CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2012

Prepared By:
Department of Finance

Jeanne R. Colvin
Chief Financial Officer

Cynthia B. Snead, CPA
Assistant Director of Finance

CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2012

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CITY OF STAUNTON, VIRGINIA

COUNCIL, OFFICIALS, AND SCHOOL BOARD

COUNCIL

Lacy B. King, Mayor

Ophie A. Kier	David R. Metz, Vice-Mayor
Andrea W. Oakes	James J. Harrington
Carolyn W. Dull	Bruce A. Elder

OFFICIALS

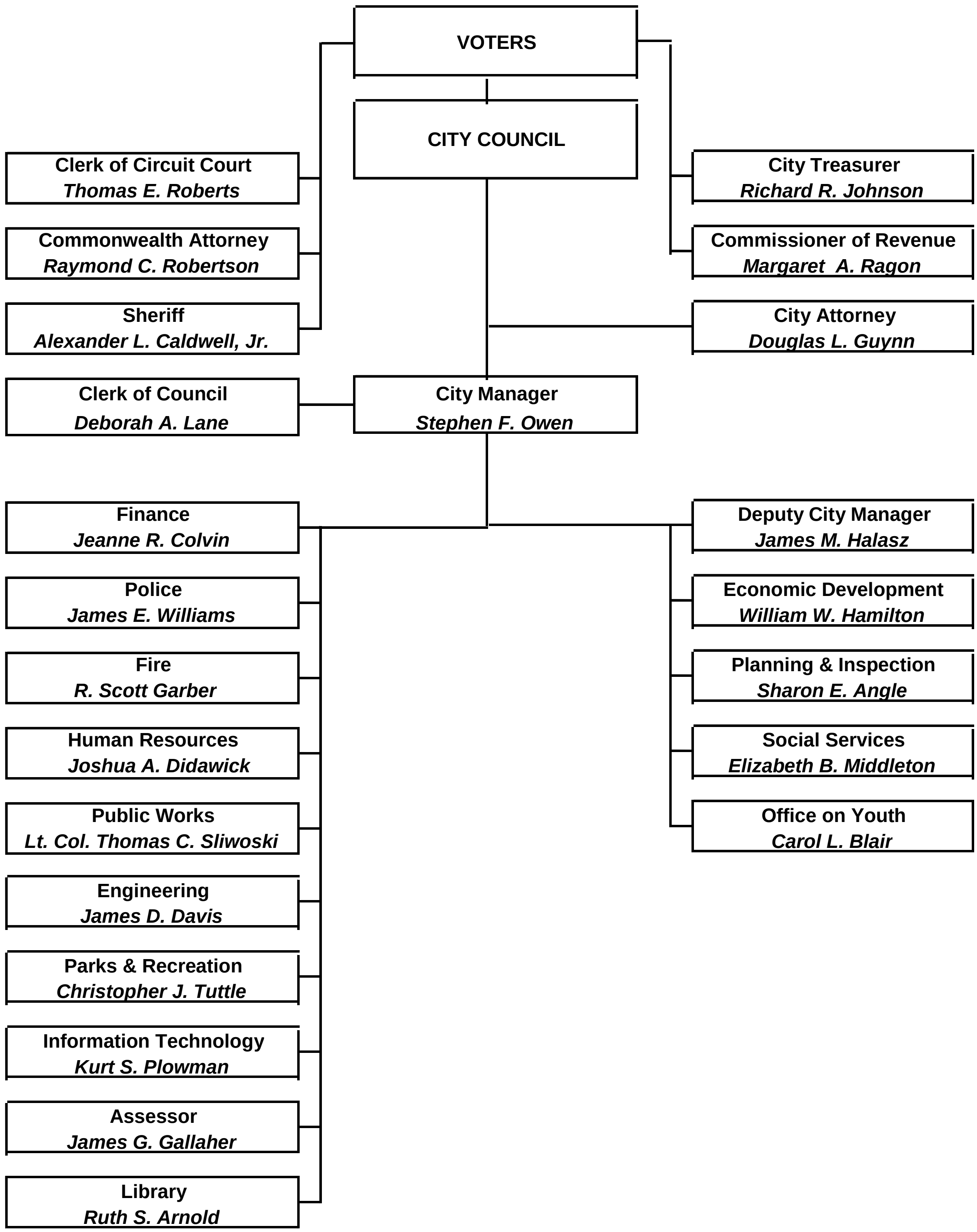
Deborah Lane	Clerk of Council
Stephen F. Owen	City Manager
Jeanne R. Colvin	Chief Financial Officer
Richard R. Johnson	City Treasurer
Douglas L. Guynn	City Attorney
Margaret (Maggie) A. Ragon	Commissioner of Revenue
Elizabeth Middleton	Director of Social Services
Thomas E. Roberts	Clerk of Circuit Court
Alexander L. Caldwell, Jr.	City Sheriff
Mr. Edward Clymore	Interim Superintendent of Schools

SCHOOL BOARD

Angela V. Whitesell, Chair
Sarah Crenshaw, Vice-Chair

George Ballew	Amy G. Darby
Ronald W. Ramsey	Dr. Daniel Stuhlsatz

CITY OF STAUNTON
ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Staunton Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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

President

Executive Director

CITY OF STAUNTON
FINANCE DEPARTMENT
P.O. BOX 58
STAUNTON, VA 24402
540.332.3809 (TEL)
540.851.4036 (FAX)

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CHIEF FINANCIAL OFFICER
540-332-3822

CYNTHIA B. SNEAD
ASSISTANT DIRECTOR OF FINANCE
540-332-3803

CINDY A. STEED
SUPERVISOR OF PURCHASING & UTILITIES

November 30, 2012

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

We are pleased to submit the City of Staunton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This report has been prepared by the City's Finance Department. The report provides full disclosure of all financial information necessary to enable the reader to gain an understanding of the government's financial activities.

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

The government is required to undergo an annual single audit in conformity with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Code of Virginia requires the City to have an annual audit conducted by an independent certified public accountant.

Brown, Edwards, Certified Public Accountants, has issued an unqualified opinion for the City of Staunton for fiscal year ending June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

The City's management discussion and analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides for a narrative introduction, overview, and analysis of the City's basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Staunton was founded in 1747 and later chartered as a town by the Virginia General Assembly in 1761. The City was named for Lady Rebecca Stanton, wife of colonial Governor Sir William Gooch. Staunton was incorporated as a city in 1871. Staunton is the birthplace of the city manager form of government. Staunton appointed its first city manager, and the nation's first city manager, in April 1908.

The City is governed by seven members of City Council for policymaking and legislative issues. Council members are elected at large for four-year terms. Council members elect the mayor. The Staunton City School Board is comprised of six members elected at large for four-year terms. The city manager is appointed by City Council and is responsible for the general operations of the City and administering the policies and ordinances enacted by City Council. The city manager appoints all department directors for the various operating departments.

Staunton is an independent city with local government taxing power providing the full range of municipal services. These services include public safety, recreation and culture, education, health and social services, public works and utilities, sanitation, planning and zoning, community development, judicial administration, and general and financial administration services.

Staunton is located at the intersection of I-81 and I-64, approximately two hours southwest of Washington D.C. in the Shenandoah Valley in Virginia. The City encompasses an area of 19.98 square miles with a population of approximately 24,000. Staunton is located within Augusta County and offers a total labor force of more than 100,000 within a 30 mile radius of Staunton.

The City is within 35 miles of eight universities and colleges: University of Virginia, James Madison University, Washington & Lee University, Virginia Military Institute, Mary Baldwin College, Bridgewater College, Eastern Mennonite University, and Blue Ridge Community College. The area also has several other specialized education centers: Shenandoah Valley Governor's School, four private high schools, and Valley Vocational-Technical Center for specialized industrial training.

The *Code of Virginia* requires the City to adopt a balanced budget by May 15 for the School's Education Fund and June 30 for all other funds. Budget control is maintained at the fund level. The City Manager is authorized to transfer appropriations from any line item within each fund as needed to sufficiently fund any expenditure. Purchase orders for materials, supplies, and services are not released until adequate appropriations are available. Open encumbrances are reported as assigned or committed fund balances at the end of each fiscal year. City Council adopts an ordinance to approve any budget amendments that require increased or decreased appropriations to the total adopted budget.

The City's CAFR includes all funds, and component unit agencies, boards and commissions for which the City is financially accountable. Financial accountability is defined as appointment of a voting majority of such an entity's Board, and either (a) the ability to impose its will, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City. Based on the foregoing criteria, the financial activities of the Staunton City School Board and the Staunton Economic Development Authority are included in the financial statements for the reason indicated:

> The Staunton City School Board was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. The School Board creates a financial burden on the General Fund requiring approximately 40% of its funding for school operations. All members of the Board are elected by the City voters. City Council has the ability to impose its will upon the Board.
>
> The Staunton Economic Development Authority was created as a separate legal entity by the City to promote economic development within the City. All members of the Board are appointed by City Council. The Economic Development Authority imposes a financial burden on the City.

LOCAL ECONOMY

The City's overall financial health is determined by several economic factors based on retail sales volume, consumer based taxes, new residential building or commercial construction permits, and property values and transactions. Other financial factors include state revenues, population trends, the unemployment rate, and the local tourism industry. The 2012 total taxable real estate assessed values increased .57%, a slight increase over 2011. Other local consumer based tax revenue sources remained fairly stable from 2011. We saw a 9% increase in business license revenue due to contractors working on the VSDB construction project. The local unemployment rate for June 2012 was 6.3%, which is below the national average of 8.4%, and slightly above the statewide average of 6.0%. The City relies on its diverse property tax base consisting of manufacturing facilities, distribution centers, a fairly stable retail base, a large government workforce within the area, and a successful tourism market for the economic stability of the City.

LONG-TERM FINANCIAL PLANNING

Economic Strategy – The City's long-range economic strategy is to attract new commercial and retail businesses, expand existing businesses, to strengthen, diversify, provide growth to the local tax base, and provide employment growth to improve the local median household income level.

Safety Net Reserve – The City's fund balance fiscal policy requires a reservation of 10% of the City's total general fund operating budget as a cash safety net reserve, reported as committed fund balance in the general fund. The primary government reserve is currently $4.5 million. These funds are reserved and can be used for only major catastrophic events that would affect the public safety, major infrastructure of the City or imposition of mandates by Federal and State governments. The City also adopted a policy to establish and maintain a contingency reserve in the amount of $250,000, reported as unassigned fund balance in the general fund, to provide for unexpected declines in budgeted revenues or unanticipated emergency expenditures.

Capital Improvement Plan – The City revises its long-term capital improvement plan on an annual basis. This plan includes general government capital needs, capital needs for the education fund, and the enterprise funds including golf, water, sewer, parking, storm water and the environmental fund. The City funds the capital program through annual operating revenues, the appropriation of unassigned fund balance from the prior year, or will issue new debt to finance capital projects. The City also requires the use of funds appropriated for debt retired in the previous year to be appropriated to the Capital Improvements Fund as a financing source of funds for future capital projects. The Finance Department prepares five-year affordability financing models to plan for future capital needs.

MAJOR INITIATIVES

FY2012 Budget – City Council's commitment to prudent fiscal management has provided the framework for the City to prepare and adopt budgets in response to the economic conditions of the local, state, and national economies. The total FY2012 budget, $98.8 million, an increase of 5% or $4.7 million over the previous year, was adopted with all tax rates remaining the same as FY2011. The general fund budget only increased 2.9% over the previous year. Property tax revenues and other local tax revenues were projected to increase 2% over the previous year's budget. The general fund budget slightly increased its transfer to the education fund and increased its transfer to the Capital Improvements Fund by 9.3%. The sewer fund had the greatest increase, 22.4%, over the previous year due to the increase in debt service for the wastewater treatment plant upgrade project.

Economic Development – Staunton Gateway Development Park – Work continues on the marketing strategy for the development of the Staunton Gateway Development Park. In November 2009, the City and the EDA entered into a land exchange agreement with the Commonwealth of Virginia to re-locate and build a new state of the art mental health facility and in exchange create a new 300 acre business development park. The development is expected to create jobs and generate significant annual property and consumer tax revenues for the City. In exchange for the land, the City will pay the Commonwealth of Virginia $15 million towards the construction of the new hospital. As of September 2012, the $118 million construction on the new facility is 60% complete. Staunton Gateway, located at U.S. 250 and the interchange of Interstate Highways 81 and 64, is planned for a mix of corporate and professional offices, retail stores, restaurants and lodging facilities. The project will be the largest business development property to support both office and retail development in the Shenandoah Valley region of the I-81 corridor through Virginia.

Economic Development –National Recognition- Staunton continues to be recognized nationally in magazines such as, *Site Selection, Smithsonian,* and *Travel+Leisure* magazines. In 2011, *Site Selection* recognized Staunton as the 'top micropolitan economy in Virginia' and one of the 'top 20 strongest-performing micropolitans in America'. In 2012, *Travel+Leisure* named Staunton as 'one of America's greatest main streets' and the *Smithsonian* named Staunton as 'one of the 20 best small towns in America'.

Capital Improvements – City Council updated and adopted its five year capital improvement plan during FY2012. The Capital Improvement Plan adopted by City Council this year equals $202 million with $106 million dedicated for school projects, and $58 million for infrastructure projects in the proprietary funds, and $38 million for general fund projects.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Staunton, Virginia, for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1985 through 2012. A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis was accomplished with efficient and dedicated services of the Finance Department. I would also like to thank the City Manager and the City Council for their interest and support in applying for the Certificate of Achievement for Excellence in Financial Reporting.

Respectfully submitted,

Jeanne R. Colvin
Chief Financial Officer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Augusta Regional Landfill. The City's share of this undivided interest represents 57%, 57%, and 24%, respectively, of the assets, net assets, and revenues of the Environmental Fund. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Augusta Regional Landfill, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for 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 and the report of the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards,* we have also issued our report dated November 27, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 is important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section; the combining and individual nonmajor fund statements and schedules collectively referred to as Other Supplementary Information; and the statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the City's basic financial statements. The Other Supplementary Information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Staunton's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2012. The MD&A is in addition to the transmittal letter, located on pages iv-vii of this report. Readers are encouraged to review the information presented in the MD&A and the letter of transmittal to provide the user a more comprehensive view of the City's financial condition. The MD&A presents information for the government-wide financial statements and the fund financial statements. The MD&A provides the user with a narrative introduction, overview, and analysis of the basic financial statements for the City's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

- The City's total net assets (assets less liabilities) of governmental activities were $49.3 million at June 30, 2012. Net assets of the City's business-type activities were $67.3 million.
- Total revenues of governmental activities exceeded total expenses by $1.0 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were $47.1 million for fiscal year 2012. Revenues of the City's business-type activities were $10.5 million.
- Expenses were $45.5 million for governmental activities and expenses for the business-type activities were $11.5 million for fiscal year 2012.
- The City's total debt at June 30, 2012 was $74.5 million, a net decrease of $4 million from FY 2011 due to normal scheduled debt reduction.
- At June 30, 2012, the total fund balance for all governmental funds was $18.7 million with the General Fund comprising $9.3 million of that total.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of four parts – (1) management's discussion and analysis, (2) the basic financial statements, (3) required supplementary information, and (4) other supplementary information that presents combining statements for non-major governmental funds, internal service funds, fiduciary funds, and component units.

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

- The government-wide financial statements provide readers with a broad overview of the City of Staunton's finances including long-term and short-term information about the City's overall financial status.
- The fund financial statements focus on individual parts of the City government reporting the City's operations in more detail than the government-wide statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the City of Staunton as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets and the statement of activities are the government-wide statements. These statements include all of the government's assets and liabilities using the accrual basis of accounting. All revenues and expenses are reported regardless of when cash is received or paid.

These two government-wide statements report the City's net assets (assets minus liabilities) and how they have changed. Reporting net assets is one way to measure the City's financial health. Increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's streets and other infrastructure need to be considered to assess the overall financial health of the City.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities – Most of the City's basic services are included here, such as the police, fire, public works, parks and recreation, health and welfare, and general administration. Property taxes, other local taxes, and state and federal grants finance the majority of these activities.

- Business-type activities – The City charges fees to customers to recover the costs of certain services it provides. The City's golf, water, sewer, storm water, parking, and environmental management activities are reported here.

- Component units – The City has two component units:

    - The Staunton School Board – although legally separate, the City is financially accountable for and provides operating funding for the Staunton School Board.

    - The Staunton Economic Development Authority – due to a development agreement between the City of Staunton and the Economic Development Authority (EDA), the EDA imposes a financial burden on the City as the issuer of debt to provide capital grants and other property to the EDA.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to track specific sources of revenue and expenditures/expenses for specific purposes. State law requires the establishment of some funds and others are established by City Council to control and manage money for particular purposes, grant purposes, or bond covenants.

The City has three kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds' statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds' statements that explains the differences between them.

- *Proprietary funds* – Proprietary funds are classified as enterprise or internal service funds. Enterprise funds are reported as business-type activities in the government-wide financial statements and are used to report activities for which fees are charged to external users for goods or services. The City maintains six enterprise funds to report on activities for golf, water, sewer, storm water, environmental management and parking operations. Internal service funds are used to account for goods and services provided on a cost reimbursement basis to activities within the government. The City uses an internal service fund to report activities for the City's inventory fund which provides supplies for the City's operations. The inventory fund is reported with governmental activities in the government-wide financial statements.

- *Fiduciary funds* – Fiduciary funds are used to report assets held in a trustee or agency capacity for others outside the government. Fiduciary funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The primary government does not maintain any fiduciary funds but the Component Unit School Board does.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's total assets exceeded liabilities by $116.6 million at June 30, 2012. The largest portion of the City's net assets (70.76%) reflects its investments in capital assets (e.g. land, buildings, equipment, infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and customers, therefore these assets are not available for future spending.

Less than 1% of the City's net assets are restricted. The remaining balance of unrestricted net assets ($33.4 million or 28.6%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2012, the City reported positive balances in net assets for the City as a whole for the governmental activities and the business-type activities. The same situation held true for the prior fiscal year.

There was a $1 million net increase in net assets for governmental activities due to the following: scheduled debt reduction in excess of depreciation in capital assets resulting in a $1.4 million increase in net assets invested in capital assets, net of related debt; the transfer of costs associated with the Newtown project to business type activities resulting in a $.4 decrease in unrestricted net assets.

Net assets for business-type activities decreased $.4 million due to an increase in inter-fund liability from the environmental fund to the general fund.

The following tables summarize the City's statements of net assets and statements of activities for the current and previous year.

City of Staunton
Summary Statements of Net Assets
June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Assets:						
Current and other assets	$ 42,560,374	$ 41,779,032	$ 23,038,106	$ 25,855,616	$ 65,598,480	$ 67,634,648
Capital assets	60,877,108	61,206,549	77,604,159	77,522,188	138,481,267	138,728,737
Total assets	103,437,482	102,985,581	100,642,265	103,377,804	204,079,747	206,363,385
Liabilities:						
Long-term liabilities	28,924,716	45,676,680	32,204,521	31,939,335	61,129,237	77,616,015
Other liabilities	25,193,441	9,026,279	1,123,938	3,758,850	26,317,379	12,785,129
Total liabilities	54,118,157	54,702,959	33,328,459	35,698,185	87,446,616	90,401,144
Net assets:						
Invested in capital assets, net of related debt	31,321,359	29,909,806	51,212,802	49,958,761	82,534,161	79,868,567
Restricted	184,868	103,639	-	-	184,868	103,639
Unrestricted	17,813,098	18,269,177	16,101,004	17,720,858	33,914,102	35,990,035
Total net assets	$ 49,319,325	$ 48,282,622	$ 67,313,806	$ 67,679,619	$ 116,633,131	$ 115,962,241

City of Staunton
Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Revenues:						
Program Revenues						
Charges for services	$ 2,231,779	$ 2,113,274	$ 10,371,407	$ 10,298,725	$ 12,603,186	$ 12,411,999
Operating grants and contributions	10,003,989	10,018,844	5,044	13,341	10,009,033	10,032,185
Capital grants and contributions	274,810	4,684,814	65,871	925,347	340,681	5,610,161
General revenues						
Property taxes	20,076,871	20,296,688	-	-	20,076,871	20,296,688
Other taxes	11,983,709	11,420,140	-	-	11,983,709	11,420,140
Unrestricted intergovernmental	2,526,975	2,527,349	-	-	2,526,975	2,527,349
Interest and investment earnings	18,196	26,298	57,073	80,782	75,269	107,080
Other	27,765	52,673	-	-	27,765	52,673
Total revenues	47,144,094	51,140,080	10,499,395	11,318,195	57,643,489	62,458,275
Expenses:						
General government	4,372,745	4,269,566	-	-	4,372,745	4,269,566
Judicial administration	1,734,157	1,612,892	-	-	1,734,157	1,612,892
Public safety	10,137,714	9,808,670	-	-	10,137,714	9,808,670
Public works	6,262,440	5,666,355	-	-	6,262,440	5,666,355
Health and welfare	5,587,112	5,532,072	-	-	5,587,112	5,532,072
Parks, recreation and culture	2,905,849	2,860,422	-	-	2,905,849	2,860,422
Education (includes payment to Schools)	11,199,889	10,814,412	-	-	11,199,889	10,814,412
Community Development	2,067,996	1,780,234	-	-	2,067,996	1,780,234
Interest on long-term debt	1,198,129	1,272,692	-	-	1,198,129	1,272,692
Golf	-	-	191,022	179,702	191,022	179,702
Water	-	-	3,557,493	3,446,557	3,557,493	3,446,557
Sewer	-	-	3,984,420	3,358,564	3,984,420	3,358,564
Storm water	-	-	710,250	742,232	710,250	742,232
Environmental	-	-	2,594,453	1,777,831	2,594,453	1,777,831
Parking	-	-	468,930	423,434	468,930	423,434
Total expenses	45,466,031	43,617,315	11,506,568	9,928,320	56,972,599	53,545,635
Increase in net assets before transfers	1,678,063	7,522,765	(1,007,173)	1,389,875	670,890	8,912,640
Transfers	(641,360)	(224,400)	641,360	224,400	-	-
Increase in net assets	1,036,703	7,298,365	(365,813)	1,614,275	670,890	8,912,640
Net assets - beginning of year	48,282,622	40,984,257	67,679,619	66,065,344	115,962,241	107,049,601
Net assets - end of year	$ 49,319,325	$ 48,282,622	$ 67,313,806	$ 67,679,619	$ 116,633,131	$ 115,962,241

Governmental Activities - Revenues

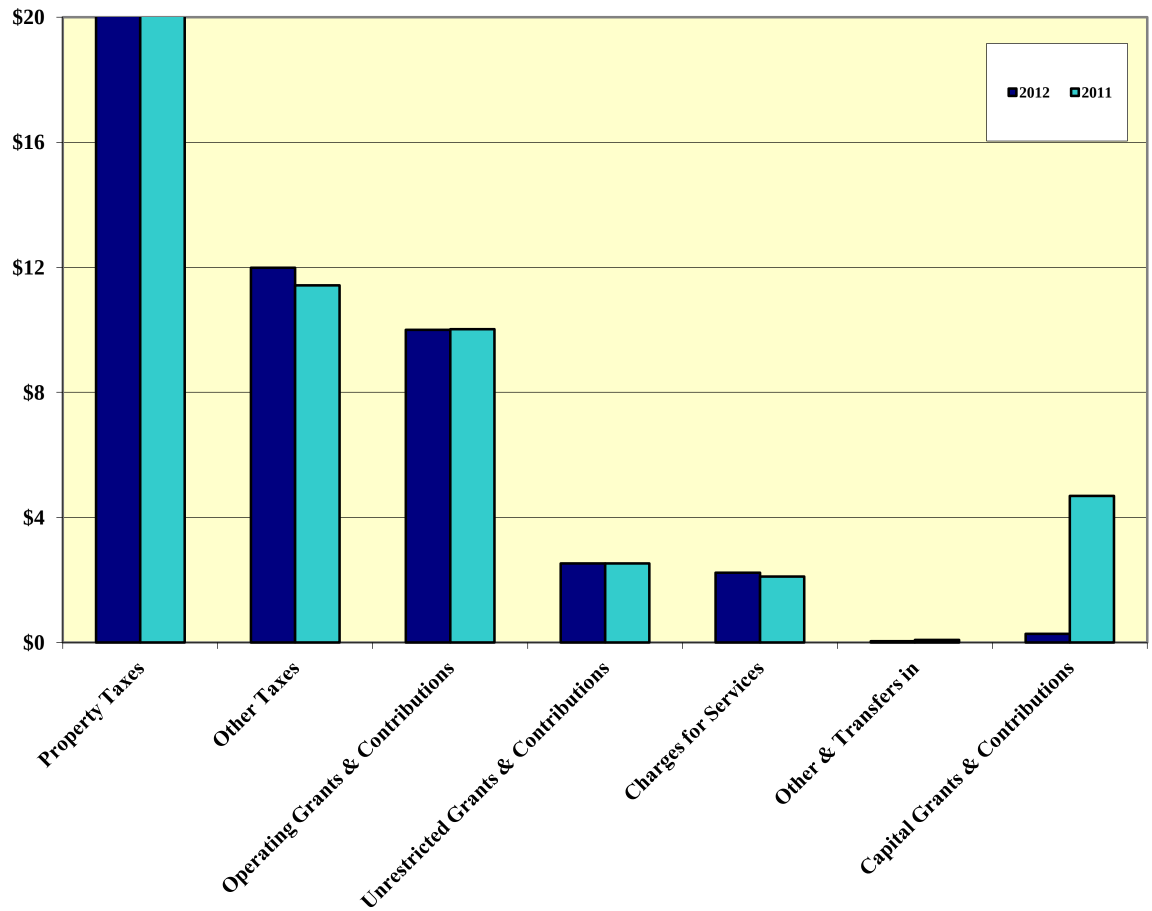
- The City's total revenues from governmental activities were $47.1 million for the fiscal year ended June 30, 2012, a decrease of $3.97 million over the previous year.

- Property taxes, the largest source of general revenue, accounted for $20.1 million or 42.6% of revenue in 2012. Property tax revenues remained relatively stable with only a slight decrease of $.2 million from 2011.

- Capital grants and contributions decreased $4.4 million because the capital contribution of the Churchville Ave road project from the Va. Department of Transportation occurred in 2011.

