

**CITY OF STAUNTON, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended June 30, 2014**

Prepared By:  
Department of Finance

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Chief Financial Officer

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Assistant Director of Finance



**CITY OF STAUNTON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2014**

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# INTRODUCTORY SECTION

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

**COUNCIL**

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

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

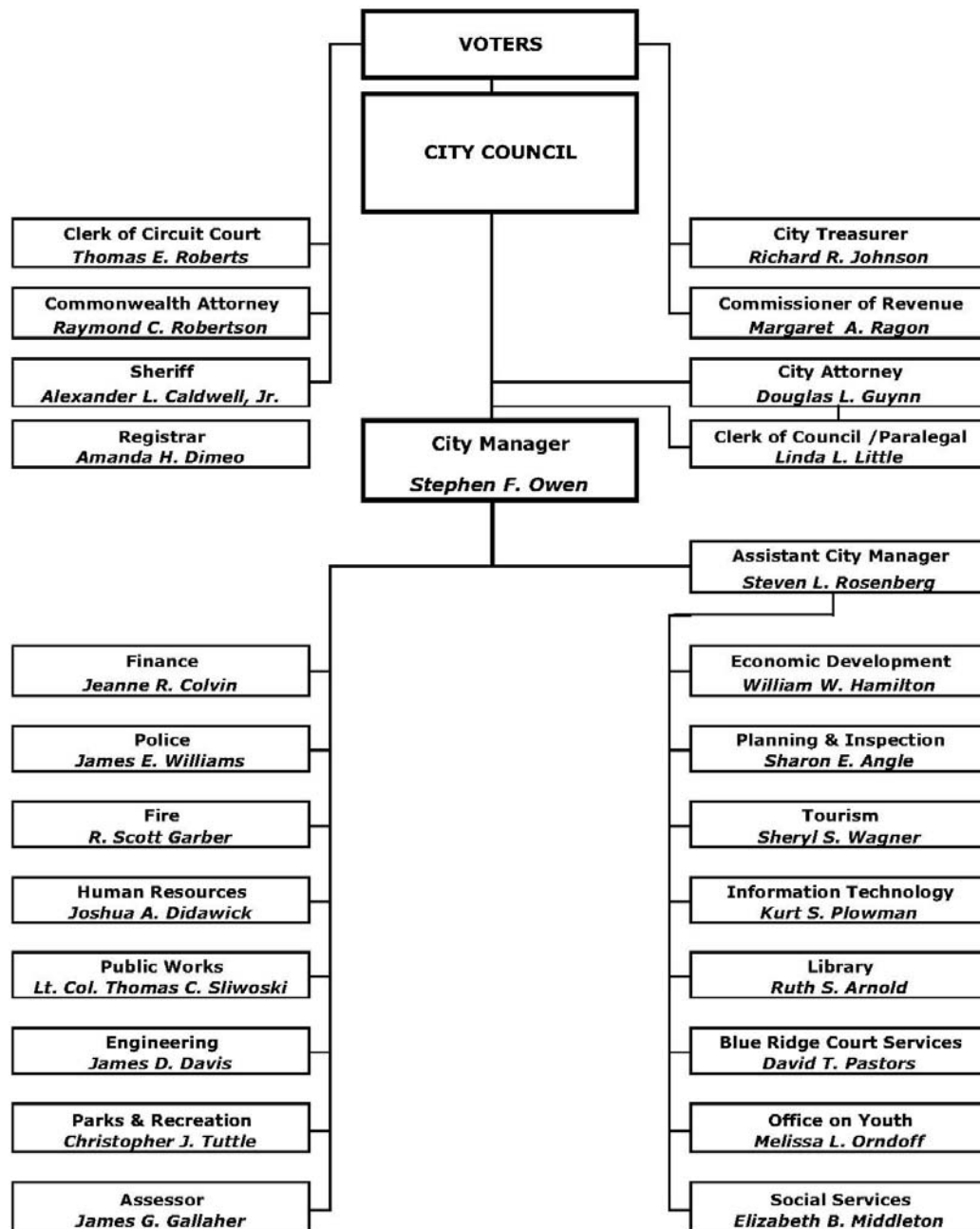
<p>Robert Boyle          Angela Whitesell</p>	<p>Ronald W. Ramsey, Chair          William Lobb, Vice-Chair</p>	<p>Amy G. Darby          Joel Grogan</p>
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## CITY OF STAUNTON, VIRGINIA

### ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Staunton  
Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, reading 'Jeffrey R. Emswiler'. The signature is written in a cursive, flowing style.

Executive Director/CEO

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



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

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

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

November 21, 2014

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

We are pleased to submit the City of Staunton's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This report has been prepared by the City's Finance Department. The report provides full disclosure of all financial information necessary to enable the reader to gain an understanding of the government's financial activities.

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

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

Brown Edwards & Company, LLP, Certified Public Accountants, has issued an unmodified opinion for the City of Staunton for fiscal year ending June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

## ***PROFILE OF THE GOVERNMENT***

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

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

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

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

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

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

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

The Staunton City School Board was created as a separate legal entity by the City to oversee the operation and management of its publicly funded primary and secondary schools. The School Board creates a financial burden on the General Fund requiring approximately 25% of its funding for school operations and the issuance of all general obligation bonds. All members of the Board are elected by the City voters. City Council has the ability to impose its will upon the Board.

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

### ***LOCAL ECONOMY***

The City's overall financial health is determined by several economic factors based on retail sales volume, consumer based taxes, new residential building or commercial construction permits, and property values and transactions. Other financial factors include state revenues, population trends, the unemployment rate, and the local tourism industry. The 2014 total taxable real estate assessed values increased 0.3%. Other local consumer based tax revenue sources increased slightly from 2013. General increase in economic activity resulted in increases in meals, lodging and consumer sales taxes. The local unemployment rate for June 2014 was 5.6%, which is below the national average of 6.3%, and slightly above the statewide average of 5.4%. The City relies on its diverse property tax base consisting of manufacturing facilities, distribution centers, a fairly stable retail base, a large government workforce within the area, and a successful tourism market for the economic stability of the City.

### ***LONG-TERM FINANCIAL PLANNING***

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

**City Safety Net Reserve** – The City's fund balance fiscal policy, as revised by City Council, now requires a reservation of 12% of the City's total general fund operating budget as a cash safety net reserve, reported as committed fund balance in the general fund. The primary government reserve is currently \$5,777,532. These funds can be used only for major catastrophic events that would affect the public safety or major infrastructure of the City, or imposition of mandates by Federal and State governments. The City also adopted a policy to establish and maintain a contingency reserve in the amount of \$250,000, reported as unassigned fund balance in the general fund, to provide for unexpected declines in budgeted revenues or unanticipated emergency expenditures. Council's goal is to establish the safety net reserve at 15% by FY 2017.

**Education General Contingency** – In December 2013, City Council and the School Board approved a general contingency for the education fund equal to 1.25% of the education fund operating budget. The contingency is categorized as unassigned fund balance and was created to provide for unexpected declines in budgeted revenues or unanticipated emergency expenditures during a fiscal year. Any funds in excess of the general contingency fund balance in the education fund shall be given first consideration for appropriation to the School Capital Improvements Fund.

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

## **MAJOR INITIATIVES**

**FY2014 Budget** – City Council’s commitment to prudent fiscal management has provided the framework for the City to prepare and adopt budgets in response to the economic conditions of the local, state, and national economies. The total fiscal year 2014 budget, \$100.6 million, an increase of 3.7% or \$3.6 million from the previous year was adopted with no tax rate increases for property tax or other local tax rates. The general fund budget increased 3.7% over the previous year. Property tax revenues were projected to increase by \$1.1 million, or 5.2%, and other local tax revenues were projected to increase 1% over the previous year’s budget. The general fund budget increased its transfer to the education fund by 2.8% and slightly increased its transfer to the Capital Improvements Fund. The debt service sinking fund had the greatest increase, 32.0%, over the previous year due to the increase in debt service for the Staunton Crossing Development Park.

**Economic Development – Staunton Crossing Development Park** – Work continues on the marketing strategy for the development of the Staunton Crossing Development Park. In November 2009, the City and the EDA entered into a land exchange agreement with the Commonwealth of Virginia to re-locate and build a new state of the art mental health facility and in exchange create a new 300 acre business development park. In exchange for the land, the City paid the Commonwealth of Virginia \$15 million towards the construction of the new hospital. The \$118 million hospital facility was completed in November 2013. The development is expected to create jobs and generate significant annual property and consumer tax revenues for the City. Staunton Crossing, located at U.S. 250 and the interchange of Interstate Highways 81 and 64, is planned for a mix of corporate and professional offices, retail stores, restaurants and lodging facilities. The project will be the largest business development property to support both office and retail development in the Shenandoah Valley region of the I-81 corridor through Virginia.

**Economic Development –National Recognition-** Staunton continues to be recognized nationally in magazines such as, *Southern Living*, *Virginia Business*, *Smithsonian*, and *Travel+Leisure* magazines. In 2014, *USA Today* named Staunton as ‘one of the top 10 idyllic and historic main streets across the USA’. Also in 2014, *Travel+Leisure* named Staunton as ‘one of America’s favorite mountain towns’ and *Fodors/Huffington Post* named Staunton as ‘one of America’s Best Main Streets’. In 2013, the American Planning Association named Staunton one of the “Great Places in America” and *Virginia Business* magazine said ‘Staunton’s small-town charm leads to big-time development’. In 2012, *Travel+Leisure* named Staunton as ‘one of America’s greatest main streets’ and the *Smithsonian* named Staunton as ‘one of the 20 best small towns in America’.

Capital Improvements – City Council updated and adopted its five year capital improvement plan during fiscal year 2014. The Capital Improvement Plan adopted by City Council this year equals \$197 million with \$92 million dedicated for school projects, \$53 million for infrastructure projects in the proprietary funds, and \$52 million for general fund projects. Total general fund projects approved and funded for fiscal year 2014 included \$5.6 million for street improvement projects, fire truck replacement, fire department building renovation, jail reserve, education projects, recreation projects, and Staunton Crossing Development Park.

### ***AWARDS AND ACKNOWLEDGEMENTS***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Staunton, Virginia, for its Comprehensive Annual Financial Report for the fiscal years ended June 30, 1985 through 2013. A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jeanne R. Colvin".

Jeanne R. Colvin  
Chief Financial Officer

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## FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Augusta Regional Landfill. The City's share of this undivided interest represents 62%, 54%, and 19%, respectively, of the assets, net position, and revenues of the Environmental Fund. Those financial statements were audited by other auditors whose report 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 the *Specifications for Audits of Counties, Cities, and Towns* and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

### ***Auditor's Responsibility (Continued)***

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof 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, budgetary comparison schedule – general fund, and schedules of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section; the other supplementary information; and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

***Other Matters (Continued)***

***Other Information (Continued)***

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 21, 2014



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the City of Staunton's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2014. The MD&A is in addition to the transmittal letter, located on pages iv-viii of this report. Readers are encouraged to review the information presented in the MD&A and the letter of transmittal to provide the user a more comprehensive view of the City's financial condition. The MD&A presents information for the government-wide financial statements and the fund financial statements. The MD&A provides the user with a narrative introduction, overview, and analysis of the basic financial statements for the City's financial performance as a whole.

### FINANCIAL HIGHLIGHTS

#### Highlights for Government-wide Financial Statements

- The City's total net position of governmental activities was \$54 million at June 30, 2014. Net position of the City's business-type activities was \$67.5 million.
- Total revenues of governmental activities exceeded total expenses by \$2.4 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were \$51.4 million for FY 2014. Revenues and transfers of the City's business-type activities were \$11.6 million.
- Expenses were \$48.6 million for governmental activities and expenses for the business-type activities were \$10.8 million for FY 2014.
- The City's total debt at June 30, 2014 was \$66.1 million, a net decrease of \$4.9 million from FY 2013 due to normal scheduled debt reduction.
- At June 30, 2014, the total fund balance for all governmental funds was \$21 million with the General Fund comprising \$11.5 million of that total.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the City of Staunton's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements including budgetary comparisons.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in net position. One can think of the City's net position – the difference between assets, liabilities, and deferred inflows/outflows of resources – as a way to measure the City's financial health, or financial position. Over time, increases or decreases in net position help determine whether the City's financial position is improving or deteriorating.

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

Governmental activities – Most of the City’s basic services are included here, such as the police, fire, public works, parks and recreation, health and welfare, and general administration. Property taxes, other local taxes, and intergovernmental revenue are the primary sources that finance these activities.

Business-type activities – The City’s golf, water, sewer, storm water, parking, and environmental management activities are reported here. The City charges fees to customers to fund all or most of the cost of services provided by these activities.

Component units – The City also includes two separate legal entities in its report – the Staunton City Schools and the Staunton Economic Development Authority. While these represent legally separate entities, their operational or financial relationship with the City makes the City financially accountable.

## **FUND FINANCIAL STATEMENTS**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate fiscal accountability. As described below, the City uses governmental, proprietary, and fiduciary fund financial statements to provide detailed information regarding its funds.

*Governmental funds* – Governmental funds report most of the City’s basic services. The funds focus on cash and other financial resources that can be readily converted to cash flows in and out, and balances left at year-end that are available for future spending. Consequently, the governmental funds statements provide a near or short-term view of the City’s finances that helps the reader determine whether there are greater or fewer financial resources available in the near future to finance City programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

*Proprietary funds* – Proprietary funds report the same functions that are presented as business-type activities in the government-wide financial statements. Proprietary funds are classified as enterprise or internal service funds. An enterprise fund reports any activity for which fees are charged to external users for goods or services. Internal service funds account for goods and services provided on a cost reimbursement basis from activities within the government. The City maintains six enterprise funds to report on activities for golf, water, sewer, storm water, environmental management and parking operations; and, an internal service fund to account for the City’s inventory fund which provides supplies for the City’s operations. Because the inventory fund predominately benefits governmental rather than business-type functions, the internal service fund is reported with governmental activities in the government-wide financial statements.

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

*Notes to the Financial Statements* – The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

*Other information* – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees.

The combining and individual fund statements and schedules for all nonmajor funds include the special revenue and debt service funds. Budget to actual statements are provided for governmental and special revenue funds with legally adopted budgets.

Other Supplementary Information for the City and Schools’ includes a Statistical Section and Schedule of Expenditures of Federal Awards

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

*Statement of Net Position*-The following table reflects condensed information for the City's net position.

<b>City of Staunton</b> <b>Summary Statements of Net Position</b> <b>June 30, 2014 and 2013</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Assets:</b>						
Current and other assets	\$ 44,361,877	\$ 43,824,223	\$ 20,089,583	\$ 20,816,094	\$ 64,451,460	\$ 64,640,317
Capital assets	<u>58,839,160</u>	<u>58,914,513</u>	<u>76,091,606</u>	<u>76,939,456</u>	<u>134,930,766</u>	<u>135,853,969</u>
Total assets	<u>103,201,037</u>	<u>102,738,736</u>	<u>96,181,189</u>	<u>97,755,550</u>	<u>199,382,226</u>	<u>200,494,286</u>
Total deferred outflows of resources	<u>441,198</u>	<u>478,396</u>	<u>90,264</u>	<u>115,410</u>	<u>531,462</u>	<u>593,806</u>
<b>Liabilities:</b>						
Long-term liabilities	39,245,427	41,594,259	24,851,339	27,380,056	64,096,766	68,974,315
Other liabilities	<u>6,166,930</u>	<u>5,827,283</u>	<u>3,879,490</u>	<u>3,737,279</u>	<u>10,046,420</u>	<u>9,564,562</u>
Total liabilities	<u>45,412,357</u>	<u>47,421,542</u>	<u>28,730,829</u>	<u>31,117,335</u>	<u>74,143,186</u>	<u>78,538,877</u>
<b>Total deferred inflows of resources</b>	<u>4,182,562</u>	<u>4,147,887</u>	<u>-</u>	<u>-</u>	<u>4,182,562</u>	<u>4,147,887</u>
<b>Net Position:</b>						
Invested in capital assets	32,253,859	31,191,108	51,946,042	51,340,872	84,199,901	82,531,980
Restricted	122,452	120,217	-	-	122,452	120,217
Unrestricted	<u>21,671,005</u>	<u>20,336,378</u>	<u>15,594,582</u>	<u>15,412,753</u>	<u>37,265,587</u>	<u>35,749,131</u>
Total net position	<u>\$ 54,047,316</u>	<u>\$ 51,647,703</u>	<u>\$ 67,540,624</u>	<u>\$ 66,753,625</u>	<u>\$ 121,587,940</u>	<u>\$ 118,401,328</u>

The City's total net position of \$121.6 million increased by 2.7%, or 3.2 million, from FY 2013.

The largest component of the City's net position (\$84.2 million or 69.3%) is the investment in capital assets (e.g. facilities, equipment, and infrastructure), net of any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources need to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Current year increase of \$1.8 million is mainly due to reductions in long term liabilities. Net investment in capital assets for business-type activities represents, in the most part, the assets of the water, sewer, and storm water utilities. Please refer to Notes 5 and 6 of this report and the MD&A's capital assets and long term debt section.

Less than 1% of the City's net position is restricted. The remaining balance of unrestricted net position (\$37.3 million or 30.7%) is used to finance day-to-day operations.

As of June 30, 2014, the City reported positive balances in net position for the City as a whole for the governmental activities and the business-type activities. The same situation held true for the prior fiscal year.



The following tables summarize the City's change in net position for the current and previous year.

**City of Staunton**  
**Changes in Net Position**  
**For the Years Ended June 30, 2014 and 2013**

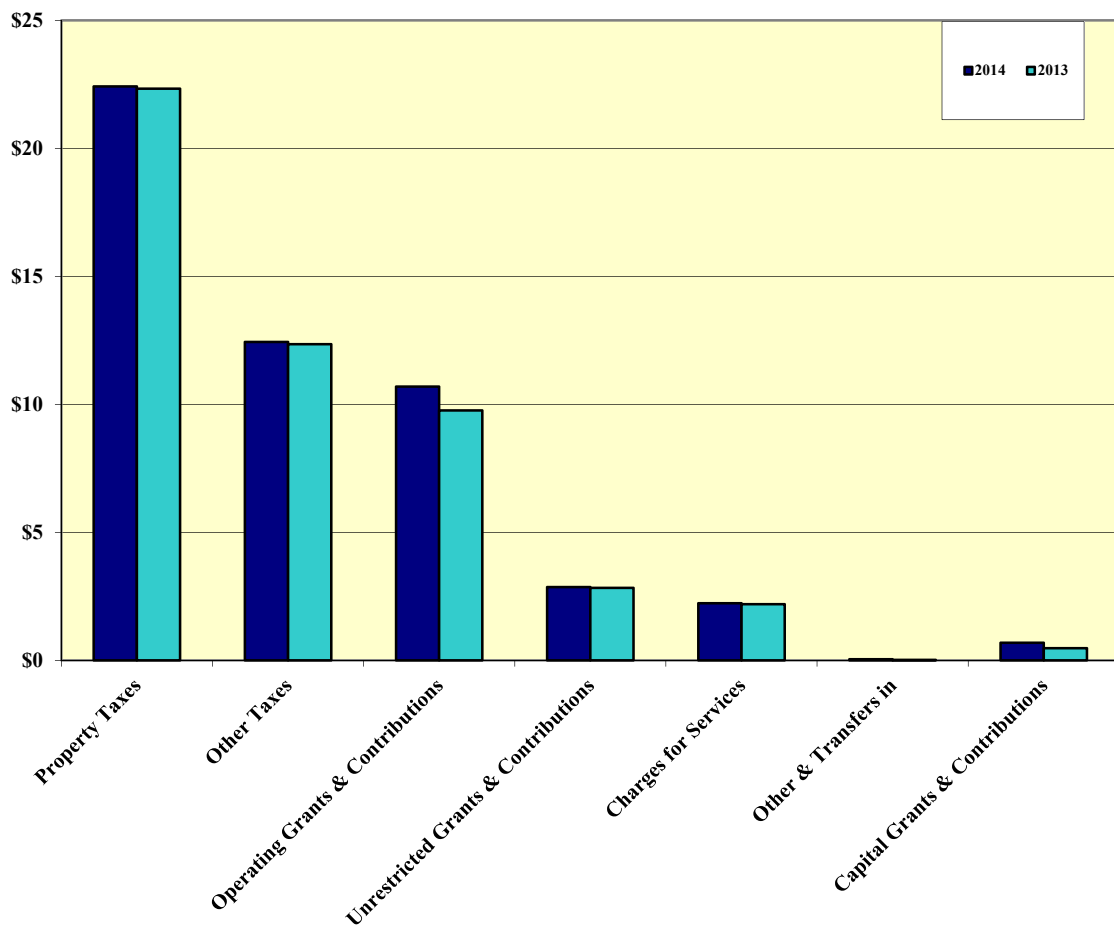
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<u>Revenues:</u>						
<u>Program Revenues</u>						
Charges for services	\$ 2,230,874	\$ 2,191,068	\$ 11,151,851	\$ 10,616,425	\$ 13,382,725	\$ 12,807,493
Operating grants and contributions	10,694,950	9,759,857	46,551	13,374	10,741,501	9,773,231
Capital grants and contributions	683,527	471,852	-	-	683,527	471,852
<u>General revenues</u>						
Property taxes	22,415,259	22,333,005	-	-	22,415,259	22,333,005
Other taxes	12,435,302	12,351,366	-	-	12,435,302	12,351,366
Unrestricted intergovernmental	2,864,597	2,827,514	-	-	2,864,597	2,827,514
Interest and investment earnings	9,621	11,370	35,432	39,790	45,053	51,160
Other	32,183	8,783	-	-	32,183	8,783
Total revenues	<u>51,366,313</u>	<u>49,954,815</u>	<u>11,233,834</u>	<u>10,669,589</u>	<u>62,600,147</u>	<u>60,624,404</u>
<u>Expenses:</u>						
General government	4,744,935	4,524,704	-	-	4,744,935	4,524,704
Judicial administration	1,750,740	1,703,187	-	-	1,750,740	1,703,187
Public safety	11,088,236	10,869,981	-	-	11,088,236	10,869,981
Public works	6,645,051	7,053,141	-	-	6,645,051	7,053,141
Health and welfare	6,075,695	5,642,143	-	-	6,075,695	5,642,143
Parks, recreation and culture	3,115,119	3,091,574	-	-	3,115,119	3,091,574
Education (includes payment to Schools)	12,136,856	11,597,335	-	-	12,136,856	11,597,335
Community Development	1,672,001	1,508,661	-	-	1,672,001	1,508,661
Interest on long-term debt	1,360,734	1,333,627	-	-	1,360,734	1,333,627
Water	-	-	3,610,302	3,595,525	3,610,302	3,595,525
Sewer	-	-	3,532,854	3,908,777	3,532,854	3,908,777
Storm Water	-	-	749,025	781,975	749,025	781,975
Environmental	-	-	2,362,161	2,478,419	2,362,161	2,478,419
Golf	-	-	158,691	167,950	158,691	167,950
Parking	-	-	411,135	421,934	411,135	421,934
Total expenses	<u>48,589,367</u>	<u>47,324,353</u>	<u>10,824,168</u>	<u>11,354,580</u>	<u>59,413,535</u>	<u>58,678,933</u>
Increase (decrease) in net position before transfers	2,776,946	2,630,462	409,666	(684,991)	3,186,612	1,945,471
Transfers	(377,333)	(224,400)	377,333	224,400	-	-
Increase (decrease) in net position	2,399,613	2,406,062	786,999	(460,591)	3,186,612	1,945,471
Net position - beginning of year, as restated	<u>51,647,703</u>	<u>49,241,641</u>	<u>66,753,625</u>	<u>67,214,216</u>	<u>118,401,328</u>	<u>116,455,857</u>
Net position - end of year	<u>\$ 54,047,316</u>	<u>\$ 51,647,703</u>	<u>\$ 67,540,624</u>	<u>\$ 66,753,625</u>	<u>\$ 121,587,940</u>	<u>\$ 118,401,328</u>

### Governmental Activities - Revenues

- The City's total revenues from governmental activities were \$51.4 million for the fiscal year ended June 30, 2014, an increase of \$1.4 million over the previous year.
- Property taxes, the largest source of general revenue, accounted for \$22.4 million or 43.6% of revenue in 2014. Property tax revenues were stable compared to 2013. Real estate rates were \$.95 per \$100 of assessed value. Personal property taxes were \$2.75 per \$100 of assessed value.
- Operating grants and contributions increased \$.9 million over FY 2013 due to increases in state funding in public safety, public works and health and welfare.
- Capital grants and contributions increased \$.2 million over FY 2013 due to increases in state funding for public works projects.

