



City of Staunton, Virginia

Comprehensive Annual Financial Report

Fiscal Year July 1, 2009 - June 30, 2010

CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2010

Prepared By:
Department of Finance

Jeanne R. Colvin
Director of Finance

Cynthia B. Snead, CPA
Accounting Supervisor

CITY OF STAUNTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2010

TABLE OF CONTENTS

INTRODUCTORY SECTION

Council, Officials, and School Board	i
Organizational Chart	ii
Certificate of Achievement for Excellence in Financial Reporting	iii
Letter of Transmittal	iv-vii

FINANCIAL SECTION

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3a-3l
Basic Financial Statements:	
Government-Wide Financial Statements:	
Exhibit 1 Statement of Net Assets	5
Exhibit 2 Statement of Activities	6
Fund Financial Statements:	
Exhibit 3 Balance Sheet – Governmental Funds with Reconciliation	8
Exhibit 4 Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds with Reconciliation	10
Exhibit 5 Statement of Net Assets – Proprietary Funds	12
Exhibit 6 Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	13
Exhibit 7 Statement of Cash Flows – Proprietary Funds	14
Notes to Financial Statements	16
Required Supplementary Information	
Exhibit 8 Budgetary Comparison Schedule – General Fund	48
Exhibit 9 Schedule of Funding Progress – Defined Benefit Pension Plan	49
Exhibit 10 Schedule of Funding Progress – Other Post-Employment Benefits	50
Note to Required Supplementary Information	51
Other Supplementary Information	
Nonmajor Governmental Funds	52
Exhibit A-1 Combining Balance Sheet – Nonmajor Governmental Funds	53
Exhibit A-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	54

FINANCIAL SECTION (cont'd)	Page
Nonmajor Proprietary Funds	55
Exhibit B-1 Combining Statement of Net Assets – Nonmajor Proprietary Funds	56
Exhibit B-2 Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor Proprietary Funds	57
Exhibit B-3 Combining Statement of Cash Flows – Nonmajor Proprietary Funds	58
Discretely Presented Component Unit – School Board	60
Exhibit C-1 Statement of Net Assets	61
Exhibit C-2 Statement of Activities	62
Exhibit C-3 Balance Sheet – Governmental Funds with Reconciliation	63
Exhibit C-4 Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds with Reconciliation	65
Exhibit C-5 Combining Balance Sheet – Nonmajor Governmental Funds	67
Exhibit C-6 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	68
Exhibit C-7 Budgetary Comparison Schedule – Education Fund	69
Exhibit C-8 Statement of Fiduciary Net Assets	70
Exhibit C-9 Statement of Changes in Fiduciary Assets and Liabilities – Agency Fund	71
Discretely Presented Component Unit – Industrial Development Authority	72
Exhibit D-1 Statement of Net Assets	73
Exhibit D-2 Combining Statement of Revenues, Expenses, and Changes in Net Assets	74
Exhibit D-3 Combining Statement of Cash Flows	75
Supplementary Schedules	76
Schedule 1 Governmental Funds and Discretely Presented Component Unit – School Board Schedule of Revenues – Budget and Actual	77
Schedule 2 Governmental Funds and Discretely Presented Component Unit – School Board Schedule of Expenditures – Budget and Actual	86
STATISTICAL SECTION	94
Table 1 Net Assets by Component	95
Table 2 Changes in Net Assets	96
Table 3 Fund Balances, Governmental Funds	99
Table 4 Changes in Fund Balances, Governmental Funds	100
Table 5 Assessed Value and Actual Value of Taxable Property	102
Table 6 Principal Property Taxpayers	103
Table 7 Property Tax Levies and Collections	104
Table 8 Ratios of Outstanding Debt by Type	105
Table 9 Ratio of General Bonded Debt Outstanding	106
Table 10 Legal Debt Margin Information	107
Table 11 Demographic and Economic Statistics	108
Table 12 Principal Employers	109
Table 13 Full-Time Equivalent City Government Employees by Function/Program	110
Table 14 Operating Indicators by Function/Program	111
Table 15 Capital Asset Statistics by Function/Program	112

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 <i>Government Auditing Standards</i>	113
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 <i>OMB Circular A-133</i>	115
Summary of Compliance Matters	117
Schedule of Findings and Questioned Costs	118
Summary Schedule of Prior Audit Findings	121
Schedule of Expenditures of Federal Awards	122
Note to Schedule of Expenditures of Federal Awards	126

THIS PAGE INTENTIONALLY BLANK

INTRODUCTORY SECTION

CITY OF STAUNTON, VIRGINIA
COUNCIL, OFFICIALS, AND SCHOOL BOARD

COUNCIL

<p>Ophie A. Kier Andrea W. Oakes Carolyn W. Dull</p>	<p>Lacy B. King, Mayor</p>	<p>David R. Metz, Vice-Mayor James J. Harrington Bruce A. Elder</p>
--	----------------------------	---

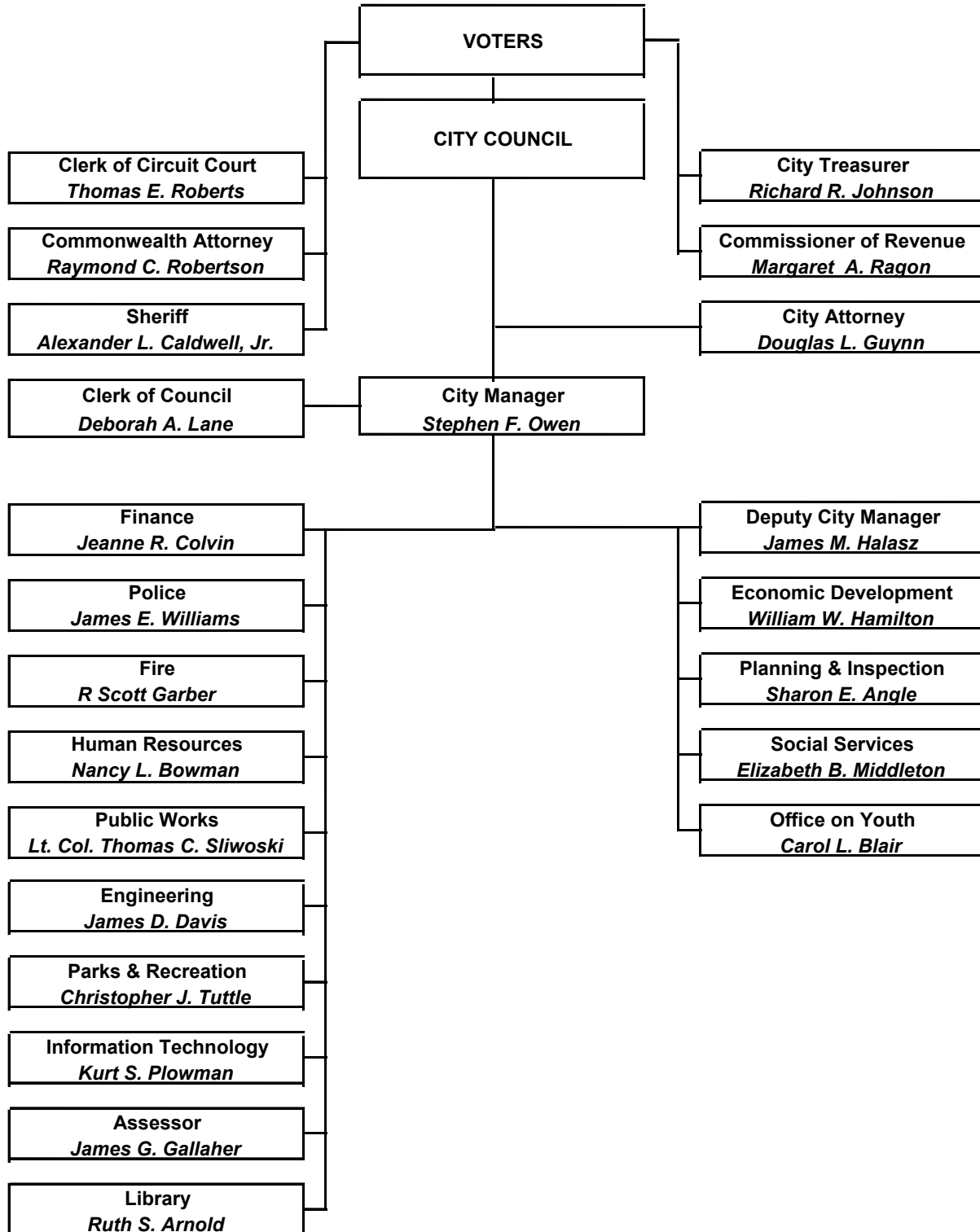
OFFICIALS

<p>Deborah Lane Stephen F. Owen Jeanne R. Colvin Richard R. Johnson Douglas L. Guynn Margaret (Maggie) A. Ragon Elizabeth Middleton Thomas E. Roberts Alexander L. Caldwell, Jr. Dr. R. Steven Nichols Charles M. Phibbs</p>	<p>Clerk of Council City Manager Director of Finance City Treasurer City Attorney Commissioner of Revenue Director of Social Services Clerk of Circuit Court City Sheriff Superintendent of Schools Director of Finance-Schools</p>
--	---

SCHOOL BOARD

<p>George Ballew Sarah Crenshaw</p>	<p>Angela V. Whitesell, Chair Dr. Roderic L. Owen, Vice-Chair</p>	<p>Ronald W. Ramsey Dr. Daniel Stuhlsatz</p>
--	--	---

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, 2009

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

Jeanne R. Colvin
Finance Director

Birthplace of the
Council-Manager
Form of Government



116 W. BEVERLEY STREET
P.O. Box 58
STAUNTON, VA 24402
540.332.3809 (O)
540.332.3807 (F)

November 30, 2010

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, 2010. 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 & Company, L.L.P., Certified Public Accountants, issued an unqualified opinion for the City of Staunton for fiscal year ending June 30, 2010. 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 reservations of fund balance 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 Industrial 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 Industrial Development Authority was created as a separate legal entity by the City to promote industrial development within the City. All members of the Board are appointed by City Council. The Industrial Development Authority imposes a financial burden on the City.

LOCAL ECONOMY

The City's overall financial health is determined by several economic factors such as retail sales volumes, new building or other construction permits, and real estate transactions. Other financial factors include state revenues, population trends, the unemployment rate, and the local tourism industry. As with the national economy, not fully recovered from FY2008, the City's main consumer taxes, sales tax, meals tax, and lodging taxes remained stable in FY2010 as compared to FY2009. The total taxable real estate assessed values remained stable with a slight increase of 0.8% at January 1, 2010. The local unemployment rate for June 2010 was 7.7%, which is below the national average of 9.6%, and slightly above the statewide average of 7.1%. The City's economic condition has remained relatively stable through the national economic crisis. A wide variety of manufacturing facilities, distribution centers, a fairly stable retail base, and a successful tourism market contributed to 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 to strengthen, diversify, provide growth to the local tax base, and provide employment growth to improve the local median household income level. As a result of the City's long-term efforts, in FY2010, the City 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 project is expected to generate \$5 million annually in new city tax revenues and create more than 2,000 jobs. 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.

Safety Net Reserve - The City established a fiscal policy in 1993 to reserve 8.3% of the City's total operating budget as a cash safety net reserve. The primary government reserve is currently \$3.6 million. These funds are reserved only for 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 has followed this policy since its adoption.

Capital Improvement Plan - The City revises its long-term capital improvement plan on an annual basis. This plan includes the general government operations, the Education Fund, and the enterprise funds including golf, water, sewer, parking, storm water and the environmental fund. The City will issue new debt or a combination of cash and debt to finance capital projects. The Finance Department prepares five-year affordability financing models to plan for future capital needs. 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.

MAJOR INITIATIVES

FY2011 Budget - The total FY2011 budget was adopted at a slight decrease of 0.1% over the previous year. All tax rates remained the same as FY2010 with the exception of the personal property tax rate. The personal property tax rate increased forty cents per hundred to offset \$400,000 in foregone revenue from eliminating the motor vehicle decal and for additional revenue dedicated to street improvement projects. The real estate assessment values are expected to decline 8% resulting in a \$1.1 million loss in real estate tax revenues for FY2011. Other local tax revenues such as business licenses, sales tax, meals tax, and utility tax revenues are projected to remain stable through 2011. The City adjusted expenditures to match the decreased real estate tax revenues. The City implemented a hiring freeze in July 2008 due to the economic downturn as a plan to deal with the decreasing consumer tax revenues. The City has not laid off any employees, but has cut 26 full-time vacant positions. State revenues continue to decline as the Commonwealth continues to shift its historical responsibility for state mandated expenditures to local governments by decreasing revenues to localities.

Economic Development – Western State Hospital – The new mental health hospital facility is under construction by the State of Virginia at a cost of \$118 million. In November 2009, the City and the IDA 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. The IDA agreed to deed approximately 66 acres of IDA land to the Commonwealth to re-locate and build a new mental health hospital. During FY 2010, the City issued a \$15 million letter of credit as security for payment to the Commonwealth. Final payment is due the Commonwealth when the new hospital is 80% complete. The WSH campus land was transferred to the IDA during FY2010 for development. The

IDA intends to contract with and sell the land to private developers to develop the multi-use site into commercial, retail, and office property. Proceeds from the land sales will be paid to the City to reduce the City's \$15 million obligation to the Commonwealth. The new development park, 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.

Virginia School for the Deaf and Blind – After many years of planning, the Commonwealth of Virginia is adding to and renovating the existing school to accommodate additional students. The Commonwealth combined the school located in Hampton with the Staunton school. Over the next three years, the school campus will add two new dormitories, a new middle school and a new high school. Construction began in 2009 with a total estimated cost of \$71.3 million.

Capital Improvements – In June 2010, the City issued \$7.1 million in Taxable General Obligation Public Improvement Bonds through Virginia Resources Authority to fund water and sewer capital projects. These projects will replace and improve the capacity of sewer lines, extend a major water line for development, and provide increased water storage capacity and water flow for the City.

AWARDS AND ACKNOWLEDGEMENTS

Law Enforcement Accreditation Award - The Staunton Police Department received its eighth Law Enforcement Accreditation Award from the Commission on Accreditation for Law Enforcement Agencies, Inc. Staunton is the first and only law enforcement agency in the world to be accredited eight times. Each award is valid for a three year period. The award represents the department's professional excellence and compliance with law enforcement standards.

Tree City USA Award – The Horticulture Division of the Parks and Recreation Department received a Tree City USA award from the National Arbor Day Foundation for the fifteenth consecutive year. The City was recognized for its active tree care and replacement program. The City was also honored with another Tree City USA Growth Award for progress in the community forestry campaign that recognizes Staunton's commitment to environmental improvement and higher levels of tree care.

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 2009. 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
Director of Finance

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, 2010, 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, of which the City's share of this undivided interest represents 35%, 20%, and 28%, respectively, of the assets, net assets, and revenues of the City's 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 provides 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2010 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 on pages 3a through 3l and budgetary comparison information and schedules of funding progress on pages 48 through 51 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; 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 sections 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 express no opinion on them.

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

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
November 29, 2010

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, 2010. The MD&A is in addition to the transmittal letter, located on pages iii-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 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 \$41 million at June 30, 2010. Net assets of the City's business-type activities were \$66.1 million.
- Total expenses of governmental activities exceeded total revenues by \$.5 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were \$46 million for fiscal year 2010. Revenues of the City's business-type activities were \$10.4 million.
- Expenses were \$45.4 million for governmental activities and expenses for the business-type activities were \$9.8 million for fiscal year 2010.
- The City's total debt at June 30, 2010 was \$85.6 million, a net increase of \$22 million from FY 2009. At June 30, 2010, the City has authorized up to \$11,327,841 and drawn down \$10,649,648 from the Virginia Revolving loan fund to finance Phase III of upgrades to the Middle River Wastewater Treatment Plant. The City issued a \$15,000,000 letter of credit related to the purchase of land for development.
- At June 30, 2010, the total fund balance for all governmental funds was \$17.5 million with the General Fund having \$9.0 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, 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 Industrial Development Authority – due to a development agreement between the City of Staunton and the Industrial Development Authority (IDA), the IDA imposes a financial burden on the City as the issuer of debt to provide capital grants and other property to the IDA.

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 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 fund’s 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's total net assets exceeded liabilities by \$74.6 million at June 30, 2010. The largest portion of the City's net assets (69.7%) 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 (\$32.4 million or 30.3%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2010, 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 \$1.5 million net increase in net assets for governmental activities mainly due to scheduled debt reduction.

Net assets for business-type activities increased \$.8 million. There was an increase of \$9.2 million in assets due to unspent bond proceeds and an increase in construction in progress. This increase was offset by an increase in liabilities of \$8.4 million due to issuance of debt for water and sewer projects.

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, 2010 and 2009

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$ 40,144,890	\$ 23,136,252	\$ 28,674,974	\$ 22,346,310	\$ 68,819,864	\$ 45,482,562
Capital assets	<u>57,698,002</u>	<u>60,908,502</u>	<u>75,374,905</u>	<u>72,448,716</u>	<u>133,072,907</u>	<u>133,357,218</u>
Total assets	97,842,892	84,044,754	104,049,879	94,795,026	201,892,771	178,839,780
Liabilities:						
Long-term liabilities	47,426,490	34,561,458	33,942,312	24,741,322	81,368,802	59,302,780
Other liabilities	<u>9,432,145</u>	<u>9,016,572</u>	<u>4,042,223</u>	<u>4,840,995</u>	<u>13,474,368</u>	<u>13,857,567</u>
Total liabilities	56,858,635	43,578,030	37,984,535	29,582,317	94,843,170	73,160,347
Net assets:						
Invested in capital assets, net of related debt	24,406,532	25,389,133	50,278,514	47,573,043	74,685,046	72,962,176
Restricted	27,485	32,366	-	-	27,485	32,366
Unrestricted	<u>16,550,240</u>	<u>15,045,225</u>	<u>15,786,830</u>	<u>17,639,666</u>	<u>32,337,070</u>	<u>32,684,891</u>
Total net assets	<u>\$ 40,984,257</u>	<u>\$ 40,466,724</u>	<u>\$ 66,065,344</u>	<u>\$ 65,212,709</u>	<u>\$ 107,049,601</u>	<u>\$ 105,679,433</u>

City of Staunton
Changes in Net Assets
For the Years Ended June 30, 2010 and 2009

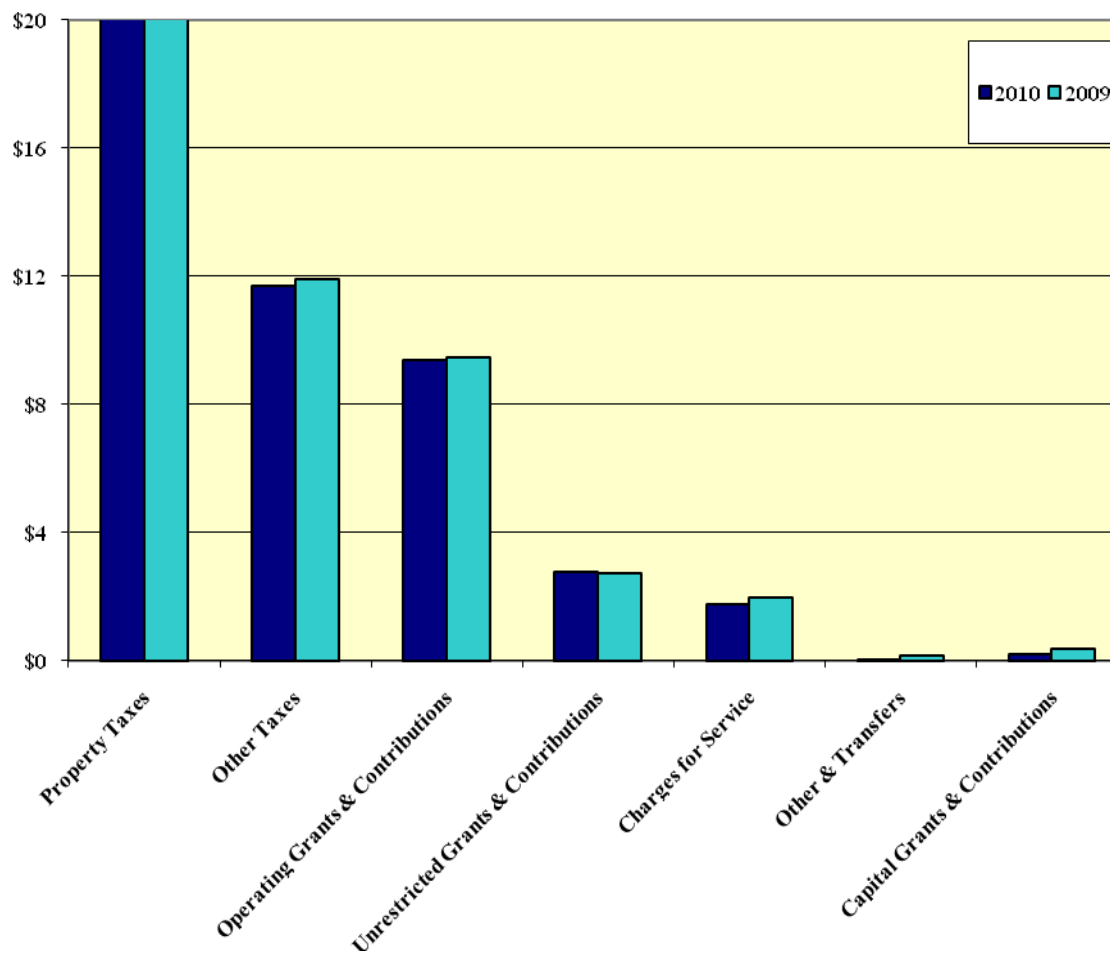
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<u>Revenues:</u>						
<u>Program Revenues</u>						
Charges for services	\$ 1,760,903	\$ 1,968,682	\$ 9,033,416	\$ 9,063,652	\$ 10,794,319	\$ 11,032,334
Operating grants and contributions	9,379,027	9,472,611	2,876	3,947	9,381,903	9,476,558
Capital grants and contributions	217,303	379,550	1,269,948	3,815,810	1,487,251	4,195,360
<u>General revenues</u>						
Property taxes	20,311,531	20,499,305	-	-	20,311,531	20,499,305
Other taxes	11,701,406	11,918,755	-	-	11,701,406	11,918,755
Unrestricted intergovernmental	2,756,972	2,740,644	-	-	2,756,972	2,740,644
Interest and investment earnings	32,403	115,142	102,258	392,495	134,661	507,637
Other	19,380	57,080	-	-	19,380	57,080
Total revenues	<u>46,178,925</u>	<u>47,151,769</u>	<u>10,408,498</u>	<u>13,275,904</u>	<u>56,587,423</u>	<u>60,427,673</u>
<u>Expenses:</u>						
General government	4,240,405	4,353,053	-	-	4,240,405	4,353,053
Judicial administration	1,624,017	1,756,105	-	-	1,624,017	1,756,105
Public safety	9,402,422	9,248,940	-	-	9,402,422	9,248,940
Public works	5,718,532	6,302,122	-	-	5,718,532	6,302,122
Health and welfare	5,018,405	4,987,275	-	-	5,018,405	4,987,275
Parks, recreation and culture	2,935,093	3,242,457	-	-	2,935,093	3,242,457
Education (includes payment to Schools)	12,096,550	12,219,779	-	-	12,096,550	12,219,779
Community Development	3,040,240	1,664,278	-	-	3,040,240	1,664,278
Interest on long-term debt	1,361,328	1,441,577	-	-	1,361,328	1,441,577
Golf	-	-	158,480	162,124	158,480	162,124
Water	-	-	3,139,885	3,392,655	3,139,885	3,392,655
Sewer	-	-	2,688,221	2,913,749	2,688,221	2,913,749
Storm Water	-	-	564,181	486,581	564,181	486,581
Environmental	-	-	2,773,641	2,615,547	2,773,641	2,615,547
Parking	-	-	455,855	466,889	455,855	466,889
Total expenses	<u>45,436,992</u>	<u>45,215,586</u>	<u>9,780,263</u>	<u>10,037,545</u>	<u>55,217,255</u>	<u>55,253,131</u>
Increase in net assets before transfers	741,933	1,936,183	628,235	3,238,359	1,370,168	5,174,542
Transfers	(224,400)	(4,454,401)	224,400	4,454,401	-	-
Increase (decrease) in net assets	517,533	(2,518,218)	852,635	7,692,760	1,370,168	5,174,542
Net assets- beginning of year	40,466,724	42,984,942	65,212,709	57,519,949	105,679,433	100,504,891
Net assets - end of year	<u>\$ 40,984,257</u>	<u>\$ 40,466,724</u>	<u>\$ 66,065,344</u>	<u>\$ 65,212,709</u>	<u>\$ 107,049,601</u>	<u>\$ 105,679,433</u>

Governmental Activities - Revenues

- The City's total revenues from governmental activities were \$46.2 million for the fiscal year ended June 30, 2010, a decrease of \$.9 million over the previous year.
- Property taxes, the largest source of general revenue, accounted for \$20.3 million or 44% of revenue in FY 2010. This revenue remained relatively stable with a decrease of \$.2 million from fiscal year 2009.
- Other local taxes decreased \$.2 million from fiscal year 2009, mainly due to a decrease in the sales, local communication and cigarette tax revenues.
- Program revenues decreased \$.5 million from fiscal year 2009, mainly due to a decrease in payment in lieu of tax and grants from the Commonwealth.

