

TOWN OF CHRISTIANBURG, VIRGINIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2009

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Town of Christiansburg, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Christiansburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Christiansburg as of June 30, 2009, and the respective changes in financial position and cash flows, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2009, on our consideration of the Town of Christiansburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, and Virginia Retirement System - Schedule of Funding Progress on pages 4 through 10, and 32, respectively, 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 Town of Christiansburg's basic financial statements. The Supplementary Information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Michael B. Cooke, CPA, PC

November 3, 2009

**TOWN OF CHRISTIANSBURG, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2009**

The following discussion and analysis of the Town of Christiansburg's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2009. It should be read in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased by \$6,821,660 during the fiscal year, on the government-wide basis. The Town's total net assets, on the government-wide basis, totaled \$141,323,233 at June 30, 2009. Of this amount, \$20,971,733 may be used to meet ongoing obligations to citizens and creditors, \$120,123,597 is invested in capital assets, net of related debt and \$227,903 is restricted for perpetual care in the Cemetery Fund.
- On a government-wide basis for governmental activities, the Town had expenses (including transfers) net of program revenues of \$17,695,497, which totaled \$5,076,990 less than the general revenues, of \$22,772,487.
- At June 30, 2009, the Town's governmental funds balance sheet reported total ending fund balances of \$19,731,368 of which \$19,503,465 is unreserved and \$227,903 reserved for perpetual care for the cemetery. Also, included in the unreserved balance is \$5,525,355 from the Aquatic Center / Recreation bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

Fund Financial Statements

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

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

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

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

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Christiansburg, assets exceeded liabilities by \$141,323,233 at the close of the most recent fiscal year.

By far the largest portion of the Town of Christiansburg's net assets (85 percent) reflects its investment in capital assets (e.g., land, buildings and structures, and equipment); less any related debt used to acquire those assets that are still outstanding. The Town of Christiansburg uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Christiansburg's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay

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

this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities.

Summary of Net Assets:

The following table presents a condensed summary of net assets:

Summary of Net Assets						
As of June 30, 2009						
(In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 22,909	\$ 26,292	\$ 960	\$ 790	\$ 23,869	\$ 27,082
Capital assets, net	103,195	95,782	39,418	38,383	142,613	134,165
Total Assets	126,104	122,074	40,378	39,173	166,482	161,247
Other liabilities	1,237	1,859	783	706	2,020	2,565
Long-term liabilities	14,411	14,837	8,728	9,344	23,139	24,181
Total Liabilities	15,648	16,696	9,511	10,050	25,159	26,746
Net assets:						
Invested in capital assets, net of related debt	89,443	81,535	30,681	29,029	120,124	110,564
Restricted	228	231	-	-	228	231
Unrestricted	20,785	23,612	186	94	20,971	23,706
Total Net Assets	\$ 110,456	\$ 105,378	\$ 30,867	\$ 29,123	\$ 141,323	\$ 134,501

The Town's combined net assets increased from \$134,501,572 to \$141,323,233 as a result of the increase in net assets of both Business-type activities of \$1,744,670 and the Governmental activities of \$5,076,990. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the Town totaled \$20,971,733. Invested in capital assets, represents the amount of capital assets owned by the Town, including infrastructure, net of any outstanding debt. Net assets are reported as restricted when constraints on asset use are externally imposed by creditors, grantors, contributors, regulators, or are imposed by law through constitutional provisions. The total amount of restricted net assets is \$227,903 which is restricted for the use of perpetual care in the Cemetery Fund.

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

Summary of Changes in Net Assets:

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

**Summary of Changes in Net Assets
For the Fiscal Year Ended June 30, 2009
(In Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for services	\$ 1,400	\$ 1,214	\$ 5,602	\$ 5,396	\$ 7,002	\$ 6,610
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	2,997	2,856	-	-	2,997	2,856
Local portion of state sales taxes	1,559	1,599	-	-	1,559	1,599
Business and professional occupational license taxes	1,991	1,513	-	-	1,991	1,513
Utility taxes	517	503	-	-	517	503
Prepared food and beverage taxes	4,684	4,618	-	-	4,684	4,618
Commonwealth share-personal property taxes	229	229	-	-	229	229
Cigarette Tax	773	542	-	-	773	542
E-911 and communication taxes	997	1,045	-	-	997	1,045
Transient room taxes	852	950	-	-	852	950
Other taxes	1,012	714	-	-	1,012	714
Permits, Fees & Licenses	138	192	-	-	138	192
Interest and investment income	486	1,081	-	-	486	1,081
Fines & Forfeitures	87	95	-	-	87	95
Miscellaneous	1,202	790	121	114	1,323	904
Cemetery	102	28	-	-	102	28
Payments from Other Governments- State	3,521	3,520	-	-	3,521	3,520
Total Revenues	22,547	21,489	5,723	5,510	28,270	26,999
Expenses						
General Government	1,871	1,863	-	-	1,871	1,863
Public Safety	6,969	6,454	-	-	6,969	6,454
Public Works	4,976	5,759	-	-	4,976	5,759
Health and Welfare	3	3	-	-	3	3
Parks, Recreation and Cultural	2,326	1,682	-	-	2,326	1,682
Community Development	1,270	2,021	-	-	1,270	2,021
Interest and Fiscal Charges	365	193	-	-	365	193
Water	-	-	5,784	5,482	5,784	5,482
Total Expenses	17,780	17,975	5,784	5,482	23,564	23,457
Capital Contributions	1,634	240	490	393	2,124	633
Gain (Loss) on sale of land	(36)	375	-	-	(36)	375
Insurance Recoveries	28	76	-	-	28	76
Transfers	(1,315)	(1,030)	1,315	1,030	-	-
Increase (Decrease) in Net Assets	5,078	3,175	1,744	1,451	6,822	4,626
Net Assets, Beginning	105,378	102,203	29,123	27,672	134,501	129,875
Net Assets, Ending	\$ 110,456	\$ 105,378	\$ 30,867	\$ 29,123	\$ 141,323	\$ 134,501

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The property tax classification, which comprises approximately 13% of total revenue generated by governmental activities, includes real estate tax, the local portion of personal property tax, machinery & tools tax and public service corporation taxes. Real estate tax revenue, totaled \$2,102,749.

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

Payments from other Governments - State comprise approximately 16% of governmental activities revenues. Street maintenance funds, and funding received under House Bill 599 for law enforcement are some of the major sources of revenue included in this category.

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

Public Safety expenses comprised approximately 39% of expenses of the governmental activities. Operations of the labor-intensive Police Department are included in this category, along with expenses of the Building Inspections, Rescue Squad, Fire Department and E911 Call Center.

Public Works expenses comprised approximately 28% of governmental activities expenses. Expenses for Solid Waste Management, Building Maintenance, Street Paving, and Street Maintenance are included in the Public Works category.

Recreation expenses comprised approximately 13% of government activities expenses.

An additional \$1,315,045 in cash was transferred from the General Fund to the Water/Sewer Fund during 2009.

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

The net assets of business-type activities increased approximately \$1,744,670 during the fiscal year. This includes water and sewer lines installed by developers and donated to the Town.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

For the fiscal year ended June 30, 2009, the governmental funds reflect a total fund balance of \$19,731,368. Of this amount \$19,503,465 constitutes unreserved fund balance, which is available for spending for services and capital projects, such as the Aquatic Center. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 81% of the total General Fund expenditures and other financing uses.

The General Fund balance decreased by \$2,863,425 during the fiscal year ending June 30, 2009.