### Governmental Activities - Revenues by Source

Fiscal Years Ended June 30, 2014 and 2013  
(\$ In Millions)



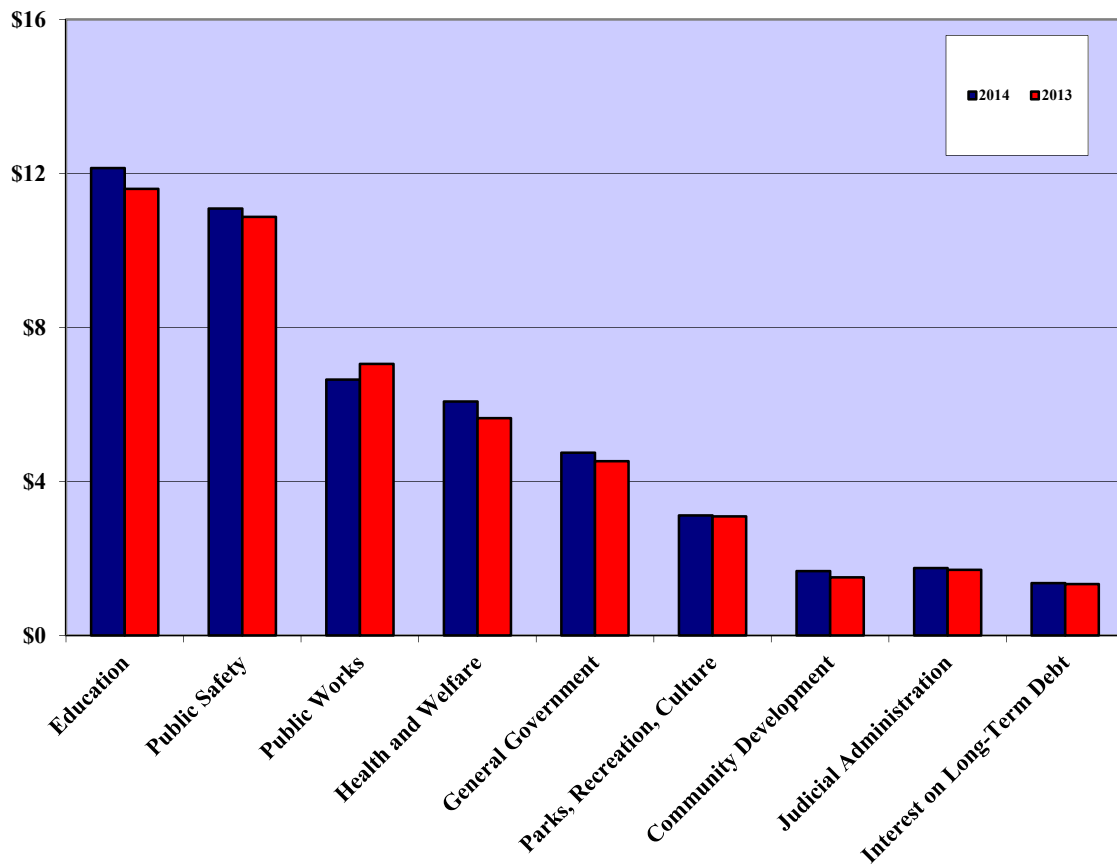
### Governmental Activities - Expenses

- The total expenses from governmental activities were \$48.6 million for the year, an increase of \$1.3 million from FY 2013.
- Education is the largest expenditure for the City at \$12.1 million or 25% of the total governmental activities. The net cost increased \$.5 million over FY 2013, due to an increase in the transfer to the School CIP fund.
- Health and welfare increased \$.4 million over FY 2013 due to an increase in the costs of social services and comprehensive services act expenditures.

### Governmental Activities - Expenses by Function

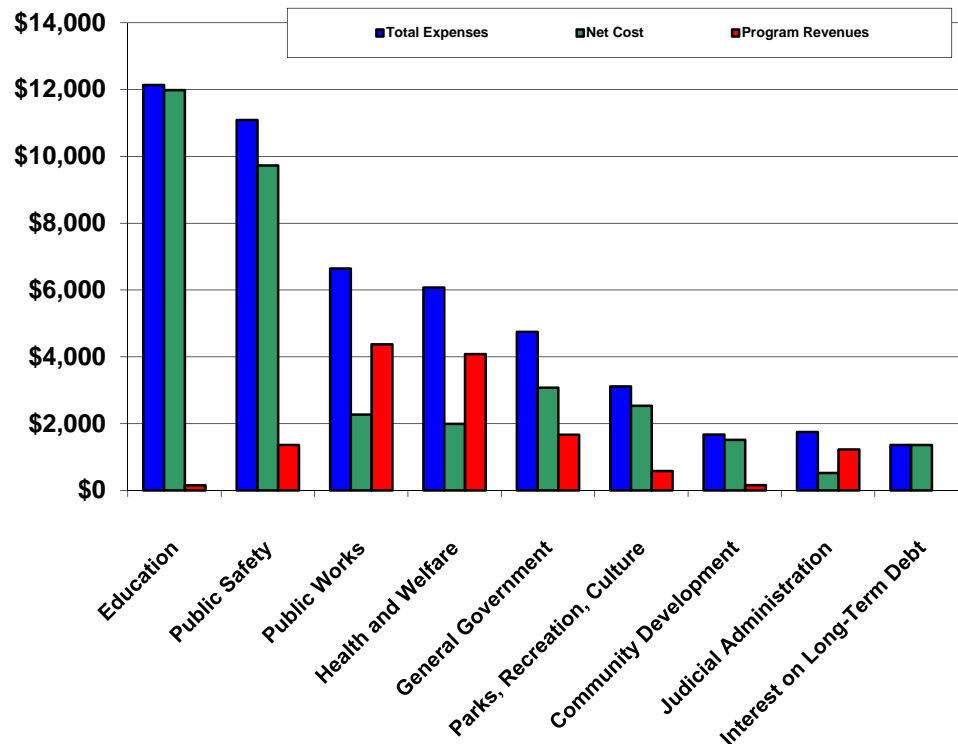
Fiscal Years Ended June 30, 2014 and 2013

(\$ In Millions)



**Governmental Activities - Expenses, Net Costs, and Program Revenues**

(\$ In Thousands)



Program revenues are those revenues directly related to the individual expenditure functions such as user fees and charges, restricted grants, and contributions. Program revenues for FY 2014 totaled \$13.6 million and general revenues totaled \$37.8 million.

The net cost of services represents the amount of tax or other revenue required to support these functions. The Education function requires the largest amount of general revenue support at 34.3%, an increase of \$.6 million from FY 2013. Public works function actually saw a decrease of \$.9 million due to state grants available to fund projects. Parks, recreation and culture increased \$.2 million because there were no capital grants available in FY 2014 to fund projects.

Net Cost of the City of Staunton's Governmental Activities					
	2014		2013		
	Total Cost	Net Cost	Total Cost	Net Cost	
Education	\$ 12,136,856	\$ 11,981,171	\$ 11,597,335	\$ 11,376,060	
Public Safety	11,088,236	9,729,257	10,869,981	9,778,173	
Public Works	6,645,051	2,270,238	7,053,141	3,149,927	
Health and Welfare	6,075,695	1,993,748	5,642,143	1,832,850	
General Government	4,744,935	3,075,570	4,524,704	3,058,405	
Parks, Recreation, Culture	3,115,119	2,534,183	3,091,574	2,322,120	
Community Development	1,672,001	1,513,162	1,508,661	1,448,424	
Judicial Administration	1,750,740	521,953	1,703,187	601,990	
Interest on Long-Term Debt	1,360,734	1,360,734	1,333,627	1,333,627	
	<b>\$ 48,589,367</b>	<b>\$ 34,980,016</b>	<b>\$ 47,324,353</b>	<b>\$ 34,901,576</b>	

## **Business-Type Activities**

1. Total program revenues of the City's business-type activities were \$11.2 million for FY 2014. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at \$11.2 million or 99.6% of total revenues for business-type activities.
2. Overall expenses of business-type activities decreased \$.5 million from FY 2013 mainly due to decrease in interest expense and payments in lieu of taxes to the general fund.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

Governmental funds include the general fund, special revenue funds, the debt service fund and the capital projects fund. 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 financial requirements. In particular, the 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.

For FY 2014, the City's governmental funds reported combined ending fund balances of \$21 million, an increase of \$.1 million over FY 2013. Of that amount \$.1 million was nonspendable, \$.1 million was restricted, \$5.8 million was committed, \$11.6 million was assigned, and \$3.4 million was unassigned. The general fund's increase in fund balance was \$.6 million. The capital project fund's increase in fund balance was \$.7 million. Debt service fund's decrease in fund balance was \$1.1 million.

### **General Fund**

The General Fund reported \$11.5 million in fund balance at year end. Of the total General Fund balance, \$3.4 million is unassigned, \$5.8 million is committed for specific purposes, and \$2.2 million is assigned.

In total, FY 2014 revenues increased \$1.7 million over FY 2013. Property tax revenues increased \$.8 million and intergovernmental revenues increased \$.7 million over FY 2013.

General Fund actual expenditures were \$43.2 million versus the revised budget totaling \$45.1 million. The contribution to the Component Unit School Board was the largest expense at \$11.8 million. Expenditure savings of \$1.9 million resulted from \$.5 million in general government administration due to professional fees and insurance costs being less than expected and technology equipment and maintenance savings; \$.3 million in public safety expenditures mainly due to fringe benefit expense savings; \$.3 million in public works savings from maintenance and capital expenditure savings, \$.2 million in health and welfare savings from adoption subsidy savings, and the balance of \$.6 million in expenditures savings resulting from judicial, parks and recreation, and community development expenditure savings.

### **Capital Projects Fund**

The City's Capital Projects Fund is used to report transactions related to the financing resources and expenditures for the acquisition or construction of capital facilities for the General Fund. Proprietary capital projects are reported in the appropriate proprietary fund. The City uses annual operating revenues of the General Fund, fund balance transfers from the General Fund, bond proceeds, or grants as resources to fund capital projects. With the exception of grant resources, the General Fund transfers funds to the Capital Projects Fund when appropriated by the governing body. The General Fund transferred \$3.1 million in FY 2014 to the City Capital Projects Fund for projects still in progress. The City updates the capital projects plan on an annual basis.

## Capital Projects in progress at June 30, 2014:

PROJECT	REVISED BUDGET - PROJECT TO DATE	FY2014 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	\$ 1,332,482	\$ -	\$ 1,229,729	\$ 102,753
COMPUTER NETWORK EQUIPMENT	95,137	-	95,137	-
FIBER LOOP PROJECT	1,188,591	7,726	1,188,591	-
FIRE TRUCK RESERVE	604,383	408,164	886,973	(282,590)
RADIO NARROWBAND	550,000	32,755	434,607	115,393
REGIONAL JAIL RESERVE	4,876,286	844,171	4,288,988	587,298
REGIONAL ANIMAL SHELTER	100,000	-	-	100,000
STREET IMPROVEMENT PROJECTS	605,250	106,188	555,977	49,273
URBAN STREET CONSTRUCTION 2% MATCH	658,931	-	465,395	193,536
BOWLING STREET BRIDGE	335,592	-	335,592	-
HAILE STREET BRIDGE	322,955	-	322,955	-
MONTGOMERY AVENUE ROAD EXTENSION PROJECT	837,241	574,670	813,729	23,512
SEARS HILL BRIDGE	170,875	-	170,874	1
SHELBURNE SAFE ROUTE TO SCHOOL	171,000	94,395	100,360	70,640
MCSWAIN SAFE ROUTE TO SCHOOL	409,505	63,715	64,710	344,795
STATLER/RICHMOND RD PROJ	50,000	-	-	50,000
RICHMOND RD/GREENVILLE AVE	35,000	-	-	35,000
CENTRAL AVE STREETSCAPE	1,212,830	8,505	33,650	1,179,180
STATE ROUTE 1426	2,110,000	115,925	115,925	1,994,075
NEW SIDEWALKS	100,000	-	-	100,000
BESSIE WELLER SAFE ROUTE TO SCHOOL	1,192	1,192	1,192	-
RICHMOND RD/COCHRAN PARKWAY	2,300,000	-	-	2,300,000
MECHANICAL SYSTEMS	241,981	-	218,538	23,443
LIBRARY FACILITY STUDY	40,000	34,075	34,075	5,925
FIRE STATION ROOF	845,000	54,094	70,875	774,125
BLUE RIDGE COMMUNITY COLLEGE	279,801	27,170	277,278	2,523
LEE HIGH SCHOOL PROJECT	400,000	-	-	400,000
BOOKER T BUILDING	266,818	-	262,603	4,215
MONTGOMERY HALL SOCCER FIELDS	166,272	2,338	165,878	394
FIELD HOUSE PROJECT	32,607	7,162	32,607	-
GHP POOL RENOVATIONS	500,000	476,185	485,535	14,465
LAKE TAMS PROJECT	400,000	-	-	400,000
GHP DUCK POND PROJECT	230,000	-	-	230,000
CORRIDOR OVERLAY INCENTIVES	25,000	-	-	25,000
ECONOMIC DEVELOPMENT RESERVE	1,243,811	1,972	1,213,602	30,209
WESTERN STATE DEVELOPMENT	595,434	-	595,434	-
ENTERPRISE ZONE PROGRAM	360,521	35,676	57,500	303,021
STANTON CROSSING DEVELOPMENT	100,000	83,473	83,473	16,527
FRONTIER CULTURE PROJECT	100,000	81,076	81,076	18,924
VISITORS CENTER	80,000	-	-	80,000
Transfer to school CIP	275,000	-	-	275,000
TOTALS	\$ 24,249,495	\$ 3,060,627	\$ 14,682,858	\$ 9,566,637

## General Fund Budgetary Highlights

City Council revised the total FY 2014 City Budget two times during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - \$396,279. This amendment appropriated \$265,927 from prior year funds for the balance of grant programs and mandated state program carry-over funds for programs not completed at the end of FY 2013 and \$130,352 in additional grants and donations.
- Budget Amendment Number 2 - \$2,668,552. This amendment appropriated \$2,230,000 from the prior year unassigned fund balance to be transferred to the Capital Improvements Fund for projects approved in the CIP plan. The amendment also included additional appropriations of \$438,552 made up of \$281,100 for additional costs of social service programs, \$22,759 in additional state grant funds, \$24,310 for insurance recoveries for damaged property, and \$110,383 for recovered costs from other entities for repairs.

## CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2014 amounts to \$134.9 million (net of depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Total net capital assets are \$58.8 million for the governmental activities, and \$76.1 million for the business-type activities.

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

- \$1.2 million for vehicles and equipment and \$.8 million in new roads and crosswalks.

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

- \$1.9 million of construction in progress, utility lines and equipment were added to capital assets. Depreciation expense totaled \$2.9 million resulting in a net decrease of approximately \$1 million to capital assets during FY 2014.

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

### City of Staunton Capital Assets Net of Depreciation

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 4,730,337	\$ 1,991,300	\$ 6,721,637	\$ 4,730,337	\$ 1,991,300	\$ 5,642,952
Landfill	-	1,552,123	1,552,123	-	1,625,436	1,683,638
Buildings	28,117,703	31,449,148	59,566,851	28,871,494	32,401,824	58,699,998
Improvements	1,075,242	880,182	1,955,424	669,722	938,644	5,555,832
Equipment	3,926,299	3,227,785	7,154,084	3,329,062	2,941,702	6,217,545
Infrastructure	20,596,680	35,977,530	56,574,210	20,865,426	36,552,709	59,400,203
Construction in Progress	392,899	1,013,538	1,406,437	448,472	487,841	1,281,099
<b>Total</b>	<b>\$ 58,839,160</b>	<b>\$ 76,091,606</b>	<b>\$ 134,930,766</b>	<b>\$ 58,914,513</b>	<b>\$ 76,939,456</b>	<b>\$ 138,481,267</b>

**DEBT ADMINISTRATION**

- The City of Staunton maintains an Aa3 bond rating from Moody's Investor Service, affirmed December 2006, and AA- from Standard and Poor's which was upgraded from A+ through a rating update review process May 2014.
- The *Code of Virginia* limits the amount of general obligation debt the City may issue to ten percent of its total assessed taxable value of real estate which is \$178.8 million for the City. The City currently has bonds payable of \$65.6 million. The current legal margin for creating additional debt for the City of Staunton is \$113.2 million.
- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

**City of Staunton Outstanding Debt**

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>General Obligation Bonds</b>	\$ 28,074,301	\$ 1,723,328	\$ 29,797,629	\$ 29,596,293	\$ 2,332,853	\$ 31,929,146
<b>Virginia Revolving Loan</b>	-	23,469,544	23,469,544	-	25,312,470	25,312,470
<b>Literary Loans</b>	12,850,000	-	12,850,000	13,800,000	-	13,800,000
<b>Total</b>	<u>\$ 40,924,301</u>	<u>\$ 25,192,872</u>	<u>\$ 66,117,173</u>	<u>\$ 43,396,293</u>	<u>\$ 27,645,323</u>	<u>\$ 71,041,616</u>



## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- The FY 2015 general fund budget was adopted at \$48.2 million, an increase of \$1.1 million over the \$47.1 million budget for FY 2014.
- No tax rate increases are proposed for FY 2015. The January 1, 2014 taxable real estate reassessment reflected an increase of 0.3%, a gain of \$5,655,070 in market value for the City's taxable real estate base. The market values continue to increase during 2015 with an expected 2.5% increase in taxable value for January 1, 2015. Personal property taxes continue to increase with a budget increase of 4% expected for 2015.
- Funding from the Commonwealth constitutes 23% of the total budget and will increase \$237,494 over FY 2014, from \$10,852,160 to \$11,089,654. Most of the increase is for constitutional offices at \$41,736 and street and highway maintenance at \$128,477.
- A 3% cost of living adjustment for all full-time and part-time employees will be effective October 3, 2014. The General Fund increase for wages and benefits for FY 2015 is \$776,885. The City added five new positions in the FY 2015 General Fund budget for general administration and public works. A new position was added for the finance department for upcoming federal health care management and reporting requirements, one position for information technology, and a public communications position for the City Manager's office. Two new positions were added to the street department in public works to maintain and manage storm water facilities as required by the new storm water regulations. One new position was added for the Community Services Grant Fund as the result of a new grant awarded to the City. Thus, the total FTE count is 285 full-time employees, an increase of six positions.
- The General Fund budgeted transfer to the City and School Capital Improvement Funds decreased for FY 2015. The operating budget transfers \$.8 million from operating revenues, which is 42% less than the original budgeted amount for FY 2014. A budget amendment was approved to add \$4.5 million to the City Capital Improvements Fund for FY 2015 that includes projects funded from a grant and an appropriation from unreserved fund balance.
- The General Fund transfer to the Debt Service Sinking Fund increased 6.8% or \$163,227 from 2014. The City will reduce its total outstanding debt \$5.0 million in 2015.
- The General Fund transfer to the Education Fund increased 5.6%, or \$616,100, mainly to fund an average 3% pay increase for school employees.
- The City's water, sewer and refuse rates did not increase for FY 2015.
- As of September 2014, the unemployment rate for the City of Staunton is 5.4%. Staunton's rate is slightly higher than the state's average unemployment rate of 5.2% and slightly below the national average of 5.7%.

All these factors were considered in preparing the FY 2015 budget to finance the cost of programs and services provided to citizens.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

# **BASIC FINANCIAL STATEMENTS**

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## CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION  
June 30, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 20,795,033	\$ 4,971,933	\$ 25,766,966	\$ 4,922,930	\$ 78,877
Investments (Note 2)	1,180,380	7,219,616	8,399,996	-	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 10)	4,605,249	-	4,605,249	-	-
Accounts	708,790	1,658,790	2,367,580	272,790	52,343
Interest	10,864	27,968	38,832	-	-
Internal balances (Note 4)	342,853	(342,853)	-	-	-
Due from other governmental units (Note 3)	1,707,934	8,357	1,716,291	1,946,263	-
Due from component unit (Note 15)	14,000,000	-	14,000,000	-	-
Inventory (Note 15)	231,586	-	231,586	-	14,000,000
Prepaid items	166,464	-	166,464	-	-
Loans receivable (Note 14)	-	3,281,785	3,281,785	-	-
Restricted assets: (Notes 2, 11)					
Cash and cash equivalents	612,724	3,263,987	3,876,711	95,232	-
Capital assets: (Note 5)					
Nondepreciable	5,123,236	3,004,838	8,128,074	236,000	799,748
Depreciable, net	53,715,924	73,086,768	126,802,692	7,747,006	7,627,966
<b>Total assets</b>	<b>103,201,037</b>	<b>96,181,189</b>	<b>199,382,226</b>	<b>15,220,221</b>	<b>22,558,934</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charges on refunding	441,198	90,264	531,462	-	-
<b>LIABILITIES</b>					
Accounts payable	1,274,850	581,181	1,856,031	775,300	127,328
Retainage payable	14,458	30,740	45,198	-	-
Accrued liabilities	1,038,448	284,288	1,322,736	2,495,842	-
Due to primary government (Note 15)	-	-	-	-	14,000,000
Unearned revenue (Note 1)	-	10,667	10,667	-	-
Amounts held for others	556,981	-	556,981	728	-
Deposits payable	7,000	250,667	257,667	-	-
Noncurrent liabilities: (Note 6)					
Due within one year	3,275,193	2,721,947	5,997,140	139,213	-
Due in more than one year	39,245,427	24,851,339	64,096,766	203,099	-
<b>Total liabilities</b>	<b>45,412,357</b>	<b>28,730,829</b>	<b>74,143,186</b>	<b>3,614,182</b>	<b>14,127,328</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned revenue-property taxes (Note 10)	4,182,562	-	4,182,562	-	-
<b>NET POSITION</b>					
Net investment in capital assets	32,253,859	51,946,042	84,199,901	7,983,006	8,427,714
Restricted for:					
Programs	111,252	-	111,252	95,232	-
Donor purposes	11,200	-	11,200	18,688	-
Unrestricted	21,671,005	15,594,582	37,265,587	3,509,113	3,892
<b>Total net position</b>	<b>\$ 54,047,316</b>	<b>\$ 67,540,624</b>	<b>\$ 121,587,940</b>	<b>\$ 11,606,039</b>	<b>\$ 8,431,606</b>

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

**CITY OF STAUNTON, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 4,744,935	\$ 1,412,822	\$ 256,543	\$ -
Judicial administration	1,750,740	166,051	1,062,736	-
Public safety	11,088,236	317,028	941,826	100,125
Public works	6,645,051	-	3,791,411	583,402
Health and welfare	6,075,695	-	4,081,947	-
Education	12,136,856	-	155,685	-
Parks, recreation, and culture	3,115,119	315,569	265,367	-
Community development	1,672,001	19,404	139,435	-
Interest on long-term debt	1,360,734	-	-	-
Total governmental activities	48,589,367	2,230,874	10,694,950	683,527
Business-type activities:				
Water	3,610,302	3,585,873	5,000	-
Sewer	3,532,854	3,976,217	-	-
Storm Water	749,025	743,975	31,703	-
Environmental	2,362,161	2,413,253	9,848	-
Golf	158,691	136,528	-	-
Parking	411,135	296,005	-	-
Total business-type activities	10,824,168	11,151,851	46,551	-
Total primary government	\$ 59,413,535	\$ 13,382,725	\$ 10,741,501	\$ 683,527
<b>Component Units:</b>				
School Board	\$ 30,608,225	\$ 1,181,159	\$ 9,861,035	\$ 75,601
Economic Development Authority	531,442	33,859	150,020	-
Total component units	\$ 31,139,667	\$ 1,215,018	\$ 10,011,055	\$ 75,601

## General revenues:

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

## Total general revenues and transfers

Change in net position  
Net position - beginning of year, as adjusted (Note 19)  
Net position - end of year

Net (Expenses) Revenues and Changes in Net Position			Component Units	
Primary Government				
Governmental Activities	Business-Type Activities	Total	School Board	Economic Development Authority
\$ (3,075,570)		\$ (3,075,570)		
(521,953)		(521,953)		
(9,729,257)		(9,729,257)		
(2,270,238)		(2,270,238)		
(1,993,748)		(1,993,748)		
(11,981,171)		(11,981,171)		
(2,534,183)		(2,534,183)		
(1,513,162)		(1,513,162)		
(1,360,734)		(1,360,734)		
(34,980,016)		(34,980,016)		
-	\$ (19,429)	(19,429)		
-	443,363	443,363		
-	26,653	26,653		
-	60,940	60,940		
-	(22,163)	(22,163)		
-	(115,130)	(115,130)		
-	374,234	374,234		
(34,980,016)	374,234	(34,605,782)		
			\$ (19,490,430)	\$ -
			-	(347,563)
			(19,490,430)	(347,563)
22,415,259		22,415,259	-	-
3,760,505		3,760,505	-	-
3,266,696		3,266,696	-	-
2,092,817		2,092,817	-	-
1,127,910		1,127,910	-	-
1,406,473		1,406,473	-	-
780,901		780,901	-	-
9,621	35,432	45,053	1,875	7
		-		
2,864,597		2,864,597	8,871,630	-
32,183		32,183	-	-
-		-	11,400,035	-
(377,333)	377,333	-	-	-
37,379,629	412,765	37,792,394	20,273,540	7
2,399,613	786,999	3,186,612	783,110	(347,556)
51,647,703	66,753,625	118,401,328	10,822,929	8,779,162
\$ 54,047,316	\$ 67,540,624	\$ 121,587,940	\$ 11,606,039	\$ 8,431,606

## CITY OF STAUNTON, VIRGINIA

BALANCE SHEET –  
GOVERNMENTAL FUNDS

June 30, 2014

	General	Capital Projects	Nonmajor Governmental	Total Governmental
<b>Assets</b>				
Cash and cash equivalents	\$ 10,944,675	\$ 7,077,103	\$ 2,298,351	\$ 20,320,129
Investments	1,180,380	-	-	1,180,380
Receivables (net of allowances for uncollectibles):				
Taxes	4,605,249	-	-	4,605,249
Accounts	683,941	-	3,000	686,941
Interest	10,619	245	-	10,864
Due from other governmental units	1,570,920	125,079	11,935	1,707,934
Due from other funds	342,853	-	-	342,853
Prepaid items	95,561	-	60,999	156,560
Restricted assets:				
Cash and cash equivalents	605,724	-	-	605,724
Customer deposits	7,000	-	-	7,000
<b>Total assets</b>	<u>\$ 20,046,922</u>	<u>\$ 7,202,427</u>	<u>\$ 2,374,285</u>	<u>\$ 29,623,634</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,073,285	\$ 82,586	\$ 8,828	\$ 1,164,699
Retainage payable	-	14,458	-	14,458
Accrued liabilities	351,090	-	13,002	364,092
Amounts held for others	556,981	-	-	556,981
Deposits payable	7,000	-	-	7,000
<b>Total liabilities</b>	<u>1,988,356</u>	<u>97,044</u>	<u>21,830</u>	<u>2,107,230</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<u>6,523,354</u>	<u>245</u>	<u>4,000</u>	<u>6,527,599</u>
<b>Fund Balances</b>				
Nonspendable	95,561	-	-	95,561
Restricted	122,452	-	-	122,452
Committed	5,777,532	-	-	5,777,532
Assigned	2,152,899	7,105,138	2,348,455	11,606,492
Unassigned	3,386,768	-	-	3,386,768
<b>Total fund balances</b>	<u>11,535,212</u>	<u>7,105,138</u>	<u>2,348,455</u>	<u>20,988,805</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 20,046,922</u>	<u>\$ 7,202,427</u>	<u>\$ 2,374,285</u>	<u>\$ 29,623,634</u>

## CITY OF STAUNTON, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2014**

Total Fund Balances - Governmental Funds \$ 20,988,805

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

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

Governmental capital assets	\$ 120,178,375	
Less: accumulated depreciation	<u>(61,410,074)</u>	
		58,768,301

Deferred gain on refunding, discounts and premiums  
are reported as expenditures or revenues in the governmental funds, but are  
amortized over the life of the debt obligation in the statement of net position:

Bond discounts (to be amortized as interest expense)	\$ 121,801	
Deferred amount on refunding (to be amortized as interest expense)	<u>441,198</u>	
		562,999

Internal service funds are used by management to charge the cost of  
certain activities to individual funds. The assets and liabilities of the  
internal service funds are included in governmental activities in the  
statement of net position.