<u>Governmental Activities - Revenues by Source</u>

Fiscal Years Ended June 30, 2012 and 2011
($ In Millions)



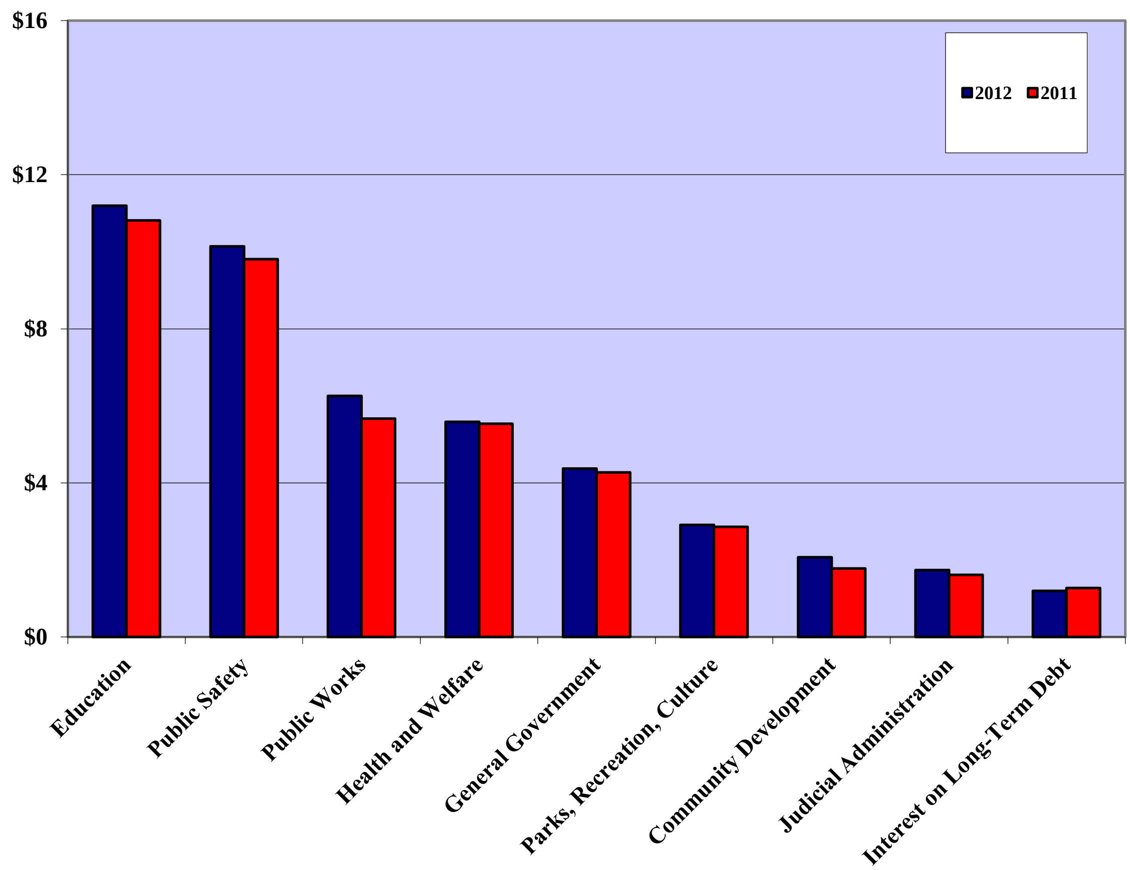
Governmental Activities - Expenses

- The total expenses from governmental activities were $45.5 million for the year, an increase of $1.9 million from 2011.
- Education is the largest expenditure for the City at $11.2 million or 24.6% of the total governmental activities, a slight increase of $.4 million from 2011.
- Public Works increased $.6 million due in part to an increase in street maintenance expenditures and depreciation.
- Community Development function increased $.3 million due in part to marketing costs for the Gateway property and expenditure of the Governor's opportunity fund grant.

<u>Governmental Activities - Expenses by Function</u>

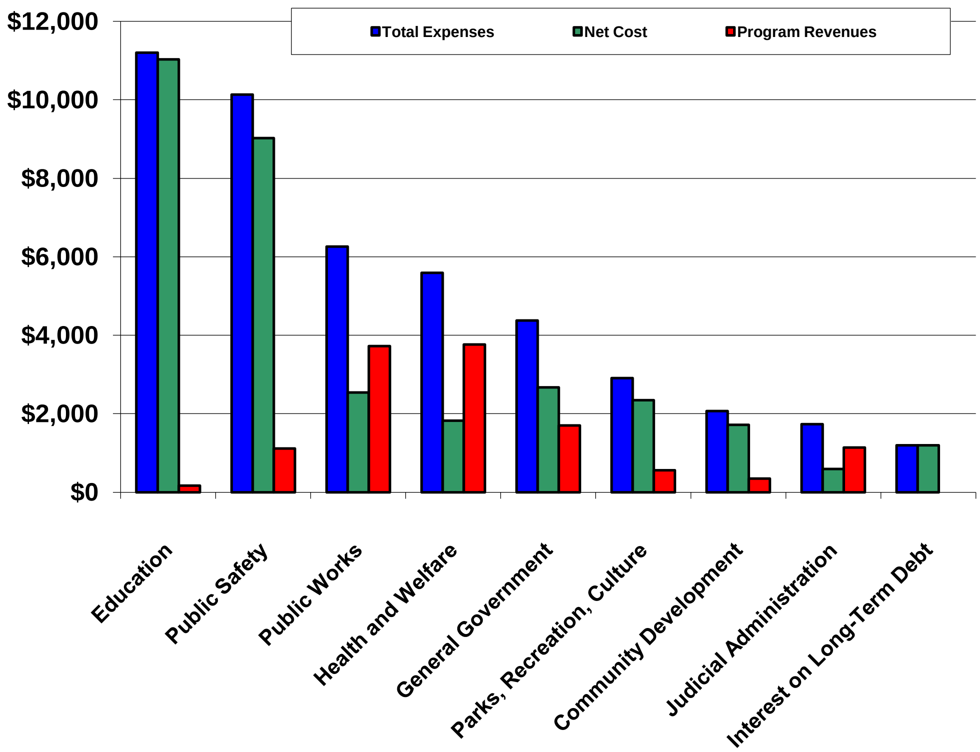
Fiscal Years Ended June 30, 2012 and 2011

($ In Millions)



Governmental Activities - Expenses, Net Costs, and Program Revenues

($ In Thousands)



Program revenues are those revenues directly related to the individual expenditure functions such as user fees and charges, restricted grants, and contributions. Program revenues for fiscal year 2012 totaled $12.5 million and general revenues totaled $34.6 million.

The net cost of services represents the amount of tax or other revenue required to support these functions. The Education function requires the largest amount of general revenue support at 33.5%, an increase of $.4 million from 2011. Public Works function had an increase in net cost of $4.9 million from 2011 because the contribution from VDOT for the Churchville Ave road project occurred in 2011.

Net Cost of the City of Staunton's Governmental Activities

	2012		2011	
	Total Cost	**Net Cost**	**Total Cost**	**Net Cost**
Education	$ 11,199,889	$ 11,033,992	$ 10,814,412	$ 10,657,722
Public Safety	10,137,714	9,025,678	9,808,670	8,701,853
Public Works	6,262,440	2,540,427	5,666,355	(2,377,487)
Health and Welfare	5,587,112	1,825,942	5,532,072	1,801,421
General Government	4,372,745	2,672,159	4,269,566	2,520,380
Parks, Recreation, Culture	2,905,849	2,344,823	2,860,422	2,235,193
Community Development	2,067,996	1,718,921	1,780,234	1,490,764
Judicial Administration	1,734,157	595,382	1,612,892	497,845
Interest on Long-Term Debt	1,198,129	1,198,129	1,272,692	1,272,692
	$ 45,466,031	**$ 32,955,453**	**$ 43,617,315**	**$ 26,800,383**

Business-Type Activities

1. Total program revenues of the City's business-type activities were $10.4 million for fiscal year 2012. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at $10.4 million or 99% of total revenues for business-type activities.

2. Sewer Fund expenses increased from 2011 by $.6 million due to an increase in operating costs and depreciation.

3. Environmental Fund expenses increased by $.8 million due mainly to an increase in depreciation and closure and post closure costs for the landfill.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The City of Staunton uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The focus of Staunton's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Staunton's governmental funds include the General Fund, the Capital Projects Fund, the Debt Service Fund, the Community Development Fund, the Grant Fund and the Trolley Fund. The General Fund is the major governmental fund. This information is useful in assessing Staunton's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Staunton's governmental funds reported combined ending fund balances of $18.7 million, a decrease of $.3 million over 2011. The decrease is due to an increase in community development expenditures related to the Newtown Project.

General Fund

The General Fund reported $9.3 million in fund balance at year end. Of the total General Fund balance, $2.7 million is unassigned, $4.5 million is committed for specific purposes, and $1.9 million is assigned.

In total, fiscal year 2012 revenues were virtually the same with only a $.5 million increase over 2011. Property tax revenues remained stable with no increase from 2011. Revenue from federal and state programs increased $.2 million over 2011 mainly due to health and welfare programs.

General Fund actual expenditures were $40 million versus the revised budget totaling $41.9 million. The contribution to the Component Unit School Board was the largest expense at $10.7 million. Expenditure savings of $1.9 million resulted from $.6 million in general government administration from insurance premiums and technology equipment savings; $.4 million in public safety expenditures mainly due to capital expense savings; $.3 million in health and welfare savings from decreased public assistance and CPMT payments, and the balance of $.6 million in expenditures savings resulting from judicial, public works, community development and parks and recreation expenditure savings.

Capital Projects Fund

The City's Capital Projects Fund is used to report transactions related to the financing resources and expenditures for the acquisition or construction of capital facilities for the General Fund. Proprietary capital projects are reported in the appropriate proprietary fund. The City uses annual operating revenues of the General Fund, fund balance transfers from the General Fund, bond proceeds, or grants as resources to fund capital projects. With the exception of grant resources, the General Fund transfers funds to the Capital Projects Fund when appropriated by the governing body. The General Fund transferred $2.2 million in fiscal year 2012 to the City Capital Projects Fund for projects still in progress. The City updates the capital projects plan on an annual basis.

Capital Projects in progress:

PROJECT	REVISED BUDGET-PROJECT TO DATE	FY 2012 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	$ 1,332,482	$ 2,350	$ 1,229,729	$ 102,753
COMPUTER NETWORK REPLACEMENT PHASE II	95,137	-	61,456	33,681
FIBER LOOP PROJECT	1,188,591	1,171,239	1,178,907	9,684
FIRE TRUCK RESERVE	304,383	-	342,754	(38,371)
RADIO NARROWBAND	550,000	195,181	371,911	178,089
REGIONAL JAIL RESERVE	3,326,286	779,269	2,433,240	893,046
STREET IMPROVEMENT PROJECTS	305,250	149,625	304,875	375
URBAN STREET CONSTRUCTION 2% MATCH	604,830	-	465,395	139,435
BOWLING STREET BRIDGE	343,500	295,310	335,592	7,908
HAILE STREET BRIDGE	356,200	19,779	322,955	33,245
MONTGOMERY AVENUE ROAD EXTENSION PROJECT	428,968	10,854	74,069	354,899
SEARS HILL BRIDGE	50,000	34,632	34,632	15,368
SHELBURNE SAFE ROUTE TO SCHOOL	171,000	2,873	2,873	168,127
MCSWAIN SAFE ROUTE TO SCHOOL	409,505	-	-	409,505
MECHANICAL SYSTEMS	241,981	45,996	218,538	23,443
LIBRARY FACILITY STUDY	40,000	-	-	40,000
FIRE STATION ROOF	300,000	-	-	300,000
BLUE RIDGE COMMUNITY COLLEGE	225,631	27,170	222,938	2,693
BOOKER T BUILDING	266,818	-	100,000	-
SCHOOL CIP	100,000	100,000	236,002	30,816
MONTGOMERY HALL SOCCER FIELDS	168,878	-	162,272	6,606
FIELD HOUSE PROJECT	30,000	-	-	30,000
CORRIDOR OVERLAY INCENTIVES	25,000	-	-	25,000
ECONOMIC DEVELOPMENT RESERVE	1,409,766	24,055	1,205,977	203,789
WESTERN STATE DEVELOPMENT	835,000	95,000	595,434	239,566
ENTERPRISE ZONE PROGRAM	55,000	7,053	15,053	39,947
VISITORS CENTER	80,000	-	-	80,000
Totals	$ 13,244,206	$ 2,960,387	$ 9,914,602	$ 3,329,604

General Fund Budgetary Highlights

City Council revised the total FY 2012 City Budget during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - $529,021. This amendment appropriated $406,021 from prior year funds for the balance of grant programs and mandated state program carry-over funds for programs not completed at the end of fiscal year 2011. The amendment also included an additional $123,000 in intergovernmental revenue for street maintenance.

- Budget Amendment Number 2 - $1,816,316. This amendment appropriated $1,680,000 from the prior year unreserved fund balance to be transferred to the Capital Improvements Fund. The amendment also included additional appropriations of $136,316 for: $70,000 rebate for health insurance from the SAW consortium, $8,983 from insurance recovered costs, and $57,333 for additional grant funds for various departments.

CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2012 amounts to $138.5 million (net of depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Total net capital assets are $60.9 million for the governmental activities, and $77.6 million for the business-type activities.

Major capital asset events (other than normal depreciation costs) during the current fiscal year included the following for governmental activities:

- Equipment increased $1.2 million mainly due to the completion of the fiber loop project.

Major capital asset events (other than normal depreciation costs) during the current fiscal year included the following for business-type activities:

- Construction in progress had a net decrease of $1.4 million and infrastructure a net increase of $2.2 million mainly due to the completion of the Rt. 262 water line project and other utility line projects.

Additional information regarding capital assets can be found in Note 5 in the notes to the financial statements.

City of Staunton Capital Assets Net of Depreciation

	2012			2011		
	Governmental Activities	**Business-Type Activities**	**Total**	**Governmental Activities**	**Business-Type Activities**	**Total**
Land	$ 3,714,383	$ 1,928,569	$ 5,642,952	$ 3,696,714	$ 1,663,237	$ 5,359,951
Landfill	-	1,683,638	1,683,638	-	1,776,235	1,776,235
Buildings	29,479,343	29,220,655	58,699,998	30,297,969	30,011,719	60,152,409
Improvements	972,714	4,583,118	5,555,832	1,035,183	4,678,432	5,713,613
Equipment	3,425,782	2,791,763	6,217,545	2,271,677	2,743,249	5,172,207
Infrastructure	22,765,760	36,634,443	59,400,203	23,061,461	34,469,821	57,531,282
Construction in Progress	519,126	761,973	1,281,099	843,545	2,179,495	3,023,040
Total	$ 60,877,108	$ 77,604,159	$ 138,481,267	$ 61,206,549	$ 77,522,188	$ 138,728,737

DEBT ADMINISTRATION

- The City of Staunton maintains an Aa3 bond rating from Moody's Investor Service, affirmed December 2006, and A+ from Standard and Poor's, affirmed through a rating update review process March 2011.

- The *Code of Virginia* limits the amount of general obligation debt the City may issue to ten percent of its total assessed taxable value of real estate which is $183 million for the City. The City currently has bonds payable of $59.5 million. The current legal margin for creating additional debt for the City of Staunton is $123.5 million.

- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

City of Staunton Outstanding Debt

	2012			2011		
	Governmental Activities	**Business-Type Activities**	**Total**	**Governmental Activities**	**Business-Type Activities**	**Total**
General Obligation Bonds	$ 14,919,868	$ 6,332,768	$ 21,252,636	$ 15,722,695	$ 7,114,122	$ 22,836,817
Virginia Revolving Loan	-	23,543,183	23,543,183	-	25,035,340	25,035,340
Literary Loans	14,750,000	-	14,750,000	15,700,000	-	15,700,000
Contractual Obligation	15,000,000	-	15,000,000	15,000,000	-	15,000,000
Total	$ 44,669,868	$ 29,875,951	$ 74,545,819	$ 46,422,695	$ 32,149,462	$ 78,572,157

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2013 general fund budget was adopted at $45.4 million, an increase of $.4 million over the $45.0 million budget for FY 2012.

- Due to the continuing economic decline in governmental revenues from state aid and local revenues, and increasing expenditures, the tax rates for real estate tax and personal property taxes increased for FY 2013. The real estate tax rate increased to $0.95 from $0.90 per $100 of assessed value, effective January 1, 2013. The personal property tax rate increased to $2.75 from $2.40 per $100 of assessed value, effective January 1, 2012.

- The fiscal year 2013 budget for real property tax revenue is based on the January 2013 assessment. The tax rate increase of $.05 for real estate and $0.35 for personal property was based on the City's projected 5% decline in real property taxable values effective January 2013. The City estimates a net increase of $717,500 from the increase in the tax rates from both revenue sources.

- Other local consumer based tax revenue estimates for 2013 project an increase of $275,000 over the 2012 budgeted amounts. These revenue sources include business license taxes, meals tax, sales tax, lodging tax, and local communication taxes. These revenues have remained fairly stable since 2010 with $11.7 million in 2010, $11.4 million in 2011, and an increase to $12.0 million in 2012.

- The fiscal year 2013 budget includes a 5.7% pay increase for all full-time employees. A mandatory 5% pay increase was required to comply with the Commonwealth of Virginia's employee retirement contribution requirement of 5% from the employee. The pay increase was mandated to off-set the 5% loss in employee net pay due to the requirement that all employees will contribute to the Virginia Retirement System plan. As a result, the City's retirement rate only decreased a net 1.89% because of the City's rate increase of 3.11%, the employee's contribution increased to 5%, and wages and social security taxes increased for the City.

- The City is able to maintain its General Fund transfer to the Capital Improvements Fund for 2013 with a slight decrease to $1.4 million from operating revenues, compared to $1.5 million budgeted for 2012.

- The City's water rate did not increase for 2013. The sewer rate increased 10% as planned to pay for debt for the wastewater treatment plan upgrade project and the sewer bonded capital projects financed in 2010.

- As of August 2012, the unemployment rate for the City of Staunton is 6.7%. Staunton's rate is higher than the state's average unemployment rate of 5.8% but well below the national average of 8.2%.

All these factors were considered in preparing the FY 2013 budget to finance the cost of programs and services provided to citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer, City of Staunton, 116 E. Beverley Street, Staunton, Virginia 24401, 540-332-3809, or at ColvinJR@ci.staunton.va.us .

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BASIC
FINANCIAL STATEMENTS

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EXHIBIT 1

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	$ 17,236,558	$ 4,247,670	$ 21,484,228	$ 3,632,441	$ 103,860
Investments (Note 2)	2,201,847	8,489,979	10,691,826	-	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 10)	4,339,999	-	4,339,999	-	-
Accounts	603,971	1,625,708	2,229,679	180,068	16,967
Interest	13,865	48,784	62,649	-	-
Internal balances (Note 4)	670,590	(670,590)	-	-	-
Due from other governmental units (Note 3)	1,426,999	1,500	1,428,499	2,201,089	14,552
Due from component unit (Note 18)	14,000,000	-	14,000,000	-	-
Inventory (Notes 1, 18)	235,040	-	235,040	-	14,000,000
Prepaid items	78,149	-	78,149	19,792	-
Loans receivable (Note 15)	-	3,806,627	3,806,627	-	-
Deferred charges	121,523	125,526	247,049	-	-
Restricted assets: (Notes 2, 11)					
Cash and cash equivalents	1,624,833	5,136,719	6,761,552	96,463	-
Customer deposits	7,000	226,183	233,183	-	-
Capital assets: (Note 5)					
Land and construction in progress	4,233,509	2,690,542	6,924,051	236,000	799,748
Other capital assets, net of accumulated depreciation	56,643,599	74,913,617	131,557,216	8,329,891	8,245,171
Total assets	103,437,482	100,642,265	204,079,747	14,695,744	23,180,298
LIABILITIES					
Accounts payable	1,022,099	599,503	1,621,602	689,091	109,648
Retainage payable	-	16,328	16,328	-	-
Accrued liabilities	922,201	270,457	1,192,658	2,595,689	-
Due to primary government (Note 18)	-	-	-	-	14,000,000
Unearned revenue (Notes 10, 11)	5,405,041	11,467	5,416,508	-	-
Amounts held for others (Note 11)	565,493	-	565,493	434	-
Deposits payable	7,000	226,183	233,183	-	-
Noncurrent liabilities: (Note 6)					
Due within one year	17,624,488	2,524,896	20,149,384	130,048	-
Due in more than one year	28,571,835	29,679,625	58,251,460	228,732	-
Total liabilities	54,118,157	33,328,459	87,446,616	3,643,994	14,109,648
NET ASSETS					
Invested in capital assets, net of related debt	31,321,359	51,212,802	82,534,161	8,565,891	9,044,919
Restricted for:					
Programs	160,966	-	160,966	96,463	-
Donor purposes	23,902	-	23,902	520	-
Unrestricted	17,813,098	16,101,004	33,914,102	2,388,876	25,731
Total net assets	$ 49,319,325	$ 67,313,806	$ 116,633,131	$ 11,051,750	$ 9,070,650

The Notes to Financial Statements are an integral part of this statement.

CITY OF STAUNTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	$ 4,372,745	$ 1,387,104	$ 313,482	$ -
Judicial administration	1,734,157	129,280	985,182	24,313
Public safety	10,137,714	309,363	784,792	17,881
Public works	6,262,440	5,958	3,483,439	232,616
Health and welfare	5,587,112	-	3,761,170	-
Education	11,199,889	-	165,897	-
Parks, recreation, and culture	2,905,849	354,003	207,023	-
Community development	2,067,996	46,071	303,004	-
Interest on long-term debt	1,198,129	-	-	-
Total governmental activities	45,466,031	2,231,779	10,003,989	274,810
Business-type activities:				
Golf	191,022	147,255	-	-
Water	3,557,493	3,610,812	-	-
Sewer	3,984,420	3,544,433	-	-
Storm water	710,250	689,179	-	65,871
Environmental	2,594,453	2,064,570	5,044	-
Parking	468,930	315,158	-	-
Total business-type activities	11,506,568	10,371,407	5,044	65,871
Total primary government	$ 56,972,599	$ 12,603,186	$ 10,009,033	$ 340,681
Component Units:				
School Board	$ 32,045,951	$ 1,374,560	$ 10,075,342	$ 185,517
Economic Development Authority	689,503	33,828	379,616	12,065
Total component units	$ 32,735,454	$ 1,408,388	$ 10,454,958	$ 197,582

General revenues:
Property taxes
Sales tax
Hotel and meals tax
Business license
Utility taxes
Local communication tax
Other taxes
Unrestricted investment earnings
Grants and contributions not restricted to a specific program
Miscellaneous
Net payment from City - unrestricted
Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as adjusted (Note 17)

Net assets - end of year

The Notes to Financial Statements are an integral part of this statement.

Net (Expenses) Revenues and Changes in Net Assets			Component Units	
Primary Government				
Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
$ (2,672,159)		$ (2,672,159)		
(595,382)		(595,382)		
(9,025,678)		(9,025,678)		
(2,540,427)		(2,540,427)		
(1,825,942)		(1,825,942)		
(11,033,992)		(11,033,992)		
(2,344,823)		(2,344,823)		
(1,718,921)		(1,718,921)		
(1,198,129)		(1,198,129)		
(32,955,453)		(32,955,453)		
-	$ (43,767)	(43,767)		
-	53,319	53,319		
-	(439,987)	(439,987)		
-	44,800	44,800		
-	(524,839)	(524,839)		
-	(153,772)	(153,772)		
-	(1,064,246)	(1,064,246)		
(32,955,453)	(1,064,246)	(34,019,699)		
			$ (20,410,532)	$ -
			-	(263,994)
			(20,410,532)	(263,994)
20,076,871	-	20,076,871	-	-
3,588,738	-	3,588,738	-	-
2,988,497	-	2,988,497	-	-
2,113,160	-	2,113,160	-	-
1,102,556	-	1,102,556	-	-
1,427,036	-	1,427,036	-	-
763,722	-	763,722	-	-
18,196	57,073	75,269	1,115	2
		-		
2,526,975	-	2,526,975	8,621,990	-
27,765	-	27,765	-	-
-	-	-	10,455,366	-
(641,360)	641,360	-	-	-
33,992,156	698,433	34,690,589	19,078,471	2
1,036,703	(365,813)	670,890	(1,332,061)	(263,992)
48,282,622	67,679,619	115,962,241	12,383,811	9,334,642
$ 49,319,325	$ 67,313,806	$ 116,633,131	$ 11,051,750	$ 9,070,650

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 3

CITY OF STAUNTON, VIRGINIA

BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 8,333,121	$ 8,414,359	$ 16,747,480
Investments	1,353,610	1,031,027	2,384,637
Receivables (net of allowances for uncollectibles):			
Taxes	4,339,999	-	4,339,999
Accounts	578,235	10,309	588,544
Interest receivable	13,865	-	13,865
Due from other governmental units	1,398,627	28,372	1,426,999
Due from other funds	670,590	-	670,590
Prepaid items	61,789	-	61,789
Restricted assets:			
Cash and cash equivalents	617,616	1,007,217	1,624,833
Customer deposits	7,000	-	7,000
Total assets	$ 17,374,452	$ 10,491,284	$ 27,865,736
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 945,256	$ 52,812	$ 998,068
Accrued liabilities	266,205	8,626	274,831
Deferred revenue	6,304,817	980,538	7,285,355
Accrued leave payable	29,752	-	29,752
Deposits payable	7,000	-	7,000
Amounts held for others	565,493	-	565,493
Total liabilities	8,118,523	1,041,976	9,160,499
Fund balances:			
Nonspendable	61,789	-	61,789
Restricted	149,868	35,000	184,868
Committed	4,540,000	-	4,540,000
Assigned	1,857,022	9,414,308	11,271,330
Unassigned	2,647,250	-	2,647,250
Total fund balances	9,255,929	9,449,308	18,705,237
Total liabilities and fund balances	$ 17,374,452	$ 10,491,284	$ 27,865,736

The Notes to Financial Statements are
an integral part of this statement.

CITY OF STAUNTON, VIRGINIA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Fund Balances - Governmental Funds		$ 18,705,237
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Governmental capital assets	$ 117,552,739	
Less: accumulated depreciation	(56,753,286)	
		60,799,453
Bond issuance costs, deferred gain on refunding, discounts and premiums are reported as expenditures or revenues in the governmental funds, but are amortized over the life of the debt obligation in the statement of net assets:		
Issuance costs total $210,189 and accumulated amortization is $96,070	$ 114,119	
Bond premiums total $118,786 and accumulated amortization is $86,969	(31,817)	
Bond discounts total $195,713 and accumulated amortization is $53,305	142,408	
Deferred gain on refunding	515,841	
Issuance costs for letter of credit total $106,621 and accumulated amortization is $99,217	7,404	747,955
Internal service funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		626,738
Receivables that are not available to pay for current-period expenditures are deferred or not reported in the funds.		
Due from EDA	$ 14,000,000	
Hotel rent	16,667	
Interest	13,865	
Miscellaneous reimbursement	27,318	
Real estate taxes	1,822,464	15,880,314
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	$ (15,546,300)	
Contractual obligation	(15,000,000)	
Literary fund loans	(14,750,000)	
Accrued interest payable	(648,590)	
Claims payable	(74,430)	
Compensated absences	(1,421,052)	
		(47,440,372)
Total Net Assets - Governmental Activities		$ 49,319,325

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 4

CITY OF STAUNTON, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	$ 20,073,697	$ -	$ 20,073,697
Other local taxes	11,982,710	-	11,982,710
Permits, privilege fees, and regulatory licenses	211,744	-	211,744
Fines and forfeitures	71,616	-	71,616
Revenues from use of money and property	39,504	35,261	74,765
Charges for services	1,537,943	82,251	1,620,194
Miscellaneous	60,700	63,800	124,500
Recovered costs	414,084	97,146	511,230
Intergovernmental:			
Federal	909,641	62,245	971,886
Commonwealth	10,359,912	893,003	11,252,915
City of Staunton School Board	-	355,000	355,000
Total revenues	45,661,551	1,588,706	47,250,257
EXPENDITURES			
Current:			
General government administration	4,074,848	-	4,074,848
Judicial administration	1,720,680	-	1,720,680
Public safety	8,494,887	656,644	9,151,531
Public works	5,126,188	-	5,126,188
Health and welfare	5,582,630	-	5,582,630
Education	10,715,366	-	10,715,366
Parks, recreation, and cultural	2,860,619	-	2,860,619
Community development	1,393,094	870,548	2,263,642
Capital projects	-	2,900,387	2,900,387
Debt service:			
Principal retirement	-	1,785,018	1,785,018
Interest and fiscal charges	-	1,220,736	1,220,736
Total expenditures	39,968,312	7,433,333	47,401,645
Excess (deficiency) of revenues over expenditures	5,693,239	(5,844,627)	(151,388)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	9,296,443	9,296,443
Transfers out	(5,764,500)	(3,706,943)	(9,471,443)
Total other financing sources (uses)	(5,764,500)	5,589,500	(175,000)
Net change in fund balance	(71,261)	(255,127)	(326,388)
Fund balance at beginning of year	9,327,190	9,704,435	19,031,625
Fund balance at end of year	$ 9,255,929	$ 9,449,308	$ 18,705,237

The Notes to Financial Statements are an integral part of this statement.

