

FREDERICKSBURG, VIRGINIA

*Comprehensive
Annual
Financial
Report . . .*



*. . . for fiscal
year ended _____*

JUNE 30, 2008

CITY OF FREDERICKSBURG, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

CITY OF FREDERICKSBURG, VIRGINIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2008

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Phillip L. Rodenberg
City Manager



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

Beverly R. Cameron
Assistant City Manager

November 12, 2008

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Fredericksburg:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Fredericksburg, Virginia (the “City”) for the fiscal year ended June 30, 2008.

This report consists of management’s representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City’s financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City’s financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City’s separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

City of Fredericksburg Profile

The City was incorporated as an independent city in 1782, after being initially established as a town in 1728. In 1912, the City became one of the first cities in the nation to adopt the Council-Manager form of government, and its current Charter was granted in 1942. The City is located at the geographic center of the "Chesapeake Golden Crescent"; the area between Baltimore, Maryland and Norfolk-Virginia Beach, Virginia. The City is less than an hour's drive from the nation's and state's capitals and within a 500-mile radius of nearly one-half the nation's population and manufacturing activity. The City currently has a land area of 10.4 square miles and serves a population of 22,410.

Legislative and policy-making authority are vested in the governing council, which consists of a mayor and a six-member council. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and the City Manager, the City Attorney and the Clerk of Council. The City Manager is responsible for carrying out the policies and ordinances of the governing council, and for appointing the heads of the City's departments. Council members are elected to four-year staggered terms with the mayor and two council members elected-at-large and the other four members elected by wards.

The City provides a full range of services including police and fire protection, the construction and maintenance of streets and infrastructure, recreational activities and cultural events, and public education. The City also operates water, sewer, and transit systems and a parking garage. The City has entered into agreements with Spotsylvania County to utilize county water and sewer capacity in order to maximize these resources from a regional approach.

The annual budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least fifteen days prior to the end of the fiscal year. After a required public hearing on the budget is held, the City Council may change any item in the budget (other than debt service or items required by law). An appropriation ordinance must be adopted by the City Council prior to June 30, or as soon thereafter as practicable. City Council must approve all budget revisions once the appropriation ordinance has been adopted. The annual budgets are prepared for all governmental funds, except for the Central Park Special Tax District Fund, the Fall Hill Special Tax District Fund and the Celebrate Virginia Special Tax District Fund, and they are prepared by fund, and department (e.g., police). All appropriations lapse at year-end; however, the unexpended funds may be reappropriated as part of the following year's budget. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented in Exhibit 13. For governmental funds, other than the General Fund, with appropriated annual budgets, this comparison is presented in Exhibit 24.

Economic Condition and Outlook

The decline in local tax revenue experienced in fiscal year 2007 continued during fiscal year 2008. The dramatic economic downturn, coupled with regional competition in the form of increased retail shopping and dining opportunities in neighboring counties, had an adverse impact on most local tax revenue sources during fiscal year 2008. With the recent precipitous decline in the stock and real estate markets, prospects for a prolonged economic slowdown or even recession appear likely. These challenging economic conditions will continue to apply tremendous pressures on City resources in fiscal year 2009 and beyond as the City strives to meet the vast municipal services it provides its citizens.

The City adopted a Financial Management Policy which establishes guidelines aimed at maintaining the financial health of the City. The Financial Management Policy identifies the unreserved, undesignated General Fund balance as a source that will be maintained to provide the City with sufficient working capital and a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing. It established a goal of maintaining a 12 percent unreserved, undesignated General Fund balance, but not less than 7 percent, of the actual General Fund revenues for the preceding fiscal year. This policy goal has proven to be a useful resource offering increased flexibility that has assisted the City in its efforts to direct its resources efficiently.

The City's economy is based to a large degree on its strategic location along interstate 95 approximately halfway between Richmond, Virginia and Washington, D.C. The City enjoys two major commercial development centers, Central Park and Celebrate Virginia South. Central Park, which started in 1995, is the primary retail and dining component of the City and houses 2.2 million square feet of national big-box stores, restaurants, and smaller local businesses. Celebrate Virginia South, home to several hotels, the Fredericksburg Expo and Conference Center, and the future site of the National Slavery Museum, holds the greatest opportunity for economic expansion as numerous hotels and an indoor water park are planned within the next couple years. Once online, it is anticipated these new commercial developments will provide the City much needed revenue growth in the areas of property taxes and various local taxes.

Another significant component of the local economy is the City's nationally recognized 40-block Historic District. The "Old Town" District, with its historical attractions, antique shops, a variety of charming restaurants, specialty retail shops and beautifully restore homes, is an attractive tourist destination. An enhancement to the local tourism industry and the related tax revenues will be the opening of a Courtyard by Marriott hotel in the Historic District in the summer of 2009. The 98-room hotel, located in close proximity to the visitor center and the 297-space Sophia Street Parking Garage, will feature 1600 square feet of meeting space, an indoor pool, and a full-service restaurant.

Through these challenging economic times, the City has continued to improve its capacity to provide a high level of service to its residents in the form of major capital initiatives in the areas of public safety, public transportation, and public utilities. A number of capital projects were completed during the 2008 fiscal year while several others are in various stages of construction with completion anticipated over the next couple years. The following narrative highlights some of the larger projects worked on during fiscal year 2008.

Construction on a new police headquarters was completed during fiscal year 2008. This 35,000 square foot facility will provide ample space and permit necessary staff growth for all department functions to include patrol, investigation, administrative support services, animal control, and communications. The total cost of this project was approximately \$12,800,000

Economic Condition and Outlook: (Continued)

Construction was also completed during the fiscal year on a new transit facility for the Fredericksburg Regional Transit. The new facility, located at the same Jefferson Davis Highway site as the retired facility, will include administrative offices, storage, parking areas for transit buses, loading and unloading areas for commercial buses, and enhanced traffic flow patterns. This two-story, 7000 square foot facility, was designed with added safety features to promote the safe circulation of bus, car, and pedestrian traffic. The design of the new facility hopes to set a tone for future development within the surrounding area. This project was completed for a total cost of approximately \$5,200,000.

Construction began on several infrastructure projects in the water utility and wastewater utility operations. These projects involve improving the management of storm water flows, replacing and upgrading various sections of the Route One water line, and various sanitary system improvements. Completion of these projects will take place over the next couple years at an estimated cost of \$10,500,000.

Cash Management Policies and Practices

The City and Component Unit School Board cash and cash equivalents consist of pooled cash and investments. The Component Unit Economic Development Authority maintains its own accounts that are separate from the City's pooled funds. Cash temporarily idled during the year was invested in the Commonwealth Cash Reserve Fund and the Arbitrage and Investment Management Fund. The yield on investments during the year ranged from 2.59 percent to 5.23 percent. Investment income includes appreciation in the fair value of investments. Increases in fair value, however, do not represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

The City has an adopted investment policy that establishes the investment and operation policies for the management of the public funds of the City. These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds when needed, and an investment return competitive with comparable funds and financial market indicators.

The investment policy requires that the City's portfolio be managed to accomplish the following hierarchy of objectives: (1) preservation of principal, (2) maintenance of liquidity, and (3) maximize return. Accordingly, deposits were either insured by federal depository insurance or deposits were collateralized in accordance with the Virginia Security for Public Deposits Act.

The accomplishment of the noted investment policy objectives is entrusted to the City's Investment Committee that serves in an advisory capacity. The City Treasurer is the chairperson of the Investment Committee. An outside investment advisor meets with the Treasurer and the other committee members to assist the committee in performing its duties.

Risk Management

The City participated in the Virginia Municipal Government Self Insurance Association. This organization is comprised of cities, counties and towns who have pooled their resources for worker's compensation coverage. The City purchases commercial insurance for all other known exposures generally associated with municipal government.

Pension and Other Post-Employment Benefits

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

The City also provides post-retirement health care insurance for employees who are eligible for retirement benefits. Currently, 106 retirees are eligible and are receiving these benefits. The City pays all of the health insurance premiums for the retirees. These costs are financed on a pay-as-you-go basis. Related to these post-employment benefits, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 43, "Financial Reporting for Post-employment Benefit Plans" and GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions". The purpose of these statements is to require the accrual and reporting of liabilities for the actuarially determined health insurance premiums the City will be paying for retirees. The City is required to implement these statements in its June 30, 2009 CAFR.

Additional information on the City's and Component Unit School Board's pension arrangements and post-employment benefits can be found in Notes 11 and 18 in the Notes to Basic Financial Statements section of this report.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. This was the eighteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

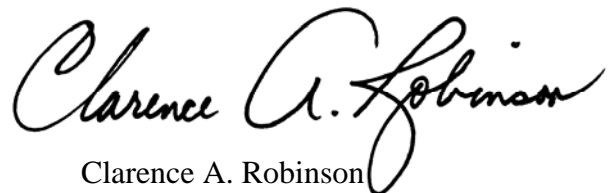
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Fiscal Affairs Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of City finances.

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

Sincerely,



Phillip L. Rodenberg
City Manager

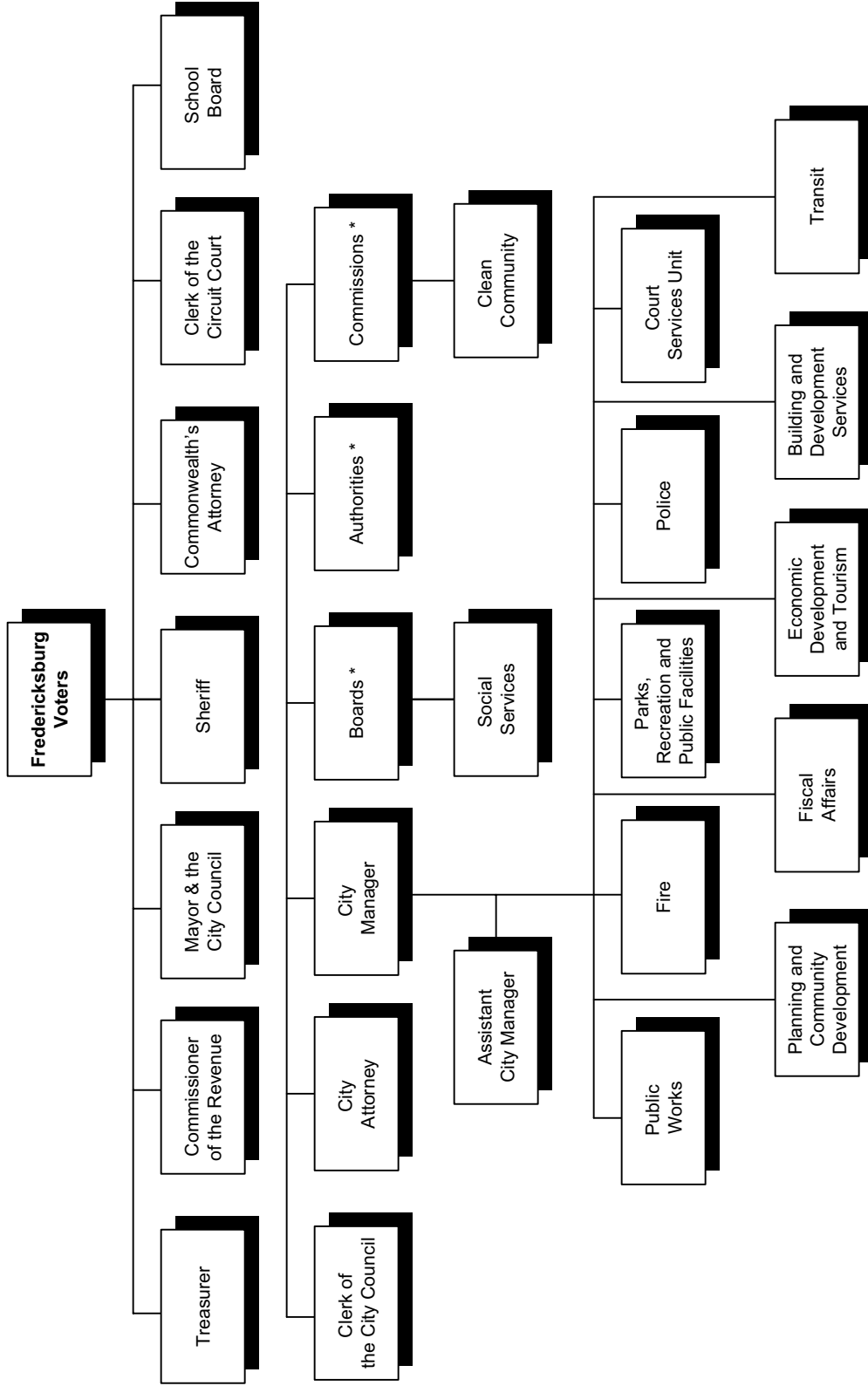


Clarence A. Robinson
Director of Fiscal Affairs

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CITY OF FREDERICKSBURG, VIRGINIA

ORGANIZATIONAL CHART



* The City Council appoints citizens to 35 authorities, boards and commissions.

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CITY OF FREDERICKSBURG, VIRGINIA
PRINCIPAL OFFICIALS
JUNE 30, 2008

CITY COUNCIL

Thomas J. Tomzak, M.D. Mayor - At Large
Kerry P. Devine Vice Mayor - At Large
Deborah L. Girvan At Large
Marvin J. Dixon Ward 1
George C. Solley Ward 2
Matthew J. Kelly Ward 3
Hashmel C. Turner, Jr. Ward 4

CONSTITUTIONAL OFFICERS

Sharron S. Mitchell Clerk of the Circuit Court
Lois B. Jacob Commissioner of the Revenue
Charles S. Sharp Commonwealth Attorney
Paul W. Higgs Sheriff
G. M. Haney Treasurer

CITY ADMINISTRATIVE OFFICERS

Phillip L. Rodenberg City Manager
Beverly R. Cameron Assistant City Manager
Kathleen A. Dooley City Attorney
Mary C. Smith Clerk of the City Council
Edwin L. Allen, Jr. Chief, Fire Department
David W. Nye Chief, Police Department
Stephen J. Smallwood..... Director, Building and Development Services
Clarence A. Robinson Director, Fiscal Affairs
Kevin M. Gullette Director, Economic Development and Tourism
Susanne H. Taylor Director, Human Resources
Suzanne L. Goodman Chief Information Officer, Information Technology
Robert K. Antozzi Director, Parks, Recreation and Public Facilities
Raymond P. Ocel, Jr. Director, Planning and Community Development
P. Douglas Fawcett Director, Public Works
Janine M. Sewell Director, Social Services
Juanita D. Pitchford General Registrar
Kathleen M. Beck Director, Transit

SCHOOL BOARD

Barbara A. Miller-Richards Chairperson - Ward 2
Michael J. Gillenwater Vice Chairman - At Large
Jarvis E. Bailey At Large
Patricia B. Green Ward 1
Janice R. Walsh Ward 3
Malvina R. Kay Ward 4

SCHOOL BOARD ADMINISTRATIVE OFFICER

Dr. David G. Melton Superintendent

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fredericksburg
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emer

Executive Director

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia (the "City") as of and for the year ended June 30, 2008, 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 of America; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Commonwealth of Virginia, Office of the Auditor of Public Accounts. Those standards 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, 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 12, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 important for assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and schedule of pension funding progress, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Robinson, Tamara, Cox Associates

Fredericksburg, Virginia
November 12, 2008

Management's Discussion and Analysis

As management of the City of Fredericksburg, Virginia (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- Total net assets for governmental activities were \$108,389,503 at the end of fiscal year 2008. This figure is based on assets totaling \$184,999,076 and liabilities of \$76,609,573. Of the total net asset amount, \$28,429,225 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Total net assets for business-type activities were \$50,904,367 at the end of fiscal year 2008. The largest portion of this total is related to the water and sewer enterprise operations, valued at \$37,649,321.
- Total net assets for the primary government totaled \$159,293,870. Current assets were \$63,428,137 as compared to total current liabilities of \$16,406,355. The resulting net working capital of \$47,021,782 represents a favorable liquidity position for the City.
- Total net assets for the Component Unit School Board at the end of the fiscal year were \$15,304,850. Of this total, \$13,955,722 represents investment in capital assets, net of related debt.
- At the end of the fiscal year, the City's unreserved, undesignated fund balance for the General Fund was \$10,735,108, or 16.5% of total General Fund expenditures which totaled \$65,132,024.
- The City has an established Financial Management Policy which specifies a targeted goal of maintaining an unreserved, undesignated General Fund balance of 12.0% of the actual General Fund revenues for the preceding fiscal year. The fiscal year 2008 unreserved, undesignated General Fund was 15.8% of the fiscal year 2007 General Fund revenue total of \$67,879,266.
- General Fund revenues increased 1.4% as compared to the preceding fiscal year. This represents a decrease from the 3.5% revenue growth experienced in fiscal year 2007.
- General Fund expenditures increased approximately 8.3% as compared to the 12% increase in fiscal year 2007. Excluding the school allocation, the increase in expenditures was 5.6% as compared to the 10.8% increase in fiscal year 2007.
- Governmental activities long-term debt decreased by \$885,417. The balance at the end of the fiscal year was \$65,988,291. Of this amount, \$45,005,000 is related to the construction of school facilities. Business-type activities long-term debt increased by \$7,034,238. During fiscal year 2008 the City issued \$10,705,000 of general obligation debt, with \$8,242,850 earmarked for water and sewer improvement projects and \$2,462,150 allocated to fund governmental capital improvements.

Overview of the Financial Statements

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

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

Overview of the Financial Statements: (Continued)

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

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

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

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

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

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

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

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

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

The City maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Overview of the Financial Statements: (Continued)

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25-28 of this report.

Proprietary funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the functions presented as *business-type activities* in government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, transit, and parking garage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater, transit, and parking garage operations.

The basic proprietary fund financial statement can be found on pages 29-31 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 32 and 33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-68 of this report.

Government-wide Financial Analysis

Statement of Net Assets:

Under GASB 34, governmental entities are required to report on their net asset condition. The Statement of Net Assets presents the value of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of changes in a government's financial position. In the case of the City, assets exceeded liabilities by \$159,293,870 at the close of fiscal year 2008.

A large portion of the City's net assets, \$109,280,020 or 68.6%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The \$50,013,850 balance of *unrestricted net assets* may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities and component units.

Government-wide Financial Analysis: (Continued)

The following table presents the condensed Statement of Net Assets:

TABLE 1
Summary of Net Assets
As of June 30, 2008
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units (1)	
	FY 08	FY 07	FY 08	FY 07	FY 08	FY 07	FY 08	FY 07
Assets:								
Current and other assets	\$ 39.05	\$ 44.74	\$ 24.38	\$ 17.57	\$ 63.43	\$ 62.31	\$ 6.68	\$ 6.64
Capital assets	145.95	147.66	50.00	45.87	195.95	193.53	14.00	10.55
Total assets	\$ 185.00	\$ 192.40	\$ 74.38	\$ 63.44	\$ 259.38	\$ 255.84	\$ 20.68	\$ 17.19
Liabilities:								
Current and other liabilities	\$ 12.00	\$ 15.08	\$ 4.41	\$ 3.33	\$ 16.41	\$ 18.41	\$ 3.99	\$ 3.78
Long-term liabilities	64.61	65.46	19.07	12.28	83.68	77.74	0.44	0.37
Total Liabilities	\$ 76.61	\$ 80.54	\$ 23.48	\$ 15.61	\$ 100.09	\$ 96.15	\$ 4.43	\$ 4.15
Net assets:								
Invested in capital assets, net of related debt (2)	\$ 79.96	\$ 80.79	\$ 29.32	\$ 32.21	\$ 109.28	\$ 113.00	\$ 14.00	\$ 10.55
Unrestricted	28.43	31.07	21.58	15.62	50.01	46.69	2.25	2.49
Total net assets	\$ 108.39	\$ 111.86	\$ 50.90	\$ 47.83	\$ 159.29	\$ 159.69	\$ 16.25	\$ 13.04

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

Changes in Net Assets:

Governmental Activities

The net assets of the governmental activities decreased by \$3,476,168, resulting in a total net assets position of \$108,389,503. This reduction is representative of a trend noted the past couple fiscal years where limited growth, or in some cases, negative growth, in such general revenue sources as sales tax, business license tax, and meals tax has not kept pace with the increase in costs in such areas as personnel, school board operations, and debt service. Total revenues for governmental activities increased a modest 2.1% as compared to the 7.2% increase in total expenses.

Business-type Activities

The net assets of the business-type activities were \$50,904,367. This represents an increase of \$3,070,779 as compared to fiscal year 2007. Much of this increase occurred in the Transit Fund as substantial federal grant revenues were received in connection with the construction of a new transit facility. The water and wastewater operations experienced a slight decrease in net assets of \$503,312 and \$540,122, respectively, as the revenues generated from charges for services and availability/connection fees decreased while operating expenses increased. In the Water Fund, operating expenses increased 9.8% while revenues generated from water fees and availability/connection fees decreased 10.8%. The Sewer Fund exhibited a similar circumstance with operating expenses increasing 14.7% and sewer fees and availability/connection fees decreasing 6.5%. In response to the rising costs for water and sewer operations, the City adopted a 5% rate increase. It is anticipated that the rate increase, along with the projected growth in the City and the corresponding increase to the customer base, will allow the water and wastewater operations to better meet operating costs.

Changes in Net Assets: (Continued)

Component Units

The net assets of the School Board were \$15,304,850. Capital assets, net of related debt, comprised the majority of this amount.

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

TABLE 2
Changes in Net Assets
For the Fiscal Year ended June 30, 2008
(in millions)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>		<u>Component</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Government</u>	<u>Government</u>	<u>Units</u>	<u>Units</u>
	<u>FY 08</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 07</u>
Revenues:								
Program Revenues:								
Charges for services	\$ 2.77	\$ 2.55	\$ 5.64	\$ 5.37	\$ 8.41	\$ 7.92	\$ 0.79	\$ 0.84
Operating grants and contributions	10.66	9.34	4.56	4.43	15.22	13.77	38.23	35.29
Capital grants and contributions	0.45	0.77	2.30	2.39	2.75	3.16	-	-
General Revenues:								
Property taxes	27.79	27.04	-	-	27.79	27.04	-	-
Other local taxes	31.08	31.40	0.54	0.39	31.62	31.79	-	-
Grants not restricted	2.03	2.00	-	-	2.03	2.00	-	-
Use of property	0.07	0.14	-	-	0.07	0.14	0.01	0.02
Investment earnings	1.65	2.34	0.45	0.42	2.10	2.76	0.04	0.03
Gain on disposal of capital assets	1.07	0.30	-	-	1.07	0.30	-	-
Miscellaneous	0.56	0.68	1.57	0.20	2.13	0.88	0.13	0.09
Total Revenues	\$ 78.13	\$ 76.56	\$ 15.06	\$ 13.20	\$ 93.19	\$ 89.76	\$ 39.20	\$ 36.27
Expenses:								
General government	\$ 5.25	\$ 5.55	\$ -	\$ -	\$ 5.25	\$ 5.55	\$ -	\$ -
Judicial administration	3.56	3.13	-	-	3.56	3.13	-	-
Public safety	19.07	18.16	-	-	19.07	18.16	-	-
Public works	9.88	9.10	-	-	9.88	9.10	-	-
Health and welfare	6.47	6.74	-	-	6.47	6.74	-	-
Education	28.33	24.11	-	-	28.33	24.11	35.92	33.90
Parks, recreation, and cultural	4.59	4.48	-	-	4.59	4.48	-	-
Community development	2.34	2.62	-	-	2.34	2.62	0.07	0.06
Interest	2.95	2.99	-	-	2.95	2.99	-	-
Water	-	-	3.15	2.87	3.15	2.87	-	-
Sewer	-	-	4.17	3.54	4.17	3.54	-	-
Transit	-	-	3.35	2.49	3.35	2.49	-	-
Parking	-	-	0.49	0.44	0.49	0.44	-	-
Total Expenses	\$ 82.44	\$ 76.88	\$ 11.16	\$ 9.34	\$ 93.60	\$ 86.22	\$ 35.99	\$ 33.96
Excess (deficiency) of revenues over expenses before transfers	\$ (4.31)	\$ (0.32)	\$ 3.90	\$ 3.86	\$ (0.41)	\$ 3.54	\$ 3.21	\$ 2.31
Transfers	0.83	0.76	(0.83)	(0.76)	-	-	-	-
Change in net assets	\$ (3.48)	\$ 0.44	\$ 3.07	\$ 3.10	\$ (0.41)	\$ 3.54	\$ 3.21	\$ 2.31

Financial Analysis of the City's Governmental Funds

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

Revenues:

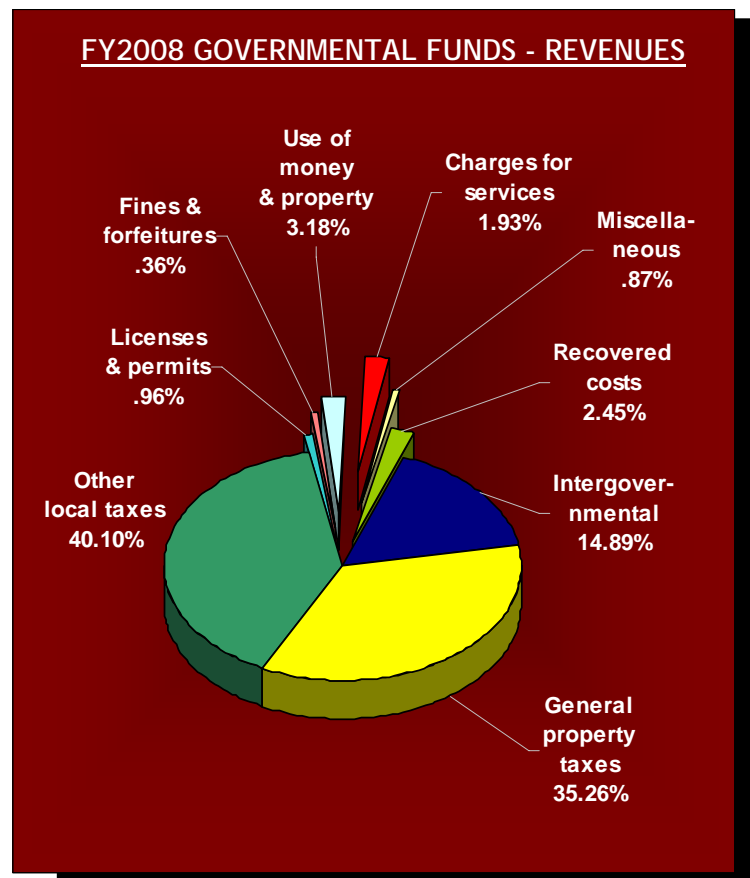
A summary of the general revenue sources for the governmental funds for fiscal years 2008 and 2007 is presented below:

TABLE 3
Governmental Funds - Revenues

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Percentage of Total Revenues FY 2008</u>	<u>Increase (Decrease) from FY 2007</u>
General property taxes	\$ 27,840,128	\$ 27,608,258	35.33%	\$ 231,870
Other local taxes	31,077,351	31,394,417	39.44%	(317,066)
Licenses and permits	653,453	753,661	0.83%	(100,208)
Fines and forfeitures	408,580	283,035	0.51%	125,545
Use of money and property	1,724,668	2,490,880	2.19%	(766,212)
Charges for services	1,704,708	1,510,745	2.16%	193,963
Miscellaneous	563,376	683,108	0.71%	(119,732)
Recovered costs	1,694,312	1,917,637	2.15%	(223,325)
Intergovernmental	13,137,585	11,652,820	16.68%	1,484,765
Totals	\$ 78,804,161	\$ 78,294,561	100.00%	\$ 509,600

The City's total revenues from governmental activities were \$78,804,161 in fiscal year 2008, a slight increase of approximately 1.0% over fiscal year 2007. While intergovernmental revenue enjoyed a \$1,484,765 or 12.7% increase, the other revenue sources remained flat, or in some cases, decreased during the fiscal year. The largest increase in intergovernmental revenue occurred in the capital projects area where the Public Works Construction Fund received approximately \$600,000 for road improvements related to the Virginia Department of Transportation's Revenue Sharing Program and the Public Facilities Construction Fund received a grant totaling \$225,000 for the renovation of the Circuit Courthouse.