698,951

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

Due from EDA	\$ 14,000,000	
Hotel rent	16,667	
Interest	10,864	
Miscellaneous reimbursement	58,614	
Real estate taxes	<u>2,258,892</u>	
		16,345,037

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

General obligation bonds	\$ (28,196,102)	
Literary fund loans	(12,850,000)	
Accrued interest payable	(679,989)	
Claims payable	(54,532)	
Compensated absences	<u>(1,536,154)</u>	
		<u>(43,316,777)</u>

Total Net Position - Governmental Activities	<u><u>\$ 54,047,316</u></u>
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## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2014**

	General	Capital Projects	Nonmajor Governmental	Total Governmental
<b>Revenues</b>				
General property taxes	\$ 22,544,761	\$ -	\$ -	\$ 22,544,761
Other local taxes	12,434,702	-	-	12,434,702
Permits, privilege fees, and regulatory licenses	157,536	-	-	157,536
Fines and forfeitures	102,876	-	-	102,876
Revenues from use of money and property	73,679	4,932	182	78,793
Charges for services	1,457,110	-	164,925	1,622,035
Miscellaneous	112,683	-	20,817	133,500
Recovered costs	490,765	-	-	490,765
Intergovernmental:				
Federal	1,121,956	202,898	189,919	1,514,773
Commonwealth	11,040,219	481,504	611,957	12,133,680
City of Staunton School Board	-	-	355,000	355,000
<b>Total revenues</b>	<b>49,536,287</b>	<b>689,334</b>	<b>1,342,800</b>	<b>51,568,421</b>
<b>Expenditures</b>				
Current:				
General government administration	4,612,315	-	-	4,612,315
Judicial administration	1,741,001	-	-	1,741,001
Public safety	9,123,605	844,171	954,136	10,921,912
Public works	5,360,060	107,380	-	5,467,440
Health and welfare	6,063,427	-	-	6,063,427
Education	11,753,000	27,170	-	11,780,170
Parks, recreation, and cultural	3,087,373	10,744	9,800	3,107,917
Community development	1,498,063	202,197	78,405	1,778,665
Capital projects	-	1,868,965	-	1,868,965
Debt service:				
Principal retirement	-	-	2,466,353	2,466,353
Interest and fiscal charges	-	-	1,372,263	1,372,263
<b>Total expenditures</b>	<b>43,238,844</b>	<b>3,060,627</b>	<b>4,880,957</b>	<b>51,180,428</b>
Excess (deficiency) of revenues over expenditures	6,297,443	(2,371,293)	(3,538,157)	387,993
<b>Other financing sources (uses)</b>				
Transfers in	-	3,052,170	2,405,308	5,457,478
Transfers out	(5,681,878)	-	-	(5,681,878)
<b>Total other financing sources (uses)</b>	<b>(5,681,878)</b>	<b>3,052,170</b>	<b>2,405,308</b>	<b>(224,400)</b>
Net change in fund balance	615,565	680,877	(1,132,849)	163,593
Fund balance - beginning of year	10,919,647	6,424,261	3,481,304	20,825,212
Fund balance - end of year	<u>\$ 11,535,212</u>	<u>\$ 7,105,138</u>	<u>\$ 2,348,455</u>	<u>\$ 20,988,805</u>

## CITY OF STAUNTON, VIRGINIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

Net changes in fund balances - Governmental Funds \$ 163,593

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

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

Depreciation	\$ (2,768,303)	
Capital expenditures	<u>2,696,348</u>	(71,955)

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

Property taxes	(129,502)
Interest	236
Miscellaneous revenue	10,123

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

GO bond and literary loan payments	2,466,353
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Governmental funds report interest on long term debt as expenditures when payments are made, while the statement of activities reports interest expense on the accrual basis.

43,088

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

Compensated absences and claims payable	(82,137)
Amortization of bond discount, deferred amount, and bond premium	(31,559)

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

31,373

Change in net position - Governmental Activities	<u><u>\$ 2,399,613</u></u>
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## CITY OF STAUNTON, VIRGINIA

## STATEMENT OF NET POSITION – PROPRIETARY FUNDS

June 30, 2014

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 1,692,347	\$ 1,415,488	\$ 1,331,455	\$ 324,481	\$ 208,162	\$ 4,971,933	\$ 474,904
Investments	2,754,114	2,400,285	-	2,065,217	-	7,219,616	-
Receivable:							
Accounts (net of allowance for uncollectibles)	521,068	645,378	111,839	364,076	16,429	1,658,790	21,849
Interest	10,044	10,320	-	7,604	-	27,968	-
Due from other governmental units	-	-	8,357	-	-	8,357	-
Inventory	-	-	-	-	-	-	231,586
Prepaid items	-	-	-	-	-	-	9,904
Restricted assets:							
Cash and cash equivalents	1,235,716	8,339	50,000	1,966,011	3,921	3,263,987	-
Total current assets	6,213,289	4,479,810	1,501,651	4,727,389	228,512	17,150,651	738,243
Noncurrent assets:							
Loans receivable	-	3,281,785	-	-	-	3,281,785	-
Capital assets:							
Nondepreciable	826,170	189,025	344,080	586,620	1,058,943	3,004,838	-
Depreciable, net	20,722,044	35,774,012	9,150,003	2,864,851	4,575,858	73,086,768	70,859
Total capital assets, net	21,548,214	35,963,037	9,494,083	3,451,471	5,634,801	76,091,606	70,859
Total noncurrent assets	21,548,214	39,244,822	9,494,083	3,451,471	5,634,801	79,373,391	70,859
<b>Total assets</b>	27,761,503	43,724,632	10,995,734	8,178,860	5,863,313	96,524,042	809,102
<b>Deferred outflows of resources</b>							
Deferred charge on refunding	90,264	-	-	-	-	90,264	-
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	119,171	220,019	91,365	147,499	3,127	581,181	110,151
Retainage payable	23,521	-	7,219	-	-	30,740	-
Accrued liabilities	108,229	134,309	1,489	25,849	14,412	284,288	-
Unearned revenue	-	-	-	-	10,667	10,667	-
Deposits payable	196,746	-	50,000	-	3,921	250,667	-
Due to other funds	-	-	-	316,181	26,672	342,853	-
Debt, current	580,370	1,450,697	-	310,100	202,148	2,543,315	-
Landfill closure/postclosure	-	-	-	43,785	-	43,785	-
Compensated absences	75,904	8,978	2,142	47,823	-	134,847	-
Total current liabilities	1,103,941	1,814,003	152,215	891,237	260,947	4,222,343	110,151
Noncurrent liabilities:							
Debt	7,268,264	14,170,213	-	-	1,211,080	22,649,557	-
Landfill closure/postclosure	-	-	-	2,133,488	-	2,133,488	-
Compensated absences	14,808	3,932	2,752	46,802	-	68,294	-
Total noncurrent liabilities	7,283,072	14,174,145	2,752	2,180,290	1,211,080	24,851,339	-
<b>Total liabilities</b>	8,387,013	15,988,148	154,967	3,071,527	1,472,027	29,073,682	110,151
<b>Net Position</b>							
Net investment in capital assets	14,738,549	20,350,466	9,494,083	3,141,371	4,221,573	51,946,042	70,859
Unrestricted	4,726,205	7,386,018	1,346,684	1,965,962	169,713	15,594,582	628,092
<b>Total net position</b>	\$ 19,464,754	\$ 27,736,484	\$ 10,840,767	\$ 5,107,333	\$ 4,391,286	\$ 67,540,624	\$ 698,951

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-Type Activities – Enterprise Funds						Governmental Activities –
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	Internal Service
<b>OPERATING REVENUES</b>							
Parking fines	\$ -	\$ -	\$ -	\$ -	\$ 35,744	\$ 35,744	\$ -
Charges for services	3,484,468	3,962,161	743,975	2,336,913	383,695	10,911,212	977,675
Rental of property	64,787	-	-	-	4,061	68,848	-
Operating grants	5,000	-	31,703	9,848	-	46,551	-
Miscellaneous	28,153	14,056	-	3,088	28	45,325	-
Total operating revenues	3,582,408	3,976,217	775,678	2,349,849	423,528	11,107,680	977,675
<b>OPERATING EXPENSES</b>							
Personal services	528,579	418,957	65,467	776,102	151,180	1,940,285	-
Fringe benefits	501,731	77,538	31,104	306,680	36,241	953,294	-
Rental of property	2,870	1,150	-	-	5,100	9,120	4,338
Repairs and maintenance	226,082	49,218	-	31,064	2,514	308,878	-
Contractual services	272,810	1,129,967	39,504	455,481	14,262	1,912,024	25,924
Materials and supplies	233,334	72,908	2,806	175,214	16,417	500,679	29,837
Depreciation	847,158	1,140,032	447,360	284,311	172,587	2,891,448	3,398
Utilities	158,074	9,832	-	2,413	33,516	203,835	199
Other expenses	532,720	219,828	162,784	261,905	72,002	1,249,239	882,753
Landfill closure/post-closure	-	-	-	58,925	-	58,925	-
Total operating expenses	3,303,358	3,119,430	749,025	2,352,095	503,819	10,027,727	946,449
Operating income (loss)	279,050	856,787	26,653	(2,246)	(80,291)	1,079,953	31,226
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	11,364	8,319	554	15,115	80	35,432	147
Interest and fiscal charges	(306,944)	(519,939)	-	(10,066)	(66,007)	(902,956)	-
Gain on disposal of assets	8,465	-	-	73,252	9,005	90,722	-
Debt service recovery	-	106,515	-	-	-	106,515	-
Total nonoperating revenues (expenses)	(287,115)	(405,105)	554	78,301	(56,922)	(670,287)	147
Income (loss) before transfers and capital contributions	(8,065)	451,682	27,207	76,055	(137,213)	409,666	31,373
Capital Contributed from governmental fund activities	-	-	152,933	-	-	152,933	-
Transfers in	-	-	-	-	224,400	224,400	-
Change in net position	(8,065)	451,682	180,140	76,055	87,187	786,999	31,373
Total net position - beginning of year, as adjusted	19,472,819	27,284,802	10,660,627	5,031,278	4,304,099	66,753,625	667,578
Total net position - end of year	\$ 19,464,754	\$ 27,736,484	\$ 10,840,767	\$ 5,107,333	\$ 4,391,286	\$ 67,540,624	\$ 698,951

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
<b>OPERATING ACTIVITIES</b>							
Cash received from customers	\$ 3,603,524	\$ 4,012,062	\$ 753,850	\$ 2,306,642	\$ 417,309	\$ 11,093,387	\$ 969,771
Cash paid to suppliers	(1,409,259)	(1,411,673)	(205,144)	(952,643)	(143,630)	(4,122,349)	(829,620)
Cash paid to employees for services	(1,030,255)	(491,573)	(93,824)	(1,064,736)	(187,085)	(2,867,473)	-
Operating grants received	-	-	23,346	9,848	-	33,194	-
Net cash provided by operating activities	1,164,010	2,108,816	478,228	299,111	86,594	4,136,759	140,151
<b>NONCAPITAL FINANCING ACTIVITIES</b>							
Transfer from investment account	-	-	-	250,000	-	250,000	-
Transfers from other funds	-	-	-	-	224,400	224,400	-
Interfund borrowing	-	-	-	37,261	5,399	42,660	-
Net cash provided by noncapital financing activities	-	-	-	287,261	229,799	517,060	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(1,408,568)	(141,896)	(99,208)	(277,393)	-	(1,927,065)	-
Principal paid on long-term debt	(510,876)	(1,388,402)	-	(299,700)	(195,001)	(2,393,979)	-
Interest paid on long-term debt	(335,965)	(441,879)	-	(12,652)	(65,953)	(856,449)	-
Return of capital grants	-	-	(25,000)	-	-	(25,000)	-
Proceeds from sale of capital assets	8,465	-	-	79,356	9,005	96,826	-
Collection of loans receivable	-	267,656	-	-	-	267,656	-
Net cash used by capital and related financing activities	(2,246,944)	(1,704,521)	(124,208)	(510,389)	(251,949)	(4,838,011)	-
<b>INVESTING ACTIVITIES</b>							
Interest received	3,386	526	554	8,827	80	13,373	147
Net cash provided by investing activities	3,386	526	554	8,827	80	13,373	147
Net increase (decrease) in cash and cash equivalents	(1,079,548)	404,821	354,574	84,810	64,524	(170,819)	140,298
<b>CASH AND CASH EQUIVALENTS</b>							
Beginning of year	4,007,611	1,019,006	1,026,881	2,205,682	147,559	8,406,739	334,606
End of year	\$ 2,928,063	\$ 1,423,827	\$ 1,381,455	\$ 2,290,492	\$ 212,083	\$ 8,235,920	\$ 474,904
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	\$ 1,692,347	\$ 1,415,488	\$ 1,331,455	\$ 324,481	\$ 208,162	\$ 4,971,933	\$ 474,904
Restricted -cash and cash equivalents	1,235,716	8,339	50,000	1,966,011	3,921	3,263,987	-
Total	\$ 2,928,063	\$ 1,423,827	\$ 1,381,455	\$ 2,290,492	\$ 212,083	\$ 8,235,920	\$ 474,904

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

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>							
Operating income (loss)	\$ 279,050	\$ 856,787	\$ 26,653	\$ (2,246)	\$ (80,291)	\$ 1,079,953	\$ 31,226
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	847,158	1,140,032	447,360	284,311	172,587	2,891,448	3,398
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	21,949	35,845	(3,482)	(33,359)	(3,518)	17,435	(7,904)
Increase in prepaid items	-	-	-	-	-	-	(4,826)
Decrease in inventory	-	-	-	-	-	-	27,997
Increase (decrease) in accounts payable	16,631	71,230	(50)	17,219	182	105,212	90,260
Increase in accrued liabilities	2,128	1,792	321	7,896	335	12,472	-
Decrease in unearned revenue	-	-	-	-	(1,200)	(1,200)	-
Increase (decrease) in deposits payable	(833)	-	5,000	-	(1,501)	2,666	-
Increase (decrease) in compensated absences	(2,073)	3,130	2,426	10,150	-	13,633	-
Increase in landfill closure/postclosure liabilities	-	-	-	15,140	-	15,140	-
Net cash provided by operating activities	<u>\$ 1,164,010</u>	<u>\$ 2,108,816</u>	<u>\$ 478,228</u>	<u>\$ 299,111</u>	<u>\$ 86,594</u>	<u>\$ 4,136,759</u>	<u>\$ 140,151</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets from governmental activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,933</u>	<u>\$ -</u>

## CITY OF STAUNTON, VIRGINIA

## STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	OPEB Trust Fund
<b>ASSETS</b>	
Assets held in trust, at fair value	
Investment in pooled funds	\$ 1,006,729
Total assets	<u>1,006,729</u>
<b>NET POSITION</b>	
Held in trust for other post-employment benefits	1,006,729
Total net position	<u><u>\$ 1,006,729</u></u>

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended June 30, 2014**

	OPEB Trust Fund
	<hr/>
<b>ADDITIONS/REDUCTIONS</b>	
Contributions from employer	\$ 198,000
Investment income	
Net appreciation in fair value of investments	92,311
Less investment expenses	<u>(1,424)</u>
Net investment income	<u>90,887</u>
Total Additions	<u>288,887</u>
 Change in net position	 288,887
 Total Net Position Held in Trust for Other Post-employment Benefits - beginning of year	 <u>717,842</u>
Total Net Position Held in Trust for Other Post-employment Benefits - end of year	<u><u>\$ 1,006,729</u></u>



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies**

The City of Staunton, Virginia (the “City”), is named for Lady Stanton, wife of Governor Gooch. The City was initially established as a town in 1761, and later incorporated as a city by an act of the Virginia General Assembly in 1871. The City has an area of 19.98 square miles and a population of approximately 24,350. The City provides a full range of municipal services, including general government administration, public safety and judicial administration, education, health and welfare services, recreation, planning and community development, and water, sewer, and refuse utilities. The City is a political subdivision of the Commonwealth of Virginia and operates under the Council-Manager form of government. Staunton was the first city in the United States to utilize this form of government.

**A. The Financial Reporting Entity**

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

**City of Staunton School Board**

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

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

**Staunton Economic Development Authority**

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**A. The Financial Reporting Entity (Continued)**

**Related organizations:**

The City also participates in the following entities:

**Augusta Regional Landfill**

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

**Middle River Regional Jail Authority**

The City, in conjunction with the City of Waynesboro and the County of Augusta, participates in the Middle River Regional Jail Authority. Capital and operating costs are allocated annually based on the percentage of prisoners from each member jurisdiction over the previous three calendar years. In accordance with the service agreement, the Authority has divided its charges to member jurisdictions into an operating component and a debt service component. The City paid the Authority \$1,544,171 for the current year. This entity is not included in the City's financial statements.

**B. Government-wide and Fund Financial Statements**

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

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

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

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

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

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

The City reports the following major governmental funds:

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

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

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

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

**Debt Service Funds** are used to account for resources and payments made for principal and interest on long-term general obligation debt of governmental funds. The City has established the Debt Service Fund for this purpose.

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

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

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

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

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

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

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

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

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

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

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

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**Cash and Cash Equivalents**

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

**Investments**

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

**Receivables and Allowance for Uncollectible Accounts**

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

General Fund (property taxes)	\$ 588,109
General Fund (other local taxes)	3,776
Water Fund (charges for services)	38,772
Sewer Fund (charges for services)	61,473
Stormwater Fund (charges for services)	25,991
Parking Fund (charges for services)	1,070
Environmental Fund (charges for services)	26,013
	<hr/>
	\$ 745,204
	<hr/>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)**

**Inventory**

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

**Prepaid Items**

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

**Capital Assets**

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

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

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

Interest incurred during the construction phase of capital assets of business type activities is included as part of the capitalized value of assets constructed. During FY 2014, the enterprise funds incurred interest costs of \$902,956 of which \$20,696 was capitalized.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements that present financial position report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditures) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position and the enterprise funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized life of the refunded debt.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has one item that qualifies for reporting in this category. The item, unavailable revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 45 days of year end and collection in the current fiscal year of property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide statement of net position, unearned revenue is reported for collection in the current fiscal year of property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are earned.

**Compensated Absences**

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

School Board employees on twelve-month contracts earn vacation leave based on length of service and are entitled to compensation for such upon resignation or retirement. Twelve-month personnel can carry over an unlimited number of accumulated vacation leave days to a succeeding fiscal year. However, upon termination, the maximum payout is 15 days. Additionally, all School Board employees may accrue unlimited days of sick leave at the rate of one day per month of employment. Upon retirement, those employees with at least ten years of service, with the previous five consecutive years having been with the School Board, and that are qualified to retire under the terms of the Virginia Retirement System, are compensated for all days of accumulated sick leave at the rate of \$20.00 per day.

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)**

**Unearned Revenue**

In the Golf Fund, unearned revenue consists of membership fees which apply to subsequent periods.

**Long-Term Obligations**

In the government-wide financial statements (and proprietary fund types in the fund financial statements), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Encumbrances**

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

**Net Position**

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

The golf fund had negative net position totaling \$61,409 at June 30, 2014 as a result of costs exceeding fees charged. The deficit is expected to be recovered by an increase in fees.



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)**

**Fund Balance Policies**

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

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

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

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

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

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

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)**

**Fund Balance Policies (Continued)**

Stabilization Arrangement:

City Council has formally adopted by resolution a requirement to establish and maintain a safety net reserve equal to a minimum of \$5,777,532 or 12% of the subsequent fiscal year's adopted expenditure budget for the general fund and all other major operating funds, including water, sewer, stormwater, and environmental. In the adopted resolution, the safety net reserve is to be reported as committed fund balance. The safety net reserve at June 30, 2014 for the general fund is \$5,777,532. Circumstances allowing the use of the safety net reserve include:

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

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

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

**Estimates**

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 2. Deposits and Investments**

Deposits:

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

Investments:

*Investment policy*

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

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

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 2. Deposits and Investments (Continued)**

*Investment policy (Continued)*

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

Investment Type	Fair Value	S & P Credit Rating
<b><u>Primary Government</u></b>		
Money Market Funds	\$ 2,610,784	Not Rated
State, Municipal and Authority Bonds	2,427,086	AA- to AAA
Federal Agency Bonds and Notes	3,312,430	AA+
Corporate Bonds/Notes	1,945,497	AA- to AA+
Local Government Investment Pool (LGIP)	776,681	AAAm
VA State Non-Arbitrage Program (SNAP)	<u>1,081,709</u>	AAAm
Total primary government	12,154,187	
<b><u>Component Unit School Board</u></b>		
Money Market Funds	95,232	Not Rated
Local Government Investment Pool (LGIP)	<u>570,970</u>	AAAm
Total Component Unit School Board	<u>666,202</u>	
Grand total	<u>\$ 12,820,389</u>	

**Credit Risk:**

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 2. Deposits and Investments (Continued)**

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Percent of Total Portfolio</u>
Local Government Investment Pool (LGIP)	10.51%
VA State Non-Arbitrage Program (SNAP)	8.44%
Union First Market Money Market	15.53%
Federal Farm Credit Bank	5.17%
Federal Home Loan Bank	7.57%
Federal Home Loan Mortgage Corp	9.11%
First American Government Obligations Fund Money Market	5.58%

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 2. Deposits and Investments (Continued)**

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

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

Investment Type	Fair Value	Weighted Average Maturity (years)
Money Market Funds	\$ 2,706,016	N/A
State, Municipal, and Authority Bonds	2,427,086	.08
Federal Agency Notes and Bonds	3,312,430	1.51
Corporate Bonds/Notes	1,945,497	.91
Local Government Investment Pool (LGIP)	1,347,651	N/A
Virginia State Non-Arbitrage Pool (SNAP)	1,081,709	N/A
	<u>\$ 12,820,389</u>	

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

	Primary Government	Component Units	
		School Board	EDA
Deposits and investments:			
Cash on hand	\$ 9,155	\$ -	\$ -
Deposits	25,880,331	4,351,960	78,877
Investments	12,154,187	666,202	-
	<u>\$ 38,043,673</u>	<u>\$ 5,018,162</u>	<u>\$ 78,877</u>
Statement of net position:			
Cash and cash equivalents	\$ 25,766,966	\$ 4,922,930	\$ 78,877
Investments	8,399,996	-	-
Restricted-cash and cash equivalents	3,876,711	95,232	-
	<u>\$ 38,043,673</u>	<u>\$ 5,018,162</u>	<u>\$ 78,877</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 3. Due From Other Governmental Units**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Business-type Activities- Stormwater</u>	<u>Component Unit – School Board</u>
Commonwealth of Virginia	<u>\$ 1,570,920</u>	<u>\$ 125,079</u>	<u>\$ 11,935</u>	<u>\$ 8,357</u>	<u>\$ 1,946,263</u>

**Note 4. Interfund Transfers and Obligations**

**Primary Government:**

Transfers Out	Transfers In			
	Capital Projects Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Total
General Fund	\$ 3,052,170	\$ 2,405,308	\$ 224,400	\$ 5,681,878

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

**Component Unit School Board:**

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>Education Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Education fund	\$ -	\$ 342,791	\$ 342,791
Nonmajor governmental funds	84,213	-	84,213
Total	<u>\$ 84,213</u>	<u>\$ 342,791</u>	<u>\$ 427,004</u>

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

**Interfund Advances:**

The General Fund has a receivable in the amount of \$316,181 from the Environmental Fund and \$26,672 from the Golf Fund for advances to cover cash deficits. These advances are expected to be collected in the subsequent year.