Governmental Activities - Revenues by Source

Fiscal Years Ended June 30, 2010 and 2009
(\$ In Millions)



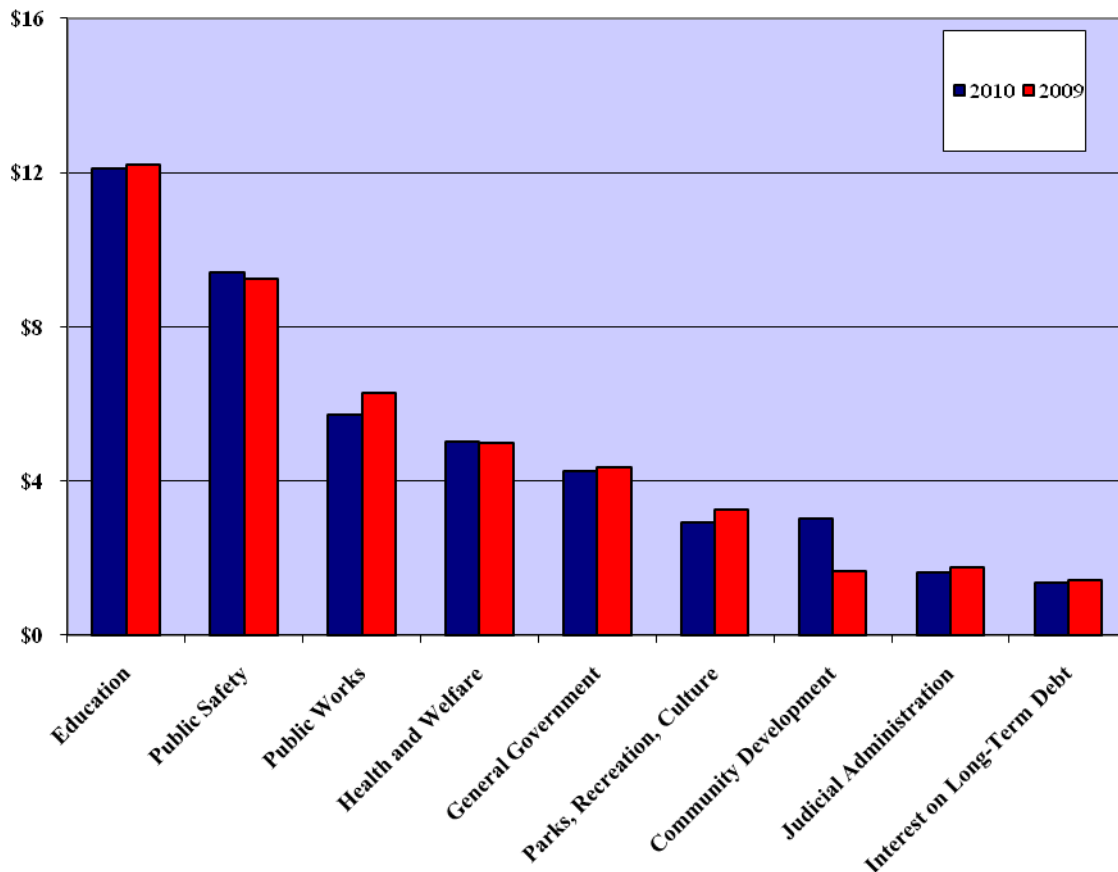
Governmental Activities - Expenses

- The total expenses from governmental activities were \$45.4 million for the year, a decrease of \$.2 million from 2009.
- Education is the largest expenditure for the City at \$12.1 million or 26.6% of the total governmental activities, a decrease of \$.1 million from 2009. The annual contribution to the Education Fund decreased \$1.5 million. However, the City transferred assets back to the school board in the amount of \$1.4 million.
- Other City functions represent a .3 million increase from fiscal year 2009. All city functions, other than community development decreased from FY 09. The decrease is a result of across the board decreases in operating expenses for all departments of the government as a result of the decline in revenues due to the national and local economic decline. The City did not have any layoffs or furloughs during the year, but hiring freezes for vacant positions have been in effect since July 2008.
- Community Development function increased \$1.3 million or 82.7%. The increase is due mainly to the \$1 million transfer to the IDA for the difference between the value of the amount due to the City for the land deal and the amount of the letter of credit described in Note 18 of the financial statements.

Governmental Activities - Expenses by Function

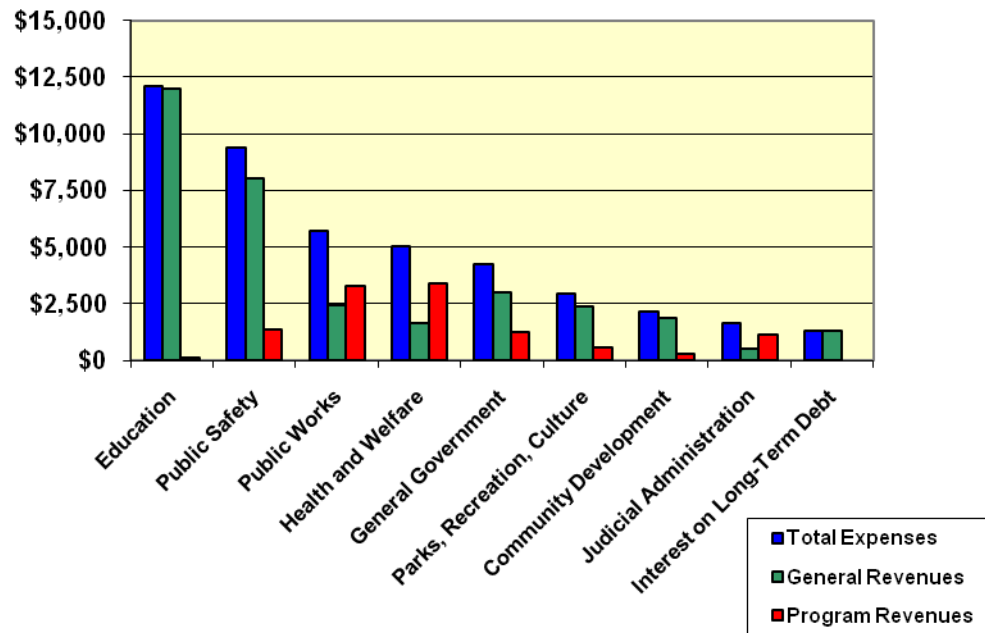
Fiscal Years Ended June 30, 2010 and 2009

(\$ In Millions)



Governmental Activities - Expenses, General Revenues 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 2010 total \$11.4 million and general revenues total \$34.8 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 35.2%, which is relatively stable from fiscal year 2009. The Community Development function's net cost of service increased 94% over 2009 due to an increase in grants from the City to the IDA.

Net Cost of the City of Staunton's Governmental Activities					
	2010		2009		
	Total Cost	Net Cost	Total Cost	Net Cost	
Education	\$ 12,096,550	\$ 11,992,072	\$ 12,219,779	\$ 12,109,660	
Public Safety	9,402,422	8,009,539	9,248,940	8,071,723	
Public Works	5,718,532	2,432,901	6,302,122	2,661,701	
Health and Welfare	5,018,405	1,626,716	4,987,275	1,675,948	
General Government	4,240,405	3,014,554	4,353,053	2,925,868	
Parks, Recreation, Culture	2,935,093	2,388,548	3,242,457	2,574,095	
Community Development	3,040,240	2,755,690	1,664,278	1,419,973	
Judicial Administration	1,624,017	498,411	1,756,105	514,198	
Interest on Long-Term Debt	1,361,328	1,361,328	1,441,577	1,441,577	
	\$ 45,436,992	\$ 34,079,759	\$ 45,215,586	\$ 33,394,743	

Business-type activities

1. Total program revenues of the City's business-type activities were \$10.3 million for fiscal year 2010. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at \$9 million or 86.8% of total revenues for business-type activities.
2. Sewer Fund revenues exceeded expenses by \$1.8 million due to state aid for the wastewater treatment plant project.
3. Environmental Fund expenses exceeded revenues by \$1 million due to an increase in operating expenses like depreciation and landfill closure costs.
4. Parking Fund expenses exceeded revenues by \$.2 million because the cost of operations exceeded operating revenues due to the cost of depreciation for parking facilities.

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, unreserved 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 \$17.5 million, an increase of \$2.4 million over 2009. The increase is due to expenditure savings.

General Fund

The General Fund reported \$9.0 million in fund balance at year end. Of the total General Fund fund balance, \$4.9 million is unreserved, but designated for: \$3.6 million for the safety net and \$1.3 million for employee leave. Of the remaining unreserved and undesignated balance of \$3.3 million, \$.5 million will be re-appropriated in FY2011 for projects not completed and mandatory carry forward balances as required by the State of Virginia, and the balance of \$2.8 million will be transferred to the City's capital projects fund.

There were no major changes in revenues from 2009.

Actual expenditures were \$41 million versus the revised budget totaling \$44.3 million. The contribution to the Component Unit School Board was the largest expense at \$9.9 million. Expenditure savings of \$3.3 million resulted from \$.5 million in general government administration from insurance premiums, employee vacancy savings, and technology equipment savings; \$.7 million in public safety expenditures mainly due to employee vacancy savings; \$.3 million in public works expenditure savings from general property maintenance and street maintenance expenditures; \$.7 million in expenditure savings from decreased public assistance payments, and the balance of \$1.1 million in expenditures savings resulting from judicial, community development and parks and recreation expenditure savings and a decrease in interest expense.

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 fund balance 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 \$2.7 million to the City Capital Projects Fund for projects still in progress. The CIP fund transferred \$1.3 million to the Debt Service fund to establish the fund. The City updates the capital projects plan on an annual basis.

Capital Projects in progress:

PROJECT	REVISED BUDGET- PROJECT TO DATE	FY2010 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	\$ 1,332,482	\$ 147,713	\$ 1,176,030	\$ 156,452
COMPUTER NETWORK				
REPLACEMENT PHASE II	95,137	-	-	95,137
E911 TELEPHONE EQUIPMENT	100,000	100,449	100,449	(449)
FIRE TRUCK RESERVE	100,622	-	342,754	(242,132)
REGIONAL JAIL RESERVE	2,076,286	232,315	603,123	1,473,163
ENGINEERING AIRIAL PHOTOGRAPHY	141,440	-	136,080	5,360
URBAN STREET CONSTRUCTION 2% MATCH	597,921	204,434	440,150	157,771
BOWLING STREET BRIDGE	332,000	7,565	7,565	324,435
HAILE STREET BRIDGE	332,000	7,583	7,583	324,417
MONTGOMERY AVENUE ROAD EXTENSION PROJECT	373,968	-	-	373,968
CITY HALL HVAC SYSTEM	157,000	-	148,519	8,481
BLUE RIDGE COMMUNITY COLLEGE	171,291	27,170	168,598	2,693
BOOKER T BUILDING	266,818	-	236,002	30,816
MONTGOMERY HALL PARK SOCCER FIELDS	168,878	-	161,109	7,769
GYPSY HILL PARK BANDSTAND REPAIRS	30,000	-	-	30,000
CORRIDOR OVERLAY INCENTIVES	15,000	-	-	15,000
ECONOMIC DEVELOPMENT RESERVE	1,377,266	89,208	1,151,721	225,545
STAUNTON GATEWAY PROJECT	735,000	371,408	440,231	294,769
VISITORS CENTER	80,000	-	-	80,000
CIP RESERVE-UNDESIGNATED	2,113,220	-	-	2,113,220
Totals	\$ 10,596,329	\$ 1,187,845	\$ 5,119,914	\$ 5,476,415

General Fund Budgetary Highlights

City Council revised the total FY2010 City Budget five times during the year which included three amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - \$1,707,372. An increase of \$200,000 for the Community Development Fund for a grant received from the Department of Housing and Urban Development and a net increase of \$1,507,372 for the Education Fund to account for the increased revenue from ARRA Federal Funds and decreased State revenues.
- Budget Amendment Number 2 - \$502,585. An increase of \$287,106 for additional federal funds for the Education Fund and, appropriating \$215,479 as a transfer to the School Capital Improvements Fund from the Education Fund from the FY2009 year end fund balance of the Education Fund.
- Budget Amendment Number 3 - \$2,191,807. This amendment includes supplemental appropriations approved after the beginning of the year to reflect carry forward balances for projects not completed, additional grant funds received after the adoption of the budget, state-mandated carry forward funds for grant balances unspent at year end, and additional federal and state revenues for the Education Fund.
- Budget Amendment Number 4 - \$5,722,716. This amendment includes the appropriation of \$2,111,358 in the General Fund from the FY2009 Undesignated Fund Balance to be transferred to the City Capital Improvement Fund, \$1,300,000 transferred from the City Capital Improvements Fund to the Debt Service Sinking Fund, and a \$200,000 Education Fund amendment for general revenues.
- Budget Amendment Number 5 - \$3,957,053. This amendment includes the appropriation of \$7.1 million bond proceeds for the new water and sewer capital projects, new grant funds, a net decrease for the General Fund of \$162,244 to reflect the State revenue cuts, and a reduction of \$3.7 million in the Sewer Fund for the wastewater treatment plant project to account for only the current year revenues and expenditures for the project.

CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2010 amounts to \$133.1 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 \$57.7 million for the governmental activities, and \$75.4 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:

- Buildings in the amount of \$1.4 million were transferred back to the Education fund because debt associated with those assets has been paid in full.
- Construction in progress increased \$.5 million due to several road and bridge projects in progress at June 30, 2010.

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 increase of \$3.6 million due to the Phase III construction on the Middle River Wastewater Treatment Plant.
- Landfill had a net increase of \$1 million due to completion of construction in progress for cells 4-7.

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

City of Staunton Capital Assets Net of Depreciation

	2010			2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 3,696,714	\$ 1,663,237	\$ 5,359,951	\$ 3,696,714	\$ 1,663,237	\$ 5,359,951
Landfill	-	1,433,169	1,433,169	-	429,714	429,714
Buildings	31,601,467	15,540,474	47,141,941	34,001,774	16,001,890	50,003,664
Improvements	901,060	4,898,534	5,799,594	998,567	5,118,636	6,117,203
Equipment	2,172,272	2,681,863	4,854,135	2,353,777	2,969,033	5,322,810
Infrastructure	18,759,221	32,592,321	51,351,542	19,805,101	33,294,742	53,099,843
Construction in Progress	567,268	16,565,307	17,132,575	52,569	12,971,464	13,024,033
Total	<u>\$ 57,698,002</u>	<u>\$ 75,374,905</u>	<u>\$ 133,072,907</u>	<u>\$ 60,908,502</u>	<u>\$ 72,448,716</u>	<u>\$ 133,357,218</u>

DEBT ADMINISTRATION

- The City of Staunton maintains an Aa3 bond rating from Moody's Investor Service and A+ from Standard and Poor's. This rating was confirmed in December 2006 through a rating agency review process.
- 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 \$196.1 million for the City. The City currently has bonds payable of \$81.7 million. The current legal margin for creating additional debt for the City of Staunton is \$114.4 million.
- Additional information regarding outstanding debt can be found in the Note 6 in the notes to the financial statements.

DEBT ADMINISTRATION

City of Staunton Outstanding Debt

	2010			2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 16,780,626	\$ 7,959,709	\$ 24,740,335	\$ 18,062,311	\$ 8,867,106	\$ 26,929,417
Virginia Revolving Loan	-	25,314,579	25,314,579	-	15,288,202	15,288,202
Literary Loans	16,650,000	-	16,650,000	17,600,000	-	17,600,000
Contractual Obligation	15,000,000	-	15,000,000	-	-	-
Capital Leases	-	-	-	11,068	-	11,068
Total	<u>\$ 48,430,626</u>	<u>\$ 33,274,288</u>	<u>\$ 81,704,914</u>	<u>\$ 35,673,379</u>	<u>\$ 24,155,308</u>	<u>\$ 59,828,687</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2011 budget was adopted at the same real estate tax rate as 2010. The personal property tax rate increased forty cents per hundred in order to eliminate the motor vehicle decal fee and to generate an additional \$150,000 for street improvement projects annually. The Commonwealth of Virginia continues to cut local funding for state mandated responsibilities for all localities. The City's revenue cut for FY2011 is \$628,000. The total City budget is only \$123,625 less than 2010, but the General Fund Budget is \$1,894,000 less than 2010.
- The fiscal year 2011 budget for real property tax revenue is based on the actual January 2010 assessed value with only a slight increase in assessed value of .8% and the projected January 2011 assessed values. The City projected an 8% decline in real property values for 2011 resulting in a loss of \$1.1 million in real property revenue.
- The City has not suffered any major financial loss due to the national economic crisis relating to mortgage defaults or bankruptcy. The City's foreclosures have increased in 2010 to 61 from the average foreclosures of 30 annually.
- Other local tax revenue estimates for 2011 remained at the same level as 2010. Although these revenues have not recovered to the 2008 levels, they have been stable since 2009.
- The fiscal year 2011 budget includes no merit or COLA increases. Since July 2008, the City has cut 26 full-time vacant positions. Hiring freezes were implemented in July 2008 due to the economic downturn. The City has not had to lay off any employees due to retirements or other vacancies.
- The City's water and sewer rates increased 10% each to pay additional debt costs for financing the wastewater treatment plant upgrade project and new water and sewer bonded capital projects.
- As of August 2010, the unemployment rate for the City of Staunton is 7.6%. Staunton's rate is slightly higher than the state's average unemployment rate of 7.0% and is lower than the national average rate of 9.5%.

All of these factors were considered in preparing the FY2011 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 Director of Finance, City of Staunton, 116 E. Beverley Street, Staunton, Virginia 24401, 540-332-3809, or at ColvinJR@ci.staunton.va.us.

