

TOWN OF CHRISTIANBURG, VIRGINIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF CHRISTIANSBURG, VIRGINIA
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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, 2011, 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, 2011, 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 18, 2011, on our consideration of the Town of Christiansburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Virginia Retirement System - Schedule of Funding Progress, on pages 4 through 10, and 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Christiansburg's basic financial statements as a whole. The Supplementary Information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Supplementary Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Michael B. Cooke, CPA, PC

November 18, 2011

TOWN OF CHRISTIANSBURG, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011

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, 2011. It should be read in conjunction with the Town's basic financial statements.

FINANCIAL HIGHLIGHTS

- The Town's total net assets increased by \$5,998,219 during the fiscal year, on the government-wide basis. The Town's total net assets, on the government-wide basis, totaled \$149,546,252 at June 30, 2011. Of this amount, \$12,668,926 may be used to meet ongoing obligations to citizens and creditors, \$130,691,835 is invested in capital assets, net of related debt, \$359,215 is restricted for perpetual care in the Cemetery Fund; \$5,826,276 is restricted for other purposes.
- On a government-wide basis for governmental activities, the Town had expenses (including transfers) net of program revenues of \$17,250,415, which totaled \$5,921,783 less than the general revenues, of \$23,172,198.
- At June 30, 2011 the Town's governmental funds balance sheet reported total ending fund balances of \$17,831,212 of which \$359,214 was nonspendable as a part of the cemetery perpetual care fund, \$2,455,423 was restricted by law or donor restrictions; \$2,199,995 was assigned to specifics savings for future needs of the Town and \$12,816,580 was unassigned and available to meet future needs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

tax base and the condition of the Town's infrastructure should also be considered in assessing the overall financial health of the Town.

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

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

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

Fund Financial Statements

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Christiansburg, assets exceeded liabilities by \$149,546,252 at the close of the most recent fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

By far the largest portion of the Town of Christiansburg's net assets (86 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 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, 2011 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 21,715	\$ 19,130	\$ 939	\$ 1,080	\$ 22,654	\$ 20,210
Capital assets, net	111,857	110,503	38,828	39,349	150,685	149,852
Total Assets	133,572	129,633	39,767	40,429	173,339	170,062
Other liabilities	1,981	3,516	783	800	2,764	4,316
Long-term liabilities	13,569	14,016	7,461	8,106	21,030	22,122
Total Liabilities	15,550	17,532	8,244	8,906	23,794	26,438
Net assets:						
Invested in capital assets, net of related debt	99,222	97,269	31,470	31,180	130,692	128,449
Restricted	6,185	290	-	-	6,185	290
Unrestricted	12,615	14,542	53	343	12,668	14,885
Total Net Assets	\$ 118,022	\$ 112,101	\$ 31,523	\$ 31,523	\$ 149,545	\$ 143,624

The Town's combined net assets increased from \$143,624,469 to \$149,546,252 as a result of the increase in net assets of both Business-type activities of \$0 and the Governmental activities of \$5,921,783. Unrestricted net assets, the portion of net assets that can be used to finance the day-to-day operations of the Town totaled \$12,668,926. 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 \$6,185,490; \$359,215 is restricted for the use of perpetual care in the Cemetery Fund and \$5,826,276 is restricted by law, contract or donor restrictions or has been assigned for specific use.

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, 2011 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for services	\$ 2,207	\$ 1,397	\$ 5,856	\$ 5,933	\$ 8,063	\$ 7,330
Operating grants and contributions	307	428	-	-	307	428
Capital grants and contributions	1,326	803	-	-	1,326	803
General Revenues:						
Property taxes	3,016	2,990	-	-	3,016	2,990
Local portion of state sales taxes	1,547	1,483	-	-	1,547	1,483
Business and professional occupational license taxes	1,895	1,962	-	-	1,895	1,962
Utility taxes	519	554	-	-	519	554
Prepared food and beverage taxes	5,408	4,504	-	-	5,408	4,504
Commonwealth share-personal property taxes	229	229	-	-	229	229
Cigarette tax	722	743	-	-	722	743
E-911 and communication taxes	980	958	-	-	980	958
Transient room taxes	812	749	-	-	812	749
Other taxes	1,229	1,099	-	-	1,229	1,099
Permits, Fees and Licenses	131	204	-	-	131	204
Interest and Investment Income	254	264	-	-	254	264
Fines and Forfeitures	95	119	-	-	95	119
Miscellaneous	582	329	138	129	720	458
Cemetery	103	96	-	-	103	96
Payments from Other Governments- State and Federal	3,434	3,186	-	-	3,434	3,186
Total Revenues	24,796	22,097	5,994	6,062	30,790	28,159
Expenses						
General Government	2,377	2,205	-	-	2,377	2,205
Public Safety	7,298	8,022	-	-	7,298	8,022
Public Works	5,154	6,314	-	-	5,154	6,314
Health and Welfare	3	3	-	-	3	3
Parks, Recreation and Cultural	4,138	2,620	-	-	4,138	2,620
Community Development	1,146	1,393	-	-	1,146	1,393
Interest and Fiscal Charges	575	60	-	-	575	60
Water	-	-	6,370	6,188	6,370	6,188
Total Expenses	20,691	20,617	6,370	6,188	27,061	26,805
Capital contributions	1,257	788	53	75	1,257	863
Insurance recoveries	49	84	-	-	49	84
Transfers	(323)	(707)	323	707	-	-
Special item	910	-	-	-	910	-
Increase (Decrease) in Net Assets	5,998	1,645	-	656	5,998	2,301
Net Assets, Beginning	112,101	110,456	31,523	30,867	143,624	141,323
Net Assets, Ending	\$ 118,099	\$ 112,101	\$ 31,523	\$ 31,523	\$ 149,622	\$ 143,624

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The property tax classification, which comprises approximately 12% 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 \$2,180,540.

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 comprised the majority of other local taxes collected by the Town. Other taxes comprised approximately 49% of total revenues generated for governmental activities and are the largest source of revenue for the Town.

Payments from other Governments – State and Federal comprised approximately 13% 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 8% of the governmental activities revenues.

Public Safety expenses comprised approximately 35% of expenses of the governmental activities. Operations of the labor-intensive Police Department are included in this category, along with expenses of the Building Inspections, Rescue Squad, Fire Department and E-911 Call Center.

Public Works expenses comprised approximately 24% 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 20% of government activities expenses.

An additional \$323,096 in cash was transferred from the General Fund to the Water/Sewer Fund during the fiscal year ending June 30, 2011.

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

There was no change in the net assets of business-type activities.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

For the fiscal year ended June 30, 2011, the governmental funds reflect a total fund balance of \$17,831,212. Of this amount \$12,816,580 constitutes unassigned fund balance, which is available for spending for services debt obligations and future capital projects. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures.

The General Fund balance increased by \$2,032,290 during the fiscal year ending June 30, 2011 primarily due to capital projects that were not completed during the fiscal year that will be completed in the next fiscal year.

Local taxes generated the majority of General Fund revenue, totaling approximately \$16,249,621 in fiscal year ending June 30, 2011.

Intergovernmental revenue is the second largest source of General Fund revenues, generating approximately \$3,648,735 in fiscal year ending June 30, 2011. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues exceeded the budgeted revenues by \$821,320 due to slightly higher collections in a number of categories than anticipated.

General Fund expenditures were less than the budgeted amount by \$1,988,565 for general operations. Actual expenses for all departments were reduced due to hiring freezes and constraints on spending with the slowing recovery but were primarily from capital projects not completed during the period and rolled into the next fiscal year budgets.

CAPITAL ASSETS

As of June 30, 2011, the Town's capital assets for its governmental and business-type activities amounted to \$150,685,528 (net of accumulated depreciation). This investment includes land, streets and highways, construction in progress, land improvements, buildings and structures, vehicles, equipment, infrastructure and bond issue costs. The total net increase (additions less retirements and depreciation) in the Town's investment in capital assets for the current fiscal year was \$833,080.

Capital Assets, Net of Depreciation (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Land	\$ 2,664	\$ 2,144	\$ 12	\$ 12	\$ 2,676	\$ 2,156
Construction in Progress	414	21,413	-	-	414	21,413
Streets & Highways	76,370	75,112	-	-	76,370	75,112
Land Improvements	1,863	648	-	-	1,863	648
Buildings & Structures	25,953	6,696	19,167	19,897	45,120	26,593
Equipment	2,731	2,555	19,649	19,440	22,380	21,995
Vehicles	569	686	-	-	569	686
Infrastructure	1,155	1,105	-	-	1,155	1,105
Bond Issue Cost	138	144	-	-	138	144
Total	\$ 111,858	\$ 110,503	\$ 38,828	\$ 39,349	\$ 150,685	\$ 149,852

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 – Major sewer and water main construction for Miller and Allegany area in town and the rehabilitation of the Hills Tank Water Tower. Both projects will continue into the 2012 fiscal year.

