<u>-</u>	<u>11,252,983</u>	<u>162,501</u>	<u>13,450,020</u>
Total liabilities and fund balance	<u>\$ 594,523</u>	<u>\$ 1,908,460</u>	<u>\$ 2,064,738</u>	<u>\$ -</u>	<u>\$ 2,487,841</u>	<u>\$ 2,188,112</u>	<u>\$ 11,345,573</u>	<u>\$ 162,501</u>	<u>\$ 20,751,748</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Special Revenue Funds						Debt Service Fund	Permanent Fund Cemetery Perpetual Care	Total
	CDBG	Grants	Community Attention	VJCCCA	CSA	Transit			
REVENUES									
Intergovernmental	\$ 610,312	\$ 2,337,313	\$ 104,867	\$ 340,324	\$ 6,134,187	\$ 8,526,422	\$ 185,173	\$ -	\$ 18,238,598
Charges for services	-	-	3,950,369	-	-	904,790	-	-	4,855,159
Investment earnings	-	-	-	-	-	-	29,470	-	29,470
Miscellaneous	40,582	705	66,133	-	-	72,138	261	785	180,604
Total revenues	650,894	2,338,018	4,121,369	340,324	6,134,187	9,503,350	214,904	785	23,303,831
EXPENDITURES									
Current:									
Public safety	-	1,103,322	-	-	-	-	-	-	1,103,322
Community services	-	407,471	-	-	-	11,871,290	-	-	12,278,761
Health and welfare	77,379	346,125	4,226,713	448,739	8,239,228	-	-	785	13,338,969
Parks, recreation and culture	-	63,571	-	-	-	-	-	-	63,571
Conservation and development	573,773	526,003	-	-	-	-	-	-	1,099,776
Debt service:									
Retirement of principal	-	-	-	-	-	-	6,611,249	-	6,611,249
Interest	-	-	-	-	-	-	2,855,961	-	2,855,961
Miscellaneous	-	-	-	-	-	-	196,062	-	196,062
Total expenditures	651,152	2,446,492	4,226,713	448,739	8,239,228	11,871,290	9,663,272	785	37,547,671
Revenues over (under) expenditures	(258)	(108,474)	(105,344)	(108,415)	(2,105,041)	(2,367,940)	(9,448,368)	-	(14,243,840)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	102,314	322,724	108,415	2,123,340	2,367,940	11,138,234	-	16,162,967
Transfers out	-	(20,000)	(13,437)	-	-	-	-	-	(33,437)
Refunding bonds issued	-	-	-	-	-	-	17,737,100	-	17,737,100
Premium on refunding bonds issued	-	-	-	-	-	-	2,513,171	-	2,513,171
Payment to refunding bond escrow agent	-	-	-	-	-	-	(20,195,331)	-	(20,195,331)
Total other financing sources, net	-	82,314	309,287	108,415	2,123,340	2,367,940	11,193,174	-	16,184,470
Net change in fund balance	(258)	(26,160)	203,943	-	18,299	-	1,744,806	-	1,940,630
FUND BALANCE - JULY 1, 2011	258	146,334	1,675,229	-	16,891	-	9,508,177	162,501	11,509,390
FUND BALANCE - JUNE 30, 2012	\$ -	\$ 120,174	\$ 1,879,172	\$ -	\$ 35,190	\$ -	\$ 11,252,983	\$ 162,501	\$ 13,450,020

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,140,721	\$ 1,140,721	\$ 610,312	\$ (530,409)
Miscellaneous	52,534	52,534	40,582	(11,952)
Total revenues	<u>1,193,255</u>	<u>1,193,255</u>	<u>650,894</u>	<u>(542,361)</u>
EXPENDITURES				
Health and welfare	80,716	79,786	77,379	2,407
Conservation and development	<u>1,112,539</u>	<u>1,113,469</u>	<u>573,773</u>	<u>539,696</u>
Total expenditures	<u>1,193,255</u>	<u>1,193,255</u>	<u>651,152</u>	<u>542,103</u>
Revenues over (under) expenditures	-	-	(258)	(258)
Net change in fund balance	-	-	(258)	(258)
Fund Balance - July 1, 2011	258	258	258	-
Fund Balance - June 30, 2012	<u>\$ 258</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ (258)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GRANTS FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,201,652	\$ 3,201,652	\$ 2,337,313	\$ (864,339)
Miscellaneous	-	-	705	705
Total revenues	3,201,652	3,201,652	2,338,018	(863,634)
EXPENDITURES				
Public safety	1,230,599	1,230,599	1,103,322	127,277
Community services	532,138	532,138	407,471	124,667
Health and welfare	472,475	472,475	346,125	126,350
Parks, recreation and culture	100,000	100,000	63,571	36,429
Conservation and development	1,125,716	1,125,716	526,003	599,713
Total expenditures	3,460,928	3,460,928	2,446,492	1,014,436
Revenues over (under) expenditures	(259,276)	(259,276)	(108,474)	150,802
OTHER FINANCING SOURCES (USES)				
Transfers in	276,879	276,879	102,314	(174,565)
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses), net	256,879	256,879	82,314	(174,565)
Net change in fund balance	(2,397)	(2,397)	(26,160)	(23,763)
Fund Balance - July 1, 2011	146,334	146,334	146,334	-
Fund Balance - June 30, 2012	\$ 143,937	\$ 143,937	\$ 120,174	\$ (23,763)

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMMUNITY ATTENTION FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 80,836	\$ 62,291	\$ 104,867	\$ 42,576
Charges for service	4,979,033	4,997,578	3,950,369	(1,047,209)
Miscellaneous	-	10,000	66,133	56,133
Total revenues	<u>5,059,869</u>	<u>5,069,869</u>	<u>4,121,369</u>	<u>(948,500)</u>
EXPENDITURES				
Health and welfare	<u>5,382,593</u>	<u>5,411,563</u>	<u>4,226,713</u>	<u>1,184,850</u>
Revenues over (under) expenditures	<u>(322,724)</u>	<u>(341,694)</u>	<u>(105,344)</u>	<u>236,350</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	322,724	322,724	322,724	-
Transfers out	-	-	(13,437)	(13,437)
	<u>322,724</u>	<u>322,724</u>	<u>309,287</u>	<u>(13,437)</u>
Net change in fund balance	-	(18,970)	203,943	222,913
Fund Balance - July 1, 2011	1,675,229	1,675,229	1,675,229	-
Fund Balance - June 30, 2012	<u>\$ 1,675,229</u>	<u>\$ 1,656,259</u>	<u>\$ 1,879,172</u>	<u>\$ 222,913</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
VIRGINIA JUVENILE COMMUNITY CRIME CONTROL ACT
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 321,779	\$ 340,324	\$ 340,324	\$ -
EXPENDITURES				
Health and welfare	430,194	448,739	448,739	-
Revenues over (under) expenditures	(108,415)	(108,415)	(108,415)	-
OTHER FINANCING SOURCES (USES)				
Transfers in	108,415	108,415	108,415	-
Net change in fund balance	-	-	-	-
Fund Balance - July 1, 2011	-	-	-	-
Fund Balance - June 30, 2012	\$ -	\$ -	\$ -	\$ -

