

CITY OF WAYNESBORO, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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**CITY OF WAYNESBORO, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

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CITY OF WAYNESBORO, VIRGINIA
(As of June 30, 2013)

COUNCIL

Frank S. Lucente, Mayor
Bruce Allen, Vice Mayor
Jeffrey S. Freeman
Michael E. Harris
Timothy D. Williams
Julia E. Bortle, Clerk

OFFICIALS

Michael G. Hamp, II	City Manager/City Auditor
Stephanie M. Beverage	City Treasurer
Donald R. Coffey	Commissioner of the Revenue
John M. Kiger	City Assessor
Charles P. Ajemian	Commonwealth's Attorney
Dr. Robin G. Crowder	Superintendent of Schools
Elizabeth Middleton	Director of Social Services
Joe Harris, Jr.	Sheriff
Nicole A. Briggs	Clerk of Circuit Court

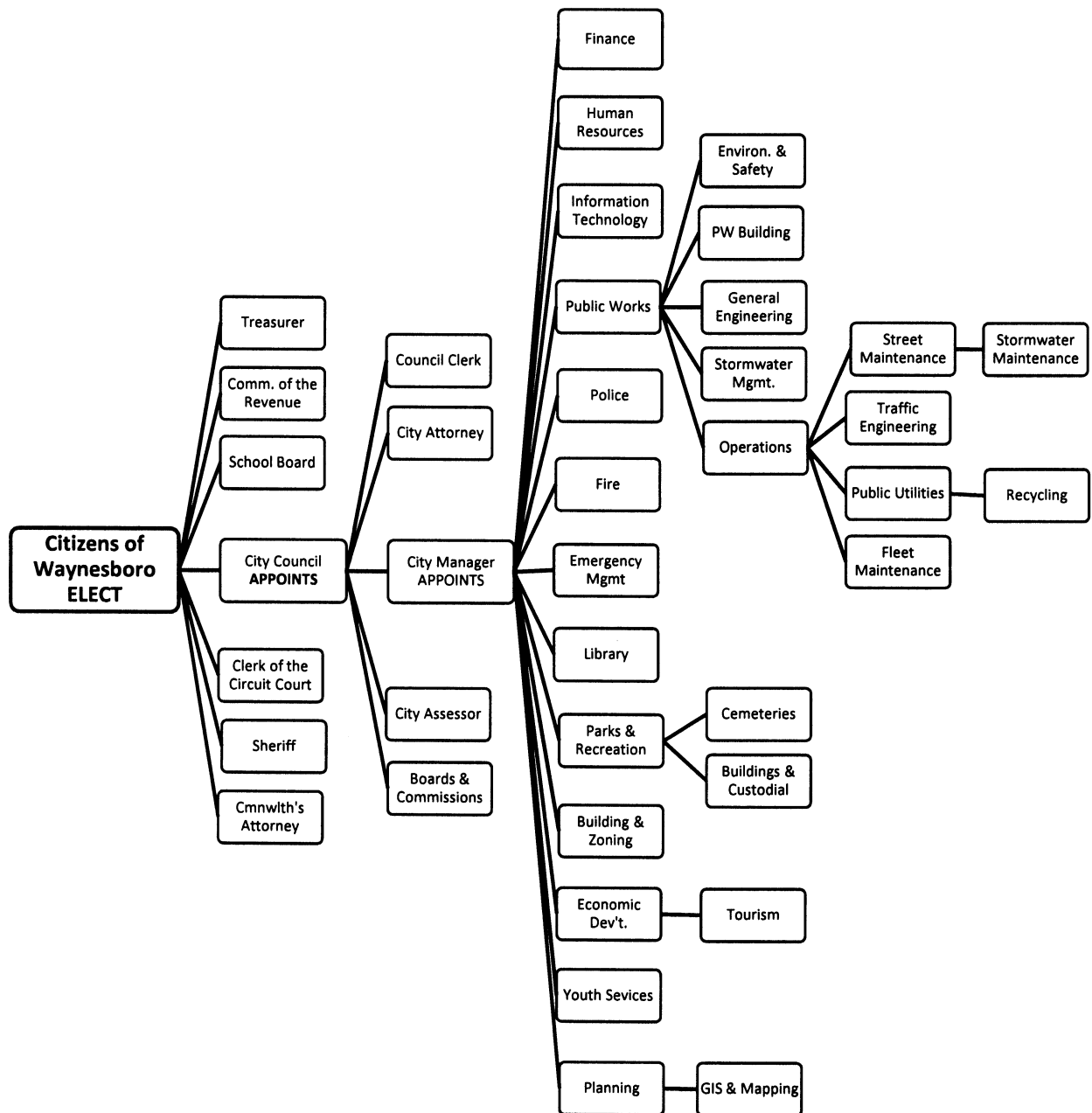
SCHOOL BOARD

Jeremy Y. Taylor, Chair
Melinda Ferguson
Linda Schorsch Jones
Kathryn E. Maneval
Douglas B. Norcross
William B. Staton, Jr., Clerk

ECONOMIC DEVELOPMENT AUTHORITY

Sharron Plemmons, Chair
Jim Hyson, Vice-Chair
Gregory Hitchin, Secretary/Treasurer
Lloyd Holloway
Jim Perkins
Tom Reider
Lorie Strother
Robert Vailes

City of Waynesboro, Virginia
Organizational Structure – June 30, 2013



BOARDS AND COMMISSIONS APPOINTED BY CITY COUNCIL

Senior Advocacy Commission ■ Historical Commission ■ Planning Commission ■ Parks & Recreation Commission ■ Flood and Stormwater Control Commission ■ Cultural Commission ■ Transportation Safety Commission ■ Airport Commission ■ Library Board ■ Economic Development Authority ■ Disability Services Board ■ Redevelopment & Housing Authority ■ Housing Rehabilitation Advisory Board (2 Year Board) ■ Building Code Appeals ■ Local Emergency Planning Commission

OTHER AGENCIES & BOARDS

Courts ■ Registrar of Voters ■ Board of Elections ■ Valley CSB ■ Central Shenandoah Regional Planning Commission ■ Middle River Regional Jail ■ Regional Landfill ■ Central Shenandoah EMS Council ■ Regional Youth Commission ■ Board of Zoning Appeals ■ Board of Equalization ■ Social Services Advisory Board ■ Health Department ■ Board of Health ■ Airport Commission ■ CAP-SAW ■ SPCA ■ Bicycle Advisory Committee ■ Valley Program for Aging ■ BRCC Board ■ Blue Ridge Criminal Justice Board ■ Shenandoah Valley Partnership ■ Shenandoah Valley Animal Services Center ■ Coordinated Area Transportation System (CATS) ■ Waynesboro City School Board ■ Artisan's Center of Virginia Board of Directors ■ Virginia Alcohol Safety Action Program (VASAP)

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the City Council
City of Waynesboro, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Virginia (the "City"), 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 and joint venture component represents the entirety of the City's ACSA Joint Landfill Fund. Those financial statements were audited by other auditors 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 auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance 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, and the Schedule of Funding Progress on pages 3a through 3k and 47, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors 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, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the City's basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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, based on our audit and the report of other auditors, 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 financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors 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 26, 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* and should be considered in assessing the results of our audit.



November 26, 2013



The management of the City of Waynesboro offers the readers of the City of Waynesboro's financial statements this narrative overview and analysis of the City's financial position for the fiscal year ended June 30, 2013. This analysis is a cursory overview and is meant to be considered as a companion document to the *Letter of Transmittal, Financial Statements, and Notes* that follow.

Financial Highlights

- The total assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$63,174,316. Of this amount, \$10,494,915 (unrestricted net position) may be used to satisfy the primary government's obligations to citizens and creditors for business-type activities. *Refer to the Government-wide Financial Analysis on page 3c for further discussion of this highlight.*
- The City's total net position related to the primary government increased by \$1,975,085 compared to FY12.
- As of the end of FY13, the City's governmental funds reported a combined ending fund balance of \$19,001,907--a decrease of \$1,484,428 in comparison to the prior year. Of this amount, \$786,816 is shown as a negative change to the fund balance of the General Fund, and \$697,612 is a negative change to the fund balance of Other Governmental Funds.
- At the end of the FY13, **unrestricted** fund balance for the *General Fund* was \$13,585,073. This represents an increase of \$238,433, which is 1.8% greater than the prior fiscal year. The City currently has no fiscal policy guideline related to fund balance; however, the Government Finance Officers Association (GFOA) recommends the minimum General Fund unrestricted fund balance to be maintained should be no less than either two (2) months of regular operating revenues or expenditures. Following the GFOA guidelines of using two months of regular operating expenditures, General Fund unrestricted fund balance should be no less than \$6,536,005. As of the close of fiscal year 2013, the unrestricted fund balance in the General Fund exceeds the GFOA suggested fiscal policy guideline by \$7,049,068.
- The unassigned fund balance in the General Fund of \$8,923,216 equals approximately 23% of the General Fund's total expenditures. This total includes \$96,486 of FY13 funding to the Schools that was returned to the General Fund.
- The City's total long-term liabilities at the close of the FY13, including governmental and business type activities, were \$78,536,752. During fiscal year 2013, the city retired a total of \$4,436,630, predominantly through principal reductions. Over the same period, the City added a total of \$369,274, the majority of which was a capital lease to provide for a new record management system for the police department. At the close of the fiscal year, the amount of debt principal payments due within one year was \$4,181,795. (See Note 9 for relevant disclosures regarding the City's long-term debt.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Waynesboro's basic financial statements which are comprised of three main components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparisons, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements. Condensed comparative information is provided this year and will continue to be added, the goal being to achieve a ten-year comparison for all information reported. (*See pages 84-103*).

Government-wide financial statements are designed to provide readers with a broad overview of the City of Waynesboro's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Waynesboro's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City of Waynesboro is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. Changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish between the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and other functions that recover all or a significant portion of their costs from user fees and charges (business-type activities). The governmental activities of the City of Waynesboro include general government, judicial administration, public safety, public works, health and welfare, education, parks and recreation, and community development. The business-type activities include water, sewer, refuse collection and landfill operations.

The government-wide financial statements include not only the City of Waynesboro itself (known as the primary government), but also a legally separate school board (component unit) for which the City of Waynesboro is financially accountable. Financial information for component unit is reported separately from the financial information presented for the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Waynesboro uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Waynesboro can be divided into three categories: governmental, proprietary, and fiduciary.

- **Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. These two statements, read together, will give the reader a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The City has one major governmental fund--the General Fund, and nine non-major governmental funds. Fund financial statements immediately follow the government-wide financial statement section. Detailed statements of the non-major funds begin on page 48 of this report.
- **Proprietary funds.** The City of Waynesboro maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-like activities in the governmental-wide financial statements. The City of Waynesboro uses enterprise funds to account for water, sewer, refuse collection, and landfill operations. Internal Service funds are used to report activities of the City's Store and Equipment funds which account for inventory supplies for City operations and maintenance of the City's equipment fleet, respectively. It is important to note that the proprietary funds are accounted for on a full accrual basis, whereas the governmental funds are accounted for using a modified accrual basis.
- **Fiduciary funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. These funds include accounting for agencies such as the Department of Social Services, Shenandoah Valley Police Academy, the Waynesboro First Aid Crew, etc. Fiduciary funds are accounted for on a full accrual basis; and their financial statements can be found on pages 59-60 in the *combining statements* section of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes can be found following the Basic Financial Statements section of this report beginning on page 17.

Government-Wide Financial Analysis

As noted earlier, a comparison of net position over several years can serve as a useful indicator of a government's financial position. In the case of the City, total primary government assets exceeded liabilities by \$63,174,316 at the close of fiscal year 2013. Capital assets (e.g., land, buildings, machinery, and equipment) in FY13 comprise approximately 75% of total assets, which is the same percentage as FY12. The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although their value is reported net of related debt, it should be noted that the resources needed to repay this debt must be derived from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	24,197,708	23,580,963	12,117,118	12,793,171	36,314,826	36,374,134
Capital assets	38,070,481	37,096,226	72,214,245	73,015,505	110,284,726	110,111,731
Total assets	62,268,189	60,677,189	84,331,363	85,808,676	146,599,552	146,485,865
Current and other liabilities	6,137,843	4,355,544	2,932,436	3,211,663	9,070,279	7,567,207
Long-term liabilities outstanding	36,409,221	38,803,647	37,945,736	38,915,780	74,354,957	77,719,427
Total liabilities	42,547,064	43,159,191	40,878,172	42,127,443	83,425,236	85,286,634
Net position:						
Invested in capital assets, net of related debt	28,744,563	28,582,343	32,958,276	32,106,635	61,702,839	60,688,978
Restricted	1,622,944	2,342,332			1,622,944	2,342,332
Unrestricted	(10,646,382)	(13,406,677)	10,494,915	11,574,598	(151,467)	(1,832,079)
Total net position	19,721,125	17,517,998	43,453,191	43,681,233	63,174,316	61,199,231

As shown in the summary table above, it would appear that the primary government does not have the resources to meet its ongoing obligations to citizens and creditors because the negative value of its unrestricted assets is indicative of a deficit financial position. These numbers, however, are represented as such due to the dynamics of asset and liability reporting that exists between the governmental activities and the Schools, a Discrete Component Unit. Because Virginia School Boards do not have the authority to issue debt, the City is responsible for reporting all school-related debt which, at June 30, 2013, is \$21,178,461. Conversely, the holdings associated with this debt are reported by the Schools as part of its capital assets. If the debt related to the Schools was not included in the long term liabilities of the primary government, the total net position for governmental activities would be \$40,899,586 and the total net position for the primary government would be \$84,352,777.

Approximately 8% of the governmental activities net position represent resources that are subject to external restrictions on how they may be used. Grants, donations, perpetual care funds, and cash set aside for capital projects comprise the restricted assets of the City. Grants and donations are normally designated for a specific purpose. The perpetual care funds are restricted in accordance with the *Code of the City of Waynesboro*, §26-6, Perpetual Care Trust Fund Reserve. The funds held for debt service are in accordance with City Council and School Board resolutions.

Overall, the City's net position increased by \$1,975,085 compared to FY12. This increase is the net effect of a \$228,042 decrease in the net position of the business-type activities, and a \$2,203,127 increase in the net position of the governmental activities.

The table on the following page provides comparison information from FY12 to FY13 related to revenues and expenses of governmental and business-type activities. Revenues are broken down into program and general types. Program revenues consist of charges for services, operating grants and contributions, and capital contributions. General revenues include such sources as taxes on property, retail sales, business licenses, communications, meals, lodging, etc.

When compared to FY12, total revenues from Governmental Activities decreased by \$1,458,009; this decrease was due primarily to the one-time only collection of past-due property taxes along with associated penalty and interest during FY12 that was not repeated during FY13. Expenditures related to Governmental Activities increased by \$2,114,488. Public Works saw a significant increase (\$2,195,989) due, in part, to an increase in the amount of paving work performed during FY13 as a result of no paving work being done during FY12. Public Safety also saw a significant increase in expenditures from FY12 to FY13 (\$498,058), which is largely attributable to the acquisition of new records management and dispatch systems. Funding to the Schools also increased by \$477,910. Overall, the change in the Governmental net position was an increase of \$2,203,127 after transfers of \$648,000 are taken into consideration.

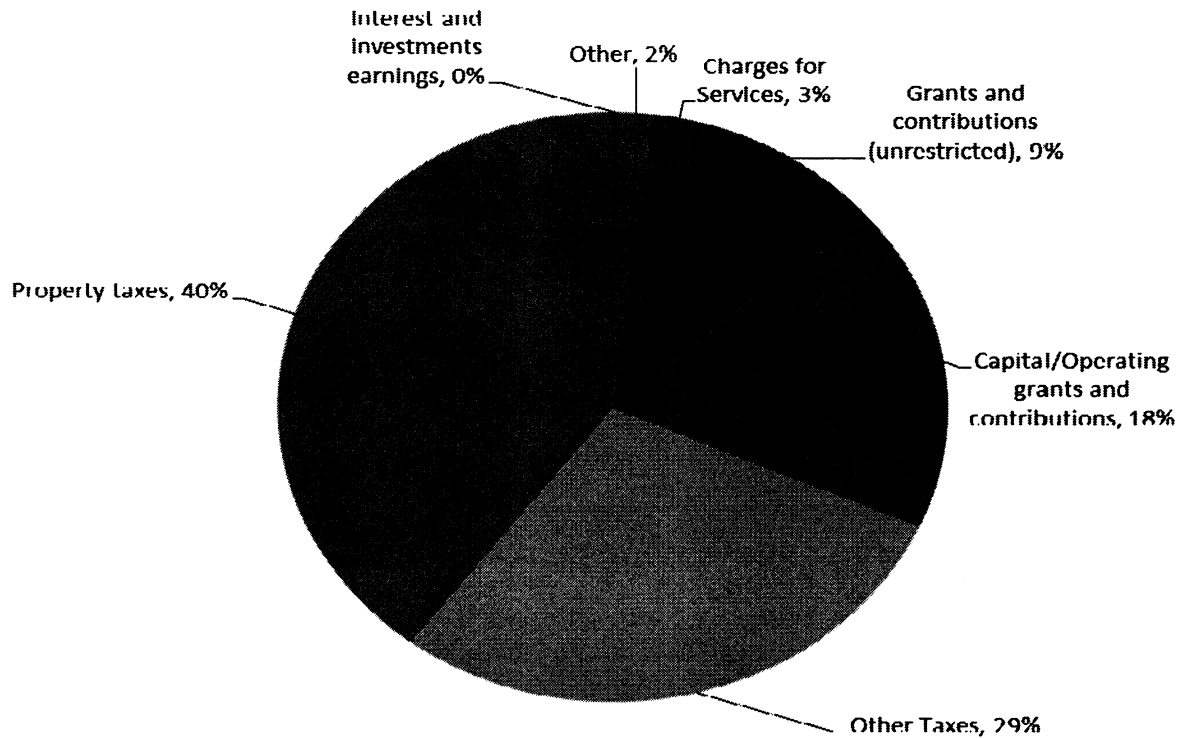
In comparison to FY12, Business-type revenues derived from charges for services increased in FY13 by \$644,145 primarily due to rate increases that went into effect July 2012. Water and Refuse Fund expenditures remained relatively steady when comparing FY13 to FY12; the Sewer Fund saw a significant increase due to major repairs that were necessary for a digester cover at the wastewater treatment facility; a loss on equity interest at the Regional Landfill led to an increase of \$274,223 for Landfill operations.

The City of Waynesboro, Virginia
Required Supplemental Information

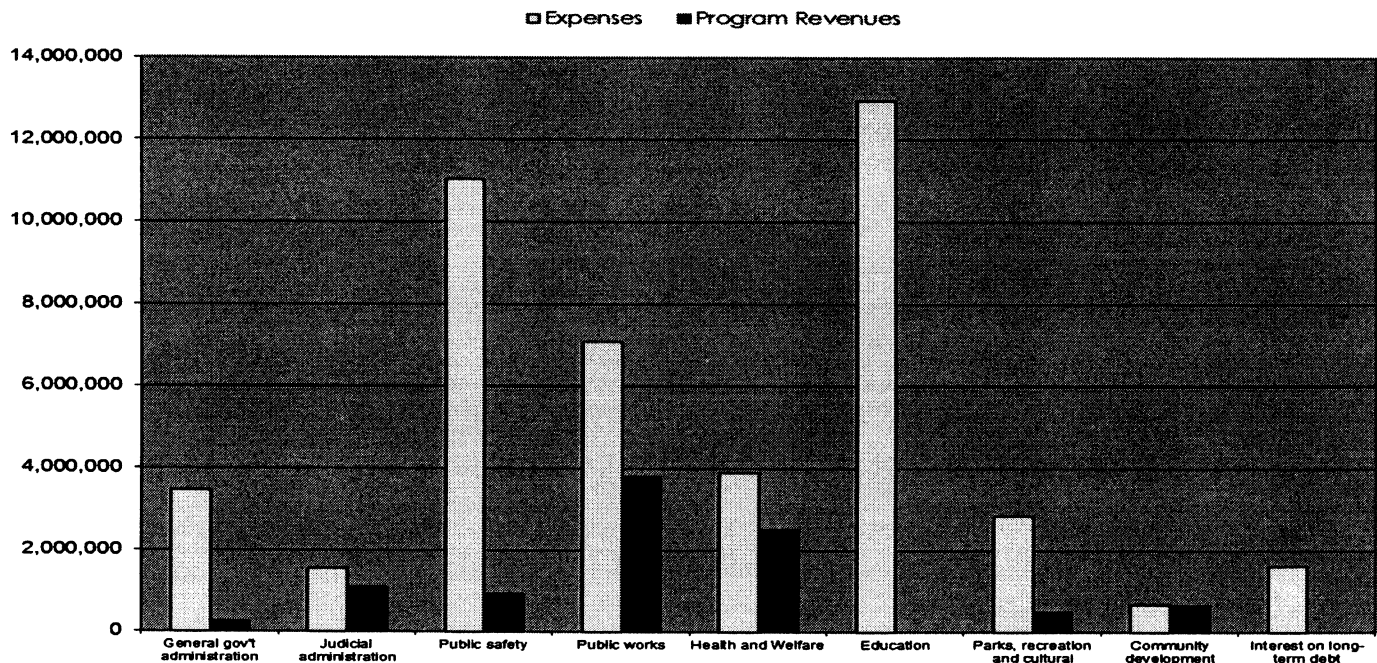
MANAGEMENT DISCUSSION & ANALYSIS
 June 30, 2013

City of Waynesboro, Virginia Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues by source:						
Program Revenues						
Charges for services	1,230,951	1,316,509	10,430,502	9,786,357	11,661,453	11,102,866
Operating grants and contributions	8,326,003	8,381,024	7,216	5,000	8,333,219	8,836,024
Capital grants and contributions	180,832	523,431	21,275	155,346	202,107	678,777
General Revenues						
Property taxes	18,527,350	19,820,066			18,527,350	19,820,066
Other taxes	13,401,420	13,027,987			13,401,420	13,027,987
Grants and contrib. (unrestricted)	4,120,323	4,034,685			4,120,323	4,034,685
Interest and Investment earnings	145,171	116,039	41,976	37,849	187,147	153,888
Other	735,577	905,895	37,539	44,045	773,116	949,940
Total Revenues	46,667,627	48,125,636	10,538,508	10,028,597	57,206,135	58,154,233
Expenses by activity:						
Governmental activity						
General government admin	3,468,784	3,483,499			3,468,784	3,483,499
Judicial administration	1,541,889	1,375,669			1,541,889	1,375,669
Public safety	11,041,793	10,543,735			11,041,793	10,543,735
Public works	7,084,792	4,888,803			7,084,792	4,888,803
Health and Welfare	3,896,292	3,960,411			3,896,292	3,960,411
Education	12,952,643	12,474,733			12,952,643	12,474,733
Parks, recreation and cultural	2,852,606	2,955,145			2,852,606	2,955,145
Community development	688,295	1,858,225			688,295	1,858,225
Interest on long-term debt	1,605,156	1,477,542			1,605,156	1,477,542
Business-type activities						
Water			3,078,347	3,004,078	3,078,347	3,004,078
Sewer			5,340,416	4,469,768	5,340,416	4,469,768
Landfill operations			688,241	414,018	688,241	414,018
Garbage			1,011,546	1,104,390	1,011,546	1,104,390
Total Expenses	45,132,250	43,017,762	10,118,550	8,992,254	55,250,800	52,010,016
Change in net position before transfers	1,535,377	5,107,874	419,958	1,036,343	1,955,335	6,144,217
Contributions to permanent fund	19,750	12,250			19,750	12,250
Transfers	648,000	722,000	(648,000)	(722,000)	-	-
Increase (decrease) in net position	2,203,127	5,842,124	(228,042)	314,343	1,975,085	6,156,467
Net position - beginning as adjusted	17,517,998	11,675,874	43,681,233	43,366,890	61,199,231	55,042,764
Net position -ending	19,721,125	17,517,998	43,453,191	43,681,233	63,174,316	61,199,231

Revenues by Source - Governmental Activities

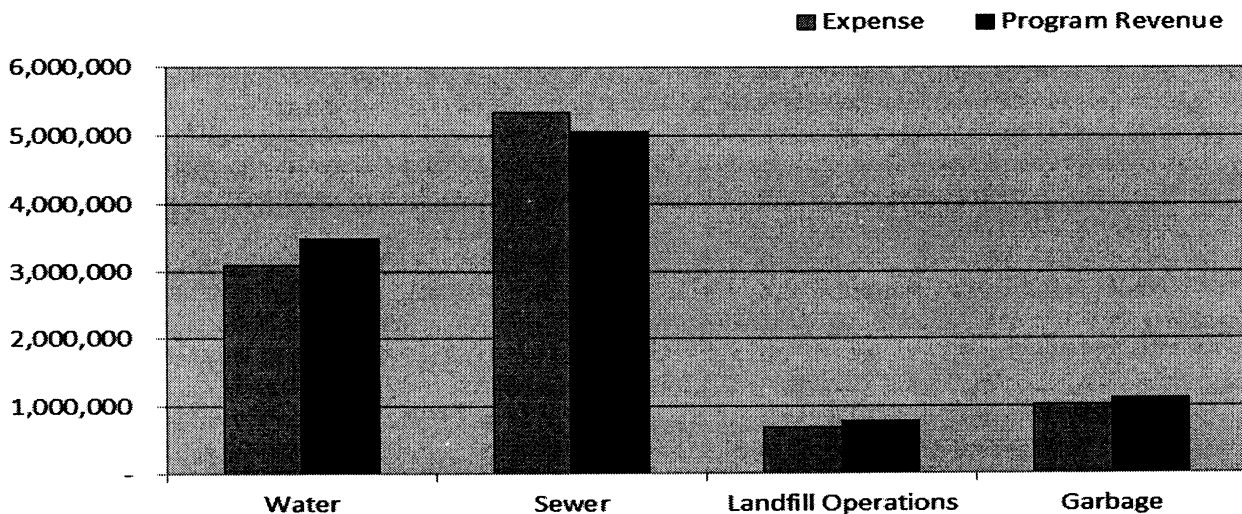


Expenses and Program Revenues-Governmental Activities



The pie chart on the previous page provides a visual breakdown of revenues by source for governmental activities indicating each source's percentage of total revenue. The bar chart depicts program revenues available during FY13 compared to the expenses incurred for governmental activities during FY13. The difference between program revenue and expenses or merely the lack of program revenues for some expenses is compensated for by non-programmatic/non-categorical General Fund revenues.

Expenses and Program Revenues - Business-type Activities



As depicted in the bar graph above, revenues exceeded associated expenditures for all business-type activities in FY13 except for the Sewer Fund. Water and Sewer rate increases have helped improve the financial position of each fund; however the failure of a digester cover at the wastewater treatment plant and associated expense incurred due to the repair costs led to sewer fund expenses exceeding sewer fund revenues for FY13. The digester cover issue illustrates the vulnerability of the business-type activity funds to unforeseen repair expenses and the need to maintain a healthy retained earnings balance to allow the funds to be able to deal with unforeseen catastrophic equipment failures that could occur.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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 FY13, the City's governmental funds reported a combined ending fund balance of \$19,001,907--a decrease of \$1,484,428 in comparison with the prior year. Approximately 47% of this total amount (\$8,923,216) constitutes unassigned fund balance, representing the portion of fund balance that which has not been earmarked in some fashion by statute, outside body, or Council ordinance. The remainder of fund balance is restricted, committed or assigned to indicate that it is not available for new spending. Major restrictions, commitments or assignments include funds for capital projects (\$3,448,605), cemetery perpetual care (\$542,549), Youth & Family Services (\$222,195), and debt service (\$152,190). Council took action during FY13 to commit \$3,675,000 of unassigned fund balance to several different purposes, mostly to fund future expenditures. The fund balance commitments included governmental equipment replacement, governmental and school facility maintenance, Regional Landfill capital contribution, and revenue stabilization.

General fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,923,216, while total fund balance was \$14,227,207. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 23% of total fund expenditures, while total fund balance represents 36% of the total fund expenditures.

The fund balance of the City's General Fund decreased by \$786,816 during FY13; however, if the \$96,486 of School unspent FY13 appropriation funds is subtracted from the total, the net decrease becomes \$883,302. Further analysis reveals that the City budgeted for a net reduction of fund balance of \$3,111,261 in FY13, though that figure was not realized, as actual revenues (including insurance recoveries & capital leases) exceeded the budgeted revenue amount by \$1,305,121, and actual expenditures (including net inter-fund transfers) were \$1,019,324 less than budgeted. By netting the difference between the excess of actual revenues over budgeted revenues (\$1,305,121) and actual expenses and net transfers versus budgeted expenditures and net transfers (\$1,019,324), which totals \$2,324,445, with the budgeted decrease in fund balance (\$3,111,261), the actual decrease in fund balance can be calculated (\$786,816). This is an important concept in understanding the impact of budgeted & actual figures when considering changes in fund balance. (See exhibit 7 on page 11 for further details)

Other non-major funds. As of June 30, 2013, the fund balance for the other governmental funds was \$4,774,700. This fund balance amount represents 50% of the total of all other non-major fund expenditures. The net change in fund balance was (\$697,612). (See Exhibit 14 on page 50 for detailed information on other non-major funds' fund balances.)

Proprietary funds. At the end of FY13, the total net position of the enterprise funds was \$43,453,191. This figure represents a decrease in net position of \$228,042 compared to FY12. The total net position of the internal services fund at the end of FY13 was \$1,808,651 which represents an increase from FY12 of \$128,296, or 8%. For a more detailed accounting of the activities of these funds, refer to the Exhibits beginning on page 12 of this report.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes revenues and annual appropriations for the proprietary funds as well as the accounts that comprise the general fund. The following points summarize the budgeting changes from the original to the final budget. Exhibit 7 on page 11 of the main body of this report delineates the changes from original budget to final and a detailed comparison of final budget versus actual revenues and expenses.