LONG-TERM DEBT

At June 30, 2011, the Town's long-term liabilities, not including compensated absences, landfill closure, bond premiums and postclosure care costs payable, totaled \$19,993,692 comprised of \$12,635,000 related to governmental activities, and \$7,358,692 related to business-type activities. Total debt decreased by \$1,186,747 during the fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Town's governmental activity debt of \$12,635,000 is well below the legal debt limit of \$185,755,733 (see Schedule 6 of Statistical Section).

Interest and fiscal charges for fiscal year ending June 30, 2011 were \$574,940 of the total governmental activities expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The economic outlook during 2011 was somewhat improved over 2010. We saw a 0.1% increase in employment in Montgomery County during the fiscal period from 6.9% to 6.8% at September 2010 and 2011, respectively.

Another indicator of the state of the economy is the sales tax revenue, which is directly proportional to the retail sales. This revenue increased late in the fiscal year by \$64,000. Indicating some improvement in the economy between budget years 2010 and 2011. Revenues have not yet recovered to pre-recession levels.

Also transient lodging tax revenue increased \$63,630, or 8%, and prepared meals tax revenue increased \$904,180, or 20%. \$182,936, or 20%, of the increased amount is attributed to increased sales and \$721,244, or 80%, is attributable to a 1% increase in the meals tax rate.

Building permits for new residential units in fiscal year 2010-2011 decreased by 36% compared to fiscal year 2009-2010. Overall, building permits fees decreased by \$72,629 indicating building and new construction starts continued to decline during the fiscal period.

These signals seem to indicate that the economy in our area is stabilizing to some extent with very small growth in a few areas. The Town also has concerns with future intergovernmental revenues from both federal and state sources declining as a result of the continued economic instability at the state and federal levels particularly as it relates to street maintenance funds and law enforcement funds.

The 2011-2012 budget includes a rate increase for water and sewer fees to help offset the deficit in the enterprise fund and continues to have conservative estimates of revenue based on the state of the economy.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 6,782,724	\$ -	\$ 6,782,724
Cash and Cash Equivalents, restricted	1,060,073	-	1,060,073
Investments	10,264,092	-	10,264,092
Receivables (net of allowance for uncollectibles)	3,090,320	982,430	4,072,750
Prepaid Items	155,837	156	155,993
Due from (to) Other Funds	44,078	(44,078)	-
Due from Other Governments	318,482	-	318,482
Total Current Assets	21,715,606	938,508	22,654,114
Capital Assets (net of accumulated depreciation):			
Land	2,664,092	12,500	2,676,592
Land Improvements	1,863,359	-	1,863,359
Buildings and Structures	25,953,556	19,166,870	45,120,426
Machinery and Equipment	2,731,374	19,649,064	22,380,438
Vehicles	569,029	-	569,029
Infrastructure	1,154,593	-	1,154,593
Construction in Progress	413,907	-	413,907
Streets and Highways	76,369,171	-	76,369,171
Bond Issue Cost	138,013	-	138,013
Total Capital Assets, Net	111,857,094	38,828,434	150,685,528
Total Assets	133,572,700	39,766,942	173,339,642
Liabilities			
Accounts Payable	1,650,248	1,346	1,651,594
Consumer Deposits	-	303,981	303,981
Due to Water Authority	-	402,886	402,886
Salaries Payable	72,271	-	72,271
Accrued General Obligation Bond Interest	-	74,974	74,974
Interest Payable	236,521	-	236,521
Deferred Revenue	21,406	-	21,406
Long-Term Liabilities:			
Bond Premium	64,783	-	64,783
Due within one year	606,675	781,980	1,388,655
Due in more than one year	12,737,660	6,678,441	19,416,101
Other Post-Employment Benefits	160,218	-	160,218
Total Liabilities	15,549,782	8,243,608	23,793,390
Net Assets			
Invested in Capital Assets, Net of Related Debt	99,222,094	31,469,741	130,691,835
Restricted for:			
Cemetery Perpetual Care	359,215	-	359,215
Other Functions	5,826,276	-	5,826,276
Unrestricted	12,615,333	53,593	12,668,926
Total Net Assets	\$ 118,022,918	\$ 31,523,334	\$ 149,546,252

See accompanying notes to financial statements.

TOWN OF CHRISTIANSBURG

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 2,376,491	\$.	\$.	\$ 148,647
Public Safety	7,298,345	.	306,981	.
Public Works	5,154,376	1,184,296	.	.
Health and Welfare	3,100	.	.	.
Parks, Recreation, and Culture	4,214,349	1,022,857	.	1,177,000
Community Development	1,145,498	.	.	.
Interest on Long-Term Debt	574,940	.	.	.
Total Governmental Activities	20,767,099	2,207,153	306,981	1,325,647
Business-Type Activities				
Water and Sewer	6,369,695	5,855,965	.	.
Total Business-Type Activities	6,369,695	5,855,965	.	.
Total Primary Government	\$ 27,136,794	\$ 8,063,118	\$ 306,981	\$ 1,325,647

General Revenues

Taxes

Property

Sales

Prepared Meal

Other

Permits, Fees and Licenses

Revenues From Use of Property

Investment Earnings

Intergovernmental

Fines and Forfeitures

Cemetery

Other

Grants in Aid of Construction

Transfers

Special Item

Total General Revenues and Transfers

Change in Net Assets

Net Assets, July 1, 2010

Net Assets, June 30, 2011

Net (Expense) Revenue and Change in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Total
(2,376,491)	\$ -	\$ (2,376,491)
(6,842,717)	-	(6,842,717)
(3,970,080)	-	(3,970,080)
(3,100)	-	(3,100)
(2,014,492)	-	(2,014,492)
(1,145,498)	-	(1,145,498)
(574,940)	-	(574,940)
(16,927,318)	-	(16,927,318)
-	(513,730)	(513,730)
-	(513,730)	(513,730)
\$ (16,927,318)	\$ (513,730)	\$ (17,441,048)
3,016,086	-	3,016,086
1,547,345	-	1,547,345
5,407,998	-	5,407,998
6,156,636	-	6,156,636
131,369	-	131,369
255,366	-	255,366
254,350	-	254,350
3,662,382	-	3,662,382
95,038	-	95,038
103,464	-	103,464
375,261	137,934	513,195
1,257,323	52,700	1,310,023
(323,096)	323,096	-
909,580	-	909,580
22,849,101	513,730	23,362,832
5,921,783	-	5,921,783
112,101,135	31,523,334	143,624,469
\$ 118,022,918	\$ 31,523,334	\$ 149,546,252

GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2011

	General	Cemetery	Special Revenue	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 7,585,384	\$ -	\$ -	\$ 7,585,384
Cash and Cash Equivalents, restricted	-	-	1,969,653	1,969,653
Investments	8,229,407	322,445	-	8,551,852
Receivables, net				
Taxes, including penalties (net of allowance of \$51,426)	89,727	-	-	89,727
Accounts (net of allowance of \$60,973)	860,124	-	-	860,124
Prepaid Items	155,837	-	-	155,837
Due from Other Funds	47,396	36,769	-	84,165
Due from Other Governments	239,124	-	79,358	318,482
Total Assets	17,206,999	359,214	2,049,011	19,615,224
Liabilities				
Accounts Payable	1,650,248	-	-	1,650,248
Salaries Payable	72,272	-	-	72,272
Due to Other Funds	36,769	-	3,317	40,086
Deferred Revenue	2,047	-	19,359	21,406
Total Liabilities	1,761,336	-	22,676	1,784,012
Fund Balance				
Nonspendable	-	359,214	-	359,214
Restricted	429,088	-	2,026,335	2,455,423
Committed	-	-	-	-
Assigned	2,199,995	-	-	2,199,995
Unassigned	12,816,580	-	-	12,816,580
Total Fund Balance	15,445,663	359,214	2,026,335	17,831,212
Total Liabilities and Fund Balance	\$ 17,206,999	\$ 359,214	\$ 2,049,011	\$ 19,615,224

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

Fund Balances-total governmental funds	\$	17,831,212
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		2,140,469
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$	128,788,947
Less: accumulated depreciation and amortization	(16,931,852)	111,857,095
Compensated absences are not due and payable in the current year and therefore are not reported in the governmental funds.		(566,753)
Landfill closure and postclosure care cost are not due and payable in the current year and therefore are not reported in the governmental funds.		(142,583)
Accrued merit/sick pay (OPEB) are not due and payable in the current year and therefore are not reported in the governmental funds.		(160,218)
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(236,521)
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.		(64,783)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
2007 Revenue Bond	(1,780,000)	
2004 Revenue Bond	(9,840,000)	
1995 General Obligation Note	(1,015,000)	(12,635,000)
Net Assets of Governmental Activities	\$	<u>118,022,918</u>

See accompanying notes to financial statements.