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

Local taxes generated the majority of General Fund revenue, totaling approximately \$15,281,571 in fiscal year 2009.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$3,749,731 in fiscal year 2009. The majority of this revenue is received from the Commonwealth and includes reimbursement for law enforcement funding received under House Bill 599, and street maintenance funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted General Fund revenues exceeded the actual revenues by \$14,314,080 due in large part to amounts budgeted for grants and bond construction funds in the amount of \$9,331,000 that were not received during the fiscal year.

General Fund expenditures were less than the budgeted amount by \$10,161,647 in large part, because the Aquatic Center budget exceeded actual expenses by \$8,824,628.

CAPITAL ASSETS

As of June 30, 2009, the Town's capital assets for its governmental and business-type activities amounted to \$142,613,376 (net of accumulated depreciation). This investment includes land, streets and highways, construction in progress, land improvements, buildings and structures, vehicles, equipment, and infrastructure. The total net increase (additions less retirements and depreciation) in the Town's investment in capital assets for the current fiscal year was \$8,447,323.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Land	\$ 2,144	\$ 2,264	\$ -	\$ -	\$ 2,144	\$ 2,264
Construction in Progress	14,857	8,911	-	608	14,857	9,519
Streets & Highways	74,314	72,339	-	-	74,314	72,339
Land Improvements	678	735	-	-	678	735
Buildings & Structures	6,761	6,926	20,167	19,053	26,928	25,979
Equipment	2,598	2,632	19,251	18,723	21,849	21,355
Vehicles	680	856	-	-	680	856
Infrastructure	1,013	963	-	-	1,013	963
Bond Issue Cost	150	156	-	-	150	156
Total	\$ 103,195	\$ 95,782	\$ 39,418	\$ 38,384	\$ 142,613	\$ 134,166

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

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

- Construction in Progress – Aquatic Center
- Upgrades to the Wastewater Treatment Plant

LONG-TERM DEBT

At June 30, 2009, the Town's long-term liabilities, not including compensated absences, landfill closure, bond premiums and postclosure care costs payable, totaled \$22,329,494 comprised of \$13,680,000 related to governmental activities, and \$8,649,494 related to business-type activities. Total debt decreased by \$1,102,147 during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Charter of the Town of Christiansburg and Code of Virginia limits the Town's net debt to 10% of the assessed valuation of real estate within the Town limits. This limit applies to governmental activity debt only, as long-term liabilities of business-type funds will be met by revenues generated by those funds. The Town's governmental activity debt of \$13,680,000 is well below the legal debt limit of \$176,749,739.

Interest and fiscal charges for 2009 were \$364,675 of the total governmental activities expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During the period between the first quarters of calendar years 2008 and 2009, Montgomery County gained 450 (1.1%) jobs according to the Virginia Employment Commission. The manufacturing sector lost 208 (-4.0%) jobs.

Another indicator of the state of the economy is the sales tax revenue, which is directly proportional to the retail sales. This revenue decreased \$40,000 or -2.5% between budget years 2008 and 2009.

Also transient lodging tax revenue decreased \$98,000 or -10.3% and prepared meals tax revenue increased \$66,000 or 1.4% .

However building permits for new residential units in Fiscal Year 2008-2009 decreased by 76 units or -37% over Fiscal Year 2007-2008 units. Overall, building permits fees decreased by \$54,000 or -28% .

These signals seem to indicate that the economy in our area is declining.

The 2009-2010 budget includes a rate increase for water and sewer fees to help offset the deficit in the enterprise fund.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

Assets	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash	\$ 19,551,872	\$ -	\$ 19,551,872
Receivable (Net of Allowance for Uncollectible Amounts)	2,976,450	960,424	3,936,874
Accrued Interest Receivable	120,070	-	120,070
Due from Other Governments - State	260,534	-	260,534
Total Current Assets	22,908,926	960,424	23,869,350
Non-Current Assets (net of accumulated depreciation):			
Land	2,144,394	-	2,144,394
Land Improvements	677,727	-	677,727
Buildings and Structures	6,760,602	20,166,774	26,927,376
Machinery and Equipment	2,597,919	19,251,477	21,849,396
Vehicles	680,202	-	680,202
Infrastructure	1,013,311	-	1,013,311
Construction in Progress	14,856,737	-	14,856,737
Streets and Highways	74,314,433	-	74,314,433
Bond Issue Cost	149,801	-	149,801
Total Non-Current Assets, Net	103,195,126	39,418,251	142,613,377
Total Assets	126,104,052	40,378,675	166,482,727
Liabilities			
Accounts Payable	952,344	19,381	971,725
Consumer Deposits	-	306,566	306,566
Due to Water Authority	-	344,075	344,075
Salaries Payable	30,974	25,827	56,801
Accrued General Obligation Bond Interest	-	87,405	87,405
Interest Payable	253,949	-	253,949
Long-Term Liabilities:			
Bond Premium	72,881	-	72,881
Amounts due within one year	562,380	712,327	1,274,707
Due in more than one year	13,775,946	8,015,439	21,791,385
Total Liabilities	15,648,474	9,511,020	25,159,494
Net Assets			
Invested in Capital Assets, Net of Related Debt	89,442,245	30,681,352	120,123,597
Restricted for :			
Perpetual Care:			
Expendable	-	-	-
Nonexpendable	227,903	-	227,903
Unrestricted	20,785,430	186,303	20,971,733
Total Net Assets	\$ 110,455,578	\$ 30,867,655	\$ 141,323,233

See accompanying notes to financial statements.

Net (Expense) Revenue and
Change in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,870,600)	\$ -	\$ (1,870,600)
(6,969,518)	-	(6,969,518)
(3,778,002)	-	(3,778,002)
(3,040)	-	(3,040)
(2,124,521)	-	(2,124,521)
(1,270,096)	-	(1,270,096)
(364,675)	-	(364,675)
<u>(16,380,452)</u>	<u>-</u>	<u>(16,380,452)</u>
-	(181,932)	(181,932)
-	(181,932)	(181,932)
<u>\$ (16,380,452)</u>	<u>\$ (181,932)</u>	<u>\$ (16,562,384)</u>
2,996,632	-	2,996,632
1,558,600	-	1,558,600
4,684,404	-	4,684,404
6,139,880	-	6,139,880
137,796	-	137,796
115,805	-	115,805
486,131	-	486,131
3,749,731	-	3,749,731
86,924	-	86,924
102,077	-	102,077
1,117,055	121,335	1,238,390
(36,210)	-	(36,210)
1,633,662	490,222	2,123,884
(1,315,045)	1,315,045	-
<u>21,457,442</u>	<u>1,926,602</u>	<u>23,384,044</u>
5,076,990	1,744,670	6,821,660
105,378,588	29,122,985	134,501,573
<u>\$ 110,455,578</u>	<u>\$ 30,867,655</u>	<u>\$ 141,323,233</u>

GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2009

	General Fund	Cemetery Fund	Total Governmental Funds
Assets			
Cash	\$ 19,355,988	\$ 195,885	\$ 19,551,873
Receivables (net of allowance for uncollectibles)			
Taxes, including penalties (net of allowance of \$24,796)	140,461	-	140,461
Accounts (net of allowance of \$4,546)	743,202	30,006	773,208
Accrued Interest Receivable	118,058	2,012	120,070
Due from Other Governments - State	260,534	-	260,534
Total Assets	<u>20,618,243</u>	<u>227,903</u>	<u>20,846,146</u>
Liabilities			
Accounts Payable	952,343	-	952,343
Salaries Payable	30,974	-	30,974
Deferred Revenue	131,461	-	131,461
Total Liabilities	<u>1,114,778</u>	<u>-</u>	<u>1,114,778</u>
Fund Balance:			
Reserved for:			
Perpetual care	-	227,903	227,903
Unreserved, reported in:			
General fund	19,503,465	-	19,503,465
Permanent fund	-	-	-
Total Fund Balance	<u>19,503,465</u>	<u>227,903</u>	<u>19,731,368</u>
Total Liabilities and Fund Balance	<u>\$ 20,618,243</u>	<u>\$ 227,903</u>	<u>\$ 20,846,146</u>

See accompanying notes to financial statements.