- General Fund final budgeted revenues were \$457,406 greater than originally budgeted revenues. A large part of this increase is the result of State grants being awarded to and received by the City during FY13 that were not part of the original budget.
- General Fund final budgeted expenses were \$2,426,845 greater than originally budgeted expenses. The expenditures associated with budget adjustments made at the time FY12 encumbrances were rolled to the new fiscal year (\$1,554,530) comprise a large portion of the increase. These encumbrances included VDOT urban maintenance funds for street paving.
- General Fund's actual revenues were \$1,114,085 greater than final budgeted revenues, representing a variance of 3%. Receipts for several property and local tax categories exceeded budgeted amounts, which helped lead to this variance.
- General Fund's actual expenditures were \$1,113,535 less than final budgeted expenditures, representing a variance of 3%. This variance is due to several factors, including: significantly less paving work being done than what was budgeted (\$195,237 variance), landfill post-closure budget was greater than actual expenditures (\$162,804 variance), and General Fund vacancy savings of \$155,946 that were realized during FY13.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets includes land, buildings, improvements other than buildings, equipment, and construction work in progress. For its governmental and business-type activities as of June 30, 2013 the City had a total investment in capital assets of \$110,284,726.

Total capital assets attributed to governmental activities increased by \$974,255, due primarily to continuing work on a variety of capital projects, including rehabilitation of the Broad Street Bridge. The total capital assets attributed to the business-type activities decreased by \$801,260, due to depreciation exceeding the amount of asset additions during FY13. (See note 7, which begins on page 29, for detailed information regarding the City's capital assets)

Major capital asset events during fiscal year 2013 included the following:

- The Safe Routes to School project at Berkeley Glenn Elementary School was completed.
- Work continued on several stormwater projects, with the 10th Street box culvert project and Augusta Avenue stormwater projects being completed.
- A traffic signal was added at the intersection of Hopeman and Main.
- The police department added a new record management system, and a new computer aided dispatch system was added at the emergency operations center.

**City of Waynesboro
Capital Assets Net of Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	8,735,499	8,735,499	386,268	386,268	9,121,767	9,121,767
Buildings	9,763,260	10,091,648	46,774,695	47,803,148	56,537,955	57,894,796
Improvements other than buildings	1,928,777	2,106,705	23,726,386	23,585,774	25,655,163	25,692,479
Machinery and equipment	2,260,758	2,403,654	1,211,901	1,134,534	3,472,659	3,538,188
Infrastructure	13,129,708	13,141,903			13,129,708	13,141,903
Construction in Progress	2,252,479	616,817	114,995	105,781	2,367,474	722,598
Total Capital Assets	38,070,481	37,096,226	72,214,245	73,015,505	110,284,726	110,111,731

Long-term debt. As of June 30, 2013, the City of Waynesboro held an A1 enhanced bond rating from Moody's Investor Service. Moody's issues ratings from Aaa to C to designate the relative investment qualities of bonds, with numerical (1-3) modifiers that indicate the obligation ranking within a rating category. The City's Standard & Poor's rating is A+; Standard & Poor's issues ratings from AAA to D.

The Code of Virginia and the City's Charter limit the amount of general obligation debt that may be issued to ten percent of the total assessed value of taxable real property. Based on this limitation, the City's outstanding GO debt cannot exceed \$183,520,555. See page 97 of this report for historic debt margin comparisons.

City of Waynesboro Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
G O bonds	30,566,794	32,182,639	14,670,000	15,015,000	45,236,794	47,197,639
Literary loans	1,750,000	2,000,000			1,750,000	2,000,000
Note Payable	3,201,542	3,947,668			3,201,542	3,947,668
Capital Leases	228,806	16,240			228,806	16,240
VA Revolving Loans			24,389,906	25,682,622	24,389,906	25,682,622
Total O/S Debt	35,747,142	38,146,547	39,059,906	40,697,622	74,807,048	78,844,169

The table above provides comparative information related to the City's long-term outstanding debt. The decrease from 2012 to 2013 for total debt outstanding for the City is the result of total debt retirements exceeding the amount of debt issued for FY13. As of June 30, 2013, the City had long-term debt outstanding of \$74,807,048; \$39,059,906 was for business-type activities and \$35,747,142 for governmental activities. The amount of debt principal payments due within one year for governmental activities is \$2,626,000, and \$2,183,435 for business-type activities. These debt payments were budgeted as expenditures in the FY 2014 annual appropriation ordinance. Of the total outstanding debt listed in the governmental activities column, \$14,568,681 is related to general government capital projects. The remaining debt outstanding is related to School Board-component unit projects. (See Note 9, beginning on page 32, for relevant disclosures regarding the City's outstanding debt.)

Economic Factors and Next Year's Budget and Rates

- The fiscal year 2014 general fund budget was adopted at \$43,318,564, an increase of \$1,764,521 over the FY13 budget.
- Due to declining real estate values determined by the most recent assessment, the tax rate for real estate was increased by \$.03 to the equalized rate of \$.78 per \$100 of assessed value for fiscal year 2014; the personal property tax rate remained the same.
- Other local taxes for fiscal year 2014 project an increase of \$376,162 over the fiscal year 2013 budgeted amount. These revenue sources include business license taxes, meals tax, sales tax, and lodging tax.
- The fiscal year 2014 budget included no pay increase for employees.
- The City's water and sewer consumption rates did not increase for fiscal year 2014; however, base charges were increased.
- The original fiscal year 2014 budget called for the use of \$1,370,016 of fund balance in the general fund to balance the budget. In addition, \$768,331 of encumbrances were rolled from fiscal year 2013, bringing the total budgeted use of fund balance to \$2,138,347.
- According to the Virginia Employment Commission, the unemployment rate for the City of Waynesboro as of August 2013 was 6.3%. Although this compares favorably to the national rate of 7.3% for the same period, it surpasses the Commonwealth's rate of 5.5 % for the same period.

Requests for Information

This financial report is designed to provide a general overview of the City of Waynesboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, 503 W. Main Street, Suite 203, Waynesboro, VA 22980.

Copies of this report may be downloaded from the City's website at www.waynesboro.va.us.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF NET POSITION
June 30, 2013

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	School Board
ASSETS				
Cash and cash equivalents	\$ 17,793,543	\$ 8,173,260	\$ 25,966,803	\$ 3,773,044
Investments	1,459	-	1,459	-
Receivable (net of allowance for uncollectibles):				
Taxes, including penalties	530,794	-	530,794	-
Accounts	693,239	1,904,414	2,597,653	1,360
Notes	52,844	-	52,844	-
Due from external parties	35,625	-	35,625	-
Due from other governments	2,141,681	-	2,141,681	1,198,852
Due from component unit	216,151	-	216,151	-
Internal balances	1,008,569	(1,008,569)	-	-
Inventories	872,379	-	872,379	-
Prepaid items	-	-	-	166,862
Deferred charges	308,875	312,914	621,789	-
Restricted assets:				
Permanently restricted:				
Cash and cash equivalents	542,549	-	542,549	-
Investment in landfill joint venture	-	2,735,099	2,735,099	-
Capital assets not being depreciated:				
Land	8,735,499	386,268	9,121,767	274,493
Construction in progress	2,252,479	114,995	2,367,474	-
Capital assets, net of accumulated depreciation:				
Buildings and systems	9,763,260	46,774,695	56,537,955	38,248,267
Improvements other than buildings	1,928,777	23,726,386	25,655,163	1,700,712
Machinery and equipment	2,260,758	1,211,901	3,472,659	841,901
Infrastructure	13,129,708	-	13,129,708	-
Total assets	<u>62,268,189</u>	<u>84,331,363</u>	<u>146,599,552</u>	<u>46,205,491</u>
LIABILITIES				
Accounts payable and other current liabilities	2,776,711	810,037	3,586,748	3,930,047
Accrued interest payable	549,162	629,108	1,178,270	30,577
Due to primary government	-	-	-	216,151
Unearned revenue	123,466	-	123,466	-
Noncurrent liabilities:				
Due within one year	2,688,504	1,493,291	4,181,795	254,489
Due in more than one year	<u>36,409,221</u>	<u>37,945,736</u>	<u>74,354,957</u>	<u>4,983,980</u>
Total liabilities	<u>42,547,064</u>	<u>40,878,172</u>	<u>83,425,236</u>	<u>9,415,244</u>
NET POSITION				
Net investment in capital assets	28,744,563	32,958,276	61,702,839	38,119,862
Restricted for:				
Judicial administration	119,803	-	119,803	-
Public safety	102,307	-	102,307	-
Public works	393,576	-	393,576	-
Parks, recreation and cultural	8,729	-	8,729	-
Community development	23,720	-	23,720	-
Council audio visual equipment	1,348	-	1,348	-
Tax relief	7,691	-	7,691	-
Capital projects	423,221	-	423,221	-
Perpetual care:				
Nonexpendable	542,549	-	542,549	-
Unrestricted	<u>(10,646,382)</u>	<u>10,494,915</u>	<u>(151,467)</u>	<u>(1,329,615)</u>
Total net position	<u>\$ 19,721,125</u>	<u>\$ 43,453,191</u>	<u>\$ 63,174,316</u>	<u>\$ 36,790,247</u>

The notes to the financial statements are an integral part of this statement.

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

Exhibit 2

Program Revenues					Net (Expenses) Revenue and Changes in Net Position			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			School Board
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government administration	\$ 3,468,784	\$ 36,338	\$ 219,155	\$ -	\$ (3,213,291)		\$ (3,213,291)	
Judicial administration	1,541,889	212,018	879,462	-	(450,409)		(450,409)	
Public safety	11,041,793	268,103	654,626	-	(10,119,064)		(10,119,064)	
Public works	7,084,792	17,627	3,796,643	-	(3,270,522)		(3,270,522)	
Health and welfare	3,896,292	143,038	2,355,726	-	(1,397,528)		(1,397,528)	
Education	12,952,643	-	-	-	(12,952,643)		(12,952,643)	
Parks, recreation and cultural	2,852,606	327,945	164,468	-	(2,360,193)		(2,360,193)	
Community development	688,295	225,882	255,923	180,832	(25,658)		(25,658)	
Interest on long-term debt	1,605,156	-	-	-	(1,605,156)		(1,605,156)	
Total governmental activities	45,132,250	1,230,951	8,326,003	180,832	(35,394,464)		(35,394,464)	
Business-type activities:								
Water	3,078,347	3,457,578	-	21,275	-	\$ 400,506	400,506	
Sewer	5,340,416	5,066,599	-	-	-	(273,817)	(273,817)	
Landfill operations	688,241	781,904	-	-	-	93,663	93,663	
Garbage	1,011,546	1,124,421	7,216	-	-	120,091	120,091	
Total business-type activities	10,118,550	10,430,502	7,216	21,275	-	340,443	340,443	
Total primary government	\$ 55,250,800	\$ 11,661,453	\$ 8,333,219	\$ 202,107	(35,394,464)	340,443	(35,054,021)	
Component units:								
School board	34,443,290	431,285	19,746,721	-				\$ (14,265,284)
Total component unit	\$ 34,443,290	\$ 431,285	\$ 19,746,721	\$ -				(14,265,284)
General revenues:								
Taxes:								
General property					18,527,350	-	18,527,350	-
Sales					4,818,357	-	4,818,357	-
Utility					1,031,726	-	1,031,726	-
Business license					2,050,853	-	2,050,853	-
Hotel and meals					4,259,246	-	4,259,246	-
Tobacco					398,681	-	398,681	-
Other					842,557	-	842,557	-
Miscellaneous					516,189	41,976	558,165	134,350
Payment from City of Waynesboro					-	-	-	12,920,240
Payment from Component Unit School Board					200,000	-	200,000	-
Grants and contributions not restricted to specific programs					4,120,323	-	4,120,323	-
Unrestricted investment earnings					145,171	37,539	182,710	33,864
Gain on disposal of capital assets					19,388	-	19,388	-
Contributions to permanent fund principal					19,750	-	19,750	-
Transfers					648,000	(648,000)	-	-
Total general revenues and transfers					37,597,591	(568,485)	37,029,106	13,088,454
Change in net position					2,203,127	(228,042)	1,975,085	(1,176,830)
Net position - beginning, as adjusted					17,517,998	43,681,233	61,199,231	37,967,077
Net position - ending					\$ 19,721,125	\$ 43,453,191	\$ 63,174,316	\$ 36,790,247

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**CITY OF WAYNESBORO, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

Exhibit 3

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 13,317,828	\$ 3,962,346	\$ 17,280,174
Investments	1,459	-	1,459
Receivables (Net of allowances for uncollectibles):			
Taxes, including penalties	530,794	-	530,794
Accounts	607,430	77,478	684,908
Due from other funds	1,049,290	11,057	1,060,347
Due from component unit - School Board	216,151	-	216,151
Due from external parties	35,625	-	35,625
Due from other governments	1,176,911	964,770	2,141,681
Restricted assets:			
Cash and cash equivalents	-	542,549	542,549
Total assets	\$ 16,935,488	\$ 5,558,200	\$ 22,493,688
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	443,335	495,762	939,097
Accrued payroll	484,343	34,678	519,021
Retainage payable	2,530	59,013	61,543
Deposits payable	2,500	-	2,500
Due to other funds	11,057	192,241	203,298
Amounts held for others	1,192,947	-	1,192,947
Deferred revenues	571,053	-	571,053
Compensated absences	516	1,806	2,322
Total liabilities	2,708,281	783,500	3,491,781
Fund balances:			
Nonspendable:			
Permanent fund principal	-	542,549	542,549
Restricted for:			
Judicial administration	119,803	-	119,803
Public safety	87,267	-	87,267
Public works	393,576	-	393,576
Parks, recreation and cultural	8,729	-	8,729
Community development	23,720	-	23,720
Council audio visual equipment	1,348	-	1,348
Tax relief	7,691	-	7,691
Shenandoah Valley Animal Center	-	15,040	15,040
Capital projects	-	2,464,442	2,464,442
Committed to:			
General government administration	1,250,000	-	1,250,000
Public works	522,375	-	522,375
Health and welfare	41,798	-	41,798
Parks, recreation and cultural	59,700	-	59,700
Community development	33,268	-	33,268
EDA revolving loans	-	52,844	52,844
Capital projects	-	980,802	980,802
SAW self-funded insurance	72,363	-	72,363
OPEB	200,000	-	200,000
Revenue stabilization	500,000	-	500,000
Education	1,455,405	-	1,455,405

cont'd

CITY OF WAYNESBORO, VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	Exhibit 3 (cont'd)		
	General Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES (cont'd)			
Fund balances: (cont'd)			
Assigned to:			
General government administration	\$ 94,496	\$ -	\$ 94,496
Judicial administration	756	-	756
Public safety	108,682	-	108,682
Public works	246,203	-	246,203
Parks, recreation and cultural	10,926	-	10,926
Community development	65,885	-	65,885
Youth and family services	-	222,195	222,195
CAPSAW	-	103,639	103,639
Economic Development Authority	-	237,638	237,638
Debt service	-	152,190	152,190
Capital projects	-	3,361	3,361
Unassigned:			
School Board	96,486	-	96,486
General	8,826,730	-	8,826,730
Total fund balances	<u>14,227,207</u>	<u>4,774,700</u>	<u>19,001,907</u>
Total liabilities and fund balances	<u>\$ 16,935,488</u>	<u>\$ 5,558,200</u>	<u>\$ 22,493,688</u>

CITY OF WAYNESBORO, VIRGINIA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2013

		Exhibit 4
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	19,001,907
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		36,724,101
Receivables, including interest receivable, are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		52,844
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		447,587
Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		2,817,220
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(39,322,534)</u>
Net position of governmental activities	\$	<u>19,721,125</u>

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Exhibit 5		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
General property taxes	\$ 18,418,234	\$ -	\$ 18,418,234
Other local taxes	13,401,420	-	13,401,420
Permits, privilege fees and regulatory licenses	208,253	-	208,253
Fines and forfeitures	195,247	-	195,247
Revenue from use of money and property	180,621	14,625	195,246
Charges for services	374,168	15,178	389,346
Miscellaneous	181,912	173,297	355,209
Recovered costs	85,647	613,394	699,041
Intergovernmental:			
Local - School Board	-	200,000	200,000
Commonwealth	8,546,892	2,119,412	10,666,304
Federal	161,410	1,553,600	1,715,010
Total revenues	<u>41,753,804</u>	<u>4,689,506</u>	<u>46,443,310</u>
EXPENDITURES			
Current:			
General government administration	3,405,476	-	3,405,476
Judicial administration	1,472,117	-	1,472,117
Public safety	9,716,998	1,291,120	11,008,118
Public works	5,509,854	2,156,943	7,666,797
Health and welfare	481,512	3,406,371	3,887,883
Education	12,950,643	-	12,950,643
Parks, recreation, and cultural	2,723,097	-	2,723,097
Community development	889,128	439,992	1,329,120
Capital projects	-	2,396	2,396
Debt service:			
Principal retirement	1,354,917	1,323,294	2,678,211
Interest and fiscal charges	712,289	922,211	1,634,500
Total expenditures	<u>39,216,031</u>	<u>9,542,327</u>	<u>48,758,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,537,773</u>	<u>(4,852,821)</u>	<u>(2,315,048)</u>
OTHER FINANCING SOURCES (USES)			
Insurance recoveries - worker's compensation	141,036	-	141,036
Capital leases	278,806	-	278,806
Transfers in	657,970	4,160,179	4,818,149
Transfers out	(4,402,401)	(4,970)	(4,407,371)
Total other financing sources and uses	<u>(3,324,589)</u>	<u>4,155,209</u>	<u>830,620</u>
Net change in fund balances	(786,816)	(697,612)	(1,484,428)
Fund balance - beginning (as adjusted)	<u>15,014,023</u>	<u>5,472,312</u>	<u>20,486,335</u>
Fund balance - ending	<u>\$ 14,227,207</u>	<u>\$ 4,774,700</u>	<u>\$ 19,001,907</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO, VIRGINIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Exhibit 6

Net change in fund balances - total governmental funds (Exhibit 5)	\$ (1,484,428)
Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (2,607,013) exceeded depreciation (1,503,821) in the current period.	1,103,192
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	123,643
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,399,405
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(6,861)
Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	<u>68,176</u>
Change in net position of governmental activities	<u>\$ 2,203,127</u>

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2013

Exhibit 7

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
General property taxes	\$ 18,092,277	\$ 18,092,277	\$ 18,418,234	\$ 325,957
Other local taxes	13,058,732	13,058,732	13,401,420	342,688
Permits, privilege fees and regulatory licenses	160,760	160,760	208,253	47,493
Fines and forfeitures	138,950	138,950	195,247	56,297
Revenue from use of money and property	105,376	107,376	180,621	73,245
Charges for services	373,781	388,603	374,168	(14,435)
Miscellaneous	39,123	110,583	181,912	71,329
Recovered costs	31,300	39,145	85,647	46,502
Intergovernmental:				
Commonwealth	8,182,014	8,427,425	8,546,892	119,467
Federal	-	115,868	161,410	45,542
Total revenues	<u>40,182,313</u>	<u>40,639,719</u>	<u>41,753,804</u>	<u>1,114,085</u>
EXPENDITURES				
Current:				
General government administration	3,456,892	3,445,632	3,405,476	40,156
Judicial administration	1,476,372	1,477,898	1,472,117	5,781
Public safety	9,205,482	9,815,225	9,716,998	98,227
Public works	4,759,526	6,218,247	5,509,854	708,393
Health and welfare	509,471	526,801	481,512	45,289
Education	12,964,423	13,046,821	12,950,643	96,178
Parks, recreation and cultural	2,695,062	2,778,699	2,723,097	55,602
Community development	781,700	966,450	889,128	77,322
Debt service:				
Principal retirement	1,354,917	1,354,917	1,354,917	-
Interest and fiscal charges	698,876	698,876	712,289	(13,413)
Total expenditures	<u>37,902,721</u>	<u>40,329,566</u>	<u>39,216,031</u>	<u>1,113,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,279,592</u>	<u>310,153</u>	<u>2,537,773</u>	<u>2,227,620</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries - worker's compensation	-	-	141,036	141,036
Capital leases	-	228,806	278,806	50,000
Transfers in	651,550	652,375	657,970	5,595
Transfers out	(3,651,322)	(4,302,595)	(4,402,401)	(99,806)
Total other financing sources and uses	<u>(2,999,772)</u>	<u>(3,421,414)</u>	<u>(3,324,589)</u>	<u>96,825</u>
Net change in fund balances	(720,180)	(3,111,261)	(786,816)	2,324,445
Fund balance - beginning	<u>720,180</u>	<u>3,111,261</u>	<u>15,014,023</u>	<u>11,902,762</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,227,207</u>	<u>\$ 14,227,207</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

Exhibit 8

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,733,969	\$ 5,225,702	\$ 1,213,589	\$ 8,173,260	\$ 513,369
Accounts receivable (net of allowance for uncollectibles)	635,187	948,294	320,933	1,904,414	8,331
Inventory	-	-	-	-	872,379
Total current assets	<u>2,369,156</u>	<u>6,173,996</u>	<u>1,534,522</u>	<u>10,077,674</u>	<u>1,394,079</u>
Noncurrent assets:					
Deferred charges	186,718	126,196	-	312,914	-
Equity interest in joint venture	-	-	2,735,099	2,735,099	-
Capital assets:					
Land	342,088	44,180	-	386,268	-
Buildings	9,019,357	43,318,078	113,453	52,450,888	-
Improvements other than buildings	16,694,624	31,125,957	-	47,820,581	-
Machinery and equipment	760,283	1,738,704	1,118,975	3,617,962	6,035,766
Construction in progress	41,523	73,472	-	114,995	-
Less accumulated depreciation	<u>(10,267,297)</u>	<u>(21,033,854)</u>	<u>(875,298)</u>	<u>(32,176,449)</u>	<u>(4,689,386)</u>
Total capital assets (net of accumulated depreciation)	<u>16,590,578</u>	<u>55,266,537</u>	<u>357,130</u>	<u>72,214,245</u>	<u>1,346,380</u>
Total noncurrent assets	<u>16,777,296</u>	<u>55,392,733</u>	<u>3,092,229</u>	<u>75,262,258</u>	<u>1,346,380</u>
Total assets	<u>19,146,452</u>	<u>61,566,729</u>	<u>4,626,751</u>	<u>85,339,932</u>	<u>2,740,459</u>
LIABILITIES					
Current liabilities:					
Accounts payable	37,408	407,170	138,607	583,185	49,126
Accrued payroll	37,798	47,349	18,810	103,957	10,155
Accrued interest payable	264,193	364,915	-	629,108	-
Deposits payable	121,920	-	975	122,895	-
Due to other funds	-	-	-	-	857,049
Compensated absences	9,000	8,000	2,000	19,000	500
General obligation bonds - current	272,041	381,624	-	653,665	-
Revenue bonds payable - current	-	820,626	-	820,626	-
Total current liabilities	<u>742,360</u>	<u>2,029,684</u>	<u>160,392</u>	<u>2,932,436</u>	<u>916,830</u>
Noncurrent liabilities:					
Compensated absences	22,769	35,240	25,002	83,011	5,406
Net OPEB obligation	31,096	32,070	17,881	81,047	9,572
General obligation bonds payable (net of unamortized premium and deferred amount on refunding)	11,862,589	7,148,942	-	19,011,531	-
Revenue bonds payable	-	18,770,147	-	18,770,147	-
Total noncurrent liabilities	<u>11,916,454</u>	<u>25,986,399</u>	<u>42,883</u>	<u>37,945,736</u>	<u>14,978</u>
Total liabilities	<u>12,658,814</u>	<u>28,016,083</u>	<u>203,275</u>	<u>40,878,172</u>	<u>931,808</u>
NET POSITION					
Net investment in capital assets	4,455,948	28,145,198	357,130	32,958,276	1,346,380
Unrestricted	2,031,690	5,405,448	4,066,346	11,503,484	462,271
Total net position	<u>\$ 6,487,638</u>	<u>\$ 33,550,646</u>	<u>\$ 4,423,476</u>	<u>44,461,760</u>	<u>\$ 1,808,651</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. (1,008,569)

Net position of business-type activities \$ 43,453,191

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

Exhibit 9

	Business-type Activities - Enterprise Funds				Governmental
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
OPERATING REVENUES					
Charges for services	\$ 3,457,578	\$ 5,066,599	\$ 1,906,325	\$ 10,430,502	\$ 1,767,375
Miscellaneous	12,911	6,992	22,073	41,976	53,777
Total operating revenues	<u>3,470,489</u>	<u>5,073,591</u>	<u>1,928,398</u>	<u>10,472,478</u>	<u>1,821,152</u>
OPERATING EXPENSES					
Personal services	1,187,215	1,489,538	652,345	3,329,098	303,567
Contractual services	147,866	339,613	521,444	1,008,923	81,527
Other supplies and expenses	228,264	746,407	196,373	1,171,044	1,231,168
Depreciation	996,457	1,926,074	64,929	2,987,460	333,204
Total operating expenses	<u>2,559,802</u>	<u>4,501,632</u>	<u>1,435,091</u>	<u>8,496,525</u>	<u>1,949,466</u>
Operating income (loss)	<u>910,687</u>	<u>571,959</u>	<u>493,307</u>	<u>1,975,953</u>	<u>(128,314)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental:					
Commonwealth	-	-	7,216	7,216	-
Interest income	8,799	22,130	6,610	37,539	-
Gain (loss) on disposal of assets	-	-	-	-	19,388
Gain (loss) on equity interest	-	-	(226,149)	(226,149)	-
Interest and fiscal charges	(579,673)	(867,721)	-	(1,447,394)	-
Amortization	(3,827)	(4,775)	-	(8,602)	-
Total nonoperating revenues (expenses)	<u>(574,701)</u>	<u>(850,366)</u>	<u>(212,323)</u>	<u>(1,637,390)</u>	<u>19,388</u>
Income before contributions and transfers	<u>335,986</u>	<u>(278,407)</u>	<u>280,984</u>	<u>338,563</u>	<u>(108,926)</u>
Capital contributions	21,275	-	-	21,275	-
Transfers in	33,672	-	-	33,672	242,222
Transfers out	<u>(231,000)</u>	<u>(341,672)</u>	<u>(109,000)</u>	<u>(681,672)</u>	<u>(5,000)</u>
Change in net position	159,933	(620,079)	171,984	(288,162)	128,296
Total net position - beginning, as adjusted	<u>6,327,705</u>	<u>34,170,725</u>	<u>4,251,492</u>		<u>1,680,355</u>
Total net position - ending	<u>\$ 6,487,638</u>	<u>\$ 33,550,646</u>	<u>\$ 4,423,476</u>		<u>\$ 1,808,651</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>60,120</u>	
Change in net position of business-type activities				<u>\$ (228,042)</u>	

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Exhibit 10 Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers and users	\$ 3,332,895	\$ 5,116,613	\$ 1,861,664	\$ 10,311,172	\$ -
Cash received from interfund services provided	-	-	-	-	1,772,628
Cash paid to suppliers	(390,581)	(835,086)	(707,538)	(1,933,205)	(1,333,617)
Cash paid to employees	(1,177,603)	(1,470,152)	(643,462)	(3,291,217)	(296,156)
Other receipts (payments)	12,911	6,992	22,073	41,976	53,777
Net cash provided (used) by operating activities	1,777,622	2,818,367	532,737	5,128,726	196,632
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Subsidy from state grant	-	-	7,216	7,216	-
Transfer from other funds	33,672	-	-	33,672	37,864
Transfer to other funds	(231,000)	(341,672)	(109,000)	(681,672)	(5,000)
Net cash provided (used) by noncapital financing activities	(197,328)	(341,672)	(101,784)	(640,784)	32,864
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	-	-	-	19,388
Acquisition and construction of capital assets	(474,617)	(1,043,925)	-	(1,518,542)	(204,101)
Transfer from other funds	-	-	-	-	242,222
Principal paid on capital debt	(254,221)	(1,383,494)	-	(1,637,715)	-
Interest paid on capital debt	(585,660)	(879,298)	-	(1,464,958)	-
Net cash provided (used) by capital and related financing activities	(1,314,498)	(3,306,717)	-	(4,621,215)	57,509
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	8,799	22,130	6,610	37,539	-
Cash paid to joint venture	-	-	(180,479)	(180,479)	-
Net cash provided (used) by investing activities	8,799	22,130	(173,869)	(142,940)	-
Net increase (decrease) in cash and cash equivalents	274,595	(807,892)	257,084	(276,213)	287,005
Cash and cash equivalents - beginning of year	1,459,374	6,033,594	956,505	8,449,473	226,364
Cash and cash equivalents - end of year	\$ 1,733,969	\$ 5,225,702	\$ 1,213,589	\$ 8,173,260	\$ 513,369

cont'd

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds				Exhibit 10 (cont'd)
					Governmental Activities
	Water Fund	Sewer Fund	Other Enterprise Funds	Total	Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 910,687	\$ 571,959	\$ 493,307	\$ 1,975,953	\$ (128,314)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	996,457	1,926,074	64,929	2,987,460	333,204
(Increase) decrease in accounts receivable	(130,128)	50,014	(44,616)	(124,730)	5,253
(Increase) decrease in inventory	-	-	-	-	(24,027)
Increase (decrease) in accounts payable	(14,451)	250,934	10,279	246,762	3,105
Increase (decrease) in accrued payroll	16,551	22,662	7,854	47,067	5,142
Increase (decrease) in net OPEB obligation	4,093	5,257	2,222	11,572	1,051
Increase (decrease) in deposits payable	5,445	-	(45)	5,400	-
Increase (decrease) in compensated absences	(11,032)	(8,533)	(1,193)	(20,758)	1,218
Total Adjustments	866,935	2,246,408	39,430	3,152,773	324,946
Net cash provided (used) by operating activities	\$ 1,777,622	\$ 2,818,367	\$ 532,737	\$ 5,128,726	\$ 196,632
Noncash investing, capital, and financing activities:					
Capital contributions of water and sewer lines from developers	\$ 21,275	\$ -	\$ -	\$ 21,275	\$ -

CITY OF WAYNESBORO, VIRGINIA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2013

	Exhibit 11
	Total Agency Funds
ASSETS	
Cash and cash equivalents	\$ 695,726
Accounts receivable	63,869
Due from other governments	14,588
Total assets	<u>\$ 774,183</u>
LIABILITIES	
Accounts payable	1,755
Accrued payroll	13,446
Payroll taxes and fringes payable	687,145
Due to external parties	35,625
Net OPEB obligation	14,588
Amounts held for social service clients	21,624
Total liabilities	<u>\$ 774,183</u>

CITY OF WAYNESBORO, VIRGINIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waynesboro, Virginia (the "City") conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies.

