



City of Staunton, Virginia

Comprehensive Annual Financial Report

Fiscal Year July 1, 2010 - June 30, 2011

CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2011

Prepared By:
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CITY OF STAUNTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011

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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>
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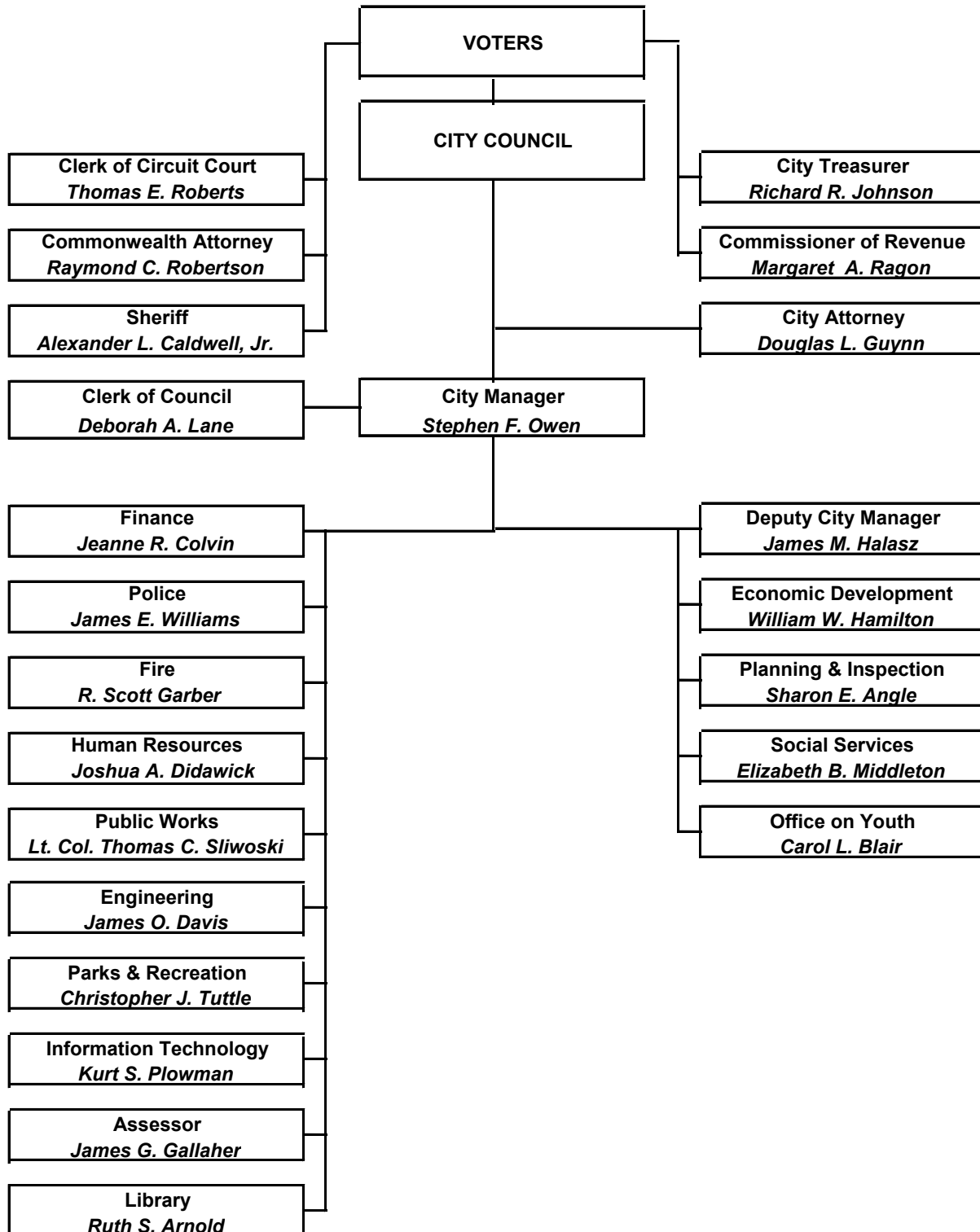
OFFICIALS

<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>
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SCHOOL BOARD

<p>George Ballew Sarah Crenshaw</p>	<p>Angela V. Whitesell, Chair Ronald W. Ramsey, Vice-Chair</p>	<p>Amy G. Darby Dr. Daniel Stuhlsatz</p>
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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, 2010

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



President

Executive Director

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



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CHIEF FINANCIAL OFFICER
540-332-3822

CYNTHIA B. SNEAD
SUPERVISOR OF ACCOUNTING
540-332-3803

CINDY A. STEED
SUPERVISOR OF PURCHASING &
UTILITIES
540-332-3819

November 30, 2011

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, 2011. This report has been prepared by the City's Finance Department. The report provides full disclosure of all financial information necessary to enable the reader to gain an understanding of the government's financial activities.

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

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

Brown, Edwards, Certified Public Accountants, has issued an unqualified opinion for the City of Staunton for fiscal year ending June 30, 2011. The independent auditor's report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

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

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

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

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

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

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

The Staunton Economic Development Authority was created as a separate legal entity by the City to promote economic development within the City. All members of the Board are appointed by City Council. The Economic Development Authority imposes a financial burden on the City.

LOCAL ECONOMY

The City's overall financial health is determined by several economic factors based on retail sales volume, consumer based taxes, new residential building or commercial construction permits, and property values and transactions. Other financial factors include state revenues, population trends, the unemployment rate, and the local tourism industry. As with the national decline in the housing market, the 2011 total taxable real estate assessed values declined 7.1% from 2010. Other local consumer based tax revenue sources remained fairly stable from 2010. The local unemployment rate for June 2011 was 6.7%, which is below the national average of 9.3%, and slightly above the statewide average of 6.3%. The City relies on its diverse property tax base consisting of manufacturing facilities, distribution centers, a fairly stable retail base, a large government workforce within the area, and a successful tourism market for the economic stability of the City.

LONG-TERM FINANCIAL PLANNING

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

Safety Net Reserve – The City revised its Fund Balance Reserve fiscal policy during FY2011 to reserve 10% of the City's total operating budget as a cash safety net reserve, reported as committed fund balance in the general fund. The primary government reserve is currently \$4.5 million. These funds are reserved and can be used for only major catastrophic events that would affect the public safety, major infrastructure of the City or imposition of mandates by Federal and State governments. The City also adopted a policy to establish and maintain a contingency reserve in the amount of \$250,000, reported as unassigned fund balance in the general fund, to provide for unexpected declines in budgeted revenues or unanticipated emergency expenditures.

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

MAJOR INITIATIVES

FY2011 Budget – The total FY2011 budget, \$94.1 million, 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. Due to the national economic down turn in the housing market, the real estate re-assessment values were projected to decline 8% resulting in a \$1.1 million loss in real estate tax revenues; the actual decline was 7.1%. Other local tax revenues such as business licenses, sales tax, meals tax, and utility tax revenues were projected to remain stable for 2011 and did result in a slight increase of 1.0%. Since fiscal year 2009, the City has continually decreased expenditures to match the declining revenue sources. Over the course of the past three years, the City did not lay off any employees, but has taken the opportunity to eliminate 26 full-time vacant positions due to retirements or turnover vacancies. The City also provided level funding to the education fund and increased its transfer to the Capital Improvements Fund for FY2011. 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 – Staunton Gateway Development Park – In November 2009, the City and the EDA entered into a land exchange agreement with the Commonwealth of Virginia to re-locate and build a new state of the art mental health facility and in exchange create a new 300 acre business development park. The development is expected to create jobs and generate significant annual property and consumer tax revenues for the City. In exchange for the land, the City will pay the Commonwealth of Virginia \$15 million when the new hospital is 80%

complete. As of September 2011, the \$118 million construction on the new facility is 34% complete. Staunton Gateway, located at U.S. 250 and the interchange of Interstate Highways 81 and 64, is planned for a mix of corporate and professional offices, retail stores, restaurants and lodging facilities. The project will be the largest business development property to support both office and retail development in the Shenandoah Valley region of the I-81 corridor through Virginia.

Economic Development – Green Hills Industry and Technology Park – The City partnered with the Commonwealth of Virginia to announce the \$15 million expansion facility for Cadence Inc., at the industrial park. The expansion will include a 25,000 square-foot addition to its plant and \$12.5 million in new machinery and equipment for the plant. Cadence Inc., an advanced manufacturing technology firm, makes blades and needles used in advanced medical devices and surgical equipment and other industrial applications.

Virginia School for the Deaf and Blind – Construction continues on the \$71 million school renovation. The Commonwealth combined the school located in Hampton with the Staunton school. The renovations include two new dormitories, a new middle school and a new high school. Construction is expected to be complete in two years.

Capital Improvements – Work continues on the \$7.1 million water and sewer bonded projects. The projects are 47% complete. In June 2010, the City issued \$7.1 million in Taxable General Obligation Public Improvement Bonds through Virginia Resources Authority to fund these 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. The Capital Improvement Plan adopted by City Council this year equals \$242 million with \$106 million dedicated for school projects, and \$79 million for infrastructure projects in the proprietary funds.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Staunton, Virginia, for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1985 through 2010. A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Jeanne R. Colvin
Chief Financial Officer

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Augusta Regional Landfill. The City's share of this undivided interest represents 56%, 52%, and 25%, respectively, of the assets, net assets, and revenues of the Environmental Fund. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Augusta Regional Landfill, is based on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditor 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, 2011, 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 28, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section; the combining and individual nonmajor fund statements and schedules collectively referred to as Other Supplementary Information; and the statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the City's basic financial statements. The Other Supplementary Information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory 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 28, 2011

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, 2011. The MD&A is in addition to the transmittal letter, located on pages iv-vii of this report. Readers are encouraged to review the information presented in the MD&A and the letter of transmittal to provide the user a more comprehensive view of the City's financial condition. The MD&A presents information for the government-wide financial statements and the fund financial statements. The MD&A provides the user 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 \$48.3 million at June 30, 2011. Net assets of the City's business-type activities were \$67.7 million.
- Total expenses of governmental activities were exceeded by total revenues by \$7.3 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were \$51.1 million for fiscal year 2011. Revenues of the City's business-type activities were \$11.3 million.
- Expenses were \$43.6 million for governmental activities and expenses for the business-type activities were \$9.9 million for fiscal year 2011.
- The City's total debt at June 30, 2011 was \$82.2 million, a net decrease of \$3.4 million from FY 2010. At June 30, 2011, the City drew down the remaining \$726,133 from the Virginia Revolving loan fund to complete Phase III of upgrades to the Middle River Wastewater Treatment Plant.
- At June 30, 2011, the total fund balance for all governmental funds was \$19 million with the General Fund having \$9.3 million of that total.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

- **Governmental activities** – Most of the City’s basic services are included here, such as the police, fire, public works, parks and recreation, health and welfare, and general administration. Property taxes, other local taxes, and state and federal grants finance the majority of these activities.
- **Business-type activities** – The City charges fees to customers to recover the costs of certain services it provides. The City’s golf, water, sewer, storm water, parking, and environmental management activities are reported here.
- **Component units** – The City has two component units:
 - The Staunton School Board – although legally separate, the City is financially accountable for and provides operating funding for the Staunton School Board.
 - The Staunton Economic Development Authority – due to a development agreement between the City of Staunton and the Economic Development Authority (EDA), the EDA imposes a financial burden on the City as the issuer of debt to provide capital grants and other property to the EDA.

FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

- *Governmental funds* – Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds’ statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds’ statements that explains the differences between them.
- *Proprietary funds* – Proprietary funds are classified as enterprise or internal service funds. Enterprise funds are reported as business-type activities in the government-wide financial statements and are used to report activities for which fees are charged to external users for goods or services. The City maintains six enterprise funds to report on activities for golf, water, sewer, storm water, environmental management and parking operations. Internal service funds are used to account for goods and services provided on a cost reimbursement basis to activities within the government. The City uses an internal service fund to report activities for the City’s inventory fund which provides supplies for the City’s operations. The inventory fund is reported with governmental activities in the government-wide financial statements.
- *Fiduciary funds* – Fiduciary funds are used to report assets held in a trustee or agency capacity for others outside the government. Fiduciary funds are excluded from the City’s government-wide financial statements because the City cannot use these assets to finance its operations. The primary government does not maintain any fiduciary funds but the Component Unit School Board does.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's total assets exceeded liabilities by \$116 million at June 30, 2011. The largest portion of the City's net assets (68.9%) 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 (\$36 million or 31%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2011, 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 \$7.3 million net increase in net assets for governmental activities mainly due to the addition of contributed capital from the Virginia Department of Transportation for the completed Churchville Avenue road project.

Net assets for business-type activities increased \$1.6 million mainly due to the completion of the Wastewater Treatment Plant and several sewer line 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, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 41,779,032	\$ 40,144,890	\$ 25,855,616	\$ 28,674,974	\$ 67,634,648	\$ 68,819,864
Capital assets	<u>61,206,549</u>	<u>57,698,002</u>	<u>77,522,188</u>	<u>75,374,905</u>	<u>138,728,737</u>	<u>133,072,907</u>
Total assets	102,985,581	97,842,892	103,377,804	104,049,879	206,363,385	201,892,771
Liabilities:						
Long-term liabilities	45,676,680	47,426,490	31,939,335	33,942,312	77,616,015	81,368,802
Other liabilities	<u>9,026,279</u>	<u>9,432,145</u>	<u>3,758,850</u>	<u>4,042,223</u>	<u>12,785,129</u>	<u>13,474,368</u>
Total liabilities	54,702,959	56,858,635	35,698,185	37,984,535	90,401,144	94,843,170
Net assets:						
Invested in capital assets, net of related debt	29,909,806	24,406,532	49,958,761	50,278,514	79,868,567	74,685,046
Restricted	103,639	27,485	-	-	103,639	27,485
Unrestricted	<u>18,269,177</u>	<u>16,550,240</u>	<u>17,720,858</u>	<u>15,786,830</u>	<u>35,990,035</u>	<u>32,337,070</u>
Total net assets	<u>\$ 48,282,622</u>	<u>\$ 40,984,257</u>	<u>\$ 67,679,619</u>	<u>\$ 66,065,344</u>	<u>\$ 115,962,241</u>	<u>\$ 107,049,601</u>

City of Staunton
Changes in Net Assets
For the Years Ended June 30, 2011 and 2010

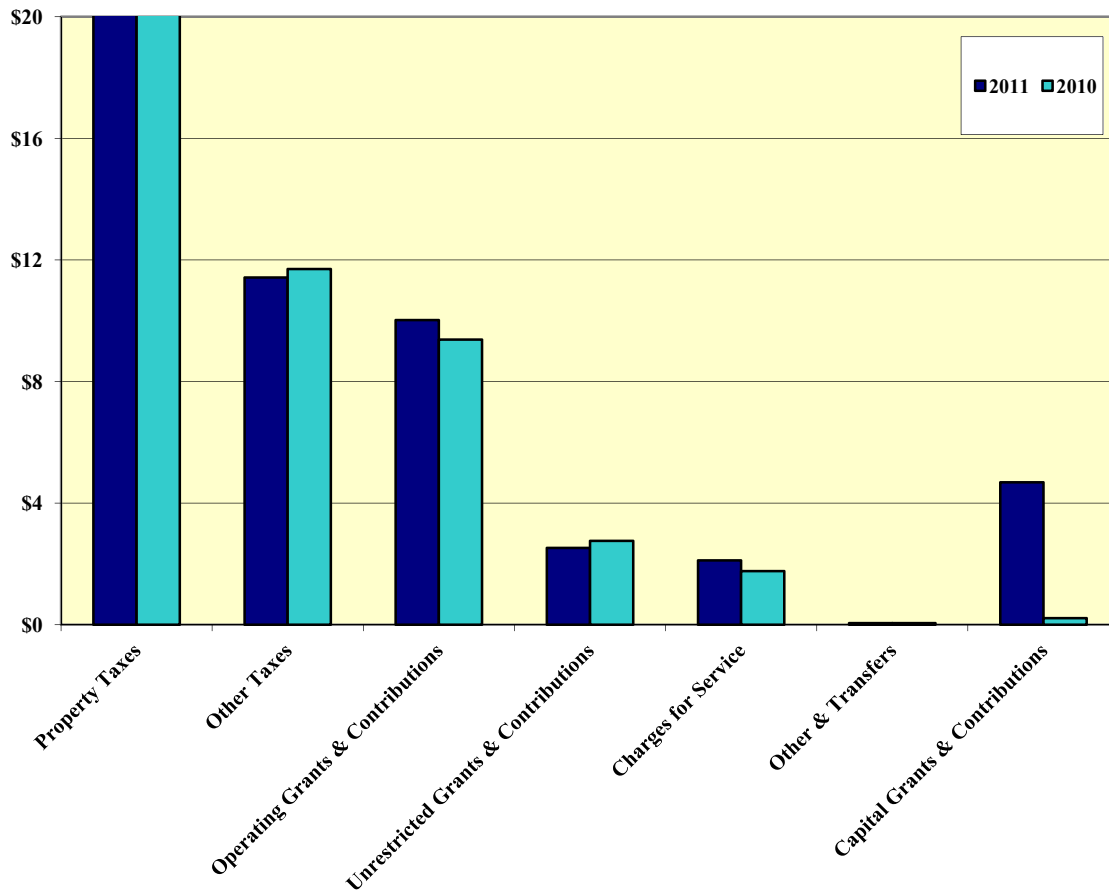
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
<u>Revenues:</u>						
<u>Program Revenues</u>						
Charges for services	\$ 2,113,274	\$ 1,760,903	\$ 10,298,725	\$ 9,033,416	\$ 12,411,999	\$ 10,794,319
Operating grants and contributions	10,018,844	9,379,027	13,341	2,876	10,032,185	9,381,903
Capital grants and contributions	4,684,814	217,303	925,347	1,269,948	5,610,161	1,487,251
<u>General revenues</u>						
Property taxes	20,296,688	20,311,531	-	-	20,296,688	20,311,531
Other taxes	11,420,140	11,701,406	-	-	11,420,140	11,701,406
Unrestricted intergovernmental	2,527,349	2,756,972	-	-	2,527,349	2,756,972
Interest and investment earnings	26,298	32,403	80,782	102,258	107,080	134,661
Other	52,673	19,380	-	-	52,673	19,380
Total revenues	<u>51,140,080</u>	<u>46,178,925</u>	<u>11,318,195</u>	<u>10,408,498</u>	<u>62,458,275</u>	<u>56,587,423</u>
<u>Expenses:</u>						
General government	4,269,566	4,240,405	-	-	4,269,566	4,240,405
Judicial administration	1,612,892	1,624,017	-	-	1,612,892	1,624,017
Public safety	9,808,670	9,402,422	-	-	9,808,670	9,402,422
Public works	5,666,355	5,718,532	-	-	5,666,355	5,718,532
Health and welfare	5,532,072	5,018,405	-	-	5,532,072	5,018,405
Parks, recreation and culture	2,860,422	2,935,093	-	-	2,860,422	2,935,093
Education (includes payment to Schools)	10,814,412	12,096,550	-	-	10,814,412	12,096,550
Community Development	1,780,234	3,040,240	-	-	1,780,234	3,040,240
Interest on long-term debt	1,272,692	1,361,328	-	-	1,272,692	1,361,328
Golf	-	-	179,702	158,480	179,702	158,480
Water	-	-	3,446,557	3,139,885	3,446,557	3,139,885
Sewer	-	-	3,358,564	2,688,221	3,358,564	2,688,221
Storm water	-	-	742,232	564,181	742,232	564,181
Environmental	-	-	1,777,831	2,773,641	1,777,831	2,773,641
Parking	-	-	423,434	455,855	423,434	455,855
Total expenses	<u>43,617,315</u>	<u>45,436,992</u>	<u>9,928,320</u>	<u>9,780,263</u>	<u>53,545,635</u>	<u>55,217,255</u>
Increase in net assets before transfers	7,522,765	741,933	1,389,875	628,235	8,912,640	1,370,168
Transfers	(224,400)	(224,400)	224,400	224,400	-	-
Increase in net assets	7,298,365	517,533	1,614,275	852,635	8,912,640	1,370,168
Net assets - beginning of year	40,984,257	40,466,724	66,065,344	65,212,709	107,049,601	105,679,433
Net assets - end of year	<u>\$ 48,282,622</u>	<u>\$ 40,984,257</u>	<u>\$ 67,679,619</u>	<u>\$ 66,065,344</u>	<u>\$ 115,962,241</u>	<u>\$ 107,049,601</u>

Governmental Activities - Revenues

- The City's total revenues from governmental activities were \$51.1 million for the fiscal year ended June 30, 2011, an increase of \$5 million over the previous year.
- Property taxes, the largest source of general revenue, accounted for \$20.3 million or 39.7% of revenue in FY 2011. Property tax revenues remained relatively stable with only a slight decrease of \$14 thousand from fiscal year 2010.
- Capital grants and contributions increased \$4.5 million from the contribution of the Churchville Ave road project from the Va. Department of Transportation.