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

	General	Cemetery	Special Revenue	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 3,006,273	\$ -	\$ -	\$ 3,006,273
Sales	1,547,345	-	-	1,547,345
Prepared Meal	5,407,998	-	-	5,407,998
Other	6,156,636	-	-	6,156,636
Permits, Privilege Fees and Regulatory Licenses	131,369	-	-	131,369
Fines and Forfeitures	95,038	-	-	95,038
Revenues from Use of Property	255,366	-	-	255,366
Investment Earnings	234,111	7,797	12,442	254,350
Charges for Services	2,207,153	66,695	-	2,273,848
Intergovernmental	3,797,190	-	320,820	4,118,010
Cemetery	-	36,769	-	36,769
Other	257,939	-	1,245,469	1,503,408
Total Revenues	23,096,418	111,261	1,578,731	24,786,410
Expenditures				
General Government Administration	2,077,241	-	-	2,077,241
Public Safety	6,661,587	-	145,310	6,806,897
Public Works	4,848,285	-	-	4,848,285
Health and Welfare	3,100	-	-	3,100
Parks, Recreation and Culture	3,286,646	152,922	-	3,439,568
Community Development	1,132,826	-	-	1,132,826
Capital Outlay	1,369,232	9,468	519,142	1,897,842
Debt Service:				
Principal Retirement	530,000	-	-	530,000
Interest and Fiscal Charges	583,981	-	-	583,981
Total Expenditures	20,492,898	162,390	664,452	21,319,740
Excess of Revenues over Expenditures	2,603,520	(51,129)	914,279	3,466,670
Other Financing Sources (Uses)				
Insurance Recoveries	48,852	-	-	48,852
Transfers (to) from:				
Water and Sewer Fund	(323,096)	-	-	(323,096)
Special Revenue Fund	(176,427)	-	176,427	-
Cemetery Fund	(120,560)	120,560	-	-
Total Other Financing Sources (Uses)	(571,230)	120,560	176,427	(274,244)
Special Item				
Transfer of funds from other organizations	-	-	909,580	909,580
Net Changes in Fund Balance	2,032,290	69,431	2,000,286	4,102,007
Fund Balance, July 1, 2010	13,413,373	289,783	26,049	13,729,205
Fund Balance, June 30, 2011	\$ 15,445,663	\$ 359,214	\$ 2,026,335	\$ 17,831,212

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, 2011

Net Change in Fund Balances - total governmental fund	\$	4,102,007
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	\$	(17,025)
Change in taxes receivable		<u>26,838</u>
		9,813
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	\$	1,553,672
Less: current year depreciation		<u>(1,450,808)</u>
		102,864
The value of the roads taken over by the Town from developers is considered contributed capital and is included in capital assets.		1,257,322
Governmental funds report an increase in compensated absences as an expenditure. However, in the Statement of Net Assets the addition increases long-term liabilities.		(81,710)
Governmental funds report the decrease in post closure care costs as an expenditure. However, in the Statement of Net Assets the reductions reduce long-term liabilities.		9,509
Governmental funds report repayment of bond principal as an expenditure. However, in the Statement of Net Assets the repayment reduces long-term liabilities.		530,000
Governmental funds report premiums on bonds as other financing sources and uses. However, in the Statement of Net Assets these bonds are reported as a long-term liability.		4,049
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)
Accrued 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.		9,041
Accrued merit/sick pay (OPEB) in the Statement of Activities does not require the use of current financial resources and is therefore not reported as expenditures in governmental funds.		(15,218)
Change in Net Assets of Governmental Activities	\$	<u>5,921,783</u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Beginning unassigned fund balance	\$ 17,223,057	\$ 17,223,057	\$ 10,910,484	\$ (6,312,573)
Revenues (Inflows):				
General Property Taxes	2,900,500	2,900,500	3,006,273	105,773
Consumer Utility Taxes	526,000	526,000	518,848	(7,152)
Business License Taxes	1,964,000	1,964,000	1,894,569	(69,431)
Franchise License Taxes	166,200	166,200	141,497	(24,703)
Motor Vehicle Licenses	415,000	415,000	438,084	23,084
Bank Franchise Taxes	490,000	490,000	649,634	159,634
Transient Lodging Taxes	760,100	760,100	812,331	52,231
Prepared Meal Tax	5,190,000	5,190,000	5,407,999	217,999
Cigarette Tax	750,000	750,000	721,820	(28,180)
Building and Zoning Fees	207,000	207,000	131,369	(75,631)
Court and Parking Fines	100,000	110,000	95,038	(14,962)
Interest	140,000	165,000	234,111	69,111
Rentals and Sale of Surplus Items	122,000	122,000	255,366	133,366
Solid Waste Service	1,226,000	1,226,000	1,184,296	(41,704)
DPR Fees and Contributions	1,115,600	1,140,600	1,032,216	(108,384)
Miscellaneous	161,050	201,050	248,579	47,529
Non-Categorical:				
State Aid (ABC), etc	1,256,000	1,256,000	1,324,045	68,045
Sales Tax	1,400,000	1,400,000	1,547,345	147,345
DJCP Grants			134,808	134,808
Emergency Service Grants	46,000	46,000	48,933	2,933
Street Maintenance Payments	2,555,500	2,833,500	2,833,444	(56)
Law Enforcement Funds	432,000	432,000	431,728	(272)
National Guard Armory	3,000	3,000	4,086	1,086
Non-Revenue Receipts	20,000	20,000	48,852	28,852
Amounts Available for Expenditures	39,169,007	39,547,007	34,055,754	(5,491,253)
Expenditures (Outflows):				
Current:				
General Government Administration	2,693,640	2,752,450	2,264,023	468,427
Police Department	5,765,650	5,760,700	5,595,225	165,475
Volunteer Fire Department	1,130,563	1,074,011	983,665	90,346
Lifesaving and Rescue	781,791	782,998	527,282	255,716
Inspections	396,799	349,395	308,683	40,712
Street Department	3,475,431	3,973,152	3,569,026	404,126
Solid Waste Service	1,285,379	1,273,706	1,152,176	121,530
Building and Grounds	59,544	59,724	54,074	5,650
National Guard Armory	33,640	33,673	15,677	17,996
Municipal Building	144,492	144,822	96,033	48,789
Municipal Shop	170,719	171,303	174,366	(3,063)
Welfare/Social Services	3,100	3,100	3,100	
Parks and Recreation	2,113,022	2,059,032	1,687,959	371,073
Aquatic Center	1,712,435	1,634,119	1,750,683	(116,564)
Library	15,000	15,000	15,000	
Planning/Community Development	562,242	533,714	455,808	77,906
Engineering	742,946	746,583	706,137	40,446
Debt Service	1,113,981	1,113,981	1,113,981	
Total Expenditures	22,200,374	22,481,463	20,492,898	1,988,565
Excess of revenues over expenditures	16,968,633	17,065,544	13,562,856	(7,479,818)
Other financing (sources) uses				
Transfers	1,305,723	1,305,723	620,082	685,641
Total other financing (sources) uses	1,305,723	1,305,723	620,082	685,641
Ending Budgetary Fund Balance	\$ 15,662,910	\$ 15,759,821	\$ 12,942,774	\$ (8,165,459)

See accompanying notes to financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2011

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

Sources/Inflows of Resources:

Actual amount (budgetary basis) of "available for expenditures" from the budgetary comparison statement	\$ 34,055,754
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)	(10,910,484)
Insurance recoveries are inflows of budgetary resources but are not revenues for financial reporting purposes (Exhibit E)	<u>(48,852)</u>
Total general fund revenues as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E)	<u>\$ 23,096,418</u>

Uses/Outflows of Resources:

Actual amount (budgetary basis) of "total expenditures" from the budgetary comparison statement	\$ 620,082
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes (Exhibit E)	<u>(620,082)</u>
Total general fund expenditures as reported on the statement of revenues, expenditures, and changes in fund balances (Exhibit E)	<u>\$</u>

PROPRIETARY FUND
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2011

Business-type
Activities -
Enterprise Fund

Water and Sewer
Fund

Assets

Current Assets:

Accounts Receivable (Net of Allowance for
Uncollectible Accounts of \$168,608)