A. Reporting Entity

The City was incorporated in 1948 and organized under the Council-Manager form of government. The City is governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended Component Units:

The Waynesboro Economic Development Authority (the "Authority") was established under the Industrial Development and Revenue Bond Act of the *Code of Virginia* and has the responsibility to promote industry and develop trade by inducing manufacturing, industrial, and other commercial enterprises to locate or remain in the City. The City appoints all seven members of the Authority's Board of Directors. In fiscal year 2009, the Authority issued a \$6.25 million note payable to finance an incentive grant that will be payable solely from financial assistance made available by the City to the Authority. As a result, the Authority imposes a financial burden on the City. Additionally, the Authority is authorized to issue revenue bonds upon application by qualified applicants for the purpose of acquiring, constructing, equipping, and rehabilitating certain facilities as provided in Chapter 49 of the Industrial Development and Revenue Bond Act as set forth in the Code. Upon issuance, the proceeds of the bonds are loaned to the applicant, who then agrees to repay the bonds as set forth in the Loan Agreement executed in connection with the issuance of the bonds. Section 15.2-4909 of the Code specifically provides that the bonds shall not be deemed to constitute debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the locality issuing the bonds. Such bonds are payable solely from the revenues and moneys pledged for such purpose by the applicant, and are secured by a deed of trust, line of credit, and/or other pledge of the applicant's assets.

Separate financial statements of this component unit are not available.

Discretely Presented Component Units:

The component unit column in the financial statements includes the financial data of the City's discretely presented component unit. This is reported in a separate column to emphasize that it is legally separate from the City.

The City of Waynesboro School Board was created as a separate legal entity by the City to oversee the operations and management of its publicly funded primary and secondary schools. The members of the School Board are elected by the voters. Because the School Board does not have taxing power, it is fiscally dependent on the City to provide significant funding to operate and maintain the public schools. In addition, the City must approve the School Board budget and approve any debt issuances.

Separate financial statements of this component unit are not available.

Undivided Interests and Joint Ventures:

The City, along with the City of Staunton and the County of Augusta, is a participant in the Augusta Regional Landfill (the "Landfill"). The Landfill, which has both an undivided interest component and joint venture component, was 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. Assets, liabilities, net position, revenues and expenses of the undivided interest component are reported by the City in its ACSA Joint Landfill Fund. Likewise, the City's investment in the joint venture component of the Landfill, which is an explicit, measurable, equity interest, is reported as an asset in the ACSA Joint Landfill Fund and totaled \$2,735,099 as of June 30, 2013. Complete financial statements of the Augusta Regional Landfill can be obtained from the entity's administrative offices by contacting the Augusta County Service Authority, P.O. Box 859, Verona, VA 24482-0859.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A. Reporting Entity (cont'd)

Undivided Interests and Joint Ventures: (cont'd)

The City, in conjunction with the City of Staunton and the County of Augusta, is a participant in the Middle River Regional Jail Authority, but has no equity interest in the venture. 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 and debt service component. The City paid the Jail Authority \$1,430,139 for fiscal year 2013.

The City, in conjunction with the City of Staunton and the County of Augusta, is a participant in a Regional Animal Shelter, with equity interest in the venture. Capital and operating costs are allocated annually based on percentage of ownership for each locality. Activity is shown in a special revenue fund, named Shenandoah Valley Animal Service Center. The City transferred funds to the Regional Animal Shelter in the amount of \$56,437 for fiscal year 2013.

Excluded Organizations:

The financial activities of the following organization are excluded from the City's annual financial report because the City is not financially accountable for the organization:

- Waynesboro Redevelopment Housing Authority

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from a legally separate *component unit* 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter 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 Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, with the exception of agency fund financial statements, which have no measurement focus. 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims/judgments, are recorded only when payment is due.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month 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 funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The governmental funds use the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than on net income determination as would apply to a commercial enterprise. The City reports the following governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund is considered a major fund for financial reporting purposes.

Special revenue funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds consist of the Virginia Public Assistance, Comprehensive Services Act, Youth and Family Services, Community Action Partnership of Staunton, Augusta, Waynesboro, Shenandoah Valley Animal Service Center Funds, and a blended component unit, Economic Development Authority.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Debt service funds consist of the Debt Revenue Fund.

Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. Capital project funds consist of the Capital Improvements Fund.

Permanent funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Permanent funds consist of the Cemetery Care Fund.

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The proprietary funds utilize the accrual basis of accounting where the measurement focus is upon determination of net income. Proprietary funds consist of Enterprise and Internal Service Funds. The government reports the following proprietary funds:

Enterprise funds account for operations where the intent of the City is that the cost of provided services to the general public be financed and recovered through user charges. Enterprise funds consist of the Water, Sewer, Garbage, and the ACSA Joint Landfill Funds. The Water and Sewer Funds are considered major funds for financial reporting purposes.

Internal service funds account for the financing of goods or services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. Internal service funds consist of the Equipment and Stores Fund.

Fiduciary Funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Agency Funds.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (cont'd)

Agency funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency funds reported by the City include the Payroll Fringes, Special Welfare, Shenandoah Valley Police Academy, and First Aid Crew Funds.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, Garbage, ACSA Joint Landfill, and internal service funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenue, the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenue and expenses not meeting the operating definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Position or Equity

1. *Deposits and Investments*

The government's 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.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component unit, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

3. *Inventories*

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in the internal service fund consist of expendable supplies held for consumption and are accounted for under the consumption method. Cost is recorded as an expense at the time the individual inventory items are used.

4. *Property Taxes*

Property is assessed at its value on January 1. Property Taxes attach as an enforceable lien on property as of January 1. Real property taxes are payable in two installments on July 31 and December 5 and personal property taxes are payable in one installment on December 5. The City bills and collects its own property taxes.

5. *Allowance for Uncollectible Accounts*

The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$1,318,728 at June 30, 2013, and consisted of the following:

General Fund – taxes	\$ 460,384
Water Fund – utility billings	270,810
Sewer Fund – utility billings	431,756
Garbage Fund – utility billings	<u>155,778</u>
Total	<u>\$1,318,728</u>

6. *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. *Restricted Assets*

Cash investments of \$542,549 in the Cemetery Care Fund, a permanent fund, are nonspendable and thus restricted. Only earnings may be used by the City to fund the cemetery maintenance costs.

8. *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure acquired prior to the City's implementation of GASB Statement 34 are included in the City's capital asset totals.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

8. Capital Assets (cont'd)

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings	50
Improvements other than buildings	20
Machinery and equipment	5-20
Infrastructure	20-50

9. Compensated Absences

In accordance with Governmental Accounting Standards Board Statement 16, "Accounting for Compensated Absences," the City has accrued the liability arising from outstanding compensated absences.

City employees earn sick leave at the rate of 8 hours per month. No benefits or pay is received for unused sick leave upon termination. City employees earn varying amounts of vacation dependent upon years of service. Accumulated vacation up to 56 days is paid upon termination. Law enforcement officers can earn up to 80 hours of compensatory time that would be paid upon termination.

School Board 11-month and 12-month personnel earn varying amounts of annual leave dependent upon years of service. Accumulated annual leave up to 30 days will be paid upon termination. School Board personnel with at least 5 years of service may be paid for up to 120 days of unused sick time at a rate of \$20 per day for professional employees and \$10 per day for support personnel.

10. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Loans issued at 0% are discounted at the applicable long term annual financing rate based on date of issue.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt plus premiums issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

Financial policies - For fiscal year 2013, no formal policy regarding fund balance has been adopted by the City. When both restricted and unrestricted resources are available, the City considers restricted funds used first, followed by unrestricted funds. When an expenditure is incurred where multiple unrestricted categories could be used, the City follows the subsequent order of use: committed amounts are used first, followed by assigned amounts, then unassigned amounts.

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

D. Assets, Liabilities, and Net Position or Equity (cont'd)

11. Fund Equity (cont'd)

Restricted fund balance – Restricted funds are either externally imposed (such as debt covenants, grantors, contributors, or other governments) or are imposed by law (constitutionally or enabling legislation). The source of the constraint comes from outside the government and cannot be changed by City Council.

Committed fund balance – The City's committed funds require formal action of the City Council either by resolution or ordinance that identifies the specific circumstances under which resources may be expended.

Assigned fund balance – Amounts that are constrained by the City's expressed intent to use resources for specific purposes but do not meet the criteria to be classified as restricted or committed are classified as assigned. Intent can be stipulated by the governing body, another body (such as the Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance of the classification for all governmental funds with positive balances.

Unassigned fund balance – Unassigned funds consist of amounts not assigned, committed, or restricted, and are funds that are considered to be available for use by the City.

The School Construction Fund had a deficit fund balance of \$196,048 at June 30, 2013, as a result of capital project expenditures exceeding revenues in a previous year.

12. Net Position

Net position is the difference between assets and liabilities. Net investment in capital assets represent capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets.

13. Component Unit – School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction, or improvement of its capital assets. That responsibility lies with the City who issue debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets due to their responsibility for maintaining the assets.

In the Statement of Net Position, this scenario presents a dilemma for the City. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net position of the City. The corresponding capital assets are reported as assets of the Component Unit – School Board, thereby increasing its net position.

The Virginia General Assembly amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any new property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. As of June 30, 2013, the City does not record the School Board's capital assets; they are reported as capital assets of the Component Unit – School Board.

14. Component Unit – Open Lines of Credit

The Component Unit School Board has several open lines of credit with various vendors that require the use of purchase order to initiate a transaction.

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of these \$39,322,534 and \$5,269,046 differences for the primary government and discretely presented component unit-school board, respectively, are as follows:

	Primary Government	Component Unit School Board
Bonds payable	\$ 32,316,795	\$ -
Less: Unamortized bond issue costs	(308,875)	-
Plus: Issuance premium	367,600	-
Note payable	3,201,541	-
Capital leases payable	228,806	2,945,511
Landfill closure liability	1,852,408	-
Accrued interest payable	549,162	30,577
Net OPEB obligation	473,792	1,632,000
Compensated absences	641,305	660,958
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 39,322,534</u>	<u>\$ 5,269,046</u>

Another element of that reconciliation explains, “Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.” The details of this \$2,817,220 difference in the primary government are as follows:

Net position of the internal service funds	\$ 1,808,651
Add: Internal receivable representing costs in excess of charges to business-type activities - prior years	1,068,689
Less: Internal payable representing charges in excess of costs to business-type activities - current year	<u>(60,120)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 2,817,220</u>

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont'd)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states, “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of these \$2,399,405 and \$57,169 differences in the primary government and discretely presented component unit-school board, respectively, are as follows:

	Primary Government	Component Unit School Board
Debt issued or incurred:		
Capital lease financing	\$ 278,806	\$ 158,102
Principal repayments:		
General obligation debt	(1,865,845)	-
Note payable	(746,126)	-
Capital lease	(66,240)	(215,271)
Net adjustment to increase/decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ (2,399,405)	\$ (57,169)

Another element of that reconciliation states, “some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of these \$6,861 and \$451,971 differences for the primary government and discretely presented component unit-school, respectively, are as follows:

	Primary Government	Component Unit School Board
Compensated absences	\$ (2,010)	\$ 20,818
Accrued interest	(15,042)	3,153
Landfill post-closure care liability	(20,675)	-
Increase in net OPEB obligation	58,890	428,000
Amortization of bond issue costs	30,036	-
Amortization of issuance premium	(44,338)	-
Net adjustment to increase/decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 6,861	\$ 451,971

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont'd)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (cont'd)

Another element of that reconciliation states, "Internal service funds are used by management to charge the costs of supplies and equipment usage to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities." The details of this \$68,176 difference in the primary government are as follows:

Change in net position of the internal service funds	\$ 128,296
Less: Gain from charges in excess of costs to business-type activities	<u>(60,120)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 68,176</u>

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds except the Community Action Partnership of Staunton, Augusta, & Waynesboro fund, the Economic Development fund, and the permanent fund, which are not budgeted. All annual appropriations lapse at fiscal year end.

The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to March 30, the City Manager submits to City Council a proposed budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of a budget resolution.
4. The budget resolution places legal restrictions on expenditures at the function level (i.e. General Government Administration, Public Safety, etc.) The appropriations for each function can be revised only by the City Council.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Budget data presented in the accompanying financial statements includes the original budget and the revised budget as of June 30, 2013.
7. Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

4. 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 the choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). The City has no investment policies that would further limit their investment choices.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

4. DEPOSITS AND INVESTMENTS (cont'd)

Credit Risk – The City's investments are subject to credit risk, concentration of credit risk, and interest rate risk as described below. The City's investments are not subject to custodial risk or foreign currency risk.

The City's rated debt investments as of June 30, 2013 were rated by Standard & Poor's and the ratings are presented below using the Standard & Poor's rating scale.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Quality Ratings</u>	
		<u>AAAm</u>	<u>Unrated</u>
<u>Primary Government</u>			
Local Government Investment Pool	\$ 1,459	\$ 1,459	\$ -
Total Fair Value	<u>\$ 1,459</u>	<u>\$ 1,459</u>	<u>\$ -</u>

Concentration of Credit Risk – The City places no limits on the amount that may be invested in any one issuer.

Interest Rate Risk – As of June 30, 2013, the City had investments with the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
<u>Primary Government</u>				
Local Government Investment Pool	\$ 1,459	\$ 1,459	\$ -	\$ -
Total Fair Value	<u>\$ 1,459</u>	<u>\$ 1,459</u>	<u>\$ -</u>	<u>\$ -</u>

The City does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arriving from increasing interest rates.

5. DUE FROM OTHER GOVERNMENTS

The following amounts represent receivables from other governments at year-end:

	<u>Primary Government</u>	<u>Component Unit School Board</u>
Commonwealth of Virginia:		
School Funds	\$ -	\$ 683,097
State sales taxes	-	515,755
Local sales taxes	828,610	-
Department of Transportation	404,046	-
Communications tax	209,943	-
Public assistance grants	62,091	-
Comprehensive Services Act funds	143,638	-
Other State funds	<u>143,228</u>	<u>-</u>
Total Due from the Commonwealth	<u>1,791,556</u>	<u>1,198,852</u>
Federal Government:		
Department of Labor	24,260	-
Department of Justice	9,597	-
Department of Criminal Justice Services	30,785	-
Community Services Block Grant	30,844	-
Community Development Block Grant	140,851	-
Public assistance grants	35,292	-
Department of Health & Human Services	61,881	-
Other federal funds	<u>16,615</u>	<u>-</u>
Total Due from the Federal Government	<u>350,125</u>	<u>-</u>
Total Due from Other Governments	<u>\$ 2,141,681</u>	<u>\$ 1,198,852</u>

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2013 consisted of the following:

Primary Government:

Due to General Fund from:

Nonmajor governmental funds	\$ 192,241
Nonmajor Internal Service Fund	857,049
Total due to General Fund from other funds for cash advances	<u>\$ 1,049,290</u>

Interfund balances are due to the fact that the general fund aided in funding the operations in various other funds.

Interfund transfers for the year ended June 30, 2013 consisted of the following:

Primary Government:

Transfers to General Fund from:

Nonmajor governmental funds	\$ 4,970
Water Fund for operations	231,000
Sewer Fund for operations	308,000
Nonmajor internal service fund for operations	5,000
Nonmajor enterprise funds for operations	109,000
Total transfers to General Fund	<u>\$ 657,970</u>

Transfers to Water Fund from:

Sewer Fund for operations	<u>\$ 33,672</u>
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Transfers to nonmajor governmental funds from:

General Fund for welfare assistance	\$ 1,247,645
General Fund for capital projects	376,374
General Fund for Shenandoah Valley Animal Service Center	56,437
General Fund for Economic Development Authority	1,479,397
General Fund for debt service	1,000,326
Total transfers to nonmajor governmental funds	<u>\$ 4,160,179</u>

Transfers to nonmajor Internal Service Fund from:

General Fund for equipment purchases	<u>\$ 242,222</u>
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Component Unit School Board:

Transfers to School Textbook Fund from:

School Operating Fund	<u>\$ 273,768</u>
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Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

7. CAPITAL ASSETS

PRIMARY GOVERNMENT

A summary of the changes in the City's capital assets for *governmental activities* is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 8,735,499	\$ -	\$ -	\$ 8,735,499
Construction in progress	616,817	2,238,850	(603,188)	2,252,479
Total capital assets not being depreciated	<u>9,352,316</u>	<u>2,238,850</u>	<u>(603,188)</u>	<u>10,987,978</u>
Capital assets, being depreciated				
Buildings	15,573,908	-	-	15,573,908
Improvements other than buildings	4,382,997	-	-	4,382,997
Equipment	8,832,197	431,098	(90,945)	9,172,350
Infrastructure	48,324,359	744,521	-	49,068,880
Total capital assets being depreciated	<u>77,113,461</u>	<u>1,175,619</u>	<u>(90,945)</u>	<u>78,198,135</u>
Less accumulated depreciation for:				
Buildings	(5,482,260)	(328,388)	-	(5,810,648)
Improvements other than buildings	(2,276,292)	(177,928)	-	(2,454,220)
Equipment	(6,428,543)	(573,994)	90,945	(6,911,592)
Infrastructure	(35,182,456)	(756,716)	-	(35,939,172)
Total accumulated depreciation	<u>(49,369,551)</u>	<u>(1,837,026)</u>	<u>90,945</u>	<u>(51,115,632)</u>
Total capital assets being depreciated, net	<u>27,743,910</u>	<u>(661,407)</u>	<u>-</u>	<u>27,082,503</u>
Governmental activities capital assets, net	<u>\$ 37,096,226</u>	<u>\$ 1,577,443</u>	<u>\$ (603,188)</u>	<u>\$ 38,070,481</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Governmental activities:	
General government administration	\$ 56,737
Judicial administration	63,888
Public safety	244,513
Public works	1,153,064
Health and welfare	5,207
Parks, recreation, and cultural	237,694
Community development	<u>75,923</u>
Total depreciation expense – governmental activities	<u>\$ 1,837,026</u>

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

7. CAPITAL ASSETS (cont'd)

PRIMARY GOVERNMENT (cont'd)

A summary of the changes in the City's capital assets for *business-type activities* is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 386,268	\$ -	\$ -	\$ 386,268
Construction in progress	105,781	104,614	(95,400)	114,995
Total capital assets not being depreciated	<u>492,049</u>	<u>104,614</u>	<u>(95,400)</u>	<u>501,263</u>
Capital assets, being depreciated:				
Buildings	52,450,888	-	-	52,450,888
Improvements other than buildings	45,933,172	1,887,409	-	47,820,581
Equipment	3,328,385	289,577	-	3,617,962
Total capital assets being depreciated	<u>101,712,445</u>	<u>2,176,986</u>	<u>-</u>	<u>103,889,431</u>
Less accumulated depreciation for:				
Buildings	(4,647,740)	(1,028,453)	-	(5,676,193)
Improvements other than buildings	(22,347,398)	(1,746,797)	-	(24,094,195)
Equipment	(2,193,851)	(212,210)	-	(2,406,061)
Total accumulated depreciation	<u>(29,188,989)</u>	<u>(2,987,460)</u>	<u>-</u>	<u>(32,176,449)</u>
Total capital assets being depreciated, net	<u>72,523,456</u>	<u>(810,474)</u>	<u>-</u>	<u>71,712,982</u>
Business-type activities capital assets, net	<u>\$ 73,015,505</u>	<u>\$ (705,860)</u>	<u>\$ (95,400)</u>	<u>\$ 72,214,245</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

Business-type activities:	
Water	\$ 996,457
Sewer	1,926,074
Garbage	<u>64,929</u>
Total depreciation expense – business-type activities	<u>\$ 2,987,460</u>

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

7. CAPITAL ASSETS (cont'd)

COMPONENT UNIT - SCHOOL BOARD

A summary of the changes in the Discretely Presented Component Unit School Board's capital assets is as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets, not being depreciated:				
Land	\$ 274,493	\$ -	\$ -	\$ 274,493
Total capital assets not being depreciated	<u>274,493</u>	<u>-</u>	<u>-</u>	<u>274,493</u>
Capital assets, being depreciated:				
Buildings	51,439,974	24,340	-	51,464,314
Improvements other than buildings	3,774,326	366,757	-	4,141,083
Equipment	<u>3,340,268</u>	<u>184,602</u>	<u>(32,863)</u>	<u>3,492,007</u>
Total capital assets being depreciated	<u>58,554,568</u>	<u>575,699</u>	<u>(32,863)</u>	<u>59,097,404</u>
Less accumulated depreciation for:				
Buildings	(12,231,059)	(984,988)	-	(13,216,047)
Improvements other than buildings	(2,277,612)	(162,759)	-	(2,440,371)
Equipment	<u>(2,526,227)</u>	<u>(156,742)</u>	<u>32,863</u>	<u>(2,650,106)</u>
Total accumulated depreciation	<u>(17,034,898)</u>	<u>(1,304,489)</u>	<u>32,863</u>	<u>(18,306,524)</u>
Total capital assets being depreciated, net	<u>41,519,670</u>	<u>(728,790)</u>	<u>-</u>	<u>40,790,880</u>
School Board capital assets, net	<u>\$ 41,794,163</u>	<u>\$ (728,790)</u>	<u>\$ -</u>	<u>\$ 41,065,373</u>

Depreciation expense was charged to functions/programs of the Component Unit' School Board's governmental activities as follows:

Governmental activities:	
Education	<u>\$ 1,304,489</u>

8. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of fiscal year 2013, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Deferred Property Tax Revenue, representing uncollected tax billings at June 30, 2013 (General Fund)	\$ 443,942	\$ -
Property Taxes Paid in Advance, representing property taxes not yet due, but paid by June 30, 2013 (General Fund)	<u>-</u>	<u>127,111</u>
Total deferred revenue for governmental funds	<u>\$ 443,942</u>	<u>\$ 127,111</u>

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

9. LONG-TERM DEBT

PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30	Governmental Activities					
	General Obligation Bonds		State Literary Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,490,369	\$ 1,358,736	\$ 250,000	\$ 52,500	\$ 108,307	\$ 11,694
2015	1,535,535	1,290,877	250,000	45,000	117,391	2,609
2016	1,591,401	1,216,996	250,000	37,500	3,108	10
2017	1,648,005	1,139,999	250,000	30,000	-	-
2018	1,705,380	1,064,128	250,000	22,500	-	-
2019-2023	8,050,055	4,215,950	500,000	22,500	-	-
2024-2028	7,986,672	2,402,511	-	-	-	-
2029-2033	3,655,000	1,008,174	-	-	-	-
2034-2038	2,904,377	262,063	-	-	-	-
	<u>\$ 30,566,794</u>	<u>\$ 13,959,434</u>	<u>\$ 1,750,000</u>	<u>\$ 210,000</u>	<u>\$ 228,806</u>	<u>\$ 14,313</u>

Year Ending June 30	Governmental Activities	
	Note Payable	
	Principal	Interest
2014	\$ 777,324	\$ 113,863
2015	808,993	82,194
2016	841,957	49,230
2017	773,268	15,031
	<u>\$ 3,201,542</u>	<u>\$ 260,318</u>

Year Ending June 30	Business-Type Activities					
	General Obligation Bonds		Virginia Revolving Loans		Sewer Revenue Bonds	
	Principal	Interest	Taxable G.O Bonds Principal	Interest	Principal	Interest
2014	\$ 360,000	\$ 684,297	\$ 282,447	\$ 142,898	\$ 1,540,988	\$ 88,563
2015	375,000	667,062	290,984	134,361	1,545,988	85,984
2016	395,000	648,015	299,779	125,566	1,545,988	82,603
2017	415,000	629,075	308,840	116,505	1,550,988	78,244
2018	435,000	611,980	318,175	107,170	1,555,988	73,503
2019-2023	2,445,000	2,773,226	1,741,072	385,653	7,854,940	293,719
2024-2028	3,030,000	2,199,485	1,592,050	109,329	7,999,939	137,103
2029-2033	3,435,000	1,443,158	-	-	3,419,701	4,162
2034-2038	3,780,000	585,000	-	-	-	-
	<u>\$ 14,670,000</u>	<u>\$ 10,241,298</u>	<u>\$ 4,833,347</u>	<u>\$ 1,121,482</u>	<u>\$ 27,014,520</u>	<u>\$ 843,881</u>

Compensated absences, net OPEB obligation, and liability for landfill closure are not included in the schedule reflecting annual requirements to amortize long-term obligations since it cannot be estimated when they will be paid.

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

9. LONG-TERM DEBT (cont'd)

PRIMARY GOVERNMENT (cont'd)

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the City and Blended Component Unit, Economic Development Authority for the year ended June 30, 2013:

	Balance July 1, 2012	Restatement (1)	Additions	Retirements	Balance June 30, 2013	Due within one year
<u>Governmental Activities</u>						
General Obligation Bonds	\$ 32,182,639	\$ -	\$ -	\$ 1,615,845	\$ 30,566,794	\$ 1,490,369
Unamortized Bond Premium	411,938	-	-	44,338	367,600	42,004
State Literary Loans	2,000,000	-	-	250,000	1,750,000	250,000
Note Payable	3,947,668	-	-	746,126	3,201,542	777,324
Capital Leases	16,240	-	278,806	66,240	228,806	108,307
Liability for Landfill Closure	1,873,083	-	-	20,675	1,852,408	-
Net OPEB Obligation	423,423	-	59,941	-	483,364	-
Compensated Absences	648,003	-	18,955	19,747	647,211	20,500
Total Governmental Activities	<u>\$ 41,502,994</u>	<u>\$ -</u>	<u>\$ 357,702</u>	<u>\$ 2,762,971</u>	<u>\$ 39,097,725</u>	<u>\$ 2,688,504</u>
<u>Business-type Activities</u>						
General Obligation Bonds	\$ 15,015,000	\$ -	\$ -	\$ 345,000	\$ 14,670,000	\$ 360,000
Unamortized Bond Premium	211,248	-	-	15,185	196,063	14,809
VRA Loan - Taxable G.O. Bond	5,107,508	-	-	274,161	4,833,347	282,447
VRA Loan - Sewer Revenue Bond	28,555,509	-	-	1,540,989	27,014,520	1,540,988
Unamortized Bond Discount	-	(7,980,395)	-	(522,434)	(7,457,961)	(723,953)
Net OPEB Obligation	69,475	-	11,572	-	81,047	-
Compensated Absences	122,769	-	-	20,758	102,011	19,000
Total Business-type Activities	<u>\$ 49,081,509</u>	<u>\$ (7,980,395)</u>	<u>\$ 11,572</u>	<u>\$ 1,673,659</u>	<u>\$ 39,439,027</u>	<u>\$ 1,493,291</u>
Primary Government Totals	<u>\$ 90,584,503</u>	<u>\$ (7,980,395)</u>	<u>\$ 369,274</u>	<u>\$ 4,436,630</u>	<u>\$ 78,536,752</u>	<u>\$ 4,181,795</u>

(1) The unamortized bond discount at June 30, 2012 was restated due to the finalization of the VRA loans and capital projects being completed.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds, which totaled \$15,478 at June 30, 2013, are included as part of the above totals for governmental activities. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

Details of Long-Term Indebtedness

General Obligation Bonds:

\$4,341,667 General Obligation School Bonds – Series 2001A (Waynesboro High School), issued November 15, 2001, maturing annually through July 15, 2021, bearing interest from 3.10% to 5.35% payable semiannually.

Govern- mental	Business- type
\$ 2,097,120	\$ -

\$14,380,000 General Obligation Public Improvement Bonds – Series 2005 (City and Schools – Kate Collins Middle School), issued August 9, 2005, maturing annually through July 15, 2036, bearing interest at a 4.2849% fixed interest rate payable semiannually. The bonds are shown net of unamortized premium of \$43,795.

Govern- mental	Business- type
12,033,795	-

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

9. LONG-TERM DEBT (cont'd)

PRIMARY GOVERNMENT (cont'd)

Details of Long-Term Indebtedness (cont'd)

General Obligation Bonds: (cont'd)

\$17,080,000 General Obligation Public Improvement Bonds – Series 2007 (General, Water, Sewer) issued August 29, 2007, maturing annually through January 15, 2029, bearing interest from 4.0% to 5.0% payable semiannually. The bonds are shown net of unamortized premium of \$24,917 for governmental activities and unamortized premium of \$133,765 for business-type activities.