Governmental Activities - Revenues by Source

Fiscal Years Ended June 30, 2011 and 2010
(\$ In Millions)



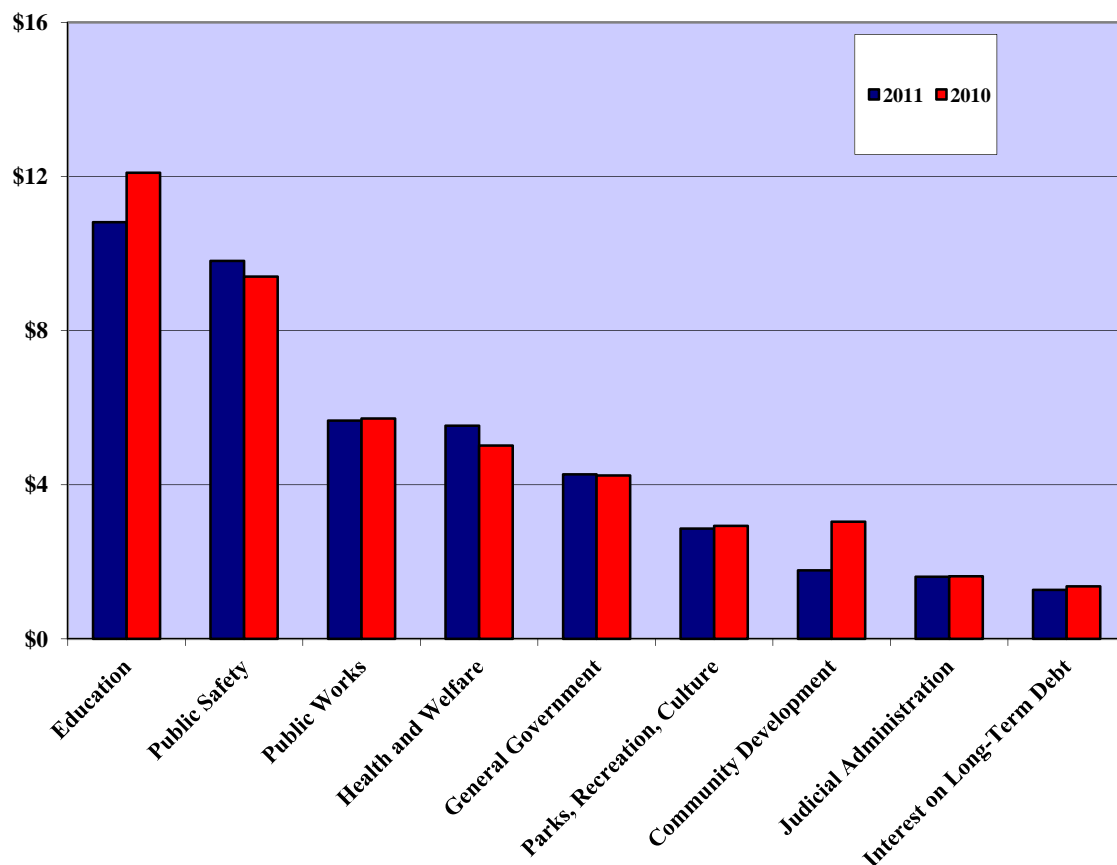
Governmental Activities - Expenses

- The total expenses from governmental activities were \$43.6 million for the year, a decrease of \$1.8 million from 2010.
- Education is the largest expenditure for the City at \$10.8 million or 24.8% of the total governmental activities, a decrease of \$1.3 million from 2010. Last year, the City transferred assets back to the school board in the amount of \$1.4 million.
- Public Safety increased \$.4 million due to an increase in the City's share of operating costs of the regional jail.
- Health and Welfare increased \$.5 million due to an increase in costs of the comprehensive services act.
- Community Development function decreased \$1.3 million or 41.4%. The decrease is due to the \$1 million transfer last year to the EDA 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 17 of the financial statements.

Governmental Activities - Expenses by Function

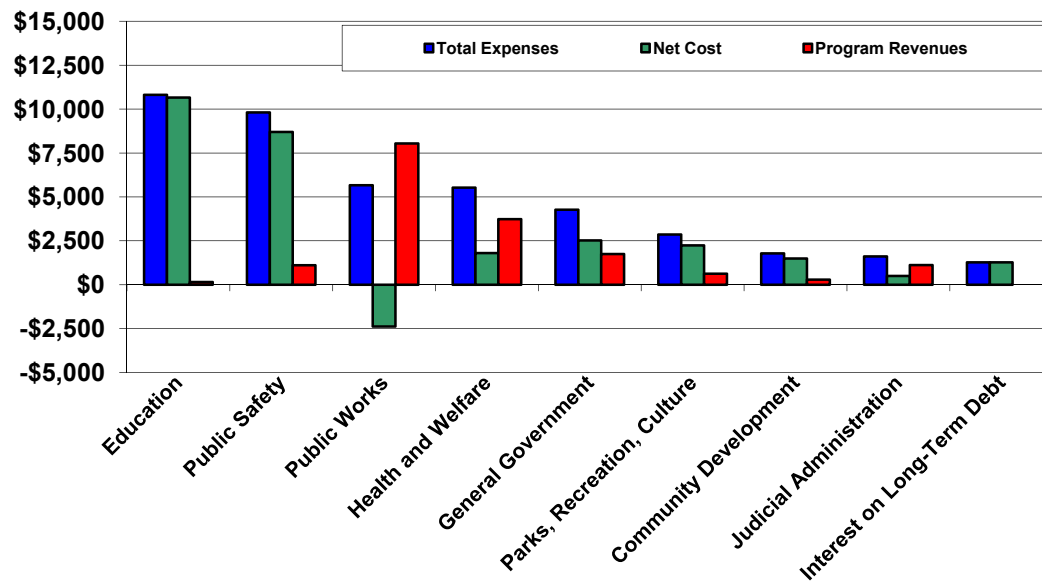
Fiscal Years Ended June 30, 2011 and 2010

(\$ In Millions)



Governmental Activities - Expenses, Net Costs, and Program Revenues

(\$ In Thousands)



Program revenues are those revenues directly related to the individual expenditure functions such as user fees and charges, restricted grants, and contributions. Program revenues for fiscal year 2011 totaled \$16.8 million and general revenues totaled \$34.4 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 39.8%, a decrease of \$1.3 million from fiscal year 2010. Public Works function had a decrease in net cost of \$4.8 million from 2010 resulting in a negative net cost in 2011 due to the contribution from the state for the Churchville Ave road project. Public Safety was up 8.6% from 2010 due to the increase in cost of the regional jail.

Net Cost of the City of Staunton's Governmental Activities				
	2011		2010	
	Total Cost	Net Cost	Total Cost	Net Cost
Education	\$ 10,814,412	\$ 10,657,722	\$ 12,096,550	\$ 11,992,072
Public Safety	9,808,670	8,701,853	9,402,422	8,009,539
Public Works	5,666,355	(2,377,487)	5,718,532	2,432,901
Health and Welfare	5,532,072	1,801,421	5,018,405	1,626,716
General Government	4,269,566	2,520,380	4,240,405	3,014,554
Parks, Recreation, Culture	2,860,422	2,235,193	2,935,093	2,388,548
Community Development	1,780,234	1,490,764	3,040,240	2,755,690
Judicial Administration	1,612,892	497,845	1,624,017	498,411
Interest on Long-Term Debt	1,272,692	1,272,692	1,361,328	1,361,328
	\$ 43,617,315	\$ 26,800,383	\$ 45,436,992	\$ 34,079,759

Business-Type Activities

1. Total program revenues of the City's business-type activities were \$11.2 million for fiscal year 2011. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at \$10.3 million or 92% of total revenues for business-type activities.
2. Sewer Fund expenses increased from 2010 by \$.7 million due to an increase in operating costs and an increase in interest expense due to the completion of the Middle River Wastewater Treatment plant project.
3. Environmental Fund expenses decreased from 2010 by \$1 million due mainly to a decrease in depreciation and closure costs for the landfill resulting from an increase in capacity explained in Note 14 of the financial statements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

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

As of the end of the current fiscal year, the City of Staunton's governmental funds reported combined ending fund balances of \$19 million, an increase of \$1.5 million over 2010. The increase is due to an increase in cash and cash equivalents.

General Fund

The General Fund reported \$9.3 million in fund balance at year end. Of the total General Fund balance, \$2.5 million is unassigned, \$4.7 million is committed for specific purposes, and \$1.9 million is assigned.

In total, fiscal year 2011 revenues were virtually the same as 2010 with only a \$.2 million increase over 2010. Real estate property tax revenues decreased \$.8 million from 2010 due to the 7.1% decline in taxable assessed values from the reassessment at January 1, 2011 as a result of the continuing economic crisis affecting the housing market. Personal property tax revenue increased \$.6 million from 2010 due to an increase in the personal property tax rate. Revenue from federal and state programs increased \$.5 million over 2010 mainly due to health and welfare programs.

General Fund actual expenditures were \$38.6 million versus the revised budget totaling \$40.8 million. The contribution to the Component Unit School Board was the largest expense at \$10.6 million. Expenditure savings of \$2.2 million resulted from \$.4 million in general government administration from insurance premiums, employee vacancy savings, and technology equipment savings; \$.6 million in public safety expenditures mainly due to employee vacancy savings; \$.2 million in public works expenditure savings from general property maintenance and street maintenance expenditures; \$.5 million in expenditure savings from decreased public assistance payments, and the balance of \$.5 million in expenditures savings resulting from judicial, community development and parks and recreation expenditure savings.

Capital Projects Fund

The City's Capital Projects Fund is used to report transactions related to the financing resources and expenditures for the acquisition or construction of capital facilities for the General Fund. Proprietary capital projects are reported in the appropriate proprietary fund. The City uses annual operating revenues of the General Fund, fund balance transfers from the General Fund, bond proceeds, or grants as resources to fund capital projects. With the exception of grant resources, the General Fund transfers funds to the Capital Projects Fund when appropriated by the governing body. The General Fund transferred \$3.5 million in fiscal year 2011 to the City Capital Projects Fund for projects still in progress. The City updates the capital projects plan on an annual basis.

Capital Projects in progress:

PROJECT	REVISED BUDGET- PROJECT TO DATE	FY 2011 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	\$ 1,332,482	\$ 51,349	\$ 1,227,379	\$ 105,103
COMPUTER NETWORK				
REPLACEMENT PHASE II	95,137	61,456	61,456	33,681
FIBER LOOP PROJECT	1,190,757	7,668	7,668	1,183,089
E911 TELEPHONE EQUIPMENT	100,000	1,717	102,166	(2,166)
FIRE TRUCK RESERVE	200,000	-	342,754	(142,754)
RADIO NARROWBAND PROJECT	500,000	176,730	176,730	323,270
REGIONAL JAIL RESERVE	2,576,286	1,050,847	1,653,970	922,316
ENGINEERING AERIAL PHOTOGRAPHY	141,440	5,360	141,440	-
STREET IMPROVEMENT PROJECTS	155,250	150,000	155,250	-
STREET SIDEWALK DRAINAGE	361,918	2,391	364,308	(2,390)
URBAN STREET CONSTRUCTION 2% MATCH	557,221	25,245	465,395	91,826
BOWLING STREET BRIDGE	343,500	32,717	40,282	303,218
HAILE STREET BRIDGE	356,200	295,594	303,177	53,023
MONTGOMERY AVENUE ROAD EXTENSION PROJECT	428,968	63,215	63,215	365,753
CITY HALL FIRE ALARM REPLACE	80,000	24,023	24,023	55,977
BLUE RIDGE COMMUNITY COLLEGE	198,461	27,170	195,768	2,693
BOOKER T BUILDING	266,818	-	236,002	30,816
MONTGOMERY HALL PARK SOCCER FIELDS	168,878	1,163	162,272	6,606
GYPSY HILL PARK BANDSTAND REPAIRS	30,000	25,221	25,221	4,779
CORRIDOR OVERLAY INCENTIVES	15,000	-	-	15,000
ECONOMIC DEVELOPMENT RESERVE	1,399,766	27,701	1,181,922	217,844
STAUNTON GATEWAY PROJECT	1,135,000	60,203	500,434	634,566
ENTERPRISE ZONE PROGRAM	20,000	8,000	8,000	12,000
VISITORS CENTER	80,000	-	-	80,000
CIP RESERVE-UNDESIGNATED	2,589,113	-	-	2,589,113
Totals	\$ 14,322,195	\$ 2,097,770	\$ 7,438,832	\$ 6,883,363

General Fund Budgetary Highlights

City Council revised the total FY 2011 City Budget two times during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - \$451,790. This amendment appropriated \$451,790 from prior year funds for the balances of grant programs and mandated state carry-over program funds for expenditure programs not completed at the end of fiscal year 2010.
- Budget Amendment Number 2 - \$2,726,334. This amendment appropriated \$2,113,820 from the prior year unreserved fund balance to be transferred to the Capital Improvements Fund. The amendment also included additional appropriations of \$450,000 for the Comprehensive Services Act, \$112,609 for additional street maintenance expenditures, and the balance of \$49,905 for some additional minor grants for various departments.

CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2011 amounts to \$138.7 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 \$61.2 million for the governmental activities, and \$77.5 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:

- Infrastructure increased \$4.3 million due to the completion of the Churchville Ave road project.
- Construction in progress increased \$.3 million due to several road and bridge projects in progress at June 30, 2011.

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

- Construction in progress had a net decrease of \$14.4 million and buildings had a net increase of \$14.4 million due to the completion of the Phase III construction on the Middle River Regional Wastewater Treatment Plant.
- Infrastructure had a net increase of \$1.9 million mainly due to the completion of the Central avenue sewer project.

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

City of Staunton Capital Assets Net of Depreciation

	2011			2010		
	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	-	1,776,235	1,776,235	-	1,433,169	1,433,169
Buildings	30,140,690	30,011,719	60,152,409	31,601,467	15,540,474	47,141,941
Improvements	1,035,181	4,678,432	5,713,613	901,060	4,898,534	5,799,594
Equipment	2,428,958	2,743,249	5,172,207	2,172,272	2,681,863	4,854,135
Infrastructure	23,061,461	34,469,821	57,531,282	18,759,221	32,592,321	51,351,542
Construction in Progress	843,545	2,179,495	3,023,040	567,268	16,565,307	17,132,575
Total	<u>\$ 61,206,549</u>	<u>\$ 77,522,188</u>	<u>\$ 138,728,737</u>	<u>\$ 57,698,002</u>	<u>\$ 75,374,905</u>	<u>\$ 133,072,907</u>

DEBT ADMINISTRATION

- The City of Staunton maintains an Aa3 bond rating from Moody's Investor Service, affirmed December 2006, and A+ from Standard and Poor's, affirmed through a rating update review process March 2011.
- The *Code of Virginia* limits the amount of general obligation debt the City may issue to ten percent of its total assessed taxable value of real estate which is \$182 million for the City. The City currently has bonds payable of \$63.5 million. The current legal margin for creating additional debt for the City of Staunton is \$118.5 million.
- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

City of Staunton Outstanding Debt

	2011			2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 15,722,695	\$ 7,114,122	\$ 22,836,817	\$ 16,780,626	\$ 7,959,709	\$ 24,740,335
Virginia Revolving Loan	-	25,035,340	25,035,340	-	25,314,579	25,314,579
Literary Loans	15,700,000	-	15,700,000	16,650,000	-	16,650,000
Contractual Obligation	15,000,000	-	15,000,000	15,000,000	-	15,000,000
Total	<u>\$ 46,422,695</u>	<u>\$ 32,149,462</u>	<u>\$ 78,572,157</u>	<u>\$ 48,430,626</u>	<u>\$ 33,274,288</u>	<u>\$ 81,704,914</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2012 budget was adopted at the same real estate and personal property tax rates as 2011. The City's \$45.0 million budget for FY 2012 is \$1,250,000 less than the 2011 budget.
- Although the Commonwealth of Virginia projected revenues estimate a net increase in 2012, the net increase is due to an increase in health and welfare programs and revenue cuts to other mandated state programs. The Commonwealth of Virginia continues to cut local funding for state mandated responsibilities for all localities, and now is shifting the cost of its expenditure programs to localities. An example is the Line of Duty Act, which was previously funded by the Commonwealth.
- The fiscal year 2012 budget for real property tax revenue is based on the actual January 2011 assessment with only a slight .8% increase in assessed value. The City projected an 8% decline in real property taxable values for 2011 resulting in a loss of \$1.1 million in real property revenue for 2011 compared to 2010. The actual decline in taxable assessed values was 7.1% for 2011.
- Other local tax revenue estimates for 2012 project a decrease of \$.1 million from 2011 actual amounts. These estimates include revenues for sales tax, meals tax, and local communications taxes. These revenues have remained fairly stable since 2010 with \$11.7 million in 2010, \$11.4 million in 2011, and \$11.3 million projected for 2012.
- The fiscal year 2012 budget includes a 3% COLA increase for all full-time and part-time personnel, the first increase since 2008. Hiring freezes were implemented in July 2008 due to the economic downturn. The City has not had to lay off any employees during this national economic crisis but has taken the opportunity to eliminate 26 full-time positions due to vacancies and retirements.
- The City is able to maintain its General Fund transfer to the Capital Improvements Fund for 2012 for \$1.5 million from annual operating revenues, compared to \$1.4 million for 2011.
- The City's water and sewer rates did not increase for 2012. Rate increases are planned for future years to pay additional debt costs for financing the wastewater treatment plant upgrade project and new water and sewer bonded capital projects.
- As of August 2011, the unemployment rate for the City of Staunton is 7.1%. Staunton's rate is slightly higher than the state's average unemployment rate of 6.5% and is lower than the national average rate of 9.1%.

All of these factors were considered in preparing the FY 2012 budget to finance the cost of programs and services provided to citizens.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 17,133,347	\$ 4,361,055	\$ 21,494,402	\$ 3,328,728	\$ 63,303
Investments (Note 2)	3,395,770	8,478,928	11,874,698	568,589	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 10)	4,298,022	-	4,298,022	-	-
Accounts	768,237	2,256,977	3,025,214	190,097	16,667
Interest	24,343	46,996	71,339	-	-
Due from other governmental units (Note 3)	1,655,041	394,505	2,049,546	2,269,075	-
Due from component unit (Note 17)	14,000,000	-	14,000,000	-	-
Inventory (Notes 1, 17)	202,379	-	202,379	-	14,000,000
Prepaid items	138,922	6,000	144,922	94,510	-
Loans receivable (Note 15)	-	4,056,626	4,056,626	-	-
Deferred charges	162,971	146,791	309,762	-	-
Restricted assets: (Notes 2, 11)					
Cash and cash equivalents	-	1,295,586	1,295,586	-	-
Investments	-	4,812,152	4,812,152	-	-
Capital assets: (Note 5)					
Land and construction in progress	4,540,259	3,842,732	8,382,991	236,000	799,748
Other capital assets, net of accumulated depreciation	56,666,290	73,679,456	130,345,746	8,755,542	8,541,005
Total assets	102,985,581	103,377,804	206,363,385	15,442,541	23,420,723
LIABILITIES					
Accounts payable	1,158,060	703,945	1,862,005	218,622	86,081
Retainage payable	13,325	20,169	33,494	-	-
Accrued liabilities	1,344,850	348,661	1,693,511	2,476,289	-
Due to primary government (Note 17)	-	-	-	-	14,000,000
Unearned revenue (Note 10)	4,361,867	15,766	4,377,633	-	-
Amounts held for others	4,319	-	4,319	-	-
Deposits payable	7,000	220,308	227,308	-	-
Noncurrent liabilities: (Note 6)					
Due within one year	2,136,858	2,450,001	4,586,859	191,376	-
Due in more than one year	45,676,680	31,939,335	77,616,015	316,463	-
Total liabilities	54,702,959	35,698,185	90,401,144	3,202,750	14,086,081
NET ASSETS					
Invested in capital assets, net of related debt	29,909,806	49,958,761	79,868,567	8,991,542	9,340,753
Restricted for:					
Programs	75,072	-	75,072	-	-
Donor purposes	28,567	-	28,567	-	-
Unrestricted	18,269,177	17,720,858	35,990,035	3,248,249	(6,111)
Total net assets	\$ 48,282,622	\$ 67,679,619	\$ 115,962,241	\$ 12,239,791	\$ 9,334,642

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

CITY OF STAUNTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,269,567	\$ 1,413,921	\$ 317,417	\$ 17,848
Judicial administration	1,612,892	112,312	984,507	18,228
Public safety	9,808,670	226,605	839,618	40,594
Public works	5,666,355	-	3,527,252	4,516,590
Health and welfare	5,532,072	-	3,730,651	-
Education	10,814,412	-	156,690	-
Parks, recreation, and culture	2,860,422	314,065	219,610	91,554
Community development	1,720,234	46,371	243,099	-
Interest on long-term debt	1,332,691	-	-	-
Total governmental activities	43,617,315	2,113,274	10,018,844	4,684,814
Business-type activities:				
Golf	179,702	147,371	-	-
Water	3,446,557	4,036,110	-	209,173
Sewer	3,358,564	3,423,605	-	400,897
Storm water	742,232	709,206	-	315,277
Environmental	1,777,831	1,740,587	13,341	-
Parking	423,434	241,846	-	-
Total business-type activities	9,928,320	10,298,725	13,341	925,347
Total primary government	\$ 53,545,635	\$ 12,411,999	\$ 10,032,185	\$ 5,610,161
Component Units:				
School Board	\$ 29,722,602	\$ 1,285,960	\$ 9,413,052	\$ -
Economic Development Authority	719,362	29,312	207,999	-
Total component units	\$ 30,441,964	\$ 1,315,272	\$ 9,621,051	\$ -