\$ 982,430

Prepaid Items

156

Total Current Assets

982,586

Non-Current Assets:

Water System

11,786,437

Equipment

3,338,231

Waste Water System

17,005,289

Waste Water Treatment Plant

31,422,988

Less: Allowance for Depreciation

(24,724,512)

Total Non-Current Assets

38,828,433

Total Assets

39,811,019

Liabilities

Current Liabilities:

Accounts Payable

1,346

Accrued General Obligation Bond Interest

74,974

Consumer Deposits

303,981

Due to Water Authority

402,886

Current Maturities VA Revolving Loan Fund

680,252

Compensated Absences

101,728

Due to Other Funds

44,078

Total Current Liabilities

1,609,245

Long-Term Liabilities:

VA Revolving Loan Fund

6,678,440

Total Long-Term Liabilities

6,678,440

Total Liabilities

8,287,685

Net Assets

Invested in Capital Assets, Net of Related Debt

31,469,741

Unrestricted Assets

53,593

Total Net Assets

\$ 31,523,334

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	Business-type Activities - Enterprise Fund
	Water and Sewer Fund
Operating Revenues:	
Charges for Services:	
Water and Sewer Service Fees	\$ 5,484,183
Water and Wastewater Connection Fees	371,782
Penalties and Other	137,934
Total Operating Revenues	<u>5,993,899</u>
Operating Expenses:	
Salaries and Wages	1,508,530
Employee Benefits	198,480
Water Authority Purchases	1,397,224
Utilities	286,277
Repairs and Maintenance	282,621
Depreciation and Amortization	1,557,751
Materials and Supplies	610,572
General and Administrative	256,950
Total Operating Expenses	<u>6,098,405</u>
Operating Income (Loss)	(104,506)
Nonoperating Revenues (Expenses):	
Interest and Fiscal Charges	<u>(271,290)</u>
Total Nonoperating Revenues (Expenses)	<u>(271,290)</u>
Income (loss) before contributions and transfers	(375,796)
Capital Contributions	52,700
Transfers In (Out)	<u>323,096</u>
Change in Net Assets	.
Net Assets, July 1, 2010	<u>31,523,334</u>
Net Assets, June 30, 2011	<u>\$ 31,523,334</u>

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

	Enterprise Fund
	Water & Sewer Fund
Cash Flows from Operating Activities	
Cash Received From:	
Customers	\$ 6,119,909
Cash Paid to/for:	
Employees	(1,695,282)
Supplies and Services	(2,800,535)
Net Cash Flows from Operating Activities	1,624,092
Cash Flows from Non-Capital Financing Activities	
Transfer from General Fund	323,096
Interfund borrowing	44,078
Net Cash Flows from Non-Capital Financing Activities	367,174
Cash Flows from Capital and Related Financing Activities	
Payment of Principal	(656,747)
Interest on Debt	(350,681)
Purchase of Fixed Assets	(983,838)
Net Cash Flows from Capital and Related Financing Activities	(1,991,266)
Cash Flows from Investing Activities	
None	.
Net Cash Flows from Investing Activities	.
Net Change in Cash and Cash Equivalents	.
Cash and Cash Equivalents, July 1, 2010	.
Cash and Cash Equivalents, June 30, 2011	\$.
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ (104,506)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and Amortization	1,557,751
Change in Current Assets and Current Liabilities	
(Increase) Decrease in Current Assets	
Accounts Receivable	97,163
Prepaid Items	(156)
Accounts Payable	2
Due to Water Authority	33,264
Consumer Deposits	28,846
Compensated Absences	11,728
Net Cash Flows from Operating Activities	\$ 1,624,092
Noncash Investing, Capital, and Financing Activities:	
Contributed Capital - Grants in Aid of Construction	\$ 52,700

See accompanying notes to financial statements

TOWN OF CHRISTIANSBURG

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

1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The Town of Christiansburg, Virginia (the "Town") operates on a Council-Manager form of government and provides municipal services to its residents including fire and police protection, planning, engineering, inspections, public works and public utilities, parks and general government. The Town also provides water, sewer, refuse collection, and public transit services to its citizens. The Town is the county seat of Montgomery County and has taxing powers subject to state-wide restrictions and limits. The financial statements present the Town as the primary government. A component unit is an entity for which the Town is considered to be financially accountable. The Town does not have any component units.

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 February 2009, Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Beginning with year end June 30, 2011, fund balance is displayed in accordance with GASB No. 54 using the following classifications:

- 1) *Nonspendable fund balance* - Inventories, prepaid items, accounts receivable and other current assets that are consumed in the course of operations that cannot be converted to cash or are not expected to be available to pay current liabilities. This classification includes funds set aside for perpetual care of the cemetery.
- 2) *Restricted fund balance* - The resources of a governmental fund that are subject to constraints imposed by external parties or law. These restrictions include such things as debt covenants or constraints imposed by legislation or federal and state agencies on the use of intergovernmental revenue, such as grants and contracts.
- 3) *Committed fund balance* - Represents amounts that have been designated by Town Council resolution or by town ordinance. These funds may only be spent for the purpose intended by the resolution or ordinance and can only be uncommitted by the same action taken to commit the funds.
- 4) *Assigned fund balance* - Represents the net resources of governmental funds that the government intends for a specific purpose. Assigned resources do not require formal action of the governing body. The permanent fund's net resources would be assigned fund balance as well as any net resources remaining in the special revenue funds.
- 5) *Unassigned fund balance* - Represents funds available for any purpose and represents expendable financial resources that can be used to meet contingencies and cash flow requirements.

Expenditures shall be charged first to restricted fund balance, second to committed fund balance, third to assigned fund balance and finally to unassigned fund balance as appropriate for the expenditure and to the fund being expended.

The Town Manager, in consultation with the Director of Finance and Town Council, shall determine funds to be classified as assigned.

Except in extraordinary circumstances, unassigned fund balance will not be used to fund any portion of the ongoing and routine operating expenditures of the Town. Unassigned funds are to be used primarily to insure adequate reserves, to respond to unforeseen emergencies, to provide cash flow, and to provide overall financial stability.

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:

TOWN OF CHRISTIANSBURG

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

I Summary of Significant Accounting Policies (continued)

B. Financial Statement Presentation (continued)

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 Funds - 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 funds consists of:

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

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

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

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

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that do not contradict GASB pronouncements in its accounting and reporting practices for its proprietary operations.

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

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

TOWN OF CHRISTIANSBURG

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

I. Summary of Significant Accounting Policies (continued)

B. Financial Statement Presentation (continued)

Budget and Actual 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 may revise 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 from the end of the current fiscal period. 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. Cash and Cash Equivalents

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. Investments

Investments are stated at fair value.

F. Allowance for Uncollectible Taxes and Accounts Receivable

The Town calculates its allowance for uncollectible receivables based on historical collection data. At June 30, 2011, the allowance for uncollectible taxes and accounts receivable was \$112,399 for the General Fund and \$168,608 for the Water and Sewer Fund.

G. Property Taxes

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

The annual assessment for real estate is based on 100% of the assessed fair market value. The tax rates are established annually, without limitation. The tax rate for real estate was \$.1126 per \$100 of assessed value for the year. The personal property tax rate was \$.45 per \$100 of assessed value for the year. In 1998, the Commonwealth enacted the Personal Property Tax Relief Act. The Commonwealth share of the tax was 60% for fiscal year 2011. Business furniture, fixtures, and machinery and tools taxes are assessed at a rate of \$.45 per \$100 of assessed valuation.

TOWN OF CHRISTIANSBURG

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

I Summary of Significant Accounting Policies (continued)

H 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 if purchased or constructed. Donated capital assets 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 Improvements	25-50 years
Equipment and Vehicles	5-20 years
Infrastructure	15-40 years

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest expense was capitalized during the current year.

I Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

J Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

K Budgets and Budgetary Accounting

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

- a. The Town Manager, in coordination with the Finance Committee, prepares the budget and the Finance Committee presents it to the Town Council.
- b. 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.
- c. The public hearing is held at least seven days (State Code 15-1-162 as amended) prior to approval of the budget.
- d. 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.
- e. 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 adopted in accordance with the modified accrual basis of accounting.

TOWN OF CHRISTIANSBURG

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

I Summary of Significant Accounting Policies (continued)

L Compensated Absences

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 with unlimited accrual

Accumulated leave is paid upon termination. The maximum would be 32 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 \$10,000. No sick leave is paid out upon termination.

2 Compensated Absences

The Town's liability at June 30, 2011 for these compensated absences was:

	Current Portion	Long-Term Portion	Total
General Fund	\$ 56,675	\$ 510,077	\$ 566,752

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 \$566,752 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, 2011, the liabilities for compensated absences of the enterprise fund were \$101,728.

