

CITY OF STAUNTON, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2013

Prepared By:
Department of Finance

Jeanne R. Colvin
Chief Financial Officer

Cynthia B. Snead, CPA
Assistant Director of Finance

CITY OF STAUNTON, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended June 30, 2013

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INTRODUCTORY SECTION

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

COUNCIL

<p>Ophie A. Kier Andrea W. Oakes Erik D. Curren</p>	<p>Lacy B. King, Mayor</p>	<p>Carolyn W. Dull, Vice-Mayor James J. Harrington Bruce A. Elder</p>
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OFFICIALS

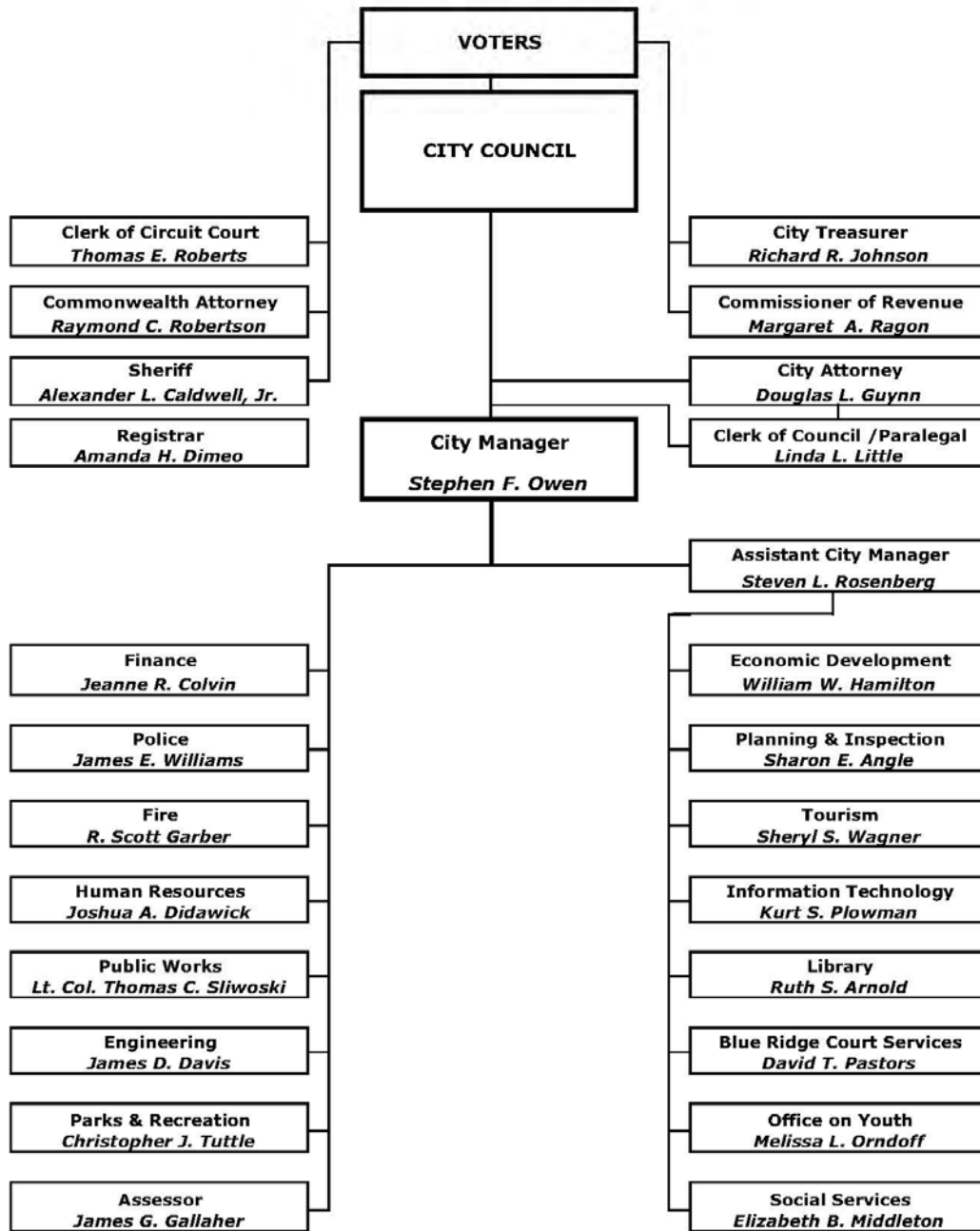
<p>Linda Little Stephen F. Owen Jeanne R. Colvin Richard R. Johnson Douglas L. Guynn Margaret (Maggie) A. Ragon Elizabeth Middleton Thomas E. Roberts Alexander L. Caldwell, Jr. Dr. Linda Reviea</p>	<p>Clerk of Council City Manager Chief Financial Officer City Treasurer City Attorney Commissioner of Revenue Director of Social Services Clerk of Circuit Court City Sheriff Superintendent of Schools</p>
--	--

SCHOOL BOARD

<p>Robert Boyle William Lobb</p>	<p>Angela V. Whitesell, Chair Ronald W. Ramsey, Vice-Chair</p>	<p>Amy G. Darby Joel Grogan</p>
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CITY OF STAUNTON, VIRGINIA
ORGANIZATIONAL CHART





Government Finance Officers Association

**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, 2012

A handwritten signature in black ink, reading "Jeffrey R. Enos". The signature is fluid and cursive.

Executive Director/CEO

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



JEANNE R. COLVIN
CHIEF FINANCIAL OFFICER
540-332-3822

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

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

November 25, 2013

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, 2013. This report has been prepared by the City's Finance Department. The report provides full disclosure of all financial information necessary to enable the reader to gain an understanding of the government's financial activities.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants, has issued an unmodified opinion for the City of Staunton for fiscal year ending June 30, 2013. 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 and the issuance of all general obligation bonds. All members of the Board are elected by the City voters. City Council has the ability to impose its will upon the Board.

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

LOCAL ECONOMY

The City's overall financial health is determined by several economic factors based on retail sales volume, consumer based taxes, new residential building or commercial construction permits, and property values and transactions. Other financial factors include state revenues, population trends, the unemployment rate, and the local tourism industry. The 2013 total taxable real estate assessed values decreased 2.5%. Real estate and personal property tax rates were both increased in the fiscal year 2013 budget to offset this decrease in assessed value. Other local consumer based tax revenue sources increased slightly from 2012. General increase in economic activity resulted in increases in meals, lodging and consumer sales taxes. The local unemployment rate for June 2013 was 6.3%, which is below the national average of 7.8%, and slightly above the statewide average of 5.9%. The City relies on its diverse property tax base consisting of manufacturing facilities, distribution centers, a fairly stable retail base, a large government workforce within the area, and a successful tourism market for the economic stability of the City.

LONG-TERM FINANCIAL PLANNING

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

Safety Net Reserve – The City's fund balance fiscal policy, as revised by City Council, now requires a reservation of 11% of the City's total general fund operating budget as a cash safety net reserve, reported as committed fund balance in the general fund. The primary government reserve is currently \$5,178,250 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. Council's goal is to establish the safety net reserve at 15% by fiscal year 2017.

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

FY2013 Budget – City Council’s commitment to prudent fiscal management has provided the framework for the City to prepare and adopt budgets in response to the economic conditions of the local, state, and national economies. The total fiscal year 2013 budget, \$97.5 million, a decrease of 1.3% or \$1.3 million from the previous year was adopted with increases in the real estate and personal property tax rates for fiscal year 2013. The general fund budget only increased 0.9% over the previous year. Due to the property tax rate increases, these revenues were projected to increase by \$0.7 million, or 4.0%, and other local tax revenues were projected to increase 2% over the previous year’s budget. The general fund budget slightly increased its transfer to the education fund and decreased its transfer to the Capital Improvements Fund by 8.0%. The debt service sinking fund had the greatest increase, 18.0%, over the previous year due to the increase in debt service for the Staunton Crossing Development Park.

Economic Development – Staunton Crossing Development Park – Work continues on the marketing strategy for the development of the Staunton Crossing 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 paid the Commonwealth of Virginia \$15 million towards the construction of the new hospital during fiscal year 2013. As of September 2013, the \$118 million construction on the new facility is 99% complete. Staunton Crossing, located at U.S. 250 and the interchange of Interstate Highways 81 and 64, is planned for a mix of corporate and professional offices, retail stores, restaurants and lodging facilities. The project will be the largest business development property to support both office and retail development in the Shenandoah Valley region of the I-81 corridor through Virginia.

Economic Development –National Recognition- Staunton continues to be recognized nationally in magazines such as, *Virginia Business*, *Smithsonian*, and *Travel+Leisure* magazines. In 2013, the American Planning Association named Staunton one of the “Great Places in America” and Virginia Business magazine said ‘Staunton’s small-town charm leads to big-time development’. In 2012, *Travel+Leisure* named Staunton as ‘one of America’s greatest main streets’ and the *Smithsonian* named Staunton as ‘one of the 20 best small towns in America’.

Capital Improvements – City Council updated and adopted its five year capital improvement plan during fiscal year 2013. The Capital Improvement Plan adopted by City Council this year equals \$191 million with \$91 million dedicated for school projects, \$57 million for infrastructure projects in the proprietary funds, and \$43 million for general fund projects. Total general fund projects approved and funded for fiscal year 2013 included \$2.1 million for street improvement projects, fire truck replacement, fire department building renovation, jail reserve, education projects, and Staunton Crossing Development Park.

AWARDS AND ACKNOWLEDGEMENTS

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jeanne R. Colvin", is written over a faint, circular official stamp.

Jeanne R. Colvin
Chief Financial Officer

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 64%, 60%, and 23%, respectively, of the assets, net position, 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* and the *Specifications for Audits of Authorities, Boards, and Commissions*, 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.

Auditor's Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section; the other supplementary information; and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditor in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013 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* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 25, 2013

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, 2013. The MD&A is in addition to the transmittal letter, located on pages iv-viii of this report. Readers are encouraged to review the information presented in the MD&A and the letter of transmittal to provide the user a more comprehensive view of the City's financial condition. The MD&A presents information for the government-wide financial statements and the fund financial statements. The MD&A provides the user with a narrative introduction, overview, and analysis of the basic financial statements for the City's financial performance as a whole.

FINANCIAL HIGHLIGHTS

Highlights for Government-wide Financial Statements

- The City's total net position (assets less liabilities) of governmental activities was \$51.7 million at June 30, 2013. Net position of the City's business-type activities was \$66.9 million.
- Total revenues of governmental activities exceeded total expenses (before transfers) by \$2.6 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were \$49.9 million for fiscal year 2013. Revenues of the City's business-type activities were \$10.7 million.
- Expenses were \$47.3 million for governmental activities and expenses for the business-type activities were \$11.3 million for fiscal year 2013.
- The City's total debt at June 30, 2013 was \$70.4 million, a net decrease of \$4 million from fiscal year 2012 due to normal scheduled debt reduction.
- At June 30, 2013, the total fund balance for all governmental funds was \$20.8 million with the General Fund comprising \$10.9 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 and proprietary 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 position 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 position (assets minus liabilities) and how it has changed. Reporting net position is one way to measure the City's financial health. Increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating. Other non-financial factors such as changes in the City's property tax base and the condition of the City's streets and other infrastructure need to be considered to assess the overall financial health of the City.

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

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

FUND FINANCIAL STATEMENTS

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

The City has three kinds of funds:

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's total assets exceeded liabilities by \$118.6 million at June 30, 2013. The largest portion of the City's net position (69.7%) reflects its investments in capital assets (e.g. land, buildings, equipment, infrastructure), less accumulated depreciation and less any related outstanding debt used to acquire those assets. The City uses these assets to provide services to its citizens and customers, therefore these assets are not available for future spending.

Less than 1% of the City's net position is restricted. The remaining balance of unrestricted net position (\$35.7 million or 30.2%) may be used to meet the City's ongoing obligations to citizens and creditors.

As of June 30, 2013, 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 \$2.4 million net increase in net position for governmental activities due to the following: unearned revenue decreased \$1 million from 2012 due to a deferred community development grant that was repaid to the Commonwealth during 2013. The remaining increase was due to scheduled debt reductions.

Net position for business-type activities decreased \$.4 million mainly due a decrease in the calculated value of the City's share of the regional landfill.

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

City of Staunton Summary Statements of Net Position June 30, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 44,018,715	\$ 42,560,374	\$ 20,922,922	\$ 23,038,106	\$ 64,941,637	\$ 65,598,480
Capital assets	<u>58,797,705</u>	<u>60,877,108</u>	<u>76,979,380</u>	<u>77,604,159</u>	<u>135,777,085</u>	<u>138,481,267</u>
Total assets	102,816,420	103,437,482	97,902,302	100,642,265	200,718,722	204,079,747
Liabilities:						
Long-term liabilities	41,153,061	28,924,716	27,289,792	32,204,521	68,442,853	61,129,237
Other liabilities	<u>9,937,972</u>	<u>25,193,441</u>	<u>3,712,133</u>	<u>1,123,938</u>	<u>13,650,105</u>	<u>26,317,379</u>
Total liabilities	51,091,033	54,118,157	31,001,925	33,328,459	82,092,958	87,446,616
Net Position:						
Net investment in capital assets	31,074,300	31,321,359	51,646,845	51,212,802	82,721,145	82,534,161
Restricted	120,217	184,868	-	-	120,217	184,868
Unrestricted	<u>20,530,870</u>	<u>17,813,098</u>	<u>15,253,532</u>	<u>16,101,004</u>	<u>35,784,402</u>	<u>33,914,102</u>
Total net position	<u>\$ 51,725,387</u>	<u>\$ 49,319,325</u>	<u>\$ 66,900,377</u>	<u>\$ 67,313,806</u>	<u>\$ 118,625,764</u>	<u>\$ 116,633,131</u>

City of Staunton
Changes in Net Position
For the Years Ended June 30, 2013 and 2012

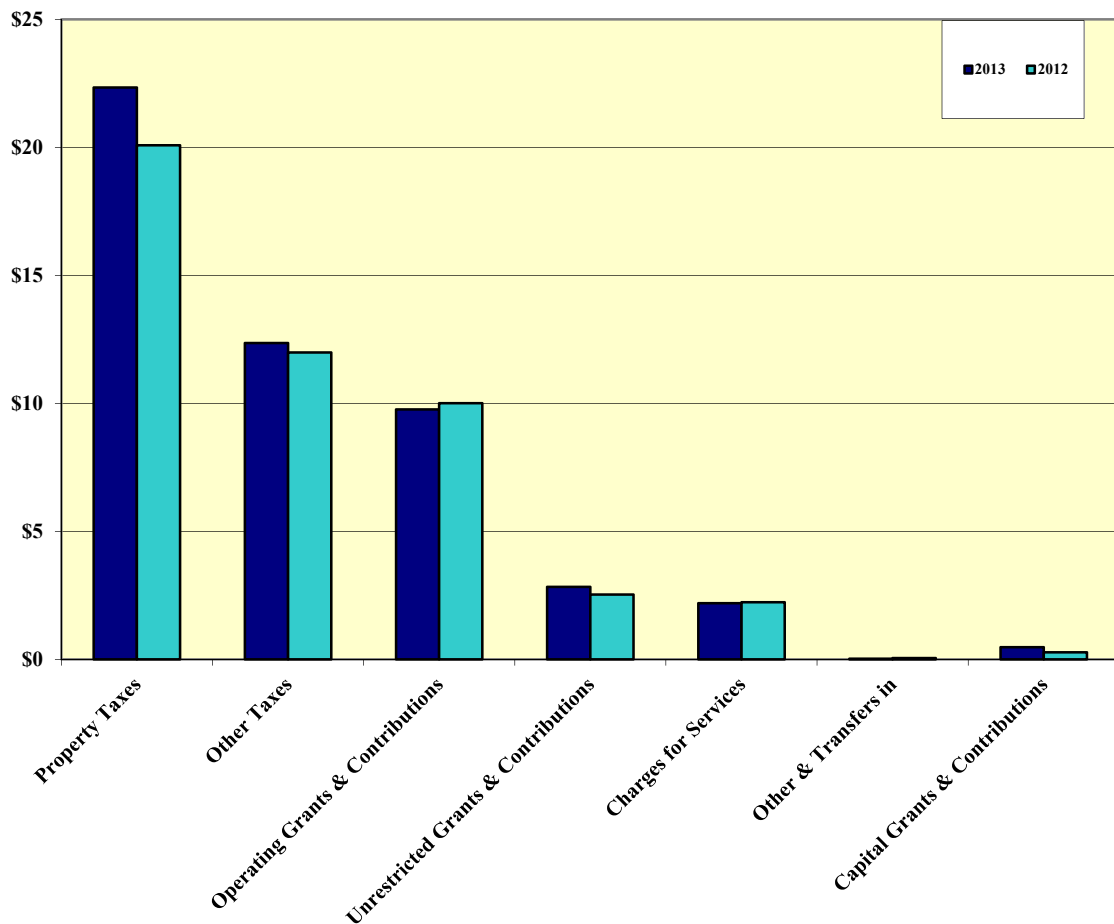
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<u>Revenues:</u>						
<u>Program Revenues</u>						
Charges for services	\$ 2,191,068	\$ 2,231,779	\$ 10,616,425	\$ 10,371,407	\$ 12,807,493	\$ 12,603,186
Operating grants and contributions	9,759,857	10,003,989	13,374	5,044	9,773,231	10,009,033
Capital grants and contributions	471,852	274,810	-	65,871	471,852	340,681
<u>General revenues</u>						
Property taxes	22,333,005	20,076,871	-	-	22,333,005	20,076,871
Other taxes	12,351,366	11,983,709	-	-	12,351,366	11,983,709
Unrestricted intergovernmental	2,827,514	2,526,975	-	-	2,827,514	2,526,975
Interest and investment earnings	11,370	18,196	39,790	57,073	51,160	75,269
Other	8,783	27,765	-	-	8,783	27,765
Total revenues	<u>49,954,815</u>	<u>47,144,094</u>	<u>10,669,589</u>	<u>10,499,395</u>	<u>60,624,404</u>	<u>57,643,489</u>
<u>Expenses:</u>						
General government	4,524,704	4,372,745	-	-	4,524,704	4,372,745
Judicial administration	1,703,187	1,734,157	-	-	1,703,187	1,734,157
Public safety	10,869,981	10,137,714	-	-	10,869,981	10,137,714
Public works	7,053,141	6,262,440	-	-	7,053,141	6,262,440
Health and welfare	5,642,143	5,587,112	-	-	5,642,143	5,587,112
Parks, recreation and culture	3,091,574	2,905,849	-	-	3,091,574	2,905,849
Education (includes payment to Schools)	11,597,335	11,199,889	-	-	11,597,335	11,199,889
Community Development	1,508,661	2,067,996	-	-	1,508,661	2,067,996
Interest on long-term debt	1,333,627	1,198,129	-	-	1,333,627	1,198,129
Golf	-	-	167,950	191,022	167,950	191,022
Water	-	-	3,595,525	3,557,493	3,595,525	3,557,493
Sewer	-	-	3,908,777	3,984,420	3,908,777	3,984,420
Storm water	-	-	781,975	710,250	781,975	710,250
Environmental	-	-	2,431,257	2,594,453	2,431,257	2,594,453
Parking	-	-	421,934	468,930	421,934	468,930
Total expenses	<u>47,324,353</u>	<u>45,466,031</u>	<u>11,307,418</u>	<u>11,506,568</u>	<u>58,631,771</u>	<u>56,972,599</u>
Increase in net position before transfers	2,630,462	1,678,063	(637,829)	(1,007,173)	1,992,633	670,890
Transfers	(224,400)	(641,360)	224,400	641,360	-	-
Increase in net position	2,406,062	1,036,703	(413,429)	(365,813)	1,992,633	670,890
Net position - beginning of year	<u>49,319,325</u>	<u>48,282,622</u>	<u>67,313,806</u>	<u>67,679,619</u>	<u>116,633,131</u>	<u>115,962,241</u>
Net position - end of year	<u>\$ 51,725,387</u>	<u>\$ 49,319,325</u>	<u>\$ 66,900,377</u>	<u>\$ 67,313,806</u>	<u>\$ 118,625,764</u>	<u>\$ 116,633,131</u>

Governmental Activities - Revenues

- The City's total revenues from governmental activities were \$49.9 million for the fiscal year ended June 30, 2013, an increase of \$2.8 million over the previous year.
- Property taxes, the largest source of general revenue, accounted for \$22.3 million or 44.7% of revenue in 2013. Property tax revenues increased \$2.2 million over 2012 due to increases in the real and personal property tax rates. Real estate rates were increased \$.05 to \$.95 per \$100 of assessed value. Personal property taxes were increased \$.35 to \$2.75 per \$100 of assessed value.
- Other local taxes, including meals, lodging and sales taxes accounted for the remaining increase of \$.6 million.

Governmental Activities - Revenues by Source

Fiscal Years Ended June 30, 2013 and 2012
(\$ In Millions)



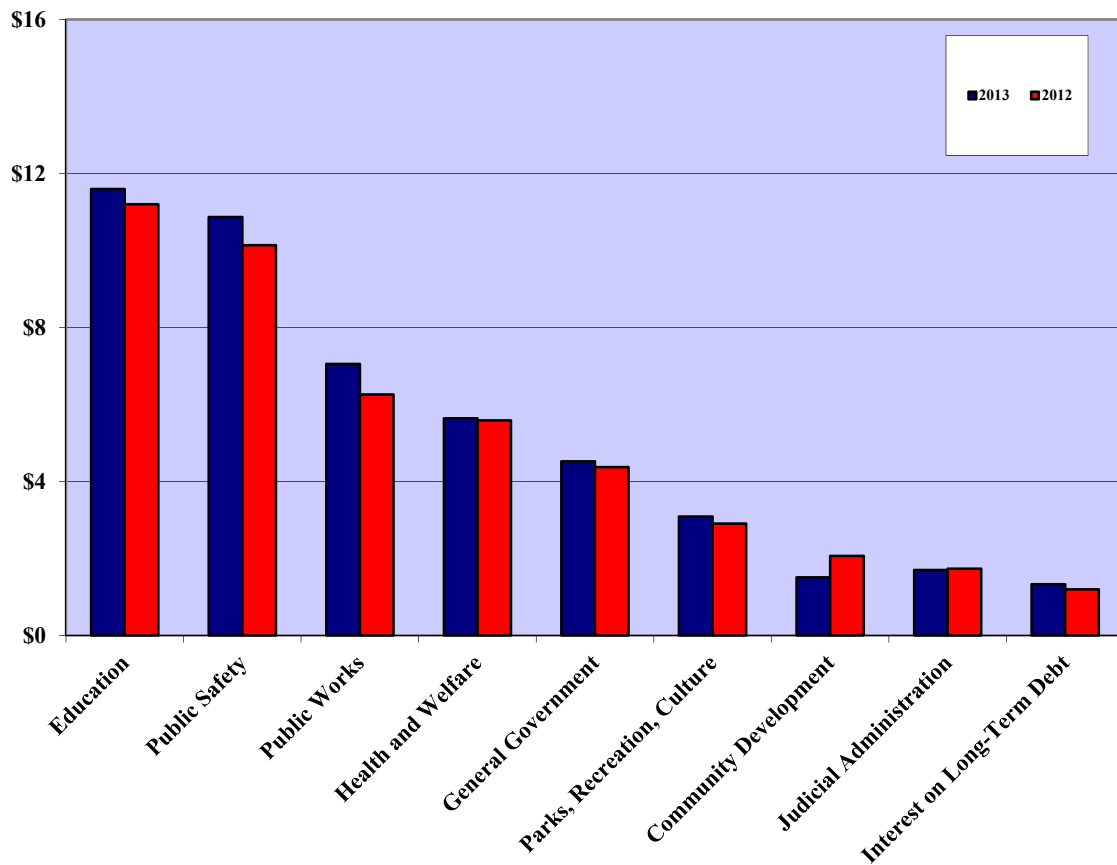
Governmental Activities - Expenses

- The total expenses from governmental activities were \$47.3 million for the year, an increase of \$1.8 million from 2012.
- Education is the largest expenditure for the City at \$11.6 million or 24.5% of the total governmental activities, a slight increase of \$.4 million from 2012.
- Public Works increased \$.8 million due in part to an increase in street maintenance and depreciation.
- Public Safety increased \$.7 million due mainly to an increase in costs of the regional jail and replacement of noncapital radio equipment and supplies in 2013.
- Community Development decreased \$.5 million due to the completion of the Newtown improvements in 2012.