In the School Board Component Unit, the Education Fund has a receivable in the amount of \$792,679 from the State Operated Programs Fund for an advance to cover a cash deficit. The advance is expected to be collected in the subsequent year when grant reimbursements are received.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 5. Capital Assets**

**Primary Government:**

Capital asset activity for the primary government is as follows:

	Balance June 30, 2013, As adjusted (Note 19)	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not depreciated:				
Land (including easements)	\$ 4,730,337	\$ -	\$ -	\$ 4,730,337
Construction in progress	448,472	1,879,864	1,935,437	392,899
Total capital assets, not depreciated	5,178,809	1,879,864	1,935,437	5,123,236
Capital assets, depreciated:				
Buildings	12,896,168	134,858	-	13,031,026
Improvements	2,444,694	485,116	-	2,929,810
School assets*	28,585,080	-	-	28,585,080
Equipment	13,101,368	1,285,293	245,262	14,141,399
Infrastructure	55,749,327	846,654	-	56,595,981
Total capital assets, depreciated	112,776,637	2,751,921	245,262	115,283,296
Less accumulated depreciation for:				
Buildings	5,248,340	288,708	-	5,537,048
Improvements	1,985,414	69,001	-	2,054,415
School assets*	7,010,222	704,651	-	7,714,873
Equipment	9,913,056	593,941	245,262	10,261,735
Infrastructure	34,883,901	1,115,400	-	35,999,301
Total accumulated depreciation	59,040,933	2,771,701	245,262	61,567,372
Total capital assets, depreciated, net	53,735,704	(19,780)	-	53,715,924
Total capital assets, net, governmental activities	\$ 58,914,513	\$ 1,860,084	\$ 1,935,437	\$ 58,839,160

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



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 5. Capital Assets (Continued)**

**Primary Government: (Continued)**

	Balance June 30, 2013, as adjusted (Note 19)	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not depreciated:				
Land (including easements)	\$ 1,991,300	\$ -	\$ -	\$ 1,991,300
Construction in progress	487,841	719,209	193,512	1,013,538
Total capital assets, not depreciated	2,479,141	719,209	193,512	3,004,838
Capital assets, depreciated:				
Landfill	3,562,415	-	32,021	3,530,394
Buildings	42,373,158	8,896	-	42,382,054
Improvements	2,202,705	-	-	2,202,705
Equipment	11,076,278	680,270	149,850	11,606,698
Utility lines	56,738,962	844,789	-	57,583,751
Total capital assets, depreciated	115,953,518	1,533,955	181,871	117,305,602
Less accumulated depreciation				
Landfill	1,936,979	73,313	32,021	1,978,271
Buildings	9,971,334	961,572	-	10,932,906
Improvements	1,264,061	58,462	-	1,322,523
Equipment	8,134,576	388,085	143,748	8,378,913
Utility lines	20,186,253	1,419,968	-	21,606,221
Total accumulated depreciation	41,493,203	2,901,400	175,769	44,218,834
Total capital assets, depreciated, net	74,460,315	(1,367,445)	6,102	73,086,768
Total capital assets, net, business-type activities	\$ 76,939,456	\$ (648,236)	\$ 199,614	\$ 76,091,606

Additions to accumulated depreciation of business-type activities differ from depreciation expense for business-type activities due to the transfer of a fully depreciated asset from the general fund to the environmental fund in the amount of \$9,952.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 5. Capital Assets (Continued)**

**Component Unit – School Board**

Capital asset activity for the Component Unit – School Board is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Component Unit – School Board:				
Capital assets, not depreciated:				
Land	\$ 236,000	\$ -	\$ -	\$ 236,000
Total capital assets, not depreciated	<u>236,000</u>	<u>-</u>	<u>-</u>	<u>236,000</u>
Capital assets, depreciated:				
Buildings	39,899,965	-	-	39,899,965
Improvements	695,880	48,700	-	744,580
School assets allocated to the City*	(28,585,080)	-	-	(28,585,080)
Equipment	<u>5,726,669</u>	<u>333,844</u>	<u>8,202</u>	<u>6,052,311</u>
Total capital assets, depreciated	<u>17,737,434</u>	<u>382,544</u>	<u>8,202</u>	<u>18,111,776</u>
Less accumulated depreciation				
Buildings	12,485,741	874,625	-	13,360,366
Improvements	336,955	21,491	-	358,446
School assets allocated to the City*	(7,010,222)	(704,651)	-	(7,714,873)
Equipment	<u>3,965,835</u>	<u>403,198</u>	<u>8,202</u>	<u>4,360,831</u>
Total accumulated depreciation	<u>9,778,309</u>	<u>594,663</u>	<u>8,202</u>	<u>10,364,770</u>
Total capital assets, depreciated, net	<u>7,959,125</u>	<u>(212,119)</u>	<u>-</u>	<u>7,747,006</u>
Total capital assets, net	<u>\$ 8,195,125</u>	<u>\$ (212,119)</u>	<u>\$ -</u>	<u>\$ 7,983,006</u>

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 5. Capital Assets (Continued)**

**Component Unit – EDA**

Capital asset activity for the Component Unit – EDA is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Component Unit – EDA:				
Capital assets, not depreciated:				
Land	\$ 799,748	\$ -	\$ -	\$ 799,748
Capital assets, depreciated:				
Buildings	8,305,640	-	-	8,305,640
Equipment	2,002,896	-	-	2,002,896
Total capital assets, depreciated	10,308,536	-	-	10,308,536
Less accumulated depreciation				
Buildings	1,327,042	172,787	-	1,499,829
Equipment	1,044,926	135,815	-	1,180,741
Total accumulated depreciation	2,371,968	308,602	-	2,680,570
Total capital assets, depreciated, net	7,936,568	(308,602)	-	7,627,966
Total capital assets, net	\$ 8,736,316	\$ (308,602)	\$ -	\$ 8,427,714

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 5. Capital Assets (Continued)**

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

Governmental activities:

General government administration	\$ 103,963
Judicial administration	14,323
Public safety	321,507
Public works	1,408,625
Health and welfare	11,062
Education	704,651
Parks, recreation, and culture	199,604
Community development	<u>4,568</u>
Total depreciation expense – governmental	<u><u>\$ 2,768,303</u></u>

Business-type activities:

Water	\$ 847,158
Sewer	1,140,032
Stormwater	447,360
Environmental	284,311
Golf	32,138
Parking	<u>140,449</u>
Total depreciation expense – business-type	<u><u>\$ 2,891,448</u></u>

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

Instruction	\$ 410,273
Administration, attendance and health	802
Pupil transportation	115,576
School food service	52,479
Operation and maintenance	<u>15,533</u>
Total depreciation expense – School Board	<u><u>\$ 594,663</u></u>

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

Community Development	<u>\$ 308,602</u>
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**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6. Long-Term Debt**

The following is a summary of long-term debt transactions (including current amounts):

**Primary Government:**

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Governmental activities:					
General obligation debt:					
General obligation bonds	\$ 29,712,455	\$ -	\$ 1,516,353	\$ 28,196,102	\$ 1,550,449
Literary fund loans	13,800,000	-	950,000	12,850,000	950,000
	43,512,455	-	2,466,353	41,046,102	2,500,449
Less unamortized discount	(132,070)	-	(10,269)	(121,801)	(10,196)
Plus unamortized premium	15,908	-	15,908	-	-
Total general obligation debt	43,396,293	-	2,471,992	40,924,301	2,490,253
Other liabilities:					
Compensated absences	1,435,283	878,770	774,257	1,539,796	777,899
Claims payable	76,996	103,575	124,048	56,523	7,041
Total other liabilities	1,512,279	982,345	898,305	1,596,319	784,940
Total governmental activities long-term debt	\$ 44,908,572	\$ 982,345	\$ 3,370,297	\$ 42,520,620	\$ 3,275,193

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6. Long-Term Debt (Continued)**

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loans	\$ 24,674,856	\$ -	\$ 1,899,278	\$ 22,775,578	\$ 1,971,703
General obligation bonds	2,224,802	-	494,701	1,730,101	512,819
	26,899,658	-	2,393,979	24,505,679	2,484,522
Plus unamortized premium	796,809	-	64,620	732,189	64,621
Less unamortized discount	(51,144)	-	(6,148)	(44,996)	(5,828)
Total bonds and loans payable	27,645,323	-	2,452,451	25,192,872	2,543,315
Other liabilities:					
Landfill closure/postclosure liability	2,162,133	58,925	43,785	2,177,273	43,785
Compensated absences	189,508	148,479	134,846	203,141	134,847
Total other liabilities	2,351,641	207,404	178,631	2,380,414	178,632
Total business-type activities long-term debt	\$ 29,996,964	\$ 207,404	\$ 2,631,082	\$ 27,573,286	\$ 2,721,947

**Component Unit – School Board**

Other liabilities:					
OPEB obligation	\$ 120,000	\$ -	\$ 120,000	\$ -	\$ -
Compensated absences	360,703	103,491	121,882	342,312	139,213
Total Component Unit School Board long-term debt	\$ 480,703	\$ 103,491	\$ 241,882	\$ 342,312	\$ 139,213

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6. Long-Term Debt (Continued)**

Details of long-term indebtedness are as follows:

	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Governmental Activities	Business-Type Activities
<u>General Obligation Bonds:</u>						
2008 GO Bonds (Landfill projects)	3.47%	10/2008	10/2014	\$ 1,700,000	\$ -	\$ 310,100
2005 CIP Bonds (City and School Improvement projects)	3.43%	06/2005	02/2025	4,600,000	3,013,464	-
2007 GO Refunding & CIP Bonds (Refunding Water GO bonds and golf course improvements)	3.50-4.25%	01/2007	02/2034	10,600,000	9,485,000	510,000
1997A School Construction Bonds (Bessie Weller Elementary)	4.35-5.225%	11/1997	01/2017	2,000,000	400,000	-
1997B School Construction Bonds (Bessie Weller Elementary)	4.35-5.225%	11/1997	01/2017	4,211,116	958,638	-
1998 Parking Garage Bonds (New Street Parking Garage)	4.20%	12/1998	06/2019	3,000,000	-	910,001
2012 GO Bonds (Staunton Crossing)	2.21%	10/2012	10/2027	10,000,000	9,618,000	-
2013 GO Bonds (Staunton Crossing)	2.58%	01/2013	01/2028	5,000,000	4,721,000	-
					<u>\$ 28,196,102</u>	<u>\$ 1,730,101</u>
<u>Literary Fund Loans :</u>						
2002 Bessie Weller Elem renovations	4.00%	02/2002	03/2022	4,000,000	\$ 1,600,000	\$ -
2008 McSwain Elem renovations	3.00%	08/2008	08/2028	7,500,000	5,625,000	-
2008 Ware Elem renovations	3.00%	08/2008	08/2028	7,500,000	5,625,000	-
					<u>\$ 12,850,000</u>	<u>\$ -</u>
<u>Virginia Revolving Loan Funds:</u>						
Middle River Wastewater Phase I improvements	4.50%	02/1996	08/2015	6,510,767	\$ -	\$ 724,882
Middle River Wastewater Phase II improvements	3.50%	09/2001	03/2021	6,411,399	-	2,811,017
Middle River Wastewater Phase IIIA improvements	3.00%	01/2008	03/2030	9,309,033	-	7,987,856
Middle River Wastewater Phase IIIB improvements	3.00%	09/2008	03/2030	2,066,747	-	1,775,697
2009A Refunding Bonds	1.125%-5.125%	06/2009	10/2021	4,150,000	-	2,830,000
2010A VRA Water and Sewer CIP projects	2.78%-5.2%	06/2010	10/2030	7,080,000	-	6,345,000
New Hope Road Industrial Park	3.85%	03/2002	09/2021	629,734	-	301,126
					<u>\$ -</u>	<u>\$ 22,775,578</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 6. Long-Term Debt (Continued)**

Annual debt service requirements to maturity are as follows:

Year Ending June 30,	<b>Governmental Activities</b>			
	General Obligation Bonds		Literary Fund Loans	
	Principal	Interest	Principal	Interest
2015	\$ 1,550,449	\$ 886,985	\$ 950,000	\$ 401,500
2016	1,596,046	833,054	950,000	371,000
2017	1,877,195	776,106	950,000	340,500
2018	1,927,922	713,819	950,000	310,000
2019	1,627,366	658,164	950,000	279,500
2020-2024	8,872,691	2,548,945	4,350,000	948,000
2025-2029	7,614,433	1,241,568	3,000,000	315,000
2030-2034	3,130,000	408,551	750,000	22,500
	<u>\$ 28,196,102</u>	<u>\$ 8,067,192</u>	<u>\$ 12,850,000</u>	<u>\$ 2,988,000</u>
Year Ending June 30,	<b>Business-Type Activities</b>			
	General Obligation Bonds		Virginia Revolving Loan	
	Principal	Interest	Principal	Interest
2015	\$ 512,819	\$ 63,091	\$ 1,971,703	\$ 823,520
2016	215,617	49,213	1,793,726	748,025
2017	224,109	39,997	1,605,443	684,654
2018	232,893	30,412	1,665,103	622,902
2019	129,663	20,401	1,730,705	556,766
2020-2024	115,000	77,399	6,616,658	1,907,974
2025-2029	135,000	52,201	5,608,177	925,675
2030-2034	165,000	21,639	1,784,063	70,353
	<u>\$ 1,730,101</u>	<u>\$ 354,353</u>	<u>\$ 22,775,578</u>	<u>\$ 6,339,869</u>



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan**

Plan Description

The City contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System (the "System"). All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has a different eligibility and benefit structure as set out below:

**VRS PLAN 1**

**About VRS Plan 1** – VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

**Hybrid Opt-In Election** – VRS non-hazardous duty covered plan members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan. Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan were not eligible to elect the Hybrid Retirement Plan and remain as plan members or ORP.

**Retirement Contributions** – Members contribute up to 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5.00% member contribution; all employees will be paying the full 5.00% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

**Creditable Service** – Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

Plan Description (Continued)

**VRS PLAN 1 (Continued)**

**Vesting** – Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.

**Calculating the Benefit** – The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement. An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

**Average Final Compensation** – A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier** – The retirement multiplier is a factor used in the formula to determine a final retirement benefit. 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 of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.

**Normal Retirement Age** – Age 65.

**Earliest Unreduced Retirement Eligibility** – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years of creditable service or at age 50 with at least 30 years of creditable service. Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

**Earliest Reduced Retirement Eligibility** – Members may retire with a reduced benefit as early as age 55 with at least five years of creditable service or age 50 with at least 10 years of creditable service.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

Plan Description (Continued)

**VRS PLAN 1 (Continued)**

**Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 3.00% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4.00%) up to a maximum COLA of 5.00%.

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

Plan Description (Continued)

**VRS PLAN 1 (Continued)**

**Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.70% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**Purchase of Prior Service** – Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**VRS PLAN 2**

VRS Plan 2 is the same as VRS Plan 1 except for the following:

Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

**Average Final Compensation** – A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

**Service Retirement Multiplier** – For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.

**Normal Retirement Age** – Normal Social Security retirement age.

**Earliest Unreduced Retirement Eligibility** – Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

**Earliest Reduced Retirement Eligibility** – Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

Plan Description (Continued)

**VRS PLAN 2 (Continued)**

**Cost-of-Living Adjustment (COLA) in Retirement** – The Cost-of-Living Adjustment (COLA) matches the first 2.00% increase in the CPI-U and half of any additional increase (up to 2.00%), for a maximum COLA of 3.00%.

**Disability Coverage** – Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**HYBRID RETIREMENT PLAN**

The Hybrid Retirement Plan is the same as VRS Plan 1 except for the following:

**About the Hybrid Retirement Plan** – The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window.

- The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

**Eligible Members** – Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees.\*
- School division employees.
- Political subdivision employees.\*
- Judges appointed or elected to an original term on or after January 1, 2014.
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 – April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.

\*Non-Eligible Members

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

Plan Description (Continued)

**HYBRID RETIREMENT PLAN (Continued)**

**Eligible Members – (Continued)**

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS).
- Members of the Virginia Law Officers' Retirement System (VaLORS).
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**Retirement Contributions** – A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

**Creditable Service**

**Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

**Defined Contribution Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

**Vesting**

**Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

Plan Description (Continued)

**HYBRID RETIREMENT PLAN (Continued)**

**Creditable Service (Continued)**

**Defined Contribution Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make. Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

**Calculating the Benefit**

**Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

**Average Final Compensation** – Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

**Service Retirement Multiplier** – The retirement multiplier is 1.00%. For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

**Normal Retirement Age**

**Defined Benefit Component:** Same as VRS Plan 2.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

Plan Description (Continued)

**HYBRID RETIREMENT PLAN (Continued)**

**Earliest Unreduced Retirement Eligibility**

**Defined Benefit Component:** Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years of creditable service or when their age and service equal 90.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving  
**Earliest Reduced Retirement Eligibility**

**Defined Benefit Component:** Members may retire with a reduced benefit as early as age 60 with at least five years of creditable service.

**Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**Cost-of-Living Adjustment (COLA) in Retirement**

**Defined Benefit Component:** Same as VRS Plan 2.

**Defined Contribution Component:** Not applicable.

**Disability Coverage** – Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement. Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

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/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Funding Policy**

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. Effective July 1, 2012, the employee began paying their 5% share. Also, effective July 1, 2012, the City and School Board provided a salary increase of 5.7% to cover this increase in cost to the employee. In addition, the City and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The City's contribution rate for the fiscal year ended 2014 was 17.67% of annual covered payroll. The School Board's contribution rate for the fiscal year ended 2014 was 12.18% of annual covered payroll of non-professional employees.

The School Board contribution rate for fiscal year 2014 was 11.66% of annual covered payroll for professional employees. The School Board required contributions to the teacher cost-sharing pool were \$2,026,955 for fiscal year 2014, \$1,892,351 for fiscal year 2013, and \$1,433,158 for fiscal year 2012. In each year, the School Board contributed 100% of the required contributions.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost**

For fiscal year 2014, City's annual pension cost of \$2,181,044 was equal to the City's required and actual contributions. The School Board's annual pension cost of \$109,427 was equal to the School Board's required and actual contributions.

Three-Year Trend Information			
<b>Primary Government</b>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$2,265,447	100%	\$-
June 30, 2013	\$2,112,125	100%	\$-
June 30, 2014	\$2,181,044	100%	\$-
<b>School Board (non-professional employees)</b>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$95,633	100%	\$-
June 30, 2013	\$100,280	100%	\$-
June 30, 2014	\$109,427	100%	\$-

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% 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. 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.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 7. Defined Benefit Pension Plan (Continued)**

**Funded Status and Funding Progress**

For the City employees, as of June 30, 2013, the most recent actuarial valuation date, the plan was 62.97% funded. The actuarial accrued liability for benefits was \$69,544,178, and the actuarial value of assets was \$43,794,521, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,749,657. The covered payroll (annual payroll of active employees covered by the plan) was \$11,940,967, and ratio of the UAAL to the covered payroll was 215.64%.

For the School Board non-professional employees, as of June 30, 2013, the most recent actuarial valuation date, the plan was 78.83% funded. The actuarial accrued liability for benefits was \$4,282,336, and the actuarial value of assets was \$3,375,579, resulting in an unfunded actuarial accrued liability (UAAL) of \$906,757. The covered payroll (annual payroll of active employees covered by the plan) was \$802,007, and ratio of the UAAL to the covered payroll was 113.06%.

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

**Note 8. Other Post-Employment Benefits**

The City and the School Board provide other post-employment benefits (OPEB) including health insurance. Retirees benefit from a lower insurance rate as a result of inclusion in the plan with active City and School Board employees. This lower rate results in an implicit rate subsidy that qualifies as an OPEB, as defined by GASB Statement No. 45.

The City and School Board recognize the cost of the retiree health subsidy during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the City and School Board. This funding methodology mirrors the funding approach used for pension benefits. The legal authority to establish a trust fund to fund OPEB was provided by the Virginia General Assembly and Governor in March 2007. Accordingly, the City has established a joint trust fund with the School Board to fund the cost of OPEB.

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 8. Other Post-Employment Benefits (Continued)**

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

Plan Description

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

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

Current year health insurance claims are paid out of current City and School Board funds. The difference between the actuarial calculated annual required contribution and the current year claims is contributed to the trust.

Funding Policy-City

The contribution requirements of the City healthcare plan members and City are established and may be amended by the City Council. During fiscal year 2013, the City paid approximately 93% of subscriber only coverage, 82% of subscriber plus child coverage, 76% of subscriber plus children coverage, 74% of subscriber plus spouse coverage, and 77% of family coverage. The retiree is required to pay the remaining amount.

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the City's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2014, the City contributed \$480,000 to the City's healthcare plan for health insurance and contributed \$15,000 to the Virginia Pooled OPEB Trust. The contribution to the trust and the City contributions to the healthcare plan combine to fully fund the annual required contribution (ARC) of \$495,000 for fiscal year 2014. It is the City's intent to fully fund the ARC each year.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 8. Other Post-Employment Benefits (Continued)**

Funding Policy-School Board

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

GASB Statement No. 45 requires recognition of the current expense of OPEB based on the School Board's annual required contribution, but does not require funding of the related liability. For the fiscal year ended June 30, 2014, the School Board contributed \$234,000 to the School Board's healthcare plan for health insurance and contributed \$63,000 to the Virginia Pooled OPEB Trust. The contribution to the trust and contributions to the healthcare plan combine to fully fund the annual required contribution of \$297,000 for fiscal year 2014. It is the School Board's intent to fully fund the annual required contribution each year.

Annual OPEB Cost

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

The City and School Board's annual OPEB cost, amounts contributed to the plan, and changes in the net OPEB Obligation for fiscal year 2014 is as follows:

	Primary Government	Component Unit – School Board
Annual Required Contribution (ARC)	\$ 495,000	\$ 297,000
Interest on Net OPEB Obligation	-	-
Net OPEB Obligation Adjustment	-	-
Annual OPEB Cost	495,000	297,000
Actual Contribution	(495,000)	(417,000)
Increase (decrease) in net OPEB Obligation	-	(120,000)
Net OPEB Obligation July 1, 2013	-	120,000
Net OPEB Obligation, June 30, 2014	\$ -	\$ -

During FY13, the City withdrew \$120,000 from the trust not realizing that it would create a net OPEB obligation. The total was repaid to the trust during FY14, eliminating the net OPEB obligation.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 8. Other Post-Employment Benefits (Continued)**

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b>Primary Government</b>			
June 30, 2012	\$ 490,000	100%	\$ -
June 30, 2013	\$ 495,000	100%	\$ -
June 30, 2014	\$ 495,000	100%	\$ -
<b>Component Unit – School Board</b>			
June 30, 2012	\$ 596,000	100%	\$ -
June 30, 2013	\$ 297,000	100%	\$ 120,000
June 30, 2014	\$ 297,000	100%	\$ -

**Funded Status and Funding Progress**

As of July 1, 2013, the most recent actuarial valuation date, the City's OPEB plan was 6% funded. The actuarial accrued liability for benefits was \$6,306,000 and the actuarial value of assets was \$390,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,916,000. The covered payroll (annual payroll of active employees covered by the City plan) was \$11,179,000, and the ratio of the UAAL to the covered payroll was 53%.

As of July 1, 2013, the most recent actuarial valuation date, the School Board's OPEB plan was 10.9% funded. The actuarial accrued liability for benefits was \$3,010,000 and the actuarial value of assets was \$328,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,682,000. The covered payroll (annual payroll of active employees covered by the School Board plan) was \$12,820,000, and the ratio of the UAAL to the covered payroll was 20.9%.

**Actuarial Valuations**

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 8. Other Post-Employment Benefits (Continued)**

Actuarial Methods and Assumptions

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

For both the City and the School Board, the ARC for fiscal year 2014 was determined as part of the July 1, 2011 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions used in the valuation include:

- a. A rate of return on the investment of present and future assets of 7.5% per year with an inflation rate of 2.5%.
- b. An annual healthcare cost trend rate of 9% initially, which decreases at a rate of .5% per year until an ultimate rate of 5% is reached.
- c. The UAAL for the City is being amortized as a level percentage of payroll on an open basis over 30 years. The remaining amortization period at June 30, 2011 is 30 years. The UAAL for the School Board is being amortized as a level percentage of payroll on an open basis over 20 years. The remaining amortization period at June 30, 2011 is 20 years.

**Note 9. Commitments and Contingencies**

State and Federal Programs:

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

Legal Matters:

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 9. Commitments and Contingencies (Continued)**

EDA Commitments

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

In June, 2014, the EDA entered into an agreement with a developer concerning the property at the intersection of US Route 250, Cochran Parkway, and South Frontier Drive. This agreement included an economic development grant equal to a percentage share of the incremental increase in taxes generated for sixteen fiscal years commencing with the beginning of the fiscal year in which the City approves the first occupancy permit for new building construction on the property. To fund this grant, the EDA entered into a contribution agreement with the City evidencing the City's conditional obligation to provide the Authority sums to fund the Grant portion of the development agreement. The source of City funds shall be incremental taxes generated by the development of the property.

Construction and Other Significant Commitments including Encumbrances

The City has entered into construction contracts, which include several water, sewer and storm water related projects as well as street related projects. As of June 30, the City had outstanding construction contracts totaling \$736,381 that will be financed from operating funds and bond issue proceeds. Other significant commitments include the encumbrances outstanding for the general fund and nonmajor funds as shown below.

	<u>Construction Commitments</u>	<u>Encumbrances</u>
Water fund	\$ 474,089	\$ -
Sewer Fund	26,340	-
Stormwater fund	51,292	-
General fund	-	596,332
CIP Fund	184,660	48,699
Nonmajor funds	-	2,727
	<u>\$ 736,381</u>	<u>\$ 647,758</u>



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 10. General Property Taxes**

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

Real estate taxes are billed in semiannual installments, 75% due June 20 and 25% due December 5. For the current fiscal year the real estate taxes budgeted for and reported as revenue in the fund financial statements include those assessed as of January 1, 2013 and due December 5, 2013 as well as the portion of the January 1, 2014 assessment due June 20, 2014, less an allowance for uncollectibles and less taxes not collected within 45 days of year end plus collections of previously delinquent taxes. The tax rate for the January 1, 2012 and 2013 levies was \$.90 per \$100 of assessed value. The tax rate for the January 1, 2014 levy was \$.95 per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2014 and due December 5, 2014, are reflected in the accompanying financial statements as a receivable and are offset by deferred inflows of resources, in the amount of \$2,019,009, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2014 are also included in deferred inflows of resources, in the amount of \$2,163,553 since they are not intended to finance the current fiscal year.

The City levies personal property taxes on motor vehicles and tangible personal business property. These levies are assessed as of January 1 and are due December 5. During fiscal year 2014, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2013 assessment due December 5, 2013, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The 2013 tax rate for machinery and tools was \$1.24 per \$100 of assessed value. The 2013 tax rate for all other personal property was \$2.75 per \$100 of assessed value.

**Note 11. Restricted Assets**

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

	Governmental Activities	Business Type Activities	Component Unit School Board
Health reserve funds	\$ 65,151	\$ -	\$ 95,232
Health reserve funds held for others	540,573	-	-
Customer deposits	7,000	250,667	-
Unspent bond proceeds	-	1,047,309	-
Landfill sinking fund	-	1,966,011	-
Total	<u>\$ 612,724</u>	<u>\$ 3,263,987</u>	<u>\$ 95,232</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 12. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during 2014. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended levels.

As of June 1, 2003, the City discontinued its self-insured worker's compensation arrangement and began insurance coverage with the Virginia Municipal League. As of June 30, 2014, the City still retains a liability related to workers compensation claims outstanding at the time of the policy change. The City will reimburse VML as needed for claims payments on these old outstanding claims in excess of any reinsurance amounts. The City has not established a separately funded reserve for such claims. The portion currently due and payable is \$1,991 and is reported in the General Fund. Changes in the claims liability amount in fiscal years 2012, 2013 and 2014 were as follows:

<u>Year Ended June 30,</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2012	\$ 85,715	\$ -	\$ 10,064	\$ 75,651
2013	\$ 75,651	\$ 200,000	\$ 198,655	\$ 76,996
2014	\$ 76,996	\$ 103,575	\$ 124,048	\$ 56,523

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 13. Landfill Closure and Post-closure Care Costs**

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

State and federal laws and regulations require the Augusta Regional Landfill to place a final cover or cap on a landfill cell when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Under the cost sharing agreement, the City will bear 39.67% of such costs for Permit 21 and 26.7% of such costs for Permit 585. The cost sharing percentage of Permit 585 is adjusted each year based on usage by each locality. The remainder of the Permit 585 costs will be borne by the County and the City of Waynesboro. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each fiscal year ending date.