3 Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2-2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

At year end, the carrying value of the Town's deposits with banks and savings institutions was \$18,234,773. Of the Town's bank balances, \$18,234,773 was covered by Federal depository insurance or collateralized as required by the Virginia Security for Public Deposit Accounts.

Investments

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

Deposits and 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, 2011, the Town's deposit and investment balances were as follows:

TOWN OF CHRISTIANSBURG

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

3 Deposits and Investments (continued)

	Category			Non-Categorized	Fair Value
	1	2	3		
Deposits	-	-	-	7,842,797	7,842,797
Certificates of Deposit	-	-	-	8,551,852	8,551,852
Money Market	-	-	-	1,712,240	1,712,240
Totals	-	-	-	18,106,889	18,106,889

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

Investment Type	Fair Value
Certificates of Deposit	\$ 8,551,852
Money Market	1,712,240
Total Investments	\$ 10,264,092

4 Receivables

Receivables as of June 30, 2011 consisted of the following:

Governmental Activities:

Receivables	General	Special Revenue	Totals
Taxes	\$ 2,324,757	\$ -	\$ 2,324,757
Due from Government	239,124	79,358	318,482
Accounts	921,097	-	921,097
Gross Receivables	3,484,978	79,358	3,564,336
Less Allowance for Doubtful Accounts	156,082	-	156,082
Receivables, net	\$ 3,641,060	\$ 79,358	\$ 3,720,418

Business-type Activities:

Receivables	Water & Sewer
Accounts	1,151,038
Less Allowance for Doubtful Accounts	(168,608)
Receivables, net	\$ 982,430

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 collectability of these accounts has been considered in the allowance for uncollectible accounts.

Amounts due from/to other funds consist of the following at June 30:

	Due from:		
	Water & Sewer Fund	Special Revenue Fund	General Fund
<u>Due to:</u>			
General Fund	\$ 44,078	\$ 3,317	\$ -
Permanent Fund	\$ -	\$ -	\$ 36,769

5. Interfund Receivables, Payables and Transfers

Interfund transfers consist of the following at June 30

	Transfers in		
	Water & Sewer Fund	Special Revenue Fund	Permanent (Cemetery) Fund
<u>Transfer out:</u>			
General Fund	\$ 323,096	\$ 176,427	\$ 120,560

TOWN OF CHRISTIANSBURG

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

6. Due from Other Governmental Units

Amounts due from other governmental units at June 30 are as follows:

	Governmental Activities
Federal grants - direct	\$ 7,502
Commonwealth of Virginia grants (includes federal pass-through awards)	57,777
Other:	
Sales tax	239,124
Other	14,078
	<u>\$ 318,482</u>

7. Capital Assets

Capital asset activity for the year ended June 30 was as follows:

<u>Governmental Activities</u>	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<u>Capital Assets, not depreciated:</u>				
Land	\$ 2,144,394	\$ 519,698	\$ -	2,664,092
Construction in Progress	21,413,134	413,907	21,413,134	413,907
Streets and Highways	75,111,848	1,257,323	-	76,369,171
Total Capital Assets, not depreciated	<u>98,669,376</u>	<u>2,190,928</u>	<u>21,413,134</u>	<u>79,447,170</u>
<u>Capital Assets, depreciated:</u>				
Buildings and Structures	8,590,803	19,831,335	-	28,422,138
Accumulated Depreciation	(1,894,971)	(573,611)	-	(2,468,582)
Net Buildings and Structures	<u>6,695,832</u>	<u>19,257,724</u>	<u>-</u>	<u>25,953,556</u>
Infrastructure	3,012,732	121,388	-	3,134,120
Accumulated Depreciation	(1,907,778)	(71,749)	-	(1,979,527)
Net Infrastructure	<u>1,104,954</u>	<u>49,639</u>	<u>-</u>	<u>1,154,593</u>
Machinery and Equipment	11,822,421	621,680	-	12,444,101
Accumulated Depreciation	(9,267,669)	(445,058)	-	(9,712,727)
Net Machinery and Equipment	<u>2,554,752</u>	<u>176,622</u>	<u>-</u>	<u>2,731,374</u>
Land Improvements	894,574	1,363,343	-	2,257,917
Accumulated Depreciation	(246,080)	(148,478)	-	(394,558)
Net Land Improvements	<u>648,494</u>	<u>1,214,865</u>	<u>-</u>	<u>1,863,359</u>
Vehicles	2,794,231	95,455	-	2,889,686
Accumulated Depreciation	(2,108,744)	(211,913)	-	(2,320,657)
Net Vehicles	<u>685,487</u>	<u>(116,458)</u>	<u>-</u>	<u>569,029</u>
Bond Issue Cost	176,814	-	-	176,814
Accumulated Amortization	(32,907)	(5,894)	-	(38,801)
Net Bond Issue Cost	<u>143,907</u>	<u>(5,894)</u>	<u>-</u>	<u>138,013</u>
Total Capital Assets Being Depreciated	<u>27,291,575</u>	<u>22,033,201</u>	<u>-</u>	<u>49,324,776</u>
Less: Accumulated Depreciation and Amortization	<u>(15,458,149)</u>	<u>(1,456,703)</u>	<u>-</u>	<u>(16,914,852)</u>
Net Total Capital Assets, depreciated	<u>11,833,426</u>	<u>20,576,498</u>	<u>-</u>	<u>32,409,924</u>
Governmental Activities, Capital Assets, Net	<u>\$ 110,502,802</u>	<u>\$ 22,767,426</u>	<u>\$ 21,413,134</u>	<u>\$ 111,857,095</u>
<u>Business-type Activities</u>	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
<u>Capital Assets, not depreciated:</u>				
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Total Capital Assets, not depreciated	<u>12,500</u>	<u>-</u>	<u>-</u>	<u>12,500</u>

TOWN OF CHRISTIANSBURG

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

7. Capital Assets (continued)

<u>Capital Assets, depreciated:</u>				
Water System	11,523,899	262,538	-	11,786,437
Water and Waste Water Equipment	3,033,354	304,877	-	3,338,231
Waste Water System	16,556,098	449,191	-	17,005,289
Waste Water Treatment Plant	31,390,555	19,933	-	31,410,488
Total Capital Assets, Depreciated	62,503,906	1,036,539	-	63,540,445
Less: Accumulated Depreciation	(23,166,761)	(1,557,750)	-	(24,724,511)
Net Total Capital Assets, depreciated	39,337,145	(521,211)	-	38,815,934
Business-type Activities, Capital Assets, Net	\$ 39,349,645	\$ (521,211)	\$ -	\$ 38,828,434

Depreciation and Amortization expense were charged to functions/programs of the primary government as follows:

<u>Governmental activities:</u>	
General Government Administration	\$ 96,349
Public Safety	388,399
Public Works	245,966
Parks, Recreation, and Culture	717,826
Community Development	8,163
	<u>\$ 1,456,702</u>

<u>Business-type activities:</u>	
Water and Sewer	\$ 1,557,750

Amortization expense for bond issuance costs in the amount of \$5,894 is included in the total for Parks, Recreation, and 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, 2011 consisted of the following:

	General Fund
Grant revenue	\$ 19,359

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, 2011 is \$185,755,733 (see Schedule 6 of Statistical Section).

The following is a summary of existing long-term liabilities and the changes in those liabilities during the year:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
<u>Governmental Activities</u>				
General Obligation Debt:				
2007 Revenue Bond	\$ 1,845,000	\$ -	\$ 65,000	\$ 1,780,000
2004B Revenue Bond	10,080,000	-	240,000	9,840,000
1995 General Obligation Note	1,240,000	-	225,000	1,015,000
Total General Obligation Debt	13,165,000	-	530,000	12,635,000
Compensated Absences Payable from the General Fund	485,043	81,709	-	566,752
Landfill Closure & Postclosure Care Cost	152,092	-	9,509	142,583
Bond Premiums	68,832	-	4,049	64,783
Merit/sick pay (OPEB) payable	145,000	15,218	-	160,218
Total Governmental Activities, long-term debt:	\$ 14,015,967	\$ 96,927	\$ 543,558	\$ 13,569,336

TOWN OF CHRISTIANBURG

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

9. Long-Term Liabilities (continued)

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Business-type Activities				
2001 VA Revolving Loan Fund	\$ 6,592,316	\$ -	\$ 500,830	\$ 6,091,486
1998 VA Revolving Loan Fund	1,423,123	-	155,917	1,267,206
Total	8,015,439	-	656,747	7,358,692
Compensated Absences Payable from the Water and Sewer Fund	90,000	11,728	-	101,728
Total Business-Type Activities, long-term debt	\$ 8,105,439	\$ 11,728	\$ 656,747	\$ 7,460,420