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COMPREHENSIVE SERVICES ACT FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 8,051,957	\$ 8,051,957	\$ 6,134,187	\$ (1,917,770)
EXPENDITURES				
Health and welfare	10,652,015	10,652,015	8,239,228	2,412,787
Revenues over (under) expenditures	<u>(2,600,058)</u>	<u>(2,600,058)</u>	<u>(2,105,041)</u>	<u>495,017</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,600,058	2,600,058	2,123,340	(476,718)
Net change in fund balance	-	-	18,299	18,299
Fund Balance - July 1, 2011	-	-	16,891	16,891
Fund Balance - June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,190</u>	<u>\$ 35,190</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TRANSIT FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,996,683	\$ 10,819,098	\$ 8,526,422	\$ (2,292,676)
Charges for services	816,297	816,297	904,790	88,493
Miscellaneous	52,908	52,908	72,138	19,230
Total revenues	<u>11,865,888</u>	<u>11,688,303</u>	<u>9,503,350</u>	<u>(2,184,953)</u>
EXPENDITURES				
Community services	<u>14,583,480</u>	<u>15,024,588</u>	<u>11,871,290</u>	<u>3,153,298</u>
Revenues over (under) expenditures	<u>(2,717,592)</u>	<u>(3,336,285)</u>	<u>(2,367,940)</u>	<u>968,345</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,712,898</u>	<u>3,331,591</u>	<u>2,367,940</u>	<u>(963,651)</u>
Net change in fund balance	(4,694)	(4,694)	-	4,694
Fund Balance - July 1, 2011	-	-	-	-
Fund Balance - June 30, 2012	<u>\$ (4,694)</u>	<u>\$ (4,694)</u>	<u>\$ -</u>	<u>\$ 4,694</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 185,173	\$ 185,173	\$ -
Investment earnings	-	29,470	29,470	-
Miscellaneous	-	-	261	261
Total revenues	-	214,643	214,904	261
EXPENDITURES				
Retirement of principal	6,466,284	6,611,249	6,611,249	-
Interest	3,014,007	2,869,742	2,855,961	13,781
Miscellaneous	100,000	196,062	196,062	-
Total expenditures	9,580,291	9,677,053	9,663,272	13,781
Revenues over (under) expenditures	<u>(9,580,291)</u>	<u>(9,462,410)</u>	<u>(9,448,368)</u>	<u>14,042</u>
OTHER FINANCING SOURCES				
Transfers in	8,983,282	11,139,740	11,138,234	(1,506)
Refunding bonds issued	-	17,737,100	17,737,100	-
Premium on refunding bonds issued	-	2,513,171	2,513,171	-
Payment to refunded bond escrow agent	-	(20,195,331)	(20,195,331)	-
Total other financing sources, net	8,983,282	11,194,680	11,193,174	(1,506)
Net change in fund balance	(597,009)	1,732,270	1,744,806	12,536
Fund Balance - July 1, 2011	9,508,177	9,508,177	9,508,177	-
Fund Balance - June 30 2012	<u>\$ 8,911,168</u>	<u>\$ 11,240,447</u>	<u>\$ 11,252,983</u>	<u>\$ 12,536</u>

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, 2012**

	<u>Information Technology</u>	<u>Departmental Services</u>	<u>Warehouse</u>	<u>Risk Management</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,166,881	\$ 282,234	\$ 54,675	\$ 9,515,923	\$ 13,019,713
Accounts receivable, net	-	9,207	-	17,149	26,356
Inventories	-	209,828	394,098	-	603,926
Prepaid expenses	-	2,311	-	465,943	468,254
Total current assets	<u>3,166,881</u>	<u>503,580</u>	<u>448,773</u>	<u>9,999,015</u>	<u>14,118,249</u>
Noncurrent assets:					
Capital assets:					
Vehicles	-	133,480	-	-	133,480
Equipment	8,161,645	1,037,455	20,067	-	9,219,167
Total capital assets	8,161,645	1,170,935	20,067	-	9,352,647
Less accumulated depreciation	(7,563,908)	(1,129,949)	(1,672)	-	(8,695,529)
Net noncurrent assets	<u>597,737</u>	<u>40,986</u>	<u>18,395</u>	<u>-</u>	<u>657,118</u>
Total assets	<u>3,764,618</u>	<u>544,566</u>	<u>467,168</u>	<u>9,999,015</u>	<u>14,775,367</u>
LIABILITIES					
Current liabilities:					
Accounts payable	34,639	47,917	7,301	60,205	150,062
Accrued liabilities	31,871	22,364	1,833	139,749	195,817
Compensated absences	6,471	6,666	338	143	13,618
Insurance claims payable	-	-	-	2,415,385	2,415,385
Total current liabilities	<u>72,981</u>	<u>76,947</u>	<u>9,472</u>	<u>2,615,482</u>	<u>2,774,882</u>
Noncurrent liabilities:					
Compensated absences	47,453	48,886	2,481	1,050	99,870
Insurance claims payable	-	-	-	49,139	49,139
Total noncurrent liabilities	<u>47,453</u>	<u>48,886</u>	<u>2,481</u>	<u>50,189</u>	<u>149,009</u>
Total liabilities	<u>120,434</u>	<u>125,833</u>	<u>11,953</u>	<u>2,665,671</u>	<u>2,923,891</u>
NET ASSETS					
Invested in capital assets, net of related debt	597,737	40,986	18,395	-	657,118
Unrestricted	<u>3,046,447</u>	<u>377,747</u>	<u>436,820</u>	<u>7,333,344</u>	<u>11,194,358</u>
Total net assets	<u>\$ 3,644,184</u>	<u>\$ 418,733</u>	<u>\$ 455,215</u>	<u>\$ 7,333,344</u>	<u>\$ 11,851,476</u>

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
OPERATING REVENUES					
Charges for services	\$ 4,059,980	\$ 3,907,136	\$ 707,456	\$ 15,040,353	\$ 23,714,925
Total operating revenues	4,059,980	3,907,136	707,456	15,040,353	23,714,925
OPERATING EXPENSES					
Purchases for resale	-	1,904,519	529,229	-	2,433,748
Personnel costs	1,382,163	1,186,153	92,115	128,175	2,788,606
Materials and supplies	334,762	124,318	6,972	5,392	471,444
Contractual services and charges	1,102,359	564,254	49,082	775,291	2,490,986
Depreciation	237,534	24,240	1,672	-	263,446
Claims incurred	-	-	-	9,888,451	9,888,451
Insurance premiums	-	-	-	2,105,766	2,105,766
Total operating expenses	3,056,818	3,803,484	679,070	12,903,075	20,442,447
Operating income (loss)	1,003,162	103,652	28,386	2,137,278	3,272,478
NONOPERATING REVENUES (EXPENSES)					
Insurance recovery	11,698	-	-	-	11,698
Total nonoperating revenues (expenses), net	11,698	-	-	-	11,698
Income (loss) before transfers	1,014,860	103,652	28,386	2,137,278	3,284,176
TRANSFERS					
Transfers in	21,437	18,891	-	-	40,328
Transfers out	(427,386)	-	-	-	(427,386)
Total transfers, net	(405,949)	18,891	-	-	(387,058)
Change in net assets	608,911	122,543	28,386	2,137,278	2,897,118
Total net assets - July 1, 2011	3,035,273	296,190	426,829	5,196,066	8,954,358
Total net assets - June 30, 2012	\$ 3,644,184	\$ 418,733	\$ 455,215	\$ 7,333,344	\$ 11,851,476

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Information Technology	Departmental Services	Warehouse	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 4,059,980	\$ 3,910,481	\$ 707,456	\$ 15,036,927	\$ 23,714,844
Payments to suppliers	(1,494,446)	(2,615,784)	(658,840)	(13,169,838)	(17,938,908)
Payments to employees	(1,396,019)	(1,218,416)	(94,024)	(249,778)	(2,958,237)
Net cash provided by (used for) operating activities	<u>1,169,515</u>	<u>76,281</u>	<u>(45,408)</u>	<u>1,617,311</u>	<u>2,817,699</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Insurance recovery	11,698	-	-	-	11,698
Transfers in	21,437	18,891	-	-	40,328
Transfers out	(427,386)	-	-	-	(427,386)
Net cash provided by (used for) noncapital financing activities	<u>(394,251)</u>	<u>18,891</u>	<u>-</u>	<u>-</u>	<u>(375,360)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(304,694)	(20,016)	(20,067)	-	(344,777)
Net cash used for capital and related financing activities	<u>(304,694)</u>	<u>(20,016)</u>	<u>(20,067)</u>	<u>-</u>	<u>(344,777)</u>
Net increase (decrease) in cash and cash equivalents	470,570	75,156	(65,475)	1,617,311	2,097,562
Cash and cash equivalents, July 1, 2011	<u>2,696,311</u>	<u>207,078</u>	<u>120,150</u>	<u>7,898,612</u>	<u>10,922,151</u>
Cash and cash equivalents, June 30, 2012	<u>\$ 3,166,881</u>	<u>\$ 282,234</u>	<u>\$ 54,675</u>	<u>\$ 9,515,923</u>	<u>\$ 13,019,713</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 1,003,162	\$ 103,652	\$ 28,386	\$ 2,137,278	\$ 3,272,478
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:					
Depreciation expense	237,534	24,240	1,672	-	263,446
(Increase) decrease in accounts receivable	-	3,345	-	(3,426)	(81)
(Increase) decrease in inventories	-	34,700	(47,679)	-	(12,979)
(Increase) decrease in prepaid expenses	-	1,810	-	(103,994)	(102,184)
(Decrease) in accounts payable	(57,325)	(59,203)	(25,878)	(22,036)	(164,442)
Increase (decrease) in accrued liabilities	(24,712)	(39,168)	(3,009)	14,619	(52,270)
Increase in compensated absences	10,856	6,905	1,100	922	19,783
(Decrease) in insurance claims payable	-	-	-	(406,052)	(406,052)
Net cash provided by (used for) operating activities	<u>\$ 1,169,515</u>	<u>\$ 76,281</u>	<u>\$ (45,408)</u>	<u>\$ 1,617,311</u>	<u>\$ 2,817,699</u>