CITY OF STAUNTON, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Net changes in fund balances - total governmental funds			$ (326,388)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:			
Governmental funds report the cost of capital assets acquired as current expenditures while the statement of activities reports depreciation expense to allocate those expenditures over the life of the assets.			
	Depreciation	$ (2,765,796)	
	Capital expenditures	2,574,277	
	Contributed Capital	(119,680)	
			(311,199)
In the statement of activities, only the gain on the disposal of capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital asset.			(14,845)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
	Property taxes		3,174
	Interest		(10,477)
	Miscellaneous revenue		12,318
Debt proceeds provide current financial resources to governmental funds, but debt issuances increase long term liabilities in the statement of net assets. Principal repayments and bond issuance costs are expenditures in governmental funds, but reduce long term liabilities in the statement of net assets.			
	GO bond and literary loan payments		1,785,018
Governmental funds report interest on long term debt as expenditures when payments are made, while the governmental statement of activities reports interest expense on the accrual basis.			36,244
Some expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported as expenditures in governmental funds.			
Compensated absences and claims payable			(106,800)
Amortization of bond issue costs, deferred amount, and bond premium			(73,641)
The net income of internal service funds is reported within governmental activities on the statement of activities.			43,299
Change in net assets of governmental activities			$ 1,036,703

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2012

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	Internal Service Fund
ASSETS							
Current assets:							
Cash and cash equivalents	$ 1,971,373	$ 1,004,806	$ 777,185	$ 417,254	$ 77,052	$ 4,247,670	$ 306,288
Investments	2,733,579	2,383,527	-	3,372,873	-	8,489,979	-
Receivable:							
Accounts (net of allowance for uncollectibles)	567,742	616,117	113,310	315,992	12,547	1,625,708	15,427
Interest	14,563	12,371	-	21,850	-	48,784	-
Due from other governmental units	-	-	1,500	-	-	1,500	-
Inventory	-	-	-	-	-	-	235,040
Prepaid items	-	-	-	-	-	-	16,360
Restricted assets:							
Cash and cash equivalents	3,235,086	123,982	-	1,777,651	-	5,136,719	-
Customer deposits	189,012	-	32,500	-	4,671	226,183	-
Total current assets	8,711,355	4,140,803	924,495	5,905,620	94,270	19,776,543	573,115
Noncurrent assets:							
Deferred charges	71,379	38,311	-	9,472	6,364	125,526	-
Loans receivable	-	3,806,627	-	-	-	3,806,627	-
Capital assets:							
Land	169,799	98,513	141,211	-	1,058,943	1,468,466	-
Construction in progress	623,381	-	44,542	94,050	-	761,973	-
Landfill land and construction	-	-	-	4,047,809	-	4,047,809	-
Buildings	3,083,534	27,292,948	-	516,764	6,240,675	37,133,921	61,177
Improvements	5,555,115	-	103,906	173,367	1,055,687	6,888,075	-
Utility lines	20,158,516	22,385,903	12,879,423	-	-	55,423,842	-
Machinery and equipment	5,840,759	1,723,592	17,515	3,094,987	148,788	10,825,641	166,980
Less accumulated depreciation	(15,246,219)	(13,480,483)	(3,310,936)	(4,378,748)	(2,529,182)	(38,945,568)	(150,503)
Total capital assets (net of accumulated depreciation)	20,184,885	38,020,473	9,875,661	3,548,229	5,974,911	77,604,159	77,654
Total noncurrent assets	20,256,264	41,865,411	9,875,661	3,557,701	5,981,275	81,536,312	77,654
Total assets	28,967,619	46,006,214	10,800,156	9,463,321	6,075,545	101,312,855	650,769
LIABILITIES							
Current liabilities:							
Accounts payable	210,772	199,388	39,294	142,015	8,034	599,503	24,031
Retainage payable	16,328	-	-	-	-	16,328	-
Accrued liabilities	113,393	120,324	1,021	20,937	14,782	270,457	-
Deferred revenue	-	-	-	-	11,467	11,467	-
Deposits payable	189,012	-	32,500	-	4,671	226,183	-
Due to other funds	-	-	-	663,830	6,760	670,590	-
General obligation bonds	333,702	-	-	289,600	186,555	809,857	-
Virginia Revolving Loan Fund	192,177	1,343,998	-	-	-	1,536,175	-
Landfill closure/postclosure	-	-	-	36,798	-	36,798	-
Compensated absences	82,581	10,542	617	48,326	-	142,066	-
Total current liabilities	1,137,965	1,674,252	73,432	1,201,506	232,269	4,319,424	24,031
Noncurrent liabilities:							
General obligation bonds	3,305,460	-	-	609,800	1,607,651	5,522,911	-
Virginia Revolving Loan Fund	4,989,330	17,017,678	-	-	-	22,007,008	-
Landfill closure/postclosure	-	-	-	2,098,772	-	2,098,772	-
Compensated absences	17,029	1,557	-	32,348	-	50,934	-
Total noncurrent liabilities	8,311,819	17,019,235	-	2,740,920	1,607,651	29,679,625	-
Total liabilities	9,449,784	18,693,487	73,432	3,942,426	1,839,920	33,999,049	24,031
NET ASSETS							
Invested in capital assets, net of related debt	14,670,681	19,821,090	9,875,661	2,658,301	4,187,069	51,212,802	77,654
Unrestricted	4,847,154	7,491,637	851,063	2,862,594	48,556	16,101,004	549,084
Total net assets	$ 19,517,835	$ 27,312,727	$ 10,726,724	$ 5,520,895	$ 4,235,625	$ 67,313,806	$ 626,738

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 6

CITY OF STAUNTON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	Internal Service Fund
OPERATING REVENUES							
Parking fines	$ -	$ -	$ -	$ -	$ 48,252	$ 48,252	$ -
Charges for services	3,536,459	3,536,541	689,179	1,997,202	408,133	10,167,514	1,356,793
Rental of property	53,265	-	-	-	-	53,265	-
Miscellaneous	4,355	5,298	-	557	32	10,242	-
Total operating revenues	3,594,079	3,541,839	689,179	1,997,759	456,417	10,279,273	1,356,793
OPERATING EXPENSES							
Personal services	302,925	533,321	50,554	853,800	156,700	1,897,300	-
Fringe benefits	469,258	80,386	24,666	296,315	35,795	906,420	-
Rental of property	2,187	7,309	-	-	5,000	14,496	4,411
Repairs and maintenance	612,358	62,402	-	36,057	1,419	712,236	-
Contractual services	175,420	1,158,050	4,198	448,144	49,058	1,834,870	31,101
Materials and supplies	269,168	155,724	33,804	164,447	52,583	675,726	41,102
Depreciation	742,461	1,160,259	438,340	356,784	184,117	2,881,961	3,398
Utilities	180,114	11,005	-	2,370	33,677	227,166	-
Other expenses	437,459	307,108	158,688	278,418	59,027	1,240,700	1,233,495
Landfill closure/post-closure	-	-	-	117,360	-	117,360	-
Total operating expenses	3,191,350	3,475,564	710,250	2,553,695	577,376	10,508,235	1,313,507
Operating income (loss)	402,729	66,275	(21,071)	(555,936)	(120,959)	(228,962)	43,286
NONOPERATING REVENUES (EXPENSES)							
Interest income	18,792	8,674	23	29,579	5	57,073	13
State aid	-	-	65,871	5,044	-	70,915	-
Interest and fiscal charges	(366,143)	(635,002)	-	(40,758)	(82,576)	(1,124,479)	-
Gain on disposal of assets	16,733	2,594	-	66,811	5,996	92,134	-
Debt service recovery	-	126,146	-	-	-	126,146	-
Total nonoperating revenues (expenses)	(330,618)	(497,588)	65,894	60,676	(76,575)	(778,211)	13
Income (loss) before contributions and transfers	72,111	(431,313)	44,823	(495,260)	(197,534)	(1,007,173)	43,299
Capital Contributed from governmental fund activities	20,320	191,965	254,075	-	-	466,360	-
Transfers in	-	-	-	-	175,000	175,000	-
Change in net assets	92,431	(239,348)	298,898	(495,260)	(22,534)	(365,813)	43,299
Total net assets - beginning of year	19,425,404	27,552,075	10,427,826	6,016,155	4,258,159	67,679,619	583,439
Total net assets - end of year	$ 19,517,835	$ 27,312,727	$ 10,726,724	$ 5,520,895	$ 4,235,625	$ 67,313,806	$ 626,738

The Notes to Financial Statements are an integral part of this statement.

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2012**

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	Internal Service Fund
OPERATING ACTIVITIES							
Cash received from customers	$ 3,578,220	$ 3,580,650	$ 681,581	$ 1,946,591	$ 450,137	$ 10,237,179	$ 1,354,981
Cash paid to suppliers	(1,654,389)	(1,588,688)	(191,541)	(954,729)	(196,343)	(4,585,690)	(1,373,155)
Cash paid to employees for services	(798,960)	(617,330)	(78,442)	(1,160,008)	(197,687)	(2,852,427)	-
Other operating receipts	53,265	-	-	-	-	53,265	-
Net cash provided (used) by operating activities	1,178,136	1,374,632	411,598	(168,146)	56,107	2,852,327	(18,174)
NONCAPITAL FINANCING ACTIVITIES							
Operating grants received	-	-	-	5,044	-	5,044	-
Transfers from other funds	-	-	-	-	175,000	175,000	-
Interfund borrowing	-	-	-	663,830	6,760	670,590	-
Net cash provided by noncapital financing activities	-	-	-	668,874	181,760	850,634	-
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,517,375)	(551,108)	(231,015)	(401,139)	(20,198)	(2,720,835)	-
Principal paid on long-term debt	(488,840)	(1,295,201)	-	(279,900)	(180,342)	(2,244,283)	-
Interest paid on long-term debt	(381,984)	(523,556)	-	(35,985)	(81,664)	(1,023,189)	-
Proceeds from grants	-	394,505	64,371	111,804	-	570,680	-
Proceeds from sale of capital assets	17,324	2,594	-	-	5,996	25,914	-
Collection of loans receivable	-	249,998	-	-	-	249,998	-
Proceeds from debt issuance	-	536,299	-	-	-	536,299	-
Net cash used by capital and related financing activities	(2,370,875)	(1,186,469)	(166,644)	(605,220)	(276,208)	(4,605,416)	-
INVESTING ACTIVITIES							
Interest received	8,878	545	23	18,311	5	27,762	13
Net cash provided by investing activities	8,878	545	23	18,311	5	27,762	13
Net increase (decrease) in cash and cash equivalents	(1,183,861)	188,708	244,977	(86,181)	(38,336)	(874,693)	(18,161)
CASH AND CASH EQUIVALENTS							
Beginning of year	6,579,332	940,080	564,708	2,281,086	120,059	10,485,265	324,449
End of year	$ 5,395,471	$ 1,128,788	$ 809,685	$ 2,194,905	$ 81,723	$ 9,610,572	$ 306,288
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	$ 1,971,373	$ 1,004,806	$ 777,185	$ 417,254	$ 77,052	$ 4,247,670	$ 306,288
Restricted -cash and cash equivalents	3,235,086	123,982	-	1,777,651	-	5,136,719	-
Restricted - customer deposits	189,012	-	32,500	-	4,671	226,183	-
Total	$ 5,395,471	$ 1,128,788	$ 809,685	$ 2,194,905	$ 81,723	$ 9,610,572	$ 306,288

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2012**

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	$ 402,729	$ 66,275	$ (21,071)	$ (555,936)	$ (120,959)	$ (228,962)	$ 43,286
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	742,461	1,160,259	438,340	356,784	184,117	2,881,961	3,398
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	27,436	124,186	(2,598)	(51,168)	(2,886)	94,970	(1,812)
Decrease (increase) in prepaid items	6,000	-	-	-	-	6,000	(2,556)
Decrease (increase) in inventory	-	-	-	-	-	-	(32,662)
Increase (decrease) in accounts payable	16,317	27,535	5,149	15,975	4,421	69,397	(27,828)
Increase (decrease) in accrued liabilities	(30,314)	(4,889)	(1,714)	(19,202)	(5,192)	(61,311)	-
Increase (decrease) in unearned revenue	-	-	-	-	(4,299)	(4,299)	-
Increase (decrease) in deposits payable	9,970	-	(5,000)	-	905	5,875	-
Increase (decrease) in compensated absences	3,537	1,266	(1,508)	9,309	-	12,604	-
Increase (decrease) in landfill closure/ post-closure liabilities	-	-	-	76,092	-	76,092	-
Net cash provided (used) by operating activities	$ 1,178,136	$ 1,374,632	$ 411,598	$ (168,146)	$ 56,107	$ 2,852,327	$ (18,174)
Noncash investing, capital, and financing activities:							
Contributions of capital assets from governmental activities	$ 20,320	$ 191,965	$ 254,075	$ -	$ -	$ 466,360	$ -
Total noncash investing, capital, and financing activites	$ 20,320	$ 191,965	$ 254,075	$ -	$ -	$ 466,360	$ -

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies

The City of Staunton, Virginia (the "City"), is named for Lady Stanton, wife of Governor Gooch. The City was initially established as a town in 1761, and later incorporated as a city by an act of the Virginia General Assembly in 1871. The City has an area of 19.98 square miles and a population of approximately 23,746. The City provides a full range of municipal services, including general government administration, public safety and judicial administration, education, health and welfare services, recreation, planning and community development, and water, sewer, and refuse utilities. The City is a political subdivision of the Commonwealth of Virginia and operates under the Council-Manager form of government. Staunton was the first city in the United States to utilize this form of government.

A. The Financial Reporting Entity

Discretely Presented Component Units: Discretely presented component units are entities that are legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

City of Staunton School Board

The City of Staunton School Board (School Board) was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. Though the members of the School Board are elected by the citizenry, the School Board is fiscally dependent upon the City government because the City Council must approve the School Board's budget, levies taxes as necessary to fund the budget, and must approve any debt issuances.

The component unit School Board is governmental in nature. The Schools have several funds. As a result, the complete activity of the School Board is included in the discretely presented component unit column of the government-wide financial statements. Individual fund statements are included as supplementary information. Separate financial statements of the School Board are not available.

Staunton Economic Development Authority

The Staunton Economic Development Authority (EDA) was established under the Industrial Development and Revenue Bond Act of the *Code of Virginia* and has the responsibility to promote industry and develop trade by inducing manufacturing, industrial, and other commercial enterprises to locate or remain in the City. The City appoints all seven members of the EDA's Board of Directors. In addition, the City has incurred debt to provide capital grants and other property to the EDA. As a result, the EDA imposes a financial burden on the City. Separate financial statements of the EDA are not available.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Related organizations:

The City also participates in the following entities:

Augusta Regional Landfill

The City, along with the City of Waynesboro and County of Augusta, participates in the Augusta Regional Landfill (the "Landfill"). The Landfill is an undivided interest formed to develop regional refuse disposal, including the development of facilities and systems for recycling, waste reduction, and disposal alternatives with the ultimate goal of acquiring, financing, constructing, and operating/maintaining regional solid waste disposal areas, systems, and facilities. The City's share of revenues, expenses, assets, and liabilities are reported in the City's Environmental fund.

Middle River Regional Jail Authority

The City, in conjunction with the City of Waynesboro and the County of Augusta, participates in the Middle River Regional Jail Authority. Capital and operating costs are allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. In accordance with the service agreement, the Authority has divided its charges to member jurisdictions into an operating component and a debt service component. The City paid the Authority $1,304,269 for the current year. This entity is not included in the City's financial statements.

Shenandoah Valley Animal Services Center

The City, along with the City of Waynesboro and County of Augusta, participates in the Shenandoah Valley Animal Services Center (the "Kennel"). The Kennel is an undivided interest formed to provide local animal control services. The City's share of revenues, expenses, assets, and liabilities are reported in the City's General fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities that report information on all the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from legally separate *component units* for which the primary government is financially accountable.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements, as well as the proprietary fund financial statements, report all their activities using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Agency funds, a type of fiduciary fund, report only assets and liabilities; therefore, they do not have a measurement focus. Agency funds use the accrual basis of accounting to recognize assets and liabilities.

Governmental fund financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when levied, net of allowances for uncollectible amounts. Real and personal property taxes recorded at June 30 and received within the first 45 days after year-end are included in tax revenues, with the related amount reduced from deferred revenues. Sales and utility taxes, which are collected by the State or utility companies and subsequently remitted to the City, are recognized as revenues and amounts receivable when the underlying exchange transaction occurs, which is generally one or two months preceding receipt by the City. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general-purpose grants are recognized in the period in which the grant applies. Investment earnings are recorded when earned, as are unbilled accounts receivable in the enterprise funds. All other revenue items are considered to be measurable and available only when the government receives cash.

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 and claims and judgments are recorded only when payment is due.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

The City reports the following major governmental fund:

The ***General Fund*** is the City's primary operating fund and is used to account for and report all financial resources not accounted for and reported in another fund.

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

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The City has established the following non-major special revenue funds: Community Development Fund, State and Federal Grants Fund and the Trolley Fund.

The ***Capital Improvements Fund*** is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The ***Debt Service Fund*** is used to account for resources and payments made for principal and interest on long-term general obligation debt of governmental funds.

Proprietary Funds are used to account for the City's ongoing activities similar to those found in the private sector. The City reports the following major proprietary funds:

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

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

The ***Stormwater Fund*** accounts for the operation of the City's storm water system.

The ***Environmental Fund*** accounts for the operations of the City's refuse collection and participation in a regional landfill operation.

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

The ***Parking Fund*** accounts for the operations of the City's parking garage and lot system.

The ***Golf Fund*** accounts for the operations of the City's Gypsy Hill Golf Course.

The ***Internal Service Fund*** is used to account for the financing of goods and services provided by one department to other departments of the City. The City has established the Inventory Fund for this purpose. In the government-wide Statement of Net Assets, the assets and liabilities of this fund are allocated to governmental activities, based on the predominant use of the fund's services. In the government-wide Statement of Activities, net income or loss is allocated to governmental activities.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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

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

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The City maintains an internal cash management pool in which the primary government and component units share. Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value. The reported value of the state-sponsored investment pool is the same as the fair value of the pooled shares.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Receivables and Allowance for Uncollectible Accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance for uncollectible accounts is calculated using historical collection data, specific account analysis and management's judgment. The allowance at June 30, 2012 consisted of the following:

General Fund (property taxes)	$	675,101
General Fund (other local taxes)		3,983
Water Fund (charges for services)		36,884
Sewer Fund (charges for services)		54,788
Stormwater Fund (charges for services)		20,775
Parking Fund (charges for services)		955
Environmental Fund (charges for services)		21,846
	$	814,332

Inventory

Inventory is generally recorded at the lower of cost (weighted average method) or market. Inventory in the internal service fund consists of expendable supplies held for consumption. The costs are recorded as expenditures or expenses when consumed rather than when purchased.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more and an estimated useful life of at least 3 years (2 years for component unit school board). All capital assets are valued at stated historical cost or estimated historical cost, if actual cost was not available. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets (Continued)

Capital assets of the primary government, as well as the school board component unit, are depreciated using the straight-line method over the following estimated useful lives. No depreciation is taken in the year of acquisition for infrastructure assets. For constructed assets, all associated costs necessary to bring such assets to the condition and location necessary for their intended use are initially capitalized as construction in progress and are transferred to buildings or improvements when the assets are substantially complete and ready for use.

ASSETS	YEARS
Buildings/building improvements	10-50 years
Land improvements	10-50 years
Infrastructure	20-50 years
Utility transmission lines and mains	50 years
Furniture and equipment	3-10 years
Vehicles	3-10 years

Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of assets constructed. The amount of interest capitalized depends on specific circumstances. There was no interest capitalized during FY12.

Compensated Absences

City employees earn general leave based on length of service. Employees are allowed to accrue up to 480 hours (640 hours for fire personnel) as of the end of the fiscal year. In the event of resignation or retirement, a City employee is compensated for accumulated general leave, up to the 480 hour maximum (640 hour maximum for fire personnel) at his or her then current rate of pay. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service.

School Board employees on twelve-month contracts earn vacation leave based on length of service and are entitled to compensation for such upon resignation or retirement. All twelve-month personnel can carry over fifteen days of accumulated vacation leave to a succeeding fiscal year. Additionally, all School Board employees may accrue unlimited days of sick leave at the rate of one day per month of employment. Upon retirement, those employees with at least ten years of service, with the previous five consecutive years having been with the Staunton City School Board, and that are qualified to retire under the terms of the Virginia Retirement System, are compensated for all days of accumulated sick leave at the rate of $20.00 per day.

All liabilities for compensated absences are accrued when incurred in the government-wide and proprietary financial statements. In governmental funds, including the discretely presented component unit school board, a liability for these amounts is reported only if they have matured; for example, as a result of employee resignations and retirements.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Other Post-Employment Benefits Trust Fund

In connection with the City and School Board's adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, the City and School Board's policy is to fully fund the annual required contribution by contributing to the Virginia Pooled OPEB Trust Fund. The OPEB Trust Fund assets and investments are recorded at fair value. The Trust Fund Board of Trustees establishes investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. Further information regarding the City and School Board's adoption of GASB Statement No. 45, is included in Note 8 and in the required supplementary information immediately following the notes.

Deferred Revenue

In the General Fund, deferred revenue consists primarily of property taxes not collected within 45 days of year end, property taxes collected that are not yet due, and property taxes receivable which have been levied for a subsequent period. In the Community Development Fund, deferred revenue consists of grant proceeds for which eligibility requirements have not been met. In the Golf Fund, deferred revenue consists of membership fees which apply to subsequent periods.

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 or proprietary fund type statement of net assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period but not as long-term liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Repayments and issuance costs are reported as debt service expenditures.

Encumbrances

The City uses encumbrance accounting, wherein purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign that portion of fund balance.

Net Assets

Net assets in the government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations. Restricted net assets at June 30, 2012 for the primary government arose from contributions and grants required to be used for specific purposes.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Net Assets (continued)

The golf fund had negative net assets totaling $3,774 at June 30, 2012 as a result of costs exceeding fees charged.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

Nonspendable Fund Balance: includes amounts that cannot be spent because they are either not in spendable form such as inventories, property acquired for resale, prepaid amounts, or amounts that are legally or contractually required to be maintained intact.

Restricted Fund Balance: includes amounts that have constraints placed on their use by external sources such as creditors (debt covenants), grantors, contributors, or laws or other regulations of other governments. Restricted fund balance can also be imposed by law through constitutional provisions or enabling legislation. The source of the constraint is outside the government and cannot be changed by City Council.

Committed Fund Balance: includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of City Council. Formal action includes the adoption of the annual City Budget Ordinance or adoption of budget amendment ordinances during the course of the operating year. City Council may amend a fund balance commitment by adopting a resolution to establish, modify or rescind a commitment amount.

Assigned Fund Balance: includes amounts constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The fund balance policy adopted by City Council authorizes the assignment of fund balances and the Chief Financial Officer is delegated the authority to assign fund balance for specific purposes.

Unassigned Fund Balance: includes amounts not assigned to other funds, or restricted, committed or assigned within the same fund. Unassigned fund balance includes all spendable amounts not contained in the other classifications and is technically available for any purpose.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, and then unrestricted resources as they are needed. When expenditures are incurred for purposes for which multiple unrestricted categories could be used, the following order is considered: committed amounts are presumed to be used first, followed by the assigned amounts, and then the unassigned amounts.

Stabilization Arrangement:
City Council has formally adopted by resolution a requirement to establish and maintain a safety net reserve equal to a minimum of $4.5 million or 10% of the subsequent fiscal year’s adopted expenditure budget for the general fund and all other major operating funds, including water, sewer, stormwater, and environmental. The safety net reserve at June 30, 2012 for the general fund is $4,540,000 and is categorized as committed fund balance.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity (Continued)

Stabilization Arrangement: (Continued)

Circumstances allowing the use of the safety net reserve include:

1. Damage from unanticipated natural disasters or unseen infrastructure damage such as water or sewer system deterioration, bridge repair, etc. exceeding $100,000 in damages.
2. Imposition of mandates by Federal and State governments such as water, sewer, and landfill regulations, construction of court and jail facilities, etc. exceeding $100,000 in costs.
3. Court decisions resulting in unbudgeted expenditures, in excess of $100,000.
4. Acts of terrorism against the City destroying the City's infrastructure or causing a financial hardship to provide services to citizens, in excess of $100,000.

Funds to be used from the safety net reserve must be appropriated through the annual budget ordinance or by a budget amendment ordinance approved and adopted by City Council.

City council also formally adopted by resolution a requirement to establish and maintain a general contingency amount of $250,000 in the General Fund, categorized as unassigned fund balance.

Estimates

Management uses estimates and assumptions in preparing the 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.

Note 2. 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.

Investments:

Investment policy

In accordance with the *Code of Virginia* and other applicable law, including regulations, the City's investment policy (Policy) permits investments in U.S. Treasury Securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, obligations of states other than Virginia, obligations of World Bank, the Asian and African Development Banks, corporate notes or bonds rated at least AA, money market funds regulated by the SEC, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 2. Deposits and Investments (Continued)

Investments: (Continued)

Investment policy (Continued)

Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of $1 per share).

The Policy limits investment maturities to five years maximum maturity for any investment, unless specifically disclosed in writing to City Council.

As of June 30, 2012, the City's investments consisted of the following:

Investment Type	Fair Value	S & P Credit Rating
Primary Government		
Money Market Funds	$ 2,837,138	Not Rated
State, Municipal and Authority Bonds	4,446,426	AA to AAA
Federal Agency Bonds and Notes	2,896,398	AA+
Corporate Bonds/Notes	1,717,404	AA- to AA+
Commercial Paper	419,294	A-1+
Local Government Investment Pool (LGIP)	666,773	AAAm
VA State Non-Arbitrage Program (SNAP)	3,384,697	AAAm
Total primary government	16,368,130	
Component Unit School Board		
Money Market Funds	96,463	Not Rated
Local Government Investment Pool (LGIP)	569,455	AAAm
Total Component Unit School Board	665,918	
Grand total	$ 17,034,048	

Credit Risk:

As required by state statute or by the City, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investor's Service, provided that the issuing corporation has a net worth of at least $50 million and its long-term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and certificates of deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investor Service.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk:

The City had the following investments at June 30, 2012, that exceeded 5 percent of the total investment balance. These investments were not considered by management to represent a risk to the City.