\$ 2,329,917 \$ 12,648,765

\$6,364,713 General Obligation School Bonds – Series 2007A (Kate Collins Middle School), issued November 8, 2007, maturing annually through July 15, 2027, bearing interest at a 5.10% fixed interest rate payable semiannually. The bonds are shown net of unamortized premium of \$194,238.

5,141,202 -

\$5,870,000 General Obligation Public Improvement Bonds – Series 2008 (General) issued November 21, 2008, maturing annually through October 1, 2028, bearing interest from 3.125% to 5.201% payable semiannually. The bond is shown net of unamortized premium of \$92,625.

5,177,625 -

\$1,370,000 General Obligation Public Improvement Bonds – Taxable Build America Bonds, Series 2010A (General, Sewer) issued December 7, 2010, maturing annually through 2031.

410,000 960,000

\$1,925,000 General Obligation Public Improvement Bonds – Tax-Exempt Series 2010B (General City and Schools – Westwood Hills Elementary, Sewer) issued December 7, 2010, maturing annually through 2031. The bond is shown net of unamortized premium of \$12,025 for governmental activities and unamortized premium of \$28,085 for business-type activities.

522,025 1,223,085

\$3,519,000 General Obligation Public Improvement Bonds - Series 2011 (General) issued October 31, 2011, maturing with monthly installments of \$25,955 through October 28, 2026, bearing an interest rate of 3.96%.

3,222,710 -

Total General Obligation Bonds

30,934,394 14,831,850

State Literary Fund Loans:

\$5,000,000 Literary Fund Loan (Schools – Westwood Hills Elementary) issued April 28, 2000, due in annual installments of \$250,000 through June 1, 2020 with interest payable annually at 3%.

1,750,000 -

Virginia Revolving Loans:

\$6,245,039 General Obligation Public Improvement Bonds – Series 2006A (Sewer) issued March 17, 2006, maturing annually through January 1, 2027, bearing interest at a 3.0% fixed interest rate payable semiannually.

- 4,833,347

\$14,594,900 Sewer Revenue Bond – Series 2008 issued February 28, 2008, maturing semi-annually through January 1, 2031. Unamortized discount of \$4,134,228 is based on imputed interest rate of 4.41%.

- 9,001,182

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

9. LONG-TERM DEBT (cont'd)

PRIMARY GOVERNMENT (cont'd)

Details of Long-Term Indebtedness (cont'd)

Virginia Revolving Loans: (cont'd)

\$2,125,000 Sewer Revenue Bond – Series 2008B issued November 21, 2008, maturing annually through October 1, 2028, bearing interest from 3.125% to 5.375% payable semiannually. The bond is shown net of an unamortized premium of \$34,213.

<u>Govern- mental</u>	<u>Business- type</u>
\$ -	\$ 1,874,213

\$14,624,858 Sewer Revenue Bond – Series 2009 issued June 10, 2009, maturing semi-annually through December 1, 2030. Unamortized discount of \$3,323,733 is based on imputed interest rate of 3.55%.

-	8,715,377
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Total Virginia Revolving Loans

-	24,424,119
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Note Payable:

\$6,250,000 Note Payable – Series 2009 issued April 29, 2009 for an economic incentive grant. The principal balance at August 15, 2011, of \$4,829,957 was refinanced bearing a variable interest rate from 4% to 9%, maturing monthly, with any remaining balance due April 15, 2018.

3,201,542	-
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Capital Leases:

\$278,806 capital lease dated December 10, 2012 for the purchase of public safety records & mobile computing software for the police department, due in monthly installments of \$10,000, with an annual interest rate of 3.89%.

228,806	-
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Liability for Municipal Solid Waste Landfill Closure

1,852,408	-
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Net OPEB Obligation

483,364	81,047
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Compensated Absences

647,211	102,011
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Total Primary Government Long-Term Debt

\$ 39,097,725	\$ 39,439,027
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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

9. LONG-TERM DEBT (cont'd)

COMPONENT UNIT SCHOOL BOARD

Annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30	Governmental Activities	
	Capital Leases	
	Principal	Interest
2014	\$ 223,489	\$ 154,367
2015	235,247	142,609
2016	247,629	130,227
2017	260,668	117,187
2018	239,598	103,454
2019-2023	1,409,214	306,048
2024	329,666	13,386
	<u>\$ 2,945,511</u>	<u>\$ 967,278</u>

Compensated absences, and net OPEB obligation are not included in the schedule reflecting annual requirements to amortize long-term obligations since it cannot be estimated when they will be paid.

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the Component Unit School Board for the year ended June 30, 2013:

Governmental Activities	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due within one year
Capital Leases	\$ 3,002,680	\$ 158,102	\$ 215,271	\$ 2,945,511	\$ 223,489
Net OPEB Obligation	1,204,000	428,000	-	1,632,000	-
Compensated Absences	640,140	51,386	30,568	660,958	31,000
Total Governmental Activities	<u>\$ 4,846,820</u>	<u>\$ 637,488</u>	<u>\$ 245,839</u>	<u>\$ 5,238,469</u>	<u>\$ 254,489</u>

Details of Long-Term Indebtedness

Capital Leases:

\$3,498,500 capital lease dated April 30, 2009 for an energy management project, due in semiannual installments of \$171,526, with an annual interest rate of 5.39%. \$ 2,819,030

\$158,102 capital lease dated July 15, 2012 for two 2011 Freightliner/Thomas C2 school buses, due in annual installments of \$34,803, with an annual interest rate of 3.95%. 126,481

Total Capital Leases 2,945,511

Net OPEB Obligation 1,632,000

Compensated Absences 660,958

Total Component Unit School Board Long-Term Debt \$ 5,238,469

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

10. CAPITAL LEASES

During fiscal year 2013, the City entered into a lease agreement as lessee for financing the acquisition of public safety records & mobile computing software for the police department. This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments as of the lease inception date. The equipment has been recorded as construction in progress as of June 30, 2013 with a value of \$194,632. Upon completion, the asset will be depreciated as discussed in Note 1.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 120,000
2015	120,000
2016	3,119
Total minimum lease payments	\$ 243,119
Less: amount representing interest	(14,313)
Present value of minimum lease payments	<u>\$ 228,806</u>

During fiscal year 2009, the Component Unit School Board entered into a lease agreement as lessee for financing an energy management project. This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments as of the lease inception date. The asset has been recorded as a capital asset at a cumulative cost of \$3,498,500. The asset has been classified as building improvements and will be depreciated as discussed in Note 1.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 343,052
2015	343,052
2016	343,052
2017	343,052
2018	343,052
Thereafter	2,058,317
Total minimum lease payments	\$ 3,773,577
Less: amount representing interest	(954,547)
Present value of minimum lease payments	<u>\$ 2,819,030</u>

During fiscal year 2013, the Component Unit School Board entered into a lease agreement as lessee for financing the purchase of two school buses. This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the future minimum lease payments as of the lease inception date. The assets have been recorded as capital assets at a cumulative cost of \$158,102 (\$79,051 each bus). The assets have been classified as equipment and will be depreciated as discussed in Note 1.

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 34,803
2015	34,803
2016	34,803
2017	34,804
Total minimum lease payments	\$ 139,213
Less: amount representing interest	(12,732)
Present value of minimum lease payments	<u>\$ 126,481</u>

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CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

11. CONTINGENT LIABILITIES

Federal programs in which the City participates were audited in accordance with provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Pursuant to the provisions of this document, all major programs were tested for compliance with applicable grant requirements. While no material matters of noncompliance were disclosed by audit, the Federal government may subject grant programs to additional compliance tests that may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse affect on the financial condition of the government.

12. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction Commitments and Other Significant Commitments

In connection with the multi-purpose general obligation bonds issued in 2008, the City continued major renovations to its general government projects.

	<u>Governmental</u>
Estimated project costs financed	\$ 6,009,199
Costs incurred through 6-30-12	(3,642,079)
Estimated remaining costs	<u>\$ 2,367,120</u>

In addition, the City has undertaken a non-binding obligation to appropriate amounts from its annual budget to fund the repayment of a \$6,250,000 revenue note issued by Blended Component Unit Economic Development Authority. The revenue note repayment terms are reported in Note 9.

The City has encumbered funds in the General Fund in the following categories, included in fund balance at June 30, 2013:

<u>Function</u>	<u>Restricted</u>	<u>Assigned</u>
General government administration	\$ -	\$ 94,496
Judicial administration	-	756
Public safety	-	108,682
Public works	326,518	246,203
Parks, recreation and cultural	-	10,926
Community development	15,000	65,885
Total	<u>\$ 341,518</u>	<u>\$ 526,948</u>

Encumbrances in other funds at June 30, 2013, are as follows:

<u>Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	\$ 22,655
Capital Improvements Fund	3,297,386
Water Fund	88,428
Sewer Fund	859,580
Nonmajor Enterprise Funds	760
Internal Service Fund	160,491
Total	<u>\$ 4,429,300</u>

Blended Component Unit Commitments - Economic Development Authority

During fiscal year 2011, the EDA entered into a performance agreement with a local business in connection with Governor's Opportunity Fund grants. If the business does not meet the terms of the performance agreement, they must repay the funds received related to the Governor's Opportunity Fund grant; failure by the business to repay this amount could result in either the City or the EDA being responsible for repaying these funds. At this time, the EDA and the City have no reason to believe the performance agreement terms will not be met.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

13. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Waynesboro 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 City of Waynesboro 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 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 service credit in their plan.

VRS administers two defined benefit plans for the City of Waynesboro – 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 5 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 55 with at least 5 years of service credit or age 50 with at least 10 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 5 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 5 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 5 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.

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent 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.

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

13. DEFINED BENEFIT PENSION PLAN (cont'd)

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. All or part of the 5% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the City is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2013 was 13.62% of annual covered payroll. The City School Board's contribution rate for the fiscal year ended 2013 was 11.11% of annual covered payroll of non-professional employees.

The City School Board's required contributions to the teacher cost-sharing pool were \$1,978,240 for the year ended June 30, 2013, 1,043,343 for the year ended June 30, 2012, and \$636,450 for the year ended June 30, 2011. In each year, the School Board contributed 100% of the required contributions.

Annual Pension Cost

For fiscal year 2013, the City's annual pension cost of \$1,720,190 was equal to the City's required and actual contributions. Also, for fiscal year 2013, the City School Board's annual pension cost of \$104,921 for its non-professional employees was equal to the School Board's required and actual contributions. The required contributions were 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 6.20% 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 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 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>
<u>City</u>			
June 30, 2011	\$ 1,272,361	100%	\$ -
June 30, 2012	1,279,264	100%	-
June 30, 2013	1,720,190	100%	-
<u>City School Board (non-professional employees)</u>			
June 30, 2011	\$ 75,813	100%	\$ -
June 30, 2012	79,415	100%	-
June 30, 2013	104,921	100%	-

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the City's plan was 72.45% funded. The actuarial accrued liability for benefits was \$66,209,225 and the actuarial value of assets was \$47,971,602, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,237,623. The covered payroll (annual payroll of active employees covered by the plan) was \$11,980,649, and ratio of the UAAL to the covered payroll was 152.23%. As of June 30, 2012, the City School Board's plan for its non-professional employees was 80.46% funded. The actuarial accrued

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

13. DEFINED BENEFIT PENSION PLAN (cont'd)

Funded Status and Funding Progress (cont'd)

liability for benefits was \$3,480,441 and the actuarial value of assets was \$2,800,429, resulting in an unfunded actuarial accrued liability (UAAL) of \$680,012. The covered payroll (annual payroll of active employees covered by the plan) was \$964,160, and ratio of the UAAL to the covered payroll was 70.53%.

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.

14. 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; and natural disasters for which the City carries commercial insurance. 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 fiscal year 2013. All claims are paid in full at the time of damage. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended desired levels.

The City is a participating member in the Virginia Municipal Group Self Insurance Association (VMGSIA) and the Component Unit School Board is a participating member in the School Systems of Virginia Self Insurance Program. The agreement for the formation of VMGSIA and the School Systems of Virginia Self Insurance Program provides that the risk pools will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims. In addition, both of these entities provide workers' compensation coverage in compliance with the Virginia Workers' Compensation code.

15. SURETY BONDS

<u>Travelers Casualty and Surety Company of America – Surety</u>	<u>Amount</u>
Treasurer/Finance Director	\$ 500,000
Commissioner of the Revenue	3,000
Clerk of the Circuit Court	103,000
Sheriff/Jail Supervisor/Jail Officer	30,000
<u>Selective Insurance Company of America – Surety</u>	
Treasurer	20,000
<u>The Netherlands Insurance Company – Surety</u>	
All School Board employees – Blanket Bond	100,000
<u>CNA Insurance Company – Surety</u>	
Superintendent/Agent of the School Board	10,000
Assistant Superintendent/Deputy Agent of the School Board	10,000
Clerk of the School Board	10,000
Deputy Clerk of the School Board	10,000
Staff Bookkeeper of the School Board	10,000
Payroll Bookkeeper of the School Board	10,000
Food Service Secretary of the School Board	10,000
Accounting Manager of the School Board	10,000
Bookkeeper of the School Board	10,000
School Bookkeeper at Waynesboro High School	10,000
School Bookkeeper at Kate Collins Middle School	10,000
School Bookkeeper at Berkeley Glenn Elementary School	10,000
School Bookkeeper at Wenonah Elementary School	10,000
School Bookkeeper at Westwood Hills Elementary School	10,000
School Bookkeeper at William Perry Elementary School	10,000
School Bookkeeper at Wayne Hills Preschool Center	10,000

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

16. LANDFILL CLOSURE AND POSTCLOSURE COSTS

The Cities of Waynesboro and Staunton and the County of Augusta share the costs of landfill operations on a site operated by the Augusta Regional Landfill. State and federal laws and regulations require the regional landfill to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City recognizes a portion of these closure and postclosure care costs as a component of its equity interest in the landfill joint venture. In fiscal year 2008, the City began postclosure care on the old City landfill site.

The \$1,852,408 reported as landfill closure and postclosure care liability at June 30, 2013, represents the cumulative amount reported to date based on the estimated costs of postclosure care for the old City landfill. This amount is based on what it would cost to perform all closure and postclosure care from 2008 through 2013 based upon a DEQ-approved inflation rate. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The applicable laws and regulations require the City to select and meet one of several approved financial assurance mechanisms to demonstrate financial responsibility for closure and post-closure care costs described above. The City has selected the Financial Ratio Test method for this purpose, and has made the requisite filings with the Virginia Department of Environmental Quality.

17. OTHER POSTEMPLOYMENT BENEFITS

PRIMARY GOVERNMENT

Plan Description

The City administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. Retirees hired on or before July 1, 1988 are eligible for cost sharing up to 60% of the purported rate (not including dependent coverage) and cost sharing for retirees hired after July 1, 1988 varies dependent on years of service at retirement. The plan was established under the authority of the Waynesboro City Council.

Funding Policy

The City has elected to make an annual contribution equal to the Benefit Payments. This requires the use of an interest rate based on long term expected return on short term investments.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$228,000 for fiscal year 2013. The annual employer contributions for fiscal year 2013 were \$155,000.

The City has elected not to pre-fund OPEB liabilities. The funding policy of the City is to contribute to the plan the net claims paid during the year. The City is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB statement 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 following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 229,000
Interest on net OPEB obligation	20,000
Adjustment to annual required contribution	<u>(21,000)</u>
Annual OPEB cost (expense)	228,000
Estimated Contributions made	<u>(155,000)</u>
Increase (decrease) in net OPEB obligation	73,000
Net OPEB obligation, beginning of year	<u>506,000</u>
Net OPEB obligation, end of year	<u><u>\$ 579,000</u></u>

Trend Information:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is shown as follows:

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

17. OTHER POSTEMPLOYMENT BENEFITS (cont'd)

PRIMARY GOVERNMENT (cont'd)

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 232,000	72.4%	\$ 464,000
June 30, 2012	237,000	82.3%	506,000
June 30, 2013	228,000	68.0%	579,000

Funded Status and Funding Progress:

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefit was \$2,547,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,547,000. For the fiscal year ended June 30, 2012, the covered payroll (annual payroll of active employees covered by the plan) was \$11,981,000, and the ratio of the UAAL to the covered payroll was 21.26%.

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 the healthcare cost trend. 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 trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 benefits costs between the employer and the plan members to 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 assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2012 was 30 years.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse – Actual coverage status is used; females assumed 3 years younger than male spouse. 90% of actives currently enrolled in the City's health care plan, will continue in the plan upon retiring. 25% of the spouses are assumed to continue their coverage into retirement. 100% of actives who become disabled are assumed to continue their coverage.

Demographic Assumptions – Demographic assumptions mirror those used for the pension plan, with adjustments made for actual experience of City employees. All employees are assumed to participate in the State of Virginia Retirement System.

Economic Assumptions – Medical Per Capita costs, Average Costs and premiums are assumed to increase 9.00% for Pre-Medicare coverage and Medicare Supplement in 2012 and 2013. This rate decreases 0.5% per year until an ultimate rate of 5.0% is reached.

COMPONENT UNIT SCHOOL BOARD

Plan Description

The School Board administers a single-employer defined benefit healthcare plan. The plan provides healthcare insurance for eligible retirees and coverage ceases at age 65. Retirees can continue the same medical coverage they had (including dependent coverage) as active employees. Retirees pay 50% of the active premium for retiree coverage and 100% of the active spousal premium for premium coverage. The plan was established under the authority of the Waynesboro City School Board.

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

17. OTHER POSTEMPLOYMENT BENEFITS (cont'd)

COMPONENT UNIT SCHOOL BOARD (cont'd)

Funding Policy

The School Board has elected to make an annual contribution equal to the Benefit Payments. This requires the use of an interest rate based on long term expected return on short term investments.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$718,000 for fiscal year 2013. The annual employer contributions for fiscal year 2012 were \$290,000.

The School Board has elected not to pre-fund OPEB liabilities. The funding policy of the School Board is to contribute to the plan the net claims paid during the year. The School Board is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB statement 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 following table shows the components of the School Board's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the School Board's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 720,000
Interest on net OPEB obligation	48,000
Adjustment to annual required contribution	<u>(50,000)</u>
Annual OPEB cost (expense)	718,000
Estimated Contributions made	<u>(290,000)</u>
Increase (decrease) in net OPEB obligation	428,000
Net OPEB obligation, beginning of year	<u>1,204,000</u>
Net OPEB obligation, end of year	<u><u>\$ 1,632,000</u></u>

Trend Information:

The School Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years is shown as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2011	\$ 688,000	65.4%	\$ 955,000
June 30, 2012	719,000	65.4%	1,204,000
June 30, 2013	718,000	40.3%	1,632,000

Funded Status and Funding Progress:

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefit was \$6,616,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,616,000. For the fiscal year ended June 30, 2012, the covered payroll (annual payroll of active employees covered by the plan) was \$17,260,000, and the ratio of the UAAL to the covered payroll was 38.33%.

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 the healthcare cost trend. 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 trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 benefits costs between the employer and the plan members to that point. The

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

17. OTHER POSTEMPLOYMENT BENEFITS (cont'd)

COMPONENT UNIT SCHOOL BOARD (cont'd)

Actuarial Methods and Assumptions: (cont'd)

actuarial methods and assumptions used include techniques that are designed to reduce the efforts of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions include a 4.00% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at July 1, 2012 was 30 years.

The following additional simplifying assumptions were made:

Coverage Status and Age of Spouse – Actual coverage status is used; females assumed 3 years younger than male spouse. 90% of actives currently enrolled in the School Board's health care plan, will continue in the plan upon retiring. 25% of the spouses are assumed to continue their coverage into retirement. 100% of actives who become disabled are assumed to continue their coverage.

Demographic Assumptions – Demographic assumptions mirror those used for the pension plan, with adjustments made for actual experience of School Board employees. All employees are assumed to participate in the State of Virginia Retirement System.

Economic Assumptions – Medical Per Capita costs, Average Costs and premiums are assumed to increase 9.00% for Pre-Medicare coverage and Medicare Supplement in 2012. This rate decreases 0.5% per year until an ultimate rate of 5.0% is reached.

18. NOTES RECEIVABLE

The Blended Component Unit, Economic Development Authority, reports a note receivable related to revolving notes entered into with numerous local businesses. These notes were the result of USDA Rural Development grant funds received by the EDA to encourage small business growth in the City. The EDA matched the grant funds received from the USDA at 10% of each note. The revolving notes will be paid back to the EDA over three years with an annual interest rate of 3%. At June 30, 2013, the outstanding balance of the notes was \$52,844.

19. CONDUIT DEBT OBLIGATION

During fiscal year 2013, the Blended Component Unit, Economic Development Authority, issued a revenue bond for the purpose of constructing and rehabilitating facilities deemed to be in the public interest. The bond is payable solely from the revenues of the projects and the bond shall not be deemed to constitute debt or a pledge of the faith and credit of the Commonwealth, or any political subdivision thereof, including the locality issuing the bond. All of the EDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bond for the benefit of the bondholder. The EDA neither receives nor disburses funds related to the bond. The EDA does not retain either the benefit of asset ownership or the liability for bond liquidation. Accordingly, the EDA does not recognize associated assets, liabilities, income, or interest expense in the financial statements. The EDA will receive bond administration fees annually at a rate of 1/8th of 1% of the outstanding principal balance. At June 30, 2013, \$5,575,000 of such conduit bonds were outstanding.

(Notes Continued on Next Page)

CITY OF WAYNESBORO, VIRGINIA
Notes to Financial Statements
June 30, 2013

20. PRIOR PERIOD ADJUSTMENTS

Beginning net position as of July 1, 2012 was restated for the following prior period adjustments:

<u>Proprietary Funds Financial Statements</u>	<u>Sewer Fund</u>
Net position at June 30, 2012, as last reported:	\$ 26,420,450
Adjustments:	
To restate accrued interest related to VRA loans	(230,120)
To restate bond discount on VRA loans	7,980,395
Net position, restated at July 1, 2012	<u>\$ 34,170,725</u>

<u>Statement of Activities</u>	<u>Business-type Activities</u>
Net position at June 30, 2012, as last reported:	\$ 35,930,958
Adjustments:	
To restate accrued interest related to VRA loans	(230,120)
To restate bond discount on VRA loans	7,980,395
Net position, restated at July 1, 2012	<u>\$ 43,681,233</u>

21. RESTATEMENT OF NET POSITION

Net position for governmental activities was restated at July 1, 2012 related to the blending of the Economic Development Authority component unit. In prior years, the Economic Development Authority was shown as a discretely presented component unit.

Net position at June 30, 2012, as last reported:	\$ 21,355,913
Restated to include Economic Development Authority	(3,837,915)
Net position, restated at July 1, 2012	<u>\$ 17,517,998</u>

22. NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) has issued the following statements which will be effective for the year ended June 30, 2014. Management has not yet evaluated the effects, if any, of adopting these standards:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66, *Technical Corrections - 2012*, will improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, will improve financial reporting by state and local government pension plans. The new information will enhance the decision-usefulness of the financial reports of the pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF WAYNESBORO, VIRGINIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS**

CITY						Exhibit 12
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	48,728,800	61,720,788	12,991,988	78.95%	12,466,997	104.21%
June 30, 2011	48,730,132	64,380,431	15,650,299	75.69%	11,560,027	135.38%
June 30, 2012	47,971,602	66,209,225	18,237,623	72.45%	11,980,649	152.23%

SCHOOL BOARD COMPONENT UNIT (NON-PROFESSIONAL)

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	2,785,601	3,480,318	694,717	80.04%	920,536	75.47%
June 30, 2011	2,805,038	3,497,919	692,881	80.19%	923,098	75.06%
June 30, 2012	2,800,429	3,480,441	680,012	80.46%	964,160	70.53%

CITY POST-EMPLOYMENT BENEFITS PLAN

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ -	\$ 3,812,000	\$ 3,812,000	0.00%	\$ 13,036,900	29.24%
July 1, 2010	-	2,656,000	2,656,000	0.00%	10,091,000	26.32%
July 1, 2012	-	2,547,000	2,547,000	0.00%	11,981,000	21.26%

SCHOOL BOARD COMPONENT UNIT POST-EMPLOYMENT BENEFITS PLAN

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2007	\$ -	\$ 5,490,000	\$ 5,490,000	0.00%	\$ 11,525,000	47.64%
July 1, 2009	-	5,865,000	5,865,000	0.00%	16,817,000	34.88%
July 1, 2012	-	6,616,000	6,616,000	0.00%	17,260,000	38.33%

***COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES***

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NONMAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

Virginia Public Assistance Fund – to account for the provision of health and welfare services. Financing is provided by state and federal funds, which may be used only for this purpose.

Comprehensive Services Act Fund – to account for the provisions of special services to youth and families required by the Comprehensive Services Act. Financing is provided by state funds, which may be used only for this purpose.

Youth and Family Services Fund – to account for the provision of youth programs and services to local youth and families. Financing is provided by state and federal funds, related local matching funds, and other revenues.

Shenandoah Valley Animal Service Center Fund – to account for funds received and disbursed related to the operations of the regional kennel provided for residents of Staunton City, Waynesboro City, and Augusta County.

Community Action Partnership of Staunton, Augusta and Waynesboro – to account for funds received and disbursed for the operations of the Community Action Partnership of Staunton, Augusta, and Waynesboro.

Economic Development Authority Fund – to account for funds received and disbursed related to promoting the economic wellbeing of the community.

DEBT SERVICE FUNDS

Debt Revenue Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related charges.

PERMANENT FUNDS

Cemetery Care Fund – to account for principal trust amounts received for the perpetual care of cemetery plots.