The greatest impact on the governmental revenues was the disappointing performance in the area of other local taxes. This revenue source, which in recent years has accounted for roughly 40% of total governmental revenues, declined 2% during the fiscal year. This has applied enormous budgetary pressures on the General Fund, where most of these revenues are accounted for.



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

Other local tax revenue continues to be the most significant source of revenues supporting governmental activities. The following table reflects other local tax revenues for the General Fund for fiscal years 2008 and 2007:

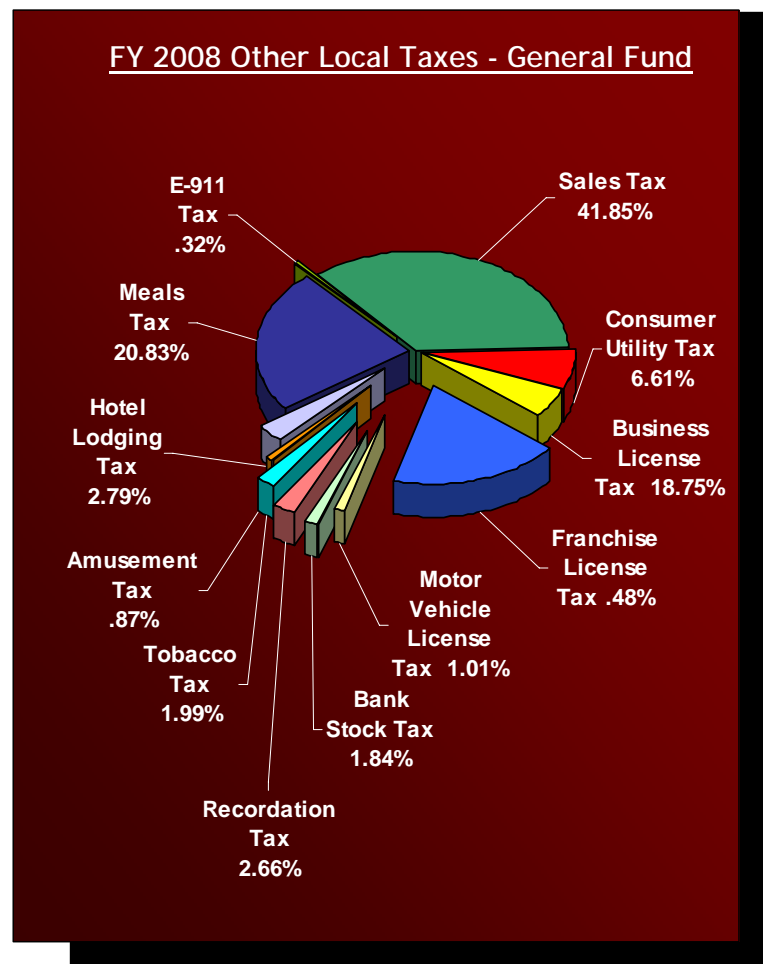
TABLE 4
Other Local Taxes - General Fund

	FY 2008	FY 2007	Percentage of Total Revenues FY 2008	Increase (Decrease) from FY 2007
Sales and Use Tax	\$ 10,726,939	\$ 12,163,136	35.49%	\$ (1,436,197)
Communication Sales Tax	2,019,101	729,233	6.68%	1,289,868
Consumer Utility Tax	1,527,028	2,036,988	5.05%	(509,960)
Business License Tax	5,436,366	5,777,346	17.99%	(340,980)
Motor Vehicle License Tax	300,786	310,039	1.00%	(9,253)
Bank Stock Tax	459,020	567,273	1.52%	(108,253)
Recordation Tax	715,884	818,353	2.37%	(102,469)
Tobacco Tax	593,940	612,462	1.97%	(18,522)
Amusement Tax	288,477	269,517	0.95%	18,960
Hotel Lodging Tax	918,952	860,935	3.04%	58,017
Meals Tax	7,042,409	6,418,546	23.30%	623,863
Gasoline Tax	138,164	-	0.46%	138,164
Other	56,520	244,883	0.18%	(188,363)
Totals	\$ 30,223,586	\$ 30,808,711	100.00%	\$ (585,125)

In recent years various sources of local tax revenue have experienced a flattening, or in some cases, a declining growth rate. Sales and use tax, the most significant source of local tax revenue, fell 11.8% during the fiscal year. Another major local revenue source, business license tax, experienced a 5.9% drop off. Meals tax, which is the second largest source of local tax revenue, increased 9.7% in response to a rate increase from 4.5% to 5%.

In fiscal year 2007, the City began receiving the new statewide telecommunications sales tax. This tax replaced cable franchise fees, consumer utility taxes on landline and wireless telephone service, and local E-911 tax. The 5% statewide sales tax begins to tax services that were heretofore not taxed, including satellite television, paging services, and voice-over internet protocol (VoIP). The tax became effective January 1, 2007, thus resulting in communication sales tax revenue for fiscal year 2007 being substantially below the fiscal year 2008 total.

The overall decline in local tax revenues is the result of an economy pummeled by the severe downturn to the housing and stock markets and the negative impact this has had on consumer spending. Commercial retail development within neighboring localities has also had a detrimental effect on the City's local economy.



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

Expenditures:

Expenditures for governmental funds in fiscal year 2008 totaled \$85,683,475, a decrease of \$4,757,215 or 5.3%, when compared to fiscal year 2007 activity. Excluding the \$9,704,099 decrease in capital project expenditures, the City experienced a 6.7% increase in expenditure activity, as compared to a 12% increase the previous year. The largest increase occurred in education expenditures as General Fund appropriations to the School Board increased 13.1% to keep pace with rising personnel and operating costs.

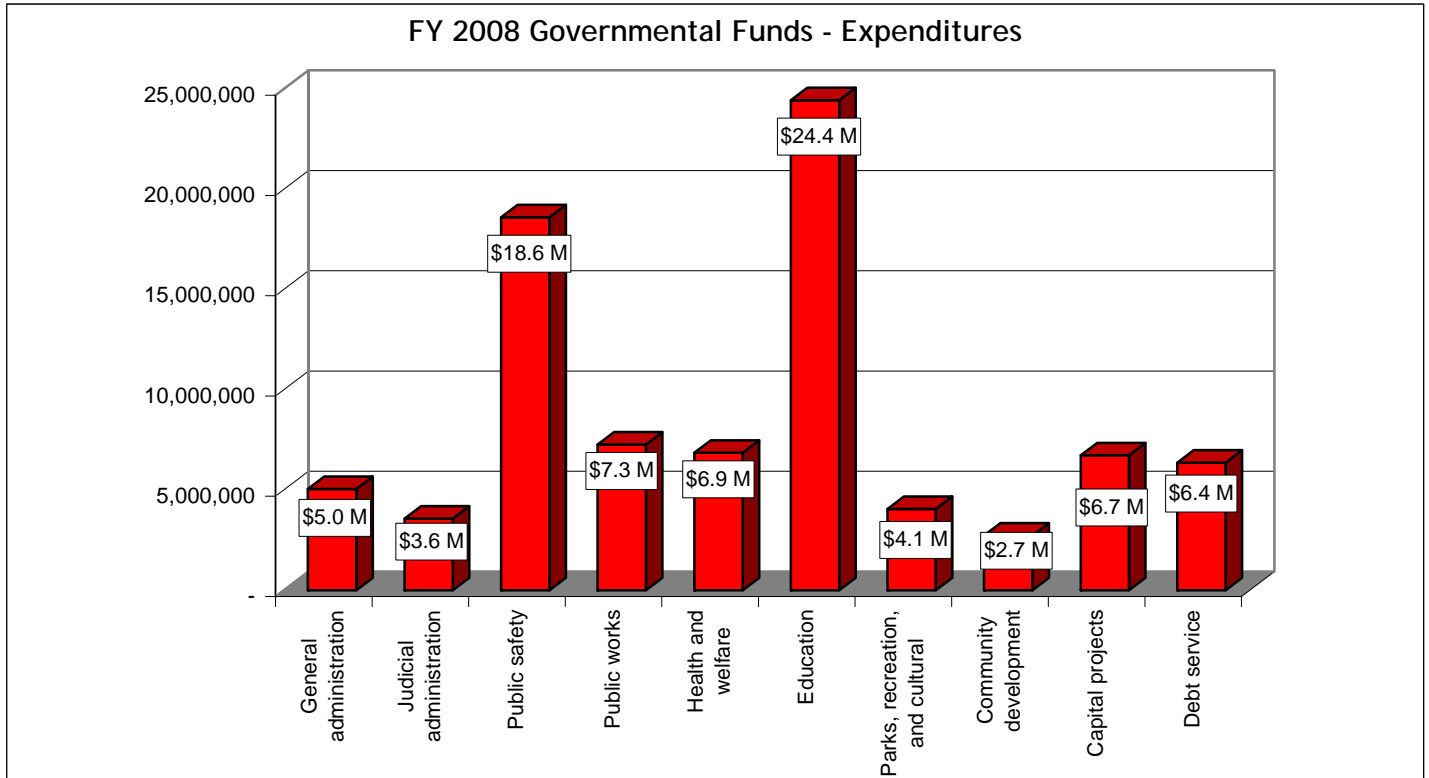
The largest decrease took place in the capital projects area as the majority of the Public Safety Capital Fund expenditures related to a new police headquarters building were incurred during fiscal year 2007, with expenditures for this project being \$9,461,000 less during fiscal year 2008.

In response to governmental revenues falling short of expectations, the City has implemented various cost containment measures designed to lessen the budgetary impact of growing expenditures and stagnating revenues. As a result of these efforts, expenditure totals in many of the functional areas increased only minimally, while some experienced a decrease. Expenditure activity for health and welfare declined 3.7% as the Virginia Public Assistance Fund expenditures decreased 2.6%. In the General Fund, the growth in two of the larger functional areas, general government administration and public safety, decreased from 15.3% and 14.6%, respectively, in fiscal year 2007, to 6.9% and 6.0%, respectively, in fiscal year 2008. Overall, the growth in General Fund expenditures fell from 12% in fiscal year 2007 to 8.3% during fiscal year 2008.

TABLE 5
Governmental Funds - Expenditures

	FY 2008	FY 2007	Percentage of Total Expenditures FY 2008	Increase (Decrease) from FY 2007
General administration	\$ 5,047,982	\$ 4,720,227	5.89%	\$ 327,755
Judicial administration	3,575,964	3,233,832	4.17%	342,132
Public safety	18,603,995	17,375,049	21.71%	1,228,946
Public works	7,273,319	6,785,769	8.49%	487,550
Health and welfare	6,859,859	7,119,818	8.01%	(259,959)
Education	24,441,360	21,631,305	28.53%	2,810,055
Parks, recreation, and cultural	4,053,007	3,928,293	4.73%	124,714
Community development	2,732,018	2,975,019	3.19%	(243,001)
Capital projects	6,735,321	16,439,420	7.86%	(9,704,099)
Debt service	6,360,650	6,231,958	7.42%	128,692
Totals	\$ 85,683,475	\$ 90,440,690	100.00%	\$ (4,757,215)

Expenditures: (Continued)



General Fund Budgetary Highlights

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

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

Actual General Fund expenditures were \$65,132,024 versus the final budgeted expenditures totaling \$67,767,245. This resulted in a favorable variance of \$2,635,221. This variance is the result of careful budgetary monitoring in response to the unfavorable variance in revenues.

Actual General Fund revenues were \$68,836,323 compared to final budgeted revenues totaling \$71,434,160. This resulted in an unfavorable variance of \$2,597,837. The majority of the variance occurred among various local tax revenues, with local sales and use tax, business licenses, and meals tax experiencing the most significant unfavorable variance of \$903,561, \$785,634, and \$357,591, respectively. Charges for services showed a sizeable unfavorable variance of \$594,392 as fees for emergency medical transportation fell below expectations due to administrative problems encountered with this new program.

Capital Asset and Debt Administration

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

TABLE 6
Change in Capital Assets
City Governmental Funds

	<u>Balance</u> <u>June 30, 2007</u>	<u>Net</u> <u>Additions/</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated:			
Land	\$ 13,714,591	\$ 1,862,026	\$ 15,576,617
Construction in progress	13,202,504	(12,516,082)	686,422
Other capital assets:			
Land improvements	8,771,710	77,555	8,849,265
Buildings and building improvements	16,230,901	12,230,769	28,461,670
Joint tenancy assets	47,511,344	(2,506,344)	45,005,000
Machinery, equipment, and vehicles	11,241,840	2,690,479	13,932,319
Infrastructure	68,834,678	2,022,472	70,857,150
Accumulated depreciation	(31,843,972)	(5,575,902)	(37,419,874)
Totals	<u>\$ 147,663,596</u>	<u>\$ (1,715,027)</u>	<u>\$ 145,948,569</u>

The net decrease in capital assets during the fiscal year was \$1,715,027. In recent years, major additions to capital projects were made with the completion of two new schools, a park with several athletic fields, an outdoor leisure pool, and a new police headquarters building. This vigorous capital asset activity slowed during fiscal year 2008 with the largest capital asset addition being the purchase of land for \$1,893,726 related to the Riverfront Walk project. Generally, capital asset activity decreased as asset dispositions and depreciation were greater than the additions made to furniture, equipment and vehicles, and infrastructure.

Additional information regarding capital assets is presented in the Notes to Financial Statements section of this report (Note 7).

Long-term Debt

The City is authorized to issue general obligation bonds to finance general capital improvement projects. These bonds are secured by a pledge of the City's full faith and credit. The City is currently rated AA by Fitch Investors Services, Aa3 by Moody's Investors Services and AA- by Standard and Poor's Investor Services. During fiscal year 2008 the City issued \$10,705,000 of general obligation debt to finance various enterprise and governmental improvement projects.

The City has a self-imposed debt limitation of 4.8% of the total assessed value of all real property. As of June 30, 2008 the City's outstanding long-term indebtedness amount totaled \$86,673,369. After adjustments to reflect the revenue bonded debt of 5,524,919, the remaining total bonded debt of \$81,148,450 is far below the legal debt limit of \$231,895,610.

Long-term Debt: (Continued)

The table below shows a summary of all bonded debt activity during the 2008 fiscal year and the total City debt outstanding:

TABLE 7
Long Term Debt
As of June 30, 2008

	Governmental Activities		Business-type Activities		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
Bonds Payable:						
General obligation bonds	\$ 19,449,302	\$ 19,198,259	\$ 14,945,845	\$ 7,226,888	\$ 34,395,147	\$ 26,425,147
General obligation school bonds	45,005,000	46,090,000	-	-	45,005,000	46,090,000
Unamortized bond premium	1,533,989	1,585,449	214,314	-	1,748,303	1,585,449
Revenue bonds	-	-	5,524,919	6,423,952	5,524,919	6,423,952
Total long-term debt	\$ 65,988,291	\$ 66,873,708	\$ 20,685,078	\$ 13,650,840	\$ 86,673,369	\$ 80,524,548

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

Economic Factors

The adverse economic conditions have brought the types of budgetary challenges which the City has not had to contend with for several years; however, the City government continues to be in stable financial condition as established by the financial statements and schedules included in this report. As noted earlier in this analysis, there has been a trend in recent years where expenditure growth has outpaced the growth in revenues. This can mainly be attributed to deteriorating economic conditions and expanding regional competition in commercial retail development in neighboring localities. However, the City, through fiscally responsible budget oversight, cost containment monitoring, and adherence to sound financial management policies, has continued to provide quality service to City residents while undertaking major capital improvements in the areas of education, public safety, and public transportation.

Over the past several years the City has experienced major economic growth activity and community revitalization. The catalyst for this economic growth has been the 2,400 acre mega-development Celebrate Virginia and its primary retail shopping and dining component, Central Park. Started in 1995, Central Park now includes 2.2 million square feet of leased retail space housing many national big-box stores, restaurants, and smaller local businesses. Opportunities for growth related revenues such as property taxes and various local taxes are anticipated as Celebrate Virginia continues to develop. Anticipated major additions include numerous hotels and an indoor water park resort. The 125,000 square-foot indoor water park, to be built next to the Fredericksburg Expo and Conference Center, will include approximately 700 guest rooms, 100,000 square feet of conference and event space, and numerous recreational attractions to include water slides, roller coasters, miniature golf, and go-carts. The resort is estimated to create more than 1,900 jobs.

Another opportunity for economic growth is the planned construction of a Courtyard by Marriott in the City's Historic District. The 98-room hotel, scheduled to be completed during the summer of 2009, is located in close proximity to the visitor center and the 297-space Sophia Street Parking Garage, will feature 1600 square feet of meeting space, an indoor pool, and a full-service restaurant.

Economic Factors: (Continued)

The City's nationally recognized 40-block Historic District continues to be a major component of the local economy. The Historic "Old Town" District, with its major historical attractions, antique shops, a variety of charming restaurants, specialty retail shops and beautifully restored homes, is an attractive tourist destination. While tourism has been a mainstay of the City's economy, commercial development and visionary downtown revitalization efforts continue to reflect economic potential for the City.

During the fiscal year 2009 budget process, the City Council increased the real estate tax rate three cents to \$0.56 per \$100 valuation. Each penny on the real estate rate yields approximately \$400,000 in revenue. This is the City's largest single source of General Fund revenue, at 30% of the total General Fund.

Requests for Information

This financial report is designed to provide a general overview of the City of Fredericksburg's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Fiscal Affairs, P.O. Box 7447, Fredericksburg, Virginia, 22401 or visit our website at www.fredericksburgva.gov.

BASIC FINANCIAL STATEMENTS

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Government-wide Financial Statements

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Statement of Net Assets
At June 30, 2008

ASSETS	Governmental Activities	Business-Type Activities	Total	Component Units	
				School Board	Economic Development Authority
Assets:					
Cash and cash equivalents	\$ 32,400,614	\$ 20,443,783	\$ 52,844,397	\$ 4,383,353	\$ 901,669
Receivables, net	1,258,115	1,406,995	2,665,110	26,105	-
Due from other governments	5,294,490	1,735,795	7,030,285	1,193,200	-
Inventory, at cost	54,033	253,245	307,278	-	-
Prepaid expenses	43,255	2,570	45,825	180,523	-
Restricted:					
Temporarily restricted:					
Cash and cash equivalents	-	535,242	535,242	-	-
Capital assets:					
Land, construction in progress and other	16,263,039	4,963,617	21,226,656	472,679	47,386
Other capital assets, net of accumulated depreciation	129,685,530	45,041,203	174,726,733	13,483,043	-
Capital assets, net	<u>\$ 145,948,569</u>	<u>\$ 50,004,820</u>	<u>\$ 195,953,389</u>	<u>\$ 13,955,722</u>	<u>\$ 47,386</u>
Total assets	<u>\$ 184,999,076</u>	<u>\$ 74,382,450</u>	<u>\$ 259,381,526</u>	<u>\$ 19,738,903</u>	<u>\$ 949,055</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 1,932,594	\$ 1,630,598	\$ 3,563,192	\$ 717,775	\$ -
Accrued liabilities	2,576,729	427,569	3,004,298	2,789,714	-
Unearned revenue	1,178,311	33,592	1,211,903	-	-
Amounts held for others	1,297,254	-	1,297,254	-	-
Liabilities payable from restricted assets	-	535,242	535,242	-	-
Long-term liabilities:					
Due within one year:					
Compensated absences	1,704,864	112,122	1,816,986	481,813	-
Revenue bonds payable	-	929,860	929,860	-	-
General obligation bonds payable	3,267,800	740,696	4,008,496	-	-
Accrued landfill post-closure costs	39,124	-	39,124	-	-
Due in more than one year:					
Compensated absences	1,044,916	53,882	1,098,798	444,751	-
Revenue bonds payable	-	4,595,059	4,595,059	-	-
General obligation bonds payable	62,720,491	14,419,463	77,139,954	-	-
Accrued landfill post-closure costs	847,490	-	847,490	-	-
Total liabilities	<u>\$ 76,609,573</u>	<u>\$ 23,478,083</u>	<u>\$ 100,087,656</u>	<u>\$ 4,434,053</u>	<u>\$ -</u>
Net Assets:					
Invested in capital assets, net of related debt	\$ 79,960,278	\$ 29,319,742	\$ 109,280,020	\$ 13,955,722	\$ 47,386
Unrestricted	28,429,225	21,584,625	50,013,850	1,349,128	901,669
Total net assets	<u>\$ 108,389,503</u>	<u>\$ 50,904,367</u>	<u>\$ 159,293,870</u>	<u>\$ 15,304,850</u>	<u>\$ 949,055</u>

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 5,254,913	\$ 50,515	\$ 345,241	\$ -
Judicial administration	3,559,936	112,162	903,324	-
Public safety	19,073,783	1,361,978	2,544,292	-
Public works	9,882,486	689,151	2,705,839	-
Health and welfare	6,465,395	-	4,123,178	-
Education	28,328,165	-	-	-
Parks, recreation and cultural	4,588,059	550,465	5,000	-
Community development	2,344,557	2,470	30,000	453,402
Interest on long-term debt	2,948,621	-	-	-
Total governmental activities	\$ 82,445,915	\$ 2,766,741	\$ 10,656,874	\$ 453,402
Business-type activities				
Water	\$ 3,148,696	\$ 2,150,126	\$ 627,945	\$ -
Sewer	4,172,099	3,264,915	572,563	-
Transit	3,345,639	116,661	3,359,982	2,301,859
Parking	495,917	106,916	-	-
Total business-type activities	\$ 11,162,351	\$ 5,638,618	\$ 4,560,490	\$ 2,301,859
Total Primary Government	\$ 93,608,266	\$ 8,405,359	\$ 15,217,364	\$ 2,755,261
Component Units				
Fredericksburg City Public Schools	\$ 35,917,377	\$ 687,910	\$ 10,979,660	\$ -
Fredericksburg Economic Development Authority	69,505	105,516	-	-
Total Component Units	\$ 35,986,882	\$ 793,426	\$ 10,979,660	\$ -
General Revenues				
Taxes:				
General property taxes, real and personal				
Local sales and use taxes				
Consumer utility taxes				
Business license taxes				
Motor vehicle license taxes				
Meals taxes				
Other local taxes				
Payment from City of Fredericksburg:				
Education				
Grants and contributions not restricted to specific programs				
Use of property				
Interest and investment earnings				
Gain on disposal of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-Type Activities	Total	Component Units	
\$ (4,859,157)	\$ -	\$ (4,859,157)	\$ -	
(2,544,450)	-	(2,544,450)	-	
(15,167,513)	-	(15,167,513)	-	
(6,487,496)	-	(6,487,496)	-	
(2,342,217)	-	(2,342,217)	-	
(28,328,165)	-	(28,328,165)	-	
(4,032,594)	-	(4,032,594)	-	
(1,858,685)	-	(1,858,685)	-	
(2,948,621)	-	(2,948,621)	-	
<u>\$ (68,568,898)</u>	<u>\$ -</u>	<u>\$ (68,568,898)</u>	<u>\$ -</u>	
\$ -	\$ (370,625)	\$ (370,625)	\$ -	
-	(334,621)	(334,621)	-	
-	2,432,863	2,432,863	-	
-	(389,001)	(389,001)	-	
<u>\$ -</u>	<u>\$ 1,338,616</u>	<u>\$ 1,338,616</u>	<u>\$ -</u>	
<u>\$ (68,568,898)</u>	<u>\$ 1,338,616</u>	<u>\$ (67,230,282)</u>	<u>\$ -</u>	
			\$ (24,249,807)	
			36,011	
			<u>\$ (24,213,796)</u>	
\$ 27,791,803	\$ -	\$ 27,791,803	\$ -	
12,746,040	-	12,746,040	-	
1,527,028	-	1,527,028	-	
5,436,366	-	5,436,366	-	
300,786	-	300,786	-	
7,042,409	-	7,042,409	-	
4,024,722	536,846	4,561,568	-	
-	-	-	27,248,699	
2,027,309	-	2,027,309	-	
74,910	-	74,910	12,950	
1,649,758	448,499	2,098,257	34,916	
1,073,425	-	1,073,425	-	
563,376	1,581,616	2,144,992	129,673	
834,798	(834,798)	-	-	
<u>\$ 65,092,730</u>	<u>\$ 1,732,163</u>	<u>\$ 66,824,893</u>	<u>\$ 27,426,238</u>	
<u>\$ (3,476,168)</u>	<u>\$ 3,070,779</u>	<u>\$ (405,389)</u>	<u>\$ 3,212,442</u>	
<u>111,865,671</u>	<u>47,833,588</u>	<u>159,699,259</u>	<u>13,041,463</u>	
<u>\$ 108,389,503</u>	<u>\$ 50,904,367</u>	<u>\$ 159,293,870</u>	<u>\$ 16,253,905</u>	

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Fund Financial Statements

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Balance Sheet
Governmental Funds
At June 30, 2008

<u>ASSETS</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 18,263,462	\$ 14,444,859	\$ 32,708,321
Receivables (net of allowances for uncollectibles):			
Property taxes	588,785	3,841	592,626
Accounts	102,455	-	102,455
Accrued revenue	189,812	373,222	563,034
Inventory, at cost	54,033	-	54,033
Prepays	41,625	1,630	43,255
Due from other governments	3,700,219	1,594,271	5,294,490
Total assets	\$ 22,940,391	\$ 16,417,823	\$ 39,358,214
LIABILITIES AND EQUITY			
Liabilities:			
Reconciled overdraft	\$ -	\$ 307,707	\$ 307,707
Accounts payable and accrued expenditures	1,283,228	649,366	1,932,594
Accrued liabilities	871,582	352,925	1,224,507
Amounts held for others	1,297,254	-	1,297,254
Deferred revenue	1,512,485	1,547	1,514,032
Total liabilities	\$ 4,964,549	\$ 1,311,545	\$ 6,276,094
Equity:			
Fund balances:			
Reserved:			
Encumbrances	\$ 183,528	\$ 869,081	\$ 1,052,609
Prepays	41,625	1,630	43,255
Unreserved:			
Designated for capital projects	2,989,255	11,504,973	14,494,228
Designated for regional security center	1,618,627	-	1,618,627
Health insurance claims	950,000	-	950,000
Designated for courthouse maintenance	154,072	-	154,072
Designated for education debt service	1,303,627	-	1,303,627
Subsequent year's expenditures:			
Special Revenue Funds	-	1,077,748	1,077,748
Unreserved, undesignated:			
General fund	10,735,108	-	10,735,108
Special Revenue Funds	-	1,652,846	1,652,846
Total equity	\$ 17,975,842	\$ 15,106,278	\$ 33,082,120
Total liabilities and equity	\$ 22,940,391	\$ 16,417,823	\$ 39,358,214