**SCHEDULE TO ASSIGN INTERNAL SERVICE FUND ASSETS AND LIABILITIES
IN THE STATEMENT OF NET ASSETS
June 30, 2012**

	Total Internal Service Funds	ASSIGNED TO	
		Business-type Activities	Governmental Activities
ASSETS			
Cash and cash equivalents	\$ 13,019,713	\$ 54,675	\$ 12,965,038
Accounts receivables (net)	26,356	-	26,356
Internal balances	-	1,184,582	(1,184,582)
Inventories	603,926	394,098	209,828
Prepaid expenses	468,254	-	468,254
Capital assets, net	657,118	18,395	638,723
Total assets	<u>14,775,367</u>	<u>1,651,750</u>	<u>13,123,617</u>
LIABILITIES			
Accounts payable	150,062	7,301	142,761
Accrued liabilities	195,817	1,833	193,984
Compensated absences	113,488	2,819	110,669
Insurance claims payable	2,464,524	-	2,464,524
Total liabilities	<u>2,923,891</u>	<u>11,953</u>	<u>2,911,938</u>
NET ASSETS			
Invested in capital assets	657,118	18,395	638,723
Unrestricted	11,194,358	1,621,402	9,572,956
Total net assets	<u>\$ 11,851,476</u>	<u>\$ 1,639,797</u>	<u>\$ 10,211,679</u>

**CHARLOTTESVILLE SCHOOL BOARD
COMPONENT UNIT**

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,085,653
Accounts receivables (net)	948,961
Due from other governments	2,619,844
Inventories	34,357
Capital assets:	
Land	982,889
Depreciable assets, net	<u>23,550,063</u>
Total assets	<u>34,221,767</u>
LIABILITIES	
Accounts payable	645,921
Accrued liabilities	5,578,500
Unearned revenue	49,137
Insurance claims incurred but not reported	552,564
Noncurrent liabilities:	
Amounts due within one year	600,855
Amounts due in more than one year	<u>2,231,479</u>
Total liabilities	<u>9,658,456</u>
NET ASSETS	
Invested in capital assets, net of related debt	23,146,580
Unrestricted	<u>1,416,731</u>
Total net assets	<u>\$ 24,563,311</u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction and instruction related services	\$ 47,937,296	\$ 1,403,962	\$ 10,774,423	\$ -
Support services - student based	14,078,822	1,121,353	-	836,431
Administrative support services	3,669,454	356,334	-	-
Total School Board	<u>\$ 65,685,572</u>	<u>\$ 2,881,649</u>	<u>\$ 10,774,423</u>	<u>\$ 836,431</u>

General Revenues:

State aid - formula grants	13,884,767
Payments from City	35,560,432
Investment earnings	2,199
Total general revenues	<u>49,447,398</u>
Change in net assets	(1,745,671)
Net assets - July 1, 2011	<u>26,308,982</u>
Net assets - June 30, 2012	<u>\$ 24,563,311</u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Grant and Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 3,704,570	\$ -	\$ 3,704,570
Accounts receivable, net	936,731	12,230	948,961
Due from other governments	233,132	2,386,712	2,619,844
Due from other funds	837,211	-	837,211
Inventory of supplies	-	34,357	34,357
	<u>-</u>	<u>34,357</u>	<u>34,357</u>
Total assets	<u>\$ 5,711,644</u>	<u>\$ 2,433,299</u>	<u>\$ 8,144,943</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 575,725	\$ 70,196	\$ 645,921
Accrued liabilities	4,573,175	648,318	5,221,493
Due to other funds	-	837,211	837,211
Deferred revenue	28,100	21,037	49,137
	<u>28,100</u>	<u>21,037</u>	<u>49,137</u>
Total liabilities	<u>5,177,000</u>	<u>1,576,762</u>	<u>6,753,762</u>
Fund Balance			
Nonspendable	-	34,357	34,357
Restricted	-	822,180	822,180
Unassigned	534,644	-	534,644
	<u>534,644</u>	<u>-</u>	<u>534,644</u>
Total fund balances	<u>534,644</u>	<u>856,537</u>	<u>1,391,181</u>
Total liabilities and fund balances	<u>\$ 5,711,644</u>	<u>\$ 2,433,299</u>	<u>\$ 8,144,943</u>
Total fund balances per Balance Sheet for Governmental Funds			\$ 1,391,181
Amounts reported for governmental activities in the Statement of Net Assets (Exhibit M-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.			24,532,952
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			1,471,512
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			(11,924)
Capital lease payable			(1,374,448)
Compensated absences			(1,276,760)
Unfunded liability for post-employment medical benefits			(169,202)
Net assets of governmental activities			<u>\$ 24,563,311</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, 2012**

	<u>General Fund</u>	<u>Grant and Other Governmental Funds</u>	<u>Totals</u>
REVENUES			
City contribution (net of contributions to City)	\$ 33,756,354	\$ 1,804,078	\$ 35,560,432
Intergovernmental	13,884,767	10,774,423	24,659,190
Charges for services	916,880	499,659	1,416,539
Miscellaneous	356,334	1,957,784	2,314,118
Total revenues	<u>48,914,335</u>	<u>15,035,944</u>	<u>63,950,279</u>
EXPENDITURES			
Current:			
Instruction and instruction related services	40,383,553	6,484,797	46,868,350
Support services - student based	5,307,226	9,595,111	14,902,337
Administrative support services	3,582,950	-	3,582,950
Debt Service:			
Principal	4,162	599,003	603,165
Interest	816	6,065	6,881
Total expenditures	<u>49,278,707</u>	<u>16,684,976</u>	<u>65,963,683</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(364,372)</u>	<u>(1,649,032)</u>	<u>(2,013,404)</u>
Net change in fund balance	(364,372)	(1,649,032)	(2,013,404)
FUND BALANCE - JULY 1, 2011	<u>899,016</u>	<u>2,505,569</u>	<u>3,404,585</u>
FUND BALANCE - JUNE 30, 2012	<u>\$ 534,644</u>	<u>\$ 856,537</u>	<u>\$ 1,391,181</u>
Net change in fund balances - total governmental funds			\$ (2,013,404)
Amounts reported for governmental activities in the Statement of Activities (M-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)			3,189,189
Depreciation expense			(1,355,544)
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			(1,973,451)
Principal payments			603,165
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			(21,113)
The net expense of internal service funds is combined with governmental activities on the Statement of Activities			
			<u>(174,513)</u>
Change in Net Assets of Governmental Activities			<u>\$ (1,745,671)</u>

DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2012

	<u>Healthcare</u>
ASSETS	
Current assets:	
Cash and cash equivalents	<u>\$ 2,381,083</u>
Total assets	<u>2,381,083</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	357,007
Insurance claims payable	<u>552,564</u>
Total liabilities	<u>909,571</u>
NET ASSETS	
Unrestricted	<u>1,471,512</u>
Total net assets	<u><u>\$ 1,471,512</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, 2012**

