

# CITY OF STAUNTON, VIRGINIA

## Comprehensive Annual Financial Report

Fiscal year July 1, 2014 - June 30, 2015



*Photo by Warren Faught*

Birthplace of the Council-Manager Form of Government - 1908



**CITY OF STAUNTON, VIRGINIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended June 30, 2015**

Prepared By:  
Department of Finance

Jeanne R. Colvin  
Chief Financial Officer

Cynthia B. Snead, CPA  
Assistant Director of Finance



**CITY OF STAUNTON, VIRGINIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2015**

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# INTRODUCTORY SECTION

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

**COUNCIL**

<p>Ophie A. Kier, Vice-Mayor          Andrea W. Oakes          Erik D. Curren</p>	<p>Carolyn W. Dull, Mayor</p>	<p>R. Terry Holmes          James J. Harrington          Walter J. Obenschain</p>
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**OFFICIALS**

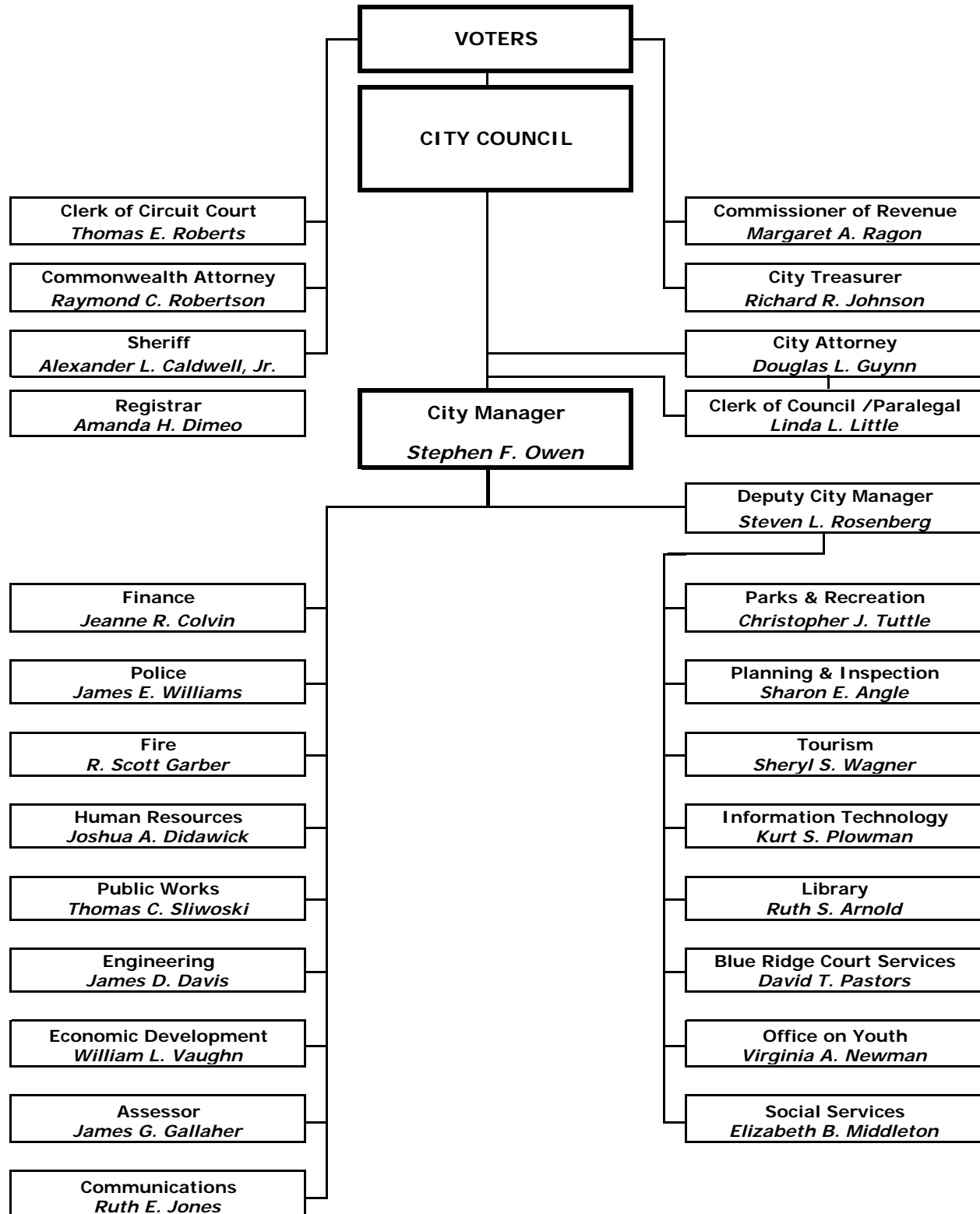
<p>Linda Little          Stephen F. Owen          Jeanne R. Colvin          Richard R. Johnson          Douglas L. Guynn          Margaret (Maggie) A. Ragon          Elizabeth Middleton          Thomas E. Roberts          Alexander L. Caldwell, Jr.          Dr. Linda Reviea</p>	<p>Clerk of Council  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

**SCHOOL BOARD**

<p>Robert Boyle          Laura Kleiner</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, 2014**

A handwritten signature in black ink, reading "Jeffrey R. Emen".

Executive Director/CEO

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



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

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

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

November 25, 2015

**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, 2015. 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, 2015. 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 2015 total taxable real estate assessed values increased 0.5%. Other local consumer based tax revenue sources increased slightly from 2014. General increase in economic activity resulted in increases in meals, lodging and consumer sales taxes. The local unemployment rate for June 2014 was 5.1%, which is below the national average of 5.5%, and slightly above the statewide average of 5.0%. 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 13% 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 \$6,607,250. 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.

**Debt Policy** – In December 2014, City Council adopted a Debt Policy and Post Issuance Debt Compliance Management and Procedures Policy. The purpose of the policy is to provide guidance and criteria for the issuance of debt so the City will not exceed affordable levels of indebtedness. The policy is intended to ensure debt is issued and managed prudently in order to maintain a sound fiscal position and protect the City's credit quality. Relevant points of the policy include the following: 1) The City will confine long-term borrowing to capital improvements or projects that cannot be financed from current revenues except when approved justification is provided, 2) When the City finances capital improvements or other projects by issuing bonds or entering into capital leases, it will repay the debt within a period not-to-exceed the expected useful life of the project, 3) When feasible, the City will explore the usage of special assessment, revenue, or other self-supporting bonds instead of general obligation bonds and 4) The City will retire tax anticipation debt, if any, annually, and will retire bond anticipation debt within six months after completion of the project. The policy also includes management procedures to ensure the City complies with the Internal Revenue Service's post issuance compliance guidelines for outstanding debt.

**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***

**FY2015 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 2015 budget, \$102.5 million, an increase of 2% or \$2 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 2.3% over the previous year. Property tax revenues were projected to increase by \$.3 million, or 1.7%, and other local tax revenues were projected to increase 5.7% over the previous year's budget. The general fund budget increased its transfer to the education fund by 5.5%. The debt service sinking fund had the greatest increase, 6.8%, 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.

In October, 2015, the EDA entered into a contract to sell approximately 19 acres of the property at a selling price of \$1.25 million.



In June, 2015, FedEx Ground announced plans to construct a new 200,000 square foot distribution center in the Green Hills Industrial Park. Staunton's site was chosen because of the ease of access to major highways, proximity to customers' distribution centers and a strong local community workforce for recruiting employees. The new facility is part of a nationwide network expansion to boost daily package volume capacity and further enhance the speed and service capabilities of the FedEx Ground network. The construction of the facility is in progress and scheduled to be completed by July 2016.

**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'. In 2012, Staunton/Augusta/Waynesboro was ranked as the #1 micropolitan economy in Virginia, and ranked #13 in the nation.

**Capital Improvements –** City Council updated and adopted its five year capital improvement plan during fiscal year 2015. The Capital Improvement Plan adopted by City Council this year equals \$225 million with \$95 million dedicated for school projects, \$63 million for infrastructure projects in the proprietary funds, and \$67 million for general fund projects. Total general fund projects approved and funded for fiscal year 2015 included \$5.3 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 2014. A Certificate of Achievement for Excellence is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Jeanne R. Colvin  
Chief Financial Officer

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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, 2015, 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 55%, 43%, 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 and 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, 2015, 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.

### ***Change in Accounting Principle***

As described in Notes 7, 8, and 20 to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, 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 Matters (Continued)***

### ***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.

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 20, 2015 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 20, 2015

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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, 2015. 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 \$39.7 million at June 30, 2015. Net position of the City's business-type activities was \$66 million.
- Total revenues of governmental activities exceeded total expenses by \$4.2 million.
- General revenues, charges for services, operating grants and contributions, and capital grants and contributions of the City's governmental activities were \$55.4 million for FY 2015. Revenues of the City's business-type activities were \$11.9 million.
- Expenses were \$51.3 million for governmental activities and expenses for the business-type activities were \$10.6 million for FY 2015.
- The City's total debt at June 30, 2015 was \$61.1 million, a net decrease of \$5.0 million from FY 2014 due to normal scheduled debt reduction.
- At June 30, 2015, the total fund balance for all governmental funds was \$22.5 million with the General Fund comprising \$11.9 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.

In 2015 the City of Staunton adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The overall effect of this new standard is to reflect the City's long-term Virginia Retirement System (VRS) obligations directly in the financial statements. Previously, such amounts were mostly disclosed, but were not recognized as long as the City was current with its required VRS contributions. The new standard not only changes certain measurement methodologies, but also requires certain new disclosures and that the City record a net pension liability directly on the statement of net position. Beginning net position has been restated as discussed in footnote 20, and this has had a significant impact on the City's net position. However, because similar information has been disclosed in prior years, both in the notes to the financial statements and in required supplementary information, the effect of this new standard is not expected to negatively affect how most governmental entities are viewed by sophisticated readers of their financial statements. Because information to restate prior years is not readily available, the prior year comparative information included in this discussion and analysis has not been restated.

## 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, 2015 and 2014</b>						
	<b>Governmental</b> <b>Activities</b>		<b>Business-Type</b> <b>Activities</b>		<b>Total Primary</b> <b>Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Assets:</b>						
Current and other assets	\$ 49,463,569	\$ 44,361,877	\$ 19,207,827	\$ 20,089,583	\$ 68,671,396	\$ 64,451,460
Capital assets	<u>57,502,160</u>	<u>58,839,160</u>	<u>75,728,978</u>	<u>76,091,606</u>	<u>133,231,138</u>	<u>134,930,766</u>
Total assets	<u>106,965,729</u>	<u>103,201,037</u>	<u>94,936,805</u>	<u>96,181,189</u>	<u>201,902,534</u>	<u>199,382,226</u>
<b>Total deferred outflows of resources</b>	<u>2,380,575</u>	<u>441,198</u>	<u>366,143</u>	<u>90,264</u>	<u>2,746,718</u>	<u>531,462</u>
<b>Liabilities:</b>						
Long-term liabilities	53,728,592	39,245,427	25,332,218	24,851,339	79,060,810	64,096,766
Other liabilities	<u>8,515,727</u>	<u>6,166,930</u>	<u>3,488,198</u>	<u>3,879,490</u>	<u>12,003,925</u>	<u>10,046,420</u>
Total liabilities	<u>62,244,319</u>	<u>45,412,357</u>	<u>28,820,416</u>	<u>28,730,829</u>	<u>91,064,735</u>	<u>74,143,186</u>
<b>Total deferred inflows of resources</b>	<u>7,410,332</u>	<u>4,182,562</u>	<u>437,701</u>	<u>-</u>	<u>7,848,033</u>	<u>4,182,562</u>
<b>Net Position:</b>						
Invested in capital assets	32,734,112	32,253,859	53,499,079	51,946,042	86,233,191	84,199,901
Restricted	117,646	122,452	-	-	117,646	122,452
Unrestricted	<u>6,839,895</u>	<u>21,671,005</u>	<u>12,545,752</u>	<u>15,594,582</u>	<u>19,385,647</u>	<u>37,265,587</u>
Total net position	<u>\$ 39,691,653</u>	<u>\$ 54,047,316</u>	<u>\$ 66,044,831</u>	<u>\$ 67,540,624</u>	<u>\$ 105,736,484</u>	<u>\$ 121,587,940</u>

The City's total net position of \$105.7 million decreased by 13%, or 15.8 million, from FY 2014 due mainly to the recognition of the net pension liability and related deferred inflows and outflows.

The largest component of the City's net position (\$86.2 million or 81.6%) 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 \$2.0 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 (\$19.4 million or 18.4%) is used to finance day-to-day operations.

As of June 30, 2015, 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, 2015 and 2014**

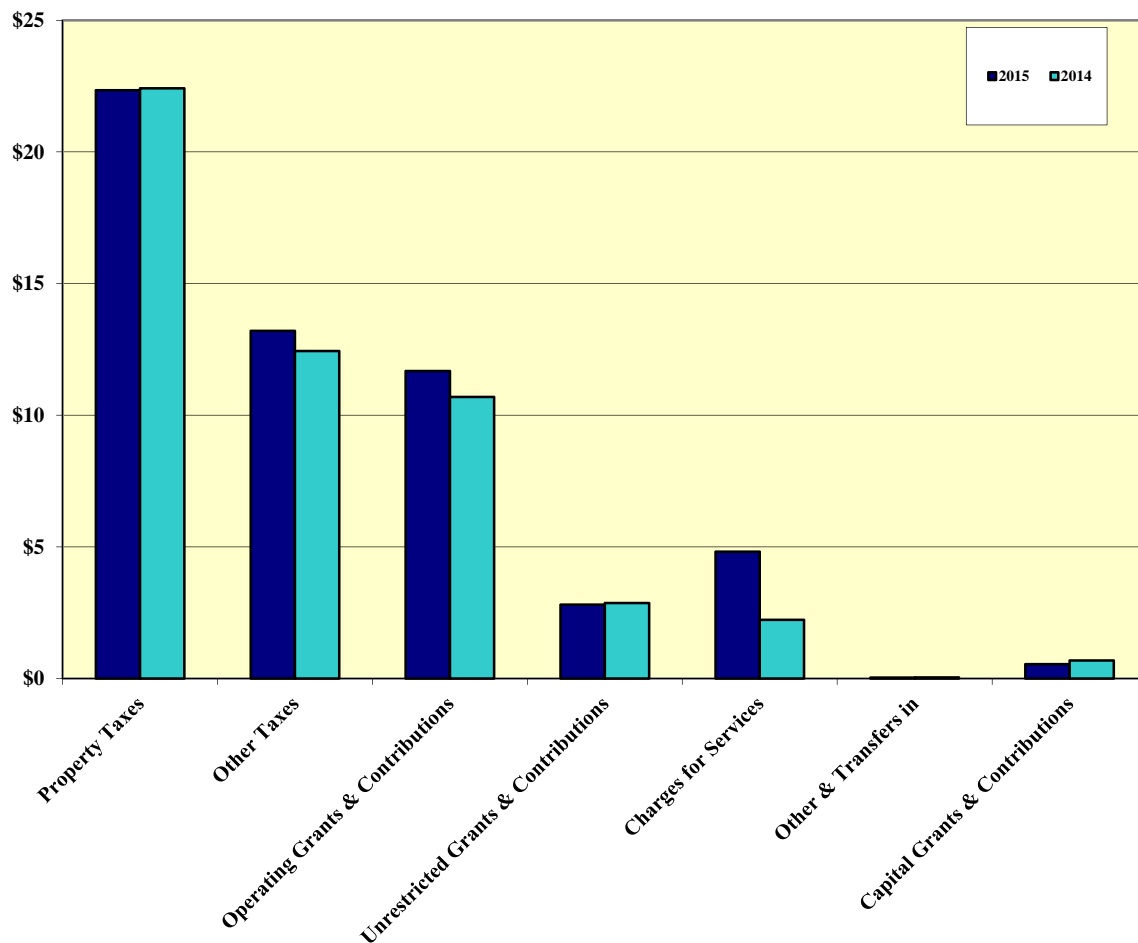
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<u>Revenues:</u>						
<u>Program Revenues</u>						
Charges for services	\$ 4,817,273	\$ 2,230,874	\$ 11,116,737	\$ 11,151,851	\$ 15,934,010	\$ 13,382,725
Operating grants and contributions	11,676,827	10,694,950	65,031	46,551	11,741,858	10,741,501
Capital grants and contributions	546,586	683,527	686,595	-	1,233,181	683,527
<u>General revenues</u>						
Property taxes	22,339,862	22,415,259	-	-	22,339,862	22,415,259
Other taxes	13,203,022	12,435,302	-	-	13,203,022	12,435,302
Unrestricted intergovernmental	2,805,165	2,864,597	-	-	2,805,165	2,864,597
Interest and investment earnings	11,241	9,621	29,192	35,432	40,433	45,053
Other	25,089	32,183	-	-	25,089	32,183
Total revenues	<u>55,425,065</u>	<u>51,366,313</u>	<u>11,897,555</u>	<u>11,233,834</u>	<u>67,322,620</u>	<u>62,600,147</u>
<u>Expenses:</u>						
General government	6,639,656	4,744,935	-	-	6,639,656	4,744,935
Judicial administration	1,753,470	1,750,740	-	-	1,753,470	1,750,740
Public safety	10,864,551	11,088,236	-	-	10,864,551	11,088,236
Public works	6,975,749	6,645,051	-	-	6,975,749	6,645,051
Health and welfare	6,438,253	6,075,695	-	-	6,438,253	6,075,695
Parks, recreation and culture	3,368,301	3,115,119	-	-	3,368,301	3,115,119
Education (includes payment to Schools)	12,245,921	12,136,856	-	-	12,245,921	12,136,856
Community Development	1,682,092	1,672,001	-	-	1,682,092	1,672,001
Interest on long-term debt	1,290,984	1,360,734	-	-	1,290,984	1,360,734
Water	-	-	3,421,897	3,610,302	3,421,897	3,610,302
Sewer	-	-	3,629,070	3,532,854	3,629,070	3,532,854
Storm Water	-	-	724,382	749,025	724,382	749,025
Environmental	-	-	2,210,477	2,362,161	2,210,477	2,362,161
Golf	-	-	155,309	158,691	155,309	158,691
Parking	-	-	430,555	411,135	430,555	411,135
Total expenses	<u>51,258,977</u>	<u>48,589,367</u>	<u>10,571,690</u>	<u>10,824,168</u>	<u>61,830,667</u>	<u>59,413,535</u>
Increase (decrease) in net position before transfers	4,166,088	2,776,946	1,325,865	409,666	5,491,953	3,186,612
Transfers	12,752	(377,333)	(12,752)	377,333	-	-
Increase (decrease) in net position	4,178,840	2,399,613	1,313,113	786,999	5,491,953	3,186,612
Net position - beginning of year	<u>35,512,813</u>	<u>51,647,703</u>	<u>64,731,718</u>	<u>66,753,625</u>	<u>100,244,531</u>	<u>118,401,328</u>
Net position - end of year	<u>\$ 39,691,653</u>	<u>\$ 54,047,316</u>	<u>\$ 66,044,831</u>	<u>\$ 67,540,624</u>	<u>\$ 105,736,484</u>	<u>\$ 121,587,940</u>

### Governmental Activities - Revenues

- The City's total revenues from governmental activities were \$55.4 million for the fiscal year ended June 30, 2015, an increase of \$4.1 million over the previous year.
- Property taxes, the largest source of general revenue, accounted for \$22.3 million or 40.3% of revenue in 2015. Property tax revenues were stable compared to 2014. 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 2014 due to \$.6 million in recovered costs for the jail buy in and other increases in state funding in public safety, public works and health and welfare.
- Charges for services increased 2.6 million over FY 2014 due mainly to the inclusion of the health insurance fund in governmental activities.

### Governmental Activities - Revenues by Source

Fiscal Years Ended June 30, 2015 and 2014  
(\$ In Millions)



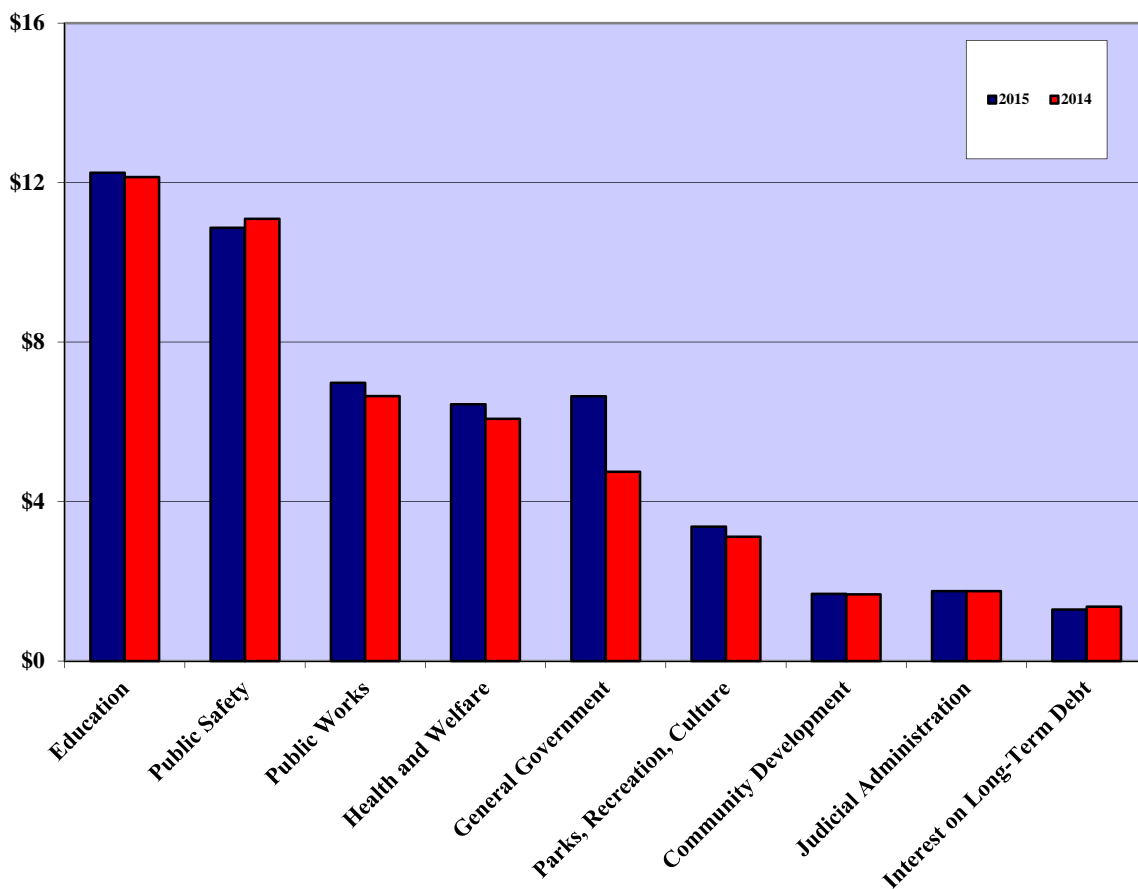
### Governmental Activities - Expenses

- The total expenses from governmental activities were \$51.3 million for the year, an increase of \$2.7 million from FY 2014.
- Education is the largest expenditure for the City at \$12.3 million or 23.9% of the total governmental activities. The net cost remained stable compared to FY 2013.
- General government increased \$1.9 million over FY 2014 due mainly to the inclusion of health insurance fund in expenditures.
- Health and welfare increased \$.4 million over FY 2014 due to an increase in the costs of social services and comprehensive services act expenditures.

### Governmental Activities - Expenses by Function

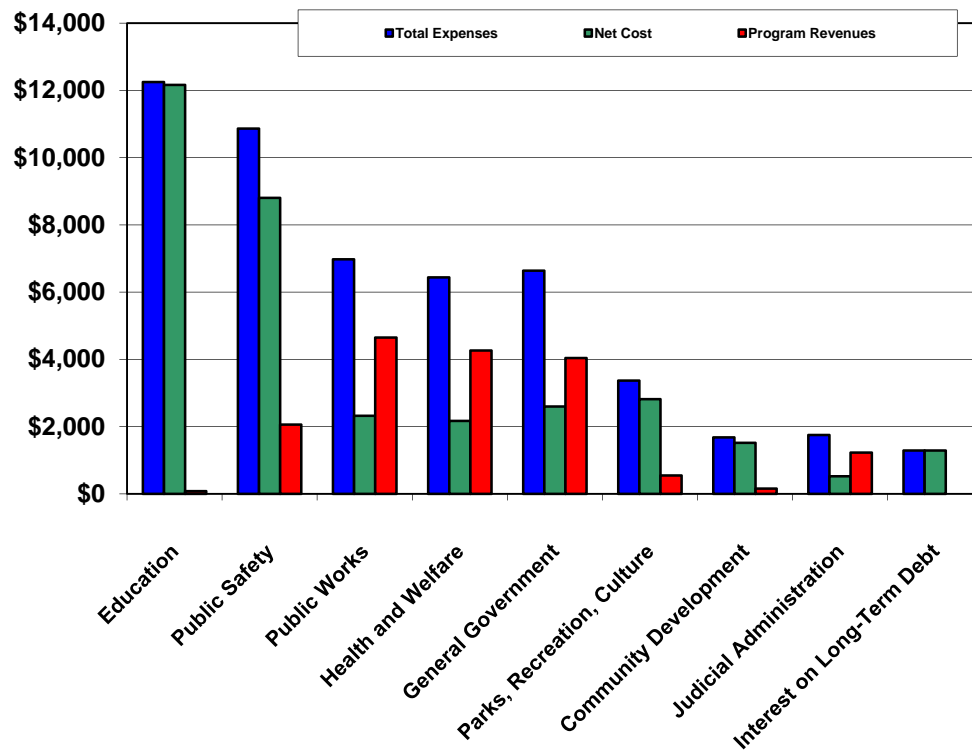
Fiscal Years Ended June 30, 2015 and 2014

(\$ 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 2015 totaled \$17.0 million and general revenues totaled \$38.4 million.