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY BLANK

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Industrial Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 15,684,882	\$ 2,984,836	\$ 18,669,718	\$ 4,382,054	\$ 10,343
Investments (Note 2)	3,385,475	9,810,644	13,196,119	567,412	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 11)	4,153,389	-	4,153,389	-	-
Accounts	657,596	2,089,846	2,747,442	150,187	16,667
Interest	14,936	73,352	88,288	-	-
Internal balances (Note 4)	313,605	(313,605)	-	-	-
Due from other governmental units (Note 3)	1,437,611	105,877	1,543,488	2,090,227	-
Due from component unit (Note 18)	14,000,000	-	14,000,000	-	-
Inventory (Notes 1, 18)	205,071	-	205,071	-	14,000,000
Prepaid items	76,727	8,000	84,727	13,430	-
Loans receivable (Note 15)	9,804	4,179,265	4,189,069	-	9,804
Deferred charges	205,794	171,962	377,756	-	-
Restricted assets: (Notes 2, 12)					
Cash and cash equivalents	-	-	-	2,038	-
Investments	-	9,564,797	9,564,797	-	-
Capital assets: (Note 5)					
Land and construction in progress	4,263,982	18,228,544	22,492,526	236,000	958,303
Other capital assets, net of accumulated depreciation	53,434,020	57,146,361	110,580,381	9,215,544	8,848,401
Total assets	97,842,892	104,049,879	201,892,771	16,656,892	23,843,518
LIABILITIES					
Accounts payable	1,081,144	832,293	1,913,437	693,271	26,828
Retainage payable	-	509,601	509,601	-	-
Accrued liabilities	1,354,672	623,282	1,977,954	2,531,977	-
Due to primary government (Note 18)	-	-	-	-	14,000,000
Unearned revenue (Note 11)	4,591,889	27,400	4,619,289	-	-
Amounts held for others	3,506	-	3,506	-	-
Deposits payable	2,000	211,003	213,003	-	-
Noncurrent liabilities: (Note 6)					
Due within one year	2,398,934	1,838,644	4,237,578	180,793	-
Due in more than one year	47,426,490	33,942,312	81,368,802	285,834	-
Total liabilities	56,858,635	37,984,535	94,843,170	3,691,875	14,026,828
NET ASSETS					
Invested in capital assets, net of related debt	24,406,532	50,278,514	74,685,046	9,451,544	9,806,704
Restricted for:					
Donor purposes	27,485	-	27,485	2,038	-
Unrestricted	16,550,240	15,786,830	32,337,070	3,511,435	9,986
Total net assets	\$ 40,984,257	\$ 66,065,344	\$ 107,049,601	\$ 12,965,017	\$ 9,816,690

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

CITY OF STAUNTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,240,405	\$ 967,524	\$ 258,327	\$ -
Judicial administration	1,624,017	122,742	972,411	30,453
Public safety	9,402,422	294,628	916,742	181,513
Public works	5,718,532	1,745	3,278,549	5,337
Health and welfare	5,018,405	-	3,391,689	-
Education	12,096,550	-	104,478	-
Parks, recreation and culture	2,935,093	330,649	215,896	-
Community development	3,040,240	43,615	240,935	-
Interest on long-term debt	1,361,328	-	-	-
Total governmental activities	45,436,992	1,760,903	9,379,027	217,303
Business-type activities:				
Golf	158,480	147,200	-	-
Water	3,139,885	3,235,783	-	-
Sewer	2,688,221	3,239,743	-	1,269,948
Storm water	564,181	464,462	-	-
Environmental	2,773,641	1,705,239	2,876	-
Parking	455,855	240,989	-	-
Total business-type activities	9,780,263	9,033,416	2,876	1,269,948
Total primary government	\$ 55,217,255	\$ 10,794,319	\$ 9,381,903	\$ 1,487,251
Component Units:				
School Board	\$ 30,851,672	\$ 1,308,968	\$ 10,041,254	\$ 384,572
Industrial Development Authority	797,510	30,532	116,818	158,555
Total component units	\$ 31,649,182	\$ 1,339,500	\$ 10,158,072	\$ 543,127
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				
Net assets-end of year				

Net (Expenses) Revenues and Changes in Net Assets			Component Units	
Primary Government				
Governmental Activities	Business-Type Activities	Total	School Board	Industrial Development Authority
\$ (3,014,554)		\$ (3,014,554)		
(498,411)		(498,411)		
(8,009,539)		(8,009,539)		
(2,432,901)		(2,432,901)		
(1,626,716)		(1,626,716)		
(11,992,072)		(11,992,072)		
(2,388,548)		(2,388,548)		
(2,755,690)		(2,755,690)		
(1,361,328)		(1,361,328)		
(34,079,759)		(34,079,759)		
-	\$ (11,280)	(11,280)		
-	95,898	95,898		
-	1,821,470	1,821,470		
-	(99,719)	(99,719)		
-	(1,065,526)	(1,065,526)		
-	(214,866)	(214,866)		
-	525,977	525,977		
(34,079,759)	525,977	(33,553,782)		
			\$ (19,116,878)	\$ -
			-	(491,605)
			(19,116,878)	(491,605)
20,311,531	-	20,311,531	-	-
3,495,905	-	3,495,905	-	-
2,698,937	-	2,698,937	-	-
1,828,598	-	1,828,598	-	-
1,103,514	-	1,103,514	-	-
1,463,883	-	1,463,883	-	-
1,110,569	-	1,110,569	-	-
32,403	102,258	134,661	6,113	41
2,756,972	-	2,756,972	9,045,190	-
19,380	-	19,380	231,552	-
-	-	-	11,353,964	-
(224,400)	224,400	-	-	-
34,597,292	326,658	34,923,950	20,636,819	41
517,533	852,635	1,370,168	1,519,941	(491,564)
40,466,724	65,212,709	105,679,433	11,445,076	10,308,254
\$ 40,984,257	\$ 66,065,344	\$ 107,049,601	\$ 12,965,017	\$ 9,816,690

CITY OF STAUNTON, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,969,380	\$ 6,506,040	\$ 15,475,420
Investments	1,348,055	2,037,420	3,385,475
Receivables (net of allowances for uncollectibles):			
Taxes	4,153,389	-	4,153,389
Accounts	614,919	5,967	620,886
Interest receivable	10,405	4,531	14,936
Due from other governmental units	1,361,251	76,360	1,437,611
Due from other funds	313,605	-	313,605
Prepaid items	59,636	-	59,636
Loan receivable	-	9,804	9,804
	<u>\$ 16,830,640</u>	<u>\$ 8,640,122</u>	<u>\$ 25,470,762</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 976,301	\$ 85,864	\$ 1,062,165
Accrued liabilities	608,486	20,142	628,628
Deferred revenue	6,219,254	14,873	6,234,127
Accrued leave payable	21,440	-	21,440
Deposits payable	2,000	-	2,000
Amounts held for others	3,506	-	3,506
	<u>7,830,987</u>	<u>120,879</u>	<u>7,951,866</u>
Fund balances:			
Reserved for:			
Encumbrances	333,435	27,458	360,893
Donor purposes	13,985	13,500	27,485
Prepaid items	59,636	-	59,636
Education	337,743	-	337,743
Unreserved, designated for:			
Petty cash	2,350	-	2,350
Safety net	3,631,250	-	3,631,250
Accrued leave	1,293,832	-	1,293,832
Health insurance	18,063	-	18,063
Unreserved, undesignated reported in:			
General fund	3,309,359	-	3,309,359
Special revenue funds	-	1,288,205	1,288,205
Debt service funds	-	1,300,000	1,300,000
Capital projects funds	-	5,890,080	5,890,080
	<u>8,999,653</u>	<u>8,519,243</u>	<u>17,518,896</u>
Total liabilities and fund balances	<u>\$ 16,830,640</u>	<u>\$ 8,640,122</u>	<u>\$ 25,470,762</u>

CITY OF STAUNTON, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010**

Total Fund Balances - Governmental Funds \$ 17,518,896

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	\$ 109,449,307	
Less: accumulated depreciation	(51,835,754)	
		57,613,553

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 \$71,033	139,156	
Bond premiums total \$118,786 and accumulated amortization is \$55,151	(63,635)	
Bond discounts total \$195,713 and accumulated amortization is \$32,430	163,283	
Deferred gain on refunding	593,460	
Issuance costs for letter of credit total \$106,621 and accumulated amortization is \$39,983	66,638	
		898,902

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.

533,804

Receivables that are not available to pay for current-period
expenditures are deferred or not reported in the funds.

Due from IDA	14,000,000	
Hotel rent	16,667	
Interest	14,936	
Miscellaneous reimbursement	8,841	
Real estate taxes	1,591,990	
		15,632,434

Loans receivable are not available to pay for current period expenditures,
and therefore are reported as deferred revenue in the funds.

9,804

Long-term liabilities are not due and payable in the current period and
therefore are not reported in the funds.

General obligation bonds	(17,473,734)	
Letter of credit	(15,000,000)	
Literary fund loans	(16,650,000)	
Accrued interest payable	(727,654)	
Claims payable	(99,356)	
Compensated absences	(1,272,392)	
		(51,223,136)

Total Net Assets - Governmental Activities \$ 40,984,257

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 20,253,506	\$ -	\$ 20,253,506
Other local taxes	11,699,605	-	11,699,605
Permits, privilege fees, and regulatory licenses	240,985	-	240,985
Fines and forfeitures	70,171	-	70,171
Revenues from use of money and property	96,358	31,340	127,698
Charges for services	1,237,140	57,566	1,294,706
Miscellaneous	33,722	36,329	70,051
Recovered costs	326,587	89,705	416,292
Intergovernmental:			
Federal	1,090,098	300,360	1,390,458
Commonwealth	9,821,868	726,427	10,548,295
Total revenues	44,870,040	1,241,727	46,111,767
EXPENDITURES			
Current:			
General government administration	3,946,393	147,713	4,094,106
Judicial administration	1,638,486	-	1,638,486
Public safety	8,108,109	1,211,501	9,319,610
Public works	4,749,252	-	4,749,252
Health and welfare	5,012,585	-	5,012,585
Education	9,921,257	27,170	9,948,427
Parks, recreation and cultural	2,758,657	31,126	2,789,783
Community development	1,265,380	721,956	1,987,336
Capital projects	-	219,482	219,482
Debt service:			
Principal retirement	2,281,258	-	2,281,258
Interest and fiscal charges	1,310,642	45,000	1,355,642
Debt issue costs	-	106,621	106,621
Total expenditures	40,992,019	2,510,569	43,502,588
Excess (deficiency) of revenues over expenditures	3,878,021	(1,268,842)	2,609,179
OTHER FINANCING SOURCES (USES)			
Sale of equipment	9,804	10,355	20,159
Transfers in	-	4,077,358	4,077,358
Transfers out	(3,001,758)	(1,300,000)	(4,301,758)
Total other financing sources (uses)	(2,991,954)	2,787,713	(204,241)
Net change in fund balance	886,067	1,518,871	2,404,938
Fund balance at beginning of year	8,113,586	7,000,372	15,113,958
Fund balance at end of year	\$ 8,999,653	\$ 8,519,243	\$ 17,518,896

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, 2010**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$ 2,404,938
---	--------------

Governmental funds report the cost of capital assets acquired as current expenditures while the governmental statement of activities reports depreciation expense to allocate those expenditures over the life of the assets.

Depreciation	\$ (2,808,877)	
Capital expenditures	501,060	
CIP	567,268	
Transfer of assets to Component Unit School Board	<u>(1,435,707)</u>	(3,176,256)

In the statement of activities, only the loss 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.	(30,846)
---	----------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	58,025
Interest	(3,531)
Miscellaneous revenue	2,683
Rent	(48,426)

Payments on loans receivable are revenues in governmental funds, but decrease long term assets in the statement of net assets.	(56,337)
--	----------

Debt proceeds provide current financial resources to government 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, literary loan and capital lease	2,281,258

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.	42,652
--	--------

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	1,629
Amortization of bond issue costs, deferred amount, and bond premium	(93,340)
Debt issuance costs	106,621
Difference in estimated value of amount due from IDA and amount due to Commonwealth	(1,000,000)

The net income of internal service funds is reported within governmental activities on the statement of activities.	<u>28,463</u>
---	---------------

Change in net assets of governmental activities	<u><u>\$ 517,533</u></u>
---	--------------------------

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

June 30, 2010

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,860,896	\$ 525,387	\$ 351,867	\$ 125,714	\$ 120,972	\$ 2,984,836	\$ 209,462
Investments	2,703,412	2,358,331	-	4,748,901	-	9,810,644	-
Receivable:							
Accounts (net of allowance for uncollectibles)	514,589	1,197,328	114,712	250,624	12,593	2,089,846	36,710
Interest	23,309	19,459	-	30,584	-	73,352	-
Due from other governmental units	-	105,877	-	-	-	105,877	-
Inventory	-	-	-	-	-	-	205,071
Prepaid items	8,000	-	-	-	-	8,000	17,091
Restricted assets:							
Investments	5,349,433	2,254,594	-	1,960,770	-	9,564,797	-
Total current assets	10,459,639	6,460,976	466,579	7,116,593	133,565	24,637,352	468,334
Noncurrent assets:							
Deferred charges	91,126	47,232	-	25,752	7,852	171,962	-
Loan receivable	-	4,179,265	-	-	-	4,179,265	-
Capital assets:							
Land	42,904	93,673	7,614	-	1,058,943	1,203,134	-
Construction in progress	695,704	15,772,616	13,442	83,545	-	16,565,307	-
Landfill land and construction	-	-	-	4,248,510	-	4,248,510	-
Buildings	3,083,534	12,338,477	-	516,764	6,246,205	22,184,980	61,177
Improvements	5,482,407	-	48,455	173,367	1,055,687	6,759,916	-
Utility lines	17,013,928	19,588,923	12,180,662	-	-	48,783,513	-
Machinery and equipment	5,972,219	1,676,050	17,515	2,581,210	117,388	10,364,382	166,980
Less accumulated depreciation	(14,193,791)	(11,509,055)	(2,444,377)	(4,419,553)	(2,168,061)	(34,734,837)	(143,708)
Total capital assets (net of accumulated depreciation)	18,096,905	37,960,684	9,823,311	3,183,843	6,310,162	75,374,905	84,449
Total noncurrent assets	18,188,031	42,187,181	9,823,311	3,209,595	6,318,014	79,726,132	84,449
Total assets	28,647,670	48,648,157	10,289,890	10,326,188	6,451,579	104,363,484	552,783
LIABILITIES							
Current liabilities:							
Accounts payable	74,489	624,684	70	128,177	4,873	832,293	18,979
Retainage payable	-	509,601	-	-	-	509,601	-
Accrued liabilities	97,780	359,515	103,016	42,312	20,659	623,282	-
Due to other funds	-	-	-	313,605	-	313,605	-
Deferred revenue	-	-	-	-	27,400	27,400	-
Deposits payable	166,783	-	40,000	-	4,220	211,003	-
General obligation bonds	383,528	18,664	-	270,500	172,896	845,588	-
Virginia Revolving Loan Fund	20,021	752,951	-	-	-	772,972	-
Landfill closure/postclosure	-	-	-	58,203	-	58,203	-
Compensated absences	101,764	7,565	1,518	51,034	-	161,881	-
Total current liabilities	844,365	2,272,980	144,604	863,831	230,048	4,355,828	18,979
Noncurrent liabilities:							
General obligation bonds	3,960,888	-	-	1,179,300	1,973,933	7,114,121	-
Virginia Revolving Loan Fund	5,370,127	19,171,480	-	-	-	24,541,607	-
Landfill closure/postclosure	-	-	-	2,256,999	-	2,256,999	-
Compensated absences	214	2,647	-	26,724	-	29,585	-
Total noncurrent liabilities	9,331,229	19,174,127	-	3,463,023	1,973,933	33,942,312	-
Total liabilities	10,175,594	21,447,107	144,604	4,326,854	2,203,981	38,298,140	18,979
NET ASSETS							
Invested in capital assets, net of related debt	13,802,900	20,319,415	9,823,311	2,161,703	4,171,185	50,278,514	84,449
Unrestricted	4,669,176	6,881,635	321,975	3,837,631	76,413	15,786,830	449,355
Total net assets	\$ 18,472,076	\$ 27,201,050	\$ 10,145,286	\$ 5,999,334	\$ 4,247,598	\$ 66,065,344	\$ 533,804

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS –
PROPRIETARY FUNDS
Year Ended June 30, 2010**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	
OPERATING REVENUES							
Parking fines	\$ -	\$ -	\$ -	\$ -	\$ 37,706	\$ 37,706	\$ -
Charges for services	3,178,634	3,239,731	464,462	1,700,208	350,382	8,933,417	779,896
Rental of property	53,442	-	-	-	-	53,442	-
Miscellaneous	3,707	12	-	5,031	101	8,851	-
Total operating revenues	3,235,783	3,239,743	464,462	1,705,239	388,189	9,033,416	779,896
OPERATING EXPENSES							
Personal services	551,163	399,924	48,820	793,719	147,605	1,941,231	-
Fringe benefits	418,624	47,126	18,003	321,181	31,633	836,567	-
Rental of property	2,248	1,355	-	-	-	3,603	4,411
Repairs and maintenance	223,910	39,021	-	29,239	6,643	298,813	-
Contractual services	255,945	853,009	15,911	420,198	42,368	1,587,431	13,133
Materials and supplies	179,684	31,812	56,157	114,487	20,307	402,447	36,866
Depreciation	712,435	871,114	423,841	543,225	185,494	2,736,109	3,398
Utilities	148,317	8,906	-	1,863	32,639	191,725	-
Other expenses	429,837	192,440	1,449	302,902	59,919	986,547	693,863
Landfill closure/post-closure	-	-	-	183,517	-	183,517	-
Total operating expenses	2,922,163	2,444,707	564,181	2,710,331	526,608	9,167,990	751,671
Operating income (loss)	313,620	795,036	(99,719)	(1,005,092)	(138,419)	(134,574)	28,225
NONOPERATING REVENUES (EXPENSES)							
Interest income	21,090	16,558	295	64,204	111	102,258	238
State and federal aid	-	1,248,708	-	2,876	-	1,251,584	-
Interest and fiscal charges	(222,695)	(289,196)	-	(63,310)	(96,909)	(672,110)	-
Gain on disposal of assets	4,973	390	-	-	9,182	14,545	-
Debt service recovery	-	45,292	-	-	-	45,292	-
Total nonoperating revenues (expenses)	(196,632)	1,021,752	295	3,770	(87,616)	741,569	238
Income (loss) before contributions and transfers	116,988	1,816,788	(99,424)	(1,001,322)	(226,035)	606,995	28,463
Capital Contributed-Developer Transfers in	-	21,240	-	-	-	21,240	-
	-	-	-	-	224,400	224,400	-
Change in net assets	116,988	1,838,028	(99,424)	(1,001,322)	(1,635)	852,635	28,463
Total net assets - beginning of year	18,355,088	25,363,022	10,244,710	7,000,656	4,249,233	65,212,709	505,341
Total net assets - end of year	\$ 18,472,076	\$ 27,201,050	\$ 10,145,286	\$ 5,999,334	\$ 4,247,598	\$ 66,065,344	\$ 533,804

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2010**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	
OPERATING ACTIVITIES							
Cash received from customers	\$ 3,164,629	\$ 3,240,164	\$ 440,639	\$ 1,711,564	\$ 385,698	\$ 8,942,694	\$ 754,767
Cash paid to suppliers	(1,240,570)	(1,081,653)	(77,954)	(948,436)	(161,223)	(3,509,836)	(701,257)
Cash paid to employees for services	(1,001,307)	(453,027)	(66,877)	(1,113,043)	(178,917)	(2,813,171)	-
Other operating receipts	53,442	-	-	-	-	53,442	-
Net cash provided (used) by operating activities	976,194	1,705,484	295,808	(349,915)	45,558	2,673,129	53,510
NONCAPITAL FINANCING ACTIVITIES							
Operating grants received	-	-	-	2,876	-	2,876	-
Transfers from other funds	-	-	-	-	224,400	224,400	-
Net cash provided by noncapital financing activities	-	-	-	2,876	224,400	227,276	-
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(865,549)	(6,696,850)	(119,027)	(236,967)	-	(7,918,393)	-
Principal paid on long-term debt	(455,700)	(635,480)	-	(250,200)	(166,983)	(1,508,363)	-
Interest paid on long-term debt	(175,714)	(249,121)	-	(54,576)	(96,073)	(575,484)	-
Proceeds from state capital grant	-	2,040,159	-	-	-	2,040,159	-
Proceeds from sale of capital assets	4,973	390	-	-	9,182	14,545	-
Debt issuance costs	(51,386)	(21,657)	-	-	-	(73,043)	-
Proceeds from debt issuance	5,390,148	5,818,896	-	-	-	11,209,044	-
Net cash provided (used) by capital and related financing activities	3,846,772	256,337	(119,027)	(541,743)	(253,874)	3,188,465	-
INVESTING ACTIVITIES							
Interest received	22,461	20,144	295	80,427	111	123,438	238
Net cash provided by investing activities	22,461	20,144	295	80,427	111	123,438	238
Net increase (decrease) in cash and cash equivalents	4,845,427	1,981,965	177,076	(808,355)	16,195	6,212,308	53,748
CASH AND CASH EQUIVALENTS							
Beginning of year	5,068,314	3,156,347	174,791	7,643,740	104,777	16,147,969	155,714
End of year	\$ 9,913,741	\$ 5,138,312	\$ 351,867	\$ 6,835,385	\$ 120,972	\$ 22,360,277	\$ 209,462
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	\$ 1,860,896	\$ 525,387	\$ 351,867	\$ 125,714	\$ 120,972	\$ 2,984,836	\$ 209,462
Investments	8,052,845	4,612,925	-	6,709,671	-	19,375,441	-
Total	\$ 9,913,741	\$ 5,138,312	\$ 351,867	\$ 6,835,385	\$ 120,972	\$ 22,360,277	\$ 209,462

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2010**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)	\$ 313,620	\$ 795,036	\$ (99,719)	\$ (1,005,092)	\$ (138,419)	\$ (134,574)	\$ 28,225
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	712,435	871,114	423,841	543,225	185,494	2,736,109	3,398
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	(22,436)	422	(63,824)	6,326	(2,252)	(81,764)	(25,130)
Decrease (increase) in prepaid items	(8,000)	-	-	-	-	(8,000)	(6,333)
Decrease (increase) in inventory	-	-	-	-	-	-	36,978
Increase (decrease) in due to other funds	-	-	-	(33,904)	-	(33,904)	-
Increase (decrease) in accounts payable	7,370	44,889	(4,436)	9,234	653	57,710	16,372
Increase (decrease) in accrued liabilities	(8,617)	(6,610)	148	(3,447)	321	(18,205)	-
Increase (decrease) in unearned revenue	-	-	-	-	(33)	(33)	-
Increase (decrease) in deposits payable	4,725	-	40,000	-	(206)	44,519	-
Increase (decrease) in compensated absences	(22,903)	633	(202)	5,304	-	(17,168)	-
Increase (decrease) in landfill closure/post-closure liabilities	-	-	-	128,439	-	128,439	-
Net cash provided (used) by operating activities	<u>\$ 976,194</u>	<u>\$ 1,705,484</u>	<u>\$ 295,808</u>	<u>\$ (349,915)</u>	<u>\$ 45,558</u>	<u>\$ 2,673,129</u>	<u>\$ 53,510</u>
Noncash investing, capital and financing activities:							
Contributions of capital assets from developers	<u>\$ -</u>	<u>\$ 21,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,240</u>	<u>\$ -</u>
Total noncash investing, capital and financing activities	<u>\$ -</u>	<u>\$ 21,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,240</u>	<u>\$ -</u>
Capitalized interest	<u>\$ -</u>	<u>\$ 180,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,332</u>	<u>\$ -</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

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 23,866, according to the latest population estimates. 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 Industrial Development Authority

The Staunton Industrial Development Authority 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 Authority’s Board of Directors. In addition, the City has incurred debt to provide capital grants and other property to the IDA. As a result, the Authority imposes a financial burden on the City. Separate financial statements of the Industrial Development Authority are not available.

**City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010**

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 \$675,095 for the current year. This entity is not included in the City's financial statements.

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 of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 or a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

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. 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.

Capital Projects 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 City has established the Capital Improvements Fund.

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. The City has established the Debt Service Fund.

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

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.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes, grants, and contributions not restricted to specific programs, and other revenues not meeting the definition of program revenues.

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.

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.

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 unit School Board share. For purposes of the Statement of Cash Flows, cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash, and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

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, 2010

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, 2010 consisted of the following:

General Fund (property taxes)	\$ 372,209
General Fund (other local taxes)	72,279
Water Fund (charges for services)	24,768
Sewer Fund (charges for services)	36,375
Stormwater Fund (charges for services)	3,778
Parking Fund (charges for services)	13,217
Environmental Fund (charges for services)	<u>899</u>
	<u><u>\$ 523,525</u></u>

Inventories

Inventories are generally recorded at the lower of cost (weighted average method) or market. Inventories in the internal service fund consist 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. 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, 2010

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.

<u>ASSETS</u>	<u>YEARS</u>
Buildings/building improvements	25-50 years
Land improvements	10-50 years
Infrastructure	20-50 years
Utility transmission lines and mains	50 years
Furniture and equipment	3-10 years
Vehicles	5-10 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 total interest expense incurred during the fiscal year in the Sewer Fund was \$289,196. Of that amount, \$180,332 was included as part of construction in progress in connection with the wastewater treatment plant construction project.

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 annual 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 such accumulation 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, 2010

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*, effective July 1, 2009, 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 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 reserve that portion of fund balance.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies (Continued)

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

Net Assets/Fund Equity

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.

In the fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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:

All cash of the City and the School Board is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* (*Code*) or covered by federal depository insurance.

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).