	<u>Healthcare</u>
OPERATING REVENUES	
Charges for services	<u>\$ 5,983,810</u>
Total operating revenues	<u>5,983,810</u>
OPERATING EXPENSES	
Claims incurred	<u>6,160,522</u>
Total operating expenses	<u>6,160,522</u>
Operating income (loss)	<u>(176,712)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	<u>2,199</u>
Change in net assets	(174,513)
Total net assets - July 1, 2011	<u>1,646,025</u>
Total net assets - June 30, 2012	<u><u>\$ 1,471,512</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT - CHARLOTTESVILLE SCHOOL BOARD
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Healthcare</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 5,983,810
Payments to suppliers	<u>(5,845,110)</u>
Net cash provided by operating activities	<u>138,700</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest income	<u>2,199</u>
Net cash provided by noncapital financing activities	<u>2,199</u>
 Net increase in cash and cash equivalents	140,899
Cash and cash equivalents, July 1, 2011	<u>2,240,184</u>
Cash and cash equivalents, June 30, 2012	<u><u>\$ 2,381,083</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (176,712)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in accrued liabilities	240,130
Increase in insurance claims payable	<u>75,282</u>
Net cash provided by operating activities	<u><u>\$ 138,700</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**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 122,164,890	\$ 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
Restricted For:										
Expendable	6,402,164	10,000	10,000	10,000	10,000	30,000	2,466,388	626,296	432,659	342,980
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,532	162,492
Unrestricted	60,401,741	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
Total Governmental Activities Net Assets	<u>\$ 189,131,296</u>	<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>
Business-type Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 21,862,917	\$ 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
Restricted-expendable	-	27,817	-	-	-	-	-	-	-	-
Unrestricted	24,882,257	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
Total Business-Type Activities Net Assets	<u>\$ 46,745,174</u>	<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>
Primary Government:										
Invested in Capital Assets, Net of Related Debt	\$ 144,027,807	\$ 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
Restricted For:										
Expendable	6,402,164	37,817	10,000	10,000	10,000	30,000	2,466,388	626,296	432,659	342,980
Nonexpendable	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,501	162,532	162,492
Unrestricted	85,283,998	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
Total Primary Government Net Assets	<u>\$ 235,876,470</u>	<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>

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

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental activities:										
General government	\$ 22,483,608	\$ 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
Public safety	32,258,520	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
Community services	23,670,432	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
Health and welfare	30,034,547	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
Parks, recreation and culture	11,256,003	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
Education	42,460,291	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
Conservation and development	14,171,433	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
Other activities	-	-	-	-	-	598,025	324,511	200,663	56,942	359,361
Interest on long-term debt	5,100,955	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
Total governmental activities	<u>181,435,789</u>	<u>185,855,204</u>	<u>164,588,197</u>	<u>169,027,322</u>	<u>166,352,840</u>	<u>142,119,610</u>	<u>135,308,774</u>	<u>129,052,658</u>	<u>121,506,283</u>	<u>116,071,445</u>
Business-type activities:										
Water	8,417,556	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
Sewer	9,829,643	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
Gas	22,288,691	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
Golf course	912,244	617,357	1,198,157	1,210,638	1,358,023	1,137,337	1,007,426	968,174	877,573	799,404
Total business-type activities	<u>41,448,134</u>	<u>42,225,614</u>	<u>43,159,495</u>	<u>50,105,997</u>	<u>50,717,634</u>	<u>46,504,037</u>	<u>47,795,482</u>	<u>40,692,281</u>	<u>37,846,022</u>	<u>33,445,400</u>
Total Primary Government Expenses	\$ 222,883,923	\$ 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
Program Revenues										
Governmental activities:										
Charges for Services										
General government	\$ 12,718,913	\$ 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
Public safety	29,919	31,416	42,850	44,907	49,754	14,987	17,875	354,845	212,954	74,362
Community services	1,840,737	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
Health and welfare	3,950,369	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
Parks, recreation and culture	1,372,958	1,214,220	943,705	808,869	811,586	662,459	505,033	586,112	541,740	512,684
Education	229,949	203,713	228,853	272,643	228,591	145,050	142,918	78,535	86,000	76,766
Conservation and development	28,322	23,487	27,685	43,045	46,424	2,919	20,090	82,242	116,807	153,252
Operating Grants and Contributions										
General government	1,643,234	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
Public safety	1,906,155	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
Community services	9,074,860	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
Health and welfare	16,481,533	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
Parks, recreation and culture	76,725	45,382	51,953	100,635	77,396	5,000	88,558	118,286	83,351	121,385
Education	566,776	566,566	224,203	527,281	-	-	-	-	77,381	800,816
Conservation and development	344,349	459,922	-	74,216	71,141	213,712	208,137	61,801	27,854	128,694
Capital Grants and Contributions										
General government	350,876	11,728	630,275	4,171,078	1,374,433	1,187,009	-	1,473,258	1,374,252	-
Public safety	383,584	-	-	-	-	-	-	-	-	-
Community services	5,070,874	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
Parks, recreation and culture	-	-	-	-	29,760	-	-	483	13,098	527,000
Education	456,441	113,912	22,432	44,327	408,075	-	-	1,695,914	1,048,039	-
Conservation and development	115,398	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>56,641,972</u>	<u>52,566,462</u>	<u>60,512,800</u>	<u>57,923,208</u>	<u>53,915,903</u>	<u>47,223,779</u>	<u>44,168,541</u>	<u>49,996,056</u>	<u>41,571,151</u>	<u>35,048,018</u>
Business-type activities:										
Charges for Services										
Water	8,923,040	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
Sewer	9,121,471	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
Gas	27,619,960	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
Golf course	939,797	949,264	1,064,929	1,035,709	1,113,089	1,099,640	982,796	996,674	854,344	828,161
Operating Grants and Contributions										
Golf course	-	17,105	54,667	58,838	106,429	-	-	-	-	-
Capital Grants and Contributions										
Golf course	18,800	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>46,623,068</u>	<u>49,637,850</u>	<u>49,067,568</u>	<u>56,340,432</u>	<u>60,922,887</u>	<u>52,230,557</u>	<u>54,006,714</u>	<u>46,206,969</u>	<u>43,785,332</u>	<u>38,793,452</u>
Total Primary Government Revenues	\$ 103,265,040	\$ 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