GOVERNMENTAL FUNDS
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2009

Fund Balances-total governmental funds		\$	19,731,368
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
The installment of the real property taxes receivable would not be recognized for governmental activities because it is not collectible within 45 days after year-end.			2,062,780
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	\$	117,735,723	
Less: accumulated depreciation and amortization		<u>(14,540,597)</u>	103,195,126
Compensated absences are not due and payable in the current year and therefore are not reported in the governmental funds.			(473,805)
Landfill Closure and Postclosure care cost are not due and payable in the current year and therefore are not reported in the governmental funds.			(184,522)
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			(253,949)
Deferred revenues reported in the governmental funds are recognized as revenues for the governmental activities.			131,461
Governmental funds report the effect of bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities and reported as a long-term liability on the Statement of Net Assets.			(72,881)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:			
2007 Revenue Bond		(1,910,000)	
2004 Revenue Bond		(10,315,000)	
1995 General Obligation Note		<u>(1,455,000)</u>	(13,680,000)
Net Assets of Governmental Activities		\$	<u>110,455,578</u>

GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2009

	General Fund	Cemetery Fund	Total Governmental Funds
Revenues:			
Taxes:			
Property	\$ 2,898,687	\$ -	\$ 2,898,687
Sales	1,558,600	-	1,558,600
Prepared Meal	4,684,404	-	4,684,404
Other	6,139,880	-	6,139,880
Permits, Privilege Fees, and Regulatory Licenses	137,796	-	137,796
Fines and Forfeitures	86,924	-	86,924
Revenues from Use of Property	115,805	-	115,805
Investment Earnings	476,611	9,520	486,131
Charges for Services	1,399,895	-	1,399,895
Intergovernmental	3,749,731	-	3,749,731
Cemetery	-	102,077	102,077
Miscellaneous	1,088,110	-	1,088,110
Total Revenues	<u>22,336,443</u>	<u>111,597</u>	<u>22,448,040</u>
Expenditures:			
General Government Administration	1,701,156	-	1,701,156
Public Safety	6,488,748	-	6,488,748
Public Works	4,444,111	-	4,444,111
Health and Welfare	3,040	-	3,040
Parks, Recreation, and Culture	1,845,749	125,908	1,971,657
Community Development	1,258,527	-	1,258,527
Capital Outlay	7,188,705	-	7,188,705
Debt Service:			
Principal Retirement	490,000	-	490,000
Interest and Fiscal Charges	623,324	-	623,324
Total Expenditures	<u>24,043,360</u>	<u>125,908</u>	<u>24,169,268</u>
Excess of Expenditures over Revenues	<u>(1,706,917)</u>	<u>(14,311)</u>	<u>(1,721,228)</u>
Other Financing Sources and (Uses):			
Insurance Recoveries	28,945	-	28,945
Sale of Land	83,500	-	83,500
Capital Contributions	-	56,948	56,948
Transfers (to) from:			
Water and Sewer Fund	(1,315,045)	-	(1,315,045)
Cemetery Fund	46,092	(46,092)	-
Total Other Financing Sources (Uses)	<u>(1,156,508)</u>	<u>10,856</u>	<u>(1,145,652)</u>
Net Changes in Fund Balance	<u>(2,863,425)</u>	<u>(3,455)</u>	<u>(2,866,880)</u>
Fund Balance, July 1, 2008	<u>22,366,890</u>	<u>231,358</u>	<u>22,598,248</u>
Fund Balance, June 30, 2009	<u>\$ 19,503,465</u>	<u>\$ 227,903</u>	<u>\$ 19,731,368</u>

See accompanying notes to financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Net Change in Fund Balances-total governmental fund		\$ (2,866,880)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenues	\$ 22,569	
Change in taxes receivable	<u>75,376</u>	97,945
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 6,618,448	
Less: current year depreciation	<u>(903,605)</u>	5,714,843
Value of additional roads taken over by the Town. The value of the roads is considered contributed capital and is included in capital assets.		1,576,713
Governmental funds report an increase in compensated absences as an expenditure. However, in the Statement of Net Assets the addition increases long-term liabilities.		(9,776)
Governmental funds report an increase to post closure care costs as an expenditure. However, in the Statement of Net Assets the reductions reduce long-term liabilities.		(58,900)
Governmental funds report repayment of bond principal as an expenditure. However, in the Statement of Net Assets the repayment reduces long-term liabilities.		490,000
Governmental funds do not include amortization as an expenditure. However, bond issue costs are capitalized and amortized over the life of the bond on the Statement of Revenues, Expenditures and Changes in Fund Balances.		
Current year amortization		(5,894)
Interest expense reported in the Statement of Activities includes amounts that should be capitalized as construction in progress. The interest paid is not an expenditure and is reported as construction in progress on the Statement of Net Assets.		250,717
Interest expense reported in the Statement of Activities does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds.		7,932
Governmental funds report the sale of land as a revenue source on the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. However, on the Entity-Wide Statement of Activities the sale proceeds and cost basis of land are used to determine the gain or loss on the sale of land. The net difference between the proceeds and loss is reflected on the Statement of Activities.		(119,710)
Change in Net Assets of Governmental Activities		<u>\$ 5,076,990</u>

See accompanying notes to financial statements.