Governmental Activities - Expenses by Function

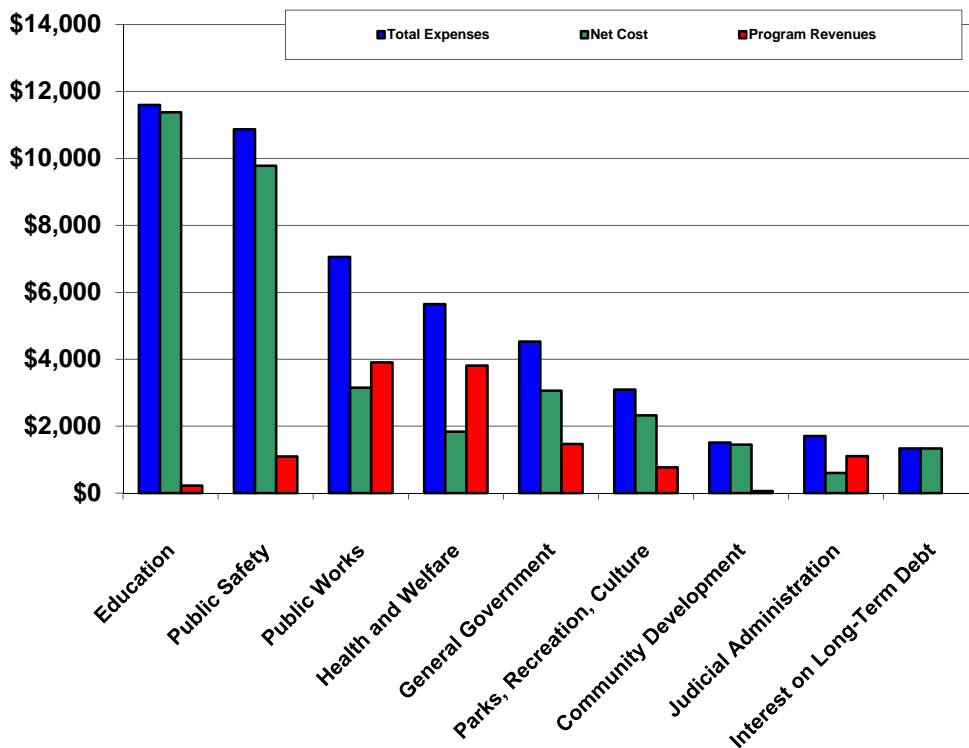
Fiscal Years Ended June 30, 2013 and 2012

(\$ 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 2013 totaled \$12.4 million and general revenues totaled \$37.5 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 32.6%, an increase of \$.3 million from 2012. The remaining \$1.6 million increase over 2012 can in part be attributed to the net .7% increase in full time salaries. A 5.7% salary increase was given to all full time employees to offset the state mandated 5% employee contribution to the Virginia Retirement System. The 5% employee contribution had previously been paid by the City on behalf of the employee.

Net Cost of the City of Staunton's Governmental Activities				
	2013		2012	
	Total Cost	Net Cost	Total Cost	Net Cost
Education	\$ 11,597,335	\$ 11,376,060	\$ 11,199,889	\$ 11,033,992
Public Safety	10,869,981	9,778,173	10,137,714	9,025,678
Public Works	7,053,141	3,149,927	6,262,440	2,540,427
Health and Welfare	5,642,143	1,832,850	5,587,112	1,825,942
General Government	4,524,704	3,058,405	4,372,745	2,672,159
Parks, Recreation, Culture	3,091,574	2,322,120	2,905,849	2,344,823
Community Development	1,508,661	1,448,424	2,067,996	1,718,921
Judicial Administration	1,703,187	601,990	1,734,157	595,382
Interest on Long-Term Debt	1,333,627	1,333,627	1,198,129	1,198,129
	\$ 47,324,353	\$ 34,901,576	\$ 45,466,031	\$ 32,955,453

Business-Type Activities

1. Total program revenues of the City's business-type activities were \$10.7 million for fiscal year 2013. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at \$10.2 million or 99% of total revenues for business-type activities.
2. Overall expenses of business-type activities were stable with a slight decrease of \$.2 million from 2012.

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 \$20.8 million, an increase of \$2.1 million over 2012. The increase is due mainly to the increase in property tax revenue.

General Fund

The General Fund reported \$10.9 million in fund balance at year end. Of the total General Fund balance, \$3.5 million is unassigned, \$5.2 million is committed for specific purposes, and \$2.1 million is assigned.

In total, fiscal year 2013 revenues increased \$2.0 million over 2012. Property tax revenues increased \$1.7 million over 2012. Local tax revenue increased \$.4 million over 2012 due to increases in meals, lodging and sales taxes.

General Fund actual expenditures were \$40.9 million versus the revised budget totaling \$42.2 million. The contribution to the Component Unit School Board was the largest expense at \$10.6 million. Expenditure savings of \$1.4 million resulted from \$.6 million in general government administration due to savings from an unfilled position, insurance costs being less than expected and technology equipment and maintenance savings; \$.3 million in public safety expenditures mainly due to capital and fringe benefit expense savings; \$.2 million in recreation savings from capital expenditure savings, and the balance of \$.3 million in expenditures savings resulting from judicial, public works, health and welfare, and community development expenditure savings.

Capital Projects Fund

The City's Capital Projects Fund is used to report transactions related to the financing resources and expenditures for the acquisition or construction of capital facilities for the General Fund. Proprietary capital projects are reported in the appropriate proprietary fund. The City uses annual operating revenues of the General Fund, fund balance transfers from the General Fund, bond proceeds, or grants as resources to fund capital projects. With the exception of grant resources, the General Fund transfers funds to the Capital Projects Fund when appropriated by the governing body. The General Fund transferred \$2.5 million in fiscal year 2013 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 at June 30, 2013:

PROJECT	REVISED BUDGET - PROJECT TO DATE	FY2013 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	\$ 1,332,482	\$ -	\$ 1,229,729	\$ 102,753
COMPUTER NETWORK REPLACEMENT PHASE II	95,137	33,681	95,137	-
FIBER LOOP PROJECT	1,188,591	1,958	1,180,865	7,726
FIRE TRUCK RESERVE	454,383	136,055	478,809	(24,426)
RADIO NARROWBAND	550,000	29,941	401,852	148,148
REGIONAL JAIL RESERVE	3,826,286	1,011,577	3,444,817	381,469
REGIONAL ANIMAL SHELTER	100,000	-	-	100,000
STREET IMPROVEMENT PROJECTS	455,250	144,914	449,789	5,461
URBAN STREET CONSTRUCTION 2% MATCH	659,123	-	465,395	193,728
BOWLING STREET BRIDGE	343,500	-	335,592	7,908
HAILE STREET BRIDGE	356,200	-	322,955	33,245
MONTGOMERY AVENUE ROAD EXTENSION PROJECT	810,895	164,990	239,059	571,836
SEARS HILL BRIDGE	170,875	136,242	170,874	1
SHELBURNE SAFE ROUTE TO SCHOOL	171,000	3,092	5,965	165,035
MCSWAIN SAFE ROUTE TO SCHOOL	409,505	995	995	408,510
STATLER/RICHMOND RD PROJ	50,000	-	-	50,000
RICHMOND RD/GREENVILLE AVE	35,000	-	-	35,000
CENTRAL AVE STREETSCAPE	1,212,830	25,145	25,145	1,187,685
STATE ROUTE 1426	2,110,000	-	-	2,110,000
MECHANICAL SYSTEMS	241,981	-	218,538	23,443
LIBRARY FACILITY STUDY	40,000	-	-	40,000
FIRE STATION ROOF	300,000	16,781	16,781	283,219
BLUE RIDGE COMMUNITY COLLEGE	252,631	27,170	250,108	2,523
TRANSFER TO SCHOOL CIP FUND	275,000	175,000	275,000	-
BOOKER T BUILDING	266,818	26,601	262,603	4,215
MONTGOMERY HALL SOCCER FIELDS	168,878	1,268	163,540	5,338
FIELD HOUSE PROJECT	30,000	25,445	25,445	4,555
GHP POOL RENOVATIONS	500,000	9,350	9,350	490,650
CORRIDOR OVERLAY INCENTIVES	25,000	-	-	25,000
ECONOMIC DEVELOPMENT RESERVE	1,243,811	5,653	1,211,630	32,181
WESTERN STATE DEVELOPMENT	595,434	-	595,434	-
ENTERPRISE ZONE PROGRAM	360,521	6,771	21,824	338,697
STAUNTON CROSSING DEVELOPMENT	100,000	-	-	100,000
FRONTIER CULTURE PROJECT	100,000	-	-	100,000
VISITORS CENTER	80,000	-	-	80,000
TOTALS	\$ 18,911,131	\$ 1,982,629	\$ 11,897,231	\$ 7,013,900

General Fund Budgetary Highlights

City Council revised the total fiscal year 2013 City Budget three times during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 2 - \$488,062. This amendment appropriated \$488,062 from prior year funds for the balance of grant programs and mandated state program carry-over funds for programs not completed at the end of fiscal year 2012.
- Budget Amendment Number 3 - \$1,555,504. This amendment appropriated \$1,040,004 from the prior year unassigned fund balance to be transferred to the Capital Improvements Fund for projects approved in the CIP plan. The amendment also appropriated \$250,000 from the prior year unassigned fund balance to be transferred to the Debt Service Fund to partially pay for the contractual obligation due to the Commonwealth of Virginia for the Staunton Crossing property. The amendment also included additional appropriations of \$265,500 made up of \$140,000 for additional costs of social service programs, \$10,000 for additional fees of the recreation HEART program, and \$115,500 for additional grant funds for various departments.

CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2013 amounts to \$135.8 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 \$58.8 million for the governmental activities, and \$77 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:

- Net value of \$135,093 in school buildings was transferred back to the component unit school board because the debt on the property was paid in full.

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

- \$2.2 million of utility lines and equipment were added to capital assets. Depreciation expense totaled \$2.8 million resulting in a net decrease of \$.6 million to capital assets during 2013.

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

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 4,670,337	\$ 1,991,300	\$ 6,661,637	\$ 3,714,383	\$ 1,928,569	\$ 5,642,952
Landfill	-	1,676,380	1,676,380	-	1,683,638	1,683,638
Buildings	28,611,157	28,941,729	57,552,886	29,479,343	29,220,655	58,699,998
Improvements	873,251	4,398,739	5,271,990	972,714	4,583,118	5,555,832
Equipment	3,329,062	2,941,702	6,270,764	3,425,782	2,791,763	6,217,545
Infrastructure	20,865,426	36,552,709	57,418,135	22,765,760	36,634,443	59,400,203
Construction in Progress	448,472	476,821	925,293	519,126	761,973	1,281,099
Total	\$ 58,797,705	\$ 76,979,380	\$ 135,777,085	\$ 60,877,108	\$ 77,604,159	\$ 138,481,267

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 which was 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 \$178 million for the City. The City currently has bonds payable of \$70.4 million. The current legal margin for creating additional debt for the City of Staunton is \$107.8 million.
- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

City of Staunton Outstanding Debt

	2013			2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 29,117,897	\$ 2,217,443	\$ 31,335,340	\$ 14,919,868	\$ 2,693,606	\$ 17,613,474
Virginia Revolving Loan	-	25,312,470	25,312,470	-	27,182,345	27,182,345
Literary Loans	13,800,000	-	13,800,000	14,750,000	-	14,750,000
Contractual Obligation	-	-	-	15,000,000	-	15,000,000
Total	<u>\$ 42,917,897</u>	<u>\$ 27,529,913</u>	<u>\$ 70,447,810</u>	<u>\$ 44,669,868</u>	<u>\$ 29,875,951</u>	<u>\$ 74,545,819</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The fiscal year 2014 general fund budget was adopted at \$47.1 million, an increase of \$1.7 million over the \$45.4 million budget for fiscal year 2013.
- No tax rate increases are proposed for fiscal year 2014. The January 1, 2013 real estate reassessment reflected a loss of \$45,840,793 in market value for the City's taxable real estate base, or 2.5%. With staff estimating a loss of 5%, Council increased real estate and personal property tax rates in fiscal year 2013, which provided enough revenue to balance the fiscal year 2014 budget without more drastic budget cuts.
- Funding from the Commonwealth constitutes 23% of the total budget and will increase \$432,218 over fiscal year 2013, from \$10,419,942 to \$10,852,160. Most of the increase is for health and welfare at \$356,594 and street and highway maintenance at \$93,099. Most significantly, and as advocated by City Council in its Legislative Program for the past several years, the 2013 General Assembly approved Governor McDonnell's proposal to eliminate the odious "Aid to the Commonwealth" payment, resulting in a restoration of \$250,000 in local funds.
- A 3% cost of living adjustment is proposed for all full-time and part-time employees, effective October 1, 2013. Delaying the increase for a quarter year reduces the impact in fiscal year 2014 by \$97,088, bringing the salary adjustment cost to \$388,352 for three quarters and is spread across the general, water, sewer, environmental, storm water, and golf funds. No net increase in positions is proposed. A new parks maintenance position will be needed but the actual hire will be delayed until March 2014 for mowing at the Staunton Crossing property. This position fills a vacancy created when the Clerk of Council position was combined with the City Attorney Paralegal position, thus the total FTE count remains at 279.
- The City is able to maintain its General Fund transfer to the Capital Improvements Fund for 2014 at \$1.4 million from operating revenues, which is equal to the original budgeted amount for fiscal year 2013.
- The City's water and sewer rates did not increase for 2014. The residential refuse rate is set to increase \$3 per month to \$15, to finance increasing costs at the landfill. Recycling and commercial refuse rates are also slated to increase.
- As of August 2013, the unemployment rate for the City of Staunton is 5.7%. Staunton's rate is slightly higher than the state's average unemployment rate of 5.86% but well below the national average of 7.3%.

All these factors were considered in preparing the fiscal year 2014 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 POSITION

June 30, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
ASSETS					
Cash and cash equivalents (Note 2)	\$ 20,781,024	\$ 4,240,755	\$ 25,021,779	\$ 3,912,125	\$ 123,831
Investments (Note 2)	1,177,545	7,425,113	8,602,658	-	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 10)	4,547,945	-	4,547,945	-	-
Accounts	577,677	1,684,582	2,262,259	286,361	16,667
Interest	10,628	50,412	61,040	-	-
Internal balances (Note 4)	300,193	(300,193)	-	-	-
Due from other governmental units (Note 3)	1,493,495	-	1,493,495	2,058,589	-
Due from component unit (Note 16)	14,000,000	-	14,000,000	-	-
Inventory (Notes 1, 16)	259,583	-	259,583	-	14,000,000
Prepaid items	63,744	-	63,744	2,000	-
Loans receivable (Note 15)	-	3,549,441	3,549,441	-	-
Deferred charges	194,492	106,828	301,320	-	-
Restricted assets: (Notes 2, 11)					
Cash and cash equivalents	612,389	4,165,984	4,778,373	94,555	-
Capital assets: (Note 5)					
Land and construction in progress	5,118,809	2,468,121	7,586,930	236,000	799,748
Other capital assets, net of accumulated depreciation	53,678,896	74,511,259	128,190,155	7,959,125	7,936,568
Total assets	102,816,420	97,902,302	200,718,722	14,548,755	22,876,814
LIABILITIES					
Accounts payable	921,751	491,070	1,412,821	728,031	97,652
Retainage payable	8,136	45,936	54,072	-	-
Accrued liabilities	1,024,296	298,497	1,322,793	2,516,056	-
Due to primary government (Note 16)	-	-	-	-	14,000,000
Unearned revenue (Notes 10, 13)	4,147,887	36,867	4,184,754	-	-
Amounts held for others (Note 11)	551,787	-	551,787	1,036	-
Deposits payable	7,000	248,001	255,001	-	-
Noncurrent liabilities: (Note 6)					
Due within one year	3,277,115	2,591,762	5,868,877	161,786	-
Due in more than one year	41,153,061	27,289,792	68,442,853	198,917	-
Total liabilities	51,091,033	31,001,925	82,092,958	3,605,826	14,097,652
NET POSITION					
Net investment in capital assets	31,074,300	51,646,845	82,721,145	8,195,125	8,736,316
Restricted for:					
Programs	110,245	-	110,245	94,555	45,750
Donor purposes	9,972	-	9,972	9,320	-
Unrestricted	20,530,870	15,253,532	35,784,402	2,643,929	(2,904)
Total net position	\$ 51,725,387	\$ 66,900,377	\$ 118,625,764	\$ 10,942,929	\$ 8,779,162

CITY OF STAUNTON, VIRGINIA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 4,524,704	\$ 1,422,643	\$ 43,656	\$ -
Judicial administration	1,703,187	103,767	997,430	-
Public safety	10,869,981	291,172	787,186	13,450
Public works	7,053,141	8,076	3,653,343	241,795
Health and welfare	5,642,143	-	3,809,293	-
Education	11,597,335	-	221,275	-
Parks, recreation, and culture	3,091,574	336,266	216,581	216,607
Community development	1,508,661	29,144	31,093	-
Interest on long-term debt	1,333,627	-	-	-
Total governmental activities	47,324,353	2,191,068	9,759,857	471,852
Business-type activities:				
Golf	167,950	137,413	-	-
Water	3,595,525	3,598,658	-	-
Sewer	3,908,777	3,908,330	-	-
Storm water	781,975	715,878	-	-
Environmental	2,431,257	1,953,912	13,374	-
Parking	421,934	302,234	-	-
Total business-type activities	11,307,418	10,616,425	13,374	-
Total primary government	\$ 58,631,771	\$ 12,807,493	\$ 9,773,231	\$ 471,852
Component Units:				
School Board	\$ 30,964,391	\$ 1,591,223	\$ 9,556,476	\$ 274,845
Economic Development Authority	697,564	34,344	371,732	-
Total component units	\$ 31,661,955	\$ 1,625,567	\$ 9,928,208	\$ 274,845

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
- Loss on the disposal of assets
- Net payment from City - unrestricted

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of year

Net position - end of year

Net (Expenses) Revenues and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
\$ (3,058,405)		\$ (3,058,405)		
(601,990)		(601,990)		
(9,778,173)		(9,778,173)		
(3,149,927)		(3,149,927)		
(1,832,850)		(1,832,850)		
(11,376,060)		(11,376,060)		
(2,322,120)		(2,322,120)		
(1,448,424)		(1,448,424)		
(1,333,627)		(1,333,627)		
(34,901,576)		(34,901,576)		
-	\$ (30,537)	(30,537)		
-	3,133	3,133		
-	(447)	(447)		
-	(66,097)	(66,097)		
-	(463,971)	(463,971)		
-	(119,700)	(119,700)		
-	(677,619)	(677,619)		
(34,901,576)	(677,619)	(35,579,195)		
			\$ (19,541,847)	\$ -
			-	(291,488)
			(19,541,847)	(291,488)
22,333,005	-	22,333,005	-	-
3,729,201	-	3,729,201	-	-
3,141,504	-	3,141,504	-	-
2,197,306	-	2,197,306	-	-
1,123,536	-	1,123,536	-	-
1,430,821	-	1,430,821	-	-
728,998	-	728,998	-	-
11,370	39,790	51,160	1,379	-
2,827,514	-	2,827,514	8,795,128	-
8,783	-	8,783	-	-
-	-	-	(223,334)	-
-	-	-	10,859,853	-
(224,400)	224,400	-	-	-
37,307,638	264,190	37,571,828	19,433,026	-
2,406,062	(413,429)	1,992,633	(108,821)	(291,488)
49,319,325	67,313,806	116,633,131	11,051,750	9,070,650
\$ 51,725,387	\$ 66,900,377	\$ 118,625,764	\$ 10,942,929	\$ 8,779,162

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

CITY OF STAUNTON, VIRGINIA

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,475,716	\$ 6,469,020	\$ 3,042,090	\$ 459,592	\$ 20,446,418
Investments	1,177,545	-	-	-	1,177,545
Receivables (net of allowances for uncollectibles):					
Taxes	4,547,944	-	-	-	4,547,944
Accounts	562,994	-	-	738	563,732
Interest receivable	10,628	-	-	-	10,628
Due from other governmental units	1,455,656	28,284	-	9,555	1,493,495
Due from other funds	305,501	-	-	-	305,501
Prepaid items	58,666	-	-	-	58,666
Restricted assets:					
Cash and cash equivalents	605,389	-	-	-	605,389
Customer deposits	7,000	-	-	-	7,000
Total assets	<u>\$ 19,207,039</u>	<u>\$ 6,497,304</u>	<u>\$ 3,042,090</u>	<u>\$ 469,885</u>	<u>\$ 29,216,318</u>
LIABILITIES					
Accounts payable	\$ 830,484	\$ 64,907	\$ -	\$ 6,470	\$ 901,861
Retainage payable	-	8,136	-	-	8,136
Accrued liabilities	294,796	-	-	10,155	304,951
Due to other funds	-	-	-	5,308	5,308
Deferred revenue	6,603,325	-	-	8,738	6,612,063
Deposits payable	7,000	-	-	-	7,000
Amounts held for others	551,787	-	-	-	551,787
Total liabilities	<u>8,287,392</u>	<u>73,043</u>	<u>-</u>	<u>30,671</u>	<u>8,391,106</u>
FUND BALANCES					
Nonspendable	58,666	-	-	-	58,666
Restricted	120,217	-	-	-	120,217
Committed	5,178,250	-	-	-	5,178,250
Assigned	2,089,799	6,424,261	3,042,090	444,522	12,000,672
Unassigned	3,472,715	-	-	(5,308)	3,467,407
Total fund balances	<u>10,919,647</u>	<u>6,424,261</u>	<u>3,042,090</u>	<u>439,214</u>	<u>20,825,212</u>
Total liabilities and fund balances	<u>\$ 19,207,039</u>	<u>\$ 6,497,304</u>	<u>\$ 3,042,090</u>	<u>\$ 469,885</u>	<u>\$ 29,216,318</u>

CITY OF STAUNTON, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balances - Governmental Funds \$ 20,825,212

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources,
and, therefore, are not reported in the funds.