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense) Revenue										
Governmental activities:										
General government	\$ (7,770,585)	\$ (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)
Public safety	(29,938,862)	(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)
Community services	(7,683,961)	(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)
Health and welfare	(9,602,645)	(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)
Parks, recreation and culture	(9,806,320)	(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)
Education	(41,207,125)	(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)
Conservation and development	(13,683,364)	(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)
Other activities	-	-	-	-	-	(598,025)	(324,511)	(200,663)	(56,942)	(359,361)
Interest on long-term debt	(5,100,955)	(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)
Total governmental activities	<u>(124,793,817)</u>	<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>
Business-type activities:										
Water	505,484	923,063	1,125,846	1,916,638	926,326	1,263,167	1,181,725	1,090,598	1,149,860	610,001
Sewer	(708,172)	649,514	112,116	1,953,150	1,626,374	1,222,057	1,706,914	1,345,531	282,762	97,177
Gas	5,331,269	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
Golf course	46,353	349,012	(78,561)	(116,091)	(138,505)	(37,697)	(24,630)	28,500	(23,229)	28,757
Total business-type activities	<u>5,174,934</u>	<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>
Total Primary Government Net Expense	<u>\$ (119,618,883)</u>	<u>\$ (125,876,506)</u>	<u>\$ (98,167,324)</u>	<u>\$ (104,869,679)</u>	<u>\$ (102,231,684)</u>	<u>\$ (89,169,311)</u>	<u>\$ (84,929,001)</u>	<u>\$ (73,541,914)</u>	<u>\$ (73,995,822)</u>	<u>\$ (75,675,375)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
General Revenues										
General property taxes	\$ 55,819,958	\$ 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
Sales tax	9,995,523	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
Utility tax	4,252,785	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
Communications tax	3,268,192	3,335,988	3,352,581	3,338,662	3,674,556	-	-	-	-	-
Meals tax	7,378,230	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
Lodging tax	2,807,326	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
Other taxes	4,059,205	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
Business licenses, fees, & permits	6,491,428	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
Grants and contributions not restricted	24,887,083	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
Interest and investment earnings	373,961	538,029	918,853	1,435,592	1,904,366	1,655,643	509,683	119,567	199,430	256,442
Miscellaneous	-	-	-	-	-	-	-	926,948	402,189	165,099
Gain from sale of assets	252,742	-	-	-	-	-	3,130	4,363	51,186	93,162
Total governmental activities	<u>119,586,433</u>	<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>
Business-type activities:										
Interest and investment earnings	109,079	204,224	240,142	246,926	409,406	353,056	262,717	139,255	118,783	123,135
Gain from sale of assets	-	-	-	-	-	-	-	-	-	8,281
Total business-type activities	<u>109,079</u>	<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>
Total Primary Government Revenues	<u>\$ 119,695,512</u>	<u>\$ 117,856,979</u>	<u>\$ 118,225,337</u>	<u>\$ 117,422,745</u>	<u>\$ 112,457,768</u>	<u>\$ 106,149,939</u>	<u>\$ 98,875,111</u>	<u>\$ 89,010,025</u>	<u>\$ 83,788,211</u>	<u>\$ 74,902,597</u>
Change in Net Assets										
prior to restatement	\$ 76,629	\$ (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)
Restatement	-	-	-	-	250,271	-	-	-	-	-
Total change in Net Assets	<u>\$ 76,629</u>	<u>\$ (8,019,527)</u>	<u>\$ 20,058,013</u>	<u>\$ 12,553,066</u>	<u>\$ 10,476,355</u>	<u>\$ 16,980,628</u>	<u>\$ 13,946,110</u>	<u>\$ 15,468,111</u>	<u>\$ 9,792,389</u>	<u>\$ (772,778)</u>

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE III

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2012	2011	2010*	2009	2008	2007	2006	2005	2004	2003
General Fund										
Reserved	\$ -	\$ -	\$ 1,180,647	\$ 643,413	\$ 1,368,723	\$ 970,434	\$ 715,230	\$ 979,023	\$ 548,083	\$ 509,665
Unreserved:										
Designated	-	-	10,363,172	4,651,197	6,376,108	6,150,417	3,921,815	1,118,013	572,500	217,376
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
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
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
Unreserved:										
Capital Projects Funds	-	-	6,866,651	(3,843,863)	9,286,536	(2,598,765)	(19,456,521)	1,515,231	-	878,060
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	-	-	-	-
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
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
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	472,056	462,244	-	-	-	-	-	-	-	-
Committed	8,206,185	7,880,345	-	-	-	-	-	-	-	-
Assigned	4,542,491	5,945,930	-	-	-	-	-	-	-	-
Unassigned	26,861,656	25,855,782	-	-	-	-	-	-	-	-
Total General Fund	\$ 40,082,388	\$ 40,144,301	\$ -							
All Other Governmental Funds										
Nonspendable	\$ 3,316,211	\$ 3,380,174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	15,949,126	20,687,703	-	-	-	-	-	-	-	-
Committed	11,252,983	9,508,177	-	-	-	-	-	-	-	-
Assigned	1,906,602	1,681,261	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	\$ 32,424,922	\$ 35,257,315	\$ -							

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

*Note: Fiscal years 2003 through 2010 have not been restated per GASB 54.

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
General property taxes	\$ 94,311,894	\$ 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
Fee and permits	2,042,063	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
Special assessments	-	-	-	-	-	-	-	-	27,879	17,379
Intergovernmental	61,026,601	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
Charges for services	10,065,910	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
Fines and forfeitures	552,075	567,027	392,515	383,480	475,064	530,007	508,322	541,733	595,895	585,414
Miscellaneous	2,036,426	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
Total Governmental Revenues	170,034,969	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
Expenditures										
General government	15,117,332	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
Public safety	32,231,433	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
Community services	23,573,132	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
Health and welfare	30,211,972	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
Parks, recreation and culture	10,586,859	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
Education	41,983,543	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
Conservation and development	13,711,905	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
Debt Service										
Principal	6,611,249	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
Interest	2,855,961	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
Miscellaneous	196,062	94,848	107,867	146,910	122,388	145,774	3,278	110,991	10,722	77,605
Other Activities	255,994	298,737	276,671	375,443	460,951	193,864	321,233	167,858	46,220	264,352
Capital Outlay	11,213,317	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
Total governmental expenditures	188,548,759	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
Revenues over (under) expenditures	(18,513,790)	(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)
Other Financing Sources (Uses)										
Transfers in	31,879,012	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
Transfers (out)	(26,698,163)	(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)
Issuance of debt	9,133,200	9,650,400	10,211,600	15,017,552	12,434,520	12,629,400	-	19,962,475	-	16,574,431
Refunding bonds issued	17,737,100	-	-	1,325,700	3,547,500	-	-	2,913,333	-	-
Premium on issuance of debt	3,411,666	616,989	93,887	575,073	305,527	-	-	-	-	-
Payment to refunded bond escrow agent	(20,195,331)	-	-	(1,378,999)	(3,644,368)	-	-	(3,043,650)	-	(10,007,006)
Sale of capital assets	352,000	9,000	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	15,619,484	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
Net Change in Fund Balances	\$ (2,894,306)	\$ 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)
Debt service as a percentage of noncapital expenditures										
Total debt service expenditures	\$ 9,467,210	\$ 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
Total governmental expenditures	188,548,759	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
Change in Capital Assets	(15,554,651)	(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)
Noncapital Expenditures	\$ 172,994,108	\$ 160,207,702	\$ 158,689,087	\$ 161,197,106	\$ 157,593,690	\$ 136,960,531	\$ 130,942,645	\$ 124,146,629	\$ 117,066,519	\$ 114,384,789
Debt service as a percentage of noncapital expenditures	5.47%	5.49%	5.25%	4.51%	4.26%	5.43%	5.40%	4.36%	4.61%	4.76%

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

**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
2012	\$ 94,311,894	\$ 57,774,887	\$ 9,995,523	\$ 7,520,977	\$ 7,378,230	\$ 2,807,326	\$ 6,491,428	\$ 10,440	\$ 1,051,723	\$ 493,248	\$ 788,112
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

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
2012	\$ 5,222,661,300	\$ 138,241,036	\$ 5,360,902,336	\$ 0.95	\$ 1,016,573,300	\$ 6,377,475,636
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

Source: Records of the City Assessor and State Corporation Commission

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

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VII

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

Year	Real Property	Personal Property	Machinery & Tools	Public Service	
				Real Property	Personal Property
2012	\$ 0.95	\$ 4.20	\$ 4.20	\$ 0.95	\$ 4.20
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

Source: City of Charlottesville Director of Finance

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE VIII

**PRINCIPAL TAXPAYERS
CURRENT YEAR AND NINE YEARS PRIOR
JUNE 30, 2012**

Taxpayer	Type of Business	2012 Assessed Valuation (1)	Tax Amount	Rank	Percentage of Total Assessed Valuation (1)	2003 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	1.68 %	\$ 59,507,500	\$ 648,632	1	1.14 %
Dominion Virginia Power Company	Public Utilities	55,900,450	531,054	2	1.06	32,194,562	350,921	3	0.62
CenturyLink	Public Utility	38,607,836	366,774	3	0.73	54,883,999	598,236	2	1.05
Pavilion, LLC	Apartments	36,847,500	350,051	4	0.70	-	-	-	-
University of Virginia Foundation	Real Estate	36,498,200	346,733	5	0.69	-	-	-	-
Peyton Associates Partnership	Real Estate	33,899,400	322,044	6	0.64	-	-	-	-
Towers Limited Partnership, ETAL	Real Estate	33,337,600	316,707	7	0.63	12,962,100	141,287	8	0.25
Caton, Douglas E.	Real Estate	30,956,200	294,084	8	0.59	-	-	-	-
Wade Apartments	Apartments	29,605,600	281,253	9	0.56	20,421,900	222,599	4	0.39
Dogwood Properties (Keith O. Woodward)	Real Estate	26,771,200	254,326	10	0.51	-	-	-	-
Hyperion Telecommunications	Telecommunications	-	-	-	-	13,913,675	151,659	5	0.27
Jefferson Court Associates	Hotel	-	-	-	-	13,365,000	148,352	7	0.26
Reed Elsevier, Inc.	Publisher	-	-	-	-	13,568,900	147,901	6	0.26
Wachovia Bank National Association	Bank	-	-	-	-	11,203,500	124,359	9	0.21
Seminole Square	Shopping Center	-	-	-	-	10,668,000	116,281	10	0.20
		<u>\$ 409,989,586</u>	<u>\$ 3,894,901</u>		<u>7.85 %</u>	<u>\$ 242,689,136</u>	<u>\$ 2,650,225</u>		<u>8.54 %</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 \$1.09