The \$1,139,831 reported as landfill closure liability at June 30, 2014 represents the cumulative amount reported to date based on the use of 89.1% of the estimated capacity of the Permit #585 (Phases 1-3) landfill and the stockpile financial assurance liability. The \$1,037,442 reported as post-closure monitoring liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 89.1% of the estimated capacity of the Permit #585 (Phases 1-3) landfill. Total closure and post-closure care costs and post-closure monitoring costs accrued at June 30, 2014 for both joint ventures are \$2,177,273.

The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of \$555,191 for Permit #585 (phases 1-3) landfill as the remaining estimated capacity is filled over the next 18 to 24 months and \$796,042 for the newly constructed Phase 4 cell as the remaining estimated capacity is filled over the next 6 to 8 years.

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 14. Loans Receivable**

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

At June 30, 2014, principal amounts and related interest outstanding on each loan were as follows:

	<u>Principal</u>	<u>Interest</u>
Phase I	\$ 130,479	\$ 5,915
Phase II	427,275	58,186
Phase IIIa	2,228,612	545,371
Phase IIIb	495,419	121,236
	<u>\$ 3,281,785</u>	<u>\$ 730,708</u>

**Note 15. Community Development**

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

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

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

The land was recorded as inventory by the EDA at its estimated fair value of \$14,000,000 at the time of its acquisition and the amount due back to the City is based on that same value. In fiscal year 2014 the City's management concluded that no material decline in the property's value had occurred.

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 16. Operating Lease**

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

2015	\$ 40,339
2016	41,146
2017	41,969
2018	42,808
2019	43,664
2020-2026	382,265
Total	<u>\$ 592,191</u>

**Note 17. Conduit Debt Obligation-EDA**

In prior years, the EDA has issued Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. The bonds are payable solely from the revenues of the projects and do not constitute an obligation of the Commonwealth of Virginia, the City, the EDA or any political subdivision thereof. All of the EDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bonds for the benefit of bondholders. The EDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the EDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the EDA does not recognize associated assets, liabilities, income, or interest expense in its financial statements. Approximately \$4,575,000 of such conduit bonds were outstanding at June 30, 2014.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 18. Fund Balance**

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2014:

	General	Capital Projects	Nonmajor governmental	School Board Component Unit
Nonspendable:				
Prepaid items	\$ 95,561	\$ -	\$ -	\$ -
Restricted:				
Donor purposes	\$ 11,200	\$ -	\$ -	\$ 18,688
Health insurance programs	111,252	-	-	95,232
Total restricted	\$ 122,452	\$ -	\$ -	\$ 113,920
Committed:				
Stabilization arrangement	\$ 5,777,532	\$ -	\$ -	\$ -
Assigned:				
Accrued leave	\$ 1,536,154	\$ -	\$ -	\$ -
Health insurance	18,063	-	-	-
Capital projects	-	6,871,779	-	1,446,586
Debt service	-	-	1,958,474	-
General government administration	181,947	-	-	-
Judicial administration	2,984	-	-	-
Public safety	96,603	-	121,309	-
Public works	161,207	190,586	-	-
Parks and recreation	66,274	5,589	-	-
Community development	89,667	37,184	268,672	-
Education	-	-	-	1,280,367
Textbooks	-	-	-	463,679
Food service	-	-	-	373,710
Total assigned	\$ 2,152,899	\$ 7,105,138	\$ 2,348,455	\$ 3,564,342
Unassigned	\$ 3,386,768	\$ -	\$ -	\$ -

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 19. Adjustments to Net Position**

Beginning net position has been restated to properly reflect amounts in accordance with implementing **GASB Statement No. 65**, *Items Previously Reported as Assets and Liabilities*. This standard required the reclassification of items as deferred outflows and inflows that were previously reported as assets and liabilities. Additionally, the standard required that debt issuance costs be recognized as an expense in the period incurred, except any portion related to prepaid insurance costs. Bond issuance costs that were capitalized as part of various debt issuances in prior years were required to be retroactively expensed as reflected below.

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Component Unit School Board</b>
Balance, as previously reported, June 30, 2013	\$ 51,725,387	\$ 66,900,377	\$ 10,942,929
To retroactively expense debt issuance costs	(194,492)	(106,828)	-
To correct error in capitalization of capital assets	116,808	-	-
To correct error in capitalization of interest	-	11,020	-
To correct error in calculation of landfill depreciation		(50,944)	
To record Net OPEB obligation	-	-	(120,000)
Balance, as adjusted June 30, 2013	<u>\$ 51,647,703</u>	<u>\$ 66,753,625</u>	<u>\$ 10,822,929</u>

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Environmental Fund</b>	<b>Non Major Proprietary Funds</b>	<b>Total Proprietary Funds</b>
Balance, as previously reported, June 30, 2013	\$ 19,535,292	\$ 27,319,215	\$ 5,075,455	\$ 4,309,788	\$ 66,900,377
To retroactively expense debt issuance costs	(62,473)	(34,413)	(4,253)	(5,689)	(106,828)
To correct error in capitalization of interest	-	-	11,020	-	11,020
To correct error in calculation of landfill depreciation	-	-	(50,944)	-	(50,944)
Balance, as adjusted June 30, 2013	<u>\$ 19,472,819</u>	<u>\$ 27,284,802</u>	<u>\$ 5,031,278</u>	<u>\$ 4,304,099</u>	<u>\$ 69,753,625</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2014**

**Note 20. New Accounting Standards**

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

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

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* was issued to address an issue regarding application of the transition provisions of *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. This Statement amends *GASB Statement No. 68* to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This Statement will be effective for the year ending June 30, 2015.



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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## CITY OF STAUNTON, VIRGINIA

BUDGETARY COMPARISON SCHEDULE –  
GENERAL FUND

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 21,403,000	\$ 21,403,000	\$ 22,544,761	\$ 1,141,761
Other local taxes	11,702,000	11,702,000	12,434,702	732,702
Permits, privilege fees, and regulatory licenses	190,500	190,500	157,536	(32,964)
Fines and forfeitures	64,000	64,000	102,876	38,876
Revenue from use of money and property	40,000	40,000	73,679	33,679
Charges for services	1,531,239	1,531,239	1,457,110	(74,129)
Miscellaneous	26,000	78,500	112,683	34,183
Recovered costs	256,579	391,272	490,765	99,493
Intergovernmental:				
Federal	1,009,522	1,003,967	1,121,956	117,989
Commonwealth	10,852,160	11,239,426	11,040,219	(199,207)
Total revenues	47,075,000	47,643,904	49,536,287	1,892,383
<b>EXPENDITURES</b>				
Current:				
General government administration	4,836,528	5,144,950	4,612,315	532,635
Judicial administration	1,827,079	1,860,353	1,741,001	119,352
Public safety	9,108,591	9,388,655	9,123,605	265,050
Public works	5,437,721	5,687,578	5,360,060	327,518
Health and welfare	6,016,527	6,297,627	6,063,427	234,200
Education	11,103,000	11,753,000	11,753,000	-
Parks, recreation, and cultural	3,111,074	3,263,702	3,087,373	176,329
Community development	1,522,910	1,701,501	1,498,063	203,438
Total expenditures	42,963,430	45,097,366	43,238,844	1,858,522
Excess of revenues over expenditures	4,111,570	2,546,538	6,297,443	3,750,905
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of prior year reserves/encumbrances	-	3,130,032	-	(3,130,032)
Transfers out	(4,111,570)	(5,676,570)	(5,681,878)	(5,308)
Total other financing sources (uses)	(4,111,570)	(2,546,538)	(5,681,878)	(3,135,340)
Net change in fund balance	\$ -	\$ -	\$ 615,565	\$ 615,565

## CITY OF STAUNTON, VIRGINIA

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

**PRIMARY GOVERNMENT**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 43,794,521	\$ 69,544,178	\$ 25,749,657	62.97%	\$ 11,940,967	215.64%
June 30, 2012	\$ 42,576,931	\$ 68,953,367	\$ 26,376,436	61.75%	\$ 11,396,654	231.44%
June 30, 2011	\$ 43,049,679	\$ 66,004,750	\$ 22,955,071	65.22%	\$ 11,220,569	204.58%
June 30, 2010	\$ 42,746,167	\$ 63,112,760	\$ 20,366,593	67.73%	\$ 11,294,079	180.33%
June 30, 2009	\$ 42,705,587	\$ 57,468,691	\$ 14,763,103	74.31%	\$ 11,852,889	124.55%
June 30, 2008	\$ 42,265,790	\$ 55,133,198	\$ 12,867,408	76.66%	\$ 12,101,040	106.33%
June 30, 2007	\$ 38,369,556	\$ 51,472,458	\$ 13,102,902	74.54%	\$ 11,505,871	113.88%
June 30, 2006	\$ 34,096,996	\$ 45,526,051	\$ 11,429,055	74.90%	\$ 10,779,546	106.03%
June 30, 2005	\$ 31,856,161	\$ 44,931,099	\$ 13,074,938	70.90%	\$ 10,045,916	130.15%
June 30, 2004	\$ 30,632,892	\$ 42,284,376	\$ 11,651,484	72.44%	\$ 9,631,090	120.98%

**COMPONENT UNIT – SCHOOL BOARD (NON-PROFESSIONAL)**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2013	\$ 3,375,579	\$ 4,282,336	\$ 906,757	78.83%	\$ 802,007	113.06%
June 30, 2012	\$ 3,362,835	\$ 4,429,122	\$ 1,066,287	75.93%	\$ 720,643	147.96%
June 30, 2011	\$ 3,485,767	\$ 4,448,651	\$ 962,884	78.36%	\$ 704,667	136.64%
June 30, 2010	\$ 3,602,760	\$ 4,541,552	\$ 938,792	79.33%	\$ 1,103,277	85.09%
June 30, 2009	\$ 3,614,929	\$ 4,249,134	\$ 634,205	85.07%	\$ 1,004,350	63.15%
June 30, 2008	\$ 3,601,765	\$ 4,089,390	\$ 487,625	88.08%	\$ 958,727	50.86%
June 30, 2007	\$ 3,281,170	\$ 4,215,993	\$ 934,823	77.83%	\$ 863,907	108.21%
June 30, 2006	\$ 2,980,465	\$ 3,836,827	\$ 956,362	77.68%	\$ 854,605	100.21%
June 30, 2005	\$ 2,894,116	\$ 3,890,546	\$ 996,430	74.39%	\$ 851,139	117.07%
June 30, 2004	\$ 2,884,632	\$ 3,376,047	\$ 491,415	85.44%	\$ 747,813	65.71%

## CITY OF STAUNTON, VIRGINIA

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

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

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ 390,000	\$ 6,306,000	\$ 5,916,000	6.00%	\$ 11,179,000	53.00%
July 1, 2011	\$ 252,000	\$ 5,451,000	\$ 5,199,000	4.00%	\$ 11,548,000	45.00%
July 1, 2009	\$ 97,000	\$ 4,910,000	\$ 4,813,000	2.00%	\$ 11,887,000	40.00%
July 1, 2007	\$ -	\$ 5,109,000	\$ 5,109,000	0.00%	\$ 11,437,000	44.70%

**COMPONENT UNIT – SCHOOL BOARD**

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2013	\$ 328,000	\$ 3,010,000	\$ 2,682,000	10.90%	\$ 12,820,000	20.90%
July 1, 2011	\$ 306,000	\$ 2,818,000	\$ 2,512,000	10.90%	\$ 13,317,000	18.90%
July 1, 2009	\$ 91,000	\$ 5,394,000	\$ 5,303,000	1.60%	\$ 18,113,000	29.30%
July 1, 2007	\$ -	\$ 4,660,000	\$ 4,660,000	0.00%	\$ 15,582,000	29.91%

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

PRIMARY GOVERNMENT			COMPONENT UNIT – SCHOOL BOARD		
Year Ended June 30	Annual Required Contribution	Percentage Contributed	Year Ended June 30	Annual Required Contribution	Percentage Contributed
2014	\$ 495,000	100%	2014	\$ 297,000	100%
2013	\$ 495,000	100%	2013	\$ 297,000	100%
2012	\$ 490,000	100%	2012	\$ 596,000	100%
2011	\$ 490,000	100%	2011	\$ 596,000	100%
2010	\$ 515,000	100%	2010	\$ 568,000	100%
2009	\$ 515,000	100%	2009	\$ 562,000	100%

**CITY OF STAUNTON, VIRGINIA****NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2014****Note 1. Budgetary Comparison Schedule – General Fund**

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

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

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

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

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

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## **OTHER SUPPLEMENTARY INFORMATION**

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## NONMAJOR GOVERNMENTAL FUNDS

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

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

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

**Trolley Fund** – This fund accounts for the operation and maintenance of trolley bus services. Financing is provided by fees for rental and local contributions, both of which may be used only for this purpose. This fund was closed July 1, 2013.

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

## CITY OF STAUNTON, VIRGINIA

**COMBINING BALANCE SHEET –  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2014**

	Special Revenue Funds		Debt Service Fund	Total Nonmajor Governmental
	State and Federal Grants	Community Development	Debt Service	
<b>Assets</b>				
Cash and cash equivalents	\$ 132,204	\$ 268,672	\$ 1,897,475	\$ 2,298,351
Receivables, net	3,000	-	-	3,000
Due from other governmental units	11,935	-	-	11,935
Prepaid items	-	-	60,999	60,999
<b>Total assets</b>	<u>\$ 147,139</u>	<u>\$ 268,672</u>	<u>\$ 1,958,474</u>	<u>\$ 2,374,285</u>
<b>Liabilities</b>				
Liabilities:				
Accounts payable	\$ 8,828	\$ -	\$ -	\$ 8,828
Accrued liabilities	13,002	-	-	13,002
<b>Total liabilities</b>	<u>21,830</u>	<u>-</u>	<u>-</u>	<u>21,830</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
<b>Fund balances</b>				
Assigned	<u>121,309</u>	<u>268,672</u>	<u>1,958,474</u>	<u>2,348,455</u>
<b>Total fund balances</b>	<u>121,309</u>	<u>268,672</u>	<u>1,958,474</u>	<u>2,348,455</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 147,139</u>	<u>\$ 268,672</u>	<u>\$ 1,958,474</u>	<u>\$ 2,374,285</u>

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2014**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental
	State and Federal Grants	Community Development	Trolley	Debt Service	
<b>REVENUES</b>					
Revenues from use of money and property	\$ 59	\$ 123	\$ -	\$ -	\$ 182
Charges for services	164,925	-	-	-	164,925
Miscellaneous	20,817	-	-	-	20,817
Intergovernmental:					
Federal	189,919	-	-	-	189,919
Commonwealth	611,957	-	-	-	611,957
City of Staunton School Board	-	-	-	355,000	355,000
Total revenues	987,677	123	-	355,000	1,342,800
<b>EXPENDITURES</b>					
Current:					
Public safety	954,136	-	-	-	954,136
Parks, recreation, and culture	9,800	-	-	-	9,800
Community development	-	78,405	-	-	78,405
Debt service:					
Principal retirement	-	-	-	2,466,353	2,466,353
Interest and fiscal charges	-	-	-	1,372,263	1,372,263
Total expenditures	963,936	78,405	-	3,838,616	4,880,957
Excess (deficiency) of revenues over expenditures	23,741	(78,282)	-	(3,483,616)	(3,538,157)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	-	5,308	2,400,000	2,405,308
Total other financing sources	-	-	5,308	2,400,000	2,405,308
Net change in fund balance	23,741	(78,282)	5,308	(1,083,616)	(1,132,849)
Fund balances - beginning of year	97,568	346,954	(5,308)	3,042,090	3,481,304
Fund balances - ending of year	\$ 121,309	\$ 268,672	\$ -	\$ 1,958,474	\$ 2,348,455

**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**STATE AND FEDERAL GRANTS FUND**  
**Year Ended June 30, 2014**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Revenue from use of money and property	\$ -	\$ 59	\$ 59
Charges for services	89,000	164,925	75,925
Miscellaneous	35,000	20,817	(14,183)
Intergovernmental:			
Federal	194,526	189,919	(4,607)
Commonwealth	612,202	611,957	(245)
Total revenues	<u>930,728</u>	<u>987,677</u>	<u>56,949</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	921,122	954,136	(33,014)
Parks, Recreation and Cultural	10,045	9,800	245
Total expenditures	<u>931,167</u>	<u>963,936</u>	<u>(32,769)</u>
Excess (deficiency) of revenues over expenditures	<u>(439)</u>	<u>23,741</u>	<u>24,180</u>
Net change in fund balance	<u>\$ (439)</u>	<u>\$ 23,741</u>	<u>\$ 24,180</u>

**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT FUND**  
**Year Ended June 30, 2014**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Revenue from use of money and property	\$ -	\$ 123	\$ 123
Intergovernmental:			
Commonwealth	<u>10,500</u>	<u>-</u>	<u>(10,500)</u>
Total revenues	<u>10,500</u>	<u>123</u>	<u>(10,377)</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	<u>80,500</u>	<u>78,405</u>	<u>2,095</u>
Total expenditures	<u>80,500</u>	<u>78,405</u>	<u>2,095</u>
Deficiency of revenues over expenditures	<u>(70,000)</u>	<u>(78,282)</u>	<u>(8,282)</u>
Net change in fund balance	<u><u>\$ (70,000)</u></u>	<u><u>\$ (78,282)</u></u>	<u><u>\$ (8,282)</u></u>

**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**Year Ended June 30, 2014**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental:			
City of Staunton School Board	\$ 355,000	\$ 355,000	\$ -
Total revenues	<u>355,000</u>	<u>355,000</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current:			
Debt Service			
Principal	2,466,354	2,466,353	1
Interest and fiscal charges	<u>1,369,509</u>	<u>1,372,263</u>	<u>(2,754)</u>
Total expenditures	<u>3,835,863</u>	<u>3,838,616</u>	<u>(2,753)</u>
Deficiency of revenues over expenditures	<u>(3,480,863)</u>	<u>(3,483,616)</u>	<u>(2,753)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
Transfer from General fund	<u>2,400,000</u>	<u>2,400,000</u>	<u>-</u>
Total other financing sources	<u>2,400,000</u>	<u>2,400,000</u>	<u>-</u>
Net change in fund balance	<u><u>\$ (1,080,863)</u></u>	<u><u>\$ (1,083,616)</u></u>	<u><u>\$ (2,753)</u></u>

**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**CAPITAL IMPROVEMENTS FUND**  
**From Inception of Project through June 30, 2014**

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
<b>REVENUES</b>				
Revenue from use of money and property	\$ 249,061	\$ 4,932	\$ 253,993	\$ 5,314
Recovered costs	428,538	-	428,538	1,429,333
Miscellaneous	24,000	-	24,000	-
Intergovernmental:				
Federal	6,960	202,898	209,858	1,604,331
Commonwealth of Virginia	384,542	481,504	866,046	2,757,954
Total revenues	<u>1,093,101</u>	<u>689,334</u>	<u>1,782,435</u>	<u>5,796,932</u>
<b>EXPENDITURES</b>				
Capital outlay:				
General government administration	2,505,731	7,726	2,513,457	2,616,210
Public safety	4,325,478	1,285,090	5,610,568	6,130,669
Public works	2,251,088	1,052,759	3,303,847	10,447,352
Education	525,108	27,170	552,278	954,801
Parks, recreation, and culture	460,938	485,685	946,623	1,595,697
Community development	1,663,888	202,197	1,866,085	2,339,766
Debt service:				
Interest and fiscal charges	<u>165,000</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Total expenditures	<u>11,897,231</u>	<u>3,060,627</u>	<u>14,957,858</u>	<u>24,249,495</u>
Deficiency of revenues over expenditures	<u>(10,804,130)</u>	<u>(2,371,293)</u>	<u>(13,175,423)</u>	<u>(18,452,563)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	22,735,334	3,052,170	25,787,504	25,787,504
Transfers out	<u>(5,506,943)</u>	<u>-</u>	<u>(5,506,943)</u>	<u>(5,506,943)</u>
Total other financing sources (uses)	<u>17,228,391</u>	<u>3,052,170</u>	<u>20,280,561</u>	<u>20,280,561</u>
Net change in fund balance		<u>\$ 680,877</u>		



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## NONMAJOR PROPRIETARY FUNDS

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

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

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

## CITY OF STAUNTON, VIRGINIA

## COMBINING STATEMENT OF NET POSITION – NONMAJOR PROPRIETARY FUNDS

June 30, 2014

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,532	\$ 205,630	\$ 208,162
Receivables, net	-	16,429	16,429
Restricted assets:			
Cash and cash equivalents	-	3,921	3,921
Total current assets	2,532	225,980	228,512
Capital assets:			
Nondepreciable	24,694	1,034,249	1,058,943
Depreciable, net	462,678	4,113,180	4,575,858
Total capital assets (net of accumulated depreciation)	487,372	5,147,429	5,634,801
Total noncurrent assets	487,372	5,147,429	5,634,801
Total assets	489,904	5,373,409	5,863,313
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	625	2,502	3,127
Accrued liabilities	10,122	4,290	14,412
Unearned revenue	10,667	-	10,667
Deposits payable	-	3,921	3,921
Due to other funds	26,672	-	26,672
General obligation bonds	14,429	187,719	202,148
Total current liabilities	62,515	198,432	260,947
Noncurrent liabilities:			
General obligation bonds	488,798	722,282	1,211,080
Total noncurrent liabilities	488,798	722,282	1,211,080
Total liabilities	551,313	920,714	1,472,027
<b>NET POSITION</b>			
Net investment in capital assets	(15,855)	4,237,428	4,221,573
Unrestricted	(45,554)	215,267	169,713
Total net position	\$ (61,409)	\$ 4,452,695	\$ 4,391,286

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>OPERATING REVENUES</b>			
Parking fines	\$ -	\$ 35,744	\$ 35,744
Charges for services	127,517	256,178	383,695
Rental of property	-	4,061	4,061
Miscellaneous	6	22	28
Total operating revenues	127,523	296,005	423,528
<b>OPERATING EXPENSES</b>			
Personal services	56,716	94,464	151,180
Fringe benefits	26,500	9,741	36,241
Rental of property	-	5,100	5,100
Repairs and maintenance	1,278	1,236	2,514
Contractual services	1,786	12,476	14,262
Materials and supplies	13,973	2,444	16,417
Depreciation	32,138	140,449	172,587
Utilities	2,350	31,166	33,516
Other expenses	2,024	69,978	72,002
Total operating expenses	136,765	367,054	503,819
Operating loss	(9,242)	(71,049)	(80,291)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	-	80	80
Interest and fiscal charges	(21,926)	(44,081)	(66,007)
Gain on disposal of assets	9,005	-	9,005
Total nonoperating revenues (expenses)	(12,921)	(44,001)	(56,922)
Loss before transfers	(22,163)	(115,050)	(137,213)
Transfers in	-	224,400	224,400
Change in net position	(22,163)	109,350	87,187
Total net position - beginning of year, as adjusted	(39,246)	4,343,345	4,304,099
Total net position - end of year	\$ (61,409)	\$ 4,452,695	\$ 4,391,286

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –  
NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 126,323	\$ 290,986	\$ 417,309
Cash paid to suppliers	(21,505)	(122,125)	(143,630)
Cash paid to employees for services	(83,182)	(103,903)	(187,085)
Net cash provided by operating activities	21,636	64,958	86,594
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	224,400	224,400
Interfund borrowing	5,399	-	5,399
Net cash provided by noncapital financing activities	5,399	224,400	229,799
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	(15,000)	(180,001)	(195,001)
Interest paid on long-term debt	(21,556)	(44,397)	(65,953)
Proceeds from sale of equipment	9,005	-	9,005
Net cash used by capital and related financing activities	(27,551)	(224,398)	(251,949)
<b>INVESTING ACTIVITIES</b>			
Interest received	-	80	80
Net cash provided by investing activities	-	80	80
Net increase (decrease) in cash and cash equivalents	(516)	65,040	64,524
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	3,048	144,511	147,559
End of year	\$ 2,532	\$ 209,551	\$ 212,083
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	\$ 2,532	\$ 205,630	208,162
Restricted cash and cash equivalents	-	3,921	3,921
Total	\$ 2,532	\$ 209,551	\$ 212,083

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –  
NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating loss	\$ (9,242)	\$ (71,049)	\$ (80,291)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	32,138	140,449	172,587
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	(3,518)	(3,518)
Increase (decrease) in accounts payable	(93)	275	182
Increase (decrease) in accrued liabilities	33	302	335
Increase (decrease) in unearned revenue	(1,200)	-	(1,200)
Increase (decrease) in deposits payable	-	(1,501)	(1,501)
Net cash provided by operating activities	<u>\$ 21,636</u>	<u>\$ 64,958</u>	<u>\$ 86,594</u>

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

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## **DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**

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### **Major Funds**

#### Special Revenue Funds:

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

### **Nonmajor Funds**

#### Special Revenue Funds:

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

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

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

#### Capital Projects Funds:

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

#### Agency Fund:

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



## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,922,930
Accounts receivable	272,790
Due from other governmental units	1,946,263
Restricted cash and cash equivalents	95,232
Capital assets:	
Land	236,000
Other capital assets, net of accumulated depreciation	<u>7,747,006</u>
Total assets	<u>15,220,221</u>
<b>LIABILITIES</b>	
Accounts payable	775,300
Accrued liabilities	2,495,842
Amounts held for others	728
Noncurrent liabilities:	
Due within one year	139,213
Due in more than one year	<u>203,099</u>
Total liabilities	<u>3,614,182</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,983,006
Restricted for:	
Programs	95,232
Donor purposes	18,688
Unrestricted	<u>3,509,113</u>
Total net position	<u><u>\$ 11,606,039</u></u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction and related services	\$ 24,510,310	\$ 820,241	\$ 8,967,963	\$ 73,301	\$ (14,648,805)
Administration, attendance, and health	1,637,574	-	-	-	(1,637,574)
Pupil transportation	1,004,272	-	-	2,300	(1,001,972)
Food service	1,422,748	360,918	893,072	-	(168,758)
Operations	2,033,321	-	-	-	(2,033,321)
Total School Board	<u>\$ 30,608,225</u>	<u>\$ 1,181,159</u>	<u>\$ 9,861,035</u>	<u>\$ 75,601</u>	(19,490,430)