**CITY OF WAYNESBORO, VIRGINIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013**

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Youth and Family Services Fund	Special Revenue Shenandoah Valley Animal Service Center Fund	Community Action Partnership of Staunton, Augusta & Waynesboro Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 102,345	\$ 11,846	\$ 119,956
Accounts receivable	-	-	34,789	42,439	-
Due from other funds	-	-	-	-	-
Due from other governments	97,383	143,638	133,983	-	30,844
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	\$ 97,383	\$ 143,638	\$ 271,117	\$ 54,285	\$ 150,800
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	74,479	20,915	5,069	47,161
Accrued payroll	-	-	26,201	8,477	-
Retainage payable	-	-	-	-	-
Due to other funds	97,383	69,159	-	25,699	-
Compensated absences	-	-	1,806	-	-
Total liabilities	97,383	143,638	48,922	39,245	47,161
Fund Balances:					
Nonspendable:					
Permanent fund principal	-	-	-	-	-
Restricted for:					
Shenandoah Valley Animal Center	-	-	-	15,040	-
Capital projects	-	-	-	-	-
Committed to:					
EDA revolving loans	-	-	-	-	-
Capital projects	-	-	-	-	-
Assigned to:					
Youth and family services	-	-	222,195	-	-
CAPSAW	-	-	-	-	103,639
Economic Development Authority	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total fund balances	-	-	222,195	15,040	103,639
Total liabilities and fund balances	\$ 97,383	\$ 143,638	\$ 271,117	\$ 54,285	\$ 150,800

Exhibit 13

Economic Development Authority Fund		Debt Service Debt Revenue Fund	Capital Projects Capital Improvements Fund	Permanent Cemetery Care Fund	Total Nonmajor Governmental Funds
	Total				
\$ 279,425	\$ 513,572	\$ 152,190	\$ 3,296,584	\$ -	\$ 3,962,346
-	77,228	-	250	-	77,478
11,057	11,057	-	-	-	11,057
-	405,848	-	558,922	-	964,770
-	-	-	-	542,549	542,549
<u>\$ 290,482</u>	<u>\$ 1,007,705</u>	<u>\$ 152,190</u>	<u>\$ 3,855,756</u>	<u>\$ 542,549</u>	<u>\$ 5,558,200</u>
-	147,624	-	348,138	-	495,762
-	34,678	-	-	-	34,678
-	-	-	59,013	-	59,013
-	192,241	-	-	-	192,241
-	1,806	-	-	-	1,806
-	376,349	-	407,151	-	783,500
-	-	-	-	542,549	542,549
-	15,040	-	-	-	15,040
-	-	-	2,464,442	-	2,464,442
52,844	52,844	-	-	-	52,844
-	-	-	980,802	-	980,802
-	222,195	-	-	-	222,195
-	103,639	-	-	-	103,639
237,638	237,638	-	-	-	237,638
-	-	152,190	-	-	152,190
-	-	-	3,361	-	3,361
<u>290,482</u>	<u>631,356</u>	<u>152,190</u>	<u>3,448,605</u>	<u>542,549</u>	<u>4,774,700</u>
<u>\$ 290,482</u>	<u>\$ 1,007,705</u>	<u>\$ 152,190</u>	<u>\$ 3,855,756</u>	<u>\$ 542,549</u>	<u>\$ 5,558,200</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Virginia Public Assistance Fund	Comprehensive Services Act Fund	Youth and Family Services Fund	Special Revenue Shenandoah Valley Animal Service Center Fund	Community Action Partnership of Staunton, Augusta & Waynesboro Fund
REVENUES					
Revenue from use of money and property	\$ -	\$ -	\$ 613	\$ 3	\$ 860
Charges for services	-	-	-	15,178	-
Miscellaneous	-	-	74,336	5,687	6,999
Recovered costs	-	-	260,936	199,707	143,038
Intergovernmental:					
Local - School Board	-	-	-	-	-
Commonwealth	682,994	817,009	192,546	2,353	8,464
Federal	427,171	-	480,773	-	154,591
Total revenues	1,110,165	817,009	1,009,204	222,928	313,952
EXPENDITURES					
Current:					
Public safety	-	-	1,011,755	279,365	-
Public works	-	-	-	-	-
Health and welfare	1,722,017	1,317,802	120,115	-	246,437
Community development	-	-	-	-	-
Capital projects	-	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	1,722,017	1,317,802	1,131,870	279,365	246,437
Excess (deficiency) of revenues over (under) expenditures	(611,852)	(500,793)	(122,666)	(56,437)	67,515
OTHER FINANCING SOURCES (USES)					
Transfers in	611,852	500,793	135,000	56,437	-
Transfers out	-	-	-	-	-
Total other financing sources and uses	611,852	500,793	135,000	56,437	-
Net change in fund balances	-	-	12,334	-	67,515
Fund balance - beginning (as adjusted)	-	-	209,861	15,040	36,124
Fund balance - ending	\$ -	\$ -	\$ 222,195	\$ 15,040	\$ 103,639

Exhibit 14

Economic Development Authority Fund		Debt Service Debt Revenue Fund	Capital Projects Capital Improvements Fund	Permanent Cemetery Care Fund	Total Nonmajor Governmental Funds
	Total				
\$ 982	\$ 2,458	\$ -	\$ 8,022	\$ 4,145	\$ 14,625
-	15,178	-	-	-	15,178
12,274	99,296	-	54,251	19,750	173,297
-	603,681	-	9,713	-	613,394
-	-	200,000	-	-	200,000
-	1,703,366	-	416,046	-	2,119,412
36,000	1,098,535	-	455,065	-	1,553,600
49,256	3,522,514	200,000	943,097	23,895	4,689,506
-	1,291,120	-	-	-	1,291,120
-	-	-	2,156,943	-	2,156,943
-	3,406,371	-	-	-	3,406,371
439,992	439,992	-	-	-	439,992
-	-	-	2,396	-	2,396
746,126	746,126	577,168	-	-	1,323,294
145,061	145,061	777,150	-	-	922,211
1,331,179	6,028,670	1,354,318	2,159,339	-	9,542,327
(1,281,923)	(2,506,156)	(1,154,318)	(1,216,242)	23,895	(4,852,821)
1,479,397	2,783,479	1,000,326	376,374	-	4,160,179
-	-	-	(825)	(4,145)	(4,970)
1,479,397	2,783,479	1,000,326	375,549	(4,145)	4,155,209
197,474	277,323	(153,992)	(840,693)	19,750	(697,612)
93,008	354,033	306,182	4,289,298	522,799	5,472,312
\$ 290,482	\$ 631,356	\$ 152,190	\$ 3,448,605	\$ 542,549	\$ 4,774,700

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

Virginia Public Assistance Fund				
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Recovered costs	-	-	-	-
Intergovernmental:				
Commonwealth	762,776	762,776	682,994	(79,782)
Federal	575,428	575,428	427,171	(148,257)
Total revenues	1,338,204	1,338,204	1,110,165	(228,039)
EXPENDITURES				
Current:				
Public safety	-	-	-	-
Health and welfare	1,966,000	1,966,000	1,722,017	243,983
Total expenditures	1,966,000	1,966,000	1,722,017	243,983
Excess (deficiency) of revenues over (under) expenditures	(627,796)	(627,796)	(611,852)	15,944
OTHER FINANCING SOURCES (USES)				
Transfers in	627,796	627,796	611,852	(15,944)
Total other financing sources and uses	627,796	627,796	611,852	(15,944)
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -	\$ -
Shenandoah Valley Animal Service Center Fund				
	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 3	\$ 3
Charges for services	-	-	15,178	15,178
Miscellaneous	-	-	5,687	5,687
Recovered costs	204,049	204,049	199,707	(4,342)
Intergovernmental:				
Commonwealth	-	-	2,353	2,353
Total revenues	204,049	204,049	222,928	18,879
EXPENDITURES				
Current:				
Public safety	248,840	270,196	279,365	(9,169)
Total expenditures	248,840	270,196	279,365	(9,169)
Excess (deficiency) of revenues over (under) expenditures	(44,791)	(66,147)	(56,437)	9,710
OTHER FINANCING SOURCES (USES)				
Transfers in	44,791	44,791	56,437	11,646
Total other financing sources and uses	44,791	44,791	56,437	11,646
Net change in fund balances	-	(21,356)	-	21,356
Fund balance - beginning	-	21,356	15,040	(6,316)
Fund balance - ending	\$ -	\$ -	\$ 15,040	\$ 15,040

Exhibit 15

Comprehensive Services Act Fund				Youth and Family Services Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 613	\$ 613
-	-	-	-	88,675	88,675	74,336	(14,339)
-	-	-	-	283,700	283,700	260,936	(22,764)
891,000	891,000	817,009	(73,991)	289,166	298,657	192,546	(106,111)
-	-	-	-	277,949	477,949	480,773	2,824
891,000	891,000	817,009	(73,991)	939,490	1,148,981	1,009,204	(139,777)
-	-	-	-	1,117,394	1,153,954	1,011,755	142,199
1,400,000	1,400,000	1,317,802	82,198	85,799	285,799	120,115	165,684
1,400,000	1,400,000	1,317,802	82,198	1,203,193	1,439,753	1,131,870	307,883
(509,000)	(509,000)	(500,793)	8,207	(263,703)	(290,772)	(122,666)	168,106
509,000	509,000	500,793	(8,207)	135,000	135,000	135,000	-
509,000	509,000	500,793	(8,207)	135,000	135,000	135,000	-
-	-	-	-	(128,703)	(155,772)	12,334	168,106
-	-	-	-	128,703	155,772	209,861	54,089
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,195	\$ 222,195

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUNDS
For the Year Ended June 30, 2013

Exhibit 16

	Debt Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Intergovernmental:				
Local - School Board	\$ -	\$ -	\$ 200,000	\$ 200,000
Total revenues	-	-	200,000	200,000
EXPENDITURES				
Debt Service:				
Principal retirement	577,168	577,168	577,168	-
Interest and fiscal charges	777,151	777,151	777,150	1
Total expenditures	1,354,319	1,354,319	1,354,318	1
Excess (deficiency) of revenues over (under) expenditures	(1,354,319)	(1,354,319)	(1,154,318)	200,001
OTHER FINANCING SOURCES (USES)				
Transfers in	846,051	846,051	1,000,326	154,275
Total other financing sources and uses	846,051	846,051	1,000,326	154,275
Net change in fund balances	(508,268)	(508,268)	(153,992)	354,276
Fund balance - beginning	508,268	508,268	306,182	(202,086)
Fund balance - ending	\$ -	\$ -	\$ 152,190	\$ 152,190

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2013

Exhibit 17

	Capital Improvements Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Revenue from use of money and property	\$ -	\$ -	\$ 8,022	\$ 8,022
Miscellaneous	-	54,000	54,251	251
Recovered Costs	-	-	9,713	9,713
Intergovernmental:				
Commonwealth	-	-	416,046	416,046
Federal	-	111,978	455,065	343,087
Total revenues	-	165,978	943,097	777,119
EXPENDITURES				
Current:				
Public works	-	1,244,604	2,156,943	(912,339)
Capital projects	-	65,587	2,396	63,191
Total expenditures	-	1,310,191	2,159,339	(849,148)
Excess (deficiency) of revenues over (under) expenditures	-	(1,144,213)	(1,216,242)	(72,029)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	376,374	376,374	-
Transfers out	-	(825)	(825)	-
Total other financing sources and uses	-	375,549	375,549	-
Net change in fund balances	-	(768,664)	(840,693)	(72,029)
Fund balance - beginning	-	768,664	4,289,298	3,520,634
Fund balance - ending	\$ -	\$ -	\$ 3,448,605	\$ 3,448,605

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NONMAJOR ENTERPRISE FUNDS

Garbage Fund – to account for the provision of garbage collection services to city residents. Financing is provided by garbage collection charges received from customers.

Augusta County Service Authority (ACSA) Joint Landfill Fund – to account for the City's interest in the Augusta Regional Landfill. Financing is provided by the City's share of landfill charges collected from customers.

CITY OF WAYNESBORO, VIRGINIA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 June 30, 2013

Exhibit 18

	Garbage Fund	ACSA Joint Landfill Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 660,828	\$ 552,761	\$ 1,213,589
Accounts receivable (net of allowance for uncollectibles)	<u>205,247</u>	<u>115,686</u>	<u>320,933</u>
Total current assets	<u>866,075</u>	<u>668,447</u>	<u>1,534,522</u>
Noncurrent assets:			
Equity interest in joint venture	<u>-</u>	<u>2,735,099</u>	<u>2,735,099</u>
Capital assets:			
Buildings	113,453	-	113,453
Machinery and equipment	1,118,975	-	1,118,975
Less accumulated depreciation	<u>(875,298)</u>	<u>-</u>	<u>(875,298)</u>
Total capital assets (net of accumulated depreciation)	<u>357,130</u>	<u>-</u>	<u>357,130</u>
Total noncurrent assets	<u>357,130</u>	<u>2,735,099</u>	<u>3,092,229</u>
Total assets	<u>1,223,205</u>	<u>3,403,546</u>	<u>4,626,751</u>
LIABILITIES			
Current liabilities:			
Accounts payable	5,055	133,552	138,607
Accrued payroll	18,810	-	18,810
Deposits payable	975	-	975
Compensated absences	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total current liabilities	<u>26,840</u>	<u>133,552</u>	<u>160,392</u>
Noncurrent liabilities:			
Compensated absences	25,002	-	25,002
Net OPEB obligation	<u>17,881</u>	<u>-</u>	<u>17,881</u>
Total noncurrent liabilities	<u>42,883</u>	<u>-</u>	<u>42,883</u>
Total liabilities	<u>69,723</u>	<u>133,552</u>	<u>203,275</u>
NET POSITION			
Net investment in capital assets	357,130	-	357,130
Unrestricted	<u>796,352</u>	<u>3,269,994</u>	<u>4,066,346</u>
Total net position	<u>\$ 1,153,482</u>	<u>\$ 3,269,994</u>	<u>\$ 4,423,476</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2013

Exhibit 19

	Garbage Fund	ACSA Joint Landfill Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
Charges for services	\$ 1,124,421	\$ 781,904	\$ 1,906,325
Miscellaneous	<u>10,480</u>	<u>11,593</u>	<u>22,073</u>
Total operating revenues	<u>1,134,901</u>	<u>793,497</u>	<u>1,928,398</u>
OPERATING EXPENSES			
Personal services	652,345	-	652,345
Contractual services	59,352	462,092	521,444
Other supplies and expenses	196,373	-	196,373
Depreciation	<u>64,929</u>	<u>-</u>	<u>64,929</u>
Total operating expenses	<u>972,999</u>	<u>462,092</u>	<u>1,435,091</u>
Operating income (loss)	<u>161,902</u>	<u>331,405</u>	<u>493,307</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental:			
Commonwealth	7,216	-	7,216
Interest income	4,377	2,233	6,610
Gain (loss) on equity interest	<u>-</u>	<u>(226,149)</u>	<u>(226,149)</u>
Total nonoperating revenues (expenses)	<u>11,593</u>	<u>(223,916)</u>	<u>(212,323)</u>
Income before contributions and transfers	<u>173,495</u>	<u>107,489</u>	<u>280,984</u>
Transfers out	<u>(109,000)</u>	<u>-</u>	<u>(109,000)</u>
Change in net position	64,495	107,489	171,984
Total net position - beginning	<u>1,088,987</u>	<u>3,162,505</u>	<u>4,251,492</u>
Total net position - ending	<u>\$ 1,153,482</u>	<u>\$ 3,269,994</u>	<u>\$ 4,423,476</u>

**CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2013**

Exhibit 20

	Garbage Fund	ACSA Joint Landfill Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 1,117,800	\$ 743,864	\$ 1,861,664
Cash paid to suppliers	(252,607)	(454,931)	(707,538)
Cash paid to employees	(643,462)	-	(643,462)
Other receipts (payments)	10,480	11,593	22,073
Net cash provided (used) by operating activities	<u>232,211</u>	<u>300,526</u>	<u>532,737</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Subsidy from state grant	7,216	-	7,216
Transfer to other funds	(109,000)	-	(109,000)
Net cash provided (used) by noncapital financing activities	<u>(101,784)</u>	<u>-</u>	<u>(101,784)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	4,377	2,233	6,610
Cash paid to joint venture	-	(180,479)	(180,479)
Net cash provided by investing activities	<u>4,377</u>	<u>(178,246)</u>	<u>(173,869)</u>
Net increase (decrease) in cash and cash equivalents	134,804	122,280	257,084
Cash and cash equivalents - beginning of year	<u>526,024</u>	<u>430,481</u>	<u>956,505</u>
Cash and cash equivalents - end of year	<u>\$ 660,828</u>	<u>\$ 552,761</u>	<u>\$ 1,213,589</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 161,902	\$ 331,405	\$ 493,307
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	64,929	-	64,929
(Increase) decrease in accounts receivable	(6,576)	(38,040)	(44,616)
Increase (decrease) in accounts payable	3,118	7,161	10,279
Increase (decrease) in accrued payroll	7,854	-	7,854
Increase (decrease) in net OPEB obligation	2,222	-	2,222
Increase (decrease) in deposits payable	(45)	-	(45)
Increase (decrease) in compensated absences	(1,193)	-	(1,193)
Total Adjustments	<u>70,309</u>	<u>(30,879)</u>	<u>39,430</u>
Net cash provided (used) by operating activities	<u>\$ 232,211</u>	<u>\$ 300,526</u>	<u>\$ 532,737</u>

Noncash investing, capital, and financing activities:

There are no noncash activities to disclose.

FIDUCIARY FUNDS**AGENCY FUNDS**

Payroll Fringes Fund – to account for funds withheld and payment of funds for payroll withholding taxes for all City employees.

Special Welfare Fund – to account for the receipt and payment of funds collected by the City on behalf of certain social service clients.

Shenandoah Valley Police Academy – to account for funds received and disbursed for the payroll costs of the Shenandoah Valley Police Academy.

First Aid Crew – to account for funds received and disbursed for supplies and utilities to benefit the Waynesboro First Aid Crew.

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
June 30, 2013

Exhibit 21

	Payroll Fringes Fund	Special Welfare Fund	Shenandoah Valley Police Academy Fund	First Aid Crew Fund	Total
ASSETS					
Cash and cash equivalents	\$ 674,102	\$ 21,624	\$ -	\$ -	\$ 695,726
Accounts receivable	13,043	-	46,885	3,941	63,869
Due from other governments	-	-	14,588	-	14,588
Total assets	<u>\$ 687,145</u>	<u>\$ 21,624</u>	<u>\$ 61,473</u>	<u>\$ 3,941</u>	<u>\$ 774,183</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 1,755	\$ 1,755
Accrued payroll	-	-	13,446	-	13,446
Payroll taxes and fringes payable	687,145	-	-	-	687,145
Due to external parties	-	-	33,439	2,186	35,625
Net OPEB obligation	-	-	14,588	-	14,588
Amounts held for social service clients	-	21,624	-	-	21,624
Total liabilities	<u>\$ 687,145</u>	<u>\$ 21,624</u>	<u>\$ 61,473</u>	<u>\$ 3,941</u>	<u>\$ 774,183</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2013

Exhibit 22

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Payroll Fringes Fund				
Assets:				
Cash and cash equivalents	\$ 453,836	\$ 10,616,971	\$ 10,396,705	\$ 674,102
Accounts receivable	414	38,551	25,922	13,043
Total assets	<u>\$ 454,250</u>	<u>\$ 10,655,522</u>	<u>\$ 10,422,627</u>	<u>\$ 687,145</u>
Liabilities:				
Payroll taxes and fringes payable	\$ 454,250	\$ 10,645,189	\$ 10,412,294	\$ 687,145
Total liabilities	<u>\$ 454,250</u>	<u>\$ 10,645,189</u>	<u>\$ 10,412,294</u>	<u>\$ 687,145</u>
Special Welfare Fund				
Assets:				
Cash and cash equivalents	\$ 18,744	\$ 49,829	\$ 46,949	\$ 21,624
Total assets	<u>\$ 18,744</u>	<u>\$ 49,829</u>	<u>\$ 46,949</u>	<u>\$ 21,624</u>
Liabilities:				
Amounts held for social services clients	\$ 18,744	\$ 49,829	\$ 46,949	\$ 21,624
Total liabilities	<u>\$ 18,744</u>	<u>\$ 49,829</u>	<u>\$ 46,949</u>	<u>\$ 21,624</u>
Shenandoah Valley Police Academy Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 380,658	\$ 380,658	\$ -
Accounts receivable	39,502	307,465	300,082	46,885
Due from other governments	13,102	1,486	-	14,588
Total assets	<u>\$ 52,604</u>	<u>\$ 689,609</u>	<u>\$ 680,740</u>	<u>\$ 61,473</u>
Liabilities:				
Accrued payroll	\$ 6,012	\$ 13,446	\$ 6,012	\$ 13,446
Due to external parties	33,490	-	51	33,439
Net OPEB obligation	13,102	1,486	-	14,588
Total liabilities	<u>\$ 52,604</u>	<u>\$ 14,932</u>	<u>\$ 6,063</u>	<u>\$ 61,473</u>
First Aid Crew Fund				
Assets:				
Cash and cash equivalents	\$ -	\$ 33,091	\$ 33,091	\$ -
Accounts receivable	9,569	33,668	39,296	3,941
Total assets	<u>\$ 9,569</u>	<u>\$ 66,759</u>	<u>\$ 72,387</u>	<u>\$ 3,941</u>
Liabilities:				
Accounts payable	\$ 947	\$ 29,219	\$ 28,411	\$ 1,755
Due to external parties	8,622	1,354	7,790	2,186
Amounts held for first aid crew	-	36,186	36,186	-
Total liabilities	<u>\$ 9,569</u>	<u>\$ 66,759</u>	<u>\$ 72,387</u>	<u>\$ 3,941</u>
Total All Agency Funds				
Assets:				
Cash and cash equivalents	\$ 472,580	\$ 11,080,549	\$ 10,857,403	\$ 695,726
Accounts receivable	49,485	379,684	365,300	63,869
Due from other governments	13,102	1,486	-	14,588
Total assets	<u>\$ 535,167</u>	<u>\$ 11,461,719</u>	<u>\$ 11,222,703</u>	<u>\$ 774,183</u>
Liabilities:				
Accounts payable	\$ 947	\$ 29,219	\$ 28,411	\$ 1,755
Accrued payroll	6,012	13,446	6,012	13,446
Payroll taxes and fringes payable	454,250	10,645,189	10,412,294	687,145
Due to external parties	42,112	1,354	7,841	35,625
Net OPEB obligation	13,102	1,486	-	14,588
Amounts held for social services clients	18,744	49,829	46,949	21,624
Amounts held for the first aid crew	-	36,186	36,186	-
Total liabilities	<u>\$ 535,167</u>	<u>\$ 10,776,709</u>	<u>\$ 10,537,693</u>	<u>\$ 774,183</u>

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DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**MAJOR GOVERNMENTAL FUNDS****SPECIAL REVENUE FUNDS**

School Operating Fund – to account for the operations and maintenance of the seven 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.

School Textbook Fund – to account for the purchase and sale of school textbooks. Financing is provided primarily by the transfer of funds from the School Fund and funds so received are limited by the School Board to expenditure only for school textbooks.

NONMAJOR GOVERNMENTAL FUNDS**SPECIAL REVENUE FUNDS**

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

CAPITAL PROJECTS FUNDS

School Construction Fund – to account for the financing and construction of school capital projects. Currently, financing is provided by bond proceeds. Expenditures are for the construction of school facilities.

FIDUCIARY FUNDS**PRIVATE-PURPOSE TRUST FUNDS**

Kimler Fund – to account for donations received for the purpose of funding scholarships.

AGENCY FUNDS

School Payroll Fringes Fund – to account for funds withheld and payment of funds for payroll withholding taxes for all school employees.

CITY OF WAYNESBORO, VIRGINIA
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
June 30, 2013

	Exhibit 23			
	School Operating Fund	School Textbook Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,765,756	\$ 653,184	\$ 354,104	\$ 3,773,044
Accounts receivable	737	-	623	1,360
Due from other governments	1,198,223	-	629	1,198,852
Prepaid items	<u>166,862</u>	<u>-</u>	<u>-</u>	<u>166,862</u>
Total assets	<u>\$ 4,131,578</u>	<u>\$ 653,184</u>	<u>\$ 355,356</u>	<u>\$ 5,140,118</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	482,316	2,240	8,589	493,145
Accrued payroll	3,348,132	-	88,770	3,436,902
Due to primary government	<u>-</u>	<u>-</u>	<u>216,151</u>	<u>216,151</u>
Total liabilities	<u>3,830,448</u>	<u>2,240</u>	<u>313,510</u>	<u>4,146,198</u>
Fund balances:				
Nonspendable:				
Prepaid items	166,862	-	-	166,862
Committed to:				
Education	134,268	-	-	134,268
Assigned to:				
Education	-	650,944	237,894	888,838
Unassigned:	<u>-</u>	<u>-</u>	<u>(196,048)</u>	<u>(196,048)</u>
Total fund balances	<u>301,130</u>	<u>650,944</u>	<u>41,846</u>	<u>993,920</u>
Total liabilities and fund balances	<u>\$ 4,131,578</u>	<u>\$ 653,184</u>	<u>\$ 355,356</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,065,373
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(5,269,046)</u>
Net position of governmental activities	<u>\$ 36,790,247</u>

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

Exhibit 24

	School Operating Fund	School Textbook Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Revenue from use of money and property	\$ 48,007	\$ -	\$ -	\$ 48,007
Charges for services	74,734	-	315,313	390,047
Miscellaneous	106,391	652	13,164	120,207
Recovered costs	41,238	-	-	41,238
Intergovernmental:				
Local	12,920,240	-	-	12,920,240
Commonwealth	15,726,591	-	27,049	15,753,640
Federal	3,015,714	-	977,367	3,993,081
Total revenues	<u>31,932,915</u>	<u>652</u>	<u>1,332,893</u>	<u>33,266,460</u>
EXPENDITURES				
Current:				
Education	31,192,306	409,223	1,298,415	32,899,944
Payment to the City	200,000	-	-	200,000
Debt Service:				
Principal retirement	215,271	-	-	215,271
Interest and fiscal charges	162,585	-	-	162,585
Total expenditures	<u>31,770,162</u>	<u>409,223</u>	<u>1,298,415</u>	<u>33,477,800</u>
Excess (deficiency) of revenues over (under) expenditures	<u>162,753</u>	<u>(408,571)</u>	<u>34,478</u>	<u>(211,340)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	158,102	-	-	158,102
Transfers in	-	273,768	-	273,768
Transfers out	(273,768)	-	-	(273,768)
Total other financing sources and uses	<u>(115,666)</u>	<u>273,768</u>	<u>-</u>	<u>158,102</u>
Net change in fund balances	47,087	(134,803)	34,478	(53,238)
Fund balance (deficit) - beginning	<u>254,043</u>	<u>785,747</u>	<u>7,368</u>	
Fund balance - ending	<u>\$ 301,130</u>	<u>\$ 650,944</u>	<u>\$ 41,846</u>	

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (1,304,489) exceeded capital outlays (575,699) in the current period. (728,790)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 57,169

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. (451,971)

Change in net position of governmental activities \$ (1,176,830)

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF FIDUCIARY NET POSITION
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
FIDUCIARY FUNDS
June 30, 2013

		Exhibit 25
	Private- Purpose Trust Kimler	Agency School Payroll Fringes
ASSETS		
Cash and cash equivalents	\$ -	\$ 456,302
Restricted assets:		
Cash and cash equivalents	13,533	-
Total assets	<u>13,533</u>	<u>\$ 456,302</u>
LIABILITIES		
Payroll taxes and fringes payable	-	456,302
Total liabilities	<u>-</u>	<u>\$ 456,302</u>
NET POSITION		
Restricted for:		
Educational purposes	<u>\$ 13,533</u>	

CITY OF WAYNESBORO, VIRGINIA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2013

	Exhibit 26
	Private- Purpose Trust Kimler
ADDITIONS	
Investment earnings:	
Interest	\$ 149
Total additions	<u>149</u>
DEDUCTIONS	
Education expenses	<u>-</u>
Total deductions	<u>-</u>
Change in net position	149
Net position - beginning	<u>13,384</u>
Net position - ending	<u>\$ 13,533</u>

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
MAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

	School Operating Fund			Variance with Final Budget - Positive (Negative)
	Budgeted Amounts			
	Original	Final	Actual	
REVENUES				
Revenue from use of money and property	\$ 15,000	\$ 15,000	\$ 48,007	\$ 33,007
Charges for services	124,782	124,782	74,734	(50,048)
Miscellaneous	97,507	106,607	106,391	(216)
Recovered costs	92,000	92,000	41,238	(50,762)
Intergovernmental:				
Local	12,934,020	13,016,418	12,920,240	(96,178)
Commonwealth	15,675,690	15,954,711	15,726,591	(228,120)
Federal	2,527,174	3,089,763	3,015,714	(74,049)
Total revenues	<u>31,466,173</u>	<u>32,399,281</u>	<u>31,932,915</u>	<u>(466,366)</u>
EXPENDITURES				
Current:				
Education	30,844,228	31,897,111	31,192,306	704,805
Payment to the City	-	-	200,000	(200,000)
Debt service:				
Principal retirement	183,650	183,650	215,271	(31,621)
Interest and fiscal charges	<u>159,404</u>	<u>159,404</u>	<u>162,585</u>	<u>(3,181)</u>
Total expenditures	<u>31,187,282</u>	<u>32,240,165</u>	<u>31,770,162</u>	<u>470,003</u>
Excess (deficiency) of revenues over (under) expenditures	<u>278,891</u>	<u>159,116</u>	<u>162,753</u>	<u>3,637</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	158,102	158,102
Transfers in	-	-	-	-
Transfers out	<u>(278,891)</u>	<u>(159,116)</u>	<u>(273,768)</u>	<u>(114,652)</u>
Total other financing sources and uses	<u>(278,891)</u>	<u>(159,116)</u>	<u>(115,666)</u>	<u>43,450</u>
Net change in fund balances	-	-	47,087	47,087
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>254,043</u>	<u>254,043</u>
Fund balance - ending	\$ -	\$ -	\$ 301,130	\$ 301,130

Exhibit 27

School Textbook Fund			
Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	652	652
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	652	652
278,891	378,891	409,223	(30,332)
-	-	-	-
-	-	-	-
-	-	-	-
278,891	378,891	409,223	(30,332)
(278,891)	(378,891)	(408,571)	(29,680)
-	-	-	-
278,891	378,891	273,768	(105,123)
-	-	-	-
278,891	378,891	273,768	(105,123)
-	-	(134,803)	(134,803)
-	-	785,747	785,747
\$ -	\$ -	\$ 650,944	\$ 650,944

CITY OF WAYNESBORO, VIRGINIA
 COMBINING BALANCE SHEET
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

Exhibit 28

	Special Revenue School Cafeteria Fund	Capital Projects School Construction Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 334,001	\$ 20,103	\$ 354,104
Accounts receivable	623	-	623
Due from other governments	629	-	629
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 335,253</u>	<u>\$ 20,103</u>	<u>\$ 355,356</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	8,589	-	8,589
Accrued payroll	88,770	-	88,770
Due to primary government	-	216,151	216,151
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>97,359</u>	<u>216,151</u>	<u>313,510</u>
Fund balances (deficits):			
Assigned to:			
Education	237,894	-	237,894
Unassigned:	-	(196,048)	(196,048)
	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficits)	<u>237,894</u>	<u>(196,048)</u>	<u>41,846</u>
Total liabilities and fund balances	<u>\$ 335,253</u>	<u>\$ 20,103</u>	<u>\$ 355,356</u>

CITY OF WAYNESBORO, VIRGINIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

Exhibit 29

	Special Revenue School Cafeteria Fund	Capital Projects School Construction Fund	Total Nonmajor Governmental Funds
REVENUES			
Charges for services	\$ 315,313	\$ -	\$ 315,313
Miscellaneous	13,164	-	13,164
Intergovernmental:			
Commonwealth	27,049	-	27,049
Federal	<u>977,367</u>	<u>-</u>	<u>977,367</u>
Total revenues	<u>1,332,893</u>	<u>-</u>	<u>1,332,893</u>
EXPENDITURES			
Current:			
Education	<u>1,298,415</u>	<u>-</u>	<u>1,298,415</u>
Total expenditures	<u>1,298,415</u>	<u>-</u>	<u>1,298,415</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,478</u>	<u>-</u>	<u>34,478</u>
Net change in fund balances	34,478	-	34,478
Fund balance - beginning	<u>203,416</u>	<u>(196,048)</u>	<u>7,368</u>
Fund balance - ending	<u>\$ 237,894</u>	<u>\$ (196,048)</u>	<u>\$ 41,846</u>

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

Exhibit 30

School Cafeteria Fund				
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Charges for services	\$ 301,402	\$ 301,402	\$ 315,313	\$ 13,911
Miscellaneous	9,106	9,106	13,164	4,058
Intergovernmental:				
Commonwealth	25,478	25,478	27,049	1,571
Federal	959,866	959,866	977,367	17,501
Total revenues	<u>1,295,852</u>	<u>1,295,852</u>	<u>1,332,893</u>	<u>37,041</u>
EXPENDITURES				
Current:				
Education	<u>1,295,852</u>	<u>1,295,852</u>	<u>1,298,415</u>	<u>(2,563)</u>
Total expenditures	<u>1,295,852</u>	<u>1,295,852</u>	<u>1,298,415</u>	<u>(2,563)</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>-</u>	<u>-</u>	<u>34,478</u>	<u>34,478</u>
Net change in fund balances	-	-	34,478	34,478
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>203,416</u>	<u>203,416</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 237,894</u>	<u>\$ 237,894</u>

CITY OF WAYNESBORO, VIRGINIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
 CAPITAL PROJECTS FUNDS
 For the Year Ended June 30, 2013

Exhibit 31

	School Construction Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning	-	-	(196,048)	(196,048)
Fund balance (deficit) - ending	\$ -	\$ -	\$ (196,048)	\$ (196,048)

CITY OF WAYNESBORO, VIRGINIA
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD
AGENCY FUNDS
For the Year Ended June 30, 2013

				Exhibit 32
	Balance			Balance
	July 1, 2012	Additions	Deletions	June 30, 2013
School Payroll Fringes Fund				
Assets:				
Cash and cash equivalents	\$ 432,320	\$ 13,072,582	\$ 13,048,600	\$ 456,302
Accounts receivable	24	-	24	-
Total assets	<u>\$ 432,344</u>	<u>\$ 13,072,582</u>	<u>\$ 13,048,624</u>	<u>\$ 456,302</u>
Liabilities:				
Payroll taxes and fringes payable	432,344	13,072,582	13,048,624	456,302
Total liabilities	<u>\$ 432,344</u>	<u>\$ 13,072,582</u>	<u>\$ 13,048,624</u>	<u>\$ 456,302</u>

***CAPITAL ASSETS – USED IN THE OPERATION
OF GOVERNMENTAL FUNDS***

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CITY OF WAYNESBORO, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
June 30, 2013

Exhibit 33

Function and Activity	Land	Construction in Progress	Buildings	Improvements Other than Buildings	Machinery and Equipment	Infrastructure	Total
PRIMARY GOVERNMENT:							
General government administration	\$ 4,923,193	\$ -	\$ 1,591,315	\$ 50,600	\$ 457,957	\$ -	\$ 7,023,065
Judicial administration	-	-	3,396,648	55,638	112,485	-	3,564,771
Public safety	-	194,632	4,052,254	64,037	1,988,587	223,642	6,523,152
Public works	305,189	1,702,145	2,388,379	1,001,887	168,946	48,637,474	54,204,020
Health and welfare	-	-	423,440	208,400	-	-	631,840
Parks, recreation, and cultural	-	112,167	3,721,872	2,379,737	368,573	-	6,582,349
Community development	<u>3,507,117</u>	<u>218,535</u>	<u>-</u>	<u>622,698</u>	<u>40,036</u>	<u>207,764</u>	<u>4,596,150</u>
Total Primary Government	<u>\$ 8,735,499</u>	<u>\$ 2,227,479</u>	<u>\$ 15,573,908</u>	<u>\$ 4,382,997</u>	<u>\$ 3,136,584</u>	<u>\$ 49,068,880</u>	<u>\$ 83,125,347</u>
COMPONENT UNIT SCHOOL BOARD:							
Schools:							
Education	<u>\$ 274,493</u>	<u>\$ -</u>	<u>\$ 51,464,314</u>	<u>\$ 4,141,083</u>	<u>\$ 3,492,007</u>	<u>\$ -</u>	<u>\$ 59,371,897</u>

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included in governmental activities in the statement of net position.