The net cost of services represents the amount of tax or other revenue required to support these functions. The Education function requires the largest amount of general revenue support at 35.6%, an increase of \$.2 million from FY 2014. General government decreased \$.5 million due in part to the inclusion of the net profit of the health insurance fund. Public safety function actually saw a decrease of \$.9 million due to the jail buy in cost recovery and new funding sources for Blue Ridge Court Services.

Net Cost of the City of Staunton's Governmental Activities				
	2015		2014	
	Total Cost	Net Cost	Total Cost	Net Cost
Education	\$ 12,245,921	\$ 12,164,091	\$ 12,136,856	\$ 11,981,171
Public Safety	10,864,551	8,802,715	11,088,236	9,729,257
Public Works	6,975,749	2,325,480	6,645,051	2,270,238
Health and Welfare	6,438,253	2,172,717	6,075,695	1,993,748
General Government	6,639,656	2,597,038	4,744,935	3,075,570
Parks, Recreation, Culture	3,368,301	2,820,076	3,115,119	2,534,183
Community Development	1,682,092	1,521,109	1,672,001	1,513,162
Judicial Administration	1,753,470	524,081	1,750,740	521,953
Interest on Long-Term Debt	1,290,984	1,290,984	1,360,734	1,360,734
	<b>\$ 51,258,977</b>	<b>\$ 34,218,291</b>	<b>\$ 48,589,367</b>	<b>\$ 34,980,016</b>

## **Business-Type Activities**

1. Total program revenues of the City's business-type activities were \$11.9 million for FY 2015. Charges for services including golf, water, sewer, storm water, environmental, and parking fees make up the largest source of revenues at \$11.1 million or 93.3% of total revenues for business-type activities.
2. Overall expenses of business-type activities decreased \$.3 million from FY 2014 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 2015, the City's governmental funds reported combined ending fund balances of \$22.5 million, an increase of \$1.5 million over FY 2014. Of that amount \$.1 million was nonspendable, \$.1 million was restricted, \$6.6 million was committed, \$13.3 million was assigned, and \$2.4 million was unassigned. The general fund's increase in fund balance was \$.4 million. The capital project fund's increase in fund balance was \$1.1 million.

### **General Fund**

The General Fund reported \$11.9 million in fund balance at year end. Of the total General Fund balance, \$2.4 million is unassigned, \$6.6 million is committed for specific purposes, and \$2.8 million is assigned.

In total, FY 2015 revenues increased \$1.5 million over FY 2014. Property tax revenues increased \$.2 million, other local taxes increased \$.8 million and recovered costs increased \$.5 million over FY 2014.

General Fund actual expenditures were \$44.4 million versus the revised budget totaling \$46 million. The contribution to the Component Unit School Board was the largest expense at \$11.8 million. Expenditure savings of \$1.6 million resulted from \$.4 million in general government administration due to professional fees and insurance costs being less than expected and technology equipment and maintenance savings; \$.4 million in public works due to fringe benefit, professional services and maintenance expenditure savings; \$.3 million in parks and recreation from maintenance and capital expenditure savings, \$.3 million in community development, due to professional services savings, and the balance of \$.2 million in expenditures savings resulting from judicial, public safety, and health and welfare expenditure savings.

### **Capital Projects Fund**

The City's Capital Projects Fund is used to report transactions related to the financing resources and expenditures for the acquisition or construction of capital facilities for the General Fund. Proprietary capital projects are reported in the appropriate proprietary fund. The City uses annual operating revenues of the General Fund, fund balance transfers from the General Fund, bond proceeds, or grants as resources to fund capital projects. With the exception of grant resources, the General Fund transfers funds to the Capital Projects Fund when appropriated by the governing body. The General Fund transferred \$2.6 million in FY 2015 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, 2015:

PROJECT	REVISED BUDGET - PROJECT TO DATE	FY2015 EXPENDITURES	TOTAL PROJECT EXPENDITURES TO DATE	PROJECT BALANCE
FINANCIAL SOFTWARE	1,332,482	-	1,229,729	102,753
COMPUTER NETWORK EQUIPMENT	195,137	-	95,137	100,000
FIBER LOOP PROJECT	1,188,591	-	1,188,591	-
FIRE TRUCK RESERVE	754,383	-	886,973	(132,590)
RADIO NARROWBAND	550,000	-	434,607	115,393
REGIONAL JAIL RESERVE	5,376,286	768,298	5,057,286	319,000
REGIONAL ANIMAL SHELTER	125,000	-	-	125,000
STREET IMPROVEMENT PROJECTS	755,250	130,493	686,470	68,780
URBAN STREET CONSTRUCTION 2% MATCH	758,931	-	465,395	293,536
MONTGOMERY AVENUE ROAD EXTENSION PROJECT	837,241	-	813,729	23,512
BOWLING STREET BRIDGE	335,592	-	335,592	-
HAILE STREET BRIDGE	322,955	-	322,955	-
SEARS HILL BRIDGE	170,874	-	170,874	-
SHELBURNE SAFE ROUTE TO SCHOOL	171,000	-	100,360	70,640
MCSWAIN SAFE ROUTE TO SCHOOL	409,505	62,947	127,657	281,848
STATLER/RICHMOND RD PROJ	50,000	-	-	50,000
RICHMOND RD/GREENVILLE AVE	35,000	-	-	35,000
CENTRAL AVE STREETScape	1,212,830	21,870	55,520	1,157,310
STATE ROUTE 1426	2,110,000	165,652	281,577	1,828,423
NEW SIDEWALKS	200,000	-	-	200,000
BESSIE WELLER SAFE ROUTE TO SCHOOL	68,850	-	1,192	67,658
RICHMOND RD/COCHRAN PARKWAY	2,300,000	-	-	2,300,000
BRICK SIDEWALK PROJECTS	100,000	85,162	85,162	14,838
VDOT PRIMARY EXT PAVING	-	349,849	349,849	(349,849)
MECHANICAL SYSTEMS	241,981	23,823	242,361	(380)
LIBRARY FACILITY STUDY	40,000	5,925	40,000	-
FIRE STATION ROOF	845,000	33,855	104,730	740,270
PUBLIC SAFETY BUILDING	40,000	-	-	40,000
BLUE RIDGE COMMUNITY COLLEGE	304,448	27,170	304,448	-
LEE HIGH SCHOOL PROJECT	800,000	-	-	800,000
BOOKER T BUILDING	266,818	-	262,603	4,215
FIELD HOUSE PROJECT	32,607	-	32,607	-
MONTGOMERY HALL SOCCER FIELDS	166,272	-	165,878	394
GHP POOL RENOVATIONS	500,000	7,030	492,565	7,435
LAKE TAMS PROJECT	650,000	86,879	86,879	563,121
GHP DUCK POND PROJECT	177,945	58,606	58,606	119,339
MHP BATHROOM/WATER PARK	275,000	-	-	275,000
MOXIE STADIUM LIGHTING	52,055	-	-	52,055
CORRIDOR OVERLAY INCENTIVES	25,000	-	-	25,000
WESTERN STATE DEVELOPMENT	595,434	-	595,434	-
COUNTY COURTS PROJECT	80,000	-	-	80,000
ECONOMIC DEVELOPMENT RESERVE	1,243,811	-	1,213,602	30,209
ENTERPRISE ZONE PROGRAM	360,521	80,216	137,716	222,805
STAUNTON CROSSING DEVELOPMENT	775,000	131,621	215,094	559,906
FRONTIER CULTURE PROJECT	100,000	6,975	88,051	11,949
TRANSFER TO SCHOOL CIP	275,000	-	-	275,000
TOTALS	\$ 27,206,799	\$ 2,046,371	\$ 16,729,229	\$ 10,477,570



## General Fund Budgetary Highlights

City Council revised the total FY 2015 City Budget two times during the year which included two amendments to the General Fund budget. These budget amendments included:

- Budget Amendment Number 1 - \$396,703. This amendment appropriated \$303,800 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 2014. This amendment also included additional appropriations of \$92,903 made up of \$69,150 in additional grants and donations and \$23,753 for recovered costs from other entities for repairs.
- Budget Amendment Number 2 - \$3,141,977. This amendment appropriated \$1,882,658 from the prior year unassigned fund balance to be transferred to the Capital Improvements Fund for projects approved in the CIP plan. Also from prior year fund balance, a transfer of \$200,000 to the debt service fund for additional debt service costs and \$250,000 to the health insurance fund as a reserve for future health costs. The amendment also included additional appropriations of \$809,319 made up of \$128,925 in additional state grant funds, \$9,394 for insurance recoveries for damaged property, and \$671,000 for recovered costs from the Jail Authority buy in.

## CAPITAL ASSETS

The City of Staunton's investment in capital assets for its governmental activities and business-type activities as of June 30, 2015 amounts to \$133.2 million (net of depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Total net capital assets are \$57.5 million for the governmental activities, and \$75.7 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:

- \$.5 million for vehicles and equipment and \$.5 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:

- \$2.6 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 \$.3 million to capital assets during FY 2015.

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

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Land</b>	\$ 4,730,337	\$ 1,997,184	\$ 6,727,521	\$ 4,730,337	\$ 1,991,300	\$ 6,721,637
<b>Landfill</b>	-	1,531,460	1,531,460	-	1,552,123	1,552,123
<b>Buildings</b>	27,062,463	30,494,368	57,556,831	28,117,703	31,449,148	59,566,851
<b>Improvements</b>	978,325	821,719	1,800,044	1,075,242	880,182	1,955,424
<b>Equipment</b>	4,148,084	3,264,229	7,412,313	3,926,299	3,227,785	7,154,084
<b>Infrastructure Construction in Progress</b>	19,943,435	36,048,649	55,992,084	20,596,680	35,977,530	56,574,210
	639,516	1,571,369	2,210,885	392,899	1,013,538	1,406,437
<b>Total</b>	<u>\$ 57,502,160</u>	<u>\$ 75,728,978</u>	<u>\$ 133,231,138</u>	<u>\$ 58,839,160</u>	<u>\$ 76,091,606</u>	<u>\$ 134,930,766</u>

**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 affirmed 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 \$179.4 million for the City. The City currently has bonds payable of \$61.1 million. The current legal margin for creating additional debt for the City of Staunton is \$118.3 million.
- Additional information regarding outstanding debt can be found in Note 6 in the notes to the financial statements.

**City of Staunton Outstanding Debt**

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>General Obligation Bonds</b>	\$ 26,534,048	\$ 1,211,072	\$ 27,745,120	\$ 28,074,301	\$ 1,723,328	\$ 29,797,629
<b>Virginia Revolving Loan</b>	-	21,433,518	21,433,518	-	23,469,544	23,469,544
<b>Literary Loans</b>	11,900,000	-	11,900,000	12,850,000	-	12,850,000
<b>Total</b>	<b>\$ 38,434,048</b>	<b>\$ 22,644,590</b>	<b>\$ 61,078,638</b>	<b>\$ 40,924,301</b>	<b>\$ 25,192,872</b>	<b>\$ 66,117,173</b>

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

- The FY 2016 general fund budget was adopted at \$50.8 million, an increase of \$2.6 million over the \$48.2 million budget for FY 2015.
- No tax rate increases were proposed for FY 2016. The January 1, 2015 taxable real estate reassessment reflected an increase of 1.31%, a gain of \$28,483,066 in market value for the City's taxable real estate base. Personal property taxes continue to increase with a budgeted increase of 10% expected for 2016.
- Funding from the Commonwealth constitutes 23% of the total budget and will increase \$543,246 over FY 2015, from \$11,089,654 to \$11,632,900. Most of the increase is for street and highway maintenance at \$133,920 and social service programs at \$297,846.
- A 3% cost of living adjustment for all full-time and part-time employees will be effective July 1, 2015. The General Fund increase for wages and benefits for FY 2016 is \$724,167. The City added five new positions in the FY 2015 General Fund budget for judicial administration and public safety. One new position was added in the sheriff department for a deputy sheriff, one new position in the planning and inspections office for a building inspector and three new positions for fire fighters. In the water fund, one new position was added for a water engineer, thus, the total FTE count for the City is 291 full-time employees, an increase of six positions.
- The General Fund budgeted transfer to the City and School Capital Improvement Funds decreased slightly for FY 2016. The operating budget transfers \$.7 million from operating revenues, which is 10% less than the original budgeted amount for FY 2015.
- The General Fund transfer to the Debt Service Sinking Fund increased 11.9% or \$305,000 from 2015. The City will reduce its total outstanding debt \$6.6 million in 2016.
- The General Fund transfer to the Education Fund increased 2.3%, or \$275,000, mainly to fund an average 3% pay increase for school employees.
- The City's water, sewer and refuse rates did not increase for FY 2016.
- As of September 2015, the unemployment rate for the City of Staunton is 4.0%. Staunton's rate is slightly lower than the state's average unemployment rate of 4.1% and below the national average of 4.9%.

All these factors were considered in preparing the FY 2016 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).

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# **BASIC FINANCIAL STATEMENTS**

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## CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION  
June 30, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	School Board	Economic Development Authority
<b>ASSETS</b>					
Cash and cash equivalents (Note 2)	\$ 25,016,663	\$ 5,231,947	\$ 30,248,610	\$ 4,748,483	\$ 69,251
Investments (Note 2)	1,183,132	7,246,986	8,430,118	-	-
Receivable (net of allowances for uncollectibles):					
Taxes, including penalties (Note 11)	4,501,472	-	4,501,472	-	-
Accounts	689,573	1,716,828	2,406,401	288,528	163,942
Interest	9,995	19,807	29,802	-	-
Internal balances (Note 4)	769,268	(769,268)	-	-	-
Due from other governmental units (Note 3)	2,406,534	24,818	2,431,352	2,127,734	-
Due from component unit (Note 16)	14,000,000	-	14,000,000	-	-
Inventory (Note 1, 16)	206,579	-	206,579	-	14,000,000
Prepaid items	97,322	-	97,322	403	-
Restricted assets: (Notes 2, 12, 15)					
Cash and cash equivalents	583,031	2,734,598	3,317,629	89,973	15,000
Loans receivable	-	3,002,111	3,002,111	-	-
Capital assets: (Note 5)					
Nondepreciable	5,369,853	3,568,553	8,938,406	236,000	962,045
Depreciable, net	52,132,307	72,160,425	124,292,732	7,921,317	7,319,364
<b>Total assets</b>	<b>106,965,729</b>	<b>94,936,805</b>	<b>201,902,534</b>	<b>15,412,438</b>	<b>22,529,602</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension contributions subsequent to measurement date (Note 1, 7, 8)	1,976,310	298,743	2,275,053	2,553,056	-
Deferred charges on refunding	404,265	67,400	471,665	-	-
<b>Total deferred outflows of resources</b>	<b>2,380,575</b>	<b>366,143</b>	<b>2,746,718</b>	<b>2,553,056</b>	<b>-</b>
<b>LIABILITIES</b>					
Accounts payable	2,815,790	677,565	3,493,355	519,907	233,478
Retainage payable	12,661	36,470	49,131	-	16,230
Accrued liabilities	1,034,919	256,120	1,291,039	2,749,642	-
Due to primary government (Note 16)	-	-	-	-	14,000,000
Unearned revenue (Note 1)	-	9,033	9,033	-	-
Amounts held for others	709,586	-	709,586	448	-
Deposits payable	7,000	265,653	272,653	-	15,000
Noncurrent liabilities:					
Net pension liability (Note 7, 8)	17,082,104	2,574,190	19,656,294	25,981,929	-
Due within one year (Note 6)	3,935,771	2,243,357	6,179,128	130,868	-
Due in more than one year (Note 6)	36,646,488	22,758,028	59,404,516	221,173	-
<b>Total liabilities</b>	<b>62,244,319</b>	<b>28,820,416</b>	<b>91,064,735</b>	<b>29,603,967</b>	<b>14,264,708</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Net difference between projected and actual investment earnings on pension plan investments (Note 1, 7, 8)	2,785,204	437,701	3,222,905	4,037,113	-
Changes in proportion - teacher cost sharing pool (Note 1, 8)	-	-	-	1,015,132	-
Unearned revenue-property taxes (Note 11)	4,625,128	-	4,625,128	-	-
<b>Total deferred inflows of resources</b>	<b>7,410,332</b>	<b>437,701</b>	<b>7,848,033</b>	<b>5,052,245</b>	<b>-</b>
<b>NET POSITION</b>					
Net investment in capital assets	32,734,112	53,499,079	86,233,191	8,157,317	8,281,408
Restricted for:					
Programs	107,701	-	107,701	100,432	-
Donor purposes	9,945	-	9,945	25,161	-
Unrestricted	6,839,895	12,545,752	19,385,647	(24,973,628)	(16,514)
<b>Total net position</b>	<b>\$ 39,691,653</b>	<b>\$ 66,044,831</b>	<b>\$ 105,736,484</b>	<b>\$ (16,690,718)</b>	<b>\$ 8,264,894</b>

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

**CITY OF STAUNTON, VIRGINIA**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 6,639,656	\$ 3,930,043	\$ 112,575	\$ -
Judicial administration	1,753,470	152,261	1,077,128	-
Public safety	10,864,551	391,728	1,662,608	7,500
Public works	6,975,749	-	4,111,183	539,086
Health and welfare	6,438,253	-	4,265,536	-
Education	12,245,921	-	81,830	-
Parks, recreation, and culture	3,368,301	329,414	218,811	-
Community development	1,682,092	13,827	147,156	-
Interest on long-term debt	1,290,984	-	-	-
Total governmental activities	51,258,977	4,817,273	11,676,827	546,586
Business-type activities:				
Water	3,421,897	3,590,380	11,200	226,370
Sewer	3,629,070	3,908,059	47,474	314,900
Storm Water	724,382	788,237	-	145,325
Environmental	2,210,477	2,312,748	6,357	-
Golf	155,309	120,931	-	-
Parking	430,555	396,382	-	-
Total business-type activities	10,571,690	11,116,737	65,031	686,595
Total primary government	\$ 61,830,667	\$ 15,934,010	\$ 11,741,858	\$ 1,233,181
<b>Component Units:</b>				
School Board	\$ 31,572,519	\$ 1,306,006	\$ 10,421,660	\$ 106,388
Economic Development Authority	660,653	62,862	301,938	129,121
Total component units	\$ 32,233,172	\$ 1,368,868	\$ 10,723,598	\$ 235,509
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 20)				
Net position - end of year				

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



Net (Expenses) Revenues and Changes in Net Position			Component Units	
Primary Government			School Board	Economic Development Authority
Governmental Activities	Business-Type Activities	Total		
\$ (2,597,038)		\$ (2,597,038)		
(524,081)		(524,081)		
(8,802,715)		(8,802,715)		
(2,325,480)		(2,325,480)		
(2,172,717)		(2,172,717)		
(12,164,091)		(12,164,091)		
(2,820,076)		(2,820,076)		
(1,521,109)		(1,521,109)		
(1,290,984)		(1,290,984)		
(34,218,291)		(34,218,291)		
-	\$ 406,053	406,053		
-	641,363	641,363		
-	209,180	209,180		
-	108,628	108,628		
-	(34,378)	(34,378)		
-	(34,173)	(34,173)		
-	1,296,673	1,296,673		
(34,218,291)	1,296,673	(32,921,618)		
			\$ (19,738,465)	\$ -
			-	(166,732)
			(19,738,465)	(166,732)
22,339,862	-	22,339,862	-	-
3,988,839	-	3,988,839	-	-
3,546,923	-	3,546,923	-	-
2,147,291	-	2,147,291	-	-
1,125,737	-	1,125,737	-	-
1,394,184	-	1,394,184	-	-
1,000,048	-	1,000,048	-	-
11,241	29,192	40,433	2,043	20
		-		
2,805,165	-	2,805,165	9,696,532	-
25,089	-	25,089	-	-
-	-	-	10,944,600	-
12,752	(12,752)	-	-	-
38,397,131	16,440	38,413,571	20,643,175	20
4,178,840	1,313,113	5,491,953	904,710	(166,712)
35,512,813	64,731,718	100,244,531	(17,595,428)	8,431,606
\$ 39,691,653	\$ 66,044,831	\$ 105,736,484	\$ (16,690,718)	\$ 8,264,894

## CITY OF STAUNTON, VIRGINIA

## EXHIBIT 3

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2015**

	General	Capital Projects	Nonmajor Governmental	Total Governmental
<b>Assets</b>				
Cash and cash equivalents	\$ 11,877,090	\$ 8,406,286	\$ 2,409,808	\$ 22,693,184
Investments	1,183,131	-	-	1,183,131
Receivables (net of allowances for uncollectibles):				
Taxes	4,501,472	-	-	4,501,472
Accounts	664,365	-	11,922	676,287
Interest	9,995	-	-	9,995
Due from other governmental units	1,819,610	532,905	54,019	2,406,534
Due from other funds	769,268	-	-	769,268
Prepaid items	78,126	-	-	78,126
Restricted assets:				
Cash and cash equivalents	583,031	-	-	583,031
<b>Total assets</b>	<u>\$ 21,486,088</u>	<u>\$ 8,939,191</u>	<u>\$ 2,475,749</u>	<u>\$ 32,901,028</u>
<b>Liabilities</b>				
Accounts payable	\$ 1,973,190	\$ 772,578	\$ 45,992	\$ 2,791,760
Retainage payable	-	12,661	-	12,661
Accrued liabilities	388,024	-	14,786	402,810
Amounts held for others	709,586	-	-	709,586
Deposits payable	7,000	-	-	7,000
<b>Total liabilities</b>	<u>3,077,800</u>	<u>785,239</u>	<u>60,778</u>	<u>3,923,817</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	6,478,181	-	4,000	6,482,181
<b>Fund Balances</b>				
Nonspendable	78,126	-	-	78,126
Restricted	117,646	-	3,490	121,136
Committed	6,607,250	-	-	6,607,250
Assigned	2,762,575	8,153,952	2,407,481	13,324,008
Unassigned	2,364,510	-	-	2,364,510
<b>Total fund balances</b>	<u>11,930,107</u>	<u>8,153,952</u>	<u>2,410,971</u>	<u>22,495,030</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 21,486,088</u>	<u>\$ 8,939,191</u>	<u>\$ 2,475,749</u>	<u>\$ 32,901,028</u>

## CITY OF STAUNTON, VIRGINIA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2015**

Total Fund Balances - Governmental Funds		\$ 22,495,030
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	\$ 121,169,132	
Less: accumulated depreciation	<u>(63,734,433)</u>	
		57,434,699
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)	\$ 111,605	
Deferred amount on refunding (to be amortized as interest expense)	<u>404,265</u>	
		515,870
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.		
		2,105,971
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	9,995	
Miscellaneous reimbursement	20,852	
Real estate taxes	<u>1,809,541</u>	
		15,857,055
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2015 employer contributions	\$ 1,976,310	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(2,785,204)	
Net pension liability	<u>(17,082,104)</u>	
		(17,890,998)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	\$ (26,645,653)	
Literary fund loans	(11,900,000)	
Accrued interest payable	(634,548)	
Claims payable	(107,443)	
Compensated absences	<u>(1,538,330)</u>	
		(40,825,974)
Total Net Position - Governmental Activities		<u>\$ 39,691,653</u>

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2015**

	General	Capital Projects	Nonmajor Governmental	Total Governmental
<b>Revenues</b>				
General property taxes	\$ 22,789,212	\$ -	\$ -	\$ 22,789,212
Other local taxes	13,203,021	-	-	13,203,021
Permits, privilege fees, and regulatory licenses	194,875	-	-	194,875
Fines and forfeitures	96,231	-	-	96,231
Revenues from use of money and property	52,421	4,124	144	56,689
Charges for services	1,413,849	-	194,363	1,608,212
Miscellaneous	82,157	-	57,664	139,821
Recovered costs	954,764	-	50,000	1,004,764
Intergovernmental:				
Federal	1,038,000	78,118	116,414	1,232,532
Commonwealth	11,234,258	455,638	687,221	12,377,117
City of Staunton School Board	-	-	355,000	355,000
<b>Total revenues</b>	<u>51,058,788</u>	<u>537,880</u>	<u>1,460,806</u>	<u>53,057,474</u>
<b>Expenditures</b>				
Current:				
General government administration	4,995,152	-	-	4,995,152
Judicial administration	1,819,367	-	-	1,819,367
Public safety	9,320,990	768,298	906,618	10,995,906
Public works	5,421,588	627,220	-	6,048,808
Health and welfare	6,418,179	-	-	6,418,179
Education	11,869,100	27,170	-	11,896,270
Parks, recreation, and cultural	3,169,682	65,636	-	3,235,318
Community development	1,368,775	218,812	136,155	1,723,742
Capital projects	-	339,235	-	339,235
Debt service:				
Principal retirement	-	-	2,500,449	2,500,449
Interest and fiscal charges	-	-	1,289,295	1,289,295
<b>Total expenditures</b>	<u>44,382,833</u>	<u>2,046,371</u>	<u>4,832,517</u>	<u>51,261,721</u>
Excess (deficiency) of revenues over expenditures	<u>6,675,955</u>	<u>(1,508,491)</u>	<u>(3,371,711)</u>	<u>1,795,753</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	2,557,305	3,434,707	5,992,012
Transfers out	<u>(6,281,060)</u>	<u>-</u>	<u>(480)</u>	<u>(6,281,540)</u>
<b>Total other financing sources (uses)</b>	<u>(6,281,060)</u>	<u>2,557,305</u>	<u>3,434,227</u>	<u>(289,528)</u>
Net change in fund balance	394,895	1,048,814	62,516	1,506,225
Fund balance - beginning of year	11,535,212	7,105,138	2,348,455	20,988,805
Fund balance - end of year	<u>\$ 11,930,107</u>	<u>\$ 8,153,952</u>	<u>\$ 2,410,971</u>	<u>\$ 22,495,030</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, 2015**