Issuer	Percent of Total Portfolio
Federal Farm Credit Bank	5.00%
Local Government Investment Pool (LGIP)	7.26%
Federal Home Loan Bank Notes	8.30%
VA State Non-Arbitrage Program (SNAP)	19.87%
StellarOne Money Market	16.16%

Interest Rate Risk: In accordance with the City's investment policy, the City manages its exposure to declines in fair value by limiting the average maturity of its investment portfolio to less than 3 years.

The carrying values and weighted average maturity of investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (years)
Money Market Funds	$ 2,933,601	N/A
State, Municipal, and Authority Bonds	4,446,426	.83
Federal Agency Notes and Bonds	2,896,398	.90
Corporate Bonds/Notes	1,717,404	1.22
Commercial Paper	419,294	.29
Local Government Investment Pool (LGIP)	1,236,228	.12
Virginia State Non-Arbitrage Pool (SNAP)	3,384,697	N/A
	$ 17,034,048	

The above items are reflected in the financial statements as follows:

	Primary Government	Component Units: School Board	Component Units: EDA
Deposits and investments:			
Cash on hand	$ 6,270	$ -	$ -
Deposits	22,796,389	3,062,986	103,860
Investments	16,368,130	665,918	-
	$ 39,170,789	$ 3,728,904	$ 103,860
Statement of net assets:			
Cash and cash equivalents	$ 21,484,228	$ 3,632,441	$ 103,860
Investments	10,691,826	-	-
Restricted-customer deposits	233,183	-	-
Restricted-cash equivalents	6,761,552	96,463	-
	$ 39,170,789	$ 3,728,904	$ 103,860

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 3. Due From Other Governmental Units

	General Fund	Nonmajor Governmental Funds	Business-Type Activities	Component Unit – School Board	Component Unit-EDA
Commonwealth of Virginia	$ 1,398,627	$ 11,671	$ 1,500	$ 2,201,089	$ -
Federal Government	-	13,866	-	-	14,552
Other Entities	-	2,835	-	-	-
Total	$ 1,398,627	$ 28,372	$ 1,500	$ 2,201,089	$ 14,552

Note 4. Interfund Transfers and Obligations

Primary Government:

Transfers Out	Transfers In: Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Total
Nonmajor governmental funds	$ 3,706,943	$ -	$ 3,706,943
General fund	5,589,500	175,000	5,764,500
Total	$ 9,296,443	$ 175,000	$ 9,471,443

Transfers from the General Fund to nonmajor governmental funds are to support operations, fund capital projects and fund debt service costs. Transfers from the General Fund to the Parking Fund are to fund debt service costs. In a similar transaction, $466,360 in capital assets were transferred from governmental activities to the Water, Sewer, and Stormwater Funds, where they were received as contributed capital.

Component Unit School Board:

Transfers Out	Transfers In: Education Fund	Nonmajor Governmental Funds	Total
Education fund	$ -	$ 261,381	$ 261,381
Nonmajor governmental funds	68,257	-	68,257
Total	$ 68,257	$ 261,381	$ 329,638

All transfer activities of the school board component unit were made to support current operations.

Interfund Advances:

The General Fund has a receivable in the amount of $663,830 from the Environmental Fund and $6,760 from the Golf Fund for advances to cover cash deficits.

In the School Board Component Unit, the Education Fund has a receivable in the amount of $563,924 from the State Operated Programs Fund for an advance to cover a cash deficit.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 5. Capital Assets

Primary Government:

Capital asset activity for the primary government for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities:				
Capital assets, not depreciated:				
Land	$ 3,696,714	$ 17,669	$ -	$ 3,714,383
Construction in progress	843,545	263,126	587,545	519,126
Total capital assets, not depreciated	4,540,259	280,795	587,545	4,233,509
Capital assets, depreciated:				
Buildings	12,240,037	33,709	13,000	12,260,746
Improvements	2,688,044	46,488	-	2,734,532
School assets*	28,922,080	-	-	28,922,080
Equipment	11,525,840	1,873,900	306,523	13,093,217
Infrastructure	55,729,563	807,250	-	56,536,813
Total capital assets, depreciated	111,105,564	2,761,347	319,523	113,547,388
Less accumulated depreciation for:				
Buildings	4,509,071	244,693	13,000	4,740,764
Improvements	1,884,492	98,362	-	1,982,854
School assets*	5,794,464	712,353	-	6,506,817
Equipment	9,583,145	610,834	291,678	9,902,301
Infrastructure	32,668,102	1,102,951	-	33,771,053
Total accumulated depreciation	54,439,274	2,769,193	304,678	56,903,789
Total capital assets, depreciated, net	56,666,290	(7,846)	14,845	56,643,599
Total capital assets, net, governmental activities	$ 61,206,549	$ 272,949	$ 602,390	$ 60,877,108

Additions to the accumulated depreciation of governmental activities differ from depreciation expense for governmental activities due to internal service fund depreciation in the amount of $3,398.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Business-type activities:				
Capital assets, not depreciated:				
Land	$ 1,663,237	$ 265,332	$ -	$ 1,928,569
Construction in progress	2,179,495	524,292	1,941,814	761,973
Total capital assets, not depreciated	3,842,732	789,624	1,941,814	2,690,542
Capital assets, depreciated:				
Landfill	3,606,279	12,625	31,198	3,587,706
Buildings	37,153,871	-	19,950	37,133,921
Improvements	6,759,916	128,159	-	6,888,075
Equipment	10,754,418	529,648	458,425	10,825,641
Utility lines	51,932,567	3,491,275	-	55,423,842
Total capital assets, depreciated	110,207,051	4,161,707	509,573	113,859,185
Less accumulated depreciation				
Landfill	1,830,044	105,222	31,198	1,904,068
Buildings	7,142,152	791,064	19,950	7,913,266
Improvements	2,081,484	223,473	-	2,304,957
Equipment	8,011,169	435,549	412,840	8,033,878
Utility lines	17,462,746	1,326,653	-	18,789,399
Total accumulated depreciation	36,527,595	2,881,961	463,988	38,945,568
Total capital assets, depreciated, net	73,679,456	1,279,746	45,585	74,913,617
Total capital assets, net, business-type activities	$ 77,522,188	$ 2,069,370	$ 1,987,399	$ 77,604,159

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 5. Capital Assets (Continued)

Component Unit – School Board

Capital asset activity for the Component Unit – School Board for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Component Unit – School Board:				
Capital assets, not depreciated:				
Land	$ 236,000	$ -	$ -	$ 236,000
Total capital assets, not depreciated	236,000	-	-	236,000
Capital assets, depreciated:				
Buildings	39,811,023	80,000	-	39,891,023
Improvements	695,880	24,430	-	720,310
School assets allocated to the City*	(28,922,080)	-	-	(28,922,080)
Equipment	7,868,587	174,440	4,714	8,038,313
Total capital assets, depreciated	19,453,410	278,870	4,714	19,727,566
Less accumulated depreciation				
Buildings	10,739,594	873,758	-	11,613,352
Improvements	294,786	21,287	-	316,073
School assets allocated to the City*	(5,794,464)	(712,353)	-	(6,506,817)
Equipment	5,457,952	521,829	4,714	5,975,067
Total accumulated depreciation	10,697,868	704,521	4,714	11,397,675
Total capital assets, depreciated, net	8,755,542	(425,651)	-	8,329,891
Total capital assets, net, Component Unit – School Board	$ 8,991,542	$ (425,651)	$ -	$ 8,565,891

*School Board capital assets are jointly owned by the City (primary government) and the Component Unit – School Board. The City reports the School Board capital assets as capital assets of the City as long as debt is owed on such assets by the City. When debt is completely paid off, the entire capital asset balance less accumulated depreciation reverts to the school system. The City reports depreciation on its share of these assets as an element of its share of the costs of the public school system.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 5. Capital Assets (Continued)

Component Unit – EDA

Capital asset activity for the Component Unit – EDA for the year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Component Unit – EDA:				
Capital assets, not depreciated:				
Land	$ 799,748	$ -	$ -	$ 799,748
Total capital assets, not depreciated	799,748	-	-	799,748
Capital assets, depreciated:				
Buildings	8,225,224	-	-	8,225,224
Improvements	80,416	-	-	80,416
Equipment	1,990,831	12,065	-	2,002,896
Total capital assets, depreciated	10,296,471	12,065	-	10,308,536
Less accumulated depreciation				
Buildings	935,227	164,746	-	1,099,973
Improvements	46,239	8,042	-	54,281
Equipment	774,000	135,111	-	909,111
Total accumulated depreciation	1,755,466	307,899	-	2,063,365
Total capital assets, depreciated, net	8,541,005	(295,834)	-	8,245,171
Total capital assets, net, Component Unit – EDA	$ 9,340,753	$ (295,834)	$ -	$ 9,044,919

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government administration	$	89,407
Judicial administration		10,566
Public safety		406,445
Public works		1,359,482
Health and welfare		5,148
Education		712,353
Parks, recreation, and culture		185,792
Total depreciation expense – governmental	$	2,769,193

Business-type activities:

Water	$	742,461
Sewer		1,160,259
Stormwater		438,340
Environmental		356,784
Golf		32,138
Parking		151,979
Total depreciation expense – business-type	$	2,881,961

Depreciation expense was charged to functions/programs of the Component Unit – School Board as follows:

Instruction	$	514,877
Pupil transportation		123,428
School food service		51,250
Operation and maintenance		14,966
Total depreciation expense – School Board	$	704,521

Depreciation expense was charged to functions/programs of the Component Unit – EDA as follows:

Community Development	$	307,899
Total depreciation expense – EDA	$	307,899

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 6. Long-Term Debt

The following is a summary of long-term debt transactions (including current amounts) for the year ended June 30, 2012:

Primary Government:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Governmental activities:					
General obligation debt:					
General obligation bonds	$ 16,381,318	$ -	$ 835,018	$ 15,546,300	$ 833,845
Literary fund loans	15,700,000	-	950,000	14,750,000	950,000
Contractual obligation	15,000,000	-	-	15,000,000	15,000,000
	47,081,318	-	1,785,018	45,296,300	16,783,845
Less unamortized bond discount	(152,814)	-	(10,406)	(142,408)	(10,337)
Plus unamortized bond premium	47,726	-	15,909	31,817	15,909
Less deferred amount on refunding	(553,535)	-	(37,694)	(515,841)	(37,445)
Total general obligation debt	46,422,695	-	1,752,827	44,669,868	16,751,972
Other liabilities:					
Compensated absences	1,305,128	978,376	832,700	1,450,804	862,452
Claims payable	85,715	-	10,064	75,651	10,064
Total other liabilities	1,390,843	978,376	842,764	1,526,455	872,516
Total governmental activities long-term debt	$ 47,813,538	$ 978,376	$ 2,595,591	$ 46,196,323	$ 17,624,488

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 6. Long-Term Debt (Continued)

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loans	$ 24,481,898	$ -	$ 1,464,041	$ 23,017,857	$ 1,508,003
General obligation bonds	6,976,806	-	780,242	6,196,564	806,755
	31,458,704	-	2,244,283	29,214,421	2,314,758
Plus unamortized bond premium	926,051	-	64,621	861,430	64,620
Less unamortized bond discount	(64,213)	-	(6,665)	(57,548)	(6,404)
Less deferred amount on refunding	(171,080)	-	(28,728)	(142,352)	(26,942)
Total bonds and loans payable	32,149,462	-	2,273,511	29,875,951	2,346,032
Other liabilities:					
Landfill losure/postclosure liability	2,059,478	117,360	41,268	2,135,570	36,798
Compensated absences	180,396	156,874	144,270	193,000	142,066
Total other liabilities	2,239,874	274,234	185,538	2,328,570	178,864
Total business-type activities long-term debt	$ 34,389,336	$ 274,234	$ 2,459,049	$ 32,204,521	$ 2,524,896
Component Unit – School Board					
Other liabilities:					
Compensated absences	$ 363,819	$ 125,940	$ 130,979	$ 358,780	$ 130,048

In governmental activities of the primary government, compensated absences and claims payable are generally liquidated by the General Fund.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 6. Long-Term Debt (Continued)

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
General Obligation Bonds:						
2008 GO Bonds (Landfill)	3.47%	10/2008	10/2014	$ 1,700,000	$ -	$ 899,400
2005 CIP Bonds (City and Schools)	3.43%	06/2005	02/2025	4,600,000	3,451,082	-
2007 GO Refunding & CIP Bonds	3.50-4.25%	01/2007	02/2034	10,600,000	9,640,000	540,000
1997A School Construction Bonds	4.35-5.225%	11/1997	01/2017	2,000,000	600,000	-
1997B School Construction Bonds	4.35-5.225%	11/1997	01/2017	4,211,116	1,410,218	-
1998 Parking Garage Bonds	4.20%	12/1998	06/2019	3,000,000	-	1,262,164
2009A Refunding Bonds	1.125%-5.125%	06/2009	10/2021	4,150,000	-	3,495,000
2004 GO Bonds (Hotel)	3.2-4%	06/2004	02/2014	10,000,000	445,000	-
					$ 15,546,300	$ 6,196,564
Contractual Obligation:						
Commonwealth of Virginia – backed by Irrevocable Standby Letter of Credit	Quarterly fee	11/2009	11/2012	15,000,000	$ 15,000,000	$ -
Literary Fund Loans :						
2002 Bessie Weller Elem	4.00%	02/2002	03/2022	4,000,000	$ 2,000,000	$ -
2008 McSwain Elem	3.00%	08/2008	08/2028	7,500,000	6,375,000	-
2008 Ware Elem	3.00%	08/2008	08/2028	7,500,000	6,375,000	-
					$ 14,750,000	$ -
Virginia Revolving Loan Funds:						
Middle River Wastewater Phase I	4.50%	02/1996	08/2015	6,510,767	$ -	$ 1,619,107
Middle River Wastewater Phase II	3.50%	09/2001	03/2021	6,411,399	-	3,496,515
Middle River Wastewater Phase IIIA	3.00%	01/2008	03/2030	9,309,033	-	8,749,391
Middle RiverWastewater Phase IIIB	3.00%	09/2008	03/2030	2,066,747	-	1,944,934
2010A VRA Water and Sewer CIP	2.78%-5.2%	06/2010	10/2030	7,080,000	-	6,840,000
New Hope Road	3.85%	03/2002	09/2021	629,734	-	367,910
					$ -	$ 23,017,857

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 6. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

	Governmental Activities					
Year Ending	General Obligation Bonds		Literary Fund Loans		Contractual Obligation	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 833,845	$ 629,103	$ 950,000	$ 462,500	$ 15,000,000	$ -
2014	855,353	593,521	950,000	432,000	-	-
2015	877,449	556,924	950,000	401,500	-	-
2016	905,046	519,027	950,000	371,000	-	-
2017	928,195	481,204	950,000	340,500	-	-
2018-2022	3,635,837	1,924,754	4,750,000	1,245,000	-	-
2023-2027	3,290,575	1,250,483	3,750,000	562,500	-	-
2028-2032	2,895,000	656,006	1,500,000	67,500	-	-
2033-2037	1,325,000	85,000	-	-	-	-
	$ 15,546,300	$ 6,696,022	$ 14,750,000	$ 3,882,500	$ 15,000,000	$ -

	Business-Type Activities			
Year Ending	General Obligation Bonds		Virginia Revolving Loan	
June 30,	Principal	Interest	Principal	Interest
2013	$ 806,755	$ 258,797	$ 1,508,003	$ 822,711
2014	829,695	230,168	1,559,850	770,416
2015	862,819	198,540	1,613,490	715,821
2016	580,617	162,560	1,421,415	656,149
2017	609,109	135,250	1,214,092	609,910
2018-2022	2,157,569	274,845	6,282,804	2,365,687
2023-2027	125,000	62,719	5,249,139	1,361,572
2028-2032	155,000	34,838	4,169,064	328,507
2033-2037	70,000	4,463	-	-
	$ 6,196,564	$ 1,362,180	$ 23,017,857	$ 7,630,773

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 7. Defined Benefit Pension Plan

Plan description

The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent (professional) employees of public school divisions and 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 at age 50 with at least 10 years of service credit or age 55 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%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Note 7. Defined Benefit Pension Plan (Continued)

Plan description (Continued)

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 plans administered by VRS. A copy of the report may be obtained from the VRS website at http://www.varetire.org/Pdf/publications/2011-annual-report.pdf or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

Funding policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. The employer has assumed this 5% member contribution. In addition, the City and the Staunton School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for fiscal year 2012 was 14.56% of annual covered payroll. The City School Board contribution rate for fiscal year 2012 was 8.74% of annual covered payroll of non-professional employees.

The City School Board contribution rate for fiscal year 2012 was 6.33% of annual covered payroll for professional employees. The City School Board required contributions to the teacher cost-sharing pool were $1,839,595 for fiscal year 2012, $1,433,158 for fiscal year 2011, and $1,879,299 for fiscal year 2010. In each year, the School Board contributed 100% of the required contributions.

Annual pension cost

For fiscal year 2012 the City's annual pension cost of $2,265,447 was equal to the City's required and actual contributions. For 2012, the City School Board's annual pension cost of $99,061 for its non-professional employees was equal to the School Board's required and actual contributions. The 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 City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 7. Defined Benefit Pension Plan (Continued)

Annual pension cost (Continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government			
June 30, 2010	$ 2,239,969	100%	-
June 30, 2011	$ 2,191,938	100%	-
June 30, 2012	$ 2,265,447	100%	-
School Board (non-professional employees)			
June 30, 2010	$ 177,605	100%	-
June 30, 2011	$ 95,633	100%	-
June 30, 2012	$ 99,061	100%	-

Funded Status and Funding Progress

For the City employees, as of June 30, 2011, the most recent actuarial valuation date, the plan was 65.22% funded. The actuarial accrued liability for benefits was $66,004,750, and the actuarial value of assets was $43,049,679, resulting in an unfunded actuarial accrued liability (UAAL) of $22,955,071. The covered payroll (annual payroll of active employees covered by the plan) was $11,220,569, and ratio of the UAAL to the covered payroll was 204.58%.

For the City School Board non-professional employees, as of June 30, 2011, the most recent actuarial valuation date, the plan was 78.36% funded. The actuarial accrued liability for benefits was $4,448,651, and the actuarial value of assets was $3,485,767, resulting in an unfunded actuarial accrued liability (UAAL) of $962,884. The covered payroll (annual payroll of active employees covered by the plan) was $704,667, and ratio of the UAAL to the covered payroll was 136.64%.

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.

Note 8. Other Post-Employment Benefits

In 2009, the City and the School Board (School Board) adopted Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits (OPEB) including health insurance. This new standard addressed how the City and School Board should account for and report their costs related to post-employment health care. Retirees benefit from a lower insurance rate as a result of inclusion in the plan with active City and School Board employees. This lower rate results in an implicit rate subsidy that qualifies as an OPEB, as defined by GASB Statement No. 45.

Note 8. Other Post-Employment Benefits (Continued)

Historically, the City's and School Board's retiree health care subsidy was funded on a pay-as-you-go basis. GASB Statement No. 45 requires that the City and School Board recognize the cost of the retiree health subsidy during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City and School Board. This funding methodology mirrors the funding approach used for pension benefits. The legal authority to establish a trust fund to fund OPEB was provided by the Virginia General Assembly and Governor in March 2007. Accordingly, the City has established a joint trust fund with the School Board to fund the cost of OPEB.

The joint trust fund was established by the City and School Board with the Virginia Pooled OPEB Trust Fund (Trust), sponsored by the Virginia Municipal League and the Virginia Association of Counties. The Trust is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for purposes of GASB Statement No. 45 are segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with terms of the plan.

Investment decisions for the fund's assets are made by the Board of Trustees. The Board of Trustees established investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions and publicly available indices for the generally accepted evaluation and measurement of such performance. Specific investment information for the Trust can be obtained by writing to VML/VACo Finance Program, 1108 East Main Street, Richmond, Virginia 23219.

<u>Plan Description</u>

The City provides OPEB for retirees through a single-employer defined benefit plan. Medical insurance benefits are available to eligible retirees, their spouses and dependents. Retirees are eligible to participate in the City's health insurance plan if they: a) meet VRS requirements for service retirement or disability retirement and will immediately be receiving a retirement annuity from VRS, b) currently participate in the City's health insurance program, and c) are under age 65 and not eligible for Medicare.

The School Board provides OPEB for retirees through a single-employer defined benefit plan. Medical insurance benefits are available to eligible retirees, their spouses and dependents. Retirees are eligible to participate in the Board's health insurance plan if they: a) are eligible for VRS retirement with at least 10 years VRS experience, the last 5 years of which are with the Staunton City School Board, b) have participated in the Board's health insurance program for all of the 5 years immediately preceding retirement, and c) are under age 65.

Note 8. Other Post-Employment Benefits (Continued)

Funding Policy-City

The contribution requirements of the City healthcare plan members and City are established and may be amended by the City Council. During fiscal year 2012, the City paid approximately 93% of subscriber only coverage, 82% of subscriber plus child coverage, 76% of subscriber plus children coverage, 74% of subscriber plus spouse coverage, and 77% of family coverage. The retiree is required to pay the remaining amount.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2012, the retirees contributed $59,548 and the City contributed $353,452 to the City's healthcare plan for health insurance. The City contributed $77,000 to the Virginia Pooled OPEB Trust. The contribution to the trust of $77,000 and the City/retiree contributions to the healthcare plan of $413,000 combine to fully fund the annual required contribution (ARC) of $490,000 for fiscal year 2012. It is the City's intent to fully fund the ARC each year.

Funding Policy-School Board

The contribution requirements of the School Board healthcare plan members and School Board are established and may be amended by the School Board. During fiscal year 2012, the School Board paid approximately 93% of the existing rate for subscriber only coverage and the retiree paid the remaining 7% plus any additional premium for spouse or dependent coverage.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the School Board's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2012, the retirees contributed $263,346 and the School Board contributed $244,654 to the School Board's healthcare plan for health insurance. The School Board contributed $88,000 to the Virginia Pooled OPEB Trust. The contribution to the trust of $88,000 and the School Board/retiree contributions to the healthcare plan of $508,000 combine to fully fund the annual required contribution of $596,000 for fiscal year 2012. It is the School Board's intent to fully fund the annual required contribution each year.

Annual OPEB Cost

The City and School Board's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 8. Other Post-Employment Benefits (Continued)

The City and School Board's annual OPEB cost, amounts contributed to the plan, and changes in the net OPEB Obligation for fiscal year 2012 is as follows:

	Primary Government	Component Unit – School Board
Annual Required Contribution (ARC)	$ 490,000	$ 596,000
Interest on Net OPEB Obligation	-	-
Net OPEB Obligation Adjustment	-	-
Annual OPEB Cost	490,000	596,000
Actual Contribution	(490,000)	(596,000)
Increase (decrease) in net OPEB Obligation	-	-
Net OPEB Obligation July 1, 2011	-	-
Net OPEB Obligation, June 30, 2012	$ -	$ -

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Primary Government			
June 30, 2012	$ 490,000	100%	-
June 30, 2011	$ 490,000	100%	-
June 30, 2010	$ 515,000	100%	-
Component Unit – School Board			
June 30, 2012	$ 596,000	100%	-
June 30, 2011	$ 596,000	100%	-
June 30, 2010	$ 568,000	100%	-

<u>Funded Status and Funding Progress</u>

As of July 1, 2011, the most recent actuarial valuation date, the City's OPEB plan was 4% funded. The actuarial accrued liability for benefits was $5,451,000 and the actuarial value of assets was $252,000, resulting in an unfunded actuarial accrued liability (UAAL) of $5,199,000. The covered payroll (annual payroll of active employees covered by the City plan) was $11,548,000, and the ratio of the UAAL to the covered payroll was 45%.

As of July 1, 2011, the most recent actuarial valuation date, the School Board's OPEB plan was 10.9% funded. The actuarial accrued liability for benefits was $2,818,000 and the actuarial value of assets was $306,000, resulting in an unfunded actuarial accrued liability (UAAL) of $2,512,000. The covered payroll (annual payroll of active employees covered by the School Board plan) was $13,317,000, and the ratio of the UAAL to the covered payroll was 18.9%.

Note 8. Other Post-Employment Benefits (Continued)

Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City/School Board and Plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For both the City and the School Board, the ARC for fiscal year 2012 was determined as part of the July 1, 2009 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions used in the valuation include:

a. A rate of return on the investment of present and future assets of 7.5% per year with an inflation rate of 2.5%.
b. An annual healthcare cost trend rate of 8% initially, which decreases at a rate of .5% per year until an ultimate rate of 5.5% is reached.
c. The UAAL for the City is being amortized as a level percentage of payroll on an open basis over 30 years. The remaining amortization period at June 30, 2009 is 30 years. The UAAL for the School Board is being amortized as a level percentage of payroll on an open basis over 20 years. The remaining amortization period at June 30, 2009 is 20 years.

Note 9. Commitments and Contingencies

State and Federal Programs:

The City is the recipient of Federal and State grants which are subject to audit to determine compliance with their requirements. City management believes that any required refunds will be immaterial.

Legal Matters:

The City is a potential defendant in litigation involving claims for damages of various types. City officials estimate that any ultimate liability not covered by insurance will be immaterial.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 9. Commitments and Contingencies

EDA Commitments

During fiscal year 2012 and 2008 respectively, the EDA entered into performance agreements with local businesses in connection with Governor's Opportunity Fund grants. The required local match for the grants is $175,000 and $125,000. Enterprise zone grants from the City, through the EDA, for 5 years serve as the required local match for the grants. If the enterprise zone grants do not equal the required match, the EDA will pay the necessary funding to meet the match. If the businesses do not meet the terms of the performance agreement, they must repay the entire governor's opportunity fund grant; failure by the business to repay could result in either the City or the EDA being responsible for repaying these grants. At this time, the EDA has no reason to believe that the performance agreement terms will not be met.

Construction Commitments and Other Significant Commitments including Encumbrances

The City has entered into several construction contracts, which include several water related projects and a street related project. As of June 30, 2012, the City had outstanding construction contracts totaling $1,027,955 that will be financed from operating funds and bond issue proceeds. Other significant commitments include the encumbrances outstanding for the general fund and nonmajor funds as shown below.

	Construction Commitments	Encumbrances
Water fund	$ 930,155	$ -
Stormwater fund	92,000	-
General fund	-	385,804
Nonmajor funds	5,800	165,429
	$ 1,027,955	$ 551,233

Note 10. General Property Taxes

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

Real estate taxes are billed in semiannual installments, 75% due June 20 and 25% due December 5. For the current fiscal year the real estate taxes budgeted for and reported as revenue in the fund financial statements include those assessed as of January 1, 2011 and due December 5, 2011 as well as the portion of the January 1, 2012 assessment due June 20, 2012, less an allowance for uncollectibles and less taxes not collected within 45 days of year end plus collections of previously delinquent taxes. The tax rate for the January 1, 2010, 2011, and 2012 levies was $.90 per $100 of assessed value for all years. Real estate taxes receivable, assessed as of January 1, 2012 and due December 5, 2012, are reflected in the accompanying financial statements as a receivable and are offset by unearned revenue, in the amount of $2,330,059, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2012 are also included in unearned revenues, in the amount of $2,094,982, since they are not intended to finance the current fiscal year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 10. General Property Taxes (Continued)

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are assessed as of January 1 and are due December 5. During fiscal year 2012, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2011 assessment due December 5, 2011, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The 2012 tax rate for business tangible property was $2.00 per $100 of assessed value. The 2012 tax rate for machinery and tools was $1.24 per $100 of assessed value. The 2012 tax rate for all other personal property was $2.40 per $100 of assessed value.