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance from Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance.	\$ 14,950,688	\$ 14,950,688	\$ 14,950,688	\$ -
Revenues (Inflows):				
General Property Taxes	2,876,100	2,876,100	2,898,687	22,587
Consumer Utility Taxes	510,000	510,000	516,537	6,537
Business License Taxes	2,044,000	2,044,000	1,990,500	(53,500)
Franchise License Taxes	130,000	130,000	112,988	(17,012)
Motor Vehicle Licenses	405,000	405,000	410,439	5,439
Bank Franchise Taxes	325,000	325,000	488,370	163,370
Transient Lodging Taxes	853,500	853,500	851,512	(1,988)
Prepared Meal Tax	4,583,000	4,583,000	4,684,404	101,404
Cigarette Tax	680,000	680,000	772,964	92,964
Building & Zoning Fees	175,200	175,200	137,796	(37,404)
Court & Parking Fines	107,000	107,000	86,924	(20,076)
Interest	380,030	380,030	476,611	96,581
Rentals and Sale of Surplus Items	141,000	141,000	115,805	(25,195)
Solid Waste Service	1,209,000	1,209,000	1,198,339	(10,661)
DPR Fees & Contributions	525,000	525,000	201,556	(323,444)
Charges for Cemetery	90,000	90,000	-	(90,000)
Miscellaneous	170,000	170,000	369,704	199,704
Non-Categorical				
State Aid (ABC), etc.	1,532,000	1,532,000	1,341,753	(190,247)
Sales Tax	1,500,000	1,500,000	1,558,600	58,600
DJCP Grants	20,000	20,000	188,949	168,949
Emergency Service Grants	100,000	100,000	57,855	(42,145)
Street Maintenance Payments	2,500,000	2,500,000	2,675,714	175,714
Law Enforcement Funds	495,000	495,000	476,658	(18,342)
National Guard Armory	3,000	3,000	5,372	2,372
Anti-Drug Funds	5,000	5,000	73,231	68,231
T-21 Grant	400,000	400,000	216,177	(183,823)
Other Grants	670,000	670,000	428,998	(241,002)
Non-Revenue Receipts	175,000	175,000	28,945	(146,055)
Transfers/Previous Appropriations/Carry Over/Bond Proceeds	4,828,138	4,828,138	-	(4,828,138)
Sale of Land	-	-	83,500	83,500
Bond Construction Fund	9,331,000	9,331,000	-	(9,331,000)
Amounts Available for Expenditures	51,713,656	51,713,656	37,399,576	(14,314,080)
Expenditures (Outflows):				
General Government Administration	1,995,882	1,995,882	1,793,015	202,867
Police Department	5,607,962	5,607,962	5,335,085	272,877
Volunteer Fire Department	673,355	673,355	635,405	37,950
Lifesaving and Rescue	591,007	591,007	564,973	26,034
Inspections	324,967	324,967	316,858	8,109
Street Department	4,683,623	4,683,623	3,783,684	899,939
Solid Waste Service	1,399,056	1,399,056	1,108,504	290,552
Building and Grounds	35,669	35,669	67,284	(31,615)
National Guard Armory	36,216	36,216	19,768	16,448
Municipal Building	133,427	133,427	125,261	8,166
Municipal Shop	154,711	154,711	176,598	(21,887)
Cemetery	172,914	172,914	-	172,914
Welfare/Social Services	3,040	3,040	3,040	-
Parks and Recreation	1,874,281	1,874,281	1,754,915	119,366
Aquatic Center	14,799,886	14,799,886	5,975,258	8,824,628
Library	10,000	10,000	10,000	-
Planning/Community Development	1,146,499	1,146,499	630,462	516,037
Engineering	763,557	763,557	629,926	133,631
Debt Service	1,114,000	1,114,000	1,113,324	676
Transfers	-	-	1,315,045	(1,315,045)
Total Expenditures	35,520,052	35,520,052	25,358,405	10,161,647
Ending Budgetary Fund Balance	\$ 16,193,604	\$ 16,193,604	\$ 12,041,171	\$ (4,152,433)

See accompanying notes to financial statements.

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2009

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

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available for expenditures" from the budgetary comparison statement.	\$ 37,399,576
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial statement purposes (Exhibit E).	(14,950,688)
Insurance recoveries are inflows of budgetary resources but are not revenues for financial reporting purposes (Exhibit E).	(28,945)
Sales of land are inflows of budgetary resources but are considered other financing sources and uses for financial reporting purposes (Exhibit E).	<u>(83,500)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 22,336,443</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison statement.	\$ 25,358,405
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E).	<u>(1,315,045)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E).	<u>\$ 24,043,360</u>

PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2009

	<u>Enterprise</u>
	<u>Water and Sewer Fund</u>
Assets	
Current Assets:	
Accounts Receivable (Net of Allowance for Uncollectible Accounts of \$19,435)	\$ 960,424
	<u>960,424</u>
Non-Current Assets:	
Water System	11,138,988
Equipment	2,853,937
Waste Water System	16,141,460
Waste Water Treatment Plant	30,894,931
Allowance for Depreciation	<u>(21,611,065)</u>
Total Non-Current Assets	<u>39,418,251</u>
Total Assets	<u>40,378,675</u>
Liabilities	
Current Liabilities:	
Accounts Payable	19,381
Accrued General Obligation Bond Interest	87,405
Consumer Deposits	306,566
Due to Water Authority	344,075
Current Maturities VA Revolving Loan Fund	634,055
Salaries Payable	25,827
Compensated Absences	<u>78,272</u>
Total Current Liabilities	<u>1,495,581</u>
Long-Term Liabilities:	
VA Revolving Loan Fund	<u>8,015,439</u>
Total Long-Term Liabilities	<u>8,015,439</u>
Total Liabilities	<u>9,511,020</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	30,681,352
Unrestricted Assets	<u>186,303</u>
Total Net Assets	<u>\$ 30,867,655</u>

See accompanying notes to financial statements.

PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise</u>
	<u>Water and Sewer Fund</u>
Revenues:	
Charges for Services	
Water and Sewer Service Fees	\$ 5,292,970
Water and Wastewater Connection Fees	309,435
Penalties and Other	121,335
Total Revenues	<u>5,723,740</u>
Operating Expenses:	
Salaries and Wages	1,474,963
Employee Benefits	231,046
Water Authority Purchases	1,093,827
Utilities	272,090
Repairs and Maintenance	270,086
Depreciation and Amortization	1,489,290
Materials and Supplies	507,036
Interest and Fiscal Charges	316,315
General and Administrative	129,684
Total Operating Expenses	<u>5,784,337</u>
Operating Income (Loss)	(60,597)
Grants in Aid of Construction	490,222
Transfers In	1,315,045
Change in Net Assets	<u>1,744,670</u>
Net Assets, July 1, 2008	29,122,985
Net Assets, June 30, 2009	<u>\$ 30,867,655</u>

See accompanying notes to financial statements.

PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Enterprise Fund</u>
	<u>Water & Sewer Fund</u>
Cash Flows from Operating Activities	
Cash Received From:	
Customers	\$ 5,561,955
Cash Paid to/for:	
Employees	(1,706,275)
Supplies and Services	(2,202,593)
Net Cash Flows from Operating Activities	<u>1,653,087</u>
Cash Flows from Non-Capital Financing Activities	
Transfer from General Fund	1,315,045
Net Cash Flows from Non-Capital Financing Activities	<u>1,315,045</u>
Cash Flows from Capital and Related Financing Activities	
Payment of Principal	(612,147)
Interest on Debt	(322,214)
Purchase of Fixed Assets	(2,033,771)
Net Cash Flows from Capital and Related Financing Activities	<u>(2,968,132)</u>
Cash Flows from Investing Activities	
None	-
Net Cash Flows from Investing Activities	<u>-</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents, July 1, 2008	-
Cash and Cash Equivalents, June 30, 2009	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities	
Operating Income (Loss)	\$ (60,597)
Add Depreciation and Amortization	1,489,290
Add Interest Expense	316,315
Change in Current Assets and Current Liabilities	
(Increase) Decrease in Current Assets:	
Accounts Receivable	(170,532)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	9,041
Due to Water Authority	61,088
Consumer Deposits	8,747
Salaries Payable	3,528
Compensated Absences	(3,793)
Net Cash Flows from Operating Activities	<u>\$ 1,653,087</u>
Noncash Investing, Capital, and Financing Activities:	
Contributed Capital - Grants in Aid of Construction	\$ 490,222

See accompanying notes to financial statements

TOWN OF CHRISTIANBURG

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. Summary of Significant Accounting Policies:

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

A. Reporting Entity

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

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

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

B. Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cemetery fund - This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery. On April 1, 2008 the Town took over control of the Town's cemetery from the Cemetery Corp.

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

C. Basis of Accounting

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

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

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

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

D. Deposits and Investments

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

E. Allowance for Uncollectible Taxes and Accounts Receivable

The Town calculates its allowance for uncollectible receivables based on historical collection data. At June 30, 2009, the allowance for uncollectible taxes and accounts receivable was \$29,342 for the General Fund and \$19,435 for the Water and Sewer Fund.

F. Property Taxes

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

The annual assessment for real estate is based on 100% of the assessed fair market value. The tax rates are established annually, without limitation. The tax rate for real estate was \$.126 per \$100 of assessed value for the year. The personal property tax rate was \$.45 per \$100 of assessed value for the year. In 1998, the Commonwealth enacted the Personal Property Tax Relief Act. The Commonwealth share of the tax was 55.13% for fiscal year 2008. Business furniture, fixtures, and machinery and tools taxes are assessed at a rate of \$.45 per \$100 of assessed valuation.