Net changes in fund balances - Governmental Funds \$ 1,506,225

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	\$ (2,916,946)	
Capital expenditures	1,211,412	
Contributed Capital	<u>381,994</u>	(1,323,540)

In the statement of activities, only the gain on the disposal of capital assets is reported, while in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset. (10,062)

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

Property taxes	\$ (449,350)	
Interest	(869)	
Miscellaneous revenue	<u>(37,762)</u>	(487,981)

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	2,500,449
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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. 45,441

Governmental funds report employer pension contributions as expenditures. However, in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions	\$ 1,976,310	
Pension expense	<u>(1,332,805)</u>	643,505

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	(55,087)
Amortization of bond discount, deferred amount, and bond premium	(47,130)

The net income of internal service funds is reported within governmental activities on the statement of activities. 1,407,020

Change in net position - Governmental Activities	<u>\$ 4,178,840</u>
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## CITY OF STAUNTON, VIRGINIA

STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
June 30, 2015

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 1,898,417	\$ 1,173,550	\$ 1,747,292	\$ 255,428	\$ 157,260	\$ 5,231,947	\$ 2,323,479
Investments	2,765,488	2,410,167	-	2,071,331	-	7,246,986	-
Receivable:							
Accounts (net of allowance for uncollectibles)	553,056	664,859	107,138	366,193	25,582	1,716,828	13,286
Interest	6,057	6,636	-	7,114	-	19,807	-
Due from other governmental units	11,200	-	13,618	-	-	24,818	-
Inventory	-	-	-	-	-	-	206,579
Prepaid items	-	-	-	-	-	-	19,196
Restricted assets:							
Cash and cash equivalents	610,029	8,339	57,500	2,054,254	4,476	2,734,598	-
Loans receivable	-	245,069	-	-	-	245,069	-
Total current assets	5,844,247	4,508,620	1,925,548	4,754,320	187,318	17,220,053	2,562,540
Noncurrent assets:							
Loans receivable	-	2,757,042	-	-	-	2,757,042	-
Capital assets:							
Nondepreciable	1,578,548	104,707	217,390	608,965	1,058,943	3,568,553	-
Depreciable, net	20,197,020	35,593,556	9,034,732	2,931,846	4,403,271	72,160,425	67,461
Total capital assets, net	21,775,568	35,698,263	9,252,122	3,540,811	5,462,214	75,728,978	67,461
Total noncurrent assets	21,775,568	38,455,305	9,252,122	3,540,811	5,462,214	78,486,020	67,461
<b>Total assets</b>	27,619,815	42,963,925	11,177,670	8,295,131	5,649,532	95,706,073	2,630,001
<b>Deferred outflows of resources</b>							
Pension contributions subsequent to measurement date	149,932	24,414	12,467	103,597	8,333	298,743	-
Deferred charge on refunding	67,400	-	-	-	-	67,400	-
Total deferred outflows of resources	217,332	24,414	12,467	103,597	8,333	366,143	-
<b>Liabilities</b>							
Current liabilities:							
Accounts payable	192,771	324,596	31,198	126,357	2,643	677,565	24,030
Claims payable	-	-	-	-	-	-	407,991
Retainage payable	10,476	25,994	-	-	-	36,470	-
Accrued liabilities	108,404	113,040	1,871	18,171	14,634	256,120	-
Unearned revenue	-	-	-	-	9,033	9,033	-
Deposits payable	203,677	-	57,500	-	4,476	265,653	-
Due to other funds	-	-	-	721,338	47,930	769,268	-
Debt, current	602,782	1,259,875	-	-	215,062	2,077,719	-
Landfill closure/postclosure	-	-	-	44,246	-	44,246	-
Compensated absences	54,512	2,476	2,230	62,174	-	121,392	-
Total current liabilities	1,172,622	1,725,981	92,799	972,286	293,778	4,257,466	432,021
Noncurrent liabilities:							
Net pension liability	1,338,156	213,013	90,506	859,482	73,033	2,574,190	-
Debt	6,665,482	12,905,379	-	-	996,010	20,566,871	-
Claims payable	-	-	-	-	-	-	92,009
Landfill closure/postclosure	-	-	-	2,107,991	-	2,107,991	-
Compensated absences	56,999	-	4,940	21,227	-	83,166	-
Total noncurrent liabilities	8,060,637	13,118,392	95,446	2,988,700	1,069,043	25,332,218	92,009
<b>Total liabilities</b>	9,233,259	14,844,373	188,245	3,960,986	1,362,821	29,589,684	524,030
<b>Deferred Inflows of Resources</b>							
Net difference between projected and actual investment earnings on pension plan investments	218,184	34,731	14,757	158,121	11,908	437,701	-
<b>Net Position</b>							
Net investment in capital assets	14,913,656	21,541,348	9,252,122	3,540,811	4,251,142	53,499,079	67,461
Unrestricted	3,472,048	6,567,887	1,735,013	738,810	31,994	12,545,752	2,038,510
<b>Total net position</b>	\$ 18,385,704	\$ 28,109,235	\$ 10,987,135	\$ 4,279,621	\$ 4,283,136	\$ 66,044,831	\$ 2,105,971

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2015**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
<b>OPERATING REVENUES</b>							
Parking fines	\$ -	\$ -	\$ -	\$ -	\$ 34,459	\$ 34,459	\$ -
Charges for services	3,513,204	3,898,655	788,237	2,310,125	482,806	10,993,027	4,992,829
Rental of property	63,929	-	-	-	-	63,929	-
Operating grants	11,200	-	47,474	6,357	-	65,031	-
Miscellaneous	12,484	8,340	-	-	33	20,857	-
Total operating revenues	3,600,817	3,906,995	835,711	2,316,482	517,298	11,177,303	4,992,829
<b>OPERATING EXPENSES</b>							
Personal services	479,297	418,378	72,238	752,507	158,985	1,881,405	-
Fringe benefits	465,395	76,001	29,727	292,059	35,523	898,705	-
Claims paid	-	-	-	-	-	-	2,763,730
Rental of property	4,161	2,100	-	-	5,200	11,461	12,232
Administrative fees	-	-	-	-	-	-	340,342
Repairs and maintenance	256,880	35,552	-	36,482	1,120	330,034	-
Contractual services	246,805	1,214,208	49,854	416,019	11,011	1,937,897	13,975
Materials and supplies	185,902	166,289	3,327	132,732	15,273	503,523	24,784
Depreciation	877,457	1,140,252	447,640	272,066	172,587	2,910,002	3,398
Utilities	184,692	11,073	-	2,160	31,351	229,276	729,912
Other expenses	458,490	210,552	121,596	286,919	97,109	1,174,666	-
Landfill closure/post-closure	-	-	-	19,210	-	19,210	-
Total operating expenses	3,159,079	3,274,405	724,382	2,210,154	528,159	9,896,179	3,888,373
Operating income (loss)	441,738	632,590	111,329	106,328	(10,861)	1,281,124	1,104,456
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest income	9,483	6,813	715	12,065	116	29,192	284
Interest and fiscal charges	(262,818)	(445,249)	-	(323)	(57,705)	(766,095)	-
Gain on disposal of assets	763	1,064	-	2,623	15	4,465	-
Debt service recovery	-	90,584	-	-	-	90,584	-
Total nonoperating revenues (expenses)	(252,572)	(346,788)	715	14,365	(57,574)	(641,854)	284
Income (loss) before transfers and capital contributions	189,166	285,802	112,044	120,693	(68,435)	639,270	1,104,740
Capital Contributed-Developer	226,370	314,900	145,325	-	-	686,595	-
Capital Contributed-storm water fund	-	12,800	-	-	-	12,800	-
Transfers out	(42,654)	(9,626)	(12,800)	-	-	(65,080)	-
Transfers in	-	-	-	-	39,528	39,528	302,280
Change in net position	372,882	603,876	244,569	120,693	(28,907)	1,313,113	1,407,020
Total net position - beginning of year, as adjusted	18,012,822	27,505,359	10,742,566	4,158,928	4,312,043	64,731,718	698,951
Total net position - end of year	\$ 18,385,704	\$ 28,109,235	\$ 10,987,135	\$ 4,279,621	\$ 4,283,136	\$ 66,044,831	\$ 2,105,971

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS  
Year Ended June 30, 2015**

	Business-Type Activities – Enterprise Funds						Governmental Activities – Internal Service
	Water	Sewer	Stormwater	Environmental	Nonmajor	Total	
<b>OPERATING ACTIVITIES</b>							
Cash received from customers and users	\$ 3,564,560	\$ 3,887,514	\$ 800,438	\$ 2,308,008	\$ 507,066	\$ 11,067,586	\$ 5,001,392
Cash paid to suppliers	(1,361,976)	(1,565,329)	(143,778)	(939,701)	(161,548)	(4,172,332)	(856,328)
Cash paid to employees	(964,183)	(513,207)	(104,712)	(1,095,192)	(196,350)	(2,873,644)	-
Claims paid	-	-	-	-	-	-	(2,258,711)
Administrative fees	-	-	-	-	-	-	(340,342)
Operating grants received	-	-	42,213	6,357	-	48,570	-
Net cash provided by operating activities	1,238,401	1,808,978	594,161	279,472	149,168	4,070,180	1,546,011
<b>NONCAPITAL FINANCING ACTIVITIES</b>							
Transfer from investment account	-	-	-	-	-	-	-
Transfers to/from other funds	(42,654)	(9,626)	(12,800)	-	39,528	(25,552)	302,280
Interfund borrowing	-	-	-	405,157	21,258	426,415	-
Net cash provided by noncapital financing activities	(42,654)	(9,626)	(12,800)	405,157	60,786	400,863	302,280
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Acquisition and construction of capital assets	(752,937)	(490,231)	(158,739)	(361,405)	-	(1,763,312)	-
Principal paid on long-term debt	(529,392)	(1,447,269)	-	(310,100)	(202,727)	(2,489,488)	-
Interest paid on long-term debt	(335,894)	(385,143)	-	(2,998)	(57,705)	(781,740)	-
Proceeds from sale of capital assets	763	1,064	-	2,623	15	4,465	-
Collection of loans receivable	-	279,674	-	-	-	279,674	-
Net cash used by capital and related financing activities	(1,617,460)	(2,041,905)	(158,739)	(671,880)	(260,417)	(4,750,401)	-
<b>INVESTING ACTIVITIES</b>							
Interest received	2,096	615	715	6,441	116	9,983	284
Net cash provided by investing activities	2,096	615	715	6,441	116	9,983	284
Net increase (decrease) in cash and cash equivalents	(419,617)	(241,938)	423,337	19,190	(50,347)	(269,375)	1,848,575
<b>CASH AND CASH EQUIVALENTS</b>							
Beginning of year	2,928,063	1,423,827	1,381,455	2,290,492	212,083	8,235,920	474,904
End of year	\$ 2,508,446	\$ 1,181,889	\$ 1,804,792	\$ 2,309,682	\$ 161,736	\$ 7,966,545	\$ 2,323,479
Cash and cash equivalents at end of year is composed of the following:							
Cash and cash equivalents	\$ 1,898,417	\$ 1,173,550	\$ 1,747,292	\$ 255,428	\$ 157,260	\$ 5,231,947	\$ 2,323,479
Restricted -cash and cash equivalents	610,029	8,339	57,500	2,054,254	4,476	2,734,598	-
Total	\$ 2,508,446	\$ 1,181,889	\$ 1,804,792	\$ 2,309,682	\$ 161,736	\$ 7,966,545	\$ 2,323,479



## CITY OF STAUNTON, VIRGINIA

STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	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)	\$ 441,738	\$ 632,590	\$ 111,329	\$ 106,328	\$ (10,861)	\$ 1,281,124	\$ 1,104,456
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	877,457	1,140,252	447,640	272,066	172,587	2,910,002	3,398
Pension expense net of employer contributions	(45,524)	(7,795)	(5,405)	(34,399)	(2,635)		-
Change in assets and liabilities:							
Decrease (increase) in accounts receivable	(43,188)	(19,481)	(560)	(2,117)	(9,153)	(74,499)	8,563
Increase in prepaid items	-	-	-	-	-	-	(9,292)
Decrease in inventory	-	-	-	-	-	-	25,007
Increase (decrease) in accounts payable	(25,046)	74,445	30,999	(21,143)	(484)	58,771	(86,121)
Increase in accrued liabilities	5,234	(599)	2,658	(5,003)	793	3,083	500,000
Decrease in unearned revenue	-	-	-	-	(1,634)	(1,634)	-
Increase (decrease) in deposits payable	6,931	-	7,500	-	555	14,986	-
Increase (decrease) in compensated absences	20,799	(10,434)	-	(11,224)	-	(859)	-
Increase in landfill closure/postclosure liabilities	-	-	-	(25,036)	-	(25,036)	-
Net cash provided by operating activities	<u>\$ 1,238,401</u>	<u>\$ 1,808,978</u>	<u>\$ 594,161</u>	<u>\$ 279,472</u>	<u>\$ 149,168</u>	<u>\$ 4,165,938</u>	<u>\$ 1,546,011</u>
Noncash investing, capital, and financing activities:							
Contributions of capital assets from developers and other funds	<u>\$ 226,370</u>	<u>\$ 327,700</u>	<u>\$ 145,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,395</u>	<u>\$ -</u>

## CITY OF STAUNTON, VIRGINIA

**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2015**

	OPEB Trust Fund
<b>ASSETS</b>	
Assets held in trust, at fair value	
Investment in pooled funds	<u>\$ 1,270,709</u>
Total assets	<u>1,270,709</u>
<b>NET POSITION</b>	
Held in trust for other post-employment benefits	<u>1,270,709</u>
Total net position	<u><u>\$ 1,270,709</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Year Ended June 30, 2015**

	OPEB Trust Fund
	<hr/>
<b>ADDITIONS/REDUCTIONS</b>	
Contributions from employer	\$ 242,000
Investment income	
Net appreciation in fair value of investments	23,621
Less investment expenses	<u>(1,641)</u>
Net investment income	<u>21,980</u>
Total Additions	<u>263,980</u>
 Change in net position	 263,980
Total Net Position Held in Trust for Other Post-employment Benefits - beginning of year	 <u>1,006,729</u>
Total Net Position Held in Trust for Other Post-employment Benefits - end of year	 <u><u>\$ 1,270,709</u></u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**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. The members of the School Board are elected by the voters. The School Board does not have the authority to levy taxes and is fiscally dependent on the City to provide the significant funding to operate and maintain the public school system. In addition, the City has final approval of the school budget and must approve any debt issues related to the schools.

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, 2015**

**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 a hybrid undivided/joint interest venture 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 \$1,568,298 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*.

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.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**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, 2015**

**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: Blue Ridge Court Services Fund, 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 employee health benefits and goods and services provided to other departments on a cost reimbursement basis and they derive their funding from charges assessed to the user departments and employees. The City has established the **Health Insurance Fund and the Inventory Fund** for these purposes. These funds are included in the governmental activities for government-wide reporting purposes. The excess revenues or expenses for the funds are allocated to the appropriate functional activity.

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, 2015**

**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)	\$ 694,121
General Fund (other local taxes)	2,886
Water Fund (charges for services)	41,118
Sewer Fund (charges for services)	64,305
Stormwater Fund (charges for services)	28,677
Parking Fund (charges for services)	470
Environmental Fund (charges for services)	27,223
	<hr/>
	\$ 858,800
	<hr/>



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**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 using the consumption method.

**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 2015, the enterprise funds incurred interest costs of \$809,802 of which \$43,707 was capitalized.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**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 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 two items that qualify for reporting in this category. The first is the deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunded debt. The second consists of contributions subsequent to the measurement date for pensions; this amount will be applied to the net pension liability in the next fiscal year.

In addition to liabilities, the statements that present financial position report a separate section for deferred inflows of resources. This separate financial statement element 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 has four items that qualify for reporting in this category. The first item occurs only under the modified accrual basis of accounting; this item, *unavailable revenue*, is reported only on 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is unearned revenue, which results from collection in the current fiscal year of property taxes levied to fund future years. The third item is the net difference between projected and actual earnings on pension plan investments. This difference will be recognized in pension expense over a closed five year period. The fourth item results from participation in the Virginia Retirement System's teacher cost sharing pool, where changes in proportion and differences between employer contributions and the proportionate share of employer contributions are reported as a deferred inflow.

**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, 2015**

**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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Political Subdivision's Retirement Plan and the additions to/deductions from the Political Subdivision's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 \$(175,029) at June 30, 2015 as a result of costs exceeding fees charged and recognition of the net pension liability. The portion of the deficit related to costs exceeding fees charged is expected to be recovered by an increase in fees.

The component unit school board had a negative net position totaling \$(16,690,718) at June 30, 2015 as a result of recognizing the net pension liability. This deficit is not expected to be recovered in the near term.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**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, 2015**

**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 \$6,607,250 or 13% of the subsequent fiscal year's adopted expenditure budget for the general fund and all other major operating funds, including water, sewer, storm water, 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, 2015 for the general fund is \$6,607,250. 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, 2015**

**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, 2015**

**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	\$ 760,924	Not Rated
State, Municipal and Authority Bonds	879,521	AA to AAA
Federal Agency Bonds and Notes	5,655,214	AA+
Corporate Bonds/Notes	1,710,489	AA- to AA+
Local Government Investment Pool (LGIP)	620,679	AAAm
VA State Non-Arbitrage Program (SNAP)	450,273	AAAm
	<hr/>	
Total primary government	10,077,100	
	<hr/>	
<b><u>Component Unit School Board</u></b>		
Money Market Funds	89,973	Not Rated
Local Government Investment Pool (LGIP)	571,609	AAAm
Total Component Unit School Board	661,582	
	<hr/>	
Grand total	\$ 10,738,682	
	<hr/>	

Credit Risk:

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

Concentration of Credit Risk:

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

Issuer	Percent of Total Portfolio
Local Government Investment Pool (LGIP)	11.1%
Union First Market Money Market	6.2%
Federal Farm Credit Bank	23.77%
Federal Home Loan Bank	12.19%
Federal Home Loan Mortgage Corp	8.38%
Federal National Mortgage Association	8.33%

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**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	\$ 850,897	N/A
State, Municipal, and Authority Bonds	879,521	.16
Federal Agency Notes and Bonds	5,655,214	1.25
Corporate Bonds/Notes	1,710,489	.99
Local Government Investment Pool (LGIP)	1,192,288	N/A
Virginia State Non-Arbitrage Pool (SNAP)	450,273	N/A
	<u>\$ 10,738,682</u>	

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

	Component Units		
	Primary Government	School Board	EDA
Deposits and investments:			
Cash on hand	\$ 9,697	\$ -	\$ -
Deposits	31,909,560	4,176,874	84,251
Investments	10,077,100	661,582	-
	<u>\$ 41,996,357</u>	<u>\$ 4,838,456</u>	<u>\$ 84,251</u>
Statement of net position:			
Cash and cash equivalents	\$ 30,248,610	\$ 4,748,483	\$ 69,251
Investments	8,430,118	-	-
Restricted-cash and cash equivalents	3,317,629	89,973	15,000
	<u>\$ 41,996,357</u>	<u>\$ 4,838,456</u>	<u>\$ 84,251</u>

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

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Business-type Activities-	Component Unit – School Board
USDA	\$ -	\$ -	\$ 4,341	\$ -	\$ -
Supreme Court of VA-Drug Court	-	-	40,522	-	-
Commonwealth of VA	1,819,610	532,905	9,156	24,818	2,127,734
Total	<u>\$ 1,819,610</u>	<u>\$ 532,905</u>	<u>\$ 54,019</u>	<u>\$ 24,818</u>	<u>\$ 2,127,734</u>



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 4. Interfund Transfers and Obligations**

**Primary Government:**

	Transfers Out	Transfers In			
	Capital Projects Fund	Nonmajor Governmental Funds	Nonmajor Business-Type Funds	Internal Service Fund	Total
Water Fund	\$ -	\$ -	\$ -	\$ 42,654	\$ 42,654
Sewer Fund	-	-	-	9,626	9,626
Nonmajor Governmental	-	480	-	-	480
General Fund	2,557,305	3,434,227	39,528	250,000	6,281,060
Total	<u>\$ 2,557,305</u>	<u>\$ 3,434,707</u>	<u>\$ 39,528</u>	<u>\$ 302,280</u>	<u>\$ 6,333,820</u>

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. Transfers from the Water, Sewer and General funds to the Health insurance fund are to support a reserve for future health costs. Transfers between the nonmajor governmental funds are to move the Blue Ridge Court services program to a separate fund.

In a similar transaction, \$12,800 in capital assets were transferred from the storm water fund to the sewer fund, where they were received as contributed capital.

**Component Unit School Board:**

	Transfers Out	Transfers In	
		Education Fund	Nonmajor Governmental Funds
Education fund	\$ -	\$ 436,925	\$ 436,925
Nonmajor governmental funds	84,113	-	84,113
Total	<u>\$ 84,113</u>	<u>\$ 436,925</u>	<u>\$ 521,038</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 \$721,338 from the Environmental Fund and \$47,930 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 \$681,981 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, 2015**

**Note 5. Capital Assets**

**Primary Government:**

Capital asset activity for the primary government is as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets, not depreciated:				
Land (including easements)	\$ 4,730,337	\$ -	\$ -	\$ 4,730,337
Construction in progress	392,899	339,234	92,617	639,516
Total capital assets, not depreciated	5,123,236	339,234	92,617	5,369,853
Capital assets, depreciated:				
Buildings	13,031,026	-	-	13,031,026
Improvements	2,929,810	-	26,021	2,903,789
School assets*	28,585,080	-	-	28,585,080
Equipment	14,141,399	1,076,031	781,901	14,435,529
Infrastructure	56,595,981	476,031	-	57,072,012
Total capital assets, depreciated	115,283,296	1,552,062	807,922	116,027,436
Less accumulated depreciation for:				
Buildings	5,537,048	298,025	-	5,835,073
Improvements	2,054,415	86,323	26,021	2,114,717
School assets*	7,714,873	704,651	-	8,419,524
Equipment	10,261,735	907,342	771,839	10,397,238
Infrastructure	35,999,301	1,129,276	-	37,128,577
Total accumulated depreciation	61,567,372	3,125,617	797,860	63,895,129
Total capital assets, depreciated, net	53,715,924	(1,573,555)	10,062	52,132,307
Total capital assets, net, governmental activities	\$ 58,839,160	\$ (1,234,321)	\$ 102,679	\$ 57,502,160

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 and the transfer of fully depreciated assets from the environmental fund in the amount of \$205,273.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Primary Government: (Continued)**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Business-type activities:				
Capital assets, not depreciated:				
Land (including easements)	\$ 1,991,300	\$ 5,884	\$ -	\$ 1,997,184
Construction in progress	1,013,538	797,596	239,765	1,571,369
Total capital assets, not depreciated	3,004,838	803,480	239,765	3,568,553
Capital assets, depreciated:				
Landfill	3,530,394	-	28,735	3,501,659
Buildings	42,382,054	-	-	42,382,054
Improvements	2,202,705	-	-	2,202,705
Equipment	11,606,698	492,963	740,967	11,358,694
Utility lines	57,583,751	1,726,162	-	59,309,913
Total capital assets, depreciated	117,305,602	2,219,125	769,702	118,755,025
Less accumulated depreciation				
Landfill	1,978,271	20,664	28,736	1,970,199
Buildings	10,932,906	954,780	-	11,887,686
Improvements	1,322,523	58,463	-	1,380,986
Equipment	8,378,913	456,518	740,966	8,094,465
Utility lines	21,606,221	1,655,043	-	23,261,264
Total accumulated depreciation	44,218,834	3,145,468	769,702	46,594,600
Total capital assets, depreciated, net	73,086,768	(926,343)	-	72,160,425
Total capital assets, net, business-type activities	<u>\$ 76,091,606</u>	<u>\$ (122,863)</u>	<u>\$ 239,765</u>	<u>\$ 75,728,978</u>

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 governmental activities to the environmental fund in the amount of \$11,799 and the transfer of fully depreciated assets from equipment to infrastructure class in the amount of \$223,667.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Component Unit – School Board**

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Component Unit – School Board:				
Capital assets, not depreciated:				
Land	\$ 236,000	\$ -	\$ -	\$ 236,000
Total capital assets, not depreciated	236,000	-	-	236,000
Capital assets, depreciated:				
Buildings	39,899,965	-	-	39,899,965
Improvements	744,580	91,535	-	836,115
School assets allocated to the City*	(28,585,080)	-	-	(28,585,080)
Equipment	6,052,311	693,989	22,641	6,723,659
Total capital assets, depreciated	18,111,776	785,524	22,641	18,874,659
Less accumulated depreciation				
Buildings	13,360,366	876,690	-	14,237,056
Improvements	358,446	23,521	-	381,967
School assets allocated to the City*	(7,714,873)	(704,651)	-	(8,419,524)
Equipment	4,360,831	415,653	22,641	4,753,843
Total accumulated depreciation	10,364,770	611,213	22,641	10,953,342
Total capital assets, depreciated, net	7,747,006	174,311	-	7,921,317
Total capital assets, net	\$ 7,983,006	\$ 174,311	\$ -	\$ 8,157,317