Note 11. Restricted Assets

Restricted assets as of June 30, 2012 consist of cash and cash equivalents that are restricted for certain purposes as follows:

Primary Government:

	General Fund	Nonmajor Special Revenue Funds	Total
Grant funds	$ -	$ 1,007,217	$ 1,007,217
Health reserve funds	65,894	-	65,894
Health reserve funds held for others	551,722	-	551,722
Customer deposits	7,000	-	7,000
Total	$ 624,616	$ 1,007,217	$ 1,631,833

	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Enterprise Funds	Total
Unspent Bond Proceeds	$ 3,235,086	$ 123,982	$ -	$ -	$ -	$ 3,359,068
Landfill sinking fund	-	-	-	1,777,651	-	1,777,651
Customer deposits	189,012	-	32,500	-	4,671	226,183
	$ 3,424,098	$ 123,982	$ 32,500	$ 1,777,651	$ 4,671	$ 5,362,902

Component Unit – School Board

	Education Fund
Health reserve funds	$ 96,463

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during 2012. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended levels.

As of June 1, 2003, the City discontinued its self-insured worker's compensation arrangement and began insurance coverage with the Virginia Municipal League. As of June 30, 2012, the City still retains a liability related to workers compensation claims outstanding at the time of the policy change. The City will reimburse VML as needed for claims payments on these old outstanding claims in excess of any reinsurance amounts. The City has not established a separately funded reserve for such claims. The portion currently due and payable is $1,221 and is reported in the General Fund. Changes in the claims liability amount in fiscal years 2010, 2011 and 2012 were as follows:

Year Ended June 30,	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2010	$ 109,780	$ 3,877	$ 12,691	$ 100,966
2011	$ 100,966	$ (787)	$ 14,464	$ 85,715
2012	$ 85,715	$ -	$ 10,064	$ 75,651

Note 13. Unearned Revenue

Unearned revenue at June 30, 2012 consists of the following:

	Governmental Activities	Business Type Activities
Property taxes	$ 4,425,041	$ -
Grant revenues	980,000	-
Golf membership fees	-	11,467
Total unearned revenue	$ 5,405,041	$ 11,467

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 14. Landfill Closure ad Post-closure Care Costs

The City and two other localities share the costs of landfill operations through undivided interests in the Augusta Regional Landfill. The City and the County of Augusta share the costs of an old landfill operation (Permit 21), which was closed in 2003. The costs of a second landfill operation (Permit 585), which was begun in fiscal year 1999, are shared between the cities of Staunton and Waynesboro and the County of Augusta.

State and federal laws and regulations require the Augusta Regional Landfill to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Under the cost sharing agreement, the City will bear 39.67% of such costs for Permit 21 and 27.46% of such costs for Permit 585. The cost sharing percentage of Permit 585 is adjusted each year based on usage by each locality. The remainder of the Permit 585 costs will be borne by the County and the City of Waynesboro. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each year based on landfill capacity used.

The $1,049,974 reported as landfill closure liability at June 30, 2012 represents the cumulative amount reported to date based on the use of 83.6% of the estimated capacity of the Permit #585 (Phases 1-3) landfill. The $1,085,596 reported as post-closure monitoring liability, including the stockpile financial assurance liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 83.6% of the estimated capacity of the Permit #585 (Phases 1-3) landfill. Total closure and post-closure care costs and post-closure monitoring costs accrued at June 30, 2012 for both joint ventures are $2,135,570.

The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of $262,702 for Phases 1-3 of the Permit #585 landfill as the remaining estimated capacity is filled over the next 18 to 24 months. The City will also recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of $796,935 for the newly constructed Phase 4 of the Permit #585 landfill as the remaining estimated capacity is filled over the next 6 to 8 years. The City uses the financial test method of demonstrating assurance for closure and post-closure care.

The amount for the Permit #21 landfill is based on what it would have cost to perform all post-closure care in 2004 and has been inflated annually at the DEQ-approved inflation rate. The amounts for the Permit #585 landfill were re-evaluated in March 2008 based on what it would cost to perform all closure and post-closure care in 2008 and approved by the Virginia Department of Environmental Quality as part of a permit to expand the landfill beyond the first three phases. These costs have been inflated at the DEQ-approved inflation rate since 2009. Actual costs for both permitted landfills may be different due to actual inflation or deflation, changes in technology, or changes in laws or regulations.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 15. Loans Receivable

The City's Sewer fund reports loans receivable for the Augusta County Service Authority's share of the Middle River Wastewater Treatment Plant Virginia Revolving Loans. The Service Authority reimburses the City for its share of the debt service on these loans as each loan payment is due.

At June 30, 2012, principal amounts outstanding on each loan were as follows:

	Principal	Interest
Phase I	$ 291,439	26,813
Phase II	531,471	92,693
Phase IIIa	2,441,080	735,320
Phase IIIb	542,637	163,507
	$ 3,806,627	1,018,333

Note 16. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements which are not yet effective.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement is effective for the fiscal year ending June 30, 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, improves accounting and financial reporting by state and local governments for pensions. This statement is effective for the fiscal year ending June 30, 2015.

Management has not yet determined the effects of these statements.

Note 17. Restatement of Net Assets

The beginning net assets of the Component Unit School Board have been restated to show the effects of adjustments to the vacation leave accrual. The effects on June 30, 2011 net assets are summarized below:

Net assets at June 30, 2011, as previously reported	$ 12,239,791
Decrease vacation liability-capped at 120 hours	144,020
Net assets at June 30, 2011, as restated	$ 12,383,811

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 18. Community Development

In November 2009, the City and the EDA entered into an agreement with the Commonwealth of Virginia to purchase approximately 278 acres of land owned by the Commonwealth, known as the Western State Hospital (WSH) campus, for $15 million. The EDA also agreed to deed approximately 66 acres of EDA land to the Commonwealth to re-locate and build a new mental health hospital.

The $15 million due to the Commonwealth of Virginia by the City is reported in the government-wide financial statements as a long-term contractual obligation of the primary government, with the total amount due within one year. Payment for the entire obligation is due to the Commonwealth during fiscal year 2013.

The WSH campus land was transferred to the EDA during fiscal year 2010 for development. The EDA intends to contract with and sell the land to developers to develop the multi-use site into commercial, retail, and office property. Any proceeds from the land's disposition will be paid to the City to reduce the City's debt related to the project.

In October 2012, the City issued $10 million in bank qualified debt to partially pay for the obligation to the Commonwealth. The City will issue another $5 million in January 2013 to pay the remainder of the obligation.

The land was recorded as inventory by the EDA at its estimated fair value of $14,000,000 at the time of its acquisition and the amount due back to the City is based on that same value. In fiscal year 2012 the City's management concluded that no material decline in the property's value had occurred.

The property is strategically located at the interchange of Interstate 81 and Interstate 64 in the City. While owned by the State, the WSH campus produced no tax revenue to the City. City officials believe that the private development of this site will increase the City's tax base and generate significant local real estate, meals, lodging, and sales taxes.

Note 19. Conduit Debt Obligation-EDA

In prior years, the EDA has issued Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. The bonds are payable solely from the revenues of the projects and do not constitute an obligation of the Commonwealth of Virginia, the City, the EDA or any political subdivision thereof. All of the EDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bonds for the benefit of bondholders. The EDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the EDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the EDA does not recognize associated assets, liabilities, income, or interest expense in its financial statements. Approximately $6,125,000 of such conduit bonds were outstanding at June 30, 2012.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2012

Note 20. Fund Balance

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2012:

	General Fund	Nonmajor Governmental Funds	School Board Component Unit
Nonspendable:			
Prepaid items	$ 61,789	$ -	$ 19,792
Restricted:			
Donor purposes	$ 8,902	$ 15,000	$ 520
Health insurance programs	140,966	-	96,463
Grant programs	-	20,000	-
Total restricted	$ 149,868	$ 35,000	$ 96,983
Committed:			
Stabalization arrangement	$ 4,540,000	$ -	$ -
Assigned:			
Accrued leave	$ 1,450,805	$ -	$ -
Health insurance	18,063	-	-
Capital projects	-	3,207,464	840,483
Debt service	-	5,340,070	-
General government administration	194,121	33,681	-
Public safety	151,693	124,027	-
Public works	3,862	-	
Parks and recreation	16,228	-	-
Community development	22,250	709,066	-
Education	-	-	733,107
Textbooks	-	-	418,782
Food service	-	-	469,033
Total assigned	$ 1,857,022	$ 9,414,308	$ 2,461,405
Unassigned	$ 2,647,250	$ -	$ (1,730)

Note 21. Subsequent Events

In August 2012, the City entered into an operating lease for certain office facilities. A summary of future minimum lease payments under such operating leases is as follows:

2013	$ 26,893
2014	40,339
2015	40,339
2016	41,146
2017-2027	510,707
	$ 659,424

In October 2012, the City issued $10 million in bank qualified debt. See Note 18 for additional details.

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REQUIRED
SUPPLEMENTARY INFORMATION

EXHIBIT 8

CITY OF STAUNTON, VIRGINIA

BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	$ 19,627,000	$ 19,627,000	$ 20,073,697	$ 446,697
Other local taxes	11,313,000	11,313,000	11,982,710	669,710
Permits, privilege fees, and regulatory licenses	210,700	210,700	211,744	1,044
Fines and forfeitures	66,000	66,000	71,616	5,616
Revenue from use of money and property	122,000	122,000	39,504	(82,496)
Charges for services	1,518,779	1,518,779	1,537,943	19,164
Miscellaneous	34,000	34,000	60,700	26,700
Recovered costs	286,985	365,968	414,084	48,116
Intergovernmental:				
Federal	1,127,580	1,149,580	909,641	(239,939)
Commonwealth	10,198,518	10,361,110	10,359,912	(1,198)
Total revenues	44,504,562	44,768,137	45,661,551	893,414
EXPENDITURES				
Current:				
General government administration	4,434,686	4,700,124	4,074,848	625,276
Judicial administration	1,728,893	1,826,149	1,720,680	105,469
Public safety	8,482,868	8,919,493	8,494,887	424,606
Public works	5,172,527	5,400,921	5,126,188	274,733
Health and welfare	5,870,939	5,867,256	5,582,630	284,626
Education	10,715,366	10,715,366	10,715,366	-
Parks, recreation, and cultural	2,898,717	3,002,603	2,860,619	141,984
Community development	1,354,175	1,448,794	1,393,094	55,700
Total expenditures	40,658,171	41,880,706	39,968,312	1,912,394
Excess of revenues over expenditures	3,846,391	2,887,431	5,693,239	2,805,808
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,084,500)	(5,764,500)	(5,764,500)	-
Total other financing sources (uses)	(4,084,500)	(5,764,500)	(5,764,500)	-
Net change in fund balance	$ (238,109)	$ (2,877,069)	$ (71,261)	$ 2,805,808

See Note to Required Supplementary Information.

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS

PRIMARY GOVERNMENT

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2011	$ 43,049,679	$ 66,004,750	$ 22,955,071	65.22%	$ 11,220,569	204.58%
June 30, 2010	$ 42,746,167	$ 63,112,760	$ 20,366,593	67.73%	$ 11,294,079	180.33%
June 30, 2009	$ 42,705,587	$ 57,468,691	$ 14,763,103	74.31%	$ 11,852,889	124.55%
June 30, 2008	$ 42,265,790	$ 55,133,198	$ 12,867,408	76.66%	$ 12,101,040	106.33%
June 30, 2007	$ 38,369,556	$ 51,472,458	$ 13,102,902	74.54%	$ 11,505,871	113.88%
June 30, 2006	$ 34,096,996	$ 45,526,051	$ 11,429,055	74.90%	$ 10,779,546	106.03%
June 30, 2005	$ 31,856,161	$ 44,931,099	$ 13,074,938	70.90%	$ 10,045,916	130.15%
June 30, 2004	$ 30,632,892	$ 42,284,376	$ 11,651,484	72.44%	$ 9,631,090	120.98%

COMPONENT UNIT – SCHOOL BOARD (NON-PROFESSIONAL)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2011	$ 3,485,767	$ 4,448,651	$ 962,884	78.36%	$ 704,667	136.64%
June 30, 2010	$ 3,602,760	$ 4,541,552	$ 938,792	79.33%	$ 1,103,277	85.09%
June 30, 2009	$ 3,614,929	$ 4,249,134	$ 634,205	85.07%	$ 1,004,350	63.15%
June 30, 2008	$ 3,601,765	$ 4,089,390	$ 487,625	88.08%	$ 958,727	50.86%
June 30, 2007	$ 3,281,170	$ 4,215,993	$ 934,823	77.83%	$ 863,907	108.21%
June 30, 2006	$ 2,980,465	$ 3,836,827	$ 956,362	77.68%	$ 854,605	100.21%
June 30, 2005	$ 2,894,116	$ 3,890,546	$ 996,430	74.39%	$ 851,139	117.07%
June 30, 2004	$ 2,884,632	$ 3,376,047	$ 491,415	85.44%	$ 747,813	65.71%

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT BENEFITS

SCHEDULES OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	$ 252,000	$ 5,451,000	$ 5,199,000	4.00%	$ 11,548,000	45.00%
July 1, 2009	$ 97,000	$ 4,910,000	$ 4,813,000	2.00%	$ 11,887,000	40.00%
July 1, 2007	$ -	$ 5,109,000	$ 5,109,000	0.00%	$ 11,437,000	44.70%

COMPONENT UNIT – SCHOOL BOARD

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2011	$ 306,000	$ 2,818,000	$ 2,512,000	10.90%	$ 13,317,000	18.90%
July 1, 2009	$ 91,000	$ 5,394,000	$ 5,303,000	1.60%	$ 18,113,000	29.30%
July 1, 2007	$ -	$ 4,660,000	$ 4,660,000	0.00%	$ 15,582,000	29.91%

SCHEDULES OF EMPLOYER CONTRIBUTIONS FOR OTHER POST-EMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	$ 490,000	100%
2011	$ 490,000	100%
2010	$ 515,000	100%
2009	$ 515,000	100%

COMPONENT UNIT – SCHOOL BOARD

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2012	$ 596,000	100%
2011	$ 596,000	100%
2010	$ 568,000	100%
2009	$ 562,000	100%

CITY OF STAUNTON, VIRGINIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012

Note 1. Budgetary Comparison Schedule – General Fund

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

Prior to April 1, the City Manager submits to the Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.

The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Council can revise the appropriation for each fund. The City Manager is authorized, within the Appropriations Resolution, to transfer budgeted amounts within any City fund and the School Board is authorized to transfer budgeted amounts within the school system's budget. Appropriations lapse on June 30, for all City funds, except for carry-forward requests approved by Council and project balances in the Capital Improvements Fund.

Appropriated annual budgets are legally adopted and budgetary integration is employed as a management control device during the year for all governmental funds. The budgetary data, as presented in the Required Supplementary Information for all major funds with annual budgets, compares the expenditures with the amended budgets. All budgets are adopted on a basis substantially consistent with generally accepted accounting principles (GAAP) and are presented on the modified accrual basis of accounting. All governmental funds have legally adopted annual budgets, except the CIP fund, which operates with project length budgets.

Accordingly, the Budgetary Comparison Schedule for the General Fund present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with legally adopted budgets as amended. Original, final budget, actual revenue and expenditures, and variances between final budget and actual for the General Fund are presented on Exhibit 8.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Fund – This fund is used to account for the proceeds of federal Community Development grants and other federal and state source revenue for community development. Expenditures are restricted by terms of the grants to community development activities. Community Development Block Grants (CDBG) for general government purposes are also reported in this fund.

Trolley Fund – This fund accounts for the operation and maintenance of trolley bus services. Financing is provided by fees for rental and local contributions, both of which may be used only for this purpose.

State and Federal Grants Fund – This fund accounts for state and federal grant programs of the City. Financing is provided by state and federal funds, along with local matching funds. These funds may be used only for specific purposes.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Capital Improvements Fund-This fund is used to account for major construction and capital acquisitions of the City. Local government resources provided the financing for projects recorded in this fund.

Debt Service Funds are used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Debt Service Fund – This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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CITY OF STAUNTON, VIRGINIA

COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	Debt Service Fund	CIP Fund	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	$ 124,535	$ 685,977	$ 10,257	$ 5,340,112	$ 2,253,478	$ 8,414,359
Investments	-	-	-	-	1,031,027	1,031,027
Accounts receivable	-	-	6,553	-	3,756	10,309
Restricted Assets:						
Cash and cash equivalents	-	1,007,217	-	-	-	1,007,217
Due from other governmental units	19,125	-	-	-	9,247	28,372
Total assets	$ 143,660	$ 1,693,194	$ 16,810	$ 5,340,112	$ 3,297,508	$ 10,491,284
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 11,255	$ 38,224	$ 10	$ 42	$ 3,281	$ 52,812
Accrued liabilities	8,626	-	-	-	-	8,626
Deferred revenue	-	980,000	538	-	-	980,538
Total liabilities	19,881	1,018,224	548	42	3,281	1,041,976
Fund balances:						
Restricted	-	20,000	15,000	-	-	35,000
Assigned	123,779	654,970	1,262	5,340,070	3,294,227	9,414,308
Total fund balances	123,779	674,970	16,262	5,340,070	3,294,227	9,449,308
Total liabilities and fund balances	$ 143,660	$ 1,693,194	$ 16,810	$ 5,340,112	$ 3,297,508	$ 10,491,284

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	Debt Service Fund	CIP Fund	Total Nonmajor Governmental Funds
REVENUES						
Revenues from use of money and property	$ 2	$ 7,265	$ 6,838	$ -	$ 21,156	$ 35,261
Charges for services	82,251	-	-	-	-	82,251
Miscellaneous	10,800	-	53,000	-	-	63,800
Recovered costs	-	-	38,514	-	58,632	97,146
Intergovernmental:						
Federal	31,742	30,503	-	-	-	62,245
Commonwealth	553,369	170,000	-	-	169,634	893,003
City of Staunton School Board	-	-	-	355,000	-	355,000
Total revenues	678,164	207,768	98,352	355,000	249,422	1,588,706
EXPENDITURES						
Current:						
Public safety	656,644	-	-	-	-	656,644
Community development	-	719,459	151,089	-	-	870,548
Capital projects	-	-	-	-	2,900,387	2,900,387
Debt service:						
Principal retirement	-	-	-	1,785,018	-	1,785,018
Interest and fiscal charges	-	-	-	1,160,736	60,000	1,220,736
Total expenditures	656,644	719,459	151,089	2,945,754	2,960,387	7,433,333
Excess (deficiency) of revenues over expenditures	21,520	(511,691)	(52,737)	(2,590,754)	(2,710,965)	(5,844,627)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	50,000	7,036,443	2,210,000	9,296,443
Transfers out	-	-	-	-	(3,706,943)	(3,706,943)
Total other financing sources (uses)	-	-	50,000	7,036,443	(1,496,943)	5,589,500
Net change in fund balance	21,520	(511,691)	(2,737)	4,445,689	(4,207,908)	(255,127)
Fund balances-beginning	102,259	1,186,661	18,999	894,381	7,502,135	9,704,435
Fund balances-ending	$ 123,779	$ 674,970	$ 16,262	$ 5,340,070	$ 3,294,227	$ 9,449,308

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
STATE AND FEDERAL GRANTS FUND
Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	$ -	$ 2	$ 2
Charges for services	67,000	82,251	15,251
Miscellaneous	10,377	10,800	423
Intergovernmental:			
Federal	133,372	31,742	(101,630)
Commonwealth	555,039	553,369	(1,670)
Total revenues	765,788	678,164	(87,624)
EXPENDITURES			
Current:			
Public safety	763,260	656,644	106,616
Total expenditures	763,260	656,644	106,616
Excess (deficiency) of revenues over expenditures	2,528	21,520	18,992
Net change in fund balance	$ 2,528	$ 21,520	$ 18,992

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	$ -	$ 7,265	$ 7,265
Intergovernmental:			
Federal	36,537	30,503	(6,034)
Commonwealth	1,150,000	170,000	(980,000)
Total revenues	1,186,537	207,768	(978,769)
EXPENDITURES			
Current:			
Community Development	1,736,493	719,459	1,017,034
Total expenditures	1,736,493	719,459	1,017,034
Excess (deficiency) of revenues over expenditures	(549,956)	(511,691)	38,265
Net change in fund balance	$ (549,956)	$ (511,691)	$ 38,265

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
TROLLEY FUND
Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	$ 2,000	$ 6,838	$ 4,838
Miscellaneous	58,000	53,000	(5,000)
Recovered costs	-	38,514	38,514
Total revenues	60,000	98,352	38,352
EXPENDITURES			
Current:			
Community Development	110,000	151,089	(41,089)
Total expenditures	110,000	151,089	(41,089)
Excess (deficiency) of revenues over expenditures	(50,000)	(52,737)	(2,737)
OTHER FINANCING SOURCES (USES)			
Transfers in:			
Transfer from General Fund	50,000	50,000	-
Total other financing sources (uses)	50,000	50,000	-
Net change in fund balance	$ -	$ (2,737)	$ (2,737)

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2012

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
City of Staunton School Board	$ 355,000	$ 355,000	$ -
Total revenues	355,000	355,000	-
EXPENDITURES			
Current:			
Debt Service			
Principal	6,936,961	1,785,018	5,151,943
Interest and fiscal charges	1,348,863	1,160,736	188,127
Total expenditures	8,285,824	2,945,754	5,340,070
Excess (deficiency) of revenues over expenditures	(7,930,824)	(2,590,754)	5,340,070
OTHER FINANCING SOURCES			
Transfers in:			
Transfer from General fund	3,329,500	3,329,500	-
Transfer from CIP fund	3,706,943	3,706,943	-
Total other financing sources	7,036,443	7,036,443	-
Net change in fund balance	$ (894,381)	$ 4,445,689	$ 5,340,070

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
From Inception and For the Year Ended June 30, 2012

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
REVENUES				
Revenue from use of money and property	$ 222,399	$ 21,156	$ 243,555	$ 5,314
Recovered costs	267,037	34,632	301,669	50,000
Miscellaneous	-	24,000	24,000	-
Intergovernmental:				
Federal	193,584	169,634	363,218	912,505
Total revenues	683,020	249,422	932,442	967,819
EXPENDITURES				
Capital Outlay:				
General government administration	1,296,503	1,173,589	2,470,092	2,616,210
Public safety	2,173,454	974,451	3,147,905	4,180,669
Public works	1,199,860	559,069	1,758,929	3,251,234
Education	195,768	127,170	322,938	325,631
Parks, recreation, and culture	398,274	-	398,274	465,696
Community development	1,585,356	66,108	1,651,464	2,239,766
Debt service:				
Interest and fiscal charges	105,000	60,000	165,000	165,000
Total expenditures	6,954,215	2,960,387	9,914,602	13,244,206
Excess (deficiency) of revenues under expenditures	(6,271,195)	(2,710,965)	(8,982,160)	(12,276,387)
OTHER FINANCING SOURCES (USES)				
Transfers in	15,073,330	2,210,000	17,283,330	17,283,330
Transfers out	(1,300,000)	(3,706,943)	(5,006,943)	(5,006,943)
Total other financing sources (uses)	13,773,330	(1,496,943)	12,276,387	12,276,387
Net change in fund balance	$ 7,502,135	$ (4,207,908)	$ 3,294,227	$ -

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NONMAJOR PROPRIETARY FUNDS

Proprietary Funds are used to account for the City's ongoing organizations and activities similar to those found in the private sector.

Parking Fund – This fund accounts for the operations of the City's parking garage and lot system.

Golf Fund – This fund accounts for the operations of the City's Gypsy Hill Golf Course.

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF NET ASSETS – NONMAJOR PROPRIETARY FUNDS
June 30, 2012

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 654	$ 76,398	$ 77,052
Accounts receivable, net of allowance for uncollectibles	-	12,547	12,547
Restricted assets:			
Customer deposits	-	4,671	4,671
Total current assets	654	93,616	94,270
Noncurrent assets:			
Deferred charges	5,337	1,027	6,364
Capital assets:			
Land	24,694	1,034,249	1,058,943
Buildings	61,578	6,179,097	6,240,675
Improvements	621,040	434,647	1,055,687
Machinery and equipment	78,803	69,985	148,788
Less accumulated depreciation	(234,468)	(2,294,714)	(2,529,182)
Total capital assets (net of accumulated depreciation)	551,647	5,423,264	5,974,911
Total noncurrent assets	556,984	5,424,291	5,981,275
Total assets	557,638	5,517,907	6,075,545
LIABILITIES			
Current liabilities:			
Accounts payable	769	7,265	8,034
Accrued liabilities	10,374	4,408	14,782
Deferred revenue	11,467	-	11,467
Due to other funds	6,760	-	6,760
Deposits payable	-	4,671	4,671
General obligation bonds	14,400	172,155	186,555
Total current liabilities	43,770	188,499	232,269
Noncurrent liabilities:			
General obligation bonds	517,642	1,090,009	1,607,651
Total noncurrent liabilities	517,642	1,090,009	1,607,651
Total liabilities	561,412	1,278,508	1,839,920
NET ASSETS			
Invested in capital assets, net of related debt	24,942	4,162,127	4,187,069
Unrestricted	(28,716)	77,272	48,556
Total net assets	$ (3,774)	$ 4,239,399	$ 4,235,625

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS – NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING REVENUES			
Parking fines	$ -	$ 48,252	$ 48,252
Charges for services	141,227	266,906	408,133
Miscellaneous	32	-	32
Total operating revenues	141,259	315,158	456,417
OPERATING EXPENSES			
Personal services	54,018	102,682	156,700
Fringe benefits	24,976	10,819	35,795
Rental of property	-	5,000	5,000
Repairs and maintenance	231	1,188	1,419
Contractual services	1,771	47,287	49,058
Materials and supplies	50,523	2,060	52,583
Depreciation	32,138	151,979	184,117
Utilities	1,876	31,801	33,677
Other expenses	2,012	57,015	59,027
Total operating expenses	167,545	409,831	577,376
Operating loss	(26,286)	(94,673)	(120,959)
NONOPERATING REVENUES (EXPENSES)			
Interest income	1	4	5
Interest and fiscal charges	(23,477)	(59,099)	(82,576)
Gain on disposal of assets	5,996	-	5,996
Total nonoperating revenues (expenses)	(17,480)	(59,095)	(76,575)
Loss before contributions and transfers	(43,766)	(153,768)	(197,534)
Transfers in	-	175,000	175,000
Change in net assets	(43,766)	21,232	(22,534)
Total net assets - beginning of year	39,992	4,218,167	4,258,159
Total net assets - end of year	$ (3,774)	$ 4,239,399	$ 4,235,625

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING ACTIVITIES			
Cash received from customers	$ 136,960	$ 313,177	$ 450,137
Cash paid to suppliers	(57,005)	(139,338)	(196,343)
Cash paid to employees for services	(80,800)	(116,887)	(197,687)
Net cash provided (used) by operating activities	(845)	56,952	56,107
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	175,000	175,000
Interfund borrowing	6,760	-	6,760
Net cash provided by noncapital financing activities	6,760	175,000	181,760
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(20,198)	(20,198)
Principal paid on long-term debt	(15,000)	(165,342)	(180,342)
Interest paid on long-term debt	(22,607)	(59,057)	(81,664)
Proceeds from sale of equipment	5,996	-	5,996
Net cash used by capital and related financing activities	(31,611)	(244,597)	(276,208)
INVESTING ACTIVITIES			
Interest received	1	4	5
Net cash provided by investing activities	1	4	5
Net decrease in cash and cash equivalents	(25,695)	(12,641)	(38,336)
CASH AND CASH EQUIVALENTS			
Beginning of year	26,349	93,710	120,059
End of year	$ 654	$ 81,069	$ 81,723
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	$ 654	$ 76,398	77,052
Restricted - customer deposits	-	4,671	4,671
Total	$ 654	$ 81,069	$ 81,723

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2012

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	$ (26,286)	$ (94,673)	$ (120,959)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	32,138	151,979	184,117
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	(2,886)	(2,886)
Increase (decrease) in accounts payable	(592)	5,013	4,421
Increase (decrease) in accrued liabilities	(1,806)	(3,386)	(5,192)
Increase (decrease) in deferred revenue	(4,299)	-	(4,299)
Increase (decrease) in deposits payable	-	905	905
Net cash provided (used) by operating activities	$ (845)	$ 56,952	$ 56,107

There were no noncash investing, capital, or financing activities.