CITY OF WAYNESBORO, VIRGINIA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
For the Year Ended June 30, 2013

Exhibit 34

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets	
	June 30, 2012	Additions	Deductions	June 30, 2013	
PRIMARY GOVERNMENT:					
General government administration	\$ 7,012,333	\$ 10,732	\$ -	\$ 7,023,065	
Judicial administration	3,564,771	-	-	3,564,771	
Public safety	6,120,372	402,779	-	6,523,151	
Public works	52,462,261	1,405,421	-	53,867,682	
Health and welfare	631,840	-	-	631,840	
Parks, recreation, and cultural	6,470,182	112,167	-	6,582,349	
Community development	<u>4,281,575</u>	<u>650,914</u>	<u>-</u>	<u>4,932,489</u>	
Total Primary Government	<u>\$ 80,543,334</u>	<u>\$ 2,582,013</u>	<u>\$ -</u>	<u>\$ 83,125,347</u>	

COMPONENT UNIT SCHOOL BOARD:

Schools:					
Education	<u>\$ 58,829,061</u>	<u>\$ 591,613</u>	<u>\$ (48,777)</u>	<u>\$ 59,371,897</u>	

* This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included in governmental activities in the statement of net position.

SUPPLEMENTAL DATA

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CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Schedule 1 Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 13,072,785	\$ 13,072,785	\$ 12,975,119	\$ (97,666)
Real and personal public service corporation property taxes	637,076	637,076	706,119	69,043
Personal property taxes	2,960,800	2,960,800	3,305,178	344,378
Mobile home taxes	5,700	5,700	7,613	1,913
Machinery and tools taxes	1,113,916	1,113,916	1,080,983	(32,933)
Rolling stock	20,500	20,500	26,154	5,654
Penalties	184,500	184,500	204,301	19,801
Interest	97,000	97,000	112,767	15,767
Total General Property Taxes	<u>18,092,277</u>	<u>18,092,277</u>	<u>18,418,234</u>	<u>325,957</u>
Other local taxes:				
Local sales and use tax	4,926,500	4,926,500	4,818,357	(108,143)
Consumers' utility taxes	1,045,792	1,045,792	1,031,726	(14,066)
Business license taxes	1,822,541	1,822,541	2,050,853	228,312
Motor vehicle licenses	392,000	392,000	414,573	22,573
Bank stock taxes	250,000	250,000	228,200	(21,800)
Taxes on recordation and wills	136,100	136,100	170,449	34,349
Lodging taxes	547,784	547,784	609,467	61,683
Restaurant food taxes	3,527,765	3,527,765	3,649,779	122,014
Tobacco taxes	383,000	383,000	398,681	15,681
Short-term rental taxes	5,750	5,750	4,918	(832)
Payments in lieu of tax	21,500	21,500	24,417	2,917
Total Other Local Taxes	<u>13,058,732</u>	<u>13,058,732</u>	<u>13,401,420</u>	<u>342,688</u>
Permits, privilege fees and regulatory licenses:				
Animal licenses	18,000	18,000	14,871	(3,129)
Permits and other licenses	142,760	142,760	193,382	50,622
Total Permits, Privilege Fees, and Regulatory Licenses	<u>160,760</u>	<u>160,760</u>	<u>208,253</u>	<u>47,493</u>
Fines and forfeitures:				
Parking fines	9,300	9,300	2,345	(6,955)
Fines and forfeitures	129,650	129,650	192,902	63,252
Total Fines and Forfeitures	<u>138,950</u>	<u>138,950</u>	<u>195,247</u>	<u>56,297</u>
Revenue from use of money and property:				
Revenue from use of money	74,564	74,564	130,546	55,982
Revenue from use of property	30,812	32,812	50,075	17,263
Total Revenue from Use of Money and Property	<u>105,376</u>	<u>107,376</u>	<u>180,621</u>	<u>73,245</u>
Charges for services:				
Commonwealth's attorney fees	1,500	1,500	2,496	996
Charges for court appointed attorney	-	-	13,033	13,033
Charges for maintenance of buildings and grounds	13,100	13,100	11,251	(1,849)
Charges for planning services	10,000	10,000	21,442	11,442
Charges for recreation	334,681	345,231	302,213	(43,018)
Charges for library	14,500	18,772	23,733	4,961
Total Charges for Services	<u>373,781</u>	<u>388,603</u>	<u>374,168</u>	<u>(14,435)</u>
Miscellaneous revenue:				
Gifts and donations	5,000	17,891	20,978	3,087
Other revenue	34,123	92,692	160,934	68,242
Total Miscellaneous Revenue	<u>39,123</u>	<u>110,583</u>	<u>181,912</u>	<u>71,329</u>
Recovered Costs	<u>31,300</u>	<u>39,145</u>	<u>85,647</u>	<u>46,502</u>
Total Revenue from Local Sources	<u>32,000,299</u>	<u>32,096,426</u>	<u>33,045,502</u>	<u>949,076</u>

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Schedule 1 (cont'd)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Revenue from the Commonwealth:				
Non-categorical aid:				
Mobile home titling taxes	\$ 1,800	\$ 1,800	\$ 4,138	\$ 2,338
Grantor tax	28,000	28,000	36,620	8,620
Sales tax on rental passenger vehicles	52,000	52,000	83,072	31,072
Personal property tax reimbursement	1,721,457	1,721,457	1,721,457	-
Assistance to localities with police departments	636,141	636,141	675,068	38,927
Rolling stock tax	10,993	10,993	2,307	(8,686)
Communications tax	1,320,941	1,320,941	1,327,877	6,936
Recordation tax	2,511	2,511	23,940	21,429
Total Non-categorical Aid	<u>3,773,843</u>	<u>3,773,843</u>	<u>3,874,479</u>	<u>100,636</u>
Categorical aid:				
Shared expenses:				
Commonwealth's attorney	367,643	367,643	351,747	(15,896)
Sheriff	261,693	261,693	267,142	5,449
Commissioner of the revenue	83,508	83,508	84,693	1,185
Treasurer	76,407	76,407	78,649	2,242
Clerk of circuit court	220,488	220,488	220,957	469
State compensation board reimbursement	-	-	20,621	20,621
Registrar/Electoral board	38,823	38,823	35,192	(3,631)
Total Shared Expenses	<u>1,048,562</u>	<u>1,048,562</u>	<u>1,059,001</u>	<u>10,439</u>
Other categorical aid:				
Street and highway maintenance	3,061,990	3,061,990	3,120,389	58,399
Library	137,468	137,468	137,468	-
Four for Life	-	-	18,150	18,150
Virginia Arts	-	5,000	5,000	-
Fire Board funds	-	-	59,910	59,910
Drug seizure	-	-	4,332	4,332
Victim/witness	50,093	50,093	39,616	(10,477)
E-911 wireless	110,058	260,058	101,375	(158,683)
EMS grants	-	4,042	-	(4,042)
Fire grants	-	-	9,371	9,371
Virginia Tourism Commission	-	33,739	39,940	6,201
VEDP grants	-	-	25,000	25,000
Virginia Museum of Natural History grant	-	22,000	22,000	-
Disaster assistance	-	30,000	30,000	-
Other state funds	-	630	861	231
Total Other Categorical Aid	<u>3,359,609</u>	<u>3,605,020</u>	<u>3,613,412</u>	<u>8,392</u>
Total Categorical Aid	<u>4,408,171</u>	<u>4,653,582</u>	<u>4,672,413</u>	<u>18,831</u>
Total Revenue from the Commonwealth	<u>8,182,014</u>	<u>8,427,425</u>	<u>8,546,892</u>	<u>119,467</u>
Revenue from the Federal Government:				
Categorical aid:				
CDBG grant	-	7,500	7,500	-
DMV grants	-	-	15,452	15,452
EPA grant	-	108,368	133,458	25,090
Other federal funds	-	-	5,000	5,000
Total Revenue from the Federal Government	<u>-</u>	<u>115,868</u>	<u>161,410</u>	<u>45,542</u>
Total General Fund	<u>\$ 40,182,313</u>	<u>\$ 40,639,719</u>	<u>\$ 41,753,804</u>	<u>\$ 1,114,085</u>
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from the Commonwealth:				
Other categorical aid:				
Welfare	<u>762,776</u>	<u>762,776</u>	<u>682,994</u>	<u>(79,782)</u>

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Schedule 1 (cont'd)

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Virginia Public Assistance Fund: (cont'd)				
Revenue from the Federal Government:				
Categorical aid:				
Welfare	\$ 575,428	\$ 575,428	\$ 427,171	\$ (148,257)
Total Revenue from the Federal Government	575,428	575,428	427,171	(148,257)
Total Virginia Public Assistance Fund	\$ 1,338,204	\$ 1,338,204	\$ 1,110,165	\$ (228,039)
Comprehensive Services Act Fund:				
Revenue from the Commonwealth:				
Categorical aid:				
CSA funds	891,000	891,000	817,009	(73,991)
Total Comprehensive Services Act Fund	\$ 891,000	\$ 891,000	\$ 817,009	\$ (73,991)
Youth and Family Services Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	613	613
Miscellaneous revenue:				
Gifts and donations	88,575	88,575	72,831	(15,744)
Other revenue	100	100	1,505	1,405
Total Miscellaneous Revenue	88,675	88,675	74,336	(14,339)
Recovered Costs	283,700	283,700	260,936	(22,764)
Total Revenue from Local Sources	372,375	372,375	335,885	(36,490)
Revenue from the Commonwealth:				
Categorical aid:				
Juvenile crime control	116,653	116,653	123,455	6,802
DOJ grant	112,513	112,513	-	(112,513)
VFHL grant	60,000	60,000	59,600	(400)
VA ABC grant	-	9,491	9,491	-
Total Revenue from the Commonwealth	289,166	298,657	192,546	(106,111)
Revenue from the Federal Government:				
Categorical aid:				
Youth employment grants	120,000	120,000	143,883	23,883
Adolescent pregnancy prevention grant	-	200,000	98,223	(101,777)
DOJ grant	32,949	32,949	130,993	98,044
Substance abuse/mental health	125,000	125,000	107,674	(17,326)
Total Revenue from the Federal Government	277,949	477,949	480,773	2,824
Total Youth and Family Services Fund	\$ 939,490	\$ 1,148,981	\$ 1,009,204	\$ (139,777)
Shenandoah Valley Animal Service Center Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	-	-	3	3
Charges for services:				
Animal adoption fees	-	-	4,333	4,333
Animal control fees	-	-	10,845	10,845
Total Charges for Services	-	-	15,178	15,178
Miscellaneous revenue:				
Gifts and donations	-	-	5,568	5,568
Other revenue	-	-	119	119
Total Miscellaneous Revenue	-	-	5,687	5,687
Recovered Costs	204,049	204,049	199,707	(4,342)
Total Revenue from Local Sources	204,049	204,049	220,575	16,526

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

				Schedule 1 (cont'd)
				Variance with Final Budget - Positive (Negative)
Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	
Primary Government: (cont'd)				
Special Revenue Funds: (cont'd)				
Shenandoah Valley Animal Service Center Fund: (cont'd)				
Revenue from the Commonwealth:				
Categorical aid:				
DMV grant	\$ -	\$ -	\$ 2,353	\$ 2,353
Total Shenandoah Valley Animal Service Center Fund	\$ 204,049	\$ 204,049	\$ 222,928	\$ 18,879
Total Special Revenue Funds	\$ 3,372,743	\$ 3,582,234	\$ 3,159,306	\$ (422,928)
Debt Service Funds:				
Debt Revenue Fund:				
Revenue from Local Government:				
Contribution from Component Unit - School Board	-	-	200,000	200,000
Total Debt Revenue Fund	\$ -	\$ -	\$ 200,000	\$ 200,000
Total Debt Service Funds	\$ -	\$ -	\$ 200,000	\$ 200,000
Capital Projects Funds:				
Capital Improvements Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	8,022	8,022
Miscellaneous revenue:				
Other revenue	-	54,000	54,251	251
Recovered Costs	-	-	9,713	9,713
Total Revenue from Local Sources	-	54,000	71,986	17,986
Revenue from the Commonwealth:				
Categorical Aid:				
VDOT grants	-	-	404,046	404,046
VRA grant	-	-	12,000	12,000
Total Revenue from the Commonwealth	-	-	416,046	416,046
Revenue from the Federal Government:				
Categorical aid:				
VDOT grants	-	-	260,208	260,208
EPA grants	-	-	14,025	14,025
CDBG grant	-	111,978	180,832	68,854
Total Revenue from the Federal Government	-	111,978	455,065	343,087
Total Capital Improvements Fund	\$ -	\$ 165,978	\$ 943,097	\$ 777,119
Total Capital Projects Funds	\$ -	\$ 165,978	\$ 943,097	\$ 777,119
Grand Total - Revenues - Primary Government	\$ 43,555,056	\$ 44,387,931	\$ 46,056,207	\$ 1,668,276
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of money	3,000	3,000	33,864	30,864
Revenue from use of property	12,000	12,000	14,143	2,143
Total Revenue from Use of Money and Property	15,000	15,000	48,007	33,007
Charges for services:				
Charges for education	90,732	90,732	63,334	(27,398)
Charges for transportation	34,050	34,050	11,400	(22,650)
Total Charges for Services	124,782	124,782	74,734	(50,048)

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

				Schedule 1 (cont'd)
				Variance with Final Budget - Positive (Negative)
Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Operating Fund: (cont'd)				
Revenue from local sources: (cont'd)				
Miscellaneous revenue:				
Gifts and donations	\$ 1,500	\$ 1,500	\$ 375	\$ (1,125)
Other revenue	96,007	105,107	106,016	909
Total Miscellaneous Revenue	97,507	106,607	106,391	(216)
Recovered Costs	92,000	92,000	41,238	(50,762)
Total Revenue from Local Sources	329,289	338,389	270,370	(68,019)
Revenue from Local Government:				
Contribution from City of Waynesboro	12,934,020	13,016,418	12,920,240	(96,178)
Revenue from the Commonwealth:				
Categorical Aid:				
Share of state sales tax	3,033,162	3,033,162	3,030,934	(2,228)
Basic school aid	7,671,310	7,671,310	7,498,686	(172,624)
Gifted and talented children	90,213	90,213	88,559	(1,654)
GED funding	15,717	15,717	17,127	1,410
Special education	667,019	667,019	642,862	(24,157)
Vocational education	173,050	180,794	171,085	(9,709)
Remedial education	445,698	445,698	451,223	5,525
Social security	492,256	492,256	483,224	(9,032)
Teacher retirement	970,589	970,589	955,547	(15,042)
Group life	31,378	31,378	30,803	(575)
Textbook payments	175,977	175,977	172,748	(3,229)
At risk	815,577	815,577	824,009	8,432
English as a second language	90,672	90,672	81,266	(9,406)
Primary class size	649,352	649,352	640,228	(9,124)
Technology initiative	206,000	206,000	206,000	-
Standards of learning	46,435	46,435	44,372	(2,063)
Early intervention	65,011	65,011	51,221	(13,790)
Race to GED expansion	15,000	107,561	107,561	-
Operating costs	-	125,000	125,000	-
Other state funds	21,274	74,990	104,136	29,146
Total Revenue from the Commonwealth	15,675,690	15,954,711	15,726,591	(228,120)
Revenue from the Federal Government:				
Categorical Aid:				
Vocational education	63,360	78,027	77,991	(36)
Title II - Teacher Quality	138,800	140,300	127,022	(13,278)
Title VIB	650,203	656,895	640,265	(16,630)
Title VI - Rural education	55,625	55,625	48,232	(7,393)
Title I	910,976	958,806	928,458	(30,348)
Title III	17,012	19,186	16,983	(2,203)
Adult literacy	31,000	520,726	516,564	(4,162)
ARRA - Education jobs	660,198	660,198	660,199	1
Total Revenue from the Federal Government	2,527,174	3,089,763	3,015,714	(74,049)
Total School Operating Fund	\$ 31,466,173	\$ 32,399,281	\$ 31,932,915	\$ (466,366)
School Cafeteria Fund:				
Revenue from local sources:				
Charges for services:				
Cafeteria sales	301,402	301,402	315,313	13,911
Miscellaneous Revenue	9,106	9,106	13,164	4,058
Total Revenue from Local Sources	310,508	310,508	328,477	17,969
Revenue from the Commonwealth:				
School food programs	25,478	25,478	27,049	1,571

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Schedule 1 (cont'd)
				Variance with Final Budget - Positive (Negative)
Component Unit - School Board: (cont'd)				
Special Revenue Funds: (cont'd)				
School Cafeteria Fund: (cont'd)				
Revenue from the Federal Government:				
School food programs	\$ 959,866	\$ 959,866	\$ 977,367	\$ 17,501
Total School Cafeteria Fund	\$ 1,295,852	\$ 1,295,852	\$ 1,332,893	\$ 37,041
School Textbook Fund:				
Revenue from local sources:				
Miscellaneous revenue	-	-	652	652
Total School Textbook Fund	\$ -	\$ -	\$ 652	\$ 652
Total Special Revenue Funds	\$ 32,762,025	\$ 33,695,133	\$ 33,266,460	\$ (428,673)
Grand Total - Revenues - Component Unit School Board	\$ 32,762,025	\$ 33,695,133	\$ 33,266,460	\$ (428,673)

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Schedule 2			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Primary Government:				
General Fund:				
General Government Administration:				
Legislative:				
City Council	\$ 97,934	\$ 97,484	\$ 87,766	\$ 9,718
Clerk of Council	55,030	55,480	56,244	(764)
Total Legislative	152,964	152,964	144,010	8,954
General and Financial Administration:				
Manager	416,029	394,400	495,354	(100,954)
City Attorney	185,613	139,613	143,631	(4,018)
Human Resources	249,656	249,656	255,102	(5,446)
Commissioner of Revenue	285,450	285,450	265,478	19,972
Assessor	249,070	277,520	216,343	61,177
Treasurer	257,584	258,253	262,318	(4,065)
Finance	515,125	556,160	544,522	11,638
Information Technology	652,944	648,765	608,061	40,704
Employee Health and Safety	17,250	17,250	18,985	(1,735)
Risk Management	320,615	310,139	294,188	15,951
Central Office	37,954	38,824	37,924	900
Total General and Financial Administration	3,187,290	3,176,030	3,141,906	34,124
Board of Elections:				
Electoral Board and Officials	116,638	116,638	119,560	(2,922)
Total General Government Administration	3,456,892	3,445,632	3,405,476	40,156
Judicial Administration:				
Courts:				
Circuit Court	59,600	59,600	48,064	11,536
General District Court	15,144	15,144	35,236	(20,092)
Juvenile and Domestic Relations	8,492	8,492	10,820	(2,328)
Clerk of the Circuit Court	367,201	367,201	367,634	(433)
Sheriff	436,550	438,076	437,144	932
Victim/Witness Assistance	56,043	56,043	54,074	1,969
Total Courts	943,030	944,556	952,972	(8,416)
Commonwealth Attorney:				
Commonwealth Attorney	533,342	533,342	519,145	14,197
Total Judicial Administration	1,476,372	1,477,898	1,472,117	5,781
Public Safety:				
Law Enforcement and Traffic Control:				
Police Department	3,941,973	4,288,219	4,196,798	91,421
Fire and Rescue Services:				
Fire Department	2,307,317	2,378,744	2,405,907	(27,163)
First Aid Crew	37,000	37,000	37,000	-
EMS Council	9,453	9,453	9,453	-
Total Fire and Rescue Services	2,353,770	2,425,197	2,452,360	(27,163)
Correction and Detention:				
Middle River Regional Jail	1,438,009	1,438,009	1,430,139	7,870
Juvenile Detention Home	111,413	111,413	109,472	1,941
Total Correction and Detention	1,549,422	1,549,422	1,539,611	9,811
Inspections:				
Inspector's Office	390,745	392,269	407,324	(15,055)
Other Protection:				
Emergency Operations Center	969,572	1,160,118	1,120,905	39,213
Total Public Safety	9,205,482	9,815,225	9,716,998	98,227

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	Schedule 2 (cont'd) Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Public Works:				
Maintenance of Highways, Streets, Bridges, and Sidewalks:				
General Engineering/Administration	\$ 907,270	\$ 961,196	\$ 984,370	\$ (23,174)
Public Works Operations Administration	102,468	102,468	95,446	7,022
Highways, Streets, Bridges, and Sidewalks	2,984,714	4,083,236	3,631,149	452,087
Traffic Engineering	320,786	544,746	417,895	126,851
Total Maintenance of Highways, Streets, Bridges, and Sidewalks	4,315,238	5,691,646	5,128,860	562,786
Sanitation and Waste Removal:				
Landfill closure	300,153	376,099	213,296	162,803
Maintenance of General Buildings and Grounds:				
General Properties:				
Maintenance of buildings and grounds	144,135	150,502	167,698	(17,196)
Total Public Works	4,759,526	6,218,247	5,509,854	708,393
Health and Welfare:				
Health:				
Supplement of Local Health Department	230,591	230,591	213,982	16,609
Contribution to VCSB	129,430	129,430	129,430	-
Total Health	360,021	360,021	343,412	16,609
Welfare:				
Area Agency on Aging	25,250	25,250	25,250	-
Property Tax Relief-Elderly Handicapped	105,000	105,000	92,729	12,271
Other Contributions	19,200	36,530	20,121	16,409
Total Welfare	149,450	166,780	138,100	28,680
Total Health and Welfare	509,471	526,801	481,512	45,289
Education:				
Contribution to Community College	30,403	30,403	30,403	-
Contribution to City School Board	12,934,020	13,016,418	12,920,240	96,178
Total Education	12,964,423	13,046,821	12,950,643	96,178
Parks, Recreation and Cultural:				
Parks and Recreation:				
Administration	387,215	389,291	402,267	(12,976)
Municipal Parks	547,589	552,680	575,606	(22,926)
Municipal Pools	125,521	125,521	110,057	15,464
Recreation Programs	259,371	271,948	218,357	53,591
Custodial	462,068	504,689	490,005	14,684
Cemeteries	75,308	75,308	78,934	(3,626)
Total Parks and Recreation	1,857,072	1,919,437	1,875,226	44,211
Library:				
Library Administration	804,490	809,262	797,841	11,421
Cultural Enrichment:				
Contributions	33,500	50,000	50,030	(30)
Total Parks, Recreation, and Cultural	2,695,062	2,778,699	2,723,097	55,602
Community Development:				
Planning and Community Development:				
City Planner	281,192	344,150	291,278	52,872
ADA Coordination	-	-	303	(303)
Technical Services	-	7,500	15,000	(7,500)
Contributions to Community Organizations	46,096	46,441	47,760	(1,319)

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	Schedule 2 (cont'd) Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
General Fund: (cont'd)				
Community Development: (cont'd)				
Tourism Department	\$ 173,642	\$ 280,617	\$ 255,366	\$ 25,251
Economic Development	236,718	243,690	234,870	8,820
Downtown Development	-	-	499	(499)
Shenandoah Valley Airport	44,052	44,052	44,052	-
Total Planning and Community Development	781,700	966,450	889,128	77,322
Total Community Development	781,700	966,450	889,128	77,322
Debt Service:				
Principal Retirement	1,354,917	1,354,917	1,354,917	-
Interest and Fiscal Charges	698,876	698,876	712,289	(13,413)
Total Debt Service	2,053,793	2,053,793	2,067,206	(13,413)
Total General Fund	\$ 37,902,721	\$ 40,329,566	\$ 39,216,031	\$ 1,113,535
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and Welfare:				
Welfare/Social Services:				
Public Assistance	\$ 1,966,000	\$ 1,966,000	\$ 1,722,017	\$ 243,983
Comprehensive Services Act Fund:				
Health and Welfare:				
Welfare/Social Services:				
Comprehensive Services	\$ 1,400,000	\$ 1,400,000	\$ 1,317,802	\$ 82,198
Youth and Family Services Fund:				
Public Safety:				
Correction and Detention:				
Youth Services	956,005	992,565	914,197	78,368
VJCCA Programs	161,389	161,389	97,558	63,831
Total Public Safety	1,117,394	1,153,954	1,011,755	142,199
Health and Welfare:				
Welfare/Social Services:				
Teen Pregnancy Prevention	85,799	285,799	120,115	165,684
Total Youth and Family Services Fund	\$ 1,203,193	\$ 1,439,753	\$ 1,131,870	\$ 307,883
Shenandoah Valley Animal Service Center Fund:				
Public Safety:				
Other Protection:				
Animal Control	\$ 248,840	\$ 270,196	\$ 279,365	\$ (9,169)
Total Special Revenue Funds	\$ 4,818,033	\$ 5,075,949	\$ 4,451,054	\$ 624,895
Debt Service Funds:				
Debt Revenue Fund:				
Debt Service:				
Principal Retirement	577,168	577,168	577,168	-
Interest and Fiscal Charges	777,151	777,151	777,150	1
Total Debt Service	1,354,319	1,354,319	1,354,318	1
Total Debt Revenue Fund	\$ 1,354,319	\$ 1,354,319	\$ 1,354,318	\$ 1
Total Debt Service Funds	\$ 1,354,319	\$ 1,354,319	\$ 1,354,318	\$ 1
Capital Projects Funds:				
Capital Improvements Fund:				
Public Works:				
Highways, Streets, Bridges, and Sidewalks	-	462,999	1,341,776	(878,777)
Other Public Works Improvements	-	781,605	815,167	(33,562)
Total Public Works	-	1,244,604	2,156,943	(912,339)

cont'd

CITY OF WAYNESBORO, VIRGINIA
GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNIT SCHOOL BOARD
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements:	Original Budget	Final Budget	Actual	Schedule 2 (cont'd)
				Variance with Final Budget - Positive (Negative)
Primary Government: (cont'd)				
Capital Projects Funds: (cont'd)				
Capital Improvements Fund: (cont'd)				
Capital Projects:				
Building Improvements	\$ -	\$ 65,587	\$ 2,396	\$ 63,191
Total Capital Projects Funds	\$ -	\$ 1,310,191	\$ 2,159,339	\$ (849,148)
Grand Total - Expenditures - Primary Government	\$ 44,075,073	\$ 48,070,025	\$ 47,180,742	\$ 889,283
Component Unit - School Board:				
Special Revenue Funds:				
School Operating Fund:				
Education:				
Administration and Instruction of Schools:				
Classroom Instruction	24,073,510	24,805,372	23,936,397	868,975
Administration, Attendance, and Health	1,833,783	1,837,683	1,874,667	(36,984)
Cafeteria Administration	26,480	27,832	2,184	25,648
Total Administration and Instruction of Schools	25,933,773	26,670,887	25,813,248	857,639
Operating Costs:				
Pupil Transportation	1,046,053	1,061,343	1,195,062	(133,719)
Operation and Maintenance of School Plant	3,219,170	3,419,562	3,414,293	5,269
Technology	645,232	745,319	769,703	(24,384)
Total Operating Costs	4,910,455	5,226,224	5,379,058	(152,834)
Total Education	30,844,228	31,897,111	31,192,306	704,805
Debt Service:				
Principal Retirement	183,650	183,650	215,271	(31,621)
Interest and Fiscal Charges	159,404	159,404	162,585	(3,181)
Total Debt Service	343,054	343,054	377,856	(34,802)
Payment to City - Debt Service	-	-	200,000	(200,000)
Total School Operating Fund	\$ 31,187,282	\$ 32,240,165	\$ 31,770,162	\$ 470,003
School Cafeteria Fund:				
Education:				
Food Service	\$ 1,295,852	\$ 1,295,852	\$ 1,298,415	\$ (2,563)
School Textbook Fund:				
Education:				
Instructional Costs	\$ 278,891	\$ 378,891	\$ 409,223	\$ (30,332)
Total Special Revenue Funds	\$ 32,762,025	\$ 33,914,908	\$ 33,477,800	\$ 437,108
Grand Total - Expenditures - Component Unit - School Board	\$ 32,762,025	\$ 33,914,908	\$ 33,477,800	\$ 437,108