\*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, 2015**

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

**Component Unit – EDA**

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Component Unit – EDA:				
Capital assets, not depreciated:				
Land	\$ 799,748	\$ -	\$ -	\$ 799,748
Construction in Progress	-	162,297	-	162,297
Total capital assets, not depreciated	<u>\$ 799,748</u>	<u>\$ 162,297</u>	<u>\$ -</u>	<u>\$ 962,045</u>
Capital assets, depreciated:				
Buildings	8,305,640	-	-	8,305,640
Equipment	<u>2,002,896</u>	<u>-</u>	<u>-</u>	<u>2,002,896</u>
Total capital assets, depreciated	<u>10,308,536</u>	<u>-</u>	<u>-</u>	<u>10,308,536</u>
Less accumulated depreciation				
Buildings	1,499,829	172,786	-	1,672,615
Equipment	<u>1,180,741</u>	<u>135,816</u>	<u>-</u>	<u>1,316,557</u>
Total accumulated depreciation	<u>2,680,570</u>	<u>308,602</u>	<u>-</u>	<u>2,989,172</u>
Total capital assets, depreciated, net	<u>7,627,966</u>	<u>(308,602)</u>	<u>-</u>	<u>7,319,364</u>
Total capital assets, net	<u><u>\$ 8,427,714</u></u>	<u><u>\$ (146,305)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,281,409</u></u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

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

Governmental activities:

General government administration	\$ 117,034
Judicial administration	20,429
Public safety	373,730
Public works	1,445,569
Health and welfare	20,342
Education	704,651
Parks, recreation, and culture	228,340
Community development	<u>6,851</u>

Total depreciation expense – governmental	\$ <u>2,916,946</u>
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Business-type activities:

Water	\$ 877,457
Sewer	1,140,252
Storm water	447,640
Environmental	272,066
Golf	32,138
Parking	<u>140,449</u>

Total depreciation expense – business-type	\$ <u>2,910,002</u>
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Depreciation expense was charged to functions/programs of the Component Unit – School Board as follows:

Instruction	\$ 405,612
Administration, attendance and health	802
Pupil transportation	126,823
School food service	52,306
Operation and maintenance	<u>25,670</u>

Total depreciation expense – School Board	\$ <u>611,213</u>
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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, 2015**

**Note 6. Long-Term Debt**

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

**Primary Government:**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
General obligation debt:					
General obligation					
bonds	\$ 28,196,102	\$ -	\$ 1,550,449	\$ 26,645,653	\$ 1,596,046
Literary fund loans	12,850,000	-	950,000	11,900,000	950,000
	41,046,102	-	2,500,449	38,545,653	2,546,046
Less unamortized discount	(121,801)	-	(10,196)	(111,605)	(9,868)
Total general obligation debt	40,924,301	-	2,490,253	38,434,048	2,536,178
Other liabilities:					
Compensated absences	1,539,796	951,736	952,646	1,538,886	953,202
Claims payable	56,523	589,319	36,517	609,325	446,391
Total other liabilities	1,596,319	1,541,055	989,163	2,148,211	1,399,593
Total governmental activities long-term debt	<u>\$ 42,520,620</u>	<u>\$ 1,541,055</u>	<u>\$ 3,479,416</u>	<u>\$ 40,582,259</u>	<u>\$ 3,935,771</u>

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

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
Business-type activities:					
Bonds payable:					
Virginia revolving loans	\$ 22,775,578	\$ -	\$ 1,976,661	\$ 20,798,917	\$ 1,802,891
General obligation bonds	1,730,101	-	512,827	1,217,274	215,617
	24,505,679	-	2,489,488	22,016,191	2,018,508
Plus unamortized premium	732,189	-	64,621	667,568	64,620
Less unamortized discount	(44,996)	-	(5,827)	(39,169)	(5,409)
 Total bonds and loans payable	 25,192,872	 -	 2,548,282	 22,644,590	 2,077,719
Other liabilities:					
Landfill closure/postclosure liability	2,177,273	19,210	44,246	2,152,237	44,246
Compensated absences	203,141	139,033	137,616	204,558	121,392
 Total other liabilities	 2,380,414	 158,243	 181,862	 2,356,795	 165,638
 Total business-type activities long-term debt	 \$ 27,573,286	 \$ 158,243	 \$ 2,730,144	 \$ 25,001,385	 \$ 2,243,357

**Component Unit – School Board**

Other liabilities:					
Compensated absences	\$ 342,312	\$ 139,404	\$ 129,675	\$ 352,041	\$ 130,868
Total Component Unit School Board long-term debt	\$ 342,312	\$ 139,404	\$ 129,675	\$ 352,041	\$ 130,868



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**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>						
2005 CIP Bonds (City and School Improvement projects)	3.43%	06/2005	02/2025	\$ 4,600,000	\$ 2,783,334	\$ -
2007 GO Refunding & CIP Bonds (Refunding Water GO bonds and golf course improvements)	3.50-4.25%	01/2007	02/2034	10,600,000	9,170,000	495,000
1997A School Construction Bonds (Bessie Weller Elementary)	4.35-5.225%	11/1997	01/2017	2,000,000	300,000	-
1997B School Construction Bonds (Bessie Weller Elementary)	4.35-5.225%	11/1997	01/2017	4,211,116	726,319	-
1998 Parking Garage Bonds (New Street Parking Garage)	4.20%	12/1998	06/2019	3,000,000	-	722,274
2012 GO Bonds (Staunton Crossing)	2.21%	10/2012	10/2027	10,000,000	9,229,000	-
2013 GO Bonds (Staunton Crossing)	2.58%	01/2013	01/2028	5,000,000	4,437,000	-
					<u>\$ 26,645,653</u>	<u>\$ 1,217,274</u>
<u>Literary Fund Loans :</u>						
2002 Bessie Weller Elem renovations	4.00%	02/2002	03/2022	4,000,000	\$ 1,400,000	\$ -
2008 McSwain Elem renovations	3.00%	08/2008	08/2028	7,500,000	5,250,000	-
2008 Ware Elem renovations	3.00%	08/2008	08/2028	7,500,000	5,250,000	-
					<u>\$ 11,900,000</u>	<u>\$ -</u>
<u>Virginia Revolving Loan Funds:</u>						
Middle River Wastewater Phase I improvements	4.50%	02/1996	08/2015	6,510,767	\$ -	\$ 247,023
Middle River Wastewater Phase II improvements	3.50%	09/2001	03/2021	6,411,399	-	2,450,012
Middle River Wastewater Phase IIIA improvements	3.00%	01/2008	03/2030	9,309,033	-	7,580,881
Middle River Wastewater Phase IIIB improvements	3.00%	09/2008	03/2030	2,066,747	-	1,685,227
2009A Refunding Bonds	1.125%-5.125%	06/2009	10/2021	4,150,000	-	2,480,000
2010A VRA Water and Sewer CIP projects	2.78%-5.2%	06/2010	10/2030	7,080,000	-	6,090,000
New Hope Road Industrial Park	3.85%	03/2002	09/2021	629,734	-	265,774
					<u>\$ -</u>	<u>\$ 20,798,917</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

Annual debt service requirements to maturity are as follows:

<b>Governmental Activities</b>				
Year Ending	<u>General Obligation Bonds</u>		<u>Literary Fund Loans</u>	
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	1,674,399	610,107	950,000	249,000
2021-2025	9,132,725	2,289,453	4,150,000	811,500
2026-2030	6,260,000	1,023,253	3,000,000	225,000
2031-2035	2,550,000	276,251	-	-
	<u>\$ 26,645,653</u>	<u>\$ 7,180,207</u>	<u>\$ 11,900,000</u>	<u>\$ 2,586,500</u>
<b>Business-Type Activities</b>				
Year Ending	<u>General Obligation Bonds</u>		<u>Virginia Revolving Loan</u>	
June 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 215,617	49,213	\$ 1,802,891	\$ 724,977
2017	224,109	39,997	1,613,559	662,656
2018	232,893	30,412	1,672,107	602,017
2019	129,655	20,401	1,736,531	537,057
2020	20,000	17,206	1,806,866	470,409
2021-2025	120,000	72,737	5,859,482	1,611,547
2026-2030	140,000	46,632	5,772,481	690,504
2031-2035	135,000	14,664	535,000	13,910
	<u>\$ 1,217,274</u>	<u>\$ 291,262</u>	<u>\$ 20,798,917</u>	<u>\$ 5,313,077</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 7.      Defined Benefit Pension Plan**

**Plan Description**

All full-time, salaried permanent employees of the City and School Board Non-Professional Employees Plan, (the "Political Subdivision") are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria a defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b></p> <p>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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b></p> <p>Plan 2 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 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.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.</li> <li>• 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.</li> <li>• 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.</li> </ul>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<p><b>Eligible Members</b></p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>VRS non-hazardous duty covered Plan 1 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p><b>Eligible Members</b></p> <p>Employees are in 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.</p> <p><b>Hybrid Opt-In Election</b></p> <p>Eligible Plan 2 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p><b>Eligible Members</b></p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b></p> <p>Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees</li> </ul> <p>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 Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
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**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<b>Retirement Contributions</b>	<b>Retirement Contributions</b>	<b>Retirement Contributions</b>
<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but 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.</p>	<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>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.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<b>Creditable Service</b>	<b>Creditable Service</b>	<b>Creditable Service</b>
<p>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.</p>	<p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>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.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<p><b>Vesting</b></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b></p> <p>Same as Plan 1.</p>	<p><b>Vesting</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>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 (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p>
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**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

		<p><b>Vesting (Continued)</b></p> <p><b><u>Defined Contributions Component: (Continued)</u></b></p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b></p> <p>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.</p> <p>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.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>See definition under Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>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.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b></p> <p><b>VRS:</b> 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%.</p> <p><b>Sheriffs and regional jail superintendents:</b> The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p><b>Political subdivision hazardous duty employees:</b> 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.</p>	<p><b>Service Retirement Multiplier</b></p> <p><b>VRS:</b> Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p> <p><b>Sheriffs and regional jail superintendents:</b> Same as Plan 1.</p> <p><b>Political subdivision hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Service Retirement Multiplier</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b>Sheriffs and regional jail superintendents:</b> Not applicable.</p> <p><b>Political subdivision hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Age 65.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60.</p>	<p><b>Normal Retirement Age</b></p> <p><b>VRS:</b> Normal Social Security retirement age.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Normal Retirement Age</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Same as Plan 2.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b>VRS:</b> Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<b>Earliest Reduced Retirement Eligibility</b>	<b>Earliest Reduced Retirement Eligibility</b>	<b>Earliest Unreduced Retirement Eligibility</b>
<p><b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> 50 with at least five years of creditable service.</p>	<p><b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b>Political subdivisions hazardous duty employees:</b> Not applicable.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>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%.</p> <p><b><u>Eligibility:</u></b></p> <p>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.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p>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%.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1.</p>	<p><b>Cost-of-Living Adjustment (COLA) in Retirement</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement (Continued)</b>
<p><b><u>Eligibility:</u></b> (Continued)</p> <p>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.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• 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.</li> </ul>	<p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1.</p>	<p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<p><b>Cost-of-Living (COLA) in Retirement (Continued)</b></p> <p><b><u>Exceptions to COLA Effective Dates:</u></b> (Continued)</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>		
<p><b>Disability Coverage</b></p> <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>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.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b></p> <p>Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Plan Description (Continued)**

<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>	<b>Purchase of Prior Service</b>
<p>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.</p>	<p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>City</u>
Inactive members or their beneficiaries currently receiving benefits	254
Inactive members:	
Vested inactive members	42
Non-vested inactive members	58
Inactive members active elsewhere in VRS	113
	<u>213</u>
Total inactive members	213
Active members	266
	<u>733</u>
	<u><b>School Board</b></u>
	<u><b>Non-Professional</b></u>
Inactive members or their beneficiaries currently receiving benefits	42
Inactive members:	
Vested inactive members	7
Non-vested inactive members	37
Inactive members active elsewhere in VRS	14
	<u>58</u>
Total inactive members	58
Active members	39
	<u>139</u>



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all of the 5.00% member contribution was assumed by the City and the School Board. Effective July 1, 2012 new and existing employees were required to pay the 5.00% member contribution. Also effective July 1, 2012, the City and the School Board provided a salary increase of 5.7% to cover this increase in cost to the employee. The City and School Board Non-Professional Employee Plans' contractually required contribution rate for the year ended June 30, 2015 were 17.94% and 12.18%, respectively, of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$2,897,005 and \$2,798,204 for the years ended June 30, 2015 and June 30, 2014, respectively. Contributions to the pension plan from the School Board Non-Professional Employee Plan were \$158,250 and \$150,845 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Net Pension Liability**

The political subdivisions' net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**Actuarial Assumptions – General Employees**

The total pension liability for General Employees in the Political Subdivisions' Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.35%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

**City of Staunton, Virginia  
Notes to Financial Statements  
June 30, 2015**

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

**Actuarial Assumptions – General Employees (Continued)**

Mortality rates: 14% of deaths are assumed to be service related.

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

**City of Staunton, Virginia  
Notes to Financial Statements  
June 30, 2015**

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

**Actuarial Assumptions – General Employees (Continued)**

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Actuarial Assumptions – Public Safety Employees**

The total pension liability for Public Safety employees in the Political Subdivision Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 4.75%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

Mortality rates: 60% of deaths are assumed to be service related.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Actuarial Assumptions – Public Safety Employees (Continued)**

Largest 10 – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

All Others (Non 10 Largest) – LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
<b>Total</b>	<b>100.00 %</b>		<b>5.83 %</b>
	<b>Inflation</b>		<b>2.50 %</b>
	<b>* Expected arithmetic nominal return</b>		<b>8.33 %</b>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Political Subdivision Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability - City**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2013	\$ 69,544,178	\$ 46,061,614	\$ 23,482,564
Changes for the year:			
Service cost	1,379,588	-	1,379,588
Interest	4,740,682	-	4,740,682
Differences between expected and actual experience	-	-	-
Contributions – employer	-	2,180,741	(2,180,741)
Contributions – employee	-	632,939	(632,939)
Net investment income	-	7,195,341	(7,195,341)
Benefit payments, including refunds of employee contributions	(3,640,294)	(3,640,294)	-
Administrative expenses	-	(39,137)	39,137
Other changes	-	379	(379)
Net changes	2,479,976	6,329,969	(3,849,993)
Balances at June 30, 2014	\$ 72,024,154	\$ 52,391,583	\$ 19,632,571
Add Net Pension Liability from Landfill			23,723
Total Net Pension Liability at June 30, 2014			\$ 19,656,294

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Changes in Net Pension Liability – School Board Non-Professional Employee Plan**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balances at June 30, 2013	\$ 4,282,336	\$ 3,550,322	\$ 732,014
Changes for the year:			
Service cost	88,093	-	88,093
Interest	289,866	-	289,866
Differences between expected and actual experience	-	-	-
Contributions – employer	-	102,300	(102,300)
Contributions – employee	-	41,269	(41,269)
Net investment income	-	547,950	(547,950)
Benefit payments, including refunds of employee contributions	(282,780)	(282,780)	-
Administrative expenses	-	(3,047)	3,047
Other changes	-	29	(29)
Net changes	95,179	405,721	(310,542)
Balances at June 30, 2014	\$ 4,377,515	\$ 3,956,043	\$ 421,472

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the political subdivision using the discount rate of 7.00%, as well as what the political subdivision's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
City's net pension liability	\$ 28,563,096	\$ 19,632,571	\$ 12,184,048
	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
School Board Non-Professional Employee Plan net pension liability	\$ 844,481	\$ 421,472	\$ 58,867



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2015, the City recognized pension expense of \$1,531,801. At June 30, 2015, the reported deferred outflows of resources and deferred inflows of resources related to pensions for City employees from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments		
City	-	3,201,053
Landfill*	-	21,852
Employer contributions subsequent to the measurement date		
City	2,264,845	-
Landfill*	10,208	-
Total	<u>\$ 2,275,053</u>	<u>\$ 3,222,905</u>

\*The City's share of deferred outflows and inflows of the Augusta Regional Landfill, a hybrid undivided/joint interest venture.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

For the year ended June 30, 2015, the School Board Non-Professional Employee Plan recognized pension expense of \$35,282. At June 30, 2015, the reported deferred outflows of resources and deferred inflows of resources related to pensions for the School Board Non-Professional Employee Plan from the following sources:

	<u><b>Deferred Outflows of Resources</b></u>	<u><b>Deferred Inflows of Resources</b></u>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	243,524
Employer contributions subsequent to the measurement date	<u>109,894</u>	<u>-</u>
Total	<u><u>\$ 109,894</u></u>	<u><u>\$ 243,524</u></u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

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

The City reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2016	\$ (800,263)
2017	(800,263)
2018	(800,263)
2019	(800,263)
Thereafter	-

The School Board Non-Professional Employee Plan reported as deferred outflows of resources related to pensions resulting from the Political Subdivision's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2016	\$ (60,881)
2017	(60,881)
2018	(60,881)
2019	(60,881)
Thereafter	-

**Payables to the Pension Plan**

At June 30, 2015, the City reported accounts payable to the VRS in the amount of \$239,009 and the School Board for the Non-Professional Employee Plan reported accounts payable to the VRS in the amount of \$14,204. The payables were for the legally required contributions related to June 2015 payroll.

**City of Staunton, Virginia  
Notes to Financial Statements  
June 30, 2015**

**Note 8.      Defined Benefit Pension Plan – Teacher Cost Sharing Pool**

**General Information about the Teacher Cost Sharing Pool**

***Plan Description***

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer are pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the *Code of Virginia*, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

The System administers three different benefit structures for covered employees in the VRS Teacher Retirement Plan – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS BY PLAN STRUCTURE</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b></p> <p>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 Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b></p> <p>Plan 2 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 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.</p>	<p><b>About the Hybrid Retirement Plan</b></p> <p>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 Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members")</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.</li> <li>• 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.</li> </ul>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

		<p><b>About the Hybrid Retirement Plan (Continued)</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
<p><b>Eligible Members</b></p> <p>Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b></p> <p>VRS Plan 1 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b></p> <p>Employees are in 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.</p> <p><b>Hybrid Opt-In Election</b></p> <p>Eligible Plan 2 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.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b></p> <p>Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• School division employees.</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1 through April 30, 2014; the plan's effective date for opt-in members was July 1, 2014.</li> </ul>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

<b>Retirement Contributions</b>	<b>Retirement Contributions</b>	<b>Retirement Contributions</b>
<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but 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.</p>	<p>Employees contribute 5.00% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions elected to phase in the required 5.00% member contribution but all employees will be paying the full 5.00% by July 1, 2016.</p>	<p>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.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

<b>Creditable Service</b>	<b>Creditable Service</b>	<b>Creditable Service</b>
<p>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.</p>	<p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>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.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

<p><b>Vesting</b></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b></p> <p>Same as Plan 1.</p>	<p><b>Vesting</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>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 (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><b><u>Defined Contributions Component:</u></b></p> <p>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.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>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.</p>
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**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

		<p><b>Vesting (Continued)</b></p> <p><b><u>Defined Contributions Component: (Continued)</u></b></p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b></p> <p>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.</p> <p>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.</p>	<p><b>Calculating the Benefit</b></p> <p>See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>See definition under Plan 1.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>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.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p><b>Average Final Compensation</b></p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p><b>Service Retirement Multiplier</b></p> <p>The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for members is 1.70%.</p>	<p><b>Service Retirement Multiplier</b></p> <p>Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. The retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.</p>	<p><b>Service Retirement Multiplier</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p>
<p><b>Normal Retirement Age</b></p> <p>Age 65.</p>	<p><b>Normal Retirement Age</b></p> <p>Normal Social Security retirement age.</p>	<p><b>Normal Retirement Age</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**City of Staunton, Virginia  
Notes to Financial Statements  
June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p>Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p>Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p>Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b></p> <p><b>VRS:</b> Age 60 with at least five years (60 months) of creditable service.</p>	<p><b>Earliest Unreduced Retirement Eligibility</b></p> <p><b><u>Defined Benefit Component:</u></b></p> <p><b>VRS:</b> Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

<b>Cost-of-Living Adjustment (COLA) in Retirement</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement</b>	<b>Cost-of-Living Adjustment (COLA) in Retirement</b>
<p>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%.</p> <p><b><u>Eligibility:</u></b></p> <p>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.</p> <p>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.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p>	<p>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%.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1.</p>	<p><b><u>Defined Benefit Component:</u></b></p> <p>Same as Plan 2.</p> <p><b><u>Defined Contribution Component:</u></b></p> <p>Not applicable.</p> <p><b><u>Eligibility:</u></b></p> <p>Same as Plan 1 and Plan 2.</p> <p><b><u>Exceptions to COLA Effective Dates:</u></b></p> <p>Same as Plan 1 and Plan 2.</p>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

<p><b>Cost-of-Living Adjustment (COLA) in Retirement (Continue)</b></p> <p><b><u>Exceptions to COLA Effective Dates: (Continued)</u></b></p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• 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.</li> <li>• 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.</li> </ul>		
<p><b>Disability Coverage</b></p> <p>Not applicable.</p>	<p><b>Disability Coverage</b></p> <p>Not applicable.</p>	<p><b>Disability Coverage</b></p> <p>Employees of political subdivisions and school divisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p>

**City of Staunton, Virginia  
Notes to Financial Statements  
June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Plan Description (Continued)***

		<b>Disability Coverage (Continued)</b>  Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
<b>Purchase of Prior Service</b>  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.	<b>Purchase of Prior Service</b>  Same as Plan 1.	<b>Purchase of Prior Service</b>  <u><b>Defined Benefit Component:</b></u>  Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4.00% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <u><b>Defined Contribution Component:</b></u>  Not applicable.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Contributions***

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all of the 5.00% member contribution was assumed by the City and the School Board. Effective July 1, 2012, new and existing employees were required to pay the 5.00% member contribution. Also effective July 1, 2012, the City and the School Board provided a salary increase of 5.7% to cover this increase in cost to the employee. Each school division's contractually required contribution rate for the year ended June 30, 2015 was 14.50% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013. The actuarial rate for the Teacher Retirement Plan was 18.20%. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employee during the year, with an additional amount to finance any unfunded accrued liability. Based on the provisions of §51.1-145 of the *Code of Virginia*, as amended, the contributions were funded at 79.69% of the actuarial rate for the year ended June 30, 2015. Contributions to the pension plan from the school division were \$3,062,931 and \$2,452,872 for the years ended June 30, 2015 and June 30, 2014, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the school division reported a liability of \$25,560,457 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division's proportion of the Net Pension Liability was based on the school division's actuarially determined employer contributions to the pension plan for the year ended June 30, 2014 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2014, the school division's proportion was .21711% as compared to .22634% at June 30, 2013.

For the year ended June 30, 2015, the school division recognized pension expense of \$1,797,425. Since there was a change in proportionate share between June 30, 2013 and June 30, 2014, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

At June 30, 2015, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<hr/>	<hr/>
Differences between expected and actual experience	\$ -	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,793,589
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,015,132
Employer contributions subsequent to the measurement date	<hr/> 2,443,162	<hr/> -
Total	<hr/> <hr/> \$ 2,443,162	<hr/> <hr/> \$ 4,808,721

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$2,443,162 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	<b>Reduction to Pension Expense</b>
2016	\$ (1,172)
2017	(1,172)
2018	(1,172)
2019	(1,172)
2020	( 121)

***Actuarial Assumptions***

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.50%
Salary increases, including inflation	3.50 – 5.95%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.00%. However, since the difference was minimal, and a more conservative 7.00% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.00% to simplify preparation of pension liabilities.

**City of Staunton, Virginia  
Notes to Financial Statements  
June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Actuarial Assumptions (Continued)***

Mortality rates:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 3 years and females were set back 5 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set back years and females were set back 3 years.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 1 year and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

- Update mortality table.
- Adjustments to the rates of service retirement.
- Decrease in rates of withdrawals for 3 through 9 years of service.
- Decrease in rates of disability.
- Reduce rates of salary increase by 0.25% per year.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class (Strategy)</b>	<b>Target Allocation</b>	<b>Arithmetic Long-Term Expected Rate of Return</b>	<b>Weighted Average Long-Term Expected Rate of Return</b>
U.S. Equity	19.50 %	6.46 %	1.26 %
Developed Non U.S. Equity	16.50 %	6.28 %	1.04 %
Emerging Market Equity	6.00 %	10.00 %	0.60 %
Fixed Income	15.00 %	0.09 %	0.01 %
Emerging Debt	3.00 %	3.51 %	0.11 %
Rate Sensitive Credit	4.50 %	3.51 %	0.16 %
Non Rate Sensitive Credit	4.50 %	5.00 %	0.23 %
Convertibles	3.00 %	4.81 %	0.14 %
Public Real Estate	2.25 %	6.12 %	0.14 %
Private Real Estate	12.75 %	7.10 %	0.91 %
Private Equity	12.00 %	10.41 %	1.25 %
Cash	1.00 %	(1.50)%	(0.02)%
<b>Total</b>	<b>100.00 %</b>		<b>5.83 %</b>
	<b>Inflation</b>		<b>2.50 %</b>
	<b>* Expected arithmetic nominal return</b>		<b>8.33 %</b>

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, school divisions are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b><u>1.00% Decrease (6.00%)</u></b>	<b><u>Current Discount Rate (7.00%)</u></b>	<b><u>1.00% Increase (8.00%)</u></b>
School division's proportionate share of the VRS teacher employee retirement plan net pension liability	\$ 37,534,000	\$ 25,560,457	\$ 15,703,000

**City of Staunton, Virginia  
Notes to Financial Statements  
June 30, 2015**

**Note 8. Defined Benefit Pension Plan – Teacher Cost Sharing Pool (Continued)**

**General Information about the Teacher Cost Sharing Pool (Continued)**

***Pension Plan Fiduciary Net Position***

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2014 Comprehensive Annual Financial Report (CAFR). A copy of the 2014 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

***Payables to the Pension Plan***

At June 30, 2015, \$300,699 was payable to the Virginia Retirement System for the legally required contributions related to June 2015 payroll.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 9. 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 plan, 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 is similar to the funding approach used for pension benefits prior to the adoption of GASB No. 68. 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, 2015**

**Note 9. 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 2015, the City paid approximately 94% of subscriber only coverage, 85% of subscriber plus child coverage, 80% of subscriber plus children coverage, 79% of subscriber plus spouse coverage, and 80% 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, 2015, the City contributed \$481,000 to the City's healthcare plan for health insurance and contributed \$167,000 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 \$648,000 for fiscal year 2015. It is the City's intent to fully fund the ARC each year.