G. Capital Assets

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

The estimated useful lives for capital assets are as follows:

Land Improvements	15 years
Building and Structures	25-30 years
Equipment and Vehicles	5-20 years
Infrastructure	40 years

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

In accordance with generally accepted accounting principles, interest expense incurred during the construction of a capital asset is capitalized until the construction has been completed. The Aquatic Center was still under construction as of June 30, 2009 and incurred \$246,668 of interest expense capitalized during the year.

2. Compensated Absences Payable

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

Town employees earn vacation and sick leave as follows:

Vacation:

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

Sick leave:

- One and one-fourth days per month

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

The Town's Liability at June 30, 2009 for these compensated absences was:

	Current Portion	Long-Term Portion	Total
General Fund	\$ 47,380	\$ 426,424	\$ 473,805

Liabilities for compensated absences are not liquidated until leave is actually taken by employees or leave balances are paid upon termination. The Town has estimated that 10% of the compensated absences balance can be liquidated with expendable available resources, and are considered a current liability. Both current and non-current portions of compensated absences totaling \$473,805 are recorded for governmental activities in the government-wide statements and represent a reconciling item between the government-wide and fund presentations.

Compensated absences earned by employees and charged to the proprietary fund are expensed and accrued as a liability when incurred. At June 30, 2009, the liabilities for compensated absences of the enterprise fund were \$78,272.

3. Budgets and Budgetary Accounting

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

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

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

4. Deposits and Investments

Deposits

The Town's cash on hand and in banks at June 30, 2009 has a carrying value of \$20,879,569. Of the Town's bank balance, \$0 was uninsured and uncollateralized under the Virginia Security for Public Deposits Act at June 30, 2009.

Investments

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

Investments of the Town are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer bank trust department or safekeeping agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department or safekeeping agent, but not in the Town's name. As of June 30, 2009, the Town's deposit and investment balances were as follows:

	Category			Non-Categorized	Fair Value
	1	2	3		
Deposits	-	-	-	5,216,751	5,216,751
Certificates of Deposit	-	-	-	8,808,867	8,808,867
Money Market	-	5,525,354	-	-	5,525,354
Totals	-	5,525,354	-	14,025,618	19,550,972

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

Deposits	\$ 5,216,751
Certificates of Deposit	8,808,867
Money Market	5,525,354
Petty Cash	900
Total Cash	<u>\$ 19,551,872</u>

5. Receivables

Receivables as of June 30, 2009 consisted of the following:

Governmental Activities:

Receivables:

	General Fund	Cemetery Fund	Totals
Interest	\$ 120,070	\$ -	\$ 120,070
Taxes	2,303,414	-	2,303,414
State Government	260,534	-	260,534
Accounts	747,748	30,006	777,754
Gross Receivables	3,431,766	30,006	3,461,772
Less: Allowance for Doubtful Accounts	(104,718)	-	(104,718)
Net Receivables	<u>\$ 3,327,048</u>	<u>\$ 30,006</u>	<u>\$ 3,357,054</u>

Business-Type Activities:

Receivables

	Water & Sewer Fund
Accounts	976,475
Less: Allowance for Doubtful Accounts	(16,051)
Net Receivables	<u>\$ 960,424</u>

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

Net taxes and accounts receivable, as reported in the entity-wide Statement of Net Assets, include taxes receivable of \$131,461 that are not available to pay for current period expenditures and are accordingly recorded as deferred revenue in the governmental fund balance sheet.

The accounts receivable balance in the Cemetery fund represents the amount of the certificate of deposit still in the corporations name. When this certificate matures in 2010 the monies will be given to the town.

6. Inter-fund Transfers

Inter-fund transfers consisted of the following at June 30, 2009:

Transfer from:	Transfer to:
General Fund	Water & Sewer Fund
	\$ 1,315,045

7. Changes in Capital Assets

Primary Government:

Governmental Activities:	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<u>Capital Assets Not Being Depreciated:</u>				
Land	\$ 2,264,104	\$ -	\$ 119,710	2,144,394
Construction in Progress	8,911,402	5,945,335	-	14,856,737
Streets and Highways	72,338,709	1,975,724	-	74,314,433
Total Capital Assets Not Being Depreciated	83,514,215	7,921,059	119,710	91,315,564
<u>Capital Assets Being Depreciated:</u>				
Buildings and Structures	8,471,534	7,517	-	8,479,051
Accumulated Depreciation	(1,545,268)	(173,181)	-	(1,718,449)
Net Buildings and Structures	6,926,266	(165,664)	-	6,760,602
Infrastructure	2,741,346	113,004	-	2,854,350
Accumulated Depreciation	(1,778,638)	(62,401)	-	(1,841,039)
Net Infrastructure	962,708	50,603	-	1,013,311
Machinery and Equipment	11,176,567	330,302	-	11,506,869
Accumulated Depreciation	(8,544,844)	(364,106)	-	(8,908,950)
Net Machinery and Equipment	2,631,723	(33,804)	-	2,597,919
Land Improvements	865,920	-	-	865,920
Accumulated Depreciation	(130,465)	(57,728)	-	(188,193)
Net Land Improvements	735,455	(57,728)	-	677,727
Vehicles	2,467,208	69,947	-	2,537,155
Accumulated Depreciation	(1,610,764)	(246,189)	-	(1,856,953)
Net Vehicles	856,444	(176,242)	-	680,202
Bond Issue Cost	176,814	-	-	176,814
Accumulated Amortization	(21,119)	(5,894)	-	(27,013)
Net Bond Issue Cost	155,695	(5,894)	-	149,801
Total Capital Assets Being Depreciated	25,899,389	520,770	-	26,420,159
Less: Accumulated Depreciation & Amortization	(13,631,098)	(909,499)	-	(14,540,597)
Net Total Capital Assets Being Depreciated	12,268,291	(388,729)	-	11,879,562
Governmental Activities Capital Assets, Net	\$ 95,782,506	\$ 7,532,330	\$ 119,710	\$ 103,195,126

Business-type Activities:	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
<u>Capital Assets Not Being Depreciated:</u>				
Construction in Progress	\$ 607,665	\$ -	\$ 607,665	\$ -
Total Capital Assets Not Being Depreciated	607,665	-	607,665	-
<u>Capital Assets Being Depreciated:</u>				
Water System	10,555,764	583,224	-	11,138,988
Water and Waste Water Equipment	2,831,392	22,545	-	2,853,937
Waste Water System	15,466,823	674,637	-	16,141,460
Waste Water Treatment Plant	29,043,678	1,851,253	-	30,894,931
Total Capital Assets Being Depreciated	57,897,657	3,131,659	-	61,029,316
Less: Accumulated Depreciation	(20,121,775)	(1,489,290)	-	(21,611,065)
Net Total Capital Assets Being Depreciated	37,775,882	1,642,369	-	39,418,251
Business-type Activities Capital Assets, Net	\$ 38,383,547	\$ 1,642,369	\$ 607,665	\$ 39,418,251

Depreciation and Amortization expense:

Governmental activities:

General Government Administration	\$ 87,857
Public Safety	354,331
Public Works	251,665
Parks, Recreation, and Culture	206,612
Community Development	9,034
	<u>\$ 909,499</u>

Business-type activities:

Water and Sewer	\$ 1,480,290
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Amortization expense for Bond Issue Cost in the amount of \$5,894 is included in the total for Parks, Recreation, & Culture.