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
 At June 30, 2008

Total fund balances for governmental funds (Exhibit 3) \$ 33,082,120

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	15,576,617	
Construction in progress		686,422	
Land improvements, net of accumulated depreciation		8,201,338	
Buildings and improvements, net of accumulated depreciation		21,141,638	
Joint tenancy assets, net of accumulated depreciation		43,568,398	
Infrastructure, net of accumulated depreciation		50,143,947	
Equipment, net of accumulated depreciation		<u>6,630,209</u>	
 Total capital assets			 145,948,569

Some of the City's property and other taxes will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore are reported as deferred revenue in the funds 335,721

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net assets are as follows:

Accrued interest on debt	\$	(1,352,222)	
Bonds and notes payable		(64,454,302)	
Premium on long-term debt, net of accumulated amortization		(1,533,989)	
Landfill post-closure cost liability		<u>(886,614)</u>	(68,227,127)

Compensated absences not reported as fund liabilities (2,749,780)

Total net assets of governmental activities (Exhibits 1 and 2) \$ 108,389,503

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 27,207,561	\$ 632,567	\$ 27,840,128
Other local taxes	30,223,586	853,765	31,077,351
Permits, privilege fees and regulatory licenses	653,453	-	653,453
Fines and forfeitures	357,781	50,799	408,580
Use of money and property	645,661	1,079,007	1,724,668
Charges for services	1,704,708	-	1,704,708
Miscellaneous	208,910	354,466	563,376
Recovered costs	667,183	1,027,129	1,694,312
Intergovernmental:			
Revenue from the Commonwealth	7,098,374	3,070,638	10,169,012
Revenue from the Federal Government	69,106	2,899,467	2,968,573
Total revenues	<u>\$ 68,836,323</u>	<u>\$ 9,967,838</u>	<u>\$ 78,804,161</u>
Expenditures			
Current:			
General government administration	\$ 5,047,982	\$ -	\$ 5,047,982
Judicial administration	3,487,727	88,237	3,575,964
Public safety	18,058,467	545,528	18,603,995
Public works	7,273,319	-	7,273,319
Health and welfare	1,275,906	5,583,953	6,859,859
Education - local community college and other	6,769	-	6,769
Education - public school system	24,434,591	-	24,434,591
Parks, recreation and cultural	3,936,595	116,412	4,053,007
Community development	1,610,668	1,121,350	2,732,018
Capital projects	-	6,735,321	6,735,321
Debt service:			
Principal payments	-	3,296,107	3,296,107
Interest and fiscal charges	-	3,064,543	3,064,543
Total expenditures	<u>\$ 65,132,024</u>	<u>\$ 20,551,451</u>	<u>\$ 85,683,475</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,704,299</u>	<u>\$ (10,583,613)</u>	<u>\$ (6,879,314)</u>
Other financing sources (uses)			
Long-term debt issued	\$ -	\$ 2,462,150	\$ 2,462,150
Bond premium	-	64,015	64,015
Proceeds from the sale of capital assets	23,729	1,081,396	1,105,125
Transfers in	1,764,622	9,841,770	11,606,392
Transfers out	<u>(9,188,601)</u>	<u>(1,582,993)</u>	<u>(10,771,594)</u>
Total other financing sources (uses)	<u>\$ (7,400,250)</u>	<u>\$ 11,866,338</u>	<u>\$ 4,466,088</u>
Net change in fund balance	<u>\$ (3,695,951)</u>	<u>\$ 1,282,725</u>	<u>\$ (2,413,226)</u>
Fund balance, beginning of year	<u>21,671,793</u>	<u>13,823,553</u>	<u>35,495,346</u>
Fund balance, end of year	<u><u>\$ 17,975,842</u></u>	<u><u>\$ 15,106,278</u></u>	<u><u>\$ 33,082,120</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,413,226)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 6,444,395	
Depreciation	<u>(5,677,010)</u>	767,385

Transfer of joint tenancy assets from Primary Government to the Component Unit School Board (2,482,412)

Under the modified accrual basis of accounting used in the governmental funds, revenues are recorded when measurable and realizable to pay current obligations. However, in the statement of net assets revenues are reported when earned. This requires adjustments to convert the revenues to the accrual basis. (48,325)

Bond and loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases the long term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:		
General obligation bonds	\$ (2,462,150)	
Premium on debt issued	(64,015)	
Amortization of Premium on long-term debt	115,475	
Repayments of long-term debt:		
General obligation bonds	<u>3,296,107</u>	885,417

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	\$ (215,579)	
Accrued interest on bonds and loans	447	
Accrued landfill post-closure costs	<u>30,125</u>	
Net adjustment		<u>(185,007)</u>

Change in net assets of governmental activities (Exhibit 2) \$ (3,476,168)

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

Statement of Net Assets
 Proprietary Funds
 At June 30, 2008

ASSETS	Business -Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Assets:					
Current assets:					
Cash and cash equivalents	\$ 7,894,262	\$ 11,246,757	\$ 1,357,109	\$ -	\$ 20,498,128
Accounts receivable, net	504,374	817,269	-	-	1,321,643
Accrued revenue	35,362	48,642	1,348	-	85,352
Inventory, at cost	212,607	40,638	-	-	253,245
Prepaid expenses	35	35	2,500	-	2,570
Due from other governments	-	-	1,413,820	321,975	1,735,795
Restricted assets:					
Temporarily restricted:					
Cash and cash equivalents	535,242	-	-	-	535,242
Total current assets	\$ 9,181,882	\$ 12,153,341	\$ 2,774,777	\$ 321,975	\$ 24,431,975
Capital Assets:					
Land	\$ 701,345	\$ 71,680	\$ 283,770	\$ 782,125	\$ 1,838,920
Construction in progress	1,427,433	1,622,264	75,000	-	3,124,697
Dams and reservoirs	663,536	-	-	-	663,536
Buildings and systems	18,216,618	25,716,470	5,337,688	6,513,766	55,784,542
Furniture, machinery and equipment	392,921	2,093,259	2,535,636	208,330	5,230,146
Total property, plant and equipment	\$ 21,401,853	\$ 29,503,673	\$ 8,232,094	\$ 7,504,221	\$ 66,641,841
Less: Accumulated depreciation	(5,714,479)	(9,635,780)	(998,434)	(288,328)	(16,637,021)
Capital assets, net	\$ 15,687,374	\$ 19,867,893	\$ 7,233,660	\$ 7,215,893	\$ 50,004,820
Total assets	\$ 24,869,256	\$ 32,021,234	\$ 10,008,437	\$ 7,537,868	\$ 74,436,795
LIABILITIES AND NET ASSETS					
Liabilities:					
Current liabilities:					
Reconciled overdraft	\$ -	\$ -	\$ -	\$ 54,345	\$ 54,345
Accounts payable and accrued expenses	843,038	625,225	145,084	17,251	1,630,598
Accrued liabilities	66,550	69,645	20,777	-	156,972
Interest payable	9,991	260,606	-	-	270,597
Compensated absences, current portion	28,662	65,269	17,770	421	112,122
Deferred revenue	33,592	-	-	-	33,592
Revenue bonds payable, current portion	-	929,860	-	-	929,860
General obligation bonds payable, current portion	278,725	305,808	-	156,163	740,696
Current liabilities payable from restricted assets:					
Customer deposits	535,242	-	-	-	535,242
Total current liabilities	\$ 1,795,800	\$ 2,256,413	\$ 183,631	\$ 228,180	\$ 4,464,024
Noncurrent liabilities:					
Compensated absences, noncurrent portion	\$ 17,566	\$ 11,518	\$ 24,540	\$ 258	\$ 53,882
Revenue bonds payable, noncurrent portion	-	4,595,059	-	-	4,595,059
General obligation bonds payable, noncurrent portion	2,437,684	8,127,129	-	3,854,650	14,419,463
Total noncurrent liabilities	\$ 2,455,250	\$ 12,733,706	\$ 24,540	\$ 3,854,908	\$ 19,068,404
Total liabilities	\$ 4,251,050	\$ 14,990,119	\$ 208,171	\$ 4,083,088	\$ 23,532,428
Net assets:					
Invested in capital assets net of related debt	\$ 12,970,965	\$ 5,910,037	\$ 7,233,660	\$ 3,205,080	\$ 29,319,742
Unrestricted	7,647,241	11,121,078	2,566,606	249,700	21,584,625
Total net assets	\$ 20,618,206	\$ 17,031,115	\$ 9,800,266	\$ 3,454,780	\$ 50,904,367

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

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year Ended June 30, 2008

Business - Type Activities - Enterprise Funds

	Business - Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Operating revenues:					
Charges for services	\$ 2,150,126	\$ 3,264,915	\$ 116,661	\$ 106,916	\$ 5,638,618
Operating expenses:					
Personal services	\$ 372,636	\$ 769,416	\$ 1,766,470	\$ 83,029	\$ 2,991,551
Fringe benefits	196,319	315,562	368,011	22,202	902,094
Contractual services	1,374,533	1,309,639	245,828	41,887	2,971,887
Other operating expenses	655,760	733,091	787,916	32,893	2,209,660
Depreciation expense	426,699	646,247	177,414	144,164	1,394,524
Total operating expenses	\$ 3,025,947	\$ 3,773,955	\$ 3,345,639	\$ 324,175	\$ 10,469,716
Total operating income (loss)	\$ (875,821)	\$ (509,040)	\$ (3,228,978)	\$ (217,259)	\$ (4,831,098)
Nonoperating revenues (expenses):					
Interest income	\$ 110,198	\$ 232,031	\$ 53,135	\$ 53,135	\$ 448,499
Gasoline tax receipts	-	-	214,871	321,975	536,846
Availability/connection fees	627,945	572,563	-	-	1,200,508
Miscellaneous	180,374	4,007	1,380,361	16,874	1,581,616
State and local grant funds	-	-	1,162,031	-	1,162,031
Federal grant funds	-	-	4,499,810	-	4,499,810
Interest expense	(122,749)	(398,144)	-	(171,742)	(692,635)
Total nonoperating revenues (expenses)	\$ 795,768	\$ 410,457	\$ 7,310,208	\$ 220,242	\$ 8,736,675
Income (loss) before contributions and transfers	\$ (80,053)	\$ (98,583)	\$ 4,081,230	\$ 2,983	\$ 3,905,577
Transfers:					
Transfers in	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Transfers out	(423,259)	(441,539)	-	-	(864,798)
Net operating transfers	(423,259)	(441,539)	-	30,000	(834,798)
Change in net assets	\$ (503,312)	\$ (540,122)	\$ 4,081,230	\$ 32,983	\$ 3,070,779
Net assets, beginning of year	21,121,518	17,571,237	5,719,036	3,421,797	47,833,588
Net assets, end of year	\$ 20,618,206	\$ 17,031,115	\$ 9,800,266	\$ 3,454,780	\$ 50,904,367

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

Statement of Cash Flows
 Proprietary Funds
 Year Ended June 30, 2008

	Business -Type Activities - Enterprise Funds				
	Water Fund	Wastewater Fund	Transit Fund	Parking Fund	Total
Cash flows from operating activities:					
Receipts from customers	\$ 1,977,247	\$ 3,105,040	\$ (202,835)	\$ 69,484	\$ 4,948,936
Other miscellaneous receipts	180,374	4,007	1,595,232	338,849	2,118,462
Payments to suppliers	(1,402,565)	(1,558,174)	(1,504,336)	(63,004)	(4,528,079)
Payments to and for employees	(571,572)	(1,081,119)	(2,121,915)	(106,061)	(3,880,667)
Net cash provided by (used in) operating activities	\$ 183,484	\$ 469,754	\$ (2,233,854)	\$ 239,268	\$ (1,341,348)
Cash flows from noncapital financing activities:					
Availability and connection fees	\$ 627,945	\$ 572,563	\$ -	\$ -	\$ 1,200,508
State, federal and local grant funds	-	-	5,661,841	-	5,661,841
Transfers	(423,259)	(441,539)	-	30,000	(834,798)
Net cash provided by (used in) noncapital financing activities	\$ 204,686	\$ 131,024	\$ 5,661,841	\$ 30,000	\$ 6,027,551
Cash flows from investing activities:					
Interest income	\$ 110,198	\$ 232,031	\$ 53,135	\$ 53,135	\$ 448,499
Cash flows from capital and related financing activities:					
Purchase of capital assets	\$ (1,412,735)	\$ (1,757,580)	\$ (2,362,680)	\$ -	\$ (5,532,995)
Proceeds from issuance of debt	428,200	7,814,650	-	-	8,242,850
Premium on issuance of debt	11,133	203,181	-	-	214,314
Principal payment on debt	(283,316)	(989,377)	-	(150,233)	(1,422,926)
Interest paid on debt	(112,758)	(228,544)	-	(171,742)	(513,044)
Net cash provided by (used in) capital and related financing activities	\$ (1,369,476)	\$ 5,042,330	\$ (2,362,680)	\$ (321,975)	\$ 988,199
Increase (decrease) in cash and cash equivalents for the year	\$ (871,108)	\$ 5,875,139	\$ 1,118,442	\$ 428	\$ 6,122,901
Cash and cash equivalents (including restricted), beginning of year	9,300,612	5,371,618	238,667	(54,773)	14,856,124
Cash and cash equivalents (including restricted), end of year	\$ 8,429,504	\$ 11,246,757	\$ 1,357,109	\$ (54,345)	\$ 20,979,025
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (875,821)	\$ (509,040)	\$ (3,228,978)	\$ (217,259)	\$ (4,831,098)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	426,699	646,247	177,414	144,164	1,394,524
Other miscellaneous receipts	180,374	4,007	1,595,232	338,849	2,118,462
Changes in assets and liabilities:					
Accounts receivable	(64,486)	(137,055)	-	-	(201,541)
Inventory	(77,237)	4,616	-	-	(72,621)
Accrued revenue	(35,362)	(48,642)	145,998	-	61,994
Prepaid expenses	-	-	13,230	-	13,230
Due from other governments	-	21,206	(465,494)	(37,432)	(481,720)
Accounts payable and accrued expenses	597,222	447,411	(294,263)	11,776	762,146
Accrued liabilities	30,506	37,145	(189,559)	(1,148)	(123,056)
Deferred revenue	(1,356)	-	-	-	(1,356)
Compensated absences	(2,617)	3,859	12,566	318	14,126
Deposits payable from restricted assets	5,562	-	-	-	5,562
Net cash provided by (used in) operating activities	\$ 183,484	\$ 469,754	\$ (2,233,854)	\$ 239,268	\$ (1,341,348)

There were no non-cash investing and financing activities during the year.

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

Statement of Fiduciary Net Assets
At June 30, 2008

	Agency Funds	Private Purpose Trust Funds
Assets:		
Cash and cash equivalents	\$ 1,263,505	\$ 1,679,144
Accounts receivable	84,813	30,895
Prepaid items	9,646	-
Capital assets:		
Machinery and equipment, net of accumulated depreciation	-	32,366
Total assets	<u>\$ 1,357,964</u>	<u>\$ 1,742,405</u>
Liabilities:		
Accounts payable	\$ 46,913	\$ 594
Accrued liabilities	-	4,060
Deferred revenue	780,709	-
Amounts held for others	530,342	-
Total liabilities	<u>\$ 1,357,964</u>	<u>\$ 4,654</u>
Net Assets:		
Held in trust for land conservation (see Note 1)	<u>\$ -</u>	<u>\$ 1,737,751</u>

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

Statement of Changes in Fiduciary Net Assets
 Private Purpose Trust Fund
 Year Ended June 30, 2008

Additions:	
Contributions:	
Contributions	\$ 18,700
Investment income:	
Interest earned on investments	<u>100,466</u>
Total additions	<u>\$ 119,166</u>
Deductions:	
Payments for property management	<u>\$ 63,289</u>
Net increase in plan assets	\$ 55,877
Net assets held in trust for land conservation:	
Balance, beginning of year	<u>1,681,874</u>
Balance, end of year	<u><u>\$ 1,737,751</u></u>

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

CITY OF FREDERICKSBURG, VIRGINIA

Statement of Activities
 Component Units
 Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
School Board				
Education	\$ 35,917,377	\$ 687,910	\$ 10,979,660	\$ -
Economic Development Authority				
Community development	69,505	105,516	-	-
Total component units	\$ 35,986,882	\$ 793,426	\$ 10,979,660	\$ -
General revenues				
Payment from City of Fredericksburg				
Use of property				
Interest and investment earnings				
Miscellaneous				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Exhibit 12

Net (Expense) Revenue and Changes in Net Assets		
School Board	Economic Development Authority	Totals
\$ (24,249,807)	\$ -	\$ (24,249,807)
-	36,011	36,011
\$ (24,249,807)	\$ 36,011	\$ (24,213,796)
\$ 27,248,699	\$ -	\$ 27,248,699
12,950	-	12,950
-	34,916	34,916
129,673	-	129,673
\$ 27,391,322	\$ 34,916	\$ 27,426,238
\$ 3,141,515	\$ 70,927	\$ 3,212,442
12,163,335	878,128	13,041,463
\$ 15,304,850	\$ 949,055	\$ 16,253,905

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CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements As of June 30, 2008

Note 1—Summary of Significant Accounting Policies:

Narrative Profile

The City of Fredericksburg, Virginia (the “City”) was incorporated in 1782 and its current Charter was granted in 1942. The City operates under a Council/Manager form of government. The Council consists of a Mayor and six (6) council members. The Mayor and two (2) council members are elected at large and four (4) council members are elected by wards. The Council is responsible for appointing the City Manager. The City provides a full range of services as authorized by its Charter. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; cultural events; education; social services and water and sewer. The City is located in Northeastern Virginia and is bordered by the Counties of Spotsylvania and Stafford.

The financial statements of the City of Fredericksburg, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board (GASB). The more significant of the government’s accounting policies are described below.

A. Financial Reporting Entity

Management’s Discussion and Analysis: GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets: The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

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

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

A. Financial Reporting Entity: (Continued)

Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the reporting model, governments provide budgetary comparison information in their annual reports. This information includes presenting the government's original budget as well as a comparison of final budget and actual results for its major funds.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The City has no component units that meet the requirements for blending. The discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize they are legally separate from the primary government. Each discretely presented component unit has a June 30 fiscal year-end.

Inclusions in the Reporting Entity:

1. Component Units:

a. Fredericksburg City School Board:

The Fredericksburg City School Board is elected to four year terms by the City voters. The School Board may hold property and issue debt subject to approval by the City Council. However, the City is responsible for the repayment of the debt. The School Board provides public primary and secondary education services to the City residents. The primary funding sources of the School Board are state and federal grants, and appropriations from the City, which are significant since the School Board does not have separate taxing authority. The City also approves the School Board budget. The School Board does not issue separate financial statements.

b. Fredericksburg Economic Development Authority:

The Fredericksburg Economic Development Authority was created by council resolution pursuant to state statute and it is legally separate from the City. The Council appoints seven (7) board members; however, the City cannot impose its will on the Authority since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Authority is fiscally independent and there is no financial benefit or burden relationship with the City. However, the Authority performs economic development services exclusively to the City as an administrative entity for the City through the authorization of industrial development revenue bonds and recruitment of potential businesses for location in the City, and City Council must approve the issuance of all revenue bonds. However, the Authority does not provide specific benefits for other governments or others that are not part of the reporting entity. Accordingly, the Authority is reported as a discretely presented component unit of the City.

A copy of the Authority's financial statements may be obtained from the City of Fredericksburg, Virginia Department of Fiscal Affairs, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity:

1. Jointly Governed Organizations:

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization.

The financial activities of the following organizations are excluded from the accompanying financial statements for the reasons indicated:

a. Rappahannock Security Center

The Rappahannock Security Center is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Center provides adult detention services for its participant localities. The Counties of Spotsylvania, Stafford and King George and the City provide the financial support for the Center and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints three (3) of the nine (9) members of the Board. No one locality contributes more than 50% of the Center's funding. The City provided \$3,038,960 in operating and other funds to the Center in 2008.

b. Rappahannock Regional Library

The Rappahannock Regional Library is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The Counties of Westmoreland, Stafford and Spotsylvania and the City provide the financial support for the Library and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. The City appoints two (2) of the seven (7) members of the Board. No one locality contributes more than 50% of the Library's funding. The City provided \$1,277,682 in operating funds to the Library in 2008.

c. Rappahannock Regional Solid Waste Management Board

The Rappahannock Regional Solid Waste Management Board is considered an intergovernmental (joint) venture and therefore its operations are not included in the City's financial statements. The County of Stafford and the City provide some financial support for the Board and appoint its governing Board, in which is vested the ability to execute contracts and to budget and expend funds. No one locality contributes more than 50% of the Board's funding. The Board provides solid waste disposal services to its participating localities through user fees based on each locality's amount of solid waste processed by the Board.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

d. Rappahannock Area Community Services Board

The Board was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Mayor appoints the three (3) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the Board. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The Board provides Mental Health, Mental Retardation and Substance Abuse Services to residents of the participant localities. The City provided operating grants of \$221,905 to the Board in 2008.

e. Rappahannock Area Agency on Aging

The Agency was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Agency is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$10,303 in operating grants to the Agency in 2008.

f. George Washington Regional Commission

The Commission was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the four (4) commissioners; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioners. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City contributed \$18,144 in operating grants to the Commission in 2008.

g. Rappahannock Juvenile Detention Center

The Center was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the only commissioner; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioner. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The Center provides juvenile detention services for its participant localities. The City provided operating funds of \$453,113 to the Center in 2008.

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

A. Financial Reporting Entity: (Continued)

Exclusions from the Reporting Entity: (Continued)

1. Jointly Governed Organizations: (Continued)

h. Spotsylvania - Stafford - Fredericksburg - (Regional) Group Home

The Home was created by Council and other participant localities pursuant to state statute and it is legally separate from the City. The Council appoints the two (2) board members; however, the City cannot impose its will on the Board since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the board members. The Board is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City provided \$86,715 in operating funds to the Home in 2008.

i. Stafford Regional Airport Commission

The Commission was created by Council resolution pursuant to state statute and it is legally separate from the City. The Council appoints the only commissioner; however, the City cannot impose its will on the Commission since it does not have the ability to modify or approve the budget or overrule or modify the decisions of the commissioner. The Commission is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements. The City provided \$28,000 in operating funds to the Commission in 2008.

Obtaining of Financial Statements for Jointly Governed Organizations

Complete financial statements of the jointly governed organizations may be obtained by contacting the City of Fredericksburg, Virginia Department of Fiscal Affairs, 715 Princess Anne Street, Fredericksburg, Virginia 22401.

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

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

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

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. If applicable, internal service charges are eliminated and the net income or loss from internal service activities are allocated to the various functional expense categories based on the internal charges to each function.

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

The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The City's fiduciary funds are presented in the fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the City in FY 2008.

1. Governmental Funds:

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

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

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

1. Governmental Funds: (Continued)

- a. General Fund - The General Fund is the primary operating fund of the City and accounts for all revenues and expenditures applicable to the general operations of the City which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds - Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds include the following funds:

Virginia Public Assistance Fund - This fund accounts for the operations of the City's Department of Social Services. Funding is primarily from state and federal grants and local match appropriations.

Regional Transportation Fund - This fund accounts for revenues and expenditures and other financing resources to fund the City's participation in the Virginia Railway Express (VRE) and other transportation related activities authorized by the City Council and the Potomac and Rappahannock Transportation Commission (PRTC).

State, Federal and Local Grants Fund - This fund accounts for revenues and expenditures of state, federal, and local grants which function on a reimbursement basis.

Central Park Special Tax District Fund - This fund accounts for the revenues, expenditures, and other financing resources of the Central Park Special Service District.

Fall Hill Special Tax District Fund - This fund accounts for revenues, expenditures, and other financing resources of the Fall Hill Special Service District.

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

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

Prisoner Extradition Fund - This fund accounts for revenues, expenditures, and other financing resources for prisoner extradition.

Economic Development Opportunity Fund - This fund accounts for the revenues, expenditures, and other financing resources for economic development.

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

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

1. Governmental Funds: (Continued)

- c. Debt Service Funds - Debt Service Funds account for financial resources accumulated for the payment of general long-term debt principal and interest charges. The Debt Service Funds consist of the following:

General Obligation Bond Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of, general long-term obligation debt principal, interest, and related charges.

Education Debt Service Fund - This fund accounts for the accumulation of resources for, and the payment of, general long-term obligation debt principal, interest, and related charges for school debt.

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

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

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

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

New High School Construction Fund - This fund accounts for resources and expenditures for the construction of a new high school. Primary funding sources are school bond proceeds and investment earnings.

2. Proprietary Funds:

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise and Internal Service Funds.

Operating revenues and expenses are defined as those items that result from providing services, and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

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

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

2. Proprietary Funds: (Continued)

Enterprise Funds - Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recovered in the form of charges to users of such services. The Enterprise Funds consist of the following:

Water Utility Fund - This fund accounts for income and expenses of the City-owned water utility.

Wastewater Utility Fund - This fund accounts for income and expenses of the City-owned wastewater utility.

Transit Fund - This fund accounts for income and expenses of the City-owned transit system.

Parking Fund - This fund accounts for income and expenses of the City-owned parking garage.

3. Fiduciary Funds (Trust and Agency Funds):

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds also utilize the accrual basis of accounting. Fiduciary Funds consist of the following:

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

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

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

George Washington Regional Commission - This fund accounts for revenue and expenditures of the George Washington Regional Commission.

CASA Program - This fund accounts for the revenue and expenditures of the Rappahannock Area Court-Appointed Special Advocate Program.

Rappahannock Area Youth Commission - This fund accounts for revenue and expenditures for the Rappahannock Area Youth Commission delinquency prevention program.

Revenue Maximization Fund - This fund accounts for revenue and expenditures of the Revenue Maximization Program.

Forfeited Asset Sharing Program - This fund accounts for revenue and expenditures of the Forfeited Asset Sharing Program.

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

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

3. Fiduciary Funds (Trust and Agency Funds): (Continued)

Community Development Authority - This fund accounts for the real estate tax collections made on behalf of the Community Development Authority.

Private Purpose Trust Fund - This fund accounts for increases and decreases in net assets held for land conservation.

4. Component Units:

a. Fredericksburg City School Board:

The Discretely Presented Component Unit-School Board is used to account for the school related activities and to emphasize that they are legally separate from the primary government. Component-Unit School Board Funds consist of the following:

Governmental Funds:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the City of Fredericksburg and state and federal grants.

Special School Fund - This fund accounts for the revenues, expenditures, and other financial resources of the school regional programs, school cafeteria and state and federal programs. Revenues are derived primarily from charges for services and state and federal grants.

School Capital Projects Fund - This fund accounts for school construction and related expenditures of the public school system. Funding is primarily from state grants and appropriations from the City of Fredericksburg.

b. Economic Development Authority:

The Economic Development Authority operates on an enterprise fund basis where revenues and expenses are recognized on the accrual basis of accounting as more fully described in Note 1, B. 2.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

C. Basis of Accounting: (Continued)

The government-wide Statements of Net Assets and Statements of Activities, all Proprietary Funds, and Private Purpose Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The Statements of Net Assets, Statements of Activities, financial statements of the Proprietary Funds and Fiduciary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The fund financial statements of the General, Special Revenue, Debt Service, and Capital Projects Funds (for the primary government and component unit School Board) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within forty-five days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and state reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

D. Budgets and Budgetary Accounting

The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least fifteen days prior to the end of each fiscal year.