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			School Board	Economic Development Authority
Governmental Activities	Business-Type Activities	Total		
\$ (2,520,381)		\$ (2,520,381)		
(497,845)		(497,845)		
(8,701,853)		(8,701,853)		
2,377,487		2,377,487		
(1,801,421)		(1,801,421)		
(10,657,722)		(10,657,722)		
(2,235,193)		(2,235,193)		
(1,430,764)		(1,430,764)		
(1,332,691)		(1,332,691)		
(26,800,383)		(26,800,383)		
-	\$ (32,331)	(32,331)		
-	798,726	798,726		
-	465,938	465,938		
-	282,251	282,251		
-	(23,903)	(23,903)		
-	(181,588)	(181,588)		
-	1,309,093	1,309,093		
(26,800,383)	1,309,093	(25,491,290)		
			\$ (19,023,590)	\$ -
			-	(482,051)
			(19,023,590)	(482,051)
20,296,688	-	20,296,688	-	-
3,381,018	-	3,381,018	-	-
2,794,600	-	2,794,600	-	-
1,925,106	-	1,925,106	-	-
1,120,868	-	1,120,868	-	-
1,456,638	-	1,456,638	-	-
741,910	-	741,910	-	-
26,298	80,782	107,080	3,178	3
2,527,349	-	2,527,349	8,223,295	-
52,673	-	52,673	-	-
-	-	-	10,071,891	-
(224,400)	224,400	-	-	-
34,098,748	305,182	34,403,930	18,298,364	3
7,298,365	1,614,275	8,912,640	(725,226)	(482,048)
40,984,257	66,065,344	107,049,601	12,965,017	9,816,690
\$ 48,282,622	\$ 67,679,619	\$ 115,962,241	\$ 12,239,791	\$ 9,334,642

CITY OF STAUNTON, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,200,308	\$ 5,409,925	\$ 2,198,665	\$ 16,808,898
Investments	1,352,760	2,043,010	-	3,395,770
Receivables (net of allowances for uncollectibles):				
Taxes	4,298,022	-	-	4,298,022
Accounts	749,068	-	5,554	754,622
Interest receivable	10,976	13,367	-	24,343
Due from other governmental units	1,390,834	188,248	75,959	1,655,041
Prepaid items	125,118	-	-	125,118
Total assets	<u>\$ 17,127,086</u>	<u>\$ 7,654,550</u>	<u>\$ 2,280,178</u>	<u>\$ 27,061,814</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 924,605	\$ 125,723	\$ 55,873	\$ 1,106,201
Retainage payable	-	13,325	-	13,325
Accrued liabilities	639,943	-	21,468	661,411
Deferred revenue	6,223,264	13,367	537	6,237,168
Accrued leave payable	765	-	-	765
Deposits payable	7,000	-	-	7,000
Amounts held for others	4,319	-	-	4,319
Total liabilities	<u>7,799,896</u>	<u>152,415</u>	<u>77,878</u>	<u>8,030,189</u>
Fund balances:				
Nonspendable	125,118	-	-	125,118
Restricted	88,639	-	15,000	103,639
Committed	4,738,109	-	-	4,738,109
Assigned	1,878,480	7,502,135	2,187,300	11,567,915
Unassigned	2,496,844	-	-	2,496,844
Total fund balances	<u>9,327,190</u>	<u>7,502,135</u>	<u>2,202,300</u>	<u>19,031,625</u>
Total liabilities and fund balances	<u>\$ 17,127,086</u>	<u>\$ 7,654,550</u>	<u>\$ 2,280,178</u>	<u>\$ 27,061,814</u>

CITY OF STAUNTON, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Total Fund Balances - Governmental Funds \$ 19,031,625

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	\$ 115,417,666	
Less: accumulated depreciation	(54,292,168)	
		61,125,498

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 \$84,239	\$ 125,950	
Bond premiums total \$118,786 and accumulated amortization is \$71,060	(47,726)	
Bond discounts total \$195,713 and accumulated amortization is \$42,899	152,814	
Deferred gain on refunding	553,535	
Issuance costs for letter of credit total \$106,621 and accumulated amortization is \$69,600	37,021	
		821,594

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.

583,439

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

Due from EDA	\$ 14,000,000	
Hotel rent	16,667	
Interest	24,343	
Miscellaneous reimbursement	15,000	
Real estate taxes	1,819,291	
		15,875,301

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

General obligation bonds	\$ (16,381,318)	
Contractual obligation	(15,000,000)	
Literary fund loans	(15,700,000)	
Accrued interest payable	(684,835)	
Claims payable	(84,319)	
Compensated absences	(1,304,363)	
		(49,154,835)

Total Net Assets - Governmental Activities \$ 48,282,622

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
General property taxes	\$ 20,069,387	\$ -	\$ -	\$ 20,069,387
Other local taxes	11,419,939	-	-	11,419,939
Permits, privilege fees, and regulatory licenses	176,104	-	-	176,104
Fines and forfeitures	59,336	-	-	59,336
Revenues from use of money and property	50,477	7,757	9,364	67,598
Charges for services	1,545,002	-	58,563	1,603,565
Miscellaneous	75,678	-	58,170	133,848
Recovered costs	326,147	-	44,369	370,516
Intergovernmental:				
Federal	1,216,246	-	262,878	1,479,124
Commonwealth	10,154,554	188,248	557,616	10,900,418
City of Staunton School Board	-	-	500,000	500,000
Total revenues	<u>45,092,870</u>	<u>196,005</u>	<u>1,490,960</u>	<u>46,779,835</u>
EXPENDITURES				
Current:				
General government administration	3,939,726	112,805	-	4,052,531
Judicial administration	1,594,913	-	-	1,594,913
Public safety	8,013,392	1,052,564	684,901	9,750,857
Public works	4,890,916	157,751	-	5,048,667
Health and welfare	5,527,635	-	-	5,527,635
Education	10,574,891	27,170	-	10,602,061
Parks, recreation, and cultural	2,748,128	26,384	18,868	2,793,380
Community development	1,327,524	35,904	361,271	1,724,699
Capital projects				
General government administration	-	7,668	-	7,668
Public safety	-	176,730	-	176,730
Public works	-	440,794	-	440,794
Debt service:				
Principal retirement	-	-	2,042,417	2,042,417
Interest and fiscal charges	-	60,000	1,238,202	1,298,202
Total expenditures	<u>38,617,125</u>	<u>2,097,770</u>	<u>4,345,659</u>	<u>45,060,554</u>
Excess (deficiency) of revenues over expenditures	<u>6,475,745</u>	<u>(1,901,765)</u>	<u>(2,854,699)</u>	<u>1,719,281</u>
OTHER FINANCING SOURCES (USES)				
Sale of equipment	17,848	-	-	17,848
Transfers in	2,164	3,513,820	2,430,000	5,945,984
Transfers out	(6,168,220)	-	(2,164)	(6,170,384)
Total other financing sources (uses)	<u>(6,148,208)</u>	<u>3,513,820</u>	<u>2,427,836</u>	<u>(206,552)</u>
Net change in fund balance	327,537	1,612,055	(426,863)	1,512,729
Fund balance at beginning of year	8,999,653	5,890,080	2,629,163	17,518,896
Fund balance at end of year	<u>\$ 9,327,190</u>	<u>\$ 7,502,135</u>	<u>\$ 2,202,300</u>	<u>\$ 19,031,625</u>

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, 2011**

Net changes in fund balances - total governmental funds \$ 1,512,729

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

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

Depreciation	\$ (2,741,038)	
Capital expenditures	1,116,483	
CIP	748,598	
Contributed Capital	<u>4,387,902</u>	3,511,945

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

Property taxes	227,301
Interest	9,407
Miscellaneous revenue	6,159

Payments on loans receivable are revenues in governmental funds, but decrease long term assets in the statement of net assets. (9,804)

Debt proceeds provide current financial resources to governmental funds, but debt issuances increase long term liabilities in the statement of net assets. Principal repayments and bond issuance costs are expenditures in governmental funds, but reduce long term liabilities in the statement of net assets.

GO bond and literary loan payments	2,042,416
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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. 42,819

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	(16,934)
Amortization of bond issue costs, deferred amount, and bond premium	(77,308)

The net income of internal service funds is reported within governmental activities on the statement of activities.

	<u>49,635</u>
Change in net assets of governmental activities	<u>\$ 7,298,365</u>

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

June 30, 2011

	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	\$ 2,603,199	\$ 460,603	\$ 564,708	\$ 612,486	\$ 120,059	\$ 4,361,055	\$ 324,449
Investments	2,736,527	2,377,636	-	3,364,765	-	8,478,928	-
Receivable:							
Accounts (net of allowance for uncollectibles)	595,178	1,276,602	110,712	264,824	9,661	2,256,977	13,615
Interest	14,878	13,322	-	18,796	-	46,996	-
Due from other governmental units	-	394,505	-	-	-	394,505	-
Inventory	-	-	-	-	-	-	202,379
Prepaid items	6,000	-	-	-	-	6,000	13,804
Restricted assets:							
Cash and cash equivalents	-	-	-	1,295,586	-	1,295,586	-
Investments	3,962,956	476,288	-	372,908	-	4,812,152	-
Total current assets	9,918,738	4,998,956	675,420	5,929,365	129,720	21,652,199	554,247
Noncurrent assets:							
Deferred charges	80,698	42,348	-	16,660	7,085	146,791	-
Loan receivable	-	4,056,626	-	-	-	4,056,626	-
Capital assets:							
Land	42,904	93,673	7,614	-	1,058,943	1,203,134	-
Construction in progress	1,638,265	435,399	-	94,629	11,202	2,179,495	-
Landfill land and construction	-	-	-	4,066,382	-	4,066,382	-
Buildings	3,083,534	27,307,368	-	516,764	6,246,205	37,153,871	61,177
Improvements	5,482,407	-	48,454	173,367	1,055,687	6,759,915	-
Utility lines	17,761,185	21,551,587	12,619,796	-	-	51,932,568	-
Machinery and equipment	6,135,169	1,686,642	17,515	2,797,705	117,388	10,754,419	166,980
Less accumulated depreciation	(14,835,494)	(12,369,229)	(2,872,596)	(4,099,682)	(2,350,595)	(36,527,596)	(147,106)
Total capital assets (net of accumulated depreciation)	19,307,970	38,705,440	9,820,783	3,549,165	6,138,830	77,522,188	81,051
Total noncurrent assets	19,388,668	42,804,414	9,820,783	3,565,825	6,145,915	81,725,605	81,051
Total assets	29,307,406	47,803,370	10,496,203	9,495,190	6,275,635	103,377,804	635,298
LIABILITIES							
Current liabilities:							
Accounts payable	123,794	424,183	26,017	126,338	3,613	703,945	51,859
Retainage payable	4,717	15,452	-	-	-	20,169	-
Accrued liabilities	147,361	135,614	2,735	42,554	20,397	348,661	-
Deferred revenue	-	-	-	-	15,766	15,766	-
Deposits payable	179,042	-	37,500	-	3,766	220,308	-
General obligation bonds	321,726	-	-	279,900	179,575	781,201	-
Virginia Revolving Loan Fund	188,620	1,303,537	-	-	-	1,492,157	-
Landfill closure/postclosure	-	-	-	33,069	-	33,069	-
Compensated absences	82,581	10,542	2,125	48,326	-	143,574	-
Total current liabilities	1,047,841	1,889,328	68,377	530,187	223,117	3,758,850	51,859
Noncurrent liabilities:							
General obligation bonds	3,639,162	-	-	899,400	1,794,359	6,332,921	-
Virginia Revolving Loan Fund	5,181,507	18,361,676	-	-	-	23,543,183	-
Landfill closure/postclosure	-	-	-	2,026,409	-	2,026,409	-
Compensated absences	13,492	291	-	23,039	-	36,822	-
Total noncurrent liabilities	8,834,161	18,361,967	-	2,948,848	1,794,359	31,939,335	-
Total liabilities	9,882,002	20,251,295	68,377	3,479,035	2,017,476	35,698,185	51,859
NET ASSETS							
Invested in capital assets, net of related debt	14,020,609	19,558,863	9,820,783	2,386,525	4,171,981	49,958,761	81,052
Unrestricted	5,404,795	7,993,212	607,043	3,629,630	86,178	17,720,858	502,387
Total net assets	\$ 19,425,404	\$ 27,552,075	\$ 10,427,826	\$ 6,016,155	\$ 4,258,159	\$ 67,679,619	\$ 583,439

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS –
PROPRIETARY FUNDS
Year Ended June 30, 2011**

	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	\$ -	\$ -	\$ -	\$ -	\$ 38,016	\$ 38,016	\$ -
Charges for services	3,876,806	3,741,919	709,206	1,734,752	351,160	10,413,843	1,068,400
Rental of property	42,030	-	-	772	-	42,802	-
Miscellaneous	446	-	-	3,491	41	3,978	-
Total operating revenues	3,919,282	3,741,919	709,206	1,739,015	389,217	10,498,639	1,068,400
OPERATING EXPENSES							
Personal services	413,552	444,787	49,721	769,764	153,007	1,830,831	-
Fringe benefits	442,392	67,304	18,404	292,950	33,014	854,064	-
Rental of property	2,169	1,555	-	-	-	3,724	4,411
Repairs and maintenance	439,216	55,770	-	54,931	6,594	556,511	-
Contractual services	226,797	1,036,408	4,907	447,138	9,133	1,724,383	16,326
Materials and supplies	189,868	47,175	85,765	128,808	20,127	471,743	37,665
Depreciation	720,231	993,894	428,218	(71,828)	182,535	2,253,050	3,398
Utilities	170,078	9,624	-	2,650	28,460	210,812	-
Other expenses	435,811	314,881	155,217	323,873	80,363	1,310,145	957,122
Landfill closure/post-closure	-	-	-	(222,654)	-	(222,654)	-
Total operating expenses	3,040,114	2,971,398	742,232	1,725,632	513,233	8,992,609	1,018,922
Operating income (loss)	879,168	770,521	(33,026)	13,383	(124,016)	1,506,030	49,478
NONOPERATING REVENUES (EXPENSES)							
Interest income	25,991	13,697	289	40,724	81	80,782	157
State aid	-	-	-	13,341	-	13,341	-
Interest and fiscal charges	(406,442)	(589,003)	-	(52,199)	(89,904)	(1,137,548)	-
Gain (loss) on disposal of assets	230	(320,859)	-	1,572	-	(319,057)	-
Debt service recovery	-	204,382	-	-	-	204,382	-
Insurance recovery	116,598	-	-	-	-	116,598	-
Total nonoperating revenues (expenses)	(263,623)	(691,783)	289	3,438	(89,823)	(1,041,502)	157
Income (loss) before contributions and transfers	615,545	78,738	(32,737)	16,821	(213,839)	464,528	49,635
Capital Contributed-Developer	209,173	89,750	315,277	-	-	614,200	-
Capital Contributed-WQIF grant	-	311,147	-	-	-	311,147	-
Capital Contributed-Sewer Fund	128,610	-	-	-	-	128,610	-
Transfers to Water Fund	-	(128,610)	-	-	-	(128,610)	-
Transfers in	-	-	-	-	224,400	224,400	-
Change in net assets	953,328	351,025	282,540	16,821	10,561	1,614,275	49,635
Total net assets - beginning of year	18,472,076	27,201,050	10,145,286	5,999,334	4,247,598	66,065,344	533,804
Total net assets - end of year	\$ 19,425,404	\$ 27,552,075	\$ 10,427,826	\$ 6,016,155	\$ 4,258,159	\$ 67,679,619	\$ 583,439

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2011**

	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	\$ 3,808,922	\$ 3,536,384	\$ 710,706	\$ 1,724,814	\$ 380,061	\$ 10,160,887	\$ 1,091,495
Cash paid to suppliers	(1,489,056)	(1,481,055)	(227,813)	(1,299,048)	(145,939)	(4,642,911)	(976,665)
Cash paid to employees for services	(856,994)	(509,260)	(67,375)	(1,066,531)	(185,786)	(2,685,946)	-
Other operating receipts	42,030	-	-	-	-	42,030	-
Net cash provided (used) by operating activities	1,504,902	1,546,069	415,518	(640,765)	48,336	2,874,060	114,830
NONCAPITAL FINANCING ACTIVITIES							
Operating grants received	-	-	-	13,341	-	13,341	-
Transfers from other funds	-	-	-	-	224,400	224,400	-
Net cash provided by noncapital financing activities	-	-	-	13,341	224,400	237,741	-
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,395,776)	(2,844,949)	(202,966)	(300,359)	(11,202)	(4,755,252)	-
Principal paid on long-term debt	(385,660)	(811,196)	-	(270,500)	(173,524)	(1,640,880)	-
Interest paid on long-term debt	(369,177)	(729,210)	-	(45,441)	(89,004)	(1,232,832)	-
Proceeds from state capital grant	-	142,921	-	-	-	142,921	-
Proceeds from sale of capital assets	230	351	-	1,572	-	2,153	-
Proceeds from debt issuance	-	852,395	-	-	-	852,395	-
Net cash used by capital and related financing activities	(2,150,383)	(3,389,688)	(202,966)	(614,728)	(273,730)	(6,631,495)	-
INVESTING ACTIVITIES							
Interest received	34,422	19,834	289	52,512	81	107,138	157
Net cash provided by investing activities	34,422	19,834	289	52,512	81	107,138	157
Net increase (decrease) in cash and cash equivalents	(611,059)	(1,823,785)	212,841	(1,189,640)	(913)	(3,412,556)	114,987
CASH AND CASH EQUIVALENTS							
Beginning of year	9,913,741	5,138,312	351,867	6,835,385	120,972	22,360,277	209,462
End of year	\$ 9,302,682	\$ 3,314,527	\$ 564,708	\$ 5,645,745	\$ 120,059	\$ 18,947,721	\$ 324,449
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	\$ 2,603,199	\$ 460,603	\$ 564,708	\$ 612,486	\$ 120,059	\$ 4,361,055	\$ 324,449
Investments	2,736,527	2,377,636	-	3,364,765	-	8,478,928	-
Restricted cash and cash equivalents	-	-	-	1,295,586	-	1,295,586	-
Restricted investments	3,962,956	476,288	-	372,908	-	4,812,152	-
Total	\$ 9,302,682	\$ 3,314,527	\$ 564,708	\$ 5,645,745	\$ 120,059	\$ 18,947,721	\$ 324,449

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2011**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 879,168	\$ 770,521	\$ (33,026)	\$ 13,383	\$ (124,016)	\$ 1,506,030	\$ 49,478
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	720,231	993,894	428,218	(71,828)	182,535	2,253,050	3,398
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	(80,589)	(205,535)	4,000	(14,201)	2,932	(293,393)	23,095
Decrease (increase) in prepaid items	2,000	-	-	-	-	2,000	3,287
Decrease (increase) in inventory	-	-	-	-	-	-	2,693
Increase (decrease) in due to other funds	-	-	-	(313,605)	-	(313,605)	-
Increase (decrease) in accounts payable	(27,117)	(15,643)	18,076	5,027	(1,262)	(20,919)	32,879
Increase (decrease) in accrued liabilities	4,855	2,211	143	2,576	235	10,020	-
Increase (decrease) in unearned revenue	-	-	-	-	(11,634)	(11,634)	-
Increase (decrease) in deposits payable	12,259	-	(2,500)	-	(454)	9,305	-
Increase (decrease) in compensated absences	(5,905)	621	607	(6,393)	-	(11,070)	-
Increase (decrease) in landfill closure/post-closure liabilities	-	-	-	(255,724)	-	(255,724)	-
Net cash provided (used) by operating activities	<u>\$ 1,504,902</u>	<u>\$ 1,546,069</u>	<u>\$ 415,518</u>	<u>\$ (640,765)</u>	<u>\$ 48,336</u>	<u>\$ 2,874,060</u>	<u>\$ 114,830</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets from (to) other funds	\$ 128,610	\$ (128,610)	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions of capital assets from developers	209,173	89,750	315,277	-	-	614,200	-
Total noncash investing, capital, and financing activities	<u>\$ 337,783</u>	<u>\$ (38,860)</u>	<u>\$ 315,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 614,200</u>	<u>\$ -</u>
Capitalized interest	<u>\$ -</u>	<u>\$ 115,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,173</u>	<u>\$ -</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

The City of Staunton, Virginia (the “City”), is named for Lady Stanton, wife of Governor Gooch. The City was initially established as a town in 1761, and later incorporated as a city by an act of the Virginia General Assembly in 1871. The City has an area of 19.98 square miles and a population of approximately 23,746, according to the 2010 census. The City provides a full range of municipal services, including general government administration, public safety and judicial administration, education, health and welfare services, recreation, planning and community development, and water, sewer, and refuse utilities. The City is a political subdivision of the Commonwealth of Virginia and operates under the Council-Manager form of government. Staunton was the first city in the United States to utilize this form of government.

A. The Financial Reporting Entity

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

City of Staunton School Board

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

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

Staunton Economic Development Authority

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Related organizations:

The City also participates in the following entities:

Augusta Regional Landfill

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

Middle River Regional Jail Authority

The City, in conjunction with the City of Waynesboro and the County of Augusta, participates in the Middle River Regional Jail Authority. Capital and operating costs are allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. In accordance with the service agreement, the Authority has divided its charges to member jurisdictions into an operating component and a debt service component. The City paid the Authority \$1,500,847 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 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements 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, 2011

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, 2011

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 funds:

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

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.