Governmental capital assets	\$ 117,562,350	
Less: accumulated depreciation	<u>(58,838,901)</u>	
		58,723,449

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 position:

Issuance costs (to be amortized as interest expense)	\$ 194,492	
Bond premiums (to be amortized as a reduction of interest expense)	(15,908)	
Bond discounts (to be amortized as interest expense)	132,070	
Deferred amount on refunding (to be amortized as interest expense)	<u>478,396</u>	789,050

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 position.

667,578

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	10,628	
Miscellaneous reimbursement	48,487	
Real estate taxes	<u>2,388,395</u>	16,464,177

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

General obligation bonds	\$ (29,712,455)	
Literary fund loans	(13,800,000)	
Accrued interest payable	(723,077)	
Claims payable	(73,264)	
Compensated absences	<u>(1,435,283)</u>	
		<u>(45,744,079)</u>

Total Net Position - Governmental Activities		<u><u>\$ 51,725,387</u></u>
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CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
General property taxes	\$ 21,767,074	\$ -	\$ -	\$ -	\$ 21,767,074
Other local taxes	12,350,768	-	-	-	12,350,768
Permits, privilege fees, and regulatory licenses	192,509	-	-	-	192,509
Fines and forfeitures	61,682	-	-	-	61,682
Revenues from use of money and property	45,764	5,506	-	7,076	58,346
Charges for services	1,506,560	-	-	100,026	1,606,586
Miscellaneous	32,963	-	-	20,000	52,963
Recovered costs	431,131	126,869	-	10,893	568,893
Intergovernmental:					
Federal	898,432	6,960	-	144,793	1,050,185
Commonwealth	10,590,261	21,324	-	545,352	11,156,937
City of Staunton School Board	-	-	355,000	-	355,000
Total revenues	47,877,144	160,659	355,000	828,140	49,220,943
EXPENDITURES					
Current:					
General government administration	4,198,998	1,958	-	-	4,200,956
Judicial administration	1,717,714	-	-	-	1,717,714
Public safety	8,850,257	1,034,016	-	808,397	10,692,670
Public works	5,387,269	145,621	-	-	5,532,890
Health and welfare	5,636,446	-	-	-	5,636,446
Education	10,802,257	202,170	-	-	11,004,427
Parks, recreation, and cultural	2,902,701	53,314	-	7,985	2,964,000
Community development	1,360,280	12,424	-	137,555	1,510,259
Capital projects	-	533,126	-	-	533,126
Debt service:					
Principal retirement	-	-	1,783,845	-	1,783,845
Interest and fiscal charges	-	-	1,203,682	-	1,203,682
Debt issue costs	-	-	96,553	-	96,553
Total expenditures	40,855,922	1,982,629	3,084,080	953,937	46,876,568
Excess (deficiency) of revenues over expenditures	7,021,222	(1,821,970)	(2,729,080)	(125,797)	2,344,375
OTHER FINANCING SOURCES (USES)					
Issuance of debt	-	-	15,000,000	-	15,000,000
Payment to Commonwealth with debt proceeds	-	-	(15,000,000)	-	(15,000,000)
Transfers in	-	5,452,004	3,431,100	50,000	8,933,104
Transfers out	(5,357,504)	(500,000)	(3,000,000)	(300,000)	(9,157,504)
Total other financing sources (uses)	(5,357,504)	4,952,004	431,100	(250,000)	(224,400)
Net change in fund balance	1,663,718	3,130,034	(2,297,980)	(375,797)	2,119,975
Fund balance - beginning of year	9,255,929	3,294,227	5,340,070	815,011	18,705,237
Fund balance - end of year	\$ 10,919,647	\$ 6,424,261	\$ 3,042,090	\$ 439,214	\$ 20,825,212

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, 2013

Net changes in fund balances - Governmental Funds \$ 2,119,975

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	\$ (2,859,018)	
Capital expenditures	696,474	
Transfer asset back to schools	(135,093)	
Contributed Capital	<u>230,057</u>	
		(2,067,580)

In the statement of activities, only the gain on the disposal of capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset. (8,425)

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

Property taxes	565,931	
Interest	(3,237)	
Miscellaneous revenue	21,169	

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

Proceeds from the issuance of debt	(15,000,000)	
GO bond, literary loan and contractual obligation payments	16,783,845	
Bond issuance costs	96,553	

Governmental funds report interest on long term debt as expenditures when payments are made, while the statement of activities reports interest expense on the accrual basis. (74,487)

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	(13,065)	
Amortization of bond issue costs, deferred amount, and bond premium	(55,457)	

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

40,840

Change in net position - Governmental Activities	\$ <u><u>2,406,062</u></u>	
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CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2013

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service Fund
	Water Fund	Sewer Fund	Stormwater Fund	Environmental Fund	Nonmajor Funds	Total	
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,771,632	\$ 1,010,667	\$ 981,881	\$ 334,438	\$ 142,137	\$ 4,240,755	\$ 334,606
Investments	2,738,597	2,387,399	-	2,299,117	-	7,425,113	-
Receivable:							
Accounts (net of allowance for uncollectibles)	543,017	681,223	116,714	330,717	12,911	1,684,582	13,945
Interest	17,583	15,413	-	17,416	-	50,412	-
Inventory	-	-	-	-	-	-	259,583
Prepaid items	-	-	-	-	-	-	5,078
Restricted assets:							
Cash and cash equivalents	2,235,979	8,339	45,000	1,871,244	5,422	4,165,984	-
Total current assets	7,306,808	4,103,041	1,143,595	4,852,932	160,470	17,566,846	613,212
Noncurrent assets:							
Deferred Charges	62,473	34,413	-	4,253	5,689	106,828	-
Loans receivable	-	3,549,441	-	-	-	3,549,441	-
Capital assets:							
Nondepreciable	483,891	175,607	185,591	564,089	1,058,943	2,468,121	-
Depreciable, net	20,623,729	36,786,719	9,412,038	2,940,329	4,748,444	74,511,259	74,256
Total capital assets, net	21,107,620	36,962,326	9,597,629	3,504,418	5,807,387	76,979,380	74,256
Total noncurrent assets	21,170,093	40,546,180	9,597,629	3,508,671	5,813,076	80,635,649	74,256
Total assets	28,476,901	44,649,221	10,741,224	8,361,603	5,973,546	98,202,495	687,468
LIABILITIES							
Current liabilities:							
Accounts payable	200,941	149,942	6,961	130,281	2,945	491,070	19,890
Retainage payable	45,936	-	-	-	-	45,936	-
Accrued liabilities	109,578	152,604	1,168	20,539	14,608	298,497	-
Unearned revenue	-	-	25,000	-	11,867	36,867	-
Deposits payable	197,579	-	45,000	-	5,422	248,001	-
Due to other funds	-	-	-	278,920	21,273	300,193	-
Debt, current	536,421	1,392,343	-	299,700	194,410	2,422,874	-
Landfill closure/postclosure	-	-	-	34,003	-	34,003	-
Compensated absences	78,246	9,780	1,338	45,521	-	134,885	-
Total current liabilities	1,168,701	1,704,669	79,467	808,964	250,525	4,012,326	19,890
Noncurrent liabilities:							
Debt	7,758,369	15,625,337	-	310,100	1,413,233	25,107,039	-
Landfill closure/postclosure	-	-	-	2,128,130	-	2,128,130	-
Compensated absences	14,539	-	1,130	38,954	-	54,623	-
Total noncurrent liabilities	7,772,908	15,625,337	1,130	2,477,184	1,413,233	27,289,792	-
Total liabilities	8,941,609	17,330,006	80,597	3,286,148	1,663,758	31,302,118	19,890
NET POSITION							
Net investment in capital assets	14,913,703	19,987,398	9,597,629	2,942,682	4,205,433	51,646,845	74,256
Unrestricted	4,621,589	7,331,817	1,062,998	2,132,773	104,355	15,253,532	593,322
Total net position	\$ 19,535,292	\$ 27,319,215	\$ 10,660,627	\$ 5,075,455	\$ 4,309,788	\$ 66,900,377	\$ 667,578

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	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	\$ -	\$ -	\$ -	\$ -	\$ 36,334	\$ 36,334	\$ -
Charges for services	3,531,287	3,894,996	715,276	1,945,117	396,728	10,483,404	1,324,917
Rental of property	50,161	-	-	1,489	4,752	56,402	-
Operating grants	-	-	-	13,374	-	13,374	-
Miscellaneous	5,617	13,334	602	3,694	240	23,487	-
Total operating revenues	3,587,065	3,908,330	715,878	1,963,674	438,054	10,613,001	1,324,917
OPERATING EXPENSES							
Personal services	292,957	515,885	51,535	859,915	159,196	1,879,488	-
Fringe benefits	475,227	77,830	26,230	299,752	36,769	915,808	-
Rental of property	2,289	1,710	-	-	520	4,519	4,420
Repairs and maintenance	629,475	39,149	-	38,044	343	707,011	-
Contractual services	217,714	1,164,644	4,920	448,149	9,020	1,844,447	36,689
Materials and supplies	215,962	167,615	70,053	172,035	29,333	654,998	34,881
Depreciation	790,280	1,141,804	444,966	251,668	184,944	2,813,662	3,398
Utilities	181,456	11,110	-	3,284	33,844	229,694	-
Other expenses	485,512	271,888	184,271	269,022	60,937	1,271,630	1,204,689
Landfill closure/post-closure	-	-	-	60,567	-	60,567	-
Total operating expenses	3,290,872	3,391,635	781,975	2,402,436	514,906	10,381,824	1,284,077
Operating income (loss)	296,193	516,695	(66,097)	(438,762)	(76,852)	231,177	40,840
NONOPERATING REVENUES (EXPENSES)							
Interest income	14,324	6,935	-	18,531	-	39,790	-
Interest and fiscal charges	(304,653)	(636,103)	-	(28,821)	(74,978)	(1,044,555)	-
Gain on disposal of assets	11,593	-	-	3,612	1,593	16,798	-
Debt service recovery	-	118,961	-	-	-	118,961	-
Total nonoperating revenues (expenses)	(278,736)	(510,207)	-	(6,678)	(73,385)	(869,006)	-
Income (loss) before transfers	17,457	6,488	(66,097)	(445,440)	(150,237)	(637,829)	40,840
Transfers in	-	-	-	-	224,400	224,400	-
Change in net position	17,457	6,488	(66,097)	(445,440)	74,163	(413,429)	40,840
Total net position - beginning of year	19,517,835	27,312,727	10,726,724	5,520,895	4,235,625	67,313,806	626,738
Total net position - end of year	\$ 19,535,292	\$ 27,319,215	\$ 10,660,627	\$ 5,075,455	\$ 4,309,788	\$ 66,900,377	\$ 667,578

CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	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	\$ 3,620,357	\$ 3,843,224	\$ 726,474	\$ 1,935,575	\$ 438,841	\$ 10,564,471	\$ 1,326,399
Cash paid to suppliers	(1,744,249)	(1,710,862)	(282,288)	(976,272)	(139,087)	(4,852,758)	(1,298,081)
Cash paid to employees for services	(775,317)	(596,890)	(75,767)	(1,153,766)	(195,522)	(2,797,262)	-
Operating grants received	-	-	-	13,374	-	13,374	-
Net cash provided (used) by operating activities	1,100,791	1,535,472	368,419	(181,089)	104,232	2,927,825	28,318
NONCAPITAL FINANCING ACTIVITIES							
Transfer from investment account	-	-	-	1,088,000	-	1,088,000	-
Transfers from other funds	-	-	-	-	224,400	224,400	-
Interfund borrowing	-	-	-	(384,910)	14,513	(370,397)	-
Net cash provided by noncapital financing activities	-	-	-	703,090	238,913	942,003	-
CAPITAL AND RELATED FINANCING ACTIVITIES							
Acquisition and construction of capital assets	(1,637,066)	(78,357)	(176,223)	(207,857)	(17,419)	(2,116,922)	-
Principal paid on long-term debt	(502,357)	(1,335,643)	-	(289,600)	(187,162)	(2,314,762)	-
Interest paid on long-term debt	(367,107)	(488,461)	-	(26,100)	(74,321)	(955,989)	-
Proceeds from capital grants	-	-	25,000	-	-	25,000	-
Proceeds from sale of capital assets	11,593	-	-	3,612	1,593	16,798	-
Collection of loans receivable	-	257,186	-	-	-	257,186	-
Net cash used by capital and related financing activities	(2,494,937)	(1,645,275)	(151,223)	(519,945)	(277,309)	(5,088,689)	-
INVESTING ACTIVITIES							
Interest received	6,286	21	-	8,721	-	15,028	-
Net cash provided by investing activities	6,286	21	-	8,721	-	15,028	-
Net increase (decrease) in cash and cash equivalents	(1,387,860)	(109,782)	217,196	10,777	65,836	(1,203,833)	28,318
CASH AND CASH EQUIVALENTS							
Beginning of year	5,395,471	1,128,788	809,685	2,194,905	81,723	9,610,572	306,288
End of year	\$ 4,007,611	\$ 1,019,006	\$ 1,026,881	\$ 2,205,682	\$ 147,559	\$ 8,406,739	\$ 334,606
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	\$ 1,771,632	\$ 1,010,667	\$ 981,881	\$ 334,438	\$ 142,137	\$ 4,240,755	\$ 334,606
Restricted -cash and cash equivalents	2,235,979	8,339	45,000	1,871,244	5,422	4,165,984	-
Total	\$ 4,007,611	\$ 1,019,006	\$ 1,026,881	\$ 2,205,682	\$ 147,559	\$ 8,406,739	\$ 334,606

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

CITY OF STAUNTON, VIRGINIA

STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2013

	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)	\$ 296,193	\$ 516,695	\$ (66,097)	\$ (438,762)	\$ (76,852)	\$ 231,177	\$ 40,840
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	790,280	1,141,804	444,966	251,668	184,944	2,813,662	3,398
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	24,725	(65,106)	(1,904)	(14,725)	(365)	(57,375)	1,482
Decrease (increase) in prepaid items	-	-	-	-	-	-	11,282
Decrease (increase) in inventory	-	-	-	-	-	-	(24,543)
Increase (decrease) in accounts payable	(11,841)	(54,746)	(23,044)	(11,734)	(5,089)	(106,454)	(4,141)
Increase (decrease) in accrued liabilities	(308)	(856)	147	2,100	443	1,526	-
Increase (decrease) in unearned revenue	-	-	-	-	400	400	-
Increase (decrease) in deposits payable	8,567	-	12,500	-	751	21,818	-
Increase (decrease) in compensated absences	(6,825)	(2,319)	1,851	3,801	-	(3,492)	-
Increase (decrease) in landfill closure/ post-closure liabilities	-	-	-	26,563	-	26,563	-
Net cash provided (used) by operating activities	<u>\$ 1,100,791</u>	<u>\$ 1,535,472</u>	<u>\$ 368,419</u>	<u>\$ (181,089)</u>	<u>\$ 104,232</u>	<u>\$ 2,927,825</u>	<u>\$ 28,318</u>

CITY OF STAUNTON, VIRGINIA

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	OPEB Trust Fund
ASSETS	
Assets held in trust, at fair value	
Investment in pooled funds	\$ 717,842
Total assets	<u>717,842</u>
NET POSITION	
Held in trust for other post-employment benefits	717,842
Total net position	<u><u>\$ 717,842</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2013

	OPEB Trust Fund
	<hr/>
ADDITIONS/REDUCTIONS	
Contributions from employer	\$ 26,000
Investment income	
Net appreciation in fair value of investments	77,519
Less investment expenses	<u>(1,236)</u>
Net investment income	<u>76,283</u>
Total Additions	<u>102,283</u>
DEDUCTIONS	
Withdrawals	<u>120,000</u>
Total deductions	<u>120,000</u>
Change in net position	(17,717)
Total Net Position Held in Trust for Other Post-employment Benefits - beginning of year	<u>735,559</u>
Total Net Position Held in Trust for Other Post-employment Benefits - end of year	<u><u>\$ 717,842</u></u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

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 23,800. 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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

A. The Financial Reporting Entity (Continued)

Related organizations:

The City also participates in the following entities:

Augusta Regional Landfill

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

Middle River Regional Jail Authority

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

B. Government-wide and Fund Financial Statements

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

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, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental fund:

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

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

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

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

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

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

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

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

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

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

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

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

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

The **Internal Service Fund** is used to account for the financing of goods and services provided by one department to other departments of the City. The City has established the Inventory Fund for this purpose. In the government-wide Statement of Net Position, 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.

Fiduciary Funds account for assets held by the City in a trustee capacity or as an agent for individuals, other governmental units, or other funds. The **OPEB Trust Fund** accounts for the assets held for, and costs of, other post-employment benefits (OPEBs). It is accounted for in the same manner as a proprietary fund type. Measurement focus is upon determination of the change in net position.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

D. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

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

Investments

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

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 consisted of the following:

General Fund (property taxes)	\$ 565,788
General Fund (other local taxes)	4,191
Water Fund (charges for services)	37,998
Sewer Fund (charges for services)	61,764
Stormwater Fund (charges for services)	26,684
Parking Fund (charges for services)	955
Environmental Fund (charges for services)	24,136
	<hr/>
	\$ 721,516
	<hr/>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Inventory

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

Prepaid Items

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

Capital Assets

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

Capital assets 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	10-50 years
Land improvements	10-50 years
Infrastructure	20-50 years
Utility transmission lines and mains	50 years
Furniture and equipment	3-10 years
Vehicles	3-10 years

Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of assets constructed. The amount of interest capitalized depends on specific circumstances. Interest capitalized during the year totaled \$45,776.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Compensated Absences

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

School Board employees on twelve-month contracts earn vacation leave based on length of service and are entitled to compensation for such upon resignation or retirement. Twelve-month personnel can carry over an unlimited number of accumulated vacation leave days to a succeeding fiscal year. However, upon termination, the maximum payout is 15 days. 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 a liability for these amounts is reported only if they have matured; for example, as a result of employee resignations and retirements.

Other Post-Employment Benefits Trust Fund

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 Stormwater Fund, deferred revenue consists of grant proceeds for which eligibility requirements have not been met. In the Golf Fund, deferred revenue consists of membership fees which apply to subsequent periods.

Long-Term Obligations

In the government-wide financial statements (and proprietary fund types in the fund financial statements), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. 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 Position

Net position in the government-wide and proprietary financial statements are classified as net investment in capital assets; restricted; and unrestricted. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations. Restricted net position arose from contributions and grants required to be used for specific purposes.

The golf fund had negative net position totaling \$5,308 at June 30, 2013 as a result of costs exceeding fees charged.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balance Policies

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

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

Restricted Fund Balance: includes amounts that have constraints placed on their use by external sources such as creditors (debt covenants), grantors, contributors, or laws or other regulations of other governments. Restricted fund balance can also be imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: includes amounts that can only be used for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance: includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Balance Policies (Continued)

Stabilization Arrangement:

City Council has formally adopted by resolution a requirement to establish and maintain a safety net reserve equal to a minimum of \$5,178,250 million or 11% 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, 2013 for the general fund is \$5,178,250 and is categorized as committed fund balance. 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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

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 range in amount 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).

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 2. Deposits and Investments (Continued)

Investment policy (Continued)

As of June 30, 2013, the City's investments consisted of the following:

Investment Type	Fair Value	S & P Credit Rating
<u>Primary Government</u>		
Money Market Funds	\$ 2,093,344	Not Rated
State, Municipal and Authority Bonds	4,559,703	AA to AAA
Federal Agency Bonds and Notes	1,957,705	AA+
Corporate Bonds/Notes	1,883,829	AA- to AAA
Local Government Investment Pool (LGIP)	592,355	AAAm
VA State Non-Arbitrage Program (SNAP)	2,078,674	AAAm
	<hr/>	
Total primary government	13,165,610	
<u>Component Unit School Board</u>		
Money Market Funds	94,555	Not Rated
Local Government Investment Pool (LGIP)	570,384	AAAm
Total Component Unit School Board	664,939	
	<hr/>	
Grand total	\$ 13,830,549	
	<hr/>	

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, 2013, that exceeded 5 percent of the total investment balance. These investments were not considered by management to represent a risk to the City.

Issuer	Percent of Total Portfolio
Local Government Investment Pool (LGIP)	8.41%
VA State Non-Arbitrage Program (SNAP)	15.03%
StellarOne Money Market	14.36%

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 2. Deposits and Investments (Continued)

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

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

Investment Type	Fair Value	Weighted Average Maturity (years)
Money Market Funds	\$ 2,187,899	N/A
State, Municipal, and Authority Bonds	4,559,703	.72
Federal Agency Notes and Bonds	1,957,705	.77
Corporate Bonds/Notes	1,883,829	1.02
Local Government Investment Pool (LGIP)	1,162,739	N/A
Virginia State Non-Arbitrage Pool (SNAP)	2,078,674	N/A
	<u>\$ 13,830,549</u>	

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

	Primary Government	Component Units	
		School Board	EDA
Deposits and investments:			
Cash on hand	\$ 7,920	\$ -	\$ -
Deposits	25,229,280	3,341,741	123,831
Investments	13,165,610	664,939	-
	<u>\$ 38,402,810</u>	<u>\$ 4,006,680</u>	<u>\$ 123,831</u>
Statement of net position:			
Cash and cash equivalents	\$ 25,021,779	\$ 3,912,125	\$ 123,831
Investments	8,602,658	-	-
Restricted-cash and cash equivalents	4,778,373	94,555	-
	<u>\$ 38,402,810</u>	<u>\$ 4,006,680</u>	<u>\$ 123,831</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 3. Due From Other Governmental Units

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Component Unit – School Board
Commonwealth of Virginia	\$ 1,455,656	\$ 28,284	\$ 1,520	\$ 2,058,589
Federal Government	-	-	50	-
Other Entities	-	-	7,985	-
Total	<u>\$ 1,455,656</u>	<u>\$ 28,284</u>	<u>\$ 9,555</u>	<u>\$ 2,058,589</u>

Note 4. Interfund Transfers and Obligations

Primary Government:

	Transfers Out	Transfers In			
	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Total
Capital Projects Fund	\$ -	\$ 500,000	\$ -	\$ -	\$ 500,000
Debt Service Fund	3,000,000	-	-	-	3,000,000
General Fund	2,452,004	2,631,100	50,000	224,400	5,357,504
Nonmajor Governmental Funds	-	300,000	-	-	300,000
Total	<u>\$ 5,452,004</u>	<u>\$ 3,431,100</u>	<u>\$ 50,000</u>	<u>\$ 224,400</u>	<u>\$ 9,157,504</u>

Transfers from the General Fund to nonmajor governmental funds are to support operations. Transfers from the nonmajor governmental, Capital Projects and General Fund to the Debt Service Fund are to fund debt service costs. Transfers from the General Fund to the Parking Fund are to fund debt service costs. Transfers from the General fund and Debt Service fund to the Capital Projects fund are to fund capital projects.

Component Unit School Board:

	Transfers Out	Transfers In	
	Education Fund	Nonmajor Governmental Funds	Total
Education fund	\$ -	\$ 772,039	\$ 772,039
Nonmajor governmental funds	72,972	-	72,972
Total	<u>\$ 72,972</u>	<u>\$ 772,039</u>	<u>\$ 845,011</u>

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 4. Interfund Transfers and Obligations (Continued)

Interfund Advances:

The General Fund has a receivable in the amount of \$278,920 from the Environmental Fund and \$21,273 from the Golf Fund for advances to cover cash deficits. These advances are expected to be collected in the subsequent year.