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 2. Deposits and Investments (Continued)

Investments: (Continued)

As of June 30, 2010, the City's investments consisted of the following:

Investment Type	Fair Value	S & P Credit Rating
<u>Primary Government</u>		
Money Market Funds	\$ 1,174,968	Not Rated
State, Municipal and Authority Bonds	2,297,122	A+ to AAA
Federal Agency Bonds & Notes	8,343,118	AAA
Corporate Bonds/Notes	587,866	AA- to AA
Local Government Investment Pool (LGIP)	2,338,182	AAAm
VA State Non-Arbitrage Program (SNAP)	8,019,660	AAAm
Total primary government	22,760,916	
<u>Component Unit School Board</u>		
Local Government Investment Pool (LGIP)	567,412	AAAm
Grand total	<u>\$ 23,328,328</u>	

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.

Concentration of Credit Risk:

The City had the following investments at June 30, 2010, 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 Home Loan Bank Notes	20.10%
Federal Home Loan Mortgage Corp	12.47%

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 2. Deposits and Investments (Continued)

Interest Rate Risk:

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

Investment Type	Fair Value	Weighted Average Maturity*
Money Market Funds	\$ 1,174,968	N/A
State, Municipal and Authority Bonds	2,297,122	136
Federal Agency Notes & Bonds	8,343,118	259
Corporate Bonds/Notes	587,866	197
Local Government Investment Pool (LGIP)	2,905,594	N/A
Virginia State Non-Arbitrage Pool (SNAP)	8,019,660	N/A
	<u>\$ 23,328,328</u>	

* Weighted average maturity in days.

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

	Primary Government	Component Units	
		School Board	IDA
Deposits and investments:			
Cash on hand	\$ 7,084	\$ -	\$ -
Deposits	18,662,634	4,384,092	10,343
Investments	22,760,916	567,412	-
	<u>\$ 41,430,634</u>	<u>4,951,504</u>	<u>\$ 10,343</u>
Statement of net assets:			
Cash and cash equivalents	\$ 18,669,718	\$ 4,382,054	\$ 10,343
Investments	13,196,119	567,412	-
Restricted cash and cash equivalents and investments	9,564,797	2,038	-
	<u>\$ 41,430,634</u>	<u>\$ 4,951,504</u>	<u>\$ 10,343</u>

Note 3. Due From Other Governmental Units

	Major Fund - General	Nonmajor Governmental Funds	Business- Type Activities	Component Unit-School Board
CAPSAW	\$ -	\$ 1,863	\$ -	\$ -
Commonwealth of Virginia	1,361,251	25,651	105,877	2,090,227
Federal government	-	48,846	-	-
Total	<u>\$ 1,361,251</u>	<u>\$ 76,360</u>	<u>\$ 105,877</u>	<u>\$ 2,090,227</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 4. Interfund Transfers and Obligations

Interfund transfers are as follows:

Primary Government:

<u>Transfers out</u>	<u>Transfers in</u>		
	Nonmajor Governmental Funds	Parking Fund	Total
Nonmajor Governmental Funds	\$ 1,300,000	\$ -	\$ 1,300,000
General Fund	2,777,358	224,400	3,001,758
	<u>\$ 4,077,358</u>	<u>\$ 224,400</u>	<u>\$ 4,301,758</u>

Transfers from the General Fund to the nonmajor governmental funds are to fund local capital projects and to support operations. Transfers from the General Fund to the Parking Fund are to fund debt service costs.

Component Unit School Board:

<u>Transfers out</u>	<u>Transfers in</u>		
	Education Fund	Nonmajor Governmental Funds	Total
Education Fund	\$ -	\$ 196,361	\$ 196,361
Nonmajor Governmental Funds	67,563	-	67,563
Total	<u>\$ 67,563</u>	<u>\$ 196,361</u>	<u>\$ 263,924</u>

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

Primary Government – Interfund Advances:

The General Fund has a receivable in the amount of \$313,605 from the Environmental Fund for an advance to cover a cash deficit.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 5. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2010 is as follows:

Primary Government:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 3,696,714	\$ -	\$ -	\$ 3,696,714
Construction in progress	52,569	567,268	52,569	567,268
Total capital assets, not depreciated	3,749,283	567,268	52,569	4,263,982
Capital assets, depreciated:				
Buildings	12,029,092	-	-	12,029,092
Improvements	2,688,044	-	-	2,688,044
School assets*	30,357,787	-	1,435,707	28,922,080
Equipment	11,056,410	553,629	273,926	11,336,113
Infrastructure	50,438,153	-	-	50,438,153
Total capital assets, depreciated	106,569,486	553,629	1,709,633	105,413,482
Less accumulated depreciation for:				
Buildings	4,015,408	252,184	-	4,267,592
Improvements	1,689,477	97,507	-	1,786,984
School assets*	4,369,697	712,416	-	5,082,113
Equipment	8,702,633	704,288	243,080	9,163,841
Infrastructure	30,633,052	1,045,880	-	31,678,932
Total accumulated depreciation	49,410,267	2,812,275	243,080	51,979,462
Total capital assets, depreciated, net	57,159,219	(2,258,646)	1,466,553	53,434,020
Total capital assets, net, governmental activities	<u>\$ 60,908,502</u>	<u>\$ (1,691,378)</u>	<u>\$ 1,519,122</u>	<u>\$ 57,698,002</u>

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, 2010

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 1,663,237	\$ -	\$ -	\$ 1,663,237
Construction in progress	12,971,464	5,034,557	1,440,714	16,565,307
Total capital assets, not depreciated	<u>14,634,701</u>	<u>5,034,557</u>	<u>1,440,714</u>	<u>18,228,544</u>
Capital assets, depreciated:				
Landfill	2,387,300	1,401,107	-	3,788,407
Buildings	22,155,476	29,504	-	22,184,980
Improvements	6,759,916	-	-	6,759,916
Equipment	10,282,346	184,933	102,897	10,364,382
Utility lines	48,222,945	560,568	-	48,783,513
Total capital assets, depreciated	<u>89,807,983</u>	<u>2,176,112</u>	<u>102,897</u>	<u>91,881,198</u>
Less accumulated depreciation				
Landfill	1,957,586	397,652	-	2,355,238
Buildings	6,153,586	490,920	-	6,644,506
Improvements	1,641,280	220,102	-	1,861,382
Equipment	7,313,313	472,103	102,897	7,682,519
Utility lines	14,928,203	1,262,989	-	16,191,192
Total accumulated depreciation	<u>31,993,968</u>	<u>2,843,766</u>	<u>102,897</u>	<u>34,734,837</u>
Total capital assets, depreciated, net	<u>57,814,015</u>	<u>(667,654)</u>	<u>-</u>	<u>57,146,361</u>
Total capital assets, net, business-type activities	<u>\$ 72,448,716</u>	<u>\$ 4,366,903</u>	<u>\$ 1,440,714</u>	<u>\$ 75,374,905</u>

Additions to the accumulated depreciation of business-type assets differ from depreciation expense for business-type assets due to the change in value of landfill land in the Environmental Fund in the amount of \$107,657.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 5. Capital Assets (Continued)

Component Unit – School Board

Capital asset activity for the Component Unit School Board for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
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	39,547,459	187,595	-	39,735,054
Improvements	691,885	-	-	691,885
School assets allocated to the City*	(30,357,787)	-	(1,435,707)	(28,922,080)
Equipment	6,952,917	717,391	-	7,670,308
Total capital assets, depreciated	16,834,474	904,986	(1,435,707)	19,175,167
Less accumulated depreciation				
Buildings	9,004,062	865,552	-	9,869,614
Improvements	253,200	20,134	-	273,334
School assets allocated to the City*	(4,369,697)	(712,416)	-	(5,082,113)
Equipment	4,213,427	685,361	-	4,898,788
Total accumulated depreciation	9,100,992	858,631	-	9,959,623
Total capital assets, depreciated, net	7,733,482	46,355	(1,435,707)	9,215,544
Total capital assets, net, Component Unit-School Board	\$ 7,969,482	\$ 46,355	\$ (1,435,707)	\$ 9,451,544

*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, 2010

Note 5. Capital Assets (Continued)

Component Unit – IDA

Capital asset activity for the Component Unit IDA for the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Component unit – IDA:				
Capital assets, not depreciated:				
Land	\$ 1,120,000	\$ -	\$ 320,252	\$ 799,748
Construction in progress	-	158,555	-	158,555
Total capital assets, not depreciated	<u>1,120,000</u>	<u>158,555</u>	<u>320,252</u>	<u>958,303</u>
Capital assets, depreciated:				
Buildings	8,225,224	-	-	8,225,224
Improvements	80,416	-	-	80,416
Equipment	<u>1,990,831</u>	<u>-</u>	<u>-</u>	<u>1,990,831</u>
Total capital assets, depreciated	<u>10,296,471</u>	<u>-</u>	<u>-</u>	<u>10,296,471</u>
Less accumulated depreciation				
Buildings	605,736	164,746	-	770,482
Improvements	30,156	8,041	-	38,197
Equipment	<u>504,782</u>	<u>134,609</u>	<u>-</u>	<u>639,391</u>
Total accumulated depreciation	<u>1,140,674</u>	<u>307,396</u>	<u>-</u>	<u>1,448,070</u>
Total capital assets, depreciated, net	<u>9,155,797</u>	<u>(307,396)</u>	<u>-</u>	<u>8,848,401</u>
Total capital assets, net, Component Unit-IDA	<u>\$ 10,275,797</u>	<u>\$ (148,841)</u>	<u>\$ 320,252</u>	<u>\$ 9,806,704</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 5. Capital Assets (Continued)

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

Governmental activities:

General government administration	\$ 81,858
Judicial administration	19,499
Public safety	425,018
Public works	1,369,932
Health and welfare	5,148
Education	712,416
Parks, recreation, and culture	186,628
Community development	8,378
	<hr/>
Total depreciation expense – governmental	<u><u>\$ 2,808,877</u></u>

Business-type activities:

Water	\$ 712,435
Sewer	871,114
Stormwater	423,841
Environmental	543,225
Golf	32,735
Parking	152,759
	<hr/>
Total depreciation expense – business-type	<u><u>\$ 2,736,109</u></u>

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

Instruction	\$ 610,102
Administration, attendance, and health	29,105
Pupil transportation	139,185
School food service	72,965
Operation and maintenance	7,274
	<hr/>
Total depreciation expense – School Board	<u><u>\$ 858,631</u></u>

Depreciation expense was charged to functions/programs of the Component Unit-IDA as follows:

Community Development	<u>\$ 307,396</u>
Total depreciation expense - IDA	<u><u>\$ 307,396</u></u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 6. Long-Term Debt

The following is a summary of long-term debt transactions (including current amounts) for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation debt:					
General obligation					
bonds	\$ 18,793,924	\$ -	\$ 1,320,190	\$ 17,473,734	\$ 1,092,417
Literary fund loans	17,600,000	-	950,000	16,650,000	575,000
Contractual obligation	-	15,000,000	-	15,000,000	-
Capital leases	11,068	-	11,068	-	-
	<u>36,404,992</u>	<u>15,000,000</u>	<u>2,281,258</u>	<u>49,123,734</u>	<u>1,667,417</u>
Less unamortized bond discount	(173,817)	-	(10,534)	(163,283)	(10,470)
Plus unamortized bond premium	79,544	-	15,909	63,635	15,909
Less deferred amount on refunding	<u>(637,340)</u>	<u>-</u>	<u>(43,880)</u>	<u>(593,460)</u>	<u>(39,926)</u>
Total general obligation debt	<u>35,673,379</u>	<u>15,000,000</u>	<u>2,242,753</u>	<u>48,430,626</u>	<u>1,632,930</u>
Other liabilities:					
Compensated absences	1,295,261	730,444	731,873	1,293,832	753,313
Claims payable	<u>93,680</u>	<u>19,977</u>	<u>12,691</u>	<u>100,966</u>	<u>12,691</u>
Total other liabilities	<u>1,388,941</u>	<u>750,421</u>	<u>744,564</u>	<u>1,394,798</u>	<u>766,004</u>
Total governmental activities long-term debt	<u>\$ 37,062,320</u>	<u>\$ 15,750,421</u>	<u>\$ 2,987,317</u>	<u>\$ 49,825,424</u>	<u>\$ 2,398,934</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 6. Long-Term Debt (Continued)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loan	\$ 15,288,202	\$ 10,159,728	\$ 715,253	\$ 24,732,677	\$ 744,512
General obligation bonds	8,733,463	-	908,058	7,825,405	848,600
	24,021,665	10,159,728	1,623,311	32,558,082	1,593,112
Plus unamortized bond premium	405,201	621,871	36,400	990,672	64,620
Less unamortized bond discount	(34,357)	(39,968)	(3,581)	(70,744)	(6,530)
Less deferred amount on refunding	(237,201)	-	(33,479)	(203,722)	(32,642)
Total bonds and loans payable	24,155,308	10,741,631	1,622,651	33,274,288	1,618,560
Other liabilities:					
Landfill closure liability	2,186,763	186,642	58,203	2,315,202	58,203
Compensated absences	208,634	146,765	163,933	191,466	161,881
Total other liabilities	2,395,397	333,407	222,136	2,506,668	220,084
Total business-type activities long-term debt	<u>\$ 26,550,705</u>	<u>\$ 11,075,038</u>	<u>\$ 1,844,787</u>	<u>\$ 35,780,956</u>	<u>\$ 1,838,644</u>
Component Unit - School Board					
Other liabilities:					
Compensated absences	<u>\$ 527,129</u>	<u>\$ 240,138</u>	<u>\$ 300,640</u>	<u>\$ 466,627</u>	<u>\$ 180,793</u>

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, 2010

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
<u>General Obligation Bonds:</u>						
2002 Refunding Bonds	3.03%	12/2002	01/2011	\$ 4,979,100	\$ 283,725	\$ 94,575
2008 GO Bonds (Landfill)	3.47%	10/2008	10/2014	1,700,000	-	1,449,800
2005 CIP Bonds (City and Schools)	3.43%	06/2005	02/2025	4,600,000	3,860,156	-
2007 GO Refunding & CIP Bonds	3.50-4.25%	01/2007	02/2034	10,600,000	9,785,000	570,000
1991B School Construction Bonds	4.85-6.6%	07/1991	07/2012	369,327	43,698	-
1997A School Construction Bonds	4.35- 5.225%	11/1997	01/2017	2,000,000	800,000	-
1997B School Construction Bonds	4.35- 5.225%	11/1997	01/2017	4,211,116	1,846,155	-
1998 Parking Garage Bonds	4.20% 1.125%-	12/1998	06/2019	3,000,000	-	1,586,030
2009A Refunding Bonds	5.125%	6/2009	10/2021	4,150,000	-	4,125,000
2004 GO Bonds (Hotel)	3.2-4%	6/2004	02/2014	10,000,000	855,000	-
					<u>\$ 17,473,734</u>	<u>\$ 7,825,405</u>
<u>Contractual Obligation</u>						
Commonwealth of Virginia – backed by Irrevocable Standby Letter of Credit	Quarterly fee	11/2009	11/2011	15,000,000	<u>\$ 15,000,000</u>	<u>\$ -</u>
<u>Literary Fund Loans</u>						
2002 Bessie Weller Elem	4.00%	02/2002	03/2022	4,000,000	\$ 2,400,000	\$ -
2008 McSwain Elem	3.00%	08/2008	08/2028	7,500,000	7,125,000	-
2008 Ware Elem	3.00%	08/2008	08/2028	7,500,000	7,125,000	-
					<u>\$ 16,650,000</u>	<u>\$ -</u>
<u>Virginia Revolving Loan Funds:</u>						
Middle River Wastewater Phase I	4.50%	02/1996	08/2015	6,510,767	\$ -	\$ 2,437,182
Middle River Wastewater Phase II	3.50%	09/2001	03/2021	6,411,399	-	4,136,056
Middle River Wastewater Phase IIIA	3.00%	02/2008	03/2030	*	-	9,528,519
Middle River Wastewater Phase IIIB	3.00%	02/2008	03/2030	**	-	2,069,322
2010A VRA Water and Sewer CIP	2.78%-5.2%	6/2010	10/2030	7,080,000	-	7,080,000
New Hope Road	3.85%	03/2002	09/2021	629,734	-	429,791
					<u>\$ -</u>	<u>25,680,870</u>
Less amounts not drawn down as of June 30, 2010 for Middle River Wastewater IIIA						(756,359)
Less amounts not drawn down as of June 30, 2010 for Middle River Wastewater IIIB						(191,834)
						<u>\$ 24,732,677</u>

* \$9,528,519 authorized, of which \$8,772,160 had been drawn down as of June 30, 2010. \$756,359 remains to be drawn down. Repayment terms to be finalized at the end of the project.

** \$2,069,322 authorized, of which \$1,877,488 had been drawn down as of June 30, 2010. \$191,834 remains to be drawn down. Repayment terms to be finalized at the end of the project.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 6. Long-Term Debt (Continued)

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds		Literary Fund Loans		Contractual Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,092,416	\$ 708,402	\$ 950,000	\$ 523,500	\$ -	\$ 60,000
2012	835,018	664,405	950,000	493,000	15,000,000	15,000
2013	833,845	629,103	950,000	462,500	-	-
2014	855,353	593,521	950,000	432,000	-	-
2015	877,449	556,924	950,000	401,500	-	-
2016-2020	4,080,928	2,233,138	4,750,000	1,550,000	-	-
2021-2025	3,678,725	1,525,516	4,150,000	811,500	-	-
2026-2030	2,670,000	881,570	3,000,000	225,000	-	-
2031-2035	2,550,000	276,251	-	-	-	-
	<u>\$ 17,473,734</u>	<u>\$ 8,068,830</u>	<u>\$ 16,650,000</u>	<u>\$ 4,899,000</u>	<u>\$ 15,000,000</u>	<u>\$ 75,000</u>

Year Ending June 30,	Business-Type Activities			
	General Obligation Bonds		Virginia Revolving Loan *	
	Principal	Interest	Principal	Interest
2011	\$ 848,599	\$ 315,918	\$ 744,512	\$ 537,697
2012	780,089	286,157	1,014,986	543,051
2013	806,755	258,797	1,051,725	505,278
2014	829,695	230,168	1,089,783	466,774
2015	862,819	198,540	1,129,214	426,387
2016-2020	2,837,448	529,426	3,905,948	1,607,576
2021-2025	585,000	83,953	2,321,856	944,607
2026-2030	140,000	46,632	2,290,003	444,637
2031-2035	135,000	14,664	535,002	13,910
	<u>\$ 7,825,405</u>	<u>\$ 1,964,255</u>	14,083,029	<u>\$ 5,489,917</u>

*Amounts drawn down as of June 30, 2010
on Middle River Wastewater Phase III VRA
loan

8,772,160

*Amounts drawn down as of June 30, 2010
on Middle River Wastewater Phase III VRA
loan

1,877,488

\$ 24,732,677

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

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 employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service for participating employers (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7% of their average final compensation (AFC) for each year of credited service (1.85% for sheriffs). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living adjustment (COLA) beginning in their second year of retirement. The COLA is limited to 5% per year. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/2009AnnuRept.pdf> or obtained 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 annual reported compensation to the VRS. 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 2010 was 14.43% of annual covered payroll. The City School Board contribution rate for fiscal year 2010 was 13.21% of annual covered payroll of non-professional employees.

The City School Board contribution rate for fiscal year 2010 was 8.81% of annual covered payroll for professional employees for July 2009 through March 2010 and zero (0.00%) for April 2010-June 2010. The City School Board required contributions to the teacher cost-sharing pool were \$1,879,299 for fiscal year 2010, \$2,381,114 for fiscal year 2009, and \$2,541,539 for fiscal year 2008. In each year, the School Board contributed 100% of the required contributions.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 7. Defined Benefit Pension Plan (Continued)

Annual pension cost

For fiscal year 2010 the City's annual pension cost of \$2,239,969 was equal to the City's required and actual contributions. For 2010, the City School Board's annual pension cost of \$177,605 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, 2007 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2007 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 payroll on an open basis. The remaining amortization period at June 30, 2007 was 20 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Primary Government			
June 30, 2008	\$ 2,351,237	100%	-
June 30, 2009	\$ 2,335,270	100%	-
June 30, 2010	\$ 2,239,969	100%	-
School Board (non-professional employees)			
June 30, 2008	\$ 182,693	100%	-
June 30, 2009	\$ 187,178	100%	-
June 30, 2010	\$ 177,605	100%	-

Funded Status and Funding Progress

For the City employees, as of June 30, 2009, the most recent actuarial valuation date, the plan was 74.31% funded. The actuarial accrued liability for benefits was \$57,468,691, and the actuarial value of assets was \$42,705,587, resulting in an unfunded actuarial accrued liability (UAAL) of \$14,763,103. The covered payroll (annual payroll of active employees covered by the plan) was \$11,852,889, and ratio of the UAAL to the covered payroll was 124.55%.

For the City School Board non-professional employees, as of June 30, 2009, the most recent actuarial valuation date, the plan was 85.07% funded. The actuarial accrued liability for benefits was \$4,249,134, and the actuarial value of assets was \$3,614,959, resulting in an unfunded actuarial accrued liability (UAAL) of \$634,205. The covered payroll (annual payroll of active employees covered by the plan) was \$1,004,350, and ratio of the UAAL to the covered payroll was 63.16%.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 7. Defined Benefit Pension Plan (Continued)

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.

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 8. Other Post-Employment Benefits (Continued)

Plan Description

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.

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 2010, the City paid approximately 92% of subscriber only coverage, 79% of subscriber plus child coverage, 73% of subscriber plus children coverage, 71% of subscriber plus spouse coverage, and 73% 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, 2010, the retirees contributed \$58,000 and the City contributed \$422,000 to the City's healthcare plan for health insurance. The City contributed \$35,000 to the Virginia Pooled OPEB Trust, a qualified trust as defined by GASB Statement 45. The contribution to the trust, \$35,000 and the City/retiree contributions to the healthcare plan, \$480,000 combine to fully fund the annual required contribution (ARC) of \$515,000 for fiscal year 2010. It is the City's intent to fully fund the ARC each year.

Funding Policy-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 2009, the School Board paid approximately 92% of the existing rate for subscriber only coverage and the retiree paid the remaining 8% 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, 2010, the retirees contributed \$214,363 and the School Board contributed \$309,637 to the Board's healthcare plan for health insurance. The School Board contributed \$44,000 to the Virginia Pooled OPEB Trust, a qualified trust as defined by GASB Statement 45. The contribution to the trust, \$44,000 and the School Board/retiree contributions to the healthcare plan, \$524,000 combine to fully fund the annual required contribution of \$568,000 for fiscal year 2010. It is the School Board's intent to fully fund the annual required contribution each year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 8. Other Post-Employment Benefits (Continued)

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.