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, 2011

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, 2011 consisted of the following:

General Fund (property taxes)	\$ 456,065
General Fund (other local taxes)	3,463
Water Fund (charges for services)	33,012
Sewer Fund (charges for services)	47,900
Stormwater Fund (charges for services)	13,096
Parking Fund (charges for services)	1,698
Environmental Fund (charges for services)	<u>16,796</u>
	<u><u>\$ 572,030</u></u>

Inventory

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

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads and bridges) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of at least 3 years. 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, 2011

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 \$589,003. Of that amount, \$115,173 was capitalized as part of the cost of the wastewater treatment plant 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, 2011

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 assign that portion of fund balance.

Net Assets

Net assets in the government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations. Restricted net assets at June 30, 2011 for the primary government arose from contributions required to be used for specific purposes.

**City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011**

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity

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

Nonspendable Fund Balance:

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

Restricted Fund Balance:

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

Committed Fund Balance:

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

Assigned Fund Balance:

Assigned fund balance includes amounts constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The Chief Financial Officer is delegated the authority to assign fund balance for specific purposes.

Unassigned Fund Balance:

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

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

Stabilization Arrangement:

City Council has formally adopted by resolution a requirement to establish and maintain a safety net reserve equal to a minimum of \$4.5 million or 10% of the subsequent fiscal year's adopted expenditure budget for the general fund and all other major operating funds, including water, sewer, stormwater, and environmental. The safety net reserve at June 30, 2011 for the general fund is \$4,500,000 and is categorized as committed fund balance.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity (Continued)

Stabilization Arrangement: (Continued)

Circumstances allowing the use of the safety net reserve include:

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

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

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

Estimates

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

Note 2. Deposits and Investments

Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the *Code of Virginia*. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments:

Investment policy

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 2. Deposits and Investments (Continued)

Investments: (Continued)

Investment policy (Continued)

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

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

As of June 30, 2011, the City's investments consisted of the following:

Investment Type	Fair Value	S & P Credit Rating
<u>Primary Government</u>		
Money Market Funds	\$ 1,279,453	Not Rated
State, Municipal and Authority Bonds	3,467,332	AA- to AAA
Federal Agency Bonds and Notes	5,410,672	AA+ to AAA
Corporate Bonds/Notes	1,518,257	AA- to AA+
Local Government Investment Pool (LGIP)	555,527	AAAm
VA State Non-Arbitrage Program (SNAP)	4,455,609	AAAm
Total primary government	16,686,850	
<u>Component Unit School Board</u>		
Local Government Investment Pool (LGIP)	568,589	AAAm
Grand total	\$ 17,255,439	

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, 2011, that exceeded 5 percent of the total investment balance. These investments were not considered by management to represent a risk to the City.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 2. Deposits and Investments (Continued)

Concentration of Credit Risk: (Continued)

Issuer	Percent of Total Portfolio
Federal Home Loan Bank Notes	24.16%
VA State Non-Arbitrage Program (SNAP)	25.82%
StellarOne Money Market	5.93%

Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The City seeks to minimize this risk by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio between 90 days and 3 years.

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

Investment Type	Fair Value	Weighted Average Maturity*
Money Market Funds	\$ 1,279,453	N/A
State, Municipal, and Authority Bonds	3,467,332	203
Federal Agency Notes and Bonds	5,410,672	190
Corporate Bonds/Notes	1,518,257	237
Local Government Investment Pool (LGIP)	1,124,116	N/A
Virginia State Non-Arbitrage Pool (SNAP)	4,455,609	N/A
	<u>\$ 17,255,439</u>	

* Weighted average maturity in days.

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

		Component Units	
	Primary Government	School Board	EDA
Deposits and investments:			
Cash on hand	\$ 8,188	\$ -	\$ -
Deposits	22,781,800	3,328,728	63,303
Investments	16,686,850	568,589	-
	<u>\$ 39,476,838</u>	<u>3,897,317</u>	<u>\$ 63,303</u>
Statement of net assets:			
Cash and cash equivalents	\$ 21,494,402	\$ 3,328,728	\$ 63,303
Investments	11,874,698	568,589	-
Restricted cash and cash equivalents	1,295,586	-	-
Restricted investment	4,812,152	-	-
	<u>\$ 39,476,838</u>	<u>\$ 3,897,317</u>	<u>\$ 63,303</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 3. Due From Other Governmental Units

	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Business-Type Activities	Component Unit – School Board
Commonwealth of Virginia	\$ 1,390,834	\$ 188,248	\$ 35,853	\$ 394,505	\$ 2,269,075
Federal government	-	-	40,106	-	-
Total	<u>\$ 1,390,834</u>	<u>\$ 188,248</u>	<u>\$ 75,959</u>	<u>\$ 394,505</u>	<u>\$ 2,269,075</u>

Note 4. Interfund Transfers and Obligations

Primary Government:

Transfers Out	Transfers In				
	General Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Parking Fund	Total
Nonmajor governmental funds	\$ 2,164	\$ -	\$ -	\$ -	\$ 2,164
General fund	-	3,513,820	2,430,000	224,400	6,168,220
Total	<u>\$ 2,164</u>	<u>\$ 3,513,820</u>	<u>\$ 2,430,000</u>	<u>\$ 224,400</u>	<u>\$ 6,170,384</u>

Transfers from the General Fund to Capital Projects fund are to fund local capital projects. Transfers to nonmajor governmental funds are to support operations. Transfers from the General Fund to the Parking Fund are to fund debt service costs. Transfers from the nonmajor governmental funds are to return unused funds from prior years. In a similar transaction, \$128,610 in capital assets were transferred from the Sewer Fund to the Water Fund, where they were received as contributed capital.

Component Unit School Board:

Transfers Out	Transfers In		
	Education Fund	Nonmajor Governmental Funds	Total
Education fund	\$ -	\$ 53,406	\$ 53,406
Nonmajor governmental funds	71,925	-	71,925
Total	<u>\$ 71,925</u>	<u>\$ 53,406</u>	<u>\$ 125,331</u>

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

Component Unit – Interfund Advances:

The Education Fund has a receivable in the amount of \$620,246 from the State Operating Fund for an advance to cover a cash deficit which is a result of a delay in receiving funds from the State of Virginia.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 5. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2011 is as follows:

Primary Government:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 3,696,714	\$ -	\$ -	\$ 3,696,714
Construction in progress	<u>567,268</u>	<u>748,598</u>	<u>472,321</u>	<u>843,545</u>
Total capital assets, not depreciated	<u>4,263,982</u>	<u>748,598</u>	<u>472,321</u>	<u>4,540,259</u>
Capital assets, depreciated:				
Buildings	12,029,092	210,945	-	12,240,037
Improvements	2,688,044	-	-	2,688,044
School assets*	28,922,080	-	-	28,922,080
Equipment	11,336,113	502,705	312,978	11,525,840
Infrastructure	<u>50,438,153</u>	<u>5,291,410</u>	<u>-</u>	<u>55,729,563</u>
Total capital assets, depreciated	<u>105,413,482</u>	<u>6,005,060</u>	<u>312,978</u>	<u>111,105,564</u>
Less accumulated depreciation for:				
Buildings	4,267,592	241,479	-	4,509,071
Improvements	1,786,984	97,508	-	1,884,492
School assets*	5,082,113	712,351	-	5,794,464
Equipment	9,163,841	732,282	312,978	9,583,145
Infrastructure	<u>31,678,932</u>	<u>989,170</u>	<u>-</u>	<u>32,668,102</u>
Total accumulated depreciation	<u>51,979,462</u>	<u>2,772,790</u>	<u>312,978</u>	<u>54,439,274</u>
Total capital assets, depreciated, net	<u>53,434,020</u>	<u>3,232,270</u>	<u>-</u>	<u>56,666,290</u>
Total capital assets, net, governmental activities	<u>\$ 57,698,002</u>	<u>\$ 3,980,868</u>	<u>\$ 472,321</u>	<u>\$ 61,206,549</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 and the transfer of a fully depreciated vehicle in the amount of \$28,354 from the Environmental fund.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 1,663,237	\$ -	\$ -	\$ 1,663,237
Construction in progress	16,565,307	2,081,195	16,467,007	2,179,495
Total capital assets, not depreciated	<u>18,228,544</u>	<u>2,081,195</u>	<u>16,467,007</u>	<u>3,842,732</u>
Capital assets, depreciated:				
Landfill	3,788,407	16,662	198,790	3,606,279
Buildings	22,184,980	15,434,413	465,522	37,153,871
Improvements	6,759,916	-	-	6,759,916
Equipment	10,364,382	529,472	139,436	10,754,418
Utility lines	48,783,513	3,149,054	-	51,932,567
Total capital assets, depreciated	<u>91,881,198</u>	<u>19,129,601</u>	<u>803,748</u>	<u>110,207,051</u>
Less accumulated depreciation				
Landfill	2,355,238	(326,404)	198,790	1,830,044
Buildings	6,644,506	641,958	144,312	7,142,152
Improvements	1,861,382	220,102	-	2,081,484
Equipment	7,682,519	468,087	139,437	8,011,169
Utility lines	16,191,192	1,271,554	-	17,462,746
Total accumulated depreciation	<u>34,734,837</u>	<u>2,275,297</u>	<u>482,539</u>	<u>36,527,595</u>
Total capital assets, depreciated, net	<u>57,146,361</u>	<u>16,854,304</u>	<u>321,209</u>	<u>73,679,456</u>
Total capital assets, net, business-type activities	<u>\$ 75,374,905</u>	<u>\$ 18,935,499</u>	<u>\$ 16,788,216</u>	<u>\$ 77,522,188</u>

Additions to the accumulated depreciation of business-type assets differ from depreciation expense for business-type assets due to the transfer from governmental activities of a fully depreciated vehicle in the amount of \$22,247.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 5. Capital Assets (Continued)

Component Unit – School Board

Capital asset activity for the Component Unit – School Board for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
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	39,735,054	75,969	-	39,811,023
Improvements	691,885	3,995	-	695,880
School assets allocated to the City*	(28,922,080)	-	-	(28,922,080)
Equipment	7,670,308	290,254	91,975	7,868,587
Total capital assets, depreciated	19,175,167	370,218	91,975	19,453,410
Less accumulated depreciation				
Buildings	9,869,614	869,980	-	10,739,594
Improvements	273,334	21,452	-	294,786
School assets allocated to the City*	(5,082,113)	(712,351)	-	(5,794,464)
Equipment	4,898,788	650,371	91,207	5,457,952
Total accumulated depreciation	9,959,623	829,452	91,207	10,697,868
Total capital assets, depreciated, net	9,215,544	(459,234)	768	8,755,542
Total capital assets, net, Component Unit – School Board	\$ 9,451,544	\$ (459,234)	\$ 768	\$ 8,991,542

*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, 2011

Note 5. Capital Assets (Continued)

Component Unit – EDA

Capital asset activity for the Component Unit – EDA for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Component Unit – EDA:				
Capital assets, not depreciated:				
Land	\$ 799,748	\$ -	\$ -	\$ 799,748
Construction in progress	158,555	-	158,555	-
Total capital assets, not depreciated	958,303	-	158,555	799,748
Capital assets, depreciated:				
Buildings	8,225,224	-	-	8,225,224
Improvements	80,416	-	-	80,416
Equipment	1,990,831	-	-	1,990,831
Total capital assets, depreciated	10,296,471	-	-	10,296,471
Less accumulated depreciation				
Buildings	770,482	164,745	-	935,227
Improvements	38,197	8,042	-	46,239
Equipment	639,391	134,609	-	774,000
Total accumulated depreciation	1,448,070	307,396	-	1,755,466
Total capital assets, depreciated, net	8,848,401	(307,396)	-	8,541,005
Total capital assets, net, Component Unit – EDA	\$ 9,806,704	\$ (307,396)	\$ 158,555	\$ 9,340,753

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 5. Capital Assets (Continued)

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

Governmental activities:

General government administration	\$ 86,409
Judicial administration	20,756
Public safety	424,950
Public works	1,295,997
Health and welfare	5,148
Education	712,351
Parks, recreation, and culture	<u>195,427</u>
Total depreciation expense – governmental	<u><u>\$ 2,741,038</u></u>

Business-type activities:

Water	\$ 720,231
Sewer	993,894
Stormwater	428,218
Environmental	(71,828)
Golf	32,138
Parking	<u>150,397</u>
Total depreciation expense – business-type	<u><u>\$ 2,253,050</u></u>

Negative depreciation in the Environmental fund is related to the landfill and is more fully discussed in Note 14.

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

Instruction	\$ 635,142
Pupil transportation	126,768
School food service	52,375
Operation and maintenance	<u>15,167</u>
Total depreciation expense – School Board	<u><u>\$ 829,452</u></u>

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

Community Development	<u>\$ 307,396</u>
Total depreciation expense – EDA	<u><u>\$ 307,396</u></u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 6. Long-Term Debt

The following is a summary of long-term debt transactions (including current amounts) for the year ended June 30, 2011:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Primary Government:					
Governmental activities:					
General obligation debt:					
General obligation					
bonds	\$ 17,473,734	\$ -	\$ 1,092,416	\$ 16,381,318	\$ 835,018
Literary fund loans	16,650,000	-	950,000	15,700,000	575,000
Contractual obligation	15,000,000	-	-	15,000,000	-
	<u>49,123,734</u>	<u>-</u>	<u>2,042,416</u>	<u>47,081,318</u>	<u>1,410,018</u>
Less unamortized bond discount	(163,283)	-	(10,469)	(152,814)	(10,406)
Plus unamortized bond premium	63,635	-	15,909	47,726	15,909
Less deferred amount on refunding	<u>(593,460)</u>	<u>-</u>	<u>(39,925)</u>	<u>(553,535)</u>	<u>(37,693)</u>
Total general obligation debt	<u>48,430,626</u>	<u>-</u>	<u>2,007,931</u>	<u>46,422,695</u>	<u>1,377,828</u>
Other liabilities:					
Compensated absences	1,293,832	755,097	743,801	1,305,128	744,566
Claims payable	<u>100,966</u>	<u>-</u>	<u>15,251</u>	<u>85,715</u>	<u>14,464</u>
Total other liabilities	<u>1,394,798</u>	<u>755,097</u>	<u>759,052</u>	<u>1,390,843</u>	<u>759,030</u>
Total governmental activities long-term debt	<u>\$ 49,825,424</u>	<u>\$ 755,097</u>	<u>\$ 2,766,983</u>	<u>\$ 47,813,538</u>	<u>\$ 2,136,858</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 6. Long-Term Debt (Continued)

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loan	\$ 24,732,677	\$ 726,133	\$ 976,912	\$ 24,481,898	\$ 1,464,041
General obligation bonds	7,825,405	-	848,599	6,976,806	780,089
	32,558,082	726,133	1,825,511	31,458,704	2,244,130
Plus unamortized bond premium	990,672	-	64,621	926,051	64,621
Less unamortized bond discount	(70,744)	-	(6,531)	(64,213)	(6,666)
Less deferred amount on refunding	(203,722)	-	(32,642)	(171,080)	(28,727)
Total bonds and loans payable	33,274,288	726,133	1,850,959	32,149,462	2,273,358
Other liabilities:					
Landfill closure liability	2,315,202	-	255,724	2,059,478	33,069
Compensated absences	191,466	133,199	144,269	180,396	143,574
Total other liabilities	2,506,668	133,199	399,993	2,239,874	176,643
Total business-type activities long-term debt	<u>\$ 35,780,956</u>	<u>\$ 859,332</u>	<u>\$ 2,250,952</u>	<u>\$ 34,389,336</u>	<u>\$ 2,450,001</u>

Component Unit – School Board

Other liabilities:					
Compensated absences	<u>\$ 466,627</u>	<u>\$ 210,106</u>	<u>\$ 168,894</u>	<u>\$ 507,839</u>	<u>\$ 191,376</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, 2011

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>						
2008 GO Bonds (Landfill)	3.47%	10/2008	10/2014	\$ 1,700,000	\$ -	\$ 1,179,300
2005 CIP Bonds (City and Schools)	3.43%	06/2005	02/2025	4,600,000	3,659,068	-
2007 GO Refunding & CIP Bonds	3.50-4.25%	01/2007	02/2034	10,600,000	9,715,000	555,000
1991B School Construction Bonds	4.85-6.6%	07/1991	07/2012	369,327	22,120	-
1997A School Construction Bonds	4.35- 5.225%	11/1997	01/2017	2,000,000	700,000	-
1997B School Construction Bonds	4.35- 5.225%	11/1997	01/2017	4,211,116	1,630,130	-
1998 Parking Garage Bonds	4.20% 1.125%-	12/1998	06/2019	3,000,000	-	1,427,506
2009A Refunding Bonds	5.125%	6/2009	10/2021	4,150,000	-	3,815,000
2004 GO Bonds (Hotel)	3.2-4%	6/2004	02/2014	10,000,000	655,000	-
					<u>\$ 16,381,318</u>	<u>\$ 6,976,806</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	\$ 2,200,000	\$ -
2008 McSwain Elem	3.00%	08/2008	08/2028	7,500,000	6,750,000	-
2008 Ware Elem	3.00%	08/2008	08/2028	7,500,000	6,750,000	-
					<u>\$ 15,700,000</u>	<u>\$ -</u>
<u>Virginia Revolving Loan Funds:</u>						
Middle River Wastewater Phase I	4.50%	02/1996	08/2015	6,510,767	\$ -	\$ 2,037,244
Middle River Wastewater Phase II	3.50%	09/2001	03/2021	6,411,399	-	3,821,833
Middle River Wastewater Phase IIIA	3.00%	01/2008	03/2030	9,309,033	-	9,117,156
Middle River Wastewater Phase IIIB	3.00%	09/2008	03/2030	2,066,747	-	2,026,224
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	-	399,441
					<u>\$ -</u>	<u>\$ 24,481,898</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

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
2012	\$ 835,018	\$ 664,405	\$ 950,000	\$ 493,000	\$ 15,000,000	\$ 60,000
2013	833,845	629,103	950,000	462,500	-	15,000
2014	855,353	593,521	950,000	432,000	-	-
2015	877,449	556,924	950,000	401,500	-	-
2016	905,046	519,027	950,000	371,000	-	-
2017-2021	3,857,625	2,072,866	4,750,000	1,397,500	-	-
2022-2026	3,486,982	1,385,274	3,950,000	683,000	-	-
2027-2031	2,780,000	771,432	2,250,000	135,000	-	-
2032-2036	1,950,000	167,876	-	-	-	-
	<u>\$ 16,381,318</u>	<u>\$ 7,360,428</u>	<u>\$ 15,700,000</u>	<u>\$ 4,375,500</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
2012	\$ 780,089	\$ 286,157	\$ 1,464,041	\$ 867,706
2013	806,755	258,797	1,508,003	822,711
2014	829,695	230,168	1,559,850	770,416
2015	862,819	198,540	1,613,490	715,821
2016	580,617	162,560	1,421,415	656,149
2017-2021	2,741,831	394,488	6,532,525	2,595,101
2022-2026	125,000	67,844	5,086,235	1,547,595
2027-2031	145,000	40,857	5,296,339	522,979
2032-2036	105,000	8,926	-	-
	<u>\$ 6,976,806</u>	<u>\$ 1,648,337</u>	<u>\$ 24,481,898</u>	<u>\$ 8,498,478</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 7. Defined Benefit Pension Plan

Plan description

The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (System). In addition, the School Board contributes to the VRS for both its professional and non-professional employees. All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 50 with at least 10 years of service credit or age 55 with at least five years of service credit.
- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 7. Defined Benefit Pension Plan (Continued)

Plan description (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2010-annual-report.pdf> or by writing to the System's Chief Financial Officer at P. O. Box 2500, Richmond, VA 23218-2500.

Funding policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their compensation toward their retirement. The employer has assumed this 5% member contribution. In addition, the City and the Staunton School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for fiscal year 2011 was 14.56% of annual covered payroll. The City School Board contribution rate for fiscal year 2011 was 8.74% of annual covered payroll of non-professional employees.

The City School Board contribution rate for fiscal year 2011 was 3.93% of annual covered payroll for professional employees. The City School Board required contributions to the teacher cost-sharing pool were \$1,433,158 for fiscal year 2011, \$1,879,299 for fiscal year 2010, and \$2,381,114 for fiscal year 2009. In each year, the School Board contributed 100% of the required contributions.

Annual pension cost

For fiscal year 2011 the City's annual pension cost of \$2,191,938 was equal to the City's required and actual contributions. For 2011, the City School Board's annual pension cost of \$95,633 for its non-professional employees was equal to the School Board's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the unfunded actuarial accrued liability (UAAL) was 20 years.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 7. Defined Benefit Pension Plan (Continued)

Annual pension cost (Continued)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Primary Government			
June 30, 2009	\$ 2,335,270	100%	-
June 30, 2010	\$ 2,239,969	100%	-
June 30, 2011	\$ 2,191,938	100%	-
School Board (non-professional employees)			
June 30, 2009	\$ 187,178	100%	-
June 30, 2010	\$ 177,605	100%	-
June 30, 2011	\$ 95,633	100%	-

Funded Status and Funding Progress

For the City employees, as of June 30, 2010 the most recent actuarial valuation date, the plan was 67.73% funded. The actuarial accrued liability for benefits was \$63,112,760, and the actuarial value of assets was \$42,746,167, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,366,593. The covered payroll (annual payroll of active employees covered by the plan) was \$11,294,079, and ratio of the UAAL to the covered payroll was 180.33%.