8. Deferred Revenue

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Deferred revenue as reported in the governmental fund financial statements at June 30, 2009 consisted of the following:

	General Fund
Deferred property taxes	\$ 131,461

9. Long-Term Liabilities

General obligation notes are direct obligations and pledge the full faith and credit of the Town. The charter of the Town of Christiansburg limits the legal debt to 10% of the assessed valuation of real estate within the Town limits. The Town's legal debt margin at June 30, 2009 is \$176,749,739.

Outstanding long-term liabilities as of June 30, 2009 are comprised of the following:

Primary Government-Governmental Activities

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
General Obligation Debt:				
2007 Revenue Bond	\$ 1,970,000	\$ -	\$ 60,000	\$ 1,910,000
2004B Revenue Bond	10,540,000	-	225,000	10,315,000
1995 General Obligation Note	1,660,000	-	205,000	1,455,000
Total General Obligation Debt	<u>14,170,000</u>	<u>-</u>	<u>490,000</u>	<u>13,680,000</u>
Compensated Absences Payable for the General Fund	464,029	9,776	-	473,805
Landfill Closure & Postclosure Care Cost	125,622	58,900	-	184,522
Bond Premiums	76,930	-	4,049	72,881
Total Governmental-Type Activities Long-Term Debt	<u>\$ 14,836,581</u>	<u>\$ 68,676</u>	<u>\$ 494,049</u>	<u>\$ 14,411,208</u>

Primary Government-Business-type Activities

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
2001 VA Revolving Loan Fund	\$ 7,543,319	\$ -	\$ 467,253	\$ 7,076,066
1998 VA Revolving Loan Fund	1,718,322	-	144,894	1,573,428
Total Debt	<u>9,261,641</u>	<u>-</u>	<u>612,147</u>	<u>8,649,494</u>
Compensated Absences Payable for the Water and Sewer Fund	82,065	-	3,793	78,272
Total Business-Type Activities Long-Term Debt	<u>\$ 9,343,706</u>	<u>\$ -</u>	<u>\$ 615,940</u>	<u>\$ 8,727,766</u>
Total Primary Government Long-Term Liabilities	<u>\$ 24,180,287</u>	<u>\$ 68,676</u>	<u>\$ 1,109,989</u>	<u>\$ 23,138,974</u>

Long-term Liabilities of the Town at June 30, 2009 is comprised of the following issues:

\$1,185,000 revenue bond issued December 15, 2004, maturing annually with principal and interest payable semi-annually through August 1, 2034; interest rate varies, currently at 2.50% .	\$ 10,315,000
\$1,970,000 revenue bond issued July 30, 2007, maturing annually with principal and interest payable semi-annually through August 1, 2027; interest rate varies, currently at 4.25% .	1,910,000
\$3,500,000 public improvement bonds issued December 1, 1995, maturing annually with interest payable semi-annually through February 1, 2015; interest rate varies, currently at 4.50% .	1,455,000
\$2,800,000 (1998) VA Revolving Loan Fund. The Loan was refinanced on June 1, 2006 at 3.7% , with semi-annual payments of principal and interest in the amount of \$103,572 on June 1 and December 1. Final payment is due June 1, 2018.	1,573,428
\$10,311,000 (2001) VA Revolving Loan Fund. The Loan will be financed over 20 years at 3.50% with semi-annual payments of principal and interest in the amount of \$367,010 on September 1 and March 1.	7,076,066
Total General Obligations and VA Revolving Loan	<u>22,329,494</u>
Compensated Absences Payable	552,077
Landfill Closure and Postclosure Care Cost Payable	184,522
Bond Premiums	72,881
Total Long-term Liabilities	<u>\$ 23,138,974</u>

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2009 are as follows:

Fiscal Year	2007 Revenue Bond		2004 Revenue Bond		1995 General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	65,000	92,206	235,000	440,325	215,000	72,039	515,000	604,570
2011	65,000	89,363	240,000	432,900	225,000	61,719	530,000	583,982
2012	70,000	86,325	245,000	424,100	235,000	50,750	550,000	561,175
2013	75,000	83,063	255,000	414,100	245,000	39,000	575,000	536,163
2014	75,000	79,688	265,000	403,700	260,000	26,750	600,000	510,138
2015	80,000	76,000	275,000	392,900	275,000	13,750	630,000	482,650
2016-20	460,000	313,250	1,545,000	1,787,500	-	-	2,005,000	2,100,750
2021-25	590,000	184,500	1,885,000	1,438,084	-	-	2,475,000	1,622,584
2026-30	430,000	33,000	2,370,000	822,934	-	-	2,800,000	855,934
2031-34	-	-	3,000,000	520,088	-	-	3,000,000	520,088
Total	\$ 1,910,000	\$ 1,037,395	\$ 10,315,000	\$ 7,076,631	\$ 1,455,000	\$ 264,008	\$ 13,680,000	\$ 8,378,034

The following general obligation debt and VA revolving loans are issued to support business-type activities. The annual requirements to amortize business-type activities debt outstanding as of June 30, 2009 are as follows:

Fiscal Year	2001 VA Revolving Loan		1998 VA Revolving Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	483,750	243,466	150,304	56,839	634,054	300,305
2011	500,830	226,387	155,917	51,227	656,747	277,614
2012	518,512	208,704	161,740	45,404	680,252	254,108
2013	536,819	190,398	167,780	39,364	704,599	229,762
2014	555,772	171,445	174,045	33,099	729,817	204,544
2015	575,395	151,823	180,544	26,600	755,939	178,423
2016	595,709	131,507	187,286	19,858	782,995	151,365
2017	616,742	110,475	194,279	12,865	811,021	123,340
2018	638,516	88,700	201,533	5,610	840,049	94,310
2019	661,060	66,156	-	-	661,060	66,156
2020	684,399	42,817	-	-	684,399	42,817
2021	708,562	18,654	-	-	708,562	18,654
Total	\$ 7,076,066	\$ 1,650,532	\$ 1,573,428	\$ 290,866	\$ 8,649,494	\$ 1,941,398

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

	Water & Sewer Fund	General Fund	Total
Bonds:			
1995 Public Improvement Bonds	\$ -	\$ 1,455,000	\$ 1,455,000
2004B Revenue	-	10,315,000	10,315,000
2007 Revenue	-	1,910,000	1,910,000
Loans:			
2001 VA Revolving Loan	7,076,066	-	7,076,066
1998 VA Revolving Loan	1,573,428	-	1,573,428
Landfill Closure & Postclosure Care Cost	-	184,522	184,522
Compensated Absences	78,272	473,805	552,077
Bond Premiums	-	72,881	72,881
Total	\$ 8,727,766	\$ 14,411,208	\$ 23,138,974

10. Fund Balances

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

11. Defined Benefit Pension Plan

A. Plan Description

The Town of Christiansburg contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters) or at age 50 with 30 years of service for participating employers (age 50 with 25 years of service for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from our web site at <http://www.wareire.org/pdf/2008Annual3epl.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 reported compensation to the VRS. The Town of Christiansburg has assumed this 5% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2009 was 10.15% of annual covered payroll.

C. Annual Pension Cost

For 2009, the Town's annual pension cost of \$1,102,950 was equal to their required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.5% to 4.75% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) 2.5% per year cost of living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the Town of Christiansburg's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2007	\$ 1,160,107	100.00%	\$ -
June 30, 2008	\$ 1,186,009	100.00%	\$ -
June 30, 2009	\$ 1,102,950	100.00%	\$ -

12. Risk Management

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

Workers' Compensation - Workers' compensation insurance is provided through the Virginia Municipal Self Insurance Association. During 2008-2009, total premiums paid were \$558,018. Benefits are those afforded through the State of Virginia as outlined in the Code of Virginia Section 65.2-100; premiums are based on covered payroll, job rates and claims history.