The City and School Board's annual OPEB cost, amounts contributed to the plan, and changes in the net OPEB Obligation for fiscal year 2010 is as follows:

	Primary Government	Component Unit School Board
Annual Required Contribution (ARC)	\$ 515,000	\$ 568,000
Interest on Net OPEB Obligation	-	-
Net OPEB Obligation Adjustment	-	-
Annual OPEB Cost	515,000	568,000
Actual Contribution	(515,000)	(568,000)
Increase (decrease) in net OPEB Obligation	-	-
Net OPEB Obligation July 1, 2009	-	-
Net OPEB Obligation, June 30, 2010	\$ -	\$ -

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Primary Government			
June 30, 2010	\$ 515,000	100%	-
June 30, 2009	\$ 515,000	100%	-
Component Unit School Board			
June 30, 2010	\$ 568,000	100%	-
June 30, 2009	\$ 562,000	100%	-

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 8. Other Post-Employment Benefits (Continued)

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the City's healthcare plan was 0% funded. The actuarial accrued liability for benefits was \$5,109,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,109,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$11,437,000, and the ratio of the UAAL to the covered payroll was 44.7%.

As of July 1, 2007, the most recent actuarial valuation date, the School Board's healthcare plan was 0% funded. The actuarial accrued liability for benefits was \$4,660,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,660,000. The covered payroll (annual payroll of active employees covered by the School Board plan) was \$15,582,000, and the ratio of the UAAL to the covered payroll was 29.91%.

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, also 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 2010 was determined as part of the July 1, 2007 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 10% initially, which decreases at a rate of 1% per year until an ultimate rate of 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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 9. Commitments and Contingencies

State and Federal Programs:

The City received a number of Federal and State grants which are subject to audit to determine compliance with their requirements. City management is of the opinion that if any refunds are required, they 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 have an immaterial effect on the City's financial position.

IDA Commitments

During fiscal year 2008, the IDA entered into two performance agreements with local businesses in connection with Governor's Opportunity Fund grants. Enterprise zone grants from the City, through the IDA, for 50% of the businesses machinery and tools tax for 5 years serve as the required local match for the grant. If the enterprise zone grants do not equal the required match, the IDA 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 IDA being responsible for repaying these grants. At this time, the IDA has no reason to believe that the performance agreement terms won't be met.

Construction Commitments

Middle River Regional Wastewater Treatment Plant - The City and partner Augusta County Service Authority began construction on Phase III of the wastewater treatment plant in 2007. The \$21 million improvements were required by the Commonwealth of Virginia to improve the water quality of the Chesapeake Bay. Work is expected to be completed by June 2011. The City received a \$9.3 million grant from the Commonwealth and issued \$11.7 million in General Obligation Bonds from Virginia Resources Authority at 3% to pay for the project. Augusta County Service Authority is responsible for 27.9% of the annual debt payments. Annual debt payments will be made from the Sewer Fund. The City's share of the project cost is \$15,080,339 with \$1,109,096 remaining to be spent.

Note 10. Operating Leases

The City leases certain office, court, and jail facilities under operating leases. A summary of future minimum lease payments under such operating leases is as follows:

2011	\$	46,584
2012		21,624
	\$	<u>68,208</u>

In addition, the City is obligated to pay on a monthly basis its share of operation and maintenance costs of the shared jail facilities, as discussed in Note 1.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 11. 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, 2009 and due December 5, 2009 as well as the portion of the January 1, 2010 assessment due June 20, 2010, 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, 2008, 2009, and 2010 levies was \$.90 per \$100 of assessed value for all years. Real estate taxes receivable, assessed as of January 1, 2010 and due December 5, 2010, are reflected in the accompanying fund financial statements as a receivable and are offset by unearned revenue, in the amount of \$2,310,122, which is consistent with the City's budget ordinance. In the government-wide financial statements, real estate taxes paid in advance as of June 30, 2010 are also included in unearned revenues, in the amount of \$2,281,767, since they are not intended to finance the current fiscal year.

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 2010, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2009 assessment due December 5, 2009, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The tax rate for 2009 was \$2.00 per \$100 of assessed value.

Note 12. Restricted Assets

Restricted assets as of June 30, 2009 consist of cash and cash equivalents and investments on the statement of net assets which are restricted for certain purposes as follows:

	Water Fund	Sewer Fund	Environmental Fund	Component Unit School Board
Unspent bond issue proceeds	\$ 5,349,433	\$ 2,254,594	\$ 401,909	\$ -
Landfill sinking fund	-	-	1,558,861	-
Restricted for donor purposes	-	-	-	2,038
Total restricted assets	<u>\$ 5,349,433</u>	<u>\$ 2,254,594</u>	<u>\$ 1,960,770</u>	<u>\$ 2,038</u>

Note 13. 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 2010. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended levels.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 13. Risk Management (Continued)

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, 2010, 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 \$1,610 and is reported in the General Fund. Changes in the claims liability amount in fiscal years 2008, 2009, and 2010 were as follows:

Year Ended	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2008	\$ 439,446	\$ (167,902)	\$ 26,606	\$ 244,938
2009	\$ 244,938	\$ (81,200)	\$ 53,958	\$ 109,780
2010	\$ 109,780	\$ 3,877	\$ 12,691	\$ 100,966

Note 14. Landfill Closure and Postclosure 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 28.33% 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 postclosure 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 postclosure care costs as an operating expense in each year based on landfill capacity used.

The \$2,315,202 reported as landfill closure and postclosure care liability at June 30, 2010, represents the cumulative amount reported to date based on the use of 100% of the capacity of Permit 21 and approximately 82% of the estimated capacity of Phases 1-3 of Permit 585. The City will recognize the remaining estimated cost of closure and postclosure care of \$95,667 for Phases 1-3 of Permit 585 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Phases 1-3 of Permit 585 are scheduled to be closed within the next year. Currently, there is a permit modification under review with DEQ that, if approved, will increase airspace for this section of the landfill, thus decreasing capacity and increasing the remaining life. Phases 4-7 of Permit 585 remain to be opened in future years.

The City uses the financial test method of demonstrating assurance for closure and postclosure care.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 15. Loans Receivable

In 2005, the City, through the Industrial Development Authority (IDA), loaned \$2.5 million to Staunton Hotel, LLC, as part of a development agreement, to renovate the Stonewall Jackson Hotel. The balance due on the loan at June 30, 2010 was \$9,804. The remaining balance is to be paid to the IDA and in turn back to the City during FY 2011.

The City also reports a loan receivable for the Augusta County Service Authority's share of the Middle River Wastewater Treatment Plant Virginia revolving loans. Under intergovernmental agreements between the City and the Service Authority, the Authority was responsible for \$1,171,938 of the \$6,510,767 Phase I loan and for \$974,533 of the \$6,411,399 Phase II loan. At June 30, 2010, \$438,693 and \$628,721 was outstanding on Phases I and II of these loans, respectively. The Service Authority reimburses the City for its share of the debt service on these loans.

During fiscal year 2007, the City and the Service Authority began Phase III of renovations to the wastewater treatment plant. Costs are shared with the City's share at 72.1% and the Service Authority's share at 27.9%. The City pays all costs as they are incurred during the project. The share of costs due from the Service Authority (less any amounts to be reimbursed through the Water Quality Improvement Fund) at June 30, 2010, are \$3,111,851 and are reported as a loan receivable in the sewer fund.

Note 16. Restricted Net Assets

Net Assets-Restricted – Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restrictions of net assets of the primary government's governmental activities and the component unit school board arose from contributions to be used for specific purposes.

Note 17. New Accounting Standards

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

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides guidance to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement is effective for the fiscal year ending June 30, 2011.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2010

Note 18. Community Development

In November 2009, the City and the IDA 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. The IDA agreed to deed approximately 66 acres of IDA land to the Commonwealth to re-located and build a new mental health hospital. During FY 2010, the City issued a \$15 million letter of credit as security for payment of the Commonwealth. Final payment is due to the Commonwealth when the new hospital is 80% complete. The WSH campus land was transferred to the IDA during FY 2010 for development. The IDA intends to contract with and sell the land to provide developers to develop the multi-use site into commercial, retail, and office property. Proceeds from the land sales will be paid to the City to reduce the City's \$15 million obligation to the Commonwealth. The land is carried at its estimated fair value and the amount due back to the City is based on that same value.

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. 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-IDA

In prior years, the IDA 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 project and do not constitute an obligation of the Commonwealth of Virginia, the City, the IDA or any political subdivision thereof. All of the IDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bonds for the benefit of bondholders. The IDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the IDA 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 IDA does not recognize associated assets, liabilities, income, or interest expense in its financial statements. Approximately \$7,675,000 of such conduit bonds were outstanding at June 30, 2010.

Note 20. Subsequent Events

The name of the Industrial Development Authority was changed by ordinance adopted by the City Council on July 22, 2010 to the Economic Development Authority of the City of Staunton, Virginia.

THIS PAGE INTENTIONALLY BLANK

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF STAUNTON, VIRGINIA
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 19,790,500	\$ 19,790,500	\$ 20,253,506	\$ 463,006
Other local taxes	11,320,800	11,320,800	11,699,605	378,805
Permits, privilege fees, and regulatory licenses	218,200	218,200	240,985	22,785
Fines and forfeitures	61,000	61,000	70,171	9,171
Revenue from use of money and property	112,700	112,700	96,358	(16,342)
Charges for services	1,451,747	1,451,747	1,237,140	(214,607)
Miscellaneous	19,500	19,500	33,722	14,222
Recovered costs	280,600	322,211	326,587	4,376
Intergovernmental:				
Federal	1,151,078	1,209,866	1,090,098	(119,768)
Commonwealth	10,423,875	10,129,053	9,821,868	(307,185)
Total revenues	44,830,000	44,635,577	44,870,040	234,463
EXPENDITURES				
Current:				
General government administration	4,401,550	4,491,193	3,946,393	544,800
Judicial administration	1,766,860	1,852,072	1,638,486	213,586
Public safety	8,736,464	8,812,728	8,108,109	704,619
Public works	4,952,440	5,093,287	4,749,252	344,035
Health and welfare	5,819,387	5,745,866	5,012,585	733,281
Education	10,259,000	10,259,000	9,921,257	337,743
Parks, recreation, and cultural	3,065,777	3,071,686	2,758,657	313,029
Community development	1,319,814	1,344,431	1,265,380	79,051
Debt service	3,654,308	3,654,308	3,591,900	62,408
Total expenditures	43,975,600	44,324,571	40,992,019	3,332,552
Excess (deficiency) of revenues over expenditures	854,400	311,006	3,878,021	3,567,015
OTHER FINANCING SOURCES (USES)				
Sale of equipment	10,000	10,000	9,804	(196)
Transfers out	(864,400)	(3,025,758)	(3,001,758)	24,000
Total other financing sources (uses)	(854,400)	(3,015,758)	(2,991,954)	23,804
Net change in fund balance	-	(2,704,752)	886,067	3,590,819
Fund balance at beginning of year	-	2,704,752	8,113,586	5,408,834
Fund balance at end of year	\$ -	\$ -	\$ 8,999,653	\$ 8,999,653

CITY OF STAUNTON, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT PENSION PLAN

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
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)

	(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
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
SCHEDULE 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, 2007	\$ -	\$ 5,109,000	\$ 5,109,000	0%	\$ 11,437,000	44.70%

COMPONENT UNIT SCHOOL BOARD (NON-PROFESSIONAL)

	(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, 2007	\$ -	\$ 4,660,000	\$ 4,660,000	0%	\$ 15,582,000	29.91%

SCHEDULES OF EMPLOYER CONTRIBUTIONS

CITY

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

SCHOOL BOARD

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

CITY OF STAUNTON, VIRGINIA**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010****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.

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.

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.

THIS PAGE INTENTIONALLY BLANK

OTHER SUPPLEMENTARY INFORMATION

THIS PAGE INTENTIONALLY BLANK

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 capital projects. 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 funds and trust funds.

Capital Improvement Fund – This fund is used to account for major construction projects of the City. Local governmental resources provide 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.

CITY OF STAUNTON, VIRGINIA

**COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010**

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	Debt Service Fund	Capital Improvements Fund	
ASSETS						
Cash and cash equivalents	\$ 41,596	\$ 1,255,307	\$ 39,267	\$ 1,300,000	\$ 3,869,870	\$ 6,506,040
Investments	-	-	-	-	2,037,420	2,037,420
Accounts receivable	-	-	5,967	-	-	5,967
Interest receivable	-	-	-	-	4,531	4,531
Loan receivable	-	9,804	-	-	-	9,804
Due from other governmental units	65,073	5,950	-	-	5,337	76,360
Total assets	<u>\$ 106,669</u>	<u>\$ 1,271,061</u>	<u>\$ 45,234</u>	<u>\$ 1,300,000</u>	<u>\$ 5,917,158</u>	<u>\$ 8,640,122</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 19,318	\$ 14,933	\$ 29,066	\$ -	\$ 22,547	\$ 85,864
Accrued liabilities	20,142	-	-	-	-	20,142
Deferred revenue	-	9,804	538	-	4,531	14,873
Total liabilities	<u>39,460</u>	<u>24,737</u>	<u>29,604</u>	<u>-</u>	<u>27,078</u>	<u>120,879</u>
Fund balances:						
Reserved for:						
Encumbrances	19,600	7,858	-	-	-	27,458
Donations	-	-	13,500	-	-	13,500
Unreserved, undesignated	47,609	1,238,466	2,130	1,300,000	5,890,080	8,478,285
Total fund balances	<u>67,209</u>	<u>1,246,324</u>	<u>15,630</u>	<u>1,300,000</u>	<u>5,890,080</u>	<u>8,519,243</u>
Total liabilities and fund balances	<u>\$ 106,669</u>	<u>\$ 1,271,061</u>	<u>\$ 45,234</u>	<u>\$ 1,300,000</u>	<u>\$ 5,917,158</u>	<u>\$ 8,640,122</u>

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	Debt Service Fund	Capital Improvements Fund	
REVENUES						
Revenue from use of money and property	\$ 8	\$ 3,508	\$ 4,687	\$ -	\$ 23,137	\$ 31,340
Charges for services	57,566	-	-	-	-	57,566
Miscellaneous	7,799	-	28,530	-	-	36,329
Recovered costs	-	57,991	31,714	-	-	89,705
Intergovernmental:						
Federal	250,993	49,367	-	-	-	300,360
Commonwealth	721,090	-	-	-	5,337	726,427
Total revenues	1,037,456	110,866	64,931	-	28,474	1,241,727
EXPENDITURES						
Current:						
General government administration	-	-	-	-	147,713	147,713
Public safety	878,737	-	-	-	332,764	1,211,501
Education	-	-	-	-	27,170	27,170
Parks, recreation, and culture	31,126	-	-	-	-	31,126
Community development	131,271	130,666	151,024	-	308,995	721,956
Capital projects	-	-	-	-	219,482	219,482
Debt service:						
Interest and fiscal charges	-	-	-	-	45,000	45,000
Debt issuance costs	-	-	-	-	106,621	106,621
Total expenditures	1,041,134	130,666	151,024	-	1,187,745	2,510,569
Deficiency of revenues under expenditures	(3,678)	(19,800)	(86,093)	-	(1,159,271)	(1,268,842)
OTHER FINANCING SOURCES (USES)						
Sale of equipment	-	-	10,355	-	-	10,355
Transfers in	-	-	41,000	1,300,000	2,736,358	4,077,358
Transfers out	-	-	-	-	(1,300,000)	(1,300,000)
Total other financing sources (uses)	-	-	51,355	1,300,000	1,436,358	2,787,713
Net change in fund balance	(3,678)	(19,800)	(34,738)	1,300,000	277,087	1,518,871
Fund balance						
Beginning of year	70,887	1,266,124	50,368	-	5,612,993	7,000,372
End of year	\$ 67,209	\$ 1,246,324	\$ 15,630	\$ 1,300,000	\$ 5,890,080	\$ 8,519,243

THIS PAGE INTENTIONALLY BLANK

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, 2010

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 53,804	\$ 67,168	\$ 120,972
Accounts receivable, net of allowance for uncollectibles	-	12,593	12,593
Total current assets	53,804	79,761	133,565
Noncurrent assets:			
Deferred charges	6,170	1,682	7,852
Capital assets:			
Land	24,694	1,034,249	1,058,943
Buildings	61,578	6,184,627	6,246,205
Improvements	621,040	434,647	1,055,687
Machinery and equipment	78,803	38,585	117,388
Less accumulated depreciation	(170,193)	(1,997,868)	(2,168,061)
Total capital assets (net of accumulated depreciation)	615,922	5,694,240	6,310,162
Total noncurrent assets	622,092	5,695,922	6,318,014
Total assets	675,896	5,775,683	6,451,579
LIABILITIES			
Current liabilities:			
Accounts payable	3,035	1,838	4,873
Accrued liabilities	12,364	8,295	20,659
Deferred revenue	27,400	-	27,400
Deposits payable	-	4,220	4,220
General obligation bonds	14,372	158,524	172,896
Total current liabilities	57,171	172,877	230,048
Noncurrent liabilities:			
General obligation bonds	546,427	1,427,506	1,973,933
Total noncurrent liabilities	546,427	1,427,506	1,973,933
Total liabilities	603,598	1,600,383	2,203,981
NET ASSETS			
Invested in capital assets, net of related debt	61,293	4,109,892	4,171,185
Unrestricted	11,005	65,408	76,413
Total net assets	\$ 72,298	\$ 4,175,300	\$ 4,247,598

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2010**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING REVENUES			
Parking fines	\$ -	\$ 37,706	\$ 37,706
Charges for services	147,099	203,283	350,382
Miscellaneous	101	-	101
Total operating revenues	147,200	240,989	388,189
OPERATING EXPENSES			
Personal services	51,712	95,893	147,605
Fringe benefits	22,343	9,290	31,633
Repairs and maintenance	4,863	1,780	6,643
Contractual services	10,051	32,317	42,368
Materials and supplies	18,931	1,376	20,307
Depreciation	32,735	152,759	185,494
Utilities	1,688	30,951	32,639
Other expenses	956	58,963	59,919
Total operating expenses	143,279	383,329	526,608
Operating income (loss)	3,921	(142,340)	(138,419)
NONOPERATING REVENUES (EXPENSES)			
Interest income	59	52	111
Interest and fiscal charges	(24,383)	(72,526)	(96,909)
Gain on disposal of assets	9,182	-	9,182
Total nonoperating revenues (expenses)	(15,142)	(72,474)	(87,616)
Loss before contributions and transfers	(11,221)	(214,814)	(226,035)
Transfers in	-	224,400	224,400
Change in net assets	(11,221)	9,586	(1,635)
Total net assets - beginning of year	83,519	4,165,714	4,249,233
Total net assets - end of year	\$ 72,298	\$ 4,175,300	\$ 4,247,598

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2010**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING ACTIVITIES			
Cash received from customers	\$ 147,167	\$ 238,531	\$ 385,698
Cash paid to suppliers	(34,655)	(126,568)	(161,223)
Cash paid to employees for services	(73,893)	(105,024)	(178,917)
Net cash provided by operating activities	38,619	6,939	45,558
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	224,400	224,400
Net cash provided by noncapital financing activities	-	224,400	224,400
CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on long-term debt	(15,000)	(151,983)	(166,983)
Interest paid on long-term debt	(23,657)	(72,416)	(96,073)
Proceeds from sale of equipment	9,182	-	9,182
Net cash used by capital and related financing activities	(29,475)	(224,399)	(253,874)
INVESTING ACTIVITIES			
Interest received	59	52	111
Net cash provided by investing activities	59	52	111
Net increase in cash and cash equivalents	9,203	6,992	16,195
CASH AND CASH EQUIVALENTS			
Beginning of year	44,601	60,176	104,777
End of year	\$ 53,804	\$ 67,168	\$ 120,972

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2010**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 3,921	\$ (142,340)	\$ (138,419)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	32,735	152,759	185,494
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	(2,252)	(2,252)
Increase (decrease) in accounts payable	1,834	(1,181)	653
Increase (decrease) in accrued liabilities	162	159	321
Increase (decrease) in deferred revenue	(33)	-	(33)
Increase (decrease) in deposits payable	-	(206)	(206)
Net cash provided by operating activities	<u>\$ 38,619</u>	<u>\$ 6,939</u>	<u>\$ 45,558</u>

There were no noncash investing, capital or financing activities.

THIS PAGE INTENTIONALLY BLANK

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, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,382,054
Investments	567,412
Accounts receivable	150,187
Due from other governmental units	2,090,227
Prepaid items	13,430
Restricted assets:	
Cash and cash equivalents	2,038
Capital assets:	
Land	236,000
Other capital assets, net of accumulated depreciation	<u>9,215,544</u>
Total assets	<u>16,656,892</u>
LIABILITIES	
Accounts payable	693,271
Accrued liabilities	2,531,977
Noncurrent liabilities:	
Due within one year	180,793
Due in more than one year	<u>285,834</u>
Total liabilities	<u>3,691,875</u>
NET ASSETS	
Invested in capital assets, net of related debt	9,451,544
Restricted for:	
Donor purposes	2,038
Unrestricted	<u>3,511,435</u>
Total net assets	<u><u>\$ 12,965,017</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction and related services	\$ 24,462,122	\$ 865,936	\$ 9,313,305	\$ 384,572	\$ (13,898,309)
Administration, attendance, and health	1,923,054	-	-	-	(1,923,054)
Pupil transportation	981,736	-	-	-	(981,736)
Food service	1,138,630	443,032	727,949	-	32,351
Operations	2,346,130	-	-	-	(2,346,130)
Total School Board	<u>\$ 30,851,672</u>	<u>\$ 1,308,968</u>	<u>\$ 10,041,254</u>	<u>\$ 384,572</u>	<u>\$ (19,116,878)</u>
General revenues:					
Unrestricted investment earnings					6,113
Grants and contributions not restricted to specific programs					9,045,190
Miscellaneous					231,552
Net payment from City of Staunton					<u>11,353,964</u>
Total general revenues					<u>20,636,819</u>
Change in net assets					1,519,941
Net assets, beginning of year					<u>11,445,076</u>
Net assets, end of year					<u>\$ 12,965,017</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2010

	Education Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,099,957	\$ 2,282,097	\$ 4,382,054
Investments	407,602	159,810	567,412
Accounts receivable	114,724	35,463	150,187
Prepaid items	13,430	-	13,430
Due from other governmental units	1,472,859	617,368	2,090,227
Due from other funds	532,337	-	532,337
Restricted assets:			
Cash and cash equivalents	-	2,038	2,038
 Total assets	 <u>\$ 4,640,909</u>	 <u>\$ 3,096,776</u>	 <u>\$ 7,737,685</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 681,969	\$ 11,302	\$ 693,271
Accrued liabilities	2,375,543	156,434	2,531,977
Due to other funds	-	532,337	532,337
Deferred revenue	242,150	-	242,150
 Total liabilities	 <u>3,299,662</u>	 <u>700,073</u>	 <u>3,999,735</u>
 Fund balances:			
Reserved for:			
Capital outlay	407,602	208,439	616,041
Donor restrictions	-	2,038	2,038
Encumbrances	102,163	55,770	157,933
Unreserved, designated for:			
Operations	831,482	534,902	1,366,384
Unreserved, undesignated, reported in:			
Special revenue funds	-	268,244	268,244
Capital projects fund	-	1,327,310	1,327,310
 Total fund balances	 <u>1,341,247</u>	 <u>2,396,703</u>	 <u>3,737,950</u>
 Total liabilities and fund balances	 <u>\$ 4,640,909</u>	 <u>\$ 3,096,776</u>	 <u>\$ 7,737,685</u>

CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010**

Total Fund Balances – Component Unit School Board	\$ 3,737,950
--	---------------------

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	\$ 19,411,167	
Less: accumulated depreciation	(9,959,623)	9,451,544

Receivables that are not available to pay for current period expenditures are
not reported in the funds.