For the City School Board non-professional employees, as of June 30, 2010, the most recent actuarial valuation date, the plan was 79.33% funded. The actuarial accrued liability for benefits was \$4,541,552, and the actuarial value of assets was \$3,602,760, resulting in an unfunded actuarial accrued liability (UAAL) of \$938,792. The covered payroll (annual payroll of active employees covered by the plan) was \$1,103,277, and ratio of the UAAL to the covered payroll was 85.09%.

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 8. Other Post-Employment Benefits (Continued)

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

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

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

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 8. Other Post-Employment Benefits (Continued)

Funding Policy-City

The contribution requirements of the City healthcare plan members and City are established and may be amended by the City Council. During fiscal year 2011, the City paid approximately 95% of subscriber only coverage, 85% of subscriber plus child coverage, 79% of subscriber plus children coverage, 78% of subscriber plus spouse coverage, and 78% 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, 2011, the retirees contributed \$62,000 and the City contributed \$352,000 to the City's healthcare plan for health insurance. The City contributed \$76,000 to the Virginia Pooled OPEB Trust. The contribution to the trust of \$76,000 and the City/retiree contributions to the healthcare plan of \$414,000 combine to fully fund the annual required contribution (ARC) of \$490,000 for fiscal year 2011. It is the City's intent to fully fund the ARC each year.

Funding Policy-School Board

The contribution requirements of the School Board healthcare plan members and School Board are established and may be amended by the School Board. During fiscal year 2011, the School Board paid approximately 95% of the existing rate for subscriber only coverage and the retiree paid the remaining 5% 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, 2011, the retirees contributed \$256,166 and the School Board contributed \$220,834 to the School Board's healthcare plan for health insurance. The School Board contributed \$119,000 to the Virginia Pooled OPEB Trust. The contribution to the trust of \$119,000 and the School Board/retiree contributions to the healthcare plan of \$477,000 combine to fully fund the annual required contribution of \$596,000 for fiscal year 2011. It is the School Board's intent to fully fund the annual required contribution each year.

Annual OPEB Cost

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 8. Other Post-Employment Benefits (Continued)

The City and School Board's annual OPEB cost, amounts contributed to the plan, and changes in the net OPEB Obligation for fiscal year 2011 is as follows:

	Primary Government	Component Unit – School Board
Annual Required Contribution (ARC)	\$ 490,000	\$ 596,000
Interest on Net OPEB Obligation	-	-
Net OPEB Obligation Adjustment	-	-
Annual OPEB Cost	490,000	596,000
Actual Contribution	(490,000)	(596,000)
Increase (decrease) in net OPEB Obligation	-	-
Net OPEB Obligation July 1, 2010	-	-
Net OPEB Obligation, June 30, 2011	\$ -	\$ -

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Primary Government			
June 30, 2011	\$ 490,000	100%	-
June 30, 2010	\$ 515,000	100%	-
June 30, 2009	\$ 515,000	100%	-
Component Unit – School Board			
June 30, 2011	\$ 596,000	100%	-
June 30, 2010	\$ 568,000	100%	-
June 30, 2009	\$ 562,000	100%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the City's OPEB plan was 2% funded. The actuarial accrued liability for benefits was \$4,910,000 and the actuarial value of assets was \$97,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,813,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$11,887,000, and the ratio of the UAAL to the covered payroll was 40%.

As of July 1, 2009, the most recent actuarial valuation date, the School Board's OPEB plan was 1.6% funded. The actuarial accrued liability for benefits was \$5,394,000 and the actuarial value of assets was \$91,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,303,000. The covered payroll (annual payroll of active employees covered by the School Board plan) was \$18,113,000, and the ratio of the UAAL to the covered payroll was 29.3%.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 8. Other Post-Employment Benefits (Continued)

Actuarial Valuations

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

Actuarial Methods and Assumptions

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

For both the City and the School Board, the ARC for fiscal year 2011 was determined as part of the July 1, 2009 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions used in the valuation include:

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

Note 9. Commitments and Contingencies

State and Federal Programs:

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

Legal Matters:

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 9. Commitments and Contingencies

EDA Commitments

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

Construction Commitments and Other Significant Commitments including Encumbrances

The City has entered into several construction contracts, which include replacement of water and sewer lines, bridge replacement, and narrow banding upgrades. As of June 30, 2011, the City had outstanding construction contracts totaling \$899,017 that will be financed from operating funds and bond issue proceeds. Other significant commitments include the encumbrances outstanding for the general and capital improvements funds and nonmajor funds as shown below.

	<u>Construction Commitments</u>	<u>Encumbrances</u>
Water fund	\$ 250,177	\$ -
Sewer fund	94,131	-
Capital improvements fund	499,756	305,521
General fund	54,953	552,939
Nonmajor funds	-	6,491
	<u>\$ 899,017</u>	<u>\$ 864,951</u>

Note 10. General Property Taxes

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

Real estate taxes are billed in semiannual installments, 75% due June 20 and 25% due December 5. For the current fiscal year the real estate taxes budgeted for and reported as revenue in the fund financial statements include those assessed as of January 1, 2010 and due December 5, 2010 as well as the portion of the January 1, 2011 assessment due June 20, 2011, 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, 2009, 2010, and 2011 levies was \$.90 per \$100 of assessed value for all years. Real estate taxes receivable, assessed as of January 1, 2011 and due December 5, 2011, are reflected in the accompanying financial statements as a receivable and are offset by unearned revenue, in the amount of \$2,285,665, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2011 are also included in unearned revenues, in the amount of \$2,076,202, since they are not intended to finance the current fiscal year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 10. General Property Taxes (Continued)

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are assessed as of January 1 and are due December 5. During fiscal year 2011, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2010 assessment due December 5, 2010, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The 2011 tax rate for business tangible property was \$2.00 per \$100 of assessed value. The 2011 tax rate for machinery and tools was \$1.24 per \$100 of assessed value. The 2011 tax rate for all other personal property was \$2.40 per \$100 of assessed value.

Note 11. Restricted Assets

Restricted assets as of June 30, 2011 consist of cash and cash equivalents and investments of the business-type activities which are restricted for certain purposes as follows:

	Water Fund	Sewer Fund	Environmental Fund	Total
Unspent bond proceeds	\$ 3,962,956	\$ 476,288	\$ -	\$ 4,439,244
Landfill sinking fund	-	-	1,668,494	1,668,494
Total restricted assets	<u>\$ 3,962,956</u>	<u>\$ 476,288</u>	<u>\$ 1,668,494</u>	<u>\$ 6,107,738</u>

Note 12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during 2011. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended levels.

As of June 1, 2003, the City discontinued its self-insured worker's compensation arrangement and began insurance coverage with the Virginia Municipal League. As of June 30, 2011, 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 \$1,396 and is reported in the General Fund. Changes in the claims liability amount in fiscal years 2009, 2010, and 2011 were as follows:

Year Ended June 30,	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2009	\$ 244,938	\$ (81,200)	\$ 53,958	\$ 109,780
2010	\$ 109,780	\$ 3,877	\$ 12,691	\$ 100,966
2011	\$ 100,966	\$ (787)	\$ 14,464	\$ 85,715

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 13. Landfill Closure and Post-closure Care Costs

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

State and federal laws and regulations require the Augusta Regional Landfill to place a final cover on its landfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Under the cost sharing agreement, the City will bear 39.67% of such costs for Permit 21 and 27.84% of such costs for Permit 585. The cost sharing percentage of Permit 585 is adjusted each year based on usage by each locality. The remainder of the Permit 585 costs will be borne by the County and the City of Waynesboro. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each year based on landfill capacity used.

The \$991,059 reported as landfill closure liability at June 30, 2011 represents the cumulative amount reported to date based on the use of 79.7% of the estimated capacity of the Permit #585 (Phases 1-3) landfill. The \$1,068,419 reported as post-closure monitoring liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 79.7% of the estimated capacity of the Permit #585 (Phases 1-3) landfill. Total closure and post-closure care costs and post-closure monitoring costs accrued at June 30, 2011 for both joint ventures are \$2,059,478. The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of \$321,948 for the Permit #585 (Phases 1-3) landfill as the remaining estimated capacity is filled over the next 18 to 24 months. The City uses the financial test method of demonstrating assurance for closure and post-closure care.

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

Note 14. Change in Accounting Estimates

On March 1, 2011 the Virginia Department of Environmental Quality approved a major permit modification for the Landfill that had been submitted in May 2010 that changed the estimated airspace in cells 1-3 of the Permit 585 landfill from 2,828,998 cubic yards to 3,550,500 cubic yards. The 721,502 additional cubic yards changed the "percent full" of the Landfill from an estimated 99% to 79.7% at June 30, 2011. Last year's percent full estimate was 94%. The depletion of the landfill's estimated remaining capacity from year to year is the basis of both the landfill depreciation expense and closure/post-closure care cost estimates. The change had the effect of reducing depreciation expense by \$326,404 and closure/post-closure care costs by \$234,787; therefore, increasing net assets \$561,191 for the fiscal year ended June 30, 2011.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 15. Loans Receivable

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

At June 30, 2011, principal amounts outstanding on each loan were as follows:

Phase I	\$	366,704
Phase II		580,919
Phase IIIa		2,543,687
Phase IIIb		<u>565,316</u>
	\$	<u><u>4,056,626</u></u>

Note 16. New Accounting Standards

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement is effective for the fiscal year ending June 30, 2013. Management has not yet evaluated the impact of this statement.

Note 17. Community Development

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

The \$15 million due to the Commonwealth of Virginia by the City is reported in the government-wide financial statements as a long-term contractual obligation of the primary government. During fiscal year 2010, the City issued a \$15 million letter of credit as security for this obligation to the Commonwealth. Final payment is due to the Commonwealth when the new hospital is 80% complete, which is expected to be during fiscal year 2013. The WSH campus land was transferred to the EDA during fiscal year 2010 for development. The EDA intends to contract with and sell the land to developers to develop the multi-use site into commercial, retail, and office property. Any proceeds from the land's disposition will be paid to the City to reduce the City's \$15 million obligation to the Commonwealth.

The land was recorded as inventory by the EDA at its estimated fair value of \$14,000,000 at the time of its acquisition and the amount due back to the City is based on that same value. In fiscal year 2011 the City's management concluded that no material decline in the property's value had occurred.

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2011

Note 18. Conduit Debt Obligation-EDA

In prior years, the EDA has issued Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. The bonds are payable solely from the revenues of the project and do not constitute an obligation of the Commonwealth of Virginia, the City, the EDA or any political subdivision thereof. All of the EDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bonds for the benefit of bondholders. The EDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the EDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the EDA does not recognize associated assets, liabilities, income, or interest expense in its financial statements. Approximately \$6,900,000 of such conduit bonds were outstanding at June 30, 2011.

Note 19. Fund Balance

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2011:

	General Fund	Capital Improvement Fund	Nonmajor Governmental Funds	School Board Component Unit
Nonspendable:				
Prepaid items	\$ 125,118	\$ -	\$ -	\$ 94,510
Restricted:				
Donor purposes	\$ 13,567	\$ -	\$ 15,000	\$ -
ERRP Program-Health insurance	75,072	-	-	-
Total restricted	\$ 88,639	\$ -	\$ 15,000	\$ -
Committed:				
Education	\$ 238,109	\$ -	\$ -	\$ -
Safety net	4,500,000	-	-	-
Total committed	\$ 4,738,109	\$ -	\$ -	\$ -
Assigned:				
Accrued leave	\$ 1,305,128	\$ -	\$ -	\$ -
Health insurance	18,063	-	-	-
Capital projects	54,953	7,502,135	-	1,022,055
Other capital assets	223,480	-	-	408,448
Debt service	-	-	894,381	-
Trolley operations	-	-	3,999	-
Grant programs	-	-	102,259	-
Community development	-	-	1,186,661	-
Education	-	-	-	1,082,980
Textbooks	-	-	-	514,784
Food service	-	-	-	401,032
Other purposes	276,856	-	-	-
Total assigned	\$ 1,878,480	\$ 7,502,135	\$ 2,187,300	\$ 3,429,299
Unassigned	\$ 2,496,844	\$ -	\$ -	\$ 2,496,844

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF STAUNTON, VIRGINIA
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 19,415,000	\$ 19,415,000	\$ 20,069,387	\$ 654,387
Other local taxes	10,915,000	10,915,000	11,419,939	504,939
Permits, privilege fees, and regulatory licenses	201,200	201,200	176,104	(25,096)
Fines and forfeitures	59,000	59,000	59,336	336
Revenue from use of money and property	90,700	90,700	50,477	(40,223)
Charges for services	1,426,121	1,426,121	1,545,002	118,881
Miscellaneous	19,000	27,590	75,678	48,088
Recovered costs	192,000	217,151	326,147	108,996
Intergovernmental:				
Federal	1,261,484	1,261,484	1,216,246	(45,238)
Commonwealth	9,795,861	10,383,605	10,154,554	(229,051)
Total revenues	43,375,366	43,996,851	45,092,870	1,096,019
EXPENDITURES				
Current:				
General government administration	4,402,667	4,355,972	3,939,726	416,246
Judicial administration	1,664,782	1,820,398	1,594,913	225,485
Public safety	8,207,583	8,587,215	8,013,392	573,823
Public works	4,878,600	5,095,262	4,890,916	204,346
Health and welfare	5,602,236	6,082,836	5,527,635	555,201
Education	10,574,891	10,574,891	10,574,891	-
Parks, recreation, and cultural	2,801,064	2,969,172	2,748,128	221,044
Community development	1,298,777	1,350,264	1,327,524	22,740
Total expenditures	39,430,600	40,836,010	38,617,125	2,218,885
Excess of revenues over expenditures	3,944,766	3,160,841	6,475,745	3,314,904
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	10,000	10,000	17,848	7,848
Transfers in	-	-	2,164	2,164
Transfers out	(4,054,400)	(6,168,220)	(6,168,220)	-
Total other financing sources (uses)	(4,044,400)	(6,158,220)	(6,148,208)	10,012
Net change in fund balance	(99,634)	(2,997,379)	327,537	3,324,916
Fund balance at beginning of year	99,634	2,997,379	8,999,653	6,002,274
Fund balance at end of year	\$ -	\$ -	\$ 9,327,190	\$ 9,327,190

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, 2010	\$ 42,746,167	\$ 63,112,760	\$ 20,366,593	67.73%	\$ 11,294,079	180.33%
June 30, 2009	\$ 42,705,587	\$ 57,468,691	\$ 14,763,103	74.31%	\$ 11,852,889	124.55%
June 30, 2008	\$ 42,265,790	\$ 55,133,198	\$ 12,867,408	76.66%	\$ 12,101,040	106.33%
June 30, 2007	\$ 38,369,556	\$ 51,472,458	\$ 13,102,902	74.54%	\$ 11,505,871	113.88%
June 30, 2006	\$ 34,096,996	\$ 45,526,051	\$ 11,429,055	74.90%	\$ 10,779,546	106.03%
June 30, 2005	\$ 31,856,161	\$ 44,931,099	\$ 13,074,938	70.90%	\$ 10,045,916	130.15%
June 30, 2004	\$ 30,632,892	\$ 42,284,376	\$ 11,651,484	72.44%	\$ 9,631,090	120.98%

COMPONENT UNIT – SCHOOL BOARD (NON-PROFESSIONAL)

	(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, 2010	\$ 3,602,760	\$ 4,541,552	\$ 938,792	79.33%	\$ 1,103,277	85.09%
June 30, 2009	\$ 3,614,929	\$ 4,249,134	\$ 634,205	85.07%	\$ 1,004,350	63.15%
June 30, 2008	\$ 3,601,765	\$ 4,089,390	\$ 487,625	88.08%	\$ 958,727	50.86%
June 30, 2007	\$ 3,281,170	\$ 4,215,993	\$ 934,823	77.83%	\$ 863,907	108.21%
June 30, 2006	\$ 2,980,465	\$ 3,836,827	\$ 956,362	77.68%	\$ 854,605	100.21%
June 30, 2005	\$ 2,894,116	\$ 3,890,546	\$ 996,430	74.39%	\$ 851,139	117.07%
June 30, 2004	\$ 2,884,632	\$ 3,376,047	\$ 491,415	85.44%	\$ 747,813	65.71%

CITY OF STAUNTON, VIRGINIA

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

SCHEDULES OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS**PRIMARY GOVERNMENT**

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

COMPONENT UNIT – SCHOOL BOARD

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

SCHEDULES OF EMPLOYER CONTRIBUTIONS FOR OTHER POST-EMPLOYMENT BENEFITS**PRIMARY GOVERNMENT**

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

COMPONENT UNIT – SCHOOL BOARD

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

CITY OF STAUNTON, VIRGINIA**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011****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.

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OTHER SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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CITY OF STAUNTON, VIRGINIA

**COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	Debt Service Fund	
ASSETS					
Cash and cash equivalents	\$ 105,640	\$ 1,184,162	\$ 13,982	\$ 894,881	\$ 2,198,665
Accounts receivable	-	-	5,554	-	5,554
Due from other governmental units	40,106	35,853	-	-	75,959
Total assets	<u>\$ 145,746</u>	<u>\$ 1,220,015</u>	<u>\$ 19,536</u>	<u>\$ 894,881</u>	<u>\$ 2,280,178</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 22,019	\$ 33,354	\$ -	\$ 500	\$ 55,873
Accrued liabilities	21,468	-	-	-	21,468
Deferred revenue	-	-	537	-	537
Total liabilities	<u>43,487</u>	<u>33,354</u>	<u>537</u>	<u>500</u>	<u>77,878</u>
Fund balances:					
Restricted	-	-	15,000	-	15,000
Assigned	102,259	1,186,661	3,999	894,381	2,187,300
Total fund balances	<u>102,259</u>	<u>1,186,661</u>	<u>18,999</u>	<u>894,381</u>	<u>2,202,300</u>
Total liabilities and fund balances	<u>\$ 145,746</u>	<u>\$ 1,220,015</u>	<u>\$ 19,536</u>	<u>\$ 894,881</u>	<u>\$ 2,280,178</u>

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental Funds
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	Debt Service Fund	
REVENUES					
Revenues from use of money and property	\$ 23	\$ 2,430	\$ 6,911	\$ -	\$ 9,364
Charges for services	58,563	-	-	-	58,563
Miscellaneous	-	-	58,170	-	58,170
Recovered costs	-	8,151	36,218	-	44,369
Intergovernmental:					
Federal	124,781	138,097	-	-	262,878
Commonwealth	557,616	-	-	-	557,616
City of Staunton School Board	-	-	-	500,000	500,000
Total revenues	740,983	148,678	101,299	500,000	1,490,960
EXPENDITURES					
Current:					
Public safety	684,901	-	-	-	684,901
Parks, recreation, and culture	18,868	-	-	-	18,868
Community development	-	208,341	152,930	-	361,271
Debt service:					
Principal retirement	-	-	-	2,042,417	2,042,417
Interest and fiscal charges	-	-	-	1,238,202	1,238,202
Total expenditures	703,769	208,341	152,930	3,280,619	4,345,659
Excess (deficiency) of revenues under expenditures	37,214	(59,663)	(51,631)	(2,780,619)	(2,854,699)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	55,000	2,375,000	2,430,000
Transfers out	(2,164)	-	-	-	(2,164)
Total other financing sources (uses)	(2,164)	-	55,000	2,375,000	2,427,836
Net change in fund balance	35,050	(59,663)	3,369	(405,619)	(426,863)
Fund balance					
Beginning of year	67,209	1,246,324	15,630	1,300,000	2,629,163
End of year	\$ 102,259	\$ 1,186,661	\$ 18,999	\$ 894,381	\$ 2,202,300

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.