General Liability and Other - The Town has general liability, automobile liability insurance, property insurance, and public officials liability insurance through the Virginia Municipal Liability Pool. Boiler and machinery coverage and property insurance are covered as per statement of values. Total premiums for 2008-2009 were \$206,062.

Healthcare - The Town provides health insurance coverage for employees through commercial insurance policies. Employees' spouses and dependents may also be covered provided they pay for part of the premium cost. During the year, the Town paid \$1,182,438 in healthcare premiums.

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

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

13. Blacksburg-Christiansburg-VPI Water Authority

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

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

14. Contributed Capital

The contributed capital account of the Enterprise Fund increased from \$17,917,661 to \$18,407,883 in 2008-2009 due to contributed capital-grants in aid of construction of \$490,222.

The contributed capital account of the Cemetery Fund represents the amount of money transferred from the Cemetery Corporation to the Town for the care of the cemetery. Also, included in this total is the amount of certificates still receivable by the Town as of June 30, 2009.

The contributed capital account of the General Fund on the Statement of Activities for GASB 34 purposes includes the roads given to the Town by developers for the Town to maintain. The value of \$1,576,714 was arrived at using \$100 per foot of lane miles. Total miles given to the Town during the fiscal year was 2.9862. The new road additions are included on the Statement of Net Assets as a Non-Current Asset.

15. Landfill Closure and Postclosure Care Costs

In FY 1998, the Town adopted GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. State and federal laws and regulations require the Town to place a final cover on its landfill site, as well as other sites opened in the future when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care cost will be paid only near or after the date that the landfill stops accepting waste, GASB No. 18 requires that the Town record a portion of these closure and postclosure care costs as a long-term liability in each period based on landfill capacity used as of each balance sheet date. The \$184,522 liability for landfill closure and postclosure care cost at June 30, 2009 represents the estimated liability based on the usage of 100% of the estimated capacity of the landfill. The Town will recognize the remaining estimated cost of closure and postclosure care as costs are incurred.

The liability accrued at June 30, 2009 is based on what it would cost to perform all closure and postclosure care in 2009. Actual cost may differ from this estimate due to inflation, changes in technology or changes in regulation.

16. Postemployment Benefits other than Pension Benefits

In the fiscal year 2009, the Town will adopt GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement was issued to provide more complete, reliable, and decision-useful financial reporting regarding the costs and financial obligations that governments incur when they provide postemployment benefits other than pensions as part of the compensation for services rendered by their employees. The statement will provide better information to users about the government's unfunded actuarial accrued liabilities (the difference between the Town's total obligation for OPEB and any assets set aside for financing the benefits) and changes in the funded status of the benefits over time. The liability will be based on an actuarial valuation performed by a third-party on a yearly basis.

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

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

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

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

TOWN OF CHRISTIANSBURG, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
 VIRGINIA RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR THE TOWN OF CHRISTIANSBURG, VIRGINIA

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2004	\$ 14,312,622	\$ 16,430,191	\$ 2,117,569	87.11%	\$ 6,303,964	33.59%
June 30, 2005	\$ 15,054,244	\$ 20,184,385	\$ 5,130,141	74.58%	\$ 6,446,023	79.59%
June 30, 2006	\$ 16,384,423	\$ 20,862,632	\$ 4,478,209	78.53%	\$ 6,885,478	65.04%
June 30, 2007	\$ 18,568,695	\$ 23,253,067	\$ 4,684,372	79.85%	\$ 7,354,315	63.70%
June 30, 2008	\$ 20,809,351	\$ 25,838,930	\$ 5,029,579	80.53%	\$ 8,357,697	60.18%

STATISTICAL SECTION

GENERAL GOVERNMENTAL REVENUES BY SOURCE
 LAST TEN FISCAL YEARS

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, and Regulatory Licenses	Fines and Forfeitures	Revenues From Use of Money and Property
2008-2009	\$ 2,898,687	\$ 12,382,884	\$ 137,796	\$ 86,924	\$ 592,416
2007-2008	\$ 2,775,831	\$ 11,666,242	\$ 191,857	\$ 95,025	\$ 1,203,765
2006-2007	\$ 2,664,913	\$ 11,006,752	\$ 211,538	\$ 148,523	\$ 1,303,090
2005-2006	\$ 2,626,603	\$ 10,068,405	\$ 252,318	\$ 138,831	\$ 674,152
2004-2005	\$ 2,530,438	\$ 8,824,010	\$ 250,188	\$ 87,466	\$ 318,460
2003-2004	\$ 2,403,583	\$ 8,239,175	\$ 144,197	\$ 83,420	\$ 118,531
2002-2003	\$ 1,905,209	\$ 6,703,186	\$ 126,885	\$ 93,833	\$ 184,562
2001-2002	\$ 1,860,457	\$ 6,180,952	\$ 113,993	\$ 97,737	\$ 252,999
2000-2001	\$ 1,861,389	\$ 6,031,780	\$ 143,924	\$ 99,896	\$ 496,539
1999-2000	\$ 1,772,647	\$ 5,784,328	\$ 121,770	\$ 90,943	\$ 435,536

Fiscal Year	Charges For Services	Miscellaneous	Inter- governmental	Total
2008-2009	\$ 1,399,895	\$ 1,088,110	\$ 3,749,731	\$ 22,336,443
2007-2008	\$ 1,214,173	\$ 714,274	\$ 3,520,364	\$ 21,381,531
2006-2007	\$ 1,192,332	\$ 611,289	\$ 3,419,113	\$ 20,557,550
2005-2006	\$ 1,159,231	\$ 304,786	\$ 3,294,761	\$ 18,519,087
2004-2005	\$ 1,091,103	\$ 204,476	\$ 3,057,190	\$ 16,363,331
2003-2004	\$ 1,039,175	\$ 181,105	\$ 3,417,516	\$ 15,626,702
2002-2003	\$ 973,286	\$ 198,725	\$ 2,737,806	\$ 12,923,492
2001-2002	\$ 826,676	\$ 186,389	\$ 2,676,679	\$ 12,195,882
2000-2001	\$ 820,193	\$ 267,994	\$ 2,463,798	\$ 12,185,513
1999-2000	\$ 814,078	\$ 107,753	\$ 2,628,383	\$ 11,755,438

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare
2008-2009	\$ 1,701,156	\$ 6,488,748	\$ 4,444,111	\$ 3,040
2007-2008	\$ 1,618,229	\$ 5,909,555	\$ 4,630,843	\$ 2,700
2006-2007	\$ 1,400,715	\$ 5,219,119	\$ 4,237,338	\$ 2,760
2005-2006	\$ 1,262,538	\$ 4,988,285	\$ 4,204,419	\$ 2,500
2004-2005	\$ 1,204,434	\$ 4,499,932	\$ 4,033,452	\$ 2,500
2003-2004	\$ 1,084,717	\$ 4,145,907	\$ 3,652,370	\$ 2,400
2002-2003	\$ 1,005,050	\$ 3,810,956	\$ 3,325,153	\$ 2,400
2001-2002	\$ 921,343	\$ 3,505,787	\$ 3,120,079	\$ 2,400
2000-2001	\$ 871,767	\$ 3,114,497	\$ 2,844,886	\$ 2,300
1999-2000	\$ 837,330	\$ 2,714,400	\$ 2,639,051	\$ 4,700