A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). An appropriation ordinance must be adopted by the City Council prior to June 30, or as soon thereafter as practicable.

Annual budgets, prepared on a basis consistent with generally accepted accounting principles, are approved by the City Council for all Governmental Funds except for the Central Park Special Tax District Fund, the Fall Hill Special Tax District Fund, and the Celebrate Virginia Special Tax District Fund. All appropriations lapse at year-end; however, the unexpended funds may be reappropriated in the following fiscal year.

All operating budgets included proposed expenditures and the means of financing them. City Council must approve all budget revisions once the appropriation ordinance has been adopted. Budgets are approved and may not exceed appropriations at the department level. Budgeted amounts as presented in the financial statements reflect budget revisions through June 30, 2008. Budgetary and appropriation control is maintained at the department level. Encumbrances outstanding at year-end are reappropriated in the following fiscal year.

There were no additional appropriations that would have a material effect on the financial statements at June 30, 2008.

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

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed on a monthly basis by the City because it is, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control. Open encumbrances as of June 30, 2008, have been reported as reservations of fund balances, since they do not constitute expenditures or liabilities.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Investments are stated at fair value.

G. Allowance for Uncollectible Accounts

The City determines its allowances using historical collection data, specific account analysis and management's judgment. At June 30, 2008, the allowance totaled \$540,949 with \$271,952 in the General Fund and \$268,997 in the Enterprise Funds.

H. Inventory

Inventory consists of expendable supplies which are valued at cost using the consumption method.

I. Prepaid Expenses

Prepaid expenses are reported on the consumption method.

J. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds of the primary government and Component Unit School Board, and as assets in the government-wide financial statements to the extent the City's and School Board's capitalization threshold of \$5,000 is met. Depreciation is recorded on capital assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings and improvements	20 to 40 years
Furniture and other equipment	5 to 20 years
Infrastructure	20 to 50 years

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

J. Capital Assets: (Continued)

To the extent the City's capitalization threshold of \$5,000 is met, capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis using the following estimated useful lives:

Buildings	10 to 50 years
Equipment	4 to 10 years
Water and wastewater systems	30 to 50 years

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

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

Interest on cost of construction funds for the Proprietary Funds is capitalized where applicable. There was no interest capitalized in the year ended June 30, 2008.

K. Compensated Absences

The City and Component Unit School Board accrue compensated absences (annual and sick leave benefits) when vested. The amounts include all balances earned by employees which would be paid upon employee terminations, resignations or retirements.

L. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The City's policy is to fund pension cost as it accrues.

N. Unbilled Revenue

The City bills service charges to customers on a bi-monthly basis. Service charges earned but unbilled are accrued based on the last billing and reported in the financial statements as billed receivables and revenues.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

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

O. Bond Premium

Bond premiums are amortized over the life of the respective bond issues using the effective interest method. Amortization expense for fiscal year ended June 30, 2008 was \$115,475.

P. Long-term Obligations

The City reports long-term debt at face value. The face value of the debt is believed to approximate fair value.

Note 2—Deposits and Investments:

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

Investments - Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Custodial Credit Risk (Investments) - The City's investments at June 30, 2008 were held by the City or in the City's name by the City's custodial banks; except \$24,376,674 of U.S. Agency investments, \$1,972,226 of commercial paper and \$2,739,976 of Corporate Debt investments, where the underlying securities were uninsured and held by an investment broker.

Credit Risk of Debt Securities

The City's investment policies authorize the City to invest in U.S. Government Obligations, Commercial Paper with a rating of at least A-1 by at least two of the following: Moody's Investor's Service, Standard and Poor's and Fitch Investor's Service; Corporate Debt with a minimum Aa long term debt rating by Moody's Investors Service and a minimum of AA long term debt rating by Standard and Poor's; State Pool; and mutual funds with a rating of AAm or better by Standard and Poor's or an equivalent rating by other rating agencies.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 2—Deposits and Investments: (Continued)

Credit Risk of Debt Securities: (Continued)

The City's rated debt investments as of June 30, 2008 were rated by Standard and Poor's or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Locality's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings				
	AAA	AAAm	AA	AA-	A-1+
U.S. Agencies	\$ 24,376,674	\$ -	\$ -	\$ -	\$ -
Corporate Debt	518,740	-	997,632	1,223,604	-
Virginia State Non-Arbitrage Program	-	715,647	-	-	-
Money Market Mutual Fund	-	30,827,521	-	-	-
Commercial Paper	-	-	-	-	1,972,226
Total	\$ 24,895,414	\$ 31,543,168	\$ 997,632	\$ 1,223,604	\$ 1,972,226

Interest Rate Risk

The City's investment policies authorize the City to invest in Commercial Paper with a maturity no greater than two hundred-seventy (270) days, Corporate Debt with a maturity no greater than five (5) years at the time of purchase, and U.S. Government Obligations with a maximum maturity of five (5) years at the time of purchase.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than	
		1 Year	1-5 Years
U.S. Agencies	\$ 24,376,674	\$ -	\$ 24,376,674
Commercial Paper	1,972,226	1,972,226	-
Corporate Debt	2,739,976	-	2,739,976
Total	\$ 29,088,876	\$ 1,972,226	\$ 27,116,650

External Investment Pool

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 3—Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below:

	<u>Real Property</u>	<u>Personal Property</u>
Levy	July 1	January 1
Due Date	May 15/November 15 (50% each date)	May 15/November 15 (50% each date)
Lien Date	May 16/November 16	May 16/November 16

Note 4—Receivables and Accrued Revenue:

Receivables and accrued revenue at June 30, 2008 consist of the following:

Primary Government:

	<u>Governmental Activities</u>				Business- Type Activities
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>	
Property taxes	\$ 844,942	\$ 3,841	\$ -	\$ 848,783	\$ -
Tax on deeds	38,449	-	-	38,449	-
Water charges	-	-	-	-	629,248
Wastewater charges	-	-	-	-	961,392
EMS fees	63,753	-	-	63,753	-
Refuse disposal fees	91,972	-	-	91,972	-
Investment earnings	-	-	195,007	195,007	13,564
UMW foundation	-	-	148,800	148,800	-
Other	113,888	7,577	21,838	143,303	71,788
Total	\$ 1,153,004	\$ 11,418	\$ 365,645	\$ 1,530,067	\$ 1,675,992
Allowance for uncollectibles	(271,952)	-	-	(271,952)	(268,997)
Net receivables	<u>\$ 881,052</u>	<u>\$ 11,418</u>	<u>\$ 365,645</u>	<u>\$ 1,258,115</u>	<u>\$ 1,406,995</u>

Component Units and Fiduciary Activities:

	<u>School Board</u>	<u>Fiduciary Activities</u>
Other	\$ 26,105	\$ 115,708
Total	\$ 26,105	\$ 115,708
Allowance for uncollectibles	-	-
Net receivables	<u>\$ 26,105</u>	<u>\$ 115,708</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 5—Due From Other Governmental Units:

	Governmental Activities				Business-Type Activities	Component Unit School Board
	General	Special Revenue	Capital Projects	Total		
Primary Government						
Commonwealth of Virginia:						
Local sales taxes	\$ 2,380,747	\$ -	\$ -	\$ 2,380,747	\$ -	-
Telecommunication sales tax	158,197	-	-	158,197	-	-
PPTRA	676,647	-	-	676,647	-	-
Comprehensive Services Act	-	214,926	-	214,926	-	-
Shared expenses and grants	202,683	-	-	202,683	-	-
Virginia Department of Rail and Public Transportation	-	-	601,834	601,834	351,851	-
Virginia Department of Criminal Justice	-	13,896	-	13,896	-	-
Virginia Department of Motor Vehicles	1,641	-	21,724	23,365	-	-
Virginia Department of Emergency Management	4,164	-	-	4,164	-	-
Virginia Information Technology Agency	-	-	17,334	17,334	-	-
Recordation taxes	30,907	-	-	30,907	-	-
Noncategorical aid	37,046	-	-	37,046	-	-
E-911 grant	17,412	-	-	17,412	-	-
Social services grants	13,391	393,872	-	407,263	-	-
Federal government:						
Community Development Block Grant	-	23,118	-	23,118	-	-
Transit grants	-	-	-	-	735,100	-
Criminal Justice Grants	-	87,364	-	87,364	-	-
Others:						
Potomac and Rappahannock Transportation Commission	138,164	18,988	201,215	358,367	536,846	-
Local government reimbursements:						
County of Spotsylvania	-	-	-	-	13,027	-
County of King George	39,220	-	-	39,220	23,875	-
County of Caroline	-	-	-	-	75,096	-
Component Unit School Board						
Commonwealth of Virginia:						
State sales taxes	-	-	-	-	-	416,118
Federal pass-through: School funds	-	-	-	-	-	501,266
Federal government: Head Start	-	-	-	-	-	275,816
Total	\$ 3,700,219	\$ 752,164	\$ 842,107	\$ 5,294,490	\$ 1,735,795	\$ 1,193,200

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 6—Interfund Balances and Activity:

Primary Government:

Balances due to/from other funds at June 30, 2008:

There were no interfund obligations in the primary government.

Transfers To/From Other Funds:

Transfers to the Virginia Public Assistance Fund for the local share of social services program costs	\$ 775,000
Transfers to the State, Federal and Local Grants Fund for the local share of grant programs	418,429
Transfer to the Comprehensive Services Act Fund for the local share of the program costs	749,835
Transfer to the Economic Development Opportunity Fund for the local share of the program	50,750
Transfers to the General Obligation Bond Debt Service Fund to pay general obligation debt service and related costs	2,769,502
Transfers to the Education Debt Service Fund to pay school debt service and related costs	3,554,363
Transfers to the Public Works Construction Fund to fund infrastructure and related capital projects	693,891
Transfers to the Public Facilities Construction Fund to fund building improvements and related costs	830,000
Transfers to the General Fund for various programs	<u>1,764,622</u>
Total transfers	<u><u>\$ 11,606,392</u></u>
Reconciliation of transfers:	
Transfers in from governmental funds	\$ 10,771,594
Transfers from governmental funds to enterprise funds	(30,000)
Transfers from enterprise funds to governmental funds	<u>864,798</u>
Total transfers	<u><u>\$ 11,606,392</u></u>

Component Unit School Board:

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 7—Capital Assets:

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

Primary Government:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 13,714,591	\$ 1,893,726	\$ 31,700	\$ 15,576,617
Construction in progress:				
Infrastructure	\$ 34,383	\$ 398,594	\$ 363,683	\$ 69,294
Land improvements	141,535	156,953	-	298,488
Buildings	13,026,586	743,913	13,451,859	318,640
Total construction in progress	\$ 13,202,504	\$ 1,299,460	\$ 13,815,542	\$ 686,422
Total capital assets not being depreciated	\$ 26,917,095	\$ 3,193,186	\$ 13,847,242	\$ 16,263,039
Other capital assets:				
Land improvements	\$ 8,771,710	\$ 77,555	\$ -	\$ 8,849,265
Buildings	16,230,901	12,283,769	53,000	28,461,670
Joint tenancy assets	47,511,344	-	2,506,344	45,005,000
Infrastructure	68,834,678	2,046,648	24,176	70,857,150
Machinery, equipment and vehicles	11,241,840	2,690,479	-	13,932,319
Total other capital assets	\$ 152,590,473	\$ 17,098,451	\$ 2,583,520	\$ 167,105,404
Accumulated depreciation:				
Land improvements	\$ 335,919	\$ 312,008	\$ -	\$ 647,927
Buildings	6,837,446	535,586	53,000	7,320,032
Joint tenancy assets	335,409	1,125,125	23,932	1,436,602
Infrastructure	17,917,185	2,820,194	24,176	20,713,203
Machinery, equipment and vehicles	6,418,013	884,097	-	7,302,110
Total accumulated depreciation	\$ 31,843,972	\$ 5,677,010	\$ 101,108	\$ 37,419,874
Other capital assets, net	\$ 120,746,501	\$ 11,421,441	\$ 2,482,412	\$ 129,685,530
Net capital assets	<u>\$ 147,663,596</u>	<u>\$ 14,614,627</u>	<u>\$ 16,329,654</u>	<u>\$ 145,948,569</u>
Depreciation is allocated to:				
General government administration		\$ 147,955		
Judicial administration		121,744		
Public safety		644,028		
Health and welfare		68,208		
Education		1,125,124		
Public works		3,056,905		
Parks and recreation		507,583		
Community development		5,463		
Total		<u>\$ 5,677,010</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 7—Capital Assets: (Continued)

Business-Type Activities:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 1,838,920	\$ -	\$ -	\$ 1,838,920
Construction in progress	<u>4,286,033</u>	<u>4,198,892</u>	<u>5,360,228</u>	<u>3,124,697</u>
Total capital assets not being depreciated	<u>\$ 6,124,953</u>	<u>\$ 4,198,892</u>	<u>\$ 5,360,228</u>	<u>\$ 4,963,617</u>
Other capital assets:				
Buildings and systems	\$ 50,368,546	\$ 5,415,996	\$ -	\$ 55,784,542
Dams and reservoirs	663,536	-	-	663,536
Furniture, machinery and equipment	<u>3,997,406</u>	<u>1,278,336</u>	<u>45,596</u>	<u>5,230,146</u>
Total other capital assets	<u>\$ 55,029,488</u>	<u>\$ 6,694,332</u>	<u>\$ 45,596</u>	<u>\$ 61,678,224</u>
Accumulated depreciation:				
Buildings and systems	\$ 13,532,176	\$ 1,040,823	\$ -	\$ 14,572,999
Dams and reservoirs	49,963	13,271	-	63,234
Furniture, machinery and equipment	<u>1,705,954</u>	<u>340,430</u>	<u>45,596</u>	<u>2,000,788</u>
Total accumulated depreciation	<u>\$ 15,288,093</u>	<u>\$ 1,394,524</u>	<u>\$ 45,596</u>	<u>\$ 16,637,021</u>
Other capital assets, net	<u>\$ 39,741,395</u>	<u>\$ 5,299,808</u>	<u>\$ -</u>	<u>\$ 45,041,203</u>
Net capital assets	<u>\$ 45,866,348</u>	<u>\$ 9,498,700</u>	<u>\$ 5,360,228</u>	<u>\$ 50,004,820</u>
Depreciation is allocated to:				
Water operations		\$ 426,699		
Wastewater operations		646,247		
Parking garage operations		144,164		
Transit operations		<u>177,414</u>		
Total		<u>\$ 1,394,524</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 7—Capital Assets: (Continued)

Component Unit School Board:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not being depreciated:				
Land	\$ 531,555	\$ -	\$ 58,876	\$ 472,679
Construction in progress:				
Buildings	22,414	890,572	912,986	-
Total capital assets not being depreciated	<u>\$ 553,969</u>	<u>\$ 890,572</u>	<u>\$ 971,862</u>	<u>\$ 472,679</u>
Other capital assets:				
Land improvements	\$ 115,603	\$ 7,650	\$ -	\$ 123,253
Buildings	16,172,378	3,892,649	-	20,065,027
Machinery, equipment and vehicles	2,385,139	241,054	-	2,626,193
Total other capital assets	<u>\$ 18,673,120</u>	<u>\$ 4,141,353</u>	<u>\$ -</u>	<u>\$ 22,814,473</u>
Accumulated depreciation:				
Land improvements	\$ 30,979	\$ 5,780	\$ -	\$ 36,759
Buildings	7,241,376	408,456	-	7,649,832
Machinery, equipment and vehicles	1,453,354	191,485	-	1,644,839
Total accumulated depreciation	<u>\$ 8,725,709</u>	<u>\$ 605,721</u>	<u>\$ -</u>	<u>\$ 9,331,430</u>
Other capital assets, net	<u>\$ 9,947,411</u>	<u>\$ 3,535,632</u>	<u>\$ -</u>	<u>\$ 13,483,043</u>
Net capital assets	<u>\$ 10,501,380</u>	<u>\$ 4,426,204</u>	<u>\$ 971,862</u>	<u>\$ 13,955,722</u>
Depreciation allocated to education		<u>\$ 605,721</u>		

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 8—Deferred Revenue:

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

	<u>Government-wide Statements</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Deferred property tax revenue:		
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	\$ 1,161,413	\$ -
Other	<u>16,898</u>	<u>33,592</u>
Total deferred revenue	<u>\$ 1,178,311</u>	<u>\$ 33,592</u>
	<u>Balance Sheet</u>	
	<u>Governmental Funds</u>	
Deferred property tax revenue:		
Deferred revenue representing uncollected property tax billings for which revenue recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ 335,721	
Prepaid property tax revenues representing collections received for property taxes that are applicable to the subsequent budget year.	1,161,413	
Other	<u>16,898</u>	
Total deferred revenue	<u>\$ 1,514,032</u>	

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9—Long-term Debt:

Primary Government:

A summary of long-term obligation transactions of the City for the year ended June 30, 2008 is as follows:

	<u>Balance</u> <u>July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2008</u>	<u>Current</u> <u>Portion</u>
General long-term debt payable from governmental activities:					
General obligation bonds	\$ 19,198,259	\$ 2,462,150	\$ 2,211,107	\$ 19,449,302	\$ 2,010,388
General obligation school bonds	46,090,000	-	1,085,000	45,005,000	1,140,000
Add: Unamortized bond premium	<u>1,585,449</u>	<u>64,015</u>	<u>115,475</u>	<u>1,533,989</u>	<u>117,412</u>
Total	<u>\$ 66,873,708</u>	<u>\$ 2,526,165</u>	<u>\$ 3,411,582</u>	<u>\$ 65,988,291</u>	<u>\$ 3,267,800</u>
Long-term debt payable from business activities:					
General obligation bonds	\$ 7,226,888	\$ 8,242,850	\$ 523,893	\$ 14,945,845	\$ 724,612
Add: Unamortized bond premium	-	214,314	-	214,314	16,084
Virginia Resources Authority revenue bonds	<u>6,423,952</u>	<u>-</u>	<u>899,033</u>	<u>5,524,919</u>	<u>929,860</u>
Total	<u>\$ 13,650,840</u>	<u>\$ 8,457,164</u>	<u>\$ 1,422,926</u>	<u>\$ 20,685,078</u>	<u>\$ 1,670,556</u>
Total long-term debt	<u><u>\$ 80,524,548</u></u>	<u><u>\$ 10,983,329</u></u>	<u><u>\$ 4,834,508</u></u>	<u><u>\$ 86,673,369</u></u>	<u><u>\$ 4,938,356</u></u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9—Long-term Debt: (Continued)

Primary Government: (Continued)

The schedule below shows principal and interest requirements through maturity for all outstanding debt at June 30, 2008:

Year Ending June 30	General Obligation Debt		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 3,875,000	\$ 3,707,456	\$ 929,860	\$ 180,010
2010	3,770,000	3,490,541	961,744	148,126
2011	3,895,000	3,326,851	994,721	115,149
2012	3,605,000	3,163,693	1,028,829	81,041
2013	3,440,000	3,006,476	1,064,107	45,763
2014	3,520,000	2,849,121	545,658	9,276
2015	3,640,000	2,687,192	-	-
2016	3,285,000	2,528,714	-	-
2017	3,435,000	2,374,644	-	-
2018	3,590,000	2,212,903	-	-
2019	3,215,000	2,041,660	-	-
2020	3,360,000	1,883,349	-	-
2021	3,520,000	1,714,626	-	-
2022	3,685,000	1,537,437	-	-
2023	3,645,000	1,356,542	-	-
2024	3,835,000	1,171,560	-	-
2025	4,025,000	976,673	-	-
2026	4,230,000	774,881	-	-
2027	3,615,000	584,884	-	-
2028	3,795,000	404,006	-	-
2029	3,130,000	235,468	-	-
2030	3,290,147	79,783	-	-
	<u>\$ 79,400,147</u>	<u>\$ 42,108,460</u>	<u>\$ 5,524,919</u>	<u>\$ 579,365</u>

The above schedule does not include premiums.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 9—Long-term Debt: (Continued)

Primary Government: (Continued)

At June 30, 2008, the City's long-term debt consisted of the following:

	<u>Issued</u>	<u>Due Date</u>	<u>Rate(s)</u>	<u>Amount Outstanding</u>	<u>Current Portion</u>
General obligation bonds:					
1998A General Obligation Refunding Bonds	1998	2018	4.5-6.0%	\$ 4,495,000	\$ 405,000
2001A General Obligation Refunding Bonds	2001	2022	4.5-6.5%	9,050,147	1,640,000
2004A General Obligation School Bonds	2004	2030	4.85-5.1%	45,005,000	1,140,000
2005B General Obligation Bonds	2005	2026	4.0-4.5%	10,145,000	395,000
2007E General Obligation Bonds	2008	2028	3.5-5.0%	10,705,000	295,000
Total general obligation bonds				<u>\$ 79,400,147</u>	<u>\$ 3,875,000</u>
Revenue bonds:					
Virginia Resources Authority Wastewater Bonds	1992	2014	3.40%	\$ 5,524,919	\$ 929,860
Unamortized bond premium:					
2004A General Obligation School Bonds				\$ 1,469,974	\$ 112,608
2007E General Obligation Bonds				278,329	20,888
Total unamortized bond premium				<u>\$ 1,748,303</u>	<u>\$ 133,496</u>
Total long-term debt				<u>\$ 86,673,369</u>	<u>\$ 4,938,356</u>

The City's general long-term obligations are guaranteed by the full faith and credit of the City. The Virginia Resource Authority Bonds are guaranteed by the Wastewater enterprise fund revenue.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant bond covenants.

Conduit debt. There are several industrial development revenue bonds outstanding issued through the Economic Development Authority of Fredericksburg. Outstanding obligations at June 30, 2008 totaled approximately \$186,972,428. The City has no responsibility for the repayment of these debt obligations.

Federal Arbitrage Regulations:

The City is in compliance with federal arbitrage regulations. Any arbitrage amounts that may be required to be paid are not material to the financial statements.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 10—Compensated Absences:

In accordance with GASB Statement 16, Accounting and Reporting Principles for Claims, Judgments and Compensated Absences, the City and School Board record liabilities for accrued vacation pay and other compensated absences. The following describes the City and School Board policies.

Full-time permanent employees of the City and administrative employees of the School Board are granted vacation benefits in varying amounts to specified maximums depending on tenure.

Sick leave is accrued for each permanent full-time employee of the City and administrative employees of the School Board at the rate of one day for each month of employment in the calendar year.

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Current</u> <u>Portion</u>
Changes in compensated absences are as follows:					
Primary Government:					
Governmental activities	\$ 2,534,201	\$ 1,708,668	\$ 1,493,089	\$ 2,749,780	\$ 1,704,864
Business-type activities	<u>151,878</u>	<u>118,926</u>	<u>104,800</u>	<u>166,004</u>	<u>112,122</u>
Total primary government	\$ 2,686,079	\$ 1,827,594	\$ 1,597,889	\$ 2,915,784	\$ 1,816,986
Component Unit School Board	<u>770,197</u>	<u>556,870</u>	<u>400,503</u>	<u>926,564</u>	<u>481,813</u>
Total	<u>\$ 3,456,276</u>	<u>\$ 2,384,464</u>	<u>\$ 1,998,392</u>	<u>\$ 3,842,348</u>	<u>\$ 2,298,799</u>

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

Note 11—Defined Benefit Pension Plan:

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

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)
Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). 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 increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution may be assumed by the employer. In addition, the City and School Board are required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's and School's non-professional employee contribution rates for the fiscal year ended 2008 were 8.98% and 6.50% of annual covered payroll, respectively.

The School Board's contributions for professional employees were \$1,823,414, \$1,584,603 and \$1,076,013, to the teacher cost-sharing pool for the fiscal years ended June 30, 2008, 2007 and 2006, respectively, and these contributions represented 10.30%, 9.20% and 6.62%, respectively, of current covered payroll.

C. Annual Pension Cost

For fiscal year 2008, the City's annual pension cost of \$1,867,735 was equal to the City's required and actual contributions.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 11—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost: (Continued)

For fiscal year 2008, the City School Board’s annual pension cost for the Board’s non-professional employees was \$73,012 which was equal to the Board’s required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
City:			
June 30, 2008	\$ 1,867,735	100%	\$ -
June 30, 2007	1,698,893	100%	-
June 30, 2006	1,427,778	100%	-
School Board Non-Professional:			
June 30, 2008	\$ 73,012	100%	\$ -
June 30, 2007	68,719	100%	-
June 30, 2006	13,792	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 5.60% per year, and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the City's and the City School Board’s assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City’s and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

D. Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the City's plan was 87.27% funded. The actuarial accrued liability for benefits was \$74,578,490, and the actuarial value of assets was \$65,088,068, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,490,422. The covered payroll (annual payroll of active employees covered by the plan) was \$19,973,252, and ratio of the UAAL to the covered payroll was 47.52%.

As of June 30, 2007, the most recent actuarial valuation date, the City School Board’s plan was 106.39% funded. The actuarial accrued liability for benefits was \$2,149,067, and the actuarial value of assets was \$2,286,350, resulting in an unfunded actuarial accrued liability (UAAL) of (\$137,283). The covered payroll (annual payroll of active employees covered by the plan) was \$1,010,384, and ratio of the UAAL to the covered payroll was (13.59%).

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

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 12—Deferred Compensation Plan:

The City and School Board offer their employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and School employees, permits them to defer the payment of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred, including the investments and earnings thereon, vest with the employee and are not subject to the claims of the City's general creditors.

Note 13—Commitments and Contingencies:

State and Federal Programs

Federal programs in which the City and all discretely presented component units participate were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs were tested for compliance with applicable grant requirements.

The Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Environmental Matters

The City has been named as a potentially responsible party for a portion of the cost of possible remediation of the site of the old City gas plant. The plant was sold in 1959 and has since been sold by the purchaser to another party. In August 1995, a settlement was reached between the City and the current owner which relieved both parties from past actions, and did not involve compensation to either party. However, the agreement did hold open the possibility that either party could pursue future claims against the other if third parties should seek further investigation or remediation of the site.

Counsel believes that it could face material potential liability for this site in the foreseeable future due to the continuing evolution of state and federal laws and policies regarding the remediation of Superfund sites and the liability of third parties.

Construction Commitments

At June 30, 2008 the City has outstanding construction contracts and commitments for various projects. The outstanding balances on these items totaled approximately \$8,000,000 at June 30, 2008.

The School Board had no significant construction or related commitments outstanding at June 30, 2008.

Note 14—Litigation:

The City has also been named as defendant in matters involving law enforcement actions and alleged personal injuries suffered from falls on City sidewalks. It is not known what liability if any, the City faces.

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 15—Landfill Postclosure Costs:

The City closed the Cool Springs Landfill in 1988 and is subject to postclosure monitoring. The estimated postclosure care cost for the next twenty-one years is \$886,614 and has been recorded as a long-term liability at June 30, 2008. These amounts are based on what it would cost to perform all postclosure care based on 2008 costs. These costs may change depending on the result of monitoring activities and future laws and regulations governing landfill monitoring.