242,150

Compensated absences are not due and payable in the current period and
therefore are not reported in the funds.

(466,627)

Total Net Assets – Component Unit School Board	\$ 12,965,017
---	----------------------

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, 2010

	Education Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Revenue from use of money and property	\$ 25,885	\$ 4,580	\$ 30,465
Charges for services	865,936	443,032	1,308,968
Miscellaneous	6,477	46,953	53,430
Recovered costs	153,770	-	153,770
Intergovernmental:			
Federal	3,398,936	771,670	4,170,606
Commonwealth	13,150,978	2,129,122	15,280,100
City of Staunton	10,722,257	-	10,722,257
Total revenues	<u>28,324,239</u>	<u>3,395,357</u>	<u>31,719,596</u>
EXPENDITURES			
Current:			
Education	27,487,294	4,025,772	31,513,066
Capital projects	-	249,463	249,463
Total expenditures	<u>27,487,294</u>	<u>4,275,235</u>	<u>31,762,529</u>
Excess (deficiency) of revenues over expenditures	<u>836,945</u>	<u>(879,878)</u>	<u>(42,933)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	67,563	196,361	263,924
Transfers out	(196,361)	(67,563)	(263,924)
Total other financing sources (uses)	<u>(128,798)</u>	<u>128,798</u>	<u>-</u>
Net change in fund balance	708,147	(751,080)	(42,933)
Fund balance at beginning of year	<u>633,100</u>	<u>3,147,783</u>	<u>3,780,883</u>
Fund balance at end of year	<u><u>\$ 1,341,247</u></u>	<u><u>\$ 2,396,703</u></u>	<u><u>\$ 3,737,950</u></u>

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, 2010

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	\$ (42,933)
--	-------------

Governmental funds report the cost of capital assets acquired as current expenditures while the governmental statement of activities reports depreciation expense to allocate those expenditures over the life of the assets.

Depreciation	\$ (858,631)	
Capital expenses	904,986	
Transfer of assets from City	1,435,707	1,482,062

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	20,310
---	--------

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.	<u>60,502</u>
--	---------------

Change in net assets of governmental activities	<u><u>\$ 1,519,941</u></u>
---	----------------------------

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Cafeteria Fund	Textbook Fund	State Operated Programs Fund	School Construction Fund	
ASSETS					
Cash and cash equivalents	\$ 324,552	\$ 536,808	\$ -	\$ 1,420,737	\$ 2,282,097
Investments	-	-	-	159,810	159,810
Accounts receivable	15,381	-	20,082	-	35,463
Due from other governmental units	-	-	617,368	-	617,368
Restricted assets:					
Cash and cash equivalents	-	-	-	2,038	2,038
Total assets	<u>\$ 339,933</u>	<u>\$ 536,808</u>	<u>\$ 637,450</u>	<u>\$ 1,582,585</u>	<u>\$ 3,096,776</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,892	\$ 1,824	\$ 1,586	\$ -	\$ 11,302
Accrued liabilities	52,907	-	103,527	-	156,434
Due to other funds	-	-	532,337	-	532,337
Total liabilities	<u>60,799</u>	<u>1,824</u>	<u>637,450</u>	<u>-</u>	<u>700,073</u>
Fund balances:					
Reserved for:					
Capital outlay	-	-	-	208,439	208,439
Donor restrictions	-	-	-	2,038	2,038
Encumbrances	10,590	82	300	44,798	55,770
Unreserved, designated for:					
Operations	-	534,902	-	-	534,902
Unreserved, undesignated:	<u>268,544</u>	<u>-</u>	<u>(300)</u>	<u>1,327,310</u>	<u>1,595,554</u>
Total fund balances	<u>279,134</u>	<u>534,984</u>	<u>-</u>	<u>1,582,585</u>	<u>2,396,703</u>
Total liabilities and fund balances	<u>\$ 339,933</u>	<u>\$ 536,808</u>	<u>\$ 637,450</u>	<u>\$ 1,582,585</u>	<u>\$ 3,096,776</u>

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, 2010

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Cafeteria Fund	Textbook Fund	State Operated Programs Fund	School Construction Fund	
REVENUES					
Revenue from use of money and property	\$ 340	\$ 900	\$ -	\$ 3,340	\$ 4,580
Charges for services	443,032	-	-	-	443,032
Miscellaneous	3,424	-	43,229	300	46,953
Intergovernmental:					
Federal	705,926	-	65,744	-	771,670
Commonwealth	22,023	-	2,015,653	91,446	2,129,122
Total revenues	1,174,745	900	2,124,626	95,086	3,395,357
EXPENDITURES					
Current:					
Education	1,095,001	69,708	2,057,063	804,000	4,025,772
Capital projects	-	-	-	249,463	249,463
Total expenditures	1,095,001	69,708	2,057,063	1,053,463	4,275,235
Excess (deficiency) of revenues over expenditures	79,744	(68,808)	67,563	(958,377)	(879,878)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	196,361	196,361
Transfers out	-	-	(67,563)	-	(67,563)
Total other financing sources (uses)	-	-	(67,563)	196,361	128,798
Net change in fund balance	79,744	(68,808)	-	(762,016)	(751,080)
Fund balance at beginning of year	199,390	603,792	-	2,344,601	3,147,783
Fund balance at end of year	\$ 279,134	\$ 534,984	\$ -	\$ 1,582,585	\$ 2,396,703

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE –
EDUCATION FUND
Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenue from use of money and property	\$ 25,000	\$ 29,000	\$ 25,885	\$ (3,115)
Charges for services	875,493	810,056	865,936	55,880
Miscellaneous	2,000	5,883	6,477	594
Recovered costs	172,500	150,336	153,770	3,434
Intergovernmental:				
Federal	2,048,373	4,081,832	3,398,936	(682,896)
Commonwealth	13,956,934	13,941,879	13,150,978	(790,901)
Local	10,722,257	10,722,257	10,722,257	-
Total revenues	27,802,557	29,741,243	28,324,239	(1,417,004)
EXPENDITURES				
Current:				
Education	28,010,555	30,221,946	27,487,294	2,734,652
Total expenditures	28,010,555	30,221,946	27,487,294	2,734,652
Excess (deficiency) of revenues over expenditures	(207,998)	(480,703)	836,945	1,317,648
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfer from State Operated Programs Fund	65,198	67,323	67,563	240
Transfers out:				
Transfer to School Construction Fund	-	(196,361)	(196,361)	-
Transfer to School Textbook Fund	(17,200)	-	-	-
Total other financing sources (uses)	47,998	(129,038)	(128,798)	240
Net change in fund balance	(160,000)	(609,741)	708,147	1,317,888
Fund balance at beginning of year	160,000	609,741	633,100	23,359
Fund balance at end of year	\$ -	\$ -	\$ 1,341,247	\$ 1,341,247

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2010

	Agency Fund <u>Genesis</u>
ASSETS	
Cash and cash equivalents	\$ 145,280
Accounts receivable	<u>10,472</u>
Total assets	<u><u>\$ 155,752</u></u>
LIABILITIES	
Amounts held for Program	\$ 80,566
Accounts payable	2,774
Accrued payroll	<u>72,412</u>
Total liabilities	<u><u>\$ 155,752</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUND
Year Ended June 30, 2010

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
GENESIS FUND				
Assets:				
Cash and cash equivalents	\$ 150,712	\$ 1,019,791	\$ 1,025,223	\$ 145,280
Accounts receivable	10,191	336,714	336,433	10,472
Due from other governmental units	-	26,000	26,000	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 160,903</u></u>	<u><u>\$ 1,382,505</u></u>	<u><u>\$ 1,387,656</u></u>	<u><u>\$ 155,752</u></u>
Liabilities:				
Amounts held for Program	\$ 75,015	\$ 1,099,272	\$ 1,093,722	\$ 80,565
Accounts payable	7,733	210,821	215,780	2,774
Accrued payroll	78,155	72,412	78,154	72,413
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u><u>\$ 160,903</u></u>	<u><u>\$ 1,382,505</u></u>	<u><u>\$ 1,387,656</u></u>	<u><u>\$ 155,752</u></u>

DISCRETELY PRESENTED COMPONENT UNIT – IDA

The Industrial Development Authority of the City of Staunton, VA (IDA) 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 IDA 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

STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT – IDA
June 30, 2010

ASSETS

Cash and cash equivalents	\$ 10,343
Accounts receivable	16,667
Inventory	14,000,000
Loan Receivable	9,804
Capital assets:	
Land and Construction in Progress	958,303
Other capital assets, net of accumulated depreciation	<u>8,848,401</u>
Total assets	<u>23,843,518</u>

LIABILITIES

Accounts payable	26,828
Due to Primary Government	<u>14,000,000</u>
Total liabilities	<u>14,026,828</u>

NET ASSETS

Invested in capital assets, net of related debt	9,806,704
Unrestricted	<u>9,986</u>
Total net assets	<u><u>\$ 9,816,690</u></u>

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT – IDA
Year Ended June 30, 2010

OPERATING REVENUES

Charges for services	\$ 4,797
Rental of property	25,735
Economic development grants from City	<u>116,818</u>
Total operating revenues	<u>147,350</u>

OPERATING EXPENSES

Professional fees	27,655
Economic development grants	76,818
Enterprise zone grants	40,000
Other expenses	25,389
Depreciation	<u>307,396</u>
Total operating expenses	<u>477,258</u>
Operating loss	<u>(329,908)</u>

**NONOPERATING REVENUES
(EXPENSES)**

Interest income	41
Capital grant from City	158,555
Loss on disposal of land	<u>(320,252)</u>
Total nonoperating revenues (expenses)	<u>(161,656)</u>
Loss before contributions and transfers	<u>(491,564)</u>
Change in net assets	(491,564)
Total net assets - beginning of year	<u>10,308,254</u>
Total net assets - end of year	<u><u>\$ 9,816,690</u></u>

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT – IDA
Year Ended June 30, 2010

OPERATING ACTIVITIES

Cash received from customers	\$ 185,972
Cash paid to suppliers	(210,357)
	<hr/>
Net cash used by operating activities	(24,385)
	<hr/>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(158,555)
Capital grant from the City	158,555
	<hr/>
Net cash used by capital and related financing activities	-
	<hr/>

INVESTING ACTIVITIES

Interest received	41
	<hr/>
Net cash provided by investing activities	41
	<hr/>
Net decrease in cash and cash equivalents	(24,344)

CASH AND CASH EQUIVALENTS

Beginning of year	34,687
	<hr/>
End of year	\$ 10,343
	<hr/> <hr/>

Reconciliation of operating loss to net cash used by operating activities:

Operating loss	\$ (329,908)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	307,396
Change in assets and liabilities:	
Decrease (increase) in receivables	38,622
Increase (decrease) in accounts payable	(40,496)
	<hr/>
Net cash used by operating activities	\$ (24,386)
	<hr/> <hr/>

Noncash investing, capital and financing activities:

Value of the land received from the State	\$ 14,000,000
Value of the land given to the State	(320,252)
Amount due to the City upon sale of the WSH land	(14,000,000)
	<hr/>
Total noncash capital and related financing activities	\$ (320,252)
	<hr/> <hr/>

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

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

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	\$ 16,870,000	\$ 17,027,175	\$ 157,175
Real and personal public service corporation property taxes	495,500	560,936	65,436
Personal property taxes	2,055,000	2,219,527	164,527
Machinery and tools taxes	160,000	207,245	47,245
Penalties and interest	210,000	238,623	28,623
Total General Property Taxes	19,790,500	20,253,506	463,006
Other local taxes:			
Local sales and use taxes	3,350,000	3,495,905	145,905
Consumers' utility taxes	1,110,000	1,103,514	(6,486)
Local communication tax	1,555,000	1,463,883	(91,117)
Business license taxes	1,540,000	1,828,598	288,598
Motor vehicle licenses	410,000	374,424	(35,576)
Bank stock taxes	215,000	272,858	57,858
Taxes on recordation and wills	208,000	148,805	(59,195)
Lodging taxes	352,800	354,239	1,439
Restaurant food tax	2,250,000	2,344,698	94,698
Short term rental tax	20,000	17,806	(2,194)
Cigarette tax	310,000	294,875	(15,125)
Total Other Local Taxes	11,320,800	11,699,605	378,805
Permits, privilege fees and regulatory licenses:			
Animal licenses	10,000	19,125	9,125
Permits and other licenses	208,200	221,860	13,660
Total Permits, Privilege Fees, and Regulatory Licenses	218,200	240,985	22,785
Fines and forfeitures	61,000	70,171	9,171
Revenue from use of money and property:			
Revenue from use of money	100,000	7,354	(92,646)
Revenue from use of property	12,700	89,004	76,304
Total Revenue from Use of Money and Property	112,700	96,358	(16,342)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

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	\$ 3,000	\$ 4,310	\$ 1,310
Charges for Commonwealth's Attorney	1,500	1,657	157
Charges for sheriff	2,617	2,617	-
Courtroom security fee	55,000	48,197	(6,803)
Jail admission fee	3,000	3,287	287
Charges for publications and maps	3,000	6,232	3,232
Charges for parks and recreation	283,000	299,576	16,576
Charges for library fines	25,000	25,151	151
Property clean up fees	5,000	3,218	(1,782)
Administrative fees	6,000	22,772	16,772
Payments in lieu of tax from Enterprise funds	1,060,530	817,375	(243,155)
Other	-	701	701
Charges for tax-exempt organizations	4,100	2,047	(2,053)
Total Charges for Services	<u>1,451,747</u>	<u>1,237,140</u>	<u>(214,607)</u>
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	9,500	-	(9,500)
Donations	-	11,654	11,654
Miscellaneous	10,000	22,068	12,068
Total Miscellaneous Revenue	<u>19,500</u>	<u>33,722</u>	<u>14,222</u>
Recovered Costs	<u>322,211</u>	<u>326,587</u>	<u>4,376</u>
Total Revenue from Local Sources	<u>33,296,658</u>	<u>33,958,074</u>	<u>661,416</u>
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	125,000	89,897	(35,103)
Rolling stock taxes	9,108	8,937	(171)
Auto rental taxes	50,000	50,050	50
Law enforcement	858,389	858,389	-
Grantor's tax	57,366	35,670	(21,696)
Recordation tax	55,000	61,829	6,829
PPTRA reimbursement	1,652,200	1,652,200	-
Total Non-Categorical Aid	<u>2,807,063</u>	<u>2,756,972</u>	<u>(50,091)</u>

CITY OF STAUNTON, VIRGINIA

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010

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	\$ 371,720	\$ 360,577	\$ (11,143)
Sheriff	265,240	247,414	(17,826)
Commissioner of the revenue	110,843	110,843	-
Treasurer	106,236	106,237	1
Medical examiner	500	-	(500)
Registrar/Electoral Board	40,901	40,901	-
Circuit court clerk	222,811	222,811	-
Circuit court clerk-technology trust fund	-	30,453	30,453
Total Shared Expenses	1,118,251	1,119,236	985
Health and welfare	1,406,699	1,151,873	(254,826)
Other Categorical Aid:			
Street and highway maintenance	3,215,363	3,215,363	-
Library	163,530	163,558	28
E911 Wireless funds	65,700	62,318	(3,382)
Fire programs	64,000	65,808	1,808
Commission for the Arts	5,000	5,000	-
Comprehensive Services Act funds	1,218,790	1,212,318	(6,472)
Two-for-Life funds	13,500	19,800	6,300
Animal license plates	600	908	308
Victim/Witness funds	13,790	13,595	(195)
Forfeited assets	21,767	22,391	624
Jurors/Witness fees	15,000	9,744	(5,256)
Va Tourism Marketing Leverage Program	-	2,984	2,984
Total Other Categorical Aid	4,797,040	4,793,787	(3,253)
Total Categorical Aid	7,321,990	7,064,896	(257,094)
Total Revenue from the Commonwealth	10,129,053	9,821,868	(307,185)
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	1,151,078	904,789	(246,289)
ARRA-Public assistance	-	122,709	122,709
Victim/Witness	41,371	40,786	(585)
ARRA-Sheriff	10,313	10,313	-
GOSAP	-	2,983	2,983
DMV grants	7,104	8,518	1,414
Total Revenue from the Federal Government	1,209,866	1,090,098	(119,768)
Total General Fund	\$ 44,635,577	\$ 44,870,040	\$ 234,463

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

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	\$ -	\$ 8	\$ 8
Total Revenue from Use of Money and Property	-	8	8
Charges for services:			
Supervision fees	18,000	21,079	3,079
Drug screen fees	12,000	5,250	(6,750)
Home electronic monitoring fees	36,000	25,642	(10,358)
SA/AM/DV/Group therapy/Admin.	3,050	5,595	2,545
Total Charges for Services	69,050	57,566	(11,484)
Miscellaneous:			
Donations	2,061	309	(1,752)
Other	10,950	7,490	(3,460)
Total Miscellaneous Revenue	13,011	7,799	(5,212)
Total Revenue from Local Sources	82,061	65,373	(16,688)
Revenue from the Commonwealth:			
Community Corrections and Pre-trial services funds	522,937	522,937	-
PSAP	150,000	166,800	16,800
OEMS	6,240	5,297	(943)
VDH CO Detector	865	864	(1)
Floodproofing grant	-	25,192	25,192
Total Revenue from the Commonwealth	680,042	721,090	41,048
Revenue from the Federal Government:			
Drug Court	100,000	83,474	(16,526)
Forestry-ARRA	50,000	31,126	(18,874)
JAG-ARRA	45,154	9,400	(35,754)
JAG	10,979	4,300	(6,679)
OEMS-Rescue Squad	21,900	21,900	-
Byrne justice assistance-intoximeter	-	1,012	1,012
Byrne justice assistance-license plate reader	17,000	-	(17,000)
Floodproofing grant	-	99,781	99,781
Total Revenue from the Federal Government	245,033	250,993	5,960
Total State and Federal Grants Fund	\$ 1,007,136	\$ 1,037,456	\$ 30,320
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	\$ -	\$ 3,508	\$ 3,508
Recovered Costs	-	57,991	57,991
Total Revenue from Local Sources	-	61,499	61,499

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

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 Federal Government:			
CDBG-Micro loan	\$ 200,000	\$ 49,367	\$ (150,633)
Total Revenue from the Federal Government	200,000	49,367	(150,633)
Total Community Development Fund	\$ 200,000	\$ 110,866	\$ (89,134)
Trolley Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from the use of money	\$ -	\$ 34	\$ 34
Revenue from use of property	5,000	4,653	(347)
Total Revenue from Use of Money and Property	5,000	4,687	(313)
Miscellaneous:			
Other	-	530	530
Donations	-	28,000	28,000
Total Miscellaneous Revenue	-	28,530	28,530
Recovered Costs:	46,300	31,714	(14,586)
Total Revenue from Local Sources	51,300	64,931	13,631
Total Trolley Fund	\$ 51,300	\$ 64,931	\$ 13,631
Total Special Revenue Funds	\$ 1,258,436	\$ 1,213,253	\$ (45,183)
Capital Improvements Fund:			
Revenue from Local Sources:			
Revenue from the use of money	\$ -	\$ 23,137	\$ 23,137
Total Revenue from Local Sources	-	23,137	23,137
Revenue from the Commonwealth:			
Highway Construction and Planning Grants			
VDOT Projects	704,968	5,337	(699,631)
Total Revenue from the Commonwealth	704,968	5,337	(699,631)
Total Capital Improvements Fund	\$ 704,968	\$ 28,474	\$ (676,494)
Grand Total Revenues - Primary Government	\$ 46,598,981	\$ 46,111,767	\$ (487,214)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

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	\$ 9,000	\$ 1,533	\$ (7,467)
Revenue from use of property	20,000	24,352	4,352
Total Revenue from Use of Money and Property	29,000	25,885	(3,115)
Charges for services:			
Charges for education	48,314	16,021	(32,293)
Tuition or other payments from another county or city	761,742	849,915	88,173
Total Charges for Services	810,056	865,936	55,880
Miscellaneous revenue:			
Donations	4,883	6,447	1,564
Sale of salvage and surplus	1,000	30	(970)
Total Miscellaneous Revenue	5,883	6,477	594
Recovered Costs	150,336	153,770	3,434
Contribution from City of Staunton	10,722,257	10,722,257	-
Total Revenue from Local Sources	11,717,532	11,774,325	56,793
Revenue from the Commonwealth:			
Categorical Aid:			
Share of state sales tax	2,577,622	2,446,773	(130,849)
Basic school aid	7,052,870	6,578,107	(474,763)
Foster care	202,000	234,196	32,196
Lottery funds	139,938	91,446	(48,492)
Gifted and talented	70,707	71,287	580
Remedial Education	212,122	213,862	1,740
ISAEF funds	15,717	15,717	-
Special education	906,624	914,063	7,439
Homebound	20,149	29,776	9,627
Regional tuition programs	494,949	497,135	2,186
Primary Class size (K-3)	353,990	344,171	(9,819)
Vocational education	130,416	131,486	1,070
Social security instructional	419,530	422,972	3,442
VRS retirement instructional	540,518	408,715	(131,803)
Group Life Insurance	14,141	11,089	(3,052)
At risk	189,140	187,084	(2,056)
VPSA Technology grants	206,000	206,000	-
At Risk - Four Year Olds	162,386	162,386	-

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

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)			
Enrollment loss	25,640	2,543	(23,097)
Remedial Summer School	70,799	40,989	(29,810)
English as a second language	23,756	15,112	(8,644)
Early Reading Intervention	49,067	64,164	15,097
SOL-Algebra readiness	23,213	25,019	1,806
Vocational - Occupational Preparation	7,595	7,427	(168)
Vocational - Equipment	-	4,888	4,888
Project Graduation	9,091	10,200	1,109
Mentor Teacher Program	5,565	3,708	(1,857)
Vocational-Adult	-	6,355	6,355
Other state funds	18,334	4,308	(14,026)
Total Categorical Aid	13,941,879	13,150,978	(790,901)
Total Revenue from the Commonwealth	13,941,879	13,150,978	(790,901)
Revenue from the Federal Government:			
Categorical Aid:			
Title I	1,110,320	709,548	(400,772)
Drug free schools	15,062	11,378	(3,684)
Title VI - B - Special Education	596,510	417,827	(178,683)
Preschool grants	27,300	23,622	(3,678)
Training & Recruiting (NCLB)	179,369	175,758	(3,611)
Enhancing Education through Technology (NCLB)	8,457	10,975	2,518
Title III (NCLB)	3,605	3,692	87
Learn & Serve program	-	36,674	36,674
Tech Prep Education (Carl Perkins)	69,277	82,238	12,961
State Fiscal Stabilization Funds (ARRA Stimulus)	868,713	1,222,028	353,315
Title I (ARRA Stimulus)	480,693	207,154	(273,539)
IDEA Special Education (ARRA Stimulus)	678,276	447,837	(230,439)
IDEA Special Education Preschool (ARRA Stimulus)	21,410	13,789	(7,621)
Title II, Part D (ARRA Stimulus)	22,840	35,891	13,051
Other federal funds	-	525	525
Total Categorical Aid	4,081,832	3,398,936	(682,896)
Total Revenue from the Federal Government	4,081,832	3,398,936	(682,896)
Total Education Fund	\$ 29,741,243	\$ 28,324,239	\$ (1,417,004)