The General Fund has a receivable in the amount of \$5,308 from the Trolley fund for an advance to cover a cash deficit. As of June 30, 2014, the Trolley fund is expected to be closed and any remaining balance or deficit will be absorbed by the General Fund.

In the School Board Component Unit, the Education Fund has a receivable in the amount of \$624,985 from the State Operated Programs Fund for an advance to cover a cash deficit. The advance is expected to be collected in the subsequent year when grant reimbursements are received.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 5. Capital Assets

Primary Government:

Capital asset activity for the primary government for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 3,714,383	\$ 957,654	\$ 1,700	\$ 4,670,337
Construction in progress	519,126	521,884	592,538	448,472
Total capital assets, not depreciated	4,233,509	1,479,538	594,238	5,118,809
Capital assets, depreciated:				
Buildings	12,260,746	239,025	8,600	12,491,171
Improvements	2,734,532	10,220	-	2,744,752
School assets*	28,922,080	-	337,000	28,585,080
Equipment	13,093,217	590,318	582,167	13,101,368
Infrastructure	56,536,813	170,168	957,654	55,749,327
Total capital assets, depreciated	113,547,388	1,009,731	1,885,421	112,671,698
Less accumulated depreciation for:				
Buildings	4,740,764	371,516	8,600	5,103,680
Improvements	1,982,854	99,089	-	2,081,943
School assets*	6,506,817	705,312	201,907	7,010,222
Equipment	9,902,301	586,197	575,442	9,913,056
Infrastructure	33,771,053	1,112,848	-	34,883,901
Total accumulated depreciation	56,903,789	2,874,962	785,949	58,992,802
Total capital assets, depreciated, net	56,643,599	(1,865,231)	1,099,472	53,678,896
Total capital assets, net, governmental activities	\$ 60,877,108	\$ (385,693)	\$ 1,693,710	\$ 58,797,705

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 assets from the environmental fund in the amount of \$12,546.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 5. Capital Assets (Continued)

Primary Government: (Continued)

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 1,928,569	\$ 62,731	\$ -	\$ 1,991,300
Construction in progress	761,973	354,426	639,578	476,821
Total capital assets, not depreciated	2,690,542	417,157	639,578	2,468,121
Capital assets, depreciated:				
Landfill	3,587,706	338,595	-	3,926,301
Buildings	37,133,921	512,367	-	37,646,288
Improvements	6,888,075	41,500	-	6,929,575
Equipment	10,825,641	542,554	291,917	11,076,278
Utility lines	55,423,842	1,315,120	-	56,738,962
Total capital assets, depreciated	113,859,185	2,750,136	291,917	116,317,404
Less accumulated depreciation				
Landfill	1,904,068	345,853	-	2,249,921
Buildings	7,913,266	791,293	-	8,704,559
Improvements	2,304,957	225,879	-	2,530,836
Equipment	8,033,878	387,289	286,591	8,134,576
Utility lines	18,789,399	1,396,854	-	20,186,253
Total accumulated depreciation	38,945,568	3,147,168	286,591	41,806,145
Total capital assets, depreciated, net	74,913,617	(397,032)	5,326	74,511,259
Total capital assets, net, business-type activities	\$ 77,604,159	\$ 20,125	\$ 644,904	\$ 76,979,380

Additions to accumulated depreciation of business-type activities differ from depreciation expense for business-type activities due to the change in the value of the landfill land (according to the operating agreement between the participating localities) in the amount of \$333,506.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 5. Capital Assets (Continued)

Component Unit – School Board

Capital asset activity for the Component Unit – School Board for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
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	39,891,023	28,505	19,563	39,899,965
Improvements	720,310	-	24,430	695,880
School assets allocated to the City*	(28,922,080)	-	(337,000)	(28,585,080)
Equipment	8,038,313	314,861	2,626,505	5,726,669
Total capital assets, depreciated	19,727,566	343,366	2,333,498	17,737,434
Less accumulated depreciation				
Buildings	11,613,352	874,504	2,115	12,485,741
Improvements	316,073	21,085	203	336,955
School assets allocated to the City*	(6,506,817)	(705,312)	(201,907)	(7,010,222)
Equipment	5,975,067	393,939	2,403,171	3,965,835
Total accumulated depreciation	11,397,675	584,216	2,203,582	9,778,309
Total capital assets, depreciated, net	8,329,891	(240,850)	129,916	7,959,125
Total capital assets, net, Component Unit – School Board	\$ 8,565,891	\$ (240,850)	\$ 129,916	\$ 8,195,125

*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.

Additions to accumulated depreciation of the school board component unit differ from depreciation expense of the school board component unit due to the transfer of assets between categories in the amount of \$2,318.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 5. Capital Assets (Continued)

Component Unit – EDA

Capital asset activity for the Component Unit – EDA for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Component Unit – EDA:				
Capital assets, not depreciated:				
Land	\$ 799,748	\$ -	\$ -	\$ 799,748
Total capital assets, not depreciated	799,748	-	-	799,748
Capital assets, depreciated:				
Buildings	8,225,224	-	-	8,225,224
Improvements	80,416	-	-	80,416
Equipment	2,002,896	-	-	2,002,896
Total capital assets, depreciated	10,308,536	-	-	10,308,536
Less accumulated depreciation				
Buildings	1,099,973	164,746	-	1,264,719
Improvements	54,281	8,042	-	62,323
Equipment	909,111	135,815	-	1,044,926
Total accumulated depreciation	2,063,365	308,603	-	2,371,968
Total capital assets, depreciated, net	8,245,171	(308,603)	-	7,936,568
Total capital assets, net, Component Unit – EDA	\$ 9,044,919	\$ (308,603)	\$ -	\$ 8,736,316

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 5. Capital Assets (Continued)

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

Governmental activities:

General government administration	\$ 143,656
Judicial administration	8,523
Public safety	312,275
Public works	1,502,592
Health and welfare	5,148
Education	705,312
Parks, recreation, and culture	<u>184,910</u>
Total depreciation expense – governmental	<u><u>\$ 2,862,416</u></u>

Business-type activities:

Water	\$ 790,280
Sewer	1,141,804
Stormwater	444,966
Environmental	251,668
Golf	32,138
Parking	<u>152,806</u>
Total depreciation expense – business-type	<u><u>\$ 2,813,662</u></u>

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

Instruction	\$ 393,479
Administration, attendance and health	334
Pupil transportation	120,913
School food service	52,445
Operation and maintenance	<u>14,727</u>
Total depreciation expense – School Board	<u><u>\$ 581,898</u></u>

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

Community Development	<u>\$ 308,603</u>
Total depreciation expense – EDA	<u><u>\$ 308,603</u></u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 6. Long-Term Debt

The following is a summary of long-term debt transactions (including current amounts) for the year ended June 30, 2013:

Primary Government:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Governmental activities:					
General obligation debt:					
General obligation bonds	\$ 15,546,300	\$ 15,000,000	\$ 833,845	\$ 29,712,455	\$ 1,516,353
Literary fund loans	14,750,000	-	950,000	13,800,000	950,000
Contractual obligation	15,000,000	-	15,000,000	-	-
	<u>45,296,300</u>	<u>15,000,000</u>	<u>16,783,845</u>	<u>43,512,455</u>	<u>2,466,353</u>
Less unamortized bond discount	(142,408)	-	(10,338)	(132,070)	(10,269)
Plus unamortized bond premium	31,817	-	15,909	15,908	15,908
Less deferred amount on refunding	<u>(515,841)</u>	<u>-</u>	<u>(37,445)</u>	<u>(478,396)</u>	<u>(37,198)</u>
Total general obligation debt	<u>44,669,868</u>	<u>15,000,000</u>	<u>16,751,971</u>	<u>42,917,897</u>	<u>2,434,794</u>
Other liabilities:					
Compensated absences	1,450,804	806,045	821,566	1,435,283	821,566
Claims payable	<u>75,651</u>	<u>200,000</u>	<u>198,655</u>	<u>76,996</u>	<u>20,755</u>
Total other liabilities	<u>1,526,455</u>	<u>1,006,045</u>	<u>1,020,221</u>	<u>1,512,279</u>	<u>842,321</u>
Total governmental activities long-term debt	<u><u>\$ 46,196,323</u></u>	<u><u>\$ 16,006,045</u></u>	<u><u>\$ 17,772,192</u></u>	<u><u>\$ 44,430,176</u></u>	<u><u>\$ 3,277,115</u></u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 6. Long-Term Debt (Continued)

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loans	\$ 26,512,857	\$ -	\$ 1,838,001	\$ 24,674,856	\$ 1,894,850
General obligation bonds	2,701,564	-	476,762	2,224,802	494,695
	29,214,421	-	2,314,763	26,899,658	2,389,545
Plus unamortized bond premium	861,430	-	64,621	796,809	64,621
Less unamortized bond discount	(57,548)	-	(6,404)	(51,144)	(6,146)
Less deferred amount on refunding	(142,352)	-	(26,942)	(115,410)	(25,146)
Total bonds and loans payable	29,875,951	-	2,346,038	27,529,913	2,422,874
Other liabilities:					
Landfill closure/postclosure liability	2,135,570	60,566	34,003	2,162,133	34,003
Compensated absences	193,000	134,853	138,345	189,508	134,885
Total other liabilities	2,328,570	195,419	172,348	2,351,641	168,888
Total business-type activities long-term debt	<u>\$ 32,204,521</u>	<u>\$ 195,419</u>	<u>\$ 2,518,386</u>	<u>\$ 29,881,554</u>	<u>\$ 2,591,762</u>

Component Unit – School Board

Other liabilities:					
Compensated absences	<u>\$ 358,780</u>	<u>\$ 142,685</u>	<u>\$ 140,762</u>	<u>\$ 360,703</u>	<u>\$ 161,786</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, 2013

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	\$ -	\$ 609,800
2005 CIP Bonds (City and Schools)	3.43%	06/2005	02/2025	4,600,000	3,235,962	-
2007 GO Refunding & CIP Bonds	3.50-4.25%	01/2007	02/2034	10,600,000	9,565,000	525,000
1997A School Construction Bonds	4.35- 5.225%	11/1997	01/2017	2,000,000	500,000	-
1997B School Construction Bonds	4.35- 5.225%	11/1997	01/2017	4,211,116	1,186,493	-
1998 Parking Garage Bonds	4.20%	12/1998	06/2019	3,000,000	-	1,090,002
2004 GO Bonds (Hotel)	3.2-4%	06/2004	02/2014	10,000,000	225,000	-
2012 GO Bonds (Staunton Crossing)	2.21%	10/2012	10/2027	10,000,000	10,000,000	-
2013 GO Bonds (Staunton Crossing)	2.58%	01/2013	01/2028	5,000,000	5,000,000	-
					<u>\$ 29,712,455</u>	<u>\$ 2,224,802</u>
<u>Literary Fund Loans :</u>						
2002 Bessie Weller Elem	4.00%	02/2002	03/2022	4,000,000	\$ 1,800,000	\$ -
2008 McSwain Elem	3.00%	08/2008	08/2028	7,500,000	6,000,000	-
2008 Ware Elem	3.00%	08/2008	08/2028	7,500,000	6,000,000	-
					<u>\$ 13,800,000</u>	<u>\$ -</u>
<u>Virginia Revolving Loan Funds:</u>						
Middle River Wastewater Phase I	4.50%	02/1996	08/2015	6,510,767	\$ -	\$ 1,181,941
Middle River Wastewater Phase II	3.50%	09/2001	03/2021	6,411,399	-	3,159,712
Middle River Wastewater Phase IIIA	3.00%	01/2008	03/2030	9,309,033	-	8,376,069
Middle River Wastewater Phase IIIB	3.00%	09/2008	03/2030	2,066,747	-	1,861,979
	1.125%- 5.125%					
2009A Refunding Bonds	5.125%	06/2009	10/2021	4,150,000	-	3,165,000
2010A VRA Water and Sewer CIP	2.78%-5.2%	06/2010	10/2030	7,080,000	-	6,595,000
New Hope Road	3.85%	03/2002	09/2021	629,734	-	335,155
					<u>\$ -</u>	<u>\$ 24,674,856</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

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	
	Principal	Interest	Principal	Interest
2014	\$ 1,516,353	\$ 937,508	\$ 950,000	\$ 432,000
2015	1,550,449	886,985	950,000	401,500
2016	1,596,046	833,054	950,000	371,000
2017	1,877,195	776,106	950,000	340,500
2018	1,927,922	713,819	950,000	310,000
2019-2023	8,623,317	2,801,087	4,550,000	1,092,500
2024-2028	8,936,173	1,492,396	3,750,000	450,000
2029-2033	3,010,000	535,057	750,000	22,500
2034-2038	675,000	28,688	-	-
	<u>\$ 29,712,455</u>	<u>\$ 9,004,700</u>	<u>\$ 13,800,000</u>	<u>\$ 3,420,000</u>
Year Ending June 30,	Business-Type Activities			
	General Obligation Bonds		Virginia Revolving Loan	
	Principal	Interest	Principal	Interest
2014	\$ 494,695	\$ 81,921	\$ 1,894,850	\$ 913,463
2015	512,819	63,091	1,963,491	845,890
2016	215,617	49,213	1,786,415	769,496
2017	224,109	39,997	1,599,092	705,163
2018	232,893	30,412	1,659,773	642,390
2019-2023	219,669	84,225	7,327,572	2,245,151
2024-2028	130,000	57,563	5,442,798	1,165,912
2029-2033	160,000	28,364	3,000,865	177,125
2034-2038	35,000	1,488	-	-
	<u>\$ 2,224,802</u>	<u>\$ 436,274</u>	<u>\$ 24,674,856</u>	<u>\$ 7,464,590</u>

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

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 were vested as of January 1, 2013 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 Plan 1 members who were not vested on January 1, 2013 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. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. 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, 2013

Note 7. Defined Benefit Pension Plan (Continued)

Plan description (Continued)

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for plans administered by VRS. A copy of the report may be obtained from the VRS website at <http://www.varetire.org/Pdf/publications/2012-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. Effective July 1, 2012, the employee began to pay their 5% share. Also effective July 1, 2012, the City and Staunton School Board provided a salary increase of 5.7% to cover this increase in cost to the employee. 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 2013 was 17.67% of annual covered payroll. The City School Board contribution rate for fiscal year 2013 was 12.39% of annual covered payroll of non-professional employees.

The City School Board contribution rate for fiscal year 2013 was 11.66% of annual covered payroll for professional employees. The City School Board required contributions to the teacher cost-sharing pool were \$2,703,822 for fiscal year 2013, \$1,839,595 for fiscal year 2012, and \$1,433,158 for fiscal year 2011. In each year, the School Board contributed 100% of the required contributions.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 7. Defined Benefit Pension Plan (Continued)

Annual pension cost

For fiscal year 2013 the City's annual pension cost of \$2,709,783 was equal to the City's required and actual contributions. For 2013, the City School Board's annual pension cost of \$140,748 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, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.2% per year for teachers, 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 for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the City's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The City's and School Board's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the unfunded actuarial accrued liability (UAAL) was 30 years.

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, 2011	\$ 2,191,938	100%	\$ -
June 30, 2012	\$ 2,265,447	100%	\$ -
June 30, 2013	\$ 2,709,783	100%	\$ -
School Board (non-professional employees)			
June 30, 2011	\$ 95,633	100%	\$ -
June 30, 2012	\$ 99,061	100%	\$ -
June 30, 2013	\$ 140,748	100%	\$ -

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 7. Defined Benefit Pension Plan (Continued)

Funded Status and Funding Progress

For the City employees, as of June 30, 2012, the most recent actuarial valuation date, the plan was 61.75% funded. The actuarial accrued liability for benefits was \$68,953,367, and the actuarial value of assets was \$42,576,931, resulting in an unfunded actuarial accrued liability (UAAL) of \$26,376,436. The covered payroll (annual payroll of active employees covered by the plan) was \$11,396,654, and ratio of the UAAL to the covered payroll was 231.44%.

For the City School Board non-professional employees, as of June 30, 2012, the most recent actuarial valuation date, the plan was 75.93% funded. The actuarial accrued liability for benefits was \$4,429,122, and the actuarial value of assets was \$3,362,835, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,066,287. The covered payroll (annual payroll of active employees covered by the plan) was \$720,643, and ratio of the UAAL to the covered payroll was 147.96%.

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

Note 8. Other Post-Employment Benefits

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

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

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 8. Other Post-Employment Benefits (Continued)

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.

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 2013, the City paid approximately 93% of subscriber only coverage, 82% of subscriber plus child coverage, 76% of subscriber plus children coverage, 74% of subscriber plus spouse coverage, and 77% of family coverage. The retiree is required to pay the remaining amount.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2013, the retirees contributed \$84,496 and the City contributed \$410,504 to the City's healthcare plan for health insurance. The City contributed \$20,000 to the Virginia Pooled OPEB Trust. The contribution to the trust of \$20,000 and the City/retiree contributions to the healthcare plan of \$475,000 combine to fully fund the annual required contribution (ARC) of \$495,000 for fiscal year 2013. It is the City's intent to fully fund the ARC each year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 8. Other Post-Employment Benefits (Continued)

Funding Policy-School Board

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

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the School Board's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2013, the retirees contributed \$251,000 and the School Board contributed \$40,000 to the School Board's healthcare plan for health insurance. The School Board contributed \$6,000 to the Virginia Pooled OPEB Trust. The contribution to the trust of \$6,000 and the School Board/retiree contributions to the healthcare plan of \$291,000 combine to fully fund the annual required contribution of \$297,000 for fiscal year 2013. 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.

The City and School Board's annual OPEB cost, amounts contributed to the plan, and changes in the net OPEB Obligation for fiscal year 2013 is as follows:

	Primary Government	Component Unit – School Board
Annual Required Contribution (ARC)	\$ 495,000	\$ 297,000
Interest on Net OPEB Obligation	-	-
Net OPEB Obligation Adjustment	-	-
Annual OPEB Cost	495,000	297,000
Actual Contribution	(495,000)	(297,000)
Increase (decrease) in net OPEB Obligation	-	-
Net OPEB Obligation July 1, 2012	-	-
Net OPEB Obligation, June 30, 2013	\$ -	\$ -

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 8. Other Post-Employment Benefits (Continued)

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Primary Government			
June 30, 2011	\$ 490,000	100%	\$ -
June 30, 2012	\$ 490,000	100%	\$ -
June 30, 2013	\$ 495,000	100%	\$ -
Component Unit – School Board			
June 30, 2011	\$ 596,000	100%	\$ -
June 30, 2012	\$ 596,000	100%	\$ -
June 30, 2013	\$ 297,000	100%	\$ -

Funded Status and Funding Progress

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

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

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.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 8. Other Post-Employment Benefits (Continued)

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 2013 was determined as part of the July 1, 2011 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 9% initially, which decreases at a rate of .5% per year until an ultimate rate of 5% is reached.
- c. The UAAL for the City is being amortized as a level percentage of payroll on an open basis over 30 years. The remaining amortization period at June 30, 2011 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, 2011 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, 2013

Note 9. Commitments and Contingencies (Continued)

EDA Commitments

During fiscal year 2013 and 2012 respectively, the EDA entered into performance agreements with local businesses in connection with Governor's Opportunity Fund grants. The required local match for the grants is \$100,000 and \$175,000. Enterprise zone and machinery and tools tax grants from the City, through the EDA, for 5 years serve as the required local match for the grants. If the enterprise zone grants do not equal the required match, the EDA will pay the necessary funding to meet the match. If the businesses do not meet the terms of the performance agreement, they must repay the entire governor's opportunity fund grant; failure by the business to repay could result in either the City or the EDA being responsible for repaying these grants. At this time, the EDA has no reason to believe that the enterprise zone grants will not equal the required match or that the performance agreement terms will not be met.

Construction Commitments and Other Significant Commitments including Encumbrances

The City has entered into several construction contracts, which include several water related projects and a street related project. As of June 30, 2013, the City had outstanding construction contracts totaling \$1,757,163 that will be financed from operating funds and bond issue proceeds. Other significant commitments include the encumbrances outstanding for the general fund and nonmajor funds as shown below.

	<u>Construction Commitments</u>	<u>Encumbrances</u>
Water fund	\$ 457,553	\$ -
Sewer Fund	83,975	-
Stormwater fund	44,780	-
General fund	-	634,103
CIP Fund	1,170,855	455,960
Nonmajor funds	-	70,439
	<u>\$ 1,757,163</u>	<u>\$ 1,160,502</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, 2012 and due December 5, 2012 as well as the portion of the January 1, 2013 assessment due June 20, 2013, 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, 2011 and 2012 levies was \$.90 per \$100 of assessed value. The tax rate for the January 1, 2013 levy was \$.95 per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2013 and due December 5, 2013, are reflected in the accompanying financial statements as a receivable and are offset by unearned revenue, in the amount of \$1,972,870, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2013 are also included in unearned revenues, in the amount of \$2,175,017 since they are not intended to finance the current fiscal year.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

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 2013, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2012 assessment due December 5, 2012, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The 2012 tax rate for machinery and tools was \$1.24 per \$100 of assessed value. The 2012 tax rate for all other personal property was \$2.75 per \$100 of assessed value.

Note 11. Restricted Assets

Restricted assets as of June 30, 2013 consist of cash and cash equivalents that are restricted for certain purposes as follows:

	Governmental Activities	Business Type Activities	Component Unit School Board
Health reserve funds	\$ 64,593	\$ -	\$ 94,555
Health reserve funds held for others	540,796	-	-
Customer deposits	7,000	248,001	-
Unspent bond proceeds	-	2,046,739	-
Landfill sinking fund	-	1,871,244	-
Total	<u>\$ 612,389</u>	<u>\$ 4,165,984</u>	<u>\$ 94,555</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 2013. 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, 2013, 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 \$3,732 and is reported in the General Fund. Changes in the claims liability amount in fiscal years 2011, 2012 and 2013 were as follows:

Year Ended June 30,	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2011	\$ 100,966	\$ (787)	\$ 14,464	\$ 85,715
2012	\$ 85,715	\$ -	\$ 10,064	\$ 75,651
2013	\$ 75,651	\$ 200,000	\$ 198,655	\$ 76,996

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 13. Unearned Revenue

Unearned revenue at June 30, 2013 consists of the following:

	Governmental Activities	Business Type Activities
Property taxes	\$ 4,147,887	\$ -
Grant revenues	-	25,000
Golf membership fees	-	11,867
Total unearned revenue	<u>\$ 4,147,887</u>	<u>\$ 36,867</u>

Note 14. 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 or cap on a landfill cell when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Under the cost sharing agreement, the City will bear 39.67% of such costs for Permit 21 and 27.46% of such costs for Permit 585. The cost sharing percentage of Permit 585 is adjusted each year based on usage by each locality. The remainder of the Permit 585 costs will be borne by the County and the City of Waynesboro. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year ending date.

The \$1,101,108 reported as landfill closure liability at June 30, 2013 represents the cumulative amount reported to date based on the use of 86% of the estimated capacity of the Permit #585 (Phases 1-3) landfill and the stockpile financial assurance liability. The \$1,061,025 reported as post-closure monitoring liability at June 30, 2013, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 86% 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, 2013 for both joint ventures are \$2,162,133.