A summary of the changes in this liability is as follows:

Balance at July 1, 2007	\$	916,739
Decrease in estimate		<u>(30,125)</u>
Balance at June 30, 2008	\$	<u><u>886,614</u></u>

The City demonstrated financial assurance requirements for closure and post-closure care through the submission of a Local Government Financial Test to the Virginia Department of Environmental Quality in accordance with Section 9VAC20-70 of the Virginia Administrative Code.

Note 16—Surety Bonds:

Amount

Commonwealth of Virginia, Division of Risk Management:

Public Officials and Law Enforcement, Excess General Liability/Legal Liability	\$	1,000,000
City Employees - Blanket Bond		300,000
G.M. Haney, Treasurer - Blanket Bond		
Cash and Securities		750,000
Department of Social Services -Blanket Bond		400,000
Department of Social Services - Public Officials, General Liability		1,000,000
Faithful Performance of Duty Bond:		
Treasurer (Does not include loss of City funds)		500,000
Commissioner of the Revenue		3,000
Clerk of the Circuit Court		3,000,000
Sheriff		30,000
Fredericksburg City School Board:		
Clerk of the School Board		10,000
Deputy Clerk of the School Board		10,000

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Financial Statements
As of June 30, 2008

Note 17—Self Insurance/Risk Management:

The City and School Board administer employee health and unemployment insurance programs. These insurance activities are accounted for in the General and School funds.

There were no reductions in insurance coverages from the prior year, and there were no settlements in excess of insurance coverages for the last three years.

Employee Health Insurance

The City and School Board have contracted with a private carrier to administer this activity. The City and School Board expenditures reflect premium payments to the private carrier. The premium payments are based on the number insured and benefits. The City School Board changed its policy from a self-insured plan to a fully insured plan during fiscal year 1997.

The insurance carrier informed the City of the estimated benefits incurred but not reported. The City has designated fund balance in the General Fund for these estimated benefits incurred but not reported. In addition, the City has reserved additional funds to cover the expected maximum stop-loss liability that would be incurred, as detailed in the following:

City General Fund	
Estimated claims incurred but not reported	\$ 298,261
Estimated maximum stop-loss liability based on premium cost and experience rate	<u>651,739</u>
 Total funds designated	 \$ <u><u>950,000</u></u>

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims and Payments</u>	<u>End of Fiscal Year Liability</u>
2006	\$ 220,830	\$ 2,355,587	\$ 2,323,637	\$ 252,780
2007	252,780	2,341,019	2,318,502	275,297
2008	275,297	2,957,448	2,934,484	298,261

Unemployment Insurance

The City and School Board are fully self-insured for unemployment claims. The Virginia Employment Commission bills the City and School Board for all unemployment claims. The liability for billed but unpaid claims has been accrued in the respective City and School Board funds. No liability has been recorded for estimated unreported claims. The amount of estimated unreported claims is not expected to be significant.

Note 17—Self Insurance/Risk Management: (Continued)

Property and Casualty Insurance

The City and School Board contract with private insurance carriers to provide coverages for property damage, employee crime and dishonesty, and general liability. The property coverages are for specific amounts based on values assigned to the insured properties. Liability coverages range from \$1,000,000 to \$10,000,000 depending on the type of coverage.

The City and School Board also contract with the Virginia Municipal League Pool and the School Systems of Virginia Self Insurance Pool, respectively, for its workers compensation coverages. In the event of a loss deficit and depletion of all assets and available insurance of a pool, members may be assessed in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

Note 18—Other Post-Employment Benefits:

In addition to the pension benefit described in Note 11, the City provides post-retirement health care insurance for employees who are eligible for retirement benefits. Currently, 106 retirees are eligible and are receiving these benefits. The City pays all of the health insurance premiums for the retirees. These costs are financed on a pay-as-you-go basis. During the year, approximately \$382,746 was expended for post-retirement health care by the City.

REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

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Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues				
Revenue from local sources:				
General property taxes:				
Real estate	\$ 21,297,500	\$ 21,297,500	\$ 20,998,176	\$ (299,324)
Public service corporations	417,500	417,500	267,345	(150,155)
Personal property	5,280,800	5,280,800	5,638,512	357,712
Mobile homes	2,000	2,000	1,197	(803)
Machinery and tools	95,250	95,250	70,184	(25,066)
Penalties	140,000	140,000	168,363	28,363
Interest	35,000	35,000	63,784	28,784
Total general property taxes	\$ 27,268,050	\$ 27,268,050	\$ 27,207,561	\$ (60,489)
Other local taxes:				
Local sales and use taxes	\$ 13,180,500	\$ 11,630,500	\$ 10,726,939	\$ (903,561)
Communication sales tax	1,840,000	1,840,000	2,019,101	179,101
Utility taxes	1,500,000	1,500,000	1,527,028	27,028
Business licenses and rental tax	6,222,000	6,222,000	5,436,366	(785,634)
Motor vehicle licenses	310,100	310,100	300,786	(9,314)
Bank stock taxes	520,000	520,000	459,020	(60,980)
Recordation taxes	700,000	700,000	715,884	15,884
Tobacco tax	600,000	600,000	593,940	(6,060)
Amusement tax	240,000	240,000	288,477	48,477
Hotel/lodging taxes	1,045,000	1,045,000	918,952	(126,048)
Meals taxes	7,400,000	7,400,000	7,042,409	(357,591)
Gasoline taxes	-	-	138,164	138,164
Other	130,000	130,000	56,520	(73,480)
Total other local taxes	\$ 33,687,600	\$ 32,137,600	\$ 30,223,586	\$ (1,914,014)
Permits, privilege fees and licenses:				
Permits and other licenses	\$ 930,600	\$ 930,600	\$ 644,525	\$ (286,075)
Animal licenses	5,000	5,000	8,928	3,928
Total permits, privilege fees and licenses	\$ 935,600	\$ 935,600	\$ 653,453	\$ (282,147)
Fines and forfeitures	\$ 305,000	\$ 305,000	\$ 357,781	\$ 52,781
Revenue from use of money and property:				
Revenue from use of money	\$ 300,000	\$ 300,000	\$ 589,900	\$ 289,900
Revenue from use of property	82,500	82,500	55,761	(26,739)
Total revenue from use of money and property	\$ 382,500	\$ 382,500	\$ 645,661	\$ 263,161
Charges for services:				
Court costs	\$ 139,500	\$ 139,500	\$ 109,574	\$ (29,926)
Commonwealth's attorney	2,000	2,000	2,588	588
Sanitation and waste removal	691,000	691,000	689,151	(1,849)
Parks and recreation	697,600	697,600	550,465	(147,135)
Planning and community development	800	800	2,470	1,670
Fire and rescue services	728,200	728,200	287,570	(440,630)
Courthouse maintenance	-	-	12,375	12,375
Administrative charges	40,000	40,000	50,515	10,515
Total charges for services	\$ 2,299,100	\$ 2,299,100	\$ 1,704,708	\$ (594,392)

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from local sources: (continued)				
Miscellaneous revenue:				
Payments in-lieu of taxes	\$ 20,000	\$ 20,000	\$ 54,674	\$ 34,674
Souvenir sales	20,000	20,000	24,404	4,404
Donations - parks and recreation	-	-	20,000	20,000
Other	51,900	51,900	109,832	57,932
Total miscellaneous revenue	\$ 91,900	\$ 91,900	\$ 208,910	\$ 117,010
Recovered costs:				
Circuit court secretaries	\$ 231,000	\$ 231,000	\$ 141,813	\$ (89,187)
Health department	188,500	188,500	240,234	51,734
Social services	154,000	154,000	135,215	(18,785)
Other	137,695	165,088	149,921	(15,167)
Total recovered costs	\$ 711,195	\$ 738,588	\$ 667,183	\$ (71,405)
Total revenue from local sources	\$ 65,680,945	\$ 64,158,338	\$ 61,668,843	\$ (2,489,495)
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ 11,000	\$ 11,000	\$ -	\$ (11,000)
Wine taxes	11,000	11,000	-	(11,000)
Grantors tax	127,313	127,313	172,293	44,980
Motor vehicle rental tax	95,000	95,000	114,824	19,824
Personal property relief	1,725,000	1,725,000	1,728,623	3,623
Other	9,500	9,500	11,569	2,069
Total noncategorical aid	\$ 1,978,813	\$ 1,978,813	\$ 2,027,309	\$ 48,496
Categorical aid - shared expenses:				
Commonwealth's attorney	\$ 624,616	\$ 624,616	\$ 620,789	\$ (3,827)
Sheriff	533,777	533,777	536,100	2,323
Commissioner of revenue	156,246	156,246	155,930	(316)
Treasurer	130,410	130,410	130,079	(331)
Medical examiner	400	400	-	(400)
Registrar	51,500	51,500	59,232	7,732
Clerk of the circuit court	265,326	265,326	282,535	17,209
Total categorical aid - shared expenses	\$ 1,762,275	\$ 1,762,275	\$ 1,784,665	\$ 22,390
Categorical aid - other:				
Street and highway maintenance	\$ 2,100,000	\$ 2,100,000	\$ 2,104,006	\$ 4,006
Law enforcement assistance	974,658	974,658	925,632	(49,026)
Wireless E-911 grants	362,000	362,000	205,164	(156,836)
Other	12,500	49,076	51,598	2,522
Total categorical aid - other	\$ 3,449,158	\$ 3,485,734	\$ 3,286,400	\$ (199,334)
Total revenue from the Commonwealth	\$ 7,190,246	\$ 7,226,822	\$ 7,098,374	\$ (128,448)

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues: (continued)				
Revenue from the Federal Government:				
Categorical aid:				
Payment in-lieu of taxes	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Hazardous materials grant	-	-	883	883
Emergency services	-	-	10,680	10,680
Public assistance - cost allocation	48,000	48,000	57,543	9,543
Total revenue from the Federal Government	\$ 49,000	\$ 49,000	\$ 69,106	\$ 20,106
Total revenues	\$ 72,920,191	\$ 71,434,160	\$ 68,836,323	\$ (2,597,837)
Expenditures				
General government administration:				
Legislative:				
City council	\$ 219,850	\$ 221,850	\$ 180,876	\$ 40,974
Clerk of council	93,558	104,009	102,517	1,492
Total legislative	\$ 313,408	\$ 325,859	\$ 283,393	\$ 42,466
General and financial administration:				
City manager	\$ 768,687	\$ 770,687	\$ 717,051	\$ 53,636
Insurance program	645,000	570,000	521,707	48,293
Human resources	346,161	347,161	300,083	47,078
Independent auditor	60,910	60,910	60,652	258
Commissioner of the revenue	903,905	906,405	829,983	76,422
Board of real estate assessors	12,500	12,500	1,254	11,246
Equalization board	5,000	5,000	1,900	3,100
Treasurer	782,753	784,753	743,486	41,267
Fiscal affairs	558,560	583,997	554,489	29,508
Information systems	410,603	464,641	403,787	60,854
Copying and postage	32,350	33,533	20,511	13,022
Legal services	367,281	370,881	368,910	1,971
Total general and financial administration	\$ 4,893,710	\$ 4,910,468	\$ 4,523,813	\$ 386,655
Board of elections:				
Registrar and electoral board	\$ 209,383	\$ 246,377	\$ 240,776	\$ 5,601
Total general government administration	\$ 5,416,501	\$ 5,482,704	\$ 5,047,982	\$ 434,722
Judicial administration:				
Courts:				
Circuit court	\$ 348,871	\$ 349,371	\$ 247,043	\$ 102,328
General district court	43,600	46,220	31,138	15,082
Special magistrates	10,000	10,000	9,826	174
Juvenile and domestic relations court	24,320	24,320	18,685	5,635
Clerk of the circuit court	741,592	742,592	703,385	39,207
Sheriff	1,296,802	1,299,802	1,253,215	46,587
JDR services	40,902	40,902	40,902	-
Juries	30,000	30,000	27,540	2,460
Court appointed attorney	25,000	25,000	5,642	19,358
Total courts	\$ 2,561,087	\$ 2,568,207	\$ 2,337,376	\$ 230,831

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Judicial administration: (continued)				
Commonwealth attorney:				
Commonwealth attorney	\$ 1,207,742	\$ 1,208,742	\$ 1,150,351	\$ 58,391
Total judicial administration	\$ 3,768,829	\$ 3,776,949	\$ 3,487,727	\$ 289,222
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 7,336,269	\$ 7,526,335	\$ 7,430,447	\$ 95,888
Auxiliary police	22,200	22,200	8,118	14,082
Total law enforcement and traffic control	\$ 7,358,469	\$ 7,548,535	\$ 7,438,565	\$ 109,970
Fire and rescue:				
Fire department	\$ 4,049,712	\$ 4,167,043	\$ 4,165,097	\$ 1,946
Volunteer fire department	20,000	20,000	20,000	-
Rescue services	256,119	292,490	292,490	-
Emergency medical services	692,421	710,034	635,746	74,288
Hazardous materials	23,400	36,987	32,624	4,363
E-911 communications	955,681	967,781	967,770	11
Total fire and rescue	\$ 5,997,333	\$ 6,194,335	\$ 6,113,727	\$ 80,608
Correction and detention:				
Juvenile detention center	\$ 551,970	\$ 551,970	\$ 453,113	\$ 98,857
Rappahannock security center	3,037,995	3,037,995	3,038,960	(965)
Total correction and detention	\$ 3,589,965	\$ 3,589,965	\$ 3,492,073	\$ 97,892
Inspections:				
Code compliance	\$ 1,028,542	\$ 1,049,667	\$ 937,563	\$ 112,104
Other protection:				
Animal control	\$ 95,196	\$ 95,696	\$ 76,279	\$ 19,417
Medical examiner	1,200	1,200	260	940
Total other protection	\$ 96,396	\$ 96,896	\$ 76,539	\$ 20,357
Total public safety	\$ 18,070,705	\$ 18,479,398	\$ 18,058,467	\$ 420,931
Public works:				
Maintenance of streets, highways, bridges and sidewalks:				
Administration	\$ 727,434	\$ 752,434	\$ 750,432	\$ 2,002
Street maintenance	1,151,477	1,166,038	889,204	276,834
Drainage	342,582	344,582	323,065	21,517
Street lights	300,000	382,348	393,693	(11,345)
Industrial park rail spur	15,000	15,000	14,778	222
Traffic engineering	319,426	362,345	244,034	118,311
Shop and garage	1,181,312	1,263,304	1,263,112	192
Graphics	231,405	181,905	96,188	85,717
Total maintenance of streets, highways, bridges and sidewalks	\$ 4,268,636	\$ 4,467,956	\$ 3,974,506	\$ 493,450

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Expenditures: (continued)				
Public works: (continued)				
Sanitation and waste removal:				
Street sanitation	\$ 777,383	\$ 781,383	\$ 685,508	\$ 95,875
Tree purchase program	35,000	35,000	22,795	12,205
Refuse collection	562,839	569,839	540,688	29,151
Refuse disposal	61,650	66,650	66,011	639
Recycling collection	116,919	117,419	112,748	4,671
Total sanitation and waste removal	<u>\$ 1,553,791</u>	<u>\$ 1,570,291</u>	<u>\$ 1,427,750</u>	<u>\$ 142,541</u>
Maintenance of buildings and grounds:				
General properties	\$ 1,647,125	\$ 1,663,106	\$ 1,553,593	\$ 109,513
Environmental management system	19,218	19,218	6,162	13,056
Buildings and grounds - special	321,060	336,608	311,308	25,300
Total maintenance of buildings and grounds	<u>\$ 1,987,403</u>	<u>\$ 2,018,932</u>	<u>\$ 1,871,063</u>	<u>\$ 147,869</u>
Total public works	<u>\$ 7,809,830</u>	<u>\$ 8,057,179</u>	<u>\$ 7,273,319</u>	<u>\$ 783,860</u>
Health and welfare:				
Health:				
Supplement to local health department	\$ 480,000	\$ 480,000	\$ 480,000	\$ -
Mental health and mental retardation:				
Chapter X board	\$ 221,905	\$ 221,905	\$ 221,905	\$ -
Social services:				
Other contributions	\$ 583,331	\$ 584,331	\$ 574,001	\$ 10,330
Total health and welfare	<u>\$ 1,285,236</u>	<u>\$ 1,286,236</u>	<u>\$ 1,275,906</u>	<u>\$ 10,330</u>
Education:				
Community colleges	\$ 6,769	\$ 6,769	\$ 6,769	\$ -
Appropriations to public school system	24,520,000	24,520,000	24,434,591	85,409
Total education	<u>\$ 24,526,769</u>	<u>\$ 24,526,769</u>	<u>\$ 24,441,360</u>	<u>\$ 85,409</u>
Parks, recreation and cultural:				
Parks and recreation:				
Administration	\$ 551,739	\$ 552,239	\$ 549,117	\$ 3,122
Supervision	914,264	927,327	781,221	146,106
Maintenance	1,198,525	1,225,525	1,076,585	148,940
Dixon Park swimming pool	171,540	171,540	106,990	64,550
Total parks and recreation	<u>\$ 2,836,068</u>	<u>\$ 2,876,631</u>	<u>\$ 2,513,913</u>	<u>\$ 362,718</u>
Library:				
Regional library	\$ 1,307,682	\$ 1,307,682	\$ 1,277,682	\$ 30,000
Cultural:				
Museums	\$ 135,000	\$ 135,000	\$ 135,000	\$ -
Other cultural	10,000	10,000	10,000	-
Total cultural	<u>\$ 145,000</u>	<u>\$ 145,000</u>	<u>\$ 145,000</u>	<u>\$ -</u>
Total parks, recreation and cultural	<u>\$ 4,288,750</u>	<u>\$ 4,329,313</u>	<u>\$ 3,936,595</u>	<u>\$ 392,718</u>

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Expenditures: (continued)				
Community Development:				
Planning and community development:				
Planning	\$ 497,689	\$ 564,739	\$ 493,269	\$ 71,470
Building appeals board	2,200	2,200	160	2,040
Community development	81,547	81,547	81,547	-
Architectural review board	5,000	5,000	1,706	3,294
Economic development and tourism	1,134,068	1,161,211	1,019,986	141,225
Total planning and community development	<u>\$ 1,720,504</u>	<u>\$ 1,814,697</u>	<u>\$ 1,596,668</u>	<u>\$ 218,029</u>
Environmental management:				
Soil and water conservation district	\$ 14,000	\$ 14,000	\$ 14,000	\$ -
Total community development	<u>\$ 1,734,504</u>	<u>\$ 1,828,697</u>	<u>\$ 1,610,668</u>	<u>\$ 218,029</u>
Total expenditures	<u>\$ 66,901,124</u>	<u>\$ 67,767,245</u>	<u>\$ 65,132,024</u>	<u>\$ 2,635,221</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,019,067</u>	<u>\$ 3,666,915</u>	<u>\$ 3,704,299</u>	<u>\$ 37,384</u>
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	\$ 5,500	\$ 5,500	\$ 23,729	\$ 18,229
Transfers in	1,689,622	1,764,622	1,764,622	-
Transfers out	<u>(11,090,821)</u>	<u>(9,188,601)</u>	<u>(9,188,601)</u>	<u>-</u>
Total other financing sources (uses)	<u>\$ (9,395,699)</u>	<u>\$ (7,418,479)</u>	<u>\$ (7,400,250)</u>	<u>\$ 18,229</u>
Net change in fund balance	\$ (3,376,632)	\$ (3,751,564)	\$ (3,695,951)	\$ 55,613
Fund balance, beginning of year	<u>3,376,632</u>	<u>3,751,564</u>	<u>21,671,793</u>	<u>17,920,229</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,975,842</u>	<u>\$ 17,975,842</u>

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

Virginia Retirement System
 Public Employees Retirement System
 Schedule of Funding Progress

City:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2007	\$ 65,088,068	\$ 74,578,490	\$ 9,490,422	87.27%	\$ 19,973,252	47.52%
June 30, 2006	57,680,905	64,334,840	6,653,935	89.66%	17,133,104	38.84%
June 30, 2005	53,369,162	62,366,870	8,997,708	85.57%	15,954,784	56.40%

School Board Non-Professional:

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2007	\$ 2,286,350	\$ 2,149,067	(137,283)	106.39%	\$ 1,010,384	-13.59%
June 30, 2006	1,970,050	1,823,798	(146,252)	108.02%	934,473	-15.65%
June 30, 2005	1,808,405	1,931,573	123,168	93.62%	842,429	14.62%

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OTHER SUPPLEMENTARY INFORMATION

Combining Balance Sheet
 Nonmajor Governmental Funds
 At June 30, 2008

ASSETS	Special Revenue	Capital Projects	Total
Assets:			
Cash and cash equivalents	\$ 2,850,415	\$ 11,594,444	\$ 14,444,859
Receivables:			
Property taxes	3,841	-	3,841
Accrued revenue	7,577	365,645	373,222
Prepays	1,630	-	1,630
Due from other governments	752,164	842,107	1,594,271
Total assets	<u>\$ 3,615,627</u>	<u>\$ 12,802,196</u>	<u>\$ 16,417,823</u>
LIABILITIES AND EQUITY			
Liabilities:			
Reconciled overdraft	\$ 307,707	\$ -	\$ 307,707
Accounts payable	178,528	470,838	649,366
Accrued liabilities	96,741	256,184	352,925
Deferred revenue	1,547	-	1,547
Total liabilities	<u>\$ 584,523</u>	<u>\$ 727,022</u>	<u>\$ 1,311,545</u>
Equity:			
Fund Balance:			
Reserved:			
Encumbrances	\$ 298,880	\$ 570,201	\$ 869,081
Prepays	1,630	-	1,630
Unreserved:			
Designated for:			
Subsequent year's expenditures	1,077,748	-	1,077,748
Capital projects	-	11,504,973	11,504,973
Unreserved/undesignated	1,652,846	-	1,652,846
Total equity	<u>\$ 3,031,104</u>	<u>\$ 12,075,174</u>	<u>\$ 15,106,278</u>
Total liabilities and equity	<u>\$ 3,615,627</u>	<u>\$ 12,802,196</u>	<u>\$ 16,417,823</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended June 30, 2008

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues				
General property taxes	\$ 632,567	\$ -	\$ -	\$ 632,567
Other local taxes	19,285	834,480	-	853,765
Fines and forfeitures	-	50,799	-	50,799
Use of money and property	3,395	1,075,612	-	1,079,007
Miscellaneous	354,466	-	-	354,466
Recovered costs	547,553	479,576	-	1,027,129
Intergovernmental:				
Revenue from the Commonwealth	2,134,800	935,838	-	3,070,638
Revenue from the Federal Government	2,750,667	148,800	-	2,899,467
Total revenues	<u>\$ 6,442,733</u>	<u>\$ 3,525,105</u>	<u>\$ -</u>	<u>\$ 9,967,838</u>
Expenditures				
Current:				
Judicial administration	\$ 88,237	\$ -	\$ -	\$ 88,237
Public safety	545,528	-	-	545,528
Health and welfare	5,583,953	-	-	5,583,953
Parks, recreation and cultural	116,412	-	-	116,412
Community development	1,121,350	-	-	1,121,350
Capital projects	-	6,735,321	-	6,735,321
Debt service:				
Principal payments	-	-	3,296,107	3,296,107
Interest and fiscal charges	-	-	3,064,543	3,064,543
Total expenditures	<u>\$ 7,455,480</u>	<u>\$ 6,735,321</u>	<u>\$ 6,360,650</u>	<u>\$ 20,551,451</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,012,747)</u>	<u>\$ (3,210,216)</u>	<u>\$ (6,360,650)</u>	<u>\$ (10,583,613)</u>
Other financing sources (uses)				
Long-term debt issued	\$ -	\$ 2,425,365	\$ 36,785	\$ 2,462,150
Bond premium	-	64,015	-	64,015
Proceeds from the sale of capital assets	-	1,081,396	-	1,081,396
Transfers in	1,994,014	1,523,891	6,323,865	9,841,770
Transfers out	<u>(1,582,993)</u>	<u>-</u>	<u>-</u>	<u>(1,582,993)</u>
Total other financing sources (uses)	<u>\$ 411,021</u>	<u>\$ 5,094,667</u>	<u>\$ 6,360,650</u>	<u>\$ 11,866,338</u>
Net change in fund balance	\$ (601,726)	\$ 1,884,451	\$ -	\$ 1,282,725
Fund balance, beginning of year	<u>3,632,830</u>	<u>10,190,723</u>	<u>-</u>	<u>13,823,553</u>
Fund balance, end of year	<u>\$ 3,031,104</u>	<u>\$ 12,075,174</u>	<u>\$ -</u>	<u>\$ 15,106,278</u>

CITY OF FREDERICKSBURG, VIRGINIA

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 At June 30, 2008

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Regional Transportation Fund	Compre- hensive Services Act Fund
ASSETS				
Assets:				
Cash and cash equivalents	\$ -	\$ 1,049,157	\$ 9,832	\$ 86,837
Receivables:				
Property taxes	-	-	-	-
Accrued revenue	-	4,457	3,120	-
Prepaid items	-	1,630	-	-
Due from other governments	393,872	124,378	18,988	214,926
Total assets	\$ 393,872	\$ 1,179,622	\$ 31,940	\$ 301,763
LIABILITIES AND EQUITY				
Liabilities:				
Reconciled overdraft	\$ 307,707	\$ -	\$ -	\$ -
Accounts payable	19,062	58,962	88	100,416
Accrued liabilities	63,563	31,436	-	1,742
Deferred revenue	-	-	-	-
Total liabilities	\$ 390,332	\$ 90,398	\$ 88	\$ 102,158
Equity:				
Fund Balance:				
Reserved:				
Encumbrances	\$ -	\$ 298,880	\$ -	\$ -
Prepays	-	1,630	-	-
Unreserved:				
Designated for:				
Subsequent year's expenditures	3,540	788,714	31,852	199,605
Unreserved/undesignated	-	-	-	-
Total equity	\$ 3,540	\$ 1,089,224	\$ 31,852	\$ 199,605
Total liabilities and equity	\$ 393,872	\$ 1,179,622	\$ 31,940	\$ 301,763

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Celebrate Virginia Special Tax District Fund	Prisoner Extradition Fund	Economic Development Opportunity Fund	Total
\$ 994,208	\$ 656,344	\$ -	\$ 6,916	\$ 47,121	\$ 2,850,415
2,659	1,182	-	-	-	3,841
-	-	-	-	-	7,577
-	-	-	-	-	1,630
-	-	-	-	-	752,164
<u>\$ 996,867</u>	<u>\$ 657,526</u>	<u>\$ -</u>	<u>\$ 6,916</u>	<u>\$ 47,121</u>	<u>\$ 3,615,627</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 307,707
-	-	-	-	-	178,528
-	-	-	-	-	96,741
<u>1,071</u>	<u>476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,547</u>
<u>\$ 1,071</u>	<u>\$ 476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 584,523</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 298,880
-	-	-	-	-	1,630
-	-	-	6,916	47,121	1,077,748
<u>995,796</u>	<u>657,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,652,846</u>
<u>\$ 995,796</u>	<u>\$ 657,050</u>	<u>\$ -</u>	<u>\$ 6,916</u>	<u>\$ 47,121</u>	<u>\$ 3,031,104</u>
<u>\$ 996,867</u>	<u>\$ 657,526</u>	<u>\$ -</u>	<u>\$ 6,916</u>	<u>\$ 47,121</u>	<u>\$ 3,615,627</u>