Long-term Liabilities of the Town at June 30, 2011 are comprised of the following issues:

\$11,185,000 revenue bond issued December 15, 2004, maturing annually with principal and interest payable semi-annually through August 1, 2034; interest rate varies, currently at 3.25%.	\$ 9,840,000
\$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 4.50%	1,780,000
\$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 4.875%.	1,015,000
\$2,800,000 (1998) VA Revolving Loan Fund. The Loan was refinanced on June 1, 2006 at 3.70%, 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.	1,267,206
\$10,311,000 (2001) VA Revolving Loan Fund. The Loan will be financed over 20 years at 3.50% with semi-annual payments of principal and interest in the amount of \$367,010 on September 1 and March 1.	6,091,486
Total General Obligations and VA Revolving Loans	19,993,692
Compensated Absences Payable	668,480
Landfill Closure and Postclosure Care Cost Payable	142,583
Bond Premiums	64,783
Service Merit (OPEB) payable	160,218
Total Primary Government, long-term liabilities	\$ 21,029,756

The annual requirements to amortize governmental activities debt outstanding as of June 30, 2011 are as follows:

Fiscal Year	2007 Revenue Bond		2004 Revenue Bond		1995 General Obligation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	70,000	86,325	245,000	424,100	235,000	50,750	550,000	561,175
2013	75,000	83,063	255,000	414,100	245,000	39,000	575,000	536,163
2014	75,000	79,688	265,000	403,700	260,000	26,750	600,000	510,138
2015	80,000	76,000	275,000	392,900	275,000	13,750	630,000	482,650
2016	85,000	71,875	285,000	381,700	-	-	370,000	453,575
2017	90,000	67,500	295,000	370,100	-	-	385,000	437,600
2018	90,000	63,000	310,000	358,000	-	-	400,000	421,000
2019	95,000	57,375	320,000	345,400	-	-	415,000	402,775
2020	100,000	53,500	335,000	332,300	-	-	435,000	385,800
2021	105,000	48,375	345,000	318,528	-	-	450,000	366,903
2022-26	620,000	154,250	1,970,000	1,355,841	-	-	2,590,000	1,510,091
2027-31	295,000	14,875	2,485,000	737,875	-	-	2,780,000	752,750
2032-34	-	-	2,455,000	368,862	-	-	2,455,000	368,862
Total	\$ 1,780,000	\$ 855,826	\$ 9,840,000	\$ 6,203,406	\$ 1,015,000	\$ 130,250	\$ 12,635,000	\$ 7,189,482

TOWN OF CHRISTIANSBURG

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

9 Long-Term Liabilities (continued)

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, 2011 are as follows:

Fiscal Year	2001 VA Revolving Loan		1998 VA Revolving Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	201,532	5,610	840,048	94,310
2019	661,060	66,156	-	-	661,060	66,156
2020	684,399	42,817	-	-	684,399	42,817
2021	708,562	18,654	-	-	708,562	18,654
Total	\$ 6,091,486	\$ 1,180,679	\$ 1,267,206	\$ 182,800	\$ 7,358,692	\$ 1,363,479

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	\$ -	\$ 1,015,000	\$ 1,015,000
2004B Revenue	-	9,840,000	9,840,000
2007 Revenue	-	1,780,000	1,780,000
Loans:			
2001 VA Revolving Loan	6,091,486	-	6,091,486
1998 VA Revolving Loan	1,267,206	-	1,267,206
Landfill Closure & Postclosure Care Cost	-	142,583	142,583
Compensated Absences	101,728	566,752	668,480
Bond Premiums	-	64,783	64,783
Service Merit (OPEB) payable	-	160,218	160,218
Total	\$ 7,460,420	\$ 13,569,336	\$ 21,029,756

10 Fund Balances

Details of fund balance classifications displayed in the aggregate are as follows:

	General Fund	Special Revenue Fund	Cemetery Fund	Totals
Nonspendable				
Perpetual Care	\$ -	\$ -	\$ 359,214	\$ 359,214
Restricted for:				
Law Enforcement	-	42,160	-	42,160
Fire Department	429,088	329,647	-	758,735
Lifesaving-Rescue Squad	-	579,933	-	579,933
Building and Grounds	-	99,538	-	99,538
Parks and Recreation - Knowles Estate	-	975,056	-	975,056
Committed	-	-	-	-
Assigned:				
Fire and Lifesaving	2,090,671	-	-	2,090,671
General Administration	109,324	-	-	109,324
Unassigned	12,816,580	-	-	12,816,580
Total fund balances at June 30, 2011	\$ 15,445,663	\$ 2,026,334	\$ 359,214	\$ 17,831,211

TOWN OF CHRISTIANSBURG

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

II. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-sharing Multiple-Employer Defined Benefit

Administering Agent: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

VRS administers two defined benefit plans for local government employees - Plan 1 and Plan 2:

Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early age 55 with at least 10 years of service credit or age 50 with at least five years of service credit.

Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.

Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include, sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump Sum Option Payment (PLOS) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOS or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their web site at <http://www.varetre.org/Pdf/Publications/2010-AnnualReport.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 5.00% of their compensation toward their retirement. The Town of Christiansburg has assumed this 5.00% member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2011 was 15.20% of annual covered payroll. The Town's contribution rate includes the employee's share of 5.00% paid by the employer.

C. Annual Pension Cost

For fiscal year 2011, the Town's annual pension cost of \$1,380,955 was equal to their required and actual contributions.

Fiscal Year Ending	Three Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 1,102,950	100.00%	\$ -
June 30, 2010	\$ 1,380,955	100.00%	\$ -
June 30, 2011	\$ 1,430,452	100.00%	\$ -

TOWN OF CHRISTIANSBURG

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

C Annual Pension Cost (continued)

The fiscal year 2011 required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. 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. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

D Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 69.77% funded. The actuarial accrued liability for benefits was \$31,621,423, and the actuarial value of assets was \$22,061,054, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,560,369. The covered payroll (annual payroll of active employees covered by the plan) was \$9,513,961, and ratio of the UAAL to the covered payroll was 100.49%.

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

2 Sick Leave Divestiture Plan (Defined Benefit Pension Plan)

A Plan Description

Name of Plan: Sick Leave Divestiture Plan

Identification of Plan: Single Employer

Administering Agent: Town of Christiansburg

Sick Leave Divestiture at retirement. Employees retiring in accordance with VRS guidelines and who have at least five (5) 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 (dependent upon time of service):

1. Employees retiring that have a minimum of five (5) years of service may withdraw 25% of their accrued sick leave up to a maximum of \$10,000 (taxable).
2. Employees hired on or before June 30, 2011, who retire immediately upon separation from the Town with a minimum of twenty (20) years of service and who are retiring in accordance with VRS guidelines, may take their total accrued sick leave in 120 monthly payments (i.e., 10 years), subject to applicable Federal and State taxes. The value of the accrued sick leave for payout will be calculated at an hourly rate using the VRS Average Final Compensation computation. If the retiree becomes deceased during the payout period, the payouts cease and are non-transferable.

B Funding Policy

The plan is a pay-as-you-go system, with the Town annually funding and paying the benefits to the members.

C Annual Pension Cost

For fiscal year 2011, the Town's annual pension cost for this plan was \$96,246 which was \$35,971 less than their required and actual contributions of \$132,217.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 131,762	32.31%	\$ 89,196
June 30, 2010	\$ 131,762	50.76%	\$ 154,076
June 30, 2011	\$ 138,219	69.63%	\$ 132,217

The fiscal year 2011 required contribution was determined as part of the June 30, 2011 actuarial valuation using the unit credit cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 4.00%, (b) projected salary increases ranging from 3.50% per year for general government employees and 3.50% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 29 years.

TOWN OF CHRISTIANSBURG

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

D Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$1,498,425 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,498,425. The covered payroll (annual payroll of active employees covered by the plan) was \$9,513,961, and the ratio of the UAAL to the covered payroll was 15.74%.

13. 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 2010-2011, total premiums paid were \$873,286. 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, property, 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 2010-2011 were \$349,830.

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 \$1,310,039 in healthcare premiums.

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

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

Intergovernmental dependency - The town depends on financial resources flowing from, or associated with, both the federal government and the State of Virginia. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury securities because of actions by foreign governments and other holders of publicly held U.S. Treasury securities.