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Funds

Special Revenue Funds:

Education Fund – This fund is used to account for the operations and maintenance of the six city owned schools. Financing is provided by state and federal funds, and by appropriations from the City's general revenues. State and federal education funds received may be used only for this purpose. Annual appropriations from general revenues were restricted by the Appropriations Resolution to education expenditures.

Nonmajor Funds

Special Revenue Funds:

School Cafeteria Fund – This fund is used to account for the operation and maintenance of the cafeterias of the six City owned schools. Financing is provided primarily from charges for services and federal and state lunch subsidies. Such funds are limited to expenditure for cafeteria operations and maintenance by federal and state law.

School Textbook Fund – This fund is used to account for the purchase and sale of school textbooks. Financing is provided primarily by state subsidies and the required local match. Funds so received are limited by the Commonwealth to expenditure only for school textbooks.

State Operated Programs Fund – This fund is used to account for revenues and expenditures associated with the operation of education programs in certain state-run hospital and juvenile detention facilities. The state contracts with the School Board to provide education programs to persons in those facilities who are required by law to receive the benefit of public education. The education programs are fully funded by state operating grants with occasional funding by federal operating grants. Thus, revenues equal the expenditures that are composed primarily of staff salaries and fringe benefits, along with moderate amounts of educational materials and purchase of services.

Capital Projects Funds:

School Construction Fund – This fund is used to account for the construction of school facilities and other major capital projects. Financing is provided by transfers from the General Fund and certain state revenues, limited to expenditure for school capital projects.

Agency Fund:

Genesis Fund – This fund is used to account for the operations, in a fiscal agent capacity, of a regional alternative education program for the Cities of Staunton, Harrisonburg, and Waynesboro, and the County of Augusta. Receipts consist of state education funds and tuition payments from the participating localities, and are restricted to use only for this regional program.

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,632,441
Accounts receivable	180,068
Due from other governmental units	2,201,089
Prepaid items	19,792
Restricted cash and cash equivalents	96,463
Capital assets:	
Land	236,000
Other capital assets, net of accumulated depreciation	8,329,891
Total assets	14,695,744
LIABILITIES	
Accounts payable	689,091
Accrued liabilities	2,595,689
Amounts held for others	434
Noncurrent liabilities:	
Due within one year	130,048
Due in more than one year	228,732
Total liabilities	3,643,994
NET ASSETS	
Invested in capital assets, net of related debt	8,565,891
Restricted:	
Programs	96,463
Donor purposes	520
Unrestricted	2,388,876
Total net assets	$ 11,051,750

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities:					
Instruction and related services	$ 25,782,422	$ 987,287	$ 9,149,451	$ 185,517	$ (15,460,167)
Administration, attendance, and health	2,054,946	-	-	-	(2,054,946)
Pupil transportation	972,105	-	-	-	(972,105)
Food service	1,292,653	387,273	925,891	-	20,511
Operations	1,943,825	-	-	-	(1,943,825)
Total School Board	$ 32,045,951	$ 1,374,560	$ 10,075,342	$ 185,517	$ (20,410,532)

General revenues:	
Unrestricted investment earnings	1,115
Grants and contributions not restricted to specific programs	8,621,990
Net payment from City of Staunton	10,455,366
Total general revenues	19,078,471
Change in net assets	(1,332,061)
Net assets, beginning of year, as adjusted	12,383,811
Net assets, end of year	$ 11,051,750

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2012

	Education Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,855,892	$ 1,776,549	$ 3,632,441
Accounts receivable	132,885	47,183	180,068
Prepaid items	19,792	-	19,792
Due from other governmental units	1,564,704	636,385	2,201,089
Due from other funds	563,924	-	563,924
Restricted cash and cash equivalents	96,463	-	96,463
Total assets	$ 4,233,660	$ 2,460,117	$ 6,693,777
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 677,317	$ 11,774	$ 689,091
Accrued liabilities	2,439,568	156,121	2,595,689
Due to other funds	-	563,924	563,924
Held for others	434	-	434
Deferred revenue	268,189	-	268,189
Total liabilities	3,385,508	731,819	4,117,327
Fund balances:			
Nonspendable	19,792	-	19,792
Restricted	96,983	-	96,983
Assigned	731,377	1,730,028	2,461,405
Unassigned	-	(1,730)	(1,730)
Total fund balances	848,152	1,728,298	2,576,450
Total liabilities and fund balances	$ 4,233,660	$ 2,460,117	$ 6,693,777

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Fund Balances – Component Unit School Board		$ 2,576,450
Amounts reported for governmental activities in the statement of net assets (Exhibit C-1) are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Capital assets	$ 19,963,566	
Less: accumulated depreciation	(11,397,675)	8,565,891
Receivables that are not available to pay for current period expenditures are not reported in the funds.		268,189
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(358,780)
Total Net Assets – Component Unit School Board		$ 11,051,750

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Education Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Revenues from use of money and property	$ 28,368	$ 317	$ 28,685
Charges for services	959,717	387,273	1,346,990
Miscellaneous	11,569	6,211	17,780
Recovered costs	243,228	46,574	289,802
Intergovernmental:			
Federal	2,886,696	863,878	3,750,574
Commonwealth	12,482,694	2,235,974	14,718,668
City of Staunton	10,710,366	100,000	10,810,366
Total revenues	27,322,638	3,640,227	30,962,865
EXPENDITURES			
Payment to the City	-	355,000	355,000
Current:			
Education	27,861,728	3,543,488	31,405,216
Capital projects	-	147,401	147,401
Total expenditures	27,861,728	4,045,889	31,907,617
Excess (deficiency) of revenues over expenditures	(539,090)	(405,662)	(944,752)
OTHER FINANCING SOURCES (USES)			
Transfers in	68,257	261,381	329,638
Transfers out	(261,381)	(68,257)	(329,638)
Total other financing sources (uses)	(193,124)	193,124	-
Net change in fund balance	(732,214)	(212,538)	(944,752)
Fund balance at beginning of year	1,580,366	1,940,836	3,521,202
Fund balance at end of year	$ 848,152	$ 1,728,298	$ 2,576,450

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities (Exhibit C-2) are different because:			
Net changes in fund balances - school board component unit			$ (944,752)
Governmental funds report the cost of capital assets acquired as current expenditures while the statement of activities reports depreciation expense to allocate those expenditures over the life of the assets.			
	Depreciation	$ (704,521)	
	Capital expenses	278,870	
			(425,651)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.			33,303
Compensated absences reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.			5,039
Change in net assets of governmental activities			$ (1,332,061)

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds			Capital Projects Fund	
	School Cafeteria Fund	Textbook Fund	State Operated Programs Fund	School Construction Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 516,107	$ 419,959	$ -	$ 840,483	$ 1,776,549
Accounts receivable	-	-	47,183	-	47,183
Due from other governmental units	3,721	-	632,664	-	636,385
Total assets	$ 519,828	$ 419,959	$ 679,847	$ 840,483	$ 2,460,117
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 761	$ 1,177	$ 9,836	$ -	$ 11,774
Accrued liabilities	50,034	-	106,087	-	156,121
Due to other funds	-	-	563,924	-	563,924
Total liabilities	50,795	1,177	679,847	-	731,819
Fund balances:					
Assigned	469,033	418,782	1,730	840,483	1,730,028
Unassigned	-	-	(1,730)	-	(1,730)
Total fund balances	469,033	418,782	-	840,483	1,728,298
Total liabilities and fund balances	$ 519,828	$ 419,959	$ 679,847	$ 840,483	$ 2,460,117

EXHIBIT C-6

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue Funds			Capital Projects Fund	
	School Cafeteria Fund	Textbook Fund	State Operated Programs Fund	School Construction Fund	Total Nonmajor Governmental Funds
REVENUES					
Revenues from use of money and property	$ 17	$ 21	$ -	$ 279	$ 317
Charges for services	387,273	-	-	-	387,273
Miscellaneous	4,536	-	1,675	-	6,211
Recovered costs	-	-	46,574	-	46,574
Intergovernmental:					
Federal	824,377	-	39,501	-	863,878
Commonwealth	24,256	61,365	2,150,353	-	2,235,974
City of Staunton	-	-	-	100,000	100,000
Total revenues	1,240,459	61,386	2,238,103	100,279	3,640,227
EXPENDITURES					
Payment to the City	-	-	-	355,000	355,000
Current:					
Education	1,172,458	201,184	2,169,846	-	3,543,488
Capital projects	-	-	-	147,401	147,401
Total expenditures	1,172,458	201,184	2,169,846	502,401	4,045,889
Excess (deficiency) of revenues over expenditures	68,001	(139,798)	68,257	(402,122)	(405,662)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	40,831	-	220,550	261,381
Transfers out	-	-	(68,257)	-	(68,257)
Total other financing sources (uses)	-	40,831	(68,257)	220,550	193,124
Net change in fund balance	68,001	(98,967)	-	(181,572)	(212,538)
Fund balance at beginning of year	401,032	517,749	-	1,022,055	1,940,836
Fund balance at end of year	$ 469,033	$ 418,782	$ -	$ 840,483	$ 1,728,298

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE –
EDUCATION FUND
Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	$ 20,000	$ 20,000	$ 28,368	$ 8,368
Charges for services	917,082	917,082	959,717	42,635
Miscellaneous	1,500	9,600	11,569	1,969
Recovered costs	138,000	234,641	243,228	8,587
Intergovernmental:				
Federal	2,348,988	3,355,712	2,886,696	(469,016)
Commonwealth	12,444,570	12,422,578	12,482,694	60,116
City of Staunton	10,710,366	10,710,366	10,710,366	-
Total revenues	26,580,506	27,669,979	27,322,638	(347,341)
EXPENDITURES				
Current:				
Education	27,762,282	28,902,637	27,861,728	1,040,909
Total expenditures	27,762,282	28,902,637	27,861,728	1,040,909
Excess (deficiency) of revenues over expenditures	(1,181,776)	(1,232,658)	(539,090)	693,568
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfer from State Operated Programs Fund	67,000	67,000	68,257	1,257
Transfers out:				
Transfer to School Construction Fund	(50,000)	(220,550)	(220,550)	-
Transfer to School Textbook Fund	(40,831)	(40,831)	(40,831)	-
Total other financing sources (uses)	(23,831)	(194,381)	(193,124)	1,257
Net change in fund balance	$ (1,205,607)	$ (1,427,039)	$ (732,214)	$ 694,825

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012

	Agency Fund Genesis
ASSETS	
Cash and cash equivalents	$ 129,197
Accounts receivable and due from other governmental units	26,314
Total assets	$ 155,511
LIABILITIES	
Amounts held for Program	$ 98,671
Accounts payable	57
Accrued payroll	56,783
Total liabilities	$ 155,511

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
Year Ended June 30, 2012

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
GENESIS FUND				
ASSETS				
Cash and cash equivalents	$ 100,375	$ 904,835	$ 876,013	$ 129,197
Accounts receivable	265	260,661	260,612	314
Due from other governmental units	26,000	26,000	26,000	26,000
Total assets	$ 126,640	$ 1,191,496	$ 1,162,625	$ 155,511
LIABILITIES				
Amounts held for Program	$ 56,844	$ 1,082,023	$ 1,040,196	$ 98,671
Accounts payable	983	52,690	53,616	57
Accrued payroll	68,813	56,783	68,813	56,783
Total liabilities	$ 126,640	$ 1,191,496	$ 1,162,625	$ 155,511

DISCRETELY PRESENTED COMPONENT UNIT – EDA

The Economic Development Authority of the City of Staunton, VA (EDA) was created as a political subdivision of the Commonwealth of Virginia by ordinance of the City Council of Staunton, VA on January 26, 1984, pursuant to the provisions of the Industrial Development and Revenue Bond Act (Chapter 33, Section 15.1-1373. et seq., of the Code of Virginia (1050) as amended). The original name was the Industrial Development Authority of the City of Staunton, VA. The name was formally changed to the Economic Development Authority of the City of Staunton, VA effective July 26, 2010.

The EDA is governed by seven directors appointed by the City Council. It is authorized to acquire, own, lease, and dispose of properties to the end that such activities may promote industry and develop trade by inducing enterprises to locate and remain in Staunton.

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	
Cash and cash equivalents	$ 103,860
Accounts receivable	16,967
Due from other governmental units	14,552
Inventory	14,000,000
Capital assets:	
Land	799,748
Other capital assets, net of accumulated depreciation	8,245,171
Total assets	23,180,298
LIABILITIES	
Accounts payable	109,648
Due to primary government	14,000,000
Total liabilities	14,109,648
NET ASSETS	
Invested in capital assets, net of related debt	9,044,919
Unrestricted	25,731
Total net assets	$ 9,070,650

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

OPERATING REVENUES	
Charges for services	$ 3,828
Rental of property	30,000
Miscellaneous revenue	11,000
Total operating revenues	44,828
OPERATING EXPENSES	
Professional fees	21,334
Other expenses	36,327
Rural business enterprise grant program	19,880
Depreciation	307,899
Total operating expenses	385,440
Operating loss	(340,612)
NONOPERATING REVENUES (EXPENSES)	
Interest income	2
Capital grant from City	12,065
Operating grants received	368,616
Grants to others	(304,063)
Total nonoperating revenues (expenses)	76,620
Change in net assets	(263,992)
Total net assets - beginning of year	9,334,642
Total net assets - end of year	$ 9,070,650

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF CASH FLOWS
Year Ended June 30, 2012

OPERATING ACTIVITIES		
Cash received from customers	$	33,828
Cash paid to suppliers		(77,264)
Net cash used by operating activities		(43,436)
NONCAPITAL FINANCING ACTIVITIES		
Operating grants received		365,063
Economic development grants paid		(281,073)
Net cash provided by noncapital financing activities		83,990
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets		(12,065)
Capital grant from the City		12,065
Net cash used by capital and related financing activities		-
INVESTING ACTIVITIES		
Interest received		3
Net cash provided by investing activities		3
Net increase in cash and cash equivalents		40,557
CASH AND CASH EQUIVALENTS		
Beginning of year		63,303
End of year	$	103,860
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$	(340,612)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation		307,899
Change in assets and liabilities:		
Decrease in receivables		(300)
Increase in accounts payable		577
Net cash used by operating activities	$	(32,436)

SUPPLEMENTARY SCHEDULES

**Governmental Funds
and Discretely Presented
Component Unit – School Board**

Schedule 1: Schedule of Revenues – Budget and Actual

Schedule 2: Schedule of Expenditures – Budget and Actual

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
Revenue from Local Sources:			
General property taxes:			
Real property taxes	$ 15,805,000	$ 16,115,574	$ 310,574
Real and personal public service corporation property taxes	552,000	562,681	10,681
Personal property taxes	2,850,000	2,903,628	53,628
Machinery and tools taxes	200,000	196,820	(3,180)
Penalties and interest	220,000	294,994	74,994
Total General Property Taxes	19,627,000	20,073,697	446,697
Other local taxes:			
Local sales and use taxes	3,450,000	3,588,738	138,738
Consumers' utility taxes	1,110,000	1,102,556	(7,444)
Local communication tax	1,475,000	1,427,036	(47,964)
Business license taxes	1,750,000	2,113,198	363,198
Bank stock taxes	275,000	298,860	23,860
Taxes on recordation and wills	158,000	153,377	(4,623)
Lodging taxes	375,000	388,721	13,721
Restaurant food tax	2,400,000	2,599,776	199,776
Short term rental tax	20,000	20,018	18
Cigarette tax	300,000	290,430	(9,570)
Total Other Local Taxes	11,313,000	11,982,710	669,710
Permits, privilege fees, and regulatory licenses:			
Animal licenses	20,000	23,591	3,591
Permits and other licenses	190,700	188,153	(2,547)
Total Permits, Privilege Fees, and Regulatory Licenses	210,700	211,744	1,044
Fines and forfeitures	66,000	71,616	5,616
Revenue from use of money and property:			
Revenue from use of money	75,000	236	(74,764)
Revenue from use of property	47,000	39,268	(7,732)
Total Revenue from Use of Money and Property	122,000	39,504	(82,496)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Revenue from Local Sources: (cont'd)			
Charges for services:			
Court costs	$ 4,500	$ 4,257	$ (243)
Charges for Commonwealth's Attorney	1,500	3,992	2,492
Charges for sheriff	2,617	2,617	-
Courtroom security fee	45,000	48,377	3,377
Jail admission fee	3,000	2,456	(544)
Charges for publications and maps	4,000	4,969	969
Charges for parks and recreation	272,000	321,451	49,451
Charges for library fines	25,000	22,979	(2,021)
Property clean up fees	5,000	10,478	5,478
Administrative fees	24,000	31,061	7,061
Payments in lieu of tax from Enterprise funds	1,107,162	1,056,120	(51,042)
Charges for tourism promotion	23,000	19,500	(3,500)
Charges for tax-exempt organizations	2,000	9,686	7,686
Total Charges for Services	1,518,779	1,537,943	19,164
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	9,000	11,283	2,283
Sale of salvage and surplus	10,000	23,547	13,547
Donations	-	8,308	8,308
Miscellaneous	15,000	17,562	2,562
Total Miscellaneous Revenue	34,000	60,700	26,700
Recovered Costs	365,968	414,084	48,116
Total Revenue from Local Sources	33,257,447	34,391,998	1,134,551
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	90,000	109,168	19,168
Rolling stock taxes	9,500	9,978	478
Auto rental taxes	50,000	61,793	11,793
Law enforcement	858,604	858,608	4
Grantor's tax	35,000	32,453	(2,547)
Recordation tax	25,000	55,845	30,845
PPTRA reimbursement	1,652,200	1,652,200	-
Budget Reduction in Local Aid – Reimb to Commonwealth	(253,070)	(253,070)	-
Total Non-Categorical Aid	2,467,234	2,526,975	59,741

(Continued)

SCHEDULE 1

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Revenue from the Commonwealth: (cont'd)			
Categorical Aid:			
Shared expenses:			
Commonwealth's attorney	$ 369,380	$ 337,864	$ (31,516)
Sheriff	264,000	263,822	(178)
Commissioner of the revenue	102,000	102,337	337
Treasurer	98,000	98,685	685
Medical examiner	500	-	(500)
Registrar/Electoral Board	30,418	44,657	14,239
Circuit court clerk	243,000	242,387	(613)
Circuit court clerk-technology trust fund	35,144	19,493	(15,651)
Total Shared Expenses	1,142,442	1,109,245	(33,197)
Health and welfare	1,275,116	1,411,653	136,537
Other Categorical Aid:			
Street and highway maintenance	3,455,600	3,456,304	-
Library	140,667	140,549	(118)
E911 Wireless funds	62,000	58,673	(3,327)
Fire programs	61,000	66,828	5,828
Commission for the Arts	5,000	5,000	-
Comprehensive Services Act funds	1,684,000	1,512,043	(171,957)
Four-for-Life funds	20,000	20,505	505
Animal license plates	800	714	(86)
Victim/Witness funds	13,790	13,729	(61)
Circuit Court library grant	4,820	4,820	-
Forfeited assets	13,641	18,513	4,872
Jurors/Witness fees	15,000	13,375	(1,625)
Va Tourism Marketing Leverage Program	-	986	986
Total Other Categorical Aid	5,476,318	5,312,039	(164,983)
Total Categorical Aid	7,893,876	7,832,937	(61,643)
Total Revenue from the Commonwealth	10,361,110	10,359,912	(1,902)
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	1,086,210	837,474	(248,736)
Victim/Witness	41,370	41,186	(184)
Energy Efficiency grant	22,000	22,000	-
Federal Crime forfeited	-	545	545
DMV grants	-	8,436	8,436
Total Revenue from the Federal Government	1,149,580	909,641	(239,939)
Total General Fund	$ 44,768,137	$ 45,661,551	$ 892,710

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds:			
State and Federal Grants Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	$ -	$ 2	$ 2
Total Revenue from Use of Money and Property	-	2	2
Charges for services:			
Supervision fees	25,000	26,309	1,309
Drug screen fees	6,000	6,601	601
Home electronic monitoring fees	30,000	42,809	12,809
SA/AM/DV/Group therapy/Admin.	6,000	6,532	532
Total Charges for Services	67,000	82,251	15,251
Miscellaneous:			
CAPSAW	10,000	10,800	800
Other	377	-	(377)
Total Miscellaneous Revenue	10,377	10,800	423
Total Revenue from Local Sources	77,377	93,053	15,676
Revenue from the Commonwealth:			
Community Corrections and Pre-trial services funds	542,623	542,623	-
OEMS-AED grant	5,228	4,828	(400)
FPF Smart board grant	1,500	1,500	-
OEMS-Toughbook grant	5,688	4,418	(1,270)
Total Revenue from the Commonwealth	555,039	553,369	(1,670)
Revenue from the Federal Government:			
SHSP-Pet Sheltering grant	22,000	6,349	(15,651)
SHSP-Robot grant	71,000	-	(71,000)
JAG-ARRA	26,896	22,968	(3,928)
JAG	10,995	-	(10,995)
Byrne justice assistance	2,481	2,425	(56)
Total Revenue from the Federal Government	133,372	31,742	(101,630)
Total State and Federal Grants Fund	$ 765,788	$ 678,164	$ (87,624)
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	$ -	$ 7,265	$ 7,265
Total Revenue from Local Sources	-	7,265	7,265

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds: (cont'd)			
Community Development Fund:			
Revenue from the Commonwealth:			
AWASA	$ 1,000,000	$ 20,000	$ (980,000)
Governor's Opportunity fund	150,000	150,000	-
Total Revenue from the Commonwealth	1,150,000	170,000	(980,000)
Revenue from the Federal Government:			
Brownsfield grant	6,720	6,720	-
CDBG-Micro loan	29,817	23,783	(6,034)
Total Revenue from the Federal Government	36,537	30,503	(6,034)
Total Community Development Fund	$ 1,186,537	$ 207,768	$ (978,769)
Trolley Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of property	$ 2,000	$ 6,838	$ 4,838
Total Revenue from Use of Money and Property	2,000	6,838	4,838
Miscellaneous:			
Donations	58,000	53,000	(5,000)
Total Miscellaneous Revenue	58,000	53,000	(5,000)
Recovered Costs:	-	38,514	38,514
Total Revenue from Local Sources	60,000	98,352	38,352
Total Trolley Fund	$ 60,000	$ 98,352	$ 38,352
Total Special Revenue Funds	$ 2,012,325	$ 984,284	$ (1,028,041)
Grand Total Revenues - Primary Government General and special revenue funds	$ 46,780,462	$ 46,645,835	$ (135,331)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Special Revenue Funds:			
Education Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	$ 2,000	$ 798	$ (1,202)
Revenue from use of property	18,000	27,570	9,570
Total Revenue from Use of Money and Property	20,000	28,368	8,368
Charges for services:			
Charges for education	11,300	19,634	8,334
Tuition or other payments from another county or city	905,782	940,083	34,301
Total Charges for Services	917,082	959,717	42,635
Miscellaneous revenue:			
Donations	9,100	8,184	(916)
Sale of salvage and surplus	500	3,385	2,885
Total Miscellaneous Revenue	9,600	11,569	1,969
Recovered Costs	234,641	243,228	8,587
Contribution from City of Staunton	10,710,366	10,710,366	-
Total Revenue from Local Sources	11,891,689	11,953,248	61,559
Revenue from the Commonwealth:			
Categorical Aid:			
Share of state sales tax	2,653,055	2,688,436	35,381
Basic school aid	5,817,853	5,900,251	82,398
Foster care	53,470	68,176	14,706
Supplement support school operating cost	193,784	196,109	2,325
Gifted and talented	67,276	68,083	807
Remedial Education	198,837	201,222	2,385
ISAEP funds	15,717	15,717	-
Special education	778,903	788,247	9,344
Special education-foster care	120,686	40,478	(80,208)
Homebound	28,470	3,248	(25,222)
Regional tuition programs	524,211	573,603	49,392
Primary Class size (K-3)	259,964	269,741	9,777
Vocational education	176,412	178,528	2,116
Social security instructional	394,684	399,419	4,735
VRS retirement instructional	357,309	361,595	4,286
Group Life Insurance instructional	14,950	15,129	179
At risk	203,918	206,252	2,334
VPSA Technology grants	180,000	180,000	-
At Risk - Four Year Olds	193,622	157,766	(35,856)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD: (cont'd)			
Special Revenue Funds: (cont'd)			
Education Fund: (cont'd)			
Revenue from the Commonwealth: (cont'd)			
Categorical Aid: (cont'd)			
Remedial Summer School	$ 44,340	$ 38,866	$ (5,474)
English as a second language	16,781	17,768	987
Early Reading Intervention	43,578	49,025	5,447
SOL-Algebra readiness	27,868	26,053	(1,815)
Vocational - Occupational Preparation	18,670	-	(18,670)
Vocational - Equipment	5,120	5,517	397
Project Graduation	14,415	23,440	9,025
Mentor Teacher Program	3,501	4,785	1,284
Other state funds	15,184	5,240	(9,944)
Total Categorical Aid	12,422,578	12,482,694	60,116
Total Revenue from the Commonwealth	12,422,578	12,482,694	60,116
Revenue from the Federal Government:			
Categorical Aid:			
Title I	1,322,469	1,066,795	(255,674)
Drug free schools	-	1,243	1,243
Title VI - B - Special Education	884,003	721,895	(162,108)
Preschool grants	26,569	28,026	1,457
Training & Recruiting (NCLB)	179,369	178,380	(989)
Enhancing Education through Technology (NCLB)	1,827	1,827	-
Title III (NCLB)	3,153	-	(3,153)
Tech Prep Education (Carl Perkins)	57,912	58,672	760
State Fiscal Stabilization Funds (ARRA Stimulus)	130,000	130,000	-
Title I (ARRA Stimulus)	22,785	871	(21,914)
IDEA Special Education (ARRA Stimulus)	107,156	119,142	11,986
IDEA Special Education Preschool (ARRA Stimulus)	-	1,432	1,432
Title II, Part D (ARRA Stimulus)	-	212	212
Education Jobs (ARRA Stimulus)	613,131	577,701	(35,430)
Other federal funds	7,338	500	(6,838)
Total Categorical Aid	3,355,712	2,886,696	(469,016)
Total Revenue from the Federal Government	3,355,712	2,886,696	(469,016)
Total Education Fund	$ 27,669,979	$ 27,322,638	$ (347,341)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD: (cont'd)			
Special Revenue Funds: (cont'd)			
School Cafeteria Fund:			
Revenue from Local Sources:			
Revenue from the use of money and property:			
Revenue from use of money	$ 200	$ 17	$ (183)
Charges for services:			
Charges for food service	409,849	387,273	(22,576)
Miscellaneous Revenue:			
Other	2,400	4,536	2,136
Total Revenue from Local Sources	412,449	391,826	(20,623)
Revenue from the Commonwealth:			
Meal reimbursement	23,535	24,256	721
Revenue from the Federal Government:			
Fresh fruits and vegetables grant	-	27,002	27,002
Education Jobs (ARRA Stimulus)	-	18,230	18,230
Meal reimbursement	733,692	779,145	45,453
Total Revenue from the Federal Government	733,692	824,377	90,685
Total School Cafeteria Fund	$ 1,169,676	$ 1,240,459	$ 70,783
Textbook Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	$ -	$ 21	$ 21
Revenue from the Commonwealth:			
Textbook payment	60,638	61,365	727
Total Textbook Fund	$ 60,638	$ 61,386	$ 748
State Operated Programs Fund:			
Revenue from Local Sources:			
E-rate reimbursement	$ 48,600	$ 46,574	$ (2,026)
Other	-	1,675	1,675
Total Revenue from local sources	48,600	48,249	(351)
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,227,354	2,150,353	(77,001)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	6,500	10,713	4,213
Title VI-B	17,137	24,405	7,268
IDEA Special Education (ARRA Stimulus)	-	4,383	4,383
Total Revenue from Federal Government	23,637	39,501	15,864
Total State Operated Programs Fund	$ 2,299,591	$ 2,238,103	$ (61,488)
Total Special Revenue Funds	$ 31,199,884	$ 30,862,586	$ (337,298)
Grand Total Revenues - Component Unit School Board	$ 31,199,884	$ 30,862,586	$ (337,298)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
General Government Administration:			
Legislative:			
City Council	$ 94,432	$ 89,361	$ 5,071
Clerk of Council	103,529	91,243	12,286
Total Legislative	197,961	180,604	17,357
General and Financial Administration:			
City Manager	487,141	484,356	2,785
City Attorney	293,421	258,492	34,929
City Memberships	25,840	25,839	1
Professional Consultants	47,435	47,150	285
Commissioner of the Revenue	264,878	264,656	222
Assessor and Equalization Board	254,299	245,415	8,884
Treasurer	327,551	326,809	742
Finance	817,487	702,430	115,057
Information Technology	911,062	731,701	179,361
Risk Management	682,499	452,675	229,824
Human Resources	260,703	225,479	35,224
Customer Service	1,100	567	533
Total General and Financial Administration	4,373,416	3,765,569	607,847
Board of Elections:			
Electoral Board and Registrar	128,747	128,675	72
Total Board of Elections	128,747	128,675	72
Total General Government Administration	4,700,124	4,074,848	625,276
Judicial Administration:			
Courts:			
Circuit court	147,266	138,989	8,277
General District Court	8,000	4,761	3,239
Juvenile and Domestic Relations Court	82,466	80,141	2,325
Clerk of the Circuit Court	484,549	451,390	33,159
Sheriff	498,845	454,831	44,014
Victim/Witness	63,036	62,970	66
Magistrates	1,897	1,897	-
Total Courts	1,286,059	1,194,979	91,080
Commonwealth Attorney	540,090	525,701	14,389
Total Judicial Administration	1,826,149	1,720,680	105,469