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CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF NET ASSETS – NONMAJOR PROPRIETARY FUNDS

June 30, 2011

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 26,349	\$ 93,710	\$ 120,059
Accounts receivable, net of allowance for uncollectibles	-	9,661	9,661
Total current assets	26,349	103,371	129,720
Noncurrent assets:			
Deferred charges	5,748	1,337	7,085
Capital assets:			
Land	24,694	1,034,249	1,058,943
Construction in progress		11,202	11,202
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	(202,330)	(2,148,265)	(2,350,595)
Total capital assets (net of accumulated depreciation)	583,785	5,555,045	6,138,830
Total noncurrent assets	589,533	5,556,382	6,145,915
Total assets	615,882	5,659,753	6,275,635
LIABILITIES			
Current liabilities:			
Accounts payable	1,361	2,252	3,613
Accrued liabilities	12,335	8,062	20,397
Deferred revenue	15,766	-	15,766
Deposits payable	-	3,766	3,766
General obligation bonds	14,386	165,189	179,575
Total current liabilities	43,848	179,269	223,117
Noncurrent liabilities:			
General obligation bonds	532,042	1,262,317	1,794,359
Total noncurrent liabilities	532,042	1,262,317	1,794,359
Total liabilities	575,890	1,441,586	2,017,476
NET ASSETS			
Invested in capital assets, net of related debt	43,105	4,128,876	4,171,981
Unrestricted	(3,113)	89,291	86,178
Total net assets	\$ 39,992	\$ 4,218,167	\$ 4,258,159

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2011**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING REVENUES			
Parking fines	\$ -	\$ 38,016	\$ 38,016
Charges for services	147,330	203,830	351,160
Miscellaneous	41	-	41
Total operating revenues	147,371	241,846	389,217
OPERATING EXPENSES			
Personal services	51,348	101,659	153,007
Fringe benefits	23,384	9,630	33,014
Repairs and maintenance	4,257	2,337	6,594
Contractual services	3,073	6,060	9,133
Materials and supplies	17,563	2,564	20,127
Depreciation	32,138	150,397	182,535
Utilities	1,889	26,571	28,460
Other expenses	22,086	58,277	80,363
Total operating expenses	155,738	357,495	513,233
Operating loss	(8,367)	(115,649)	(124,016)
NONOPERATING REVENUES (EXPENSES)			
Interest income	26	55	81
Interest and fiscal charges	(23,965)	(65,939)	(89,904)
Total nonoperating revenues (expenses)	(23,939)	(65,884)	(89,823)
Loss before contributions and transfers	(32,306)	(181,533)	(213,839)
Transfers in	-	224,400	224,400
Change in net assets	(32,306)	42,867	10,561
Total net assets - beginning of year	72,298	4,175,300	4,247,598
Total net assets - end of year	\$ 39,992	\$ 4,218,167	\$ 4,258,159

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2011**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING ACTIVITIES			
Cash received from customers	\$ 135,737	\$ 244,324	\$ 380,061
Cash paid to suppliers	(50,543)	(95,396)	(145,939)
Cash paid to employees for services	(74,545)	(111,241)	(185,786)
Net cash provided by operating activities	10,649	37,687	48,336
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			
Acquisition and construction of capital assets	-	(11,202)	(11,202)
Principal paid on long-term debt	(15,000)	(158,524)	(173,524)
Interest paid on long-term debt	(23,130)	(65,874)	(89,004)
Net cash used by capital and related financing activities	(38,130)	(235,600)	(273,730)
INVESTING ACTIVITIES			
Interest received	26	55	81
Net cash provided by investing activities	26	55	81
Net increase (decrease) in cash and cash equivalents	(27,455)	26,542	(913)
CASH AND CASH EQUIVALENTS			
Beginning of year	53,804	67,168	120,972
End of year	\$ 26,349	\$ 93,710	\$ 120,059

CITY OF STAUNTON, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (8,367)	\$ (115,649)	\$ (124,016)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	32,138	150,397	182,535
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	2,932	2,932
Increase (decrease) in accounts payable	(1,675)	413	(1,262)
Increase (decrease) in accrued liabilities	187	48	235
Increase (decrease) in deferred revenue	(11,634)	-	(11,634)
Increase (decrease) in deposits payable	-	(454)	(454)
Net cash provided by operating activities	<u>\$ 10,649</u>	<u>\$ 37,687</u>	<u>\$ 48,336</u>

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

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, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,328,728
Investments	568,589
Accounts receivable	190,097
Due from other governmental units	2,269,075
Prepaid items	94,510
Capital assets:	
Land	236,000
Other capital assets, net of accumulated depreciation	<u>8,755,542</u>
Total assets	<u>15,442,541</u>
LIABILITIES	
Accounts payable	218,622
Accrued liabilities	2,476,289
Noncurrent liabilities:	
Due within one year	191,376
Due in more than one year	<u>316,463</u>
Total liabilities	<u>3,202,750</u>
NET ASSETS	
Invested in capital assets, net of related debt	8,991,542
Unrestricted	<u>3,248,249</u>
Total net assets	<u><u>\$ 12,239,791</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

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	\$ 23,962,853	\$ 891,766	\$ 8,518,360	\$ -	\$ (14,552,727)
Administration, attendance, and health	1,781,461	-	-	-	(1,781,461)
Pupil transportation	982,706	-	-	-	(982,706)
Food service	1,166,808	394,194	860,175	-	87,561
Operations	1,828,774	-	34,517	-	(1,794,257)
Total School Board	<u>\$ 29,722,602</u>	<u>\$ 1,285,960</u>	<u>\$ 9,413,052</u>	<u>\$ -</u>	<u>\$ (19,023,590)</u>
General revenues:					
Unrestricted investment earnings					3,178
Grants and contributions not restricted to specific programs					8,223,295
Net payment from City of Staunton					<u>10,071,891</u>
Total general revenues					<u>18,298,364</u>
Change in net assets					(725,226)
Net assets, beginning of year					<u>12,965,017</u>
Net assets, end of year					<u>\$ 12,239,791</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2011

	Education Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,599,281	\$ 1,729,447	\$ 3,328,728
Investments	408,448	160,141	568,589
Accounts receivable	142,949	47,148	190,097
Prepaid items	94,510	-	94,510
Due from other governmental units	1,481,520	787,555	2,269,075
Due from other funds	620,246	-	620,246
	<u>620,246</u>	<u>-</u>	<u>620,246</u>
 Total assets	 <u>\$ 4,346,954</u>	 <u>\$ 2,724,291</u>	 <u>\$ 7,071,245</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 218,164	\$ 458	\$ 218,622
Accrued liabilities	2,313,538	162,751	2,476,289
Due to other funds	-	620,246	620,246
Deferred revenue	234,886	-	234,886
	<u>234,886</u>	<u>-</u>	<u>234,886</u>
 Total liabilities	 <u>2,766,588</u>	 <u>783,455</u>	 <u>3,550,043</u>
 Fund balances:			
Nonspendable	94,510	-	94,510
Assigned	1,485,856	1,943,443	3,429,299
Unassigned	-	(2,607)	(2,607)
	<u>-</u>	<u>(2,607)</u>	<u>(2,607)</u>
 Total fund balances	 <u>1,580,366</u>	 <u>1,940,836</u>	 <u>3,521,202</u>
 Total liabilities and fund balances	 <u>\$ 4,346,954</u>	 <u>\$ 2,724,291</u>	 <u>\$ 7,071,245</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total Fund Balances – Component Unit School Board		\$ 3,521,202
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	\$ 19,689,410	
Less: accumulated depreciation	<u>(10,697,868)</u>	8,991,542
Receivables that are not available to pay for current period expenditures are not reported in the funds.		
		234,886
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
		<u>(507,839)</u>
Total Net Assets – Component Unit School Board		<u><u>\$ 12,239,791</u></u>

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, 2011

	Education Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Revenues from use of money and property	\$ 35,898	\$ 1,655	\$ 37,553
Charges for services	857,391	394,194	1,251,585
Miscellaneous	3,629	50,966	54,595
Recovered costs	190,686	34,517	225,203
Intergovernmental:			
Federal	2,277,981	777,480	3,055,461
Commonwealth	12,078,762	2,140,988	14,219,750
City of Staunton	10,571,891	-	10,571,891
Total revenues	<u>26,016,238</u>	<u>3,399,800</u>	<u>29,416,038</u>
EXPENDITURES			
Current:			
Education	25,795,638	3,740,970	29,536,608
Capital projects	-	96,178	96,178
Total expenditures	<u>25,795,638</u>	<u>3,837,148</u>	<u>29,632,786</u>
Excess (deficiency) of revenues over expenditures	<u>220,600</u>	<u>(437,348)</u>	<u>(216,748)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	71,925	53,406	125,331
Transfers out	(53,406)	(71,925)	(125,331)
Total other financing sources (uses)	<u>18,519</u>	<u>(18,519)</u>	<u>-</u>
Net change in fund balance	239,119	(455,867)	(216,748)
Fund balance at beginning of year	1,341,247	2,396,703	3,737,950
Fund balance at end of year	<u><u>\$ 1,580,366</u></u>	<u><u>\$ 1,940,836</u></u>	<u><u>\$ 3,521,202</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, 2011

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	\$ (216,748)
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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	\$ (829,452)	
Capital expenses	<u>370,218</u>	(459,234)

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.	(768)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(7,264)
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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>(41,212)</u>
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Change in net assets of governmental activities	<u><u>\$ (725,226)</u></u>
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CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2011

	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	\$ 349,784	\$ 517,749	\$ -	\$ 861,914	\$ 1,729,447
Investments	-	-	-	160,141	160,141
Accounts receivable	-	-	47,148	-	47,148
Due from other governmental units	99,694	-	687,861	-	787,555
Total assets	<u>\$ 449,478</u>	<u>\$ 517,749</u>	<u>\$ 735,009</u>	<u>\$ 1,022,055</u>	<u>\$ 2,724,291</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 336	\$ -	\$ 122	\$ -	\$ 458
Accrued liabilities	48,110	-	114,641	-	162,751
Due to other funds	-	-	620,246	-	620,246
Total liabilities	<u>48,446</u>	<u>-</u>	<u>735,009</u>	<u>-</u>	<u>783,455</u>
Fund balances:					
Assigned	401,032	517,749	2,607	1,022,055	1,943,443
Unassigned	-	-	(2,607)	-	(2,607)
Total fund balances	<u>401,032</u>	<u>517,749</u>	<u>-</u>	<u>1,022,055</u>	<u>1,940,836</u>
Total liabilities and fund balances	<u>\$ 449,478</u>	<u>\$ 517,749</u>	<u>\$ 735,009</u>	<u>\$ 1,022,055</u>	<u>\$ 2,724,291</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, 2011

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Cafeteria Fund	Textbook Fund	State Operated Programs Fund	School Construction Fund	
REVENUES					
Revenues from use of money and property	\$ 187	\$ 337	\$ -	\$ 1,131	\$ 1,655
Charges for services	394,194	-	-	-	394,194
Miscellaneous	4,003	-	46,963	-	50,966
Recovered costs	-	-	-	34,517	34,517
Intergovernmental:					
Federal	745,138	-	32,342	-	777,480
Commonwealth	22,432	79,312	2,039,244	-	2,140,988
Total revenues	1,165,954	79,649	2,118,549	35,648	3,399,800
EXPENDITURES					
Current:					
Education	1,044,056	150,290	2,046,624	500,000	3,740,970
Capital projects	-	-	-	96,178	96,178
Total expenditures	1,044,056	150,290	2,046,624	596,178	3,837,148
Excess (deficiency) of revenues over expenditures	121,898	(70,641)	71,925	(560,530)	(437,348)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	53,406	-	-	53,406
Transfers out	-	-	(71,925)	-	(71,925)
Total other financing sources (uses)	-	53,406	(71,925)	-	(18,519)
Net change in fund balance	121,898	(17,235)	-	(560,530)	(455,867)
Fund balance at beginning of year	279,134	534,984	-	1,582,585	2,396,703
Fund balance at end of year	\$ 401,032	\$ 517,749	\$ -	\$ 1,022,055	\$ 1,940,836

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE –
EDUCATION FUND
Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ 20,000	\$ 20,000	\$ 35,898	\$ 15,898
Charges for services	814,405	814,405	857,391	42,986
Miscellaneous	1,500	1,500	3,629	2,129
Recovered costs	163,000	163,000	190,686	27,686
Intergovernmental:				
Federal	1,905,656	2,768,378	2,277,981	(490,397)
Commonwealth	12,357,298	12,171,857	12,078,762	(93,095)
City of Staunton	10,571,891	10,571,891	10,571,891	-
Total revenues	25,833,750	26,511,031	26,016,238	(494,793)
EXPENDITURES				
Current:				
Education	25,901,072	26,632,672	25,795,638	837,034
Total expenditures	25,901,072	26,632,672	25,795,638	837,034
Excess (deficiency) of revenues over expenditures	(67,322)	(121,641)	220,600	342,241
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfer from State Operated Programs Fund	67,322	72,884	71,925	(959)
Transfers out:				
Transfer to School Textbook Fund	-	(53,406)	(53,406)	-
Total other financing sources (uses)	67,322	19,478	18,519	(959)
Net change in fund balance	-	(102,163)	239,119	341,282
Fund balance at beginning of year	-	102,163	1,341,247	1,239,084
Fund balance at end of year	\$ -	\$ -	\$ 1,580,366	\$ 1,580,366

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	Agency Fund <u>Genesis</u>
ASSETS	
Cash and cash equivalents	\$ 100,375
Accounts receivable	265
Due from other governmental units	<u>26,000</u>
Total assets	<u><u>\$ 126,640</u></u>
LIABILITIES	
Amounts held for Program	\$ 56,844
Accounts payable	983
Accrued payroll	<u>68,813</u>
Total liabilities	<u><u>\$ 126,640</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, 2011

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
GENESIS FUND				
Assets:				
Cash and cash equivalents	\$ 145,280	\$ 787,163	\$ 832,068	\$ 100,375
Accounts receivable	10,472	220,409	230,616	265
Due from other governmental units	-	26,000	-	26,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 155,752</u>	<u>\$ 1,033,572</u>	<u>\$ 1,062,684</u>	<u>\$ 126,640</u>
Liabilities:				
Amounts held for Program	\$ 80,565	\$ 933,478	\$ 957,199	\$ 56,844
Accounts payable	2,774	31,281	33,072	983
Accrued payroll	72,413	68,813	72,413	68,813
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 155,752</u>	<u>\$ 1,033,572</u>	<u>\$ 1,062,684</u>	<u>\$ 126,640</u>

DISCRETELY PRESENTED COMPONENT UNIT – EDA

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

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

CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT – EDA
June 30, 2011

ASSETS

Cash and cash equivalents	\$ 63,303
Accounts receivable	16,667
Inventory	14,000,000
Capital assets:	
Land and Construction in Progress	799,748
Other capital assets, net of accumulated depreciation	<u>8,541,005</u>
Total assets	<u>23,420,723</u>

LIABILITIES

Accounts payable	86,081
Due to Primary Government	<u>14,000,000</u>
Total liabilities	<u>14,086,081</u>

NET ASSETS

Invested in capital assets, net of related debt	9,340,753
Unrestricted	<u>(6,111)</u>
Total net assets	<u><u>\$ 9,334,642</u></u>

CITY OF STAUNTON, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT – EDA
Year Ended June 30, 2011

OPERATING REVENUES

Charges for services	\$ 4,312
Rental of property	25,000
Economic development grants from City	207,999
	<hr/>
Total operating revenues	237,311
	<hr/>

OPERATING EXPENSES

Professional fees	18,865
Economic development grants	167,999
Enterprise zone grants	40,000
Other expenses	26,547
Depreciation	307,396
Total operating expenses	560,807
	<hr/>
Operating loss	(323,496)
	<hr/>

**NONOPERATING REVENUES
(EXPENSES)**

Interest income	3
Loss on disposal of asset	(158,555)
Total nonoperating revenues	<hr/>
(expenses)	(158,552)
	<hr/>
Change in net assets	(482,048)
Total net assets - beginning of year	9,816,690
	<hr/>
Total net assets - end of year	\$ 9,334,642
	<hr/> <hr/>

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED COMPONENT UNIT – EDA
Year Ended June 30, 2011

OPERATING ACTIVITIES

Cash received from customers	\$ 29,313
Cash paid to suppliers	(44,661)
	<hr/>
Net cash used by operating activities	(15,348)
	<hr/>

NONCAPITAL FINANCING ACTIVITIES

Operating grants received	207,999
Economic development grants paid	(139,694)
	<hr/>
Net cash provided by noncapital financing activities	68,305
	<hr/>

INVESTING ACTIVITIES

Interest received	3
	<hr/>
Net cash provided by investing activities	3
	<hr/>
Net increase in cash and cash equivalents	52,960

CASH AND CASH EQUIVALENTS

Beginning of year	10,343
	<hr/>
End of year	\$ 63,303
	<hr/> <hr/>

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

Operating loss	\$ (323,496)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	307,396
Change in assets and liabilities:	
Decrease in receivables	9,804
Increase in accounts payable	(9,052)
	<hr/>
Net cash used by operating activities	\$ (15,348)
	<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, 2011

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
Revenue from Local Sources:			
General property taxes:			
Real property taxes	\$ 15,720,000	\$ 16,214,711	\$ 494,711
Real and personal public service corporation property taxes	525,000	553,032	28,032
Personal property taxes	2,800,000	2,821,450	21,450
Machinery and tools taxes	190,000	203,858	13,858
Penalties and interest	180,000	276,336	96,336
Total General Property Taxes	19,415,000	20,069,387	654,387
Other local taxes:			
Local sales and use taxes	3,300,000	3,381,018	81,018
Consumers' utility taxes	1,110,000	1,120,868	10,868
Local communication tax	1,380,000	1,456,638	76,638
Business license taxes	1,700,000	1,925,106	225,106
Motor vehicle licenses	-	10,219	10,219
Bank stock taxes	260,000	287,779	27,779
Taxes on recordation and wills	180,000	135,337	(44,663)
Lodging taxes	355,000	388,023	33,023
Restaurant food tax	2,300,000	2,406,577	106,577
Short term rental tax	20,000	17,496	(2,504)
Cigarette tax	310,000	290,878	(19,122)
Total Other Local Taxes	10,915,000	11,419,939	504,939
Permits, privilege fees, and regulatory licenses:			
Animal licenses	15,000	27,084	12,084
Permits and other licenses	186,200	149,020	(37,180)
Total Permits, Privilege Fees, and Regulatory Licenses	201,200	176,104	(25,096)
Fines and forfeitures	59,000	59,336	336
Revenue from use of money and property:			
Revenue from use of money	75,000	8,175	(66,825)
Revenue from use of property	15,700	42,302	26,602
Total Revenue from Use of Money and Property	90,700	50,477	(40,223)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

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	\$ 5,500	\$ 4,166	\$ (1,334)
Charges for Commonwealth's Attorney	1,500	2,052	552
Charges for sheriff	2,617	2,617	-
Courtroom security fee	50,000	48,650	(1,350)
Jail admission fee	3,000	2,805	(195)
Charges for publications and maps	3,000	5,120	2,120
Charges for parks and recreation	257,500	281,101	23,601
Charges for library fines	25,000	25,319	319
Property clean up fees	5,000	1,163	(3,837)
Administrative fees	20,500	26,497	5,997
Payments in lieu of tax from Enterprise funds	1,027,504	1,127,162	99,658
Charges for tourism promotion	23,000	18,350	(4,650)
Charges for tax-exempt organizations	2,000	-	(2,000)
Total Charges for Services	<u>1,426,121</u>	<u>1,545,002</u>	<u>118,881</u>
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	9,000	20,284	11,284
Sale of salvage and surplus	-	3,166	3,166
Donations	8,590	18,701	10,111
Miscellaneous	10,000	33,527	23,527
Total Miscellaneous Revenue	<u>27,590</u>	<u>75,678</u>	<u>48,088</u>
Recovered Costs	<u>217,151</u>	<u>326,147</u>	<u>108,996</u>
Total Revenue from Local Sources	<u>32,351,762</u>	<u>33,722,070</u>	<u>1,370,308</u>
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	90,000	98,400	8,400
Rolling stock taxes	9,000	9,514	514
Auto rental taxes	50,000	49,917	(83)
Law enforcement	889,781	889,848	67
Grantor's tax	40,000	29,170	(10,830)
Recordation tax	50,000	55,629	5,629
PPTRA reimbursement	1,652,200	1,652,200	-
Budget Reduction in Local Aid – Reimb to Commonwealth	(257,329)	(257,329)	-
Total Non-Categorical Aid	<u>2,523,652</u>	<u>2,527,349</u>	<u>3,697</u>

CITY OF STAUNTON, VIRGINIA

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011

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	\$ 381,000	\$ 345,467	\$ (35,533)
Sheriff	279,000	267,744	(11,256)
Commissioner of the revenue	108,000	103,197	(4,803)
Treasurer	105,000	100,763	(4,237)
Medical examiner	500	-	(500)
Registrar/Electoral Board	40,000	38,385	(1,615)
Circuit court clerk	212,000	243,351	31,351
Circuit court clerk-technology trust fund	18,272	18,228	(44)
Total Shared Expenses	1,143,772	1,117,135	(26,637)
Health and welfare	1,375,873	1,146,176	(229,697)
Other Categorical Aid:			
Street and highway maintenance	3,332,609	3,332,609	-
Library	144,029	143,073	(956)
E911 Wireless funds	60,000	60,696	696
Fire programs	64,000	68,874	4,874
Commission for the Arts	5,000	5,000	-
Comprehensive Services Act funds	1,675,606	1,638,000	(37,606)
Four-for-Life funds	13,500	21,098	7,598
Animal license plates	600	794	194
Victim/Witness funds	13,800	13,356	(444)
Forfeited assets	11,534	17,532	5,998
Jurors/Witness fees	15,000	15,478	478
Disaster funds	-	39,110	39,110
Va Tourism Marketing Leverage Program	4,630	8,274	3,644
Total Other Categorical Aid	5,340,308	5,363,894	23,586
Total Categorical Aid	7,859,953	7,627,205	(232,748)
Total Revenue from the Commonwealth	10,383,605	10,154,554	(229,051)
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	1,135,114	894,310	(240,804)
ARRA-Public assistance	85,000	52,164	(32,836)
Victim/Witness	41,370	40,069	(1,301)
ERRP Health insurance	-	75,072	75,072
FEMA Disaster funds	-	146,661	146,661
DMV grants	-	7,970	7,970
Total Revenue from the Federal Government	1,261,484	1,216,246	(45,238)
Total General Fund	\$ 43,996,851	\$ 45,092,870	\$ 1,096,019