CITY OF STAUNTON, VIRGINIA

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010

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	\$ 800	\$ 340	\$ (460)
Charges for services:			
Charges for food service	476,665	443,032	(33,633)
Miscellaneous Revenue:			
Other	9,050	3,424	(5,626)
Total Revenue from Local Sources	486,515	446,796	(39,719)
Revenue from the Commonwealth:			
Meal reimbursement	22,100	22,023	(77)
Revenue from the Federal Government:			
Meal reimbursement	666,173	705,926	39,753
Total School Cafeteria Fund	\$ 1,174,788	\$ 1,174,745	\$ (43)
Textbook Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ 3,500	\$ 900	\$ (2,600)
Revenue from the Commonwealth:			
Textbook payment	186,227	-	(186,227)
Total Textbook Fund	\$ 189,727	\$ 900	\$ (188,827)
State Operated Programs Fund:			
Revenue from Local Sources:			
Miscellaneous			
E-rate reimbursement	\$ 32,400	\$ 43,229	\$ 10,829
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,088,337	2,015,653	(72,684)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	24,194	24,949	755
Title VI-B	46,000	40,795	(5,205)
Total Revenue from Federal Government	70,194	65,744	(4,450)
Total State Operated Programs Fund	\$ 2,190,931	\$ 2,124,626	\$ (66,305)
Total Special Revenue Funds	\$ 33,296,689	\$ 31,624,510	\$ (1,672,179)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT - SCHOOL BOARD: (cont'd)			
Capital Projects Funds:			
School Construction Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ 2,900	\$ 3,340	\$ 440
Miscellaneous revenue:			
Donations	-	300	300
Total Revenue from Local Sources	<u>2,900</u>	<u>3,640</u>	<u>740</u>
Revenue from the Commonwealth:			
Lottery funds	-	91,446	91,446
Total Revenue from Commonwealth	<u>-</u>	<u>91,446</u>	<u>91,446</u>
Total School Construction Fund	<u>\$ 2,900</u>	<u>\$ 95,086</u>	<u>\$ 92,186</u>
Total Capital Projects Funds	<u>\$ 2,900</u>	<u>\$ 95,086</u>	<u>\$ 92,186</u>
Grand Total Revenues - Component Unit School Board	<u><u>\$ 33,299,589</u></u>	<u><u>\$ 31,719,596</u></u>	<u><u>\$ (1,579,993)</u></u>

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
General Government Administration:			
Legislative:			
City Council	\$ 94,432	\$ 86,366	\$ 8,066
Clerk of Council	103,840	96,727	7,113
Total Legislative	198,272	183,093	15,179
General and Financial Administration:			
City Manager	452,904	432,844	20,060
City Attorney	217,520	202,775	14,745
City Memberships	25,278	25,058	220
Professional Consultants	55,000	51,020	3,980
Commissioner of the Revenue	256,357	249,811	6,546
Assessor and Equalization Board	261,447	245,771	15,676
Treasurer	330,046	286,591	43,455
Finance	824,847	736,400	88,447
Information Technology	847,483	691,560	155,923
Risk Management	683,014	515,577	167,437
Human Resources	230,762	219,948	10,814
Customer Service	1,200	986	214
Total General and Financial Administration	4,185,858	3,658,341	527,517
Board of Elections:			
Electoral Board and Registrar	107,063	104,959	2,104
Total Board of Elections	107,063	104,959	2,104
Total General Government Administration	4,491,193	3,946,393	544,800

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Judicial Administration:			
Courts:			
Circuit court	\$ 138,951	\$ 128,508	\$ 10,443
General District Court	12,986	11,672	1,314
Juvenile and Domestic Relations Court	92,095	92,095	-
Clerk of the Circuit Court	499,775	364,199	135,576
Sheriff	510,869	465,905	44,964
Victim/Witness	62,508	61,381	1,127
Magistrates	2,000	1,840	160
Total Courts	<u>1,319,184</u>	<u>1,125,600</u>	<u>193,584</u>
Commonwealth Attorney	<u>532,888</u>	<u>512,886</u>	<u>20,002</u>
Total Judicial Administration	<u>1,852,072</u>	<u>1,638,486</u>	<u>213,586</u>
Public Safety:			
Law Enforcement and Traffic Control:			
Police Department	4,333,367	4,013,088	320,279
E-911 Communications	<u>735,242</u>	<u>612,331</u>	<u>122,911</u>
Total Law Enforcement and Traffic Control	<u>5,068,609</u>	<u>4,625,419</u>	<u>443,190</u>
Fire and Rescue Services:			
Fire Department	2,212,657	2,095,693	116,964
EMS Council/Four for Life	73,050	16,093	56,957
Emergency Operations Center	1,000	-	1,000
State Fire Programs	87,603	37,152	50,451
Public Safety Emergencies	5,000	-	5,000
Local Emergency Planning Committee	<u>1,000</u>	<u>600</u>	<u>400</u>
Total Fire and Rescue Services	<u>2,380,310</u>	<u>2,149,538</u>	<u>230,772</u>

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Public Safety: (cont'd)			
Correction and Detention:			
Juvenile Detention Home - Contribution	\$ 151,986	\$ 151,977	\$ 9
Jail Facility	675,096	675,095	1
Youth Commission	137,500	137,426	74
Total Correction and Detention	964,582	964,498	84
Inspections:			
Building Inspection	347,893	317,583	30,310
Other Protection:			
Animal control - SPCA Contract	47,834	49,444	(1,610)
Animal control - Animal Care	3,000	1,387	1,613
Medical Examiner	500	240	260
Total Other Protection	51,334	51,071	263
Total Public Safety	8,812,728	8,108,109	704,619
Public Works:			
Administration	232,287	219,237	13,050
Traffic Engineering (signs)	133,362	130,219	3,143
Highways, Streets, and Sidewalks	2,411,317	2,381,744	29,573
City Engineering	327,591	310,544	17,047
Traffic Signals	147,539	133,836	13,703
Total	3,252,096	3,175,580	76,516
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,388,390	1,121,313	267,077
Equipment Maintenance	452,801	452,359	442
Total Maintenance of General Buildings, Grounds, Equipment	1,841,191	1,573,672	267,519
Total Public Works	5,093,287	4,749,252	344,035

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Health and Welfare:			
Health:			
Local Health Department	\$ 230,355	\$ 228,361	\$ 1,994
Mental Health and Mental Retardation:			
Chapter X Board	125,647	125,647	-
Total Health	356,002	354,008	1,994
Welfare:			
DSS-public assistance	3,057,320	2,614,560	442,760
CATS Contribution	52,915	52,915	-
Tax Relief - Elderly and Disabled	185,000	178,803	6,197
CAPSAW	20,000	20,000	-
Contribution to Area Agency on Aging (VPAS)	24,150	24,150	-
Community Policy Management Team	2,050,479	1,768,149	282,330
Total Welfare	5,389,864	4,658,577	731,287
Total Health and Welfare	5,745,866	5,012,585	733,281
Education:			
Contribution to Community College	3,000	3,000	-
Contribution to Component Unit - School Board	10,256,000	9,918,257	337,743
Total Education	10,259,000	9,921,257	337,743
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	978,651	894,048	84,603
Park Maintenance	857,181	758,032	99,149
Horticulture	109,815	108,899	916
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	1,965,647	1,780,979	184,668

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Parks, Recreation and Cultural:(cont'd)			
Parks and Recreation:(cont'd)			
Cultural Enrichment:			
Contributions to Community Organizations	\$ 23,264	\$ 23,263	\$ 1
Total Cultural Enrichment	23,264	23,263	1
Library:			
Library Administration and Operations	1,082,775	954,415	128,360
Total Library	1,082,775	954,415	128,360
Total Parks, Recreation, and Cultural	3,071,686	2,758,657	313,029
Community Development:			
Planning and Community Development:			
Economic Development	489,365	427,541	61,824
Planning and Development	261,861	254,442	7,419
Special Service District	155,001	155,000	1
Tourist Information Center	29,499	26,323	3,176
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	17,361	17,361	-
Tourism Development	257,350	250,770	6,580
Historic Staunton Foundation	21,375	21,375	-
Staunton Welcome Center	44,460	44,409	51
GART Tourism Board	20,000	20,000	-
Total Planning and Community Development	1,344,431	1,265,380	79,051
Total Community Development	1,344,431	1,265,380	79,051
Debt Service:			
Principal retirement	2,337,090	2,281,258	55,832
Interest and fiscal charges	1,317,218	1,310,642	6,576
Total Debt Service	3,654,308	3,591,900	62,408
Total General Fund	\$ 44,324,571	\$ 40,992,019	\$ 3,332,552

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

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:			
JAG	\$ 10,979	\$ 4,300	\$ 6,679
JAG -ARRA	45,154	9,400	35,754
DCJS-SHSP License plate Reader	17,000	-	17,000
DCJS-intoximeter	1,013	1,012	1
E911 Equipment Grant	178,184	177,585	599
Total Police Department	252,330	192,297	60,033
Fire and Rescue:			
OEMS-Surgical Mask	6,240	5,297	943
VDH-CO Detector	865	864	1
OEMS-Rescue Squad	21,900	21,900	-
Total Fire and Rescue	29,005	28,061	944
Correction and Detention:			
Blue Ridge Court Services	571,998	547,080	24,918
Drug Court	133,000	111,299	21,701
Total Correction and Detention	704,998	658,379	46,619
Total Public Safety	986,333	878,737	107,596
Recreation and Parks:			
Parks:			
Forestry-ARRA	50,000	31,126	18,874
Community Development			
Planning and Community Development:			
FEMA Downtown Flood Grant	185,623	131,271	-
Total State and Federal Grants Fund	\$ 1,221,956	\$ 1,041,134	\$ 126,470
Community Development Fund			
Community Development:			
CDBG-Micro loan	\$ 200,000	\$ 49,367	\$ 150,633
Newtown-Local	701,650	81,299	620,351
Total Community Development Fund	\$ 901,650	\$ 130,666	\$ 770,984
Trolley Fund:			
Community Development:			
Planning and Community Development:			
Trolley Operations	\$ 116,300	\$ 151,024	\$ (34,724)
Total Special Revenue Funds	\$ 2,239,906	\$ 1,322,824	\$ 862,730

(Continued)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Capital Projects Funds:			
Capital Improvements Fund:			
Current/Capital Outlay:			
General Government:			
Finance-Financial Software	\$ 300,000	\$ 147,713	\$ 152,287
Information Technology-Network equipment	95,137	-	95,137
Public Safety			
E-911 Center equipment	100,000	100,449	(449)
Fire Truck Reserve	100,000	-	100,000
Regional Jail Reserve	1,705,477	232,315	1,473,162
Public Works:			
Urban Streets 2%	96,864	-	96,864
Education			
Blue Ridge Community College	29,863	27,170	2,693
Parks and Recreation:			
GHP Bandstand project	30,000	-	30,000
Community Development:			
Corridor Overlay incentives	15,000	-	15,000
Economic Development Reserve Expenses	314,754	89,208	225,546
Staunton Gateway Project	666,177	219,787	446,390
Visitor's Center	80,000	-	80,000
Total Capital Outlay	<u>3,533,272</u>	<u>816,642</u>	<u>2,716,630</u>
Capital Projects:			
Public Works:			
Urban Street 2%-Churchville Ave	265,241	204,334	60,907
Bowling St Bridge project	332,000	7,565	324,435
Haile St Bridge project	332,000	7,583	324,417
Montgomery Ave extension project	373,968	-	373,968
Total Capital Projects	<u>1,303,209</u>	<u>219,482</u>	<u>1,083,727</u>
Debt Service:			
Interest and fiscal charges	-	45,000	(45,000)
Debt issuance costs	-	106,621	(106,621)
Total Debt Service	<u>-</u>	<u>151,621</u>	<u>(151,621)</u>
Total Capital Projects Funds	<u>\$ 4,836,481</u>	<u>\$ 1,187,745</u>	<u>\$ 3,648,736</u>
Grand Total - Expenditures - Primary Government	<u>\$ 51,400,958</u>	<u>\$ 43,502,588</u>	<u>\$ 7,844,018</u>

(Continued)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2010**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT - SCHOOL BOARD:			
Special Revenue Funds:			
Education Fund:			
Education:			
Instructional Costs	\$ 23,613,020	\$ 21,559,974	\$ 2,053,046
Administration, Attendance & Health	2,013,205	1,910,804	102,401
Pupil Transportation	1,001,353	842,429	158,924
Operating Costs	2,246,553	2,111,862	134,691
Food Service	8,845	8,845	-
Technology	1,076,704	1,053,380	23,324
Contingency	262,266	-	262,266
Total Education	30,221,946	27,487,294	2,734,652
Total Education Fund	<u>\$ 30,221,946</u>	<u>\$ 27,487,294</u>	<u>\$ 5,469,304</u>
School Cafeteria Fund:			
Food Service	\$ 1,174,788	\$ 1,095,001	\$ 79,787
Total School Cafeteria Fund	<u>\$ 1,174,788</u>	<u>\$ 1,095,001</u>	<u>\$ 79,787</u>
Textbook Fund:			
Education:			
Instructional costs	\$ 306,259	\$ 69,708	\$ 236,551
Total Textbook Fund	<u>\$ 306,259</u>	<u>\$ 69,708</u>	<u>\$ 236,551</u>
State Operated Programs Fund:			
Education:			
Instructional costs	\$ 2,125,133	\$ 2,057,063	\$ 68,070
Total State Operated Programs Fund	<u>\$ 2,125,133</u>	<u>\$ 2,057,063</u>	<u>\$ 68,070</u>
Total Special Revenue Funds	<u>\$ 33,828,126</u>	<u>\$ 30,709,066</u>	<u>\$ 5,853,712</u>
Capital Projects Funds:			
School Construction Fund:			
Current:			
Payment to Local Government	\$ 804,000	\$ 804,000	\$ -
Capital Projects:			
Facilities	459,940	249,463	210,477
Total School Construction Fund	<u>\$ 1,263,940</u>	<u>\$ 1,053,463</u>	<u>\$ 210,477</u>
Total Capital Projects Funds	<u>\$ 1,263,940</u>	<u>\$ 1,053,463</u>	<u>\$ 210,477</u>
Grand Total - Expenditures - Component Unit - School Board	<u>\$ 35,092,066</u>	<u>\$ 31,762,529</u>	<u>\$ 6,064,189</u>

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. The City implemented GASB Statement No. 34 in fiscal year 2003; all schedules requiring 10 years of historical data include the last seven fiscal years. Data will be added in each subsequent year until 10 years of data is accumulated.

TABLE 1

CITY OF STAUNTON, VIRGINIA

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

	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities								
Invested in capital assets, net of related debt	\$ 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	27,485	32,366	64,201	91,704	117,686	119,692	277,227	371,038
Unrestricted	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:	<u>\$ 40,984,257</u>	<u>\$ 40,466,724</u>	<u>\$ 42,984,942</u>	<u>\$ 40,369,601</u>	<u>\$ 39,049,667</u>	<u>\$ 34,978,109</u>	<u>\$ 42,093,545</u>	<u>\$ 44,561,752</u>
Business-type activities								
Invested in capital assets, net of related debt	\$ 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	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:	<u>\$ 66,065,344</u>	<u>\$ 65,212,709</u>	<u>\$ 57,519,949</u>	<u>\$ 53,857,619</u>	<u>\$ 47,874,687</u>	<u>\$ 43,731,705</u>	<u>\$ 43,176,289</u>	<u>\$ 42,336,316</u>
Primary government								
Invested in capital assets, net of related debt	\$ 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	27,485	32,366	64,201	91,704	117,686	119,692	277,227	902,254
Unrestricted	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	<u>\$ 107,049,601</u>	<u>\$ 105,679,433</u>	<u>\$ 100,504,891</u>	<u>\$ 94,227,220</u>	<u>\$ 86,285,455</u>	<u>\$ 78,709,814</u>	<u>\$ 85,269,834</u>	<u>\$ 86,898,068</u>

NOTE: The city began to report accrual information when GASB Statement 34 was implemented in fiscal year 2003.

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Expenses								
Governmental Activities:								
General government	\$ 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	1,624,017	1,756,105	1,804,919	1,632,266	1,433,650	1,337,578	1,153,710	1,191,166
Public safety	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	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	5,018,405	4,987,275	5,071,337	4,492,566	4,436,534	4,335,075	4,200,155	3,846,631
Education	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	2,935,093	3,242,457	3,207,051	3,427,478	3,217,236	3,160,633	3,021,078	3,316,261
Community development	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	1,361,328	1,441,577	1,524,050	1,413,046	1,422,428	1,150,547	584,304	825,287
Total governmental activities expenses	<u>45,436,992</u>	<u>45,215,586</u>	<u>46,314,874</u>	<u>45,972,813</u>	<u>40,690,111</u>	<u>48,377,219</u>	<u>39,769,237</u>	<u>37,832,801</u>
Business-Type Activities:								
Golf	158,480	162,124	180,980	-	-	-	-	-
Water	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	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	564,181	486,581						
Environmental	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	455,855	466,889	490,053	491,750	481,869	471,403	454,168	468,547
Total business-type activities expenses	<u>9,780,263</u>	<u>10,037,545</u>	<u>10,212,510</u>	<u>9,072,127</u>	<u>9,080,489</u>	<u>8,409,219</u>	<u>7,425,053</u>	<u>7,615,904</u>
Total primary government expenses	<u>\$ 55,217,255</u>	<u>\$ 55,253,131</u>	<u>\$ 56,527,384</u>	<u>\$ 55,044,940</u>	<u>\$ 49,770,600</u>	<u>\$ 56,786,438</u>	<u>\$ 47,194,290</u>	<u>\$ 45,448,705</u>
Program Revenues								
Governmental activities:								
Charges for services:								
Governmental-PILOT from enterprise funds	\$ 817,375	\$ 909,072	\$ 845,932	\$ 904,686	\$ 961,876	\$ 931,521	\$ 863,736	\$ 863,625
Public safety	294,628	312,814	380,489	251,815	275,492	207,041	180,174	167,423
Parks and recreation	330,649	352,207	360,488	580,720	604,359	535,935	539,902	532,980
Other activities	318,251	394,589	418,345	301,536	290,250	248,137	206,625	207,802
Operating grants and contributions	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	217,303	379,550	2,109,697	2,676,309	2,291,855	530,136	126,586	459,167
Total governmental activities program revenues	<u>11,357,233</u>	<u>11,820,843</u>	<u>13,326,970</u>	<u>13,559,022</u>	<u>12,879,482</u>	<u>11,389,294</u>	<u>10,965,579</u>	<u>11,782,816</u>

(Continued)

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Program Revenues: (cont'd)								
Business-type activities:								
Charges for services:								
Golf	\$ 147,200	\$ 174,954	\$ 176,720	\$ -	\$ -	\$ -	\$ -	\$ -
Water	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	3,239,743	3,274,390	2,910,547	3,019,742	3,110,685	2,706,151	2,657,488	2,256,913
Stormwater	464,462	325,967	-	-	-	-	-	-
Environmental	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	240,989	260,062	264,351	285,581	261,107	228,134	203,047	186,079
Operating grants and contributions	2,876	3,947	10,950	20,832	6,594	4,393	220,525	151,909
Capital grants and contributions	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	<u>10,306,240</u>	<u>12,883,409</u>	<u>13,462,314</u>	<u>13,947,461</u>	<u>14,199,123</u>	<u>8,858,780</u>	<u>8,017,497</u>	<u>7,542,472</u>
Total primary government program revenues	<u>\$ 21,663,473</u>	<u>\$ 24,704,252</u>	<u>\$ 26,789,284</u>	<u>\$ 27,506,483</u>	<u>\$ 27,078,605</u>	<u>\$ 20,248,074</u>	<u>\$ 18,983,076</u>	<u>\$ 19,325,288</u>
Net (expense)/revenue								
Governmental activities	\$ (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	<u>525,977</u>	<u>2,845,864</u>	<u>3,249,804</u>	<u>4,875,334</u>	<u>5,118,634</u>	<u>449,561</u>	<u>592,444</u>	<u>(73,432)</u>
Total primary government net expense	<u>\$ (33,553,782)</u>	<u>\$ (30,548,879)</u>	<u>\$ (29,738,100)</u>	<u>\$ (27,538,457)</u>	<u>\$ (22,691,995)</u>	<u>\$ (36,538,364)</u>	<u>\$ (28,211,214)</u>	<u>\$ (26,123,417)</u>
General Revenues and Other								
Changes in Net Assets								
Governmental activities:								
Taxes:								
Property taxes	\$ 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	3,495,905	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	2,698,937	2,681,277	2,840,345	2,352,954	2,105,857	1,986,453	1,824,619	1,653,629
Business license	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	1,103,514	1,108,625	1,116,030	1,494,381	2,306,670	2,226,051	1,892,272	1,934,075
Local communication tax	1,463,883	1,457,808	1,604,473	688,019	-	-	-	-
Other taxes	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	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	2,756,972	2,740,644	3,066,910	3,181,920	2,724,725	2,549,461	2,419,115	2,401,872
Miscellaneous	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	<u>(224,400)</u>	<u>(4,454,401)</u>	<u>229,502</u>	<u>(179,440)</u>	<u>615,062</u>	<u>401,776</u>	<u>(129,440)</u>	<u>(241,120)</u>
Total governmental activities	<u>34,597,292</u>	<u>30,876,525</u>	<u>35,603,245</u>	<u>33,733,725</u>	<u>31,061,424</u>	<u>29,237,105</u>	<u>26,338,861</u>	<u>24,846,131</u>

(Continued)

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Business-type activities:								
Unrestricted investment earnings	\$ 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	224,400	4,454,401	(229,502)	179,440	(615,062)	(401,776)	129,440	241,120
Total business-type activities	326,658	4,846,896	438,896	1,107,598	114,426	105,855	249,703	521,362
Total primary government	<u>\$ 34,923,950</u>	<u>\$ 35,723,421</u>	<u>\$ 36,042,141</u>	<u>\$ 34,841,323</u>	<u>\$ 31,175,850</u>	<u>\$ 29,342,960</u>	<u>\$ 26,588,564</u>	<u>\$ 25,367,493</u>
Change in Net Assets								
Governmental activities	\$ 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	852,635	7,692,760	3,688,700	5,982,932	5,233,060	555,416	842,147	21,830
Total primary government	<u>\$ 1,370,168</u>	<u>\$ 5,174,542</u>	<u>\$ 6,304,041</u>	<u>\$ 7,302,866</u>	<u>\$ 8,483,855</u>	<u>\$ (7,195,404)</u>	<u>\$ (1,622,650)</u>	<u>\$ (1,182,024)</u>