The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of \$224,997 for Permit #585 (phases 1-3) landfill as the remaining estimated capacity is filled over the next 18 to 24 months and \$799,562 for the newly constructed Phase 4 cell as the remaining estimated capacity is filled over the next 6 to 8 years.

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

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 15. Loans Receivable

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

At June 30, 2013, principal amounts outstanding on each loan were as follows:

	<u>Principal</u>	<u>Interest</u>
Phase I	\$ 212,749	\$ 14,574
Phase II	480,277	74,536
Phase IIIa	2,336,923	662,863
Phase IIIb	519,492	147,401
	<u>\$ 3,549,441</u>	<u>\$ 899,374</u>

Note 16. 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 WSH campus land was transferred to the EDA during fiscal year 2010 for development. The EDA intends to contract with and sell the land to developers to develop the multi-use site into commercial, retail, and office property. Any proceeds from the land's disposition will be paid to the City to reduce the City's debt related to the project.

In October 2012 and January 2013, the City issued \$10 million and \$5 million, respectively, in bank qualified debt to pay for the property.

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 2013 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, 2013

Note 17. Operating Lease

In August 2013, the City entered into an operating lease for certain office facilities. A summary of future minimum lease payments under such operating leases is as follows:

2014	\$ 40,339
2015	40,339
2016	41,146
2017	41,969
2018	42,808
2019-2027	425,930
	<u>\$ 632,531</u>

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 projects and do not constitute an obligation of the Commonwealth of Virginia, the City, the EDA or any political subdivision thereof. All of the EDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bonds for the benefit of bondholders. The EDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the EDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the EDA does not recognize associated assets, liabilities, income, or interest expense in its financial statements. Approximately \$5,350,000 of such conduit bonds were outstanding at June 30, 2013.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 19. Fund Balance

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2013:

	General Fund	Capital Projects Fund	Debt Service Fund	Nonmajor governmental funds	School Board Component Unit
Nonspendable:					
Prepaid items	\$ 58,666	\$ -	\$ -	\$ -	\$ 2,000
Restricted:					
Donor purposes	\$ 9,972	\$ -	\$ -	\$ -	\$ 9,320
Health insurance programs	110,245	-	-	-	93,612
Total restricted	\$ 120,217	\$ -	\$ -	\$ -	\$ 102,932
Committed:					
Stabilization arrangement	\$ 5,178,250	\$ -	\$ -	\$ -	-
Assigned:					
Accrued leave	\$ 1,435,283	\$ -	\$ -	\$ -	-
Health insurance	18,063	-	-	-	-
Capital projects	-	4,797,446	-	-	1,184,063
Debt service	-	-	3,042,090	-	-
General government administration	272,995	-	-	-	-
Judicial administration	7,769	-	-	-	-
Public safety	78,324	408,164	-	97,568	-
Public works	89,594	710,738	-	-	-
Parks and recreation	153,081	470,232	-	-	-
Community development	34,690	37,681	-	346,954	-
Education	-	-	-	-	713,635
Textbooks	-	-	-	-	436,467
Food service	-	-	-	-	397,356
Total assigned	\$ 2,089,799	\$ 6,424,261	\$ 3,042,090	\$ 444,522	\$ 2,731,521
Unassigned	\$ 3,472,715	\$ -	\$ -	\$ (5,308)	\$ -

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 20. New Accounting Standards

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes standards for reclassification of certain item as deferred outflows and inflows of resources that were previously reported as assets and liabilities. The standard limits the items that should be reported as deferred outflows and inflows of resources to items specifically identified in authoritative pronouncements. Additionally, the standard requires that debt issuance costs be recognized as an expense in the period incurred except any portion related to prepaid insurance costs. Prospective application is required. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, was issued to resolve conflicting guidance that resulted from the issuance of two pronouncements. The Statement amends *GASB Statement No. 10* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. The fund classification should be determined based on the nature of the activity to be reported. The Statement also amends *GASB Statement No. 62* by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a normal servicing fee rate. The Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 25 and No. 50* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial Statements and in 10-year RSI schedules. This Statement will be effective for the year ending June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans* replaces the requirements of *GASB Statements No. 27 and No. 50* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize the long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information, including disclosing descriptive information about the types of benefits provided, how contributions to the pension plan are determined, and assumptions and methods used to calculate the pension liability. This Statement will be effective for the year ending June 30, 2015.

City of Staunton, Virginia
Notes to Financial Statements
June 30, 2013

Note 20. New Accounting Standards (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* was issued to provide governmental guidance on governmental combinations and disposals of governmental operations that does not conflict with *GASB Statement No. 34*. The objective of this Statement is to improve financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. A disposal of a government's operations results in the removal of specific activities of a government. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial Statement users to evaluate the nature and financial effects of those transactions. This Statement will be effective for the year ending June 30, 2015.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also provides guidance on the accounting for the government if they are the obligor in the transaction and on intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend or receive nonexchange financial guarantees. This Statement will be effective for the year ending June 30, 2014.

Note 21. Subsequent Events

In September 2013, the City received from the Virginia Resources Authority, a reduction of the Cost of Funds from 3% to 2.77% on the Taxable General Obligation Public Improvement Bond, Series 2008 and 2008B (the "loans"). The reduction in the Cost of Funds associated with the loans resulted from the partial refunding on June 20, 2013 of the \$244,155,000 Clean Water State Revolving Fund Revenue Bonds, Subordinate Series 2007 which was the source of the funding for both of the City's loans. Beginning in March 2014, the required semi-annual payments on both loans will decrease.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF STAUNTON, VIRGINIA

BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND

Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
General property taxes	\$ 20,344,500	\$ 20,344,500	\$ 21,767,074	\$ 1,422,574
Other local taxes	11,588,000	11,588,000	12,350,768	762,768
Permits, privilege fees, and regulatory licenses	179,000	179,000	192,509	13,509
Fines and forfeitures	59,000	59,000	61,682	2,682
Revenue from use of money and property	67,000	67,000	45,764	(21,236)
Charges for services	1,470,237	1,480,237	1,506,560	26,323
Miscellaneous	39,000	39,000	32,963	(6,037)
Recovered costs	333,677	376,677	431,131	54,454
Intergovernmental:				
Federal	899,644	944,744	898,432	(46,312)
Commonwealth	10,169,942	10,426,736	10,590,261	163,525
Total revenues	45,150,000	45,504,894	47,877,144	2,372,250
EXPENDITURES				
Current:				
General government administration	4,807,495	4,787,716	4,198,998	588,718
Judicial administration	1,773,638	1,793,846	1,717,714	76,132
Public safety	8,677,140	9,122,482	8,850,257	272,225
Public works	5,182,423	5,480,146	5,387,269	92,877
Health and welfare	5,518,138	5,681,626	5,636,446	45,180
Education	10,802,257	10,802,257	10,802,257	-
Parks, recreation, and cultural	2,944,107	3,118,336	2,902,701	215,635
Community development	1,277,302	1,458,945	1,360,280	98,665
Total expenditures	40,982,500	42,245,354	40,855,922	1,389,432
Excess of revenues over expenditures	4,167,500	3,259,540	7,021,222	3,761,682
OTHER FINANCING SOURCES (USES)				
Transfers out	(4,167,500)	(5,357,504)	(5,357,504)	-
Total other financing sources (uses)	(4,167,500)	(5,357,504)	(5,357,504)	-
Net change in fund balance	\$ -	\$ (2,097,964)	\$ 1,663,718	\$ 3,761,682

CITY OF STAUNTON, VIRGINIA

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

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, 2012	\$ 42,576,931	\$ 68,953,367	\$ 26,376,436	61.75%	\$ 11,396,654	231.44%
June 30, 2011	\$ 43,049,679	\$ 66,004,750	\$ 22,955,071	65.22%	\$ 11,220,569	204.58%
June 30, 2010	\$ 42,746,167	\$ 63,112,760	\$ 20,366,593	67.73%	\$ 11,294,079	180.33%
June 30, 2009	\$ 42,705,587	\$ 57,468,691	\$ 14,763,103	74.31%	\$ 11,852,889	124.55%
June 30, 2008	\$ 42,265,790	\$ 55,133,198	\$ 12,867,408	76.66%	\$ 12,101,040	106.33%
June 30, 2007	\$ 38,369,556	\$ 51,472,458	\$ 13,102,902	74.54%	\$ 11,505,871	113.88%
June 30, 2006	\$ 34,096,996	\$ 45,526,051	\$ 11,429,055	74.90%	\$ 10,779,546	106.03%
June 30, 2005	\$ 31,856,161	\$ 44,931,099	\$ 13,074,938	70.90%	\$ 10,045,916	130.15%
June 30, 2004	\$ 30,632,892	\$ 42,284,376	\$ 11,651,484	72.44%	\$ 9,631,090	120.98%

COMPONENT UNIT – SCHOOL BOARD (NON-PROFESSIONAL)

	(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, 2012	\$ 3,362,835	\$ 4,429,122	\$ 1,066,287	75.93%	\$ 720,643	147.96%
June 30, 2011	\$ 3,485,767	\$ 4,448,651	\$ 962,884	78.36%	\$ 704,667	136.64%
June 30, 2010	\$ 3,602,760	\$ 4,541,552	\$ 938,792	79.33%	\$ 1,103,277	85.09%
June 30, 2009	\$ 3,614,929	\$ 4,249,134	\$ 634,205	85.07%	\$ 1,004,350	63.15%
June 30, 2008	\$ 3,601,765	\$ 4,089,390	\$ 487,625	88.08%	\$ 958,727	50.86%
June 30, 2007	\$ 3,281,170	\$ 4,215,993	\$ 934,823	77.83%	\$ 863,907	108.21%
June 30, 2006	\$ 2,980,465	\$ 3,836,827	\$ 956,362	77.68%	\$ 854,605	100.21%
June 30, 2005	\$ 2,894,116	\$ 3,890,546	\$ 996,430	74.39%	\$ 851,139	117.07%
June 30, 2004	\$ 2,884,632	\$ 3,376,047	\$ 491,415	85.44%	\$ 747,813	65.71%

CITY OF STAUNTON, VIRGINIA

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

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

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

COMPONENT UNIT – SCHOOL BOARD

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

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 495,000	100%
2012	\$ 490,000	100%
2011	\$ 490,000	100%
2010	\$ 515,000	100%
2009	\$ 515,000	100%

COMPONENT UNIT – SCHOOL BOARD

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 297,000	100%
2012	\$ 596,000	100%
2011	\$ 596,000	100%
2010	\$ 568,000	100%
2009	\$ 562,000	100%

CITY OF STAUNTON, VIRGINIA**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013****Note 1. Budgetary Comparison Schedule – General Fund**

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

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

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

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

Accordingly, the Budgetary Comparison Schedule for the General Fund present actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with legally adopted budgets as amended. Original, final budget, actual revenue and expenditures, and variances between final budget and actual for the General Fund are presented on Exhibit 10.

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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.

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.

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.

CITY OF STAUNTON, VIRGINIA

**COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	
ASSETS				
Cash and cash equivalents	\$ 112,638	\$ 346,954	\$ -	\$ 459,592
Receivables, net	-	-	738	738
Due from other governmental units	9,555	-	-	9,555
 Total assets	<u>\$ 122,193</u>	<u>\$ 346,954</u>	<u>\$ 738</u>	<u>\$ 469,885</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,470	\$ -	\$ -	\$ 6,470
Accrued liabilities	10,155	-	-	10,155
Due to other funds	-	-	5,308	5,308
Deferred revenue	8,000	-	738	8,738
 Total liabilities	<u>24,625</u>	<u>-</u>	<u>6,046</u>	<u>30,671</u>
 Fund balances:				
Assigned	97,568	346,954	-	444,522
Unassigned	-	-	(5,308)	(5,308)
 Total fund balances	<u>97,568</u>	<u>346,954</u>	<u>(5,308)</u>	<u>439,214</u>
 Total liabilities and fund balances	<u>\$ 122,193</u>	<u>\$ 346,954</u>	<u>\$ 738</u>	<u>\$ 469,885</u>

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	State and Federal Grants Fund	Community Development Fund	Trolley Fund	
REVENUES				
Revenues from use of money and property	\$ -	\$ 1,787	\$ 5,289	\$ 7,076
Charges for services	100,026	-	-	100,026
Miscellaneous	-	-	20,000	20,000
Recovered costs	-	-	10,893	10,893
Intergovernmental:				
Federal	144,793	-	-	144,793
Commonwealth	545,352	-	-	545,352
Total revenues	<u>790,171</u>	<u>1,787</u>	<u>36,182</u>	<u>828,140</u>
EXPENDITURES				
Current:				
Public safety	808,397	-	-	808,397
Parks, recreation, and culture	7,985	-	-	7,985
Community development	-	29,803	107,752	137,555
Total expenditures	<u>816,382</u>	<u>29,803</u>	<u>107,752</u>	<u>953,937</u>
Excess (deficiency) of revenues over expenditures	<u>(26,211)</u>	<u>(28,016)</u>	<u>(71,570)</u>	<u>(125,797)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	50,000	50,000
Transfers out	-	(300,000)	-	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>(300,000)</u>	<u>50,000</u>	<u>(250,000)</u>
Net change in fund balance	(26,211)	(328,016)	(21,570)	(375,797)
Fund balances - beginning of year	<u>123,779</u>	<u>674,970</u>	<u>16,262</u>	<u>815,011</u>
Fund balances - ending of year	<u><u>\$ 97,568</u></u>	<u><u>\$ 346,954</u></u>	<u><u>\$ (5,308)</u></u>	<u><u>\$ 439,214</u></u>

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
STATE AND FEDERAL GRANTS FUND
Year Ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Charges for services	\$ 77,377	\$ 100,026	\$ 22,649
Miscellaneous	10,000	-	(10,000)
Intergovernmental:			
Federal	92,847	144,793	51,946
Commonwealth	563,397	545,352	(18,045)
Total revenues	<u>743,621</u>	<u>790,171</u>	<u>46,550</u>
EXPENDITURES			
Current:			
Public safety	804,256	808,397	(4,141)
Parks, Recreation and Cultural	18,030	7,985	10,045
Total expenditures	<u>822,286</u>	<u>816,382</u>	<u>5,904</u>
Excess (deficiency) of revenues over expenditures	<u>(78,665)</u>	<u>(26,211)</u>	<u>52,454</u>
Net change in fund balance	<u><u>\$ (78,665)</u></u>	<u><u>\$ (26,211)</u></u>	<u><u>\$ 52,454</u></u>

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
Year Ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	\$ 1,731	\$ 1,787	\$ 56
Total revenues	<u>1,731</u>	<u>1,787</u>	<u>56</u>
EXPENDITURES			
Current:			
Community Development	<u>1,079,804</u>	<u>29,803</u>	<u>1,050,001</u>
Total expenditures	<u>1,079,804</u>	<u>29,803</u>	<u>1,050,001</u>
Excess (deficiency) of revenues over expenditures	<u>(1,078,073)</u>	<u>(28,016)</u>	<u>1,050,057</u>
OTHER FINANCING SOURCES (USES)			
Transfers out:			
Transfer to Debt Service	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	<u>\$ (1,378,073)</u>	<u>\$ (328,016)</u>	<u>\$ 1,050,057</u>

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
TROLLEY FUND
Year Ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue from use of money and property	\$ 4,500	\$ 5,289	\$ 789
Miscellaneous	38,000	20,000	(18,000)
Recovered costs	-	10,893	10,893
Total revenues	<u>42,500</u>	<u>36,182</u>	<u>(6,318)</u>
EXPENDITURES			
Current:			
Community Development	<u>92,500</u>	<u>107,752</u>	<u>(15,252)</u>
Total expenditures	<u>92,500</u>	<u>107,752</u>	<u>(15,252)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(71,570)</u>	<u>(21,570)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in:			
Transfer from General Fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (21,570)</u>	<u>\$ (21,570)</u>

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended June 30, 2013

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental:			
City of Staunton School Board	\$ 355,000	\$ 355,000	\$ -
Total revenues	<u>355,000</u>	<u>355,000</u>	<u>-</u>
EXPENDITURES			
Current:			
Debt Service			
Principal	3,147,845	1,783,845	1,364,000
Interest and fiscal charges	2,376,325	1,203,682	1,172,643
Debt issuance costs	96,553	96,553	-
Total expenditures	<u>5,620,723</u>	<u>3,084,080</u>	<u>2,536,643</u>
Excess (deficiency) of revenues over expenditures	<u>(5,265,723)</u>	<u>(2,729,080)</u>	<u>2,536,643</u>
OTHER FINANCING SOURCES (USES)			
Issuance of debt	15,000,000	15,000,000	-
Payment to Commonwealth with debt proceeds	(15,000,000)	(15,000,000)	-
Transfers in:			
Transfer from General fund	2,631,100	2,631,100	-
Transfer from Community Development fund	300,000	300,000	-
Transfer from CIP fund	500,000	500,000	-
Transfer to CIP Fund	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>431,100</u>	<u>431,100</u>	<u>-</u>
Net change in fund balance	<u>\$ (4,834,623)</u>	<u>\$ (2,297,980)</u>	<u>\$ 2,536,643</u>

CITY OF STAUNTON, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
CAPITAL IMPROVEMENTS FUND
From Inception of Project through June 30, 2013

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
REVENUES				
Revenue from use of money and property	\$ 243,555	\$ 5,506	\$ 249,061	\$ 5,314
Recovered costs	301,669	126,869	428,538	50,000
Miscellaneous	24,000	-	24,000	-
Intergovernmental:				
Federal	363,218	28,284	391,502	912,505
Total revenues	932,442	160,659	1,093,101	967,819
EXPENDITURES				
Capital outlay:				
General government administration	2,470,092	35,639	2,505,731	2,616,210
Public safety	3,147,905	1,177,573	4,325,478	4,180,669
Public works	1,758,929	492,159	2,251,088	3,251,234
Education	322,938	202,170	525,108	325,631
Parks, recreation, and culture	398,274	62,664	460,938	465,696
Community development	1,651,464	12,424	1,663,888	2,239,766
Debt service:				
Interest and fiscal charges	165,000	-	165,000	165,000
Total expenditures	9,914,602	1,982,629	11,897,231	13,244,206
Excess (deficiency) of revenues under expenditures	(8,982,160)	(1,821,970)	(10,804,130)	(12,276,387)
OTHER FINANCING SOURCES (USES)				
Transfers in	17,283,330	5,452,004	22,735,334	17,283,330
Transfers out	(5,006,943)	(500,000)	(5,506,943)	(5,006,943)
Total other financing sources (uses)	12,276,387	4,952,004	17,228,391	12,276,387
Net change in fund balance	\$ 3,294,227	\$ 3,130,034	\$ 6,424,261	\$ -

NONMAJOR PROPRIETARY FUNDS

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

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

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

CITY OF STAUNTON, VIRGINIA

COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS

June 30, 2013

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,048	\$ 139,089	\$ 142,137
Receivables, net	-	12,911	12,911
Restricted assets:			
Cash and cash equivalents	-	5,422	5,422
Total current assets	3,048	157,422	160,470
Noncurrent assets:			
Deferred charges	4,935	754	5,689
Capital assets:			
Nondepreciable	24,694	1,034,249	1,058,943
Depreciable, net	494,815	4,253,629	4,748,444
Total capital assets (net of accumulated depreciation)	519,509	5,287,878	5,807,387
Total noncurrent assets	524,444	5,288,632	5,813,076
Total assets	527,492	5,446,054	5,973,546
LIABILITIES			
Current liabilities:			
Accounts payable	718	2,227	2,945
Accrued liabilities	10,304	4,304	14,608
Unearned revenue	11,867	-	11,867
Due to other funds	21,273	-	21,273
Deposits payable	-	5,422	5,422
General obligation bonds	14,415	179,995	194,410
Total current liabilities	58,577	191,948	250,525
Noncurrent liabilities:			
General obligation bonds	503,226	910,007	1,413,233
Total noncurrent liabilities	503,226	910,007	1,413,233
Total liabilities	561,803	1,101,955	1,663,758
NET POSITION			
Net investment in capital assets	6,803	4,198,630	4,205,433
Unrestricted	(41,114)	145,469	104,355
Total net position	\$ (34,311)	\$ 4,344,099	\$ 4,309,788

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING REVENUES			
Parking fines	\$ -	\$ 36,334	\$ 36,334
Charges for services	135,782	260,946	396,728
Rental of property	-	4,752	4,752
Miscellaneous	38	202	240
Total operating revenues	135,820	302,234	438,054
OPERATING EXPENSES			
Personal services	55,819	103,377	159,196
Fringe benefits	25,911	10,858	36,769
Rental of property	520	-	520
Repairs and maintenance	-	343	343
Contractual services	600	8,420	9,020
Materials and supplies	26,317	3,016	29,333
Depreciation	32,138	152,806	184,944
Utilities	2,016	31,828	33,844
Other expenses	1,823	59,114	60,937
Total operating expenses	145,144	369,762	514,906
Operating loss	(9,324)	(67,528)	(76,852)
NONOPERATING REVENUES (EXPENSES)			
Interest and fiscal charges	(22,806)	(52,172)	(74,978)
Gain on disposal of assets	1,593	-	1,593
Total nonoperating revenues (expenses)	(21,213)	(52,172)	(73,385)
Loss before transfers	(30,537)	(119,700)	(150,237)
Transfers in	-	224,400	224,400
Change in net position	(30,537)	104,700	74,163
Total net position - beginning of year	(3,774)	4,239,399	4,235,625
Total net position - end of year	\$ (34,311)	\$ 4,344,099	\$ 4,309,788

CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
OPERATING ACTIVITIES			
Cash received from customers	\$ 136,220	\$ 302,621	\$ 438,841
Cash paid to suppliers	(31,327)	(107,760)	(139,087)
Cash paid to employees for services	(81,523)	(113,999)	(195,522)
Net cash provided by operating activities	23,370	80,862	104,232
NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	224,400	224,400
Interfund borrowing	14,513	-	14,513
Net cash provided by noncapital financing activities	14,513	224,400	238,913
CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(17,419)	(17,419)
Principal paid on long-term debt	(15,000)	(172,162)	(187,162)
Interest paid on long-term debt	(22,082)	(52,239)	(74,321)
Proceeds from sale of equipment	1,593	-	1,593
Net cash used by capital and related financing activities	(35,489)	(241,820)	(277,309)
Net increase in cash and cash equivalents	2,394	63,442	65,836
CASH AND CASH EQUIVALENTS			
Beginning of year	654	81,069	81,723
End of year	\$ 3,048	\$ 144,511	\$ 147,559
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	\$ 3,048	\$ 139,089	142,137
Restricted cash and cash equivalents	-	5,422	5,422
Total	\$ 3,048	\$ 144,511	\$ 147,559

CITY OF STAUNTON, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS –
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2013

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf Fund	Parking Fund	Total
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (9,324)	\$ (67,528)	\$ (76,852)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	32,138	152,806	184,944
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	(365)	(365)
Increase (decrease) in accounts payable	(51)	(5,038)	(5,089)
Increase (decrease) in accrued liabilities	207	236	443
Increase (decrease) in unearned revenue	400	-	400
Increase (decrease) in deposits payable	-	751	751
Net cash provided by operating activities	<u>\$ 23,370</u>	<u>\$ 80,862</u>	<u>\$ 104,232</u>