**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 9. 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 2015, the School Board paid approximately 71% of the existing rate for subscriber only coverage and the retiree paid the remaining 29% 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, 2015, the School Board contributed \$276,000 to the School Board's healthcare plan for health insurance and contributed \$75,000 to the Virginia Pooled OPEB Trust. The contribution to the trust and contributions to the healthcare plan combine to over fund the annual required contribution of \$339,000 for fiscal year 2015. 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 2015 is as follows:

	Primary Government	Component Unit – School Board
Annual Required Contribution (ARC)	\$ 648,000	\$ 339,000
Interest on Net OPEB Obligation	-	9,000
Net OPEB Obligation Adjustment	-	(11,000)
Annual OPEB Cost	648,000	337,000
Actual Contribution	(648,000)	(351,000)
Increase (decrease) in net OPEB Obligation	-	(14,000)
Net OPEB Obligation July 1, 2014	-	-
Net OPEB Obligation, June 30, 2015	\$ -	\$ (14,000)

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 9. 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, 2013	\$ 495,000	100%	\$ -
June 30, 2014	\$ 495,000	100%	\$ -
June 30, 2015	\$ 648,000	100%	\$ -
<b>Component Unit –School Board</b>			
June 30, 2013	\$ 297,000	100%	\$ 120,000
June 30, 2014	\$ 297,000	100%	\$ -
June 30, 2015	\$ 339,000	100%	\$ (14,000)

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, 2015**

**Note 9. 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 2015 was determined as part of the July 1, 2013 actuarial valuation using the entry age normal cost method. Significant actuarial assumptions used in the valuation include:

- a. A rate of return on the investment of present and future assets of 7.5% per year with an inflation rate of 2.5%.
- b. An annual healthcare cost trend rate of 8% initially, which decreases at a rate of .5% per year until an ultimate rate of 5% is reached.
- c. The UAAL for the City is being amortized as a level percentage of payroll on an open basis over 20 years. The remaining amortization period at June 30, 2013 is 20 years. The UAAL for the School Board is being amortized as a level percentage of payroll on an open basis over 15 years. The remaining amortization period at June 30, 2013 is 15 years.

**Note 10. 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, 2015**

**Note 10. Commitments and Contingencies (Continued)**

EDA Commitments

During fiscal years 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. Both businesses have met the terms of the agreements and are due the remainder of the local match. Therefore, \$125,118 has been accrued as a payable in future years.

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.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 10. Commitments and Contingencies (Continued)**

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 \$2,999,539 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	\$ 425,298	\$ -
Sewer Fund	157,473	-
Stormwater fund	14,400	-
General fund	-	1,203,832
CIP Fund	2,402,368	48,365
Nonmajor funds	-	8,715
	<u>\$ 2,999,539</u>	<u>\$ 1,260,912</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 11. General Property Taxes**

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

Real estate taxes are billed in semiannual installments, 75% due June 20 and 25% due December 5. For the current fiscal year the real estate taxes budgeted for and reported as revenue in the fund financial statements include those assessed as of January 1, 2014 and due December 5, 2014 as well as the portion of the January 1, 2015 assessment due June 20, 2015, 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, 2013 levy was \$.90 per \$100 of assessed value. The tax rate for the January 1, 2014 and 2015 levies was \$.95 per \$100 of assessed value. Real estate taxes receivable, assessed as of January 1, 2015 and due December 5, 2015, are reflected in the accompanying financial statements as a receivable and are offset by deferred inflows of resources, in the amount of \$2,201,743, which is consistent with the City's budget ordinance. Real estate taxes paid in advance as of June 30, 2015 are also included in deferred inflows of resources, in the amount of \$2,423,385 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 2015, the personal property taxes budgeted for and reported as revenue in the fund financial statements include the January 1, 2014 assessment due December 5, 2014, less an allowance for uncollectibles, plus collections on previously delinquent taxes. The 2014 tax rate for machinery and tools was \$1.24 per \$100 of assessed value. The 2014 tax rate for all other personal property was \$2.75 per \$100 of assessed value.

**Note 12. Restricted Assets**

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

	Governmental Activities	Business Type Activities	Component Unit School Board	Component Unit EDA
Health reserve funds	\$ 61,538	\$ -	\$ 89,973	\$ -
Health reserve funds held for others	514,493	-	-	-
Customer deposits	7,000	265,653	-	15,000
Loans Receivable	-	3,002,111	-	-
Unspent bond proceeds	-	414,691	-	-
Landfill sinking fund	-	2,054,254	-	-
Total	<u>\$ 583,031</u>	<u>\$ 5,736,709</u>	<u>\$ 89,973</u>	<u>\$ 15,000</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 13. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss including property, theft, auto liability, general liability, and construction insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage for each of the past three years. There was no reduction in insurance coverage during 2015. In addition, the City provides various surety bond coverage as required under regulations and at industry-recommended levels.

Through the Virginia Municipal League, the City and School Board have joined together with other Virginia public bodies in the Virginia Municipal League Insurance programs pools currently operating as a common risk management and insurance programs for members in Virginia. The City and School Board pay an annual premium to VML Insurance Programs for its workers' compensation and employer's liability, general liability, excess property, crime, and automobile coverage. The agreement for formation of the VML Insurance Programs Pool provides that it will be self-sustaining through member premiums. Workers' compensation coverage provides the benefits as set forth in the Virginia Workers' Compensation Act. VML Insurance programs will reinsure through commercial insurance companies for claims in excess of \$5 million for general liability, and \$5 million for automotive liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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, 2015, the City still retains a liability related to workers compensation claims outstanding at the time of the policy change. The City reimburses 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 \$1,883 and is reported in the General Fund.

As of January 1, 2015, the City and School system established a self-insured health insurance program. Premiums are developed based upon estimates from the claims processor that should cover administrative expenses, stop loss insurance premiums, and claims. Stop loss provisions limit catastrophic claims in excess of \$150,000. At June 30, incurred but not reported claims for the City and Schools are estimated to be \$500,000.

Changes in the claims liability amount in fiscal years 2013, 2014 and 2015 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>
2013	\$ 75,651	\$ 200,000	\$ 198,655	\$ 76,996
2014	\$ 76,996	\$ 103,575	\$ 124,048	\$ 56,523
2015	\$ 56,523	\$ 3,193,391	\$ 2,640,589	\$ 609,325

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 14. Landfill Closure and Post-closure Care Costs**

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

State and federal laws and regulations require the Augusta Regional Landfill to place a final cover or cap on a landfill cell when it stops accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Under the cost sharing agreement, the City will bear 39.67% of such costs for Permit 21 and 26.35% 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 \$1,146,313 reported as landfill closure liability at June 30, 2015 represents the cumulative amount reported to date based on the use of 89.9% of the estimated capacity of the Permit #585 (Phases 1-3) landfill and the stockpile financial assurance liability. The \$1,005,924 reported as post-closure monitoring liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the Permit #21 landfill and 89.9% 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, 2015 for both joint ventures are \$2,152,237.

The City will recognize the majority of the remaining estimated cost of closure and post-closure care and post-closure monitoring of \$161,105 for Permit #585 (phases 1-3) landfill as the remaining estimated capacity is filled over the next 18 to 24 months and \$793,581 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, 2015**

**Note 15. Loans Receivable**

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

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

	<u>Principal</u>	<u>Interest</u>
Amount receivable within 1 year	\$ 245,069	\$ 77,790
Amount receivable within 2 to 5 years	636,383	195,796
Amount receivable beyond 5 years	<u>2,120,659</u>	<u>306,504</u>
	<u>\$ 3,002,111</u>	<u>\$ 580,090</u>

**Note 16. Community Development**

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

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

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

The land was recorded as inventory by the EDA at its estimated fair value of \$14,000,000 at the time of its acquisition and the amount due back to the City is based on that same value. In fiscal year 2015 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.

Subsequent to June 30, the EDA entered into a contract to sell approximately 19 acres of the property at a price of \$1.25 million.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 17. 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:

2016	\$ 41,037
2017	41,858
2018	42,695
2019	43,549
2020	44,420
2021-2025	336,833
Total	<u>\$ 550,392</u>

**Note 18. Conduit Debt Obligation-EDA**

In prior years, the EDA has issued Industrial Revenue Bonds for the purpose of obtaining and constructing facilities deemed to be in the public interest. The bonds are payable solely from the revenues of the projects and do not constitute an obligation of the Commonwealth of Virginia, the City, the EDA or any political subdivision thereof. All of the EDA's rights (other than indemnification and its fees) are assigned to a Trustee to administer the bonds for the benefit of bondholders. The EDA neither receives nor disburses funds. Deeds of trust or letters of credit secure outstanding bond obligations; although the EDA provides a conduit to execute such transactions, it does not retain either the benefits of asset ownership or the liability for bond liquidation. Accordingly, the EDA does not recognize associated assets, liabilities, income, or interest expense in its financial statements. During fiscal year 2015, all bonds were redeemed.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 19. Fund Balance**

The following schedule provides details for the categories of fund balance for governmental funds as of June 30, 2015:

Fund	General	Capital Projects	Nonmajor governmental	School Board Component Unit
Nonspendable:				
Prepaid items	\$ 78,126	\$ -	\$ -	\$ 403
Restricted:				
Donor purposes	\$ 9,945	\$ -	\$ -	\$ 25,161
Grant programs	-	-	3,490	6,709
Health insurance programs	107,701	-	-	89,973
Total restricted	<u>\$ 117,646</u>	<u>\$ -</u>	<u>\$ 3,490</u>	<u>\$ 121,843</u>
Committed:				
Stabilization arrangement	<u>\$ 6,607,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Assigned:				
Accrued leave	\$ 1,538,330	\$ -	\$ -	\$ -
Health insurance	18,063	-	-	-
Capital projects	-	5,703,220	-	1,105,953
Debt service	-	-	1,957,957	-
General government administration	374,955	-	-	-
Judicial administration	30,313	-	-	-
Public safety	129,900	-	181,520	-
Public works	331,997	1,809,168	-	-
Parks and recreation	257,121	603,155	-	-
Community development	81,896	38,409	268,004	-
Education	-	-	-	1,748,261
Textbooks	-	-	-	300,584
Food service	-	-	-	388,428
Total assigned	<u>\$ 2,762,575</u>	<u>\$ 8,153,952</u>	<u>\$ 2,407,481</u>	<u>\$ 3,543,226</u>
Unassigned	<u>\$ 2,364,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 20. Adoption of New Standard and Prior Period Adjustment**

In the current year, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27, as amended by GASB Statement No. 71*. This standard 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 new 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. Comparative prior year information, to the extent presented, has not been restated because the necessary information is not available.

The following is a summary of the restatements to fund balance and net position, as applicable, resulting from the adoption of GASB Statement No. 68:

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Component Unit School Board</b>
Balance, as previously reported, June 30, 2014	\$ 54,047,316	\$ 67,540,624	\$ 11,606,039
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	(18,534,503)	(2,808,906)	(29,201,467)
Balance, as adjusted, June 30, 2014	<u>\$ 35,512,813</u>	<u>\$ 64,731,718</u>	<u>\$ (17,595,428)</u>

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Environmental Fund</b>	<b>Storm Water Fund</b>	<b>Non Major Proprietary Funds</b>
Balance, as previously reported, June 30, 2014	\$ 19,464,754	\$ 27,736,484	\$ 5,107,333	\$ 10,840,767	\$ 4,391,286
Recognition of pension related liabilities and deferred outflows in accordance with GASB No. 68	(1,451,932)	(231,125)	(948,405)	(98,201)	(79,243)
Balance, as adjusted, June 30, 2014	<u>\$ 18,012,822</u>	<u>\$ 27,505,359</u>	<u>\$ 4,158,928</u>	<u>\$ 10,742,566</u>	<u>\$ 4,312,043</u>

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 21. New Accounting Standards**

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

GASB Statement No. 72, *Fair Value Measurement and Application* addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement will be effective for the year ending June 30, 2016.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement will be effective for the year ending June 30, 2016 and should be applied retroactively. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 20, 2017.

**City of Staunton, Virginia**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note 22. Subsequent Events**

Effective July 1, 2015, the City entered into an agreement with the Counties of Augusta and Rockingham and the Cities of Waynesboro and Harrisonburg, where the County of Rockingham and City of Harrisonburg agreed to “buy-in” to the Middle River Regional Jail Authority. The total purchase price is \$21,543,588. The purchase price was determined pursuant to an arm’s length negotiation and calculated based in part upon the original replacement cost of the jail and an assumed usage of 250 beds by the buyers.

The City’s share of the purchase price is \$31.17% or \$6,715,136. The purchase price is to be paid with 10% down prior to June 30, 2015 and the remainder to be paid over the next 10 years. \$671,514 was received prior to June 30, 2015 and was reported as a recovered cost in the City’s general fund.

The remainder of the purchase price is to be paid as follows in equal annual installments of \$670,964, which includes interest calculated at 2.17% per annum.

	<u>Principal</u>	<u>Interest</u>
FY 2016	\$ 611,220	\$ 59,745
FY 2017	553,081	117,883
FY 2018	565,083	105,881
FY 2019	577,345	93,619
FY 2020	589,874	81,091
FY 2021-2024	3,147,019	207,799
	<u>\$ 6,043,622</u>	<u>\$ 666,018</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**CITY OF STAUNTON, VIRGINIA**  
**BUDGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND**  
**Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 21,770,000	\$ 21,770,000	\$ 22,789,212	\$ 1,019,212
Other local taxes	12,373,100	12,373,100	13,203,021	829,921
Permits, privilege fees, and regulatory licenses	183,500	183,500	194,875	11,375
Fines and forfeitures	65,000	65,000	96,231	31,231
Revenue from use of money and property	57,700	57,700	52,421	(5,279)
Charges for services	1,500,685	1,500,685	1,413,849	(86,836)
Miscellaneous	27,000	27,500	82,157	54,657
Recovered costs	167,000	871,147	954,764	83,617
Intergovernmental:				
Federal	912,461	949,425	1,038,000	88,575
Commonwealth	11,089,654	11,250,265	11,234,258	(16,007)
Total revenues	48,146,100	49,048,322	51,058,788	2,010,466
<b>EXPENDITURES</b>				
Current:				
General government administration	5,092,027	5,387,294	4,995,152	392,142
Judicial administration	1,942,260	1,933,328	1,819,367	113,961
Public safety	9,360,317	9,484,148	9,320,990	163,158
Public works	5,598,838	5,799,956	5,421,588	378,368
Health and welfare	6,121,471	6,429,096	6,418,179	10,917
Education	11,869,100	11,869,100	11,869,100	-
Parks, recreation, and cultural	3,380,629	3,462,156	3,169,682	292,474
Community development	1,504,056	1,634,974	1,368,775	266,199
Total expenditures	44,868,698	46,000,052	44,382,833	1,617,219
Excess of revenues over expenditures	3,277,402	3,048,270	6,675,955	3,627,685
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of prior year reserves/encumbrances	-	3,232,790	-	(3,232,790)
Transfers out	(3,277,402)	(6,281,060)	(6,281,060)	-
Total other financing sources (uses)	(3,277,402)	(3,048,270)	(6,281,060)	(3,232,790)
Net change in fund balance	\$ -	\$ -	\$ 394,895	\$ 394,895



## CITY OF STAUNTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**Year Ended June 30, 2015**

	<b>Primary Government</b>	<b>Schools-- Nonprofessional Employees</b>
<b>Total Pension Liability</b>		
Service cost	\$ 1,379,588	\$ 88,093
Interest on total pension liability	4,740,682	289,866
Benefit payments, including refunds of employee contributions	<u>(3,640,294)</u>	<u>(282,780)</u>
Net change in total pension liability	2,479,976	95,179
<b>Total pension liability - beginning</b>	<u>69,544,178</u>	<u>4,282,336</u>
<b>Total pension liability - ending</b>	<u>72,024,154</u>	<u>4,377,515</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	2,180,741	102,300
Contributions - employee	632,939	41,269
Net investment income	7,195,341	547,950
Benefit payments, including refunds of employee contributions	(3,640,294)	(282,780)
Administrative expenses	(39,137)	(3,047)
Other	<u>379</u>	<u>29</u>
Net change in plan fiduciary net position	6,329,969	405,721
<b>Plan fiduciary net position - beginning</b>	<u>46,061,614</u>	<u>3,550,322</u>
<b>Plan fiduciary net position - ending</b>	<u>52,391,583</u>	<u>3,956,043</u>
<b>Net pension liability - ending</b>	\$ 19,632,571	<u>\$ 421,472</u>
<b>Add Net Pension Liability from Augusta Regional landfill</b>	<u>23,723</u>	
<b>Total Net pension liability - ending</b>	<u>\$ 19,656,294</u>	
Plan fiduciary net position as a percentage of total pension liability	<u>73%</u>	<u>90%</u>
Covered employee payroll	<u>\$ 12,625,654</u>	<u>\$ 921,127</u>
Net pension liability as a percentage of covered employee payroll	<u>155%</u>	<u>46%</u>

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

## CITY OF STAUNTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**Year Ended June 30, 2015**

<b>Year Ended June 30</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
<b>Primary Government</b>					
2015	\$ 2,265,042	\$ 2,265,042	\$ -	\$ 12,625,654	17.94%
<b>Schools - Nonprofessional Employees</b>					
2015	\$ 112,193	\$ 112,193	\$ -	\$ 921,127	12.18%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

## CITY OF STAUNTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY**  
**VRS TEACHER RETIREMENT PLAN**  
**Year Ended June 30, 2015**

<b>Year Ended June 30</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Employer's Covered Employee Payroll</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2015	0.21711%	\$ 25,560,457	\$ 15,705,288	162.75%	70.88%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

## CITY OF STAUNTON, VIRGINIA

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**VRS TEACHER RETIREMENT PLAN**  
**Year Ended June 30, 2015**

<b>Year Ended June 30</b>	<b>Contractually Required Contribution</b>	<b>Contributions in Relation to Contractually Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2015	\$ 2,277,267	\$ 2,277,267	\$ -	\$ 15,705,288	14.50%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

## 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
2015	\$ 648,000	100%	2015	\$ 339,000	100%
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****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION****June 30, 2015****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.

## CITY OF STAUNTON, VIRGINIA

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

**Note 2. Schedules of Changes in Net Pension Liability and Pension Contributions****Changes of Benefit Terms**

There have been no significant changes to the Virginia Retirement System (System) benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012 (fiscal year 2014 for the teacher cost sharing pool). The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013, and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of Assumptions**

The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

## Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

## Largest 10 –LEOS:

- Update mortality table
- Decrease in male rates of disability

## All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

## All Others (Non 10 Largest) – LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

## Teacher cost-sharing pool

- Update mortality table
- Adjustments to the rates of service retirement
- Decrease in rates of withdrawals for 3 through 9 years of service
- Decrease in rates of disability
- Reduce rates of salary increase by 0.25% per year

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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.

**Blue Ridge Court Services Fund** – This fund accounts for the activities of Blue Ridge Court services, which provides parole and probation services. Financing is provided by charges for services and state and federal funds.

**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.

**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, 2015**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental
	Blue Ridge Court Services	State and Federal Grants	Community Development	Debt Service	
<b>Assets</b>					
Cash and cash equivalents	\$ 183,367	\$ 480	\$ 268,004	\$ 1,957,957	\$ 2,409,808
Receivables, net	11,922	-	-	-	11,922
Due from other governmental units	49,678	-	4,341	-	54,019
<b>Total assets</b>	<b>\$ 244,967</b>	<b>\$ 480</b>	<b>\$ 272,345</b>	<b>\$ 1,957,957</b>	<b>\$ 2,475,749</b>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ 41,651	\$ -	\$ 4,341	\$ -	\$ 45,992
Accrued liabilities	14,786	-	-	-	14,786
<b>Total liabilities</b>	<b>56,437</b>	<b>-</b>	<b>4,341</b>	<b>-</b>	<b>60,778</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	4,000	-	-	-	4,000
<b>Fund balances</b>					
Restricted	3,490	-	-	-	3,490
Assigned	181,040	480	268,004	1,957,957	2,407,481
<b>Total fund balances</b>	<b>184,530</b>	<b>480</b>	<b>268,004</b>	<b>1,957,957</b>	<b>2,410,971</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 244,967</b>	<b>\$ 480</b>	<b>\$ 272,345</b>	<b>\$ 1,957,957</b>	<b>\$ 2,475,749</b>

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2015**

	Special Revenue Funds			Debt Service Fund	Total Nonmajor Governmental
	Blue Ridge Court Services	State and Federal Grants	Community Development	Debt Service	
<b>REVENUES</b>					
Revenues from use of money and property	\$ 21	\$ -	\$ 123	\$ -	\$ 144
Charges for services	194,363	-	-	-	194,363
Miscellaneous	57,664	-	-	-	57,664
Recovered costs	-	-	50,000	-	50,000
Intergovernmental:					
Federal	34,133	2,417	79,864	-	116,414
Commonwealth	681,721	-	5,500	-	687,221
City of Staunton School Board	-	-	-	355,000	355,000
Total revenues	<u>967,902</u>	<u>2,417</u>	<u>135,487</u>	<u>355,000</u>	<u>1,460,806</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	904,201	2,417	-	-	906,618
Community development	-	-	136,155	-	136,155
Debt service:					
Principal retirement	-	-	-	2,500,449	2,500,449
Interest and fiscal charges	-	-	-	1,289,295	1,289,295
Total expenditures	<u>904,201</u>	<u>2,417</u>	<u>136,155</u>	<u>3,789,744</u>	<u>4,832,517</u>
Excess (deficiency) of revenues over expenditures	<u>63,701</u>	<u>-</u>	<u>(668)</u>	<u>(3,434,744)</u>	<u>(3,371,711)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	-	480	-	3,434,227	3,434,707
Transfers out	<u>(480)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(480)</u>
Total other financing sources	<u>(480)</u>	<u>480</u>	<u>-</u>	<u>3,434,227</u>	<u>3,434,227</u>
Net change in fund balance	63,221	480	(668)	(517)	62,516
Fund balances - beginning of year	<u>121,309</u>	<u>-</u>	<u>268,672</u>	<u>1,958,474</u>	<u>2,348,455</u>
Fund balances - ending of year	<u><u>\$ 184,530</u></u>	<u><u>\$ 480</u></u>	<u><u>\$ 268,004</u></u>	<u><u>\$ 1,957,957</u></u>	<u><u>\$ 2,410,971</u></u>

**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**BLUE RIDGE COURT SERVICES FUND**  
**Year Ended June 30, 2015**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Revenue from use of money and property	\$ -	\$ 21	\$ 21
Charges for services	158,708	194,363	35,655
Miscellaneous	69,100	57,664	(11,436)
Intergovernmental:			
Federal	34,133	34,133	-
Commonwealth	693,156	681,721	(11,435)
Total revenues	<u>955,097</u>	<u>967,902</u>	<u>12,805</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	<u>955,407</u>	<u>904,201</u>	<u>51,206</u>
Total expenditures	<u>955,407</u>	<u>904,201</u>	<u>51,206</u>
Excess (deficiency) of revenues over expenditures	<u>(310)</u>	<u>63,701</u>	<u>64,011</u>
<b>OTHER FINANCING USES</b>			
Transfers out:			
Transfer to Grants Fund	<u>-</u>	<u>(480)</u>	<u>(480)</u>
Total other financing uses	<u>-</u>	<u>(480)</u>	<u>(480)</u>
Net change in fund balance	<u><u>\$ (310)</u></u>	<u><u>\$ 63,221</u></u>	<u><u>\$ 63,531</u></u>

**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**STATE AND FEDERAL GRANTS FUND**  
**Year Ended June 30, 2015**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental:			
Federal	\$ -	\$ 2,417	\$ 2,417
Total revenues	-	2,417	2,417
<b>EXPENDITURES</b>			
Current:			
Public safety	2,417	2,417	-
Total expenditures	2,417	2,417	-
Excess (deficiency) of revenues over expenditures	(2,417)	-	2,417
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
Transfer from Blue Ridge Court Services Fund	-	480	480
Total other financing sources	-	480	480
Net change in fund balance	\$ (2,417)	\$ 480	\$ 2,897

**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT FUND**  
**Year Ended June 30, 2015**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Revenue from use of money and property	\$ -	\$ 123	\$ 123
Recovered costs	50,000	50,000	-
Intergovernmental:			
Federal	175,000	79,864	(95,136)
Commonwealth	10,326	5,500	(4,826)
Total revenues	<u>235,326</u>	<u>135,487</u>	<u>(99,839)</u>
<b>EXPENDITURES</b>			
Current:			
Community Development	<u>235,326</u>	<u>136,155</u>	<u>99,171</u>
Total expenditures	<u>235,326</u>	<u>136,155</u>	<u>99,171</u>
Deficiency of revenues over expenditures:	<u>-</u>	<u>(668)</u>	<u>(668)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (668)</u>	<u>\$ (668)</u>