During the fiscal year ended June 30, 2011 the Town received direct funding from the federal and state government as

Law Enforcement funds	431,728
Street Maintenance Funds	2,833,444
Sales Tax	1,547,345
Non Categorical State Aid	1,324,045
Federal and State Grants	111,261
	<u>6,247,823</u>

14 Blacksburg-Christiansburg-VPI Water Authority

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

15 Contributed Capital

The contributed capital account of the Enterprise Fund increased from \$18,482,538 to \$18,535,238 in 2010-2011 due to contributed capital - grants in aid of construction of \$52,700.

The contributed capital account of the General Fund on the Statement of Activities for GASB Statement No. 34 purposes includes the roads given to the Town by developers for the Town to maintain. The value of \$1,257,323 was arrived at using \$100 per foot of center lane miles. Total miles given to the Town during the fiscal year amount to 2.3813. These new road additions are included on the Statement of Net Assets as a Capital Asset.

TOWN OF CHRISTIANSBURG

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

16. 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 \$142,583 liability for landfill closure and postclosure care cost at June 30, 2011 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, 2011 is based on what it would cost to perform all closure and postclosure care in 2011. Actual cost may differ from this estimate due to inflation, changes in technology or changes in regulation.

17. Postemployment Benefits other than Pension Benefits

In the fiscal year 2009, the Town adopted 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 is based on an actuarial valuation performed by a third-party every two years. The total unfunded accrued liability at June 30, 2011 is \$1,258,886 which is based on the June 30, 2011 valuation. The government-wide financial statements reflect the portion of the liability. The Town's plan is a pay-as-you-go system. The annual required contribution per the actuarial valuation is \$138,732. During the fiscal year the Town paid out benefits of \$43,710. The Net Other Post Employment (OPEB) obligation at June 30, 2011 is \$160,218. The town currently intends to continue to fund these benefits annually as they become due on a Pay-as-you-go system.

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

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

1. Employees retiring that have a minimum of five (5) years of service may withdraw 25% of their accrued sick leave up to a maximum of \$10,000 (taxable).
2. Employees hired on or before June 30, 2011, who retire immediately upon separation from the Town with a minimum of twenty (20) years of service and who are retiring in accordance with VRS guidelines, may take their total accrued sick leave in 120 monthly payments (i.e., 10 years), subject to applicable Federal and State taxes. The value of the accrued sick leave for payout will be calculated at an hourly rate using the VRS Average Final Compensation computation. If the retiree becomes deceased during the payout period, the payouts cease and are non-transferable.

18. Special Item

It was determined that assets held by the fire department in the amount of \$329,647 and the rescue squad in the amount of \$579,933 were held under the Town's tax identification number and therefore, needed to be included in the assets of the Town. The funds have been categorized as special revenue with the balances restricted as to use due to donor restrictions under the heading "special item" on the Statement of Activities at the government-wide level of presentation and the Statement of Revenues, Expenditures, and Changes in Fund Balance at the fund level of presentation.

19. Contingency

In October 2002, the Town of Christiansburg received a loan/grant for \$675,000 from the Virginia Department of Housing and Community Development for the construction of low income housing for low income at risk youths. The facility, Tekoa Boys Home, was to be built, run and maintained by Community Housing Partners Inc. (CHP). The loan is secured by this facility and will be forgiven at the end of a 20 year term provided that the original purpose continues to be met. In the event that CHP defaults on the terms of the grant/loan, the funds must be repaid to the Virginia Department of Housing and Community Development and the Town is contingently liable for that repayment. During 2010 the home was converted to other uses and the Virginia Department of Housing and Community Development has approved that change stating that "it is a reasonable replacement for the originally intended use".

19. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2011, the date the financial statements were available to be issued. Management is not aware of any subsequent events that occurred or other matters that should be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	(a)		(b)		(b-a)		(a/b)		(c)		(b-a)/c)
	Actuarial Value of Assets		Actuarial Accrued Liability (AAL)		Unfunded Actuarial Accrued Liability (UAAL)		Funded Ratio		Covered Payroll		UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 22,061,054	\$	31,621,423	\$	9,560,369	\$	69.77%		\$ 9,513,961	\$	100.49%
June 30, 2009	\$ 21,641,007	\$	27,926,827	\$	6,285,820	\$	77.49%		\$ 8,842,588	\$	71.09%
June 30, 2008	\$ 20,809,351	\$	25,838,930	\$	5,029,579	\$	80.53%		\$ 8,357,697	\$	60.18%
June 30, 2007	\$ 18,568,695	\$	23,253,067	\$	4,684,372	\$	79.85%		\$ 7,354,315	\$	63.70%
June 30, 2006	\$ 16,384,423	\$	20,862,632	\$	4,478,209	\$	78.53%		\$ 6,885,478	\$	65.04%

GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permits, Privilege Fees, and Regulatory Licenses</u>	<u>Fines and Forfeitures</u>	<u>Revenues From Use of Money and Property</u>
2010-2011	\$ 3,006,273	\$ 13,111,979	\$ 131,369	\$ 95,038	\$ 489,477
2009-2010	\$ 3,053,658	\$ 12,051,711	\$ 203,998	\$ 118,559	\$ 349,955
2008-2009	\$ 2,898,687	\$ 12,382,884	\$ 137,796	\$ 86,924	\$ 592,416
2007-2008	\$ 2,775,831	\$ 11,666,242	\$ 191,857	\$ 95,025	\$ 1,203,765
2006-2007	\$ 2,664,913	\$ 11,006,752	\$ 211,538	\$ 148,523	\$ 1,303,090
2005-2006	\$ 2,626,603	\$ 10,068,405	\$ 252,318	\$ 138,831	\$ 674,152
2004-2005	\$ 2,530,438	\$ 8,824,010	\$ 250,188	\$ 87,466	\$ 318,460
2003-2004	\$ 2,403,583	\$ 8,239,175	\$ 144,197	\$ 83,420	\$ 118,531
2002-2003	\$ 1,905,209	\$ 6,703,186	\$ 126,885	\$ 93,833	\$ 184,562
2001-2002	\$ 1,860,457	\$ 6,180,952	\$ 113,993	\$ 97,737	\$ 252,999

<u>Fiscal Year</u>	<u>Charges For Services</u>	<u>Miscellaneous</u>	<u>Inter- governmental</u>	<u>Total</u>
2010-2011	\$ 2,207,153	\$ 257,939	\$ 3,797,190	\$ 23,096,418
2009-2010	\$ 1,397,405	\$ 227,265	\$ 3,685,031	\$ 21,087,582
2008-2009	\$ 1,399,895	\$ 1,088,110	\$ 3,749,731	\$ 22,336,443
2007-2008	\$ 1,214,173	\$ 714,274	\$ 3,520,364	\$ 21,381,531
2006-2007	\$ 1,192,332	\$ 611,289	\$ 3,419,113	\$ 20,557,550
2005-2006	\$ 1,159,231	\$ 304,786	\$ 3,294,761	\$ 18,519,087
2004-2005	\$ 1,091,103	\$ 204,476	\$ 3,057,190	\$ 16,363,331
2003-2004	\$ 1,039,175	\$ 181,105	\$ 3,417,516	\$ 15,626,702
2002-2003	\$ 973,286	\$ 198,725	\$ 2,737,806	\$ 12,923,492
2001-2002	\$ 826,676	\$ 186,389	\$ 2,676,679	\$ 12,195,882

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
 LAST TEN FISCAL YEARS

Fiscal Year	General Administration	Public Safety	Public Works	Health and Welfare
2010-2011	\$ 2,077,241	\$ 6,661,587	\$ 4,848,285	\$ 3,100
2009-2010	\$ 1,937,708	\$ 6,629,215	\$ 5,079,978	\$ 3,100
2008-2009	\$ 1,701,156	\$ 6,488,748	\$ 4,444,111	\$ 3,040
2007-2008	\$ 1,618,229	\$ 5,909,555	\$ 4,630,843	\$ 2,700
2006-2007	\$ 1,400,715	\$ 5,219,119	\$ 4,237,338	\$ 2,760
2005-2006	\$ 1,262,538	\$ 4,988,285	\$ 4,204,419	\$ 2,500
2004-2005	\$ 1,204,434	\$ 4,499,932	\$ 4,033,452	\$ 2,500
2003-2004	\$ 1,084,717	\$ 4,145,907	\$ 3,652,370	\$ 2,400
2002-2003	\$ 1,005,050	\$ 3,810,956	\$ 3,325,153	\$ 2,400
2001-2002	\$ 921,343	\$ 3,505,787	\$ 3,120,079	\$ 2,400