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Waynesboro's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	<u>Tables</u>	<u>Pages</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	1 - 4	85-89
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	5 - 8	90-93
<i>Debt Capacity</i> These schedules contain trend information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	9 - 13	94-98
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	14 - 15	99-100
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and activities it performs.	16 - 18	101-103

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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CITY OF WAYNESBORO, VIRGINIA
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

Table 1

	2004	2005	2006 (1)	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 17,068,505	\$ 18,510,103	\$ 26,444,121	\$ 32,011,866	\$ 31,627,418	\$ 30,038,195	\$ 28,815,976	\$ 28,479,287	\$ 28,582,343	\$ 28,744,563
Restricted	623,985	990,219	1,325,188	2,500,229	2,452,322	1,827,736	895,584	1,709,659	2,342,332	1,622,944
Unrestricted	(4,631,989)	(6,934,478)	(16,024,338)	(21,776,627)	(19,723,629)	(17,413,909)	(14,891,347)	(13,941,412)	(9,568,762)	(10,646,382)
Total governmental activities net position	<u>\$ 13,060,501</u>	<u>\$ 12,565,844</u>	<u>\$ 11,744,971</u>	<u>\$ 12,735,468</u>	<u>\$ 14,356,111</u>	<u>\$ 14,452,022</u>	<u>\$ 14,820,213</u>	<u>\$ 16,247,534</u>	<u>\$ 21,355,913</u>	<u>\$ 19,721,125</u>
Business-type activities										
Net investment in capital assets	12,476,938	11,899,122	11,304,265	21,497,669	22,891,760	25,288,754	28,231,948	23,628,183	24,126,240	32,958,276
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	1,225,611	4,179,606	5,056,293	6,212,456	5,806,391	6,285,557	6,465,365	11,988,432	11,804,718	10,494,915
Total business-type activities net position	<u>\$ 13,702,549</u>	<u>\$ 16,078,728</u>	<u>\$ 16,360,558</u>	<u>\$ 27,710,125</u>	<u>\$ 28,698,151</u>	<u>\$ 31,574,311</u>	<u>\$ 34,697,313</u>	<u>\$ 35,616,615</u>	<u>\$ 35,930,958</u>	<u>\$ 43,453,191</u>
Primary government										
Net investment in capital assets	29,545,443	30,409,225	37,748,386	53,509,535	54,519,178	55,326,949	57,047,924	52,107,470	52,708,583	61,702,839
Restricted	623,985	990,219	1,325,188	2,500,229	2,452,322	1,827,736	895,584	1,709,659	2,342,332	1,622,944
Unrestricted	(3,406,378)	(2,754,872)	(10,968,045)	(15,564,171)	(13,917,238)	(11,128,352)	(8,425,982)	(1,952,980)	2,235,956	(151,467)
Total primary government net position	<u>\$ 26,763,050</u>	<u>\$ 28,644,572</u>	<u>\$ 28,105,529</u>	<u>\$ 40,445,593</u>	<u>\$ 43,054,262</u>	<u>\$ 46,026,333</u>	<u>\$ 49,517,526</u>	<u>\$ 51,864,149</u>	<u>\$ 57,286,871</u>	<u>\$ 63,174,316</u>
School Board Component Unit										
Net investment in capital assets	\$ 20,208,569	\$ 20,852,878	\$ 25,642,715	\$ 39,204,452	\$ 41,067,451	\$ 40,107,227	\$ 39,518,141	\$ 39,741,364	\$ 38,791,483	\$ 38,119,862
Restricted	2,623,521	753,072	298,153	251,234	177,285	177,222	56,579	-	-	-
Unrestricted	(29,935)	1,200,554	8,835,911	2,326,403	(36,603)	(224,865)	(648,481)	(718,197)	(824,406)	(1,329,615)
Total governmental activities net position	<u>\$ 22,802,155</u>	<u>\$ 22,806,504</u>	<u>\$ 34,776,779</u>	<u>\$ 41,782,089</u>	<u>\$ 41,208,133</u>	<u>\$ 40,059,584</u>	<u>\$ 38,926,239</u>	<u>\$ 39,023,167</u>	<u>\$ 37,967,077</u>	<u>\$ 36,790,247</u>

Notes:

(1) The City implemented retroactive infrastructure reporting in fiscal year 2006 as allowed by GASB 34.

CITY OF WAYNESBORO, VIRGINIA
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 2,808,685	\$ 3,012,553	\$ 2,941,433	\$ 3,320,789	\$ 3,941,896	\$ 3,588,200	\$ 3,513,547	\$ 3,287,456	\$ 3,483,499	\$ 3,468,784
Judicial administration	1,075,690	1,135,970	1,153,813	1,269,518	1,379,141	1,467,058	1,343,998	1,382,610	1,375,669	1,541,889
Public safety	8,004,143	8,459,852	8,870,386	9,052,280	9,810,982	9,881,777	9,828,150	10,117,442	10,543,735	11,041,793
Public works	3,527,836	3,778,038	6,079,801	6,635,621	7,110,417	7,537,332	6,577,485	6,868,683	4,888,803	7,084,792
Health and welfare	2,528,456	2,849,224	2,995,267	3,624,327	3,986,651	4,331,885	3,654,529	3,814,915	3,960,411	3,896,292
Education	10,266,357	11,112,271	22,809,646	17,847,241	11,220,709	11,160,168	12,095,786	12,613,857	12,474,733	12,952,643
Parks, recreation and culture	2,190,251	2,241,236	2,233,386	2,372,588	2,571,051	2,735,276	2,624,705	2,190,791	2,955,145	2,852,606
Community development	611,460	538,773	1,328,319	1,298,951	1,217,097	1,960,369	2,045,703	2,556,858	1,497,846	688,295
Interest on long-term debt	536,610	507,905	1,010,098	1,239,572	1,415,580	1,528,816	1,530,649	1,453,059	1,477,542	1,605,156
Total governmental activities expenses	31,549,488	33,635,822	49,422,149	46,660,887	42,653,524	44,190,881	43,214,552	44,285,671	42,657,383	45,132,250
Business-type activities:										
Water	1,461,161	1,609,769	1,712,328	1,870,141	2,537,545	3,193,050	3,079,569	3,084,115	3,004,078	3,078,347
Sewer	2,625,145	2,635,137	2,551,425	3,040,972	3,380,232	3,809,431	3,996,227	4,335,813	4,469,768	5,340,416
Landfill Operations	2,474,344	1,303,960	846,062	591,641	772,907	2,194,854	1,039,018	423,090	414,018	688,241
Garbage	658,894	880,686	914,086	930,127	1,131,628	1,018,808	910,371	957,700	1,104,390	1,011,546
Total business-type activities expenses	7,219,544	6,429,552	6,023,901	6,432,881	7,822,312	10,216,143	9,025,185	8,800,718	8,992,254	10,118,550
Total primary government expenses	\$ 38,769,032	\$ 40,065,374	\$ 55,446,050	\$ 53,093,768	\$ 50,475,836	\$ 54,407,024	\$ 52,239,737	\$ 53,086,389	\$ 51,649,637	\$ 55,250,800
Program Revenues										
Governmental activities:										
Charges for services:										
General government	18,807	28,104	26,465	35,285	22,826	26,269	24,446	25,148	40,182	36,338
Judicial administration	205,290	206,537	216,898	195,104	172,295	167,312	147,024	170,118	197,290	212,018
Public safety	9,198	12,834	30,003	12,043	12,300	17,923	21,189	35,325	436,082	268,103
Public works	57,918	48,186	51,295	23,616	23,153	45,487	15,874	15,738	22,500	17,627
Health and welfare	-	-	-	-	-	-	-	69,765	69,765	143,038
Parks, recreation and culture	250,364	295,844	278,560	276,411	319,154	308,305	353,479	369,128	394,767	327,945
Community development	117,949	303,742	348,016	344,194	262,748	193,518	200,676	168,425	155,923	225,882
Operating grants and contributions	5,949,919	6,397,270	7,171,563	7,152,598	7,046,973	7,681,113	7,389,284	8,171,171	7,444,708	8,326,003
Capital grants and contributions	-	121,773	204,881	7,104,865	21,274	380,641	585,973	1,437,657	368,431	180,832
Total governmental activities revenues	6,609,445	7,414,290	8,327,681	15,144,116	7,880,723	8,820,568	8,737,945	10,462,475	9,129,648	9,737,786
Business-type activities:										
Charges for services:										
Water	1,407,423	1,505,287	1,501,958	1,797,368	2,148,094	2,287,371	2,653,141	2,659,951	2,832,835	3,457,578
Sewer	2,835,984	3,020,392	3,174,260	3,553,837	3,654,850	3,377,798	3,747,884	4,051,980	5,156,159	5,066,599
Landfill operations	582,313	844,313	785,885	888,552	950,049	763,988	681,827	971,976	670,726	781,904
Garbage	821,321	831,883	855,661	972,114	970,030	1,054,859	1,122,743	1,128,021	1,126,637	1,124,421
Operating grants and contributions	4,495	-	74,180	2,940	-	-	5,125	5,910	5,000	7,216
Capital grants and contributions	225,687	-	-	10,617,960	777,586	6,712,151	3,279,541	1,417,616	155,346	21,275
Total business-type activities revenues	5,877,223	6,201,875	6,391,944	17,832,771	8,500,609	14,196,167	11,490,261	10,235,454	9,946,703	10,458,993
Total primary government revenues	\$ 12,486,668	\$ 13,616,165	\$ 14,719,625	\$ 32,976,887	\$ 16,381,332	\$ 23,016,735	\$ 20,228,206	\$ 20,697,929	\$ 19,076,351	\$ 20,196,779

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net (Expense)/Revenue										
Governmental activities	\$ (24,940,043)	\$ (26,221,532)	\$ (41,094,468)	\$ (31,516,771)	\$ (34,772,801)	\$ (35,370,313)	\$ (34,476,607)	\$ (33,823,196)	\$ (33,527,735)	\$ (35,394,464)
Business-type activities	(1,342,321)	(227,677)	368,043	11,399,890	678,297	3,980,024	2,465,076	1,434,736	954,449	340,443
Total primary government net expense	<u>\$ (26,282,364)</u>	<u>\$ (26,449,209)</u>	<u>\$ (40,726,425)</u>	<u>\$ (20,116,881)</u>	<u>\$ (34,094,504)</u>	<u>\$ (31,390,289)</u>	<u>\$ (32,011,531)</u>	<u>\$ (32,388,460)</u>	<u>\$ (32,573,286)</u>	<u>\$ (35,054,021)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	14,854,933	14,056,671	14,576,219	14,480,811	17,012,250	17,072,546	17,424,487	17,778,371	19,820,066	18,527,350
Sales taxes	2,758,202	3,339,120	4,066,761	4,112,598	4,673,601	4,611,094	4,276,967	4,489,608	4,856,522	4,818,357
Utility taxes	1,704,924	1,933,004	1,998,674	1,613,339	1,069,158	1,039,426	1,022,522	1,025,014	1,004,623	1,031,726
Business license taxes	1,484,441	1,565,469	1,855,437	1,865,555	2,095,063	1,971,825	1,795,885	1,822,607	1,935,728	2,050,853
Hotel and meals taxes	1,762,549	2,039,518	2,299,645	2,482,776	2,726,913	2,844,749	2,878,449	3,276,948	4,037,742	4,259,246
Communication sales taxes	-	-	-	638,517	1,489,033	1,352,919	1,358,560	-	-	-
Tobacco taxes	106,627	451,890	434,098	427,431	432,587	414,921	392,881	394,680	416,691	398,681
E-911 taxes	188,309	269,374	278,907	-	-	-	-	-	-	-
Other local taxes	693,233	868,345	1,026,871	1,059,761	770,915	793,431	828,617	834,833	776,681	842,557
Unrestricted grants and contributions	2,502,078	2,490,660	2,892,442	2,861,725	3,895,364	2,920,104	2,900,125	4,109,897	4,034,685	4,120,323
Payment from Component Unit School Board	-	372,484	1,002,794	1,474,454	569,901	540,069	315,789	200,000	200,000	200,000
Investment earnings	131,303	220,148	404,429	588,662	706,362	252,686	314,491	244,466	113,331	145,171
Miscellaneous	1,009,919	459,512	597,273	575,240	626,028	403,882	458,724	392,858	680,575	535,939
Gain(loss) on sale of capital assets	48,000	9,788	26,988	10,658	71,525	-	3,655	22,602	37,470	19,388
Transfers	(412,770)	(2,569,050)	(92,044)	315,741	254,744	1,248,572	711,774	644,665	722,000	648,000
Total governmental activities	<u>26,831,748</u>	<u>25,506,933</u>	<u>31,168,494</u>	<u>32,507,268</u>	<u>36,393,444</u>	<u>35,466,224</u>	<u>34,682,926</u>	<u>35,236,549</u>	<u>38,636,114</u>	<u>37,597,591</u>
Business-type activities:										
Investment earnings	10,293	27,292	68,405	260,480	540,849	140,797	12,731	33,932	37,849	37,539
Miscellaneous	6,248	7,514	9,179	4,938	17,164	15,005	22,549	95,299	44,045	41,976
Gain(loss) on sale of capital assets	(390,186)	-	-	-	6,460	(11,094)	-	-	-	-
Transfers	412,770	2,569,050	92,044	(315,741)	(254,744)	(1,248,572)	(711,774)	(644,665)	(722,000)	(648,000)
Total business-type activities	<u>39,125</u>	<u>2,603,856</u>	<u>169,628</u>	<u>(50,323)</u>	<u>309,729</u>	<u>(1,103,864)</u>	<u>(676,494)</u>	<u>(515,434)</u>	<u>(640,106)</u>	<u>(568,485)</u>
Total primary government	<u>\$ 26,870,873</u>	<u>\$ 28,110,789</u>	<u>\$ 31,338,122</u>	<u>\$ 32,456,945</u>	<u>\$ 36,703,173</u>	<u>\$ 34,362,360</u>	<u>\$ 34,006,432</u>	<u>\$ 34,721,115</u>	<u>\$ 37,996,008</u>	<u>\$ 37,029,106</u>
Change in Net Position										
Governmental activities	1,891,705	(714,599)	(9,925,974)	990,497	1,620,643	95,911	206,319	1,413,353	5,108,379	2,203,127
Business-type activities	(1,303,196)	2,376,179	537,671	11,349,567	988,026	2,876,160	1,788,582	919,302	314,343	(228,042)
Total primary government	<u>\$ 588,509</u>	<u>\$ 1,661,580</u>	<u>\$ (9,388,303)</u>	<u>\$ 12,340,064</u>	<u>\$ 2,608,669</u>	<u>\$ 2,972,071</u>	<u>\$ 1,994,901</u>	<u>\$ 2,332,655</u>	<u>\$ 5,422,722</u>	<u>\$ 1,975,085</u>

cont'd

CITY OF WAYNESBORO, VIRGINIA
CHANGES IN NET ASSETS
Last Ten Fiscal Years
(accrual basis of accounting)

Table 2 (Cont'd)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
School Board Component Unit:										
Education	\$ 23,982,552	\$ 27,548,709	\$ 29,155,136	\$ 31,211,201	\$ 32,243,465	\$ 33,197,562	\$ 33,673,788	\$ 31,807,568	\$ 32,721,840	\$ 34,443,290
Total School Board component unit expenses	<u>23,982,552</u>	<u>27,548,709</u>	<u>29,155,136</u>	<u>31,211,201</u>	<u>32,243,465</u>	<u>33,197,562</u>	<u>33,673,788</u>	<u>31,807,568</u>	<u>32,721,840</u>	<u>34,443,290</u>
Program Revenues										
School Board Component Unit:										
Charges for services:										
Education	509,029	472,211	570,801	531,282	567,854	504,427	553,422	488,202	559,761	431,285
Operating grants and contributions	12,805,209	15,471,883	16,766,001	18,843,656	19,254,634	19,913,135	19,640,208	18,697,345	18,493,906	19,746,721
Capital grants and contributions	1,962,324	1,792,810	13,605,279	8,253,141	760,012	574,981	115,789	-	-	-
Total School Board component unit revenues	<u>15,276,562</u>	<u>17,736,904</u>	<u>30,942,081</u>	<u>27,628,079</u>	<u>20,582,500</u>	<u>20,992,543</u>	<u>20,309,419</u>	<u>19,185,547</u>	<u>19,053,667</u>	<u>20,178,006</u>
Net (Expense)/Revenue										
School Board Component Unit	<u>(8,705,990)</u>	<u>(9,811,805)</u>	<u>1,786,945</u>	<u>(3,583,122)</u>	<u>(11,660,965)</u>	<u>(12,205,019)</u>	<u>(13,364,369)</u>	<u>(12,622,021)</u>	<u>(13,668,173)</u>	<u>(14,265,284)</u>
General Revenues and Other Changes in Net Position										
School Board Component Unit:										
Payment from City of Waynesboro	8,846,818	9,675,920	9,566,828	9,946,467	10,804,096	10,896,054	12,065,383	12,583,454	12,444,330	12,920,240
Investment earnings	8,672	1,767	418,251	525,207	83,853	10,552	3,992	19,232	27,752	33,864
Miscellaneous	154,467	138,467	157,967	116,758	199,060	149,864	161,649	116,263	140,001	134,350
Total School Board Component Unit	<u>9,009,957</u>	<u>9,816,154</u>	<u>10,143,046</u>	<u>10,588,432</u>	<u>11,087,009</u>	<u>11,056,470</u>	<u>12,231,024</u>	<u>12,718,949</u>	<u>12,612,083</u>	<u>13,088,454</u>
Change in Net Position										
School Board Component Unit	<u>\$ 303,967</u>	<u>\$ 4,349</u>	<u>\$ 11,929,991</u>	<u>\$ 7,005,310</u>	<u>\$ (573,956)</u>	<u>\$ (1,148,549)</u>	<u>\$ (1,133,345)</u>	<u>\$ 96,928</u>	<u>\$ (1,056,090)</u>	<u>\$ (1,176,830)</u>

CITY OF WAYNESBORO, VIRGINIA
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 3

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 255,112	\$ 247,205	\$ 1,377,822	\$ 2,065,121	\$ 715,167	\$ 892,304	\$ 1,807,457	\$ -	\$ -	\$ -
Unreserved	6,919,605	4,727,307	6,639,081	6,599,014	8,280,974	9,402,818	8,849,322	-	-	-
Restricted	-	-	-	-	-	-	-	1,046,961	1,667,383	642,134
Committed	-	-	-	-	-	-	-	1,014,335	683,745	4,134,909
Assigned	-	-	-	-	-	-	-	123,126	1,277,007	526,948
Unassigned	-	-	-	-	-	-	-	8,204,385	11,385,888	8,923,216
Total general fund	\$ 7,174,717	\$ 4,974,512	\$ 8,016,903	\$ 8,664,135	\$ 8,996,141	\$ 10,295,122	\$ 10,656,779	\$ 10,388,807	\$ 15,014,023	\$ 14,227,207
All Other Governmental Funds										
Reserved	622,548	407,899	420,399	440,722	452,099	592,766	813,025	-	-	-
Unreserved, reported in:										
Special revenue funds	270,011	256,293	139,494	177,141	157,527	292,120	307,281	-	-	-
Capital projects funds	-	(354,235)	358,250	(13,537)	3,018,578	7,929,490	7,269,278	-	-	-
Debt service funds	-	372,484	752,546	1,935,922	1,759,592	1,040,748	180,303	-	-	-
Nonspendable	-	-	-	-	-	-	-	510,549	522,799	542,549
Restricted	-	-	-	-	-	-	-	5,478,065	3,617,202	2,479,482
Committed	-	-	-	-	-	-	-	926,958	487,621	1,033,646
Assigned	-	-	-	-	-	-	-	705,774	751,682	719,023
Total all other governmental funds	\$ 892,559	\$ 682,441	\$ 1,670,689	\$ 2,540,248	\$ 5,387,796	\$ 9,855,124	\$ 8,569,887	\$ 7,621,346	\$ 5,379,304	\$ 4,774,700

With the implementation of GASB Statement No. 54 in Fiscal Year 2011, the fund balance terminology was changed.

CITY OF WAYNESBORO, VIRGINIA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General property taxes	\$ 14,990,138	\$ 14,167,813	\$ 14,631,862	\$ 14,624,266	\$ 16,516,401	\$ 16,951,430	\$ 17,604,173	\$ 17,860,376	\$ 19,956,957	\$ 18,418,234
Sales taxes	2,758,202	3,339,120	4,066,761	4,112,598	4,673,601	4,611,094	4,276,967	4,489,608	4,856,522	4,818,357
Other local taxes	5,909,222	7,158,461	7,893,632	8,087,379	8,583,669	8,417,271	8,276,914	7,354,082	8,171,465	8,583,063
Permits, privilege fees and regulatory licenses	119,468	236,768	198,272	227,255	219,523	150,889	177,958	170,838	156,939	208,253
Fines and forfeitures	199,960	201,305	211,196	170,508	150,275	163,322	145,287	167,027	190,807	195,247
Revenues from use of money and property	288,261	382,886	565,881	750,952	870,168	329,146	372,488	310,851	155,142	195,246
Charges for services	279,612	393,317	453,148	418,956	403,498	361,624	396,579	387,367	439,765	389,346
Miscellaneous	852,961	296,774	435,821	412,950	462,222	327,422	450,724	322,391	510,028	355,209
Recovered costs	298,320	326,527	337,168	319,744	314,203	357,849	333,526	394,505	799,509	699,041
Intergovernmental	8,214,163	8,997,744	10,618,252	11,238,967	11,237,215	11,366,090	10,367,422	12,487,769	11,782,542	12,581,314
Total revenues	33,910,307	35,500,715	39,411,993	40,363,575	43,430,775	43,036,137	42,402,038	43,944,814	47,019,676	46,443,310
Expenditures										
General government administration	2,786,297	2,954,994	2,916,026	3,296,296	3,960,404	3,590,224	3,455,029	3,204,711	3,424,066	3,405,476
Judicial administration	1,004,435	1,058,116	1,081,644	1,194,039	1,308,577	1,374,825	1,244,498	1,307,187	1,295,198	1,472,117
Public safety	7,981,916	8,255,928	8,782,223	8,930,552	10,115,145	9,540,225	9,537,907	9,941,487	10,181,785	11,008,118
Public works	3,714,655	3,626,598	4,931,184	5,519,983	5,756,366	5,550,039	5,630,528	6,761,493	4,836,876	7,666,797
Health and welfare	2,530,429	2,835,527	2,994,485	3,621,412	3,979,258	4,323,371	3,647,964	3,805,952	3,953,428	3,887,883
Education (1)	10,266,357	11,112,271	22,809,646	17,847,241	11,220,709	11,160,168	12,095,786	12,113,857	12,474,733	12,950,643
Parks, recreation and culture	2,100,600	2,114,322	2,135,662	2,274,105	2,759,849	2,704,053	2,764,188	2,330,164	2,742,398	2,723,097
Community development	615,737	845,509	1,472,833	1,289,363	1,198,317	1,947,500	1,599,940	2,920,682	1,762,793	1,329,120
Capital projects	727,444	776,298	478,366	167,250	-	-	-	500,000	4,960,867	2,396
Debt service:										
Principal retirement	1,023,176	1,013,703	1,043,772	1,245,602	2,055,794	1,997,519	2,223,843	2,307,296	1,794,863	2,678,211
Interest and fiscal charges	544,387	519,296	735,946	1,116,990	1,274,495	1,568,976	1,588,914	1,499,775	1,522,276	1,634,500
Bond issuance costs	-	-	250,997	-	74,292	123,651	-	23,112	15,800	-
Total expenditures	33,295,433	35,112,562	49,632,784	46,502,833	43,703,206	43,880,551	43,788,597	46,715,716	48,965,083	48,758,358
Excess of revenues over (under) expenditures	614,874	388,153	(10,220,791)	(6,139,258)	(272,431)	(844,414)	(1,386,559)	(2,770,902)	(1,945,407)	(2,315,048)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Other Financing Sources (Uses)										
Insurance recoveries	-	-	-	-	-	-	-	115,957	128,736	141,036
Sale of property	-	-	-	4,590	-	-	-	-	-	-
Debt issued	-	-	14,380,000	7,600,000	9,704,713	5,870,000	-	985,000	3,519,100	-
Premium on debt	-	-	69,718	-	394,877	139,199	-	14,567	-	-
Capital lease	-	-	29,666	-	-	-	-	32,718	-	278,806
Refunded bonds redeemed	-	-	-	-	(6,708,062)	-	-	-	-	-
Transfers in	1,428,710	978,978	2,539,722	2,262,292	2,485,276	2,652,677	2,402,169	3,734,651	3,539,351	4,818,149
Transfers out	(1,841,480)	(3,777,454)	(2,767,676)	(2,210,833)	(2,424,819)	(2,051,153)	(1,939,190)	(3,342,472)	(2,858,606)	(4,407,371)
Total other financing sources and uses	(412,770)	(2,798,476)	14,251,430	7,656,049	3,451,985	6,610,723	462,979	1,540,421	4,328,581	830,620
Net change in fund balances	\$ 202,104	\$ (2,410,323)	\$ 4,030,639	\$ 1,516,791	\$ 3,179,554	\$ 5,766,309	\$ (923,580)	\$ (1,230,481)	\$ 2,383,174	\$ (1,484,428)
Debt service as a percentage of noncapital expenditures	4.9%	4.6%	4.2%	5.1%	8.1%	8.6%	8.9%	8.8%	7.8%	9.3%

Notes:

- (1) Education expenditures include the City's contribution to the School Board Component Unit.

CITY OF WAYNESBORO, VIRGINIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

Table 5

Fiscal Year	Real Property (1)(3)				Personal Property (2)								Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Public Service	Tax Rate per \$100	Motor Vehicles and Tangibles	Tax Rate per \$100	Public Service	Tax Rate per \$100	Machinery & Tools	Tax Rate per \$100	Rolling Stock	Tax Rate per \$100				
2004	\$ 755,845,188	\$ 231,926,100	\$ 81,435,362	\$ 0.85	\$ 76,650,924	\$ 5.00	\$ 471,478	\$ 5.00	\$ 107,480,397	\$ 3.00	\$ 580,864	\$ 3.00	\$ 1,254,390,313	\$ 1.29	\$ 1,311,311,803	95.66%
2005	765,823,788	243,661,300	73,618,121	0.85	74,442,103	5.00	199,002	5.00	91,713,850	3.00	576,839	3.00	1,250,035,003	1.26	1,309,021,626	95.49%
2006	865,243,540	311,169,600	77,377,240	0.78	81,649,868	5.00	229,034	5.00	74,919,153	3.00	549,780	3.00	1,411,138,215	1.14	1,471,975,115	95.87%
2007	889,455,133	330,119,700	67,274,407	0.78	87,681,456	5.00	165,439	5.00	63,630,108	3.00	630,281	3.00	1,438,956,524	1.13	1,503,183,298	95.73%
2008	1,345,440,737	328,682,000	77,021,271	0.70	89,306,919	5.00	180,604	5.00	55,169,022	3.00	697,368	3.00	1,896,497,921	0.98	1,962,012,744	96.66%
2009	1,373,023,934	374,581,700	75,009,122	0.70	94,533,504	5.00	205,781	5.00	40,263,315	3.00	904,972	3.00	1,958,522,328	0.95	2,027,197,586	96.61%
2010	1,379,263,067	478,952,000	71,816,305	0.70	150,126,941	5.00	250,296	5.00	36,118,308	3.00	787,070	3.00	2,117,313,987	1.04	2,178,833,278	97.18%
2011	1,429,091,737	444,059,100	80,980,848	0.70	157,670,813	5.00	231,250	5.00	23,683,493	3.00	786,156	3.00	2,136,503,397	1.04	2,202,136,392	97.02%
2012	1,308,385,664	426,129,100	83,303,561	0.75	96,414,492	5.00	254,081	5.00	23,476,451	3.00	729,408	3.00	1,938,692,757	0.99	2,005,091,948	96.69%
2013	1,315,419,967	426,330,400	93,455,183	0.75	100,131,159	5.00	93,205	5.00	36,141,279	3.00	825,558	3.00	1,972,396,751	1.01	2,041,974,715	96.59%

Notes:

- (1) Property assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
(2) Motor vehicles assessed at 50% of actual value and all others assessed at 100% of actual value. Tax rates are assessed per \$100 of assessed value.
(3) Assessed values include properties eligible for tax relief for the elderly.