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Public Safety:			
Law Enforcement and Traffic Control:			
Police Department	$ 4,587,243	$ 4,285,431	$ 301,812
E-911 Communications	741,819	717,316	24,503
Total Law Enforcement and Traffic Control	5,329,062	5,002,747	326,315
Fire and Rescue Services:			
Fire Department	2,259,557	2,244,496	15,061
EMS Council/Four for Life	80,199	66,065	14,134
State Fire Programs	92,459	42,731	49,728
Local Emergency Planning Committee	600	600	-
Total Fire and Rescue Services	2,432,815	2,353,892	78,923
Correction and Detention:			
Juvenile Detention Home - Contribution	87,188	87,188	-
Jail Facility	525,000	525,000	-
Youth Commission	127,500	127,444	56
Total Correction and Detention	739,688	739,632	56
Inspections:			
Building Inspection	297,428	282,504	14,924
Other Protection:			
Animal control - Animal Care	120,000	115,792	4,208
Medical Examiner	500	320	180
Total Other Protection	120,500	116,112	4,388
Total Public Safety	8,919,493	8,494,887	424,606

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Public Works:			
Administration	$ 246,902	$ 238,305	$ 8,597
Traffic Engineering (signs)	136,482	134,109	2,373
Highways, Streets, and Sidewalks	2,851,133	2,682,652	168,481
City Engineering	327,393	321,880	5,513
Traffic Signals	121,025	111,932	9,093
Total	3,682,935	3,488,878	194,057
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,316,459	1,239,838	76,621
Equipment Maintenance	401,527	397,472	4,055
Total Maintenance of General Buildings, Grounds, Equipment	1,717,986	1,637,310	80,676
Total Public Works	5,400,921	5,126,188	274,733
Health and Welfare:			
Health:			
Local Health Department	239,965	239,965	-
Mental Health and Mental Retardation:			
Chapter X Board	125,647	125,647	-
Total Health	365,612	365,612	-
Welfare:			
DSS-public assistance	2,921,000	2,816,805	104,195
CATS Contribution	49,394	49,332	62
Tax Relief - Elderly and Disabled	180,000	149,073	30,927
Tax Relief - Veterans	6,600	37,524	(30,924)
CAPSAW	20,000	20,000	-
Contribution to Area Agency on Aging (VPAS)	24,650	24,650	-
Community Policy Management Team	2,300,000	2,119,634	180,366
Total Welfare	5,501,644	5,217,018	284,626
Total Health and Welfare	5,867,256	5,582,630	284,626

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Education:			
Contribution to Community College	$ 5,000	$ 5,000	$ -
Contribution to Component Unit - School Board	10,710,366	10,710,366	-
Total Education	10,715,366	10,715,366	-
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	971,478	897,799	73,679
Park Maintenance	881,687	825,545	56,142
Horticulture	112,295	112,258	37
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	1,985,460	1,855,602	129,858
Cultural Enrichment:			
Contributions to Community Organizations	20,000	20,000	-
Total Cultural Enrichment	20,000	20,000	-
Library:			
Library Administration and Operations	997,143	985,017	12,126
Total Library	997,143	985,017	12,126
Total Parks, Recreation, and Cultural	3,002,603	2,860,619	141,984
Community Development:			
Planning and Community Development:			
Economic Development	532,870	532,815	55
Planning and Development	251,662	245,757	5,905
Special Service District	142,400	142,400	-
Tourist Information Center	20,500	18,003	2,497
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	22,310	22,310	-
Tourism Development	301,098	273,945	27,153
Historic Staunton Foundation	25,000	25,000	-
Staunton Welcome Center	48,974	48,884	90
Shenandoah Valley Partnership	15,821	15,821	-
GART Tourism Board	20,000	20,000	-
Other	20,000	-	20,000
Total Planning and Community Development	1,448,794	1,393,094	55,700
Total Community Development	1,448,794	1,393,094	55,700
Total General Fund	$ 41,880,706	$ 39,968,312	$ 1,912,394

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds:			
State and Federal Grants Fund:			
Public Safety:			
Police Department Grants:			
DCJS-Byrne grant	$ 2,481	$ 2,425	$ 56
DCJS-OEMS AED grant	5,228	4,828	400
DCJS-SHSP-Robot grant	71,000	-	71,000
E911 Equipment grant	(2,600)	-	(2,600)
Total Police Department	76,109	7,253	68,856
Fire and Rescue:			
OEMS-Toughbook	5,688	4,417	1,271
SHSP-Pet Sheltering	22,000	6,349	15,651
FPF-Smartboard	1,500	1,500	-
Total Fire and Rescue	29,188	12,266	16,922
Correction and Detention:			
Blue Ridge Court Services	620,072	614,157	5,915
Office on Youth-JAG ARRA	21,086	17,881	3,205
Office on Youth-JAG	16,805	5,087	11,718
Total Correction and Detention	657,963	637,125	20,838
Total Public Safety	763,260	656,644	106,616
Total State and Federal Grants Fund	$ 763,260	$ 656,644	$ 106,616
Community Development Fund			
Community Development:			
CDBG-Micro loan	$ 29,817	$ 22,783	$ 7,034
DEQ-WSH Site investigation	6,720	6,720	-
AWASAW project	1,000,000	-	1,000,000
Economic Development Incentive	150,000	150,000	-
Newtown-Local	549,956	539,956	10,000
Total Community Development Fund	$ 1,736,493	$ 719,459	$ 1,017,034
Trolley Fund:			
Community Development:			
Planning and Community Development:			
Trolley Operations	$ 110,000	$ 151,089	$ (41,089)
Total Special Revenue Funds	$ 2,609,753	$ 1,527,192	$ 1,082,561
Grand Total - Expenditures -Primary Government- General and special revenue	$ 44,490,459	$ 41,495,504	$ 2,994,955

(Continued)

SCHEDULE 2

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2012

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Special Revenue Funds:			
Education Fund:			
Education:			
Instructional Costs	$ 22,924,346	$ 22,093,608	$ 830,738
Administration, Attendance & Health	2,124,280	2,066,689	57,591
Pupil Transportation	873,061	868,724	4,337
Operating Costs	2,067,988	1,931,841	136,147
Technology	912,962	900,866	12,096
Total Education	28,902,637	27,861,728	1,040,909
Total Education Fund	$ 28,902,637	$ 27,861,728	$ 2,081,818
School Cafeteria Fund:			
Food Service	$ 1,169,676	$ 1,172,458	$ (2,782)
Total School Cafeteria Fund	$ 1,169,676	$ 1,172,458	$ (2,782)
Textbook Fund:			
Education:			
Instructional costs	$ 292,911	$ 201,184	$ 91,727
Total Textbook Fund	$ 292,911	$ 201,184	$ 91,727
State Operated Programs Fund:			
Education:			
Instructional costs	$ 2,229,314	$ 2,169,846	$ 59,468
Total State Operated Programs Fund	$ 2,229,314	$ 2,169,846	$ 59,468
Total Special Revenue Funds	$ 32,594,538	$ 31,405,216	$ 2,230,231
Grand Total - Expenditures - Component Unit - School Board	$ 32,594,538	$ 31,405,216	$ 2,230,231

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STATISTICAL SECTION

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

Revenue Capacity – These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

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

Demographic and Economic Information – These tables offer demographic and economic indicators to help the reader understand the environment with which the City's financial activities take place and to help make comparison over time and with other governments.

Operating Information – These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

TABLE 1

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)
UNAUDITIED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental activities										
Invested in capital assets, net of related debt	$ 31,321,359	$ 29,909,806	$ 24,406,532	$ 25,235,126	$ 29,705,089	$ 29,874,206	$ 29,877,324	$ 24,720,886	$ 35,662,580	$ 35,636,029
Restricted	184,868	103,639	27,485	32,366	64,201	91,704	117,686	119,692	277,227	371,038
Unrestricted	17,813,098	18,269,177	16,550,240	15,199,232	13,215,652	10,403,691	9,054,657	10,137,531	6,153,738	8,554,685
Total governmental activities net assets	$ 49,319,325	$ 48,282,622	$ 40,984,257	$ 40,466,724	$ 42,984,942	$ 40,369,601	$ 39,049,667	$ 34,978,109	$ 42,093,545	$ 44,561,752
Business-type activities										
Invested in capital assets, net of related debt	$ 51,212,802	$ 49,958,761	$ 50,278,514	$ 48,929,485	$ 41,803,122	$ 38,777,694	$ 31,654,996	$ 27,246,740	$ 28,188,269	$ 28,524,786
Restricted	-	-	-	-	-	-	-	-	-	531,216
Unrestricted	16,101,004	17,720,858	15,786,830	16,283,224	15,716,827	15,079,925	16,219,691	16,484,965	14,988,020	13,280,314
Total business-type activities net assets	$ 67,313,806	$ 67,679,619	$ 66,065,344	$ 65,212,709	$ 57,519,949	$ 53,857,619	$ 47,874,687	$ 43,731,705	$ 43,176,289	$ 42,336,316
Primary government										
Invested in capital assets, net of related debt	$ 82,534,161	$ 79,868,567	$ 74,685,046	$ 74,164,611	$ 71,508,211	$ 68,651,900	$ 60,636,054	$ 51,967,626	$ 63,850,849	$ 64,160,815
Restricted	184,868	103,639	27,485	32,366	64,201	91,704	117,686	119,692	277,227	902,254
Unrestricted	33,914,102	35,990,035	32,337,070	31,482,456	28,932,479	25,483,616	25,531,715	26,622,496	21,141,758	21,834,999
Total primary net assets	$ 116,633,131	$ 115,962,241	$ 107,049,601	$ 105,679,433	$ 100,504,891	$ 94,227,220	$ 86,285,455	$ 78,709,814	$ 85,269,834	$ 86,898,068

TABLE 2

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses										
Governmental Activities:										
General government	$ 4,372,745	$ 4,269,567	$ 4,240,405	$ 4,353,053	$ 4,017,705	$ 3,954,903	$ 3,734,068	$ 3,378,970	$ 3,447,605	$ 3,259,774
Judicial administration	1,734,157	1,612,892	1,624,017	1,756,105	1,804,919	1,632,266	1,433,650	1,337,578	1,153,710	1,191,166
Public safety	10,137,714	9,808,670	9,402,422	9,248,940	9,569,727	9,458,730	9,265,997	8,214,513	7,756,249	7,371,600
Public works	6,262,440	5,666,355	5,718,532	6,302,122	6,575,411	6,028,489	6,167,650	6,429,960	5,734,018	6,574,011
Health and welfare	5,587,112	5,532,072	5,018,405	4,987,275	5,071,337	4,492,566	4,436,534	4,335,075	4,200,155	3,846,631
Education	11,199,889	10,814,412	12,096,550	12,219,779	12,611,719	13,770,045	9,292,427	10,429,306	9,985,479	9,318,929
Parks, recreation and culture	2,905,849	2,860,422	2,935,093	3,242,457	3,207,051	3,427,478	3,217,236	3,160,633	3,021,078	3,316,261
Community development	2,067,996	1,720,234	3,040,240	1,664,278	1,932,955	1,795,290	1,720,121	9,940,637	3,886,639	2,129,142
Interest on long-term debt	1,198,129	1,332,691	1,361,328	1,441,577	1,524,050	1,413,046	1,422,428	1,150,547	584,304	825,287
Total governmental activities expenses	45,466,031	43,617,315	45,436,992	45,215,586	46,314,874	45,972,813	40,690,111	48,377,219	39,769,237	37,832,801
Business-Type Activities:										
Golf	191,022	179,702	158,480	162,124	180,980	-	-	-	-	-
Water	3,557,493	3,446,557	3,139,885	3,392,655	3,530,891	3,272,895	3,333,750	3,194,525	3,110,829	2,911,178
Sewer	3,984,420	3,358,564	2,688,221	2,913,749	2,955,223	2,908,962	2,708,237	2,350,081	2,307,369	2,201,515
Stormwater	710,250	742,232	564,181	486,581	-	-	-	-	-	-
Environmental	2,594,453	1,777,831	2,773,641	2,615,547	3,055,363	2,398,520	2,556,633	2,393,210	1,552,687	2,034,664
Parking	468,930	423,434	455,855	466,889	490,053	491,750	481,869	471,403	454,168	468,547
Total business-type activities expenses	11,506,568	9,928,320	9,780,263	10,037,545	10,212,510	9,072,127	9,080,489	8,409,219	7,425,053	7,615,904
Total primary government expenses	$ 56,972,599	$ 53,545,635	$ 55,217,255	$ 55,253,131	$ 56,527,384	$ 55,044,940	$ 49,770,600	$ 56,786,438	$ 47,194,290	$ 45,448,705
Program Revenues										
Governmental activities:										
Charges for services:										
Governmental-PILOT from enterprise funds	$ 1,056,120	$ 1,127,162	$ 817,375	$ 909,072	$ 845,932	$ 904,686	$ 961,876	$ 931,521	$ 863,736	$ 863,625
Public safety	309,363	226,605	294,628	312,814	380,489	251,815	275,492	207,041	180,174	167,423
Parks and recreation	354,003	314,065	330,649	352,207	360,488	580,720	604,359	535,935	539,902	532,980
Other activities	512,293	445,442	318,251	394,589	418,345	301,536	290,250	248,137	206,625	207,802
Operating grants and contributions	10,003,989	10,018,844	9,379,027	9,472,611	9,212,019	8,843,956	8,455,650	8,936,524	9,048,556	9,551,819
Capital grants and contributions	274,810	4,684,814	217,303	379,550	2,109,697	2,676,309	2,291,855	530,136	126,586	459,167
Total governmental activities program revenues	12,510,578	16,816,932	11,357,233	11,820,843	13,326,970	13,559,022	12,879,482	11,389,294	10,965,579	11,782,816

TABLE 2

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(Continued)										
Program Revenues: (cont'd)										
Business-type activities:										
Charges for services:										
Golf	$ 147,255	$ 147,371	$ 147,200	$ 174,954	$ 176,720	$ -	$ -	$ -	$ -	$ -
Water	3,610,812	4,036,110	3,235,783	3,305,946	3,552,940	3,063,851	3,274,548	2,857,599	2,667,551	2,623,449
Sewer	3,544,433	3,423,605	3,239,743	3,274,390	2,910,547	3,019,742	3,110,685	2,706,151	2,657,488	2,256,913
Stormwater	689,179	709,206	464,462	325,967	-	-	-	-	-	-
Environmental	2,064,570	1,740,587	1,705,239	1,722,333	2,198,807	2,265,741	2,351,433	2,273,823	2,167,401	2,089,458
Parking	315,158	241,846	240,989	260,062	264,351	285,581	261,107	228,134	203,047	186,079
Operating grants and contributions	5,044	13,341	2,876	3,947	10,950	20,832	6,594	4,393	220,525	151,909
Capital grants and contributions	65,871	925,347	1,269,948	3,815,810	4,347,999	5,291,714	5,194,756	788,680	101,485	234,664
Total business-type activities program revenues	10,442,322	11,237,413	10,306,240	12,883,409	13,462,314	13,947,461	14,199,123	8,858,780	8,017,497	7,542,472
Total primary government program revenues	$ 22,952,900	$ 28,054,345	$ 21,663,473	$ 24,704,252	$ 26,789,284	$ 27,506,483	$ 27,078,605	$ 20,248,074	$ 18,983,076	$ 19,325,288
Net (expense)/revenue										
Governmental activities	$ (32,955,453)	$ (26,800,383)	$ (34,079,759)	$ (33,394,743)	$ (32,987,904)	$ (32,413,791)	$ (27,810,629)	$ (36,987,925)	$ (28,803,658)	$ (26,049,985)
Business-type activities	(1,064,246)	1,309,093	525,977	2,845,864	3,249,804	4,875,334	5,118,634	449,561	592,444	(73,432)
Total primary government net expense	$ (34,019,699)	$ (25,491,290)	$ (33,553,782)	$ (30,548,879)	$ (29,738,100)	$ (27,538,457)	$ (22,691,995)	$ (36,538,364)	$ (28,211,214)	$ (26,123,417)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property taxes	$ 20,076,871	$ 20,296,688	$ 20,311,531	$ 20,499,305	$ 19,304,861	$ 17,897,041	$ 15,382,482	$ 14,699,211	$ 13,592,522	$ 13,103,450
Sales tax	3,588,738	3,381,018	3,495,905	3,554,096	3,862,575	3,975,959	3,847,080	3,859,669	3,870,728	3,632,118
Hotel and meals tax	2,988,497	2,794,600	2,698,937	2,681,277	2,840,345	2,352,954	2,105,857	1,986,453	1,824,619	1,653,629
Business license	2,113,160	1,925,106	1,828,598	1,872,462	1,921,537	1,956,690	1,848,116	1,698,253	1,701,383	1,581,857
Utility tax	1,102,556	1,120,868	1,103,514	1,108,625	1,116,030	1,494,381	2,306,670	2,226,051	1,892,272	1,934,075
Local communication tax	1,427,036	1,456,638	1,463,883	1,457,808	1,604,473	688,019	-			
Other taxes	763,722	741,910	1,110,569	1,244,487	1,302,851	1,772,047	1,653,799	1,526,986	1,016,004	949,378
Unrestricted investment earnings	18,196	26,298	32,403	115,142	343,008	490,959	561,944	261,605	109,486	99,154
Grants and contributions not restricted to a specific program	2,526,975	2,527,349	2,756,972	2,740,644	3,066,910	3,181,920	2,724,725	2,549,461	2,419,115	2,401,872
Miscellaneous	27,765	52,673	19,380	31,975	11,153	103,195	7,802	19,755	34,379	68,769
Gain (loss) on sale of assets	-	-	-	25,105	-	-	7,887	7,885	7,793	(337,051)
Transfers	(641,360)	(224,400)	(224,400)	(4,454,401)	229,502	(179,440)	615,062	401,776	(129,440)	(241,120)
Total governmental activities	33,992,156	34,098,748	34,597,292	30,876,525	35,603,245	33,733,725	31,061,424	29,237,105	26,338,861	24,846,131

TABLE 2

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Changes in Net Assets, Last Ten Fiscal Years
(accrual basis of accounting)
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
(Continued)										
Business-type activities:										
Unrestricted investment earnings	$ 57,073	$ 80,782	$ 102,258	$ 392,495	$ 668,398	$ 869,700	$ 569,207	$ 347,350	$ 120,263	$ 280,242
Grants and contributions not restricted to a specific program	-	-	-	-	-	58,458	160,281	160,281	-	-
Transfers	641,360	224,400	224,400	4,454,401	(229,502)	179,440	(615,062)	(401,776)	129,440	241,120
Total business-type activities	698,433	305,182	326,658	4,846,896	438,896	1,107,598	114,426	105,855	249,703	521,362
Total primary government	$ 34,690,589	$ 34,403,930	$ 34,923,950	$ 35,723,421	$ 36,042,141	$ 34,841,323	$ 31,175,850	$ 29,342,960	$ 26,588,564	$ 25,367,493
Change in Net Assets										
Governmental activities	$ 1,036,703	$ 7,298,365	$ 517,533	$ (2,518,218)	$ 2,615,341	$ 1,319,934	$ 3,250,795	$ (7,750,820)	$ (2,464,797)	$ (1,203,854)
Business-type activities	(365,813)	1,614,275	852,635	7,692,760	3,688,700	5,982,932	5,233,060	555,416	842,147	21,830
Total primary government	$ 670,890	$ 8,912,640	$ 1,370,168	$ 5,174,542	$ 6,304,041	$ 7,302,866	$ 8,483,855	$ (7,195,404)	$ (1,622,650)	$ (1,182,024)

During FY 07 the local utility and E911 taxes were replaced by the local communication tax.
In FY 2005, the City implemented the cigarette tax.

TABLE 3

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nonspendable	$ 61,789	$ 125,118	$ 59,636	$ 35,742	$ 15,912	$ 26,556	$ -	$ -	$ -	$ -
Restricted	149,868	88,639	13,985	18,866	20,701	789,234	18,233	9,203,120	8,446,052	7,505
Committed	4,540,000	4,738,109	3,968,993	3,788,452	3,809,695	3,706,008	3,535,411	3,269,276	3,025,312	2,883,608
Assigned	1,857,022	1,878,480	1,647,680	1,517,667	1,797,721	1,528,865	1,752,751	1,674,481	1,991,802	2,535,896
Unassigned	2,647,250	2,496,844	3,309,359	2,752,859	3,415,203	1,762,319	5,972,185	3,577,308	3,833,735	3,541,427
Total General Fund	$ 9,255,929	$ 9,327,190	$ 8,999,653	$ 8,113,586	$ 9,059,232	$ 7,812,982	$11,278,580	$ 17,724,185	$ 17,296,901	$ 8,968,436
All Other Governmental Funds										
Nonspendable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Restricted	35,000	15,000	13,500	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	9,414,308	9,689,435	8,505,743	7,101,881	4,467,568	4,431,650	1,910,729	964,998	1,232,872	1,351,087
Unassigned	-	-	-	(101,509)	-	-	(196,683)	(361,193)	(1,001,811)	(826,055)
Total all other governmental funds	$ 9,449,308	$ 9,704,435	$ 8,519,243	$ 7,000,372	$ 4,467,568	$ 4,431,650	$ 1,714,046	$ 603,805	$ 231,061	$ 525,032

Notes:
Includes only the primary government
Fiscal years 2003 through 2010 have been reclassified with implementation of GASB Statement 54 in fiscal year 2011

TABLE 4

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
General property taxes	$ 20,073,697	$ 20,069,387	$20,253,506	$ 19,989,078	$ 19,424,220	$ 17,978,630	$ 15,361,830	$ 14,331,770	$ 13,407,770	$ 13,210,780
Sales and use tax	3,588,738	3,381,018	3,495,905	3,554,096	3,862,575	3,975,959	3,847,080	3,859,669	3,870,728	3,632,118
Hotel and meals tax	2,599,776	2,406,577	2,344,698	2,304,448	2,456,629	2,004,839	2,105,857	1,986,453	1,824,619	1,653,629
Utility taxes	1,102,556	1,120,868	1,103,514	1,108,625	1,116,030	1,700,693	2,306,670	2,226,051	1,892,272	1,934,075
Business license tax	2,113,198	1,925,106	1,828,598	1,872,462	1,921,537	1,956,690	1,848,116	1,698,253	1,701,383	1,581,857
Local communication tax	1,427,036	1,456,638	1,463,883	1,457,808	1,604,473	688,019	-	-	-	-
Other local taxes	1,151,406	1,129,732	1,463,007	1,621,317	1,715,090	1,885,127	1,653,799	1,526,986	1,016,005	949,378
Permits, privilege fees, and regulatory licenses	211,744	176,104	240,985	257,003	323,715	218,835	263,554	173,802	138,597	112,142
Fines and forfeitures	71,616	59,336	70,171	74,901	82,382	39,741	38,020	52,525	55,505	80,148
Charges for services	1,620,194	1,603,565	1,294,706	1,418,765	1,372,756	1,593,674	1,644,454	1,565,189	1,488,102	1,490,977
Intergovernmental	12,579,801	12,879,542	11,938,753	11,780,626	12,219,397	11,684,470	10,996,440	11,299,234	10,744,243	11,026,924
Investment earnings	28,659	510,633	34,041	121,033	331,766	470,930	578,491	261,018	109,410	97,371
Other revenues	681,836	61,329	580,000	637,355	606,933	1,024,993	630,708	415,982	623,901	513,870
Total revenues	47,250,257	46,779,835	46,111,767	46,197,517	47,037,503	45,222,600	41,275,019	39,396,932	36,872,535	36,283,269
EXPENDITURES										
General government administration	4,074,848	4,052,531	4,094,106	3,870,367	3,703,154	3,621,958	3,506,130	3,104,946	3,176,002	3,552,171
Judicial administration	1,720,680	1,594,913	1,638,486	1,734,845	1,775,132	1,630,446	1,456,734	1,317,924	1,156,608	1,161,946
Public safety	9,151,531	9,750,857	9,319,610	9,434,294	9,721,162	9,340,095	9,208,081	8,143,123	7,512,886	7,609,206
Public works	5,126,188	5,048,667	4,749,252	5,272,649	5,097,539	4,633,944	5,105,448	6,336,295	4,940,755	4,893,945
Health and welfare	5,582,630	5,527,635	5,012,585	4,982,095	5,068,954	4,487,419	4,418,294	4,332,639	4,279,265	3,843,104
Education	10,715,366	10,602,061	9,948,427	11,506,943	11,898,943	14,233,660	24,887,834	10,606,346	9,687,388	9,038,243
Parks, recreation and cultural	2,860,619	2,793,380	2,789,783	3,101,115	3,041,516	3,268,105	3,055,548	2,789,784	2,658,033	2,971,216
Community development	2,263,642	1,724,699	1,987,336	1,649,671	2,031,826	1,782,443	1,993,013	9,092,987	3,512,744	1,320,073
Capital outlay	2,900,387	625,192	219,482	-	72,913	453,004	924,818	996,533	622,099	1,262,903
Debt service:										
Principal retirement	1,785,018	2,042,417	2,281,258	16,727,747	1,617,766	1,533,795	1,155,326	1,331,288	1,296,626	1,262,869
Interest and fiscal charges	1,220,736	1,298,202	1,355,642	1,166,623	1,467,350	1,408,521	1,235,752	899,000	575,703	586,933
Bond issue costs	-	-	106,621	9,675	-	135,772	22,450	47,815	199,858	23,825
Total Expenditures	47,401,645	45,060,554	43,502,588	59,456,024	45,496,255	46,529,162	56,969,428	48,998,680	39,617,967	37,526,434
Excess of revenues over (under) expenditures	(151,388)	1,719,281	2,609,179	(13,258,507)	1,541,248	(1,306,562)	(15,694,409)	(9,601,748)	(2,745,432)	(1,243,165)