**CITY OF STAUNTON, VIRGINIA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**Year Ended June 30, 2015**

	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	2,500,449	2,500,449	-
Interest and fiscal charges	<u>1,288,778</u>	<u>1,289,295</u>	<u>(517)</u>
Total expenditures	<u>3,789,227</u>	<u>3,789,744</u>	<u>(517)</u>
Deficiency of revenues over expenditures:	<u>(3,434,227)</u>	<u>(3,434,744)</u>	<u>(517)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers in:			
Transfer from General fund	<u>3,434,227</u>	<u>3,434,227</u>	<u>-</u>
Total other financing sources	<u>3,434,227</u>	<u>3,434,227</u>	<u>-</u>
Net change in fund balance	<u><u>\$ -</u></u>	<u><u>\$ (517)</u></u>	<u><u>\$ (517)</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, 2015**

	Prior Years Actual	Current Year Actual	Total Actual to Date	Project Authorization
<b>REVENUES</b>				
Revenue from use of money and property	\$ 253,993	\$ 4,124	\$ 258,117	\$ 5,314
Recovered costs	428,538	-	428,538	1,429,333
Miscellaneous	24,000	-	24,000	-
Intergovernmental:				
Federal	209,858	78,118	287,976	1,399,766
Commonwealth of Virginia	866,046	455,638	1,321,684	3,162,159
Total revenues	<u>1,782,435</u>	<u>537,880</u>	<u>2,320,315</u>	<u>5,996,572</u>
<b>EXPENDITURES</b>				
Capital outlay:				
General government administration	2,513,457	-	2,513,457	2,716,210
Public safety	5,610,568	768,298	6,378,866	6,805,669
Public works	3,303,847	879,576	4,183,423	11,005,009
Education	552,278	27,170	579,448	1,379,448
Parks, recreation, and culture	946,623	152,515	1,099,138	2,120,697
Community development	1,866,085	218,812	2,084,897	3,014,766
Debt service:				
Interest and fiscal charges	<u>165,000</u>	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Total expenditures	<u>14,957,858</u>	<u>2,046,371</u>	<u>17,004,229</u>	<u>27,206,799</u>
Deficiency of revenues over expenditures	<u>(13,175,423)</u>	<u>(1,508,491)</u>	<u>(14,683,914)</u>	<u>(21,210,227)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,787,504	2,557,305	28,344,809	28,344,809
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>20,280,561</u>	<u>2,557,305</u>	<u>22,837,866</u>	<u>22,837,866</u>
Net change in fund balance		<u>\$ 1,048,814</u>		

## **NONMAJOR PROPRIETARY FUNDS**

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

**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, 2015**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 3,092	\$ 154,168	\$ 157,260
Receivables, net	-	25,582	25,582
Restricted assets:			
Cash and cash equivalents	-	4,476	4,476
Total current assets	<u>3,092</u>	<u>184,226</u>	<u>187,318</u>
Capital assets:			
Nondepreciable	24,694	1,034,249	1,058,943
Depreciable, net	<u>430,540</u>	<u>3,972,731</u>	<u>4,403,271</u>
Total capital assets (net of accumulated depreciation)	<u>455,234</u>	<u>5,006,980</u>	<u>5,462,214</u>
Total noncurrent assets	<u>455,234</u>	<u>5,006,980</u>	<u>5,462,214</u>
Total assets	<u>458,326</u>	<u>5,191,206</u>	<u>5,649,532</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to measurement date	8,333	-	8,333
Total deferred outflows of resources	<u>8,333</u>	<u>-</u>	<u>8,333</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	707	1,936	2,643
Accrued liabilities	10,279	4,355	14,634
Unearned revenue	9,033	-	9,033
Deposits payable	-	4,476	4,476
Due to other funds	47,930	-	47,930
General obligation bonds	<u>19,445</u>	<u>195,617</u>	<u>215,062</u>
Total current liabilities	<u>87,394</u>	<u>206,384</u>	<u>293,778</u>
Noncurrent liabilities:			
Net pension liability	73,033	-	73,033
General obligation bonds	<u>469,353</u>	<u>526,657</u>	<u>996,010</u>
Total noncurrent liabilities	<u>542,386</u>	<u>526,657</u>	<u>1,069,043</u>
Total liabilities	<u>629,780</u>	<u>733,041</u>	<u>1,362,821</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Net difference between projected and actual investment earnings on pension plan investments	11,908	-	11,908
Total deferred inflows of resources	<u>11,908</u>	<u>-</u>	<u>11,908</u>
<b>NET POSITION</b>			
Net investment in capital assets	(33,564)	4,284,706	4,251,142
Unrestricted	<u>(141,465)</u>	<u>173,459</u>	<u>31,994</u>
Total net position	<u>\$ (175,029)</u>	<u>\$ 4,458,165</u>	<u>\$ 4,283,136</u>

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2015**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>OPERATING REVENUES</b>			
Parking fines	\$ -	\$ 34,459	\$ 34,459
Charges for services	120,898	361,908	482,806
Miscellaneous	33	-	33
Total operating revenues	<u>120,931</u>	<u>396,367</u>	<u>517,298</u>
<b>OPERATING EXPENSES</b>			
Personal services	58,304	100,681	158,985
Fringe benefits	25,939	9,584	35,523
Rental of property	-	5,200	5,200
Repairs and maintenance	-	1,120	1,120
Contractual services	1,197	9,814	11,011
Materials and supplies	12,691	2,582	15,273
Depreciation	32,138	140,449	172,587
Utilities	1,813	29,538	31,351
Other expenses	1,871	95,238	97,109
Total operating expenses	<u>133,953</u>	<u>394,206</u>	<u>528,159</u>
Operating income (loss)	<u>(13,022)</u>	<u>2,161</u>	<u>(10,861)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	1	115	116
Interest and fiscal charges	(21,356)	(36,349)	(57,705)
Gain on disposal of assets	-	15	15
Total nonoperating revenues (expenses)	<u>(21,355)</u>	<u>(36,219)</u>	<u>(57,574)</u>
Loss before transfers	<u>(34,377)</u>	<u>(34,058)</u>	<u>(68,435)</u>
Transfers in	-	39,528	39,528
Change in net position	(34,377)	5,470	(28,907)
Total net position - beginning of year, as adjusted	<u>(140,652)</u>	<u>4,452,695</u>	<u>4,312,043</u>
Total net position - end of year	<u>\$ (175,029)</u>	<u>\$ 4,458,165</u>	<u>\$ 4,283,136</u>

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –  
NONMAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2015**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 119,297	\$ 387,769	\$ 507,066
Cash paid to suppliers	(17,490)	(144,058)	(161,548)
Cash paid to employees for services	(86,474)	(109,876)	(196,350)
Net cash provided by operating activities	<u>15,333</u>	<u>133,835</u>	<u>149,168</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	39,528	39,528
Interfund borrowing	<u>21,258</u>	<u>-</u>	<u>21,258</u>
Net cash provided by noncapital financing activities	<u>21,258</u>	<u>39,528</u>	<u>60,786</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on long-term debt	(15,000)	(187,727)	(202,727)
Interest paid on long-term debt	(21,032)	(36,673)	(57,705)
Proceeds from sale of equipment	<u>-</u>	<u>15</u>	<u>15</u>
Net cash used by capital and related financing activities	<u>(36,032)</u>	<u>(224,385)</u>	<u>(260,417)</u>
<b>INVESTING ACTIVITIES</b>			
Interest received	<u>1</u>	<u>115</u>	<u>116</u>
Net cash provided by investing activities	<u>1</u>	<u>115</u>	<u>116</u>
Net increase (decrease) in cash and cash equivalents	560	(50,907)	(50,347)
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	<u>2,532</u>	<u>209,551</u>	<u>212,083</u>
End of year	<u><u>\$ 3,092</u></u>	<u><u>\$ 158,644</u></u>	<u><u>\$ 161,736</u></u>
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	\$ 3,092	\$ 154,168	157,260
Restricted cash and cash equivalents	<u>-</u>	<u>4,476</u>	<u>4,476</u>
Total	<u><u>\$ 3,092</u></u>	<u><u>\$ 158,644</u></u>	<u><u>\$ 161,736</u></u>

**CITY OF STAUNTON, VIRGINIA**  
**COMBINING STATEMENT OF CASH FLOWS –**  
**NONMAJOR PROPRIETARY FUNDS**  
**Year Ended June 30, 2015**

	Business-Type Activities – Nonmajor Enterprise Funds		
	Golf	Parking	Total
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (13,022)	\$ 2,161	\$ (10,861)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	32,138	140,449	172,587
Pension expense net of employer contributions	(2,635)	-	(2,635)
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	(9,153)	(9,153)
Increase (decrease) in accounts payable	82	(566)	(484)
Increase (decrease) in accrued liabilities	404	389	793
Increase (decrease) in unearned revenue	(1,634)	-	(1,634)
Increase (decrease) in deposits payable	-	555	555
Net cash provided by operating activities	<u>\$ 15,333</u>	<u>\$ 133,835</u>	<u>\$ 149,168</u>

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

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## **NONMAJOR INTERNAL SERVICE FUNDS**

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**Internal Service Funds** are used to account for the financing of goods and services to other departments of the City on a cost reimbursement basis.

**Health Insurance Fund** – This fund is a self-insured fund used to account for employee health care costs.

**Inventory Fund** – This fund accounts for the sale of goods to other departments of the City.

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF NET POSITION – NONMAJOR INTERNAL SERVICE FUNDS**  
**June 30, 2015**

	Health Insurance	Inventory	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,889,783	\$ 433,696	\$ 2,323,479
Receivables, net	-	13,286	13,286
Inventory	-	206,579	206,579
Prepaid items	-	19,196	19,196
Total current assets	1,889,783	672,757	2,562,540
Noncurrent assets:			
Capital assets:			
Depreciable, net	-	67,461	67,461
Total capital assets, net	-	67,461	67,461
Total noncurrent assets	-	67,461	67,461
<b>Total assets</b>	1,889,783	740,218	2,630,001
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	5,019	19,011	24,030
Claims payable	407,991	-	407,991
Total current liabilities	413,010	19,011	432,021
Noncurrent liabilities:			
Claims payable	92,009	-	92,009
Total noncurrent liabilities	92,009	-	92,009
Total liabilities	505,019	19,011	524,030
<b>NET POSITION</b>			
Net investment in capital assets	-	67,461	67,461
Unrestricted	1,384,764	653,746	2,038,510
Total net position	\$ 1,384,764	\$ 721,207	\$ 2,105,971

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
NONMAJOR INTERNAL SERVICE FUNDS  
Year Ended June 30, 2015**

	Health Insurance	Inventory	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 4,186,464	\$ 806,365	\$ 4,992,829
Total operating revenues	4,186,464	806,365	4,992,829
<b>OPERATING EXPENSES</b>			
Claims paid	2,763,730	-	2,763,730
Rental of property	-	12,232	12,232
Administrative charges	340,342	-	340,342
Contractual services	-	13,975	13,975
Materials and supplies	-	24,784	24,784
Depreciation	-	3,398	3,398
Other expenses	-	729,912	729,912
Total operating expenses	3,104,072	784,301	3,888,373
Operating income (loss)	1,082,392	22,064	1,104,456
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest income	92	192	284
Total nonoperating revenues (expenses)	92	192	284
Income (loss) before transfers	1,082,484	22,256	1,104,740
Transfers in	302,280	-	302,280
Change in net position	1,384,764	22,256	1,407,020
Total net position - beginning of year	-	698,951	698,951
Total net position - end of year	\$ 1,384,764	\$ 721,207	\$ 2,105,971

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –  
NONMAJOR INTERNAL SERVICE FUNDS  
Year Ended June 30, 2015**

	Health Insurance	Inventory	Total
<b>OPERATING ACTIVITIES</b>			
Cash received from internal services provided	\$ 4,186,464	\$ 814,928	\$ 5,001,392
Cash paid to suppliers	-	(856,328)	(856,328)
Claims paid	(2,258,711)	-	(2,258,711)
Administrative fees	(340,342)	-	(340,342)
Net cash provided (used) by operating activities	1,587,411	(41,400)	1,546,011
<b>NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	302,280	-	302,280
Net cash provided by noncapital financing activities	302,280	-	302,280
<b>INVESTING ACTIVITIES</b>			
Interest received	92	192	284
Net cash provided by investing activities	92	192	284
Net increase (decrease) in cash and cash equivalents	1,889,783	(41,208)	1,848,575
<b>CASH AND CASH EQUIVALENTS</b>			
Beginning of year	-	474,904	474,904
End of year	\$ 1,889,783	\$ 433,696	\$ 2,323,479
Cash and cash equivalents at end of year is composed of the following:			
Cash and cash equivalents	\$ 1,889,783	\$ 433,696	2,323,479
Total	\$ 1,889,783	\$ 433,696	\$ 2,323,479

## CITY OF STAUNTON, VIRGINIA

**COMBINING STATEMENT OF CASH FLOWS –  
NONMAJOR INTERNAL SERVICE FUNDS  
Year Ended June 30, 2015**

	Health Insurance	Inventory	Total
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating income	\$ 1,082,392	\$ 22,064	\$ 1,104,456
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation	-	3,398	3,398
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	-	8,563	8,563
Decrease (increase) in prepaid items	-	(9,292)	(9,292)
Decrease (increase) in inventory	-	25,007	25,007
Increase (decrease) in accounts payable	5,019	(91,140)	(86,121)
Increase (decrease) in accrued liabilities	500,000	-	500,000
Net cash provided (used) by operating activities	<u>\$ 1,587,411</u>	<u>\$ (41,400)</u>	<u>\$ 1,546,011</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, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,748,483
Accounts receivable	288,528
Due from other governmental units	2,127,734
Prepaid items	403
Restricted cash and cash equivalents	89,973
Capital assets:	
Land	236,000
Other capital assets, net of accumulated depreciation	<u>7,921,317</u>
Total assets	<u>15,412,438</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions subsequent to measurement date	<u>2,553,056</u>
<b>LIABILITIES</b>	
Accounts payable	519,907
Accrued liabilities	2,749,642
Amounts held for others	448
Noncurrent liabilities:	
Net pension liability	25,981,929
Due within one year	130,868
Due in more than one year	<u>221,173</u>
Total liabilities	<u>29,603,967</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Net difference between projected and actual investment earnings on pension plan investments	4,037,113
Changes in proportion - teacher cost sharing pool	<u>1,015,132</u>
Total deferred inflows of resources	<u>5,052,245</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,157,317
Restricted for:	
Programs	100,432
Donor purposes	25,161
Unrestricted	<u>(24,973,628)</u>
Total net position	<u><u>\$ (16,690,718)</u></u>



## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2015**

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	\$ 25,414,830	\$ 974,244	\$ 9,417,260	\$ 99,288	\$ (14,924,038)
Administration, attendance, and health	1,564,741	-	-	-	(1,564,741)
Pupil transportation	1,002,545	-	-	-	(1,002,545)
Food service	1,340,694	331,762	1,004,400	-	(4,532)
Operations	2,249,709	-	-	7,100	(2,242,609)
Total School Board	<u>\$ 31,572,519</u>	<u>\$ 1,306,006</u>	<u>\$ 10,421,660</u>	<u>\$ 106,388</u>	(19,738,465)
General revenues:					
Unrestricted investment earnings					2,043
Grants and contributions not restricted to specific programs					9,696,532
Net payment from City of Staunton					<u>10,944,600</u>
Total general revenues					<u>20,643,175</u>
Change in net position					904,710
Net position - beginning of year, as adjusted					<u>(17,595,428)</u>
Net position - end of year					<u>\$ (16,690,718)</u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**BALANCE SHEET –**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<u>Education</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,995,882	\$ 1,752,601	\$ 4,748,483
Accounts receivable	230,194	58,334	288,528
Prepaid items	403	-	403
Due from other governmental units	1,200,644	927,090	2,127,734
Due from other funds	681,191	-	681,191
Restricted cash and cash equivalents	89,973	-	89,973
<b>Total assets</b>	<u>\$ 5,198,287</u>	<u>\$ 2,738,025</u>	<u>\$ 7,936,312</u>
<b>Liabilities</b>			
Accounts payable	\$ 511,697	\$ 8,210	\$ 519,907
Accrued liabilities	2,500,926	249,909	2,750,835
Due to other funds	-	681,191	681,191
Held for others	448	-	448
<b>Total liabilities</b>	<u>3,013,071</u>	<u>939,310</u>	<u>3,952,381</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<u>314,709</u>	<u>3,750</u>	<u>318,459</u>
<b>Fund Balances</b>			
Nonspendable	403	-	403
Restricted	121,843	-	121,843
Assigned	<u>1,748,261</u>	<u>1,794,965</u>	<u>3,543,226</u>
<b>Total fund balances</b>	<u>1,870,507</u>	<u>1,794,965</u>	<u>3,665,472</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 5,198,287</u>	<u>\$ 2,738,025</u>	<u>\$ 7,936,312</u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**RECONCILIATION OF BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

Total Fund Balances – Component Unit School Board		\$ 3,665,472
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	\$ 19,110,659	
Less: accumulated depreciation	<u>(10,953,342)</u>	8,157,317
Receivables that are not available to pay for current period expenditures are not reported in the funds.		318,459
Financial statement elements related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources for 2015 employer contributions	\$ 2,553,056	
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments	(4,037,113)	
Deferred inflows of resources due to changes in proportion and differences between employer contributions and proportionate share of contributions teacher cost sharing pension plan	(1,015,132)	
Net pension liability	<u>(25,981,929)</u>	(28,481,118)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		<u>(350,848)</u>
Total Net Position – Component Unit School Board		<u><u>\$ (16,690,718)</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, 2015**

	<u>Education</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
<b>REVENUES</b>			
Revenues from use of money and property	\$ 30,229	\$ 1,202	\$ 31,431
Charges for services	941,456	331,762	1,273,218
Miscellaneous	135,934	59,547	195,481
Recovered costs	21,771	214,662	236,433
Intergovernmental:			
Federal	1,718,643	895,483	2,614,126
Commonwealth	14,219,966	2,829,067	17,049,033
City of Staunton	11,714,100	150,000	11,864,100
Total revenues	<u>28,782,099</u>	<u>4,481,723</u>	<u>33,263,822</u>
<b>EXPENDITURES</b>			
Current:			
Payment to City	564,500	355,000	919,500
Education	27,388,567	4,572,800	31,961,367
Capital projects	-	395,745	395,745
Total expenditures	<u>27,953,067</u>	<u>5,323,545</u>	<u>33,276,612</u>
Excess (deficiency) of revenues over expenditures	<u>829,032</u>	<u>(841,822)</u>	<u>(12,790)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	84,113	436,925	521,038
Transfers out	(436,925)	(84,113)	(521,038)
Total other financing sources (uses)	<u>(352,812)</u>	<u>352,812</u>	<u>-</u>
Net change in fund balances	476,220	(489,010)	(12,790)
Fund balances - beginning of year	1,394,287	2,283,975	3,678,262
Fund balances - end of year	<u>\$ 1,870,507</u>	<u>\$ 1,794,965</u>	<u>\$ 3,665,472</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, 2015**

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	\$ (12,790)
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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	\$ (611,213)	
Capital expenses	<u>785,524</u>	174,311

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	31,376
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Governmental funds report employer pension contributions as expenditures. However in the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense.

Employer pension contributions	\$ 2,553,056	
Pension expense	<u>(1,832,707)</u>	720,349

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>(8,536)</u>
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Change in net position of governmental activities	<u><u>\$ 904,710</u></u>
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## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**COMBINING BALANCE SHEET –**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental
	School Cafeteria	Textbook	State Operated Programs	School Construction	
<b>Assets</b>					
Cash and cash equivalents	\$ 441,665	\$ 300,584	\$ -	\$ 1,010,352	\$ 1,752,601
Accounts receivable	-	-	58,334	-	58,334
Due from other governmental units	33,171	-	794,631	99,288	927,090
Total assets	<u>\$ 474,836</u>	<u>\$ 300,584</u>	<u>\$ 852,965</u>	<u>\$ 1,109,640</u>	<u>\$ 2,738,025</u>
<b>Liabilities</b>					
Accounts payable	\$ 314	\$ -	\$ 4,209	\$ 3,687	\$ 8,210
Accrued liabilities	82,344	-	167,565	-	249,909
Due to other funds	-	-	681,191	-	681,191
Total liabilities	<u>82,658</u>	<u>-</u>	<u>852,965</u>	<u>3,687</u>	<u>939,310</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue	<u>3,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,750</u>
<b>Fund Balance</b>					
Assigned	<u>388,428</u>	<u>300,584</u>	<u>-</u>	<u>1,105,953</u>	<u>1,794,965</u>
Total fund balances	<u>388,428</u>	<u>300,584</u>	<u>-</u>	<u>1,105,953</u>	<u>1,794,965</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 474,836</u>	<u>\$ 300,584</u>	<u>\$ 852,965</u>	<u>\$ 1,109,640</u>	<u>\$ 2,738,025</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, 2015**

	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	\$ 157	\$ 158	\$ -	\$ 887	\$ 1,202
Charges for services	331,762	-	-	-	331,762
Miscellaneous	6,557	-	52,990	-	59,547
Recovered costs	-	-	214,662	-	214,662
Intergovernmental:					
Federal	875,626	-	19,857	-	895,483
Commonwealth	24,036	151,015	2,554,728	99,288	2,829,067
City of Staunton	-	-	-	150,000	150,000
Total revenues	1,238,138	151,173	2,842,237	250,175	4,481,723
<b>EXPENDITURES</b>					
Current:					
Payment to the City	-	-	-	355,000	355,000
Education	1,223,420	314,268	2,758,124	276,988	4,572,800
Capital projects	-	-	-	395,745	395,745
Total expenditures	1,223,420	314,268	2,758,124	1,027,733	5,323,545
Excess (deficiency) of revenues over expenditures	14,718	(163,095)	84,113	(777,558)	(841,822)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	436,925	436,925
Transfers out	-	-	(84,113)	-	(84,113)
Total other financing sources (uses)	-	-	(84,113)	436,925	352,812
Net change in fund balances	14,718	(163,095)	-	(340,633)	(489,010)
Fund balances - beginning of year	373,710	463,679	-	1,446,586	2,283,975
Fund balances - end of year	\$ 388,428	\$ 300,584	\$ -	\$ 1,105,953	\$ 1,794,965

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**BUDGETARY COMPARISON SCHEDULE –**  
**EDUCATION FUND**  
**Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Revenues from use of money and property	\$ 25,500	\$ 25,500	\$ 30,229	\$ 4,729
Charges for services	798,252	798,252	941,456	143,204
Miscellaneous	100,500	111,501	135,934	24,433
Recovered costs	20,000	20,000	21,771	1,771
Intergovernmental:				
Federal	1,636,114	1,928,182	1,718,643	(209,539)
Commonwealth	14,022,034	14,073,633	14,219,966	146,333
City of Staunton	11,714,100	11,714,100	11,714,100	-
Total revenues	<u>28,316,500</u>	<u>28,671,168</u>	<u>28,782,099</u>	<u>110,931</u>
<b>EXPENDITURES</b>				
Current:				
Payment to City	-	564,500	564,500	-
Education	<u>28,410,500</u>	<u>28,720,908</u>	<u>27,388,567</u>	<u>1,332,341</u>
Total expenditures	<u>28,410,500</u>	<u>29,285,408</u>	<u>27,953,067</u>	<u>1,332,341</u>
Excess (deficiency) of revenues over expenditures	<u>(94,000)</u>	<u>(614,240)</u>	<u>829,032</u>	<u>1,443,272</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of prior year reserve/encumbrances	-	932,165	-	(932,165)
Transfers in:				
Transfer from State Operated Programs Fund	119,000	119,000	84,113	(34,887)
Transfers out:				
Transfer to School Construction Fund	<u>(25,000)</u>	<u>(436,925)</u>	<u>(436,925)</u>	<u>-</u>
Total other financing sources (uses)	<u>94,000</u>	<u>614,240</u>	<u>(352,812)</u>	<u>(967,052)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,220</u>	<u>\$ 476,220</u>



## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**June 30, 2015**

	Agency Fund <u>Genesis</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 255,122
Accounts receivable	43,360
Due from other governmental units	<u>26,000</u>
Total assets	<u><u>\$ 324,482</u></u>
<b>LIABILITIES</b>	
Amounts held for Program	\$ 248,709
Accounts payable	1,849
Accrued liabilities	<u>73,924</u>
Total liabilities	<u><u>\$ 324,482</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, 2015**

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>GENESIS FUND</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 191,177	\$ 923,095	\$ 859,150	\$ 255,122
Accounts receivable	157	288,451	245,248	43,360
Due from other governmental units	-	26,000	-	26,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 191,334</u>	<u>\$ 1,237,546</u>	<u>\$ 1,104,398</u>	<u>\$ 324,482</u>
<b>LIABILITIES</b>				
Amounts held for Program	\$ 115,538	\$ 1,090,736	\$ 957,565	\$ 248,709
Accounts payable	2,078	72,886	73,115	1,849
Accrued liabilities	73,718	73,924	73,718	73,924
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>\$ 191,334</u>	<u>\$ 1,237,546</u>	<u>\$ 1,104,398</u>	<u>\$ 324,482</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, 2015

**ASSETS**

Cash and cash equivalents	\$ 69,251
Accounts receivable	163,942
Inventory	14,000,000
Restricted cash:	
Cash and cash equivalents	15,000
Capital assets:	
Nondepreciable assets	962,045
Depreciable assets, net	<u>7,319,364</u>
Total assets	<u>22,529,602</u>

**LIABILITIES**

Accounts payable	233,478
Retainage payable	16,230
Deposits payable	15,000
Due to primary government	<u>14,000,000</u>
Total liabilities	<u>14,264,708</u>