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE IX

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Total Collections as a Percent of Current Levy
2012	\$ 59,419,008	\$58,573,010	98.58 %	\$ -	\$ 58,573,010	98.58 %
2011	59,302,625	58,308,249	98.32	904,614	59,212,864	99.85
2010	59,534,997	58,243,180	97.83	1,184,462	59,427,642	99.82
2009	59,406,086	57,725,159	97.17	1,583,045	59,308,204	99.84
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

Source: Treasurer of the City of Charlottesville

- (1) Delinquent Collections in fiscal years prior to 2009 include receipts collected within the fiscal year for all prior year levies.
- (2) Delinquent Collections in fiscal years 2009 and later include only the current year tax levy and receipts collected in subsequent years.

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE X

**ESTIMATED VALUE OF TAX-EXEMPT REAL PROPERTY
LAST TEN FISCAL YEARS
JUNE 30, 2012**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Federal	\$ 21,652,500	\$ 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
State and regional	278,983,600	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
Local	181,085,000	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
Religious, charitable, educational and other	534,852,200	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
Total	<u>\$ 1,016,573,300</u>	<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>

Source: Office of the Real Estate Assessor, City of Charlottesville, Virginia. Reported to the State in April annually by the Assessor's Office.

**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
2012	44,471	\$ 5,222,661,300	\$ 78,918,183	\$ 67,665,200	\$ 9,663,272	\$ 134,117,472	1.30 %	\$1,522	7.21 %
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

(1) 2012 population data published on January 30, 2012 by the Weldon Cooper Center for Public Service, Demographics & Workforce Group www.coopercenter.org/demographics/; 2003-2011 U.S. Census Bureau

(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 TRANSFERS
LAST TEN FISCAL YEARS**

Fiscal Year	Principal	Interest	Total Debt Service	General Governmental Expenditures and Transfers	Ratio of Debt Service to General Governmental Expenditures
2012	\$ 6,611,249	\$ 2,855,961	\$ 9,467,210	\$ 188,952,877	5.01 %
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

Note: Excludes Capital Projects Fund expenditures and transfers.

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income ¹	Per Capita Debt ²
	General Obligation Bonds	Literary Loans	Notes Payable	Total Governmental Debt	General Obligation Notes	Notes Payable			
2012	\$ 78,918,183	\$ 90,439	\$ 960,793	\$ 79,969,415	\$ 37,762,227	\$ -	\$ 117,731,642	*	\$ 2,647
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	5.15 %	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

* 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) 2012 population data published on January 30, 2012 by the Weldon Cooper Center for Public Services, Demographics & Workshop Group www.coopercenter.org/demographics/; 2003-2011 U.S. Census Bureau

CITY OF CHARLOTTESVILLE, VIRGINIA

TABLE XIV

COMPUTATION OF LEGAL DEBT MARGIN
 LAST TEN FISCAL YEARS
 JUNE 30, 2012

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assessed value of real property	<u>\$ 5,222,661,300</u>	<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>
Debt limit - 10% of assessed value	\$ 522,266,130	\$ 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
Amount of debt applicable to debt limit	<u>106,478,659</u>	<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>
Legal debt margin	<u>\$ 415,787,471</u>	<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>
Total net debt applicable to the limit as percentage of debt limit	20.39%	19.87%	17.12%	15.82%	14.22%	13.88%	12.79%	18.53%	16.92%	21.24%

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
2012	39	\$53,543,285	494	\$42,252,061	1,171	\$53,442,553	\$ 2,038,433	2012	\$ 5,222,661,300	\$ 1,016,573,300
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

(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) (thousands)	Per Capita Income (4)	Taxable Sales (5) (thousands)	Sales per Capita
2012	44,471	3,914	*	*	*	*	*
2011	43,475	3,874	7.1	*	*	\$ 822,681	\$ 18,923
2010	40,745	3,915	6.9	\$ 6,463,200	\$ 45,282	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

* Information not available at this time.

Source:

- (1) 2012 population data published on January 30, 2012 by the Weldon Cooper Center for Public Service, Demographics & Workforce Group www.coopercenter.org/demographics/; 2003-2011 U.S. Census Bureau
- (2) Fall Membership Charlottesville Public Schools
- (3) Virginia Employment Commission, Local Area Unemployment Statistics, Charlottesville Community Profile and represents unemployment for the calendar year
- (4) Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce: Albemarle County + City of Charlottesville
- (5) Annual Report, Taxable Sales in Virginia Counties and Cities, Commonwealth of Virginia, Department of Taxation

**PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS PRIOR
JUNE 30, 2012**

Employer	2012		2003	
	Rank	Number of Employee	Rank	Number of Employees
University of Virginia Medical Center	1	1000+	1	1000+
Martha Jefferson Hospital	2	1000+	2	1000+
City of Charlottesville	3	1000+	3	1000+
Charlottesville City School Board	4	500-999	4	500-999
Aramark Campus	5	500-999	8	250-499
SNL Security LP	6	250-499	15	100-249
Pharmaceutical Research Association	7	250-499	7	250-499
Kroger	8	100-249	12	250-499
Design Electric	9	100-249	17	100-249
St. Anne's Belfield School	10	100-249	18	100-249
U.S. Department of Defense			5	500-999
Matthew Bender & Company			6	250-499
Lakeland Tours			9	250-499
United States Postal Service			10	250-499

Source: Virginia Employment Commission 50 Largest Employers during 4th Quarter (October, November, December) 2011

Note: 2003 employer rank/number of employees received from 2nd quarter 2003 Virginia Employment Commission Labor Market Information

**GOVERNMENT EMPLOYEES BY FUNCTION
JUNE 30, 2012**

Department	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Management										
Mayor/Council	1.00	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	8.00	9.00	9.00	10.00	10.00	9.00	10.00
Office of Economic Development	5.00	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	6.00
Voting Registrar	3.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Total	23.00	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	6.00
Information Technology	19.00	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	8.00
Total	33.00	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	13.00
Finance Department: Management/Real Estate Assessment/Utility Billing Office	34.00	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	13.00	12.50	12.50
Total	60.00	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	10.00	8.00	8.00	8.00	8.00
Community Attention	34.25	34.25	33.00	26.00	26.00	26.00	27.25	27.75	26.45	26.45
Children & Youth Commission/CCF	0.00	0.00	1.00	1.00	1.00	1.00	5.43	5.43	-	-
Department of Social Services	100.850	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	32.00	31.00	30.00	29.00	29.00	26.50	28.50
Parks and Recreation/Parks Maintenance	37.00	37.00	38.00	39.00	40.00	40.00	36.00	36.00	33.00	33.00
Parks & Rec/Recreation and Programs	28.75	26.75	25.25	25.50	26.00	26.63	24.65	25.65	40.00	40.00
Parks & Rec/Golf Fund	7.00	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	1.00	-	-	-	-
Weed and Seed Grant	0.00	0.00	0.00	0.50	0.50	0.50	1.00	1.00	-	-
Total	250.85	248.85	247.10	248.925	250.675	250.055	252.01	254.46	258.88	260.88
Infrastructure/Transportation										
Public Works: Administration, Facilities Development	15.69	16.00	16.25	16.25	16.25	16.00	17.00	17.00	15.00	15.00
Public Works: School Building Maintenance	18.28	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	12.00
Public Works: Public Service	51.00	51.00	51.00	51.00	51.00	51.00	51.00	53.50	53.50	54.50
Public Works: CAT/Greyhound Operations	77.50	78.00	78.00	81.50	70.50	66.00	66.00	68.50	76.50	76.50
Public Works: Pupil Transportation	27.50	28.50	28.50	32.00	32.00	23.50	23.50	24.00	-	-
Public Works: Utilities	93.00	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	294.97	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	11.00	12.00	12.00
Commonwealth's Attorney	13.50	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	11.00	13.50	13.50
Fire Department	89.00	89.00	89.00	89.00	89.00	89.00	94.00	94.00	94.00	94.00
Police Department	146.00	146.00	146.00	146.43	146.43	146.43	146.00	150.00	151.00	146.00
Total	270.50	270.50	270.50	270.93	270.93	270.93	273.50	277.50	281.00	276.00
City-Wide Total	932.32	927.35	925.85	933.11	920.86	904.99	909.51	919.96	900.05	897.05

Note: FTE positions.