CITY OF FREDERICKSBURG, VIRGINIA

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

Nonmajor Special Revenue Funds

Year Ended June 30, 2008

	Virginia Public Assistance Fund	State, Federal and Local Grants Fund	Regional Transportation Fund	Compre- hensive Services Act Fund
Revenues				
General property taxes	\$ -	\$ -	\$ -	\$ -
Other local taxes	-	-	19,285	-
Use of money and property	-	3,395	-	-
Miscellaneous	-	354,011	455	-
Recovered costs	119,444	402,850	4,680	-
Intergovernmental:				
Revenue from the Commonwealth	1,196,622	162,390	-	775,788
Revenue from the Federal Government	2,093,225	657,442	-	-
Total revenues	\$ 3,409,291	\$ 1,580,088	\$ 24,420	\$ 775,788
Expenditures				
Current:				
Judicial administration	\$ -	\$ 88,237	\$ -	\$ -
Public safety	-	531,865	-	-
Health and welfare	4,213,903	-	-	1,370,050
Parks, recreation and cultural	-	116,412	-	-
Community Development	-	1,093,758	23,963	-
Total expenditures	\$ 4,213,903	\$ 1,830,272	\$ 23,963	\$ 1,370,050
Excess (deficiency) of revenues over expenditures	\$ (804,612)	\$ (250,184)	\$ 457	\$ (594,262)
Other financing sources (uses)				
Transfers in	\$ 775,000	\$ 418,429	\$ -	\$ 749,835
Transfers out	-	-	-	(25,000)
Total other financing sources (uses)	\$ 775,000	\$ 418,429	\$ -	\$ 724,835
Net change in fund balance	\$ (29,612)	\$ 168,245	\$ 457	\$ 130,573
Fund balance, beginning of year	33,152	920,979	31,395	69,032
Fund balance, end of year	\$ 3,540	\$ 1,089,224	\$ 31,852	\$ 199,605

Central Park Special Tax District Fund	Fall Hill Special Tax District Fund	Celebrate Virginia Special Tax District Fund	Prisoner Extradition Fund	Economic Development Opportunity Fund	Total
\$ 411,265	\$ 186,579	\$ 34,723	\$ -	\$ -	\$ 632,567
-	-	-	-	-	19,285
-	-	-	-	-	3,395
-	-	-	-	-	354,466
-	-	-	20,579	-	547,553
-	-	-	-	-	2,134,800
-	-	-	-	-	2,750,667
<u>\$ 411,265</u>	<u>\$ 186,579</u>	<u>\$ 34,723</u>	<u>\$ 20,579</u>	<u>\$ -</u>	<u>\$ 6,442,733</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,237
-	-	-	13,663	-	545,528
-	-	-	-	-	5,583,953
-	-	-	-	-	116,412
-	-	-	-	3,629	1,121,350
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,663</u>	<u>\$ 3,629</u>	<u>\$ 7,455,480</u>
<u>\$ 411,265</u>	<u>\$ 186,579</u>	<u>\$ 34,723</u>	<u>\$ 6,916</u>	<u>\$ (3,629)</u>	<u>\$ (1,012,747)</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,750	\$ 1,994,014
<u>(639,602)</u>	<u>(250,000)</u>	<u>(668,391)</u>	<u>-</u>	<u>-</u>	<u>(1,582,993)</u>
<u>\$ (639,602)</u>	<u>\$ (250,000)</u>	<u>\$ (668,391)</u>	<u>\$ -</u>	<u>\$ 50,750</u>	<u>\$ 411,021</u>
\$ (228,337)	\$ (63,421)	\$ (633,668)	\$ 6,916	\$ 47,121	\$ (601,726)
<u>1,224,133</u>	<u>720,471</u>	<u>633,668</u>	<u>-</u>	<u>-</u>	<u>3,632,830</u>
<u>\$ 995,796</u>	<u>\$ 657,050</u>	<u>\$ -</u>	<u>\$ 6,916</u>	<u>\$ 47,121</u>	<u>\$ 3,031,104</u>

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Combining Balance Sheet
 Nonmajor Capital Projects Funds
 At June 30, 2008

	Public Works Construction Fund	Public Facilities Construction Fund	New High School Construction Fund	Public Safety Construction Fund	Total
ASSETS					
Assets:					
Cash and cash equivalents	\$ 3,818,328	\$ 4,359,677	\$ 387,215	\$ 3,029,224	\$ 11,594,444
Accrued revenue	80,424	221,569	-	63,652	365,645
Due from other governments	824,773	-	-	17,334	842,107
Total assets	\$ 4,723,525	\$ 4,581,246	\$ 387,215	\$ 3,110,210	\$ 12,802,196
LIABILITIES AND EQUITY					
Liabilities:					
Accounts payable	\$ 410,201	\$ 60,211	\$ -	\$ 426	\$ 470,838
Accrued liabilities	95,817	10,367	100,000	50,000	256,184
Total liabilities	\$ 506,018	\$ 70,578	\$ 100,000	\$ 50,426	\$ 727,022
Equity:					
Fund Balance:					
Reserved:					
Encumbrances	\$ 289,542	\$ 279,473	\$ -	\$ 1,186	\$ 570,201
Unreserved:					
Designated for:					
Capital projects	3,927,965	4,231,195	287,215	3,058,598	11,504,973
Total equity	\$ 4,217,507	\$ 4,510,668	\$ 287,215	\$ 3,059,784	\$ 12,075,174
Total liabilities and equity	\$ 4,723,525	\$ 4,581,246	\$ 387,215	\$ 3,110,210	\$ 12,802,196

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 Year Ended June 30, 2008

	Public Works Construction Fund	Public Facilities Construction Fund	New High School Construction Fund	Public Safety Construction Fund	Total
Revenues					
Other local taxes	\$ 780,483	\$ -	\$ -	\$ 53,997	\$ 834,480
Fines and forfeitures	50,799	-	-	-	50,799
Use of money and property	470,382	444,670	32,914	127,646	1,075,612
Recovered costs	155,782	221,367	52,427	50,000	479,576
Intergovernmental:					
Revenue from the Commonwealth	601,833	225,099	-	108,906	935,838
Revenue from the Federal Government	-	148,800	-	-	148,800
Total revenues	\$ 2,059,279	\$ 1,039,936	\$ 85,341	\$ 340,549	\$ 3,525,105
Expenditures					
Capital projects	\$ 4,167,832	\$ 1,483,067	\$ 390,572	\$ 693,850	\$ 6,735,321
Excess (deficiency) of revenues over expenditures	\$ (2,108,553)	\$ (443,131)	\$ (305,231)	\$ (353,301)	\$ (3,210,216)
Other financing sources (uses)					
Long-term debt issued	\$ 2,425,365	\$ -	\$ -	\$ -	\$ 2,425,365
Bond premium	64,015	-	-	-	64,015
Proceeds from the sale of capital assets	1,081,396	-	-	-	1,081,396
Transfers in	693,891	830,000	-	-	1,523,891
Total other financing sources (uses)	\$ 4,264,667	\$ 830,000	\$ -	\$ -	\$ 5,094,667
Net change in fund balance	\$ 2,156,114	\$ 386,869	\$ (305,231)	\$ (353,301)	\$ 1,884,451
Fund balance, beginning of year	2,061,393	4,123,799	592,446	3,413,085	10,190,723
Fund balance, end of year	\$ 4,217,507	\$ 4,510,668	\$ 287,215	\$ 3,059,784	\$ 12,075,174

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Debt Service Funds
 Year Ended June 30, 2008

	General Obligation Bond Debt Service Fund	Education Debt Service Fund	Total
Expenditures			
Debt service:			
Principal	\$ 2,063,594	\$ 1,232,513	\$ 3,296,107
Interest and fiscal charges	742,693	2,321,850	3,064,543
Total expenditures	\$ 2,806,287	\$ 3,554,363	\$ 6,360,650
Excess (deficiency) of revenues over expenditures	\$ (2,806,287)	\$ (3,554,363)	\$ (6,360,650)
Other financing sources (uses)			
Long-term debt issued	\$ 36,785	\$ -	\$ 36,785
Transfers in	2,769,502	3,554,363	6,323,865
Total other financing sources (uses)	\$ 2,806,287	\$ 3,554,363	\$ 6,360,650
Net change in fund balance	\$ -	\$ -	\$ -
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

CITY OF FREDERICKSBURG, VIRGINIA

Combining Statement of Fiduciary Net Assets
At June 30, 2008

	Criminal Justice Academy	Special Welfare	Court Service Unit	CASA Program	Rappahannock Area Youth Commission
ASSETS					
Assets:					
Cash and cash equivalents	\$ 7,443	\$ 25,132	\$ 156,083	\$ 151,238	\$ 58,278
Accounts receivable	-	400	-	1,937	80,327
Prepaid items	-	-	5,487	-	4,159
Total assets	\$ 7,443	\$ 25,532	\$ 161,570	\$ 153,175	\$ 142,764
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable	\$ 7,443	-	\$ 7,715	\$ 1,119	\$ 17,377
Deferred revenue	-	-	-	-	-
Amounts held for others	-	25,532	153,855	152,056	125,387
Total liabilities	\$ 7,443	\$ 25,532	\$ 161,570	\$ 153,175	\$ 142,764
Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -

	Revenue Maximization Fund	Forfeited Asset Sharing Program Fund	Community Development Authority	Total
\$	20,451	\$ 63,017	\$ 781,863	\$ 1,263,505
	-	2,149	-	84,813
	-	-	-	9,646
	<u>20,451</u>	<u>-</u>	<u>-</u>	<u>9,646</u>
\$	<u>20,451</u>	<u>\$ 65,166</u>	<u>\$ 781,863</u>	<u>\$ 1,357,964</u>
\$	-	\$ 13,259	-	\$ 46,913
	-	-	780,709	780,709
	20,451	51,907	1,154	530,342
	<u>20,451</u>	<u>51,907</u>	<u>1,154</u>	<u>530,342</u>
\$	<u>20,451</u>	<u>\$ 65,166</u>	<u>\$ 781,863</u>	<u>\$ 1,357,964</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

AGENCY FUNDS

Statement of Changes in Assets and Liabilities

Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
CRIMINAL JUSTICE ACADEMY				
Assets:				
Cash and cash equivalents	\$ 7,068	\$ 908,256	\$ 907,881	\$ 7,443
Liabilities:				
Accounts payable	\$ 7,068	\$ 908,256	\$ 907,881	\$ 7,443
SPECIAL WELFARE				
Assets:				
Cash and cash equivalents	\$ 28,350	\$ 11,781	\$ 14,999	\$ 25,132
Accounts receivable	-	400	-	400
Total assets	\$ 28,350	\$ 12,181	\$ 14,999	\$ 25,532
Liabilities:				
Amounts held for others	\$ 28,350	\$ 12,181	\$ 14,999	\$ 25,532
COURT SERVICE UNIT				
Assets:				
Cash and cash equivalents	\$ 154,005	\$ 218,370	\$ 216,292	\$ 156,083
Accounts receivable	10,532	-	10,532	-
Prepaid items	5,538	5,487	5,538	5,487
Total assets	\$ 170,075	\$ 223,857	\$ 232,362	\$ 161,570
Liabilities:				
Accounts payable	\$ 19,515	\$ 7,715	\$ 19,515	\$ 7,715
Amounts held for others	150,560	216,142	212,847	153,855
Total liabilities	\$ 170,075	\$ 223,857	\$ 232,362	\$ 161,570
CASA PROGRAM				
Assets:				
Cash and cash equivalents	\$ 96,299	\$ 210,412	\$ 155,473	\$ 151,238
Accounts receivable	9,307	1,937	9,307	1,937
Total assets	\$ 105,606	\$ 212,349	\$ 164,780	\$ 153,175
Liabilities:				
Accounts payable	\$ 347	\$ 1,119	\$ 347	\$ 1,119
Amounts held for others	105,259	211,230	164,433	152,056
Total liabilities	\$ 105,606	\$ 212,349	\$ 164,780	\$ 153,175

AGENCY FUNDS
Statement of Changes in Assets and Liabilities
Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
GWRC AGENCY				
Assets:				
Accounts receivable	\$ 12,770	\$ -	\$ 12,770	\$ -
Liabilities:				
Reconciled overdraft	\$ 12,768	\$ -	\$ 12,768	\$ -
Amounts held for others	2	-	2	-
Total liabilities	\$ 12,770	\$ -	\$ 12,770	\$ -
RAPPAHANNOCK AREA YOUTH COMMISSION				
Assets:				
Cash and cash equivalents	\$ 53,601	\$ 475,359	\$ 470,682	\$ 58,278
Accounts receivable	19,369	80,327	19,369	80,327
Prepaid items	17,412	4,159	17,412	4,159
Total assets	\$ 90,382	\$ 559,845	\$ 507,463	\$ 142,764
Liabilities:				
Accounts payable	\$ 7,817	\$ 17,377	\$ 7,817	\$ 17,377
Amounts held for others	82,565	542,468	499,646	125,387
Total liabilities	\$ 90,382	\$ 559,845	\$ 507,463	\$ 142,764
REVENUE MAXIMIZATION FUND				
Assets:				
Cash and cash equivalents	\$ 20,451	\$ -	\$ -	\$ 20,451
Liabilities:				
Amounts held for others	\$ 20,451	\$ -	\$ -	\$ 20,451
FORFEITED ASSET SHARING PROGRAM FUND				
Assets:				
Cash and cash equivalents	\$ 44,817	\$ 28,497	\$ 10,297	\$ 63,017
Accounts receivable	-	2,149	-	2,149
Total assets	\$ 44,817	\$ 30,646	\$ 10,297	\$ 65,166
Liabilities:				
Accounts payable	\$ 1,871	\$ 13,259	\$ 1,871	\$ 13,259
Amounts held for others	42,946	17,387	8,426	51,907
Total liabilities	\$ 44,817	\$ 30,646	\$ 10,297	\$ 65,166

AGENCY FUNDS

Statement of Changes in Assets and Liabilities

Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
COMMUNITY DEVELOPMENT AUTHORITY				
Assets:				
Cash and cash equivalents	\$ -	\$ 781,863	\$ -	\$ 781,863
Liabilities:				
Deferred revenue	\$ -	\$ 780,709	\$ -	\$ 780,709
Amounts held for others	-	1,154	-	1,154
Total liabilities	\$ -	\$ 781,863	\$ -	\$ 781,863
TOTALS -- ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 404,591	\$ 2,634,538	\$ 1,775,624	\$ 1,263,505
Accounts receivable	51,978	84,813	51,978	84,813
Prepaid items	22,950	9,646	22,950	9,646
Total assets	\$ 479,519	\$ 2,728,997	\$ 1,850,552	\$ 1,357,964
Liabilities:				
Reconciled overdraft	\$ 12,768	\$ -	\$ 12,768	\$ -
Accounts payable	36,618	947,726	937,431	46,913
Deferred revenue	-	780,709	-	780,709
Amounts held for others	430,133	1,000,562	900,353	530,342
Total liabilities	\$ 479,519	\$ 2,728,997	\$ 1,850,552	\$ 1,357,964

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds				
Virginia Public Assistance Fund				
Revenues				
Recovered costs	\$ -	\$ -	\$ 119,444	\$ 119,444
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance grants	917,087	917,087	1,196,622	279,535
Revenue from the Federal Government:				
Categorical aid:				
Public assistance grants	2,896,008	2,896,008	2,093,225	(802,783)
Total revenues	<u>\$ 3,813,095</u>	<u>\$ 3,813,095</u>	<u>\$ 3,409,291</u>	<u>\$ (403,804)</u>
Expenditures				
Health and welfare	<u>\$ 4,592,024</u>	<u>\$ 4,647,568</u>	<u>\$ 4,213,903</u>	<u>\$ 433,665</u>
State, Federal and Local Grants Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 3,395	\$ 3,395
Miscellaneous	<u>\$ 245,030</u>	<u>\$ 245,030</u>	<u>\$ 354,011</u>	<u>\$ 108,981</u>
Recovered costs:				
Stafford and Spotsylvania Counties	\$ 416,400	\$ 416,400	\$ 401,400	\$ (15,000)
Other	<u>-</u>	<u>21,000</u>	<u>1,450</u>	<u>(19,550)</u>
Total recovered costs	<u>\$ 416,400</u>	<u>\$ 437,400</u>	<u>\$ 402,850</u>	<u>\$ (34,550)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Litter control	\$ -	\$ -	\$ 6,508	\$ 6,508
Arts grant	5,000	5,000	5,000	-
Hazardous materials grant	30,000	30,000	30,000	-
Victim-witness program	-	-	15,919	15,919
Fire services program	46,762	46,762	50,821	4,059
VA domestic violence victim fund	36,461	36,461	54,117	17,656
Other	<u>-</u>	<u>5,000</u>	<u>25</u>	<u>(4,975)</u>
Total revenue from the Commonwealth	<u>\$ 118,223</u>	<u>\$ 123,223</u>	<u>\$ 162,390</u>	<u>\$ 39,167</u>
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement and related programs	\$ 252,690	\$ 424,613	\$ 352,840	\$ (71,773)
Community development block grant	<u>237,854</u>	<u>237,854</u>	<u>304,602</u>	<u>66,748</u>
Total revenue from the Federal Government	<u>\$ 490,544</u>	<u>\$ 662,467</u>	<u>\$ 657,442</u>	<u>\$ (5,025)</u>
Total revenues	<u>\$ 1,270,197</u>	<u>\$ 1,468,120</u>	<u>\$ 1,580,088</u>	<u>\$ 111,968</u>
Expenditures				
Judicial administration:				
Victim-witness	<u>\$ 96,429</u>	<u>\$ 96,429</u>	<u>\$ 88,237</u>	<u>\$ 8,192</u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Special Revenue Funds: (continued)				
State, Federal and Local Grants Fund: (continued)				
Expenditures: (continued)				
Public safety:				
Hazardous materials response program	\$ 30,000	\$ 30,000	\$ 16,744	\$ 13,256
Fire services program	46,762	46,762	43,323	3,439
Crime prevention	-	-	13,836	(13,836)
Terrorism prevention	-	4,760	4,759	1
Emergency response team	-	14,640	14,676	(36)
Byrne active shoot	-	16,577	17,414	(837)
Byrne memorial grant program	-	64,030	59,530	4,500
Domestic violence	204,524	304,336	178,534	125,802
Police officers	-	19,350	19,398	(48)
DMV grants	-	24,244	20,782	3,462
State homeland security grant	-	34,433	33,944	489
Crime and delinquency grant	65,737	197,473	68,384	129,089
Criminal justice system improvement	-	44,006	40,541	3,465
Total public safety	\$ 347,023	\$ 800,611	\$ 531,865	\$ 268,746
Parks, recreation and cultural:				
Soap Box Derby	\$ 25,000	\$ 25,000	\$ 19,783	\$ 5,217
Fine Arts Commission	5,000	5,000	5,000	-
War memorial	-	305,000	28,159	276,841
First Fridays	65,000	65,000	51,966	13,034
Other	77,030	77,030	11,504	65,526
Total parks, recreation and cultural	\$ 172,030	\$ 477,030	\$ 116,412	\$ 360,618
Community development:				
PEG access	\$ 30,000	\$ 30,000	\$ 34,085	\$ (4,085)
Community development block grant	279,665	279,665	345,063	(65,398)
First Night celebration	48,000	48,000	50,326	(2,326)
Regional consumer marketing	547,100	651,040	500,949	150,091
Regional group tourism	150,000	182,439	139,787	42,652
Other	30,000	68,062	23,548	44,514
Total community development	\$ 1,084,765	\$ 1,259,206	\$ 1,093,758	\$ 165,448
Total expenditures	\$ 1,700,247	\$ 2,633,276	\$ 1,830,272	\$ 803,004
Regional Transportation Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 30,000	\$ 30,000	\$ 19,285	\$ (10,715)
Miscellaneous	-	-	455	455
Recovered costs	-	-	4,680	4,680
Total revenues	\$ 30,000	\$ 30,000	\$ 24,420	\$ (5,580)
Expenditures				
Community development:				
Commuter rail	\$ 30,000	\$ 30,000	\$ 23,963	\$ 6,037

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special Revenue Funds: (continued)				
Comprehensive Services Act Fund				
Revenues				
Intergovernmental:				
Revenue from the Commonwealth:				
Comprehensive Services Act grants	\$ 739,513	\$ 739,513	\$ 775,788	\$ 36,275
Expenditures				
Health and Welfare:				
Comprehensive Services Act program	\$ 1,489,348	\$ 1,464,348	\$ 1,370,050	\$ 94,298
Prisoner Extradition Fund				
Revenues				
Recovered costs	\$ -	\$ 20,579	\$ 20,579	\$ -
Expenditures				
Public safety	\$ -	\$ 20,579	\$ 13,663	\$ 6,916
Economic Development Opportunity Fund				
Expenditures				
Community development	\$ -	\$ 50,750	\$ 3,629	\$ 47,121
Capital Projects Funds				
Public Works Construction Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ 500,000	\$ 1,207,800	\$ 780,483	\$ (427,317)
Fines and forfeitures	\$ -	\$ -	\$ 50,799	\$ 50,799
Revenue from use of money and property:				
Use of money	\$ 300,000	\$ 300,000	\$ 468,257	\$ 168,257
Use of property	-	-	2,125	2,125
Total revenue from use of money and property	\$ 300,000	\$ 300,000	\$ 470,382	\$ 170,382
Miscellaneous	\$ 50,000	\$ 50,000	-	\$ (50,000)
Recovered costs	\$ 100,000	\$ 100,000	\$ 155,782	\$ 55,782
Intergovernmental:				
Revenue from the Commonwealth:				
VDOT revenue sharing	\$ -	\$ 638,550	\$ 601,833	\$ (36,717)
Total revenues	\$ 950,000	\$ 2,296,350	\$ 2,059,279	\$ (237,071)
Expenditures				
Capital projects:				
Drainage improvements	\$ 350,000	\$ 410,000	\$ 147,906	\$ 262,094
Bridge improvements	-	795,980	35,120	760,860
Concrete rehabilitation	125,000	125,000	112,195	12,805
Annual pavement rehabilitation	500,000	500,000	649,709	(149,709)
Downtown brick sidewalks	85,000	85,000	45,498	39,502
Cowan Boulevard extension	-	406,349	-	406,349
George Street pedestrian walk	-	264,555	198,564	65,991
Riverfront park	1,650,000	2,576,700	1,842,306	734,394
Historic downtown signs project	200,000	383,000	92,355	290,645
Public works capital equipment	-	200,000	138,392	61,608
Ornamental street lights replacement	50,000	50,000	-	50,000

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
Public Works Construction Fund: (continued)				
Expenditures: (continued)				
Capital projects: (continued)				
Blue-Gray parkway bridge	\$ -	\$ 85,000	\$ -	\$ 85,000
Cowan Boulevard streetlights	50,000	247,920	-	247,920
Route 1 reconstruction	-	-	889,441	(889,441)
Traffic safety improvements	-	19,250	16,346	2,904
Route 3 traffic signals	-	600,000	-	600,000
Fall Hill Avenue engineering	-	3,040	-	3,040
Bridge over canal	-	50,000	-	50,000
	<u>\$ 3,010,000</u>	<u>\$ 6,801,794</u>	<u>\$ 4,167,832</u>	<u>\$ 2,633,962</u>
Public Facilities Construction Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ 160,000	\$ 160,000	\$ 427,646	\$ 267,646
Use of property	-	-	17,024	17,024
	<u>\$ 160,000</u>	<u>\$ 160,000</u>	<u>\$ 444,670</u>	<u>\$ 284,670</u>
Recovered costs	\$ -	\$ -	\$ 221,367	\$ 221,367
Intergovernmental:				
Revenue from the Commonwealth:				
Circuitry grant	\$ 300,000	\$ 300,000	\$ 225,099	\$ (74,901)
Revenue from the Federal Government:				
Categorical aid:				
HUD grant	\$ -	\$ -	\$ 148,800	\$ 148,800
	<u>\$ 460,000</u>	<u>\$ 460,000</u>	<u>\$ 1,039,936</u>	<u>\$ 579,936</u>
Expenditures				
Capital projects:				
Public facilities general improvements	\$ -	\$ -	\$ 3,013	\$ (3,013)
Maury School renovation	-	50,359	242,872	(192,513)
HVAC retrofit	100,000	202,437	163,347	39,090
General district building renovations	-	75,000	32,140	42,860
Circuit court renovations	600,000	442,185	421,813	20,372
Canal path improvements	-	-	235	(235)
Pathways - VCR trail	300,000	381,850	132,017	249,833
Fredericksburg area museum	100,000	100,000	100,000	-
Downman house	-	183,815	-	183,815
Alum springs bridge	10,000	10,000	-	10,000
Jail alley retaining wall	-	110,000	77,555	32,445
Computer equipment replacement	-	300,000	189,519	110,481
Visitor center renovations	20,000	20,000	-	20,000
Fire station roof replacement	-	39,752	-	39,752
Executive plaza building	3,150,000	2,096,138	78,893	2,017,245
Hart center renovations	300,000	207,009	32,356	174,653
Sheriff and commonwealth attorney renovations	-	-	2,944	(2,944)
Circuit court holding cell renovations	-	89,671	6,363	83,308
Pathways - riverside & mill sites	-	55,000	-	55,000
	<u>\$ 4,580,000</u>	<u>\$ 4,363,216</u>	<u>\$ 1,483,067</u>	<u>\$ 2,880,149</u>

Revenues and Expenditures Budgetary Comparison Schedule
For Nonmajor and Other Funds With Legally Adopted Budgets
Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Capital Projects Funds: (continued)				
New High School Construction Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 32,914	\$ 32,914
Recovered costs	\$ -	\$ -	\$ 52,427	\$ 52,427
Total revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,341</u>	<u>\$ 85,341</u>
Expenditures				
Capital projects:				
New high school	\$ -	\$ 592,445	\$ 390,572	\$ 201,873
Public Safety Construction Fund				
Revenues				
Other local taxes:				
Gasoline taxes	\$ -	\$ -	\$ 53,997	\$ 53,997
Revenue from use of money and property:				
Use of money	\$ -	\$ -	\$ 127,646	\$ 127,646
Recovered costs	\$ -	\$ -	\$ 50,000	\$ 50,000
Intergovernmental:				
Revenue from the Commonwealth:				
E-911 wireless grant	\$ -	\$ 143,426	\$ 108,906	\$ (34,520)
Total revenues	<u>\$ -</u>	<u>\$ 143,426</u>	<u>\$ 340,549</u>	<u>\$ 197,123</u>
Expenditures				
Capital projects:				
E-911 wireless program	\$ 46,000	\$ 189,426	\$ 144,740	\$ 44,686
Fire equipment	540,000	540,000	-	540,000
Backup generators - fire and police headquarters	-	122,500	124,779	(2,279)
Automated parking enforcement	-	-	77,960	(77,960)
Special magistrate new facility	75,000	75,000	-	75,000
Police headquarters	-	445,265	346,371	98,894
Total capital projects	<u>\$ 661,000</u>	<u>\$ 1,372,191</u>	<u>\$ 693,850</u>	<u>\$ 678,341</u>
Debt Service Funds				
General Obligation Debt Service Fund				
Expenditures				
Principal and interest	<u>\$ 2,704,008</u>	<u>\$ 2,806,287</u>	<u>\$ 2,806,287</u>	<u>\$ -</u>
Education Debt Service Fund				
Expenditures				
Principal and interest	<u>\$ 3,554,363</u>	<u>\$ 3,554,363</u>	<u>\$ 3,554,363</u>	<u>\$ -</u>