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

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

Major Funds

Special Revenue Funds:

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

Nonmajor Funds

Special Revenue Funds:

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

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

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

Capital Projects Funds:

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

Agency Fund:

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

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,912,125
Accounts receivable	286,361
Due from other governmental units	2,058,589
Prepaid items	2,000
Restricted cash and cash equivalents	94,555
Capital assets:	
Land	236,000
Other capital assets, net of accumulated depreciation	<u>7,959,125</u>
Total assets	<u>14,548,755</u>
LIABILITIES	
Accounts payable	728,031
Accrued liabilities	2,516,056
Amounts held for others	1,036
Noncurrent liabilities:	
Due within one year	161,786
Due in more than one year	<u>198,917</u>
Total liabilities	<u>3,605,826</u>
NET POSITION	
Net investment in capital assets	8,195,125
Restricted for:	
Programs	94,555
Donor purposes	9,320
Unrestricted	<u>2,643,929</u>
Total net position	<u><u>\$ 10,942,929</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction and related services	\$ 24,791,222	\$ 1,225,404	\$ 8,614,358	\$ 270,770	\$ (14,680,690)
Administration, attendance, and health	1,718,876	-	-	4,075	(1,714,801)
Pupil transportation	972,628	-	-	-	(972,628)
Food service	1,394,216	365,819	942,118	-	(86,279)
Operations	2,087,449	-	-	-	(2,087,449)
Total School Board	<u>\$ 30,964,391</u>	<u>\$ 1,591,223</u>	<u>\$ 9,556,476</u>	<u>\$ 274,845</u>	<u>\$ (19,541,847)</u>
General revenues:					
Unrestricted investment earnings					1,379
Grants and contributions not restricted to specific programs					8,795,128
Net payment from City of Staunton					10,859,853
Loss on disposal of assets					(223,334)
Total general revenues					<u>19,433,026</u>
Change in net position					(108,821)
Net position - beginning of year					<u>11,051,750</u>
Net position - end of year					<u>\$ 10,942,929</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2013

	Education Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,815,164	\$ 2,096,961	\$ 3,912,125
Accounts receivable	241,619	44,742	286,361
Prepaid items	2,000	-	2,000
Due from other governmental units	1,349,447	709,142	2,058,589
Due from other funds	624,985	-	624,985
Restricted cash and cash equivalents	94,555	-	94,555
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,127,770</u>	<u>\$ 2,850,845</u>	<u>\$ 6,978,615</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 695,730	\$ 32,301	\$ 728,031
Accrued liabilities	2,340,383	175,673	2,516,056
Due to other funds	-	624,985	624,985
Held for others	1,036	-	1,036
Deferred revenue	272,054	-	272,054
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,309,203</u>	<u>832,959</u>	<u>4,142,162</u>
Fund balances:			
Nonspendable	2,000	-	2,000
Restricted	102,932	-	102,932
Assigned	713,635	2,017,886	2,731,521
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>818,567</u>	<u>2,017,886</u>	<u>2,836,453</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 4,127,770</u>	<u>\$ 2,850,845</u>	<u>\$ 6,978,615</u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
RECONCILIATION OF BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances – Component Unit School Board		\$ 2,836,453
Amounts reported for governmental activities in the statement of net position (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	\$ 17,973,434	
Less: accumulated depreciation	<u>(9,778,309)</u>	8,195,125
Receivables that are not available to pay for current period expenditures are not reported in the funds.		272,054
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		<u>(360,703)</u>
Total Net Position – Component Unit School Board		<u><u>\$ 10,942,929</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, 2013

	Education Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Revenues from use of money and property	\$ 22,170	\$ 929	\$ 23,099
Charges for services	1,203,684	365,819	1,569,503
Miscellaneous	263,382	61,719	325,101
Recovered costs	26,544	42,458	69,002
Intergovernmental:			
Federal	1,869,765	839,368	2,709,133
Commonwealth	12,921,198	2,508,700	15,429,898
City of Staunton	10,797,257	175,000	10,972,257
Total revenues	<u>27,104,000</u>	<u>3,993,993</u>	<u>31,097,993</u>
EXPENDITURES			
Payment to the City	-	355,000	355,000
Current:			
Education	26,434,518	3,890,247	30,324,765
Capital projects	-	158,225	158,225
Total expenditures	<u>26,434,518</u>	<u>4,403,472</u>	<u>30,837,990</u>
Excess (deficiency) of revenues over expenditures	<u>669,482</u>	<u>(409,479)</u>	<u>260,003</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	72,972	772,039	845,011
Transfers out	(772,039)	(72,972)	(845,011)
Total other financing sources (uses)	<u>(699,067)</u>	<u>699,067</u>	<u>-</u>
Net change in fund balance	(29,585)	289,588	260,003
Fund balance - beginning of year	<u>848,152</u>	<u>1,728,298</u>	<u>2,576,450</u>
Fund balance - end of year	<u><u>\$ 818,567</u></u>	<u><u>\$ 2,017,886</u></u>	<u><u>\$ 2,836,453</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, 2013

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	\$ 260,003
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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	\$ (581,898)	
Capital expenses	<u>434,466</u>	(147,432)

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 position differs from the change in fund balance by the net book value of the capital asset.

(223,334)

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

3,865

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.

(1,923)

Change in net position of governmental activities	<u><u>\$ (108,821)</u></u>
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CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
COMBINING BALANCE SHEET –
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	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	\$ 445,939	\$ 461,759	\$ -	\$ 1,189,263	\$ 2,096,961
Accounts receivable	1,900	-	42,842	-	44,742
Due from other governmental units	5,577	-	703,565	-	709,142
Total assets	<u>\$ 453,416</u>	<u>\$ 461,759</u>	<u>\$ 746,407</u>	<u>\$ 1,189,263</u>	<u>\$ 2,850,845</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 264	\$ 25,292	\$ 1,545	\$ 5,200	\$ 32,301
Accrued liabilities	55,796	-	119,877	-	175,673
Due to other funds	-	-	624,985	-	624,985
Total liabilities	<u>56,060</u>	<u>25,292</u>	<u>746,407</u>	<u>5,200</u>	<u>832,959</u>
Fund balances:					
Assigned	<u>397,356</u>	<u>436,467</u>	<u>-</u>	<u>1,184,063</u>	<u>2,017,886</u>
Total fund balances	<u>397,356</u>	<u>436,467</u>	<u>-</u>	<u>1,184,063</u>	<u>2,017,886</u>
Total liabilities and fund balances	<u>\$ 453,416</u>	<u>\$ 461,759</u>	<u>\$ 746,407</u>	<u>\$ 1,189,263</u>	<u>\$ 2,850,845</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, 2013

	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	\$ -	\$ -	\$ -	\$ 929	\$ 929
Charges for services	365,819	-	-	-	365,819
Miscellaneous	8,330	-	53,389	-	61,719
Recovered costs	-	-	42,458	-	42,458
Intergovernmental:					
Federal	824,568	-	14,800	-	839,368
Commonwealth	23,845	135,776	2,349,079	-	2,508,700
City of Staunton	-	-	-	175,000	175,000
Total revenues	1,222,562	135,776	2,459,726	175,929	3,993,993
EXPENDITURES					
Payment to the City	-	-	-	355,000	355,000
Current:					
Education	1,294,239	209,254	2,386,754	-	3,890,247
Capital projects	-	-	-	158,225	158,225
Total expenditures	1,294,239	209,254	2,386,754	513,225	4,403,472
Excess (deficiency) of revenues over expenditures	(71,677)	(73,478)	72,972	(337,296)	(409,479)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	91,163	-	680,876	772,039
Transfers out	-	-	(72,972)	-	(72,972)
Total other financing sources (uses)	-	91,163	(72,972)	680,876	699,067
Net change in fund balance	(71,677)	17,685	-	343,580	289,588
Fund balance - beginning of year	469,033	418,782	-	840,483	1,728,298
Fund balance - end of year	\$ 397,356	\$ 436,467	\$ -	\$ 1,184,063	\$ 2,017,886

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
BUDGETARY COMPARISON SCHEDULE –
EDUCATION FUND
Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Revenues from use of money and property	\$ 15,500	\$ 15,500	\$ 22,170	\$ 6,670
Charges for services	929,043	1,134,983	1,203,684	68,701
Miscellaneous	134,000	269,777	263,382	(6,395)
Recovered costs	9,500	19,404	26,544	7,140
Intergovernmental:				
Federal	1,592,691	2,221,239	1,869,765	(351,474)
Commonwealth	13,311,064	13,387,149	12,921,198	(465,951)
City of Staunton	10,797,257	10,797,257	10,797,257	-
Total revenues	26,789,055	27,845,309	27,104,000	(741,309)
EXPENDITURES				
Current:				
Education	26,742,892	28,075,167	26,434,518	1,640,649
Total expenditures	26,742,892	28,075,167	26,434,518	1,640,649
Excess (deficiency) of revenues over expenditures	46,163	(229,858)	669,482	899,340
OTHER FINANCING SOURCES (USES)				
Transfers in:				
Transfer from State Operated Programs Fund	70,000	70,000	72,972	2,972
Transfer from the Textbook Fund	-	200,000	-	(200,000)
Transfers out:				
Transfer to School Construction Fund	(25,000)	(680,876)	(680,876)	-
Transfer to School Textbook Fund	(91,163)	(91,163)	(91,163)	-
Total other financing sources (uses)	(46,163)	(502,039)	(699,067)	(197,028)
Net change in fund balance	\$ -	\$ (731,897)	\$ (29,585)	\$ 702,312

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

	Agency Fund <u>Genesis</u>
ASSETS	
Cash and cash equivalents	\$ 187,091
Accounts receivable and due from other governmental units	<u>157</u>
Total assets	<u><u>\$ 187,248</u></u>
LIABILITIES	
Amounts held for Program	\$ 120,059
Accounts payable	1,484
Accrued payroll	<u>65,705</u>
Total liabilities	<u><u>\$ 187,248</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, 2013

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
GENESIS FUND				
ASSETS				
Cash and cash equivalents	\$ 129,197	\$ 929,649	\$ 871,755	\$ 187,091
Accounts receivable	314	157	314	157
Due from other governmental units	26,000	-	26,000	-
	<u>26,000</u>	<u>-</u>	<u>26,000</u>	<u>-</u>
Total assets	<u>\$ 155,511</u>	<u>\$ 929,806</u>	<u>\$ 898,069</u>	<u>\$ 187,248</u>
LIABILITIES				
Amounts held for Program	\$ 98,671	\$ 729,962	\$ 708,574	\$ 120,059
Accounts payable	57	68,434	67,007	1,484
Accrued payroll	56,783	131,410	122,488	65,705
	<u>56,783</u>	<u>131,410</u>	<u>122,488</u>	<u>65,705</u>
Total liabilities	<u>\$ 155,511</u>	<u>\$ 929,806</u>	<u>\$ 898,069</u>	<u>\$ 187,248</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

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF NET POSITION
June 30, 2013

ASSETS

Cash and cash equivalents	\$ 123,831
Accounts receivable	16,667
Due from other governmental units	-
Inventory	14,000,000
Capital assets:	
Land	799,748
Other capital assets, net of accumulated depreciation	<u>7,936,568</u>
Total assets	<u>22,876,814</u>

LIABILITIES

Accounts payable	97,652
Due to primary government	<u>14,000,000</u>
Total liabilities	<u>14,097,652</u>

NET POSITION

Net investment in capital assets	8,736,316
Restricted for programs	45,750
Unrestricted	<u>(2,904)</u>
Total net position	<u><u>\$ 8,779,162</u></u>

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2013

OPERATING REVENUES

Charges for services	\$ 3,344
Rental of property	31,000
Operating grants-City	176,285
Operating grants-State and federal	180,447
Operating grants-Other	<u>15,000</u>
Total operating revenues	<u>406,076</u>

OPERATING EXPENSES

Professional fees	5,850
Other expenses	25,126
Rural business enterprise grant program	110,119
Governor's Opportunity	54,250
Villages	76,325
Staunton Crossing	117,291
Depreciation	<u>308,603</u>
Total operating expenses	<u>697,564</u>
Operating loss	<u>(291,488)</u>
Change in net position	(291,488)
Net position- beginning of year	<u>9,070,650</u>
Net position - end of year	<u><u>\$ 8,779,162</u></u>

CITY OF STAUNTON, VIRGINIA

DISCRETELY PRESENTED COMPONENT UNIT – EDA
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

OPERATING ACTIVITIES

Cash received from customers	\$ 34,344
Cash paid to suppliers	(5,976)
Other operating grants-net	(8,397)
	<hr/>
Net cash provided by operating activities	19,971
	<hr/>

Net increase in cash and cash equivalents 19,971

CASH AND CASH EQUIVALENTS

Beginning of year	103,860
	<hr/>
End of year	\$ 123,831
	<hr/> <hr/>

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

Operating loss	\$ (291,488)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	308,603
Change in assets and liabilities:	
(Increase) decrease in receivables	14,851
Increase (decrease) in accounts payable	(11,995)
	<hr/>
Net cash provided by operating activities	\$ 19,971
	<hr/> <hr/>

SUPPLEMENTARY SCHEDULES

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

Schedule 1: Schedule of Revenues –
Budget and Actual

Schedule 2: Schedule of Expenditures –
Budget and Actual

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

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	\$ 15,639,300	\$ 16,547,700	\$ 908,400
Real and personal public service corporation property taxes	552,500	559,689	7,189
Personal property taxes	3,692,700	3,964,525	271,825
Machinery and tools taxes	200,000	336,115	136,115
Penalties and interest	260,000	359,045	99,045
Total General Property Taxes	20,344,500	21,767,074	1,422,574
Other local taxes:			
Local sales and use taxes	3,550,000	3,729,202	179,202
Consumers' utility taxes	1,110,000	1,123,537	13,537
Local communication tax	1,450,000	1,430,821	(19,179)
Business license taxes	1,850,000	2,197,306	347,306
Bank stock taxes	280,000	263,766	(16,234)
Taxes on recordation and wills	133,000	167,290	34,290
Lodging taxes	375,000	408,906	33,906
Restaurant food tax	2,550,000	2,732,598	182,598
Short term rental tax	15,000	20,685	5,685
Cigarette tax	275,000	276,657	1,657
Total Other Local Taxes	11,588,000	12,350,768	762,768
Permits, privilege fees, and regulatory licenses:			
Animal licenses	25,000	22,176	(2,824)
Permits and other licenses	154,000	170,333	16,333
Total Permits, Privilege Fees, and Regulatory Licenses	179,000	192,509	13,509
Fines and forfeitures	59,000	61,682	2,682
Revenue from use of money and property:			
Revenue from use of money	25,000	7,314	(17,686)
Revenue from use of property	42,000	38,450	(3,550)
Total Revenue from Use of Money and Property	67,000	45,764	(21,236)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Revenue from Local Sources: (cont'd)			
Charges for services:			
Court costs	\$ 3,500	\$ 5,007	\$ 1,507
Charges for Commonwealth's Attorney	2,000	3,737	1,737
Charges for sheriff	2,617	2,617	-
Courtroom security fee	45,000	36,718	(8,282)
Jail admission fee	2,500	3,141	641
Charges for publications and maps	4,000	4,284	284
Charges for parks and recreation	283,500	298,015	14,515
Charges for library fines	25,000	25,967	967
Property clean up fees	5,000	2,779	(2,221)
Administrative fees	26,000	39,574	13,574
Payments in lieu of tax from Enterprise funds	1,056,120	1,083,122	27,002
Charges for tourism promotion	23,000	450	(22,550)
Charges for tax-exempt organizations	2,000	1,149	(851)
Total Charges for Services	1,480,237	1,506,560	26,323
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	9,000	-	(9,000)
Sale of salvage and surplus	10,000	11,884	1,884
Donations	-	11,983	11,983
Miscellaneous	20,000	9,096	(10,904)
Total Miscellaneous Revenue	39,000	32,963	(6,037)
Recovered Costs	376,677	431,131	54,454
Total Revenue from Local Sources	34,133,414	36,388,451	2,255,037
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	100,000	150,283	50,283
Rolling stock taxes	9,500	10,369	869
Auto rental taxes	50,000	66,709	16,709
Law enforcement	858,609	858,609	-
Grantor's tax	30,000	37,425	7,425
Recordation tax	40,000	51,919	11,919
PPTRA reimbursement	1,652,200	1,652,200	-
Budget Reduction in Local Aid – Reimb to Commonwealth	(226,512)	(208,735)	17,777
Total Non-Categorical Aid	2,513,797	2,618,779	104,982

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

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	\$ 340,305	\$ 343,658	\$ 3,353
Sheriff	266,217	269,073	2,856
Commissioner of the revenue	104,327	102,133	(2,194)
Treasurer	103,170	98,787	(4,383)
Registrar/Electoral Board	38,385	35,192	(3,193)
Circuit court clerk	244,000	242,550	(1,450)
Circuit court clerk-technology trust fund	6,400	14,049	7,649
Total Shared Expenses	1,102,804	1,105,442	2,638
Health and welfare	1,433,194	1,454,893	21,699
Other Categorical Aid:			
Street and highway maintenance	3,522,210	3,522,210	-
Library	137,934	140,749	2,815
E911 Wireless funds	69,000	49,927	(19,073)
Fire programs	60,000	67,785	7,785
Commission for the Arts	5,000	5,300	-
Comprehensive Services Act funds	1,484,627	1,553,108	68,481
Four-for-Life funds	20,000	20,576	576
Animal license plates	800	663	(137)
Victim/Witness funds	41,370	14,207	(27,163)
Forfeited assets	-	4,393	4,393
Jurors/Witness fees	15,000	10,862	(4,138)
State Disaster payment	21,000	21,367	367
Total Other Categorical Aid	5,376,941	5,411,147	33,906
Total Categorical Aid	7,912,939	7,971,482	58,243
Total Revenue from the Commonwealth	10,426,736	10,590,261	163,225
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	885,854	801,292	(84,562)
Victim/Witness	13,790	42,622	28,832
FEMA Disaster payment	45,100	52,558	7,458
DMV grants	-	1,960	1,960
Total Revenue from the Federal Government	944,744	898,432	(46,312)
Total General Fund	\$ 45,504,894	\$ 47,877,144	\$ 2,371,950

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds:			
State and Federal Grants Fund:			
Revenue from Local Sources:			
Charges for services:			
Supervision fees	\$ 22,500	\$ 23,677	\$ 1,177
Drug screen fees	16,000	8,548	(7,452)
Home electronic monitoring fees	33,377	57,761	24,384
SA/AM/DV/Group therapy/Admin.	5,500	10,040	4,540
Total Charges for Services	77,377	100,026	22,649
Miscellaneous:			
CAPSAW	10,000	-	(10,000)
Total Miscellaneous Revenue	10,000	-	(10,000)
Total Revenue from Local Sources	87,377	100,026	12,649
Revenue from the Commonwealth:			
Community Corrections and Pre-trial services funds	542,623	534,623	(8,000)
OEMS-RSAF grant	2,744	2,744	-
Urban Forests for the Bay grant	18,030	7,985	(10,045)
Total Revenue from the Commonwealth	563,397	545,352	(18,045)
Revenue from the Federal Government:			
SHSP-Pet Sheltering grant	7,978	15,643	7,665
SHSP-Robot grant	-	71,000	71,000
JAG-ARRA	3,107	3,107	-
JAG	79,218	55,043	(24,175)
Byrne justice assistance	2,544	-	(2,544)
Total Revenue from the Federal Government	92,847	144,793	51,946
Total State and Federal Grants Fund	\$ 743,621	\$ 790,171	\$ 46,550
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	\$ 1,731	\$ 1,787	\$ 56
Total Revenue from Local Sources	1,731	1,787	56

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds: (cont'd)			
Trolley Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of property	\$ 4,500	\$ 5,289	\$ 789
Total Revenue from Use of Money and Property	4,500	5,289	789
Miscellaneous:			
Donations	38,000	20,000	(18,000)
Total Miscellaneous Revenue	38,000	20,000	(18,000)
Recovered Costs:	-	10,893	10,893
Total Revenue from Local Sources	42,500	36,182	(6,318)
Total Trolley Fund	\$ 42,500	\$ 36,182	\$ (6,318)
Total Special Revenue Funds	\$ 787,852	\$ 828,140	\$ 40,288
Grand Total Revenues - Primary Government			
General and special revenue funds	\$ 46,292,746	\$ 48,705,284	\$ 2,412,238

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

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	\$ 500	\$ 450	\$ (50)
Revenue from use of property	15,000	21,720	6,720
Total Revenue from Use of Money and Property	15,500	22,170	6,670
Charges for services:			
Charges for education	14,300	8,649	(5,651)
Tuition or other payments from another county or city	1,120,683	1,195,035	74,352
Total Charges for Services	1,134,983	1,203,684	68,701
Miscellaneous revenue:			
OPEB trust withdrawal	120,000	120,000	-
Donations	8,700	9,504	804
E-Rate reimbursement	70,000	81,331	11,331
Wellness program	20,577	15,839	(4,738)
Miscellaneous	50,000	31,372	(18,628)
Sale of salvage and surplus	500	5,336	4,836
Total Miscellaneous Revenue	269,777	263,382	(6,395)
Recovered Costs	19,404	26,544	7,140
Contribution from City of Staunton	10,797,257	10,797,257	-
Total Revenue from Local Sources	12,236,921	12,313,037	76,116
Revenue from the Commonwealth:			
Categorical Aid:			
Share of state sales tax	3,006,348	3,006,003	(345)
Basic school aid	5,897,886	5,785,260	(112,626)
Foster care	40,000	43,568	3,568
Assistance with VRS inflation	103,500	103,500	-
Gifted and talented	70,483	69,605	(878)
Remedial Education	254,351	251,184	(3,167)
ISAEF funds	15,717	15,717	-
Special education	588,377	581,053	(7,324)
Special education-foster care	73,476	50,071	(23,405)
Homebound	4,968	5,089	121
Regional tuition programs	720,960	572,300	(148,660)
Primary Class size (K-3)	391,551	404,473	12,922
Vocational education	162,417	160,395	(2,022)
Social security instructional	395,316	390,395	(4,921)
VRS retirement instructional	658,860	650,659	(8,201)
Group Life Insurance instructional	24,516	24,211	(305)
At risk	276,061	272,416	(3,645)
VPSA Technology grants	206,000	206,000	-
At Risk - Four Year Olds	295,840	158,743	(137,097)

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

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	\$ 40,671	\$ 49,773	\$ 9,102
English as a second language	20,077	21,870	1,793
Early Reading Intervention	56,320	35,669	(20,651)
SOL-Algebra readiness	32,718	34,506	1,788
Vocational - Equipment	5,120	5,142	22
Project Graduation	18,525	14,885	(3,640)
Mentor Teacher Program	3,501	1,717	(1,784)
Other state funds	23,590	6,994	(16,596)
Total Categorical Aid	13,387,149	12,921,198	(465,951)
Total Revenue from the Commonwealth	13,387,149	12,921,198	(465,951)
Revenue from the Federal Government:			
Categorical Aid:			
Title I	1,101,753	857,463	(244,290)
Drug free schools			-
Title VI - B - Special Education	837,921	786,563	(51,358)
Preschool grants	26,569	29,885	3,316
Training & Recruiting (NCLB)	145,000	132,508	(12,492)
Rural and low income school program	50,368	-	(50,368)
Tech Prep Education (Carl Perkins)	59,628	59,628	-
Other federal funds	-	3,718	3,718
Total Categorical Aid	2,221,239	1,869,765	(351,474)
Total Revenue from the Federal Government	2,221,239	1,869,765	(351,474)
Total Education Fund	\$ 27,845,309	\$ 27,104,000	\$ (741,309)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF REVENUES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