NOTE: The city began to report accrual information when GASB Statement 34 was implemented in fiscal year 2003

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 Eight Fiscal Years
(Modified accrual basis of accounting)
UNAUDITED

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund								
Designated	\$ 4,945,495	\$ 5,104,226	\$ 5,175,424	\$ 4,971,995	\$ 4,702,377	\$ 4,403,102	\$ 4,134,590	\$ 4,375,903
Reserved	744,799	256,501	468,605	1,078,668	604,018	9,743,775	9,328,576	1,051,106
Unreserved, undesignated	<u>3,309,359</u>	<u>2,752,859</u>	<u>3,415,203</u>	<u>1,762,319</u>	<u>5,972,185</u>	<u>3,577,308</u>	<u>3,833,735</u>	<u>3,541,427</u>
Total General Fund	<u>\$ 8,999,653</u>	<u>\$ 8,113,586</u>	<u>\$ 9,059,232</u>	<u>\$ 7,812,982</u>	<u>\$ 11,278,580</u>	<u>\$ 17,724,185</u>	<u>\$ 17,296,901</u>	<u>\$ 8,968,436</u>
All Other Governmental Funds								
Designated, reported in:								
Special Revenue Funds	\$ -	\$ 50,368	\$ 1,325,346	\$ 44,192	\$ -	\$ 117,502	\$ 136,213	\$ 29,708
Reserved, reported in:								
Special Revenue Funds	40,958	216,469	7,036	119,855	403,905	-	-	6,600
Capital Project Funds	-	28,281	56,725	479,636	374,654	-	1,096,659	-
Unreserved, undesignated, reported in:								
Special Revenue Funds	1,288,205	1,120,542	-	874,707	(196,683)	(361,193)	(1,001,811)	(826,055)
Debt Service Funds	1,300,000							
Capital Project Funds	<u>5,890,080</u>	<u>5,584,712</u>	<u>3,078,461</u>	<u>2,913,260</u>	<u>1,132,170</u>	<u>847,496</u>	<u>-</u>	<u>1,314,779</u>
Total all other governmental funds	<u>\$ 8,519,243</u>	<u>\$ 7,000,372</u>	<u>\$ 4,467,568</u>	<u>\$ 4,431,650</u>	<u>\$ 1,714,046</u>	<u>\$ 603,805</u>	<u>\$ 231,061</u>	<u>\$ 525,032</u>

Notes:

Includes only the primary government

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES								
General property taxes	\$ 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	3,495,905	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	2,344,698	2,304,448	2,456,629	2,004,839	2,105,857	1,986,453	1,824,619	1,653,629
Utility taxes	1,103,514	1,108,625	1,116,030	1,700,693	2,306,670	2,226,051	1,892,272	1,934,075
Business license tax	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	1,463,883	1,457,808	1,604,473	688,019	-	-	-	-
Other local taxes	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	240,985	257,003	323,715	218,835	263,554	173,802	138,597	112,142
Fines and forfeitures	70,171	74,901	82,382	39,741	38,020	52,525	55,505	80,148
Charges for services	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	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	34,041	121,033	331,766	470,930	578,491	261,018	109,410	97,371
Other revenues	580,000	637,355	606,933	1,024,993	630,708	415,982	623,901	513,870
Total revenues	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	4,094,106	3,870,367	3,703,154	3,621,958	3,506,130	3,104,946	3,176,002	3,552,171
Judicial administration	1,638,486	1,734,845	1,775,132	1,630,446	1,456,734	1,317,924	1,156,608	1,161,946
Public safety	9,319,610	9,434,294	9,721,162	9,340,095	9,208,081	8,143,123	7,512,886	7,609,206
Public works	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	5,012,585	4,982,095	5,068,954	4,487,419	4,418,294	4,332,639	4,279,265	3,843,104
Education	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	2,789,783	3,101,115	3,041,516	3,268,105	3,055,548	2,789,784	2,658,033	2,971,216
Community development	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 projects	219,482	-	72,913	453,004	924,818	996,533	622,099	1,262,903
Debt service:								
Principal retirement	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	1,355,642	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	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	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)

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

	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	20,159	25,105	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	(9,655,097)	-	-	-	(3,774,010)
Transfers in	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	(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)	(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	\$ 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	8.82%	30.58%	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 Eight Calendar Years
UNAUDITED

<u>Calendar Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total Taxable and Actual Assessed Value</u>	<u>Total Direct Tax Rate</u>
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.

TABLE 6

CITY OF STAUNTON, VIRGINIA

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

Taxpayer Name	2010			2001		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
One Industry Way Co-Owners, LLC	\$ 14,901,600	1	0.76%	\$ 13,347,800	1	1.12%
Wal-Mart Real Estate Business	12,236,540	2	0.62%	9,609,600	2	0.81%
Staunton Plaza, LLC	10,439,320	3	0.53%			
Big Sky, LLC	10,132,690	4	0.52%			
SHP III Baldwin Park LLC	10,121,260	5	0.52%			
RCC Statler Square	9,893,390	6	0.50%			
FAP Properties/Art Fisher	9,598,330	7	0.49%			
KM Staunton Development LLC	8,920,660	8	0.46%			
Staunton Hotel LLC	8,649,740	9	0.44%			
Land'Or Williamsburg LLC	8,644,600	10	0.44%			
Unifi Inc	-		-	8,471,050	3	0.71%
Regency Centers LP	-		-	5,675,280	4	0.48%
Lowe's Home Centers	-		-	5,280,550	5	0.44%
AL Investors	-		-	4,500,700	6	0.38%
Kings Daughters Health Invest.	-		-	4,254,190	7	0.36%
Lincoln Square LP	-		-	3,802,400	8	0.32%
Balwin park Ltd	-		-	3,753,800	9	0.31%
Oakhill Health Care	-		-	3,697,600	10	0.31%
Totals	<u>\$ 103,538,130</u>		<u>5.28%</u>	<u>\$ 62,392,970</u>		<u>5.23%</u>

Source: City Assessor

Notes:

Real Estate Only

TABLE 7**CITY OF STAUNTON, VIRGINIA**

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

Calendar Year	Taxes Levied for the Calendar Year		Collected within the		Collections in Subsequent Calendar Years	Total Collections		
			Calendar Year of the Levy			To Date		
	Amount	Percentage of Levy	Amount	Percentage of Levy				
2010	(1) \$	17,426,047	(2) \$	-	0.00%	\$	-	0.00%
2009		17,310,637		16,259,263	93.93%		16,259,263	93.93%
2008		16,247,090		15,434,142	95.00%		15,695,239	96.60%
2007		16,194,110		15,234,398	94.07%		15,639,622	96.58%
2006		12,848,385		12,158,103	93.98%		12,618,318	98.21%
2005		12,297,520		na	na		na	na
2004		10,838,147		na	na		na	na
2003		9,756,690		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 Eight Fiscal Years
UNAUDITED

Fiscal Year	Governmental Activities			Business - type Activities		Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Literary Loans	Capital Leases	General Obligation Bonds	VRA Loans			
2010 (b)	\$ 32,473,734	\$ 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. These ratios are calculated using personal income and population for the current year.

(b) Includes \$15,000,000 contractual obligation to Commonwealth of Virginia.

*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 Eight Fiscal Years
UNAUDITED

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Literary Loans	VRA Loans	Net Bonded Debt		
2010	** \$ 40,299,139	\$ 16,650,000	* \$ 24,732,677	\$ 81,681,816	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.

** total includes \$15,000,000 contractual obligation to Commonwealth of Virginia

TABLE 10

CITY OF STAUNTON, VIRGINIA

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Debt Limit	\$ 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	* <u>81,681,816</u> *	<u>60,415,589</u>	<u>56,366,288</u>	<u>55,579,426</u>	<u>57,445,411</u>	<u>50,828,809</u>	<u>43,058,228</u>	<u>34,477,401</u>
Legal debt margin	<u>\$ 114,366,039</u>	<u>\$ 134,063,098</u>	<u>\$ 125,995,097</u>	<u>\$ 123,081,852</u>	<u>\$ 76,962,325</u>	<u>\$ 82,584,477</u>	<u>\$ 71,262,936</u>	<u>\$ 78,087,863</u>
Legal debt margin as a percentage of the debt limit	58.34%	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 Eight Fiscal Years
UNAUDITED

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal income (2)</u>	<u>Median age (1)</u>	<u>School enrollment (3)</u>	<u>Unemployment rate (4)</u>
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 2006.
- (3) Staunton City School Board
- (4) US Department of Labor-Bureau of Labor Statistics

TABLE 12

CITY OF STAUNTON, VIRGINIA

Demographic and Economic Information
Principal Employers
Current Year
UNAUDITED

Employer	2010		
	Employees	Rank	Percentage of Total City Employment
Western State Hospital	500-599	1	4.68%
City of Staunton School Board	500-599	2	4.68%
Mary Baldwin College	250-499	3	3.19%
Va Department of Transportation	250-499	4	3.19%
Wal Mart	250-499	5	3.19%
City of Staunton	250-499	6	3.19%
Alphastaff Inc	250-499	7	3.19%
Va School for the Deaf and Blind	100-249	8	0.64%
Fisher Auto Parts	100-249	9	0.64%
Home Instead Senior Care	100-249	10	0.64%
Total	2550-4440		27.20%

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 Eight Fiscal Years
UNAUDITED

Function/Program	Full Time Equivalent Employees as of June 30							
	2010	2009	2008	2007	2006	2005	2004	2003
General Government	30	33	33	33	32	32	32	32
Judicial	22	22	22	22	17	17	17	16
Public Safety	101	107	106	106	95	95	95	94
Public Works	39	40	42	42	49	47	47	41
Parks, Recreation and Culture	26	26	26	27	26	25	25	31
Community Development	8	8	7	7	6	6	6	5.5
Golf	1	1	1	0	0	0	0	0
Water	24	25	25	25	25	23	23	23
Sewer	6	6	6	6	6	6	6	6
Parking	0	0	0	0	0	0	0	0
Environmental	22	24	24	24	23	23	23	23
Stormwater	1	2	na	na	na	na	na	na
Total	280	294	292	292	279	274	274	271.5

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 Eight Fiscal Years
UNAUDITED

Function/Program	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety:								
Police:								
Arrests	2378	2,517	2,835	2,469	2,369	na	na	na
Parking tickets	3639	5,428	6,846	5,031	4,142	na	na	na
Traffic summons	4093	4,525	4,723	4,773	4,229	na	na	na
Fire:								
Incident responses	2684	2,672	2,695	2,648	2,384	2,630	3,071	na
Fires extinguished	45	80	79	99	83	70	87	na
Inspections	407	348	286	211	138	85	304	na
Inspections:								
Building permits issued	896	1,024	1,219	1,641	1,740	1,200	1,246	1,139
Building inspections conducted	2538	3,587	4,631	4,623	4,865	3,107	2,796	2,158
Public Works:								
Refuse:								
Recycling collected (tons per day)	1.58	1.65	na	na	na	na	na	na
Refuse collected (tons per day)	69.9	67.6	79.5	83.1	95.3	94.4	91.3	89.2
Other public works:								
Lane miles paved	9.78	5.25	7.43	7.97	2.5	2.4	9.1	16.5
Parks and Recreation:								
Rounds of golf	8,939	10,283	10,345	13,000	15,552	14,770	14,930	15,786
Library								
Volumes in collection	na	172,345	174,390	173,503	171,816	175,872	177,537	173,417
Total volumes borrowed	na	450,949	447,047	425,581	409,440	404,395	409,152	386,224
Utility								
New connections	11	13	122	228	165	na	na	na
Active customers	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 Eight Fiscal Years
UNAUDITED

Function/Program	2010	2009	2008	2007	2006	2005	2004	2003
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Units-marked	20	20	20	21	21	20	20	20
Patrol Units-unmarked	16	16	16	14	18	18	17	17
Fire Stations	2	2	2	2	2	1	1	1
Refuse								
Collection trucks	7	7	7	7	6	6	5	5
Recycling trucks	3	3	3	3	3	3	3	3
Other Public Works								
Lane miles of streets	298.55	298.55	297.38	291.22	288.48	288.48	286.28	286.28
Traffic Signals-signals and flashers	64	64	64	64	64	64	64	64
Parks and Recreation								
Acreage	482	477	477	477	447	418.5	418.5	418.5
Number of Parks	9	7	7	7	6	5	5	5
Baseball/softball fields	8	7	7	7	7	7	7	7
# of baseball/softball games played	1522	1590	1503	1488	1426	na	na	na
Soccer/football fields	4	4	3	3	3	3	3	3
# of soccer/football games played	214	217	183	176	124	na	na	na
Water								
Miles of water mains	175.35	175.15	174.9	173.56	170	147.62	146.7	146.55
Fire Hydrants	897	887	866	828	797	na	na	na
Storage capacity (thousands of gal)	8500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Sewer								
Miles of sanitary sewers	132.42	132.35	131.82	130.88	128	124.73	123.2	123.00

Sources: Various City departments

na- data not available.

THIS PAGE INTENTIONALLY BLANK

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2010. 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 *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

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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as Item 06-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 09-2 and 10-1.**

We also noted certain other matters that we have reported to management in a separate letter dated November 29, 2010.

The City of Staunton'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 of management, City Council, the School Board, 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

Roanoke, Virginia
November 29, 2010

**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 compliance of the City of Staunton, Virginia with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2010. 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 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, 2010.

Internal Control Over Compliance

The 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 and to test and report on internal control over compliance in accordance with *OMB Circular A-133* to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Internal Control Over Compliance (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 of management, City Council, the School Board, 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

Roanoke, Virginia
November 29, 2010

THIS PAGE INTENTIONALLY BLANK

CITY OF STAUNTON, VIRGINIA

SUMMARY OF COMPLIANCE MATTERS

June 30, 2010

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, 2010

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unqualified opinion** on the financial statements.
2. **One significant deficiency** 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*. **This significant deficiency was not deemed to be a material weakness.**
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:

Title I	84.010, 84.389
Special Education Cluster	84.027, 84.173, 84.391
State Fiscal Stabilization Fund	84.394
Child Care Cluster	93.575, 93.596, 93.713
Foster Care	93.658
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

06-1: Segregation of Duties – School Board Cash Receipts (Significant Deficiency)

Condition:

A fundamental concept of internal controls is the separation of duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. A lack of segregation of duties exists in the recording and posting of certain cash receipts. Because fully eliminating these control deficiencies is not practicable without the hiring of additional personnel or assigning new tasks to existing personnel, management has concluded that the costs of eliminating the weakness outweighs the benefits provided by stronger controls.

Recommendation:

Continue to monitor the costs and benefits of reducing or eliminating this deficiency. Steps should be taken to eliminate the performance of conflicting duties where possible.

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2010

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

06-1: Segregation of Duties – School Board Cash Receipts (Significant Deficiency) (Continued)

Management's Response:

We concur with both the finding and the recommendation as stated above, and we continue to search for appropriate steps that will eliminate this deficiency. Addressing this condition has been made even more difficult due to the loss of a position in the Finance Department as part of system-wide budget reductions in FY11. The budget reductions affected nearly all administrative departments making it virtually impossible to address the condition with personnel from other school departments. We have approached the Finance Department of the City of Staunton about the possibility of taking on the cash receipting function on our behalf, but further study is required on both sides. We continue to believe that fully addressing this deficiency will require the addition of staff which, unfortunately, is not likely in the foreseeable future.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

09-2. Commonwealth of Virginia: Highway Maintenance Costs

Condition:

In our sample of 30 work orders, we noted that work was performed on two ineligible streets. We have noted a similar finding in the three previous audits. We also noted one instance where equipment costs were valued and coded improperly.

Recommendation:

We recommend that the City ensures that work is performed only on eligible streets and that equipment costs and codings be reviewed for accuracy.

Management's 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.

We will also implement a process of verification to ensure that equipment rental rates entered in our software system correspond to the correct rates and class codes provided by the Commonwealth of Virginia.

CITY OF STAUNTON, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA (Continued)

09-2. Commonwealth of Virginia: Highway Maintenance Costs (Continued)

Management's Response: (Continued)

Though we had adopted procedures during the last three years designed to reduce the risk of undetected errors in costs charged to the Highway Maintenance program, those procedures were not 100% effective. Errors have been reduced but not eliminated. During FY11, we will continue to review work order data to ensure that ineligible costs are not claimed.

10-1. Commonwealth of Virginia: Economic Interest Disclosure Statements

Condition:

Out of 41 official disclosure statements, we noted one that was not submitted by the January 15th required submission deadline as set forth by the Code of Virginia.

Recommendation:

City and School Board officials must submit disclosure statements timely.

Management's Response:

We believe adequate procedures currently exist. The Clerk to the School Board exercised continuous follow-up measures, but one school board member did not personally assign the proper level of importance to the required filing. We do not believe this is a matter of inadequate procedures, but is a case of one individual failing to heed numerous notices and reminders.

CITY OF STAUNTON, VIRGINIA

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010**

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

09-1: Special Education Cluster – CFDA 84.027 and 84.173

Condition:

Out of a sample of 11 accounts payable and payroll disbursements, we noted that an individual's entire salary was charged to the grant when only half of the salary should have been charged. The additional cost charged to the grant did not reach the threshold to be reported as a questioned cost.

Recommendation:

We recommend that the School Board ensure that only allowable costs are charged to the grant.

Status:

In 2010 we noted no such findings in a sample of 25.

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture:</u>			
Nutrition Cluster:			
National School Lunch Program - Food Donation	10.555	N/A	\$ 75,952
<u>Department of Education:</u>			
Nutrition Cluster:			
School Breakfast Program	10.553	405910	151,961
National School Lunch Program	10.555	406230	553,965
<u>Department of Social Services:</u>			
Food Stamp Cluster:			
State Administrative Matching Grants for the Food Stamp Program:			
Cost Allocations - Food Stamps	10.561	84322	4,292
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Education Agencies	84.010	S010A090046 & S010A080046	709,548
Title I, Part D - Neglected & Delinquent Children	84.000	S013A080046 & S013A090046	24,949
Special Education - Grants to States	84.027	H027A070107 & H027A080107	458,623
Vocational Education - Basic Grants to States	84.048	V048A080046 & V048A080046 H173A090112 & H173A070112	82,763
Special Education - Pre-School Grants	84.173	& H173A080112	23,622
Drug-Free Schools and Communities - State Grants	84.186	Q186A090048 & Q186A080048 S367A090044 & S367A070044	11,378
Title II, Part A - Training & Recruiting Grant	84.367	& S367A080044	175,758
Title III, Limited English Proficiency Grants	84.365A	T365A070046	3,692
Title II, Part D, Enhancing Education Through Tech.	84.318	S318X080046 & S318X090046	10,975
Title II, Part D, Enhancing Education Through Tech.	84.318	S318X070046	13,789
ARRA Stimulus Funds - State Fiscal Stabilization Funds	84.394	S394A090047	1,222,028
ARRA Stimulus Funds - Title I, Part A	84.389	S389A090046	207,154
ARRA Stimulus Funds - IDEA	84.391	H391A090107 & H392A090112	483,728
ARRA Stimulus Funds - Title II, Part D	84.386	S386A090046	7,621

(Continued)

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Temporary Assistance for Needy Families:	93.558		
TANF-Manual checks		80801	\$ (2,681)
Emergency Assistance		81001	-
VIEW-Transportation		87207	58,784
VIEW-Jobs Supportive PS TANF		87202	29,336
Refugee and Entrant Assistance:	93.566		
Central Service Cost Allocation - Refugee		84320	
Child Care and Development Block Grant:	93.575		
Head Start Wrap Around Child Care		87801	12,490
Fee Child Care 100% Federal		88302	98,614
Child Care and Development Fund:	93.596		
VIEW - Working Child Care		87101	92,625
VIEW-Transitional Child Care		87102	12,341
TANF-Transitional Child Care		87103	15,484
TANF Working Child Care		87104	31,132
Fee Child Care Matching		88102	12,855
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	106,849
Children's Residential-ARRA		81107	13,249
Licensed Child Agency		81108	97,104
Licensed Child Agency-ARRA		81108	12,041
Local Agency		81110	40,285
Local Agency-ARRA		81110	4,995
Licensed Child		81112	37,811
Licensed Child-ARRA		81112	4,689
Central Service Cost Allocation - IV-E serv		84319	1,635
Adoption Assistance:	93.659		
Subsidized Adoption Assistance		81201	222,485
Subsidized Adoption Assistance-ARRA		81201	27,588
IV-E Adoption		81202	1,464
IV-E Adoption-ARRA		81202	(78)
Social Services Block Grant:	93.667		
Child Protective Services		82402	700
Family Preservation-(SSBG)		82905	3,242
Home Based Companion (State Supplement)		83304	20,867
Adult Protective Services		89501	3,718
Cost Allocation		84324	155

(Continued)

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (CON'T)</u>			
<u>Pass-Through Programs, (con't):</u>			
<u>Department of Social Services, (con't):</u>			
Medical Assistance Program (Title XIX)	93.778		
Central Service Cost Allocation-Medicaid		84323	\$ 3,202
ARRA-Child Care and Development Block Grant	93.713		
VIEW - Working Child Care		87101	9,750
VIEW-Transitional Child Care		87102	1,299
TANF-Transitional Child Care		87103	1,630
TANF Working Child Care		87104	3,277
Fee Child Care Matching		88102	1,353
Feed Child Care-100%		88302	42,916
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Direct Programs:</u>			
Hazard Mitigation Grant	97.039	FEMA-1544-DR-VA-0001	99,781
<u>Pass Through Programs:</u>			
<u>Department of Emergency Management:</u>			
State Homeland Security Grant Program	97.073	52708	21,900
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Housing and Community Development:</u>			
Community Development Block Grants-State's Program	14.228	40799	49,367
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
Drug Court Discretionary Grant Program	16.585	2008-DC-BX-0048	83,474
Recovery Act-Edward Byrne Memorial Justice Assistance			
Grant (JAG) Program/Grants to Units of Local Governmen	16.804	2009-SB-B9-2820	9,400
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1273	5,312
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice Services:</u>			
Crime Victim Assistance	16.575	46000	40,786
GOSAP-Revitalizing Existing Structures-Teaching Ownership			
Respect and Empowerment	16.579	61011	2,983
<u>State Compensation Board:</u>			
Recovery Act-Edward Byrne Memoria Justice Assistance			
Grant (JAG) Program/Grants to States	16.803	N/A	10,313

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>US FOREST SERVICE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Forestry</u>			
Cooperative Forestry Assistance	10.664	09SHEV14;09SHEV15;09SHEV16	31,126
 <u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Division of Motor Vehicles:</u>			
State and Community Highway Safety-402 Funds	20.600	59312, 50163	8,518
 <u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
National Community Service Act (Learn & Serve Virginia	94.004	KSSVA06003	36,674
Total Expenditures of Federal Awards			<u><u>\$ 5,644,638</u></u>

CITY OF STAUNTON, VIRGINIA**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
June 30, 2010**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.