**NET POSITION**

Net investment in capital assets	8,281,408
Unrestricted	<u>(16,514)</u>
Total net position	<u><u>\$ 8,264,894</u></u>

**DISCRETELY PRESENTED COMPONENT UNIT – EDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2015**

**OPERATING REVENUES**

Rental of property	\$ 31,000
Operating grants-City	251,938
Recovered cost	<u>50,000</u>
Total operating revenues	<u>332,938</u>

**OPERATING EXPENSES**

Professional fees	9,685
Other expenses	25,000
Governor's Opportunity repayment	50,000
Villages	47,324
Staunton Crossing	14,708
Enterprise zone grants and GOF match	205,334
Depreciation	<u>308,602</u>
Total operating expenses	<u>660,653</u>
Operating loss	<u>(327,715)</u>

**NONOPERATING REVENUES**

Interest income	20
Capital grant-City	129,121
Sale of timber	<u>31,862</u>
Total nonoperating revenues	<u>161,003</u>

Change in net position	(166,712)
Net position - beginning of year	<u>8,431,606</u>
Net position - end of year	<u><u>\$ 8,264,894</u></u>

## CITY OF STAUNTON, VIRGINIA

**DISCRETELY PRESENTED COMPONENT UNIT – EDA**  
**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2015**

**OPERATING ACTIVITIES**

Cash received from customers	\$ 81,000
Cash paid to suppliers/grantees	(306,155)
Other operating grants-net	140,340
	<hr/>
Net cash used by operating activities	(84,815)
	<hr/>

**CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition and construction of capital assets	(85,815)
Gain on sale of timber	46,862
Capital grant from the City	129,121
	<hr/>
Net cash provided by capital and related financing activities	90,168
	<hr/>

**INVESTING ACTIVITIES**

Interest received	20
	<hr/>
Net cash provided by investing activities	20
	<hr/>
Net increase in cash and cash equivalents	5,373

**CASH AND CASH EQUIVALENTS**

Beginning of year	78,878
	<hr/>
End of year	\$ 84,251
	<hr/> <hr/>

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

Operating loss	\$ (327,715)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	308,602
Change in assets and liabilities:	
Increase in receivables	(111,598)
Increase in accounts payable	45,896
	<hr/>
Net cash provided by operating activities	\$ (84,815)
	<hr/> <hr/>

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

## 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, 2015**

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	\$ 16,610,000	\$ 16,914,384	\$ 304,384
Real and personal public service corporation property taxes	605,000	716,194	111,194
Personal property taxes	3,950,000	4,366,105	416,105
Machinery and tools taxes	300,000	431,367	131,367
Penalties and interest	305,000	361,162	56,162
Total General Property Taxes	21,770,000	22,789,212	1,019,212
Other local taxes:			
Local sales and use taxes	3,700,000	3,988,839	288,839
Consumers' utility taxes	1,115,000	1,125,737	10,737
Local communication tax	1,420,000	1,394,184	(25,816)
Business license taxes	2,000,000	2,147,291	147,291
Bank stock taxes	325,000	341,142	16,142
Taxes on recordation and wills	159,000	180,460	21,460
Lodging taxes	395,000	447,792	52,792
Restaurant food tax	2,777,000	3,099,130	322,130
Short term rental tax	18,000	25,123	7,123
Cigarette tax	464,100	453,323	(10,777)
Total Other Local Taxes	12,373,100	13,203,021	829,921
Permits, privilege fees, and regulatory licenses:			
Animal licenses	22,000	20,533	(1,467)
Permits and other licenses	161,500	174,342	12,842
Total Permits, Privilege Fees, and Regulatory Licenses	183,500	194,875	11,375
Fines and forfeitures	65,000	96,231	31,231
Revenue from use of money and property:			
Revenue from use of money	20,000	7,558	(12,442)
Revenue from use of property	37,700	44,863	7,163
Total Revenue from Use of Money and Property	57,700	52,421	(5,279)



## 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, 2015**

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	\$ 4,000	\$ 12,059	\$ 8,059
Charges for Commonwealth's Attorney	2,500	3,748	1,248
Charges for sheriff	2,617	2,617	-
Courtroom security fee	36,000	39,512	3,512
Jail admission fee	2,500	4,221	1,721
Charges for publications and maps	4,000	702	(3,298)
Charges for parks and recreation	348,000	300,628	(47,372)
Charges for library fines	25,000	24,111	(889)
Property clean up fees	2,500	3,775	1,275
Administrative fees	36,000	32,278	(3,722)
Payments in lieu of tax from Enterprise funds	1,035,568	980,711	(54,857)
Charges for tax-exempt organizations	2,000	9,487	7,487
Total Charges for Services	1,500,685	1,413,849	(86,836)
Miscellaneous revenue:			
Payment in lieu of tax-SRHA	12,000	12,953	953
Sale of salvage and surplus	5,000	34,737	29,737
Donations	500	10,498	9,998
Virginia Tourism Corp Marketing Leverage Program	-	11,792	11,792
Miscellaneous	10,000	12,177	2,177
Total Miscellaneous Revenue	27,500	82,157	54,657
Recovered Costs	871,147	954,764	83,617
Total Revenue from Local Sources	36,848,632	38,786,530	1,937,898
Revenue from the Commonwealth:			
Non-categorical Aid:			
Public facilities tax	145,000	105,013	(39,987)
Rolling stock taxes	10,000	10,300	300
Auto rental taxes	63,000	78,521	15,521
Law enforcement	858,608	858,608	-
Grantor's tax	30,000	39,465	9,465
Recordation tax	50,000	61,059	11,059
PPTRA reimbursement	1,652,200	1,652,200	-
Budget Reduction in Local Aid – Reimb to Commonwealth	-	(139,518)	(139,518)
Total Non-Categorical Aid	2,808,808	2,665,648	(143,160)

## 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, 2015**

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	\$ 361,200	\$ 401,428	\$ 40,228
Sheriff	277,380	274,525	(2,855)
Commissioner of the revenue	107,950	112,905	4,955
Treasurer	107,000	105,257	(1,743)
Registrar/Electoral Board	35,000	36,271	1,271
Circuit court clerk	252,850	249,179	(3,671)
Circuit court clerk-technology trust fund	14,300	15,458	1,158
Total Shared Expenses	1,155,680	1,195,023	39,343
Health and welfare	1,456,569	1,295,537	(161,032)
Other Categorical Aid:			
Street and highway maintenance	3,737,078	3,737,078	-
Library	144,290	144,163	(127)
E911 Wireless funds	45,000	69,784	24,784
Fire programs	65,000	75,231	10,231
Commission for the Arts	5,000	5,000	-
Comprehensive Services Act funds	1,787,752	1,984,160	196,408
Four-for-Life funds	20,000	20,870	870
Animal license plates	600	733	133
Victim/Witness funds	14,488	14,488	-
Forfeited assets	-	19,927	19,927
Jurors/Witness fees	10,000	6,616	(3,384)
Total Other Categorical Aid	5,829,208	6,078,050	248,842
Total Categorical Aid	8,441,457	8,568,610	127,153
Total Revenue from the Commonwealth	11,250,265	11,234,258	(16,007)
Revenue from the Federal Government:			
Categorical aid:			
Health and welfare	898,461	985,839	87,378
Victim/Witness	43,464	43,464	-
Federal Crime forfeited	-	1,197	1,197
VDEM Grant	7,500	7,500	-
Total Revenue from the Federal Government	949,425	1,038,000	88,575
Total General Fund	\$ 49,048,322	\$ 51,058,788	\$ 2,010,466

## 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, 2015**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
Special Revenue Funds:			
Blue Ridge Court Services Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ -	\$ 21	\$ 21
Total Revenue from Use of Money and Property	-	21	21
Charges for services:			
Supervision fees	30,000	27,845	(2,155)
Drug screen fees	7,000	13,489	6,489
Home electronic monitoring fees	108,865	133,005	24,140
SA/AM/DV/Group therapy/Admin.	12,843	20,024	7,181
Total Charges for Services	158,708	194,363	35,655
Miscellaneous:			
CAPSAW	15,000	15,000	-
Community Foundation	4,000	4,000	-
Augusa Health	6,500	6,500	-
VCSB-Mental Health Court	38,600	27,000	(11,600)
United Way	5,000	5,004	4
Donations	-	100	100
Other	-	60	60
Total Miscellaneous Revenue	69,100	57,664	(11,436)
Total Revenue from Local Sources	227,808	252,048	24,240
Revenue from the Commonwealth:			
Drug Court	90,000	78,565	(11,435)
Community Corrections and Pre-trial services funds	603,156	603,156	-
Total Revenue from the Commonwealth	693,156	681,721	(11,435)
Revenue from the Federal Government:			
JAG	34,133	34,133	-
Total Revenue from the Federal Government	34,133	34,133	-
Total Blue Ridge Court Services Fund	\$ 955,097	\$ 967,902	\$ 12,805
State and Federal Grants Fund:			
Revenue from the Federal Government:			
JAG-Byrne Justice Assistance Grant	\$ -	\$ 2,417	\$ 2,417
Total Revenue from the Federal Government	-	2,417	2,417
Total State and Federal Grants Fund	\$ -	\$ 2,417	\$ 2,417

## 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, 2015**

Fund, Major and Minor Revenue Source	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT: (cont'd)</b>			
Special Revenue Funds:			
Community Development Fund:			
Revenue from Local Sources:			
Revenue from use of money	\$ -	\$ 123	\$ 123
Recovered Costs	50,000	50,000	-
Total Revenue from Local Sources	50,000	50,123	123
Revenue from the Commonwealth:			
AFID Planning grant	10,326	5,500	(4,826)
Total Revenue from the Commonwealth	10,326	5,500	(4,826)
Revenue from the Federal Government:			
RBEG	175,000	79,864	(95,136)
Total Revenue from the Federal Government	175,000	79,864	(95,136)
Total Community Development Fund	\$ 235,326	\$ 135,487	\$ (99,839)
Total Special Revenue Funds	\$ 1,190,423	\$ 1,105,806	\$ (84,617)
Grand Total Revenues - Primary Government			
General and special revenue funds	\$ 50,238,745	\$ 52,164,594	\$ 1,925,849

## 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, 2015**

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	\$ 841	\$ 341
Revenue from use of property	25,000	29,388	4,388
Total Revenue from Use of Money and Property	25,500	30,229	4,729
Charges for services:			
Charges for education	15,250	17,828	2,578
Tuition or other payments from another county or city	783,002	923,628	140,626
Total Charges for Services	798,252	941,456	143,204
Miscellaneous revenue:			
Donations	17,800	19,804	2,004
E-Rate reimbursement	75,000	85,507	10,507
Wellness program	14,971	18,109	3,138
Miscellaneous grants	3,730	11,352	7,622
Sale of salvage and surplus	-	1,162	1,162
Total Miscellaneous Revenue	111,501	135,934	24,433
Recovered Costs	20,000	21,771	1,771
Contribution from City of Staunton	11,714,100	11,714,100	-
Total Revenue from Local Sources	12,669,353	12,843,490	174,137
Revenue from the Commonwealth:			
Categorical Aid:			
Share of state sales tax	3,199,829	3,211,340	11,511
Basic school aid	6,254,646	6,460,966	206,320
Foster care	50,000	26,392	(23,608)
Gifted and talented-SOQ	71,845	73,765	1,920
Remedial Education-SOQ	316,424	324,882	8,458
ISAEF funds	15,717	15,717	-
Special education-SOQ	596,143	612,096	15,953
Special education-foster care	50,000	32,753	(17,247)
Homebound	5,311	5,158	(153)
Regional tuition programs	573,000	506,763	(66,237)
Primary Class size (K-3)	479,081	443,272	(35,809)
Vocational education-SOQ	194,134	199,324	5,190
Social security instructional	408,141	419,050	10,909
VRS retirement instructional	837,682	853,795	16,113
Group Life Insurance instructional	29,044	26,681	(2,363)
At risk	361,233	370,844	9,611
VPSA Technology grants	180,000	180,000	-
At Risk - Four Year Olds (VPSI)	226,102	193,249	(32,853)

## 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, 2015**

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	\$ 50,000	\$ 86,588	\$ 36,588
English as a second language	31,084	26,498	(4,586)
Early Reading Intervention	36,616	38,537	1,921
Early Reading Specialist (ERSIP)	36,988	36,988	-
SOL-Algebra readiness	37,584	39,505	1,921
Vocational - Equipment	5,142	7,750	2,608
Project Graduation	10,936	8,535	(2,401)
Mentor Teacher Program	1,951	4,518	2,567
National board certification	2,500	5,000	2,500
Va Middle School Teacher Corp.	10,000	10,000	-
Other state funds	2,500	-	(2,500)
Total Categorical Aid	14,073,633	14,219,966	146,333
Total Revenue from the Commonwealth	14,073,633	14,219,966	146,333
Revenue from the Federal Government:			
Categorical Aid:			
Title I	878,770	765,580	(113,190)
Title VI - B - Special Education	754,201	646,747	(107,454)
Preschool grants	25,859	19,820	(6,039)
Title II A-Training and Recruiting	136,735	136,735	-
Rural and low income school program	48,125	55,104	6,979
Tech Prep Education (Carl Perkins)	64,492	74,102	9,610
Students with Disabilities (SWD) Improvement program	20,000	20,000	-
Other federal funds	-	555	555
Total Categorical Aid	1,928,182	1,718,643	(209,539)
Total Revenue from the Federal Government	1,928,182	1,718,643	(209,539)
Total Education Fund	\$ 28,671,168	\$ 28,782,099	\$ 110,931

## 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, 2015**

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	\$ -	\$ 157	\$ 157
Charges for services:			
Charges for food service	406,235	331,762	(74,473)
Miscellaneous Revenue:			
Other	5,640	6,557	917
Total Revenue from Local Sources	411,875	338,476	(73,399)
Revenue from the Commonwealth:			
Meal reimbursement	14,725	24,036	9,311
Revenue from the Federal Government:			
Fresh fruits and vegetables grant	9,962	9,962	-
National school lunch and breakfast program	839,400	865,664	26,264
Total Revenue from the Federal Government	849,362	875,626	26,264
Total School Cafeteria Fund	\$ 1,275,962	\$ 1,238,138	\$ (37,824)
Textbook Fund:			
Revenue from Local Sources:			
Revenue from use of money and property:	\$ -	\$ 158	\$ 158
Total Revenue from Local Sources	-	158	158
Revenue from the Commonwealth:			
Textbook payment	147,083	151,015	3,932
Total Textbook Fund	\$ 147,083	\$ 151,173	\$ 4,090
State Operated Programs Fund:			
Revenue from Local Sources:			
E-rate reimbursement	\$ 55,350	\$ 52,990	\$ (2,360)
Recovered costs	110,732	214,662	103,930
Total Revenue from local sources	166,082	267,652	101,570
Revenue from the Commonwealth:			
Hospitals, clinics, and detention homes	2,607,418	2,554,728	(52,690)
Revenue from the Federal Government:			
Categorical Aid			
Title I Part D	13,306	8,308	(4,998)
Title VI-B	16,493	11,549	(4,944)
Total Revenue from Federal Government	29,799	19,857	(9,942)
Total State Operated Programs Fund	\$ 2,803,299	\$ 2,842,237	\$ 38,938
Total Special Revenue Funds	\$ 4,226,344	\$ 4,231,548	\$ 5,204
Grand Total Revenues - Component Unit			
School Board	\$ 32,897,512	\$ 33,013,647	\$ 116,135

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, 2015

Fund, Function, Activity, and Elements:	Final Budget	Actual	Variance Positive (Negative)
<b>PRIMARY GOVERNMENT:</b>			
General Fund:			
General Government Administration:			
Legislative:			
City Council	\$ 112,162	\$ 105,413	\$ 6,749
Total Legislative	112,162	105,413	6,749
General and Financial Administration:			
City Manager	562,784	559,251	3,533
City Attorney	348,616	308,275	40,341
City Memberships	27,259	27,022	237
Professional Consultants	55,000	54,000	1,000
Commissioner of the Revenue	282,842	282,675	167
Assessor and Equalization Board	290,864	280,011	10,853
Treasurer	364,966	361,951	3,015
Finance	1,156,797	990,032	166,765
Information Technology	1,059,890	919,870	140,020
Risk Management	676,069	670,971	5,098
Human Resources	286,569	283,957	2,612
Customer Service	37,500	37,298	202
Total General and Financial Administration	5,149,156	4,775,313	373,843
Board of Elections:			
Electoral Board and Registrar	125,976	114,426	11,550
Total Board of Elections	125,976	114,426	11,550
Total General Government Administration	5,387,294	4,995,152	392,142
Judicial Administration:			
Courts:			
Circuit court	139,131	126,794	12,337
General District Court	10,906	8,845	2,061
Juvenile and Domestic Relations Court	78,277	69,378	8,899
Clerk of the Circuit Court	444,470	418,018	26,452
Sheriff	547,257	493,774	53,483
Victim/Witness	70,758	68,319	2,439
Magistrates	2,000	1,900	100
Total Courts	1,292,799	1,187,028	105,771
Commonwealth Attorney	640,529	632,339	8,190
Total Judicial Administration	1,933,328	1,819,367	113,961



## 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, 2015**

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	\$ 4,731,870	\$ 4,593,227	\$ 138,643
E-911 Communications	784,164	776,216	7,948
Total Law Enforcement and Traffic Control	5,516,034	5,369,443	146,591
Fire and Rescue Services:			
Fire Department	2,371,979	2,369,530	2,449
EMS Council/Four for Life	36,515	20,044	16,471
State Fire Programs	129,740	127,387	2,353
Total Fire and Rescue Services	2,538,234	2,516,961	21,273
Correction and Detention:			
Juvenile Detention Home - Contribution	108,028	108,028	-
Jail Facility	800,000	800,000	-
Youth Commission	121,000	119,294	1,706
Total Correction and Detention	1,029,028	1,027,322	1,706
Inspections:			
Building Inspection	329,850	317,838	12,012
Other Protection:			
Animal control - Animal Care	70,502	89,146	(18,644)
Medical Examiner	500	280	220
Total Other Protection	71,002	89,426	(18,424)
Total Public Safety	9,484,148	9,320,990	163,158
Public Works:			
Administration	297,066	260,005	37,061
Traffic Engineering (signs)	130,531	122,899	7,632
Highways, Streets, and Sidewalks	3,103,223	2,949,936	153,287
City Engineering	380,466	330,440	50,026
Traffic Signals	126,201	122,802	3,399
Total	4,037,487	3,786,082	251,405
Maintenance of General Buildings, Grounds, and Equipment:			
General Properties Maintenance	1,317,596	1,195,084	122,512
Equipment Maintenance	444,873	440,422	4,451
Total Maintenance of General Buildings, Grounds, Equipment	1,762,469	1,635,506	126,963
Total Public Works	5,799,956	5,421,588	378,368

(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, 2015**

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	\$ 281,884	\$ 277,380	\$ 4,504
Mental Health and Mental Retardation:			
Chapter X Board	120,559	120,559	-
Total Health	402,443	397,939	4,504
Welfare:			
DSS-public assistance	3,004,435	2,998,988	5,447
Community Policy Management Team	2,752,625	2,752,583	42
Tax Relief - Elderly and Disabled	130,000	122,924	7,076
Tax Relief - Veterans	55,000	61,152	(6,152)
Staunton Senior Center	6,000	6,000	-
CAPSAW	20,000	20,000	-
Contribution to Area Agency on Aging (VPAS)	16,551	16,551	-
CATS Contribution	42,042	42,042	-
Total Welfare	6,026,653	6,020,240	6,413
Total Health and Welfare	6,429,096	6,418,179	10,917
Education:			
Contribution to Community College	5,000	5,000	-
Contribution to Component Unit - School Board	11,864,100	11,864,100	-
Total Education	11,869,100	11,869,100	-
Parks, Recreation and Cultural:			
Parks and Recreation:			
Administration	984,173	932,368	51,805
Park Maintenance	1,147,304	1,010,599	136,705
Horticulture	199,058	125,281	73,777
Boys and Girls Club	20,000	20,000	-
Total Parks and Recreation	2,350,535	2,088,248	262,287
Cultural Enrichment:			
Contributions to Community Organizations	14,999	14,999	-
Total Cultural Enrichment	14,999	14,999	-
Library:			
Library Administration and Operations	1,096,622	1,066,435	30,187
Total Library	1,096,622	1,066,435	30,187
Total Parks, Recreation, and Cultural	3,462,156	3,169,682	292,474

## 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, 2015**

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	\$ 584,835	\$ 366,652	\$ 218,183
Planning and Development	280,423	255,984	24,439
Tourism Development	357,625	334,013	23,612
VRT-Trolley Operation	63,000	63,000	-
Staunton Welcome Center	51,411	51,447	(36)
Special Service District	161,640	161,639	1
Contribution - Valley Airport	48,159	48,159	-
Planning District Commission	32,881	32,881	-
Historic Staunton Foundation	25,000	25,000	-
GART Tourism Board	15,000	15,000	-
Staunton Creative Community Fund	15,000	15,000	-
Total Planning and Community Development	1,634,974	1,368,775	266,199
Total Community Development	1,634,974	1,368,775	266,199
Total General Fund	<u>\$ 46,000,052</u>	<u>\$ 44,382,833</u>	<u>\$ 1,617,219</u>
Special Revenue Funds:			
Blue Ridge Court Services Fund:			
Public Safety:			
Correction and Detention:			
Community Corrections	753,309	731,574	21,735
JAG-Supplemental	42,998	43,864	(866)
Mental Health Court	38,600	27,000	11,600
Augusta Health Grant	6,500	3,010	3,490
Drug Court	114,000	98,753	15,247
Total Correction and Detention	955,407	904,201	51,206
Total Public Safety	955,407	904,201	51,206
Total Blue Ridge Court Services Fund	<u>\$ 955,407</u>	<u>\$ 904,201</u>	<u>\$ 51,206</u>
State and Federal Grants Fund:			
Public Safety:			
Police Department Grants:			
DCJS-Byrne grant	\$ 2,417	\$ 2,417	\$ -
Total Public Safety	2,417	2,417	-
Total State and Federal Grants Fund	<u>\$ 2,417</u>	<u>\$ 2,417</u>	<u>\$ -</u>
Community Development Fund			
Community Development:			
Governor's Opportunity	\$ 50,000	\$ 50,000	\$ -
AFID Planning Grant	10,326	6,132	4,194
RBEG Grant	175,000	80,023	94,977
Total Community Development Fund	<u>\$ 235,326</u>	<u>\$ 136,155</u>	<u>\$ 99,171</u>
Total Special Revenue Funds	<u>\$ 1,193,150</u>	<u>\$ 1,042,773</u>	<u>\$ 150,377</u>
Grand Total - Expenditures -Primary Government- General and special revenue	<u>\$ 47,193,202</u>	<u>\$ 45,425,606</u>	<u>\$ 1,767,596</u>

## CITY OF STAUNTON, VIRGINIA

GENERAL AND SPECIAL REVENUE FUNDS  
 PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT-SCHOOL BOARD  
 SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL  
 Year Ended June 30, 2015

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	\$ 22,296,835	\$ 21,480,387	\$ 816,448
Administration, Attendance & Health	1,727,837	1,604,658	123,179
Pupil Transportation	953,194	901,739	51,455
Operations and Maintenance	2,640,541	2,367,600	272,941
Technology	1,102,501	1,034,183	68,318
Total Education	<u>28,720,908</u>	<u>27,388,567</u>	<u>1,332,341</u>
Payment to City	564,500	564,500	-
Total Education Fund	<u>\$ 29,285,408</u>	<u>\$ 27,953,067</u>	<u>\$ 1,332,341</u>
School Cafeteria Fund:			
Food Service	\$ 1,310,470	\$ 1,223,420	\$ 87,050
Total School Cafeteria Fund	<u>\$ 1,310,470</u>	<u>\$ 1,223,420</u>	<u>\$ 87,050</u>
Textbook Fund:			
Education:			
Instructional costs	\$ 381,759	\$ 314,268	\$ 67,491
Total Textbook Fund	<u>\$ 381,759</u>	<u>\$ 314,268</u>	<u>\$ 67,491</u>
State Operated Programs Fund:			
Education:			
Instructional costs	\$ 2,714,513	\$ 2,758,124	\$ (43,611)
Total State Operated Programs Fund	<u>\$ 2,714,513</u>	<u>\$ 2,758,124</u>	<u>\$ (43,611)</u>
Total Special Revenue Funds	<u>\$ 4,406,742</u>	<u>\$ 4,295,812</u>	<u>\$ 110,930</u>
Grand Total - Expenditures - Component Unit - School Board	<u>\$ 33,692,150</u>	<u>\$ 32,248,879</u>	<u>\$ 1,443,271</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>2015</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>
Governmental activities										
Net investment in capital assets	\$ 32,734,112	\$ 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
Restricted	117,646	122,452	120,217	184,868	103,639	27,485	32,366	64,201	91,704	117,686
Unrestricted	6,839,895	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
Total governmental activities net position	<u>\$ 39,691,653</u>	<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>
Business-type activities										
Net investment in capital assets	\$ 53,499,079	\$ 51,946,042	\$ 51,646,845	\$ 51,212,802	\$ 49,958,761	\$ 50,278,514	\$ 48,929,485	\$ 41,803,122	\$ 38,777,694	\$ 31,654,996
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	12,545,752	15,594,582	15,253,532	16,101,004	17,720,858	15,786,830	16,283,224	15,716,827	15,079,925	16,219,691
Total business-type activities net position	<u>\$ 66,044,831</u>	<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>
Primary government										
Net investment in capital assets	\$ 86,233,191	\$ 82,721,145	\$ 82,721,145	\$ 79,868,567	\$ 74,685,046	\$ 74,164,611	\$ 71,508,211	\$ 68,651,900	\$ 60,636,054	\$ 51,967,626
Restricted	117,646	120,217	120,217	103,639	27,485	32,366	64,201	91,704	117,686	119,692
Unrestricted	19,385,647	35,784,402	35,784,402	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>\$ 105,736,484</u>	<u>\$ 118,625,764</u>	<u>\$ 118,625,764</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>