¹ These positions are funded cooperatively with Albemarle County.

OPERATING INDICATORS BY FUNCTION
JUNE 30, 2012

	2012	2011	2010	2009	2008	2007	2006
General Government							
Date of incorporation	1888	1888	1888	1888	1888	1888	1888
Form of government	Council-Manager						
Area	10.4 square miles						
Bond rating:							
Moody's Investor Services	Aaa						
Standard & Poor's Corporation	AAA						
Number of employees:							
City (full-time)	932.3	927	925.9	933.1	919.9	904.0	905.5
School Board	783	784	795	796	793	792	810
Elections:							
Number of registered voters:							
Last general election - November, 2011	28,670	28,126	27,643	28,678	23,506	22,875	22,875
Last municipal election - November, 2011	28,670	N/A	23,506	23,506	23,506	23,059	23,059
Number of votes cast in:							
Last general election	7,522	13,862	20,122	20,122	6,086	10,208	10,208
Last municipal election	6,627	N/A	6,086	6,086	6,086	5,993	5,993
Percentage of registered voters voting in:							
Last general election	26.2%	49.3%	72.8%	70.2%	25.9%	44.7%	44.7%
Last municipal election	23.1%	N/A	25.9%	25.9%	25.9%	26.0%	26.0%
Public Safety							
Fire protection:							
Number of firefighters and officers (exclusive of volunteer firefighters)	86	86	86	87	87	87	91
Police protection:							
Number of police officers	117	117	117	117	117	117	116
Number of arrests - 2006 (excluding traffic)	5,043	4,700	5,514	5,773	5,910	6,139	6,492
Traffic Citations Issued	4,429	6,793	4,887	5,036	4,229	5,759	6,393
911 calls received	46,059	48,008	47,883	48,776	51,250	50,509	51,447
Cases investigated	1,110	1,076	1,140	1,268	1,202	1,338	1,224
Parking Violations							
Violations written	20,657	21,898	15,501	15,624	19,338	19,483	15,470
Building permits issued	1,704	1,479	1,387	1,719	2,333	2,445	2,404
Education							
Schools:							
Number of teachers	434	423	429	431	420	412	418
Number of students	3,914	3,874	3,915	3,997	4,089	4,063	4,130
Pupil: teacher ratio	9.02:1	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	18,655	18,699	18,062	17,851	17,662	17,419	17,125
Average daily consumption	6,492 DTH	6,894 DTH	7,245 DTH	7,318 DTH	7,938 DTH	7,422 DTH	6,809 DTH
Water:							
Number of customers	14,377	14,395	13,814	13,748	13,660	13,470	13,350
Average daily consumption	587.9 MCF	604 MCF	601 MCF	602 MCF	579 MCF	618 MCF	635 MCF
Sewer:							
Number of customers	14,251	14,243	13,688	13,598	13,490	13,300	13,179
Average daily treatment	537.6 MCF	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	13,200
Tons of domestic refuse	6,996	6,706	6,681	7,022	7,659	7,873	7,740
Tons of stumps, demolition material, and street sweeping	1,532	1,505	1,423	1,250	1,213	1,160	2,286

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

**CAPITAL ASSET STATISTICS BY FUNCTION
JUNE 30, 2012**

	2012	2011	2010	2009	2008	2007	2006
General Government							
Miles of streets	156	156	156	156	156	156	156
Number of streetlights	6,010	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	3
Police protection:							
Number of stations	6	6	6	5	5	5	5
Number of vehicular patrol units	64	64	64	64	64	64	64
Total vehicles	126	126	126	126	126	126	126
Motor Cycles	6	6	6	6	6	6	6
Unmarked cars	42	42	42	42	42	42	42
Bicycle patrol	15	15	15	15	15	15	15
Education							
Number of schools	9	9	9	9	9	9	9
Parks, Recreation, & Culture							
Number of parks 1	31 (1,979 acres)	26 (987 acres)					
Number of golf courses	2	2	2	2	2	2	2
Number of swimming pools	5	5	5	4	6	6	6
Number of recreation centers	5	6	6	5	6	6	6
Number of libraries	3	3	3	3	3	3	3
Public Utilities							
Gas:							
Miles of gas main lines	317	316	315	314	308	302	298
Miles of gas service lines	221	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	19 MGD
Miles of water lines	180.0	178.3	177.7	177	176	179	189
Number of fire hydrants	1,005	991	988	975	967	949	948
Sewer:							
Sewer treatment plant capacity (millions of gallons per day)	15	15	15	15	15	15	15
Miles of sanitary sewers	167	167	167	166	164	163	173

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

1 Includes 3 jointly funded parks with Albemarle County beginning fiscal year 2012.

CITY OF CHARLOTTESVILLE, VIRGINIA

SINGLE AUDIT REPORT

**For the Year Ended
June 30, 2012**

CITY OF CHARLOTTESVILLE, VIRGINIA

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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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2012. 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

Management of the City is responsible for establishing and maintaining effective 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 29, 2012.

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.

Cheng Beckert + Holland, L.L.P.

Richmond, Virginia
November 29, 2012



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's (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, 2012. 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, 2012.

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, 2012, and have issued our report dated November 29, 2012. 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Cheng Eckert + Holland, C.L.P.

Richmond, Virginia
November 29, 2012

CITY OF CHARLOTTESVILLE, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal granting agency/recipient state agency/grant program/grant number	CFDA number	FY2012 Federal expenditures
<u>DEPARTMENT OF AGRICULTURE</u>		
<u>Pass-through payments:</u>		
Virginia Department of Agriculture & Consumer Services		
Food Distribution - USDA Commodities	10.555	\$ 72,781
Summer Food Service Program for Children	10.559	58,571
Department of Education		
School Breakfast Program	10.553	363,774
Virginia Department of Youth & Family Services		
School Breakfast Program	10.553	3,004
Department of Education		
National School Lunch Program	10.555	993,876
Virginia Department of Youth & Family Services		
National School Lunch Program	10.555	1,764
Virginia Department of Social Services		
State administrative matching grant for SNAP	10.561	872,165
Department of Education		
School Lunch Program - Fresh Fruit	10.582	45,921
<u>DEPARTMENT OF COMMERCE</u>		
<u>Direct payments:</u>		
Public Safety Interoperable Communications Grant Program (2007)	11.555	857,524
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
<u>Direct payments:</u>		
Community Development Block Grant	14.218	610,312
ARRA - Community Development Block Grant	14.253	
<u>Pass-through payments:</u>		
Thomas Jefferson Planning District Commission		
Housing Opportunities Made Equal (HOME)	14.239	163,469
Sustainable Communities Regional Planning Grant Program	14.703	57,135
<u>DEPARTMENT OF JUSTICE</u>		
<u>Direct payments:</u>		
Drug Court Discretionary Program	16.585	50,665
Gun Violence Task Force - ATF	16.XXX	240
Cyber Crimes Task Force - FBI	16.XXX	16,222
State Criminal Alien Assistance Program (2009-F6920-VA-AP)	16.606	16,738
Bulletproof Vest Partnership Program	16.607	1,545
Edward Byrne Memorial Justice Assistance Grant Program	16.738	48,973
(2008-DJ-BX-0614, 2009-DJ-BX-0006, 2010-DJ-BX-0881)		
ARRA - Edward Byrne Memorial JAG Program (2009-SB-B9-1940)	16.804	4,294
<u>Pass-through payments:</u>		
Virginia Department of Criminal Justice Services:		
Juvenile Accountability Incentive Block Grant (11-M3236JB09)	16.523	16,514
Juvenile Justice & Delinquency Prevention Title II Grant Prgm	16.540	144,097
Crime Victim Assistance (10-P8566VW09)	16.575	99,975
Violence Against Women Formula Grant (09-M9413VA08)	16.588	35,007
Supreme Court of Virginia		
Drug Control & System Improvement - Byrne Formula Grant	16.579	182,500
<u>DEPARTMENT OF TRANSPORTATION</u>		
<u>Direct payments:</u>		
Federal Transportation Agency		
Federal Transportation Formula Grants	20.507	3,041,585
Federal Transportation Formula Grants - JAUNT	20.507	513,000
ARRA - Federal Transportation Formula Grant	20.507	2,251,543
ARRA - Federal Transportation Formula Grant - JAUNT	20.507	474,558
Job Access - Reverse Commute	20.516	340,655
<u>Pass-through payments:</u>		
Virginia Department of Transportation		
Highway Planning and Construction (First Cities)	20.205	1,718,296
Department of Rail and Public Transportation		
New Freedom Program	20.521	13,329
Department of Motor Vehicles		
State and Community Highway Safety	20.600	21,786
(154AL-2009-59141-3444 & SC-2011-51428-4278)		