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:			
Charges for services:			
Charges for food service	\$ 371,346	\$ 365,819	\$ (5,527)
Miscellaneous Revenue:			
Other	2,400	8,330	5,930
Total Revenue from Local Sources	373,746	374,149	403
Revenue from the Commonwealth:			
Meal reimbursement	15,382	23,845	8,463
Revenue from the Federal Government:			
Fresh fruits and vegetables grant	26,000	26,916	916
Meal reimbursement	734,192	797,652	63,460
Total Revenue from the Federal Government	760,192	824,568	64,376
Total School Cafeteria Fund	\$ 1,149,320	\$ 1,222,562	\$ 73,242
Textbook Fund:			
Revenue from the Commonwealth:			
Textbook payment	\$ 137,487	\$ 135,776	\$ (1,711)
Total Textbook Fund	\$ 137,487	\$ 135,776	\$ (1,711)
State Operated Programs Fund:			
Revenue from Local Sources:			
E-rate reimbursement	\$ -	\$ 42,458	\$ 42,458
Recovered costs	-	53,389	53,389
Total Revenue from local sources	-	95,847	95,847
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,516,452	2,349,079	(167,373)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	4,884	3,916	(968)
Title VI-B	12,815	10,884	(1,931)
Total Revenue from Federal Government	17,699	14,800	(2,899)
Total State Operated Programs Fund	\$ 2,534,151	\$ 2,459,726	\$ (74,425)
Total Special Revenue Funds	\$ 31,666,267	\$ 30,922,064	\$ (744,203)
Grand Total Revenues - Component Unit			
School Board	\$ 31,666,267	\$ 30,922,064	\$ (744,203)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT:			
General Fund:			
General Government Administration:			
Legislative:			
City Council	\$ 96,432	\$ 88,652	\$ 7,780
Clerk of Council	100,515	75,258	25,257
Total Legislative	196,947	163,910	33,037
General and Financial Administration:			
City Manager	362,097	342,807	19,290
City Attorney	261,267	230,228	31,039
City Memberships	26,922	26,602	320
Professional Consultants	60,135	55,100	5,035
Commissioner of the Revenue	277,068	263,127	13,941
Assessor and Equalization Board	271,742	262,004	9,738
Treasurer	332,864	330,411	2,453
Finance	1,028,856	908,024	120,832
Information Technology	1,028,555	767,659	260,896
Risk Management	533,550	472,520	61,030
Human Resources	276,009	258,599	17,410
Total General and Financial Administration	4,459,065	3,917,081	541,984
Board of Elections:			
Electoral Board and Registrar	131,704	118,007	13,697
Total Board of Elections	131,704	118,007	13,697
Total General Government Administration	4,787,716	4,198,998	588,718
Judicial Administration:			
Courts:			
Circuit court	153,983	132,444	21,539
General District Court	10,480	5,029	5,451
Juvenile and Domestic Relations Court	75,327	67,477	7,850
Clerk of the Circuit Court	400,881	397,707	3,174
Sheriff	524,049	502,711	21,338
Victim/Witness	64,656	63,614	1,042
Magistrates	2,000	1,915	85
Total Courts	1,231,376	1,170,897	60,479
Commonwealth Attorney	562,470	546,817	15,653
Total Judicial Administration	1,793,846	1,717,714	76,132

(Continued)

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

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	\$ 4,618,139	\$ 4,474,427	\$ 143,712
E-911 Communications	765,117	715,096	50,021
Total Law Enforcement and Traffic Control	5,383,256	5,189,523	193,733
Fire and Rescue Services:			
Fire Department	2,417,116	2,415,143	1,973
EMS Council/Four for Life	31,414	25,140	6,274
State Fire Programs	122,179	54,327	67,852
Total Fire and Rescue Services	2,570,709	2,494,610	76,099
Correction and Detention:			
Juvenile Detention Home - Contribution	134,298	133,268	1,030
Jail Facility	525,000	525,000	-
Youth Commission	121,000	120,798	202
Total Correction and Detention	780,298	779,066	1,232
Inspections:			
Building Inspection	315,719	315,070	649
Other Protection:			
Animal control - Animal Care	72,000	71,708	292
Medical Examiner	500	280	220
Total Other Protection	72,500	71,988	512
Total Public Safety	9,122,482	8,850,257	272,225

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Public Works:			
Administration	\$ 254,616	\$ 246,671	\$ 7,945
Traffic Engineering (signs)	136,848	128,912	7,936
Highways, Streets, and Sidewalks	2,980,060	2,966,483	13,577
City Engineering	354,891	334,281	20,610
Traffic Signals	106,015	94,159	11,856
Total	<u>3,832,430</u>	<u>3,770,506</u>	<u>61,924</u>
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,234,538	1,206,225	28,313
Equipment Maintenance	413,178	410,538	2,640
Total Maintenance of General Buildings, Grounds, Equipment	<u>1,647,716</u>	<u>1,616,763</u>	<u>30,953</u>
Total Public Works	<u>5,480,146</u>	<u>5,387,269</u>	<u>92,877</u>
Health and Welfare:			
Health:			
Local Health Department	256,605	252,452	4,153
Mental Health and Mental Retardation:			
Chapter X Board	80,943	80,943	-
Total Health	<u>337,548</u>	<u>333,395</u>	<u>4,153</u>
Welfare:			
DSS-public assistance	2,880,000	2,879,604	396
Community Policy Management Team	2,147,000	2,122,075	24,925
Tax Relief - Elderly and Disabled	173,900	139,335	34,565
Tax Relief - Veterans	35,000	53,859	(18,859)
Staunton Senior Center	6,000	6,000	-
CAPSAW	43,488	43,488	-
Contribution to Area Agency on Aging (VPAS)	18,650	18,650	-
CATS Contribution	40,040	40,040	-
Total Welfare	<u>5,344,078</u>	<u>5,303,051</u>	<u>41,027</u>
Total Health and Welfare	<u>5,681,626</u>	<u>5,636,446</u>	<u>45,180</u>

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
General Fund: (cont'd)			
Education:			
Contribution to Community College	\$ 5,000	\$ 5,000	\$ -
Contribution to Component Unit - School Board	10,797,257	10,797,257	-
Total Education	10,802,257	10,802,257	-
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	991,110	934,247	56,863
Park Maintenance	935,838	797,310	138,528
Horticulture	137,871	132,199	5,672
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	2,084,819	1,883,756	201,063
Cultural Enrichment:			
Contributions to Community Organizations	17,000	16,999	1
Total Cultural Enrichment	17,000	16,999	1
Library:			
Library Administration and Operations	1,016,517	1,001,946	14,571
Total Library	1,016,517	1,001,946	14,571
Total Parks, Recreation, and Cultural	3,118,336	2,902,701	215,635
Community Development:			
Planning and Community Development:			
Economic Development	535,208	485,210	49,998
Planning and Development	253,504	252,035	1,469
Special Service District	149,600	149,564	36
Tourist Information Center	-	167	(167)
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	29,473	29,434	39
Tourism Development	334,180	287,094	47,086
Historic Staunton Foundation	25,000	25,000	-
Staunton Welcome Center	48,821	48,617	204
GART Tourism Board	20,000	20,000	-
Staunton Creative Community Fund	15,000	15,000	-
Total Planning and Community Development	1,458,945	1,360,280	98,665
Total Community Development	1,458,945	1,360,280	98,665
Total General Fund	\$ 42,245,354	\$ 40,855,922	\$ 1,389,432

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
PRIMARY GOVERNMENT: (cont'd)			
Special Revenue Funds:			
State and Federal Grants Fund:			
Public Safety:			
Police Department Grants:			
DCJS-Byrne grant	\$ 2,544	\$ -	\$ 2,544
DCJS-SHSP-Robot grant	71,000	71,000	-
Total Police Department	73,544	71,000	2,544
Fire and Rescue:			
OEMS-RSAF	2,744	2,744	-
SHSP-Pet Sheltering	15,643	15,643	-
Total Fire and Rescue	18,387	18,387	-
Correction and Detention:			
Blue Ridge Court Services	622,500	654,830	(32,330)
Blue Ridge Court Services-JAG supplemental	75,000	60,300	14,700
Office on Youth-JAG ARRA	3,107	3,107	-
Office on Youth-JAG	11,718	773	10,945
Total Correction and Detention	712,325	719,010	(6,685)
Total Public Safety	804,256	808,397	(4,141)
Recreation and Parks:			
Parks:			
Urban Forests for the Bay grant	18,030	7,985	10,045
Total State and Federal Grants Fund	\$ 822,286	\$ 816,382	\$ 5,904
Community Development Fund			
Community Development:			
AWASAW project	\$ 1,008,954	\$ 28,953	\$ 980,001
Newtown-Local	70,850	850	70,000
Total Community Development Fund	\$ 1,079,804	\$ 29,803	\$ 1,050,001
Trolley Fund:			
Community Development:			
Planning and Community Development:			
Trolley Operations	\$ 92,500	\$ 107,752	\$ (15,252)
Total Special Revenue Funds	\$ 1,994,590	\$ 953,937	\$ 1,040,653
Grand Total - Expenditures -Primary Government- General and special revenue	\$ 44,239,944	\$ 41,809,859	\$ 2,430,085

CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL
 Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
COMPONENT UNIT – SCHOOL BOARD:			
Special Revenue Funds:			
Education Fund:			
Education:			
Instructional Costs	\$ 22,150,108	\$ 21,102,872	\$ 1,047,236
Administration, Attendance & Health	1,833,592	1,726,594	106,998
Pupil Transportation	902,861	856,202	46,659
Operating Costs	2,040,025	1,967,216	72,809
Technology	872,624	781,634	90,990
Contingency	275,957	-	275,957
Total Education	<u>28,075,167</u>	<u>26,434,518</u>	<u>1,640,649</u>
Total Education Fund	<u>\$ 28,075,167</u>	<u>\$ 26,434,518</u>	<u>\$ 3,281,298</u>
School Cafeteria Fund:			
Food Service	<u>\$ 1,279,864</u>	<u>\$ 1,294,239</u>	<u>\$ (14,375)</u>
Total School Cafeteria Fund	<u>\$ 1,279,864</u>	<u>\$ 1,294,239</u>	<u>\$ (14,375)</u>
Textbook Fund:			
Education:			
Instructional costs	<u>\$ 300,650</u>	<u>\$ 209,254</u>	<u>\$ 91,396</u>
Total Textbook Fund	<u>\$ 300,650</u>	<u>\$ 209,254</u>	<u>\$ 91,396</u>
State Operated Programs Fund:			
Education:			
Instructional costs	<u>\$ 2,451,510</u>	<u>\$ 2,386,754</u>	<u>\$ 64,756</u>
Total State Operated Programs Fund	<u>\$ 2,451,510</u>	<u>\$ 2,386,754</u>	<u>\$ 64,756</u>
Total Special Revenue Funds	<u>\$ 32,107,191</u>	<u>\$ 30,324,765</u>	<u>\$ 3,423,075</u>
Grand Total - Expenditures - Component Unit - School Board	<u>\$ 32,107,191</u>	<u>\$ 30,324,765</u>	<u>\$ 3,423,075</u>

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STATISTICAL SECTION

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

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

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

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

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

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

TABLE 1

CITY OF STAUNTON, VIRGINIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities										
Net investment in capital assets	\$ 31,074,300	\$ 31,321,359	\$ 29,909,806	\$ 24,406,532	\$ 25,235,126	\$ 29,705,089	\$ 29,874,206	\$ 29,877,324	\$ 24,720,886	\$ 35,662,580
Restricted	120,217	184,868	103,639	27,485	32,366	64,201	91,704	117,686	119,692	277,227
Unrestricted	20,530,870	17,813,098	18,269,177	16,550,240	15,199,232	13,215,652	10,403,691	9,054,657	10,137,531	6,153,738
Total governmental activities net position	<u>\$ 51,725,387</u>	<u>\$ 49,319,325</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 51,646,845	\$ 51,212,802	\$ 49,958,761	\$ 50,278,514	\$ 48,929,485	\$ 41,803,122	\$ 38,777,694	\$ 31,654,996	\$ 27,246,740	\$ 28,188,269
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	15,253,532	16,101,004	17,720,858	15,786,830	16,283,224	15,716,827	15,079,925	16,219,691	16,484,965	14,988,020
Total business-type activities net position	<u>\$ 66,900,377</u>	<u>\$ 67,313,806</u>	<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>
Primary government										
Net investment in capital assets	\$ 82,721,145	\$ 82,534,161	\$ 79,868,567	\$ 74,685,046	\$ 74,164,611	\$ 71,508,211	\$ 68,651,900	\$ 60,636,054	\$ 51,967,626	\$ 63,850,849
Restricted	120,217	184,868	103,639	27,485	32,366	64,201	91,704	117,686	119,692	277,227
Unrestricted	35,784,402	33,914,102	35,990,035	32,337,070	31,482,456	28,932,479	25,483,616	25,531,715	26,622,496	21,141,758
Total primary net position	<u>\$ 118,625,764</u>	<u>\$ 116,633,131</u>	<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>

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses										
Governmental Activities:										
General government	\$ 4,524,704	\$ 4,372,745	\$ 4,269,567	\$ 4,240,405	\$ 4,353,053	\$ 4,017,705	\$ 3,954,903	\$ 3,734,068	\$ 3,378,970	\$ 3,447,605
Judicial administration	1,703,187	1,734,157	1,612,892	1,624,017	1,756,105	1,804,919	1,632,266	1,433,650	1,337,578	1,153,710
Public safety	10,869,981	10,137,714	9,808,670	9,402,422	9,248,940	9,569,727	9,458,730	9,265,997	8,214,513	7,756,249
Public works	7,053,141	6,262,440	5,666,355	5,718,532	6,302,122	6,575,411	6,028,489	6,167,650	6,429,960	5,734,018
Health and welfare	5,642,143	5,587,112	5,532,072	5,018,405	4,987,275	5,071,337	4,492,566	4,436,534	4,335,075	4,200,155
Education	11,597,335	11,199,889	10,814,412	12,096,550	12,219,779	12,611,719	13,770,045	9,292,427	10,429,306	9,985,479
Parks, recreation and culture	3,091,574	2,905,849	2,860,422	2,935,093	3,242,457	3,207,051	3,427,478	3,217,236	3,160,633	3,021,078
Community development	1,508,661	2,067,996	1,720,234	3,040,240	1,664,278	1,932,955	1,795,290	1,720,121	9,940,637	3,886,639
Interest on long-term debt	1,333,627	1,198,129	1,332,691	1,361,328	1,441,577	1,524,050	1,413,046	1,422,428	1,150,547	584,304
Total governmental activities expenses	47,324,353	45,466,031	43,617,315	45,436,992	45,215,586	46,314,874	45,972,813	40,690,111	48,377,219	39,769,237
Business-Type Activities:										
Golf	167,950	191,022	179,702	158,480	162,124	180,980	-	-	-	-
Water	3,595,525	3,557,493	3,446,557	3,139,885	3,392,655	3,530,891	3,272,895	3,333,750	3,194,525	3,110,829
Sewer	3,908,777	3,984,420	3,358,564	2,688,221	2,913,749	2,955,223	2,908,962	2,708,237	2,350,081	2,307,369
Stormwater	781,975	710,250	742,232	564,181	486,581	-	-	-	-	-
Environmental	2,431,257	2,594,453	1,777,831	2,773,641	2,615,547	3,055,363	2,398,520	2,556,633	2,393,210	1,552,687
Parking	421,934	468,930	423,434	455,855	466,889	490,053	491,750	481,869	471,403	454,168
Total business-type activities expenses	11,307,418	11,506,568	9,928,320	9,780,263	10,037,545	10,212,510	9,072,127	9,080,489	8,409,219	7,425,053
Total primary government expenses	\$ 58,631,771	\$ 56,972,599	\$ 53,545,635	\$ 55,217,255	\$ 55,253,131	\$ 56,527,384	\$ 55,044,940	\$ 49,770,600	\$ 56,786,438	\$ 47,194,290
Program Revenues										
Governmental activities:										
Charges for services:										
Governmental-PILOT from enterprise funds	\$ 1,083,122	\$ 1,056,120	\$ 1,127,162	\$ 817,375	\$ 909,072	\$ 845,932	\$ 904,686	\$ 961,876	\$ 931,521	\$ 863,736
Public safety	291,172	309,363	226,605	294,628	312,814	380,489	251,815	275,492	207,041	180,174
Parks and recreation	336,266	354,003	314,065	330,649	352,207	360,488	580,720	604,359	535,935	539,902
Other activities	480,508	512,293	445,442	318,251	394,589	418,345	301,536	290,250	248,137	206,625
Operating grants and contributions	9,759,857	10,003,989	10,018,844	9,379,027	9,472,611	9,212,019	8,843,956	8,455,650	8,936,524	9,048,556
Capital grants and contributions	471,852	274,810	4,684,814	217,303	379,550	2,109,697	2,676,309	2,291,855	530,136	126,586
Total governmental activities program revenues	12,422,777	12,510,578	16,816,932	11,357,233	11,820,843	13,326,970	13,559,022	12,879,482	11,389,294	10,965,579

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
(Continued)										
Program Revenues: (cont'd)										
Business-type activities:										
Charges for services:										
Golf	\$ 137,413	\$ 147,255	\$ 147,371	\$ 147,200	\$ 174,954	\$ 176,720	\$ -	\$ -	\$ -	\$ -
Water	3,598,658	3,610,812	4,036,110	3,235,783	3,305,946	3,552,940	3,063,851	3,274,548	2,857,599	2,667,551
Sewer	3,908,330	3,544,433	3,423,605	3,239,743	3,274,390	2,910,547	3,019,742	3,110,685	2,706,151	2,657,488
Stormwater	715,878	689,179	709,206	464,462	325,967	-	-	-	-	-
Environmental	1,953,912	2,064,570	1,740,587	1,705,239	1,722,333	2,198,807	2,265,741	2,351,433	2,273,823	2,167,401
Parking	302,234	315,158	241,846	240,989	260,062	264,351	285,581	261,107	228,134	203,047
Operating grants and contributions	13,374	5,044	13,341	2,876	3,947	10,950	20,832	6,594	4,393	220,525
Capital grants and contributions	-	65,871	925,347	1,269,948	3,815,810	4,347,999	5,291,714	5,194,756	788,680	101,485
Total business-type activities program revenues	10,629,799	10,442,322	11,237,413	10,306,240	12,883,409	13,462,314	13,947,461	14,199,123	8,858,780	8,017,497
Total primary government program revenues	\$ 23,052,576	\$ 22,952,900	\$ 28,054,345	\$ 21,663,473	\$ 24,704,252	\$ 26,789,284	\$ 27,506,483	\$ 27,078,605	\$ 20,248,074	\$ 18,983,076
Net (expense)/revenue										
Governmental activities	\$ (34,901,576)	\$ (32,955,453)	\$ (26,800,383)	\$ (34,079,759)	\$ (33,394,743)	\$ (32,987,904)	\$ (32,413,791)	\$ (27,810,629)	\$ (36,987,925)	\$ (28,803,658)
Business-type activities	(677,619)	(1,064,246)	1,309,093	525,977	2,845,864	3,249,804	4,875,334	5,118,634	449,561	592,444
Total primary government net expense	\$ (35,579,195)	\$ (34,019,699)	\$ (25,491,290)	\$ (33,553,782)	\$ (30,548,879)	\$ (29,738,100)	\$ (27,538,457)	\$ (22,691,995)	\$ (36,538,364)	\$ (28,211,214)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 22,333,005	\$ 20,076,871	\$ 20,296,688	\$ 20,311,531	\$ 20,499,305	\$ 19,304,861	\$ 17,897,041	\$ 15,382,482	\$ 14,699,211	\$ 13,592,522
Sales tax	3,729,201	3,588,738	3,381,018	3,495,905	3,554,096	3,862,575	3,975,959	3,847,080	3,859,669	3,870,728
Hotel and meals tax	3,141,504	2,988,497	2,794,600	2,698,937	2,681,277	2,840,345	2,352,954	2,105,857	1,986,453	1,824,619
Business license	2,197,306	2,113,160	1,925,106	1,828,598	1,872,462	1,921,537	1,956,690	1,848,116	1,698,253	1,701,383
Utility tax	1,123,536	1,102,556	1,120,868	1,103,514	1,108,625	1,116,030	1,494,381	2,306,670	2,226,051	1,892,272
Local communication tax	1,430,821	1,427,036	1,456,638	1,463,883	1,457,808	1,604,473	688,019	-	-	-
Other taxes	728,998	763,722	741,910	1,110,569	1,244,487	1,302,851	1,772,047	1,653,799	1,526,986	1,016,004
Unrestricted investment earnings	11,370	18,196	26,298	32,403	115,142	343,008	490,959	561,944	261,605	109,486
Grants and contributions not restricted to a specific program	2,827,514	2,526,975	2,527,349	2,756,972	2,740,644	3,066,910	3,181,920	2,724,725	2,549,461	2,419,115
Miscellaneous	8,783	27,765	52,673	19,380	31,975	11,153	103,195	7,802	19,755	34,379
Gain (loss) on sale of assets	-	-	-	-	25,105	-	-	7,887	7,885	7,793
Transfers	(224,400)	(641,360)	(224,400)	(224,400)	(4,454,401)	229,502	(179,440)	615,062	401,776	(129,440)
Total governmental activities	37,307,638	33,992,156	34,098,748	34,597,292	30,876,525	35,603,245	33,733,725	31,061,424	29,237,105	26,338,861

TABLE 2

CITY OF STAUNTON, VIRGINIA

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
(Continued)										
Business-type activities:										
Unrestricted investment earnings	\$ 39,790	\$ 57,073	\$ 80,782	\$ 102,258	\$ 392,495	\$ 668,398	\$ 869,700	\$ 569,207	\$ 347,350	\$ 120,263
Grants and contributions not restricted to a specific program	-	-	-	-	-	-	58,458	160,281	160,281	-
Transfers	224,400	641,360	224,400	224,400	4,454,401	(229,502)	179,440	(615,062)	(401,776)	129,440
Total business-type activities	264,190	698,433	305,182	326,658	4,846,896	438,896	1,107,598	114,426	105,855	249,703
Total primary government	<u>\$ 37,571,828</u>	<u>\$ 34,690,589</u>	<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>
Change in Net Position										
Governmental activities	\$ 2,406,062	\$ 1,036,703	\$ 7,298,365	\$ 517,533	\$ (2,518,218)	\$ 2,615,341	\$ 1,319,934	\$ 3,250,795	\$ (7,750,820)	\$ (2,464,797)
Business-type activities	(413,429)	(365,813)	1,614,275	852,635	7,692,760	3,688,700	5,982,932	5,233,060	555,416	842,147
Total primary government	<u>\$ 1,992,633</u>	<u>\$ 670,890</u>	<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>