\*GASB Statement No. 68 was adopted in fiscal year 2015

TABLE 2

## CITY OF STAUNTON, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental Activities:										
General government	\$ 6,639,656	\$ 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
Judicial administration	1,753,470	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
Public safety	10,864,551	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
Public works	6,975,749	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
Health and welfare	6,438,253	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
Education	12,245,921	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
Parks, recreation and culture	3,368,301	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
Community development	1,682,092	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
Interest on long-term debt	1,290,984	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
Total governmental activities expenses	51,258,977	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
Business-Type Activities:										
Golf	3,421,897	3,610,302	167,950	191,022	179,702	158,480	162,124	180,980	-	-
Water	3,629,070	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
Sewer	724,382	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
Stormwater	2,210,477	2,362,161	781,975	710,250	742,232	564,181	486,581	-	-	-
Environmental	155,309	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
Parking	430,555	411,135	421,934	468,930	423,434	455,855	466,889	490,053	491,750	481,869
Total business-type activities expenses	10,571,690	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
Total primary government expenses	<u>\$ 61,830,667</u>	<u>\$ 59,413,535</u>	<u>\$ 58,631,771</u>	<u>\$ 56,972,599</u>	<u>\$ 53,545,635</u>	<u>\$ 55,217,255</u>	<u>\$ 55,253,131</u>	<u>\$ 56,527,384</u>	<u>\$ 55,044,940</u>	<u>\$ 49,770,600</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Governmental-PILOT from enterprise funds	\$ 980,711	\$ 1,035,568	\$ 1,083,122	\$ 1,056,120	\$ 1,127,162	\$ 817,375	\$ 909,072	\$ 845,932	\$ 904,686	\$ 961,876
Public safety	391,728	317,028	291,172	309,363	226,605	294,628	312,814	380,489	251,815	275,492
Parks and recreation	329,414	315,569	336,266	354,003	314,065	330,649	352,207	360,488	580,720	604,359
Other activities	3,115,420	562,709	480,508	512,293	445,442	318,251	394,589	418,345	301,536	290,250
Operating grants and contributions	11,676,827	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
Capital grants and contributions	546,586	683,527	471,852	274,810	4,684,814	217,303	379,550	2,109,697	2,676,309	2,291,855
Total governmental activities program revenues	<u>17,040,686</u>	<u>13,609,351</u>	<u>12,422,777</u>	<u>12,510,578</u>	<u>16,816,932</u>	<u>11,357,233</u>	<u>11,820,843</u>	<u>13,326,970</u>	<u>13,559,022</u>	<u>12,879,482</u>

(Continued)

TABLE 2

## CITY OF STAUNTON, VIRGINIA

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Program Revenues: (cont'd)										
Business-type activities:										
Charges for services:										
Golf	\$ 120,931	\$ 136,528	\$ 137,413	\$ 147,255	\$ 147,371	\$ 147,200	\$ 174,954	\$ 176,720	\$ -	\$ -
Water	3,590,380	3,585,873	3,598,658	3,610,812	4,036,110	3,235,783	3,305,946	3,552,940	3,063,851	3,274,548
Sewer	3,908,059	3,976,217	3,908,330	3,544,433	3,423,605	3,239,743	3,274,390	2,910,547	3,019,742	3,110,685
Stormwater	788,237	743,975	715,878	689,179	709,206	464,462	325,967	-	-	-
Environmental	2,312,748	2,413,253	1,953,912	2,064,570	1,740,587	1,705,239	1,722,333	2,198,807	2,265,741	2,351,433
Parking	396,382	296,005	302,234	315,158	241,846	240,989	260,062	264,351	285,581	261,107
Operating grants and contributions	65,031	46,551	13,374	5,044	13,341	2,876	3,947	10,950	20,832	6,594
Capital grants and contributions	686,595	-	-	65,871	925,347	1,269,948	3,815,810	4,347,999	5,291,714	5,194,756
Total business-type activities program revenues	11,868,363	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
Total primary government program revenues	\$ 28,909,049	\$ 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
Net (expense)/revenue										
Governmental activities	\$ (34,218,291)	\$ (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)
Business-type activities	1,296,673	374,234	(677,619)	(1,064,246)	1,309,093	525,977	2,845,864	3,249,804	4,875,334	5,118,634
Total primary government net expense	\$ (32,921,618)	\$ (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)
General Revenues and Other										
Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 22,339,862	\$ 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
Sales tax	3,988,839	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
Hotel and meals tax	3,546,923	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
Business license	2,147,291	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
Utility tax	1,125,737	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
Local communication tax	1,394,184	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	1,000,048	780,901	728,998	763,722	741,910	1,110,569	1,244,487	1,302,851	1,772,047	1,653,799
Unrestricted investment earnings	11,241	9,621	11,370	18,196	26,298	32,403	115,142	343,008	490,959	561,944
Grants and contributions not restricted to a specific program	2,805,165	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
Miscellaneous	25,089	32,183	8,783	27,765	52,673	19,380	31,975	11,153	103,195	7,802
Gain (loss) on sale of assets	-	-	-	-	-	-	25,105	-	-	7,887
Transfers	12,752	(377,333)	(224,400)	(641,360)	(224,400)	(224,400)	(4,454,401)	229,502	(179,440)	615,062
Total governmental activities	38,397,131	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

(Continued)



TABLE 2

## CITY OF STAUNTON, VIRGINIA

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

	<u>2015</u>	<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>
Business-type activities:										
Unrestricted investment earnings	\$ 29,192	\$ 35,432	\$ 39,790	\$ 57,073	\$ 80,782	\$ 102,258	\$ 392,495	\$ 668,398	\$ 869,700	\$ 569,207
Grants and contributions not restricted to a specific program	-	-	-	-	-	-	-	-	58,458	160,281
Transfers	(12,752)	377,333	224,400	641,360	224,400	224,400	4,454,401	(229,502)	179,440	(615,062)
Total business-type activities	<u>16,440</u>	<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>
Total primary government	<u>\$ 38,413,571</u>	<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>
Change in Net Position										
Governmental activities	\$ 4,178,840	\$ 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
Business-type activities	<u>1,313,113</u>	<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>
Total primary government	<u>\$ 5,491,953</u>	<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>

During FY 07 the local utility and E911 taxes were replaced by the local communication 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>2015</u>	<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>
General Fund										
Nonspendable	\$ 78,126	\$ 95,561	\$ 58,666	\$ 61,789	\$ 125,118	\$ 59,636	\$ 35,742	\$ 15,912	\$ 26,556	\$ -
Restricted	117,646	122,452	120,217	149,868	88,639	13,985	18,866	20,701	789,234	18,233
Committed	6,607,250	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
Assigned	2,762,575	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
Unassigned	<u>2,364,510</u>	<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>
Total General Fund	<u>\$ 11,930,107</u>	<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>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	3,490	-	-	35,000	15,000	13,500	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	10,561,433	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
Unassigned	<u>-</u>	<u>-</u>	<u>(5,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,509)</u>	<u>-</u>	<u>-</u>	<u>(196,683)</u>
Total all other governmental funds	<u>\$ 10,564,923</u>	<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>

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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>REVENUES</b>										
General property taxes	\$ 22,789,212	\$ 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
Sales and use tax	3,988,839	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
Hotel and meals tax	3,099,130	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
Utility taxes	1,125,737	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
Business license tax	2,147,291	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
Local communication tax	1,394,184	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	1,447,840	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
Permits, privilege fees, and regulatory licenses	194,875	157,536	192,509	211,744	176,104	240,985	257,003	323,715	218,835	263,554
Fines and forfeitures	96,231	102,876	61,682	71,616	59,336	70,171	74,901	82,382	39,741	38,020
Charges for services	1,608,212	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
Intergovernmental	13,964,649	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
Investment earnings	11,826	9,238	14,607	28,659	510,633	34,041	121,033	331,766	470,930	578,491
Other revenues	1,189,448	693,820	665,595	681,836	61,329	580,000	637,355	606,933	1,024,993	630,708
Total revenues	53,057,474	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
<b>EXPENDITURES</b>										
General government administration	4,995,152	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
Judicial administration	1,819,367	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
Public safety	10,995,906	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
Public works	6,048,808	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
Health and welfare	6,418,179	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
Education	11,896,270	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
Parks, recreation and cultural	3,235,318	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
Community development	1,723,742	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
Capital outlay	339,235	1,868,965	533,126	2,900,387	625,192	219,482	-	72,913	453,004	924,818
Debt service:										
Principal retirement	2,500,449	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
Interest and fiscal charges	1,289,295	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
Bond issue costs	-	-	96,553	-	-	106,621	9,675	-	135,772	22,450
Total expenditures	51,261,721	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
Excess (deficiency) of revenues over (under) expenditures	1,795,753	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)

(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**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OTHER FINANCING SOURCES (USES)										
Bonds issued	-	-	15,000,000	-	-	-	15,000,000	-	10,600,000	9,675,400
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	5,992,012	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
Transfers out	(6,281,540)	(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)
Total other financing sources (uses)	(289,528)	(224,400)	(224,400)	(175,000)	(206,552)	(204,241)	14,845,665	(259,080)	558,568	10,290,462
Net change in fund balance	\$ 1,506,225	\$ 163,593	\$ 2,119,975	\$ (326,388)	\$ 1,512,729	\$ 2,404,938	\$ 1,587,158	\$ 1,282,168	\$ (747,994)	\$ (5,403,947)
Debt service as a percentage of noncapital expenditures	7.57%	7.92%	6.47%	6.71%	7.73%	8.57%	6.65%	5.29%	6.75%	6.49%

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 16.

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
2015	\$ 1,431,614,975	\$ 309,735,756	\$ 52,469,958	\$ 1,793,820,689	\$ 0.95
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	0.90
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	1,960,478,554	0.90
2010	1,584,972,579	322,101,977	53,403,998	1,944,786,867	0.90
2009	1,570,574,212	321,077,444	53,135,211	1,823,613,850	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	1,344,077,362	0.96
2006	1,047,022,585	250,790,849	46,263,928	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	2015			2006		
	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%			
FAP Properties / Art Fisher	11,810,235	2	0.66%			
Wal-Mart Real Estate Business	11,638,200	3	0.65%	11,194,574	3	1.12%
Gypsy Hill Investments LLC	10,888,800	4	0.61%			
Big Sky	10,286,670	5	0.57%			
Staunton Station LLC	9,568,880	6	0.53%			
Statler Station LLC	9,333,800	7	0.52%			
BH Brightview Baldwin Park LLC	9,214,830	8	0.51%			
LSK Properties, LLC	8,356,240	9	0.47%			
Ind Dev Auth / Hotel Developer	7,812,440	10	0.44%			
Unifi	-		-	20,547,271	1	2.05%
Conquest Funding Limited	-		-	20,198,121	2	2.02%
Secured Properties Investors	-		-	6,510,400	4	0.65%
OTR/Midland Realty Holdings	-		-	4,339,400	5	0.43%
Woodlee Terrace Development	-		-	3,801,900	6	0.38%
Oak Hill Health Ctr	-		-	3,691,630	7	0.37%
Baldwin Park Ltd	-		-	3,550,900	8	0.36%
Paramus Motor Lodge Inc	-		-	3,518,135	9	0.35%
Fisher Auto Parts Inc	-		-	3,202,220	10	0.32%
Totals	<u>\$ 102,924,095</u>		<u>5.74%</u>	<u>\$ 80,554,551</u>		<u>8.05%</u>

Source: City Assessor

Notes:

Real Estate Only

TABLE 7

## CITY OF STAUNTON, VIRGINIA

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

Calendar Year	Taxes Levied for the Calendar Year		Collected within the		Collections in Subsequent Calendar Years	Total Collections		
			Calendar Year of the Levy			To Date		
			Amount	Percentage of Levy		Amount	Percentage of Levy	
2015	(1)	\$ 16,968,376	(2)	\$ -	0.00%	\$ -	0.00%	
2014		\$ 16,887,817		\$ 15,988,802	94.68%	-	15,988,802	94.68%
2013		16,782,813		15,819,093	94.26%	369,117	16,188,210	96.46%
2012		16,261,738		15,280,479	93.97%	506,532	15,787,011	97.08%
2011		16,140,585		15,094,471	93.52%	638,654	15,733,125	97.48%
2010		17,426,047		16,310,945	93.60%	791,487	17,102,432	98.14%
2009		17,310,637		16,259,263	93.93%	785,395	17,044,658	98.46%
2008		16,247,090		15,434,142	95.00%	578,904	16,013,046	98.56%
2007		16,194,110		15,234,398	94.07%	506,875	15,741,273	97.20%
2006		12,848,385		12,158,103	94.63%	492,264	12,650,367	98.46%

Sources: City of Staunton Assessor and Finance Department

Includes real estate and downtown service district taxes

(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			
2015	\$ 26,534,048	\$ -	\$ 11,900,000	\$ -	\$ 1,211,072	\$21,433,518	\$ 61,078,638	7.37%	\$ 2,489
2014	28,074,301	-	12,850,000	-	1,723,328	23,469,544	66,117,173	6.63%	2,692
2013	29,596,293	-	13,800,000	-	2,217,443	25,427,880	71,041,616	5.80%	2,944
2012	15,435,709	15,000,000	14,750,000	-	2,693,605	27,324,698	75,204,012	5.33%	3,096
2011	16,976,230	15,000,000	15,000,000	-	3,153,233	29,167,307	79,296,770	5.03%	3,266
2010	17,372,086	15,000,000	16,650,000	-	3,672,289	29,805,721	82,500,096	4.78%	3,440
2009	18,699,651	-	17,600,000	11,068	4,523,372	19,869,137	60,703,228	6.46%	2,528
2008	20,092,803	-	17,875,400	79,206	7,774,547	10,571,738	56,393,694	6.92%	2,379
2007	20,521,920	-	18,075,400	144,041	7,760,473	9,065,627	55,567,461	6.50%	2,388
2006	22,055,851	-	18,275,400	212,191	8,315,670	9,699,911	58,559,023	5.92%	2,466

## 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		
2015	\$ 27,745,120	\$ 11,900,000	\$ 21,433,518	\$ 61,078,638	3.40%	\$ 2,489
2014	29,797,629	12,850,000	23,469,544	66,117,173	3.67%	2,692
2013	31,813,736	13,800,000	25,427,880	71,041,616	3.95%	2,944
2012	18,129,314	14,750,000	27,324,698	60,204,012	3.25%	2,473
2011	20,129,463	15,000,000	29,167,307	64,296,770	3.49%	2,666
2010	21,044,375	16,650,000	29,805,721	67,500,096	4.17%	2,808
2009	23,223,023	17,600,000	19,869,137	60,692,160	3.11%	2,528
2008	27,867,350	17,875,400	10,571,738	56,314,488	3.09%	2,376
2007	28,282,393	18,075,400	9,065,627	55,423,420	3.11%	2,382
2006	30,371,521	18,275,400	9,699,911	58,346,832	4.27%	2,457

**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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt Limit	\$ 179,382,069	\$ 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
Total net debt applicable to limit	61,078,638	66,117,173	71,041,616	60,204,012	64,296,770	67,500,096	60,692,160	56,314,488	55,423,420	58,346,832
Legal debt margin	<u>\$ 118,303,431</u>	<u>\$ 112,671,993</u>	<u>\$ 107,182,043</u>	<u>\$ 122,867,083</u>	<u>\$ 117,735,440</u>	<u>\$ 128,547,759</u>	<u>\$ 133,786,527</u>	<u>\$ 126,046,897</u>	<u>\$ 123,237,858</u>	<u>\$ 76,060,904</u>
Legal debt margin as a percentage of the debt limit	65.95%	63.02%	60.14%	67.11%	64.68%	65.57%	68.79%	69.12%	68.98%	56.59%

**TABLE 11****CITY OF STAUNTON, VIRGINIA**

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Median age (1)</u>	<u>School enrollment (3)</u>	<u>Unemployment rate (4)</u>
2015	24,538	\$ 4,501,809	\$ 37,664	42.3	2,590	5.1%
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%

**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	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Western State Hospital	500-599	1	4.85%	563	2	4.49%
Staunton City School Board	500-599	2	4.85%	500	1	5.06%
Mary Baldwin College	250-499	3	3.31%	400	4	3.60%
City of Staunton	250-499	4	3.31%	420	3	3.78%
WalMart	250-499	5	3.31%	400	5	3.60%
Fisher Auto Parts	250-499	6	3.31%	-		
Home Instead Senior Care	100-249	7	1.54%	-		
Specialty Blades	100-249	8	1.54%	-		
VDOT	100-249	9	1.54%	-		
Virginia School for the Deaf and Blind	100-249	10	1.54%	-		
Best Buy Company				275	6	2.47%
Planters Bank				175	7	1.57%
Unifi				135	8	1.21%
The News Leader				110	9	0.99%
Staunton Steam Laundry				85	10	0.76%
Total	2250-3940		29.10%	3,063		27.53%

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

**Notes:**

Percentage of Total City employment (2015) 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government	35	32	33	31	31	30	33	33	33	32
Judicial	21	21	21	21	21	23	23	22	22	17
Public Safety	99	99	99	99	98	101	107	106	106	95
Public Works	40	38	38	38	38	39	40	42	42	49
Parks, Recreation, and Culture	24	24	23	23	22	26	26	26	27	26
Community Development	7	7	7	7	7	8	8	7	7	6
Blue Ridge Courts	9	8	8	8	8	8	8	na	na	na
Golf	1	1	1	1	1	1	1	1	0	0
Water	25	25	25	25	25	24	25	25	25	25
Sewer	5	5	5	5	5	6	6	6	6	6
Environmental	18	18	18	18	20	22	24	24	24	23
Stormwater	1	1	1	1	1	1	2	na	na	na
Total	285	279	279	277	289	289	292	292	292	279

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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety:										
Police:										
Arrests	2,363	2,438	2,429	2,415	2,402	2,378	2,517	2,835	2,469	2369
Parking tickets	4,813	4,931	5,036	5,548	5,117	3,639	5,428	6,846	5,031	4142
Traffic summons	3,066	4,263	2,982	3,809	4,693	4,093	4,525	4,723	4,773	4229
Fire:										
Incident responses	3,176	3,087	3,450	2,640	3,372	3,000	2,812	2,695	2,648	2,384
Fires extinguished	78	50	55	56	65	45	80	79	99	83
Inspections	1,250	1,193	918	424	417	407	348	286	211	138
Inspections:										
Building permits issued	907	957	881	1,010	1,036	896	1,024	1,219	1,641	1,740
Building inspections conducted	2,352	2,353	2,772	2,592	2,753	2,538	3,587	4,631	4,623	4,865
Public Works:										
Refuse:										
Recycling collected (tons per day)	2.73	2.27	2.16	2.12	1.72	1.58	1.65	na	na	na
Refuse collected (tons per day)	57.4	59.6	61.8	63.7	62.6	69.9	67.6	79.5	83.1	95.3
Other public works:										
Lane miles paved	13.7	11.1	10.2	12.3	10.08	9.78	5.25	7.43	7.97	2.5
Parks and Recreation:										
Rounds of golf	8,555	9,040	9,698	9,731	9,863	8,939	10,283	10,345	13,000	15,552
Library:										
Volumes in collection	na	174,577	177,957	177,037	175,505	171,652	172,345	174,390	173,503	171,816
Total volumes borrowed	na	393,416	389,551	397,243	418,107	432,276	450,949	447,047	425,581	409,440
Utility:										
New connections-water	8	8	8	9	16	11	13	122	228	165
Active customers-water	9,401	9,351	9,347	9,358	9,335	9,727	9,296	9,271	9,231	9,168

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>2015</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>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Units-marked	18	19	19	19	20	20	20	20	21	21
Units-unmarked	20	18	18	18	16	16	16	16	14	18
Fire Stations	2	2	2	2	2	2	2	2	2	2
Refuse										
Collection trucks	8	8	10	8	7	7	7	7	7	6
Recycling trucks	3	3	3	4	3	3	3	3	3	3
Other Public Works										
Lane miles of streets	300.28	299.72	298.7	298.7	298.55	298.55	298.55	297.38	291.22	288.48
Traffic Signals-signals and flashers	65	65	65	65	63	64	64	64	64	64
Parks and Recreation										
Acreage	482	482	482	482	482	482	477	477	477	447
Number of Parks	9	9	9	9	9	9	7	7	7	6
Baseball/softball fields	8	8	8	8	8	8	7	7	7	7
# of baseball/softball games played	1,798	1,619	1,614	1,585	1,560	1,522	1,590	1,503	1,488	1426
Soccer/football fields	4	4	4	4	4	4	4	3	3	3
# of soccer/football games played	196	211	220	212	195	214	217	183	176	124
Water										
Miles of water mains	181.27	181.11	181.4	179.41	175.37	175.35	175.15	174.9	173.56	170
Fire Hydrants	964	957	919	912	912	897	887	866	828	797
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	133.39	132.8	132.84	132.84	132.79	132.42	132.35	131.82	130.88	128

Sources: Various City departments

na - data not available.

## 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, 2015, 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 20, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding 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.**

*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.

## 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 20, 2015

**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, 2015. 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, 2015.

## 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding 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.**

*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.

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 20, 2015

**CITY OF STAUNTON, VIRGINIA**  
**SUMMARY OF COMPLIANCE MATTERS**  
**June 30, 2015**

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, 2015**

**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 major programs of the City are:

Foster Care – Title IV-E	93.658
Title I	84.010
8. The **threshold** for distinguishing Type A and B programs was **\$300,000**.
9. The City was determined to be a **low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**None.**

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

**None.**

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

**None.**

**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015**

<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>Direct Programs:</u>			
Rural Business Enterprise Grant	10.769	55-035-571270797	\$ 79,864
<u>Pass-Through Programs:</u>			
<u>Department of Agriculture:</u>			
Child Nutrition Cluster:			
National School Lunch Program - Non Cash Commodities	10.555	N/A	94,431
<u>Department of Education:</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	405910	201,634
National School Lunch Program	10.555	406230	664,030
Fresh Fruits and Vegetables Program	10.582	405990	9,962
<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	6,335
<u>DEPARTMENT OF EDUCATION:</u>			
<u>Department of Education:</u>			
Title 1, Part A Cluster:			
Title I Educationally Deprived Children - LEA	84.010	S010A130046, S010A140046 & S010A120046	765,580
Title I, Part D - Neglected & Delinquent Children	84.013	S013A130046 & S013A120046	8,308
Special Education Cluster			
Title VIB - Special Education	84.027	H027A120107 & H027A130107	678,296
Special Education - Pre-School Grants	84.173	H173A130112 & H173A140112	19,820
Vocational Education - Basic Grants to States	84.048	V048A130046 & V048A140046	74,102
Title II, Part A - Training & Recruiting Grant	84.367	S367A130044 & S367A140044	136,735
Title VI-Rural and Low-Income Schools	84.358	S358B120046 & S358B130046	55,104
Advanced Placement Incentive Program	84.330	S330B140002	555

**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2015**

<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	\$ (594)
VIEW-JOBS Purchased Services		87201	2,893
VIEW-Supportive Services		87202	27,213
VIEW- Transitional Transportation		87204	8,117
VIEW-Transportation		87207	58,922
VIEW-Transitional Support		87211	6,226
VIEW-Other activities		87212	
Child Care and Development Block Grant:	93.575		
Fee Child Care 100% Federal		88302	(180)
Foster Care - Title IV-E:	93.658		
Children's Residential		81107	217,374
Licensed Child Placing Agency-Basic Maintenance		81108	73,818
Local Agency Foster Home-Basic Maintenance		81110	38,069
Licensed Child Placing Agency-Enhanced Maintenance for Additional Daily Supervision		81112	110,440
Central Service Cost Allocation - IV-E serv		84319	1,159
Adoption Assistance:	93.659		
Subsidized Adoption Assistance-Basic Maintenance		81201	219,618
Nonrecurring Adoption Assistance		81202	4,750
Federal Adoption Assistance-Enhanced Maintenance for Additional Daily Supervision		81203	129,859
Cost Allocation		84324	133
Social Services Block Grant:	93.667		
State Adoption Assistance		81701	64,660
Home Based Companion (State Supplement)		83304	9,589
Adult Protective Services		89501	3,332
Medical Assistance Program (Title XIX)	93.778		
Central Service Cost Allocation-Medicaid		84323	4,106



**CITY OF STAUNTON, VIRGINIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2015**

<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 HOMELAND SECURITY:</u>			
<u>Pass Through Programs:</u>			
<u>Department of Emergency Management:</u>			
Emergency Management Performace Grant	97.042	na	\$ 7,500
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
<u>Pass-Through Programs:</u>			
<u>Department of Environmetal Quality</u>			
Chesapeake Bay Program	66.466	16047	13,618
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs:</u>			
Equitable Sharing Program	16.922	n/a	1,197
<u>Pass-Through Programs:</u>			
<u>Department of Criminal Justice Services:</u>			
Crime Victim Assistance	16.575	46000	43,464
Edward Byrne Memorial Justice Assistance Grant Program	16.738	61100	36,550
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass-Through Programs:</u>			
<u>Virginia Department of Transportation:</u>			
Highway Planning and Construction	20.205	SRTS-132-334; SLEN-132-101, P101	78,118
Total Expenditures of Federal Awards			<u>\$ 3,954,707</u>

**CITY OF STAUNTON, VIRGINIA****NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2015****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.