## General revenues:

Unrestricted investment earnings	1,875
Grants and contributions not restricted to specific programs	8,871,630
Net payment from City of Staunton	11,400,035
Total general revenues	<u>20,273,540</u>

Change in net position 783,110

Net position - beginning of year, as adjusted 10,822,929

Net position - end of year \$ 11,606,039

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	<u>Education</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,559,825	\$ 2,363,105	\$ 4,922,930
Accounts receivable	216,884	55,906	272,790
Due from other governmental units	1,064,072	882,191	1,946,263
Due from other funds	792,679	-	792,679
Restricted cash and cash equivalents	95,232	-	95,232
<b>Total assets</b>	<u><u>\$ 4,728,692</u></u>	<u><u>\$ 3,301,202</u></u>	<u><u>\$ 8,029,894</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 755,002	\$ 20,298	\$ 775,300
Accrued liabilities	2,291,592	204,250	2,495,842
Due to other funds	-	792,679	792,679
Held for others	728	-	728
<b>Total liabilities</b>	<u><u>3,047,322</u></u>	<u><u>1,017,227</u></u>	<u><u>4,064,549</u></u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<u>287,083</u>	<u>-</u>	<u>287,083</u>
<b>Fund Balances</b>			
Restricted	113,920	-	113,920
Assigned	<u>1,280,367</u>	<u>2,283,975</u>	<u>3,564,342</u>
<b>Total fund balances</b>	<u><u>1,394,287</u></u>	<u><u>2,283,975</u></u>	<u><u>3,678,262</u></u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u><u>\$ 4,728,692</u></u>	<u><u>\$ 3,301,202</u></u>	<u><u>\$ 8,029,894</u></u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD  
RECONCILIATION OF BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2014**

Total Fund Balances – Component Unit School Board		\$ 3,678,262
Amounts reported for governmental activities in the statement of net position (Exhibit C-1) are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Capital assets	\$ 18,347,776	
Less: accumulated depreciation	<u>(10,364,770)</u>	7,983,006
Receivables that are not available to pay for current period expenditures are not reported in the funds.		287,083
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		<u>(342,312)</u>
Total Net Position – Component Unit School Board		<u><u>\$ 11,606,039</u></u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE –**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	Education	Other Governmental	Total Governmental
<b>REVENUES</b>			
Revenues from use of money and property	\$ 40,464	\$ 919	\$ 41,383
Charges for services	780,733	360,918	1,141,651
Miscellaneous	126,733	69,658	196,391
Recovered costs	31,965	98,726	130,691
Intergovernmental:			
Federal	1,629,923	884,549	2,514,472
Commonwealth	13,183,119	2,672,878	15,855,997
City of Staunton	11,098,000	295,000	11,393,000
Total revenues	<u>26,890,937</u>	<u>4,382,648</u>	<u>31,273,585</u>
<b>EXPENDITURES</b>			
Current:			
Education	26,056,639	4,030,572	30,087,211
Capital projects	-	344,565	344,565
Total expenditures	<u>26,056,639</u>	<u>4,375,137</u>	<u>30,431,776</u>
Excess of revenues over expenditures	<u>834,298</u>	<u>7,511</u>	<u>841,809</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	84,213	342,791	427,004
Transfers out	(342,791)	(84,213)	(427,004)
Total other financing sources (uses)	<u>(258,578)</u>	<u>258,578</u>	<u>-</u>
Net change in fund balances	575,720	266,089	841,809
Fund balances - beginning of year	818,567	2,017,886	2,836,453
Fund balances - end of year	<u><u>\$ 1,394,287</u></u>	<u><u>\$ 2,283,975</u></u>	<u><u>\$ 3,678,262</u></u>

**CITY OF STAUNTON, VIRGINIA**

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

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

Net changes in fund balances - school board component unit	\$ 841,809
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Governmental funds report the cost of capital assets acquired as current expenditures while the statement of activities reports depreciation expense to allocate those expenditures over the life of the assets.

Depreciation	\$ (594,663)	
Capital expenses	<u>382,544</u>	(212,119)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	15,029
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Repayments of long-term liabilities are expenditures in governmental funds, but reduce long term liabilities in the statement of net position.	
Repayment of OPEB obligation	120,000

Some expenses reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	<u>18,391</u>
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Change in net position of governmental activities	<u><u>\$ 783,110</u></u>
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## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**COMBINING BALANCE SHEET –**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2014**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental
	School Cafeteria	Textbook	State Operated Programs	School Construction	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 435,389	\$ 480,115	\$ -	\$ 1,447,601	\$ 2,363,105
Accounts receivable	-	-	55,906	-	55,906
Due from other governmental units	-	-	882,191	-	882,191
Total assets	<u>\$ 435,389</u>	<u>\$ 480,115</u>	<u>\$ 938,097</u>	<u>\$ 1,447,601</u>	<u>\$ 3,301,202</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,019	\$ 16,436	\$ 1,828	\$ 1,015	\$ 20,298
Accrued liabilities	60,660	-	143,590	-	204,250
Due to other funds	-	-	792,679	-	792,679
Total liabilities	<u>61,679</u>	<u>16,436</u>	<u>938,097</u>	<u>1,015</u>	<u>1,017,227</u>
Fund balances:					
Assigned	<u>373,710</u>	<u>463,679</u>	<u>-</u>	<u>1,446,586</u>	<u>2,283,975</u>
Total fund balances	<u>373,710</u>	<u>463,679</u>	<u>-</u>	<u>1,446,586</u>	<u>2,283,975</u>
Total liabilities and fund balances	<u>\$ 435,389</u>	<u>\$ 480,115</u>	<u>\$ 938,097</u>	<u>\$ 1,447,601</u>	<u>\$ 3,301,202</u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental
	School Cafeteria	Textbook	State Operated Programs	School Construction	
<b>REVENUES</b>					
Revenues from use of money and property	\$ 115	\$ 155	\$ -	\$ 649	\$ 919
Charges for services	360,918	-	-	-	360,918
Miscellaneous	6,828	-	62,830	-	69,658
Recovered costs	-	-	98,726	-	98,726
Intergovernmental:					
Federal	862,077	-	22,472	-	884,549
Commonwealth	24,167	136,767	2,438,643	73,301	2,672,878
City of Staunton	-	-	-	295,000	295,000
Total revenues	1,254,105	136,922	2,622,671	368,950	4,382,648
<b>EXPENDITURES</b>					
Current:					
Education	1,277,751	199,863	2,538,458	14,500	4,030,572
Capital projects	-	-	-	344,565	344,565
Total expenditures	1,277,751	199,863	2,538,458	359,065	4,375,137
Excess (deficiency) of revenues over expenditures	(23,646)	(62,941)	84,213	9,885	7,511
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	90,153	-	252,638	342,791
Transfers out	-	-	(84,213)	-	(84,213)
Total other financing sources (uses)	-	90,153	(84,213)	252,638	258,578
Net change in fund balances	(23,646)	27,212	-	262,523	266,089
Fund balances - beginning of year	397,356	436,467	-	1,184,063	2,017,886
Fund balances - end of year	\$ 373,710	\$ 463,679	\$ -	\$ 1,446,586	\$ 2,283,975



## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**BUDGETARY COMPARISON SCHEDULE –**  
**EDUCATION FUND**  
**Year Ended June 30, 2014**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ 15,500	\$ 15,500	\$ 40,464	\$ 24,964
Charges for services	623,189	753,189	780,733	27,544
Miscellaneous	122,500	131,900	126,733	(5,167)
Recovered costs	9,500	12,000	31,965	19,965
Intergovernmental:				
Federal	1,500,766	1,905,936	1,629,923	(276,013)
Commonwealth	13,282,045	13,345,147	13,183,119	(162,028)
City of Staunton	11,098,000	11,098,000	11,098,000	-
Total revenues	26,651,500	27,261,672	26,890,937	(370,735)
<b>EXPENDITURES</b>				
Current:				
Education	26,556,346	27,329,817	26,056,639	1,273,178
Total expenditures	26,556,346	27,329,817	26,056,639	1,273,178
Excess (deficiency) of revenues over expenditures	95,154	(68,145)	834,298	902,443
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of prior year reserve/encumbrances	-	340,937	-	(340,937)
Transfers in:				
Transfer from State Operated Programs Fund	70,000	70,000	84,213	14,213
Transfers out:				
Transfer to School Construction Fund	(75,000)	(252,638)	(252,638)	-
Transfer to School Textbook Fund	(90,154)	(90,154)	(90,153)	1
Total other financing sources (uses)	(95,154)	68,145	(258,578)	(326,723)
Net change in fund balance	\$ -	\$ -	\$ 575,720	\$ 575,720

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2014**

	Agency Fund <u>Genesis</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 191,177
Accounts receivable	<u>157</u>
Total assets	<u><u>\$ 191,334</u></u>
<b>LIABILITIES</b>	
Amounts held for Program	\$ 115,538
Accounts payable	2,078
Accrued payroll	<u>73,718</u>
Total liabilities	<u><u>\$ 191,334</u></u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –**  
**AGENCY FUND**  
**Year Ended June 30, 2014**

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<b>GENESIS FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 187,091	\$ 912,705	\$ 908,619	\$ 191,177
Accounts receivable	157	275,900	275,900	157
	<u>157</u>	<u>275,900</u>	<u>275,900</u>	<u>157</u>
Total assets	<u>\$ 187,248</u>	<u>\$ 1,188,605</u>	<u>\$ 1,184,519</u>	<u>\$ 191,334</u>
<b>LIABILITIES</b>				
Amounts held for Program	\$ 120,059	\$ 1,058,164	\$ 1,062,685	\$ 115,538
Accounts payable	1,484	56,723	56,129	2,078
Accrued payroll	65,705	73,718	65,705	73,718
	<u>65,705</u>	<u>73,718</u>	<u>65,705</u>	<u>73,718</u>
Total liabilities	<u>\$ 187,248</u>	<u>\$ 1,188,605</u>	<u>\$ 1,184,519</u>	<u>\$ 191,334</u>

## **DISCRETELY PRESENTED COMPONENT UNIT – EDA**

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

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

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – EDA**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

**ASSETS**

Cash and cash equivalents	\$ 78,877
Accounts receivable	52,343
Inventory	14,000,000
Capital assets:	
Land	799,748
Other capital assets, net of accumulated depreciation	<u>7,627,966</u>
Total assets	<u>22,558,934</u>

**LIABILITIES**

Accounts payable	127,328
Due to primary government	<u>14,000,000</u>
Total liabilities	<u>14,127,328</u>

**NET POSITION**

Net investment in capital assets	8,427,714
Unrestricted	<u>3,892</u>
Total net position	<u><u>\$ 8,431,606</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT – EDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2014**

**OPERATING REVENUES**

Charges for services	\$ 2,859
Rental of property	31,000
Operating grants-City	<u>150,020</u>
Total operating revenues	<u>183,879</u>

**OPERATING EXPENSES**

Professional fees	10,539
Other expenses	25,011
Governor's Opportunity	45,750
Villages	97,793
Staunton Crossing	8,070
Enterprise zone grants	35,677
Depreciation	<u>308,602</u>
Total operating expenses	<u>531,442</u>
Operating loss	<u>(347,563)</u>

**NONOPERATING REVENUES**

Interest income	<u>7</u>
Total nonoperating revenues	<u>7</u>

Change in net position	(347,556)
Net position - beginning of year	<u>8,779,162</u>
Net position - end of year	<u><u>\$ 8,431,606</u></u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – EDA**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2014**

**OPERATING ACTIVITIES**

Cash received from customers	\$ 33,859
Cash paid to suppliers	(35,050)
Other operating grants-net	(43,770)
	<hr/>
Net cash used by operating activities	(44,961)
	<hr/>

**INVESTING ACTIVITIES**

Interest received	7
	<hr/>
Net cash provided by investing activities	7
	<hr/>
Net decrease in cash and cash equivalents	(44,954)

**CASH AND CASH EQUIVALENTS**

Beginning of year	123,831
	<hr/>
End of year	\$ 78,877
	<hr/> <hr/>

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

Operating loss	\$ (347,563)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	308,602
Change in assets and liabilities:	
Increase in receivables	(35,677)
Increase in accounts payable	29,677
	<hr/>
Net cash provided by operating activities	\$ (44,961)
	<hr/> <hr/>

## SUPPLEMENTARY SCHEDULES

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

**Schedule 1:** Schedule of Revenues –  
Budget and Actual

**Schedule 2:** Schedule of Expenditures –  
Budget and Actual



## CITY OF STAUNTON, VIRGINIA

**GENERAL AND SPECIAL REVENUE FUNDS**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**Year Ended June 30, 2014**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT:</b>			
General Fund:			
Revenue from Local Sources:			
General property taxes:			
Real property taxes	\$ 16,535,000	\$ 17,046,140	\$ 511,140
Real and personal public service corporation property taxes	558,000	617,356	59,356
Personal property taxes	3,800,000	4,127,719	327,719
Machinery and tools taxes	250,000	334,375	84,375
Penalties and interest	260,000	419,171	159,171
Total General Property Taxes	21,403,000	22,544,761	1,141,761
Other local taxes:			
Local sales and use taxes	3,600,000	3,760,505	160,505
Consumers' utility taxes	1,425,000	1,406,473	(18,527)
Local communication tax	1,085,000	1,127,910	42,910
Business license taxes	1,900,000	2,092,817	192,817
Bank stock taxes	280,000	326,651	46,651
Taxes on recordation and wills	139,000	165,282	26,282
Lodging taxes	375,000	397,786	22,786
Restaurant food tax	2,600,000	2,868,910	268,910
Short term rental tax	18,000	23,420	5,420
Cigarette tax	280,000	264,948	(15,052)
Total Other Local Taxes	11,702,000	12,434,702	732,702
Permits, privilege fees, and regulatory licenses:			
Animal licenses	22,000	21,305	(695)
Permits and other licenses	168,500	136,231	(32,269)
Total Permits, Privilege Fees, and Regulatory Licenses	190,500	157,536	(32,964)
Fines and forfeitures	64,000	102,876	38,876
Revenue from use of money and property:			
Revenue from use of money	-	4,124	4,124
Revenue from use of property	40,000	69,555	29,555
Total Revenue from Use of Money and Property	40,000	73,679	33,679

## CITY OF STAUNTON, VIRGINIA

**GENERAL AND SPECIAL REVENUE FUNDS**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**Year Ended June 30, 2014**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
General Fund: (cont'd)			
Revenue from Local Sources: (cont'd)			
Charges for services:			
Court costs	\$ 3,500	\$ 9,295	\$ 5,795
Charges for Commonwealth's Attorney	2,000	4,020	2,020
Charges for sheriff	2,617	2,617	-
Courtroom security fee	46,000	51,880	5,880
Jail admission fee	2,500	3,524	1,024
Charges for publications and maps	4,000	2,944	(1,056)
Charges for parks and recreation	318,500	285,838	(32,662)
Charges for library fines	22,000	25,276	3,276
Property clean up fees	5,000	4,179	(821)
Administrative fees	20,000	28,786	8,786
Payments in lieu of tax from Enterprise funds	1,083,122	1,035,568	(47,554)
Charges for tourism promotion	20,000	-	(20,000)
Charges for tax-exempt organizations	2,000	3,183	1,183
Total Charges for Services	1,531,239	1,457,110	(74,129)
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	11,000	12,953	1,953
Sale of salvage and surplus	-	23,330	23,330
Donations	2,500	18,732	16,232
Virginia Tourism Corp Marketing Leverage Program	50,000	38,173	(11,827)
Miscellaneous	15,000	19,495	4,495
Total Miscellaneous Revenue	78,500	112,683	34,183
Recovered Costs	391,272	490,765	99,493
Total Revenue from Local Sources	35,400,511	37,374,112	1,973,601
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	105,000	177,108	72,108
Rolling stock taxes	10,000	10,919	919
Auto rental taxes	60,000	59,841	(159)
Law enforcement	858,608	858,608	-
Grantor's tax	30,000	40,256	10,256
Recordation tax	50,000	65,665	15,665
PPTRA reimbursement	1,652,200	1,652,200	-
Total Non-Categorical Aid	2,765,808	2,864,597	98,789

## CITY OF STAUNTON, VIRGINIA

**GENERAL AND SPECIAL REVENUE FUNDS**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**Year Ended June 30, 2014**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
General Fund: (cont'd)			
Revenue from the Commonwealth: (cont'd)			
Categorical Aid:			
Shared expenses:			
Commonwealth's attorney	\$ 347,000	\$ 392,651	\$ 45,651
Sheriff	271,644	273,867	2,223
Commissioner of the revenue	103,000	106,884	3,884
Treasurer	99,000	104,899	5,899
Registrar/Electoral Board	44,700	36,639	(8,061)
Circuit court clerk	244,000	235,369	(8,631)
Circuit court clerk-technology trust fund	15,259	15,259	-
Total Shared Expenses	1,124,603	1,165,568	40,965
Health and welfare	1,570,788	1,334,441	(236,347)
Other Categorical Aid:			
Street and highway maintenance	3,625,878	3,625,878	-
Library	144,290	144,290	-
E911 Wireless funds	60,000	62,299	2,299
Fire programs	65,000	71,317	6,317
Commission for the Arts	5,000	5,000	-
Comprehensive Services Act funds	1,816,227	1,686,411	(129,816)
Four-for-Life funds	20,000	21,389	1,389
Animal license plates	700	632	(68)
Victim/Witness funds	28,132	28,132	-
Forfeited assets	-	12,687	12,687
Jurors/Witness fees	13,000	9,513	(3,487)
State Disaster payment	-	8,065	8,065
Total Other Categorical Aid	5,778,227	5,675,613	(102,614)
Total Categorical Aid	8,473,618	8,175,622	(297,996)
Total Revenue from the Commonwealth	11,239,426	11,040,219	(199,207)
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	968,335	895,626	(72,709)
Comprehensive Services Act funds	-	165,470	165,470
Victim/Witness	28,132	28,132	-
FEMA Disaster payment	-	14,403	14,403
Federal Crime forfeited	-	10,825	10,825
LEMPG grant	7,500	7,500	-
Total Revenue from the Federal Government	1,003,967	1,121,956	117,989
Total General Fund	\$ 47,643,904	\$ 49,536,287	\$ 1,892,383

## CITY OF STAUNTON, VIRGINIA

**GENERAL AND SPECIAL REVENUE FUNDS**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**Year Ended June 30, 2014**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
Special Revenue Funds:			
State and Federal Grants Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ -	\$ 59	\$ 59
Total Revenue from Use of Money and Property	-	59	59
Charges for services:			
Supervision fees	22,500	32,965	10,465
Drug screen fees	16,000	8,151	(7,849)
Home electronic monitoring fees	45,000	107,106	62,106
SA/AM/DV/Group therapy/Admin.	5,500	16,703	11,203
Total Charges for Services	89,000	164,925	75,925
Miscellaneous:			
CAPSAW	12,000	12,000	-
Community Foundation	8,000	8,000	-
Other	15,000	817	(14,183)
Total Miscellaneous Revenue	35,000	20,817	(14,183)
Total Revenue from Local Sources	124,000	185,801	61,801
Revenue from the Commonwealth:			
Community Corrections and Pre-trial services funds	602,157	602,157	-
Urban Forests for the Bay grant	10,045	9,800	(245)
Total Revenue from the Commonwealth	612,202	611,957	(245)
Revenue from the Federal Government:			
Federal Forfeited assets	92,625	92,625	-
Hazardous Materials Planning grant	30,000	30,000	-
JAG	56,250	54,060	(2,190)
Byrne justice assistance-LLEBG	15,651	13,234	(2,417)
Total Revenue from the Federal Government	194,526	189,919	(4,607)
Total State and Federal Grants Fund	\$ 930,728	\$ 987,677	\$ 56,949
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	\$ -	\$ 123	\$ 123
Total Revenue from Local Sources	-	123	123
Revenue from the Commonwealth:			
AFID Planning grant	10,500	-	(10,500)
Total Revenue from the Commonwealth	10,500	-	(10,500)
Total Community Development Fund	\$ 10,500	\$ 123	\$ (10,377)
Total Special Revenue Funds	\$ 941,228	\$ 987,800	\$ 46,572
Grand Total Revenues - Primary Government			
General and special revenue funds	\$ 48,585,132	\$ 50,524,087	\$ 1,938,955

(Continued)

## CITY OF STAUNTON, VIRGINIA

**GENERAL AND SPECIAL REVENUE FUNDS**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**Year Ended June 30, 2014**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>COMPONENT UNIT – SCHOOL BOARD:</b>			
Special Revenue Funds:			
Education Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ 500	\$ 956	\$ 456
Revenue from use of property	15,000	39,508	24,508
Total Revenue from Use of Money and Property	15,500	40,464	24,964
Charges for services:			
Charges for education	17,300	19,153	1,853
Tuition or other payments from another county or city	735,889	761,580	25,691
Total Charges for Services	753,189	780,733	27,544
Miscellaneous revenue:			
Donations	17,400	9,400	(8,000)
E-Rate reimbursement	75,000	87,719	12,719
Wellness program	13,500	13,393	(107)
Miscellaneous	25,000	10,819	(14,181)
Sale of salvage and surplus	1,000	5,402	4,402
Total Miscellaneous Revenue	131,900	126,733	(5,167)
Recovered Costs	12,000	31,965	19,965
Contribution from City of Staunton	11,098,000	11,098,000	-
Total Revenue from Local Sources	12,010,589	12,077,895	67,306
Revenue from the Commonwealth:			
Categorical Aid:			
Share of state sales tax	3,164,065	3,051,642	(112,423)
Basic school aid	5,734,147	5,819,988	85,841
Foster care	100,128	31,250	(68,878)
Assistance with VRS inflation	103,453	103,453	-
Gifted and talented	69,703	70,114	411
Remedial Education	251,536	253,019	1,483
ISAEF funds	15,717	15,717	-
Special education	609,141	612,733	3,592
Special education-foster care	25,000	34,069	9,069
Homebound	3,729	3,955	226
Regional tuition programs	613,621	512,227	(101,394)
Primary Class size (K-3)	403,160	402,098	(1,062)
Vocational education	160,619	161,566	947
Social security instructional	392,456	394,771	2,315
VRS retirement instructional	654,599	658,459	3,860
Group Life Insurance instructional	24,244	24,387	143
At risk	273,267	274,810	1,543
VPSA Technology grants	180,000	180,000	-
At Risk - Four Year Olds	223,684	223,684	-

## CITY OF STAUNTON, VIRGINIA

**GENERAL AND SPECIAL REVENUE FUNDS**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**Year Ended June 30, 2014**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>COMPONENT UNIT – SCHOOL BOARD: (cont'd)</b>			
Special Revenue Funds: (cont'd)			
Education Fund: (cont'd)			
Revenue from the Commonwealth: (cont'd)			
Categorical Aid: (cont'd)			
Remedial Summer School	\$ 61,434	\$ 85,040	\$ 23,606
English as a second language	24,380	26,172	1,792
Early Reading Intervention	33,792	35,669	1,877
SOL-Algebra readiness	34,506	32,718	(1,788)
Vocational - Equipment	4,789	7,897	3,108
Project Graduation	10,193	9,416	(777)
Mentor Teacher Program	2,498	2,499	1
Compensation supplement	148,786	149,766	980
National board certification	2,500	5,000	2,500
SWD Improvement program	20,000	-	(20,000)
Other state funds	-	1,000	1,000
Total Categorical Aid	13,345,147	13,183,119	(162,028)
Total Revenue from the Commonwealth	13,345,147	13,183,119	(162,028)
Revenue from the Federal Government:			
Categorical Aid:			
Title I	871,963	705,868	(166,095)
Drug free schools			-
Title VI - B - Special Education	770,659	685,977	(84,682)
Preschool grants	25,852	19,033	(6,819)
Title II A-Training and Recruiting	133,067	155,731	22,664
Rural and low income school program	50,368	34,710	(15,658)
Tech Prep Education (Carl Perkins)	54,027	28,109	(25,918)
Other federal funds	-	495	495
Total Categorical Aid	1,905,936	1,629,923	(276,013)
Total Revenue from the Federal Government	1,905,936	1,629,923	(276,013)
Total Education Fund	\$ 27,261,672	\$ 26,890,937	\$ (370,735)

## CITY OF STAUNTON, VIRGINIA

**GENERAL AND SPECIAL REVENUE FUNDS**  
**PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD**  
**SCHEDULE OF REVENUES – BUDGET AND ACTUAL**  
**Year Ended June 30, 2014**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>COMPONENT UNIT – SCHOOL BOARD: (cont'd)</b>			
Special Revenue Funds: (cont'd)			
School Cafeteria Fund:			
Revenue from Local Sources:			
Revenue from the use of money and property:			
Revenue from use of money	\$ -	\$ 115	\$ 115
Charges for services:			
Charges for food service	394,411	360,918	(33,493)
Miscellaneous Revenue:			
Other	2,400	6,828	4,428
Total Revenue from Local Sources	396,811	367,861	(28,950)
Revenue from the Commonwealth:			
Meal reimbursement	24,394	24,167	(227)
Revenue from the Federal Government:			
Fresh fruits and vegetables grant	31,167	31,167	-
Meal reimbursement	734,192	830,910	96,718
Total Revenue from the Federal Government	765,359	862,077	96,718
Total School Cafeteria Fund	\$ 1,186,564	\$ 1,254,105	\$ 67,541
Textbook Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:	\$ -	\$ 155	\$ 155
Total Revenue from Local Sources	-	155	155
Revenue from the Commonwealth:			
Textbook payment	135,966	136,767	801
Total Textbook Fund	\$ 135,966	\$ 136,922	\$ 956
State Operated Programs Fund:			
Revenue from Local Sources:			
E-rate reimbursement	\$ 46,668	\$ 62,830	\$ 16,162
Recovered costs	54,359	98,726	44,367
Total Revenue from local sources	101,027	161,556	60,529
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,609,973	2,438,643	(171,330)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	8,649	3,193	(5,456)
Title VI-B	19,464	19,279	(185)
Total Revenue from Federal Government	28,113	22,472	(5,641)
Total State Operated Programs Fund	\$ 2,739,113	\$ 2,622,671	\$ (116,442)
Total Special Revenue Funds	\$ 4,061,643	\$ 4,013,698	\$ (47,945)
Grand Total Revenues - Component Unit			
School Board	\$ 31,323,315	\$ 30,904,635	\$ (418,680)

## CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS  
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD  
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
 Year Ended June 30, 2014

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT:</b>			
General Fund:			
General Government Administration:			
Legislative:			
City Council	\$ 98,832	\$ 93,035	\$ 5,797
Clerk of Council	17,276	16,935	341
Total Legislative	116,108	109,970	6,138
General and Financial Administration:			
City Manager	502,824	502,034	790
City Attorney	309,225	264,295	44,930
City Memberships	27,262	27,259	3
Professional Consultants	55,000	52,950	2,050
Commissioner of the Revenue	269,349	269,081	268
Assessor and Equalization Board	268,162	265,205	2,957
Treasurer	349,562	349,359	203
Finance	1,119,779	921,804	197,975
Information Technology	1,138,334	987,829	150,505
Risk Management	563,672	458,429	105,243
Human Resources	289,748	285,947	3,801
Total General and Financial Administration	4,892,917	4,384,192	508,725
Board of Elections:			
Electoral Board and Registrar	135,925	118,153	17,772
Total Board of Elections	135,925	118,153	17,772
Total General Government Administration	5,144,950	4,612,315	532,635
Judicial Administration:			
Courts:			
Circuit court	156,494	136,258	20,236
General District Court	12,636	7,226	5,410
Juvenile and Domestic Relations Court	80,277	60,592	19,685
Clerk of the Circuit Court	427,498	409,376	18,122
Sheriff	527,063	495,752	31,311
Victim/Witness	67,706	66,400	1,306
Magistrates	2,000	1,915	85
Total Courts	1,273,674	1,177,519	96,155
Commonwealth Attorney	586,679	563,482	23,197
Total Judicial Administration	1,860,353	1,741,001	119,352



CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS  
PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD  
SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
Year Ended June 30, 2014

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
General Fund: (cont'd)			
Public Safety:			
Law Enforcement and Traffic Control:			
Police Department	\$ 4,702,815	\$ 4,613,317	\$ 89,498
E-911 Communications	778,925	728,096	50,829
Total Law Enforcement and Traffic Control	5,481,740	5,341,413	140,327
Fire and Rescue Services:			
Fire Department	2,349,298	2,333,962	15,336
EMS Council/Four for Life	37,074	21,948	15,126
State Fire Programs	151,744	83,921	67,823
Total Fire and Rescue Services	2,538,116	2,439,831	98,285
Correction and Detention:			
Juvenile Detention Home - Contribution	189,052	189,052	-
Jail Facility	700,000	700,000	-
Youth Commission	121,000	111,326	9,674
Total Correction and Detention	1,010,052	1,000,378	9,674
Inspections:			
Building Inspection	311,465	295,134	16,331
Other Protection:			
Animal control - Animal Care	46,782	46,689	93
Medical Examiner	500	160	340
Total Other Protection	47,282	46,849	433
Total Public Safety	9,388,655	9,123,605	265,050
Public Works:			
Administration	280,589	276,138	4,451
Traffic Engineering (signs)	141,418	135,680	5,738
Highways, Streets, and Sidewalks	2,939,048	2,775,390	163,658
City Engineering	361,157	313,147	48,010
Traffic Signals	128,265	126,704	1,561
Total	3,850,477	3,627,059	223,418
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,409,441	1,305,486	103,955
Equipment Maintenance	427,660	427,515	145
Total Maintenance of General Buildings, Grounds, Equipment	1,837,101	1,733,001	104,100
Total Public Works	5,687,578	5,360,060	327,518

(Continued)

## CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS  
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD  
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
 Year Ended June 30, 2014

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
General Fund: (cont'd)			
Health and Welfare:			
Health:			
Local Health Department	\$ 269,837	\$ 255,342	\$ 14,495
Mental Health and Mental Retardation:			
Chapter X Board	98,700	92,060	6,640
Total Health	368,537	347,402	21,135
Welfare:			
DSS-public assistance	3,090,000	2,878,452	211,548
Community Policy Management Team	2,569,400	2,569,371	29
Tax Relief - Elderly and Disabled	145,000	131,160	13,840
Tax Relief - Veterans	40,000	52,352	(12,352)
Staunton Senior Center	6,000	6,000	-
CAPSAW	20,000	20,000	-
Contribution to Area Agency on Aging (VPAS)	18,650	18,650	-
CATS Contribution	40,040	40,040	-
Total Welfare	5,929,090	5,716,025	213,065
Total Health and Welfare	6,297,627	6,063,427	234,200
Education:			
Contribution to Community College	5,000	5,000	-
Contribution to Component Unit - School Board	11,748,000	11,748,000	-
Total Education	11,753,000	11,753,000	-
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	982,568	925,550	57,018
Park Maintenance	1,075,866	969,980	105,886
Horticulture	128,684	128,509	175
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	2,207,118	2,044,039	163,079
Cultural Enrichment:			
Contributions to Community Organizations	15,099	14,999	100
Total Cultural Enrichment	15,099	14,999	100
Library:			
Library Administration and Operations	1,041,485	1,028,335	13,150
Total Library	1,041,485	1,028,335	13,150
Total Parks, Recreation, and Cultural	3,263,702	3,087,373	176,329

## CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS  
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD  
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
 Year Ended June 30, 2014

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
General Fund: (cont'd)			
Community Development:			
Planning and Community Development:			
Economic Development	\$ 674,147	\$ 555,647	\$ 118,500
Planning and Development	263,173	227,361	35,812
Special Service District	148,482	148,482	-
Tourist Information Center	441	441	-
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	32,710	32,709	1
Tourism Development	364,679	316,525	48,154
Historic Staunton Foundation	25,000	25,000	-
Staunton Welcome Center	49,710	48,739	971
VRT-Trolley Operation	60,000	60,000	-
GART Tourism Board	20,000	20,000	-
Staunton Creative Community Fund	15,000	15,000	-
Total Planning and Community Development	1,701,501	1,498,063	203,438
Total Community Development	1,701,501	1,498,063	203,438
Total General Fund	\$ 45,097,366	\$ 43,238,844	\$ 1,858,522
Special Revenue Funds:			
State and Federal Grants Fund:			
Public Safety:			
Police Department Grants:			
DCJS-Byrne grant	\$ 4,707	\$ 2,290	\$ 2,417
Federal asset forfeiture	92,625	92,145	480
Total Police Department	97,332	94,435	2,897
Fire and Rescue:			
VDEM-Hazardous Material Planning grant	30,000	30,000	-
Total Fire and Rescue	30,000	30,000	-
Correction and Detention:			
Blue Ridge Court Services	706,596	746,677	(40,081)
Blue Ridge Court Services-JAG supplemental	76,250	72,080	4,170
Office on Youth-JAG	10,944	10,944	-
Total Correction and Detention	793,790	829,701	(35,911)
Total Public Safety	921,122	954,136	(33,014)
Recreation and Parks:			
Urban Forests for the Bay grant	10,045	9,800	245
Total State and Federal Grants Fund	\$ 931,167	\$ 963,936	\$ (32,769)
Community Development Fund			
Community Development:			
AFID Planning Grant	\$ 10,500	\$ 174	\$ 10,326
Newtown-Local	70,000	78,231	(8,231)
Total Community Development Fund	\$ 80,500	\$ 78,405	\$ 2,095
Total Special Revenue Funds	\$ 1,011,667	\$ 1,042,341	\$ (30,674)
Grand Total - Expenditures -Primary Government- General and special revenue	\$ 46,109,033	\$ 44,281,185	\$ 1,827,848

(Continued)

## CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS  
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD  
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
 Year Ended June 30, 2014

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
<b>COMPONENT UNIT – SCHOOL BOARD:</b>			
Special Revenue Funds:			
Education Fund:			
Education:			
Instructional Costs	\$ 21,545,586	\$ 20,564,138	\$ 981,448
Administration, Attendance & Health	1,718,720	1,644,495	74,225
Pupil Transportation	900,079	869,831	30,248
Operations and Maintenance	2,141,999	2,026,840	115,159
Technology	1,023,433	951,335	72,098
Total Education	<u>27,329,817</u>	<u>26,056,639</u>	<u>1,273,178</u>
Total Education Fund	<u>\$ 27,329,817</u>	<u>\$ 26,056,639</u>	<u>\$ 1,273,178</u>
School Cafeteria Fund:			
Food Service	<u>\$ 1,276,167</u>	<u>\$ 1,277,751</u>	<u>\$ (1,584)</u>
Total School Cafeteria Fund	<u>\$ 1,276,167</u>	<u>\$ 1,277,751</u>	<u>\$ (1,584)</u>
Textbook Fund:			
Education:			
Instructional costs	<u>\$ 347,853</u>	<u>\$ 199,863</u>	<u>\$ 147,990</u>
Total Textbook Fund	<u>\$ 347,853</u>	<u>\$ 199,863</u>	<u>\$ 147,990</u>
State Operated Programs Fund:			
Education:			
Instructional costs	<u>\$ 2,584,806</u>	<u>\$ 2,538,458</u>	<u>\$ 46,348</u>
Total State Operated Programs Fund	<u>\$ 2,584,806</u>	<u>\$ 2,538,458</u>	<u>\$ 46,348</u>
Total Special Revenue Funds	<u>\$ 4,208,826</u>	<u>\$ 4,016,072</u>	<u>\$ 192,754</u>
Grand Total - Expenditures - Component Unit - School Board	<u>\$ 31,538,643</u>	<u>\$ 30,072,711</u>	<u>\$ 1,465,932</u>

## STATISTICAL SECTION

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

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

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

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

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

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

**Note:** For presentation purposes, the impact of new GASB statements is applied prospectively.

TABLE 1

## CITY OF STAUNTON, VIRGINIA

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Governmental activities										
Net investment in capital assets	\$ 32,253,859	\$ 31,074,300	\$ 31,321,359	\$ 29,909,806	\$ 24,406,532	\$ 25,235,126	\$ 29,705,089	\$ 29,874,206	\$ 29,877,324	\$ 24,720,886
Restricted	122,452	120,217	184,868	103,639	27,485	32,366	64,201	91,704	117,686	119,692
Unrestricted	21,671,005	20,530,870	17,813,098	18,269,177	16,550,240	15,199,232	13,215,652	10,403,691	9,054,657	10,137,531
Total governmental activities net position	<u>\$ 54,047,316</u>	<u>\$ 51,725,387</u>	<u>\$ 49,319,325</u>	<u>\$ 48,282,622</u>	<u>\$ 40,984,257</u>	<u>\$ 40,466,724</u>	<u>\$ 42,984,942</u>	<u>\$ 40,369,601</u>	<u>\$ 39,049,667</u>	<u>\$ 34,978,109</u>
Business-type activities										
Net investment in capital assets	\$ 51,961,897	\$ 51,646,845	\$ 51,212,802	\$ 49,958,761	\$ 50,278,514	\$ 48,929,485	\$ 41,803,122	\$ 38,777,694	\$ 31,654,996	\$ 27,246,740
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	15,578,727	15,253,532	16,101,004	17,720,858	15,786,830	16,283,224	15,716,827	15,079,925	16,219,691	16,484,965
Total business-type activities net position	<u>\$ 67,540,624</u>	<u>\$ 66,900,377</u>	<u>\$ 67,313,806</u>	<u>\$ 67,679,619</u>	<u>\$ 66,065,344</u>	<u>\$ 65,212,709</u>	<u>\$ 57,519,949</u>	<u>\$ 53,857,619</u>	<u>\$ 47,874,687</u>	<u>\$ 43,731,705</u>
Primary government										
Net investment in capital assets	\$ 84,215,756	\$ 82,721,145	\$ 82,534,161	\$ 79,868,567	\$ 74,685,046	\$ 74,164,611	\$ 71,508,211	\$ 68,651,900	\$ 60,636,054	\$ 51,967,626
Restricted	122,452	120,217	184,868	103,639	27,485	32,366	64,201	91,704	117,686	119,692
Unrestricted	37,249,732	35,784,402	33,914,102	35,990,035	32,337,070	31,482,456	28,932,479	25,483,616	25,531,715	26,622,496
Total primary net position	<u>\$ 121,587,940</u>	<u>\$ 118,625,764</u>	<u>\$ 116,633,131</u>	<u>\$ 115,962,241</u>	<u>\$ 107,049,601</u>	<u>\$ 105,679,433</u>	<u>\$ 100,504,891</u>	<u>\$ 94,227,220</u>	<u>\$ 86,285,455</u>	<u>\$ 78,709,814</u>

TABLE 2

## CITY OF STAUNTON, VIRGINIA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses										
Governmental Activities:										
General government	\$ 4,744,935	\$ 4,524,704	\$ 4,372,745	\$ 4,269,567	\$ 4,240,405	\$ 4,353,053	\$ 4,017,705	\$ 3,954,903	\$ 3,734,068	\$ 3,378,970
Judicial administration	1,750,740	1,703,187	1,734,157	1,612,892	1,624,017	1,756,105	1,804,919	1,632,266	1,433,650	1,337,578
Public safety	11,088,236	10,869,981	10,137,714	9,808,670	9,402,422	9,248,940	9,569,727	9,458,730	9,265,997	8,214,513
Public works	6,645,051	7,053,141	6,262,440	5,666,355	5,718,532	6,302,122	6,575,411	6,028,489	6,167,650	6,429,960
Health and welfare	6,075,695	5,642,143	5,587,112	5,532,072	5,018,405	4,987,275	5,071,337	4,492,566	4,436,534	4,335,075
Education	12,136,856	11,597,335	11,199,889	10,814,412	12,096,550	12,219,779	12,611,719	13,770,045	9,292,427	10,429,306
Parks, recreation and culture	3,115,119	3,091,574	2,905,849	2,860,422	2,935,093	3,242,457	3,207,051	3,427,478	3,217,236	3,160,633
Community development	1,672,001	1,508,661	2,067,996	1,720,234	3,040,240	1,664,278	1,932,955	1,795,290	1,720,121	9,940,637
Interest on long-term debt	1,360,734	1,333,627	1,198,129	1,332,691	1,361,328	1,441,577	1,524,050	1,413,046	1,422,428	1,150,547
Total governmental activities expenses	48,589,367	47,324,353	45,466,031	43,617,315	45,436,992	45,215,586	46,314,874	45,972,813	40,690,111	48,377,219
Business-Type Activities:										
Golf	3,610,302	167,950	191,022	179,702	158,480	162,124	180,980	-	-	-
Water	3,532,854	3,595,525	3,557,493	3,446,557	3,139,885	3,392,655	3,530,891	3,272,895	3,333,750	3,194,525
Sewer	749,025	3,908,777	3,984,420	3,358,564	2,688,221	2,913,749	2,955,223	2,908,962	2,708,237	2,350,081
Stormwater	2,362,161	781,975	710,250	742,232	564,181	486,581	-	-	-	-
Environmental	158,691	2,431,257	2,594,453	1,777,831	2,773,641	2,615,547	3,055,363	2,398,520	2,556,633	2,393,210
Parking	411,135	421,934	468,930	423,434	455,855	466,889	490,053	491,750	481,869	471,403
Total business-type activities expenses	10,824,168	11,307,418	11,506,568	9,928,320	9,780,263	10,037,545	10,212,510	9,072,127	9,080,489	8,409,219
Total primary government expenses	\$ 59,413,535	\$ 58,631,771	\$ 56,972,599	\$ 53,545,635	\$ 55,217,255	\$ 55,253,131	\$ 56,527,384	\$ 55,044,940	\$ 49,770,600	\$ 56,786,438
Program Revenues										
Governmental activities:										
Charges for services:										
Governmental-PILOT from enterprise funds	\$ 1,035,568	\$ 1,083,122	\$ 1,056,120	\$ 1,127,162	\$ 817,375	\$ 909,072	\$ 845,932	\$ 904,686	\$ 961,876	\$ 931,521
Public safety	317,028	291,172	309,363	226,605	294,628	312,814	380,489	251,815	275,492	207,041
Parks and recreation	315,569	336,266	354,003	314,065	330,649	352,207	360,488	580,720	604,359	535,935
Other activities	562,709	480,508	512,293	445,442	318,251	394,589	418,345	301,536	290,250	248,137
Operating grants and contributions	10,694,950	9,759,857	10,003,989	10,018,844	9,379,027	9,472,611	9,212,019	8,843,956	8,455,650	8,936,524
Capital grants and contributions	683,527	471,852	274,810	4,684,814	217,303	379,550	2,109,697	2,676,309	2,291,855	530,136
Total governmental activities program revenues	13,609,351	12,422,777	12,510,578	16,816,932	11,357,233	11,820,843	13,326,970	13,559,022	12,879,482	11,389,294

(Continued)

TABLE 2

## CITY OF STAUNTON, VIRGINIA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Program Revenues: (cont'd)										
Business-type activities:										
Charges for services:										
Golf	\$ 3,585,873	\$ 137,413	\$ 147,255	\$ 147,371	\$ 147,200	\$ 174,954	\$ 176,720	\$ -	\$ -	\$ -
Water	3,976,217	3,598,658	3,610,812	4,036,110	3,235,783	3,305,946	3,552,940	3,063,851	3,274,548	2,857,599
Sewer	743,975	3,908,330	3,544,433	3,423,605	3,239,743	3,274,390	2,910,547	3,019,742	3,110,685	2,706,151
Stormwater	2,413,253	715,878	689,179	709,206	464,462	325,967	-	-	-	-
Environmental	136,528	1,953,912	2,064,570	1,740,587	1,705,239	1,722,333	2,198,807	2,265,741	2,351,433	2,273,823
Parking	296,005	302,234	315,158	241,846	240,989	260,062	264,351	285,581	261,107	228,134
Operating grants and contributions	46,551	13,374	5,044	13,341	2,876	3,947	10,950	20,832	6,594	4,393
Capital grants and contributions	-	-	65,871	925,347	1,269,948	3,815,810	4,347,999	5,291,714	5,194,756	788,680
Total business-type activities program revenues	11,198,402	10,629,799	10,442,322	11,237,413	10,306,240	12,883,409	13,462,314	13,947,461	14,199,123	8,858,780
Total primary government program revenues	\$ 24,807,753	\$ 23,052,576	\$ 22,952,900	\$ 28,054,345	\$ 21,663,473	\$ 24,704,252	\$ 26,789,284	\$ 27,506,483	\$ 27,078,605	\$ 20,248,074
Net (expense)/revenue										
Governmental activities	\$ (34,980,016)	\$ (34,901,576)	\$ (32,955,453)	\$ (26,800,383)	\$ (34,079,759)	\$ (33,394,743)	\$ (32,987,904)	\$ (32,413,791)	\$ (27,810,629)	\$ (36,987,925)
Business-type activities	374,234	(677,619)	(1,064,246)	1,309,093	525,977	2,845,864	3,249,804	4,875,334	5,118,634	449,561
Total primary government net expense	\$ (34,605,782)	\$ (35,579,195)	\$ (34,019,699)	\$ (25,491,290)	\$ (33,553,782)	\$ (30,548,879)	\$ (29,738,100)	\$ (27,538,457)	\$ (22,691,995)	\$ (36,538,364)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 22,415,259	\$ 22,333,005	\$ 20,076,871	\$ 20,296,688	\$ 20,311,531	\$ 20,499,305	\$ 19,304,861	\$ 17,897,041	\$ 15,382,482	\$ 14,699,211
Sales tax	3,760,505	3,729,201	3,588,738	3,381,018	3,495,905	3,554,096	3,862,575	3,975,959	3,847,080	3,859,669
Hotel and meals tax	3,266,696	3,141,504	2,988,497	2,794,600	2,698,937	2,681,277	2,840,345	2,352,954	2,105,857	1,986,453
Business license	2,092,817	2,197,306	2,113,160	1,925,106	1,828,598	1,872,462	1,921,537	1,956,690	1,848,116	1,698,253
Utility tax	1,127,910	1,123,536	1,102,556	1,120,868	1,103,514	1,108,625	1,116,030	1,494,381	2,306,670	2,226,051
Local communication tax	1,406,473	1,430,821	1,427,036	1,456,638	1,463,883	1,457,808	1,604,473	688,019	-	-
Other taxes	780,901	728,998	763,722	741,910	1,110,569	1,244,487	1,302,851	1,772,047	1,653,799	1,526,986
Unrestricted investment earnings	9,621	11,370	18,196	26,298	32,403	115,142	343,008	490,959	561,944	261,605
Grants and contributions not restricted to a specific program	2,864,597	2,827,514	2,526,975	2,527,349	2,756,972	2,740,644	3,066,910	3,181,920	2,724,725	2,549,461
Miscellaneous	32,183	8,783	27,765	52,673	19,380	31,975	11,153	103,195	7,802	19,755
Gain (loss) on sale of assets	-	-	-	-	-	25,105	-	-	7,887	7,885
Transfers	(377,333)	(224,400)	(641,360)	(224,400)	(224,400)	(4,454,401)	229,502	(179,440)	615,062	401,776
Total governmental activities	37,379,629	37,307,638	33,992,156	34,098,748	34,597,292	30,876,525	35,603,245	33,733,725	31,061,424	29,237,105

(Continued)



TABLE 2

## CITY OF STAUNTON, VIRGINIA

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Business-type activities:										
Unrestricted investment earnings	\$ 35,432	\$ 39,790	\$ 57,073	\$ 80,782	\$ 102,258	\$ 392,495	\$ 668,398	\$ 869,700	\$ 569,207	\$ 347,350
Grants and contributions not restricted to a specific program	-	-	-	-	-	-	-	58,458	160,281	160,281
Transfers	<u>377,333</u>	<u>224,400</u>	<u>641,360</u>	<u>224,400</u>	<u>224,400</u>	<u>4,454,401</u>	<u>(229,502)</u>	<u>179,440</u>	<u>(615,062)</u>	<u>(401,776)</u>
Total business-type activities	<u>412,765</u>	<u>264,190</u>	<u>698,433</u>	<u>305,182</u>	<u>326,658</u>	<u>4,846,896</u>	<u>438,896</u>	<u>1,107,598</u>	<u>114,426</u>	<u>105,855</u>
Total primary government	<u>\$ 37,792,394</u>	<u>\$ 37,571,828</u>	<u>\$ 34,690,589</u>	<u>\$ 34,403,930</u>	<u>\$ 34,923,950</u>	<u>\$ 35,723,421</u>	<u>\$ 36,042,141</u>	<u>\$ 34,841,323</u>	<u>\$ 31,175,850</u>	<u>\$ 29,342,960</u>
Change in Net Position										
Governmental activities	\$ 2,399,613	\$ 2,406,062	\$ 1,036,703	\$ 7,298,365	\$ 517,533	\$ (2,518,218)	\$ 2,615,341	\$ 1,319,934	\$ 3,250,795	\$ (7,750,820)
Business-type activities	<u>786,999</u>	<u>(413,429)</u>	<u>(365,813)</u>	<u>1,614,275</u>	<u>852,635</u>	<u>7,692,760</u>	<u>3,688,700</u>	<u>5,982,932</u>	<u>5,233,060</u>	<u>555,416</u>
Total primary government	<u>\$ 3,186,612</u>	<u>\$ 1,992,633</u>	<u>\$ 670,890</u>	<u>\$ 8,912,640</u>	<u>\$ 1,370,168</u>	<u>\$ 5,174,542</u>	<u>\$ 6,304,041</u>	<u>\$ 7,302,866</u>	<u>\$ 8,483,855</u>	<u>\$ (7,195,404)</u>

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

Table 3

## CITY OF STAUNTON, VIRGINIA

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund										
Nondisposable	\$ 95,561	\$ 58,666	\$ 61,789	\$ 125,118	\$ 59,636	\$ 35,742	\$ 15,912	\$ 26,556	\$ -	\$ -
Restricted	122,452	120,217	149,868	88,639	13,985	18,866	20,701	789,234	18,233	9,203,120
Committed	5,777,532	5,178,250	4,540,000	4,738,109	3,968,993	3,788,452	3,809,695	3,706,008	3,535,411	3,269,276
Assigned	2,152,899	2,089,799	1,857,022	1,878,480	1,647,680	1,517,667	1,797,721	1,528,865	1,752,751	1,674,481
Unassigned	<u>3,386,768</u>	<u>3,472,715</u>	<u>2,647,250</u>	<u>2,496,844</u>	<u>3,309,359</u>	<u>2,752,859</u>	<u>3,415,203</u>	<u>1,762,319</u>	<u>5,972,185</u>	<u>3,577,308</u>
Total General Fund	<u>\$ 11,535,212</u>	<u>\$ 10,919,647</u>	<u>\$ 9,255,929</u>	<u>\$ 9,327,190</u>	<u>\$ 8,999,653</u>	<u>\$ 8,113,586</u>	<u>\$ 9,059,232</u>	<u>\$ 7,812,982</u>	<u>\$11,278,580</u>	<u>\$ 17,724,185</u>
All Other Governmental Funds										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	35,000	15,000	13,500	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	9,453,593	9,910,873	9,414,308	9,689,435	8,505,743	7,101,881	4,467,568	4,431,650	1,910,729	964,998
Unassigned	<u>-</u>	<u>(5,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,509)</u>	<u>-</u>	<u>-</u>	<u>(196,683)</u>	<u>(361,193)</u>
Total all other governmental funds	<u>\$ 9,453,593</u>	<u>\$ 9,905,565</u>	<u>\$ 9,449,308</u>	<u>\$ 9,704,435</u>	<u>\$ 8,519,243</u>	<u>\$ 7,000,372</u>	<u>\$ 4,467,568</u>	<u>\$ 4,431,650</u>	<u>\$ 1,714,046</u>	<u>\$ 603,805</u>

Notes:

Includes only the primary government

## CITY OF STAUNTON, VIRGINIA

TABLE 4

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>REVENUES</b>										
General property taxes	\$ 22,544,761	\$ 21,767,074	\$ 20,073,697	\$ 20,069,387	\$ 20,253,506	\$ 19,989,078	\$ 19,424,220	\$ 17,978,630	\$ 15,361,830	\$ 14,331,770
Sales and use tax	3,760,505	3,729,202	3,588,738	3,381,018	3,495,905	3,554,096	3,862,575	3,975,959	3,847,080	3,859,669
Hotel and meals tax	2,868,910	2,732,598	2,599,776	2,406,577	2,344,698	2,304,448	2,456,629	2,004,839	2,105,857	1,986,453
Utility taxes	1,406,473	1,123,537	1,102,556	1,120,868	1,103,514	1,108,625	1,116,030	1,700,693	2,306,670	2,226,051
Business license tax	2,092,817	2,197,306	2,113,198	1,925,106	1,828,598	1,872,462	1,921,537	1,956,690	1,848,116	1,698,253
Local communication tax	1,127,910	1,430,821	1,427,036	1,456,638	1,463,883	1,457,808	1,604,473	688,019	-	-
Other local taxes	1,178,087	1,137,304	1,151,406	1,129,732	1,463,007	1,621,317	1,715,090	1,885,127	1,653,799	1,526,986
Permits, privilege fees, and regulatory licenses	157,536	192,509	211,744	176,104	240,985	257,003	323,715	218,835	263,554	173,802
Fines and forfeitures	102,876	61,682	71,616	59,336	70,171	74,901	82,382	39,741	38,020	52,525
Charges for services	1,622,035	1,606,586	1,620,194	1,603,565	1,294,706	1,418,765	1,372,756	1,593,674	1,644,454	1,565,189
Intergovernmental	14,003,453	12,562,122	12,579,801	12,879,542	11,938,753	11,780,626	12,219,397	11,684,470	10,996,440	11,299,234
Investment earnings	9,238	14,607	28,659	510,633	34,041	121,033	331,766	470,930	578,491	261,018
Other revenues	693,820	665,595	681,836	61,329	580,000	637,355	606,933	1,024,993	630,708	415,982
Total revenues	51,568,421	49,220,943	47,250,257	46,779,835	46,111,767	46,197,517	47,037,503	45,222,600	41,275,019	39,396,932
<b>EXPENDITURES</b>										
General government administration	4,612,315	4,200,956	4,074,848	4,052,531	4,094,106	3,870,367	3,703,154	3,621,958	3,506,130	3,104,946
Judicial administration	1,741,001	1,717,714	1,720,680	1,594,913	1,638,486	1,734,845	1,775,132	1,630,446	1,456,734	1,317,924
Public safety	10,921,912	10,692,670	9,151,531	9,750,857	9,319,610	9,434,294	9,721,162	9,340,095	9,208,081	8,143,123
Public works	5,467,440	5,532,890	5,126,188	5,048,667	4,749,252	5,272,649	5,097,539	4,633,944	5,105,448	6,336,295
Health and welfare	6,063,427	5,636,446	5,582,630	5,527,635	5,012,585	4,982,095	5,068,954	4,487,419	4,418,294	4,332,639
Education	11,780,170	11,004,427	10,715,366	10,602,061	9,948,427	11,506,943	11,898,943	14,233,660	24,887,834	10,606,346
Parks, recreation and cultural	3,107,917	2,964,000	2,860,619	2,793,380	2,789,783	3,101,115	3,041,516	3,268,105	3,055,548	2,789,784
Community development	1,778,665	1,510,259	2,263,642	1,724,699	1,987,336	1,649,671	2,031,826	1,782,443	1,993,013	9,092,987
Capital outlay	1,868,965	533,126	2,900,387	625,192	219,482	-	72,913	453,004	924,818	996,533
Debt service:										
Principal retirement	2,466,353	1,783,845	1,785,018	2,042,417	2,281,258	16,727,747	1,617,766	1,533,795	1,155,326	1,331,288
Interest and fiscal charges	1,372,263	1,203,682	1,220,736	1,298,202	1,355,642	1,166,623	1,467,350	1,408,521	1,235,752	899,000
Bond issue costs	-	96,553	-	-	106,621	9,675	-	135,772	22,450	47,815
Total expenditures	51,180,428	46,876,568	47,401,645	45,060,554	43,502,588	59,456,024	45,496,255	46,529,162	56,969,428	48,998,680
Excess (deficiency) of revenues over (under) expenditures	387,993	2,344,375	(151,388)	1,719,281	2,609,179	(13,258,507)	1,541,248	(1,306,562)	(15,694,409)	(9,601,748)

(Continued)

## CITY OF STAUNTON, VIRGINIA

TABLE 4

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
OTHER FINANCING SOURCES (USES)										
Bonds issued	-	15,000,000	-	-	-	15,000,000	-	10,600,000	9,675,400	10,000,000
Discount on general obligation bonds	-	-	-	-	-	-	-	(206,895)	-	-
Sale of building and equipment	-	-	-	17,848	20,159	25,105	-	-	-	-
Payment to refunding bond escrow agent*	-	(15,000,000)	-	-	-	-	-	(9,655,097)	-	-
Transfers in	5,457,478	8,933,104	9,296,443	5,945,984	4,077,358	3,117,242	1,418,913	4,010,450	4,161,554	9,833,274
Transfers out	(5,681,878)	(9,157,504)	(9,471,443)	(6,170,384)	(4,301,758)	(3,296,682)	(1,677,993)	(4,189,890)	(3,546,492)	(9,431,498)
Total other financing sources (uses)	<u>(224,400)</u>	<u>(224,400)</u>	<u>(175,000)</u>	<u>(206,552)</u>	<u>(204,241)</u>	<u>14,845,665</u>	<u>(259,080)</u>	<u>558,568</u>	<u>10,290,462</u>	<u>10,401,776</u>
Net change in fund balance	<u>\$ 163,593</u>	<u>\$ 2,119,975</u>	<u>\$ (326,388)</u>	<u>\$ 1,512,729</u>	<u>\$ 2,404,938</u>	<u>\$ 1,587,158</u>	<u>\$ 1,282,168</u>	<u>\$ (747,994)</u>	<u>\$ (5,403,947)</u>	<u>\$ 800,028</u>
Debt service as a percentage of noncapital expenditures	7.92%	6.47%	6.71%	7.73%	8.57%	6.65%	5.29%	6.75%	6.49%	4.90%

Notes:

Includes only the primary government

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

TABLE 5

## CITY OF STAUNTON, VIRGINIA

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

Calendar Year	Residential	Commercial	Industrial	Total Taxable and Actual Assessed Value	Total Direct Tax Rate
2014	\$ 1,423,202,760	\$ 311,476,860	\$ 53,212,038	\$ 1,787,891,658	\$ 0.95
2013	1,417,105,412	311,919,138	53,212,038	1,782,236,588	0.95
2012	1,465,244,126	313,111,572	52,355,253	1,830,710,951	0.90
2011	1,456,303,391	315,889,749	48,128,961	1,820,322,101	0.90
2010	1,584,972,579	322,101,977	53,403,998	1,960,478,554	0.90
2009	1,570,574,212	321,077,444	53,135,211	1,944,786,867	0.90
2008	1,476,305,352	295,926,079	51,382,419	1,823,613,850	0.90
2007	1,443,735,578	291,724,204	51,152,994	1,786,612,776	0.90
2006	1,047,022,585	250,790,849	46,263,928	1,344,077,362	0.96
2005	1,002,298,395	232,714,779	46,134,528	1,281,147,702	0.96

## Sources:

City of Staunton Assessor's Office.

## Notes:

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

TABLE 6

## CITY OF STAUNTON, VIRGINIA

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

Taxpayer Name	2014			2005		
	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
One Industry Way Co-Owners, LLC	\$ 14,014,000	1	0.78%	\$ 14,567,540	1	1.00%
FAP Properties / Art Fisher	11,810,235	2	0.66%			
Wal-Mart Real Estate Business	11,638,200	3	0.65%	12,730,391	2	0.87%
Gypsy Hill Investments LLC	10,888,800	4	0.61%	-		-
Big Sky, LLC	9,628,200	5	0.54%	-		-
RCC Statler Square LLC	9,333,800	6	0.52%	-		-
BH Brightview Baldwin Park, LLC	9,214,830	7	0.52%	-		-
Staunton Plaza, LLC	9,096,980	8	0.51%	-		-
LSK Properties, LLC	8,356,240	9	0.47%	-		-
Ind Dev Auth / Hotel Developer	7,812,440	10	0.44%	-		-
Unifi Inc	-		-	12,440,602	3	0.85%
Regency Centers, Inc	-		-	7,006,790	4	0.48%
K R Staunton, Inc	-		-	6,632,950	5	0.45%
Lowe's Home Centers Inc	-		-	6,071,640	6	0.42%
Woodcrest Properties				5,010,300	7	0.34%
HCP Virginia, Inc	-		-	4,521,580	8	0.31%
Baldwin Park Ltd	-		-	4,506,350	9	0.31%
Health Care REIT, Inc	-		-	4,500,700	10	0.31%
Totals	<u>\$ 101,793,725</u>		<u>5.70%</u>	<u>\$ 77,988,843</u>		<u>5.34%</u>

Source: City Assessor

Notes:

Real Estate Only

TABLE 7

## CITY OF STAUNTON, VIRGINIA

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

Calendar Year	Taxes Levied for the Calendar Year		Collected within the Calendar Year of the Levy		Collections in Subsequent Calendar Years	Total Collections To Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2014	(1) \$	16,887,817	(2) \$ -	0.00%	\$ -	\$ -	0.00%
2013		16,782,813	15,819,093	94.26%	-	15,819,093	94.26%
2012		16,261,738	15,280,479	93.97%	316,726	15,597,205	95.91%
2011		16,140,585	15,094,471	93.52%	471,346	15,565,817	96.44%
2010		17,426,047	16,310,945	93.60%	653,853	16,964,798	97.35%
2009		17,310,637	16,259,263	93.93%	666,702	16,925,965	97.78%
2008		16,247,090	15,434,142	95.00%	550,589	15,984,731	98.39%
2007		16,194,110	15,234,398	94.07%	499,930	15,734,328	97.16%
2006		12,848,385	12,158,103	94.63%	490,266	12,648,369	98.44%
2005		12,297,520	na	na	na	na	na

Sources: City of Staunton Assessor and Finance Department

Includes real estate and downtown service district taxes

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

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

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

TABLE 8

## CITY OF STAUNTON, VIRGINIA

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

Fiscal Year	Governmental Activities				Business - type Activities		Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Contractual Obligations	Literary Loans	Capital Leases	General Obligation Bonds	VRA Loans			
2014	\$ 28,196,103	\$ -	\$ 12,850,000	\$ -	\$ 1,730,101	\$22,775,578	\$ 65,551,782	6.63%	\$ 2,692
2013	29,712,455	-	13,800,000	-	2,224,802	24,674,856	70,412,113	5.80%	2,944
2012	15,546,300	15,000,000	14,750,000	-	2,701,564	26,512,857	74,510,721	5.33%	3,096
2011	16,381,318	15,000,000	15,000,000	-	3,161,806	28,296,898	77,840,022	5.03%	3,266
2010	17,473,734	15,000,000	16,650,000	-	3,700,405	28,857,677	81,681,816	4.78%	3,440
2009	18,793,924	-	17,600,000	11,068	4,583,463	19,438,202	60,426,657	6.46%	2,528
2008	20,181,760	-	17,875,400	79,206	7,737,390	10,571,738	56,445,494	6.92%	2,379
2007	20,728,155	-	18,075,400	144,041	7,710,244	9,065,627	55,723,467	6.50%	2,388
2006	21,207,109	-	18,275,400	212,191	8,262,991	9,699,911	57,657,602	5.92%	2,466
2005	22,937,184	-	8,800,000	281,694	8,783,003	10,308,622	51,110,503	6.45%	2,208

## Notes:

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

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



TABLE 9

## CITY OF STAUNTON, VIRGINIA

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

Fiscal Year	General Bonded Debt Outstanding				Percentage of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Literary Loans	VRA Loans	Net Bonded Debt		
2014	\$ 29,926,204	\$ 12,850,000	\$ 22,775,578	\$ 65,551,782	3.67%	\$ 2,692
2013	31,937,257	13,800,000	24,674,856	70,412,113	3.95%	2,944
2012	21,742,864	14,750,000	23,017,857	59,510,721	3.25%	2,473
2011	23,358,124	15,700,000	24,481,898	63,540,022	3.49%	2,666
2010	25,299,139	16,650,000	24,732,677	66,681,816	4.17%	2,808
2009	27,527,387	17,600,000	15,288,202	60,415,589	3.11%	2,528
2008	27,919,150	17,875,400	10,571,738	56,366,288	3.09%	2,376
2007	28,438,399	18,075,400	9,065,627	55,579,426	3.11%	2,382
2006	29,470,100	18,275,400	9,699,911	57,445,411	4.27%	2,457
2005	31,720,187	8,800,000	10,308,622	50,828,809	3.97%	2,196

## Notes:

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

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

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

TABLE 10

## CITY OF STAUNTON, VIRGINIA

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt Limit	\$ 178,789,166	\$ 178,223,659	\$ 183,071,095	\$ 182,032,210	\$ 196,047,855	\$ 194,478,687	\$ 182,361,385	\$ 178,661,278	\$ 134,407,736	\$ 133,413,286
Total net debt applicable to limit	65,551,782	70,412,113	59,510,721	63,540,022	66,681,816	60,415,589	56,366,288	55,579,426	57,445,411	50,828,809
Legal debt margin	<u>\$ 113,237,384</u>	<u>\$ 107,811,546</u>	<u>\$ 123,560,374</u>	<u>\$ 118,492,188</u>	<u>\$ 129,366,039</u>	<u>\$ 134,063,098</u>	<u>\$ 125,995,097</u>	<u>\$ 123,081,852</u>	<u>\$ 76,962,325</u>	<u>\$ 82,584,477</u>
Legal debt margin as a percentage of the debt limit	63.34%	60.49%	67.49%	65.09%	65.99%	68.93%	69.09%	68.89%	57.26%	61.90%

TABLE 11

## CITY OF STAUNTON, VIRGINIA

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

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income (2)	Median age (1)	School enrollment (3)	Unemployment rate (4)
2014	24,350	\$ 4,343,540	\$ 36,597	42.3	2,535	5.6%
2013	23,921	4,085,833	34,442	42.9	2,522	6.3%
2012	24,067	3,969,481	33,502	42.9	2,605	6.3%
2011	23,834	3,912,376	33,114	42.1	2,528	6.7%
2010	23,746	3,903,337	33,161	41.8	2,572	7.7%
2009	23,899	3,903,337	33,161	41.8	2,578	7.5%
2008	23,726	3,903,337	33,161	40.6	2,601	4.6%
2007	23,333	3,620,374	31,161	40.4	2,646	3.1%
2006	23,379	3,416,168	29,722	40.2	2,620	3.2%
2005	23,144	3,296,454	29,033	39.8	2,610	3.6%

## Sources:

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

TABLE 12

## CITY OF STAUNTON, VIRGINIA

**Demographic and Economic Information**  
**Principal Employers**  
**Current Year**  
**UNAUDITED**

Employer	2013		
	Employees	Rank	Percentage of Total City Employment
Western State Hospital	500-599	1	4.99%
Staunton City School Board	500-599	2	4.99%
Mary Baldwin College	250-499	3	3.41%
City of Staunton	250-499	4	3.41%
WalMart	250-499	5	3.41%
Care Advamtage Inc	100-249	6	1.59%
Virginia School for the Deaf and Blind	100-249	7	1.59%
VDOT	100-249	8	1.59%
Best Buy Distribution	100-249	9	1.59%
Envoy-Staunton	100-249	10	1.59%
Total	2250-3940		28.16%

Data for nine years ago is not available.

**Source:** Virginia Employment Commission (VEC)

**Notes:**

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

TABLE 13

## CITY OF STAUNTON, VIRGINIA

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

Function/Program	Full Time Equivalent Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Government	32	33	31	31	30	33	33	33	32	32
Judicial	21	21	21	21	23	23	22	22	17	17
Public Safety	99	99	99	98	101	107	106	106	95	95
Public Works	38	38	38	38	39	40	42	42	49	47
Parks, Recreation, and Culture	24	23	23	22	26	26	26	27	26	25
Community Development	7	7	7	7	8	8	7	7	6	6
Grants-Blue Ridge Courts	8	8	8	8	8	8	na	na	na	na
Golf	1	1	1	1	1	1	1	0	0	0
Water	25	25	25	25	24	25	25	25	25	23
Sewer	5	5	5	5	6	6	6	6	6	6
Environmental	18	18	18	20	22	24	24	24	23	23
Stormwater	1	1	1	1	1	2	na	na	na	na
Total	279	279	277	277	289	303	292	292	279	274

na-not available

Source: Finance Department

Notes:

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

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

TABLE 14

## CITY OF STAUNTON, VIRGINIA

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

Function/Program	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety:										
Police:										
Arrests	2,438	2,429	2,415	2,402	2,378	2,517	2,835	2,469	2,369	na
Parking tickets	4,931	5,036	5,548	5,117	3,639	5,428	6,846	5,031	4,142	na
Traffic summons	4,263	2,982	3,809	4,693	4,093	4,525	4,723	4,773	4,229	na
Fire:										
Incident responses	3,087	3,450	2,640	3,372	3,000	2,812	2,695	2,648	2,384	2,630
Fires extinguished	50	55	56	65	45	80	79	99	83	70
Inspections	1,193	918	424	417	407	348	286	211	138	85
Inspections:										
Building permits issued	957	881	1,010	1,036	896	1,024	1,219	1,641	1,740	1,200
Building inspections conducted	2,353	2,772	2,592	2,753	2,538	3,587	4,631	4,623	4,865	3,107
Public Works:										
Refuse:										
Recycling collected (tons per day)	2.27	2.16	2.12	1.72	1.58	1.65	na	na	na	na
Refuse collected (tons per day)	59.6	61.8	63.7	62.6	69.9	67.6	79.5	83.1	95.3	94.4
Other public works:										
Lane miles paved	11.1	10.2	12.3	10.08	9.78	5.25	7.43	7.97	2.5	2.4
Parks and Recreation:										
Rounds of golf	9,040	9,698	9,731	9,863	8,939	10,283	10,345	13,000	15,552	14,770
Library:										
Volumes in collection	na	177,957	177,037	175,505	171,652	172,345	174,390	173,503	171,816	175,872
Total volumes borrowed	na	389,551	397,243	418,107	432,276	450,949	447,047	425,581	409,440	404,395
Utility:										
New connections-water	8	8	9	16	11	13	122	228	165	na
Active customers-water	9,351	9,347	9,358	9,335	9,727	9,296	9,271	9,231	9,168	9,025

Sources: Various city departments; regional landfill

na- data not available

TABLE 15

## CITY OF STAUNTON, VIRGINIA

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

<b>Function/Program</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units-marked	19	19	19	20	20	20	20	21	21	20
Patrol Units-unmarked	18	18	18	16	16	16	16	14	18	18
Fire Stations	2	2	2	2	2	2	2	2	2	1
Refuse										
Collection trucks	11	10	8	7	7	7	7	7	6	6
Recycling trucks	3	3	4	3	3	3	3	3	3	3
Other Public Works										
Lane miles of streets	299.72	298.7	298.7	298.55	298.55	298.55	297.38	291.22	288.48	288.48
Traffic Signals-signals and flashers	65	65	65	63	64	64	64	64	64	64
Parks and Recreation										
Acreage	482	482	482	482	482	477	477	477	447	418.5
Number of Parks	9	9	9	9	9	7	7	7	6	5
Baseball/softball fields	8	8	8	8	8	7	7	7	7	7
# of baseball/softball games played	1,619	1,614	1,585	1,560	1,522	1,590	1,503	1,488	1,426	na
Soccer/football fields	4	4	4	4	4	4	3	3	3	3
# of soccer/football games played	211	220	212	195	214	217	183	176	124	na
Water										
Miles of water mains	181.11	181.4	179.41	175.37	175.35	175.15	174.9	173.56	170	147.62
Fire Hydrants	957	919	912	912	897	887	866	828	797	na
Storage capacity (thousands of gal)	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200	8,200
Sewer										
Miles of sanitary sewers	132.8	132.84	132.84	132.79	132.42	132.35	131.82	130.88	128	124.73

Sources: Various City departments

na - data not available.

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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**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Specifications for Audits of Counties, Cities, and Towns*, and the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Staunton, Virginia (the "City"), as of and for the year ended June 30, 2014, 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 21, 2014.

Our report includes reference to other auditors who audited the financial statements of the Augusta Regional Landfill as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or on compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 21, 2014

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

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Staunton, Virginia's (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, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Staunton, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control over Compliance

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

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

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Harrisonburg, Virginia  
November 21, 2014

**CITY OF STAUNTON, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2014**

As more fully described in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we performed tests of the City's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

**STATE COMPLIANCE MATTERS**

*Code of Virginia*

Budget and Appropriation Laws

Cash and Investment Laws

Conflicts of Interest Act

Local Retirement Systems

Debt Provisions

Procurement Laws

Economic Development Opportunity Funds

Sheriff Internal Controls

Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Education

Highway Maintenance Funds

**FEDERAL COMPLIANCE MATTERS**

Compliance Supplement for Single Audits of State and Local Governments

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

**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2014**

**A. SUMMARY OF AUDITOR'S RESULTS**

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

Child Nutrition Cluster – National School Breakfast Program	10.553
Child Nutrition Cluster – National School Lunch Program	10.555
Special Education – Title VI B – Grants to States	84.027
Special Education – Preschool Grants	84.173
8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The City was determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**None.**

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

**None.**

**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2014**

**D. FINDINGS AND QUESTIONED COSTS – COMMONWEALTH OF VIRGINIA**

**14-1. Commonwealth of Virginia: Highway Maintenance Costs**

*Condition:*

In our sample of 25 work orders, we noted one work order that included work performed on an ineligible street.

*Recommendation:*

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

*Management Response (Unaudited):*

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



**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

<b>Federal Granting Agency/Pass-Through State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>DEPARTMENT OF AGRICULTURE:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture:</u>			
Child Nutrition Cluster:			
National School Lunch Program - Non Cash Commodities	10.555	N/A	93,386
<u>Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	405910	183,015
National School Lunch Program	10.555	406230	647,894
Fresh Fruits and Vegetables Program	10.582	405990	31,168
<u>Department of Social Services:</u>			
Food Stamp Cluster:			
State Administrative Matching Grants for the Food Stamp Program:			
Cost Allocations - Food Stamps	10.561	84322	6,074
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Education:</u>			
Title I, Part A Cluster:			
Title I Educationally Deprived Children - LEA	84.010	S010A130046, S010A110046 & S010A120046	705,868
Title I, Part D - Neglected & Delinquent Children	84.013	S013A110046 & S013A120046	3,193
Special Education Cluster			
Title VIB - Special Education	84.027	H027A120107 & H027A110107	705,256
Special Education - Pre-School Grants	84.173	H173A130112 & H173A120112	19,033
Vocational Education - Basic Grants to States	84.048	V048A130046 & V048A120046	28,109
Title II, Part A - Training & Recruiting Grant	84.367	S367A130044 & S367A120044	155,731
Title VI-Rural and Low-Income Schools	84.358	S358B120046	34,710
Advanced Placement Incentive Program	84.330	S330B130008	495

**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014**

<b>Federal Granting Agency/Pass-Through State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Social Services:</u>			
Temporary Assistance for Needy Families:	93.558		
TANF-Manual checks		80801	\$ (1,089)
VIEW-JOBS Purchased Services		87201	3,047
VIEW-Supportive Services		87202	28,280
VIEW- Transitional Transportation		87204	5,933
VIEW-Transportation		87207	58,935
VIEW-Transitional Support		87211	506
VIEW-Other activities		87212	2,882
Child Care and Development Fund:-Mandatory and Matching Funds	93.596		
VIEW - Working Child Care		87101	(190)
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	170,272
Licensed Child Placing Agency-Basic Maintenance		81108	57,000
Local Agency Foster Home-Basic Maintenance		81110	52,978
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision		81112	105,160
Central Service Cost Allocation - IV-E serv		84319	1,465
Adoption Assistance:	93.659		
Subsidized Adoption Assistance-Basic Maintenance		81201	210,073
Nonrecurring Adoption Assistance		81202	5,225
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision		81203	110,175
Cost Allocation		84324	169
Social Services Block Grant:	93.667		
State Adoption Assistance		81701	58,095
Family Preservation-(SSBG)		82905	2,111
Home Based Companion (State Supplement)		83304	12,409
Adult Protective Services		89501	2,489
Medical Assistance Program (Title XIX)	93.778		
Central Service Cost Allocation-Medicaid		84323	3,626
<u>Comprehensive Services for At Risk Youth and Families</u>			
Social Services Block Grant:	93.667		165,470

(Continued)

DEPARTMENT OF HOMELAND SECURITY:

**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2014**

<b>Federal Granting Agency/Pass-Through State Agency/Grant Program</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<u>Pass Through Programs:</u>			
<u>Department of Emergency Management:</u>			
Disaster Grant-Public Assistance (Presidentially Declared Disaster)	97.036	158	14,403
Emergency Management Performace Grant	97.042	52743	7,500
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0928	10,944
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice Services:</u>			
Crime Victim Assistance	16.575	66000	28,132
Edward Byrne Memorial Justice Assistance Grant Program	16.738	51000, 14B2621AD12	56,350
<u>Office of the Attorney General</u>			
Treasury Forfeiture Fund	21.000	n/a	103,450
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Emergency Management</u>			
Ineragency Hazardous Materials Public Sector Training and Preparedness Grant	20.703	52603	30,000
<u>Virginia Department of Transportation:</u>			
Highway Planning and Construction	20.205	SRTS-132-532&334; SLEN-132- 101, 101,C501	202,899
Total Expenditures of Federal Awards			<u>\$ 4,122,631</u>

**CITY OF STAUNTON, VIRGINIA****NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2014****Note 1. BASIS OF PRESENTATION**

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