Source:

City of Waynesboro, Assessor's Office

**CITY OF WAYNESBORO, VIRGINIA
DIRECT PROPERTY TAX RATES (1)
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

Table 6

Fiscal Year	City Direct Rates (2)			Total Direct Rate
	Real Estate	Motor Vehicles and Tangibles	Machinery & Tools	
2004	0.72	0.31	0.26	1.29
2005	0.74	0.30	0.22	1.26
2006	0.69	0.29	0.16	1.14
2007	0.70	0.30	0.13	1.13
2008	0.65	0.24	0.09	0.98
2009	0.65	0.24	0.06	0.95
2010	0.64	0.35	0.05	1.04
2011	0.64	0.37	0.03	1.04
2012	0.70	0.25	0.04	0.99
2013	0.70	0.25	0.05	1.01

Notes:

- (1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there are no overlapping taxing powers with other political subdivisions.
- (2) Direct rates are derived by calculating a weighted average that multiplies each rate by the proportion of the revenue base to which it applies.

Source:

City of Waynesboro, Assessor's Office

**CITY OF WAYNESBORO, VIRGINIA
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Table 7

Taxpayer	December 31, 2012			December 31, 2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Poly-Bond, Inc.	\$ 25,165,743	1	1.34%	\$ 22,261,574	2	2.19%
Ntelos/CFW Communications	21,024,948	2	1.12%	7,017,300	5	0.69%
Invista/DuPont	22,552,942	3	1.20%	109,792,686	1	10.80%
Waynesboro TC LLC	30,510,341	4	1.62%	-	-	-
Wal-Mart	18,819,781	5	1.00%	-	-	-
DuPont Community Credit Union	11,228,676	6	0.60%	4,085,503	8	0.40%
Lowe's Home Center	14,638,495	7	0.78%	-	-	-
Target Corporation	12,362,450	8	0.66%	-	-	-
Chicopee Inc	14,714,600	9	0.78%	-	-	-
Waynesboro Plaza LLC	12,466,400	10	0.66%	-	-	-
WT Acquisitions	-	-	-	8,260,665	3	0.81%
Wayn-Tex, Inc.	-	-	-	8,148,201	4	0.80%
William J. Wade, Owner, Trustee	-	-	-	5,280,200	6	0.52%
Center for Shopping	-	-	-	4,224,100	7	0.42%
Shenandoah Properties	-	-	-	3,332,281	9	0.33%
Allied Ready Mix Co.	-	-	-	2,209,474	10	0.22%
Total	\$ 183,484,376		9.79%	\$ 174,611,984		17.18%

Source:

City of Waynesboro, Commissioner of the Revenue

**CITY OF WAYNESBORO, VIRGINIA
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year		Total Adjusted Levy	Collected within the Fiscal Year of the Levy (1)		Collections in Subsequent Years	Total Collections to Date	
	(Original Levy)	Adjustments		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2004	\$ 16,094,061	\$ 122,099	\$ 16,216,160	\$ 15,605,566	96.96%	\$ 263,108	\$ 15,868,674	97.86%
2005	15,628,828	1,065,350	16,694,178	15,127,728	96.79%	672,167	15,799,895	94.64%
2006	16,055,110	(160,623)	15,894,487	15,569,109	96.97%	320,333	15,889,442	99.97%
2007	16,272,801	(106,320)	16,166,481	15,755,640	96.82%	404,444	16,160,084	99.96%
2008	18,270,937	(100,674)	18,170,263	17,685,561	96.80%	476,946	18,162,507	99.96%
2009	18,591,502	(25,062)	18,566,440	17,868,396	96.11%	618,220	18,486,616	99.57%
2010	18,947,394	(14,095)	18,933,299	18,344,884	96.82%	495,326	18,840,210	99.51%
2011	19,072,989	(565)	19,072,424	18,584,504	97.44%	359,213	18,943,717	99.33%
2012	19,079,144	(2,096)	19,077,048	18,708,395	98.06%	192,681	18,901,076	99.08%
2013	19,811,574	-	19,811,574	19,331,996	97.58%	-	19,331,996	97.58%

Source:

City of Waynesboro, Treasurer

Notes:

(1) Includes the Commonwealth's personal property tax reimbursement.

CITY OF WAYNESBORO, VIRGINIA
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Table 9

Fiscal Year	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Literary Loans	Notes Payable (2)	Capital Leases	General Obligation Bonds	Sewer Revenue Bonds	Virginia Revolving Loan			
2004	\$ 8,468,136	\$ 4,000,000	\$ -	\$ -	\$ 2,017,688	\$ -	\$ -	\$ 14,485,824	2.77%	711
2005	7,704,433	3,750,000	-	-	1,477,252	-	-	12,931,685	2.41%	623
2006	21,294,662	3,500,000	-	25,665	963,726	-	1,596,431	27,380,484	4.65%	1,287
2007	27,904,481	3,250,000	-	20,244	2,872,733	-	5,890,174	39,937,632	6.46%	1,862
2008	29,101,121	3,000,000	-	14,461	13,740,000	2,972,122	6,126,042	54,953,746	8.62%	2,561
2009	33,229,771	2,750,000	-	8,292	13,515,000	19,233,595	5,882,666	74,619,324	10.91%	3,399
2010	31,262,509	2,500,000	-	1,711	13,280,000	26,900,278	5,631,935	79,576,433	10.79%	3,578
2011	30,191,923	2,250,000	-	32,718	15,345,000	21,149,556	5,373,625	74,342,822	10.69%	3,539
2012	32,182,639	2,000,000	-	16,240	15,015,000	20,575,114	5,107,508	74,896,501	10.49%	3,889
2013	30,566,794	1,750,000	3,201,542	228,806	14,670,000	19,556,559	4,833,347	74,807,048	10.29%	3,544

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

Notes:

- (1) See the Schedule of Demographic and Economic Statistics on page 98 for personal income and population data.
- (2) Beginning in 2013, the Economic Development Authority was presented as a blended component unit.

CITY OF WAYNESBORO, VIRGINIA
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Table 10

Fiscal Year	General Bonded Debt				Less: Amounts Available in Debt Service Fund	Net General Bonded Debt Outstanding	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
	General Obligation Bonds	State Literary Loans	Notes Payable (3)	Total				
2004	\$ 8,468,136	\$ 4,000,000	-	\$ 12,468,136	-	\$ 12,468,136	0.95%	612
2005	7,704,433	3,750,000	-	11,454,433	372,484	11,081,949	0.85%	534
2006	21,294,662	3,500,000	-	24,794,662	752,546	24,042,116	1.63%	1,130
2007	27,904,481	3,250,000	-	31,154,481	1,935,922	29,218,559	1.94%	1,362
2008	29,101,121	3,000,000	-	32,101,121	1,759,592	30,341,529	1.55%	1,414
2009	33,229,771	2,750,000	-	35,979,771	1,040,748	34,939,023	1.72%	1,592
2010	31,262,509	2,500,000	-	33,762,509	180,303	33,582,206	1.54%	1,510
2011	30,191,923	2,250,000	-	32,441,923	274,008	32,167,915	1.46%	1,531
2012	32,182,639	2,000,000	-	34,182,639	306,182	33,876,457	1.69%	1,590
2013	30,566,794	1,750,000	3,201,542	35,518,336	152,190	35,366,146	1.73%	1,676

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

Notes:

- (1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 91 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 100.
- (3) Beginning in 2013, the Economic Development Authority was presented as a blended component unit.

CITY OF WAYNESBORO, VIRGINIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (1)
As of June 30, 2013

Table 11

Jurisdiction	Debt Outstanding	Percentage Applicable to City of Waynesboro	Amount Applicable to City of Waynesboro
City of Waynesboro	\$ 35,747,142	100%	\$ 35,747,142

Notes:

- (1) The City is autonomous from any other political subdivision of the Commonwealth of Virginia, and there is no overlapping debt or taxing powers.

**CITY OF WAYNESBORO, VIRGINIA
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

Table 12

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt limit	\$ 42,768,266	\$ 43,324,128	\$ 125,379,038	\$ 128,684,924	\$ 175,114,401	\$ 182,261,476	\$ 193,003,137	\$ 195,413,169	\$ 181,781,833	\$ 183,520,555
Total net debt applicable to limit	<u>14,485,824</u>	<u>12,559,201</u>	<u>26,602,273</u>	<u>37,981,466</u>	<u>50,207,571</u>	<u>54,336,689</u>	<u>52,494,141</u>	<u>52,886,540</u>	<u>53,998,965</u>	<u>54,869,493</u>
Legal debt margin	<u>\$ 28,282,442</u>	<u>\$ 30,764,927</u>	<u>\$ 98,776,765</u>	<u>\$ 90,703,458</u>	<u>\$ 124,906,830</u>	<u>\$ 127,924,787</u>	<u>\$ 140,508,996</u>	<u>\$ 142,526,629</u>	<u>\$ 127,782,868</u>	<u>\$ 128,651,062</u>
Total net debt applicable to the limit as a percentage of debt limit	33.87%	28.99%	21.22%	29.52%	28.67%	29.81%	27.20%	27.06%	29.71%	29.90%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value of Real Property	\$ 1,835,205,550
Debt Limit - 10% (1)	183,520,555
Debt Applicable to Limit:	
General obligation debt	55,021,683
Less: Amount set aside for repayment of general obligation debt	<u>(152,190)</u>
Total net debt applicable to limit	<u>54,869,493</u>
Legal Debt Margin	<u>\$ 128,651,062</u>

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed real property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) The City's debt limit was 4% of total assessed real property value for years prior to fiscal year 2006.

**CITY OF WAYNESBORO, VIRGINIA
PLEDGED-REVENUE COVERAGE
Last Six Fiscal Years (4)**

Table 13

Fiscal Year	Sewer Revenue Bonds							Coverage
	Sewer Charges and Other (1)	Less: Operating Expenses	Net Available Revenue	Debt Service				
				Principal	Interest			
2008	\$ 3,681,685	\$ 1,784,424	\$ 1,897,261	\$ -	\$ -	(3)	N/A	
2009	3,394,191	2,094,784	1,299,407	-	39,997		32.49	
2010	3,755,032	2,178,984	1,576,048	60,000	101,181		9.78	
2011	4,091,496	2,306,988	1,784,508	435,622	98,450		3.34	
2012	5,203,047	2,167,385	3,035,662	780,021	849,756		1.86	
2013	5,095,721	2,575,558	2,520,163	1,018,555	613,747		1.54	

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

Notes:

- (1) Sewer charges and other includes investment earnings.
- (2) Operating expenses do not include interest or depreciation.
- (3) No debt service payments were scheduled in this period.
- (4) Sewer revenue bonds were issued in fiscal year 2008 and 2009. Data will be added until a 10 year comparison is achieved.

**CITY OF WAYNESBORO, VIRGINIA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Table 14

Fiscal Year	Population(1)	Personal Income (amounts expressed in thousands)	Per capita income(2)	Median age(1)	Educational attainment (4)		School enrollment(5)	Unemployment rate (3)
					High School Graduate or higher	Bachelor's Degree or higher		
2004	20,388	\$ 523,564	\$ 25,680	38.9	77.9%	20.6%	2,923	3.20%
2005	20,755	536,454	25,847	38.9	77.9%	20.6%	3,015	4.00%
2006	21,269	589,130	27,699	38.9	77.9%	20.6%	2,996	3.60%
2007	21,454	618,004	28,806	38.9	77.9%	20.6%	2,993	3.30%
2008	21,454	637,656	29,722	38.9	77.9%	20.6%	3,007	4.50%
2009	21,953	684,077	31,161	40.6	77.9%	20.6%	2,999	9.00%
2010	22,241	737,534	33,161	40.6	77.9%	20.6%	3,024	8.60%
2011	21,006	695,593	33,114	38.8	78.9%	21.7%	3,102	7.10%
2012	21,311	713,961	33,502	38.8	81.2%	21.8%	3,079	7.10%
2013	21,107	726,968	34,442	38.8	82.4%	21.1%	3,010	6.50%

Sources:

- (1) U.S. Census Bureau
- (2) Bureau of Economic Analysis
- (3) Virginia Employment Commission
- (4) U.S. Census Bureau - Data presented is percentage of persons 25 years or older attaining the described educational status; 2011 census is latest available data.
- (5) City of Waynesboro School Board.

CITY OF WAYNESBORO, VIRGINIA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 15

<u>Employer</u>	<u>2013 (1)</u>			<u>2004 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Waynesboro School Board	500-999	1	5.44%	500-999	2	5.34%
Ntelos/CFW Communications	250-499	2	2.72%	250-499	6	2.67%
Invista/Dupont	250-499	3	2.72%			
City of Waynesboro	250-499	4	2.72%	250-499	4	2.67%
Walmart	250-499	5	2.72%	250-499	5	2.67%
Lumus	250-499	6	2.72%	100-249	9	1.07%
Adecco	100-249	7	1.09%			
Chicopee Incorporated	100-249	8	1.09%			
Augusta Lumber LLC	100-249	9	1.09%	100-249	7	1.07%
Kroger	100-249	10	1.09%			
Dupont Textiles & Interiors	-	-	-	1,000 and over	1	10.67%
Wayn Tex	-	-	-	250-499	3	2.67%
Kellogg, Brown and Root	-	-	-	100-249	8	1.07%
Allied Ready Mix	-	-	-	100-249	10	1.07%
Total	2,150		23.38%	2,900		30.96%

Source: Virginia Employment Commission

Percentage calculations and totals are based on the minimum number of employees in the respective range.

Notes:

(1) Data is for January, February, and March of 2013 and 2004, respectively.

CITY OF WAYNESBORO, VIRGINIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Eight Fiscal Years (1)

Table 16

	Full-Time Equivalent Employees as of June 30							
	2006	2007	2008	2009	2010	2011	2012	2013
Function/Program								
General government administration	32.9	37.5	48.5	39.8	41.5	31.2	33.5	30.2
Judicial administration	5.8	6.4	5.2	9.4	9.3	8.4	8.9	9.2
Public safety:								
Police	69.4	69.7	70.1	73.3	67.7	65.4	68.1	65.0
Fire	33.8	33.5	36.7	37.1	37.4	37.0	38.5	37.4
Correction and detention	22.3	21.7	20.9	18.5	14.7	15.3	16.6	15.6
Building inspections	5.9	6.8	6.6	6.4	5.6	5.8	5.4	5.9
Emergency management	17.5	18.1	18.7	17.4	16.8	17.3	22.7	22.9
Animal control	1.0	1.0	1.1	1.1	1.1	1.0	5.4	7.4
Public works:								
General engineering/administrative	29.9	31.6	31.3	49.9	44.3	44.4	45.4	41.8
Building and grounds	9.0	10.8	10.5	11.1	12.6	31.3	6.4	8.0
Equipment rental	7.6	0.0	9.3	9.1	8.4	0.0	6.8	6.7
Waterworks	19.7	22.6	17.7	24.3	24.3	21.9	24.2	28.2
Sewage/collection	20.5	17.1	41.4	41.5	41.5	43.1	46.4	31.9
Sanitation	34.1	30.4	36.7	60.0	33.4	32.2	31.4	28.7
Parks, recreation and cultural:								
Parks	33.9	32.5	32.1	1.1	1.1	1.1	8.4	7.9
Library	3.0	17.0	17.1	16.4	15.7	15.6	15.5	15.0
Community development	4.6	2.8	5.7	6.1	5.6	5.2	6.1	5.9
Schools	531.3	529.0	539.3	486.0	488.0	485.0	484.0	482.0
Total	882.2	888.5	948.9	908.5	869.0	861.2	873.7	849.7

Source: City and School Finance Departments

Notes:

(1) Information is only available for the last eight fiscal years. Data will be added until a 10 year comparison is achieved.

CITY OF WAYNESBORO, VIRGINIA
OPERATING INDICATORS BY FUNCTION
Last Eight Fiscal Years (1)

Table 17

Function	Fiscal Year							
	2006	2007	2008	2009	2010	2011	2012	2013
Building & Zoning								
Building permits issued	1,468	1,494	1,185	714	772	730	946	968
Building inspections conducted (commercial and residential)	4,193	3,995	3,339	1,757	1,716	1,593	1,587	2,179
New residential construction	142	92	71	51	42	28	29	63
New commercial construction	8	20	22	7	7	2	4	12
Zoning permits issued	157	167	165	97	114	112	146	140
Property maintenance cases	88	107	128	135	160	340	307	357
Property maintenance inspections	230	202	240	272	248	667	661	865
Economic Development (2)								
Business prospects	26	33	35	17	N/A	N/A	N/A	N/A
Development inquiries	35	52	54	25	N/A	N/A	N/A	N/A
Planning								
Conditional use permits	15	8	9	5	3	5	4	5
Rezoning requests	6	2	5	3	0	0	0	2
Major subdivision reviews	13	8	11	5	1	1	1	1
Minor subdivision reviews	23	14	13	10	12	12	9	2
Vacate streets/alleys	5	3	2	2	2	3	2	-
Public Safety								
Arrests	3,547	3,438	2,575	2,602	2,390	2,099	2,414	2,134
Parking violations	706	876	848	631	702	696	592	133
Traffic citations	4,118	3,567	2,942	3,319	1,707	1,700	2,131	1,800
Judicial - Circuit Court								
Civil and criminal cases	828	779	843	844	1,137	890	958	910
Deeds recorded	4,535	4,514	4,096	3,426	3,268	2,764	2,381	2,724
Judgments	866	1,082	958	1,129	1,023	958	1,019	943
Passports issued	543	673	881	672	616	631	628	777
Library								
Total collection	192,503	178,160	177,135	169,977	155,212	151,038	148,050	152,829
Total circulation	305,268	309,057	306,339	320,129	318,703	294,945	267,440	309,659
Visitors/patrons	215,719	219,430	217,607	227,291	224,540	215,458	166,207	167,314
Public Works								
Meters placed for new construction	87	154	134	68	56	48	35	43
Meters replaced	154	631	1,196	1,084	173	155	179	724
Education								
Number of teachers, Elementary (K-5)	157	160	172	173	175	179	172	179
Number of teachers, Secondary (6-12)	83	83	90	87	82	85	80	82
Number of teachers, District-Wide (K-12)	9	10	9	9	14	11	12	11
Number of students, District-Wide (K-12)	2,942	2,993	3,007	2,999	3,024	3,102	3,079	3,010

Source: Various Departments in the City

Notes:

- (1) Information is only available for last eight fiscal years. Data will be added until a 10 year comparison is achieved.
(2) Beginning in 2010, the Director of the EDA no longer tracks this information.

CITY OF WAYNESBORO, VIRGINIA
CAPITAL ASSETS STATISTICS BY FUNCTION
Last Ten Fiscal Years

Table 18

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units (1)	8	10	14	12	12	12	12	12	10	11
Fire Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	107.58	110.50	113.80	116.18	116.18	116.96	117.1	117.24	117.24	117.24
Water lines (miles)	107.58	107.58	107.58	115.34	115.69	116.92	116.92	117.4	117.4	117.4
Fire hydrants	680	680	680	767	778	800	804	808	808	809
Waste water treatment plant	1	1	1	1	1	1	1	1	1	1
Sanitary sewers (miles)	97.22	97.22	97.22	105.36	105.36	107	108.02	108.04	108.04	108.04
Parks, Recreation & Cultural										
Parks	5	5	5	5	5	5	5	5	5	5
Acreage	365	365	365	365	365	365	365	365	365	365

Source: Various Departments in the City

Notes:

(1) Beginning in fiscal year 2004, only vehicles actually classified as patrol units are included in this figure. Prior to 2004, this figure included the entire police department vehicle fleet.

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COMPLIANCE SECTION

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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

The Honorable Members of the City Council
City of Waynesboro, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waynesboro, Virginia (the "City") 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 26, 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 08-1 to be a material weakness.

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

Compliance and Other Matters

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

We noted certain matters that we reported to the City's management in a separate letter dated November 26, 2013.



City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



November 26, 2013



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

The Honorable Members of the City Council
City of Waynesboro, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Waynesboro, Virginia's (the "City") 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 auditors' 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. 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 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.

Report on Internal Control Over Compliance

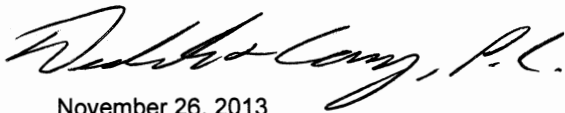
Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of 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.

This 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.



November 26, 2013



CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

I. SUMMARY OF THE AUDITORS' RESULTS

- a. The auditors' report expresses an unmodified opinion on the financial statements of the City of Waynesboro.
- b. One deficiency disclosed during the audit of the financial statements is reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Item 08-1 is reported as a material weakness.
- c. No instances of noncompliance material to the financial statements of the City of Waynesboro were disclosed during the audit.
- d. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
- e. The auditors' report on compliance for the major federal award programs for the City of Waynesboro expresses an unmodified opinion on all major federal programs.
- f. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
- g. The programs tested as major programs included:

	<u>CFDA No.</u>
i. <u>Nutrition Cluster:</u>	
School Breakfast Program	10.553
National School Lunch Program	10.555
ii. Title I Grants to Local Educational Agencies	84.010
iii. <u>Special Education Cluster (IDEA):</u>	
Special Education-Grants to States (IDEA, Part B)	84.027
Special Education-Preschool Grants (IDEA Preschool)	84.173
iv. Adult Literacy Grants	84.002
v. Education Jobs Fund	84.410
- h. The threshold for distinguishing Type A and B programs was \$300,000.
- i. The City of Waynesboro was not determined to be a low-risk auditee.

II. FINDINGS – FINANCIAL STATEMENTS AUDIT

08-1 Financial Statements – City and School Board (Material Weakness)

Condition:

Material audit adjustments were required in order for the City's financial statements to be fairly stated in accordance with generally accepted accounting principles (GAAP) for governments.

Criteria:

A system of internal controls over financial reporting includes controls over the general ledger and the preparation of the financial statements. The auditor cannot be a compensating control for the client.

Cause:

Internal controls over financial reporting under GAAP were inadequately designed.

**CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013**

II. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)

08-1 Financial Statements – City and School Board (Material Weakness) (cont'd)

Effect:

Because of the failure to adjust financial accounts, such as capital asset-related accounts, accrued revenues and expenditures, and misclassifications of transactions between funds, the financial statements, prior to the posting of audit adjustments, were not fairly stated.

Recommendation:

The City and School Board should implement procedures to ensure that all adjustments for GAAP financial reporting have been made at the close of the City's fiscal year.

City Response:

The City's Finance Department is aware of this weakness and continues to review and modify the City's financial reporting process, with the goal to have all data completely and accurately posted prior to the year-end audit.

School Board Response:

The School Board's Finance Office is aware that not all adjustments have been finalized prior to the audit, but will continue to strive to execute as many adjustments as possible before the audit begins.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None

IV. SUMMARY OF PRIOR YEAR FINDINGS RELATIVE TO FEDERAL AWARD PROGRAMS

12-1 Highway Planning and Construction – CFDA No. 20.205; City

Condition:

This finding was a significant deficiency stating that the City did not monitor whether vendors and subcontractors were in compliance with the Davis-Bacon Act for projects that were funded by Virginia Department of Transportation federal grants.

Recommendation:

The auditor recommended that internal controls over compliance with the Davis-Bacon Act should include the monitoring of vendor and subcontractor payroll records to provide assurance that compliance requirements are appropriately being followed per grant specifications. The City concurred with the recommendation and indicated that the procedure would be implemented.

Current Status:

No similar findings were noted in the 2013 audit.

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture and Consumer Services:</u>			
Nutrition Cluster:			
National School Lunch Program - non-cash commodities	10.555	N/A	\$ 86,287
Rural Business Enterprise Grants	10.769	N/A	36,000
<u>Department of Education:</u>			
Nutrition Cluster:			
School Breakfast Program	10.553	40591	220,388
National School Lunch Program	10.555	40623	747,812
Fresh Fruit and Vegetable Program	10.582	40599	9,167
<u>Total Department of Agriculture - Pass-Through Programs:</u>			<u>1,099,654</u>
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Title I Grants to Local Educational Agencies	84.010	42901	928,458
Special Education - Grants to States	84.027	43071	624,617
Vocational Education - Basic Grants to States	84.048	61095	77,991
Special Education - Preschool Grants	84.173	62521	15,648
Rural Education	84.358	43481	48,232
English Language Acquisition Grants	84.365	60512	16,983
Improving Teacher Quality State Grants	84.367	61480	127,022
Adult Literacy Grants	84.002	42801	516,564
ARRA - Jobs Education	84.410	62700	660,199
<u>Total Department of Education - Pass-Through Programs:</u>			<u>3,015,714</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Direct Programs</u>			
Drug-Free Communities Support Program Grants	93.276	5H79SP014763-02	107,674
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	90AK0004-01-00	98,223
<u>Total Department of Health and Human Services - Direct Programs:</u>			<u>205,897</u>
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Community Services Block Grant	93.569	N/A	154,591
Temporary Assistance for Needy Families:	93.558		
Aid to Dependent Children		80801	(298)
VIEW-Component & Supportive Services		87201 & 87202	25,723
VIEW-Transitional		87204 & 87211	567
VIEW-Transporation		87207	22,715

CITY OF WAYNESBORO, VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES: (cont'd)</u>			
<u>Pass-Through Programs: (cont'd)</u>			
<u>Department of Social Services: (cont'd)</u>			
Refugee and Entrant Assistance - State Administered Programs:	93.566		
Refugee Cash Assistance		81901	\$ 726
Child Care and Development Block Grant: Fee Child Care - 100	93.575	88302	(20)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund:	93.596		
VIEW-AFDC Working Day Care		87101	(595)
AFDC Working Day Care		87104	(70)
Foster Care - Title IV-E:	93.658		
ARRA - Residential Foster Care Payments		81107	4,912
Child Placing Agencies		81108	16,269
Agency Foster Homes		81110	33,197
Licensed Child		81112	33,485
Adoption Assistance:	93.659		
Subsidized Adoption		81201	167,680
Nonrecurring IV-E Adoption		81202	5,150
Federal Adoption		81203	65,164
Social Services Block Grant:	93.667		
State Adoption		81701	28,524
Family Preservation Purchased Services		82905	2,905
Adult Services - Homebound Companion		83304	20,413
Adult Protective Services		89501	724
<u>Total Department of Health and Human Services - Pass-Through Programs:</u>			<u>581,762</u>
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Preparedness Grant	97.042	N/A	<u>5,000</u>
<u>Total Department of Health and Human Services - Pass-Through Programs:</u>			<u>5,000</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Housing and Community Development:</u>			
Community Development Block Grants - State's Program	14.228	53305	<u>188,332</u>
<u>Total Department of Housing and Urban Development - Pass-Through Programs:</u>			<u>188,332</u>

CITY OF WAYNESBORO, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2013

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice Services:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	\$ 130,993
<u>Total Department of Justice - Pass-Through Programs:</u>			<u>130,993</u>
<u>DEPARTMENT OF LABOR:</u>			
<u>Pass-Through Programs:</u>			
<u>Virginia Employment Commission:</u>			
Workforce Investment Act (WIA) - Youth Activities	17.259	N/A	<u>143,883</u>
<u>Total Department of Labor - Pass-Through Programs:</u>			<u>143,883</u>
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Motor Vehicles:</u>			
Highway Planning and Construction	20.205	N/A	260,208
Alcohol Traffic Safety & Drunk Driving Protection	20.601	51398 & 52109	<u>15,452</u>
<u>Total Department of Transportation - Pass-Through Programs:</u>			<u>275,660</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
<u>Direct Programs</u>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	96317601 & 96316701	<u>14,025</u>
<u>Total Environmental Protection Agency - Direct Programs:</u>			<u>14,025</u>
<u>Pass-Through Programs:</u>			
<u>National Fish and Wildlife Foundation:</u>			
Chesapeake Bay Program	66.466	2011-0049-017	93,458
<u>Department of Environmental Quality:</u>			
Performance Partnership Grants	66.605	N/A	15,000
<u>American Rivers, Inc.</u>			
Potomac Highlands Implementation Grant	66.050	40157737	<u>25,000</u>
<u>Total Environmental Protection Agency - Pass-Through Programs:</u>			<u>133,458</u>
Total Expenditures of Federal Awards			<u>\$ 5,794,378</u>

CITY OF WAYNESBORO, VIRGINIA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2013

<u>Federal Granting Agency/Pass-Through State Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Pass-Through Agency Identifying Number Assigned</u>	<u>Program Expenditures</u>
LOANS OUTSTANDING: (Note 2)			
<u>Pass-Through Programs:</u>			
<u>Virginia Resources Authority:</u>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	\$ <u>4,027,789</u>

CITY OF WAYNESBORO, VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

1. BASIS OF PRESENTATION

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

2. LOANS OUTSTANDING

During prior years, the City received federal funding from the Virginia Water Facilities Revolving Fund, authorized under the Capitalization Grants for Clean Water State Revolving Funds program. The outstanding loan balance under this program of \$4,027,789 is included in the Schedule of Expenditures of Federal Awards as of June 30, 2013.

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SUMMARY OF STATE AND LOCAL COMPLIANCE MATTERS

The Honorable Members of the City Council
City of Waynesboro, Virginia

As more fully described in the Independent Auditors' Report on Compliance for the year ended June 30, 2013, 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:

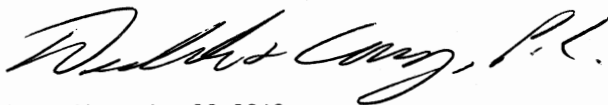
Budget and Appropriation Laws
Cash and Investments Laws
Conflicts of Interest Act
Debt Provisions
Retirement Systems
Procurement Laws
Uniform Disposition of Unclaimed Property Act
Sheriff Internal Controls

State Agency Requirements:

Education
Comprehensive Service Act Funds
Social Services
Highway Maintenance Funds

LOCAL COMPLIANCE MATTERS

Budget and Appropriation Ordinances



November 26, 2013



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