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

<u>Fund, Major and Minor Revenue Source</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
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	\$ -	\$ 23	\$ 23
Total Revenue from Use of Money and Property	-	23	23
Charges for services:			
Supervision fees	20,000	20,624	624
Drug screen fees	10,000	9,685	(315)
Home electronic monitoring fees	35,000	25,160	(9,840)
SA/AM/DV/Group therapy/Admin.	5,000	3,094	(1,906)
Total Charges for Services	70,000	58,563	(11,437)
Miscellaneous:			
Donations	500	-	(500)
Total Miscellaneous Revenue	500	-	(500)
Total Revenue from Local Sources	70,500	58,586	(11,914)
Revenue from the Commonwealth:			
Community Corrections and Pre-trial services funds	542,623	542,623	-
OEMS	16,687	14,993	(1,694)
Total Revenue from the Commonwealth	559,310	557,616	(1,694)
Revenue from the Federal Government:			
Drug Court	57,310	47,450	(9,860)
Forestry-ARRA	18,873	18,868	(5)
JAG-ARRA	35,754	14,668	(21,086)
JAG	17,674	869	(16,805)
Byrne justice assistance-license plate reader	-	17,000	17,000
FEMA Fire	25,926	25,926	-
Total Revenue from the Federal Government	155,537	124,781	(30,756)
Total State and Federal Grants Fund	\$ 785,347	\$ 740,983	\$ (44,364)
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	\$ -	\$ 2,430	\$ 2,430
Recovered Costs	-	8,151	8,151
Total Revenue from Local Sources	-	10,581	10,581

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

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:			
DEQ-Planning grant	24,700	17,280	(7,420)
CDBG-Micro loan	\$ 150,633	\$ 120,817	\$ (29,816)
Total Revenue from the Federal Government	175,333	138,097	(37,236)
Total Community Development Fund	\$ 175,333	\$ 148,678	\$ (26,655)
 Trolley Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from the use of money	\$ -	\$ 5	\$ 5
Revenue from use of property	-	6,906	6,906
Total Revenue from Use of Money and Property	-	6,911	6,911
Miscellaneous:			
Other	-	170	170
Donations	-	58,000	58,000
Total Miscellaneous Revenue	-	58,170	58,170
Recovered Costs:	55,000	36,218	(18,782)
Total Revenue from Local Sources	55,000	101,299	46,299
Total Trolley Fund	\$ 55,000	\$ 101,299	\$ 46,299
Total Special Revenue Funds	\$ 1,015,680	\$ 990,960	\$ (24,720)
 Debt Service Fund			
Intergovernmental			
Contribution from the City of Staunton School Board	\$ 500,000	\$ 500,000	\$ -
Total Debt Service Fund	\$ 500,000	\$ 500,000	\$ -
 Grand Total Revenues - Primary Government			
General, special revenue, and debt service funds	\$ 45,512,531	\$ 46,583,830	\$ 1,071,299

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Special Revenue Funds:			
Education Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ 2,000	\$ 1,523	\$ (477)
Revenue from use of property	18,000	34,375	16,375
Total Revenue from Use of Money and Property	20,000	35,898	15,898
Charges for services:			
Charges for education	7,800	10,226	2,426
Tuition or other payments from another county or city	806,605	847,165	40,560
Total Charges for Services	814,405	857,391	42,986
Miscellaneous revenue:			
Donations	1,000	105	(895)
Sale of salvage and surplus	500	3,524	3,024
Total Miscellaneous Revenue	1,500	3,629	2,129
Recovered Costs	163,000	190,686	27,686
Contribution from City of Staunton	10,571,891	10,571,891	-
Total Revenue from Local Sources	11,570,796	11,659,495	88,699
Revenue from the Commonwealth:			
Categorical Aid:			
Share of state sales tax	2,462,459	2,570,386	107,927
Basic school aid	5,732,363	5,660,173	(72,190)
Foster care	53,470	40,065	(13,405)
Comp index hold harmless	297,398	275,588	(21,810)
Gifted and talented	68,037	67,930	(107)
Remedial Education	201,086	200,770	(316)
ISAEF funds	15,717	15,717	-
Special education	787,714	786,475	(1,239)
Special education-foster care	148,530	124,040	(24,490)
Homebound	21,487	4,214	(17,273)
Regional tuition programs	503,215	547,268	44,053
Primary Class size (K-3)	257,903	256,382	(1,521)
Vocational education	178,408	178,127	(281)
Social security instructional	399,149	398,521	(628)
VRS retirement instructional	235,861	235,490	(371)
Group Life Insurance instructional	15,119	15,095	(24)
At risk	205,961	205,537	(424)
VPSA Technology grants	180,000	180,000	-
At Risk - Four Year Olds	193,622	157,766	(35,856)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD: (cont'd)			
Special Revenue Funds: (cont'd)			
Education Fund: (cont'd)			
Revenue from the Commonwealth: (cont'd)			
Categorical Aid: (cont'd)			
Remedial Summer School	\$ 39,413	\$ 44,340	\$ 4,927
English as a second language	13,226	14,839	1,613
Early Reading Intervention	59,920	43,578	(16,342)
SOL-Algebra readiness	24,147	27,868	3,721
Vocational - Occupational Preparation	6,217	-	(6,217)
Vocational - Equipment	5,121	5,120	(1)
Project Graduation	19,311	13,091	(6,220)
Mentor Teacher Program	4,982	4,982	-
Other state funds	42,021	5,400	(36,621)
Total Categorical Aid	<u>12,171,857</u>	<u>12,078,762</u>	<u>(93,095)</u>
Total Revenue from the Commonwealth	<u>12,171,857</u>	<u>12,078,762</u>	<u>(93,095)</u>
Revenue from the Federal Government:			
Categorical Aid:			
Title I	1,259,959	766,189	(493,770)
Drug free schools	3,929	3,986	57
Title VI - B - Special Education	523,049	477,619	(45,430)
Preschool grants	29,686	22,073	(7,613)
Training & Recruiting (NCLB)	183,477	158,337	(25,140)
Enhancing Education through Technology (NCLB)	8,456	9,945	1,489
Title III (NCLB)	3,605	-	(3,605)
Tech Prep Education (Carl Perkins)	62,761	62,665	(96)
State Fiscal Stabilization Funds (ARRA Stimulus)	130,200	20,574	(109,626)
Title I (ARRA Stimulus)	287,700	272,667	(15,033)
IDEA Special Education (ARRA Stimulus)	-	78,238	78,238
IDEA Special Education Preschool (ARRA Stimulus)	-	18,576	18,576
Title II, Part D (ARRA Stimulus)	-	7,409	7,409
Basic Aid (ARRA Stimulus)	272,556	272,556	-
Education Jobs (ARRA Stimulus)	-	107,147	107,147
Other federal funds	3,000	-	(3,000)
Total Categorical Aid	<u>2,768,378</u>	<u>2,277,981</u>	<u>(490,397)</u>
Total Revenue from the Federal Government	<u>2,768,378</u>	<u>2,277,981</u>	<u>(490,397)</u>
Total Education Fund	<u>\$ 26,511,031</u>	<u>\$ 26,016,238</u>	<u>\$ (494,793)</u>

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

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	\$ 475	\$ 187	\$ (288)
Charges for services:			
Charges for food service	457,466	394,194	(63,272)
Miscellaneous Revenue:			
Other	1,850	4,003	2,153
Total Revenue from Local Sources	459,791	398,384	(61,407)
Revenue from the Commonwealth:			
Meal reimbursement	23,126	22,432	(694)
Revenue from the Federal Government:			
Meal reimbursement	722,231	745,138	22,907
Total School Cafeteria Fund	\$ 1,205,148	\$ 1,165,954	\$ (39,194)
Textbook Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ 800	\$ 337	\$ (463)
Revenue from the Commonwealth:			
Textbook payment	117,012	79,312	(37,700)
Total Textbook Fund	\$ 117,812	\$ 79,649	\$ (38,163)
State Operated Programs Fund:			
Revenue from Local Sources:			
Miscellaneous			
E-rate reimbursement	\$ 47,700	\$ 45,576	\$ (2,124)
Other	-	1,387	1,387
Total Miscellaneous	47,700	46,963	(737)
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,107,136	2,039,244	(67,892)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	13,920	10,074	(3,846)
Title VI-B	5,000	1,000	(4,000)
IDEA-Part B Section 611	17,730	21,268	3,538
Total Revenue from Federal Government	36,650	32,342	(4,308)
Total State Operated Programs Fund	\$ 2,191,486	\$ 2,118,549	\$ (72,937)
Total Special Revenue Funds	\$ 30,025,477	\$ 29,380,390	\$ (645,087)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD – SCHEDULE OF REVENUES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

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	\$ 2,375	\$ 1,131	\$ (1,244)
Miscellaneous revenue:			
Recovered Costs	-	34,517	34,517
Total Revenue from Local Sources	2,375	35,648	33,273
Total School Construction Fund	\$ 2,375	\$ 35,648	\$ 33,273
Total Capital Projects Funds	\$ 2,375	\$ 35,648	\$ 33,273
Grand Total Revenues - Component Unit School Board	\$ 30,027,852	\$ 29,416,038	\$ (611,814)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
General Government Administration:			
Legislative:			
City Council	\$ 96,132	\$ 95,837	\$ 295
Clerk of Council	102,241	90,349	11,892
Total Legislative	198,373	186,186	12,187
General and Financial Administration:			
City Manager	448,865	436,023	12,842
City Attorney	277,221	244,957	32,264
City Memberships	25,022	25,021	1
Professional Consultants	57,750	45,165	12,585
Commissioner of the Revenue	259,637	255,995	3,642
Assessor and Equalization Board	242,293	234,442	7,851
Treasurer	292,916	288,453	4,463
Finance	770,524	638,947	131,577
Information Technology	882,144	741,006	141,138
Risk Management	537,300	490,527	46,773
Human Resources	252,712	250,156	2,556
Customer Service	1,100	958	142
Total General and Financial Administration	4,047,484	3,651,650	395,834
Board of Elections:			
Electoral Board and Registrar	110,115	101,890	8,225
Total Board of Elections	110,115	101,890	8,225
Total General Government Administration	4,355,972	3,939,726	416,246
Judicial Administration:			
Courts:			
Circuit court	140,822	135,367	5,455
General District Court	8,313	5,359	2,954
Juvenile and Domestic Relations Court	103,336	66,960	36,376
Clerk of the Circuit Court	499,639	362,483	137,156
Sheriff	469,466	442,108	27,358
Victim/Witness	61,661	59,935	1,726
Magistrates	1,818	1,818	-
Total Courts	1,285,055	1,074,030	211,025
Commonwealth Attorney	535,343	520,883	14,460
Total Judicial Administration	1,820,398	1,594,913	225,485

(Continued)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Public Safety:			
Law Enforcement and Traffic Control:			
Police Department	\$ 4,412,601	\$ 4,056,884	\$ 355,717
E-911 Communications	764,160	664,866	99,294
Total Law Enforcement and Traffic Control	5,176,761	4,721,750	455,011
Fire and Rescue Services:			
Fire Department	2,170,226	2,162,170	8,056
EMS Council/Four for Life	76,757	20,156	56,601
Emergency Operations Center	1,000	-	1,000
State Fire Programs	116,259	81,018	35,241
Local Emergency Planning Committee	600	600	-
Total Fire and Rescue Services	2,364,842	2,263,944	100,898
Correction and Detention:			
Juvenile Detention Home - Contribution	80,406	80,406	-
Jail Facility	450,000	450,000	-
Youth Commission	121,000	119,495	1,505
Total Correction and Detention	651,406	649,901	1,505
Inspections:			
Building Inspection	318,406	302,277	16,129
Other Protection:			
Animal control - SPCA Contract	72,300	73,597	(1,297)
Animal control - Animal Care	3,000	1,703	1,297
Medical Examiner	500	220	280
Total Other Protection	75,800	75,520	280
Total Public Safety	8,587,215	8,013,392	573,823

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Public Works:			
Administration	\$ 252,098	\$ 223,409	\$ 28,689
Traffic Engineering (signs)	127,392	125,856	1,536
Highways, Streets, and Sidewalks	2,530,748	2,459,673	71,075
City Engineering	335,289	317,681	17,608
Traffic Signals	124,330	110,240	14,090
Total	<u>3,369,857</u>	<u>3,236,859</u>	<u>132,998</u>
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,340,428	1,269,436	70,992
Equipment Maintenance	384,977	384,621	356
Total Maintenance of General Buildings, Grounds, Equipment	<u>1,725,405</u>	<u>1,654,057</u>	<u>71,348</u>
Total Public Works	<u>5,095,262</u>	<u>4,890,916</u>	<u>204,346</u>
Health and Welfare:			
Health:			
Local Health Department	246,024	244,121	1,903
Mental Health and Mental Retardation:			
Chapter X Board	125,647	125,647	-
Total Health	<u>371,671</u>	<u>369,768</u>	<u>1,903</u>
Welfare:			
DSS-public assistance	3,122,475	2,617,116	505,359
CATS Contribution	45,915	45,474	441
Tax Relief - Elderly and Disabled	175,000	162,939	12,061
Tax Relief - Veterans	16,000	27,209	(11,209)
CAPSAW	20,000	20,000	-
Contribution to Area Agency on Aging (VPAS)	24,650	24,650	-
Community Policy Management Team	2,307,125	2,260,479	46,646
Total Welfare	<u>5,711,165</u>	<u>5,157,867</u>	<u>553,298</u>
Total Health and Welfare	<u>6,082,836</u>	<u>5,527,635</u>	<u>555,201</u>

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Education:			
Contribution to Community College	\$ 3,000	\$ 3,000	\$ -
Contribution to Component Unit - School Board	10,571,891	10,571,891	-
Total Education	10,574,891	10,574,891	-
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	953,355	872,062	81,293
Park Maintenance	866,507	744,526	121,981
Horticulture	121,736	120,211	1,525
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	1,961,598	1,756,799	204,799
Cultural Enrichment:			
Contributions to Community Organizations	20,000	20,000	-
Total Cultural Enrichment	20,000	20,000	-
Library:			
Library Administration and Operations	987,574	971,329	16,245
Total Library	987,574	971,329	16,245
Total Parks, Recreation, and Cultural	2,969,172	2,748,128	221,044
Community Development:			
Planning and Community Development:			
Economic Development	502,737	491,779	10,958
Planning and Development	246,439	241,668	4,771
Special Service District	147,200	146,390	810
Tourist Information Center	18,500	17,788	712
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	21,963	21,963	-
Tourism Development	278,776	273,325	5,451
Historic Staunton Foundation	21,375	21,375	-
Staunton Welcome Center	45,115	45,077	38
GART Tourism Board	20,000	20,000	-
Total Planning and Community Development	1,350,264	1,327,524	22,740
Total Community Development	1,350,264	1,327,524	22,740
Total General Fund	\$ 40,836,010	\$ 38,617,125	\$ 2,218,885

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

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	\$ 11,359	\$ 11,359	\$ -
DCJS-SHSP License plate Reader	17,000	17,000	-
E911 Equipment Grant	2,600	-	2,600
Total Police Department	30,959	28,359	2,600
Fire and Rescue:			
OEMS-Cardiac Monitor	16,687	14,995	1,692
FEMA Fire rescue equipment	25,926	25,926	-
Total Fire and Rescue	42,613	40,921	1,692
Correction and Detention:			
Blue Ridge Court Services	594,020	548,176	45,844
Office on Youth-JAG ARRA	24,395	3,309	21,086
Office on Youth-JAG	17,674	869	16,805
Drug Court	76,413	63,267	13,146
Total Correction and Detention	712,502	615,621	96,881
Total Public Safety	786,074	684,901	101,173
Recreation and Parks:			
Parks:			
Forestry-ARRA	18,873	18,868	5
Total State and Federal Grants Fund	\$ 804,947	\$ 703,769	\$ 101,178
Community Development Fund			
Community Development:			
CDBG-Micro loan	\$ 150,633	\$ 120,816	\$ 29,817
DEQ-Planning grant	24,700	17,280	7,420
Newtown-Local	620,201	70,245	549,956
Total Community Development Fund	\$ 795,534	\$ 208,341	\$ 587,193
Trolley Fund:			
Community Development:			
Planning and Community Development:			
Trolley Operations	\$ 110,000	\$ 152,930	\$ (42,930)
Total Special Revenue Funds	\$ 1,710,481	\$ 1,065,040	\$ 645,441
Debt Service:			
Principal retirement	\$ 1,537,114	\$ 2,042,417	\$ (505,303)
Interest and fiscal charges	1,337,886	1,238,202	99,684
Total Debt Service Fund	\$ 2,875,000	\$ 3,280,619	\$ (405,619)
Grand Total - Expenditures -Primary Government- General, special revenue and debt service	\$ 45,421,491	\$ 42,962,784	\$ 2,458,707

(Continued)

CITY OF STAUNTON, VIRGINIA

**GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT –
SCHOOL BOARD SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2011**

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Special Revenue Funds:			
Education Fund:			
Education:			
Instructional Costs	\$ 21,156,636	\$ 20,361,526	\$ 795,110
Administration, Attendance & Health	1,783,134	1,764,836	18,298
Pupil Transportation	1,024,330	1,006,840	17,490
Operating Costs	1,837,448	1,802,531	34,917
Technology	831,124	859,905	(28,781)
Total Education	<u>26,632,672</u>	<u>25,795,638</u>	<u>837,034</u>
Total Education Fund	<u>\$ 26,632,672</u>	<u>\$ 25,795,638</u>	<u>\$ 1,674,068</u>
School Cafeteria Fund:			
Food Service	\$ 1,215,738	\$ 1,044,056	\$ 171,682
Total School Cafeteria Fund	<u>\$ 1,215,738</u>	<u>\$ 1,044,056</u>	<u>\$ 171,682</u>
Textbook Fund:			
Education:			
Instructional costs	\$ 290,028	\$ 150,290	\$ 139,738
Total Textbook Fund	<u>\$ 290,028</u>	<u>\$ 150,290</u>	<u>\$ 139,738</u>
State Operated Programs Fund:			
Education:			
Instructional costs	\$ 2,118,902	\$ 2,046,624	\$ 72,278
Total State Operated Programs Fund	<u>\$ 2,118,902</u>	<u>\$ 2,046,624</u>	<u>\$ 72,278</u>
Total Special Revenue Funds	<u>\$ 30,257,340</u>	<u>\$ 29,036,608</u>	<u>\$ 2,057,766</u>
Capital Projects Funds:			
School Construction Fund:			
Current:			
Payment to City of Staunton	\$ 500,000	\$ 500,000	\$ -
Capital Projects:			
Facilities	210,477	96,178	114,299
Total School Construction Fund	<u>\$ 710,477</u>	<u>\$ 596,178</u>	<u>\$ 114,299</u>
Total Capital Projects Funds	<u>\$ 710,477</u>	<u>\$ 596,178</u>	<u>\$ 114,299</u>
Grand Total - Expenditures - Component Unit - School Board	<u>\$ 30,967,817</u>	<u>\$ 29,632,786</u>	<u>\$ 2,172,065</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 Nine Fiscal Years
(accrual basis of accounting)
UNAUDITED

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Governmental activities									
Invested in capital assets, net of related debt	\$ 29,909,806	\$ 24,406,532	\$ 25,235,126	\$ 29,705,089	\$ 29,874,206	\$ 29,877,324	\$ 24,720,886	\$ 35,662,580	\$ 35,636,029
Restricted	103,639	27,485	32,366	64,201	91,704	117,686	119,692	277,227	371,038
Unrestricted	<u>18,269,177</u>	<u>16,550,240</u>	<u>15,199,232</u>	<u>13,215,652</u>	<u>10,403,691</u>	<u>9,054,657</u>	<u>10,137,531</u>	<u>6,153,738</u>	<u>8,554,685</u>
Total governmental activities net assets	<u>\$ 48,282,622</u>	<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	\$ 49,958,761	\$ 50,278,514	\$ 48,929,485	\$ 41,803,122	\$ 38,777,694	\$ 31,654,996	\$ 27,246,740	\$ 28,188,269	\$ 28,524,786
Restricted	-	-	-	-	-	-	-	-	531,216
Unrestricted	<u>17,720,858</u>	<u>15,786,830</u>	<u>16,283,224</u>	<u>15,716,827</u>	<u>15,079,925</u>	<u>16,219,691</u>	<u>16,484,965</u>	<u>14,988,020</u>	<u>13,280,314</u>
Total business-type activities net assets	<u>\$ 67,679,619</u>	<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	\$ 79,868,567	\$ 74,685,046	\$ 74,164,611	\$ 71,508,211	\$ 68,651,900	\$ 60,636,054	\$ 51,967,626	\$ 63,850,849	\$ 64,160,815
Restricted	103,639	27,485	32,366	64,201	91,704	117,686	119,692	277,227	902,254
Unrestricted	<u>35,990,035</u>	<u>32,337,070</u>	<u>31,482,456</u>	<u>28,932,479</u>	<u>25,483,616</u>	<u>25,531,715</u>	<u>26,622,496</u>	<u>21,141,758</u>	<u>21,834,999</u>
Total primary net assets	<u>\$ 115,962,241</u>	<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 Nine Fiscal Years
(accrual basis of accounting)
UNAUDITED