Fiscal Year	Parks Recreation and Culture	Community Development	Debt Service	Capital Outlay	Total
2008-2009	\$ 1,845,749	\$ 1,258,527	\$ 1,113,324	\$ 7,188,705	\$ 24,043,360
2007-2008	\$ 1,673,455	\$ 1,906,079	\$ 1,005,851	\$ 8,288,726	\$ 25,035,438
2006-2007	\$ 1,750,906	\$ 1,516,400	\$ 958,129	\$ 3,124,325	\$ 18,209,692
2005-2006	\$ 1,374,703	\$ 851,633	\$ 1,000,010	\$ 3,114,504	\$ 16,798,592
2004-2005	\$ 1,292,271	\$ 804,938	\$ 308,419	\$ 2,475,860	\$ 14,621,806
2003-2004	\$ 1,230,679	\$ 1,372,615	\$ 347,048	\$ 2,485,637	\$ 14,321,373
2002-2003	\$ 1,194,785	\$ 651,112	\$ 370,172	\$ 3,115,346	\$ 13,474,974
2001-2002	\$ 1,168,378	\$ 647,517	\$ 373,793	\$ 1,821,767	\$ 11,561,064
2000-2001	\$ 1,047,011	\$ 599,897	\$ 372,731	\$ 2,692,528	\$ 11,545,617
1999-2000	\$ 970,983	\$ 402,373	\$ 374,901	\$ 1,579,692	\$ 9,523,430

SCHEDULE 3

<u>Mobile Homes</u>	<u>Public Utility</u>		<u>Total</u>
	<u>Unequalized</u>	<u>Equalized</u>	
\$ 4,579,840	\$ 40,896,193	\$ 46,137	\$ 2,121,348,258
\$ 4,607,360	\$ 40,715,462	\$ 42,329	\$ 2,053,313,899
\$ 4,740,740	\$ 30,703,941	\$ 50,090	\$ 1,587,809,914
\$ 4,601,520	\$ 32,261,723	\$ 39,470	\$ 1,534,503,138
\$ 5,073,600	\$ 30,283,869	\$ 26,964	\$ 1,475,105,476
\$ 4,692,300	\$ 25,979,014	\$ 20,779	\$ 1,432,967,523
\$ 6,032,441	\$ 25,893,804	\$ 20,362	\$ 1,092,314,508
\$ 6,204,399	\$ 25,863,804	\$ 19,862	\$ 1,069,854,481
\$ 5,865,491	\$ 32,276,387	\$ 22,636	\$ 1,026,189,004
\$ 5,355,686	\$ 32,098,967	\$ 27,769	\$ 952,770,740

<u>Mobile Homes</u>	<u>Public Utility</u>	
	<u>Unequalized</u>	<u>Equalized</u>
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45
\$.144	\$.144	\$.45

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (2) Tax Collections
2008-2009	\$ 3,060,904	\$ 3,050,888	99.67%	\$ 48,033
2007-2008	\$ 2,965,908	\$ 2,928,389	98.73%	\$ 49,590
2006-2007	\$ 2,837,231	\$ 2,836,463	99.97%	\$ 29,276
2005-2006	\$ 2,771,986	\$ 2,812,849	101.47%	\$ 55,744
2004-2005	\$ 2,689,188	\$ 2,615,979	97.28%	\$ 76,273
2003-2004	\$ 2,612,519	\$ 2,513,352	96.20%	\$ 24,898
2002-2003	\$ 2,069,972	\$ 2,025,298	97.84%	\$ 34,521
2001-2002	\$ 2,035,330	\$ 1,982,519	97.40%	\$ 25,546
2000-2001	\$ 1,998,767	\$ 1,935,953	96.86%	\$ 28,896
1999-2000	\$ 1,796,674	\$ 1,791,994	99.74%	\$ 26,266

Fiscal Year	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding (3) Delinquent Taxes	Percent of (1) Delinquent Taxes to Tax Levy
2008-2009	\$ 3,098,921	101.24%	\$ 135,188	4.42%
2007-2008	\$ 2,977,979	100.41%	\$ 116,143	3.92%
2006-2007	\$ 2,865,739	101.00%	\$ 109,736	3.87%
2005-2006	\$ 2,868,593	103.49%	\$ 123,064	4.44%
2004-2005	\$ 2,692,252	100.11%	\$ 159,908	5.95%
2003-2004	\$ 2,538,250	97.16%	\$ 190,471	7.29%
2002-2003	\$ 2,059,819	99.51%	\$ 142,187	6.87%
2001-2002	\$ 2,008,068	98.66%	\$ 145,073	7.13%
2000-2001	\$ 1,964,849	98.30%	\$ 102,554	5.13%
1999-2000	\$ 1,818,260	101.20%	\$ 100,621	5.60%

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

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

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

SCHEDULE 5

<u>Debt Payable from Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
\$ -	\$ 13,680,000	.0069:1	\$ 807.22
\$ -	\$ 14,170,000	.0069:1	\$ 836.14
\$ -	\$ 12,615,000	.0079:1	\$ 744.38
\$ -	\$ 13,015,000	.0085:1	\$ 767.98
\$ -	\$ 13,400,000	.0091:1	\$ 790.70
\$ 107,250	\$ 2,407,750	.0017:1	\$ 142.08
\$ 510,750	\$ 2,629,250	.0024:1	\$ 155.15
\$ 886,125	\$ 2,863,875	.0027:1	\$ 168.99
\$ 1,257,375	\$ 3,092,625	.0030:1	\$ 182.49
\$ 1,628,625	\$ 3,311,375	.0035:1	\$ 186.03

STATEMENT OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2009

Legal Debt Limit:

10% of assessed value of taxable real estate (1)
\$ 1,904,297,393

\$ 190,429,739

Deduct:

Bonds payable

13,680,000

Legal margin for creation of additional debt

\$ 176,749,739

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

COMPLIANCE SECTION

Michael B. Cooke, C.P.A., P.C.
Certified Public Accountants

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(540) 953-1152

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 (SIGNIFICANT DEFICIENCIES,
REPORTABLE INSTANCES OF NONCOMPLIANCE, AND OTHER MATTERS
IDENTIFIED)

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

We have audited the basic financial statements of the governmental activities, business-type activities, and each major fund of the Town of Christiansburg, Virginia, as of and for the year ended June 30, 2009, which collectively comprise the Town of Christiansburg's basic financial statements and have issued our report thereon dated November 3, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Town of Christiansburg'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 Town of Christiansburg's financial statements that is more than inconsequential will not be prevented or detected by the Town of Christiansburg's internal control. We consider the following deficiency to be a significant deficiency in internal control:

The Town's employees and management lack the qualifications, training, skills, and knowledge to apply generally accepted accounting principles in recording the Town's financial transactions and preparing its financial statements.

Management has hired a CPA for the Director of Finance position for the fiscal year 2009 - 2010.

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 Town of Christiansburg's internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

The Town of Christiansburg's response to the findings identified in our audit is described above. We did not audit Town of Christiansburg's response and, accordingly, we express no opinion on it.

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

Michael B. Cooke, CPA, PC

November 3, 2009

Michael B. Cooke, C.P.A., P.C.

Certified Public Accountants

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2001 South Main Street
Blacksburg, Virginia 24060
(540) 953-1152

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

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

We have audited the accompanying financial statements of the Town of Christiansburg, Virginia, as of and for the year ended June 30, 2009, and have issued our report thereon dated November 3, 2009.

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

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

State Compliance Matters:

Code of Virginia:

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

State Agency Requirements:

- Highway Maintenance Funds

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

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

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

Michael B. Cooke, CPA, PC

November 3, 2009