(Continued)

TABLE 4

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OTHER FINANCING SOURCES (USES)										
Bonds issued	-	-	-	15,000,000	-	10,600,000	9,675,400	10,000,000	10,909,366	-
Refunding bonds issued	-	-	-	-	-	-	-	-	-	3,734,325
Proceeds from capital leases	-	-	-	-	-	-	-	-	-	418,327
Discount on general obligation bonds	-	-	-	-	-	(206,895)	-	-	-	-
Sale of building and equipment	-	17,848	20,159	25,105	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	(9,655,097)	-	-	-	(3,774,010)
Transfers in	9,296,443	5,945,984	4,077,358	3,117,242	1,418,913	4,010,450	4,161,554	9,833,274	2,782,252	483,017
Transfers out	(9,471,443)	(6,170,384)	(4,301,758)	(3,296,682)	(1,677,993)	(4,189,890)	(3,546,492)	(9,431,498)	(2,911,692)	(724,137)
Total other financing sources (uses)	(175,000)	(206,552)	(204,241)	14,845,665	(259,080)	558,568	10,290,462	10,401,776	10,779,926	137,522
Net change in fund balance	$ (326,388)	$ 1,512,729	$ 2,404,938	$ 1,587,158	$ 1,282,168	$ (747,994)	$ (5,403,947)	$ 800,028	$ 8,034,494	$ (1,105,643)
Debt service as a percentage of noncapital expenditures	6.71%	7.73%	8.57%	6.65%	5.29%	6.75%	6.49%	4.90%	5.41%	5.44%

Notes:
Includes only the primary government

TABLE 5

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Assessed Value and Actual Value of Taxable Property
Last Ten Calendar Years
UNAUDITED

Calendar Year	Residential	Commercial	Industrial	Total Taxable and Actual Assessed Value	Total Direct Tax Rate
2012	$ 1,465,244,126	$ 313,111,572	$ 52,355,253	$ 1,830,710,951	$ 0.90
2011	1,456,303,391	315,889,749	48,128,961	1,820,322,101	0.90
2010	1,584,972,579	322,101,977	53,403,998	1,960,478,554	0.90
2009	1,570,574,212	321,077,444	53,135,211	1,944,786,867	0.90
2008	1,476,305,352	295,926,079	51,382,419	1,823,613,850	0.90
2007	1,443,735,578	291,724,204	51,152,994	1,786,612,776	0.90
2006	1,047,022,585	250,790,849	46,263,928	1,344,077,362	0.96
2005	1,002,298,395	232,714,779	46,134,528	1,281,147,702	0.96
2004	838,643,105	199,912,460	44,749,146	1,083,304,711	1.00
2003	831,561,928	189,601,743	46,229,869	1,067,393,540	1.00

Sources:
City of Staunton Assessor’s Office.

Notes:
-Property in the City of Staunton is reassessed every other year.
-The City assesses all real property at 100% of actual value, therefore the actual assessed value equals the taxable assessed value.
-Tax rates are per $100 of assessed value.
-Includes real estate and downtown service district taxes
-This schedule includes assessments made during the calendar year, January through December. The current calendar year includes taxes assessed in May but due 75% in June and 25% in December.
-There are no overlapping governments and therefore are no overlapping tax rates

TABLE 6

CITY OF STAUNTON, VIRGINIA

Revenue Capacity Information
Principal Property Taxpayers
Current Year and Nine Years Ago
UNAUDITED

Taxpayer Name	2012 Assessed Valuation	2012 Rank	2012 Percentage of Total Taxable Assessed Value	2003 Assessed Valuation	2003 Rank	2003 Percentage of Total Taxable Assessed Value
One Industry Way Co-Owners, LLC	$ 14,014,000	1	0.77%	$ 14,399,750	2	0.75%
Wal-Mart Real Estate Business	11,638,200	2	0.64%	10,047,800	3	0.88%
FAP Properties / Art Fisher	11,517,275	3	0.63%	-		-
Gypsy Hill Investments LLC	10,846,300	4	0.59%	-		-
Big Sky, LLC	9,628,200	5	0.53%	-		-
SHP III Baldwin Park, LLC	9,305,870	6	0.51%	-		-
RCC Statler Square LLC	9,257,800	7	0.51%	-		-
Staunton Plaza, LLC	9,096,980	8	0.50%	-		-
North Augusta LLC	8,367,060	9	0.46%	-		-
Land'Or Williamsburg LLC	8,344,950	10	0.46%	-		-
Unifi Inc	-		-	8,489,758	1	1.26%
Lowe's Home Centers Inc	-		-	5,543,250	4	0.49%
Regency Centers, Inc	-		-	5,827,850	5	0.51%
K R Staunton, Inc	-		-	4,961,800	6	0.44%
Kings Daughters Health Investment	-		-	4,577,410	7	0.40%
AL Investors Development	-		-	4,500,700	8	0.40%
Baldwin Park Ltd	-		-	4,039,000	9	0.35%
Oak Hill Health Care Center	-			3,697,070	10	0.32%
Totals	$ 102,016,635		5.57%	$ 66,084,388		5.80%

Source: City Assessor
Notes:
Real Estate Only

TABLE 7

CITY OF STAUNTON, VIRGINIA

Revenue Capacity Information
Property Tax Levies and Collections
Last Ten Calendar Years
UNAUDITED

Calendar Year	Taxes Levied for the Calendar Year	Collected within the Calendar Year of the Levy: Amount	Collected within the Calendar Year of the Levy: Percentage of Levy	Collections in Subsequent Calendar Years	Total Collections To Date: Amount	Total Collections To Date: Percentage of Levy
2012	(1) $ 16,261,738	(2) $ -	0.00%	$ -	$ -	0.00%
2011	16,140,585	15,094,471	93.52%	-	15,094,471	93.52%
2010	17,426,047	16,310,945	93.60%	436,757	16,747,702	96.11%
2009	17,310,637	16,259,263	93.93%	541,406	16,800,669	97.05%
2008	16,247,090	15,434,142	95.00%	492,015	15,926,157	98.02%
2007	16,194,110	15,234,398	94.07%	473,592	15,707,990	97.00%
2006	12,848,385	12,158,103	93.98%	479,365	12,637,468	98.36%
2005	12,297,520	na	na	na	na	na
2004	10,838,147	na	na	na	na	na
2003	9,756,690	na	na	na	na	na

Sources: City of Staunton Assessor and Finance Department

Includes real estate and downtown service district taxes

na-Not Available. The City implemented a new tax system during calendar year 2005 and the information required for accurate presentation of this data is not available

(1)Taxes levied for the current calendar year are levied in May and are due 75% in June and 25% in December.

(2)Collections made during the current calendar year for any tax year are not shown because the calendar year is not complete.

TABLE 8

CITY OF STAUNTON, VIRGINIA

Debt Capacity Information
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
UNAUDITED

	Governmental Activities				Business - type Activities				
Fiscal Year	General Obligation Bonds	Contractual Obligations	Literary Loans	Capital Leases	General Obligation Bonds	VRA Loans	Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
2012	$ 15,546,300	$ 15,000,000	$ 14,750,000	$ -	$ 6,196,564	$23,017,857	$ 74,510,721	5.33%	$ 3,138
2011	16,381,318	15,000,000	15,000,000	-	6,976,806	24,481,898	77,840,022	5.03%	3,278
2010	17,473,734	15,000,000	16,650,000	-	7,825,405 *	24,732,677	81,681,816	4.78%	3,423
2009	18,793,924	-	17,600,000	11,068	8,733,463 *	15,288,202	60,426,657	5.99%	2,521
2008	20,181,760	-	17,875,400	79,206	7,737,390	10,571,738	56,445,494	6.05%	2,368
2007	20,728,155	-	18,075,400	144,041	7,710,244	9,065,627	55,723,467	6.50%	2,388
2006	21,207,109	-	18,275,400	212,191	8,262,991	9,699,911	57,657,602	5.92%	2,466
2005	22,937,184	-	8,800,000	281,694	8,783,003	10,308,622	51,110,503	6.45%	2,208
2004	19,190,294	-	3,693,005	353,611	9,282,248	10,892,682	43,411,840	7.17%	1,866
2003	9,075,782	-	4,081,060	378,125	9,753,145	11,453,725	34,741,837	8.40%	1,455

Notes:
Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(a) See Table 11 for personal income and population data.
*total does not include amounts not yet drawn down from Virginia Resources Authority.

TABLE 9

CITY OF STAUNTON, VIRGINIA

Debt Capacity Information
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years
UNAUDITED

	General Bonded Debt Outstanding					
Fiscal Year	General Obligation Bonds	Literary Loans	VRA Loans	Net Bonded Debt	Percentage of Actual Taxable Value of Property (a)	Per Capita (b)
2012	$ 21,742,864	$ 14,750,000	$ 23,017,857	$ 59,510,721	3.25%	$ 2,506
2011	23,358,124	15,700,000	24,481,898	63,540,022	3.49%	2,676
2010	25,299,139	16,650,000 *	24,732,677	66,681,816	4.17%	3,423
2009	27,527,387	17,600,000 *	15,288,202	60,415,589	3.11%	2,521
2008	27,919,150	17,875,400	10,571,738	56,366,288	3.09%	2,365
2007	28,438,399	18,075,400	9,065,627	55,579,426	3.11%	2,382
2006	29,470,100	18,275,400	9,699,911	57,445,411	4.27%	2,457
2005	31,720,187	8,800,000	10,308,622	50,828,809	3.97%	2,196
2004	28,472,542	3,693,005	10,892,682	43,058,229	3.97%	1,851
2003	18,828,927	4,081,060	11,453,725	34,363,712	3.22%	1,439

Notes:

Details regarding the City’s outstanding debt can be found in the notes to the financial statements.
(a) Property values data can be found in Table 5.
(b) Population data can be found in Table 11.

*total does not include amounts not yet drawn down from Virginia Resources Authority.

TABLE 10

CITY OF STAUNTON, VIRGINIA

Debt Capacity Information
Legal Debt Margin Information
Last Ten Fiscal Years
UNAUDITED

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt Limit	$ 183,071,095	$ 182,032,210	$ 196,047,855	$ 194,478,687	$ 182,361,385	$ 178,661,278	$ 134,407,736	$ 133,413,286	$ 114,321,164	$ 112,565,264
Total net debt applicable to limit	59,510,721	63,540,022 *	66,681,816	60,415,589	56,366,288	55,579,426	57,445,411	50,828,809	43,058,228	34,477,401
Legal debt margin	$ 123,560,374	$ 118,492,188	$ 129,366,039	$ 134,063,098	$ 125,995,097	$ 123,081,852	$ 76,962,325	$ 82,584,477	$ 71,262,936	$ 78,087,863
Legal debt margin as a percentage of the debt limit	67.49%	65.09%	65.99%	68.93%	69.09%	68.89%	57.26%	61.90%	62.34%	69.37%

* total does not include amounts not yet drawn down from Virginia Resources Authority.

TABLE 11

CITY OF STAUNTON, VIRGINIA

Demographic and Economic Information
Demographic and Economic Statistics
Last Ten Fiscal Years
UNAUDITED

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median age (1)	School enrollment (3)	Unemployment rate (4)
2012	23,746	$ 3,969,481	$ 33,502	37.3	2,605	6.3%
2011	23,746	3,912,376	33,114	42.1	2,528	6.7%
2010	23,866	3,903,337	33,161	41.8	2,572	7.7%
2009	23,899	3,903,337	33,161	41.8	2,578	7.5%
2008	23,726	3,903,337	33,161	40.6	2,601	4.6%
2007	23,333	3,620,374	31,161	40.4	2,646	3.1%
2006	23,379	3,416,168	29,722	40.2	2,620	3.2%
2005	23,144	3,296,454	29,033	39.8	2,610	3.6%
2004	23,260	3,112,835	27,760	39.8	2,671	3.6%
2003	23,884	2,919,271	26,312	39.8	2,720	4.3%

Sources:
(1) U. S. Census
(2) Bureau of Economic Analysis - Regional Data for the County of Augusta and the Cities of Staunton and Waynesboro. The most recent data is for 2010.
(3) Staunton City School Board
(4) US Department of Labor-Bureau of Labor Statistics

CITY OF STAUNTON, VIRGINIA

Demographic and Economic Information
Principal Employers
Current Year
UNAUDITED

	2012		
Employer	Employees	Rank	Percentage of Total City Employment
Western State Hospital	500-599	1	4.97%
Staunton City School Board	500-599	2	4.97%
Mary Baldwin College	250-499	3	3.39%
Wal Mart	250-499	4	3.39%
City of Staunton	250-499	5	3.39%
Fisher Auto Parts Inc.	250-499	6	3.39%
Alphastaff Inc	250-499	7	0.68%
Home Instead Senior Care	100-249	8	0.68%
Virginia School for the Deaf and Blind	100-249	9	0.68%
VDOT	100-249	10	0.68%
Total	2550-4440		26.22%

Data for nine years ago is not available.

Source: Virginia Employment Commission (VEC)
Notes:
Percentage of Total City employment is based on the midpoints in the ranges given.

TABLE 13

CITY OF STAUNTON, VIRGINIA

Operating Information
Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years
UNAUDITED

Function/Program	Full Time Equivalent Employees as of June 30									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
General Government	31	31	30	33	33	33	32	32	32	32
Judicial	21	21	22	22	22	22	17	17	17	16
Public Safety	99	98	101	107	106	106	95	95	95	94
Public Works	38	38	39	40	42	42	49	47	47	41
Parks, Recreation, and Culture	23	22	26	26	26	27	26	25	25	31
Community Development	7	7	8	8	7	7	6	6	6	5.5
Grants-Blue Ridge Courts	8	8	8	8	na	na	na	na	na	na
Golf	1	1	1	1	1	0	0	0	0	0
Water	25	25	24	25	25	25	25	23	23	23
Sewer	5	5	6	6	6	6	6	6	6	6
Environmental	18	20	22	24	24	24	23	23	23	23
Stormwater	1	1	1	2	na	na	na	na	na	na
Total	277	277	280	302	292	292	279	274	274	271.5

na-not available
Source: Finance Department
Notes:
A full time employee is scheduled to work 2,088 hours per year (including vacation and sick leave).
Full time equivalent employment is calculated by dividing total labor hours by 2,088. City firefighters' time is based on 2,766 hours per year.

TABLE 14

CITY OF STAUNTON, VIRGINIA

Operating Information
Operating Indicators by Function/Program
Last Ten Fiscal Years
UNAUDITED

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety:										
Police:										
Arrests	2,415	2,402	2,378	2,517	2,835	2,469	2,369	na	na	na
Parking tickets	5,548	5,117	3,639	5,428	6,846	5,031	4,142	na	na	na
Traffic summons	3,809	4,693	4,093	4,525	4,723	4,773	4,229	na	na	na
Fire:										
Incident responses	2,640	3,372	3,000	2,812	2,695	2,648	2,384	2,630	3,071	na
Fires extinguished	56	65	45	80	79	99	83	70	87	na
Inspections	424	417	407	348	286	211	138	85	304	na
Inspections:										
Building permits issued	1,010	1,036	896	1,024	1,219	1,641	1,740	1,200	1,246	1,139
Building inspections conducted	2,592	2,753	2,538	3,587	4,631	4,623	4,865	3,107	2,796	2,158
Public Works:										
Refuse:										
Recycling collected (tons per day)	2.12	1.72	1.58	1.65	na	na	na	na	na	na
Refuse collected (tons per day)	63.7	62.6	69.9	67.6	79.5	83.1	95.3	94.4	91.3	89.2
Other public works:										
Lane miles paved	12.3	10.08	9.78	5.25	7.43	7.97	2.5	2.4	9.1	16.5
Parks and Recreation:										
Rounds of golf	9,731	9,863	8,939	10,283	10,345	13,000	15,552	14,770	14,930	15,786
Library:										
Volumes in collection	177,037	175,505	171,652	172,345	174,390	173,503	171,816	175,872	177,537	173,417
Total volumes borrowed	397,243	418,107	432,276	450,949	447,047	425,581	409,440	404,395	409,152	386,224
Utility:										
New connections-water	9	16	11	13	122	228	165	na	na	na
Active customers-water	9,358	9,335	9,727	9,296	9,271	9,231	9,168	9,025	8,876	9,607

Sources: Various city departments; regional landfill

na- data not available

TABLE 15

CITY OF STAUNTON, VIRGINIA

Operating Information
Capital Asset Statistics by Function/Program
Last Nine Fiscal Years
UNAUDITED

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units-marked	19	20	20	20	20	21	21	20	20	20
Patrol Units-unmarked	18	16	16	16	16	14	18	18	17	17
Fire Stations	2	2	2	2	2	2	2	1	1	1
Refuse										
Collection trucks	8	7	7	7	7	7	6	6	5	5
Recycling trucks	4	3	3	3	3	3	3	3	3	3
Other Public Works										
Lane miles of streets	298.7	298.55	298.55	298.55	297.38	291.22	288.48	288.48	286.28	286.28
Traffic Signals-signals and flashers	65	63	64	64	64	64	64	64	64	64
Parks and Recreation										
Acreage	482	482	482	477	477	477	447	418.5	418.5	418.5
Number of Parks	9	9	9	7	7	7	6	5	5	5
Baseball/softball fields	8	8	8	7	7	7	7	7	7	7
# of baseball/softball games played	1,585	1,560	1,522	1,590	1,503	1,488	1,426	na	na	na
Soccer/football fields	4	4	4	4	3	3	3	3	3	3
# of soccer/football games played	212	195	214	217	183	176	124	na	na	na
Water										
Miles of water mains	179.41	175.37	175.35	175.15	174.9	173.56	170	147.62	146.7	146.55
Fire Hydrants	912	912	897	887	866	828	797	na	na	na
Storage capacity (thousands of gal)	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Sewer										
Miles of sanitary sewers	132.84	132.79	132.42	132.35	131.82	130.88	128	124.73	123.2	123.00

Sources: Various City departments
na - data not available.

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COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 27, 2012. Our report was modified to include a reference to another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Another auditor audited the financial statements of the Augusta Regional Landfill, a portion of which is included in the City's Environmental Fund as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance or other matters that are reported on separately by that auditor.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Items 12-1 and 12-2.**

We also noted certain other matters that we have reported to management in a separate letter dated November 27, 2012.

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, the School Board, other within the entity, 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2012

BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Staunton, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Staunton, Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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<u>Internal Control Over Compliance</u> (Continued)

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

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

This report is intended solely for the information and use of management, City Council, the School Board, others within the entity, 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 27, 2012

CITY OF STAUNTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS
June 30, 2012

As more fully described in the 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,* we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

STATE COMPLIANCE MATTERS

Code of Virginia
Budget and Appropriation Laws
Cash and Investment Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Economic Development Opportunity Funds
Sheriff Internal Controls
Uniform Disposition of Unclaimed Property Act

State Agency Requirements
Education
Highway Maintenance Funds

FEDERAL COMPLIANCE MATTERS

Compliance Supplement for Single Audits of State and Local Governments

Provisions and conditions of agreements related to federal programs selected for testing.

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements is reported in the 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*.
3. **No instances of noncompliance** material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an **unqualified opinion**.
6. The audit disclosed **no audit findings relating to major programs.**
7. The programs tested as major programs include:

Child Nutrition Cluster – National School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Education Jobs Fund - ARRA	84.410

8. The **threshold** for distinguishing Type A and B programs was **$300,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

12-1. Commonwealth of Virginia: Highway Maintenance Costs

Condition:

In our sample of 30 work orders, we noted that work was performed on two ineligible streets.

Recommendation:

We recommend that the City ensures that work is performed only on eligible streets.

Management Response:

We concur with this finding. We have continually made efforts to improve our processes for accounting for our expenditure of state highway maintenance funds. To address this specific issue, we developed a list of ineligible streets which is used by public works personnel when completing work orders. We will continue to stress the importance of verifying that streets listed on the work order are not on this list when the work order is completed. This will help to ensure that work on ineligible streets is not captured on highway maintenance work orders.

12-2. Commonwealth of Virginia: Economic Interest Disclosure Statements

Condition:

Out of seven official disclosure statements for the School Board, we noted one that was not submitted by the required submission deadline as set forth by the *Code of Virginia*.

Recommendation:

City and School Board officials must submit disclosure statements timely.

Management Response:

We believe adequate procedures currently exist. The Clerk to School Board exercised follow up measures. The statement was filed one day late. (The due date was on a Saturday, the following Monday was a holiday. The report was filed on Wednesday.)

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF AGRICULTURE:			
Direct Programs:			
Rural Business Cooperative Service			
Rural Business Enterprise Grant	10.769	55-035-571270797	$ 14,553
Pass-Through Programs:			
Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program - Non Cash Commodities	10.555	N/A	72,722
Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	405910	169,117
National School Lunch Program	10.555	406230	610,028
Fresh Fruits and Vegetables Program	10.582	405990	27,002
Department of Social Services:			
Food Stamp Cluster:			
State Administrative Matching Grants for the Food Stamp Program:			
Cost Allocations - Food Stamps	10.561	84322	5,716
DEPARTMENT OF EDUCATION:			
Pass-Through Programs:			
Department of Education:			
Title 1, Part A Cluster:			
Title I Educationally Deprived Children - LEA	84.010	S010A090046 & S010A10046	1,066,795
Title I ARRA-Grants to LEA's	84.389	S389A090046	871
Title I, Part D - Neglected & Delinquent Children	84.013	S013A100046 & S013A090046	10,713
Special Education Cluster			
Title VIB - Special Education	84.027	H027A100107& H027A090107	746,300
Special Education - Pre-School Grants	84.173	H173A110112	28,026
IDEA-Special Education Grants to States - ARRA	84.391	H391A090107	123,525
Special Education Preschool Grants - ARRA	84.392	H392A090112	1,432
Vocational Education - Basic Grants to States	84.048	V048A110046	58,672
Drug-Free Schools and Communities - State Grants	84.186	Q186A090048	1,243
Title II, Part A - Training & Recruiting Grant	84.367	S367A090044 & S367A100044	178,380
Title II, Part D, Enhancing Education Through Tech.	84.318	S318X100046	1,827
School Improvement Grants	84.377	S377A100047	500
ARRA Stimulus Funds - State Fiscal Stabilization Funds	84.394	S394A090047	130,000
ARRA Stimulus Funds - Title II, Part D	84.386	S386A090046	212
ARRA Stimulus Funds - Education Jobs Funds	84.410	S410A100047	595,931

(Continued)

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Pass-Through Programs:			
Department of Social Services:			
Temporary Assistance for Needy Families:	93.558		
TANF-Manual checks		80801	$ (2,310)
VIEW-Supportive Services		87202	36,143
VIEW- Transitional		87204	(5)
VIEW-Transportation		87207	69,529
Child Care and Development Block Grant:	93.575		
Head Start Wrap Around Child Care		87801	1,608
Fee Child Care 100% Federal		88302	89,299
TANF (Non-VIEW) Ed/Trng Child Care		88304	4,320
Child Care and Development Fund:-Mandatory and Matching Funds	93.596		
VIEW - Working Child Care		87101	38,218
VIEW-Transitional Child Care		87102	7,693
TANF-Transitional Child Care		87103	4,007
TANF (Non-VIEW) Working Child Care		87104	14,641
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	23,672
Licensed Child Placing Agency-Basic Maintenance		81108	74,990
Local Agency Foster Home-Basic Maintenance		81110	62,412
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision		81112	134,151
Central Service Cost Allocation - IV-E serv		84319	1,814
Adoption Assistance:	93.659		
Subsidized Adoption Assistance-Basic Maintenance		81201	188,402
Nonrecurring Adoption Assistance		81202	3,082
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision		81203	22,528
State Adoption Assistance		81701	40,475
Cost Allocation		84324	189
Social Services Block Grant:	93.667		
Child Protective Services		82402	
Family Preservation-(SSBG)		82905	2,276
Home Based Companion (State Supplement)		83304	10,719
Adult Protective Services		89501	683
Medical Assistance Program (Title XIX)	93.778		
Central Service Cost Allocation-Medicaid		84323	3,222

(Continued)

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF HOMELAND SECURITY:			
Pass Through Programs:			
Department of Emergency Management:			
State Homeland Security Grant Program	97.073	n/a	6,349
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
Pass-Through Programs:			
Department of Housing and Community Development:			
Community Development Block Grants-State's Program	14.228	50799	23,783
DEPARTMENT OF JUSTICE:			
Direct Programs:			
Equitable Sharing Program	16.922	n/a	545
Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2820	17,881
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1273, 12-G1210LO11	7,512
Pass-Through Programs:			
Department of Criminal Justice Services:			
Crime Victim Assistance	16.575	76000, 86000	41,186
DEPARTMENT OF ENERGY:			
Pass-Through Programs:			
Central Shenandoah Planning District Commission			
Energy Efficiency & Conservation Block Grant Program ARRA	10.688	n/a	22,000
DEPARTMENT OF TRANSPORTATION:			
Pass-Through Programs:			
Division of Motor Vehicles:			
State and Community Highway Safety-402 Funds	20.600	51,142, 52155	8,436
ENVIRONMENTAL PROTECTION AGENCY:			
Pass-Through Programs:			
Department of Environmental Quality			
Performance Partnership Grants	66.605	B1137B-01	6,720
Total Expenditures of Federal Awards			$ 4,809,735

CITY OF STAUNTON, VIRGINIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012

Note 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Staunton, Virginia reporting entity and is presented on the modified accrual basis of accounting.