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

TABLE 3

CITY OF STAUNTON, VIRGINIA

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund										
Nonspendable	\$ 58,666	\$ 61,789	\$ 125,118	\$ 59,636	\$ 35,742	\$ 15,912	\$ 26,556	\$ -	\$ -	\$ -
Restricted	120,217	149,868	88,639	13,985	18,866	20,701	789,234	18,233	9,203,120	8,446,052
Committed	5,178,250	4,540,000	4,738,109	3,968,993	3,788,452	3,809,695	3,706,008	3,535,411	3,269,276	3,025,312
Assigned	2,089,799	1,857,022	1,878,480	1,647,680	1,517,667	1,797,721	1,528,865	1,752,751	1,674,481	1,991,802
Unassigned	<u>3,472,715</u>	<u>2,647,250</u>	<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>
Total General Fund	<u>\$ 10,919,647</u>	<u>\$ 9,255,929</u>	<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>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	35,000	15,000	13,500	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	9,910,873	9,414,308	9,689,435	8,505,743	7,101,881	4,467,568	4,431,650	1,910,729	964,998	1,232,872
Unassigned	<u>(5,308)</u>	<u>-</u>	<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>
Total all other governmental funds	<u>\$ 9,905,565</u>	<u>\$ 9,449,308</u>	<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>

Notes:

Includes only the primary government

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
REVENUES										
General property taxes	\$ 21,767,074	\$ 20,073,697	\$ 20,069,387	\$ 20,253,506	\$ 19,989,078	\$ 19,424,220	\$ 17,978,630	\$ 15,361,830	\$ 14,331,770	\$ 13,407,770
Sales and use tax	3,729,202	3,588,738	3,381,018	3,495,905	3,554,096	3,862,575	3,975,959	3,847,080	3,859,669	3,870,728
Hotel and meals tax	2,732,598	2,599,776	2,406,577	2,344,698	2,304,448	2,456,629	2,004,839	2,105,857	1,986,453	1,824,619
Utility taxes	1,123,537	1,102,556	1,120,868	1,103,514	1,108,625	1,116,030	1,700,693	2,306,670	2,226,051	1,892,272
Business license tax	2,197,306	2,113,198	1,925,106	1,828,598	1,872,462	1,921,537	1,956,690	1,848,116	1,698,253	1,701,383
Local communication tax	1,430,821	1,427,036	1,456,638	1,463,883	1,457,808	1,604,473	688,019	-	-	-
Other local taxes	1,137,304	1,151,406	1,129,732	1,463,007	1,621,317	1,715,090	1,885,127	1,653,799	1,526,986	1,016,005
Permits, privilege fees, and regulatory licenses	192,509	211,744	176,104	240,985	257,003	323,715	218,835	263,554	173,802	138,597
Fines and forfeitures	61,682	71,616	59,336	70,171	74,901	82,382	39,741	38,020	52,525	55,505
Charges for services	1,606,586	1,620,194	1,603,565	1,294,706	1,418,765	1,372,756	1,593,674	1,644,454	1,565,189	1,488,102
Intergovernmental	12,562,122	12,579,801	12,879,542	11,938,753	11,780,626	12,219,397	11,684,470	10,996,440	11,299,234	10,744,243
Investment earnings	14,607	28,659	510,633	34,041	121,033	331,766	470,930	578,491	261,018	109,410
Other revenues	665,595	681,836	61,329	580,000	637,355	606,933	1,024,993	630,708	415,982	623,901
Total revenues	49,220,943	47,250,257	46,779,835	46,111,767	46,197,517	47,037,503	45,222,600	41,275,019	39,396,932	36,872,535
EXPENDITURES										
General government administration	4,200,956	4,074,848	4,052,531	4,094,106	3,870,367	3,703,154	3,621,958	3,506,130	3,104,946	3,176,002
Judicial administration	1,717,714	1,720,680	1,594,913	1,638,486	1,734,845	1,775,132	1,630,446	1,456,734	1,317,924	1,156,608
Public safety	10,692,670	9,151,531	9,750,857	9,319,610	9,434,294	9,721,162	9,340,095	9,208,081	8,143,123	7,512,886
Public works	5,532,890	5,126,188	5,048,667	4,749,252	5,272,649	5,097,539	4,633,944	5,105,448	6,336,295	4,940,755
Health and welfare	5,636,446	5,582,630	5,527,635	5,012,585	4,982,095	5,068,954	4,487,419	4,418,294	4,332,639	4,279,265
Education	11,004,427	10,715,366	10,602,061	9,948,427	11,506,943	11,898,943	14,233,660	24,887,834	10,606,346	9,687,388
Parks, recreation and cultural	2,964,000	2,860,619	2,793,380	2,789,783	3,101,115	3,041,516	3,268,105	3,055,548	2,789,784	2,658,033
Community development	1,510,259	2,263,642	1,724,699	1,987,336	1,649,671	2,031,826	1,782,443	1,993,013	9,092,987	3,512,744
Capital outlay	533,126	2,900,387	625,192	219,482	-	72,913	453,004	924,818	996,533	622,099
Debt service:										
Principal retirement	1,783,845	1,785,018	2,042,417	2,281,258	16,727,747	1,617,766	1,533,795	1,155,326	1,331,288	1,296,626
Interest and fiscal charges	1,203,682	1,220,736	1,298,202	1,355,642	1,166,623	1,467,350	1,408,521	1,235,752	899,000	575,703
Bond issue costs	96,553	-	-	106,621	9,675	-	135,772	22,450	47,815	199,858
Total expenditures	46,876,568	47,401,645	45,060,554	43,502,588	59,456,024	45,496,255	46,529,162	56,969,428	48,998,680	39,617,967
Excess of revenues over (under) expenditures	2,344,375	(151,388)	1,719,281	2,609,179	(13,258,507)	1,541,248	(1,306,562)	(15,694,409)	(9,601,748)	(2,745,432)

(Continued)

CITY OF STAUNTON, VIRGINIA

TABLE 4

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
OTHER FINANCING SOURCES (USES)										
Bonds issued	15,000,000	-	-	-	15,000,000	-	10,600,000	9,675,400	10,000,000	10,909,366
Discount on general obligation bonds	-	-	-	-	-	-	(206,895)	-	-	-
Sale of building and equipment	-	-	17,848	20,159	25,105	-	-	-	-	-
Payment to refunding bond escrow agent*	(15,000,000)	-	-	-	-	-	(9,655,097)	-	-	-
Transfers in	8,933,104	9,296,443	5,945,984	4,077,358	3,117,242	1,418,913	4,010,450	4,161,554	9,833,274	2,782,252
Transfers out	(9,157,504)	(9,471,443)	(6,170,384)	(4,301,758)	(3,296,682)	(1,677,993)	(4,189,890)	(3,546,492)	(9,431,498)	(2,911,692)
Total other financing sources (uses)	(224,400)	(175,000)	(206,552)	(204,241)	14,845,665	(259,080)	558,568	10,290,462	10,401,776	10,779,926
Net change in fund balance	<u>\$ 2,119,975</u>	<u>\$ (326,388)</u>	<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>
Debt service as a percentage of noncapital expenditures	6.47%	6.71%	7.73%	8.57%	6.65%	5.29%	6.75%	6.49%	4.90%	5.41%

Notes:

Includes only the primary government

* in 2013 \$15,000,000 was paid to the Commonwealth of Virginia to settle debt on the Staunton Crossing property. See note 18.

TABLE 5

CITY OF STAUNTON, VIRGINIA

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

Calendar Year	Residential	Commercial	Industrial	Total Taxable and Actual Assessed Value	Total Direct Tax Rate
2013	\$ 1,417,105,412	\$ 311,919,138	\$ 53,212,038	\$ 1,782,236,588	\$ 0.95
2012	1,465,244,126	313,111,572	52,355,253	1,830,710,951	0.90
2011	1,456,303,391	315,889,749	48,128,961	1,820,322,101	0.90
2010	1,584,972,579	322,101,977	53,403,998	1,960,478,554	0.90
2009	1,570,574,212	321,077,444	53,135,211	1,944,786,867	0.90
2008	1,476,305,352	295,926,079	51,382,419	1,823,613,850	0.90
2007	1,443,735,578	291,724,204	51,152,994	1,786,612,776	0.90
2006	1,047,022,585	250,790,849	46,263,928	1,344,077,362	0.96
2005	1,002,298,395	232,714,779	46,134,528	1,281,147,702	0.96
2004	838,643,105	199,912,460	44,749,146	1,083,304,711	1.00

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	2013			2004		
	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	0.79%	\$ 14,399,750	2	1.34%
Wal-Mart Real Estate Business	11,638,200	2	0.65%	11,609,483	3	1.08%
FAP Properties / Art Fisher	11,549,275	3	0.65%	-	-	-
Gypsy Hill Investments LLC	10,981,050	4	0.62%	-	-	-
Big Sky, LLC	9,628,200	5	0.54%	-	-	-
RCC Statler Square LLC	9,333,800	6	0.52%	-	-	-
SHP III Baldwin Park, LLC	9,214,830	7	0.52%	-	-	-
Staunton Plaza, LLC	9,096,980	8	0.51%	-	-	-
LSK Properties, LLC	8,392,440	9	0.47%	-	-	-
Ind Dev Auth / Hotel Developer	7,812,440	10	0.44%	-	-	-
Unifi Inc	-	-	-	14,669,314	1	1.36%
Regency Centers, Inc	-	-	-	6,264,050	4	0.58%
K R Staunton, Inc	-	-	-	6,166,940	5	0.57%
Lowe's Home Centers Inc	-	-	-	5,543,250	6	0.52%
HCP Virginia, Inc	-	-	-	4,508,530	7	0.42%
Health Care REIT, Inc	-	-	-	4,500,700	8	0.42%
Best Buy Stores LP #84	-	-	-	4,358,194	9	0.40%
Baldwin Park Ltd	-	-	-	4,027,230	10	0.37%
Totals	<u>\$ 101,661,215</u>		<u>5.70%</u>	<u>\$ 76,047,441</u>		<u>7.07%</u>

Source: City Assessor

Notes:

Real Estate Only

TABLE 7

CITY OF STAUNTON, VIRGINIA

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

Calendar Year	Taxes Levied for the Calendar Year		Collected within the		Collections in Subsequent Calendar Years	Total Collections		
			Calendar Year of the Levy			To Date		
	Amount	Percentage of Levy	Amount	Percentage of Levy	Amount	Percentage of Levy		
2013	(1) \$	16,782,813	(2) \$	-	0.00%	\$	-	0.00%
2012		16,261,738		15,280,479	93.97%		15,280,479	93.97%
2011		16,140,585		15,094,471	93.52%	369,107	15,463,578	95.81%
2010		17,426,047		16,310,945	93.60%	577,717	16,888,662	96.92%
2009		17,310,637		16,259,263	93.93%	632,134	16,891,397	97.58%
2008		16,247,090		15,434,142	95.00%	539,206	15,973,348	98.32%
2007		16,194,110		15,234,398	94.07%	494,199	15,728,597	97.13%
2006		12,848,385		12,158,103	94.63%	490,266	12,648,369	98.44%
2005		12,297,520		na	na	na	na	na
2004		10,838,147		na	na	na	na	na

Sources: City of Staunton Assessor and Finance Department

Includes real estate and downtown service district taxes

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

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

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

TABLE 8

CITY OF STAUNTON, VIRGINIA

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

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			
2013	\$ 29,712,455	\$ -	\$ 13,800,000	\$ -	\$ 2,224,802	\$ 24,674,856	\$ 70,412,113	5.80%	\$ 2,944
2012	15,546,300	15,000,000	14,750,000	-	2,701,564	26,512,857	74,510,721	5.33%	3,096
2011	16,381,318	15,000,000	15,000,000	-	3,161,806	28,296,898	77,840,022	5.03%	3,266
2010	17,473,734	15,000,000	16,650,000	-	3,700,405	28,857,677	81,681,816	4.78%	3,440
2009	18,793,924	-	17,600,000	11,068	4,583,463	19,438,202	60,426,657	6.46%	2,528
2008	20,181,760	-	17,875,400	79,206	7,737,390	10,571,738	56,445,494	6.92%	2,379
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

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.

TABLE 9

CITY OF STAUNTON, VIRGINIA

Debt Capacity Information
Ratio of General Bonded Debt Outstanding
Last Ten 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		
2013	\$ 31,937,257	\$ 13,800,000	\$ 24,674,856	\$ 70,412,113	3.95%	\$ 2,944
2012	21,742,864	14,750,000	23,017,857	59,510,721	3.25%	2,473
2011	23,358,124	15,700,000	24,481,898	63,540,022	3.49%	2,666
2010	25,299,139	16,650,000	24,732,677	66,681,816	4.17%	2,808
2009	27,527,387	17,600,000	15,288,202	60,415,589	3.11%	2,528
2008	27,919,150	17,875,400	10,571,738	56,366,288	3.09%	2,376
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

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.

TABLE 10

CITY OF STAUNTON, VIRGINIA

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt Limit	\$ 178,223,659	\$ 183,071,095	\$ 182,032,210	\$ 196,047,855	\$ 194,478,687	\$ 182,361,385	\$ 178,661,278	\$ 134,407,736	\$ 133,413,286	\$ 114,321,164
Total net debt applicable to limit	<u>70,412,113</u>	<u>59,510,721</u>	<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>
Legal debt margin	<u>\$ 107,811,546</u>	<u>\$ 123,560,374</u>	<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>
Legal debt margin as a percentage of the debt limit	60.49%	67.49%	65.09%	65.99%	68.93%	69.09%	68.89%	57.26%	61.90%	62.34%

TABLE 11

CITY OF STAUNTON, VIRGINIA

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

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median age (1)	School enrollment (3)	Unemployment rate (4)
2013	23,921	\$ 4,085,833	\$ 34,442	42.9	2,522	6.3%
2012	24,067	3,969,481	33,502	42.9	2,605	6.3%
2011	23,834	3,912,376	33,114	42.1	2,528	6.7%
2010	23,746	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%

Sources:

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

TABLE 12

CITY OF STAUNTON, VIRGINIA

Demographic and Economic Information
Principal Employers
Current Year
UNAUDITED

Employer	2013		
	Employees	Rank	Percentage of Total City Employment
Western State Hospital	500-599	1	5.11%
Staunton City School Board	500-599	2	5.11%
Mary Baldwin College	250-499	3	3.48%
City of Staunton	250-499	4	3.48%
WalMart	250-499	5	3.48%
Fisher Auto Parts Inc.	250-499	6	3.48%
Virginia School for the Deaf and Blind	100-249	7	1.63%
Home Instead Senior Care	100-249	8	1.63%
Specialty Blades	100-249	9	1.63%
VDOT	100-249	10	1.63%
Total	2550-4440		30.66%

Data for nine years ago is not available.

Source: Virginia Employment Commission (VEC)

Notes:

Percentage of Total City employment is based on the midpoints in the ranges given.

TABLE 13

CITY OF STAUNTON, VIRGINIA

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

Function/Program	Full Time Equivalent Employees as of June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government	33	31	31	30	33	33	33	32	32	32
Judicial	21	21	21	23	23	22	22	17	17	17
Public Safety	99	99	98	101	107	106	106	95	95	95
Public Works	38	38	38	39	40	42	42	49	47	47
Parks, Recreation, and Culture	23	23	22	26	26	26	27	26	25	25
Community Development	7	7	7	8	8	7	7	6	6	6
Grants-Blue Ridge Courts	8	8	8	8	8	na	na	na	na	na
Golf	1	1	1	1	1	1	0	0	0	0
Water	25	25	25	24	25	25	25	25	23	23
Sewer	5	5	5	6	6	6	6	6	6	6
Environmental	18	18	20	22	24	24	24	23	23	23
Stormwater	1	1	1	1	2	na	na	na	na	na
Total	279	277	277	289	303	292	292	279	274	274

na-not available

Source: Finance Department

Notes:

A full time employee is scheduled to work 2,088 hours per year (including vacation and sick leave).

Full time equivalent employment is calculated by dividing total labor hours by 2,088. City firefighters' time is based on 2,766 hours per year.

TABLE 14

CITY OF STAUNTON, VIRGINIA

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

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety:										
Police:										
Arrests	2,429	2,415	2,402	2,378	2,517	2,835	2,469	2,369	na	na
Parking tickets	5,036	5,548	5,117	3,639	5,428	6,846	5,031	4,142	na	na
Traffic summons	2,982	3,809	4,693	4,093	4,525	4,723	4,773	4,229	na	na
Fire:										
Incident responses	3,450	2,640	3,372	3,000	2,812	2,695	2,648	2,384	2,630	3,071
Fires extinguished	55	56	65	45	80	79	99	83	70	87
Inspections	918	424	417	407	348	286	211	138	85	304
Inspections:										
Building permits issued	881	1,010	1,036	896	1,024	1,219	1,641	1,740	1,200	1,246
Building inspections conducted	2,772	2,592	2,753	2,538	3,587	4,631	4,623	4,865	3,107	2,796
Public Works:										
Refuse:										
Recycling collected (tons per day)	2.16	2.12	1.72	1.58	1.65	na	na	na	na	na
Refuse collected (tons per day)	61.8	63.7	62.6	69.9	67.6	79.5	83.1	95.3	94.4	91.3
Other public works:										
Lane miles paved	10.2	12.3	10.08	9.78	5.25	7.43	7.97	2.5	2.4	9.1
Parks and Recreation:										
Rounds of golf	9,698	9,731	9,863	8,939	10,283	10,345	13,000	15,552	14,770	14,930
Library:										
Volumes in collection	177,957	177,037	175,505	171,652	172,345	174,390	173,503	171,816	175,872	177,537
Total volumes borrowed	389,551	397,243	418,107	432,276	450,949	447,047	425,581	409,440	404,395	409,152
Utility:										
New connections-water	8	9	16	11	13	122	228	165	na	na
Active customers-water	9,347	9,358	9,335	9,727	9,296	9,271	9,231	9,168	9,025	8,876

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	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units-marked	19	19	20	20	20	20	21	21	20	20
Patrol Units-unmarked	19	18	16	16	16	16	14	18	18	17
Fire Stations	2	2	2	2	2	2	2	2	1	1
Refuse										
Collection trucks	10	8	7	7	7	7	7	6	6	5
Recycling trucks	3	4	3	3	3	3	3	3	3	3
Other Public Works										
Lane miles of streets	298.7	298.7	298.55	298.55	298.55	297.38	291.22	288.48	288.48	286.28
Traffic Signals-signals and flashers	65	65	63	64	64	64	64	64	64	64
Parks and Recreation										
Acreage	482	482	482	482	477	477	477	447	418.5	418.5
Number of Parks	9	9	9	9	7	7	7	6	5	5
Baseball/softball fields	8	8	8	8	7	7	7	7	7	7
# of baseball/softball games played	1,614	1,585	1,560	1,522	1,590	1,503	1,488	1,426	na	na
Soccer/football fields	4	4	4	4	4	3	3	3	3	3
# of soccer/football games played	220	212	195	214	217	183	176	124	na	na
Water										
Miles of water mains	181.4	179.41	175.37	175.35	175.15	174.9	173.56	170	147.62	146.7
Fire Hydrants	919	912	912	897	887	866	828	797	na	na
Storage capacity (thousands of gal)	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Sewer										
Miles of sanitary sewers	132.84	132.84	132.79	132.42	132.35	131.82	130.88	128	124.73	123.2

Sources: Various City departments

na - data not available.

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COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S 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 City Council
City of Staunton, Virginia

We have audited, 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; the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 25, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Staunton, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Staunton, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures did not disclose any instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control over Compliance

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

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia
November 25, 2013

CITY OF STAUNTON, VIRGINIA
SUMMARY OF COMPLIANCE MATTERS
June 30, 2013

As more fully described in the Independent Auditor's 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, 2013**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies** relating to the audit of the financial statements is reported in the Independent Auditor's 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 **unmodified opinion**.
6. The audit disclosed **no audit findings relating to major programs**.
7. The programs tested as major programs include:

Foster Care	93.658
Adoption Assistance	93.659
Title I	84.010
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

None.

CITY OF STAUNTON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

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>Direct Programs:</u>			
Rural Business Cooperative Service			
Rural Business Enterprise Grant	10.769	55-035-571270797	\$ 80,447
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture:</u>			
Child Nutrition Cluster:			
National School Lunch Program - Non Cash Commodities	10.555	N/A	85,375
<u>Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	405910	179,901
National School Lunch Program	10.555	406230	617,751
Fresh Fruits and Vegetables Program	10.582	405990	26,916
<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	4,684
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Title 1, Part A Cluster:			
Title I Educationally Deprived Children - LEA	84.010	S010A100046, S010A110046 & S010A120046	857,463
Title I, Part D - Neglected & Delinquent Children	84.013	S013A100046 & S013A110046	3,916
Special Education Cluster			
Title VIB - Special Education	84.027	H027A100107 & H027A110107	797,447
Special Education - Pre-School Grants	84.173	H173A110112 & H173A120112	29,885
Vocational Education - Basic Grants to States	84.048	V048A110046 & V048A120046	59,628
Title II, Part A - Training & Recruiting Grant	84.367	S367A100044 & S367A120044	132,508

CITY OF STAUNTON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

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	\$ (1,091)
VIEW-JOBS Purchased Services		87201	1,459
VIEW-Supportive Services		87202	19,175
VIEW- Transitional Transportation		87204	330
VIEW-Transportation		87207	74,103
VIEW-Transitional Support		87211	90
Child Care and Development Block Grant:	93.575		
Fee Child Care 100% Federal		88302	(362)
Child Care and Development Fund:-Mandatory and Matching Funds	93.596		
VIEW - Working Child Care		87101	(53)
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	52,281
Licensed Child Placing Agency-Basic Maintenance		81108	62,774
Local Agency Foster Home-Basic Maintenance		81110	74,863
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision		81112	135,610
Central Service Cost Allocation - IV-E serv		84319	1,479
Adoption Assistance:	93.659		
Subsidized Adoption Assistance-Basic Maintenance		81201	203,141
Nonrecurring Adoption Assistance		81202	3,230
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision		81203	76,512
Cost Allocation		84324	158
Social Services Block Grant:	93.667		
State Adoption Assistance		81701	70,591
Family Preservation-(SSBG)		82905	3,395
Home Based Companion (State Supplement)		83304	12,880
Adult Protective Services		89501	3,348
Medical Assistance Program (Title XIX)	93.778		
Central Service Cost Allocation-Medicaid		84323	2,695

CITY OF STAUNTON, VIRGINIA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Federal Granting Agency/Pass-Through State Agency/Grant Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass Through Programs:</u>			
<u>Department of Emergency Management:</u>			
State Homeland Security Grant Program	97.073	52701, 52709	\$ 86,643
Disaster Grant-Public Assistance (Presidentially Declared Disaster)	97.036	n/a	56,276
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-2820 2009-DJ-BX-1273 & 2010-DJ-BX-	3,107
Edward Byrne Memorial Justice Assistance Grant Program	16.738	0928	773
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice Services:</u>			
Crime Victim Assistance	16.575	76000, 56000	42,622
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-A2621AD11	54,270
<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	52155	1,960
<u>Virginia Department of Transportation:</u>			
Highway Planning and Construction	20.205	SRTS-132-532&334	6,960
Total Expenditures of Federal Awards			<u>\$ 3,925,140</u>

CITY OF STAUNTON, VIRGINIA**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013****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.