	<u>2011</u>	<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	\$ 4,269,567	\$ 4,240,405	\$ 4,353,053	\$ 4,017,705	\$ 3,954,903	\$ 3,734,068	\$ 3,378,970	\$ 3,447,605	\$ 3,259,774
Judicial administration	1,612,892	1,624,017	1,756,105	1,804,919	1,632,266	1,433,650	1,337,578	1,153,710	1,191,166
Public safety	9,808,670	9,402,422	9,248,940	9,569,727	9,458,730	9,265,997	8,214,513	7,756,249	7,371,600
Public works	5,666,355	5,718,532	6,302,122	6,575,411	6,028,489	6,167,650	6,429,960	5,734,018	6,574,011
Health and welfare	5,532,072	5,018,405	4,987,275	5,071,337	4,492,566	4,436,534	4,335,075	4,200,155	3,846,631
Education	10,814,412	12,096,550	12,219,779	12,611,719	13,770,045	9,292,427	10,429,306	9,985,479	9,318,929
Parks, recreation and culture	2,860,422	2,935,093	3,242,457	3,207,051	3,427,478	3,217,236	3,160,633	3,021,078	3,316,261
Community development	1,720,234	3,040,240	1,664,278	1,932,955	1,795,290	1,720,121	9,940,637	3,886,639	2,129,142
Interest on long-term debt	1,332,691	1,361,328	1,441,577	1,524,050	1,413,046	1,422,428	1,150,547	584,304	825,287
Total governmental activities expenses	<u>43,617,315</u>	<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	179,702	158,480	162,124	180,980	-	-	-	-	-
Water	3,446,557	3,139,885	3,392,655	3,530,891	3,272,895	3,333,750	3,194,525	3,110,829	2,911,178
Sewer	3,358,564	2,688,221	2,913,749	2,955,223	2,908,962	2,708,237	2,350,081	2,307,369	2,201,515
Stormwater	742,232	564,181	486,581	-	-	-	-	-	-
Environmental	1,777,831	2,773,641	2,615,547	3,055,363	2,398,520	2,556,633	2,393,210	1,552,687	2,034,664
Parking	423,434	455,855	466,889	490,053	491,750	481,869	471,403	454,168	468,547
Total business-type activities expenses	<u>9,928,320</u>	<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>\$ 53,545,635</u>	<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	\$ 1,127,162	\$ 817,375	\$ 909,072	\$ 845,932	\$ 904,686	\$ 961,876	\$ 931,521	\$ 863,736	\$ 863,625
Public safety	226,605	294,628	312,814	380,489	251,815	275,492	207,041	180,174	167,423
Parks and recreation	314,065	330,649	352,207	360,488	580,720	604,359	535,935	539,902	532,980
Other activities	445,442	318,251	394,589	418,345	301,536	290,250	248,137	206,625	207,802
Operating grants and contributions	10,018,844	9,379,027	9,472,611	9,212,019	8,843,956	8,455,650	8,936,524	9,048,556	9,551,819
Capital grants and contributions	4,684,814	217,303	379,550	2,109,697	2,676,309	2,291,855	530,136	126,586	459,167
Total governmental activities program revenues	<u>16,816,932</u>	<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 Nine Fiscal Years
(accrual basis of accounting)
UNAUDITED

	<u>2011</u>	<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	\$ 147,371	\$ 147,200	\$ 174,954	\$ 176,720	\$ -	\$ -	\$ -	\$ -	\$ -
Water	4,036,110	3,235,783	3,305,946	3,552,940	3,063,851	3,274,548	2,857,599	2,667,551	2,623,449
Sewer	3,423,605	3,239,743	3,274,390	2,910,547	3,019,742	3,110,685	2,706,151	2,657,488	2,256,913
Stormwater	709,206	464,462	325,967	-	-	-	-	-	-
Environmental	1,740,587	1,705,239	1,722,333	2,198,807	2,265,741	2,351,433	2,273,823	2,167,401	2,089,458
Parking	241,846	240,989	260,062	264,351	285,581	261,107	228,134	203,047	186,079
Operating grants and contributions	13,341	2,876	3,947	10,950	20,832	6,594	4,393	220,525	151,909
Capital grants and contributions	925,347	1,269,948	3,815,810	4,347,999	5,291,714	5,194,756	788,680	101,485	234,664
Total business-type activities program revenues	<u>11,237,413</u>	<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>\$ 28,054,345</u>	<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	\$ (26,800,383)	\$ (34,079,759)	\$ (33,394,743)	\$ (32,987,904)	\$ (32,413,791)	\$ (27,810,629)	\$ (36,987,925)	\$ (28,803,658)	\$ (26,049,985)
Business-type activities	<u>1,309,093</u>	<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>\$ (25,491,290)</u>	<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	\$ 20,296,688	\$ 20,311,531	\$ 20,499,305	\$ 19,304,861	\$ 17,897,041	\$ 15,382,482	\$ 14,699,211	\$ 13,592,522	\$ 13,103,450
Sales tax	3,381,018	3,495,905	3,554,096	3,862,575	3,975,959	3,847,080	3,859,669	3,870,728	3,632,118
Hotel and meals tax	2,794,600	2,698,937	2,681,277	2,840,345	2,352,954	2,105,857	1,986,453	1,824,619	1,653,629
Business license	1,925,106	1,828,598	1,872,462	1,921,537	1,956,690	1,848,116	1,698,253	1,701,383	1,581,857
Utility tax	1,120,868	1,103,514	1,108,625	1,116,030	1,494,381	2,306,670	2,226,051	1,892,272	1,934,075
Local communication tax	1,456,638	1,463,883	1,457,808	1,604,473	688,019	-	-	-	-
Other taxes	741,910	1,110,569	1,244,487	1,302,851	1,772,047	1,653,799	1,526,986	1,016,004	949,378
Unrestricted investment earnings	26,298	32,403	115,142	343,008	490,959	561,944	261,605	109,486	99,154
Grants and contributions not restricted to a specific program	2,527,349	2,756,972	2,740,644	3,066,910	3,181,920	2,724,725	2,549,461	2,419,115	2,401,872
Miscellaneous	52,673	19,380	31,975	11,153	103,195	7,802	19,755	34,379	68,769
Gain (loss) on sale of assets	-	-	25,105	-	-	7,887	7,885	7,793	(337,051)
Transfers	<u>(224,400)</u>	<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>34,098,748</u>	<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 Nine Fiscal Years
(accrual basis of accounting)
UNAUDITED

	<u>2011</u>	<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	\$ 80,782	\$ 102,258	\$ 392,495	\$ 668,398	\$ 869,700	\$ 569,207	\$ 347,350	\$ 120,263	\$ 280,242
Grants and contributions not restricted to a specific program	-	-	-	-	58,458	160,281	160,281	-	-
Transfers	<u>224,400</u>	<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 business-type activities	<u>305,182</u>	<u>326,658</u>	<u>4,846,896</u>	<u>438,896</u>	<u>1,107,598</u>	<u>114,426</u>	<u>105,855</u>	<u>249,703</u>	<u>521,362</u>
Total primary government	<u>\$ 34,403,930</u>	<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	\$ 7,298,365	\$ 517,533	\$ (2,518,218)	\$ 2,615,341	\$ 1,319,934	\$ 3,250,795	\$ (7,750,820)	\$ (2,464,797)	\$ (1,203,854)
Business-type activities	<u>1,614,275</u>	<u>852,635</u>	<u>7,692,760</u>	<u>3,688,700</u>	<u>5,982,932</u>	<u>5,233,060</u>	<u>555,416</u>	<u>842,147</u>	<u>21,830</u>
Total primary government	<u>\$ 8,912,640</u>	<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 Nine Fiscal Years
(Modified accrual basis of accounting)
UNAUDITED

	<u>2011</u>	<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									
Nonspendable	\$ 125,118	\$ 59,636	\$ 35,742	\$ 15,912	\$ 26,556	\$ -	\$ -	\$ -	\$ -
Restricted	88,639	13,985	18,866	20,701	789,234	18,233	9,203,120	8,446,052	7,505
Committed	4,738,109	3,968,993	3,788,452	3,809,695	3,706,008	3,535,411	3,269,276	3,025,312	2,883,608
Assigned	1,878,480	1,647,680	1,517,667	1,797,721	1,528,865	1,752,751	1,674,481	1,991,802	2,535,896
Unassigned	<u>2,496,844</u>	<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>\$ 9,327,190</u>	<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									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	15,000	13,500	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-
Assigned	9,689,435	8,505,743	7,101,881	4,467,568	4,431,650	1,910,729	964,998	1,232,872	1,351,087
Unassigned	<u>-</u>	<u>-</u>	<u>(101,509)</u>	<u>-</u>	<u>-</u>	<u>(196,683)</u>	<u>(361,193)</u>	<u>(1,001,811)</u>	<u>(826,055)</u>
Total all other governmental funds	<u>\$ 9,704,435</u>	<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
Fiscal years 2003 through 2010 have been reclassified with implementation of GASB Statement 54 in fiscal year 2011

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

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

(Continued)

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

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

Notes:

Includes only the primary government

TABLE 5

CITY OF STAUNTON, VIRGINIA

Financial Trends Information
Assessed Value and Actual Value of Taxable Property
Last Nine 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>
2011	\$ 1,456,303,391	\$ 315,889,749	\$ 48,128,961	\$ 1,820,322,101	\$ 0.90
2010	1,584,972,579	322,101,977	53,403,998	1,960,478,554	0.90
2009	1,570,574,212	321,077,444	53,135,211	1,944,786,867	0.90
2008	1,476,305,352	295,926,079	51,382,419	1,823,613,850	0.90
2007	1,443,735,578	291,724,204	51,152,994	1,786,612,776	0.90
2006	1,047,022,585	250,790,849	46,263,928	1,344,077,362	0.96
2005	1,002,298,395	232,714,779	46,134,528	1,281,147,702	0.96
2004	838,643,105	199,912,460	44,749,146	1,083,304,711	1.00
2003	831,561,928	189,601,743	46,229,869	1,067,393,540	1.00

Sources:

City of Staunton Assessor's Office.

Notes:

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

TABLE 6

CITY OF STAUNTON, VIRGINIA

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

Taxpayer Name	2011			2002		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
One Industry Way Co-Owners, LLC	\$ 14,014,000	1	0.17%	\$ 13,347,800	1	1.30%
FAP Properties/Art Fisher	12,145,780	2	0.67%	\$ -		-
Wal-Mart Real Estate Business	11,638,200	3	0.64%	9,609,600	2	-
Big Sky, LLC	9,628,200	4	0.53%	-		-
SHP III Baldwin Park LLC	9,305,870	5	0.51%	-		-
RCC Statler Square	9,257,800	6	0.51%	-		-
Staunton Plaza LLC	9,096,980	7	0.50%	-		-
North Augusta LLC	8,367,060	8	0.46%	-		-
Land'Or Williamsburg LLC	8,329,950	9	0.46%	-		-
Staunton Hotel LLC	7,812,440	10	0.43%	-		-
Unifi Inc	-		-	8,471,050	3	0.83%
Regency Centers LP	-		-	5,675,280	4	0.55%
Lowe's Home Centers	-		-	5,280,550	5	0.52%
AL Investors	-		-	4,500,700	6	0.44%
Kings Daughters Health Invest.	-		-	4,254,190	7	0.42%
Lincoln Square LP	-		-	3,802,400	8	0.37%
Balwin Park Ltd	-		-	3,753,800	9	0.37%
Oakhill Health Care	-		-	3,697,600	10	0.36%
Totals	<u>\$ 99,596,280</u>		<u>4.88%</u>	<u>\$ 62,392,970</u>		<u>5.16%</u>

Source: City Assessor

Notes:

Real Estate Only

TABLE 7

CITY OF STAUNTON, VIRGINIA

Revenue Capacity Information
Property Tax Levies and Collections
Last Nine 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				
2011	(1) \$	16,140,585	(2) \$	-	0.00%	\$	-	0.00%
2010		17,426,047		16,310,945	93.60%		16,310,945	93.60%
2009		17,310,637		16,259,263	93.93%		16,661,187	96.25%
2008		16,247,090		15,434,142	95.00%		15,869,704	97.68%
2007		16,194,110		15,234,398	94.07%		15,686,396	96.86%
2006		12,848,385		12,158,103	93.98%		12,631,440	98.31%
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 Nine Fiscal Years
UNAUDITED

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

Notes:

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

(a) See Table 11 for personal income and population data.

(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 Nine 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		
2011	\$ 23,358,124	\$ 15,700,000	\$ 24,481,898	\$ 63,540,022	3.49%	\$ 2,676
2010	25,299,139	16,650,000 *	24,732,677	66,681,816	4.17%	3,423
2009	27,527,387	17,600,000 *	15,288,202	60,415,589	3.11%	2,521
2008	27,919,150	17,875,400	10,571,738	56,366,288	3.09%	2,365
2007	28,438,399	18,075,400	9,065,627	55,579,426	3.11%	2,382
2006	29,470,100	18,275,400	9,699,911	57,445,411	4.27%	2,457
2005	31,720,187	8,800,000	10,308,622	50,828,809	3.97%	2,196
2004	28,472,542	3,693,005	10,892,682	43,058,229	3.97%	1,851
2003	18,828,927	4,081,060	11,453,725	34,363,712	3.22%	1,439

Notes:

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

(a) Property values data can be found in Table 5.

(b) Population data can be found in Table 11.

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

TABLE 10

CITY OF STAUNTON, VIRGINIA

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

	<u>2011</u>	<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	\$ 182,032,210	\$ 196,047,855	\$ 194,478,687	\$ 182,361,385	\$ 178,661,278	\$ 134,407,736	\$ 133,413,286	\$ 114,321,164	\$ 112,565,264
Total net debt applicable to limit	<u>63,540,022 *</u>	<u>66,681,816</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>\$ 118,492,188</u>	<u>\$ 129,366,039</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	65.09%	65.99%	68.93%	69.09%	68.89%	57.26%	61.90%	62.34%	69.37%

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

TABLE 11

CITY OF STAUNTON, VIRGINIA

Demographic and Economic Information
Demographic and Economic Statistics
Last Nine 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>
2011	23,746	\$ 3,912,376	\$ 33,114	42.1	2,528	6.7%
2010	23,866	3,903,337	33,161	41.8	2,572	7.7%
2009	23,899	3,903,337	33,161	41.8	2,578	7.5%
2008	23,726	3,903,337	33,161	40.6	2,601	4.6%
2007	23,333	3,620,374	31,161	40.4	2,646	3.1%
2006	23,379	3,416,168	29,722	40.2	2,620	3.2%
2005	23,144	3,296,454	29,033	39.8	2,610	3.6%
2004	23,260	3,112,835	27,760	39.8	2,671	3.6%
2003	23,884	2,919,271	26,312	39.8	2,720	4.3%

Sources:

- (1) U. S. Census
- (2) Bureau of Economic Analysis - Regional Data for the County of Augusta and the Cities of Staunton and Waynesboro. The most recent data is for 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	2011		
	Employees	Rank	Percentage of Total City Employment
Western State Hospital	500-599	1	4.86%
Staunton City School Board	500-599	2	4.86%
Mary Baldwin College	250-499	3	3.31%
Wal Mart	250-499	4	3.31%
City of Staunton	250-499	5	3.31%
Alphastaff Inc	250-499	6	3.31%
Fisher Auto Parts Inc.	100-249	7	0.66%
VDOT	100-249	8	0.66%
Virginia School for the Deaf and Blind	100-249	9	0.66%
Home Instead Senior Care	100-249	10	0.66%
Total	2550-4440		25.63%

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 Nine Fiscal Years
UNAUDITED

Function/Program	Full Time Equivalent Employees as of June 30								
	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government	31	30	33	33	33	32	32	32	32
Judicial	21	22	22	22	22	17	17	17	16
Public Safety	98	101	107	106	106	95	95	95	94
Public Works	38	39	40	42	42	49	47	47	41
Parks, Recreation, and Culture	22	26	26	26	27	26	25	25	31
Community Development	7	8	8	7	7	6	6	6	5.5
Golf	1	1	1	1	0	0	0	0	0
Water	25	24	25	25	25	25	23	23	23
Sewer	5	6	6	6	6	6	6	6	6
Environmental	20	22	24	24	24	23	23	23	23
Stormwater	1	1	2	na	na	na	na	na	na
Total	269	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 Nine Fiscal Years
UNAUDITED

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

Sources: Various city departments; regional landfill

na- data not available

TABLE 15

CITY OF STAUNTON, VIRGINIA

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

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

Sources: Various City departments

na - data not available.

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COMPLIANCE SECTION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 28, 2011. 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.**

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 28, 2011.

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 28, 2011

**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, 2011. 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, 2011.

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 28, 2011

CITY OF STAUNTON, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2011

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, 2011**

A. SUMMARY OF AUDITOR'S RESULTS

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

Title I	84.010, 84.389
Special Education Cluster	84.027, 84.173, 84.391, 84.392
8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA

09-2. Commonwealth of Virginia: Highway Maintenance Costs

Condition:

In our sample of 30 work orders, we noted that work was performed on one ineligible street. We have noted a similar finding in previous audits, though improvements have been made.

Recommendation:

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

CITY OF STAUNTON, VIRGINIA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

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

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

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.

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

Condition:

Out of 36 official disclosure statements, we noted one that was not submitted by the January 18th required submission deadline as set forth by the *Code of Virginia*. We noted a similar finding in the previous audit.

Recommendation:

City and School Board officials must submit disclosure statements timely.

Management's Response:

We believe adequate procedures currently exist. The Clerk to City Council exercised follow up measures, but the individual had severe health problems that prevented a timely filing.

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

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	\$ 79,813
<u>Department of Education:</u>			
Nutrition Cluster:			
School Breakfast Program	10.553	10.553-2010 & 2011	162,720
National School Lunch Program	10.555	10.555/2010 & 2011	582,418
<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	4,910
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
		S010A090046 & S010A080046	
Title I Grants to Local Education Agencies	84.010	& S010A10046	766,189
Title I, Part D - Neglected & Delinquent Children	84.000	S013A080046 & S013A090046	10,074
Special Education - Grants to States	84.027	H027A080107 & H027A090107	499,887
Vocational Education - Basic Grants to States	84.048	V048A090046 & V048A100046	62,665
		H173A080112 & H173A090112	
Special Education - Pre-School Grants	84.173	& H173A100112	22,073
Drug-Free Schools and Communities - State Grants	84.186	Q186A090048 & Q186A080048	3,986
Title II, Part A - Training & Recruiting Grant	84.367	S367A090044 & S367A100044	158,337
Title II, Part D, Enhancing Education Through Tech.	84.318	S318X090046 & S318X100046	9,945
ARRA Stimulus Funds - State Fiscal Stabilization Funds	84.394	S394A090047	293,130
ARRA Stimulus Funds - Title I, Part A	84.389	S389A090046	272,667
ARRA Stimulus Funds - IDEA	84.391	H391A090107	78,238
ARRA Stimulus Funds - IDEA Preschool	84.392	H392A090112	18,576
ARRA Stimulus Funds - Title II, Part D	84.386	S386A090046	7,409
ARRA Stimulus Funds - Education Jobs Funds	84.410	S410A100047	107,147

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

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	\$ (1,917)
VIEW-Transportation		87207	\$ 58,933
VIEW-Supportive Services		87202	31,532
Child Care and Development Block Grant:	93.575		
Head Start Wrap Around Child Care		87801	8,558
Fee Child Care 100% Federal		88302	125,192
Fee Child Care 100% Federal ARRA		88302	12,611
TANF (Non-VIEW) Ed/Trng Child Care		88304	1,598
Child Care and Development Fund:-Mandatory and Matching Funds	93.596		
VIEW - Working Child Care		87101	93,079
VIEW - Working Child Care ARRA		87101	2,099
VIEW-Transitional Child Care		87102	11,563
VIEW-Transitional Child Care ARRA		87102	444
TANF-Transitional Child Care		87103	12,322
TANF-Transitional Child Care ARRA		87103	451
TANF (Non-VIEW) Working Child Care		87104	26,205
TANF (Non-VIEW) Working Child Care ARRA		87104	775
Fee Child Care-Matching		88102	515
Fee Child Care-Matching ARRA		88102	4
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	44,644
Children's Residential-ARRA		81107	3,482
Licensed Child Placing Agency-Basic Maintenance		81108	53,756
Licensed Child Placing Agency-Basic Pmaintenance ARRA		81108	3,900
Local Agency Foster Home-Basic Maintenance		81110	64,205
Local Agency Foster Home-Basic Maintenance ARRA		81110	4,866
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision		81112	96,554
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision-ARRA		81112	7,112
Central Service Cost Allocation - IV-E serv		84319	1,605
Adoption Assistance:	93.659		
Subsidized Adoption Assistance-Basic Maintenance		81201	227,963
Subsidized Adoption Assistance-Basic Maintenance ARRA		81201	16,059
Nonrecurring Adoption Assistance		81202	500
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision		81203	4,480
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision ARRA		81203	362
Cost Allocation		84324	156

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Social Services Block Grant:	93.667		
Child Protective Services		82402	\$ 2,114
Family Preservation-(SSBG)		82905	2,445
Home Based Companion (State Supplement)		83304	19,569
Adult Protective Services		89501	735
<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	3,093
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Direct Programs:</u>			
Disaster Grants-Public Assistance	97.036	146	146,661
FY 10 Assistance to Firefighters	97.044	EMW-2010-FO-07322	25,926
<u>Pass Through Programs:</u>			
<u>Department of Emergency Management:</u>			
Disaster Relief Public Assistance	97.039	VA 1544-790-001	
State Homeland Security Grant Program	97.073	52709	17,000
<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	50799	120,817
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
Drug Court Discretionary Grant Program	16.585	2008-DC-BX-0048	47,450
Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2820	14,668
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1273	869
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice Services:</u>			
Crime Victim Assistance	16.575	86000	40,069

CITY OF STAUNTON, VIRGINIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

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>			
Recovery Act 2009 Wildland Fire Management	10.688	09SHEV14;09SHEV15;09SHEV12	\$ 18,868
<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	50153,51142	7,970
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Environmental Quality</u>			
Performance Partnership Grants	66.605	B1137B-01	<u>17,280</u>
Total Expenditures of Federal Awards			<u>\$ 4,539,326</u>

CITY OF STAUNTON, VIRGINIA**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
June 30, 2011**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.