See notes to Schedule of Expenditures of Federal Awards

CITY OF CHARLOTTESVILLE, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2012

Federal granting agency/recipient state agency/grant program/grant number	CFDA number	FY2012 Federal expenditures
DEPARTMENT OF ENERGY		
<u>Direct payments:</u>		
Conservation Research & Development (DE-EE0003663)	81.086	54,521
ARRA - Energy Efficiency & Conservation Block Grant (DE-EE0002033)	81.128	181,917
<u>Pass-through payments:</u>		
Virginia Department of Mines Minerals & Energy to: ARRA - State Renewable Energy Utilization Program	81.041	288,000
DEPARTMENT OF EDUCATION		
<u>Direct payments:</u>		
Elementary and Secondary Education Act:		
Title VIII, Impact Aid (SO41B-2005-5233)	84.041	8,587
Title X, Part C, Education for Homeless Children & Youth	84.196	30,584
Partnerships in Character Education - Teaching Am. History	84.215	283,893
Gear Up - Council of Higher Education	84.334	26,166
<u>Pass-through payments:</u>		
Department of Education		
Adult Basic Education	84.002	47,310
Adult English Literacy/Civics Education Program (192-02-10)	84.002	120,103
NCLB - Title I Part A Chapter I: LEA (104-01-01)	84.010	1,974,809
NCLB - Title I, Part D, Subpart 2 - Neglected & Delinquent	84.013	167,648
IDEA - Part B Section 611 - Sp. Ed. Flow Th. (104-0001FT)	84.027	1,045,365
Career & Technical Education Basic Grants to States (171-03-50)	84.048	86,768
IDEA - Part B Section 619 Sp. Ed. Preschool (104-PS00-01)	84.173	43,946
NCLB - Title IV Part A - Safe & Drug Free Schools	84.184	7,574
Title IV Part B - Twenty First Century	84.287	124,372
Reading in Middle School	84.310	23,321
NCLB - Title II, Part D, Enhanc. Ed through Tech (107-110)	84.318	8,832
NCLB - Title III Part A - English Language Acquisition	84.365	55,379
Title II, Part A, ESEA Improving Teacher Quality (104-99)	84.367	298,368
LDS to LEAs, Program 1060	84.384	20,689
NCLB - Title I Part A Chapter I: LEA (104-01-01) ARRA	84.389	21,678
IDEA - Part B Section 611 - Sp. Ed. Flow Th. (104-0001FT) ARRA	84.391	164,491
IDEA - Part B Section 619 Sp. Ed. Preschool (104-PS00-01) ARRA	84.392	4,163
State Fiscal Stabilization ARRA	84.394	689,753
Education Jobs Fund - ARRA	84.410	333,041
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<u>Direct payments:</u>		
Administration for Children & Families - Basic Center Grant	93.623	148,883
<u>Pass-through payments:</u>		
Department of Social Services		
Promoting Safe & Stable Families	93.556	65,354
Temporary Assistance for Needy Families	93.558	825,623
Refugee & Entrant Assistance - State Administered Programs	93.566	18,215
Low-Income Home Energy Assistance	93.568	43,088
Child Care & Development Block Grant - CCDF	93.575	146,983
Child Care Mandatory & Matching Funds of CCDF	93.596	246,286
Chafee Education & Training Vouchers Programs	93.599	25,787
Child Welfare Services - State Grants	93.645	2,415
Foster Care - Title IV-E	93.658	1,228,173
Adoption Assistance	93.659	531,147
Social Services Block Grant	93.667	564,826
Chafee Foster Care Independence Program	93.674	35,029
State Children's Insurance Program	93.767	25,457
Medical Assistance Program (Medicaid; Title XIX)	93.778	530,717
DEPARTMENT OF HOMELAND SECURITY		
<u>Pass-through payments:</u>		
Virginia Department of Criminal Justice Services:		
Law Enforcement Terrorism Prevention Program (11-A2287HS10)	97.073	3,177
Virginia Department of Emergency Management		
State Homeland Security Grant Program (SHSP)	97.073	23,662
Total		\$ 23,667,918

See notes to Schedule of Expenditures of Federal Awards

CITY OF CHARLOTTESVILLE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

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 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 10.555) – 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:

<u>Program Title</u>	<u>CFDA</u>	<u>Amount</u>	<u>Subrecipients</u>
Community Development Block Grant	14.218	\$ 610,312	Various Housing & Social Programs
Drug Control & System Improvement	16.579	182,500	Offender Aid & Restoration
Drug Court Discretionary Program	16.585	50,665	Offender Aid & Restoration
State Criminal Alien Assistance Program	16.606	16,738	Charlottesville-Albemarle Regional Jail
Federal Highway Administration	20.507	987,558	JAUNT
Energy Conservation Research & Development	81.086	181,917	Aker Wade Technologies
Energy Efficiency & Conservation Block Grant	81.128	54,521	Local energy Alliance Program
Promoting Safe & Stable Families	93.556	65,354	Jefferson Area CHIP
Temporary Assistance for Needy Families	93.558	825,623	Region Ten and Children Youth & Family Services
Administration for Children & Families – Basic Center Grant	93.623	148,883	Children Youth & Family Services
		<u>\$3,124,071</u>	

CITY OF CHARLOTTESVILLE, VIRGINIA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

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	\$ 33,997,829	\$ 2,542,633	\$ 8,840,146	\$ 11,946,376	\$ 57,326,984	\$ 29,659,190	\$ 86,986,174
Less: amounts not related to federal financial assistance	33,979,822	536,215	3,678,881	2,527,218	40,722,136	22,595,998	63,318,134
Less: federal revenue received for prior year expenditures	-	-	-	-	-	-	-
Less: unearned federal revenue	-	122	-	-	122	-	122
Add: prior year unearned revenue expended in the current year	-	-	-	-	-	-	-
Total schedule of expenditures of federal awards	\$ 18,007	\$ 2,006,296	\$ 5,161,265	\$ 9,419,158	\$ 16,604,726	\$ 7,063,192	\$ 23,667,918

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, 2012

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>
SNAP Cluster	10.551
Public Safety Interoperable Communications Grant Program	11.555
Highway Planning and Construction Cluster	20.205
Federal Transit Formula Grants	20.507
Education Jobs Fund	84.410

8. Dollar threshold to distinguish between Type A and Type B Programs: **\$710,038**
9. The City of Charlottesville was determined to be a low risk auditee.

CITY OF CHARLOTTESVILLE, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

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.