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

Component Unit School Board
Combining Balance Sheet
At June 30, 2008

	School Operating Fund	Special School Fund	School Capital Projects Fund	Total Governmental Funds
ASSETS				
Assets:				
Cash and cash equivalents	\$ 3,651,520	\$ 310,185	\$ 421,648	\$ 4,383,353
Accrued revenue	19,090	7,015	-	26,105
Due from other governments	558,088	635,112	-	1,193,200
Prepays	180,523	-	-	180,523
Total assets	<u>\$ 4,409,221</u>	<u>\$ 952,312</u>	<u>\$ 421,648</u>	<u>\$ 5,783,181</u>
LIABILITIES AND EQUITY				
Liabilities:				
Accounts payable	\$ 623,155	\$ 41,340	\$ 53,280	\$ 717,775
Accrued liabilities	2,492,272	297,442	-	2,789,714
Total liabilities	<u>\$ 3,115,427</u>	<u>\$ 338,782</u>	<u>\$ 53,280</u>	<u>\$ 3,507,489</u>
Equity:				
Fund Balance:				
Reserved for:				
Prepays	\$ 180,523	\$ -	\$ -	\$ 180,523
Designated:				
Subsequent year's expenditures	-	613,530	-	613,530
Capital projects	184,937	-	368,368	553,305
Unreserved/undesignated	928,334	-	-	928,334
Total equity	<u>\$ 1,293,794</u>	<u>\$ 613,530</u>	<u>\$ 368,368</u>	<u>\$ 2,275,692</u>
Total liabilities and equity	<u>\$ 4,409,221</u>	<u>\$ 952,312</u>	<u>\$ 421,648</u>	<u>\$ 5,783,181</u>

Component Unit School Board
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
 At June 30, 2008

Total fund balances for governmental funds (Exhibit 25) \$ 2,275,692

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	472,679	
Land improvements, net of accumulated depreciation		86,494	
Buildings and improvements, net of accumulated depreciation		12,415,195	
Equipment, net of accumulated depreciation		981,354	
			<u>13,955,722</u>

Total capital assets 13,955,722

Compensated absences not reported as fund liabilities (926,564)

Total net assets of governmental activities (Exhibits 1 and 12) \$ 15,304,850

Component Unit School Board
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	School Operating Fund	Special School Fund	School Capital Projects Fund	Total Governmental Funds
Revenues				
Use of money and property	\$ 12,950	\$ -	\$ -	\$ 12,950
Charges for services	286,715	401,195	-	687,910
Miscellaneous	127,173	2,500	-	129,673
Recovered costs	-	215,436	-	215,436
Intergovernmental:				
Appropriation from primary government	23,642,591	230,000	562,000	24,434,591
Revenue from the Commonwealth	6,944,509	449,495	183,330	7,577,334
Revenue from the Federal Government	565,271	2,837,055	-	3,402,326
Total revenues	\$ 31,579,209	\$ 4,135,681	\$ 745,330	\$ 36,460,220
Expenditures				
Current:				
Education:				
Instruction	\$ 22,982,330	\$ 2,952,247	\$ -	\$ 25,934,577
Administration, attendance and health	3,071,547	-	-	3,071,547
Transportation	1,187,517	-	-	1,187,517
Facilities operations	3,623,748	-	-	3,623,748
School food services	132,677	1,131,810	-	1,264,487
Capital projects	-	-	1,534,804	1,534,804
Total expenditures	\$ 30,997,819	\$ 4,084,057	\$ 1,534,804	\$ 36,616,680
Excess (deficiency) of revenues over expenditures	\$ 581,390	\$ 51,624	\$ (789,474)	\$ (156,460)
Net change in fund balance	\$ 581,390	\$ 51,624	\$ (789,474)	\$ (156,460)
Fund balance, beginning of year	712,404	561,906	1,157,842	2,432,152
Fund balance, end of year	\$ 1,293,794	\$ 613,530	\$ 368,368	\$ 2,275,692

Component Unit School Board
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit 27) \$ (156,460)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 971,930

Transfer of joint tenancy assets from Primary Government to the Component Unit 2,482,412

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following:

Compensated absences	<u>(156,367)</u>
Change in net assets of governmental activities (Exhibit 12)	<u>\$ 3,141,515</u>

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

Component Unit School Board
 School Operating Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
School Operating Fund				
Revenues				
Use of money and property:				
Use of property	\$ 3,500	\$ 3,500	\$ 12,950	\$ 9,450
Charges for services:				
Charges for education	\$ 234,375	\$ 234,375	\$ 286,715	\$ 52,340
Miscellaneous	\$ 27,500	\$ 27,500	\$ 127,173	\$ 99,673
Intergovernmental:				
Appropriation from primary government	\$ 23,728,000	\$ 23,728,000	\$ 23,642,591	\$ (85,409)
Revenue from the Commonwealth:				
Categorical aid:				
State sales taxes	\$ 2,508,075	\$ 2,508,075	\$ 2,405,992	\$ (102,083)
Basic aid	2,695,320	2,695,320	2,737,005	41,685
Other	1,737,408	1,737,408	1,801,512	64,104
Total revenue from the Commonwealth	\$ 6,940,803	\$ 6,940,803	\$ 6,944,509	\$ 3,706
Revenue from the Federal Government:				
Categorical aid:				
Special education	\$ 495,000	\$ 495,000	\$ 509,431	\$ 14,431
Other	55,000	55,000	55,840	840
Total revenue from the Federal Government	\$ 550,000	\$ 550,000	\$ 565,271	\$ 15,271
Total revenues	\$ 31,484,178	\$ 31,484,178	\$ 31,579,209	\$ 95,031
Expenditures				
Current:				
Education:				
Instruction	\$ 23,222,310	\$ 23,429,322	\$ 22,982,330	\$ 446,992
Administration, attendance and health	3,245,660	3,265,695	3,071,547	194,148
Transportation	1,167,416	1,167,916	1,187,517	(19,601)
School food operations	125,000	132,598	132,677	(79)
Facilities operations	3,638,383	3,728,238	3,623,748	104,490
Total expenditures	\$ 31,398,769	\$ 31,723,769	\$ 30,997,819	\$ 725,950
Excess (deficiency) of revenues over expenditures	\$ 85,409	\$ (239,591)	\$ 581,390	\$ 820,981
Other financing sources (uses)				
Transfers out	\$ (85,409)	\$ (85,409)	\$ -	\$ 85,409
Total other financing sources (uses)	\$ (85,409)	\$ (85,409)	\$ -	\$ 85,409
Net change in fund balance	\$ -	\$ (325,000)	\$ 581,390	\$ 906,390
Fund balance, beginning of year	-	325,000	712,404	387,404
Fund balance, end of year	\$ -	\$ -	\$ 1,293,794	\$ 1,293,794

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

Component Unit School Board
 Special School Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Special School Fund				
Revenues				
Revenue from use of money and property:				
Use of money	\$ 250	\$ 250	\$ -	\$ (250)
Charges for services:				
Cafeteria sales	\$ 338,250	\$ 338,250	\$ 401,195	\$ 62,945
Miscellaneous	\$ 250	\$ 250	\$ 2,500	\$ 2,250
Recovered costs:				
Education	\$ 248,274	\$ 248,274	\$ 215,436	\$ (32,838)
Intergovernmental:				
Appropriation from primary government	\$ 230,000	\$ 230,000	\$ 230,000	\$ -
Revenue from the Commonwealth:				
Categorical aid:				
School food	\$ 15,250	\$ 15,250	\$ 17,143	\$ 1,893
VPSA technology grant	154,000	246,640	100,831	(145,809)
Project graduation	225,000	225,000	199,096	(25,904)
Other	125,000	125,000	132,425	7,425
Total revenue from the Commonwealth	\$ 519,250	\$ 611,890	\$ 449,495	\$ (162,395)
Revenue from the Federal Government:				
Categorical aid:				
Title I	\$ 675,000	\$ 675,000	\$ 605,848	\$ (69,152)
School food	565,000	565,000	631,552	66,552
Head Start	1,215,000	1,215,000	1,157,611	(57,389)
Enhancing education via technology	475,000	646,817	185,625	(461,192)
Other	303,000	303,000	256,419	(46,581)
Total revenue from the Federal Government	\$ 3,233,000	\$ 3,404,817	\$ 2,837,055	\$ (567,762)
Total revenues	\$ 4,569,274	\$ 4,833,731	\$ 4,135,681	\$ (698,050)
Expenditures				
Current:				
Instruction	\$ 3,610,529	\$ 3,874,986	\$ 2,952,247	\$ 922,739
School food service operations	958,745	958,745	1,131,810	(173,065)
Total expenditures	\$ 4,569,274	\$ 4,833,731	\$ 4,084,057	\$ 749,674
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 51,624	\$ 51,624
Net change in fund balance	\$ -	\$ -	\$ 51,624	\$ 51,624
Fund balance, beginning of year	-	-	561,906	561,906
Fund balance, end of year	\$ -	\$ -	\$ 613,530	\$ 613,530

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

Component Unit School Board
 School Capital Projects Fund
 Revenues and Expenditures Budgetary Comparison Schedule
 Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
School Capital Projects Fund				
Revenues				
Intergovernmental:				
Appropriation from primary government	\$ 562,000	\$ 562,000	\$ 562,000	\$ -
Revenue from the Commonwealth:				
Lottery funds	\$ 70,600	\$ 70,600	\$ 70,606	\$ 6
School construction funds	112,400	112,400	112,724	324
Total Revenue from the Commonwealth	<u>\$ 183,000</u>	<u>\$ 183,000</u>	<u>\$ 183,330</u>	<u>\$ 330</u>
Total revenues	<u>\$ 745,000</u>	<u>\$ 745,000</u>	<u>\$ 745,330</u>	<u>\$ 330</u>
Expenditures				
Capital projects:				
School buses	\$ 135,000	\$ 135,000	\$ 130,276	\$ 4,724
School computer technology	370,000	370,000	360,701	9,299
School improvements	1,220,000	1,200,000	1,005,501	194,499
Maintenance equipment	20,000	20,000	19,741	259
Other	-	20,000	18,585	1,415
Total capital projects	<u>\$ 1,745,000</u>	<u>\$ 1,745,000</u>	<u>\$ 1,534,804</u>	<u>\$ 210,196</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,000,000)</u>	<u>\$ (1,000,000)</u>	<u>\$ (789,474)</u>	<u>\$ 210,526</u>
Net change in fund balance	\$ (1,000,000)	\$ (1,000,000)	\$ (789,474)	\$ 210,526
Fund balance, beginning of year	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,157,842</u>	<u>157,842</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 368,368</u>	<u>\$ 368,368</u>

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

Statistical Section

<u>Contents</u>	<u>Tables</u>
Financial Trends These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.	1 - 5
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	6 - 9
Debt Capacity These tables 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 debt in the future.	10 - 13
Demographic and Economic Information These tables offer demographic and economic 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.	14, 15
Operating Information These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relate to the services the City provides and the activities it performs.	16 - 18

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2003; schedules presenting government-wide information include information beginning in that year.

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CITY OF FREDERICKSBURG, VIRGINIA

Table 1

Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 4,880,522	\$ 18,210,496	\$ 27,167,134	\$ 68,520,864	\$ 80,789,888	\$ 79,960,278
Unrestricted	28,326,393	29,766,767	59,025,733	42,907,819	31,075,783	28,429,225
Total governmental activities net assets	\$ 33,206,915	\$ 47,977,263	\$ 86,192,867	\$ 111,428,683	\$ 111,865,671	\$ 108,389,503
Business-type activities:						
Invested in capital assets, net of related debt	\$ 21,806,563	\$ 21,954,260	\$ 28,763,172	\$ 27,183,315	\$ 32,215,508	\$ 29,319,742
Unrestricted	13,149,428	12,692,077	11,123,212	17,550,170	15,618,080	21,584,625
Total business-type activities net assets	\$ 34,955,991	\$ 34,646,337	\$ 39,886,384	\$ 44,733,485	\$ 47,833,588	\$ 50,904,367
Primary government:						
Invested in capital assets, net of related debt	\$ 26,687,085	\$ 40,164,756	\$ 55,930,306	\$ 95,704,179	\$ 113,005,396	\$ 109,280,020
Unrestricted	41,475,821	42,458,844	70,148,945	60,457,989	46,693,863	50,013,850
Total primary government net assets	\$ 68,162,906	\$ 82,623,600	\$ 126,079,251	\$ 156,162,168	\$ 159,699,259	\$ 159,293,870

Note: Accrual-basis financial information is available back to fiscal year 2003 when the City implemented GASB 34. The City did not record its infrastructure capital assets acquired prior to July 1, 2003, until fiscal year 2005.

Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Expenses						
Governmental activities:						
General government	\$ 3,667,325	\$ 3,836,089	\$ 4,105,737	\$ 3,688,618	\$ 5,546,499	\$ 5,254,913
Judicial administration	2,084,990	2,155,331	2,434,259	2,853,064	3,131,169	3,559,936
Public safety	12,950,555	13,448,595	14,424,379	15,922,143	18,155,708	19,073,783
Public works	5,280,143	5,342,332	6,689,270	8,278,001	9,099,097	9,882,486
Health and welfare	4,228,980	5,098,576	5,357,236	6,130,391	6,745,573	6,465,395
Education	15,556,786	14,232,858	15,942,171	18,961,723	24,108,406	28,328,165
Parks, recreation and cultural	3,007,944	3,302,359	3,648,639	4,029,638	4,485,451	4,588,059
Community development	2,022,708	1,914,617	1,972,940	2,186,347	2,619,455	2,344,557
Interest on long-term debt	817,031	1,180,917	2,951,161	3,110,420	2,991,013	2,948,621
Total governmental activities expenses	\$ 49,616,462	\$ 50,511,674	\$ 57,525,792	\$ 65,160,345	\$ 76,882,371	\$ 82,445,915
Business-type activities:						
Water	\$ 1,691,936	\$ 1,691,301	\$ 2,561,096	\$ 2,381,713	\$ 2,873,240	\$ 3,148,696
Sewer	2,610,054	2,566,538	2,708,274	3,077,612	3,538,756	4,172,099
Transit	1,085,071	1,156,280	1,464,268	2,124,171	2,491,330	3,345,639
Parking	-	-	19,575	297,067	441,343	495,917
Total business-type activities expenses	\$ 5,387,061	\$ 5,414,119	\$ 6,753,213	\$ 7,880,563	\$ 9,344,669	\$ 11,162,351
Total primary government expenses	\$ 55,003,523	\$ 55,925,793	\$ 64,279,005	\$ 73,040,908	\$ 86,227,040	\$ 93,608,266

Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Program Revenues						
Governmental activities:						
Charges for services:						
General government	\$ 44,352	\$ 35,159	\$ 36,160	\$ 41,889	\$ 49,059	\$ 50,515
Judicial administration	77,388	65,162	66,795	230,864	122,520	112,162
Public safety	880,080	1,001,944	1,438,302	363,782	1,036,746	1,361,978
Public works	555,898	598,371	598,081	1,695,616	698,875	689,151
Parks, recreation and cultural	564,243	592,019	562,119	579,514	637,446	550,465
Community development	766	2,478	1,675	15,185	2,795	2,470
Operating grants and contributions	7,013,544	8,034,289	8,113,818	8,625,114	9,343,428	10,656,874
Capital grants and contributions	647,763	229,535	-	-	766,972	453,402
Total governmental activities program revenues	\$ 9,784,034	\$ 10,558,957	\$ 10,816,950	\$ 11,551,964	\$ 12,657,841	\$ 13,877,017
Business-type activities:						
Charges for services:						
Water	\$ 1,753,862	\$ 1,870,329	\$ 1,938,886	\$ 2,056,764	\$ 2,067,579	\$ 2,150,126
Sewer	2,926,124	3,101,699	3,103,723	3,073,788	3,168,327	3,264,915
Transit	28,604	32,157	45,830	50,416	54,952	116,661
Parking	-	-	-	28,563	83,520	106,916
Operating grants and contributions	2,605,140	2,695,011	4,350,268	5,887,681	4,427,535	4,560,490
Capital grants and contributions	-	22,289	2,328,265	739,857	2,391,013	2,301,859
Total business-type activities program revenues	\$ 7,313,730	\$ 7,721,485	\$ 11,766,972	\$ 11,837,069	\$ 12,192,926	\$ 12,500,967
Total primary government program revenues	\$ 17,097,764	\$ 18,280,442	\$ 22,583,922	\$ 23,389,033	\$ 24,850,767	\$ 26,377,984
Net (expense) / revenue						
Governmental activities	\$ (39,832,428)	\$ (39,952,717)	\$ (46,708,842)	\$ (53,608,381)	\$ (64,224,530)	\$ (68,568,898)
Business-type activities	1,926,669	2,307,366	5,013,759	3,956,506	2,848,257	1,338,616
Total primary government net expense	\$ (37,905,759)	\$ (37,645,351)	\$ (41,695,083)	\$ (49,651,875)	\$ (61,376,273)	\$ (67,230,282)

Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Property taxes	\$ 19,529,042	\$ 21,998,946	\$ 22,552,006	\$ 24,818,965	\$ 27,037,526	\$ 27,791,803
Local sales and use taxes	9,966,988	11,537,324	11,994,065	12,856,512	12,892,369	12,746,040
Taxes on recordation and wills	334,216	277,548	708,156	985,477	818,353	715,884
Motor vehicle licenses taxes	159,618	160,089	165,647	298,240	310,039	300,786
Consumer utility taxes	2,497,143	2,780,470	2,882,555	2,910,053	2,036,988	1,527,028
Business licenses taxes	3,761,772	4,536,150	4,974,756	5,893,564	5,777,346	5,436,366
Other local taxes	6,266,207	7,754,622	8,722,648	9,053,329	9,559,322	10,351,247
Unrestricted grants and contributions	1,925,405	1,799,222	1,989,643	2,145,364	1,992,420	2,027,309
Unrestricted revenues from use of money and property	1,449,961	575,451	2,180,879	2,005,694	2,490,880	1,724,668
Gain on disposal of assets	-	-	-	-	298,472	1,073,425
Miscellaneous	277,862	434,025	431,637	18,207,446	683,108	563,376
Transfers	-	-	-	-	764,695	834,798
Total governmental activities	\$ 46,168,214	\$ 51,853,847	\$ 56,601,992	\$ 79,174,644	\$ 64,661,518	\$ 65,092,730
Business-type activities:						
Taxes:						
Other local taxes	\$ -	\$ -	\$ -	\$ -	\$ 393,707	\$ 536,846
Unrestricted revenues from use of money and property	-	20,731	31,997	315,856	418,168	448,499
Miscellaneous	185,861	231,467	169,744	244,292	204,666	1,581,616
Transfers	-	-	24,547	-	(764,695)	(834,798)
Total business-type activities	\$ 185,861	\$ 252,198	\$ 226,288	\$ 560,148	\$ 251,846	\$ 1,732,163
Total primary government	\$ 46,354,075	\$ 52,106,045	\$ 56,828,280	\$ 79,734,792	\$ 64,913,364	\$ 66,824,893
Change in Net Assets						
Governmental activities	\$ 6,335,786	\$ 11,901,130	\$ 9,893,150	\$ 25,566,263	\$ 436,988	\$ (3,476,168)
Business-type activities	2,112,530	2,559,564	5,240,047	4,516,654	3,100,103	3,070,779
Total primary government	\$ 8,448,316	\$ 14,460,694	\$ 15,133,197	\$ 30,082,917	\$ 3,537,091	\$ (405,389)

Note: Accrual-basis financial information is available back to fiscal year 2003 when the City implemented GASB 34.

Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General fund										
Reserved	\$ 668,645	\$ 851,741	\$ 909,480	\$ 477,061	\$ 326,832	\$ 506,004	\$ 422,747	\$ 248,573	\$ 747,450	\$ 225,153
Unreserved	12,831,336	14,756,765	16,824,296	18,152,895	17,343,550	22,354,035	26,847,192	23,232,843	20,924,343	17,750,689
Total general fund	\$ 13,499,981	\$ 15,608,506	\$ 17,733,776	\$ 18,629,956	\$ 17,670,382	\$ 22,860,039	\$ 27,269,939	\$ 23,481,416	\$ 21,671,793	\$ 17,975,842
All other governmental funds										
Reserved	\$ -	\$ -	\$ 5,156	\$ 4,066,022	\$ 917,284	\$ 283,399	\$ 2,551,352	\$ 421,979	\$ 500,819	\$ 870,711
Unreserved, reported in:										
Special revenue funds	1,314,584	1,465,873	1,781,006	1,943,344	2,565,757	3,186,317	3,392,644	3,634,866	3,606,488	2,730,594
Capital projects funds	4,011,963	3,530,801	6,192,242	6,938,287	10,196,613	53,849,607	30,128,715	19,040,047	9,716,246	11,504,973
Total all other governmental funds	\$ 5,326,547	\$ 4,996,674	\$ 7,978,404	\$ 12,947,653	\$ 13,679,654	\$ 57,319,323	\$ 36,072,711	\$ 23,096,892	\$ 13,823,553	\$ 15,106,278

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General property taxes	\$ 18,433,324	\$ 18,538,569	\$ 18,692,583	\$ 18,817,668	\$ 19,658,874	\$ 22,038,643	\$ 22,575,809	\$ 24,052,400	\$ 27,608,258	\$ 27,840,128
Other local taxes	15,632,074	17,335,501	18,649,664	20,308,612	22,985,944	27,046,203	29,447,827	31,997,175	31,394,417	31,077,351
Permits, privilege fees and regulatory licenses	264,346	356,612	312,088	411,268	413,773	499,110	988,302	1,117,018	753,661	653,453
Fines and forfeitures	303,542	324,606	320,803	363,912	466,307	502,834	450,000	339,338	283,035	408,580
Revenue from use of money and property	1,038,191	1,471,274	2,185,150	1,655,617	1,449,961	575,451	2,180,879	2,005,694	2,490,880	1,724,668
Charges for services	885,521	966,349	960,168	1,196,574	1,242,647	1,293,189	1,264,830	1,470,494	1,510,745	1,704,708
Miscellaneous	526,431	797,511	1,094,851	1,120,525	277,862	434,025	468,884	1,026,316	683,108	563,376
Recovered costs	851,735	1,493,536	810,357	1,173,621	729,646	1,589,560	1,425,432	1,180,093	1,917,637	1,694,312
Intergovernmental:										
Commonwealth	4,042,677	5,719,255	6,262,769	6,964,179	7,276,493	7,204,137	7,615,919	8,141,771	8,703,743	10,169,012
Federal	1,678,756	2,088,434	1,868,574	1,993,890	2,310,219	2,858,909	2,487,542	2,628,707	2,949,077	2,968,573
Total revenues	\$ 43,656,597	\$ 49,091,647	\$ 51,157,007	\$ 54,005,866	\$ 56,811,726	\$ 64,042,061	\$ 68,905,424	\$ 73,959,006	\$ 78,294,561	\$ 78,804,161
Expenditures										
General government administration	\$ 2,674,119	\$ 2,791,511	\$ 2,895,024	\$ 3,136,650	\$ 3,544,021	\$ 3,620,386	\$ 3,956,701	\$ 4,094,919	\$ 4,720,227	\$ 5,047,982
Judicial administration	1,538,214	1,730,031	1,936,309	2,023,991	2,173,551	2,260,530	2,494,022	2,946,064	3,233,832	3,575,964
Public safety	8,371,978	9,175,608	10,540,624	11,466,442	12,653,369	13,210,581	14,051,770	15,361,207	17,375,049	18,603,995
Public works	4,653,178	4,741,736	4,990,191	5,021,480	5,067,820	5,655,233	5,767,195	6,452,638	6,785,769	7,273,319
Health and welfare	3,489,727	4,405,362	4,178,371	4,381,046	4,602,554	5,491,600	5,814,011	6,245,485	7,119,818	6,859,859
Education	5,108	4,846	4,617	47,864	15,556,786	14,839,742	15,942,171	18,961,723	21,631,305	24,441,360
Parks, recreation and cultural	2,185,243	2,521,250	2,651,247	2,854,800	2,879,319	3,108,829	3,432,702	3,811,195	3,928,293	4,053,007
Community development	1,570,662	1,654,686	1,808,255	2,596,914	2,460,671	2,026,074	2,030,189	2,174,694	2,975,019	2,732,018
Capital projects	1,983,716	5,730,552	2,035,012	7,513,543	4,811,374	15,286,264	27,965,223	30,809,180	16,439,420	6,735,321
Debt service										
Principal	4,660,902	2,103,930	1,782,022	1,776,054	2,520,546	1,804,469	1,933,645	2,897,462	3,040,925	3,296,107
Interest and other fiscal charges	1,344,694	988,103	895,382	1,028,277	941,679	779,714	2,329,960	3,147,613	3,191,033	3,064,543
Total expenditures	\$ 32,477,541	\$ 35,847,615	\$ 33,717,054	\$ 41,847,061	\$ 57,211,690	\$ 68,083,422	\$ 85,717,589	\$ 96,902,180	\$ 90,440,690	\$ 85,683,475
Excess (deficiency) of revenues over expenditures	\$ 11,179,056	\$ 13,244,032	\$ 17,439,953	\$ 12,158,805	\$ (399,964)	\$ (4,041,361)	\$ (16,812,165)	\$ (22,943,174)	\$ (12,146,129)	\$ (6,879,314)
Other financing sources (uses)										
Transfers in	\$ 577,947	\$ 326,751	\$ 250,435	\$ 221,303	\$ 172,391	\$ 2,869,218	\$ 210,862	\$ 228,217	\$ 764,695	\$ 834,798
Transfers out	(12,540,260)	(11,792,131)	(12,583,388)	(13,339,139)	-	-	(235,409)	(558,664)	-	-
Refunding bonds issued	4,550,000	-	-	9,675,841	-	-	-	-	-	-
Bonds issued	4,257,000	-	-	6,824,460	-	48,095,000	-	6,509,279	-	2,462,150
Premium on bonds issued	-	-	-	-	-	1,906,469	-	-	-	64,015
Payments to refunded bond escrow agent	(4,550,000)	-	-	(9,675,841)	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	298,472	1,105,125
Total other financing sources (uses)	\$ (7,705,313)	\$ (11,465,380)	\$ (12,332,953)	\$ (6,293,376)	\$ 172,391	\$ 52,870,687	\$ (24,547)	\$ 6,178,832	\$ 1,063,167	\$ 4,466,088
Net change in fund balances	\$ 3,473,743	\$ 1,778,652	\$ 5,107,000	\$ 5,865,429	\$ (227,573)	\$ 48,829,326	\$ (16,836,712)	\$ (16,764,342)	\$ (11,082,962)	\$ (2,413,226)
Debt service as a percentage of noncapital expenditures	24.52%	11.44%	9.23%	8.89%	7.07%	5.15%	7.97%	10.07%	9.20%	8.76%

CITY OF FREDERICKSBURG, VIRGINIA

General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Fiscal Year	Property Tax	Local Sales and Use Tax	Consumer Utility Tax	Business License Tax	Motor			Record-ation and Wills Tax	Tobacco Tax	Hotel Lodging Tax	Meals Tax	Total
					Vehicle License Tax	Bank Stock Tax	Record-ation and Wills Tax					
1999	\$ 18,433,324	\$ 6,365,366	\$ 1,798,646	\$ 2,703,738	\$ 139,099	\$ 198,047	\$ 133,996	\$ 127,266	\$ 419,687	\$ 3,266,774	\$ 33,585,943	
2000	18,538,569	7,386,944	2,071,496	2,891,387	145,503	216,606	146,804	135,722	416,766	3,511,566	35,461,363	
2001	18,692,583	7,799,457	2,223,651	3,135,701	146,534	238,888	135,923	138,819	501,884	3,871,611	36,885,051	
2002	18,817,668	8,196,684	2,517,378	3,432,061	167,346	489,445	199,467	147,844	509,259	4,162,786	38,639,938	
2003	19,658,874	9,966,988	2,497,143	3,761,772	159,618	425,193	334,216	147,270	527,818	4,562,821	42,041,713	
2004	22,038,643	11,537,324	2,780,470	4,536,150	160,089	519,107	277,548	195,098	605,936	5,395,346	48,045,711	
2005	22,575,809	11,994,065	2,882,555	4,974,756	165,647	501,213	708,156	898,413	718,473	5,987,400	51,406,487	
2006	24,052,400	12,856,512	2,910,053	5,893,564	298,240	546,953	985,477	613,471	808,010	6,402,076	55,366,756	
2007	27,608,258	12,892,369	2,036,988	5,777,346	310,039	567,273	818,353	612,462	860,935	6,418,546	57,902,569	
2008	27,840,128	12,746,040	1,527,028	5,436,366	300,786	459,020	715,884	593,940	918,952	7,042,409	57,580,553	

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Estate	Direct Tax		Personal Property	Direct Tax Rate	Machinery and Tools	Direct Tax Rate	Public Service	Service Charges	Total Taxable Assessed Value	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
		Rate	Value									
1999	\$ 1,147,247,536	1.16	\$ 147,258,857	\$ 2.99	\$ 21,853,937	0.80	\$ 61,267,689	\$ 1,691,500	\$ 1,379,319,524	\$ 1,379,319,519	100.00%	
2000	1,205,127,728	1.13	152,446,465	2.99	19,735,538	0.80	66,469,329	1,451,400	1,445,230,465	1,445,230,460	100.00%	
2001	1,230,424,387	1.13	164,606,380	2.99	19,747,480	0.80	77,319,484	1,436,700	1,493,534,436	1,493,534,431	100.00%	
2002	1,269,438,700	1.13	158,352,705	2.99	14,888,368	0.80	80,502,860	1,436,700	1,524,619,338	1,524,619,333	100.00%	
2003	1,303,778,900	1.13	168,645,633	2.99	14,726,044	0.80	83,318,479	1,436,700	1,571,905,761	1,571,905,756	100.00%	
2004	1,902,889,000	0.89	171,794,008	2.99	13,794,812	0.80	78,948,771	1,856,400	2,169,282,996	2,169,282,991	100.00%	
2005	1,931,966,200	0.89	204,140,325	2.99	12,538,835	0.80	81,650,555	1,856,400	2,232,152,320	2,232,152,315	100.00%	
2006	2,074,818,500	0.89	234,903,200	2.99	11,710,055	0.80	49,453,104	1,856,400	2,372,741,264	2,372,741,259	100.00%	
2007	2,241,072,600	0.89	285,384,824	2.99	7,994,810	0.80	41,254,287	1,856,400	2,577,562,926	2,577,562,921	100.00%	
2008	4,045,740,800	0.53	312,645,095	2.99	9,667,180	0.80	45,382,045	4,023,600	4,417,458,724	4,417,458,720	100.00%	

Source: Commissioner of Revenue.