Fiscal Year	Parks Recreation and Culture	Community Development	Debt Service	Capital Outlay	Total
2010-2011	\$ 3,286,646	\$ 1,132,826	\$ 1,113,981	\$ 1,369,232	\$ 20,492,898
2009-2010	\$ 2,305,876	\$ 1,374,850	\$ 1,119,544	\$ 7,962,920	\$ 26,413,191
2008-2009	\$ 1,845,749	\$ 1,258,527	\$ 1,113,324	\$ 7,188,705	\$ 24,043,360
2007-2008	\$ 1,673,455	\$ 1,906,079	\$ 1,005,851	\$ 8,288,726	\$ 25,035,438
2006-2007	\$ 1,750,906	\$ 1,516,400	\$ 958,129	\$ 3,124,325	\$ 18,209,692
2005-2006	\$ 1,374,703	\$ 851,633	\$ 1,000,010	\$ 3,114,504	\$ 16,798,592
2004-2005	\$ 1,292,271	\$ 804,938	\$ 308,419	\$ 2,475,860	\$ 14,621,806
2003-2004	\$ 1,230,679	\$ 1,372,615	\$ 347,048	\$ 2,485,637	\$ 14,321,373
2002-2003	\$ 1,194,785	\$ 651,112	\$ 370,172	\$ 3,115,346	\$ 13,474,974
2001-2002	\$ 1,168,378	\$ 647,517	\$ 373,793	\$ 1,821,767	\$ 11,561,064

TOWN OF CHRISTIANBURG

ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>		<u>Real Estate</u>		<u>Personal Property</u>		<u>Machinery and Tools</u>
2010-2011	\$	1,939,744,614	\$	157,249,218	\$	60,573,302
2009-2010	\$	1,915,422,886	\$	143,984,570	\$	62,321,082
2008-2009	\$	1,863,401,200	\$	149,368,176	\$	63,056,712
2007-2008	\$	1,801,033,201	\$	141,571,898	\$	65,343,649
2006-2007	\$	1,357,921,197	\$	129,825,097	\$	64,568,849
2005-2006	\$	1,298,699,328	\$	129,691,123	\$	69,209,974
2004-2005	\$	1,255,068,756	\$	123,002,537	\$	61,649,750
2003-2004	\$	1,210,613,686	\$	125,703,367	\$	65,058,377
2002-2003	\$	885,741,866	\$	122,495,549	\$	52,130,486
2001-2002	\$	860,071,045	\$	122,988,578	\$	54,706,793

Property Tax Rates - Last Ten Years

<u>Fiscal Year</u>		<u>Real Estate</u>		<u>Personal Property</u>		<u>Machinery and Tools</u>
2010-2011	\$	.1126	\$	.45	\$	.45
2009-2010	\$	.1126	\$	.45	\$	.45
2008-2009	\$	.1126	\$	.45	\$	.45
2007-2008	\$	.1126	\$	.45	\$	.45
2006-2007	\$	.144	\$	.45	\$	.45
2005-2006	\$	.144	\$	.45	\$	.45
2004-2005	\$	.144	\$	.45	\$	.45
2003-2004	\$	.144	\$	.45	\$	.45
2002-2003	\$	.144	\$	.45	\$	.45
2001-2002	\$	.144	\$	.45	\$	.45

SCHEDULE 3

Mobile Homes	Public Utility		Total
	Unequalized	Equalized	
\$ 4,792,800	\$ 44,162,714	\$ 123,171	\$ 2,206,645,819
\$ 4,792,700	\$ 43,501,590	\$ 44,276	\$ 2,170,067,104
\$ 4,579,840	\$ 40,896,193	\$ 46,137	\$ 2,121,348,258
\$ 4,607,360	\$ 40,715,462	\$ 42,329	\$ 2,053,313,899
\$ 4,740,740	\$ 30,703,941	\$ 50,090	\$ 1,587,809,914
\$ 4,601,520	\$ 32,261,723	\$ 39,470	\$ 1,534,503,138
\$ 5,073,600	\$ 30,283,869	\$ 26,964	\$ 1,475,105,476
\$ 4,692,300	\$ 25,979,014	\$ 20,779	\$ 1,432,967,523
\$ 6,032,441	\$ 25,893,804	\$ 20,362	\$ 1,092,314,508
\$ 6,204,399	\$ 25,863,804	\$ 19,862	\$ 1,069,854,481

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

PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Fiscal Year	Total (1) Tax Levy	Current Tax (1) Collections	Percent of Levy Collected	Delinquent (2) Tax Collections
2010-2011	\$ 3,171,455	\$ 3,156,754	99.54%	\$ 48,898
2009-2010	\$ 3,092,251	\$ 3,083,654	99.72%	\$ 168,857
2008-2009	\$ 3,060,904	\$ 3,050,888	99.67%	\$ 48,033
2007-2008	\$ 2,965,908	\$ 2,928,389	98.73%	\$ 49,590
2006-2007	\$ 2,837,231	\$ 2,836,463	99.97%	\$ 29,276
2005-2006	\$ 2,771,986	\$ 2,812,849	101.47%	\$ 55,744
2004-2005	\$ 2,689,188	\$ 2,615,979	97.28%	\$ 76,273
2003-2004	\$ 2,612,519	\$ 2,513,352	96.20%	\$ 24,898
2002-2003	\$ 2,069,972	\$ 2,025,298	97.84%	\$ 34,521
2001-2002	\$ 2,035,330	\$ 1,982,519	97.40%	\$ 25,546

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
2010-2011	\$ 3,205,652	101.08%	\$ 129,688	4.09%
2009-2010	\$ 3,252,511	105.18%	\$ 125,620	4.06%
2008-2009	\$ 3,098,921	101.24%	\$ 135,188	4.42%
2007-2008	\$ 2,977,979	100.41%	\$ 116,143	3.92%
2006-2007	\$ 2,865,739	101.00%	\$ 109,736	3.87%
2005-2006	\$ 2,868,593	103.49%	\$ 123,064	4.44%
2004-2005	\$ 2,692,252	100.11%	\$ 159,908	5.95%
2003-2004	\$ 2,538,250	97.16%	\$ 190,471	7.29%
2002-2003	\$ 2,059,819	99.51%	\$ 142,187	6.87%
2001-2002	\$ 2,008,068	98.66%	\$ 145,073	7.13%

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

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

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

TOWN OF CHRISTIANBURG

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

Fiscal Year	Population (1)	Assessed Value of All Taxable Property (In Thousands)	Gross Bonded Debt	Less	
				Debt Services Monies Available	Debt Payable from Enterprise Revenues
2010-2011	16,947	\$ 2,206,646	\$ 12,635,000	\$	\$
2009-2010	16,947	\$ 2,170,067	\$ 13,165,000	\$	\$
2008-2009	16,947	\$ 2,121,348	\$ 13,680,000	\$	\$
2007-2008	16,947	\$ 2,053,314	\$ 14,170,000	\$	\$
2006-2007	16,947	\$ 1,587,810	\$ 12,615,000	\$	\$
2005-2006	16,947	\$ 1,534,502	\$ 13,015,000	\$	\$
2004-2005	16,947	\$ 1,475,105	\$ 13,400,000	\$	\$
2003-2004	16,947	\$ 1,432,968	\$ 2,515,000	\$	\$ 107,250
2002-2003	16,947	\$ 1,092,315	\$ 3,140,000	\$	\$ 510,750
2001-2002	16,947	\$ 1,069,854	\$ 3,750,000	\$	\$ 886,125

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

SCHEDULE 5

Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
\$ 12,635,000	0057:1	\$ 745.56
\$ 13,165,000	0061:1	\$ 776.83
\$ 13,680,000	0064:1	\$ 807.22
\$ 14,170,000	0069:1	\$ 836.14
\$ 12,615,000	0079:1	\$ 744.38
\$ 13,015,000	0085:1	\$ 767.98
\$ 13,400,000	0091:1	\$ 790.70
\$ 2,407,750	0017:1	\$ 142.08
\$ 2,629,250	0024:1	\$ 155.15
\$ 2,863,875	0027:1	\$ 168.99

STATEMENT OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2011

Legal Debt Limit:

10% of assessed value of taxable real estate (1)

\$ 1,983,907,328

\$ 198,390,733

Deduct:

Bonds payable

12,635,000

Legal margin for creation of additional debt

\$ 185,755,733

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

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

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, 2011, which collectively comprise the Town of Christiansburg's basic financial statements and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Michael B. Cooke, CPA, PC

November 18, 2011

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

Certified Public Accountants

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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, 2011, and have issued our report thereon dated November 18, 2011.

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 the following instances of noncompliance that are required to be reported:

All locally appointed officials must file an annual disclosure form (Section 2.2-3115 of the Code of Virginia) with the clerk of the governing body by January 15th each year. All required disclosure forms were not received by the clerk as of this due date.

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 18, 2011