CITY OF FREDERICKSBURG, VIRGINIA

Table 7

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

Fiscal Years	Real Estate	Personal Property	Mobile Homes	Machinery and Tools
1999	1.16	2.99	1.16	0.80
2000	1.13	2.99	1.13	0.80
2001	1.13	2.99	1.13	0.80
2002	1.13	2.99	1.13	0.80
2003	1.13	2.99	1.13	0.80
2004	0.89	2.99	0.89	0.80
2005	0.89	2.99	0.89	0.80
2006	0.89	2.99	0.89	0.80
2007	0.89	2.99	0.89	0.80
2008	0.53	2.99	0.89	0.80

(1) Source: Commissioner of Revenue.

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

CITY OF FREDERICKSBURG, VIRGINIA

Table 8

Principal Property Taxpayers
Current Year and the Period Nine Years Prior

Taxpayer	Type Business	Fiscal Year 2008			Fiscal Year 1999		
		2007-2008 Assessed Valuation	Rank (1)	% of Total Assessed Valuation	1998-1999 Assessed Valuation	Rank	% of Total Assessed Valuation
Fredericksburg 35 LLC	Central Park property	\$ 118,492,200	1	2.68 %	\$ -	-	- %
Medicorp Properties, Inc.	Office buildings, surgical center	68,427,400	2	1.55	22,815,800	3	1.99
Celebrate Virginia South LLC	Office buildings, retail	67,618,600	3	1.53	-	-	-
Stellar Belmont LLC	Apartment complex	34,348,300	4	0.78	-	-	-
Wal-Mart Real Estate Business	Retail	25,447,300	5	0.58	-	-	-
Hylton Venture LLC	Land development	28,774,800	6	0.65	-	-	-
Virginia Landmark Hotels	Hotels	21,776,800	7	0.49	-	-	-
Lowes Home Center, Inc.	Retail	19,569,800	8	0.44	10,347,300	6	0.90
Snowden Village LLC	Office buildings	22,378,100	9	0.51	-	-	-
CVA Expo Center LLC	Trade shows, conventions	22,063,000	10	0.50	-	-	-
Bell Atlantic - Virginia	Public utility	-	-	-	25,347,543	1	2.21
Virginia Electric & Power Co.	Public utility	-	-	-	23,367,830	2	2.04
Shoppers - Central Park, LP	Retail stores	-	-	-	12,506,400	4	1.09
Summit Properties Partnership LP	Apartment complex	-	-	-	10,359,200	5	0.90
Fredericksburg Park & Shop LP	Shopping center	-	-	-	10,151,600	7	0.88
Greenbrier Center Associates, Inc.	Shopping center	-	-	-	9,420,700	8	0.82
Conerstone Realty Income Trust	Apartment complex	-	-	-	9,404,044	9	0.82
Carl D. Silver	Various commercial	-	-	-	9,202,600	10	0.80
Total		\$ 428,896,300		9.71 %	\$ 142,923,017		12.45 %

Source: Commissioner of Revenue.

(1) Rank is based on total real estate tax paid, to include special tax district assessments, and not on assessed valuation.

CITY OF FREDERICKSBURG, VIRGINIA

Table 9

Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1) (3)	Total Collections to Date	
		Amount (1) (3)	Percentage of Levy (2)		Amount (1) (3)	Percentage of Levy (2)
1999	\$ 18,510,245	\$ 18,229,682	98.48	\$ 262,151	\$ 18,491,833	99.90
2000	19,050,569	18,840,945	98.90	184,024	19,024,969	99.87
2001	19,832,960	19,581,072	98.73	199,484	19,780,556	99.74
2002	20,299,165	20,021,483	98.63	203,683	20,225,166	99.64
2003	21,078,696	20,898,738	99.15	127,031	21,025,769	99.75
2004	23,173,114	22,971,933	99.13	155,380	23,127,313	99.80
2005	24,116,517	23,928,589	99.22	143,075	24,071,664	99.81
2006	26,936,577	26,561,519	98.61	282,184	26,843,703	99.66
2007	28,552,323	28,097,519	98.41	346,868	28,444,387	99.62
2008	29,330,707	28,961,391	98.74	-	28,961,391	98.74

(1) Exclusive of penalties and interest.

(2) Percentages are calculated using levy for fiscal year.

(3) The Commonwealth reimbursement under the Personal Property Tax Relief Act is included in total collections.

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Years	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Literary Fund Loans	Other Notes/Bonds	Capital Leases	General Obligation Bonds	Other Notes/Bonds					
1999	\$ 22,717,773	\$ 250,000	\$ -	\$ -	\$ 5,976,227	\$ -	\$ -	\$ 28,944,000	5.67%	\$ 1,335	
2000	20,233,845	200,000	-	-	5,771,158	-	-	26,205,003	4.55%	1,208	
2001	18,071,823	150,000	-	-	5,278,182	-	-	23,500,005	4.36%	1,219	
2002	22,790,306	100,000	-	-	4,929,773	-	-	27,820,079	4.97%	1,410	
2003	20,319,760	50,000	-	-	4,530,240	-	-	24,900,000	4.15%	1,244	
2004	68,566,760	-	-	-	4,134,709	-	-	72,701,469	12.04%	3,624	
2005	66,551,078	-	-	-	3,778,501	4,035,000	-	74,364,579	11.74%	3,579	
2006	70,032,833	-	-	-	7,670,963	-	-	77,703,796	11.73%	3,748	
2007	66,873,708	-	-	-	7,226,888	-	-	74,100,596	10.42%	3,483	
2008	65,988,291	-	-	-	15,160,159	-	-	81,148,450	10.28%	3,621	

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics - Table 14.

CITY OF FREDERICKSBURG, VIRGINIA

Table 11

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

Fiscal Year	Gross Bonded Debt	Less: Amounts Reserved for Debt Service	Net Bonded Debt (1)	Ratio of Net General Obligation	
				Debt to Assessed Value (2)	Net Bonded Debt per Capita (3)
1999	\$ 28,944,000	\$ -	28,944,000	2.10%	\$ 1,335
2000	26,205,003	-	26,205,003	1.81%	1,208
2001	23,500,005	-	23,500,005	1.57%	1,219
2002	27,820,079	-	27,820,079	1.82%	1,410
2003	24,900,000	-	24,900,000	1.58%	1,244
2004	72,701,469	-	72,701,469	3.35%	3,624
2005	74,364,579	-	74,364,579	3.33%	3,579
2006	77,703,796	-	77,703,796	3.27%	3,748
2007	74,100,596	-	74,100,596	2.87%	3,483
2008	81,148,450	-	81,148,450	1.84%	3,621

(1) Excludes revenue bonds, capital leases, compensated absences, and landfill post-closure costs.

(2) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property - Table 6.

(3) Population data can be found in the Schedule of Demographic and Economic Statistics - Table 14.

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Debt limit	\$ 72,804,750	\$ 76,240,764	\$ 78,161,461	\$ 80,602,006	\$ 82,545,570	\$ 115,844,874	\$ 119,047,390	\$ 124,498,301	\$ 132,869,049	\$ 231,895,610
Total net debt applicable to limit	28,944,000	26,205,003	23,500,005	27,820,079	24,900,000	72,701,469	74,364,579	77,703,796	74,100,596	81,148,450
Legal debt margin	\$ 43,860,750	\$ 50,035,761	\$ 54,661,456	\$ 52,781,927	\$ 57,645,570	\$ 43,143,405	\$ 44,682,811	\$ 46,794,505	\$ 58,768,453	\$ 150,747,160
Total net debt applicable to the limit as a percentage of debt limit	39.76%	34.37%	30.07%	34.52%	30.17%	62.76%	62.47%	62.41%	55.77%	34.99%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 4,091,122,845
Add back: exempt real property	740,035,700
Total assessed value	\$ 4,831,158,545
Debt limit (4.8% of total assessed value)	\$ 231,895,610
Net debt applicable to limit	81,148,450
Legal debt margin	\$ 150,747,160

Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Sewer Bonds							
	Water & Sewer		Less:		Net Available Revenue	Debt Service		Coverage
	Charges and Other	Operating Expenses	Operating Expenses	Principal		Interest		
1999	\$ 7,727,967	\$ 4,019,140	\$ 3,708,827	\$ 701,756	\$ 924,050	\$ 2.28		
2000	6,831,357	3,675,828	3,155,529	811,834	876,894	1.87		
2001	5,466,477	3,691,122	1,775,355	1,128,908	812,354	0.91		
2002	6,294,872	3,698,729	2,596,143	1,014,900	795,509	1.43		
2003	6,164,964	3,547,818	2,617,146	1,098,061	767,997	1.40		
2004	6,233,777	3,717,094	2,516,683	1,153,404	606,067	1.43		
2005	7,885,646	5,102,334	2,783,312	1,168,757	167,036	2.08		
2006	9,346,467	5,049,094	4,297,373	1,197,949	410,231	2.67		
2007	7,517,175	6,045,570	1,471,605	1,224,349	366,426	0.93		
2008	7,142,159	6,799,902	342,257	1,272,693	520,893	0.19		

CITY OF FREDERICKSBURG, VIRGINIA

Table 14

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population		Personal Income		Per Capita Personal Income		Median Age	School Enrollment	Unemployment Rate
1999	21,686	\$	510,553,498	\$	23,543		28.9	2,088	3.3%
2000	21,686		575,871,730		26,555		28.9	2,143	2.3%
2001	19,279		538,751,655		27,945		30.3	2,170	3.7%
2002	19,737		559,721,583		28,359		30.3	2,278	4.0%
2003	20,010		600,199,950		29,995		30.3	2,278	5.8%
2004	20,063		603,876,237		30,099		30.3	2,387	6.0%
2005	20,776		633,522,568		30,493		30.3	2,418	5.0%
2006	20,732		662,387,400		31,950		30.3	2,447	4.2%
2007	21,273		710,837,295		33,415		30.3	2,511	4.4%
2008	22,410		789,526,710		35,231		30.3	2,540	6.4%

Source: Weldon Cooper Center, Annual school report - prepared by the School Board, www.fedstats.gov.

CITY OF FREDERICKSBURG, VIRGINIA

Table 15

Principal Employers
Current Year and Nine Years Prior

Employer	Fiscal Year 2008		Fiscal Year 1999	
	Number of Employees	Rank	Number of Employees	Rank
Medicorp Health System	1000 and over	1	1000 and over	1
University of Mary Washington	1000 and over	2	1000 and over	2
City of Fredericksburg	500 to 999	3	500 to 999	3
City of Fredericksburg School Board	500 to 999	4	500 to 999	4
Wal-Mart	500 to 999	5	100 to 249	9
Free Lance Star Publishing, Inc.	250 to 499	6	250 to 499	6
Virginia Department of Transportation	250 to 499	7	250 to 499	5
Rappahannock Area Community Services Board	250 to 499	8	100 to 249	8
United States Postal Service	100 to 249	9	100 to 249	10
Lowe's Home Centers, Inc.	100 to 249	10	-	-
Food Lion, Inc.	-	-	100 to 249	7

Source: Virginia Employment Commission.

Full-time Equivalent City Government Employees by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government	30	34	35	34	37	37	37	37	41	43
Judicial administration	27	30	31	31	31	31	30	35	42	41
Public safety	151	150	152	158	162	163	162	169	166	162
Public works	73	74	72	70	73	70	73	69	87	86
Health and welfare	28	29	30	31	31	33	32	34	33	35
Parks and recreation	12	11	12	13	13	13	13	16	16	19
Community development	10	10	10	10	8	11	11	11	12	13
Water	14	4	4	3	4	4	4	7	9	9
Wastewater	15	16	16	16	16	15	16	16	18	21
Transit	3	3	3	5	5	5	5	6	11	12
Parking garage	-	-	-	-	-	-	-	-	1	1
Totals	363	361	365	371	380	382	383	400	436	442

Source: Fiscal Affairs department.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Public safety:										
Police department:										
Physical arrests (1)	-	-	-	3,131	3,407	3,281	3,656	3,805	2,839	2,850
Traffic violations (1)	-	-	-	8,827	10,935	12,496	10,644	9,500	6,167	7,290
Parking violations (1)	-	-	-	-	6,999	11,791	10,431	10,449	10,055	10,671
Sheriffs department:										
Civil papers (1)	23,110	23,263	26,421	35,168	37,272	39,771	40,314	40,502	42,279	44,088
Fire and rescue:										
Number of calls answered (1)	-	-	-	-	3,971	4,794	5,159	5,450	5,728	6,145
Inspections (1)	-	-	-	-	-	1,432	1,434	1,542	2,531	3,111
Building inspections:										
Permits issued	1,707	2,417	1,905	1,817	2,100	2,192	3,528	3,820	2,395	1,781
Animal control:										
Number of calls answered (1)	-	-	899	893	897	899	901	992	1,163	1,010
Public works:										
Street maintenance:										
Asphalt usage for street repairs (tons)	323	365	618	440	370	315	518	483	483	311
Waste removal:										
Refuse collected										
(thousands of pounds/day)	23.5	24.6	26.2	25.7	26.9	29.4	30.3	28.8	24.3	24.7
Recycling collected:										
Leaves (cubic yards)	6,900	6,012	4,433	5,709	4,939	4,972	5,049	5,577	5,379	6,292
General services:										
Buildings maintained										
(thousands of square feet)	-	-	-	236.0	208.0	375.5	375.5	418.6	494.1	473.2
Culture and recreation:										
Parks and recreation:										
Number of programs	-	-	-	198	214	250	370	385	403	518
Number of participants	-	-	-	10,020	10,830	12,650	14,260	15,300	17,055	20,964

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Community development:										
Planning:										
Zoning permits issued (1) (2)	272	298	272	330	337	391	327	309	289	237
Water:										
Number of connections	5,779	5,941	6,119	6,126	6,293	6,435	6,696	7,062	7,245	7,274
Average daily consumption (thousands of gallons)	2,429	2,407	2,294	2,396	2,269	2,362	2,394	2,718	2,529	2,639
Wastewater:										
Average daily sewage treatment (thousands of gallons)	2,079	1,766	2,248	2,167	2,829	2,739	2,389	2,181	2,454	2,700
Transit:										
Ridership per service area: (3)										
City of Fredericksburg	124,004	140,435	148,049	155,586	161,329	181,743	185,663	177,833	184,670	208,410
Spotsylvania County	16,158	29,462	34,525	36,751	36,764	39,059	40,514	40,730	44,659	81,315
South Stafford County	-	-	-	6,878	19,181	21,678	25,043	30,900	34,808	32,112
Caroline County	-	-	-	834	3,834	5,924	5,701	5,647	5,855	6,189
North Stafford County	-	-	-	-	-	-	9,908	44,445	53,957	62,895
King George County	-	-	-	-	-	-	1,020	7,803	10,727	15,867
Component Unit - School Board:										
Education:										
Number of students	2,088	2,143	2,170	2,278	2,278	2,384	2,418	2,447	2,511	2,540
Number of teachers	163	178	195	196	230	239	238	248	251	256
Cost per pupil	\$ 9,207	\$ 9,580	\$ 10,546	\$ 9,581	\$ 10,507	\$ 11,429	\$ 11,867	\$ 13,131	\$ 13,403	\$ 14,416

Source: Individual city departments.

(1) Information presented on a calendar year basis.

(2) Includes home occupation permits, certificates of zoning use, zoning variances, and certificates of appropriateness.

(3) Transit indicators are presented from the first year of operation for each service area.

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General government:										
Administration buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	1	1	1
Public safety:										
Police department:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	-	-	-	-	22	22	22	25	30	35
Fire department:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire/Rescue vehicles	-	-	-	-	6	6	6	7	7	7
Sheriffs department:										
Patrol units	-	-	-	-	12	13	15	16	18	14
Building inspections:										
Vehicles	-	-	-	-	4	4	4	5	7	7
Animal control:										
Vehicles	-	-	-	-	1	1	1	1	1	1
Public works:										
Street maintenance:										
Trucks/vehicles	-	-	-	-	21	21	22	22	22	22
Streets (moving lane miles)	170	170	172	172	172	172	174	183	189	189
Traffic signals	46	46	46	46	50	52	52	57	61	61
Waste removal:										
Trucks/vehicles	-	-	-	-	7	7	7	7	7	7
Building maintenance:										
Trucks/vehicles	-	-	-	-	6	6	6	6	6	6
Health and welfare:										
Department of Social Services:										
Vehicles	-	-	-	-	5	5	6	6	6	6

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Culture and recreation:										
Parks and recreation:										
Community centers	1	1	1	1	1	1	1	1	1	1
Trucks/vehicles	-	-	-	-	15	14	17	17	18	18
Parks	7	7	7	8	9	9	11	11	12	12
Park acreage	929	929	929	932	946	946	1,000	1,000	1,006	1,012
Water:										
Water mains (miles)	66	66	66	66	66	66	66	66	66	66
Maximum daily capacity (millions of gallons)	6	6	5	5	5	5	5	5	5	5
Wastewater:										
Sanitary sewers (miles)	67	67	67	67	67	67	67	67	67	67
Storm sewers (miles)	55	55	55	55	55	55	55	55	55	55
Maximum daily treatment capacity (millions of gallons)	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Component Unit - School Board:										
Education:										
Schools	3	3	3	3	3	3	3	4	4	4
School buses	-	-	-	-	41	35	35	33	36	36

Source: Individual city departments.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fredericksburg, Virginia, as of and for the year ended June 30, 2008, which collectively comprise the City of Fredericksburg, Virginia's basic financial statements and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fredericksburg, Virginia's internal control over financial reporting 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 of Fredericksburg, Virginia's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

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

However we noted certain matters that we reported to management of the City of Fredericksburg, Virginia in a separate letter dated November 12, 2008.

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

Robinson, Thomas, Cox Associates

Fredericksburg, Virginia
November 12, 2008

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

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

Compliance

We have audited the compliance of the City of Fredericksburg, Virginia with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Fredericksburg, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fredericksburg, Virginia's management. Our responsibility is to express an opinion on the City of Fredericksburg, Virginia's compliance based on our audit.

We conducted our audit 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 of Fredericksburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fredericksburg, Virginia's compliance with those requirements.

In our opinion, the City of Fredericksburg, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Fredericksburg, Virginia, 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 of Fredericksburg, Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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

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

Robinson, Turner, Cox Associates

Fredericksburg, Virginia
November 12, 2008

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2008

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
Primary Government:		
Department of Agriculture:		
Pass-through Payments:		
Department of Social Services:		
Food Stamp Administration	10.561	\$ <u>298,024</u>
Department of Housing and Urban Development:		
Direct Payments:		
Neighborhood Initiative and Miscellaneous Grants	14.251	\$ 148,800
Community Development Block Grant - Entitlement	14.218	<u>304,602</u>
Total Department of Housing and Urban Development		\$ <u>453,402</u>
Department of Justice:		
Pass-through Payments:		
Crime Victim Assistance	16.575	\$ 168,744
Edward Byrne Memorial Formula Grant	16.579	73,976
Juvenile Justice and Delinquency Prevention	16.540	49,568
Justice Assistance Grant Program	16.738	16,577
Recruiting and Retention Grant	16.000	<u>14,369</u>
Total Department of Justice		\$ <u>323,234</u>
Department of Transportation:		
Pass-through Payments:		
Virginia Department of Rail and Public Transportation:		
Federal Transit - Formula Grants	20.507	\$ 4,499,809
Virginia Department of Motor Vehicles:		
Alcohol (410 Funds)	20.601	17,534
State and Community Highway Safety Program	20.607	<u>4,673</u>
Total Department of Transportation		\$ <u>4,522,016</u>
Department of Health and Human Services:		
Pass-through Payments:		
Department of Social Services:		
Family Preservation and Support	93.556	\$ 7,893
Temporary Assistance to Needy Families	93.558	250,306
Refugee Assistance and Resettlement	93.566	1,239
Low-Income Energy Assistance	93.568	4,224
Child Care Assistance	93.575	376,206
Child Care and Development Block Grant	93.596	304,435
Chafee Education & Training Vouchers Program	93.599	6,901
Child Welfare Services - State Grants	93.645	3,506
Foster Care - Title IV-E	93.658	212,017
Adoption Assistance	93.659	106,742
Social Services Block Grant	93.667	330,167
Independent Living	93.674	15,446
State Children's Insurance Program	93.767	10,358
Medical Assistance Program	93.778	222,913
Other Assistance	N/A	<u>391</u>
Total Department of Health and Human Services		\$ <u>1,852,744</u>

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Expenditures of Federal Awards - Primary Government and Discretely Presented Component Unit
 Year Ended June 30, 2008 (Continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
Department of Homeland Security:		
Pass-through Payments:		
Department of Emergency Services:		
Emergency Management Preparedness Grant	97.042	\$ 10,680
Citizen Corps	97.053	2,640
Hazardous Materials Assistance	97.021	883
Law Enforcement Terrorism Prevention Program	97.074	<u>4,760</u>
Total Department of Homeland Security		<u>\$ 18,963</u>
Total Expenditures of Federal Awards - Primary Government		<u>\$ 7,468,383</u>
Component Unit - School Board:		
State Department of Agriculture:		
Pass-through Payments:		
School Breakfast Program	10.553	\$ 157,272
National School Lunch Program (SL-4) (SL-11)	10.555	<u>539,105</u>
Total Department of Agriculture		<u>\$ 696,377</u>
Department of Health and Human Services:		
Direct Payments:		
Head Start	93.600	<u>\$ 1,171,879</u>
Department of Education:		
Pass-through Payments:		
Education Consolidation and Improvement Act of 1981:		
Title I:		
Educationally Deprived Children - LEA	84.010	\$ 605,848
Title V, Part A - Innovative Programs	84.298	2,962
Vocational Education:		
Basic Grants to States	84.048	55,575
Title VI-B Special Education for the Handicapped	84.027	509,431
Advanced Placement Program	84.330	265
Handicapped-Preschool Incentive Grants	84.173	22,183
Drug Free Schools and Communities	84.186	13,388
Technology Challenge Grant	84.318	185,625
Language Acquisition	84.365	17,799
Title II, Part A - Improving Teacher Quality	84.367	<u>120,994</u>
Total Department of Education		<u>\$ 1,534,070</u>
Total Expenditures of Federal Awards - Component Unit School Board		<u>\$ 3,402,326</u>
Total Expenditures of Federal Awards - Reporting Entity		<u>\$ 10,870,709</u>
Loans and loan guarantees not included in the above as federal assistance:		
Environmental Protection Agency:		
Pass-through Payments:		
State Water Control Board:		
Capitalization Grants for State Revolving Fund - balance of loan as of June 30, 2008	66.458	<u>\$ 5,524,919</u>

CITY OF FREDERICKSBURG, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Note 1 - General

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

Note 2 - Basis of Accounting

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

Note 3 - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$	69,106
Special Revenue Funds:		
Virginia Public Assistance Fund		2,093,225
City Grants Fund		657,442
Capital Projects Funds:		
Public Facilities Construction Fund		148,800
Proprietary Funds:		
Transit Fund		4,499,810
Total primary government	\$	<u>7,468,383</u>

Component Unit School Board:

School Operating Fund	\$	565,271
School Grants Fund		2,837,055
Total component unit School Board	\$	<u>3,402,326</u>

Total federal expenditures per the Schedule of Expenditures
of Federal Awards

\$ 10,870,709

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Findings and Questioned Costs
 Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
93.575	Child Care Assistance - child care cluster
93.596	Child Care and Development Block Grant - child care cluster
10.553	School Breakfast Program - child nutrition cluster
10.555	National School Lunch Program - child nutrition cluster
93.667	Social Services Block Grant
20.507	Federal Transit - Formula Grants

Dollar threshold used to distinguish between Type A and Type B programs	\$326,121
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

CITY OF FREDERICKSBURG, VIRGINIA

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2008

There were no prior year findings or questioned costs.

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